

KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY

KBI REPORT - PRELIMINARY APPROVAL

Date: December 12, 2019
Approved Company: Packaging Technology Group, Inc.
City: Louisville **County:** Jefferson
Activity: Manufacturing **Prelim Resolution #:** KBI-IL-19-22838
Bus. Dev. Contact: A. Franklin **DFS Staff:** M. Elder

Project Description: Packaging Technology Group, Inc. (PTG) designs, engineers and manufactures thermal shipping and packaging solutions for clients in the biopharmaceutical and life sciences sector. PTG is considering a new location in Kentucky that will allow expansion of its capacity and product portfolio.

Facility Details: Locating in a new facility

Anticipated Project Investment - Leased

	Eligible Costs	Total Investment
Rent	\$500,000	\$1,000,000
Building/Improvements	\$45,000	\$45,000
Equipment	\$200,000	\$750,000
Other Start-up Costs	\$90,000	\$90,000
TOTAL	\$835,000	\$1,885,000

NEGOTIATED TARGETS AND INCENTIVE AMOUNTS:

Year	Job Target	Average Hourly Wage Target (Including Employee Benefits)	Annual Approved Cost Limitation
As of Activation Date	10	\$21.00	
1	15	\$21.00	\$80,000
2	21	\$21.00	\$80,000
3	30	\$21.00	\$80,000
4	36	\$21.00	\$80,000
5	40	\$21.00	\$80,000
6	40	\$21.00	\$80,000
7	40	\$21.00	\$80,000
8	40	\$21.00	\$80,000
9	40	\$21.00	\$80,000
10	40	\$21.00	\$80,000

TOTAL NEGOTIATED TAX INCENTIVE AMOUNT:

\$800,000

Incentive Type:
Other

Statutory Minimum Wage Requirements:
Base hourly wage: \$10.88
Total hourly compensation: \$12.51

Ownership (20% or more):
William Blezard Mattapoisett, MA

Active State Participation at the project site: None

Requested Wage Assessment / Local Participation:
State: 3.0%
Local: 1.0% Louisville-Jefferson County Metro Government

Unemployment Rate:
County: 3.6% Kentucky: 3.8%

Existing Presence in Kentucky: None

Special Conditions: None

KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY
KENTUCKY BUSINESS INVESTMENT (KBI) PROGRAM
ESTIMATES PREPARED FOR
Packaging Technology Group, Inc

ASSUMPTIONS

The company will occupy the site of the project pursuant to an operating lease agreement with an unrelated entity that reflects an arms' length transaction.

INVESTMENT:

(All amounts based on company provided information)

Start-up Costs

Improvements (existing buildings)	\$ 45,000		
Equipment (including installation costs)	\$ 750,000		
Other start-up costs	\$ 90,000	Jobs at Activation	10
	<u>\$ 885,000</u>	KBI Eligible Equipment*	\$ 200,000
		TOTAL ELIGIBLE START-UP COSTS	\$ 335,000

* Equipment costs are limited to \$20,000 per new full-time, Kentucky resident jobs at the activation date

Rent Costs

Estimated Annual Rent	\$ 200,000
Term of Tax Incentive Agreement	<u>5 years</u>
	\$ 1,000,000
Maximum recovery of 50%	50%
TOTAL ELIGIBLE RENT COSTS	\$ 500,000

ESTIMATED TOTAL ELIGIBLE COSTS (Start-up and Rent) \$ 835,000

CALCULATION OF ESTIMATED ANNUAL KBI BENEFITS

YEAR	Estimated Kentucky Income/LLET Tax Credit	Estimated 4.00% Wage Assessment	Estimated Total Annual Benefits	Estimated Cumulative Benefits	Incentive Net Present Value (NPV)
1	\$ 25,000	\$ 26,320	\$ 51,320	\$ 51,320	\$ 48,993
2	45,500	36,800	82,300	133,620	75,005
3	84,500	54,400	138,900	272,520	120,848
4	109,850	64,000	173,850	446,370	144,397
5	142,805	80,000	222,805	669,175	176,667
6	185,647	80,000	265,647	934,822 *	201,085
7	241,340	80,000	321,340	1,256,162 *	232,213
8	313,743	80,000	393,743	1,649,905 *	271,632
9	407,865	80,000	487,865	2,137,770 *	321,302
10	530,225	80,000	610,225	2,747,995 *	383,663
TOTALS	\$ 2,086,475	\$ 661,520	\$ 2,747,995 *		\$ 1,975,805

* Estimated total annual benefits will be limited to the estimated eligible costs amount of:

\$ 835,000

Discount Rate = 4.75%
(WSJ Prime Rate)

KENTUCKY BUSINESS INVESTMENT (KBI) PROGRAM

Packaging Technology Group, Inc

KENTUCKY INCOME TAX CREDIT

The Kentucky taxable income, gross sales and gross profits attributable to the facility are estimated by the company. There is no provision calculated for interstate or intercompany apportionment of income, gross receipts or gross profits.

