

# Just the Facts:

## Kentucky Product Development Initiative (KPDI)

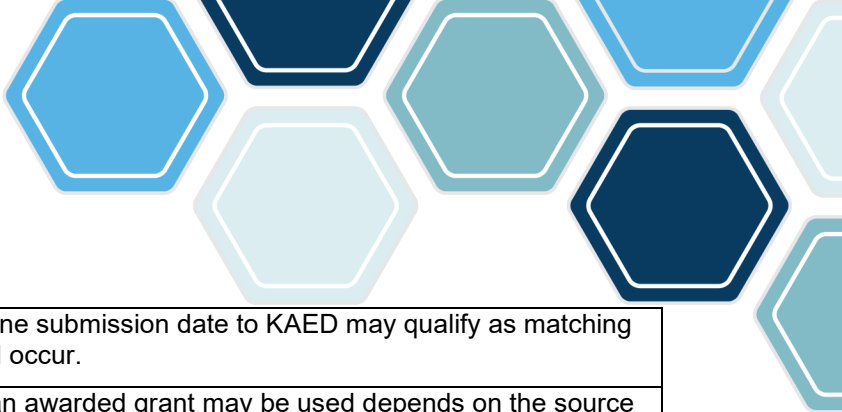
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This fact sheet provides an overview of the Kentucky Product Development Initiative (KPDI) Program. For a full discussion of the program requirements, please see KRS 154.21. As with all incentive programs administered by the Cabinet for Economic Development (Cabinet), any inducements offered to an eligible project under the KPDI program are negotiated by Cabinet officials and subject to approval by the Kentucky Economic Development Finance Authority (KEDFA).

Applicants with potential site and infrastructure improvement projects resulting in increased economic development opportunities for Kentucky may seek funding assistance for the proposed project through the KPDI Program. The Cabinet will work with the Kentucky Association for Economic Development (KAED) and its third-party independent site selection consultant to administer the KPDI Program. Please note the KPDI Program is a competitive process and meeting Evaluation Criteria or being the sole Eligible Project applying from a given county does not guarantee funding.

### Key Program Definitions

Economic Development Project	<p>Investment in site and infrastructure improvements that could result in an opportunity for an entity engaged in one or more of the following activities:</p> <ul style="list-style-type: none"> <li>• Manufacturing</li> <li>• Agribusiness</li> <li>• Headquarters operations</li> <li>• Nonretail service or technology activities</li> <li>• Coal severing and processing</li> <li>• Hospital operations</li> <li>• Alternative fuel, gasification, energy-efficient alternative fuels or renewable energy production</li> <li>• Carbon dioxide transmission pipeline</li> </ul>
Eligible Grant Recipient	<p>A grant applicant that is a local government or an economic development authority in an economic development district in Kentucky that is engaged in an Eligible Project.</p>
Eligible Project	<p>An Economic Development Project that is initiated on:</p> <ul style="list-style-type: none"> <li>• Publicly owned property OR</li> <li>• Either of the following only if the Eligible Use includes property acquisition or due diligence study:             <ul style="list-style-type: none"> <li>○ Property with a legally binding letter of intent or option for the sale to an Eligible Grant Recipient</li> <li>○ Property with a sale agreement for the sale to an Eligible Grant Recipient</li> </ul> </li> </ul> <p>The Eligible Project is required to have available matching funds for the project on a dollar-for-dollar basis and satisfy the evaluation criteria defined herein. If an Eligible Project includes an Eligible Use of property acquisition, then eligible due diligence costs</p>



	incurred after the application deadline submission date to KAED may qualify as matching funds should a KPDI funding award occur.
Eligible Use	<p>The authorized purpose for which an awarded grant may be used depends on the source of funds from the Commonwealth. Eligible use may include, but is not limited to, expenditure in any of the following categories or some combination thereof:</p> <ul style="list-style-type: none"> <li>• Due diligence study             <ul style="list-style-type: none"> <li>◦ Must validate the property is free from impediments listed in the Property Development Ability evaluation criteria</li> </ul> </li> <li>• Property acquisition</li> <li>• Infrastructure extension or improvement</li> <li>• Site preparation work</li> <li>• Building construction or renovation</li> <li>• Road improvement</li> </ul>
Regional Project	An Eligible Project that is proposed by Eligible Grant Recipients residing in different counties in Kentucky who submit a single grant application as co-applicants.

