

KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY

BOARD MEETING January 30, 2020

MINUTES

Call to Order

The Kentucky Economic Development Finance Authority (KEDFA) convened at 10:03 a.m. EST on January 30, 2020, at the Cabinet for Economic Development, Old Capitol Annex, Board of Directors Conference Room, 300 West Broadway in Frankfort, Kentucky.

Notification of Press

Jean R. Hale, Chairman, received verification that the media had been notified of the KEDFA regular monthly board meeting.

Roll Call

Members Present: Jean R. Hale, J. Don Goodin, Winston Miller, proxy for Secretary Holly M. Johnson, Tucker Ballinger, Chad Miller, Mike Cowles and Naashom Marx

Staff Present: Bobby Aldridge, Tim Back, Sarah Butler, Rachael Dever, Michelle Eider, Tony Ellis, Annie Franklin, Krista Harrod, Jim Kirk, Zach Lawrence, Andy Lutner, Brandon Mattingly, Kate McCane, Sean Muldoon, Kylee Palmer, Debbie Phillips, Katie Smith, Teresa Spreitzer and Jeff Taylor

Others Present: Jim Deckard, Hurt, Deckard & May; Mike Herrington, Stites & Harbison; Jamie Brodsky, Stoll Keenon Ogden; Adam Ray, Brown & Kubican; Tom Mayhal, Centrality; Katherine Utsinger, City of Ashland; Casey Bolton, Commonwealth Economics; Casey Dunn, Denham-Blythe; Billy Aldridge, Finance & Administration Cabinet, Office of Financial Management; Jeff Hodges, Gray Construction; Eric Gregory, Kentucky Distillers' Association; John McCarty, Lexington Capital Advisors; Zeeshan Bhatti and Sara Bowman, Louisville Forward; Sierra Enlow, McGuire Sponsel; Sandy Romenesko, Mt. Sterling-Montgomery County Chamber of Commerce; Matt Zoellner, Scott, Murphy & Daniel; and Steve Kleug and Chris Nicolazzo, Wastequip, LLC

Approval of Minutes

Chairman Hale entertained a motion to approve the minutes from the December 12, 2019 regular KEDFA board meeting and executive session.

Chad Miller moved to approve the minutes, as presented; Mike Cowles seconded the motion. Motion passed; unanimous.

Approved/Undisbursed Report

Chairman Hale called on Kylee Palmer to review the approved/undisbursed report. After review, the Authority accepted the report as presented.

Financial Statements and Monitoring Reports

Chairman Hale called on Krista Harrod to review the financial statements and monitoring reports. After review, the Authority accepted the statements and reports as presented.

Tax Increment Financing (TIF) Project (Final)

Chairman Hale called on Ms. Palmer to present a TIF project for final approval to the Authority.

**City of Ashland Department of Finance
Ashland Plaza Redevelopment Project
Boyd County**

Kylee Palmer

Ms. Palmer stated Ashland Plaza Redevelopment Project is a Mixed-Use Redevelopment in Blighted Urban Areas TIF project. The development is expected to include renovation of the current Ashland Plaza Hotel, construction of new public parking structure and conference center, downtown streetscape and utility improvements, renovation of old college building at 1420 Central Avenue to residential units and renovation of 4-story building at 15th and Winchester. The construction is estimated to be completed by Spring 2021.

The applicant, City of Ashland Department of Finance, requested final approval of the Ashland Plaza Redevelopment Project Mixed-Use Redevelopment in Blighted Urban Areas TIF project. The total estimated cost of the project is \$43,450,000 of which approximately \$12,750,000 is estimated for eligible public infrastructure. The applicant is eligible to recover a negotiated tax incentive amount up to \$6,800,000 for public infrastructure through a 45% recovery on sales and real estate property taxes. Only amounts deemed as eligible public infrastructure costs that occur within the State footprint are eligible for recovery through increments. No state taxes shall be eligible for recovery until the minimum capital investment of \$20,000,000 (not to exceed \$200,000,000) has been verified as being invested in the development area.

