

RDA ANNUAL REPORT 2011

OVERVIEW

The economy of the City of Emporia, Lyon County and the East Central Kansas region is slowly beginning to recover. The Emporia economic downturn began in the first quarter of 2008 with the reduction of workers at Tyson, followed by the financial crisis of September 2008 and general slowdown of local business activity. Today we are on the slow recovery.

Early in 2011, Tyson had a reduction in workforce, but other Emporia businesses such as VEKTEK, Detroit Diesel, Sauder Custom Fabrication, Camoplast, Hill's Pet Nutrition, Norfolk Iron & Metal and Simmons Pet Food began increasing their workforces.

The 2011 Lyon County monthly unemployment rate has varied from a high of 7.2% in July to a low of 5.7% in both October and November. Approximately 16,868 persons (out of a total civilian workforce of 17,896) are employed.

Other external factors which have impacted our value-added agriculture processors are the volatility of grain commodities. These have had a dampening effect on Tyson, Simmons, Emporia Pet Product, Tyson and Hostess Brands.

NEW ENTERPRISE

This past year we continue to work on the Biosciences with our animal nutrition companies. An outcome from these meetings is the development of a program at Emporia State University with an emphasis in food safety.

We began conversations and studying options for improved broadband redundancy, speed and availability. An ad-hoc committee was formed; a random sample survey was conducted of the general population and business community. As a result of our data collection, the Kansas Fiber Network would install fiber optic cables through Emporia to serve their rural telephone company members. A locally based start-up fiber-optic company will begin a fiber optic service to the businesses and residential properties in Emporia in 2012.

Angel Capital discussions were held in 2011; the objective was to determine whether a locally based Angel Capital group could be formed for equity investment in companies in our region. Numerous meetings were held discussing our options.

The consensus of the Angel Capital meetings was for the RDA to join the Midwest Venture Alliance (MVA) which is managed by Wichita Technology Center. Being a MVA member,

equality investment opportunities are presented throughout the year and those opportunities will be communicated back to Emporia to the qualified investors. The RDA would host period meetings either quarterly, semi-annually or annually with qualified investors interested in Angel investor opportunities.

When a local Angel Capital investment opportunity is available locally, then we may be able to utilize the Midwest Venture Alliance to establish a “local” LLC for the qualified investors.

START UPS

These past several years, the RDA has assisted two early-stage business start-ups. Both companies are considered bioscience. The first company is Green Dot, which is based in Cottonwood Falls, KS. Green Dot Pure has developed renewable bio-based resins to be used for plastic products made from soft plastics. These plastics are biodegradable and compostable. The RDA assisted the Green Dot team by setting up meetings with the Kansas Bioscience Authority (KBA), Kansas State University, Pittsburg State University – Kansas Polymer Research Center, Kansas Department of Commerce and National Institute for Strategic Technology Acquisitions and Commercialization (NISTAC). This past year KBA funded a proof of concept grant to Green Dot to work collaboratively with Kansas Polymer Research Center. Green Dot has great potential for continuing job growth in Kansas.

The other bioscience company I am not at liberty to disclose at this time. But we are optimistic their commercialization efforts will continue.

RETENTION/EXPANSION/RELOCATION

In 2011, the RDA continued to work with Fanestil Meats to relocate from their current location which is in the flood plain to a new location. Several locations were identified with a location on West Highway 50 and west of Wecker Truck on the Americus Road identified as the preferred location. The RDA Board of Directors recommended a performance-based incentive proposal to the City of Emporia, and then prepared the financial due diligence.

The City of Emporia approved a performance-based incentive compliance agreement subject to a variety of conditions. One of those conditions is the continuation of FEMA funding.

VETEK began an expansion project in early 2011. The project required a zoning change to allow for a 10,200 sq. ft. building expansion to their existing building located at 6th Avenue and Whildin Street. The project will create 10 to 12 quality jobs. VETEK submitted all the required documentation to be considered for performance-based incentives. After the RDA recommendation to the Emporia City Commission, an Incentive Compliance Agreement was

approved. The performance-based incentive was ten year 100% temporary real property tax abatement.

One of the primary functions of the RDA is existing business expansion. We keep in contact with our larger primary employers to assist those companies considering growth and expansions, and to learn of the general economic well being of their business. Most of the information is highly confidential and proprietary.

On occasion, a business may want to explore the use of performance-based incentives available at the local and state level. The RDA serves in an advisory capacity to those businesses that may choose to utilize incentives for a significant expansion beyond normal business growth.

This past year we had a meeting with representatives from Tyson corporate and local management at the Emporia Tyson plant. Mayor Nelson, City Manager Zimmerman, Representative Hill and RDA President Heermann met to discuss opportunities and concerns. We believe Tyson's future in Emporia is strong. This past year the spike in commodity prices had a tremendous negative impact on the meat processing industry. The future looks bright for the industry today.

Also this past year Mayor Nelson, City Manager Zimmerman, Chamber President McKenna, RDA Chair Sauder and RDA President Heermann met with Simmons Food Chief Operating Officer Todd Simmons. We were briefed on the Simmons family of business and how the Emporia Pet Nutrition plant was key to the future growth of their business. The commodity prices had a dampening effect on their growth plans short term. The future does appear to be bright for Simmons and Emporia.

