



CABINET FOR ECONOMIC DEVELOPMENT

Andy Beshear
Governor

Old Capitol Annex
300 West Broadway
Frankfort, Kentucky 40601

Larry Hayes
Interim Secretary

August 13, 2020

Holly M. Johnson, Secretary
Finance and Administration Cabinet
Room 383, Capitol Annex
Frankfort, KY 40601

RE: Economic Development Fund Grant - \$250,000 to the City of Bowling Green on behalf of CROWN Cork & Seal USA, Inc.

Dear Secretary Johnson:

In accordance with KRS 154.12-100, this letter shall serve as notice of my recommendation for the use of \$250,000 in Economic Development Fund (EDF) funds for the purpose of making a grant to the City of Bowling Green on behalf of CROWN Cork & Seal USA, Inc.

CROWN Cork & Seal USA, Inc. is a subsidiary of Crown Holdings, Inc., a leading manufacturer of metal beverage cans, aerosol cans, promotional packaging, metal food packaging and closures. The company is considering establishing a metal beverage cans manufacturing facility in Bowling Green to serve existing and new customers. The proposed EDF grant funds will be used to offset the capital investment costs associated with the project.

In consideration of this EDF grant, CROWN Cork & Seal USA, Inc. will be required to make investment and create new, full-time Kentucky resident jobs (excluding contract or temporary employees) paying the following wages in Bowling Green in accordance with the following schedule:

| Compliance Date | Full-time, Kentucky-Resident Jobs Required | Job Type | Average Wage Required | Average Wage Type |
|-------------------|--|----------|-----------------------------|--|
| December 31, 2023 | 126 | Create | \$31.00 | Total Hourly Compensation (includes benefits) |
| December 31, 2024 | 126 | Create | \$31.00 | Total Hourly Compensation (includes benefits) |
| December 31, 2025 | 126 | Create | \$31.00 | Total Hourly Compensation (includes benefits) |
| December 31, 2026 | 126 | Create | \$31.00 | Total Hourly Compensation (includes benefits) |

* Compliance periods will be annually and first compliance period may be accelerated. Subsequent compliance periods will be adjusted if acceleration occurs.

Secretary Holly M. Johnson
August 13, 2020
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Under the terms of the EDF grant agreement, disbursement of grant funds will occur after the annual compliance reporting has occurred. The amount of the disbursements will be based on the performance requirements achieved. If CROWN Cork & Seal USA, Inc. fails to create or maintain the job target as of each compliance date, then the amount of the grant payable after each compliance measurement date will be reduced by the sum of \$496 for each new, full-time job not created or maintained by the company at each of the four annual measurement dates. Furthermore, if CROWN Cork & Seal USA, Inc. fails to pay these new jobs the average hourly wage of \$31.00, including benefits, the amount of the grant payable after each compliance measurement date will be reduced by a pro rata portion of the EDF grant based on a formula to be outlined in the EDF grant agreement.

Any funds repaid to the City of Bowling Green by CROWN Cork & Seal USA, Inc. must be used for economic development purposes as approved by the Cabinet for Economic Development. In no event will the repayment of EDF grant proceeds exceed the EDF grant amount of \$250,000.

I respectfully request your concurrence in the funding of this project. If KEDFA approves this proposal, I would ask that you place this project on the next agenda of the State Property and Buildings Commission. Please feel free to contact me if you have any questions.

Sincerely,



Larry Hayes
Interim Secretary

AGREED TO AND APPROVED BY:


Secretary, Finance and Administration Cabinet Date

cc: Jeff Taylor
 Kristina Slattery
 Katie Smith

**KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY
ECONOMIC DEVELOPMENT FUND (EDF) PROJECT REPORT**

Date: August 27, 2020
Grantee: City of Bowling Green
Beneficiary: CROWN Cork & Seal USA, Inc.
City: Bowling Green **County:** Warren
Activity: Manufacturing
Bus. Dev. Contact: A. Luttner **OFS Staff:** D. Phillips

Project Description: CROWN Cork & Seal USA, Inc. is a subsidiary of Crown Holdings, Inc., a leading manufacturer of metal beverage cans, aerosol cans, promotional packaging, metal food packaging and closures. The company is considering establishing a metal beverage cans manufacturing facility in Bowling Green to serve existing and new customers. The EDF funds will be used to offset the capital/fixed-asset investment costs associated with the project.

Anticipated Project Investment - Owned

Land
 Building/Improvements
 Equipment
 Other Start-up Costs
TOTAL

| Total Investment |
|----------------------|
| |
| \$41,400,000 |
| \$98,400,000 |
| \$7,750,000 |
| \$147,550,000 |

Anticipated Project Funding

Economic Development Fund Grant (State)
 Bank Loan
 Local Grant
 Company Equity
 Other
TOTAL

| Amount | % of Total |
|----------------------|---------------|
| \$250,000 | 0.2% |
| \$50,000,000 | 33.9% |
| | 0.0% |
| \$97,300,000 | 65.9% |
| | 0.0% |
| \$147,550,000 | 100.0% |

Job and Wage Requirement Table

| Compliance Date | Full-time, Kentucky- Resident Jobs Required | Job Type | Average Wage Required | Average Wage Type |
|-----------------|--|----------|-----------------------------|---|
| 12/31/2023 | 126 | Create | \$31.00 | Total Hourly Compensation (includes benefits) |
| 12/31/2024 | 126 | Create | \$31.00 | Total Hourly Compensation (includes benefits) |
| 12/31/2025 | 126 | Create | \$31.00 | Total Hourly Compensation (includes benefits) |
| 12/31/2026 | 126 | Create | \$31.00 | Total Hourly Compensation (includes benefits) |

* Compliance periods will be annually and first compliance period may be accelerated. Subsequent compliance periods will be adjusted if acceleration occurs.

Collateral Required: Not applicable - Grant is performance-based and disbursement will not occur until after annual compliance is confirmed.

Job Penalty Provision: \$496 per job not created or maintained

Wage Penalty Provision: pro rata portion of EDF grant based on a formula outlined in the EDF grant agreement

Disbursement: Disbursement of grant funds may occur after each annual compliance period when requirements have been reviewed by the Cabinet. Funds will flow through the Grantee/local government entity to the Beneficiary/company.

| | |
|------------|----------|
| 12/31/2023 | \$62,500 |
| 12/31/2024 | \$62,500 |
| 12/31/2025 | \$62,500 |
| 12/31/2026 | \$62,500 |

RECOMMENDED ECONOMIC DEVELOPMENT FUND AMOUNT:

\$250,000

Ownership (20% or more):

CROWN Holdings, Inc. - Morrisville, PA

Active State Participation at the Project Site:

| <u>Date</u> | <u>Program</u> | <u>Status</u> | <u>Amount</u> |
|--------------|----------------|----------------|---------------|
| Feb 27, 2020 | KBI | Approve-Prelim | \$3,000,000 |
| Feb 27, 2020 | KEIA | Approve-Final | \$1,000,000 |

Unemployment Rate:

County: 5.2%

Kentucky: 4.8%

Recommendation:

Staff recommends approval of this EDF grant subject to the terms set forth in this report and the recommendation letter from the Secretary of the Cabinet for Economic Development (CED). In accordance with KRS 154.12-100, KEDFA's approval of this EDF grant is subject to CED's receipt of the Secretary of the Finance and Administration Cabinet's concurrence to CED's use of the EDF funds for this project.