



FAQs:

Kentucky Product Development Initiative (KPDI) Program

March 2023

The purpose of this document is to address various questions about the Kentucky Product Development Initiative (KPDI) program and process. The Kentucky Cabinet for Economic Development (Cabinet) staff is available and happy to discuss any potential project to determine if the KPDI program is the best approach and if any other incentive programs align with the potential project. Any term not defined in this FAQ document will have the same meaning as in the Fact Sheet (a link to which can be found at the bottom of this document).

What entities may apply as Eligible Grant Recipients of the KPDI grant funds?

A local government or an economic development authority in Kentucky planning to engage in an Economic Development Project (as defined on the fact sheet) in Kentucky. Examples include cities, counties, riverport authorities, industrial development authorities, public entities, and other special purpose government entities.

If an Eligible Grant Recipient received funding under KPDI Round 1, is the Eligible Grant Recipient also eligible to apply for funds under KPDI Round 2?

Yes. Receipt of KPDI Funding under Round 1 does not exclude an Eligible Grant Recipient from applying under KPDI Round 2.

What is required if a local government or economic development entity does not currently own the land?

A legally binding letter of intent, option for the sale or sale agreement.

What are the eligible uses of the grant funds?

Eligible uses may include, but are not limited to, expenditure in any of the following categories or some combination thereof, subject to Cabinet review:

- Due diligence study
 - Must validate the property is free from impediments listed in the Property Development Ability evaluation criteria
- Property acquisition
- Infrastructure extension or improvement
- Site preparation work
- Building construction or renovation
- Road improvements

- Spec Buildings
- Utility extension to a publicly owned site

Can the grant funds be used to expand utilities to properties with existing industries?

Yes, the utility expansion would be considered an eligible use/cost for the program. Please note the independent consultant would still need to evaluate and score the application for such a project.

Will an applicant be limited in how much KPDI funding can be used for property acquisition?

Funding per Eligible Project for the second round may be limited to the lesser of the following:

- 1) Available matching funds on a dollar-for-dollar basis
- 2) \$2,000,000 per Eligible Project per county

If there are expenses that would be required before the application, can those be reimbursed with grant funds later?

The Eligible Grant Recipient may begin incurring costs for the Eligible Project after the application deadline submission date to KAED at its own risk. Should a KPDI funding award occur, costs incurred for the Eligible Project after the application submission date to KAED may be considered eligible as matching funds or for reimbursement.

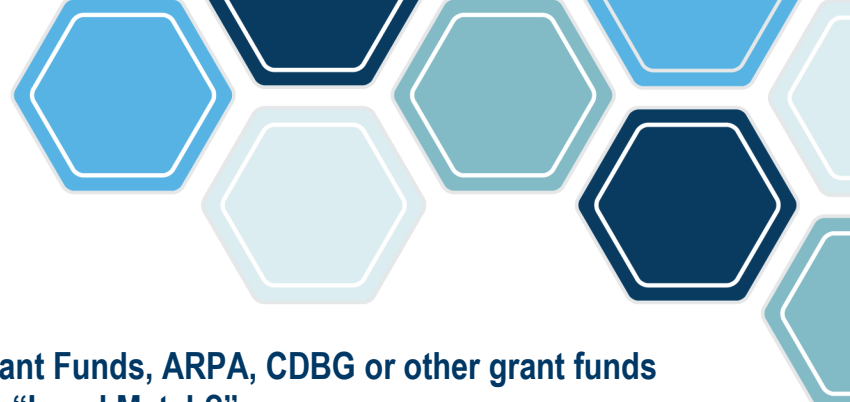
If an Eligible Project includes an Eligible Use of property acquisition, then eligible due diligence costs incurred after the application deadline submission date to KAED may qualify as matching funds should a KPDI funding award occur.

If the cost of land is more than what KPDI can contribute, will the program still contribute if other third parties agree to fund the difference (capital stack)?

Yes. KPDI may fund up to 50% of the total project costs, subject to the maximum funding limitations outlined above.

What is considered an eligible “Local Match?”

Funding may be provided from local governments, companies, organizations, utilities, non-profits, federal funds, etc. to assist with the project costs. In-kind services are not permissible for matching funds or disbursement requests. In-kind fee simple donations are permissible as matching funds if value of the donated asset may be independently determined.



Are TVA in lieu of funds, Coal Severance Grant Funds, ARPA, CDBG or other grant funds held by the local government eligible for the “Local Match?”