This past year I had the opportunity in conjunction with a marketing trip to Atlanta, Georgia, to meet with the Birch Telecommunications President Oddo and CFO James. We had a discussion regarding their Emporia facility being underutilized. They were receptive to consolidating all of their Emporia operations into the lower level of their building, then leasing the two upper floors to a customer service/back office operation. The RDA developed a marketing PDF in conjunction with Birch Telecommunications and distributed the information to the customer service consultants in Dallas, Phoenix, and other metropolitan areas.

One consensus issue we have learned in our conversations with our existing large employers are that certain skilled job opportunities are challenging to find qualified and experienced applicants. Some of those positions are controllers, chief financial officers, engineers, chemists, skilled maintenance technicians, CNC machine operators and professionals with the formal training certificates/degrees and years of experience.

In December 2011 the RDA, in cooperation with NationsJob.com produced a network of websites that include available jobs by industry, job classification, location and community. NationsJob provides another avenue for the employer to find the right employee. It is a fee-based system and optional to each business.

RECRUITMENT

In all the decades I have been in the economic development recruitment business, the volume and quality of the new projects was at an all time low. The types of leads were searches for existing buildings with high ceiling heights of 35 to 50 feet, bridge cranes with 5 to 10 ton capacity and rail access. These types of searches are wind energy related.

We participated in cooperative market efforts with the Kansas Department of Commerce (KDOC) and the Kansas Animal Health Corridor. The RDA also participated in a Southern Economic Development Council (SEDC) meeting. The consultant event in Atlanta, Georgia, was an event in which 15 to 20 site selection consultants attended whereby the RDA presented information on the Emporia area.

SPECIAL PROJECTS

The past year USD #253 decided to move the fifth graders back to the elementary schools and build an addition on the Emporia Middle School for sixth graders. As a result, the Lowther North and South school buildings were sold.

The RDA provided some assistance to the Emporia school district working with several historic building developers who leverage housing tax credits, historic state and federal tax credits on redeveloping former school buildings.

A local development group purchased Lowther South to be developed as the Humanitarian Center for non-profits. One of the first tenants to lease the entire third floor is the Flint Hills Technical College.

The Lowther North building was purchased by a local investment group who will take possession of the building in the first quarter of 2012. The investment group is exploring a business enterprise with historic development options. The RDA has met with the developer about the various options.

BUSINESS PARK AND INDUSTRIAL SITES

Emporia Enterprises manages our large industrial site inventory which has over 200 acres of sites varying in size from 6 acre to 100 acre sites. Some of those sites are shovel-ready sites, and other sites require infrastructure development such as water, sanitary sewer, paving, electrical, natural gas and broadband access.

The past year BG Consultants assisted Emporia Enterprises in a preliminary layout of Industrial Park IV. They suggested development of 21.4 acre, 25 acre and 100.4 acre tracts.

Emporia Enterprises does not have any large rail-served sites. We continue to look for suitable large-tract sites.

RETAIL

In 2006 and 2007 the RDA started a pro-active effort for larger retail development. In 2005 and 2006 several developers were proposing “big-boxed” development in northwest Emporia.

The RDA President attended the International Conference of Shopping Centers (ICSC) deal making meeting in Chicago in the fall of 2006. Meeting with Demetrious DeLaporte, a developer who had an option on the DeBauge-Krueger tract located southwest of the intersection of 18th Avenue and Graphic Arts Road. Additionally, numerous contacts were made with regional and national retailers. Initial contact was made with Jimmy John’s which is a franchise-based company based on the fact Emporia met or exceeded the minimum thresholds. Several years later, the individual who had the franchise rights for Emporia developed an operation at 8th Avenue and Commercial Street.

In collaboration with the City of Emporia, a retail study was conducted by Buxton to determine the retail shortages. The City Commission asked the RDA to develop and recommend a tax-increment financing (TIF) and transportation development district (TDD). Both the TIF and TDD policies were adopted in 2007. Then in 2009 the Community Improvement District (CID) policy was adopted.

The RDA in 2008 assisted the City of Emporia in the review and due diligence of the Emporia Plaza project which proposed a large commercial development with a Lowe’s Home Improvement store as the anchor tenant with several restaurant pads, a junior box and a small strip mall. The Plan Unit Development (PUD), TIF and TDD took from July 2008 to February 2009 to complete. It was a collaborative effort of the RDA and City of Emporia. Due to the recession, Lowe’s chose not to develop in Emporia. Other suitable tenants were contacted. On January 14, 2012, the PUD will expire, and the Emporia Plaza project will end.

The RDA continues to coordinate and set up meetings and appointments for the annual ICSC Expo in Las Vegas in May 2008 through 2011. Representatives from the city and RDA meet in person with regional and national retailers, regional (Kansas City & Omaha) commercial/retail developers and owners of the Flint Hills Mall and West Emporia Plaza.

In 2011 the RDA created a retail committee to meet with the local stakeholders to develop mutually beneficial market efforts.

The RDA website has a mobile version now. We will be utilizing QR codes to market the available commercial retail sites.