

## RDA HAPPENINGS

2011 is almost history. It's been an interesting year – at the end of the year VETEK completed their 10,500 sq. ft. building addition and the addition of 12 new employees. It is great to have companies adding employees.

I will share with you an excerpt from VETEK President Troy Estes from a letter dated November 3, 2011, to the RDA which stated the following,

*“...we initiated discussions with the Regional Development Association late last year during the process to determine whether to expand our Missouri location or the Emporia, Kansas location. The resources provided through the Regional Development Association were a contributing factor to our decision to invest in the Emporia location. At that time we had 102 total employees with 71 at our Emporia location.”*

Elsewhere in the letter, Troy Estes indicated that “...we have added 12 employees (16%) to date and plan to increase personnel by another 5 people in the near future...”

The RDA partners – the City of Emporia, Lyon County, the Emporia Area Chamber of Commerce and Emporia Enterprises Board of Directors and staff are pleased that VETEK continues to find Emporia business climate to be beneficial to their future growth.

Steve Sauder, a Board of Director and Chair of the RDA Board of Directors will have completed the two three-year terms on the Board which are the term limits. On behalf of the RDA Board of Directors, we thank him for his leadership and support.

Steve Sauder was one of the two City of Emporia appointments to the RDA Board of Directors. The city will appoint a new member soon.

One of the Lyon County RDA Board appointments is up for renewal. Scott Briggs has completed his first three-year term on the RDA Board of Directors and is eligible to be reappointed to a second three-year term.

The RDA is in the process of updating its primary website [www.emporiarda.org](http://www.emporiarda.org) and the development of a mobile website which is easier to access with “smart phones”, such as i-phones, droids, etc.

We are also working on a QR code program for marketing of various commercial, retail and industrial properties. QR codes are accessed with a smart phone that scans the code, which then in turn goes to the URL address or website. Here is the RDA QR code.





## RDA HAPPENINGS - November 2011

We are beginning to see the trends locally that business activity of our primary businesses is beginning to pick up. It would be termed cautious optimism by our local businesses. Certain projects are coming together with our existing businesses that may occur in the first or second quarter of next year. The following is a reply to an article in the Emporia Gazette. Hopefully, my reply has been published. If it has, then it is a message worth repeating.

Several weeks ago on the editorial page of the Emporia Gazette was an article concerning economic development growth and “low paying” manufacturing jobs. It is not the first time that this author has asserted this opinion. However, that opinion has absolutely no basis in fact. At the Regional Development Association of East Central Kansas (RDA) office we maintain and update data on employment and salaries by industry sector. One of our primary sources of on-line data is the KU Institute for Policy and Social Research.

If you go to their website <http://www/ipsr.ku.edu/ksdata/> this is a data link to the U.S. Census Bureau “County Business Patterns”. The employment data for 1998 and 2009 for Lyon County, Kansas, was analyzed. Here are the facts:

The average salary for private sector employment in 1998 for Lyon County was as follows:

- Average of all jobs - \$21,644
- Manufacturing employment average salary - \$26,580
- Percent of manufacturing jobs to total workforce 43%

The average salary for private sector employment in 2009 for Lyon County, Kansas, was as follows:

- Average of all jobs - \$27,041
- Manufacturing - \$37,814
- Percent of manufacturing jobs to total workforce 25%

The only employment industries with higher annual salaries than manufacturing are utilities and information (which is the telecommunications industry). Those employment levels did not grow.

Here is an interesting fact: in 1998 there were 6,431 manufacturing jobs in Lyon County, and then in 2009 the number of manufacturing jobs had declined to 3,008. However, the average annualized salaries have increased from \$26,580 in 1998 to \$37,814 in 2009.

The trend is that low-skilled and low-wage manufacturing jobs are gravitating to the low-cost labor markets. The higher-skilled and high-paying jobs in some instances are staying in the USA or “reshoring” to the USA. A promising trend that manufacturing will continue to return to the U.S. is in a recent report issued in August 2011 by the Boston Consulting Group, entitled “Made in America, Again Why manufacturing will return to the U.S.” In their executive summary, the Boston Consulting Group stated the following:

*“China’s overwhelming manufacturing cost advantage over the U.S. is shrinking fast. Within five years, a Boston Consulting Group analysis concludes, rising Chinese wages, higher U.S. productivity, a weaker dollar, and other factors will virtually close the cost gap between the U.S. and China for many goods consumed in North America.”*

In a recent New York Times article dated October 12, 2011, entitled “A Company Grows and Builds a Plant Back in the USA”, they interviewed Paul Fichter, founder of the Taphandles, which produces beer marketing products for breweries. His primary reasons for bringing back the manufacturing of their products to the USA was labor costs and logistics costs.

