




TO: Mayor Jim Gray
Lexington Fayette Urban County Council

FROM: _____
Gina Greathouse
Senior Vice President, Economic Development, Commerce Lexington Inc.

DATE: October 26, 2012

RE:  Kentucky Business Investment program
Nitto Denko Automotive Kentucky, INC.

Nitto Denko Automotive Kentucky, INC. has submitted an application and received preliminary approval from the Kentucky Economic Development Finance Authority to participate in the Kentucky Business Investment (KBI) program. Nitto Denko's decision to expand their automotive manufacturing facility in Lexington will create wealth and provide additional job opportunities for the citizens of Lexington and the surrounding area.

The company plans to create 23 new jobs with an average wage of approximately \$27,000 per year plus benefits. Nitto Denko plans to invest nearly \$2,500,000 in new equipment, building improvements, start-up costs, and lease costs for a 10-year period.

With the KBI program, the state and local government enter into a ten-year agreement with an approved company under which the business can recover up to 100% of its start-up costs and 50% of the annual rent costs through Kentucky corporate income tax credits and a wage assessment fee of up to 4%. Although the company may not actually use the full KBI benefit, we demonstrate in the chart below the maximum amount that the company could recover through the local 1% wage assessment.

Nitto Denko Automotive Kentucky, INC.**October 26, 2012****Page 2**

The maximum potential fiscal impact of this project is summarized in the following table.

New		Total	KY portion	LFUCG portion	LFUCG
F-T	Total	Wage	of Wage	of Wage	Projected
Jobs	Payroll	Assessment (4%)	Assessment (3%)	Assessment (1%)	Collections(1.25%)
23	\$891,155.00	\$35,646.20	\$26,734.65	\$8,911.55	\$11,139.44
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	\$8,911,550.00	\$356,462.00	\$267,346.50	\$89,115.50	\$111,394.38

This is an excellent project for our community and I strongly recommend approval of the 10 year local 1% wage assessment benefit through KBI.

Cc: Kevin Atkins, LFUCG

Economic Impact Statement for the Bluegrass Alliance Region

Created at

Research sponsored by



September 5, 2012

contact: Paul Coomes (502.852.4841) or Barry Kornstein (502.852.4866), University of Louisville

paul.coomes@louisville.edu bjkorn01@louisville.edu

Project Name: **Nitto Denko**

Major product or service: **Automotive supplies manufacturing**

Proposed Site: **Fayette County, KY**
Fayette County

Direct Impact

Estimated Annual Net New Impact

Jobs (full-time equivalents)	23
Average annual earnings per job (assumed)	\$27,000
Total payroll, excluding benefits	\$621,000
Average value of merchants inventory	\$0
Average value of goods in storage, public warehouses	\$0
New taxable real estate (buildings, improvements, enhanced land value)	\$0
New manufacturing machinery	\$700,000
New taxable tangible property (non-mfg equipment)	\$0
New motor vehicles	\$0
City/County occupational tax revenues	\$13,973
City/County property tax revenues	\$0
County Public School System occupational tax revenues	\$1,863
County Public School System property tax revenues	\$0
Kentucky State property tax revenues	\$525

Local Economic Multipliers for this Project

Indirect Effects (intra-industry spending)

Employment	1.60
Compensation	1.40

Induced Effects (household spending)

Employment	1.32
Compensation	1.16

Total Effects (Indirect + Induced)

Employment	2.11
Compensation	1.63

Indirect (Intra-Industry) Employment and Payroll Impacts

Jobs in 8 County Bluegrass Alliance Region		14	
Bourbon County, KY	0	Jessamine County, KY	1
Clark County, KY	1	Madison County, KY	1
Fayette County, KY	9	Scott County, KY	1
Franklin County, KY	1	Woodford County, KY	0

Payroll in 8 County Bluegrass Alliance Region

\$249,482

Bourbon County, KY	\$4,482	Jessamine County, KY	\$9,013
Clark County, KY	\$9,582	Madison County, KY	\$10,744
Fayette County, KY	\$170,690	Scott County, KY	\$29,320
Franklin County, KY	\$8,438	Woodford County, KY	\$7,212

Induced (Household) Employment and Payroll Impacts

Jobs in 8 County Bluegrass Alliance Region		12	
Bourbon County, KY	0	Jessamine County, KY	1
Clark County, KY	1	Madison County, KY	1
Fayette County, KY	8	Scott County, KY	0

Franklin County, KY

0

Woodford County, KY

0

Payroll in 8 County Bluegrass Alliance Region		\$141,187	
Bourbon County, KY	\$3,408	Jessamine County, KY	\$9,034
Clark County, KY	\$5,711	Madison County, KY	\$7,886
Fayette County, KY	\$101,132	Scott County, KY	\$6,212
Franklin County, KY	\$2,878	Woodford County, KY	\$4,926

Total (Direct + Indirect + Induced) Employment and Payroll Impacts

Jobs in 8 County Bluegrass Alliance Region		48	
Bourbon County, KY	1	Jessamine County, KY	1
Clark County, KY	1	Madison County, KY	2
Fayette County, KY	40	Scott County, KY	2
Franklin County, KY	1	Woodford County, KY	1

Payroll in 8 County Bluegrass Alliance Region		\$1,011,669	
Bourbon County, KY	\$7,890	Jessamine County, KY	\$18,047
Clark County, KY	\$15,294	Madison County, KY	\$18,631
Fayette County, KY	\$892,823	Scott County, KY	\$35,532
Franklin County, KY	\$11,316	Woodford County, KY	\$12,138

City/County Occupational Tax Revenues

Bourbon County, KY	\$152	Jessamine County, KY	\$386
Clark County, KY	\$429	Madison County, KY	\$515
Fayette County, KY	\$20,089	Scott County, KY	\$600
Franklin County, KY	\$237	Woodford County, KY	\$285

County Public School System Occupational Tax Revenues

Fayette County, KY	\$2,678	Scott County, KY	\$178
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Kentucky State Tax Revenues

Kentucky State Individual Income Tax Revenues	\$39,435
Kentucky State Sales Tax Revenues	\$39,035

Summary of Tax Revenues

City/County Governments	\$22,692
County Public School Systems	\$2,856
Kentucky State Government	\$78,995

Additional tax revenues and other collections are likely, but are not as easy to measure. These include the County-wide net profits tax, the County-wide insurance premium tax, Kentucky corporate income and license taxes, Kentucky motor vehicle usage and gasoline taxes.

No attempt is made to estimate any public costs associated with the the proposed economic development.

Calculations assume property listed is "new". The average annual taxable value of tangible personal property is assumed to be 1/3 of the purchase price.

Estimated impacts do not take account of, and are not reduced by, any tax incentives for the direct or indirect jobs added.