CITY OF MANHATTAN
KANSAS

Manhattan Economic Development Annual Report

Manhattan Economic Development Opportunity Fund
(MEDOFAB and "Roads and Jobs")
and
Annual Tax Abatement Report for Year Ending 2011

Manhattan Economic Development Annual Report and Update 2011

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introduction

Dear Honorable Members of the Manhattan City Commission and Citizens of Manhattan,

It is my pleasure to present the 2011 Economic Development Report. The purpose of the report is to communicate to the public how the City of Manhattan has performed in administering economic development sales tax funds. The following are highlights of this report:

- Over 280 new jobs were created by current companies/entities since the last reporting period, and a total of 1,442 jobs, or 138% of jobs projected, were created by these companies/entities since the inception of their agreements.
- Over $9.6 million were invested in buildings, land or other improvements that are retained as assets of the City. This represents 28% of all economic development incentives awarded since 1995.
- For every $1 invested in economic development initiatives since 1995, approximately $7.41 was leveraged in private sector and other investments. More importantly, since the economic development process was significantly modified in 2002, proceeds from the Roads and Jobs sales tax have leveraged outside investments at a ratio of approximately 1:10. These figures do not include the City's $5 million commitment for the National Bio and Agro Defense Facility (NBAF) which will leverage approximately $1 billion in state and federal funds.
- The City invested almost 60% of economic development funds since 1995 to "grow our own" through local expansion projects.

In November, the voters of Riley County will determine whether to renew the half cent sales tax for Roads and Jobs. If the renewal is successful, the City Commission has committed that 65% of the proceeds will be available to continue the economic development investment strategy through traditional incentives and infrastructure projects. These dollars will be essential for capitalizing on local strengths including Kansas State University, NBAF, and the Animal Health Corridor. The cash balance of the Economic Development Fund is $8.7 million as of August 31, 2012, and adequate balances have been set aside to meet all contractual obligations.

Sincerely,

Ron R. Fehr

Ron R. Fehr, City Manager

summary letter from the city manager

Manhattan Economic Development Annual Report and Update 2011

On November 8, 1994, the voters of the City of Manhattan approved a one-half cent sales tax for a four year period. With this tax revenue (approximately $12 million), the City Commission created the Manhattan Economic Development Opportunity Fund (**MEDOFAB**) to support economic development initiatives in the City. On November 5, 2002, the voters of Riley County approved the **Roads and Jobs** county-wide half-cent sales tax. The City's portion of this sales tax, estimated at $20 million, is dedicated to economic development initiatives.

Before the election in 2002, the City Commission affirmed the economic development goals for Manhattan:

- Create quality jobs with corresponding wages, benefits, and working conditions.
- Diversify the property tax base in Manhattan.
- Decrease reliance on federal, state, and local government for jobs.
- Maintain, stabilize, and build on the existing strengths of the community.
- Invest public funds in ways that create self-sustaining economic development activities.
- Use public funds to leverage private investment in economic development.

In late 2002, the Commission approved new economic development funding processes, procedures, and scoring model. This was updated by the Commission in April 2010 and is available on the City's website at www.cityofmhk.com. Applications are scored according to four factors: base wage structure (35%), community return on investment (35%), community fit (20%), and employee benefits (10%).

In 2003, the City Commission adopted new policies for Industrial Revenue Bond financing and tax abatements. The City Commission requires an annual update on firms that have received tax abatements. This information is included as part of this report.

statement of economic development goals

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2002 roads and jobs sales tax

2011 Manhattan Economic Development Annual Report and Update
Executive Summary
2002 – 2012 Roads and Jobs Sales Tax

On November 5, 2002, the voters of Riley County approved a Roads and Jobs initiative to be funded through a county-wide half-cent sales tax. The County's portion of the sales tax is used for road and bridge improvements throughout Riley County. The City Commission, by Ordinance No. 6294, mandated that the City's share of the sales tax be used for *"economic development initiatives, that occur within Riley County, except as set forth hereinafter, and which benefit the City of Manhattan, Kansas, as determined, and authorized, by the Governing Body of the City. Provided, however, such revenue may be used for economic development initiatives, that occur outside of Riley County, if the Governing Body of the City determines that Riley County will benefit from such initiatives, and the Board of Riley County Commissioners agree, in writing, with such determination."* To date, funds have been distributed to the following:

PROGRAM ADMINISTRATION

In 2009, the City began reimbursing a portion of personnel costs for economic development overhead activities such as processing applications and monitoring contracts. This includes the City's contract with the Manhattan Area Chamber of Commerce to perform economic development recruitment and retention functions. Funds are also used for miscellaneous costs associated with processing applications such as mailing, printing, appraisals, financial reviews, risk analysis etc. Program administration represents about 5% of "Roads and Jobs" expenditures and 3% of total economic development expenditures (including MEDOFAB).

COMPANY INCENTIVES

🟢 = meeting/exceeding expectations 🟡 = below projections but contract compliant 🔴 = in default

Currently Monitored Companies

🟢 CivicPlus develops and designs civic engagement systems, primarily for local government clients. The company is on a steady growth trajectory and is building a new $9 million headquarters facility in downtown Manhattan. CivicPlus is expected to create 250 jobs in 10 years with average wages of at least $45,055 per year. The City awarded a $750,000 forgivable loan and partial tax abatement to assist with the expansion project.

🔴 Collegiate Marketing Services was awarded a $250,000 conventional loan and a $250,000 forgivable loan to assist the company with the relocation and expansion of its business from Overland Park. CMS was bought out by Dreams, Inc. which relocated most operations to Chicago. The company is currently in default of its economic development agreement with the City for non-payment on the conventional and forgivable loans. The company still owns the Mid-Town Plaza Property and hopes to begin incremental repayment of the loans using excess rent proceeds.

🟢 Flint Hills Beverage is a distributor for Anheuser-Busch throughout the region. The City awarded a $40,000 grant and the payment of special assessments on two lots in the Corporate Technology

Park. The company currently has 28.5 employees. In July, the company exercised its option to purchase 3.5 additional acres in the Tech Park. A 17,000 square foot expansion project will be completed in 2012.

- Florence Corporation is a commercial mailbox manufacturer specializing in mailbox installations for large residential developments. The City awarded a forgivable loan of $80,000 and the payment of special assessments on four lots in the Corporate Technology Park to assist with the company's relocation from Chicago. Despite the decline in the national housing market, Florence employs over 180 people and has made capital investments totaling over $21 million. The company achieved 100% compliance in all performance categories except for job creation (74.6% as of June 30, 2012).

- Kansas State University Institute for Commercialization (KSUIC), formerly NISTAC, is dedicated to the start-up and expansion of technology-based, high-growth enterprise and the commercialization of university intellectual property. The City constructed the Manhattan/K-State Innovation Center in the KSU Foundation Research Park in 2007 and leases the facility to KSUIC. In 2006, the City awarded a $450,000 loan to equip the laboratories and other professional space in the Center. KSUIC has supported the creation of 38.5 new jobs since occupying the Innovation Center. Their goal is to create 213 jobs by 2017.

- Manhattan Area Technical College (MATC) received a $75,000 conventional loan and a $291,000 forgivable loan to assist MATC with expansion of its classroom space and programs. This workforce development initiative is expected to produce 500 graduates for high-wage, high-skill jobs over 10 years. The expansion project is complete, but enrollment in the bioscience/technology programs had a slower start than expected. MATC was eligible for 70% loan forgiveness for the payment due July 1, 2012.

- Meadowlark Hills is a large retirement community offering a full continuum of care to allow residents to live as independently as possible. The City awarded a $400,000 forgivable loan and a $350,000 conventional loan to assist with a $34 million facilities expansion. The company has over 235 employees and is compliant in all performance categories.

- NBAF Commitment – The City committed $5 million for infrastructure and site improvements to accommodate construction of the National Bio and Agro Defense Facility. To date, the City has expended $2.3 million to relocate water, gas, and electric utilities from the site. The City's contribution was an essential part of the coordinated statewide recruitment effort. The $1 billion million project is expected to create over 400 jobs.

- Prathista International is the North American affiliate of an India-based feed supplement and agricultural nutrient manufacturer. The City has pledged up to $500,000 to assist with leasehold improvements to the former National Guard Armory at Manhattan Regional Airport. Prathista will lease the Armory for a pilot production facility to expand into U.S. markets. The company is currently recruiting seven employees in Manhattan and working to complete the design for the production facility.

Previously Monitored Companies

Mercy Community Health Foundation was awarded a $1 million grant to assist the hospital with a $42 million project to renovate and expand its facilities. The grant was awarded by recommendation of the former Manhattan Economic Development Opportunity Advisory Board (MEDOFAB), but the final two installments were paid from Roads and Jobs sales tax proceeds. As of the last reporting period in 2006, the Hospital had added 184 jobs since beginning its expansion in 2001.

Land and Building Investments

Property at Airport/Tech Park – The City authorized $184,814 to purchase property adjacent to the Airport that may be added to the Tech Park at a later date.

Manhattan Conference Center - The City has reserved $1.5 million of economic development funds, subject to City Commission approval, to assist with its commitment to help pay for the recently constructed $9.5 million Conference Center in the new South End Downtown Redevelopment. The Conference Center currently has about 60 employees. The City's investment in the Conference Center leveraged $13 million in private investment to construct the adjacent Hilton Garden Inn hotel and parking as well as an additional mixed-use building that will begin construction this fall. This four-story building will include 8,500 sq. ft. of retail/commercial on the first floor with 24 residential units on the upper floors.

Manhattan/K-State Innovation Center – The City committed $7.68 million of economic development funds for the construction and debt financing of the Innovation Center, including a pilot space for manufacturing. These funds helped leverage $2 million in grants from the Kansas Bioscience Authority for furniture, fixtures, and equipment, and to convert the pilot space to additional wet labs. The original building was constructed for a principal amount of $5.645 million, which was offset by a $250,000 commitment from the City-University Fund. The interest rate is higher since the Center houses primarily private uses, and the bonds issued are taxable for investors.

Other

Regional Jet Service – The City expended $776,370 for its commitments related to the recruitment of non-stop regional jet service via American Eagle Airlines to Manhattan Regional Airport (MHK). Funds were used for the two-year revenue guarantee (to leverage $2 million from the State of Kansas), marketing, and the purchase of ground support equipment. At the conclusion of the revenue guarantee agreement, the Economic Development Fund received a rebate of $258,360 for unused guarantee funds and ground support equipment sale proceeds. MHK now offers three daily flights to Dallas-Fort Worth and two daily flights to Chicago. The City has reserved $250,000, subject to City Commission approval, to leverage another $1 million grant from the State of Kansas to recruit expanded jet service to additional markets.

Airport Small Community Marketing Grant – The Commission committed $100,000 over two years as a local match to a $300,000 federal grant for marketing the Manhattan Regional Airport. The grant expires on December 31, 2012.

Downtown Manhattan, Inc. (DMI) will receive $45,000 in 2011, 2012, and 2013 to assist with the annual operating budget. Specifically, DMI is working to create a new focus on business recruitment, particularly in the retail sector, while maintaining support for existing business retention and expansion.

K-18 Wildcat Creek Road Turn Lane Design – These funds provided a 35% local match to a grant from the Kansas Department of Transportation for construction and construction engineering for improvements to the K-18 and Wildcat Creek Road intersection.

K-18 Corridor Study – The City partnered with Riley County to complete the initial K-18 Corridor Study which laid the foundation for the improvements currently underway to bring the road up to freeway standards.

K-18 Phase 2 & 3 Local Match – The City committed $1.5 million as a local match for Phases 2 & 3 of the project to upgrade K-18 to freeway standards. Local funds ensured the construction of an interchange to improve access to MHK and open up more land for commercial and industrial development. The total project is estimated at over $60 million. The City's contribution will be paid over 10 years with payments split equally between the Special Street & Highway Fund and the Economic Development Fund. If the sales tax is not renewed in 2012, the Economic Development payments in 2014 and beyond will need to be paid from other sources.

KSU Foundation-Equicenter Study – The City funded $20,000 of a $70,000 economic feasibility study for a Flint Hills Horse Park and Events Center. The objective was to enhance local tourism from the equine industry. The study called for a 57-acre complex to compliment K-State's plans for their equestrian, rodeo and educational activities.

TDM Building Taxes – In 2005 the City purchased the former TDM facility and leased it to the Kansas Army National Guard. In 2008, the National Guard exercised its option to purchase the facility for $355,000 and reimbursed the City for payment of insurance and special assessments during the time the property had been leased. The Guard also transferred ownership of the old Armory building at Manhattan Regional Airport, a $600,000 asset.

Wildcat Creek Realignment Study – The City cooperated with the County to consider alternative alignments for the Wildcat Creek Road connection to the new K-18 highway. The goal was to find an alignment to best accommodate the needs of the Airport and the Corporate Technology Park. One-fourth of the engineering design fees came from the Economic Development Fund.

City of Manhattan
Economic Development Summary
2002-2012 Roads and Jobs Sales Tax

Updated as of 7/31/12	Actual 2002-2011	------------------------Projected------------------------ 2012	2013	2014-2021	Total
Revenues					
Beginning Fund Balance	-	6,591,473	7,145,851	3,185,578	
Riley County Sales & Use Tax - Manhattan Share	16,388,311	2,464,300	368,818	-	***19,221,429***
Interest Earnings	969,581	26,366	18,000	32,989	***1,046,935***
Applicant Repayments					
Airport - Sale of Ground Support Equipment	50,920	3,200	-	-	***54,120***
Airport - Revenue Guarantee	204,240	-	-	-	***204,240***
KSU Institute for Commercialization	90,206	45,000	45,000	392,500	***572,706***
Flint Hills Beverage	100	-	-	-	***100***
Collegiate Marketing Services	60,625	-	-	-	***60,625***
Meadowlark Hills	-	405,746	-	-	***405,746***
Manhattan Area Technical College	10,700	19,430	10,700	42,900	***83,730***
TDM Building Tax Reimbursement	16,304	-	-	-	***16,304***
Kansas Bioscience Authority (Manhattan/KSU Innovation Center)	1,250,000	350,000	100,000	300,000	***2,000,000***
K-18 Corridor Reimbursement from KDOT	-	45,275	-	-	***45,275***
Total Revenue	***$ 19,040,987***	***$ 9,950,789***	***$ 7,688,369***	***$ 3,953,966***	***$ 23,711,210***
Expenses					
Program Administration	189,177	41,511	-	-	***230,688***
Chamber of Commerce ED Contracts	565,000	215,000	-	-	***780,000***
Company Incentives					
Mercy Community Health Foundation	400,000	-	-	-	***400,000***
Florence Corporation	352,558	44,070	44,070	296,720	***737,418***
KSU Institute for Commercialization	500,000	-	-	-	***500,000***
Flint Hills Beverage	97,618	10,465	10,465	70,460	***189,008***
CivicPlus (1)		87,224	350,000	-	***437,224***
Collegiate Marketing Services	500,000	-	-	-	***500,000***
Meadowlark Hills	750,000	-	-	-	***750,000***
NBAF Commitment	2,262,975	500,000	1,737,025	500,000	***5,000,000***
Manhattan Area Technical College	366,000	-	-	-	***366,000***
Prathista International	-	500,000	-	-	***500,000***
Land / Building Investments					
Airport/Tech Park Property	184,814	-	-	-	***184,814***
Downtown Conference Center	-	-	1,500,000	-	***1,500,000***
Manhattan/KSU Innovation Center - Principal	1,720,000	495,000	575,000	2,605,000	***5,395,000***
Manhattan/KSU Innovation Center - Interest (2)	1,150,445	194,163	166,231	350,963	***1,861,801***
Manhattan/KSU Innovation Center Pilot Space	1,087,495	337,505	-	-	***1,425,000***
Manhattan/KSU Innovation Center FF&E	1,000,000	-	-	-	***1,000,000***
Other					
Airport - Regional Jet Service (American Eagle)	766,370	10,000	-	-	***776,370***
Airport - Local Match (New Airline Recruitment)		250,000	-	-	***250,000***
Airport - Small Community Marketing	100,000	-	-	-	***100,000***
Downtown Manhattan Inc.	45,000	45,000	45,000	-	***135,000***
K-18/Wildcat Creek Rd Turn Lane Design	230,101	-	-	-	***230,101***
K-18 Corridor Study	64,482	-	-	-	***64,482***
K-18 Phase 2 & 3 Local Match (3)	75,000	75,000	75,000	-	***225,000***
KSU Foundation - Equicenter Study	20,000	-	-	-	***20,000***
TDM Building Taxes	13,707	-	-	-	***13,707***
Wildcat Creek Realignment Study	8,750	-	-	-	***8,750***
Total Expenses	***$ 12,449,491***	***$ 2,804,938***	***$ 4,502,792***	***$ 3,823,143***	***$ 23,580,363***
Cash Balance	***$ 6,591,472***	***$ 7,145,851***	***$ 3,185,578***	***$ 130,823***	***$ 130,823***

(1) The full incentive amount for Civics Plus is $750,000. The remaining portion will be paid from MEDOFAB.