Emporia and Lyon County are well positioned to continue to grow their manufacturing base. We need the local workforce to increase their skill levels. Manufacturing is not a “blue collar” lunch bucket occupation. Four-year degrees are required in engineering, chemistry, marketing, accounting, management and business; two-year diplomas in manufacturing technology with expertise in commercial wiring, HVAC systems, programmable logic controls (PLC’s), and computer numeric controls (CNC) for machining. If a future employee wants to be competitive in today’s job market, then they need to attend post-secondary institutions such as Emporia State University and the Flint Hills Technical College to obtain competitive skills. Emporia continues to position itself to be ready to be competitive with “on-shoring” and Kansas is just beginning to see the era of growth and expansion.

November 2011

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## RDA HAPPENINGS - October 2011

In last month's newsletter the results of the 2010 Census for the City of Emporia and Lyon County were highlighted. The census data is easily accessible via the internet at the KU Institute for Policy & Social Research [www.ipsr.ku.edu](http://www.ipsr.ku.edu). Available at the same website are links to economic data summary and overview by County for the USA. The overview is tabulated by SPATS Indiana at the website [http://www.stats.indiana.edu/uspr/a/us\\_profile\\_frame.html](http://www.stats.indiana.edu/uspr/a/us_profile_frame.html) which uses the same 20 demographic categories for all 3,141 counties.

In 2010 the manufacturing sector for Lyon County indicated the average wage per job was \$37,352 and represented 19.5% of the total workforce in Lyon County. Interesting enough Lyon County was ranked 548 out of 3,141 counties or in the top 20% of the average manufacturing wage. The per capita income for Lyon County of \$37,352 increased by 9.9% from 1999 to 2009.

The end of August and September are traditionally the months I travel the most for our marketing efforts. On August 29<sup>th</sup> a group of Emporians attended the Animal Health Corridor "Homecoming Event" held in conjunction with the Midwestern Veterinary Conference in Kansas City. It was an excellent networking opportunity for our animal health corridor marketing efforts. The following day was the Animal Health Investment Forum. Fourteen early stage companies presented their business plan to those in attendance who may consider investment in those companies. Some of those companies, which are domestic and foreign, do consider relocating a facility to this region. In fact, Argente Limited announced during the meeting it was locating a research facility in Lawrence, Kansas.

In early September was the Industrial Asset Management Council (IAMC) fall meeting in Philadelphia, Pennsylvania. The Kansas Department of Commerce (KDOC) hosted a consultant dinner during the event with 36 site selection consultants, real estate providers, builders, architects and others. IAMC organization is primarily for corporate real estate professionals (CRE) which allows associate members, which consists of about one-third of the total membership of service providers, such as real estate providers, attorneys, general contractor representatives, architects/engineers and support services for corporate real estate. The remaining one-third are economic development professionals. The IAMC Board of Directors limits the total number of service providers and economic developers to maintain the purpose of the organization to support the corporate Real Estate training and network opportunities. The benefit of this organization to the economic developer is developing working relationships with the CRE professionals, service providers and keeps up to date on the trends in CRE.

On September 18<sup>th</sup>, the Great Plains Capital Conference was held in Wichita, Kansas. Thirteen company representatives presented their business plans to interested investors. The majority of the companies are based in the Kansas City metropolitan area with a few from out-of-state Kansas.

The following week I attended the International Economic Development Council annual meeting in Charlotte, North Carolina. The primary benefit on continuing education by my professional organization is honing the skills and techniques necessary for Emporia to remain competitive in economic development. The most beneficial of all the seminars was on the topic of social media – LinkedIn, Facebook, Twitter and Blogs, the predominate social media channel used in business in LinkedIn.

At the end of September KDOC hosted a consultant dinner in Chicago, which was attended by sixteen site selection consultants, tax incentive accountants, and industrial/office real estate professionals. It was an excellent network and relationship building opportunity.

