



# Novogradac Journal of Tax Credits

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## Houston Krill Factory Catches \$28 Million in NMTCs

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**N**ew markets tax credit (NMTC) allocations totaling \$28 million will help transform a former Dreyer's Grand Ice Cream plant in Houston, Texas into a fully operational krill oil production facility. The facility is owned by Aker BioMarine (AKBM) Manufacturing, a joint venture formed in February 2013 by Naturex, a French-based manufacturer of natural ingredients for food, health and cosmetic purposes, and by Aker BioMarine Antarctic, a Norwegian company specializing in krill harvesting and development of krill-derived biotech products.

Scheduled for completion in June 2014, the plant will produce Aker BioMarine's brand of Superba Krill health supplements, which are designed to improve brain, heart and joint health. The supplements use omega-3 fatty acids extracted from krill—a tiny oceanic crustacean that migrates in swarms and is one of the most abundant biomasses on earth. The facility is expected to have an annual production capacity of up to 1,000 metric tons, which will increase Aker BioMarine's total annual production capacity of Superba Krill to 1,700 metric tons.

"The NMTC program represented a very good opportunity enabling us to obtain partial financing from high quality investors for a growth-generating industrial project within the framework of our joint venture with Aker BioMarine Antarctic," said Thierry Bertrand Lambert, Naturex's CFO, in a press release. "We are very proud to be able to contribute to this region's economic development by creating long-term industrial jobs and benefit from its ideal geographical position for developing the growth of our products in global markets."

Project partners said the 144,800-square-foot former ice cream factory's freezer rooms, cold storage space and overall infrastructure made the building a good choice for producing krill products. Furthermore, the proximity of the plant to the ports of Houston and Galveston will help AKBM Manufacturing import krill from cold storage freezers in South America. Freight ships can get to the plant using inland waterways that connect from the Gulf of Mexico. AKBM Manufacturing will use the same waterways to export its krill oil products all over the world. The krill factory will also help the surrounding community recover some of the jobs lost during the ice cream plant's closure. When Dreyer's shut down operations at the Houston facility in 2010, 168 workers lost their jobs. The new krill facility will create 50 manufacturing positions within its first three years of operation, with the capacity to support additional jobs in the future. Some of the former employees of the ice cream factory will be hired to work in the krill plant because many of the machinery skills are transferable. Located within a Texas Enterprise Zone, the project is expected to have an annual economic impact of \$65 million. Project partners say the new jobs and economic investment spurred by the development are critical to the area, which has a 14.2 percent unemployment rate and a 19.2 percent poverty rate.

### Financing

The facility received \$12 million in NMTC allocation from the National New Markets Fund LLC, \$14 million in NMTC allocation from the Texas Mezzanine Fund and \$2 million in NMTC allocation from Chase, which also provided \$9 million in NMTC equity.

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“The New Markets Tax Credit program was critical in making this project a reality,” Gaetan Sourceau, CFO of AKBM Manufacturing, said in a press release. “Our expansion to Houston might not have happened without NMTC financing, and the resulting benefits—including the jobs that will be created—might have been lost.”

Financing partners said the project was an ideal fit for the NMTC because of the quantity and quality of jobs that will be created. “Our focus is on industrial and manufacturing projects because we believe they have the greatest positive effect on direct and indirect employment and overall economic impact,” said Steve MacDonald, managing director of Strategic Development Solutions, the parent company of National New Markets Fund LLC.

Others agreed. “This project will help transform a severely distressed community and have a positive impact in northwest Houston by creating new jobs, increasing property value through the reuse of a vacant facility and establishing a new business that will act as a catalyst for additional growth and indirect job creation,” said Wanda Clark, vice president of community development banking at Chase.

Victor Elmore, president and CEO of the Texas Mezzanine Fund said the project will not only create local jobs, but will symbolize an important shift in domestic job creation. He said, “It’s bringing jobs into the U.S., versus the other direction. Now Americans are producing products for their own market—hopefully that’s a trend that will continue.” ❖

#### Aker BioMarine Manufacturing Krill Oil Production Facility FINANCING

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- \$14 million NMTC allocation from Texas Mezzanine Fund
- \$2 million NMTC allocation from Chase
- \$9 million in NMTC equity from Chase

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