Total cumulative investment of \$43,450,000, excluding financing costs, must be achieved to be eligible for the maximum total incentive of \$6,800,000. The actual project completion percentage of the investment will be applied annually to the total incentive approved of \$6,800,000 to determine the maximum total incentive available/earned for the project during the term of the agreement.

Staff recommended final approval of the negotiated tax incentive amount of up to \$6,800,000.

Ms. Palmer introduced Katherine Utsinger and Casey Bolton and invited them to address the board regarding the project.

J. Don Goodin moved to approve the staff recommendation, as presented; Tucker Ballinger seconded the motion. Motion passed; unanimous.

Tax Increment Financing (TIF) Project (Extension)

Chairman Hale called on Ms. Palmer to present a TIF extension request to the Authority.

**West Kentucky Rural Telephone Cooperative Corporation, Inc.
Graves County**

Ms. Palmer stated the applicant requested a 6-month extension to determine next steps for the WKT Technology Park Project TIF.

Staff recommended approval of the TIF extension request.

Mr. Goodin moved to approve the staff recommendation, as presented; Mr. Miller seconded the motion. Motion passed; unanimous.

Kentucky Rural Economic Development Act (KREDA) Project (Amendment)

Chairman Hale called on Mr. Aldridge to present a KREDA project amendment to the Authority.

Sun Pools, Inc.

Clinton County

Mr. Aldridge stated due to an asset sale, Sun Fiberglass Products of Kentucky, Inc. requested a First Amendment to KREDA Tax Incentive Agreement to assign the rights, duties and responsibilities of the Agreement to Sun Pools, Inc. retroactive to June 26, 2018.

Staff recommended approval of the KBI amendment request.

Mr. Cowles moved to approve the staff recommendation, as presented; Mr. Miller seconded the motion. Motion passed; unanimous.

Kentucky Enterprise Initiative Act (KEIA) Projects (Extension)

Chairman Hale called on Bobby Aldridge to present the KEIA extension requests to the Authority.

Mr. Aldridge stated eight companies requested additional time to complete the projects. Mr. Aldridge asked that all eight be presented as one motion.

<u>Company</u>	<u>County</u>	<u>Extension</u>
Buffalo Trace Distillery	Franklin	4 Month
American Greetings Corporation	Boyle	6 Month
Blueframe Design + Build LLC	Madison	12 Month
Hollison LLC	Daviess	12 Month
Kentucky Green Harvest LLC	Lincoln	12 Month
Novelis Corporation	Todd	12 Month
Sister Schubert's Homemade Rolls, Inc.	Hart	12 Month
The Hillshire Brands Company	Campbell	12 Month

Staff recommended approval of the KEIA extension requests.

Mr. Ballinger moved to approve the staff recommendation, as presented; Mr. Miller seconded the motion. Motion passed; unanimous.

KEIA Projects

Chairman Hale called on staff to present the KEIA projects to the Authority.

Buffalo Trace Distillery, Inc.

Franklin County

Andy Luttner stated Buffalo Trace Distillery, Inc. has been making bourbon whiskey for more than 200 years. The project would include the expansion of its barrel storage warehouses to meet increased demand.

Michelle Elder stated the project investment is \$8,500,000 of which \$3,000,000 qualifies as KEIA eligible costs.

Staff recommended the KEIA approved recovery amount of \$100,000 for construction materials and building fixtures.

Mr. Ballinger moved to approve the staff recommendation, as presented; Mr. Miller seconded the motion. Motion passed; unanimous.

Andy Luttner
Michelle Elder

**Logan Corporation
Magoffin County**

**Zach Lawrence
Kate McCane**

Zach Lawrence stated Logan Corporation is both a mining supplier and a full-scale dump body manufacturer. The company is considering expanding its current facility and adding another electrical service in order to increase its production.

Kate McCane stated the project investment is \$1,230,000 of which \$350,000 qualifies as KEIA eligible costs.

After discussion, staff recommended the KEIA approved recovery amount of \$20,000 for construction materials and building fixtures.

Mr. Goodin moved to approve the staff recommendation, as presented; Mr. Ballinger seconded the motion. Motion passed; unanimous.