October 2011



## RDA HAPPENINGS - September 2011

Most of the 2010 Census data is available for Lyon County and the City of Emporia. However in the 2010 Census, the same information was not collected, such as median household income, per capita income, mean earnings and other income data, as in 2000. I have learned the U.S. Census Bureau only reported on the data for those counties over 65,000 in population. So we will have to use another data source for our income data.

The 2000 Census population for the City of Emporia in 2010 was 26,760 and in 2010 was 24,916 or a decrease of 1,844 persons or a decrease of approximately 6%. The decrease for Lyon County was 5.5% or a loss of 1,975 persons. Lyon County had a population of 35,935 in 2000 and 33,960 in 2010.

In terms of race, the majority of the categories lost population other than the Hispanic population which increased by 579 persons in the City of Emporia and 745 persons in Lyon County from 2000 to 2010.

For the City of Emporia, the 2010 Census reported the homeowner vacancy rate in 2000 was 1.5% and in 2010 was 2.4% or an increase of less than 190. The renter vacancy rate in 2000 was 7.5% and in 2010 was 16.3% or an increase of 8.8% in the City of Emporia.

One of the primary objectives of the Regional Development Association of East Central Kansas (RDA) is to work with the existing and new businesses to create quality jobs in our region. In the newly released 2010 Kansas Statistical Abstract for Kansas, the average annual wages by industry has the average for private industry at \$38,511. The average for manufacturing was \$48,700 and retail trade was \$23,511.

During the RDA budget request from the City of Emporia, a considerable amount of discussion regarding funding retail development occurred. The perception by the public was that the focus was on retail development and lower waged retail jobs. The reality is that the RDA spent 93% of its time working with existing companies and new companies. We advocate that their expansions with job creation occur in the Emporia region with higher skilled and higher wage jobs.

I am pleased to report that the VETEK expansion is right on schedule. The building expansion should be completed prior to the end of the year. Sometime in the fourth quarter of this year or next year, new jobs will be added at VEKTEK. The projected number of new jobs is somewhere between 8 to 12 jobs. Detroit Diesel is adding a new product line to their operations with the remanufacturing of a Mercedes transmission. The job creation is anticipated to be between 12 to 16 new jobs. Hopefully most of those new jobs will be created prior to the end of the year. Sauder Custom Fabrication's business has increased with a "back log" of work well into 2012. They will be adding several new jobs over the next several months. Hill's Pet Nutrition is currently at 106 employees. They hope to be adding another 6 employees before the end of the year.

Generally, when the local economy picks up with job growth, it begins with existing businesses then follows by new businesses considering new locations.

We continue to be optimistic that our local economy is beginning to turn; the worst is behind us and we will continue to move forward with job growth and population growth.



## **RDA HAPPENINGS - August 2011**

Over the years, the RDA has worked with our existing and new businesses expanding and growing their business, and it is not the RDA or government that creates the new investments and jobs, it is the private sector. Our objective is to convince those businesses to expand in Emporia, Lyon County or our region.

Locally, the RDA has communicated the availability of local and state performance-based incentives to our primary existing businesses available to those qualifying expanding businesses with beyond “normal” business expansions. Incentives should be an entitlement program but truly performance-based incentives.

Emporia “casts the net” beyond our market area searching for those expanding businesses that would be a mutually beneficial fit to our region.

The RDA works with our Kansas economic development allies such as the Kansas Department of Commerce, Burlington Northern Santa Fe railroad, Westar Energy, Kansas Gas Service and the Kansas City Area Development Council, Animal Health Corridor on our recruitment efforts.

In late July I received the Kansas Business Recruitment Report for the Kansas Department of Commerce (KDOC) for fiscal year July 1, 2010 to June 30, 2011. KDOC Business Recruitment Division received 215 project leads and of those, 72 were successful in Kansas communities. The total jobs created were 10,470 of which 5,783 were retained jobs. The total capital investment for those 72 projects was \$364,000,000 with a total annual payroll increase of \$583,000,000 or an average annual salary of \$56,160.

Of those 215 project leads, 63 or 29% of those leads were considered non-metropolitan areas in Kansas such as Emporia.