**Evaluation Criteria**

The KPDI program may not be available for Eligible Projects that have previously received economic development incentives, including TIF or loan funding. Eligible Projects should have substantial preliminary work completed and be ready to proceed with the project within two (2) months of funding approval. Additionally, 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 documentation for matching funds or disbursement requests.

The KAED and its third-party independent site selection consultant will consider the following requirements in the evaluation of the proposed projects:

- Property availability
- Property development ability
- Zoning availability
- Transportation accessibility
- Utility adequacy

**Property Availability**

The property that the Eligible Project currently occupies or is proposed to occupy is available. The property is deemed available if it meets one of the following conditions:

- Publicly owned
- Either of the following only if the Eligible Use includes property acquisition or due diligence study:
  - Property with a legally binding letter of intent or option for the sale to an Eligible Grant Recipient
  - Property with a sale agreement for the sale to an Eligible Grant Recipient

**Property Development Ability**

The property that the Eligible Project currently occupies or is proposed to occupy is developable. The property is deemed developable if it meets the following conditions:

- Acreage intended for development is clearly defined by either of the following:
  - Grant applicant OR
  - Engineering partner during or after a site visit if the applicant is unable to define the developable acreage
- Property is free of impediments to development or a known impediment can be mitigated by a grant applicant. A property is free of impediments if it meets the following:
  - Located outside of the 100 year and 500 year flood zone
  - Free of recognized environmental conditions
  - Free of wetlands
  - Free of state and federally threatened and endangered species
  - Free of areas of archaeological or historical significance
  - Possesses soils compatible with the grant applicant's intended development

### Zoning Availability

The property that the Eligible Project currently occupies or is proposed to occupy is appropriately zoned for the intended use or will be able to be rezoned within 90 calendar days. The properties surrounding the grant applicant's project site are zoned so they are compatible with the grant applicant's intended development and use of the project site.

### Transportation Accessibility

The property that the Eligible Project currently occupies or is proposed to occupy is directly served by a road or roads that are compatible with the intended use of the property. The property will be deemed rail-served if it meets one of the following conditions:

- Grant applicant provides documentation from the rail provider that evidences the rail infrastructure exists and the rail provider actually provides rail service
- If rail service does not exist at the time of application, the grant applicant provides documentation from the rail provider that evidences the project site will be able to be rail-served within 12 months

### Utility Adequacy

The property that the Eligible Project currently occupies or is proposed to occupy has access to adequate utilities and is served or able to be served by the following:

- Electric infrastructure
- Natural gas
- Water infrastructure and a public water system
- Wastewater infrastructure and a public wastewater treatment plant, excluding a septic wastewater treatment system
- Fiber telecommunication infrastructure

## Scoring Criteria

The KAED and its third-party independent site selection consultant shall develop a scoring system for the project and project site proposed by each grant applicant based on the total projected return on investment, key workforce characteristics and the relative positive impact in the community. The scoring system shall include a total weighted score, which is the average of the scores in each of the following categories:

- Projected return on investment the project will yield, which includes an assessment of the following:
  - Likelihood of project completion at the applicant's proposed site, both with and without the potential funding from the Cabinet
  - Projected gross economic impact of the proposed project on the community
  - Projected number of jobs created by the proposed project and subsequent impact on the

- community
- Determination of the cost of the job based on the cost expended by the Cabinet if it awards the requested grant amount to the applicant
- Key workforce characteristics, including an assessment of objective workforce data for the community in which the project is located
- Relative positive impact the project will have on the surrounding community

## Funding Round Maximums

The Cabinet may recommend approval of grants by KEDFA through the Economic Development Fund (EDF) program for Eligible Projects with Eligible Grant Recipients for Eligible Uses identified in two rounds of funding. The maximum funding authorized by the General Assembly to fund the KPDI Program is \$100,000,000.

The KPDI program is a competitive process and is meant to be transformative. Meeting evaluation criteria or being the sole applicant in a county does not guarantee funding. Actual awards for eligible applicants are determined by the results of the Scoring Criteria and prioritization as provided by the third-party independent site selection consultant.

