



Well Done Beef Processing Facility Brings Jobs Back to Imperial Valley

TERESA GARCIA, SENIOR WRITER, NOVOGRADAC & COMPANY LLP

One World Beef, a California-based premium beef brand, received 1,200 job applications six months before operations even began in November at its new beef processing facility in Brawley, Calif. That's what happens when a new business opens in a city with 22.7 percent unemployment, a figure that is more than quadruple the state's 5.3 percent and nation's 4.8 percent unemployment rates. One World Beef leveraged new markets tax credit (NMTC) financing to renovate and reopen the plant as a way to put a struggling community back to work.

“Not only do the new markets tax credits make sense economically, but this is a perfect fit from the standpoint of this deal falling directly into the crosshairs of the new markets tax credit mandates for funding those real-estate-oriented deals and job-creation deals in economically distressed areas,” said Armand Nicholi, chief financial officer of One World Ventures, an affiliate of One World Beef. “We literally checked off every box.”

County leaders agreed that One World Beef is a step in the right direction to help the region strengthen its economy. “We have the highest unemployment

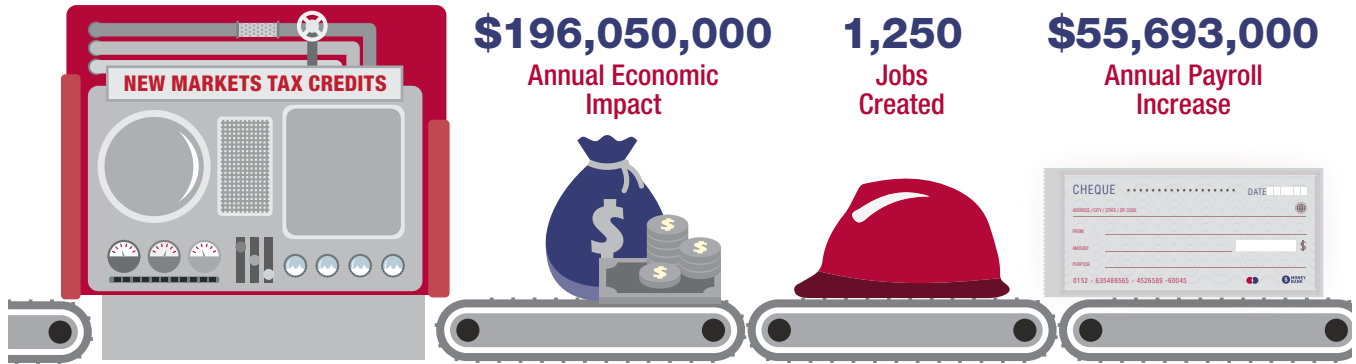
rate in California,” said Imperial County Supervisor Ryan Kelley, who helped garner local support for the project. “We have a very depressed community in regards to economic power, but we're a self-help group.”

A Craft Beef Processor

One World Beef president Eric Brandt, a Brawley native and third-generation cattle rancher, was familiar with the meat processing facility long before his company bought the 337,000 square-foot facility. Brandt worked there briefly after a consortium of local cattle feeders built the plant in 2001. The Missouri-based meat processing company, National Beef, bought the Brawley facility from the ranchers in 2006 and processed about 2,400 head of cattle a day until a drought-induced decline in cattle supply from the Midwest caused National Beef to close the facility in 2014. About 1,300 employees lost their jobs.

In 2015, Brandt decided to purchase the shuttered facility and retool it into a “craft processor” that provides specialty beef processing services on a smaller scale. Improvements to the facility include extensive energy efficiency upgrades and enhanced wastewater treatment technology.

Economic Impact of One World Beef Facility on Imperial County, Calif.



Sources: Rea & Parker Research, One World Beef, Novogradac & Company LLC

continued from page 1

Nicholi said that OWB Packers, the affiliated entity set up to acquire and run the facility, will employ a unique operating model that helps it mitigate the financial risk that other beef processing plants face. Under the traditional processing model, cattle feeders sell their cattle outright to a processor. In turn, the processor slaughters the cattle, then cuts and packages the meat for sale under its own brand. OWB Packers, however, will offer “custom toll processing,” whereby specialty beef brands can have their cattle processed to their precise specifications and retain ownership throughout the value chain.

Rebranding a Job Creator

Reopening the plant brought jobs back to a city where 23.7 percent of the population lives in poverty. When it began operations in November, OWB Packers had a staff of about 200 employees, some of whom worked at the facility when it was owned by National Beef. OWB Packers plans to increase production slowly over the next five years, eventually creating about 600 permanent direct jobs. Up to 520 of the plant’s permanent jobs will likely be filled by many former National Beef employees, some of whom may have taken lower-paying agricultural jobs while the plant was closed. By modernizing and reopening the plant, OWB Packers creates jobs that many local workers would be qualified to fill. Of the permanent jobs created, about 85 percent will be filled by low-income residents.

Beyond the jobs created directly through the plant, an economic impact study produced by Rea & Parker Research estimates that another 635 indirect and induced jobs will be created throughout the county.