The majority of those KDOC leads for the State of Kansas come from site selection consultants, who are real estate professionals, accounting firms, law firms and companies where their sole business is site location. KDOC hosts marketing events such as lunches, dinners or sports venue; at these events we develop the relationships with the site selection professionals. Generally these professionals work on numerous projects; long-term relationships are beneficial.

The RDA like many other Kansas communities, partners with KDOC in these marketing events three or four times per year. Generally at these events there will be ten to fifteen site selection professionals in attendance.

The KDOC Business Recruitment Division has recruitment professionals located through the United States. One consultant in the upstate New York area is responsible for the east coast region, one in Chicago covers the Midwest region, one in the Kansas City area works the Kansas City metro area and North Dakota to Texas, and a consultant in Los Angeles covering every state west of Kansas.

These regional business consultant professionals will assist Kansas communities on existing and new business expansions. The consultants also set up the KDOC marketing events such as consultant lunches, dinners or sporting venues.

The site selection consultants will contact the KDOC regional office or KDOC main office with a project lead. The majority of the leads in FY2011 (July 1, 2010 through June 30, 2011) were manufacturing 58 leads, office 43 leads, professional services 33 leads, logistics/distribution 24 leads, advanced manufacturing 19 leads, energy 18 leads, bioscience 13 leads, healthcare 5 leads and agriculture 2 leads. As mentioned earlier, of these 215 projects only 63 leads or 29% considered non-metropolitan areas such as Emporia.

Typically our region will be competitive with manufacturing, logistics and advanced manufacturing projects. In some instances Emporia may get an opportunity to present a proposal for a bioscience project. We are not competitive on office and professional services, those projects tend to locate in metropolitan areas such as Overland Park, Lenexa and Olathe. The reason Emporia is not competitive are beyond our control, such as labor base and availability of class A office space for lease on a five or ten year term.

Over the years we have received numerous leads from KDOC. A few of those leads have located a new project such as Caterpillar, which is now Camoplast and Norfolk Iron & Metal in Emporia.

Currently we have three early stage proposals pending. Last month we submitted a PDF proposal that was over 100 pages in length. The proposal needed demographic data, zoning ordinance information, aerial photos, existing building data, and storm water detention information. The RDA team assembled the information and submitted the proposal in less than two days. We have to be prepared, and our community information is constantly being updated. The deadline for submitting proposals continues to shorten.

Our proactive marketing efforts are partnering with the Southern Economic Development Council (SEDC) for their annual event. This year the event was held in Atlanta, Georgia. As a sponsor of the event, I had ten to fifteen minutes with each consultant. About half of these consultants I knew, but it is great to remind them that Emporia is a proven community with our past, current and future successes.

The RDA is a member of the Industrial Asset Management Council (IAMC) which is an organization of corporate real estate professionals (CRE). I attend their semi-annual meetings to again develop those relationships with the CRE professionals, site selection consultants and service providers. This organization limits the number of economic developers who can belong. So it took at least a year on the waiting list to become an associate member. These personal relationships promoting Emporia and Kansas have and will pay dividends in the future.

The number of leads is much lower than when the economy was robust and growing, but every day we are getting closer to that next project.

If you recall in the late 1990's our successes of three new companies Menu Foods, Caterpillar (Camoplast) and Norfolk Iron & Metal occurred in 1997, 1999 and 2000. Then in April 2000 IBP (Tyson) announced a \$35 million expansion and Menu expanded in 2000.

The global and national economy went into a recession in the 4<sup>th</sup> quarter in 2000; and with the events of September 11, 2001, the recession was protracted for several more years.

In 2006 we had the Westar Energy Emporia Energy Center project, a \$300 million project. Then in 2007 Hill's Pet Nutrition invested \$204 million; today Hill's has 106 employees with an annual payroll in excess of \$5.1 million. Based upon the valuation of the Emporia Energy Center in northeast Lyon County and Hill's Pet Nutrition, the combined annual property taxes based on today's mill levy is in excess of \$5 million.

Emporia's days are getting brighter; the RDA's primary goal is convincing quality existing and new companies with quality high wage employment opportunities to grow with us. The RDA continues to work in the community's best interest; and we will have more projects.