(2) The interest rate was higher for the innovation center due to the center being used primarily for private use. Also, $50,000 yearly payments were made from the City/University Fund from 2008-2012.

(3) Assumes the 2013 payment will be made from Eco Devo. If the sales tax is not renewed, the $75,000 annual payment will be transferred to a property tax fund in 2014, with a total impact of $525,000 over the remaining 7 years.

Manhattan Economic Development
Annual Report and Update
2011

executive summary
MEDOFAB

2011 Manhattan Economic Development Annual Report and Update
Executive Summary
1994-1998 MEDOFAB Sales Tax

On November 8, 1994, the voters of the City of Manhattan approved a one-half cent sales tax for a four-year period commencing in January 1995. This tax revenue was pledged for economic development initiatives benefitting the City. Ultimately the special sales tax generated revenues of approximately $11 million prior to its sunset in 1998. With these funds, the City created the Manhattan Economic Development Opportunity Fund. An Advisory Board (MEDOFAB) was appointed to recommend actions to the City Commission regarding the funding of applications, policies, procedures, and accountability. In February 2002, MEDOFAB was officially dissolved by the City Commission when the new process was developed for administering the Riley County "Roads and Jobs" sales tax proceeds. Remaining MEDOFAB funds are still used to support economic development initiatives primarily in the Pottawatomie County areas of Manhattan. To date, funds have been distributed to the following:

COMPANY INCENTIVES: M = met/meeting expectations D = defaulted on incentives

Companies Currently Being Monitored

CivicPlus specializes in cost-effective website solutions for public sector clients. The company is projecting 40% growth in 2012 and has planned a 50,000 square foot expansion facility at 4th St. and Pierre St. in downtown Manhattan. The company was awarded a $750,000 forgivable loan which is being partially paid with MEDOFAB dollars. CivicPlus will create 250 jobs over the next 10 years with wages of at least $45,055 annually. **M**

Farrar Corporation received a $1.1 million participatory loan in 1999 to expand its iron manufacturing facility in the Industrial Park. All loan repayments were made on time except for the final payment that was partially forgiven (in the amount of $154,000) in exchange for the creation of additional jobs above the baseline required by the original agreement. This was related to a negotiated land sale to Manhattan Day Care and Learning Centers, Inc. that did not materialize due to reasons beyond the control of the company. The company currently has 47 employees. **M**

Florence Corporation is a commercial mailbox manufacturer specializing in mailbox installations for large residential developments. The City awarded a forgivable loan of $80,000 and the payment of special assessments on four lots in the Corporate Technology Park to assist with the company's relocation from Chicago. Despite the decline in the national housing market, Florence employs over 180 people and has made capital investments totaling over $21 million. **M**

GTM Sportswear used an $800,000 forgivable loan to expand its custom embroidered and screen-printed sportswear business. The company currently has over 700 employs and has made capital investments totaling over $16.8 million. **M**

The Kansas Entrepreneurial Center (KEC) is a business incubator managed by the Manhattan Area Chamber of Commerce on behalf of the KEC Partners. The building was purchased in 1996 with a $300,000 grant. A $250,000 loan for improvements was repaid in full in October 2006. The City has reserved an additional $120,000 from MEDOFAB for improvements to the facility. **M**

Manhattan Holdings, LLC was granted $600,000 for early state risk capital for the commercialization of new products and technologies with high yield growth potential. The Kansas State University Foundation and the Kansas Technology Enterprise Corporation also made equivalent investments in MHL. In 2000, the City received its first financial return in the amount of $137,657.25, followed by a second return of $50,000 in 2011. Since 1998, companies supported by Manhattan Holdings have brought into Manhattan almost $145 million in new revenues. **M**

Companies No Longer Being Monitored

2Linc was a water systems business with the corporate elements being Pumps of Kansas, Nebraska Water Systems, and Iowa Water Systems. The primary focus was on 2L Manufacturing, a manufacturer and fabricator of plastic components for the water systems industry. The City offered $200,000 in incentives to assist in relocating the company from Wichita, Kansas. 2Linc defaulted on the loan in 1996, but a successor company, Environmental Manufacturing, still operates in Pottawatomie County. **D**

Abbott Aluminum used a $150,000 job incentive grant to build additional inventory storage space. The investment created 8 additional jobs, and the company met all of its contractual obligations. The company has continued to grow and has taken its products international. **M**

ASHA Distributing, Inc. was formed in 1982 to distribute heating, venting, air conditioning, and plumbing products. Incentives were used to expand warehouse capacity and on-hand inventory to meet customer demands. All contractual obligations were met in December 2003, including capital investments of $2.3 million. **M**

Community Online Resource Exchange (CORE) worked to expanded community information and accessibility by creating a telecommunity center at the Manhattan Public Library and other access points as needed for community use. The project created 4 jobs and private investments of $100,000. **M**

Grain Industry Alliance works to ensure sustainability of the modern grain industry in the U. S. and worldwide through professional services to agribusiness and agencies involved in grain production. The incentives helped develop modern, high-quality and environmentally sensitive technologies. **M**

KanGolf, Inc. was formed in 1993 to develop a family/student-oriented recreational facility, Wildcat Creek Sports Center. The incentives provided local match for a Small Business Administration Loan and helped leverage $923,000 in private investments. **M**

KSU High Energy Physics Group used incentives to relocate and renovate the KSU motor pool garage for use as a construction and testing facility for large components of research apparatus. The project created 18 jobs and brought in $611,500 of outside investments. **M**

National Gas Machinery Laboratory (NGML) used incentives to relocate from Salina to Manhattan as an institute of the College of Engineering at K-State. The laboratory transfers technology to existing natural gas industry employees through presentations, invited short courses at international conferences, and commercialization of new technology. The relocation created 14 new jobs and $1.2 million in capital investment. **M**

Light Solutions, Inc. built a manufacturing facility in the Corporate Technology Park to produce and market a fixture known as Alum-A-Lite. The light was marketed as a replacement for fluorescent light fixtures found in most office and commercial buildings. The company defaulted on its loan and Industrial Revenue Bonds. The facility was purchased by the KSU Foundation and now houses KSU Printing Services. **D**

Manko Window Systems, Inc. used incentives to expand its manufacturing facility in Manhattan. The expansion created 210 new jobs (as of the last reporting period) and involved over $7 million of capital investments (as of 2002). Although the Economic Development Agreement has expired, Manko is still evaluated annually for compliance with tax abatement policies. **M**

Mercy Community Health Foundation was awarded a $1 million grant to assist the Hospital in the renovation and expansion of its facilities. The grant was awarded by recommendation of the former Manhattan Economic Development Opportunity Advisory Board (MEDOFAB), but the final two installments were paid from Roads and Jobs sales tax proceeds. As of the last reporting period in 2006, the Hospital had added 184 jobs since beginning its expansion in 2001. **M**

National Guard Armory - In 2005 the City purchased the former TDM facility and leased it to the Kansas Army National Guard. In 2008, the National Guard exercised its option to purchase the facility for $355,000 and reimbursed the City for payment of insurance and special assessments during the time the property had been leased. The Guard also transferred ownership of the old Armory building at Manhattan Regional Airport, a $600,000 asset. **M**

Paragon Technology, Inc. was a computer hardware supplier that requested incentives to create a distribution/wholesale company to be called Alchemy Technology, Inc. Both Paragon and Alchemy filed for bankruptcy in 2001. The City did receive a small loan repayment from the bankruptcy court. **D**

Sykes Enterprises, Inc. received incentives in 1998 to become the first anchor tenant of the Corporate Technology Park. At its peak, Sykes employed over 450 full-time equivalents. After Sykes defaulted on the loan in 2004, Alorica, Inc. moved into the facility and began operating a call center, which closed in 2011 but had previously employed over 300. **D**

Transportation Design and Manufacturing Company (TDM) constructed a new facility in 1999 to produce alternative fuel vehicles and to convert automobiles to natural gas and related fuel systems. The company received a $1,525,000 grant and a $418,000 primary loan. A second loan of $270,000 was committed but never distributed. At its peak production in 2001, TDM reached a high of 55 employees. The company closed and defaulted on its agreement in 2003. **D**

Western Wireless (Alltel) received incentives to purchase land, equipment, and furnishings for a regional call center in the Manhattan Corporate Technology Park. The company met all of its contractual obligations in 2009. In 2011, Alltel/Verizon Wireless closed the call center and the building is currently on the market. **M**

OTHER – Miscellaneous expenses include contractual payments to the Kansas State University Institute for Commercialization (formerly NISTAC) for operating the KEC between 1996 and 2006. It also includes various costs associated with processing applications for economic development incentives such as appraisals, financial reviews, printing, mailing, etc.

City of Manhattan
Economic Development Summary
1994-1998 1/2% City Sales Tax
Manhattan Economic Development Fund Advisory Board (MEDOFAB)

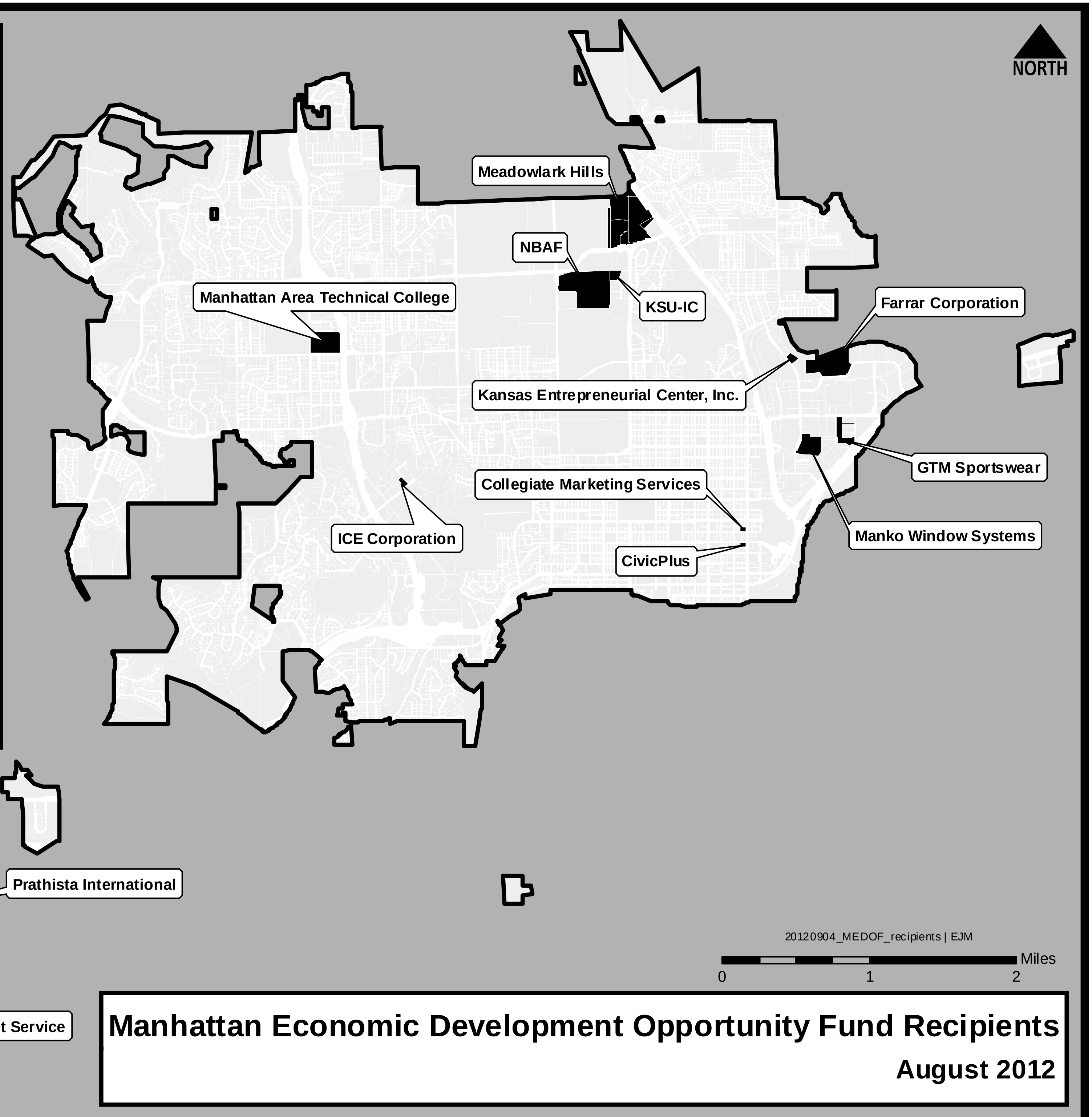
		Actual	----------------Projected----------------		
	Updated as of 7/25/12	**1995-2011**	**2012**	**2013**	**Total**
	Revenues				
	Beginning Fund Balance	-	365,679	-	--
	Manhattan City Sales Tax	10,229,418	-	-	***10,229,418***
	In-Lieu-Of-Sales Tax	29,939	-	-	***29,939***
	Interest Earnings	743,015	1,097	-	***744,113***
	Applicant Repayments				
	2 Linc.	7,955	-	-	***7,955***
	Farrar Corporation	880,000	66,000	-	***946,000***
	KEC Loan	250,000	-	-	***250,000***
	Manhattan Holdings Dividend Payment	187,657	-	-	***187,657***
	National Guard Armory	371,305	-	-	***371,305***
	Paragon Technology, Inc.	61,913	-	-	***61,913***
	Sykes Enterprises, Inc.	164,314	-	-	***164,314***
	Transportation Design & Manufacturing (TDM)	371,555	-	-	***371,555***
	Misc. Revenue	1,525	-	-	***1,525***
	Total Revenue	***$ 13,298,596***	***$ 432,776***	***$ -***	***$ 13,365,693***
	Expenses				
	Company Incentives, Loans, Grants, & Special Projects				
	Active Companies				
M	*Farrar Corporation*	1,100,000	-	-	***1,100,000***
M	*CivicPlus (1)*	-	312,776	-	***312,776***
M	*Florence Corp. of Kansas*	132,582	-	-	***132,582***
M	*GTM*	800,000	-	-	***800,000***
M	*KEC Improvements*	550,000	120,000	-	***670,000***
M	*Manhattan Holdings*	600,000	-	-	***600,000***
	Inactive Companies				
D	*2 Linc.*	200,000	-	-	***200,000***
M	*Abbott Aluminum*	150,000	-	-	***150,000***
M	*ASHA Distributing, Inc.*	135,000	-	-	***135,000***
M	*Community Online Research Exec. (CORE)*	128,000	-	-	***128,000***
M	*Grain Industry Alliance*	125,000	-	-	***125,000***
M	*KanGolf, Inc.*	100,000	-	-	***100,000***
M	*KSU High Energy Physics Group*	112,500	-	-	***112,500***
M	*KSU Natural Gas Machinery Lab*	100,000	-	-	***100,000***
D	*Light Solutions, Inc.*	300,000	-	-	***300,000***
M	*Manko Window Systems*	931,861	-	-	***931,861***
M	*Mercy Health Foundation*	600,000	-	-	***600,000***
M	*National Guard Armory Purchase*	1,026,806	-	-	***1,026,806***
D	*Paragon Technology Inc.*	300,000	-	-	***300,000***
D	*Sykes Enterprises, Inc.*	3,085,000	-	-	***3,085,000***
D	*Transportation Design & Manufacturing (TDM)*	1,943,000	-	-	***1,943,000***
M	*Western Wireless*	250,000	-	-	***250,000***
	Other				
	Misc. Program Expenses	263,168	-	-	***263,168***
	Total Expenses	***$ 12,932,917***	***$ 432,776***	***$ -***	***$ 13,365,693***
	Cash Balance	***$ 365,679***	***$ 0***	***$ 0***	***$ 0***

