

EXECUTIVE SUMMARY
Regional Development Association of East Central Kansas
Activities for 2014

RDA Mission: *Our mission is to proactively promote economic growth of the East Central Kansas region through commercial and industrial recruitment, expansion and training enhancements.*

RDA Goals:

- *Creation of skilled jobs for the region.*
- *Encourage the retention of existing employment within the region.*
- *Create an atmosphere that provides growth opportunities to industry.*

During 2014 numerous projects were continuing from 2013, others beginning in 2014 and others will continue into future years.

Hostess Brands continues to grow and expand in 2014 and 2015. Late in 2013 a major expansion project was announced with the addition of a 36,000 sq. ft. warehouse and adding a new Auto-Bake line to the Emporia “Flag Ship” plant.

At the July 19th Ribbon Cutting for the warehouse and Auto-Bake line it was announced a second Auto-Bake line estimated to cost \$25 million would be installed and 50 more employees hired. The second Auto-Bake line would be operational by second quarter 2015.

Existing business expansion and retention was positive the last two years in Emporia. Two years ago Dolly Madison/Hostess Brands declared bankruptcy and was in liquidation and over 500 workers were without employment. Hostess Brands was purchased by Apollo Global Capital and Metropoulos and reopened. The Emporia plant is the “flagship” plant with over **450 workers** today.

Simmons Pet Food had a project in 2013 which added a \$4.55 million production line and 30 new full-time jobs. Then on April 22, 2014 Simmons announced a multi-million dollar expansion projected with the addition of new production equipment and building additions to accommodate all the new equipment and the full-time job creation of 50 employees in late 4th quarter 2014 with a potential growth of 80 to 100 new full-time employees by the end of 2015.

In late March 2014, **Detroit Diesel Remanufacturing** alerted the RDA staff that on December 31, 2014 the 40,000 sq. ft. of warehouse space leased from Sunset Warehouse/BLT would no longer be available. With an uptick in sales at Cargill Pet Nutrition, Camoplast Solideal, the acquisition of an out of state company by Hopkins in 2013, and the consolidation in Emporia, the demand for warehouse space has increased. The Simmons expansions needed the 20,000 sq. ft. space which was sub-leased to Cargill Pet Nutrition. The recent lease/purchase of a 20,000 sq. ft.

warehouse on west 6th Avenue by Dynamic Discs/Dynamic Discs Distribution, all of these events caused a warehouse shortage in Emporia.

The RDA in conjunction with the Emporia Enterprises developed a plan to acquire 23 acres adjacent to the Detroit Diesel operations on Overlander Street and was working with a builder to construct an 80,000 sq. ft. warehouse with a 5-year operating lease to Detroit Diesel. The challenge for the RDA and Emporia Enterprises was a building loan is for a minimum of 10 years and a pure operating lease for only five years the risk was too high.

The decision was made to find a developer to construct and lease to Detroit Diesel. Two potential developers were identified, Overlander Street, LLC is the builder/developer. A lease was signed; the building is under construction and will be occupied by Detroit Diesel in the 2nd quarter of 2015.

Detroit Diesel Remanufacturing has two similar operations to Emporia, one in Ohio and the other in Utah. The Utah operation has excess capacity in a building owned by Detroit Diesel. If we had not developed a leasing option in Emporia the hundred plus full-time jobs would have been relocated to another Detroit Diesel Remanufacturing facility. The Detroit Diesel Remanufacturing warehouse project **retained 120 jobs**.

In April 2014 **Birch Communications** with corporate headquarters/operation center are in Atlanta and operational facilities in Emporia, Kansas and Macon announced the acquisition of the publicly traded company Cbeyond. The acquisition would require customer service jobs to be located at either the Macon or Emporia facility. We worked with local Birch Communications staff and CFO Eddie James to locate those 100 plus jobs in Emporia, Kansas.