### Maximum Funding Available – Round 1

For Round 1 of KPDI applications, the maximum funding available for each county was determined by each county's proportion share of the state's population from the 2020 Census with one exception – Jefferson County's share was discounted by fifty percent (50%). Additionally, the maximum funding available for an Eligible Project was \$2,000,000 per county.

### Maximum Funding Available – Round 2

If funds remain available after the first round of applications, a second round of applications may be initiated. Any remaining funds will be pooled and available on a first-come, first-served basis through the same process and program requirements, and the maximum funding available for each county shall not exceed \$2,000,000 except if the county is participating in a Regional Project. Additionally, the maximum funding available for an Eligible Project is \$2,000,000 per county.

## The Process – KAED and its Third-Party Independent Site Selection Consultant

- A template letter of intent and application will be released with separate deadlines for submission.
- Eligible Grant Recipients with a potential Eligible Use for an Eligible Project will submit a letter of intent providing an overview of the proposed project.
  - Eligible Grant Recipients with a potential Eligible Use for a Regional Project will submit a single letter of intent providing an overview of the proposed project.
- Eligible Grant Recipients with a potential Eligible Use for an Eligible Project will submit an "RFI application" and supporting documentation providing details of the proposed project.
  - Eligible Grant Recipients with a potential Eligible Use for a Regional Project will submit a single application and supporting documentation providing details of the proposed project.
  - **Please note a KPDI funding award is not guaranteed if an application is submitted. 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 for matching funds and reimbursement.**
- Each application will complete the following process:
  - Reviewed to determine it meets the evaluation criteria
  - Scored based on the scoring criteria
  - Prioritized based on the greatest return on investment, workforce creation and relative positive impact on the community

- A list of recommended projects will be provided to the Cabinet for consideration of grant funds.
  - Application and supporting documentation related to each recommended project will be provided to Cabinet staff.
- Detailed feedback to all grant applicants will be provided.
- An annual report will be prepared and submitted to the Cabinet including the following information:
  - Listing of all applicants and proposed Eligible Uses
  - Identify applicants selected and not selected for recommendation to the Cabinet
  - Trends found in feedback given to applicants who were not selected for recommendation
  - Any other information requested by the Cabinet

## The Process – Cabinet Application and Approval Process

- After the list of recommended projects is provided, Cabinet staff will provide an EDF-KPDI application to each project under consideration for funding.
  - The Cabinet will perform due diligence and review eligibility requirements and work with the applicant to identify the appropriate Grantee (local government entity to flow the funds through) and the Beneficiary for the project (Eligible Grant Recipient).
- Upon receipt of a completed application with required supporting documentation, Cabinet staff will prepare a draft KEDFA board report.
  - A local resolution from the Grantee is required to be attached to the EDF-KPDI application.
  - Draft KEDFA board report will be provided to Grantee and Beneficiary for review and acceptance to terms and conditions.
- Once the draft KEDFA board report is accepted, the Cabinet’s legal counsel will be engaged to draft the grant agreement.
  - Draft grant agreement will be provided to Grantee and Beneficiary for review.
  - Upon receipt of the executed grant agreement from the Grantee and Beneficiary, a recommendation and concurrence letter will be prepared and signed by the Cabinet’s Secretary and the Secretary of the Finance and Administration Cabinet.
  - After required documentation is received, the Application will be presented to KEDFA for approval.
- If KEDFA approval occurs, the project will be submitted to the State Property and Buildings Commission and the Capital Projects and Bond Oversight Committee for approvals.
- After approval by all three boards/committees is received, the Secretary of the Cabinet and the Secretary of the Finance and Administration Cabinet sign the agreement, and copies will be provided to the Grantee and Beneficiary.
- In accordance with the grant agreement, disbursement requests may be submitted monthly requesting funds to be disbursed on a reimbursement basis.
  - Invoices, proof of payment, matching funds, progress reports and other supporting documentation will be required to be submitted with each request.
  - Annual reports will be requested to obtain information on projects that may have located on the property involved in the infrastructure improvements funded with KPDI Funds.
- Upon review and approval of documentation, funds will be disbursed to the Grantee to provide to the Beneficiary.

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