(1) The full incentive amount for Civics Plus is $750,000. The remaining portion will be paid from RICOED.

location of companies

Manhattan Economic Development Opportunity Fund Recipients

August 2012

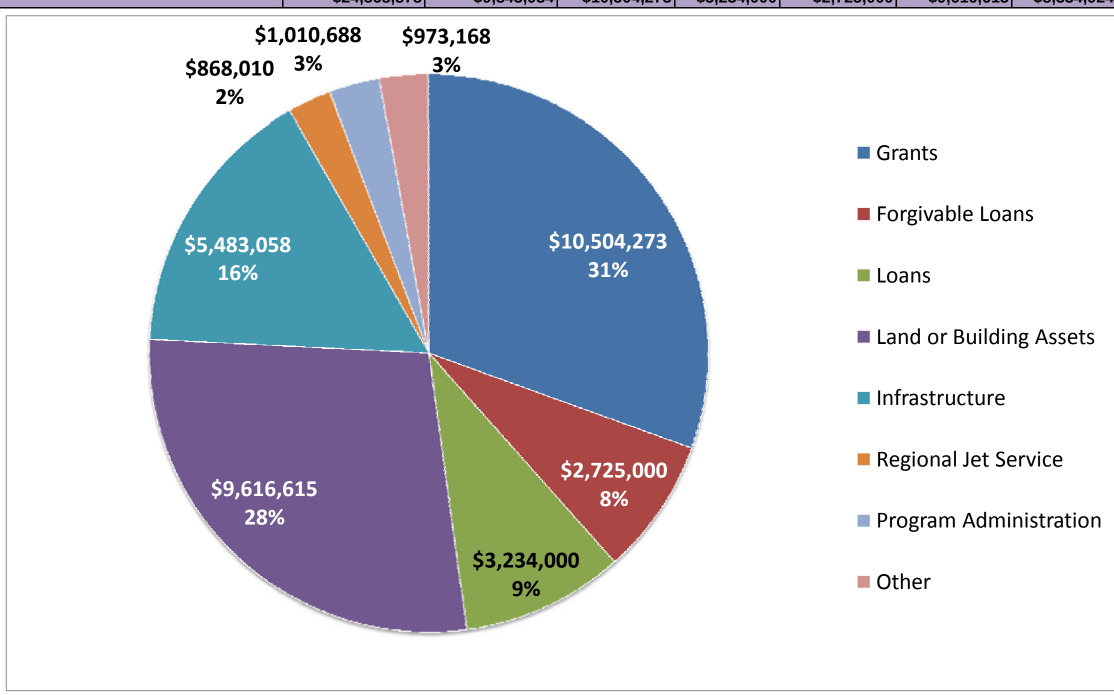


1. **CivicPlus**
   302 S 4th St
2. **Collegiate Marketing Services**
   4th St & Houston St
3. **Farrar Corporation**
   301 Levee Dr
4. **Flint Hills Beverage**
   Lots 19, 20 & 21 Tech Park
5. **Florence Corporation**
   5935 Corporate Dr
6. **GTM Sportswear**
   520 McCall Rd
7. **ICE Corporation**
   2700 Amherst Ave
8. **Kansas Entrepreneurial Center, Inc.**
   1500 Hayes Dr
9. **KSU-IC**
   2005 Research Park Cir
10. **Manhattan Area Technical College**
    3136 Dickens Ave
11. **Manko Window Systems**
    800 Hayes Dr
12. **Meadowlark Hills**
    2121 Meadowlark Rd
13. **NBAF**
    1980 Denison Ave
14. **Prathista International**
    1709 S Airport Rd
15. **Regional Jet Service**
    5500 Ft Riley Blvd

funding by company

Economic Development Funding and Commitments as of July 31, 2012

Applicant	Funds Spent or Projected through 2012	Funds Committed or Projected (2013 and Beyond)	Grants	Loans	Forgivable Loan	Land or Building Asset	Other	%
2Linc.	$200,000		$75,000	$125,000				1%
Abbott Aluminum	$150,000		$150,000					0%
Airport/Tech Park Property	$184,814					$184,814		1%
Alltel (Western Wireless)	$250,000		$250,000					1%
ASHA Distribution	$135,000		$135,000					0%
CivicPlus	$250,000	$500,000			$750,000			2%
CMS	$500,000			$250,000	$250,000			1%
CORE	$128,000		$128,000					0%
Downtown Manhattan, Inc.	$90,000	$45,000	$135,000					0%
Farrar Corporation	$1,100,000			$946,000	$154,000			3%
Flint Hills Beverage	$108,083	$80,925	$189,008					1%
Florence Corporation	$529,210	$340,790	$790,000		$80,000			3%
Grain Industry Alliance	$125,000		$125,000					0%
GTM Sportswear	$800,000				$800,000			2%
K-18/Wildcat Creek Rd.	$408,058	$75,000					$483,058	1%
Kansas Entrepreneurial Center	$650,000	$120,000		$250,000		$520,000		2%
KanGolf	$100,000		$100,000					0%
KSU Foundation - Equicenter Study	$20,000		$20,000					0%
KSU Institute for Commercialization	$500,000			$320,000		$130,000	$50,000	1%
KSU Physics	$112,500		$112,500					0%
Knowledge Based Economic Development	$60,000						$60,000	0%
Light Solutions	$300,000		$50,000	$250,000				1%
MATC	$366,000			$75,000	$291,000			1%
Manhattan Conference Center		$1,500,000	$1,500,000					4%
Manhattan Holdings	$600,000						$600,000	2%
Manhattan/K-State Innovation Center	$3,984,607	$3,697,194				$7,681,801		22% [1]
Manko Windows	$931,861		$931,861					3%
Meadowlark Hills	$750,000			$350,000	$400,000			2%
Mercy Community Health Foundation	$1,000,000		$1,000,000					3%
MEDOFAB - Miscellaneous	$263,168						$263,168	1%
National Guard Armory	$652,904		$52,904			$600,000		2% [2]
NBAF	$2,262,975	$2,737,025					$5,000,000	15%
NGML	$100,000		$100,000					0%
Paragon Technology	$300,000		$50,000	$250,000				1%
Prathista International		$500,000				$500,000		1%
Program Administration	$1,010,688						$1,010,688	3%
Regional Jet Service	$618,010	$250,000					$868,010	3% [3]
Sykes (Alorica)	$3,085,000		$3,085,000					9%
TDM	$1,943,000		$1,525,000	$418,000				6%
Totals	$24,568,878	$9,845,934	$10,504,273	$3,234,000	$2,725,000	$9,616,615	$8,334,924	100%



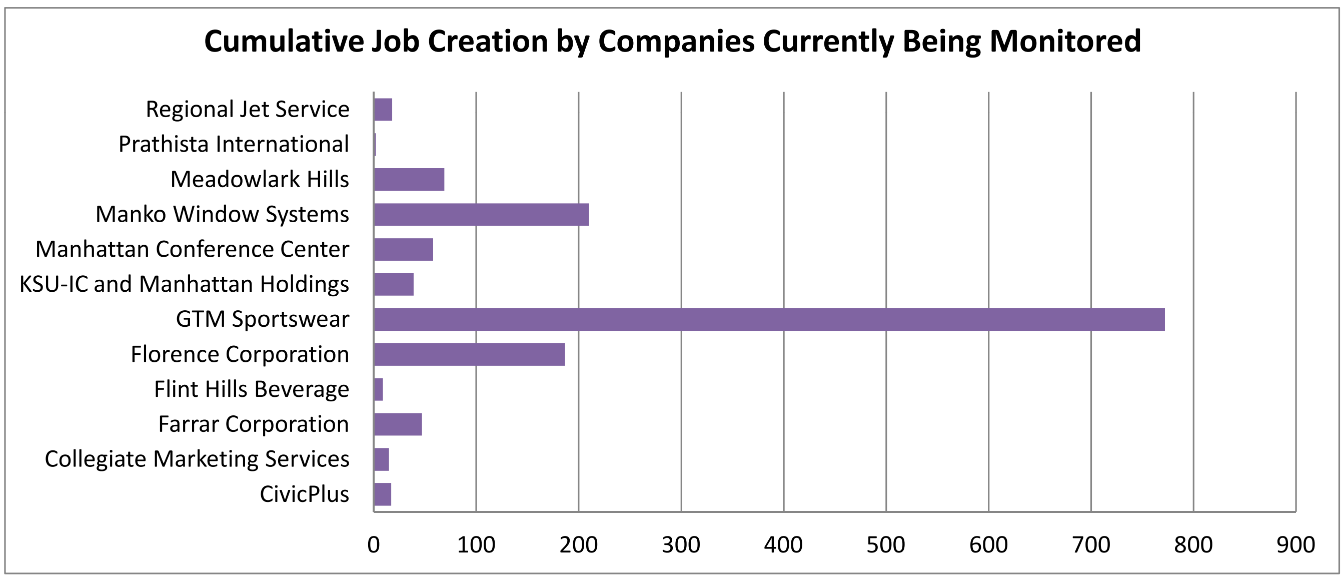
1 Building was financed with a 10-year General Obligation Bond. Costs include financing and interest. Costs do not include $2 million of Kansas Bioscience Authority grants.
2 Grant amount includes the original purchase price of the TDM building less the purchase price paid by the National Guard, including reimbursed insurance and taxes, and the value of the Airport Armory.
3 A portion of the Ground Support Equipment was purchased by the airline with proceeds returning to the Fund. The revenue guaranty amount shown only includes the amount expended per the agreement; $204,270 was returned to the fund at the end of the agreement. An additional $250,000 is reserved for future airline recruitment, subject to Commission approval.

job creation results

Job Creation by Companies Currently Being Monitored (as of June 30, 2012)

Applicant	New FTEs Created Since Last Report	Cumulative FTEs Created Under Terms of Economic Development Agreements	Jobs Projected: Total Projected	Jobs Projected: by Year	% of Jobs Created Over Projection
CivicPlus	17	17	20	2013	n/a
Collegiate Marketing Services	0	15	47	2011	-69%
Farrar Corporation	14	47	39	2011	21%
Flint Hills Beverage	1	9	5	2011	80%
Florence Corporation	9	187	250	2011	-25%
GTM Sportswear	213	772	383	2011	102%
KSU-IC and Manhattan Holdings	-19	39	85	2011	-54%
Manhattan Conference Center	58	58	76	2012	-24%
Manko Window Systems	-25	210	67	2011	213%
Meadowlark Hills	0	69	63	2012	9%
Prathista International	2	2	7	2012	n/a
Regional Jet Service	18	18	n/a	n/a	n/a
Totals	**288**	**1442**	**1042**		38%

KEC, KBED and ICE are not listed since many of their jobs are included with KSUIC and Manhattan Holdings.



Labor Force Statistics -- Top 16 Kansas Cities by Population

Timeframe: January 2002 - July 2012

City	Employment		Job Gain /(Loss)		Ranking		Unemployment Rate	
	Jan-02	Jul-12	Net	%	Net	%	Jan-02	Jul-12
Dodge City	11,814	15,029	3,215	27%	4	1	3.6%	4.8%
Emporia	12,835	11,946	(889)	-7%	15	16	6.5%	7.6%
Garden City	11,813	14,197	2,384	20%	7	2	5.1%	5.8%
Hutchinson	18,267	19,779	1,512	8%	10	9	6.5%	7.2%
Kansas City	60,932	59,937	(995)	-2%	16	15	13.8%	10.4%
Lawrence	44,360	44,052	(308)	-1%	14	14	4.4%	7.1%
Leavenworth	12,986	13,694	708	5%	12	10	9.6%	10.0%
Leawood	13,635	15,351	1,716	13%	9	4	3.9%	4.3%
Lenexa	23,846	26,846	3,000	13%	6	8	6.1%	6.8%
Manhattan	22,481	25,691	3,210	14%	5	3	3.5%	5.3%
Olathe	52,664	59,290	6,626	13%	2	7	5.6%	6.2%
Overland Park	82,825	93,246	10,421	13%	1	6	5.5%	6.2%
Salina	23,780	24,582	802	3%	11	11	4.9%	6.6%
Shawnee	27,885	31,394	3,509	13%	3	5	4.6%	5.2%
Topeka	60,535	60,372	(163)	0%	13	13	5.8%	8.4%
Wichita	171,864	173,969	2,105	1%	8	12	6.3%	8.6%

Source: Kansas Labor Information Center; Kansas Department of Labor

The table shows labor force growth for the largest cities in Kansas over the last decade. The timeframe coincides closely with the adoption of the 1/2 Cent Roads and Jobs Sales Tax. Manhattan is among the highest ranked cities in terms of percentage of job growth. Over 3,200 jobs have been added in this timeframe. Manhattan has also maintained one of the lowest unemployment rates in the state. *Note: The Kansas Department of Labor recently changed how it reports this information, so the job gain may appear lower than on previous reports.*

Manhattan Economic Development
Annual Report and Update
2011

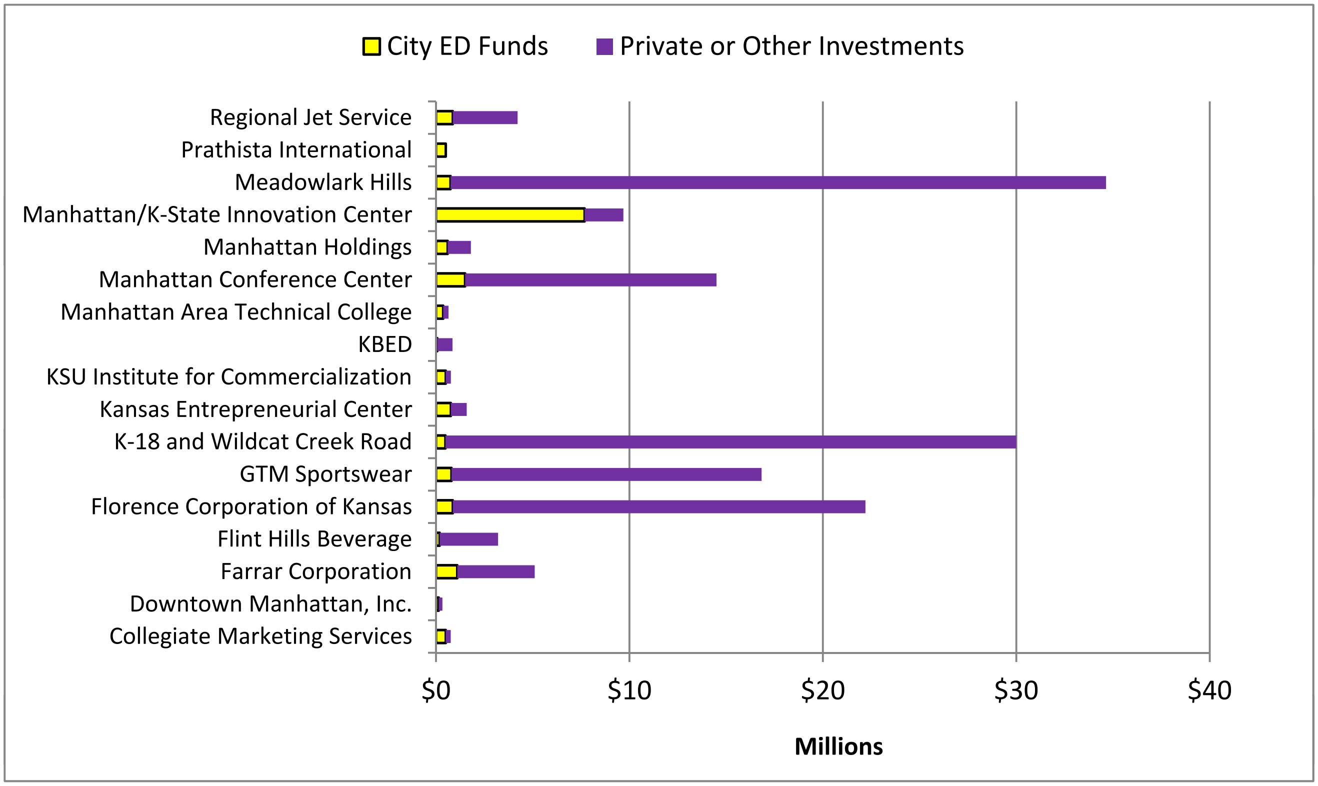
public and private investments
leveraged

Every $1 the City invested in economic development leveraged approximately $7.41 of private sector or other investments.*
This chart does not include certain direct benefits, such as payroll, or indirect spinoff benefits.

