

KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY

BOARD MEETING May 30, 2019

MINUTES

Call to Order

The Kentucky Economic Development Finance Authority (KEDFA) convened at 10:06 a.m. EDT on May 30, 2019, 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, Melinda Hill, proxy for Secretary William M. Landrum, III and Tucker Ballinger

Staff Present: Bobby Aldridge, Tim Back, Jessica Burke, Sarah Butler, Brittany Cox, Rachael Dever, Michelle Elder, Annie Franklin, Kate Greenwell, David Hamilton, Krista Harrod, Adam Houk, Jim Kirk, Zach Lawrence, Andy Luttner, Kristine McNeil, Jason Neal, Kylee Palmer, Erran Persley, Debbie Phillips, Katie Smith and Teresa Spreitzer

Others Present: Michael Kalinyak, Hurt, Deckard & May; Dwight Young, Stites & Harbison; Jamie Brodsky, Stoll Keenon Ogden; Katy Garvey, Bingham Greenebaum Doll; Casey Bolton, Commonwealth Economics; Casey Dunn, Denham Blythe; Billy Aldridge, Kentucky Finance and Administration Cabinet, Office of Financial Management; Mac Glidewell and Natasha Sams, Kentucky Entrepreneurship Education Network, Inc.; John Wallace Dant, III, Log Still Distilling, LLC; Carolee Allen, Lockett & Farley; Barry Lendrum, Paladin; Matt Zoellner, Scott, Murphy & Daniel; and George Ward, University of Kentucky

Approval of Minutes

Chairman Hale entertained a motion to approve the minutes from the April 25, 2019 regular KEDFA board meeting and executive session.

Melinda Hill moved to approve the minutes, as presented; Tucker Ballinger 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.

Audit Communication

Chairman Hale called on Katie Smith to review the Audit Communication. Ms. Smith informed the board that MCM CPAs and Advisors will perform the audit and discussed the timing of the field work.

Tax Increment Financing (TIF) Project (Final)

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

Department of Finance of LFUCG Coldstream Research Campus Project Fayette County

Ms. Palmer stated Coldstream Research Campus Project is a Mixed-Use Redevelopment in Blighted Urban Areas TIF project. The development is expected to include 190,000 sq. ft. lab space, 234,000 sq. ft. office space, 243,000 sq. ft. residential, 125 room hotel, 21,000 sq. ft. restaurant space and 15,000 sq. ft. retail space. The construction is estimated to take place over the next six (6) years.

The project was reviewed by an independent consultant and determined to create a net new positive impact for the Commonwealth. The Office of State Budget Director and the Finance and Administration Cabinet approved the consultant's recommendations and have certified the report and the findings with their statutorily-required Certification of Net Positive Impact to the Commonwealth. The applicant has also reviewed the report and agrees with the findings and the amount eligible for recovery.

The applicant, Department of Finance of LFUCG, requested approval of the Coldstream Research Campus Mixed-Use TIF project. The total project investment is \$199,025,029 of which approximately \$27,090,729 is eligible for public infrastructure. The applicant is eligible to recover a negotiated tax incentive amount up to \$4,634,000 for public infrastructure through a 50% recovery on withholding, sales and real estate property taxes over 20 years. Only amounts deemed as public infrastructure 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.

The total cumulative investment of \$176,463,154, excluding financing costs, must be achieved to be eligible for the maximum total incentive of \$4,634,000. The actual project completion percentage of the investment will be applied annually to the total incentive approved of \$4,634,000 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 \$4,634,000.

Ms. Palmer introduced George Ward and Casey Bolton and invited them to address the board regarding the project.

Don Goodin moved to approve the staff recommendation, as presented; Ms. Hill seconded the motion. Motion passed; unanimous.

High-Tech Investment Pool Project

Chairman Hale called on staff to present a High-Tech Investment Pool project to the Authority.

Kentucky Entrepreneurship Education Network, Inc.