There will be 208 employees at Birch Communications at the end of 2014, an increase of over 100 new employees from the previous year. In order to assist with the new job growth, the City of Emporia, with the recommendation by the RDA Board of Directors, approved to fund off-street parking improvements and additional parking spaces to accommodate the growth.

Dynamic Discs/Dynamic Distribution continues with significant growth annually. Last year bursting at the seams at their Commercial Street retail, corporate headquarters, and order fulfillment center, they expanded their operations into 10,000 sq. ft. of a 20,000 sq. ft. building located at 3601 West 6th Avenue with a lease purchase agreement. This past August, Dynamic Distribution purchased the building and property expanding into the entire 20,000 sq. ft. building. Under the leadership of Jerome Rusco, Emporia State University College of Business graduate and started the business in 2005, the business has grown the business significantly and has 30 team members assisting his operations.

This past year on the **recruitment** side of industrial development we had **two community visits** Project Sigmund and Project JT.

Project Sigmund, an international manufacturing prospect visited in January. Emporia was eliminated from the selection process early on but Project Sigmund has not identified a finalist

community out of the remaining three communities. This lead was generated from our membership with the animal health corridor Kansas City Area Development Council.

Project JT visited Emporia/Lyon County in March 2014. This project was initiated by our strategic partnership with Burlington Northern Santa Fe railroad. One of their customers was searching for a 100-acre site with railroad access in Kansas.

After visiting with Project JT, who is extremely thorough in their site determination and due diligence, considered several other locations in Kansas and Missouri. A few weeks ago we were notified by our contact at the Kansas Department of Commerce that the 100-acre site was one of three sites being considered by Project JT. The State of Kansas was developing a performance-based incentive proposal. If we wanted to present our best offer to submit the proposal a competitive performance-based incentive was submitted to Project JT management. They will make a determination of a preferred location prior to end of December 2014. However, they may not make any formal public announcement.

Project JT would create 248 new full-time jobs with an average salary of \$39,000 over three years; have an annual payroll over \$9.7 million, a total capital investment of \$37 million of which \$18.5 would be real property. The estimated annual taxes at today's mill levy would be \$580,000.

RETAIL

This past year the decision was made not to have an Emporia marketing team lead by the RDA to attend the ICSC RECON 2014 in Las Vegas. The developers of the Emporia Pavilions project and representatives from Flint Hills Mall were attending the event representing their Emporia properties.

Emporia Pavilions, a proposed commercial/retail development project on a 39-acre site located northeast of the intersection of 24th Avenue and Industrial Road filed a Tax Increment Financing (TIF) application on January 24, 2014. The project proposes to have a Home Improvement and Grocery Store anchor tenants with other restaurant and smaller retail services in the development.

The Planned Unit Development (PUD) to allow the development was approved by the City Commission subject to the approval of a final PUD, the TIF and Development Agreement.

As part of the process of a TIF application, a marketing study was conducted by Development Strategies to determine the viability of the project. The Marketing Study has been completed; we await the next steps by the developer to advance the project to the next phase. In recent conversations with the developer a revised application may be submitted in 1st Quarter 2015.

Former **Big Lots building**, which was purchased by David Christie in 2008 for another potential development have been vacated for the last six years. With the warehouse shortage this year, we worked with Mr. Christie on a proposed conversion of the former Big Lots building at 2727 W.

Highway 50 to a warehouse facility. The conditional use permit had been submitted to the Planning Commission to allow the warehouse use. At the same time a realtor from Salina, Kansas contacted the RDA inquiring about the Big Lots building. That realtor was negotiating with owner at the same time the negotiations were on-going with a warehouse tenant.

At the end of the day a deal was agreed upon where the **Waters True Value** owners purchased the property to relocate their retail operations to 2727 W. Highway 50. The property is in the process of being remodeled to be opened in early 2015.