Regional Impact

The new OWB Packers facility is also a game-changer for the local cattle feeders, who will once again have a local option for processing. “All of the Imperial Valley cattle feeders are spending lots of money shipping cattle to the northern parts of California, to Fresno, to Arizona or Texas, to get their cattle processed,” said Nicholi. “The further you’re shipping cattle, the more you’re eating into your profitability. To be able to process cattle locally is a huge competitive advantage.”

The beef industry accounts for \$500 million of the Imperial Valley’s agricultural export business annually, so a local facility that helps streamline meat processing is a critical asset to the entire region, said Kelley. “When National Beef was announcing that they were going to close, there were three feed lots that were in expansion mode to build more pens,” said Kelley. “Now we’re seeing that happening again with feed lots coming back and wanting to expand ... the state of California benefits immensely by being able to anchor the beef industry.”

continued on page 3



continued from page 2

Financing

Financing a renovated facility of this scale required public and private cooperation. In part, OWB Packers used a \$5 million loan from the Bank of Southern California, a \$2.5 million loan from the County of Imperial and a \$2.5 million grant from the Imperial Irrigation District.

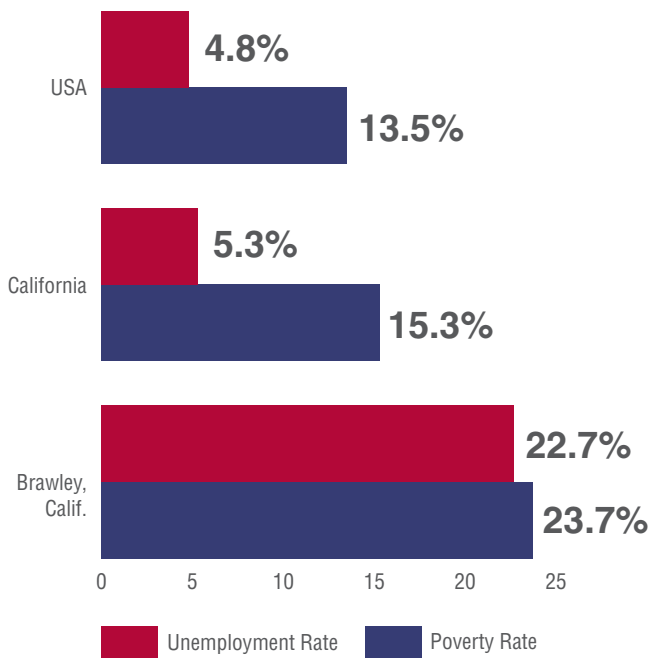
Clearinghouse CDFI. “This project will create hundreds of needed jobs in the region, and establish a high quality meat processing facility within a reasonable distance for local ranchers.”

Additionally, the NMTC program acted as a critical gap filler for the development. “The value [of the NMTC] comes from bringing low-cost capital to a project in need, to restart operations and bring much needed employment to the area,” said Tim Karp, vice president of Chase Community Development Tax Credit Group, which provided \$4.9 million in NMTC equity. “Low-cost, flexible capital was integral to the project financing.”

About \$8 million of NMTC allocation was provided by Border Communities Capital Company, an affiliated entity of Chelsea Investment Corporation. Jerry Hannon, chief financial officer of Chelsea Investment Corporation, said that the transaction fits squarely with its mission to serve border communities. “Border communities have high unemployment and high poverty,” said Hannon. “This addresses both of those needs.” Hannon called the transaction a model project for the NMTC program.

“As you can tell from the varied financing sources, this project was extremely difficult to finance conventionally and the gap funding need was substantial. The NMTC program provided critical funding that allowed the project to go forward,” said Paul Hoffman, managing director of CityScape Capital Group, whose affiliate CCG Community Partners LLC provided \$6.8 million of NMTC allocation authority to the transaction. “The project is an immediate job creator and significant catalyst for economic stability and long-term growth for both Brawley and the greater Imperial Valley with its biggest beneficiaries being the residents within the low-income community.”

Unemployment and Poverty Rates in Brawley, Calif.



Sources: Rea & Parker Research, One World Beef, Novogradac & Company LLP

Clearinghouse CDFI provided a \$5 million loan to fill a financing gap that traditional lenders are generally unwilling to undertake. “The Imperial Valley is a severely distressed area, with high unemployment and limited investment, so it is a location where our mission-based lending can make a significant impact,” said Douglas Bystry, president and chief executive officer of

continued from page 3

One World Beef

FINANCING

- ◆ \$8 million new markets tax credit (NMTC) allocation from Border Communities Capital Company LLC
- ◆ \$6.8 million NMTC allocation from CCG Community Partners LLC
- ◆ \$5 million loan from Clearinghouse Community Development Financial Institution
- ◆ \$5 million from Bank of Southern California
- ◆ \$4.9 million NMTC equity investment from Chase
- ◆ \$2.5 million loan from County of Imperial
- ◆ \$2.5 million from Imperial Irrigation District

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