KEENStart

Franklin County

Kristine McNiel stated Kentucky Entrepreneurship Education Network, Inc. (KEENStart) is requesting support through the High-Tech Pool (HTP) to gain the opportunity to further impact Kentucky's entrepreneurial ecosystem. KEENStart offers educational opportunities and programs to teens and young adults focused on entrepreneurship, design-thinking and innovation strategies.

Kristine McNiel

Kylee Palmer

Ms. Palmer stated the Kentucky Entrepreneurship Education Network, Inc. requested \$265,000 from the High-Tech Pool. At a minimum, a dollar-for-dollar match will be required. Funds will be disbursed on a reimbursement basis, with eligible expenses retroactive to March 1, 2019. The company will report on the use of funds every six months with a final report at the end of the project term. The grant term will cover two years, with a maximum of \$132,500 for Year 1 and a maximum of \$132,500 for Year 2. A review of the progress of KEENStart will be performed at the end of Year 1 by the Cabinet to determine if the project funding should continue in Year 2. All funds must be requested with supporting documentation and progress reports no later than June 30 of each compliance year.

Staff and the Executive Director, Office of Entrepreneurship, recommended approval of the grant request.

Ms. Palmer introduced Mac Glidewell and Natasha Sams and invited them to address the board regarding the project.

After discussion, Mr. Ballinger moved to approve the staff recommendation, as presented; Ms. Hill seconded the motion. Motion passed; unanimous.

KEDFA Industrial Revenue Bond (IRB) Project (Amendment)

Chairman Hale called on Debbie Phillips to present a KEDFA IRB project amendment to the Authority.

CommonSpirit Health

Ms. Phillips stated on March 28, 2019, KEDFA approved an inducement resolution related to the proposed issuance of revenue bonds in an aggregate principal amount not to exceed \$135 million on behalf of CommonSpirit Health (formed through the alignment of the ministries of Catholic Health Initiatives and Dignity Health). The bond proceeds were to be used to refinance all or a portion of a series of bonds issued by KEDFA in 2009 and/or acquisition finance all or a portion of projects financed and/or refinanced by a series of bonds issued by KEDFA in 2013, all for the prior benefit of Catholic Health Initiatives.

CommonSpirit Health requested an amendment to the inducement resolution to increase the proposed aggregate principal amount to \$330,000,000. The bond proceeds will be used to acquisition finance all or a portion of projects financed and/or refinanced by a series of bonds issued by KEDFA in 2013 and/or refinance all or a portion of a series of bonds issued by KEDFA in 2004 (Series 2004C), 2009 (Series 2009A) and 2011 (Series 2011B-1 and Series 2011B-2), all for the prior benefit of Catholic Health Initiatives. The local jurisdictions that may be impacted by the project have not changed and include Lexington, Bardstown, Mt. Sterling, London, and Nicholasville, Kentucky.

KEDFA's adoption of a final resolution will be contingent on the Cabinet's receipt of referral resolutions from the affected local jurisdictions requesting that KEDFA issue the bonds. Furthermore, a TEFRA hearing for the purpose of receiving public comment on the proposed bond issues will be conducted by staff prior to KEDFA's adoption of a final resolution. Final approval is expected to be sought at the June 2019 Board meeting.

If the financing is approved, KEDFA would serve as the conduit issuer of the bonds. The bonds would not constitute a general obligation of KEDFA and KEDFA would not be obligated to pay principal or interest for the bonds from its own funds.

Staff recommended KEDFA's adoption of the amended inducement bond resolution.

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

Kentucky Business Investment (KBI) Project (Amendment)

Chairman Hale called on Bobby Aldridge to present a KBI project amendment to the Authority.

Divisions, Inc.

Campbell County

Mr. Aldridge stated Divisions, Inc. provides facilities maintenance management services to retail and commercial property owners throughout the United States. The project received final approval on August 28, 2014 to expand the company's headquarters in Newport and activated August 28, 2016. The company has outgrown the original project space at One Riverfront Place and has leased additional space at 1 Levee Way in Newport. The company requested the new site be included in the project. This First Amendment to Tax Incentive Agreement adds the new site, creating a project campus and allows the employees working there to be included as Project Employees. All other aspects of the project remain the same.