August 2011



## **RDA HAPPENINGS - July 2011**

The RDA was created as a partnership between the City of Emporia, Lyon County, Emporia Chamber of Commerce and Emporia Enterprises in a unified effort in industrial and economic development. The RDA serves as the primary point of contact for industrial & economic development projects and retail projects.

The RDA works with existing and new businesses in their expansion plans. The new companies that chose to locate in Emporia are Menu Foods Midwest Corporation (Simmons Pet Food), Camoplast (Caterpillar Inc.), Norfolk Iron & Metal and Hill's Pet Nutrition. The RDA has worked with existing businesses such as Detroit Diesel Remanufacturing, Dolly Madison, Kansa Technologies, EVCO, Tyson (IBP), VEKTEK, Fanestil's and Westar Energy with their expansions.

Since the beginning of the RDA efforts, there has been over \$758,149,270 in new capital expenditures on new and expanding companies. Those businesses have added over 1,926,723 sq. ft. of new building and warehouse space. Additionally, there have been 1,100 new primary jobs added to the area.

In the last 15 years, we have recruited Menu Foods (purchased by Simmons in 2010), Caterpillar (now Camoplast), Norfolk Iron & Metal, Westar Energy Emporia Energy Center and most recently Hill's Pet Nutrition.

Recently I contacted Westar Energy regarding the Emporia Energy Center which is located in northeast Lyon County on Road 200 between Road S and Road U. State law provides for a six year tax abatement. Westar Emporia Energy Center will begin paying a portion of their tax liability in 2013, and the entire amount in 2014.

According to Westar's accountants, the State of Kansas put the value of the property at \$37,411,452. Based upon the total mill levy, the taxes on the Emporia Energy Center will be \$4,189,821.

Additionally I looked up Hill's Pet Nutrition plant site on the Lyon County Assessor's website. The value is \$25,514,180 based upon commercial/industrial use and a mill levy of 156.503. The estimated taxes are \$998,201.42. The Hill's Pet Nutrition plant will begin paying taxes in 2022 or 2023.

In the month of May, the RDA was busy on recruitment trips to Albuquerque, New Mexico, Atlanta, Georgia, Newark, New Jersey and Las Vegas, Nevada. Several face to face meetings were held with site selection consultants, corporate real estate executives, national or regional retailers, construction company executives and national real estate executives.

Our office submitted several initial proposals to companies looking at several states and communities for a future expansion.



## RDA HAPPENINGS - June 2011

Several weeks ago I just happened upon a CNBC program about bio-diesel – it gave a brief history over the past decade as a renewable fuel source, and focused on a U.S. student Josh Tickell, who was a foreign exchange student in Germany who learned about using bio-diesel from his host family. The German family, which operated an organic farm, converted used vegetable oil to power some of their farm equipment. His strong interest in this renewable energy source ignited a passion for bio-diesel and sustainability.

Upon his return from Germany, he purchased a Winnebago with a diesel engine and began a promotional journey across the U.S. He had a small converter system on his Veggie Van that could take vegetable oil from fast food restaurants and produce bio-diesel. The beauty of bio-diesel is that it does not generate any greenhouse gas such as CO<sub>2</sub>. In the event of an accidental spill of bio-diesel, it is 100% biodegradable. As the CNBC program continued, the bio-diesel industry began to grow on the “coattails” of the ethanol industry. Bio-diesel was beginning to gain traction as an important component as a renewable energy source.

You are probably wondering what does this have to do with the Emporia, Kansas, region. In the spring of 2007 the Renewable Energy Group from Ames, Iowa, announced the construction of a \$65 million, 60 million gallon per year bio-diesel plant. The primary feed stock was unrefined soy oil of which a portion of the feed stock was going to be obtained from the Bunge soy bean plant in Emporia. Construction began in 2007, then ceased in the first quarter of 2008. In the CNBC report on bio-diesel, they indicated at about that time (in addition to debt financing capital ceasing to be available) as the “great financial crisis” of 2008. Certain “think tanks” asserted that using a “food quality soy oil” would place an undue hardship on the poor of the world so the use of soy oil fell out of favor. The cost of soy oil doubled in price, so the “thin margin” of converting soy oil into bio-diesel to be competitive with petroleum-based diesel fuel became highly unprofitable.