**Maker's Mark Distillery, Inc.
Marion County**

**Annie Franklin
Debbie Phillips**

Annie Franklin stated Maker's Mark Distillery, Inc. is a leader in the production of high-end bourbon. The company is considering the construction of five maturation warehouses, which will each house 50,000 barrels.

Debbie Phillips stated the project investment is \$30,000,000 of which \$9,000,000 qualifies as KEIA eligible costs.

Staff recommended the KEIA approved recovery amount of \$400,000 for construction materials and building fixtures.

Mr. Goodin moved to approve the staff recommendation, as presented; Mr. Cowles seconded the motion. Motion passed; unanimous.

KBI (Preliminary) and KEIA Projects

Chairman Hale called on staff to present the KBI preliminary and KEIA projects to the Authority.

**Green Bomber Kentucky, LLC
Garrard County**

**Annie Franklin
Michelle Elder**

Ms. Franklin stated Green Bomber Kentucky, LLC was formed in December 2019 to operate a whiskey distillery in Kentucky. In addition to opening the distillery, the company is considering operating a bottling facility for whiskey produced by the company and third-party distillers.

Ms. Elder stated the project investment is \$9,000,000 of which \$4,200,000 qualifies as KBI eligible costs and \$2,250,000 qualifies as KEIA eligible costs. The highest job target over the term of the agreement is 40 with an average hourly wage of \$15.00 including benefits. The state wage assessment participation is 3.00% and Garrard County will participate at 1.00%.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$400,000 and the KEIA approved recovery amount of \$135,000 for construction materials and building fixtures.

Mr. Miller moved to approve the staff recommendation, as presented; Mr. Ballinger seconded the motion. Motion passed; unanimous.

**JW Rutledge Distillery, LLC
Woodford County**

**Annie Franklin
Michelle Elder**

Ms. Franklin stated JW Rutledge Distillery, LLC is a start-up company with owners collectively having over 40 years' experience distilling and distributing bourbon for national companies. The company is considering using this knowledge to build a new distillery to enhance and promote Kentucky bourbon heritage with its own bourbon brand, J.W. Rutledge.

Ms. Elder stated the project investment is \$20,580,072 of which \$15,690,402 qualifies as KBI eligible costs and \$11,650,710 qualifies as KEIA eligible costs. The highest job target over the term of the agreement is 47 with an average hourly wage of \$31.00 including benefits. The state wage assessment participation is 3.00% and the City of Midway will participate at 0.50% with Woodford County Fiscal Court participating at 0.50%.

After discussion, staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$1,000,000 and the KEIA approved recovery amount of \$500,000 for construction materials and building fixtures.

Mr. Ballinger moved to approve the staff recommendation, as presented; Mr. Cowles seconded the motion. Motion passed; unanimous.

**Bluegrass Roller Service, Inc.
Shelby County**

**Jim Kirk
Kate McCane**

Jim Kirk stated Bluegrass Roller Service, Inc. services its customers' needs via manufactured rollers specific to the applications originating in the steel, plastic, glass, paper and wood industries. The company is considering moving its current operations to a new facility to meet growing market demand.

Ms. McCane stated the project investment is \$3,875,000 of which \$3,825,000 qualifies as KBI eligible costs and \$2,100,000 qualifies as KEIA eligible costs. The highest job target over the term of the agreement is 10 with an average hourly wage of \$17.00 including benefits. The state wage assessment participation is 3.00% and the City of Shelbyville will participate at 1.00%. The company will be required to maintain a base employment equal to the number of full-time, Kentucky resident employees as of the date of preliminary approval.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$100,000 and the KEIA approved recovery amount of \$50,000 for construction materials and building fixtures.

Mr. Goodin moved to approve the staff recommendation, as presented; Mr. Ballinger seconded the motion. Motion passed; unanimous.

KBI Projects (Preliminary)

Chairman Hale called on staff to present the KBI preliminary projects to the Authority.

**Wastequip, LLC
Montgomery County**

**Andy Luttner
Debbie Phillips**

Mr. Luttner stated Wastequip, LLC operates parts distribution businesses in Tennessee and Indiana. The company is considering a centralized distribution center of aftermarket parts for the waste industry to meet growing customer demand.

