

KENTUCKY QUALIFIED DATA CENTER INCENTIVE PROGRAM

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As a part of our mission to work collaboratively with stakeholders in the economic development profession across the Commonwealth, the Kentucky Cabinet for Economic Development (KCED) has established a set of guidelines in which Kentucky state and local partners should use to guide our collective approach to working with data center projects. [Link here.](#)

This document is meant to outline **required deliverables** for any project seeking benefit from the Kentucky Qualified Data Center Incentive Program. Projects that are awarded a “KEDFA preliminary approval” should understand that this is CONTINGENT upon additional written and confirmed information being provided within a subsequent nine-month period. This information should clearly define and validate benefits of the project for the community and state, with certain safeguards that ensure those benefits are met. ***Should the project not provide the required deliverables within the interim performance period, as outlined by Resolution, the preliminary approval will be rescinded, and the project will not move forward with any benefits.***

At its simplest, a data center is a physical facility that organizations use to house their critical applications and data. A data center's design is based on a network of computing and storage resources that enables the delivery of shared applications and data. The key components of data center design include routers, switches, firewalls, storage systems, servers, and application-delivery controllers.

Data centers alone may not be considered economic development projects. Like many projects – economic success very much depends on the end user, the community being considered and the projected benefits each unique project may bring.

Hence, KCED has established guidelines within this document to assist applicants, utilities and communities to work together to assure any Data Center project is good for the community, the people residing in the area and the long-term economic benefits are realized. Basically, these guidelines assure:

- Defined community benefits from the project,
- The local schools benefit appropriately,
- The project does not place any burden on those residents, business and commercial utility users in the area, now and in the future.

	Before KEDFA Preliminary Approval	Interim Performance Period (9 months)	Before KEDFA Final Approval
COMPANY	<p>Non-refundable application fee payable to KEDFA for \$1,000.</p> <p>Company letter addressing the following:</p> <ul style="list-style-type: none"> • Brief history of the business & description of the project, including proposed plans for securing an end user(s), if applicable. Consideration should be given to the community's role in selection or early notification of the end user(s). • Company ownership structure. • Outlined investment for the project (land, lease, equipment, startup costs, building improvements, etc.) <p>Timeline for the project and the costs to be incurred.</p> <p>Financial statement for the most recent fiscal year-end.</p> <p>A sources and uses of cash schedule to define the capital to be spent on the project deemed acceptable in the KCED's discretion.</p> <p><i>KEDFA will approve a resolution outlining project requirements to be met.</i></p> <p>No investments should be made prior to preliminary approval or until confirming with the CED leadership.</p>	<p>Updated Company letter(s) addressing the following:</p> <ul style="list-style-type: none"> • Identification of a Project Operator, Operator or Colocation Tenant, including a description of the agreement between the parties. • If no Project Operator, Operator or Colocation Tenant have been secured, share what formal efforts are in process to secure, with the understanding that said efforts are in an advanced stage and that the applicant has a high degree of confidence, based on existing negotiations and/or term sheets under review. <p>Community engagement plan, addressing the following:</p> <ul style="list-style-type: none"> • Description of jobs to be created by the project (wages with and without benefits, FT/PT, on site or remote, contractor or permanent). • An overview of financial benefits expected to be generated from the project, (sales or property tax revenue, school district PILOTs, etc.) • Overview of any additional state or local incentives that are being requested or have been secured to support the project. • An independent economic impact study. • Strategic Plan to protect the community's investment if project jobs and tax revenues do not materialize. 	<p>Completed exhibit showing achievement of minimum capital investment, and any other documentation required under the MOA.</p>

		<ul style="list-style-type: none"> • Decommissioning Plan if the facility ceases operations prematurely, outlining commitments in place for demolition or repurposing of the facility. • The electric utility shall provide an explanation how non-data center rate payers will be impacted with the project, and what steps, including filings with the Public Service Commission the utility is taking to avoid added costs for non-data center rate payers as part of the project. • Any plans for setbacks, landscaping and berming to align with local planning and zoning standards, and any ecological measures taken to minimize impact. • A plan to engage and inform residents and elected officials throughout the project. • Verification that the company has met with local special districts (including emergency services) to ensure they can effectively serve the project. <p><i>KEDFA will enter into an MOA outlining the criteria upon which a certificate of sales and use tax exemption may be issued by the Kentucky Department of Revenue.</i></p> <p>Administrative fee required to be paid prior to execution of the MOA is \$25,000 for a Project Organizer and \$70,000 for an Owner, Operator or Colocation Tenant. Approved company shall pay all legal costs incurred by KEDFA for the preparation of the</p>	
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		Resolution and Memorandum of Agreement.	
LOCAL COMMUNITY	<p>A letter endorsing the project from the appropriate local elected official (Mayor, County Judge)</p> <ul style="list-style-type: none"> • May include local contingencies 	<ul style="list-style-type: none"> • Updated letter endorsing the project from the appropriate local elected official, addressing the following: • An overview of any formal financial incentives to support the project. If incentives have been approved, provide copy of any local resolutions. • An overview of any local ordinances or zoning changes that have occurred or are planned to support the project. • Verification of engagement in the company’s community engagement plan. 	If material changes have occurred to the project or community engagement plan, an updated letter from previous submissions may be required.
UTILITY PROVIDERS	<p><i>Letters should be provided from ALL utilities – electric, gas, water, sewer providers.</i></p> <p>Letter endorsing the project confirming the ability to meet the capacity requirements and timelines. If the utility cannot meet the capacity, provide a plan addressing any costs to upgrade. If known, the letter should address any potential rate increases.</p>	<p><i>Letters should be provided from ALL utilities – electric, gas, water, sewer providers.</i></p> <p>A “will-serve” letter from all relevant utilities. These letters should:</p> <ul style="list-style-type: none"> • Be issued on official utility letterhead; • Confirm technical and operational feasibility, and address whether an inter-connection agreement is in place • Be signed by the utility CEO or equivalent executive leadership. • The “will-serve” letter should confirm available capacity for the project and outline available capacity for growth. • The letter should certify the anticipated utility demand and its impact on existing 	<p><i>Letters should be provided from ALL utilities – electric, gas water, sewer providers.</i></p> <p>Company must provide an executed agreement between the Project Owner and the Operator or Co-location tenant. (With Public Service Commission approval)</p>

		<p>residential, commercial and industrial consumers.</p> <ul style="list-style-type: none">• The letter should quantify the investment required for the utility to serve the data processing center, and whether these costs will have any short and/or long-term impact on utility rates for existing customers.• The letter should include plans to ensure continued availability, reliability, and affordability of service for all customers, including room for future residential and business growth.• If rates are expected to increase as a result of costs to serve the data center, an explanation is required on the level of potential impact on ratepayers. Said explanation must be shared with KCED and the local Fiscal Court and City Commission. If power generation is required, a plan for how the project will be funded should be included. Information should be verified from technical and operational feasibility studies.	
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