

**Fayette Alliance**

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Executive Director
Knox van Nagell, J.D.

February 21st, 2014

The Hon. Ruth Ann Palumbo, Chair
House Economic Development Committee
KY House of Representatives
702 Capital Avenue
Annex Room 370B
Frankfort, KY 40601

My name is Knox van Nagell, and I am writing this letter on behalf of Fayette Alliance.

Founded in 2006, Fayette Alliance is a coalition of citizens dedicated to achieving sustainable growth in Lexington-Fayette County through land use advocacy, education, and promotion.

As the voice for sustainable growth, Fayette Alliance believes that preserving our unique and productive Bluegrass farmland, advancing innovative development, and improving our infrastructure are essential to our collective success in Lexington.

Through our efforts at government and beyond, Lexington can become the model for sustainable growth, by connecting and balancing its vibrant city with its unique and productive Bluegrass farmland.

In furtherance of this mission, Fayette Alliance supports 2014 House Bill 282.

If adopted, this legislation will amend KRS 154.31-010 and expand the scope of projects eligible for \$20 million in incentives under the KY Investment Act (Act). Specifically, physical mixed-use and residential infill development that is located in central business districts and low income census tracts will be eligible, as defined by Federal New Market Tax and local municipal regulations.

This proposal has no fiscal impact on the state budget because it increases the scope, and not the amount, of incentives generated by sales-tax revenues under the Act. Please see enclosure for details.

Ultimately, House Bill 282 will facilitate needed growth in Lexington's urban core, creating a unique cityscape and quality of life essential to recruiting knowledge-based professionals. This strategy not only reduces sprawl, but also promotes economic development in today's competitive environment, as over 80% of workers pick city first and jobs second.

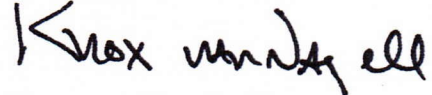


Where educated workers live, companies follow...and a dynamic downtown is key to this process. As such, the proposal effectively advances the original intent of the Act to attract knowledge-based industry to the state.

House Bill 282 advances both sustainable growth and job creation at no additional cost to the state...which is a win-win scenario for both the city of Lexington and the Commonwealth of Kentucky. Therefore, we join the Lexington Fayette Urban County Government, the League of Cities, Commerce Lexington, and others in urging its adoption.

Thank you for your consideration, and please contact me anytime if I can be of further assistance at director@fayettealliance.com or 859.281.1202.

All my best,

A handwritten signature in black ink that reads "Knox van Nagell". The signature is written in a cursive, slightly stylized font.

Knox van Nagell, J.D.
Executive Director
Fayette Alliance

Enclosure

AN ACT relating to economic development.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

➔ Section 1. KRS 154.31-010 is amended to read as follows:

As used in this subchapter:

- (1) "Agreement" means an agreement entered into pursuant to KRS 154.31-030 between the authority and an approved company;
- (2) "Approved company" means an eligible company that has received approval from the authority for a sales and use tax incentive under this subchapter;
- (3) "Approved recovery amount" means the maximum sales and use tax incentive recoverable by an approved company as established in the agreement;
- (4) "Authority" means the Kentucky Economic Development Finance Authority;
- (5) "Community development" means the development of residential, retail, office, restaurant, or hospitality space, either individually or in any mixed-use combination, which occurs:
 - (a) in a low-income community as defined in 26 U.S.C. sec. 45D(e); or
 - (b) in a central business or downtown district identified by the local government for urban renewal or revitalization.
- (6) "Department" means the Department of Revenue;
- (7)~~[(6)]~~ "Economic development project" means:
 - (a) 1. The acquisition or construction of a new facility; or
 2. The expansion or rehabilitation of an existing facility; and
 - (b) The installation and equipping of the facility;
 by an eligible company at a specific site in the Commonwealth to be used in a service or technology, manufacturing, community development, or tourism attraction activity conducted by the approved company;
- (8)~~[(7)]~~ "Electronic processing" means the use of technology having electronic, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities, now in

existence or later developed to perform a service or technology activity;

~~(9)~~~~(8)~~ (a) "Eligible company" means any corporation, limited liability company, partnership, limited partnership, sole proprietorship, business trust, or other legal entity that is primarily engaged in manufacturing, community development, or service or technology activities, or in operating or developing a tourism attraction.

(b) Except in the case of community development, "eligible"~~"Eligible"~~ company" does not include any company whose primary activity is retail sales;

~~(10)~~~~(9)~~ "Eligible expenses" means the amount expended for:

- (a) Building and construction materials permanently incorporated as an improvement to real property as part of an economic development project; or
- (b) Equipment used for research and development or electronic processing at an economic development project;

if the Kentucky sales and use tax imposed by KRS Chapter 139 is paid on the purchase of the materials or equipment at the time of purchase;

~~(11)~~~~(10)~~ (a) "Equipment" means tangible personal property which is subject to depreciation under Sections 167 and 168 of the Internal Revenue Code, including assets which are expensed under Section 179 of the Internal Revenue Code, and that is used in the operation of a business.

(b) "Equipment" does not include any tangible personal property used to maintain, restore, mend, or repair machinery or equipment, consumable operating supplies, office supplies, or maintenance supplies;

~~(12)~~~~(11)~~ (a) "Manufacturing" means to make, assemble, process, produce, or perform any activity that changes the form or conditions of raw materials and other property, and shall include any ancillary activity to the manufacturing process, such as storage, warehousing, distribution, and related office facilities.

(b) "Manufacturing" does not include any activity involving the performance of

work classified by the divisions, including successor divisions, of mining in accordance with the "North American Industry Classification System," as revised by the United States Office of Management and Budget from time to time, or any successor publication;

(13)~~(12)~~ "Project term" means the time for which an agreement shall be in effect. The project term shall be established in the agreement and shall not exceed seven (7) years;

(14)~~(13)~~ (a) "Research and development" means experimental or laboratory activity that has as its ultimate goal the development of new products, the improvement of existing products, the development of new uses for existing products, or the development or improvement of methods for producing products.

(b) "Research and development" does not include testing or inspection of materials or products for quality control purposes, efficiency surveys, management studies, consumer surveys or other market research, advertising or promotional activities, or research in connection with literary, historical, or similar projects; and

(15)~~(14)~~ "Service or technology" means any nonretail activity using technology or providing a service, including but not limited to:

- (a) Administration and processing activities;
- (b) Research and development;
- (c) Telephone or Internet sales or services;
- (d) Distribution or fulfillment of orders;
- (e) Data processing; and
- (f) Similar activities;

provided to customer or affiliate entities primarily outside the Commonwealth and designed to serve a multistate, national, or international market.