Mr. Luttner introduced Sandy Romenesko, John McCarty, Steve Klueg and Chris Nicolazzo and invited them to address the board regarding the project.

Ms. Phillips stated the project investment is \$7,283,020 of which \$4,039,510 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 100 with an average hourly wage of \$27.00 including benefits. The state wage assessment participation is 5.00%. Wastequip, LLC has evaluated its operations in Louisa (Lawrence County) and Middlesboro (Bell County) and expects to maintain a minimum of 85% of the current level of employment based upon current economic conditions. However, given the changes occurring and potential changes occurring to its major customer base in the region, the company requires the right to a future amendment to this agreement designating the current employment level as base employment in lieu of a specific maintenance requirement in Lawrence and Bell Counties.

After discussion, staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$1,900,000.

Mr. Goodin moved to approve the staff recommendation, as presented; Mr. Cowles seconded the motion. Motion passed; unanimous.

**CGS Machine & Tool, Inc.
Warren County**

**Andy Luttner
Michelle Elder**

Mr. Luttner stated CGS Machine & Tool, Inc. is a machine shop producing quality parts for companies throughout the Midwest and Southeast. The company is considering adding production capacity including a building renovation to house new equipment.

Ms. Elder stated the project investment is \$2,750,000 of which \$2,050,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 15 with an average hourly wage of \$26.00 including benefits. The state wage assessment participation is 3.00% and the City of Bowling Green will participate at 1.00%. The company will be required to maintain a base employment equal to the number of full-time, Kentucky resident employees as of the date of preliminary approval.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$250,000.

Mr. Goodin moved to approve the staff recommendation, as presented; Mr. Miller seconded the motion. Motion passed; unanimous.

**S. Rays, Inc.
Shelby County**

**Annie Franklin
Michelle Elder**

Ms. Franklin stated S. Rays, Inc. (Shady Rays) embarked on a journey to solve the problem with sunglasses in 2012. The company is considering expanding its location in Simpsonville and adding additional staff to continue to grow the company.

Ms. Franklin introduced Sierra Enlow and invited her to address the board on behalf of the project.

Ms. Elder stated the project investment is \$464,300 of which \$429,150 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 38 with an average hourly wage of \$22.00 including benefits. The state wage assessment participation is 2.25% and the City of Simpsonville will participate at 0.25% with Shelby County Fiscal Court participating at 0.50%. The company will be required to maintain a base employment equal to the number of full-time, Kentucky resident employees as of the date of preliminary approval.

After discussion, staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$200,000.

Mr. Miller moved to approve the staff recommendation, as presented; Mr. Ballinger seconded the motion. Motion passed; unanimous.

**Tokai Carbon GE LLC
Fulton County**

**Andy Luttner
Michelle Elder**

Mr. Luttner stated Tokai Carbon GE LLC is a manufacturer and distributor of graphite electrodes to the steel industry. The company is considering adding an additional building, new conveyors, autoclaves and furnaces to allow Tokai to increase production and fully serve the U.S. market.

Ms. Elder stated the project investment is \$25,000,000, all of which qualifies as KBI eligible costs. The highest job target over the term of the agreement is 15 with an average hourly wage of \$29.00 including benefits. The state wage assessment participation is 5.00%. The company will be required to maintain a base employment equal to the number of full-time, Kentucky resident employees as of the date of preliminary approval.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$500,000.

Mr. Cowles moved to approve the staff recommendation, as presented; Winston Miller seconded the motion. Motion passed; unanimous.

KBI Projects (Extension)

Chairman Hale called on Ms. Elder to present the KBI extension requests to the Authority.

Ms. Elder stated eleven companies requested additional time to complete the projects and asked that all eleven be presented as one motion.

<u>Company</u>	<u>County</u>	<u>Extension</u>
Builders FirstSource, Inc.	Warren	6 Month
DPL Financial Partners, LLC	Jefferson	6 Month
Amazon.com Services, Inc.	Boone	12 Month
Asahi Bluegrass Forge Corporation	Madison	12 Month
Coldstream Laboratories, Inc.	Fayette	12 Month
Custom Resins, Inc.	Henderson	12 month
Evolent Health LLC	Jefferson	12 Month
Hardin Scientific, Inc.	Green	12 Month
Infiltrator Water Technologies, LLC	Clark	12 Month
OG&A BioSpecialties LLC	Daviess	12 Month
Precision Strip, Inc.	Warren	12 Month

Staff recommended approval of the KBI extension requests.