Staff recommended approval of the KBI amendment request.

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

KEIA Project

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

Country Boy Brewing, L.L.C.

Scott County

Andy Luttner stated Country Boy Brewing, L.L.C. produces a variety of high-quality craft beers that are regionally distributed. The company is considering adding additional space for warehousing raw material, an expansion of its packaging line and the addition of a quality control lab.

Andy Luttner

Debbie Phillips

Ms. Phillips stated the project investment is \$1,888,215 of which \$650,000 qualifies as KEIA eligible costs.

Staff recommended the KEIA approved recovery amount of \$35,000 for construction materials and building fixtures.

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

Kentucky Business Investment (KBI) Project (Preliminary) and KEIA Project

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

Log Still Distilling, LLC Nelson County

**Jim Kirk
Kate Greenwell**

Jim Kirk stated Log Still Distilling, LLC is a producer of high-quality bourbons and ryes. The company is considering purchasing land in New Haven to develop a new full-scale bourbon production facility.

Mr. Kirk introduced John Wallace Dant, III and invited him to address the board regarding the project.

Kate Greenwell stated the project investment is \$12,000,000 of which \$8,700,000 qualifies as KBI eligible costs and \$3,500,000 qualifies as KEIA eligible costs. The highest job target over the term of the agreement is 20 with an average hourly wage of \$26.00 including benefits. The state wage assessment participation is 3.0% and Nelson County will participate at 0.50%.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$500,000 and the KEIA approved recovery amount of \$100,000 for construction materials and building fixtures.

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

KBI Projects (Preliminary)

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

Pennington Stave and Cooperage Corp Metcalf County

**Andy Luttner
Michelle Elder**

Mr. Luttner stated Pennington Stave and Cooperage Corp, a startup company, is considering locating a stave mill and cooperage in the Edmonton-Metcalf County Industrial Park. The company would produce staves and new barrels required for the growing spirits and wine industries.

Michelle Elder stated the project investment is \$34,414,420 of which \$16,414,420 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 126 with an average hourly wage of \$18.00 including benefits. The state wage assessment participation is 3.0% and the City of Edmonton will participate at 0.50% with Metcalf County participating at 0.50%. The company acknowledges that the project is to be located in a county currently certified as an enhanced incentive county, and further acknowledges that it does not wish to proceed under the KBI program provisions applicable to such projects and instead waives the enhanced county benefits.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$2,000,000.

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

**Adient US LLC
Scott County**

**Jason Neal
Michelle Elder**

Jason Neal stated Adient US LLC, formally Johnson Controls, opened for business in 1993 as an automotive manufacturing operation. A well-known car manufacturer has awarded Adient a contract to assemble seats for a line of vehicles. The company is considering adding additional square footage to its existing facility to support the new raw material receiving and staging necessary for this new contract.

Ms. Elder stated the project investment is \$6,494,466 of which \$4,932,206 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 42 with an average hourly wage of \$27.00 including benefits. The state wage assessment participation is 3.0% and the City of Georgetown will participate at 0.50% with Scott 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. The company will be required to maintain 90% of the total statewide full-time, Kentucky resident employees at all company locations, excluding the site of the project, as of the date of preliminary approval.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$650,000.

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

**CCI Industrial Services, LLC
Pulaski County**

**Andy Luttner
Debbie Phillips**

Mr. Luttner stated CCI Industrial Services, LLC specializes in industrial machinery moving and fabrication. The company is considering the construction of a new facility and the purchase of equipment to meet growing demands.

Ms. Phillips stated the project investment is \$3,200,000, all of which qualifies as KBI eligible costs. The highest job target over the term of the agreement is 100 with an average hourly wage of \$20.00 including benefits. The state wage assessment participation is 5.0%. The company will be required to maintain a base employment equal to the greater of the number of full-time, Kentucky resident employees as of the date of preliminary approval or 31 full-time, Kentucky resident employees (the base employment number required by a previous project).

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$1,250,000.