To date on the REG project, soy oil prices remain high, conventional debt financing on bio-diesel projects requires large amounts of equity to debt. If the federal government could provide debt guarantees, it would help the REG projects in Emporia and the New Orleans area. The REG project did utilize performance-based incentives to assist on the plant construction. The largest commitment from the City of Emporia was to fund the construction of a 12” natural gas main from west to east along South Avenue. The infrastructure investment was \$792,000 up front cost to the city funded by General Obligation Bonds. Kansas Gas provided an economic development incentive to assist the City of Emporia by recovering up to 90% of the cost of the natural gas main over a 7 year time period. REG entered into an agreement with Kansas Gas that REG, regardless of the amount of natural gas used, would begin paying a transportation fee of over \$100,000 beginning in 2010 for the next 7 years. Then Kansas Gas would reimburse the City of Emporia \$100,403 over the next several years or until 90% of the cost of construction was recouped by the City of Emporia. To date, the City of Emporia has received \$200,806 from Kansas Gas from REG payments to them.

As per the terms of the incentive compliance agreement with the City of Emporia, REG has not been eligible for property tax abatement, so they have paid property taxes in 2008-2010 of \$39,004.54. In addition, REG pays to the city annually over 10 years \$40,200. To date REG has paid the city \$120,600. The total paid back from REG to the City of Emporia is \$360,410.

We are optimistic that REG will complete the project; however, the City of Emporia and REG renewed the Incentive Compliance Agreement (ICA) in 2010. The agreement expires on July 1, 2013, and it was agreed to by both parties if the project hasn't been completed and operational by July 1, 2013, then the project is over.

It is projected that REG will have paid \$602,000 back to the City of Emporia, which will cover the majority of the natural gas main. The natural gas main was needed by the Hill's Pet Nutrition project and future businesses in Park III.

We all live in a world of finite resources. Choices have to be made about the sources of renewable energy. It is too bad that bio-diesel has fallen out of favor. I believe that bio-diesel is part of the sustainable energy solution.



## **RDA HAPPENINGS - May 2011**

Most communities want to retain, expand and recruit companies to grow the employment and economic base of their region. In order for communities to be successful in these economic development efforts, being prepared is a key component.

The preparation is a continuous process of updating the unique characteristics of the community and determining the comparative advantage of an area for existing or new business to be successful. It also requires commitments from the local and state government for funding, marketing efforts, developing performance-based incentive policies and developing infrastructure for available sites and buildings. Quality K-12 education and post secondary education are necessary for the development of the future workforce and lifelong learning opportunities.

The Regional Development Association of East Central Kansas (RDA) currently serves as the lead economic development organization for the City of Emporia and Lyon County. Our prime objective is to create higher skilled employment opportunities, which equates to higher paying jobs. According to the 2008 Kansas Statistical Abstract, the average salaries for manufacturing and transportation jobs are higher than retail and arts and entertainment jobs. The average annual salary for Lyon County is \$27,339. The City of Emporia and Lyon County have developed performance-based incentives for those qualifying companies which create higher paying jobs that are more than normal business growth. It is the consensus by the RDA, City and County that it would be counterproductive to incentivize low paying jobs.



## **RDA HAPENINGS - April 2011**

This past month the RDA spent a morning reviewing our strategic plan. Simply, our objectives are to work with existing and new businesses to create higher salaried and skilled jobs with new capital investment in our region. Generally all new jobs are welcomed, even those that are minimum wage to those that are six figures a year. However, the policies established by the City of Emporia and Lyon County are to offer performance-based incentives to those qualifying businesses that create a significant number of new full-time jobs that pay an above-average salary of \$30,000 or more.

This protracted recession has limited the number of expansion opportunities for our existing manufacturing base and new businesses to our region. In fact, during this recession most employers reduced their workforce. In the Emporia region there are twenty-one businesses where the majority of their sales are outside the Emporia market area. On a regular informal basis, we visited with their local and corporate management team members about expansion opportunities. Today most of our businesses are holding their own in terms of sales volume, which then is reflected in employment numbers. Since there are not many local expansion opportunities, then we reach out to new business through our extensive network of industrial realtors, site selectors and state economic development partners. Our level of new leads continues to be slower than in the economic boom years of the past. We did get a lead last month on a project; the consultant actually contacted our office for additional information. Now that is a promising sign. I know this project is considering four other Kansas communities and at least four other states. Chances at this point are 1 in 30. Now if we had nine more requests like this, I would feel more comfortable that we are getting closer to our next new project.