Annual inflation factor used in the following calculation (as provided by the company): 1.0%

YEAR	ESTIMATED KENTUCKY TAXABLE INCOME	ESTIMATED KENTUCKY INCOME TAX	ESTIMATED GROSS RECEIPTS	ESTIMATED GROSS RECEIPTS TAX	ESTIMATED GROSS PROFITS	ESTIMATED GROSS PROFITS TAX	ESTIMATED TOTAL KENTUCKY TAX LIABILITY*
1	\$ 500,000	\$ 25,000	\$ 10,000,000	\$ 9,500	\$ 3,300,000	\$ 24,750	\$ 25,000
2	\$ 910,000	\$ 45,500	\$ 13,000,000	12,350	\$ 4,290,000	32,175	45,500
3	\$ 1,690,000	\$ 84,500	\$ 16,900,000	16,055	\$ 5,577,000	41,828	84,500
4	\$ 2,197,000	\$ 109,850	\$ 21,970,000	20,872	\$ 7,250,100	54,376	109,850
5	\$ 2,856,100	\$ 142,805	\$ 28,561,000	27,133	\$ 9,425,130	70,688	142,805
6	\$ 3,712,930	\$ 185,647	\$ 37,129,300	35,273	\$ 12,252,669	91,895	185,647
7	\$ 4,826,809	\$ 241,340	\$ 48,268,090	45,855	\$ 15,928,470	119,464	241,340
8	\$ 6,274,852	\$ 313,743	\$ 62,748,517	59,611	\$ 20,707,011	155,303	313,743
9	\$ 8,157,307	\$ 407,865	\$ 81,573,072	77,494	\$ 26,919,114	201,893	407,865
10	\$ 10,604,499	\$ 530,225	\$ 106,044,994	100,743	\$ 34,994,848	262,461	530,225
TOTALS		<u>\$ 2,086,475</u>		<u>\$ 404,885</u>		<u>\$ 1,054,833</u>	<u>\$ 2,086,475</u>

* Kentucky tax liability is based upon using the lesser of tax on gross sales and gross profits. This amount is then compared with the traditional income tax with the higher of the two becoming the liability.

WAGE ASSESSMENT

The wage assessment is estimated using company payroll projections and is based on 2,080 hours worked per year.

Local portion (maximum 1%)	1.00%
State portion (maximum 3%)	3.00%
TOTAL Wage Assessment	<u>4.00%</u>

Annual inflation factor used to calculate payroll (as provided by the company): 0.0%

YEAR	ESTIMATED NEW FULL TIME JOBS FOR KY RESIDENTS	ESTIMATED AVG HOURLY WAGE	ESTIMATED ANNUAL PAYROLL	TOTAL WAGE ASSESSMENT 4.00%	LOCAL PORTION 1.00%	STATE PORTION 3.00%
1	15	\$21.09	\$658,000	\$ 26,320	\$ 6,580	\$ 19,740
2	21	\$21.06	\$920,000	\$ 36,800	\$ 9,200	\$ 27,600
3	30	\$21.79	\$1,360,000	\$ 54,400	\$ 13,600	\$ 40,800
4	36	\$21.37	\$1,600,000	\$ 64,000	\$ 16,000	\$ 48,000
5	40	\$24.04	\$2,000,000	\$ 80,000	\$ 20,000	\$ 60,000
6	40	\$24.04	\$2,000,000	\$ 80,000	\$ 20,000	\$ 60,000
7	40	\$24.04	\$2,000,000	\$ 80,000	\$ 20,000	\$ 60,000
8	40	\$24.04	\$2,000,000	\$ 80,000	\$ 20,000	\$ 60,000
9	40	\$24.04	\$2,000,000	\$ 80,000	\$ 20,000	\$ 60,000
10	40	\$24.04	\$2,000,000	\$ 80,000	\$ 20,000	\$ 60,000
TOTALS				<u>\$ 661,520</u>	<u>\$ 165,380</u>	<u>\$ 496,140</u>