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

**ABB/CON-CISE Optical Group LLC
Kenton County**

**Brittany Cox
Kate Greenwell**

Brittany Cox stated ABB/CON-CISE Optical Group LLC is the nation's premier, independent distributor of optical products. The company manufactures gas permeable contact lenses, distributes soft contact lenses and creates state-of-the-art custom eyewear. ABB Optical is considering leasing a facility for its Digital Eye Lab to help meet growing demand.

Ms. Greenwell stated the project investment is \$14,972,000 of which \$5,479,000 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 200 with an average hourly wage of \$18.00 including benefits. The state wage assessment participation is 1.50% and the City of Erlanger will participate at 0.50%.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$2,000,000.

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

**Richmond Auto Parts Technology, Inc.
Madison County**

**Brittany Cox
Debbie Phillips**

Ms. Cox stated Richmond Auto Parts Technology, Inc. (RAPT) is a Tier I and Tier II supplier of the automotive industry. RAPT specializes and manufactures automatic transmission gears and component parts. The company is considering adding a new product line to meet growing demands.

Ms. Phillips stated the project investment is \$21,758,811 of which \$1,343,530 qualifies as KBI eligible costs. The highest job target over the term of the agreement is 20 with an average hourly wage of \$25.00 including benefits. The state wage assessment participation is 3.0% and the City of Richmond will participate at 1.0%. 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 \$350,000.

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

**Tailor Made Compounding, LLC
Jessamine County**

**Brittany Cox
Debbie Phillips**

Ms. Cox stated Tailor Made Compounding, LLC is a pharmacy related company specializing in amino acid and peptide medications. The company is considering an expansion of its current facility in Nicholasville.

Ms. Phillips stated the project investment is \$800,000, all of which qualifies as KBI eligible costs. The highest job target over the term of the agreement is 40 with an average hourly wage of \$22.00 including benefits. The state wage assessment participation is 3.0% and the City of Nicholasville will participate at 0.60% with Jessamine County participating at 0.40%. 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. Only investment costs incurred by the approved company will be considered toward calculating eligible costs. Only the approved company may participate in the corporate income tax credit incentive (no affiliate is eligible). The jobs creation/maintenance and wage requirements will be satisfied collectively by the approved company and the affiliate, DEAL Media L.L.C.

Staff recommended preliminary approval of the KBI negotiated tax incentive amount of \$350,000.

Mr. Goodin moved to approve the staff recommendation, as presented; Mr. Ballinger 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 three companies requested additional time to complete the projects and asked that all three be presented as one motion.

Company	County	Extension
Bluegrass Supply Chain Services, LLC	Edmonson	12 Month
Pilgrim's Pride Corporation	Graves	12 Month
Pride Industries, Inc.	Union	12 Month

Staff recommended approval of the KBI extension requests.

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

KBI Projects (Final)

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

Ms. Phillips stated four companies requested KBI final approval, one of which has a modification since preliminary approval. Ms. Phillips asked that all four be presented as one motion.

No Modifications:

Project Name	County	Type Project
Accumetric, LLC	Hardin	Manufacturing
Rajant Corporation	Rowan	Manufacturing
The Bardstown Bourbon Company, LLC	Nelson	Manufacturing

Modification:

Catalent Pharma Solutions, LLC	Clark	Manufacturing
The total negotiated tax incentive amount increased from \$4,500,000 to \$5,000,000. All other aspects of the project remain the same.		

Staff recommended approval of the KBI final resolutions and tax incentive agreements and the authorization to execute and deliver the documents.