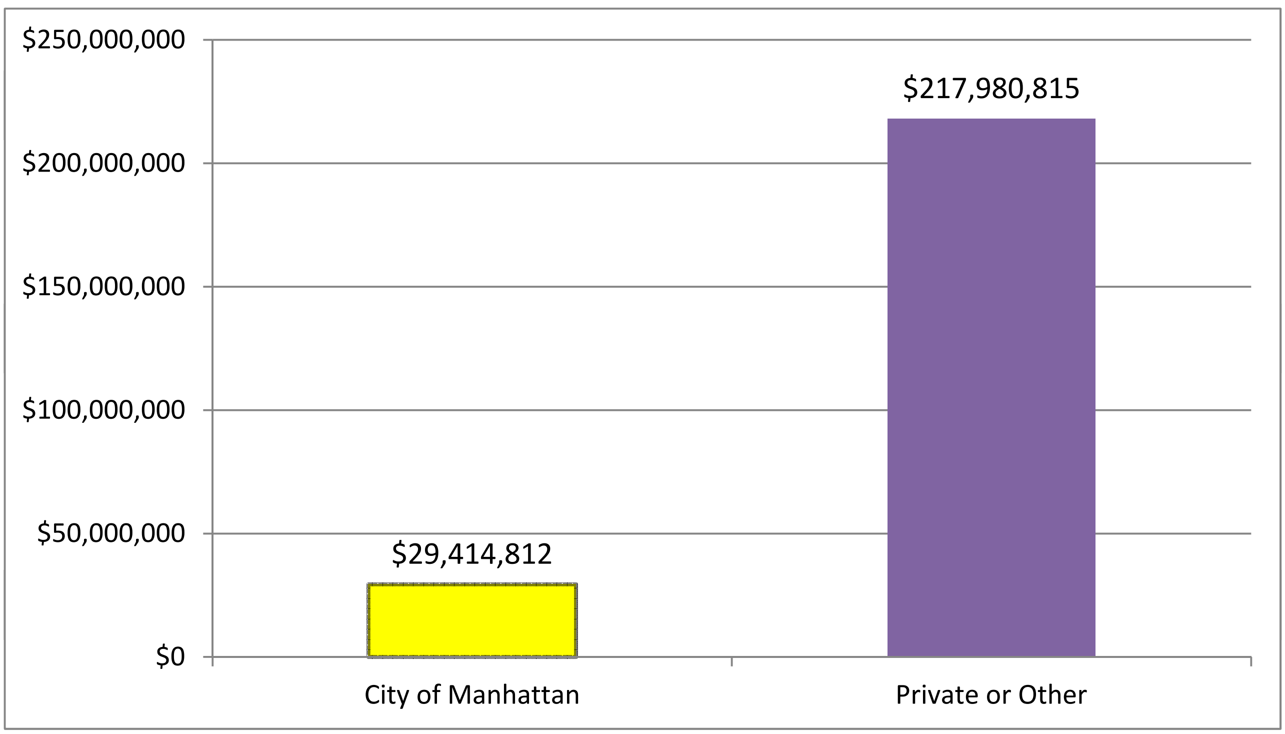
Applicant	City Economic Development Fund Investments (or Commitments) as of June 30, 2012	Approximate Private or Other Capital Investments (as of June 30, 2012)	Total Investments	Comments
Active Companies				
CivicPlus	$750,000	$1,000	$750,000	Company is expected to invest $8.85 million by 2014.
Collegiate Marketing Services	$500,000	$259,309	$759,309	Amount of City investment reduced from $700,000 to $500,000 in June 2008.
Downtown Manhattan, Inc.	$135,000	$195,000	$330,000	
Farrar Corporation	$1,100,000	$4,000,000	$5,100,000	$154,000 of loan was forgiven; all other repayments were made on time.
Flint Hills Beverage	$189,008	$3,018,197	$3,207,205	
Florence Corporation of Kansas	$870,000	$21,331,846	$22,201,846	
GTM Sportswear	$800,000	$16,027,843	$16,827,843	
K-18 and Wildcat Creek Road	$483,058	$29,516,942	$30,000,000	Funds will provide 50% of local match - total project cost is $60 million.
Kansas Entrepreneurial Center	$770,000	$819,792	$1,589,792	City also retains ownership of the building.
KSU Institute for Commercialization	$500,000	$263,812	$763,812	Private investments include KSU-IC's contributions for building maintenance.
KBED	$60,000	$790,000	$850,000	
Manhattan Area Technical College	$366,000	$278,542	$644,542	
Manhattan Conference Center	$1,500,000	$13,000,000	$14,500,000	Funds will be used to offset permanent financing for the $9.5 million project. City investment leveraged $13 million private construction of the Hilton Garden Inn.
Manhattan Holdings	$600,000	$1,200,000	$1,800,000	
Manhattan/K-State Innovation Center	$7,681,801	$2,000,000	$9,681,801	City also retains ownership of the building.
Meadowlark Hills	$750,000	$33,887,371	$34,637,371	
Prathista International	$500,000	$0	$500,000	Company is expected to invest $1.5 million by 2014.
Regional Jet Service	$868,010	$3,349,000	$4,217,010	
Inactive Companies (as of last reporting period)				
2Linc.	$200,000	$0	$200,000	
Abbott Aluminum	$150,000	$350,000	$500,000	
Alltel (Western Wireless)	$250,000	$12,000,000	$12,250,000	
ASHA Distribution	$135,000	$2,300,000	$2,435,000	
CORE	$128,000	$97,500	$225,500	
Grain Industry Alliance	$125,000	$150,000	$275,000	
KanGolf	$100,000	$923,000	$1,023,000	
KSU Foundation - Equicenter Study	$20,000	$50,000	$70,000	
KSU Physics	$112,500	$611,500	$724,000	
Light Solutions, Inc.	$300,000	$0	$300,000	
Manko Windows	$931,861	$2,160,161	$3,092,022	
Mercy Community Health Foundation	$1,000,000	$41,000,000	$42,000,000	Includes the costs of construction, renovating, remodeling, and equipping the renovation and expansion of Mercy Health Center.
National Guard Armory	$652,904	$0	$652,904	City acquired old Armory Building: $600,000 asset
NGML	$100,000	$1,200,000	$1,300,000	
Paragon Technology, Inc.	$300,000	$0	$300,000	
Sykes (Alorica)	$3,085,000	$11,400,000	$14,485,000	
TDM	$1,943,000	$11,500,000	$13,443,000	2nd loan of $270,000 was approved but never distributed.
Other				
Airport/Tech Park Property	$184,814	$0	$184,814	
MEDOFAB Miscellaneous	$263,168	$0	$263,168	
Program Administration	$1,010,688	$4,300,000	$5,310,688	Includes private funding raised through Advantage Manhattan (2002 - 2011)
Totals	**$34,414,812**	**$451,580,815**	**$485,994,627**	

*This statistic does not incorporate NBAF because it is a unique outlier. If the NBAF is included, this ratio would jump to 1:13.

Public vs. Private Investments by Company



Total Investment of Economic Development Funds and Outside Dollars Leveraged



Charts do not include City's NBAF Commitment of $5 million which will leverage $1 billion in federal and state funds.

property tax generated

Property Taxes Generated by Companies Receiving Economic Development Assistance

Property Tax Obligation (Real and Personal) by Year				
Company	2009	2010	2011	% change 2010 to 2011
Abbott Aluminum	$ 59,621	$ 61,064	$ 62,915	3.0%
Alltel	214,378	114,841	116,930	1.8%
ASHA Distributing	62,828	66,117	75,360	14.0%
CMS‡	76,449	81,058	84,362	4.1%
Covan	55,276	58,594	60,982	4.1%
Farrar Corporation*	62,313	73,170	76,914	5.1%
Flint Hills Beverage	92,310	101,666	107,937	6.2%
Florence Corporation*	366	312	337	8.0%
GTM Sportswear*	5,901	7,721	7,732	0.1%
ICE Corporation*	13,094	16,177	19,012	17.5%
Icon Enterprises (CivicPlus)	49,238	52,867	54,972	4.0%
KanGolf	13,483	13,433	13,981	4.1%
KEC	14,166	14,961	15,420	3.1%
Manhattan Conference Center	-	8,146	8,449	3.7%
Manko Windows*	101,890	116,259	115,860	-0.3%
Nanoscale‡	58,623	66,474	68,857	3.6%
Sykes (Alorica)	107,571	113,892	81,297	-28.6%
TOTAL	**$ 987,507**	**$ 966,754**	**$ 971,318**	**0.5%**

Notes:

Values may not match previous reports due to updated information from the County Treasurer's Office and the addition of new companies.

Table does not include defunct or tax-exempt companies.

** Subject to Property Tax Abatement*

‡ Part of 2008-2011 taxes not yet paid

Impact of the State Tax Exemption on Machinery and Equipment

In 2006, the State exempted qualifying machinery and equipment from personal property tax and instituted a "slider" reimbursement program to lessen the impact to local government. These were intended to decrease by 90% in 2008, 70% in 2009, 50% in 2010, 30% in 2011, 10% in 2012, and end in 2013. However, in 2009 the State decreased the payment by another 6.5% and kept the last half of the payment. In 2010 the State announced all payments would end. The exemption was intended to spur economic development; however, it also results in a loss of tax revenue to local governments. The chart below estimates the impact to the City of Manhattan over time. The annual loss in revenue is not significant, but the City will have a substantially lower amount of tax revenue from personal property than in the years of personal property tax growth from 1985-2006.

Estimated M&E Personal Property Tax Exemption Effect							
	2008 *(actual)*	2009 *(actual)*	2010 *(actual)*	2011 *(actual)*	2012 *(estimated)*	2013 *(estimated)*	Total
Local M&E tax revenue	$78,169	$165,597	$201,482	$217,426	$223,948	$230,667	$1,117,289
Reimbursement by State	$65,264	$63,895	$0	$0	$0	$0	$129,159
Amount lost by local govt.	$12,905	$101,702	$201,482	$217,426	$223,948	$230,667	$988,129

Note: The out-year numbers reflect a hypothetical 3% increase in lost revenue annually.

Manhattan Economic Development Annual Report and Update 2011

individual companies & accountability reviews

Manhattan Economic Development Annual Report and Update 2011

Funds Allocated:
$750,000 Forgivable Loan

2002 Roads and Jobs Sales Tax
Annual Accountability Review
City of Manhattan

317 Houston Street
www.civicplus.com

civicplus

MANHATTAN ECONOMIC DEVELOPMENT OPPORTUNITY FUND

ACCOUNTABILITY CHECKLIST

Company: CivicPlus **Date of Review:** August 2012

Report for year ending: June 30, 2012

Review Team: Lauren Palmer

Company Representatives: Ward Morgan - CEO, Brian Rempe – Chief Technology Officer

GOAL OF COMPANY: CivicPlus is engaged in the business of developing, designing, and managing community engagement systems that use advanced technology to connect people with government. The company specializes in cost-effective website solutions for public sector clients. CivicPlus has won more than 250 website awards for its clients, including the Center for Digital Government's Best Fit Integrator Award of 2009. Founded in 2001, CivicPlus now serves more than 1000 cities, counties, and other entities throughout North America and Australia.

CivicPlus is projecting nearly 40% growth in 2012 based on a steadily growing stream of both one-time revenue from professional services and committed recurring revenue from software clients. The client base has grown by 285% since 2008, despite a weakened economy during that period, which is indicative of the strong products and value offered by the company. CivicPlus needs to significantly expand its workforce and office space to respond to the growing demand for its services and products. The company is currently renting space at 317 Houston St. and has purchased a building at 121 S. 4th St. The building on 4th St. is being renovated to provide a temporary office space solution to accommodate new employees. However, the company plans to build a new multi-story facility at the southwest corner of the intersection of 4th St. and Pierre St. This will be a minimum 50,000 square feet facility that will house high-end office space for CivicPlus, first floor retail/restaurant space, and potentially some residential loft apartment space.

Manhattan Economic Development Funding: Forgivable loan in the amount of $750,000 to be paid out in four installments as milestones are met related to the construction of the new facility. The first installment of $250,000 was paid in May upon execution of the economic development agreement with the company. The City Commission also approved a Resolution of Intent to issue up to $20 million in Industrial Revenue Bonds (with partial tax abatement) for acquiring, expanding, and equipping the new downtown office facility. All incentives are tied to the company's compliance with four general performance areas: job creation, capital investment, wage targets, and employee benefits.

CURRENT STATUS: The company must obtain a building permit for construction on the new facility by the end of January 2013. The first reporting deadline will be February 1, 2013, for the year ended December 31, 2012.

PRIVATE OR OTHER CAPITAL INVESTMENTS:
Actual Capital Investment Expenditures and Time Period:

Capital Investment as of June 30, 2012 = $1,000

Cumulative Capital Investments	Subsection 2(b) Time Periods
$4,350,000	by December 31, 2013
$8,850,000	by December 31, 2014

Compliance Percentage = n/a

NET NEW JOB CREATION:
An FTE is either (a) an hourly employee, or combination of hourly employees, who have worked 2080 actual hours (inclusive of overtime) or (b) a salaried employee, or combination of salaried employees, who have worked 260 days.

Job Creation as of as of June 30, 2012 = 17

Targets:

For Year Ended December 31	Cumulative FTEs
2013	20
2014	39
2015	62
2016	93
2017	122
2018	150
2019	176
2020	199
2021	220
2022	234
2023	250

Note: The FTE target is above the base of 83 FTE as of February 1, 2012.

