



taxadvantagegroup



Associated Hardwoods QUICK FACTS

CDE

CEI Capital Management LLC

TOTAL DEVELOPMENT COST

\$8,509,643

CEI CAPITAL MANAGEMENT ALLOCATION:

\$8,319,493

LOCATION

470 Gaffney Ferry Road,
Gaffney, SC 29340

NMTC CONSULTANT

taxadvantagegroup, llc

QALICB

Associated Hardwoods SC, Inc.

LEVERAGED LENDER

Associated Hardwoods, Inc.

NMTC INVESTOR

Wells Fargo Community Investment
Holdings, LLC

PERMANENT JOBS

15 Direct
6 Indirect and induced

CONSTRUCTION JOBS

93 Direct
23 Indirect and induced

TARGETED DISTRESS

Non-Metropolitan Census Tract
State Enterprise Zone
Appalachian Regional Commission
Distressed Area
Poverty, 33.3%
MFI, 52.3%
Unemployment Rate, 15.5%
Unemployment Ratio, 1.96x the U.S.
unemployment ratio

FINANCING COMPLETE

October 2013

For more information contact:
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Associated Hardwoods

GAFFNEY, SC

Background

The New Markets Tax Credit (NMTC) Program permits taxpayers to receive a credit against federal income taxes for making Qualified Equity Investments (QEIs) in designated Community Development Entities (CDEs). Substantially all of the QEIs must in turn be used by the CDE to provide investments in Low-Income Communities (LICs).

The credit provided to the investor totals 39 percent of the cost of the investment and is claimed over a seven-year credit allowance period. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period. The NMTC program provides financing availability for projects in underserved geographic areas and with extremely favorable terms for businesses and real estate developers or owners. The result of these investments fulfills financing gaps for projects to be completed, and it allows projects to be enhanced with community-oriented components, which generate measurable community impacts.

Project

Associated Hardwoods is a family-owned lumber company specializing in wholesale lumber, specialized lumber, trucking, planed & ripped-to-width, plywood processing, and more. The company will utilize the NMTC funding to build and operate a sawmill in Gaffney, S.C., with an economic impact of \$14.7 million estimated during the first four years of the project. Construction, which begins immediately, is expected to create 93 direct and 23 indirect jobs. Once construction is complete, Associated Hardwoods expects to initially employ 15 full-time workers, expanding to 24 full-time employees in the first three years of operations; all with wages estimated to be 76% higher than the LIC average wage.

As part of its commitment to the area, Associated Hardwoods will purchase a substantial amount of local resources, which, in turn, will provide meaningful work to more than 2 dozen area logging companies. In addition, Associated Hardwoods is implementing programs to support its local small business vendors.

Due to a number of significant actions designed to protect forests and the environment, Associated Hardwoods will help ensure the Gaffney project has environmentally sustainable outcomes. Actions include: investing in new state of the art grinding equipment that converts wood waste into fuel for the boiler; reclaimable wood fibers are used in other consumer products sold to the public; improved recycling methods to decrease landfill waste by 74%; utilizing a new negative draft boiler that increases efficiency while reducing carbon footprint; Associated Hardwoods is FSC, PEFC, and SFI certified, which allows them to provide LEED certified materials to building projects; and Associated Hardwoods is Certified Sustainable by Appalachian Hardwood Manufacturers through the US Forest Service.

The Financing

With total project costs just over \$8.5 million, CEI funded the majority of the project. Project debt was self-leveraged by Associated Hardwoods through a direct loan provided by Wells Fargo Bank. Conventional financing for non-metropolitan projects in high-risk areas is difficult to secure. Without the NMTC subsidy, additional equity funding would have needed to be raised, which would have delayed, if not halted, the project timeline.

Heavily supported by the state and local community, the project has been awarded various inducements to locate including, but not limited to, a Utility Grant, a S.C. Infrastructure Fund Grant, a S.C. Set Aside Grant, a grant from the S.C. Coordinating Council of Economic Development, and a local PILOT (payment-in-lieu-of-taxes).

“The New Markets Tax Credits that tag was able to secure for us made this project possible. Associated Hardwoods is extremely pleased to establish operations in Cherokee County and looks forward to creating many long lasting partnerships throughout Gaffney and the entire region.”
- **Rick Jordan**, *President, Associated Hardwoods*

“The jobs and tax revenue being created as a result of the Associated Hardwoods project is big news for Gaffney. tag was instrumental in pumping new life into our community.”
- **Jim Cook**, *Executive Director, Cherokee County*