I have been working with two start-up manufacturing companies over the past several months. One of the two has great potential for our area, but it is a start-up and faces all the perils of a new company. Hopefully, in future newsletter articles more information can be shared.

On a bittersweet note I learned last week that Emporia Hill's Pet Nutrition plant manager Jim Vaughn is transferring to the Bowling Green, Kentucky Hill's Pet Nutrition plant. Jim and his team started the facility from the ground up. On behalf of the RDA and the Emporia community, we thank you for your leadership on the Emporia facility ramp up. We wish you well.

April 2011



## **RDA HAPPENINGS - March 2011**

Last month for a variety of reasons my 10-year predictors for the Emporia Gazette Progress edition didn't get included in the publication. So this month's article are those comments on Emporia's future.

Sometimes we need to look back to the past to determine the future. We began this decade – 2010 - with a smaller population in Emporia and Lyon County than in 2000. Population growth is a function of employment. With the closing of businesses such as Didde Web Press in 2001 and Modine in 2005 and then the downsizing of Tyson in 2008 Emporia caused a decline in population. We were fortunate to have new and expanding businesses of Menu Foods, Camoplast, Detroit Diesel, Norfolk Iron & Metal, and Hill's Pet Nutrition expand in our area. The good news is that the population decline could have been worse without the new and expanding companies.

Our economic development goal is to stabilize our existing basic sector employers and continue to attract new basic sector employers to the region and have Emporia grow. Basic sector and non-basic sector employers are the foundation of the Economic Development Base Theory, and is used to determine a multiplier from basic jobs to calculate the creation of non-basic jobs to determine the total employment of the area.

The local economy in Economic Base Theory can be divided into two general business sectors – basic (or non local) and non-basic (local) sectors. The basic business sector consists of businesses which are entirely dependent upon external factors. For instance, our pet food companies (Hill's, Simmons and Emporia Pet Products) sell about 99% of their products outside of the Emporia market area. The non-basic business sectors are businesses that depend largely upon local economic conditions to succeed. An example of non-basic business is a grocery store. The 99% of the sales are in the Emporia market area. If there are less basic employees, there will be a decrease of the purchasing power in the local community, which is what we experienced from 2000 to 2010.

The past year and the beginning of 2011, we have experienced the results of a negative economic multiplier with the closing of several non-basic employers, such as restaurants and retail stores. The local jobs lost at Tyson plus the national and global recession had an adverse impact on the non-basic business and employment.

If the global, national, state and local economy can sustain ten years of growth without another recession, then I strongly believe Emporia will grow. But it's rare that we don't have an economic downturn every 10 years or so. The competition for new basic employers is ever increasing because there are few projects and the regional competition is more nimble. We need to continue to focus our attentions on retention and expansion, however that is limited. Large retail developments will be challenging particularly because the population/purchasing power has declined. We will see some fill in development of "dark spaces" in the strip malls on the Industrial Road corridor and at the Flint Hills Mall.

On Commercial Street from 12<sup>th</sup> to South Avenue, we will continue to see the development of smaller niche entrepreneurial retail stores. The challenge on Main Street will be the redevelopment of “dark spaces” of the former Winter Furniture and Madelynn’s buildings. However, it will take time and the redevelopment will occur.

Our hope is that Emporia and Lyon County could recapture or grow to 27,000 city population and a county population of 35,000. That would be higher than my expectations; a 2 to 3% population increase is my prediction. Now if in the next ten years we can get the local economy growing and continue to create a business climate where basic employees can grow and prosper, then non-basic employment and business growth will occur. The local economy is diverse with a manufacturing base of food processing, pet nutrition and others. Emporia State University and Flint Hills Technical College have an economic impact. Newman Regional Health has a significant contribution to the local economy as well.

Emporia needs to be pro-active in order to continue to maintain our current population and to grow. We need to combine efforts for all of our sectors of the economy – Emporia State University, Flint Hills Technical College, Newman Regional Health, Manufacturing Sector, City, County and School Districts. These need good leadership to manage the day-to-day operations and to provide visionary leadership for our future growth.