Compliance Percentage = Actual Job Creation/Target = n/a

Wage Structure:

As stated in subsection 2(d) of the agreement:

"The average wage of all positions created...shall be at least $45,055 per year. All permanent positions of the Corporation will receive a minimum hourly wage of at least $12 per hour (excluding part-time internships). These wage targets will increase by 2.5% annually. "

Lowest hourly wage earned by a permanent employee as of June 30, 2012 = $12.50
Average annual wage of all new positions created as of June 30, 2012 = $60,911.76

For Year Ended December 31	Target Average Wage of All New Positions	Minimum Hourly Wage
2013	$45,055	$12.00
2014	$46,181	$12.30
2015	$47,336	$12.61
2016	$48,519	$12.92
2017	$49,732	$13.25
2018	$50,976	$13.58
2019	$52,250	$13.92
2020	$53,556	$14.26
2021	$54,895	$14.62
2022	$56,268	$14.99
2023	$57,674	$15.36

$$\frac{\text{Actual Average Wage of New Positions}}{\text{Target Average Wage of New Positions}} = \text{Wage Percentage}$$

The Compliance Percentage will be reduced by 1% for every 1% of employees who earn an hourly wage below the minimum hourly threshold.

$$\text{Wage Percentage} - \frac{\text{\# of employees earning < minimum hourly wage}}{\text{total permanent employees}} = \text{compliance \%}$$

Compliance Percentage = n/a

Employee Benefits: CivicPlus will participate in at least 60% of the premium cost of standard medical insurance coverage for all full-time employees and provide at least 15 days of paid leave per year to all full-time employees.

CivicPlus currently offers three different health coverage plans in four categories: employee, employee and spouse, employee and children, and family. The company covers 60% of the premium cost for all plans.

Compliance:

$$\frac{\text{\% of premium covered by employer}}{60\%} = \text{insurance compliance percentage}$$

The compliance percentage will be reduced by 1% for every 1% of company employees who receive less than 15 days or paid leave per year.

$$\text{insurance compliance percentage} - \frac{\text{\# of employees with < 15 days paid leave}}{\text{total employees}} = \text{compliance \%}$$

Compliance Percentage: n/a

Total Compliance: n/a

Capital Investment:
Job Creation:
Wage Structure:
Benefits:

Average of above determines blended % of compliance

LOCAL COMMUNITY INVOLVEMENT:
CivicPlus employees are involved in philanthropic or service efforts with the following agencies:

- Boys and Girls Club
- Relay for Life
- Riley County Humane Society
- Flint Hills Breadbasket Adopt-a-Family
- Junior League
- Downtown Plus

GENERAL COMMENTS:
The company is currently interviewing construction firms for the headquarters project at 4th and Pierre. CivicPlus and CEO Ward Morgan have ownership interest in four other downtown buildings: 320 Poyntz Ave., 205 S. 4th St., 121 S. 4th St., and 322 Houston St. The buildings and spaces are being remodeled for necessary updates and overall beautification and are intended for commercial rental space. The goal is to increase foot traffic and the overall look of downtown Manhattan.

Manhattan Economic Development
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Funds Allocated:
$250,000 Conventional Loan
$250,000 Forgivable Loan

2002 Roads and Jobs Sales Tax
Annual Accountability Review
City of Manhattan

418 Houston Street - Mid-Town Plaza
www.dreamscorp.com

collegiate marketing services (CMS)

MANHATTAN ECONOMIC DEVELOPMENT OPPORTUNITY FUND

ACCOUNTABILITY CHECKLIST

Company: Collegiate Marketing Services **Date of Review:** September 2012

Report for year ending: June 30, 2012

Review Team: Lauren Palmer

Company Representative(s): Steve Ballard and Jeff Grantham

GOAL OF COMPANY: Collegiate Marketing Services (CMS) was a company previously located in Overland Park, Kansas. CMS contracted with major universities to operate official sportswear stores and provide merchandise services. On July 1, 2007, the City Commission executed an economic incentives package to help CMS relocate to Manhattan. CMS rehabilitated an existing building located at 4th Street and Houston Street in Downtown Manhattan (Mid-Town Plaza Property). CMS used the warehouse in the basement of the building for its primary operations while utilizing some space on the main floor and maintaining lease space on the main floor as well.

Manhattan Economic Development Funding: The original incentives package included a $350,000 forgivable loan and a $350,000 conventional loan. However, on May 20, 2008, the City Commission authorized an amendment to the original Economic Development Agreement that reduced the incentives to $250,000 for the forgivable loan and $250,000 for the conventional loan. All of the incentives provided to the company are tied to meeting annual performance requirements, including capital investment, job creation, wage structure and benefit package targets. Failure to perform requires the company to forfeit a portion, or all, of the incentive package.

CURRENT STATUS: The company has been in default since December 2009. In 2008 CMS paid the first of five installments on the conventional loan, but has failed to make payments in subsequent years. CMS achieved performance compliance levels to allow for 100% forgiveness of the first two of ten installments of the forgivable loan. CMS only received 50% forgiveness of the 2010 forgivable loan payment due to company performance. The 50% repayment remains outstanding. The company is not eligible for loan forgiveness for 2011 or 2012 due to non-compliance with the Economic Development Agreement.

The business was bought out in 2010 by Dreams, Inc. in a friendly foreclosure with Kansas State Bank. CMS is still the owner of the Mid-Town Plaza property. In 2011, CMS submitted a proposal to begin incrementally repaying its debt to the City. The plan was based on the company's ability to generate new tenants and rent for the building. Unfortunately, no repayments have been received since the initial conventional loan payment in 2008. Kansas State Bank has exercised its right to the assignment of the building rents. Based on the latest available information, the building is only generating enough rent to satisfy the first mortgage with Kansas State Bank and some limited operating costs. The bank's priorities are to satisfy its mortgage and pay down the back taxes. The company is actively marketing the building for sale with the intent of using sale proceeds to satisfy the company's remaining debts to Kansas State Bank, the U. S. Small Business Administration, and the City of Manhattan.

Despite repeated requests, the company failed to update its performance information for the 2012 reporting year. Therefore, this report includes the most recent information available as of June 30, 2011.

PRIVATE OR OTHER CAPITAL INVESTMENTS:
Actual Capital Investment Expenditures Through June 30, 2011:

Actual Expenditure = $759,304.46
Target Expenditure = $880,000.00 = 86.3% Compliance Percentage

Cumulative Capital Expenditures	Subsection 3(b) Time Periods
$ 880,000	by no later than July 1, 2008
$1,380,000	by no later than July 1, 2013

NET NEW JOB CREATION as of June 30, 2011:

Category i FTEs
(combination of hourly employees who have worked 2000 hours) 6.69

Category ii FTEs
(combination of salaried employees who have worked 260 days) 8

Compliance= Equivalent Headcount as of 6/30/2011 = 14.69
2011 Goal = 47 = 31.26%

Targets:
Total of Category i and Category ii FTEs

Year	FTEs
2008	25
2009	33
2010	40
2011	47
2012	55
2013	67
2014	74
2015	82
2016	97
2017	107

Wage Structure*:

As stated in subsection 3(d) of the contract:
No less than 75% of employees are receiving wages that average at least $10.50 per hour and 25% of employees are receiving wages that average at least $12.50 per hour. The wages set forth herein shall increase by 2.5% annually.

Total FTE as of 06/30/11=	14.69
Total Hours Worked=	29,376.77
Hours paid at $11.31 to $13.45=	0
Equivalent Headcount=	0
Hours paid at $13.45 or more=	18,141.10
Equivalent Headcount=	9
% paid at $11.31 or more (Category A)=	0%
% paid at $13.45 or more (Category B) =	61.8%

Compliance= Category A $\frac{0\%}{75\%} =$ 0%

Category B $\frac{61.8\%}{25\%} =$ 247%

Total Compliance = (0% + 247%)/2 = 123.5% = 100% Compliance

Employee Benefits: CMS will provide benefits to all FTEs to include participation by the company in the cost of medical insurance and paid vacation and holidays. Company to certify compliance. If such certification is provided, compliance is deemed at 100% in this category.

Certification Provided: Letter provided dated August 23, 2011, indicates that the company participates in the cost of medical insurance and provides paid vacations and holidays for employees, in compliance with subsection 3(e) of the Agreement.

Compliance Percentage: 100%

Total Compliance:

Capital Investment: 86.3%
Job Creation: 31.26%
Wage Structure: 100%
Benefits: 100%

Average of above determines blended % of compliance: 79.39%
Applicable Percentage = 31.26% = 0% of incentives to be received

GENERAL COMMENTS:
The sale to Dreams, Inc. was completed in December 2010. It was originally anticipated that all screen print and embroidery operations would remain in Manhattan. However, Dreams relocated most of these jobs to Chicago. Some employees remained in Manhattan as part of a new screen print company that works as a contract screen printer for Dreams.

NEEDED ACTIONS:
City staff will continue to communicate with CMS and Kansas State Bank for updates about the Mid-Town Plaza property in an effort to recoup the City's investment in the project.

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2011

Funds Allocated:
$40,000 Grant
$149,008 Special Assessments

2002 Roads and Jobs Sales Tax
Annual Accountability Review
City of Manhattan

5900 Corporate Drive, Manhattan Corporate Technology Park
www.abwholesaler.com/flinthillsbev/home

flint hills beverage

MANHATTAN ECONOMIC DEVELOPMENT OPPORTUNITY FUND

ACCOUNTABILITY CHECKLIST

Company: Flint Hills Beverage **Date of Review:** July 2012

Report for year ending: December 31, 2011 (updates for June 30, 2012)

Review Team: Lauren Palmer

Company Representatives: Terry Dow, Manager/Owner, and Casey Mussatto, General Manager/Owner

GOAL OF COMPANY: Flint Hills Beverage is a distributor for Anheuser-Busch products throughout the region, serving Geary, Riley, and Clay Counties, and 2/3 of Washington County and Pottawatomie County from St. George westward. The company has a very solid customer base and has experienced growth as a result of the Fort Riley expansion. The company moved into a newly constructed 40,000 square foot building on December 15, 2006. The project yielded immediate cash to the City as a result of the land sale and immediate tax revenue for the taxing jurisdictions since no tax abatement is involved. While job creation is low, the jobs are quality jobs which include benefits.

Manhattan Economic Development Funding: Incentives include a grant in the amount of $40,000, paid out over a four year period at $10,000 per year and payment of special assessments on two lots in the Manhattan Corporate Technology Park for a total of $154,240 over 16 years. In addition, the City sold the company two lots in the TecPark for the company to locate its facility (Lots 19 and 20 at approximately 5.99 total acres). All incentives, including City payment of special assessments and the performance grant, are tied to the company's compliance with four general performance areas: capital investment, job creation, wage structure, and benefits for employees.

PRIVATE OR OTHER CAPITAL INVESTMENTS:
Actual Capital Investment Expenditures and Time Period:

The Company achieved over 100% compliance with this category for the following investments reported as of December 31, 2006; therefore, no updates were reported for 2011.

Actual Expenditure = $3,058,197.33 (as of 12-31-06)
Target Expenditure = $2,675,000.00 = **100% Compliance Percentage**

Cumulative Target Expenditures	Time Periods
$600,000	by December 31, 2005
$2,675,000	by December 31, 2006

NET NEW JOB CREATION: Base jobs as of December 31, 2004 was 19.5 FTEs

Actual Job Creation and Time Period: 27.5 FTEs as of December 31, 2011, created over base of 19.5 FTEs as of December 31, 2004.

<u>27.5 FTE – 19.5 base</u> **= +8 new FTE**

Actual FTE 27.5/Target FTE 24.5 = 112% Job Creation Compliance

Actual Job Creation Update: 28.5 FTEs as of June 30, 2012, created over base of 19.5 FTEs as of December 31, 2004.

Targets:

Time Periods	FTEs
Jan. 1, 2005 – December 31, 2005	1
Jan 1, 2006 – December 31, 2006	2
Jan 1, 2006 – December 31, 2007	3
Jan 1, 2006 – December 31, 2008	4
Jan 1, 2006 – December 31, 2009	5
Annually from 2010-2020:	Maintain 5

**Note: An FTE is an employee of the Corporation who has worked 1,900 actual hours for the Corporation (inclusive of overtime hours) during the applicable period.*

<u>Wage Structure:</u>

95% of employees hired after January 1, 2005, must receive wages in excess of the targets below. All employees hired since that date earn wages above $12 per hour. Flint Hills Beverage, LLC paid the newest employee (as of December 31, 2011) a wage of $14.87 per hour.

Targets:

Year	Average Wage Targets for all New FTE
2006	$11
2007	$12
2008	$12
2009	$12
2010	$12
2010-thru 2020	Maintain $12

Wage Structure Compliance = 100%

Employee Benefits: Flint Hills Beverage will provide benefits to all FTEs hired after January 1, 2005, to include participation by the company in the cost of medical insurance, life insurance, and paid vacation and holidays. Company to certify compliance. If such certification is provided, compliance is deemed at 100% in this category.

Certification Provided: Letter received December 6, 2011, indicates that the company participated in a benefits package that included medical insurance, life insurance, paid vacation and holidays. The company participates in 60% of the premium cost of health insurance for four coverage plans: employee, employee with spouse, employee with children, and family.

Compliance Percentage: 100%

Total Compliance:

Capital Investment: 100%
Job Creation: 112%
Wage Structure: 100%
Benefits: 100%

Average of above determines blended % of compliance: 103% = 100% of incentives

Blended Percentage Range	Portion of each of the Incentives to be Received
Equal to or greater than 85%	100%
Equal to or greater than 80% and less than 85%	80%
Equal to or greater than 70% and less than 80%	70%
Equal to or greater than 50% and less than 70%	50%
Less than 50%	0%

LOCAL COMMUNITY INVOVLEMENT:
Member of the Manhattan Area Chamber of Commerce, West Loop Business Association, Eastside Business Association, Aggieville Business Association, AUSA, Junction City Chamber of Commerce, Kansans for a Strong Fort Riley, contributors to the Advantage Manhattan Project, United Way, Michael Ahearn Scholarship Foundation, Landon Lecture Series, Wounded Soldiers Fund, also various area organizations that contribute to Big Brothers/Sisters, Boy Scouts of America, Manhattan Special Olympics, Children Miracle Network, American Heart Association, Leukemia & Lymphoma Society, MS Society, and MDA.

GENERAL COMMENTS:
The company plans to break ground soon on a 17,000 square foot expansion to be completed yet this year. In July the company exercised its option to purchase Lot 21A in the Corporate Technology Park. The lot is adjacent to the company’s existing facility and will accommodate future expansions. The land option was negotiated with the original incentive package in 2007 and was set to expire on July 31, 2012. The purchase price of $47,250 (including the option purchase price) was deposited to the Industrial Promotion Fund.

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Funds Allocated:
$790,000 Grant
$80,000 Forgivable Loan

2002 Roads and Jobs Sales Tax
Annual Accountability Review
City of Manhattan

5935 Corporate Drive, Manhattan Corporate Technology Park
www.florencemailboxes.com

florence corporation

ACCOUNTABILITY CHECKLIST

Company: Florence Corporation **Date of Review:** August 2012

Report for year ending: June 30, 2012

Review Team: Lauren Palmer

Company Representatives: John Altstadt, President, and Kerri Winter, Vice President of Accounting and Administration

GOAL OF COMPANY:
Florence Manufacturing Company of Kansas is a commercial mailbox manufacturer specializing in mailbox installations for large residential developments as well as locking mail boxes to address mail security issues. After conducting an international search, the company expanded its operations from the Chicago area and constructed a 200,000 square foot facility in Manhattan's Corporate Technology Park in early 2003.