Mr. Ballinger moved to approve the staff recommendation, as presented; Mr. Cowles seconded the motion. Motion passed; unanimous.

KBI Projects (Final)

Chairman Hale called on Ms. Phillips to present the KBI final projects to the Authority.

Ms. Phillips stated ten companies requested KBI final approval, five of which have modifications since preliminary approval. Ms. Phillips asked that all ten be presented as one motion.

No Modifications:

<u>Project Name</u>	<u>County</u>	<u>Type Project</u>
Carter Lumber Company	Warren	Manufacturing
CCBCC Operations, LLC	Kenton	Service & Technology
Fritz Winter North America LP	Simpson	Manufacturing
Gehret Gage, LLC	Simpson	Manufacturing
Lakeshore Equipment Company dba Lakeshore Learning Materials	Woodford	Service & Technology

Modifications:

KBCB, LLC Boone Manufacturing
 The company name changed from Whitehall Inc. to KBCB, LLC. All other aspects of the project remain the same.

Safran Landing Systems Kentucky, LLC Boone Manufacturing
 The company name changed from Messier-Bugatti USA, LLC to Safran Landing Systems Kentucky, LLC. All other aspects of the project remain the same.

Stark Truss Company, Inc. Simpson Manufacturing
 The project changed from a leased project to an owned project. All other aspects of the project remain the same.

Thorntons LLC Jefferson Headquarters
 The company name changed from Thorntons Inc. to Thorntons LLC. The total investment decreased from \$27,782,000 to \$23,485,112. The eligible costs decreased from \$26,842,000 to \$20,842,000. The project changed from an owned project to a leased project with no rent eligible. All other aspects of the project remain the same.

Toyota Tsusho America, Inc. Scott Manufacturing
 The preliminary approval included a base employment requirement as well as a county-wide maintenance requirement of 95%. The countywide maintenance requirement will be replaced with a campus approach requirement to include all company locations within Georgetown/Scott County. Only investment costs incurred at 700 Triport Road will be considered toward calculating eligible costs. Employees and their respective wages at the locations included in the project definition will be eligible for compliance. All other aspects of the project remain the same.

After discussion, staff recommended final approval of the KBI resolutions, tax incentive agreements and the authorization to execute and deliver the documents.

Mr. Goodin moved to approve the staff recommendation, as presented; Mr. Ballinger seconded the motion. Motion passed, unanimous.

Kentucky Reinvestment Act (KRA) Projects (Final)

Chairman Hale called on Ms. Phillips to present the KRA final projects to the Authority.

Ms. Phillips stated the following KRA projects were being presented for final approval and asked that they presented as one motion.

**Pilkington North America, Inc.
Woodford County**

Ms. Phillips stated Pilkington North America, Inc. requested final approval of its project. There were no modifications to the project since preliminary approval.

The company currently has 305 full-time employees and has expended approximately \$7,579,370 in equipment and related costs of which \$3,789,685 are eligible costs. Pilkington North America, Inc. is eligible to receive the \$700,000 negotiated tax incentive amount as preliminarily approved.

**SFC Global Supply Chain, Inc.
Boone County**

Ms. Phillips stated SFC Global Supply Chain, Inc. requested final approval of its project. There were no modifications to the project since preliminary approval.

The company currently has 339 full-time employees and has expended approximately \$32,467,963 in equipment and related costs of which \$16,233,982 are eligible costs. SFC Global Supply Chain, Inc. is eligible to receive the \$2,500,000 negotiated tax incentive amount as preliminarily approved.

Staff recommended final approval of the KRA resolutions, revitalization agreements and the authorization to execute and deliver the documents.

Mr. Miller moved to approve the staff recommendation, as presented; Mr. Cowles seconded the motion. Motion passed; unanimous.