Specifically, the RDA needs the resources from the ½-Cent City Sales Tax that was used to fund the Aquatic Center bond payments to be entirely dedicated to economic development. Unfortunately, those resources are not available until 2015. That is four years out. If we want to compete on some of the spin off from the National Agro and Bioterrorism Federal Laboratory in Manhattan, Kansas, we need to have developed sites to attract those support businesses.

Emporia has always risen to the occasion; we need to continue to be pro-active and aggressive in our expansion and recruitment efforts. The economy is beginning to recover slowly. Some interesting opportunities are coming our way. The next ten years will be interesting and challenging.



## **RDA HAPPENINGS - February 2011**

We are beginning to see signs that the economy is starting to pick up. Typically, when the local, state and national economy begins to start growing again, our existing businesses consider expansion projects.

In fact, we have two local manufacturers whose business has been coming back. Earlier on during the recession, a few employees were laid off; now they are hiring. One of them is considering an addition to their building with some job growth.

Typically when existing businesses have an increase in their business activity, then several quarters later, we will begin to have more inquiries for new businesses. I believe we are starting to see positive, but slow, growth of the economy.

At the state level, the state begins a new era with Governor Sam Brownback. Within the next 30 to 60 days, we will start to see some of his proposed policies to grow the Kansas economy. The next state budget year will be another challenging budget year. I am excited to see what innovative economic development programs and policies he will propose in the coming months.

The RDA continues to explore the competitive advantages for our bioscience niche in Emporia. It was mentioned in previous newsletters, we work with our companion animal nutrition plants and ESU faculty members to determine a mutually beneficial relationship.

In fact, the RDA has been working with a bioscience company which is in the earlier stages of development. It still needs to complete more research and development of the prototyping of a commercial product, and then followed by testing of the product by potential customers. It's an exciting project but a long shot at best. The company founder prefers to have the production plant in Emporia. You have got to like that.

February 2011



## **RDA HAPPENINGS - January 2011**

The January newsletter topic is generally a recap of the past year in industrial and economic development. Many significant events occurred in 2010. Some of those were that Menu Foods was purchased by Simmons Pet Food. As one door closed on the Menu Foods era, a new opportunity is opening with Simmons Pet Food. I believe this transaction will be quite positive for Emporia. The Emporia production facility is the “flagship” plant of the three former Menu plants; and continues to be an important part of the Simmons strategy in the future.

December 10, 2010, was the grand opening ceremony for the Hill’s Pet Nutrition plant. This marks the beginning of the Hill’s Pet Nutrition era in Emporia. Mr. Michael J. Tangreg, Vice-Chairman of Colgate-Palmolive Co., Mr. Neil Thompson, President/CEO of Hill’s Pet Nutrition, Inc. and Emporia Plant Manager Jim Vaughn participated in the ceremony. Kansas was represented by Kansas Secretary of Commerce Bill Thornton, and Mayor Jim Kessler welcomed Colgate-Palmolive and Hill’s to Emporia.

The Hill’s project actually started on April 18, 2007, when we were contacted. On June 20, 2007, the formal announcement was made on the Hill’s Pet Nutrition decision to locate in Emporia. Then on December 21, 2007, the real estate was transferred. The production of pet nutrition products has commenced.

The incentive compliance agreement between Hill’s Pet Nutrition and the City of Emporia indicated that Hill’s would invest at least \$100 million in building and equipment and create at least 100 full-time jobs with a minimum annual payroll of \$4,309,000. I am pleased to report that Hill’s has exceeded the capital investment, job creation and total annual payroll. We look forward to a mutually beneficial relationship today and into the future.

The renewal of the ½-cent city sales tax for personal property tax relief and industrial and economic development was another significant event in 2010. We certainly thank the voters for their continued (69%) support of the efforts of growing the Emporia economy. Emporia will continue to be competitive in the future.

The Regional Development Association of East Central Kansas (RDA) has a board member retiring this year. Jeff Longbine has resigned from the RDA to serve the community as a Kansas State Senator from the 17<sup>th</sup> District. Jeff served the community well with his service on the RDA and City Commission. We look forward to him representing us in Topeka.

Kevin Nelson is the City of Emporia appointee on the RDA Board replacing Jeff Longbine. We welcome and look forward to Kevin on the RDA Board of Directors.

January 2011