Manhattan Economic Development Funding: A grant in the amount of $790,000 (special assessment payments on four lots in the Manhattan Corporate Technology Park), and a forgivable loan in the amount of $80,000 was approved by the City Commission in February 2003. In addition, the City provided a total of four lots in the Tech Park for the company to locate its facility (Lots 13, 14, 22A and 23) at approximately 25 total acres. All incentives, including a tax abatement, payment by the City of special assessments, and the forgiveness of the loan is tied to the company's compliance with four general performance areas: capital investment, job creation, wage structure, and benefits for employees.

CURRENT STATUS: The biggest challenge for Florence continues to be the state of the national new housing market and its impact on the business. New housing starts continue to trend at record low levels with little sign of a quick recovery. While Florence's business includes replacement business as well, the portion of the business that relates to new mail delivery points continues to struggle. Florence continues to focus on taking market share, developing new products and identifying new market/business opportunities to increase sales and improve ability to grow in the future. The company has added approximately 9 employees since last year and expects this to continue as growth opportunities provide.

PRIVATE OR OTHER CAPITAL INVESTMENTS:
Actual Capital Investment Expenditures and Time Period:

Actual Expenditure = $21,411,846
Target Expenditure = $9,000,000 = **237.9% Compliance Percentage**

Cumulative Target Expenditures	Subsection 12(b) Time Periods
$4,000,000.00	the Agreement Date to June 30, 2004
$6,000,000.00	July 1, 2004 to June 30, 2005
$8,000,000.00	July 1, 2005 to June 30, 2006
$9,000,000.00	July 1, 2006 to June 30, 2007
$9,000,000.00	July 1, 2007 to June 30, 2008
$9,000,000.00	July 1, 2008 to June 30, 2009
$9,000,000.00	July 1, 2009 to June 30, 2010
$9,000,000.00	July 1, 2010 to June 30, 2011
$9,000,000.00	July 1, 2011 to June 30, 2012
$9,000,000.00	July 1, 2012 to June 30, 2013

JOB CREATION:

Actual Job Creation and Time Period: July 1, 2011 through June 30, 2012

Total hours worked $\frac{335{,}737}{1800^*}$ = **186.5 FTE**

186.5 Actual FTE/250 Target FTE = 74.6% Job Creation Compliance

Targets:

Number	Subsection 12(c) Time Periods	FTEs
1	the Agreement Date to June 30, 2004	100
2	July 1, 2004 to June 30, 2005	150
3	July 1, 2005 to June 30, 2006	175
4	July 1, 2006 to June 30, 2007	200
5	July 1, 2007 to June 30, 2008	225
6	July 1, 2008 to June 30, 2009	250
7	July 1, 2009 to June 30, 2010	250
8	July 1, 2010 to June 30, 2011	250
9	July 1, 2011 to June 30, 2012	250
10	July 1, 2012 to June 30, 2013	250

**Note: An FTE is an employee of the Corporation who has worked 1,800 actual hours for the Corporation (inclusive of overtime hours) during the applicable period.*

Wage Structure:

Targets: Total Hours Worked (non-probationary)
Category A: 95% at $8 or more per hour Actual: 335,737
Category B: 15% at $10 or more per hour Actual: 327,294

Category A total hours worked / Total hours worked = 100%/95% = **105.3%** actual A compliance

Category B total hours worked / Total hours worked = 97%/15% = **646.6%** actual B compliance

Average of A & B = 376%

Category C*: Wages at $12.60 or more per hour Actual: 187,185
Category C total hours worked = 56% of total hours worked

**Note: City Administration began tracking Category C hours in 2010 to determine the company's performance related to the new wage floor in the wage criteria scoring model for economic development applications. It is provided for informational purposes only as there are no contractual compliance requirements related to Category C.*

Employee Benefits: Florence will provide benefits to all trained, non-probationary FTEs to include participation by the company in the cost of medical insurance, life insurance, and paid vacation and holidays. Company to certify compliance. If such certification is provided, compliance is deemed at 100% in this category.

Certification Provided: Certification provided by Kerri Winter in a letter dated August 27, 2012. The company also offers short-term disability, long-term disability, dental insurance, and vision insurance.

Compliance Percentage: 100%

Total Compliance:

Capital Investment: 237.9%
Job Creation: 74.6%
Wage Structure: 376%
Benefits: 100%

Average of above determines blended % of compliance: 197.1% = 100% of incentives

Blended Percentage Range	Portion of each of the Incentives to be Received
Equal to or greater than 85%	100%
Equal to or greater than 80% and less than 85%	80%
Equal to or greater than 70% and less than 80%	70%
Equal to or greater than 50% and less than 70%	50%
Less than 50%	0%

DEMOGRAPHICS: (Percentage of employees who live in Manhattan compared to Riley County, Pottawatomie County, etc.)

- City of Manhattan – not provided by the company
- Riley County – 51.0%
- Geary County – 19.8%
- Pottawatomie County – 8.4%
- All other counties (15 total) – 20.8%

LOCAL COMMUNITY INVOLVEMENT:

In addition to focusing on growing the business, Florence remains involved in the community as a company and its key management staff. The following includes the community organizations in which Florence has participated in the last 12 months:

American Cancer Society	Relay for Life
American Heart Association	Jump for Kids Sake
Big Brothers/Big Sisters	Bowl for Kids Sake
Boy Scouts of America	Corporate Donation
Boys and Girls Club	Casino Night
Fairy Godmothers	Golf Event
Flint Hills Breadbasket	Golf Event
Flint Hills Breadbasket	Annual Drive
Flint Hills Builders Association	Golf Event
Home Depot Supply	City of Hope Golf
Leadership Manhattan	Graduation Sponsor
Manhattan Arts Center	Show Sponsor
Manhattan Emergency Shelter	Bag Lady Luncheon
Manhattan Fire Department	Fire Pup Program
Manhattan Mercury	Newspapers in Education
Manhattan Rotary	Golf Event
Retired Senior Volunteer Program	Festival of Trees
Shrine Bowl	Corporate Donation
Sunflower CASA	Annual Drive
Sunflower CASA	CASA Comedy Night
United Way	Annual Drive

GENERAL COMMENTS:

The following includes the involvement of Key Management staff in the last 12 months:

President – On Board of Directors for Flint Hills Breadbasket
VP Marketing and Sales – Kansas Chamber Board, Manhattan Rotary Club, and Advisory Committee for City of Manhattan Corporate Tech Park, Manhattan Arts Center Board
VP Accounting and Administration – Pilot Club of Manhattan Executive Board, Mount Calvary Leadership Team Board

NEEDED ACTIONS:

None.

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Funds Allocated:
$800,000 Forgivable Loan

Manhattan **e**conomic **d**evelopment **o**pportunity fund
Annual Accountability Review
City of Manhattan

520 McCall Road, Manhattan Industrial Park
www.gtmsportswear.com

gtm sportswear

MANHATTAN ECONOMIC DEVELOPMENT OPPORTUNITY FUND

ACCOUNTABILITY CHECKLIST

Company: GTM Sportswear **Date of Review:** July 2012

Report for year ending: December 31, 2011 (updates as of June 30, 2012)

Review Team: Lauren Palmer

Company Representatives: Dave Dreiling - CEO, John Strawn – President, and Terry Harts – Chief Financial Officer

GOAL OF COMPANY: GTM Sportswear, located at 520 McCall Road, sells custom embroidered and screen-printed sportswear and related goods. The company's diverse markets include a national presence in K-12 schools (boosters, staff apparel, and team wear), corporate apparel, promotional products and collegiate retail. Within these markets are dozens of subset markets in which the company has developed specialized niches. GTM's Custom Goods Division is both their largest and fastest growing. Growth in this division has averaged 19% over the last 3 years and is projected at this same level for the next several years. GTM has unlimited growth potential and an aggressive, yet manageable, growth plan. Over the last 8 years, GTM has experienced a compound annual revenue growth rate of 26%. GTM just completed its sixth expansion in the last seven years. The Manhattan facility now totals 144,157 square feet of office, warehouse, production, and retail space. In August 2010, GTM purchased an existing facility at 1200 Kretschmer Drive. This facility, which the company was previously leasing, adds an additional 43,000 square feet of warehouse space for GTM's expanding business. GTM expects to create 500 new FTE positions to support anticipated growth over the ten-year period ending in 2016. All positions will offer excellent prospects for upward mobility within the company. GTM currently has over 126 K-State graduates working at the facility.

Manhattan Economic Development Funding: Forgivable loan in the amount of $800,000 to be paid out over a four year period at $200,000 per year. The fourth and final payment was made on July 1, 2009. The City Commission also approved a Resolution of Intent to issue up to $28 million in Industrial Revenue Bonds (with partial tax abatement) for acquiring, expanding, and equipping GTM's manufacturing facility. All incentives are tied to the company's compliance with four general performance areas: Job Creation, Capital Investment, Wage Targets, and Employee Benefits.

CURRENT STATUS: The company continues to have very high growth, and it added office space in the existing building within the last 12 months. This addition increased the building size by 6,200 square feet.

PRIVATE OR OTHER CAPITAL INVESTMENTS:
Actual Capital Investment Expenditures and Time Period:

Actual Expenditure = $14,867,839
Target Expenditure = $10,350,000 = **144% Compliance Percentage**

Updated Capital Investment as of June 30, 2012 = $16,827,843

Cumulative Capital Expenditures	Subsection 5(b) Time Periods
$2,500,000	Jan. 1, 2006 to Dec. 31, 2006
$3,250,000	Jan. 1, 2007 to Dec. 31, 2007
$4,350,000	Jan. 1, 2008 to Dec. 31, 2008
$5,650,000	Jan. 1, 2009 to Dec. 31, 2009
$8,150,000	Jan. 1, 2010 to Dec. 31, 2010
$10,350,000	Jan. 1, 2011 to Dec. 31, 2011
$11,850,000	Jan. 1, 2012 to Dec. 31, 2012
$13,750,000	Jan. 1, 2013 to Dec. 31, 2013
$15,650,000	Jan. 1, 2014 to Dec. 31, 2014
$17,950,000	Jan. 1, 2015 to Dec. 31, 2015

NET NEW JOB CREATION:

Work Hours paid January 1, 2011 through December 31, 2011	1,555,069
Equivalent Individual Annual Hours	2,000
Equivalent Headcount as of 12/31/2011*	777.5
Goal	383
Updated Equivalent Headcount as of 6/30/2012	772

Compliance= **Equivalent Headcount as of 12/31/2011 = 777.5**
Goal = 383 **=203%**

Targets:

Year	FTEs
2006	201
2007	230
2008	262
2009	297
2010	339
2011	383
2012	434
2013	494
2014	564
2015	641

*Note: An FTE is an employee of the Corporation who has worked 2,000 actual hours for the Corporation (inclusive of overtime hours) during the applicable period.

Wage Structure:

As stated in subsection 5(d) of the contract:
“No less than 75% of its FTE's, hired subsequent to October 1, 2005, are in a wage category receiving gross before tax and other deduction wages in excess of $8.55 per hour and no less than 25% of its New FTE's are in a wage category receiving gross before tax and other deduction wages in excess of $10.50 per hour. All full time employees will receive at least $8 hourly. The required wages set forth herein shall increase by 2.5% annually.”

Total New FTE from 01/01/11 through 12/31/11 =	147
Total New FTE from 01/01/12 through 06/30/12 =	22
Total work hours paid from 01/01/11 through 12/31/11 =	1,555,069
Equivalent Headcount =	777.5
Hours paid below $9.67=	324,581.51
Equivalent Headcount=	162.3
All full-time employees receive wages above $9.05 per hour.	
Hours paid between $9.67 and $11.87=	359,801.84
Equivalent Headcount=	179.9
Hours paid at $11.88 or more=	870,685.36
Equivalent Headcount=	435.3
*Hours paid at $12.60 or more=	615,717
Equivalent Headcount=	307.9
% paid below $9.67=	21%
% paid between $9.67 and $11.87 (Category A)=	23%
% paid at $11.88 or more (Category B)=	56%
% paid at $12.60 or more (Category C)*=	40%

Compliance

Category A $\frac{179.9 + 435.3}{777.5} = 79\%$ $\frac{79\%}{75\%} =$ **105%**

Category B $\frac{435.3}{777.5} = 56\%$ $\frac{56\%}{25\%} =$ **224%**

Total Compliance = (105%+224%) ÷ 2 = 164.5%

**Note: City Administration began tracking Category C hours in 2011 to determine the company’s performance related to the new wage floor of $12.60 per hour in the wage criteria scoring model for economic development applications. It is provided for informational purposes only as there are no contractual compliance requirements related to Category C.*

Employee Benefits: GTM will provide benefits to all FTEs hired after January 1, 2005, to include participation by the company in the cost of medical insurance, life insurance, and paid vacation and holidays. Company to certify compliance. If such certification is provided, compliance is deemed at 100% in this category.

Certification Provided: Letter provided dated February 1, 2012, indicates that the company participates in a benefits package that includes the following: Benefits Management Insurance (2 plans), Delta Dental, VSP Vision coverage, voluntary insurance, health savings and flexible spending accounts, 401K after 1 year employment at open enrollment with 50% match to the first 6%, 6 paid holidays, 2 weeks paid vacation for initial two years with growth thereafter, and profit sharing. The company participates in 80% of the premium cost for single coverage in a high-deductible plan and 55% for single coverage in a lower-deductible plan. Three family plan options are also available with employer contributions ranging from 22% to 42%, depending on coverage.

Compliance Percentage: 100%

Total Compliance:

Capital Investment: 144%
Job Creation: 203%
Wage Structure: 164.5%
Benefits: 100%

Average of above determines blended % of compliance: 153% = 100% of incentives

LOCAL COMMUNITY INVOLVEMENT:

GTM Sportswear has long been involved in the community in many capacities. In 2011, the company donated over $200,000 in cash and clothing to various charities within the U.S. and abroad. Historically, the company has donated between 3% and 5% of the company's operating income on an annual basis in cash and clothing. In addition to these tangible donations, the company's employees serve the community in numerous volunteer capacities. GTM Sportswear was the largest single donor in the 2008 privately-led campaign to raise funds for the City Park Pavilion project.

GENERAL COMMENTS:

GTM is planning to issue another series of bonds in 2012.

NEEDED ACTIONS:

None.

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Funds Allocated:
$300,000 Special Projects Grant to Purchase Facility
$250,000 Loan (Repaid In Full)
$100,000 KEC Partnership Investment
$120,000 Commitment (Building Improvements)

Manhattan **e**conomic **d**evelopment **o**pportunity fund
Industrial Promotion Fund
Annual Accountability Review
City of Manhattan

1500 Hayes Drive

kansas
entrepreneurial
center

MANHATTAN ECONOMIC DEVELOPMENT OPPORTUNITY FUND

ACCOUNTABILITY CHECKLIST

Company: Kansas Entrepreneurial Center (KEC) **Date of Review:** August 2012

Report for year ending: June 30, 2012

Review Team: Lauren Palmer

Company Representatives: John Pagen, Vice President for Economic Development, Manhattan Area Chamber of Commerce

Funding History and Overview: In 1996, the Kansas Entrepreneurial Center, Inc., a predecessor to the Kansas State University Institute for Commercialization (KSU-IC), received a $300,000 Special Projects Grant. The grant was used to purchase the former Big Lakes Developmental Center at 1500 Hayes Drive. KEC, Inc. renovated the building at its expense to relocate its incubator business center there along with the offices of Mid-America Commercialization Corporation (MACC). The primary purpose of the facility is to incubate high-growth businesses that create high-value jobs. KEC, Inc. targeted the creation of 60 new FTE jobs in the Manhattan area between December 1, 1996, and November 30, 2001. KEC, Inc. originally had a five (5) year lease at $1.00 per year and had an option to extend this lease for five (5) more years through November 30, 2006, (lease signed in 1996).

