

MEMORANDUM

TO: KEDFA Board Members

FROM: Jean Hale, Chairman
Kentucky Economic Development Finance Authority

DATE: April 5, 2017

SUBJECT: KEDFA Special Board Meeting



A special meeting of the Kentucky Economic Development Finance Authority is called for **9:30 a.m. (EDT) on Monday, April 10, 2017** via video conference.

Meeting locations are as follows:

- **Frankfort**
Kentucky Cabinet for Economic Development, Old Capitol Annex, 300 West Broadway,
Board of Directors Conference Room
- **Louisville**
First Rate Mortgage, 10400 Linn Station Road, Suite 226
- **Pikeville**
Community Trust Bank, Inc. 346 North Mayo Trail, 5th Floor Conference Room

The purpose of the meeting is to consider a Kentucky Jobs Retention Act (KJRA) Supplemental project in Scott County.

Attachment

KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY

Old Capitol Annex
Board of Directors Conference Room
300 West Broadway
Frankfort, Kentucky

SPECIAL BOARD MEETING

AGENDA
April 10, 2017

Call to Order
Notification of Press
Roll Call

1. **KJRA (Supplemental) Project – Scott County**
Presented by Katie Smith and Michelle Elder

Adjournment

Video Conference Sites:

Cabinet for Economic Development
Board of Directors Conference Room
Old Capitol Annex
300 West Broadway
Frankfort, Kentucky

First Rate Mortgage
10400 Linn Station Road, Suite 226
Louisville, Kentucky

Community Trust Bank, Inc.
5th Floor Conference Room
346 North Mayo Trail
Pikeville, Kentucky

**KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY
KJRA REPORT - APPROVAL OF SUPPLEMENTAL PROJECT**

Date: April 10, 2017
Preliminary Approval: May 30, 2013
Final Approval: April 17, 2013
Approved Company: Toyota Motor Manufacturing, Kentucky, Inc.
City: Georgetown
Activity: Manufacturing
Bus. Dev. Contact: M. Lambert

Activation Date: September 28, 2015
County: Scott
Supplemental Res #: KJRA-F-13-19488-S1
OFS Staff: M. Elder

Project Description:

Toyota Motor Manufacturing, Kentucky, Inc., known as TMMK, in Georgetown represents Toyota's first wholly owned manufacturing facility in the United States. TMMK currently builds the Camry, Camry Hybrid, Avalon, Avalon Hybrid and Lexus ES350, and the facility also machines and assembles four-cylinder & V-6 engines, axles, steering and engine components. The plant includes 8.1 million square feet on 1,300 acres with a production capacity of 550,000 vehicles and 600,000 engines, which is the company's largest plant in the world. The proposed project is to utilize the Toyota New Global Architecture, which is an integrated approach to developing powertrain components and vehicle platforms, at the first plant in North America. The project will replace aging equipment, implement new technologies, streamline processes and improve part handling and logistics in an effort to improve vehicle safety and quality and improve competitiveness. Additionally, a new paint shop will be added to the existing facility footprint.

1st Supplemental Project Costs	Maximum Recoverable Costs	Total Investment
Building (new construction/acquisition/additions)	\$160,800,000	\$214,400,000
Equipment (including installation costs)	\$748,500,000	\$998,000,000
Total 1st Supplemental Project Costs	\$909,300,000	\$1,212,400,000
Original Project Costs	\$265,600,000	\$531,200,000
TOTAL KJRA PROJECT COSTS	\$1,174,900,000	\$1,743,600,000

NEGOTIATED TARGETS AND INCENTIVE AMOUNTS:

	Year	Previous Job Target (90% required)	REVISED Job Target (90% required)	Annual Approved Cost Limitation
	Previously Earned			\$75,000,000
	3/31/2018	6,739	7,880	\$25,000,000
	3/31/2019	6,739	7,880	\$10,000,000
Current number of full-time, Kentucky resident employees	3/31/2020	6,739	7,880	\$10,000,000
	3/31/2021	6,739	7,880	\$10,000,000
	3/31/2022	6,739	7,880	\$10,000,000
	3/31/2023	6,739	7,880	\$10,000,000
	3/31/2024	6,739	7,880	\$10,000,000
	3/31/2025	6,739	7,880	\$10,000,000
	3/31/2026		7,880	\$10,000,000
	3/31/2027		7,880	\$10,000,000

(Note: Current and anticipated jobs do not include variable and contract workers)
Average total hourly compensation for existing jobs: \$45.47

TOTAL NEGOTIATED TAX INCENTIVE AMOUNT: **\$190,000,000**

Other Conditions/Requirements:

- 1) Total cumulative investment of \$1,743,600,000 to be achieved by March 31, 2020. If the investment is less than \$1,569,000,000 (90% of the projected investment), the Total Negotiated Tax Incentive Amount will be reduced to equal the sum of \$146,500,000 (original incentive amount) plus 3.6% of the investment above \$531,200,000 (original projected investment).
- 2) The term of the Agreement matures on March 31, 2027.
- 3) The state wage assessment is 4%. The City of Georgetown and Scott County Fiscal Court support the project and will contribute a combined 1% (0.5% each) of its local occupational tax.
- 4) TMMK will be subject to automatic reduction of available incentives for the succeeding fiscal year upon failure to achieve ninety percent (90%) of the job target in any year of the agreement term. The maximum annual incentive for the fiscal year following the year in which TMMK achieves less than 90% of the job target shall be reduced pro rata to the percentage of job target achieved for the prior fiscal year.
- 5) The company will also be subject to suspension of claiming incentives for the succeeding fiscal year upon failure to achieve a job target of 6,739 full-time, Kentucky resident employees in any year of the agreement term after April 10, 2017. The amount not claimed during the suspension may be used as a carryforward amount in future years once compliance is confirmed.