The **Historic Breckenridge Hotel & Convention Center** continues. The RDA along with the City Review Team provided the initial due diligence on the Community Improvement District (CID) application subject to obtaining written documentation of private financing.

On December 3, 2014, written confirmation was received from the Central National Bank, 802 N. Washington, Junction City, Kansas a conditional commitment to provide the Historic Breckenridge, LLC a construction and permanent financing for an 87 room Hotel and Convention Center located in Emporia, Kansas. In their letter it stated, ***“The loan proposal is contingent upon underwriting and approval policies and standards in accordance with loan policy. The loan proposal is contingent upon (but not limited to) satisfactory review of the collateral, repayment capacity, project feasibility, and financial stability and credit worthiness of Borrower and Co-Borrowers.”***

The Community Improvement District (CID) City’s Review Team forwarded a letter dated March 3, 2103 to the City of Emporia, City Commissioners. This letter recommended the approval of the Community Improvement District (CID) application for the Historic Breckenridge Hotel and Convention Center subject to the receipt of a letter from a financial institution indicating that the applicant has sufficient financial resources to obtain the private financing for the project.

The CID application is completed enough to proceed to the next level of due diligence by the City Review Team provided the City Commission determines the application should proceed at their December 10th Commission Study Session.

SUMMARY

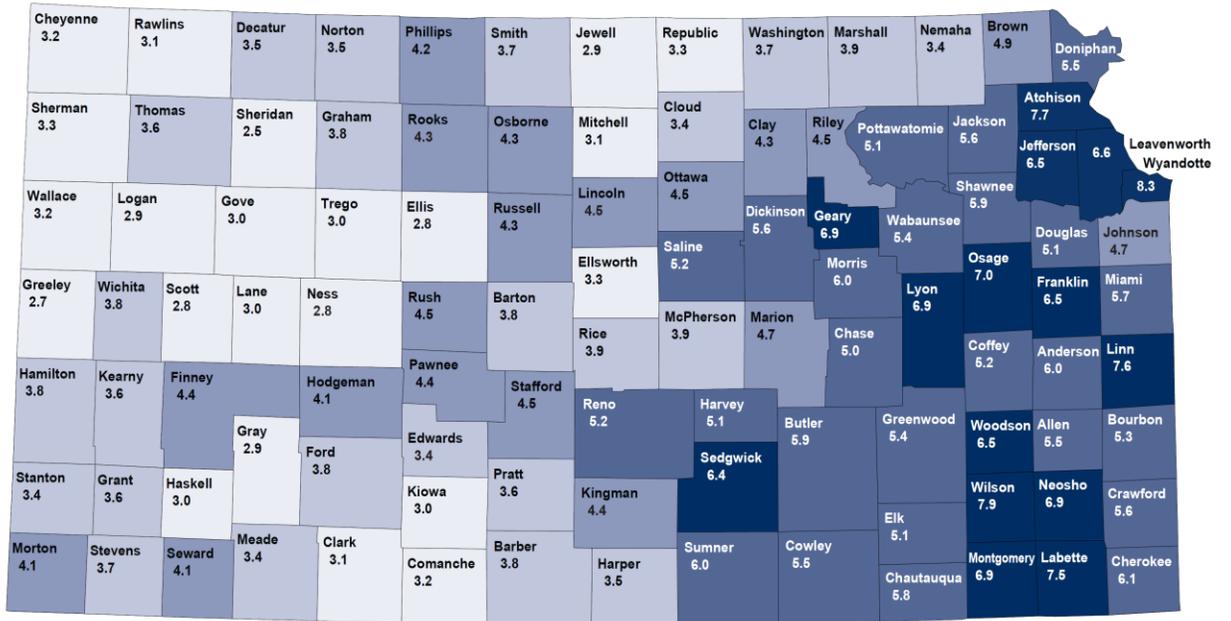
Over **170** new jobs were created with another **50 to 80 jobs to be created in 2015** as a direct result of the Simmons Pet Food expansion in 2014. The new capital investment with Hostess Brands, Simmons Pet Food, Fanestil and the Detroit Diesel Remanufacturing warehouse being constructed by Overlander Street LLC is in excess of **\$46,200,000** with the addition of **125,000 sq. ft.**