In 2000, KEC, Inc. signed a new lease with the City that extended through November 30, 2006, for $1.00 per year. The lease agreement signed November 7, 2000, required KEC, Inc. to create a total of 100 full-time equivalent jobs in the period beginning December 1, 1996, through November 30, 2006. The City issued a $250,000 loan to KEC, Inc. for the purposes of increasing the capacity and adding other improvements to the facility owned by the City. The loan was re-paid in full in October 2006.

Current Status: When KSU-IC (formerly NISTAC) was formed it absorbed the previous affiliations of MACC and KEC, Inc. As KSU-IC transitioned into the new Manhattan/K-State Innovation Center, the Manhattan Area Chamber of Commerce approached the City of Manhattan about the future of the KEC building on Hayes Drive. In May 2007, the City Commission authorized an agreement involving the City and several regional entities that ultimately formed the Kansas Entrepreneurial Center Partnership (KECP). The KECP Memorandum of Understanding was signed in October 2007 and committed the City, Chamber, Pottawatomie County Economic Development Corporation, NISTAC, Pottawatomie County, and the North Central Kansas Community Network (NCKCN) to support the operation of a business incubator facility at the KEC building. As part of the MOU, the signatories agreed to provide $390,000 for ongoing maintenance and upkeep. The City provided $100,000 from the Industrial Promotion Fund toward this effort. The NCKCN contributed $150,000, and the remaining signatories contributed $35,000 each. In October 2007, the City entered into a five-year lease with the Chamber to operate the KEC on behalf of the KECP and to assume all related maintenance, insurance, and tax costs. The lease is set to expire at the end of October 2012 but will be recommended to the City Commission for renewal due to the success of the operation. The MOU also expires this year but will not be immediately renewed since no new investments are required by the partners at this time.

Company Report	
GENERAL	
1. Property Taxes Paid in 2011	$15,419.78
2. Occupancy Rate	Over 82% of the building is occupied by three tenants: (1) Edenspace, a leader in the commercial use of plants for energy and environmental applications; (2) TopJobZ, a firm focused on medical employment placement; and (3) Food Safety Validation, LLC. In addition, Extru-Tech leases an outbuilding for testing extrusion equipment and has made significant leasehold improvements to the space.
3. Estimated Number of Jobs	The facility currently houses 12 full-time employees. Extru-Tech routinely employees temporary local labor to assist with experiments.
4. Average Wages	The current average salary for positions within the KEC is about $60,000. This is a fluid average as the TopJobZ positions have a large commission component.
5. Rental Rates	Office Space - $10.00 per square foot Laboratory Space - $12.00 per square foot + $350 stipend for utilities Outbuilding - $3.75 per square foot + $350 stipend for utilities

BUILDING MAINTENANCE:

The Chamber manages maintenance issues for the KEC facility's mechanical, landscaping, and custodial upkeep. This has included major renovations to the roof, HVAC, windows, alarm system, and renovations to the paint and carpeting. Monthly rent for the facility is $5,815/month, which puts the facility in a positive cash flow position. Monthly expenses for taxes, maintenance, insurance, utilities, etc. average $2,800. Over $238,000 have been invested in rental space, including $89,000 in roof repair, plus other projects including new windows, A/C units, service contracts to maintain the A/C units, painting, landscaping, wiring work, ADA improvements and others. The Chamber recently worked with Bowman, Bowman, & Novick Architects and Sloan Construction to make a major structural repair to a support beam and wall abutting one of the laboratories on the north side of the building. The repair cost was $83,486.58. After this investment, the building maintenance fund now has a balance of approximately $165,000.

Extru-Tech has made significant leasehold improvements to one of the facility outbuildings. A new electrical system upgrade was completed which included new transformers through Westar Energy and a new industrial rated electrical entrance. A local electrician completed the work for approximately $24,000. Building permits have been obtained to complete further work related to gas, water, and sewer utilities to facilitate proper operation of the equipment. This work is estimated at $60,000. The company equipment within the facility is valued at approximately $450,000, plus installation costs.

NEEDED ACTION:

The current lease agreement is set to expire in 2012, and a recommendation for renewal will be presented to the City Commission for action in October.

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Funds Allocated:
$5,650,000 Building Asset (Plus Interest and Financing)
$450,000 Loan
$425,000 Building Improvement (Pilot Space)

2002 Road and Jobs Sales Tax
Annual Accountability Review
City of Manhattan

Manhattan/K-State Innovation Center
K-State Research Park
www.k-state.edu/ic

kansas state university
institute for commercialization
(KSUIC)

MANHATTAN ECONOMIC DEVELOPMENT OPPORTUNITY FUND

ACCOUNTABILITY CHECKLIST

Company: Kansas State University Institute for Commercialization (KSUIC) *formerly National Institute for Strategic Technology Acquisition and Commercialization (NISTAC), Mid-America Commercialization Corporation (MACC) and Kansas Entrepreneurial Center, Inc.*

Date of Review: July 2012

Report for year ending: June 30, 2012

Review Team: Lauren Palmer

Company Representatives: Kent Glasscock, President/CEO; Vicki Appelhans, Vice President, Finance; and Tammy Bueker, Assistant to the President and Facilities Manager

Funding History and Overview:

$7,256,801 building investment (including principal, interest and financing costs) – 2004
$450,000 KSUIC loan - 2007
$425,000 pilot space build out – building asset – 2009

In December 2004, the City approved an agreement with KSUIC (formerly NISTAC) to operate a city-owned facility (Manhattan/K-State Innovation Center) in the K-State Research Park. The bonded amount for the project was $5.65 million. This investment leveraged a $1 million award from the Kansas Bioscience Authority (KBA) for laboratory and equipment fit out within the facility. In November 2006, KSUIC requested and the City Commission approved a loan in the amount of $450,000 to be used to equip laboratory and other professional space in its facility in the KSU Research Park. The loan was structured as a 10-year, no-interest loan. Repayment of the loan began in January 2010 and all payments have been made on schedule. Additionally, KSUIC was given credit toward the repayment of this loan in the amount of $130,000 in consideration for the abandonment of certain leasehold improvements that were made in the Kansas Entrepreneurial Center (KEC) at 1500 Hayes Drive. With the completion of the Innovation Center in March 2007, KSUIC pledged to create 200 new jobs within a ten year period. Accountability for this requirement began in the 2008 calendar year.

In March 2009, the City Commission authorized an additional $425,000 to complete 5,000 square feet of unfinished pilot space within the Manhattan/K-State Innovation Center. This investment leveraged a second award from the KBA for $1 million to assist with the completion and equipping of the pilot space. Construction of three new laboratories, including supportive office and storage space, was completed in 2012. In recognition of the additional space managed by KSUIC, the Agreement was amended to require 13 additional jobs be created within the original ten year time frame.

Company Report	
GENERAL	
1. Total jobs created as of June 30, 2012.	KSUIC and Manhattan Holdings report their job creation figures together. Cumulatively since the initial agreement on Nov 7, 2000, 144 FTE jobs have been created. Of this total, 38.5 FTE jobs were created under the terms of the new agreement dated Feb 6, 2007. *Per Feb 6, 2007, agreement with the City, and March 2009 amendment, job target is 213 jobs created within ten years of occupancy.*
2. Number of new direct jobs created during year?	The FTE count is down 19.5 from the last report.
3. Median annual income of these new direct jobs created during year?	Average annual salary is $58,200 with a median of approximately $50,000.
4. Company's total payroll for the reporting period and the portion of that total payroll that corresponds to jobs created by funds received from the City	KSUIC/MH total gross aggregate payroll for the reporting period was approximately $8.4 million. The entire payroll has been created by funds from the City (cash and/or in-kind) and other investors in Manhattan Holdings.

BUILDING MAINTENANCE:

KSUIC manages maintenance contracts for the Innovation Center's mechanical, landscaping, and custodial upkeep. These contracts totaled $83,803 for the reporting period. In addition, KSUIC contributes $1,500 per month to a sinking fund for major maintenance costs such as HVAC upgrades, parking resurfacing, etc. As of June 30, 2012, the fund had a balance of $89,500.

LOCAL COMMUNITY INVOLVEMENT:

Kent Glasscock has been involved in the following community activities: Advantage Manhattan, Rotary Club, Chamber of Commerce Board of Directors

DEMOGRAPHICS: (Percentage of employees who live in Manhattan compared to Riley County, Pottawatomie County, etc.)

- 67% of employees reside in the City of Manhattan
- 73% of employees reside in Riley County
- 9% of employees reside in Pottawatomie County
- 18% of employees reside outside the Riley/Pottawatomie County area

ECONOMIC IMPACT:

Occupancy for the facility remains strong even with the build out of the pilot space. All laboratory space within the building is currently occupied. About 91% of the lab space is occupied by KSU-related activities. Approximately 87% of private office space is occupied, and about 61% of the occupied office space is leased to KSU-related activities.

The following relates to the economic impact of both KSUIC and MH:

- Companies brought over $15.1 million of new revenues, including product and service sales, investment funds and non-local governmental grants, into the Manhattan community during its fiscal year ending June 30, 2012. Additionally, the companies secured $1.4 million in new research contract awards in the last fiscal year. Since 1998, companies have generated $145 million in new revenues to Manhattan.
- KSUIC continues to incubate companies with high-growth potential. Companies continuing to work with KSUIC include ICE Corporation, AgRenew, NutriJoy, KSU Research Foundation, Nacelle Therapeutics, Mid-America Technology Management, KDAS/VDL, Scavengetech LLC, Edenspace, Kansas Wheat Alliance, Knowledge Based Economic Development LLC, and Sunflower Integrated Bioenergy LLC.
- Professional Mentoring, NRG (Network Research Group) and NanoScale Corporation, Inc. are graduates of KSUIC.
- In September 2007 the City received a $2,706 check from KSUIC as a result of a recent earnings distribution associated with its patent portfolio. The City's Economic Development agreement with KSUIC requires the company to distribute proceeds from its donated patent portfolio harvests to the City based upon the City's interest costs related to the project. The portfolio earnings distribution to the City is calculated as a proportion of the funding contributions from all contributing entities, including KSU and KTEC. The City can expect additional distributions in the future, and the representative proportion will continue to grow as interest costs accrue over time. These funds were deposited into the Economic Development Fund.

Manhattan Economic Development
Annual Report and Update
2011

Funds Allocated:
$60,000 Equity Grant

Industrial Promotion Fund
Annual Accountability Review
City of Manhattan

Manhattan/K-State Innovation Center
K-State Research Park
www.pickmanhattan.com

knowledge based
economic development

ACCOUNTABILITY CHECKLIST

Project: Knowledge Based Economic Development **Date of Review:** August 2012

Report for year ending: June 30, 2012

Review Team: Lauren Palmer

Company Representative: Rebecca Spexarth, Director of Economic Development, Kansas State University Institute for Commercialization and contract employee for KBED

GOAL OF PROJECT: Knowledge Based Economic Development (KBED) is Manhattan's research-based economic development partnership. It is a unique collaboration of public, academic, and private entities focused on recruiting or expanding businesses that have a research relationship with Kansas State University. KBED is a for-profit company that has the capability of generating a return on investment by taking equity positions in its client companies. KBED has established goals in the areas of company attraction, job facilitation, marketing, university engagement, and accountability. The objective is to facilitate the creation of 30 new jobs (within client companies) over three years with annual average wages of at least $45,000.

The members of KBED are the Kansas State University Institute for Commercialization (KSUIC), the Kansas State University Foundation, the Manhattan Area Chamber of Commerce, the Kansas State University Research Foundation (KSURF), and the North Central Kansas Community Network (NCKCN). Kansas State University and the City of Manhattan are KBED affiliates but do not have membership or voting rights in the organization.

Manhattan Economic Development Funding: From time to time, the City has granted funds to the Chamber of Commerce and directed those funds be used for additional investments in KBED. To date, the City has granted a total of $60,000 for this purpose. The Chamber has matched those funds dollar-for-dollar. On December 15, 2009, the City Commission approved an agreement to require the Chamber to share with the City any distributions the Chamber receives due to its investment in KBED. The distributions will be shared according to the City's proportion of the Chamber's total contributions in KBED (currently 50%). All of the City's contributions have been made from the Industrial Promotion Fund, not the Economic Development Fund.

CURRENT STATUS: Last year KBED had its first major success by partnering with CABEM Technologies (Boston, MA) and National Technical Systems (Calabasas, CA) to create a Cybersecurity Center of Excellence at K-State. A key success this year was the recruitment of Garmin International. Garmin established an engineering intern office at the Manhattan/K-State Innovation Center and is partnering with K-State to fill 18 or more intern positions. KBED continues to pursue and work leads from K-State faculty for business recruitment or expansion opportunities.

MANHATTAN
KNOWLEDGE BASED ECONOMIC DEVELOPMENT

"ONE OF THE FIRST TRULY INTEGRATED UNIVERSITY/COMMUNITY ECONOMIC DEVELOPMENT INITIATIVES."

Knowledge Based Economic Development: FY2012 Performance Report

Company Activity

Since July 1, 2011 KBED staff has developed the following list of contacts:

Table Key:
Currently working with KBED
No plans to locate in Manhattan area, but continues to work with KBED/KSU/NISTAC
No longer working with KBED

Company	Overview of Company	Outcome/Current Status
CABEM Technologies National Technical Systems	KBED is partnering with a software development company and a 50-year-old public company that provides testing, quality and engineering services to high tech companies to create a Cybersecurity Center of Excellence in Manhattan, KS.	The companies have signed a sponsored research agreement with K-State to move forward with the CyberSeP partnership. NTS has funded one FTE at KSU to lead the initiatives. This funding expires in August 2012. Additional sources of funding are being explored.
Project Genesis	A DNA vaccine company is interested in expanding to Manhattan. The company submitted a Federal appropriations request with Kansas State to fund further R&D of their FMD Vaccine.	Project Genesis signed a lease for office space at the Innovation Center starting January 2011 to create a Kansas presence. The company has signed a CRADA agreement with DHS to advance the technology.
Prathista	An established foreign manufacturing company is working with fermentation processes and organic fertilizers to increase plant yields, as well as work in animal nutrition.	Prathista has announced its plans to expand its R&D operations to Manhattan, KS. Prathista has leased space at the old KS National Guard Armory and has received an Economic Development package from the City of Manhattan for leasehold improvements to the facility.
Garmin International	Garmin International is an innovative GPS technology company delivering products across diverse markets including aviation, marine, fitness, outdoor recreation, tracking and mobile apps.	The company has created an engineering intern office at the Manhattan/K-State Innovation Center. The office includes 10+ interns and one full-time engineer.
Project Husker	Project Husker is a consulting and contract research services company to support veterinary discovery, development and licensing services for the food animal industry.	The company has leased office space at the Manhattan-K-State Innovation Center and is building research facilities in Pottawatomie County.
CivicPlus	CivicPlus is a website development company which is expanding in Manhattan, KS.	The company has been approved for an economic development incentive package from the City of Manhattan and the Kansas Department of Commerce and is exploring opportunities to partner with KSU and WSU.

FY2012 Marketing Efforts/Events:

KBED Faculty Events hosted by President Kirk Schulz: Over **98 faculty members and industry participants** have attended faculty events hosted by President Kirk Schulz in FY2012. These events were focused on:

- Partnerships with Africa
- New Faculty
- Wind Energy

Faculty Outreach: KBED began new outreach to faculty members through the K-State Today newsletter, a New Faculty Orientation exhibit, and direct calls/meetings.

KDOC Pilot Program: In partnership with Lawrence/University of Kansas and the Kansas Department of Commerce (KDOC), KBED is moving forward with an implementation plan for a pilot program designed to recruit small high tech companies to Kansas. KBED is integrating KDOC representatives into faculty events. KDOC has committed a $50,000 matching grant to a KBED prospect in conjunction with this program.