Mr. Ballinger moved to approve the staff recommendation, as presented; Mr. Goodin 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 were 20 Kentucky small businesses from 14 counties with qualifying tax credits of \$183,000. The 20 businesses created 54 jobs and invested \$576,048 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 and/or Technology	Tax Credit
Allstate Mechanical LLC	Jefferson	10	3	\$ 19.17	\$ 16,995	\$ 10,500
Bluegrass Tool & Industrial, LLC	Fayette	17	6	\$ 24.95	\$ 26,771	\$ 21,000
Consultant Solutions, Incorporated	Fayette	25	6	\$ 22.50	\$ 34,998	\$ 21,000
Corvin's Furniture & Carpet, LLC	Nelson	14	3	\$ 21.57	\$ 15,400	\$ 10,500
Helios Aerosystems, LLC	Fayette	2	1	\$ 31.50	\$ 5,566	\$ 3,500
IDT Tools, Inc.	Franklin	21	1	\$ 22.00	\$ 99,725	\$ 3,500
Industrial Field Maintenance, LLC	Fleming	8	8	\$ 33.25	\$ 39,393	\$ 25,000
Janson Communications, LLC	Boyd	16	2	\$ 17.50	\$ 30,764	\$ 7,000
Kendor Wood, Inc.	Graves	37	1	\$ 14.25	\$ 5,000	\$ 3,500
Local Termite & Pest Control Company	Washington	7	1	\$ 19.01	\$ 16,500	\$ 3,500
Louisville Esthetics, LLC	Jefferson	2	1	\$ 20.67	\$ 26,000	\$ 3,500
Map Enterprises Inc.	Graves	26	8	\$ 19.62	\$ 25,368	\$ 25,000
Michael A. Winters, DC, P.S.C.	McCracken	2	1	\$ 14.00	\$ 7,995	\$ 3,500
MILA International, Inc.	Boone	17	1	\$ 27.75	\$ 83,000	\$ 3,500
MosquitoMate, Inc.	Fayette	3	2	\$ 20.52	\$ 22,512	\$ 7,000
Murphy Excavating, LLC	Daviess	10	2	\$ 18.50	\$ 15,031	\$ 7,000
Najla's Specialty Foods, Inc.	Jefferson	9	4	\$ 15.63	\$ 17,068	\$ 14,000
On Target Cleaning and Restoration LLC	Warren	2	1	\$ 11.00	\$ 16,112	\$ 3,500
Top Notch Turf, LLC	McLean	0	1	\$ 20.00	\$ 13,900	\$ 3,500
Wright Contracting Services, Inc.	Kenton	15	1	\$ 16.01	\$ 57,950	\$ 3,500

Staff recommended approval of the tax credits.

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

Closed Session

Pursuant to KRS Section 61.810 (1) (C), Chairman Hale entertained a motion to enter into Executive Session to discuss proposed or pending litigation against or on behalf of the public agency.

Ms. Hill moved to enter into executive session; Mr. Ballinger seconded the motion. Motion passed; unanimous.

The board entered into executive session at 10:53 a.m.

Regular Session

Chairman Hale entertained a motion to return to regular session.

Ms. Hill moved to return to regular session; Mr. Ballinger seconded the motion. Motion passed; unanimous.

The board returned to regular session 10:58 a.m.

Balluff, Inc.

Kenton County

Chairman Hale entertained a motion to terminate the KBI Tax Incentive Agreement (#19337) between KEDFA and Balluff, Inc. effective May 28, 2017 due to non-compliance.

Ms. Hill moved to approve the termination; Mr. Ballinger seconded the motion. Motion passed; unanimous.

**H.B. Fuller Company
McCracken County**

Chairman Hale entertained a motion to terminate the KBI Tax Incentive Agreement (#17813) between KEDFA and H.B. Fuller Company effective November 28, 2016 due to non-compliance.

Ms. Hill moved to approve the termination; Mr. Ballinger seconded the motion. Motion passed; unanimous.

**Keebler Company
Jefferson County**

Chairman Hale entertained a motion to terminate the KBI Tax Incentive Agreement (#19906) between KEDFA and Keebler Company effective April 21, 2016 due to non-compliance.

Mr. Goodin moved to approve the termination; Ms. Hill seconded the motion. Motion passed; unanimous.

Adjournment

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

Ms. Hill moved to adjourn the May KEDFA board meeting; Mr. Ballinger seconded the motion. Motion passed; unanimous.

The meeting adjourned at 10:59 a.m.

**APPROVED
PRESIDING OFFICER:**


A handwritten signature in black ink, appearing to read "Jean R. Hale", is written over a horizontal line. The signature is cursive and somewhat stylized.

Jean R. Hale, Chairman