Metrics of job growth in Lyon County, the Emporia Micropolitan area (Chase and Lyon County) are attached to this summary. The chart entitled Kansas, Labor Force, October Labor Report 2010-2014 from **October 2013 to 2014** the employed **Labor Force grew by 902 workers** to 18,457 or a 5.14% growth from October 2013 to October 2014.

The county unemployment rates for 2013 and 2014 are attached. What a difference one year makes. The 2013 Lyon County unemployment rate was 6.9% and the 2014 Lyon County unemployment rate is 3.7%.

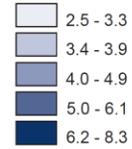
Kansas Labor Force October Labor Report 2010-2014	2014		2013		2012		2011		2010		Employment	Employment
	Employment	Unemp%	Employment	Unemp%	Employment	Unemp%	Employment	Unemp%	Employment	Unemp%	Change	Change
											2010-14	2013-14
Kansas	1,437,361	3.8	1,411,461	5.1	1,410,762	5.2	1,417,162	6.2	1,398,637	6.4	2.77%	1.83%
Lawrence	61,958	3.2	59,743	4.3	58,105	4.7	62,083	5.4	60,134	5.5	3.03%	3.71%
Wichita MSA	284,502	4.6	280,661	5.8	286,358	6.1	291,743	7.2	284,739	7.8	-0.01%	1.37%
Topeka MSA	114,717	4	112,158	5.5	112,202	5.9	114,363	6.6	113,099	6.6	1.43%	2.28%
Kansas City Area	418,996	3.9	413,730	5.4	413,249	5.5	403,104	6.7	397,965	6.9	5.28%	1.27%
Manhattan MSA	61,837	3.4	59,423	4.7	61,461	4.6	64,339	4.9	64,078	4.8	-3.50%	4.06%
Atchison Micro	8,257	4.4	8,077	6.4	7,958	6.1	7,997	7.3	7,887	8.3	4.69%	2.23%
Coffeyville Micro	17,568	4.8	17,309	6.2	17,365	6.8	16,524	9.2	16,293	9.6	7.83%	1.49%
Dodge City Micro	19,614	2.9	19,891	3.3	19,466	3.3	18,952	3.9	19,041	3.5	3.01%	-1.39%
Emporia Micro	18,457	3.7	17,555	5.9	18,214	4.7	18,406	5.6	18,135	5.8	1.78%	5.14%
Garden City Micro	19,947	2.8	19,317	3.7	19,854	4.2	20,133	4.4	19,399	4.4	2.82%	3.26%
Great Bend Micro	17,500	2.5	15,957	3.4	15,280	3.6	15,355	4.6	14,928	4.9	17.23%	9.67%
Hays Micro	20,650	2	19,441	2.6	18,657	2.8	18,357	3.2	17,969	3.2	14.92%	6.22%
Hutchinson Micro	32,071	3.7	32,084	4.6	32,752	4.7	33,088	5.5	32,677	5.4	-1.86%	-0.04%
Liberal Micro	11,412	2.9	10,595	3.7	10,583	3.6	10,539	4.2	10,307	4.3	10.72%	7.71%
McPherson Micro	16,713	2.8	16,362	3.5	16,132	3.7	16,127	4.3	15,900	4.6	5.11%	2.14%
Parsons Micro	10,155	5	10,087	6.8	9,878	7.2	10,049	8.6	10,137	8.7	1.78%	0.67%
Pittsburg Micro	20,417	4.1	19,934	5.1	19,046	5.4	18,695	6.9	18,740	7.4	8.95%	2.42%
Salina Micro	32,728	3.4	32,869	4.5	31,542	4.9	32,052	5.7	32,547	5.4	0.56%	-0.43%
Winfield Micro	18,599	3.4	17,819	5.2	17,064	5.4	17,054	6.4	17,290	7	7.57%	4.38%

