



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
Allylix Inc.

Allylix 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. Allylix's decision to expand their biotech operations in Lexington will create wealth and provide additional job opportunities for the citizens of Lexington and the surrounding area.

The company plans to create 14 new jobs with an average wage of approximately \$53,000 per year plus benefits. Allylix plans to invest nearly \$1,600,000 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.

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%)
14	\$785,000.00	\$31,400.00	\$23,550.00	\$7,850.00	\$9,812.50
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	\$7,850,000.00	\$314,000.00	\$235,500.00	\$78,500.00	\$98,125.00

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



October 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: **Allylix**

Major product or service: **Renewable Chemicals**

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

Direct Impact

Estimated Annual Net New Impact

Jobs (full-time equivalents)	14
Average annual earnings per job (assumed)	\$53,206
Total payroll, excluding benefits	\$744,884
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	\$0
New taxable tangible property (non-mfg equipment)	\$711,000
New motor vehicles	\$0
City/County occupational tax revenues	\$16,760
City/County property tax revenues	\$451
County Public School System occupational tax revenues	\$2,235
County Public School System property tax revenues	\$1,285
Kentucky State property tax revenues	\$1,067

Local Economic Multipliers for this Project

Indirect Effects (intra-industry spending)		Induced Effects (household spending)	
Employment	2.57	Employment	1.38
Compensation	1.79	Compensation	1.20
Total Effects (Indirect + Induced)			
Employment	3.56		
Compensation	2.14		

Indirect (Intra-Industry) Employment and Payroll Impacts

Jobs in 8 County Bluegrass Alliance Region		22	
Bourbon County, KY	0	Jessamine County, KY	1
Clark County, KY	1	Madison County, KY	1
Fayette County, KY	14	Scott County, KY	2
Franklin County, KY	1	Woodford County, KY	1

Payroll in 8 County Bluegrass Alliance Region \$589,104

Bourbon County, KY	\$10,585	Jessamine County, KY	\$21,282
Clark County, KY	\$22,627	Madison County, KY	\$25,371
Fayette County, KY	\$403,053	Scott County, KY	\$69,233
Franklin County, KY	\$19,924	Woodford County, KY	\$17,030

Induced (Household) 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

Payroll in 8 County Bluegrass Alliance Region		\$261,646	
Bourbon County, KY	\$6,900	Jessamine County, KY	\$17,112
Clark County, KY	\$11,634	Madison County, KY	\$15,977
Fayette County, KY	\$180,166	Scott County, KY	\$13,646
Franklin County, KY	\$6,576	Woodford County, KY	\$9,636

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

Jobs in 8 County Bluegrass Alliance Region		50	
Bourbon County, KY	1	Jessamine County, KY	2
Clark County, KY	2	Madison County, KY	2
Fayette County, KY	37	Scott County, KY	3
Franklin County, KY	1	Woodford County, KY	1

Payroll in 8 County Bluegrass Alliance Region		\$1,595,635	
Bourbon County, KY	\$17,485	Jessamine County, KY	\$38,394
Clark County, KY	\$34,261	Madison County, KY	\$41,348
Fayette County, KY	\$1,328,103	Scott County, KY	\$82,879
Franklin County, KY	\$26,500	Woodford County, KY	\$26,666

City/County Occupational Tax Revenues

Bourbon County, KY	\$336	Jessamine County, KY	\$820
Clark County, KY	\$961	Madison County, KY	\$1,143
Fayette County, KY	\$29,882	Scott County, KY	\$1,399
Franklin County, KY	\$555	Woodford County, KY	\$627

County Public School System Occupational Tax Revenues

Fayette County, KY	\$3,984	Scott County, KY	\$414
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Kentucky State Tax Revenues

Kentucky State Individual Income Tax Revenues	\$62,198
Kentucky State Sales Tax Revenues	\$61,567

Summary of Tax Revenues

City/County Governments	\$36,175
County Public School Systems	\$5,683
Kentucky State Government	\$124,832

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.