Kentucky Small Business Tax Credit (KSBTC) Projects

Chairman Hale called on Tim Back to present the KSBTC projects to the Authority.

Mr. Back stated there are 15 Kentucky small businesses, from 11 counties with qualifying tax credits of \$149,600. The 15 businesses created 45 jobs and invested \$286,049 in qualifying equipment and/or technology.

Mr. Back requested the following tax credits be presented as one motion:

Qualified Small Business	County	Beg. Emp.	Elig. Pos.	Average Hourly Wage	Qualifying Equipment or Technology	Tax Credit
Air Raid Trampoline Park LLC	Laurel	0	4	\$ 16.89	\$ 51,129	\$ 14,000
Automated Living LLC	Jefferson	2	1	\$ 13.50	\$ 10,900	\$ 3,500
Barnhill Chimney Supply, LLC	Fayette	3	1	\$ 16.92	\$ 15,496	\$ 3,500
Barnhill Enterprises, LLC	Fayette	26	2	\$ 30.35	\$ 32,810	\$ 7,000
Bluegrass Chiro, PLLC	Boyle	35	4	\$ 32.11	\$ 14,208	\$ 14,000
Brite Wholesale Electric Supply, Inc.	Hardin	31	2	\$ 13.95	\$ 33,997	\$ 7,000
DX Solutions, LLC	Jessamine	0	8	\$ 28.54	\$ 34,000	\$ 25,000
Engineered Building Systems, Inc.	Campbell	12	1	\$ 56.25	\$ 5,011	\$ 3,500
Franklin Management, Inc.	Adair	10	6	\$ 24.00	\$ 24,917	\$ 21,000
Grover Tire, LLC	Graves	7	2	\$ 15.00	\$ 8,042	\$ 7,000
Haybrier Inc.	Jefferson	0	8	\$ 24.20	\$ 23,100	\$ 23,100
J.E.T. Tank Testing, Inc.	Marion	7	1	\$ 16.04	\$ 6,400	\$ 3,500
Pleasant Meadow II, LLC	Franklin	9	1	\$ 16.00	\$ 5,901	\$ 3,500
Rockerbuilt LLC	Jefferson	0	3	\$ 18.33	\$ 13,321	\$ 10,500
Scott Endodontics, PLC	Jefferson	4	1	\$ 17.00	\$ 6,817	\$ 3,500

Staff recommended approval of the tax credits.

Naashom Marx moved to approve the staff recommendation, as presented; Mr. Goodin seconded the motion. Motion passed; unanimous.

Other Business

Quarterly Report - Kentucky Small Business Credit Initiative (KSBCI)

Chairman Hale called on Ms. Palmer to review the KSBCI Quarterly Funding Report for the period ending December 31, 2019. After review, the Authority accepted the report as presented.

Revised Local Industrial Revenue Bonds (IRB) Operating Procedures

Chairman Hale called on Katie Smith to review the Revised IRB Operating Procedures for submission to the Authority.

Ms. Smith stated, Kentucky Revised Statute (KRS) 103.210 requires the Kentucky Economic Development Finance Authority (KEDFA) to evaluate and give its prior approval of the reduction of the state ad valorem tax rate on property being financed through the issuance of industrial revenue bonds by a local tax-exempt governmental unit or statutory authority. KEDFA has adopted and periodically updates the Operating Procedures for the evaluation and approval of the reduced ad-valorem taxes.

The revisions to the Operating Procedures includes minor edits and incorporates language clarifying the requirement of a Payment in lieu of Taxes (PILOT) agreement including 100% payment of the school tax to the local school district(s).

Staff recommends approval of the revised Operating Procedures.

Mr. Cowles moved to approve the staff recommendation, as presented; Mr. Miller seconded the motion. Motion passed; unanimous.

Adjournment

There being no further business, Chairman Hale entertained a motion to adjourn.

Mr. Goodin moved to adjourn the January KEDFA board meeting; Mr. Ballinger seconded the motion. Motion passed; unanimous.

The meeting adjourned 10:57 a.m.

**APPROVED
PRESIDING OFFICER:**



Jean R. Hale, Chairman