Unemployment Rates in Kansas, by County 2013 Average



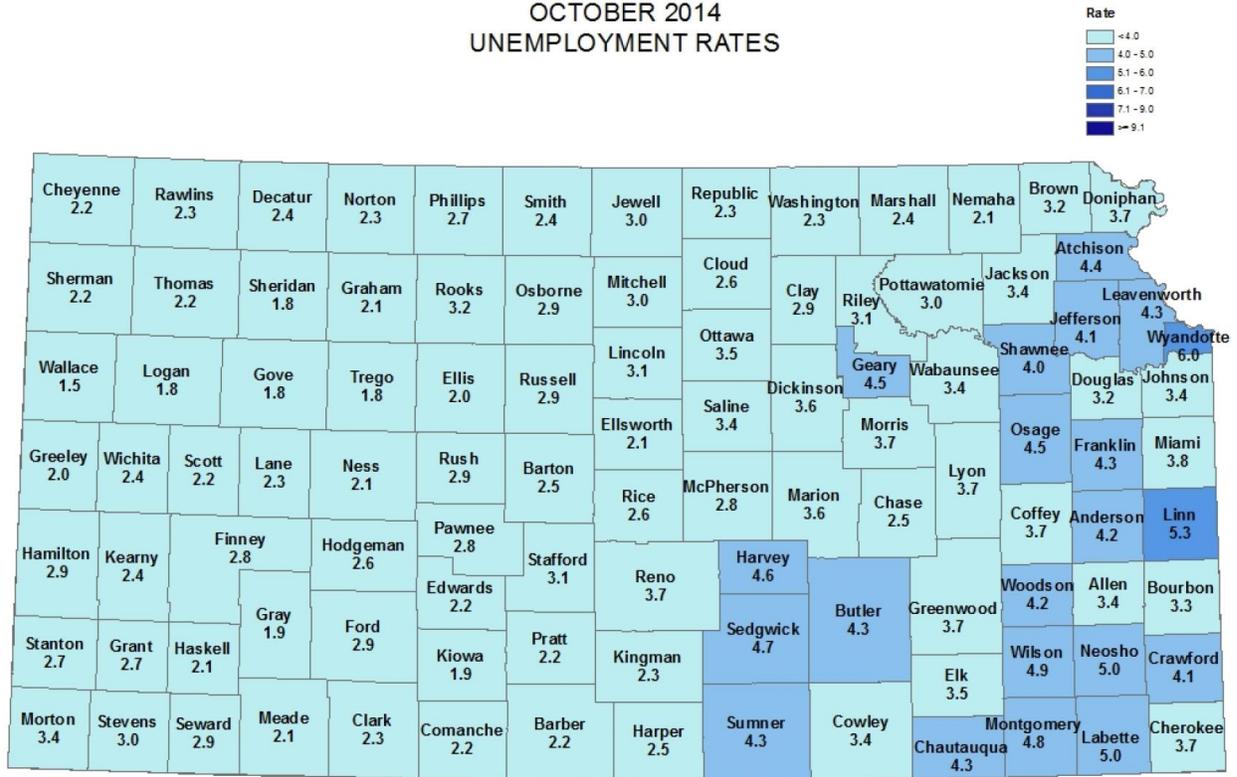
Source: Institute for Policy & Social Research, The University of Kansas; data from the U.S. Department of Labor, Bureau of Labor Statistics.

Unemployment Rates



Kansas: 5.4

OCTOBER 2014 UNEMPLOYMENT RATES



Note: County unemployment rates are only available not seasonally adjusted
 Source: Kansas Department of Labor, Labor Market Information Services, in conjunction with the Bureau of Labor Statistics