Yes, as long as the applicant can demonstrate that the matching funds meet all of the following:

- (1) Funds may be used at the discretion of the applicant
- (2) Funds are available
- (3) Funds are permitted for such use.

Eligible Projects will be required to provide invoices and proof of payment for the expenditures and investment incurred. Thus, in-kind services are not permissible for matching funds or disbursement requests.

What are the best partnerships for the local match? Do those partnerships need to be in place before the application?

Communities are encouraged to have a letter of commitment for the funds to have a stronger application. Area Development Districts, utilities, rail providers, riverports and local governments are encouraged to be considered for a partnership on the project. The match funding source should be identified as part of the application.

Can option payments made during the due diligence phase, count towards the match?

No.

If an Industrial Development Authority (IDA) applies for KPDI to cover expenses related to due diligence, engineering, design, and a small amount of infrastructure upgrade, could purchasing the land be the IDA’s dollar-for-dollar match?

If an Eligible Project includes property acquisition as an Eligible Use, then eligible due diligence costs incurred after the application deadline submission date to KAED may qualify as matching funds should a KPDI funding award occur. Thus, the IDA funding can be used for the due diligence, engineering and design as the local match, and the KPDI funds can be applied for the purchase acquisition and infrastructure upgrade.

Are projects bound to Davis-Bacon wages?

No, not for the KPDI program. However, an applicant is encouraged to assess whether other sources of funds for the proposed project may have this requirement.

If a local economic development authority was approved for Pilot PDI funds or KPDI Round 1 funds, will it be eligible to apply for KPDI grant funds?

Yes.



Is \$200 million available for the KPDI Program?

No. HB 1 of the 2022 Regular Session appropriated \$100 million for the KPDI program. Additionally, another \$100 million was appropriated for a separate and distinct program. The separate program may provide funding for a “mega-development project of at least \$10,000,000.” Note that a mega economic development

project is one that is already of interest to a company seeking to locate or expand in Kentucky and that has infrastructure costs exceeding \$10,000,000 at the potential location.

What population estimates were used to establish the maximum funding for each county?

Per the legislation, 2020 census data was used to formulate maximums for each county. Population estimates used to establish maximum funding in KPDI Round 1 do not apply to KPDI Round 2 funding. Instead, under KPDI Round 2, the maximum funding available for each county shall not exceed \$2,000,000 except if the county is participating in a Regional Project.

For a regional project, does the land have to cross county lines or can it be in one county with sharing of the available funding?

The land may be located in one county and multiple counties agree to apply together and combine the available funds for each county.

Provide examples of maximum funding available for regional projects since there is a \$2 million maximum available for a project per county.

Example 1 – Two-county regional project where total eligible project costs exceed \$8,000,000:
\$4,000,000 maximum available

Example 2 – Two-county regional project where total eligible project costs are \$6,000,000:
\$3,000,000 maximum available

If a county is approved or under consideration for approval of KPDI grant funding under Round 1, will the maximum available under Round 2 be reduced by the Round 1 award?

No. The maximum available for Round 2 is \$2,000,000 per county except if the county is participating in a Regional Project.

Is there an application fee and how is that applied with multiple applications?

Yes. There is a \$500 application fee which is required for each application submitted.



Can a county be part of multiple applications? Example, a regional and single project application?

Yes. Regional collaboration is strongly encouraged.

Can grant awards be amended if the project costs significantly increase from the application deadline to the point of construction?

No.

Is there an opportunity for updated project costs after the grant recommendation but before KEDFA approval begins?

At the conclusion of the independent site consultant's review, a list of recommended projects will be provided to the Cabinet for consideration. The Cabinet has an application and approval process for projects recommended for grant funding. The project may update the costs of the project on the application submitted to the Cabinet, but a request to increase the grant funding amount cannot be made.

How is utility adequacy taken into account in the scoring process?

The legislation states that the property the Eligible Project occupies or is proposed to occupy shall have access to adequate utilities and shall be served or able to be served by the following: i) electric infrastructure, ii) natural gas, iii) water infrastructure and a public water system, iv) wastewater infrastructure and a public wastewater treatment plant, excluding septic wastewater treatment system, and v) fiber telecommunications infrastructure.

Can grant funds be used to expand utilities to privately owned sites?

No. Utility expansion on publicly owned land or right of way to service privately owned sites does not qualify as an Eligible Project.

Fact Sheet

See [CED.KY.GOV/KPDI](https://ced.ky.gov/kpdi) for additional resources and the KPDI Fact Sheet.

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