Future Marketing Efforts

Existing Programs: KBED staff plans to continue implementing the following existing marketing programs:

- Faculty Events
- Individual Faculty Meetings
- Website Maintenance

Alumni Marketing: KBED plans to advertise via the Kansas State University Alumni Association channels including the K-Stater magazine and/or email newsletters.

Revisions to Marketing Materials: KBED plans to update existing printed and web materials with new partner logos, and updated research strengths to align with K-State 2025 goals.

Manhattan Economic Development
Annual Report and Update
2011

Funds Allocated:
$291,000 Forgivable Loan
$75,000 Conventional Loan

2002 Roads and Jobs Sales Tax
Annual Accountability Review
City of Manhattan

3136 Dickens Avenue
www.matc.net

manhattan area
technical college

MANHATTAN ECONOMIC DEVELOPMENT OPPORTUNITY FUND

ACCOUNTABILITY CHECKLIST

Company: Manhattan Area Technical College **Date of Review:** August 2012

Report for year ending: June 30, 2012

Review Team: Lauren Palmer

Company Representatives: Dr. Robert Edleston, President; Jane Bloodgood, Vice President of Business Services; Sally Vonada, Director of Workforce Development

GOAL OF COMPANY:
Manhattan Area Technical College is a two-year Higher Learning Commission accredited public institution of high education. MATC provides quality technical and general education to prepare individuals to pursue technologically advanced careers. The primary service area includes a ten county region around Manhattan, but the College has served students from all over Kansas, other states, and other countries. Programs of study include nursing, automotive technology, building trades, computer aided drafting, dental hygiene, information and network technology, among others.

Research shows that the most significant challenge facing the biotechnology industry is a lack of a qualified workforce to meet the needs of emerging technologies. MATC hopes to help meet this need in Manhattan and the surrounding communities by training employees for high-wage, high-demand career positions in health care and the biosciences. To that end, programs have been added for laboratory training and certification.

Manhattan Economic Development Funding: A forgivable loan in an amount not to exceed $291,000 for the acquisition and relocation of three modular buildings to be used to support expanded laboratory training programs. Forgiveness of the loan is tied to the company's compliance in three areas: capital investment, workforce development, and local retention. In addition, the City awarded a conventional loan of $75,000 to construct a parking lot to serve the new buildings. The conventional loan will be repaid over seven years. All payments have been made on time and in full.

SUMMARY OF PREVIOUS YEAR: The parking lot and three modular buildings were completed on schedule. As of the first day of classes for the 2011 fall semester, MATC had 104 more students enrolled than for the 2010 fall semester. MATC received a prestigious National Science Foundation grant of $199,917 to adapt its biotechnician curriculum and professional development for use by partner institutions. The college outfitted the modular buildings with donated supplies and equipment from Kansas State University, Wichita Area Technical College, and USD 383. The total value of the donations was $78,625.

SUMMARY OF CURRENT YEAR: Full time enrollment for 2011-2012 was 1,183, a 25% increase over 2010-2011 enrollment totals. The modular buildings have been used since August 2011 for science, tech math, and tech writing classes, as well as for storage of science materials.

CAPITAL INVESTMENT:
Capital investment will be demonstrated by final completion of the following projects:

1. Laboratory Building (1,536 sq. ft.)
2. General Instruction Building (1,536 sq. ft.)
3. Faculty Office and Resource Building (1,536 sq. ft.)
4. 100-stall surface parking lot

Each project accounts for 25% of the total compliance percentage for this category. Partial completion of any single project will not be eligible for credit for the purpose of determining a compliance percentage.

All four projects are 100% complete as of August 15, 2011, so the company has achieved 100% compliance for this category.

WORKFORCE DEVELOPMENT:
The cumulative number of students shall be determined by totaling the number of students that MATC certifies completed programs for the previous year ending June 30th and adding any students previously reported. Credit will only be applied for any students above the existing baseline of 2009 enrollment (850 students). Full time enrollment for 2011-2012 was 1,183, so this provision has been satisfied.

Number of Cumulative Students - July 1, 2011 through June 30, 2012 = 14

Actual Students/Target Students = 40% Workforce Development Compliance

Targets:

Reporting Year Ended	Number of Cumulative Students Required
June 30, 2012	35
June 30, 2013	90
June 30, 2014	147
June 30, 2015	204
June 30, 2016	261
June 30, 2017	318
June 30, 2018	375
June 30, 2019	432
June 30, 2020	489
June 30, 2021	546

**Note: A student is defined as an individual who has satisfactorily completed all of the course requirements for any one of the following programs offered by MATC: Basic Laboratory Techniques, Advanced Applied Laboratory Technician, Medical Laboratory Technician, Bio-Technology Laboratory Technician, Medical/Laboratory Equipment Repair Technician, and Veterinary Technician. (Note: MATC will no longer offer the Veterinary Technician program).*

LOCAL RETENTION:
Target: At least 50% of cumulative students reported for the Workforce Development compliance category are employed within the City of Manhattan and/or Riley County.

Students employed in Manhattan/Riley County (5) / Total Students (14) = % of students employed in Manhattan/Riley County = 35.7%

Percentage of Students Employees in Riley County / Target = 35.7% ÷ 50% =

71.4% Local Retention Compliance

TOTAL COMPLIANCE:
Capital Investment: 100%
Workforce Development: 40%
Local Retention: 71.4%

Average of above determines blended % of compliance: 70.5% = 70% of incentives

Blended Percentage Range	Portion of each of the Incentives to be Received
Equal to or greater than 90%	100%
Equal to or greater than 80% and less than 90%	80%
Equal to or greater than 70% and less than 80%	70%
Equal to or greater than 50% and less than 70%	50%
Less than 50%	0%

LOCAL COMMUNITY INVOLVEMENT:
MATC students and staff are involved in a variety of community organizations. For example, Dental Hygiene faculty and students volunteer in the following activities each year:

- Kansas Mission of Mercy – 2 days of free dental care provided to the public; the students assist dentists and hygienists to provide patient care, work as sterilization techs, and are in the patient education area demonstrating appropriate oral hygiene care.
- Assist dental hygienists for school screenings & fluoride varnish clinics (ongoing throughout the year)
- Volunteer at dental clinics for Community Health Ministry in Wamego
- Assist Community Health Ministry with fundraisers (i.e., Chocolate Fantasy)

NEEDED ACTIONS:
Based on the blended compliance percentage, MATC received only 70% forgiveness of the loan payment scheduled for July 1, 2012. The remaining 30% portion ($8,730) was repaid on time. MATC has seen a significant increase in enrollment in science courses that are pre-requisites for the bioscience/technology programs identified in the economic development agreement. However, the pace for graduation rates indicated in the original incentive application may have been too aggressive. MATC believes the delay in the construction schedule for the National Bio and Agro Defense Facility (NBAF) may have temporarily slowed the workforce demand for graduates in the eligible programs. MATC is confident that its strengths in the areas that support the science community will allow it to meet the full expectations of the original agreement, but at a slower pace than originally envisioned. MATC desires to renegotiate the timeline for meeting targets in the workforce development category. To address this issue, City staff will work with MATC to develop an amendment to the economic development agreement for consideration by the City Commission before the next reporting deadline in July 2013.

Manhattan Economic Development Annual Report and Update 2011

Funds Allocated:

$600,000 Grant for Seed and Venture Capital Funds

Manhattan **e**conomic **d**evelopment **o**pportunity fund

Annual Accountability Review

City of Manhattan

Manhattan/K-State Innovation Center

K-State Research Park

manhattan holdings

MANHATTAN ECONOMIC DEVELOPMENT OPPORTUNITY FUND

ACCOUNTABILITY CHECKLIST

Company: Manhattan Holdings, LLC **Date of Review:** July 2012

Report for year ending: June 30, 2012

Review Team: Lauren Palmer

Company Representatives: Kent Glasscock, President and CEO; and Vicki Appelhans, Vice President, Finance

Purpose of Company: To provide early stage risk capital for the commercialization of new products and technologies with apparent high growth potential. The funds will be highly leveraged and invested in companies where the Kansas State University Institute for Commercialization (KSUIC) invests management time and expertise.

Primary Goal (5-10 years):

- Generate compounded annual returns of 12 to 22% through investment strategies.

Secondary Goals (10+ years):

- Leverage Manhattan Holdings' investments in ventures by at least three-fold by facilitating access to other sources of risk capital, grants, and financing.
- Create, within the region of Manhattan Holdings' focus, at least 50 new direct, technology-based jobs, leveraged to about 200 total new jobs through direct and indirect multiplier effects.

Funding History: Manhattan Holdings was initially funded with a $600,000 contribution from each of three Class A members: the City, KSU Foundation and KTEC Holdings, Inc. The City's portion was paid from the 1994 MEDOFAB sales tax in $200,000 increments on July 1 of 1996, 1997, and 1998. Mid-America Technology Management, Inc., (MTM) the sole Class B member, serves Manhattan Holdings as managing member with limited voting and distribution rights. Originally part of the Kansas Technology Enterprise Corporation, KTEC Holdings is now a part of the Kansas Department of Commerce.

Representation: The City of Manhattan appoints a minimum of three (3) persons proportional to the City's investment to represent the City on the Board of Members or other governing board of Manhattan Holdings, in order to facilitate communication among the parties. In addition, one of these members serves on the Investment Committee of the board, or any other committee constituted to review, recommend, or approve investments by Manhattan Holdings. The City's representative on the Investment Committee must be able to contribute financial, legal, or other relative expertise to the investment process. Mike Daniels is the current Investment Committee representative.

	Company Report
GENERAL	
1. Total jobs created as of June 30, 2012.	KSUIC and Manhattan Holdings report their job creation figures together. Cumulatively, they have created 144 FTE.
2. Number of new direct jobs created during year per business venture.	The FTE count is down 19.5 from the last report.
3. Median annual income of new direct jobs created during year.	Average annual salary is $58,200 with a median of approximately $50,000.
4. Company's total payroll for FY2012 (June 30, 2012) and the portion of that total payroll that corresponds to jobs created by funds received from the City.	KSUIC/MH total gross aggregate payroll for the reporting period was near $8.4 million. The entire payroll has been created by funds from the City (cash and/or in-kind) and other investors in Manhattan Holdings.
SEED AND VENTURE CAPITAL FUNDS	
1. Review firm's business plan.	Continue positive investment of funds. During 2000, the City received its first financial return in the amount of $137,657.25. This disbursement represented the City's share of returns from liquidations of a MH investment in FoodLabs, Inc. In April 2011, a second return was received by the City in the amount of $50,000. This second disbursement was the result of funds received from MH's investment in NutriJoy, Inc. These returns reduced the basis for the City's investment in MH from $600,000 to $412,342.75.
2. Investment reports.	MHL held equity interest (at cost) in the following entities at June 30, 2012: • NanoScale Corporation - $354,583 • AgRenew, Inc. - $25,000 • ICE Corporation - $192,421 • NutriJoy - $320,750 (return of capital Jan 2008; see note below) • Ventria - $200,000 • Nitride Solutions, Inc. - $75,000 • ScavengeTech LLC - $110,250 The City's fund represents 1/3 of the overall investment funds.
3. Financial Statements.	The 2011 tax return, 2011 independent auditor's report, and 2012 pre-audit balance sheet were provided and are on file.

4. Two (2) year projection of investment funds needed.	At this time, Manhattan Holdings has approximately $1,005,000 in Certificates of Deposit, Money Market and Repurchase accounts. At current interest rates, the earnings are not significant. However, it is anticipated that Manhattan Holdings will continue to receive a dividend check from NutriJoy equal to $15,237 in each of the next five years, bringing available cash to $1,081,000. Manhattan Holdings could conceivably distribute one-third of that cash ($360,330) to each member within the next five years. Such a distribution would bring the capital account of each Class A member down to a remaining balance of approximately $52,000.
5. Any pending legal actions?	No.

ECONOMIC IMPACT:
To date, $1,670,583 has been invested in ten different companies by all three investors. Of the ten companies in which investment has been made, two have proven to be poor investments resulting in a loss of $225,000: Four Fish Productions LLC and Global Lipidomics LLC. Notable successes include the following:

- The sale of FoodLabs, Inc. created a return to Manhattan Holdings of $412,971.75 on an investment of $180,000 which resulted in a distribution to each Class A member of $137,657.25 in October 2000. All proceeds from the sale of FoodLabs stock were distributed to Class A members.
- The sale of NutriJoy stock to a major beverage company resulted in a total of $401,252.88 received by Manhattan Holdings (to date) on an investment of $320,750. It is anticipated that Manhattan Holdings will continue to receive a dividend check in the amount of $15,237 in each of the next five years. This sale resulted in a distribution to each Class A member of $50,000 in April 2011.
- The receipt of $108,000 dividend from ICE Corporation in November 2011.
- Companies brought over $15.1 million of new revenues, including product and service sales, investment funds and non-local governmental grants, into the Manhattan community during the fiscal year ending June 30, 2012. Additionally, the companies secured $1.4 million in new research contract awards in the last fiscal year. Since 1998, companies have generated $145 million in new revenues to Manhattan.

DEMOGRAPHICS: (Percentage of employees who live in Manhattan compared to Riley County, Pottawatomie County, etc.)

- 67% of employees reside in the City of Manhattan
- 73% of employees reside in Riley County
- 9% of employees reside in Pottawatomie County
- 18% of employees reside outside the Riley/Pottawatomie County area

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Funds Allocated:
$400,000 Forgivable Loan
$350,000 Conventional Loan

2002 Roads and Jobs Sales Tax
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City of Manhattan

2121 Meadowlark Road
www.meadowlark.org

meadowlark hills

MANHATTAN ECONOMIC DEVELOPMENT OPPORTUNITY FUND

ACCOUNTABILITY CHECKLIST

Company: Manhattan Retirement Foundation, Inc. d/b/a Meadowlark Hills

Date of Review: September 2012

Report for year ending: December 31, 2011 (with updates for June 30, 2012)

Review Team: Lauren Palmer

Company Representative(s): Meagan Florie, Chief Financial Officer; and Chris Nelson, Accountant

GOAL OF COMPANY: Meadowlark Hills is a large retirement community located in the north central portion of Manhattan that specializes in continuing care. The continuum of care ranges from independent living apartments and cottages to 24-hour skilled nursing care. Meadowlark Hills offers its residents the ability to be self-reliant and to live as independently as possible, for as long as possible, in an environment where residents always feel at home. Meadowlark Hills has a long track record of providing community service in Manhattan and is a nation-wide leader in resident-centered and resident-driven care.

In 2007, Meadowlark embarked on a multi-million dollar expansion to its facilities. Meadowlark Hills' expansion was planned in four phases, the last of which was successfully completed in March 2009. The first phase was the addition of 26 independent living accommodations housed within 13 duplex buildings. The second phase was two healthcare skilled nursing households which accommodate forty-one people. The third phase was the retrofit of Collins Landing and Tinklin Pointe and a conversion of Lyle House. The final phase included completion of the fitness center, administrative offices, and Verna Belle's Café.

Meadowlark Hills outperformed its budget for fiscal year 2012 as it had operating income of $45,000 compared to a budget operating loss of $295,000. As of June 30, 2012, the Debt Service Coverage ratio calculated at 1.52, Days Cash on Hand was 172, and the Reserve Ratio was 23.5%. The occupancy percentages for the year were strong at 91% for independent living, 94% for assisted living and 91% for health care. The Wellness Partners lines of service continued its growth as out-patient therapy, home health, and the physician office all experienced growth in revenue. Home Health achieved a 33% growth in revenue, and the physician office experienced growth of 15%.

Manhattan Economic Development Funding: A $400,000 forgivable loan to be paid to the company in three installments, with $150,000 being paid the first year and $125,000 being paid in each of years two and three; and a $350,000 conventional loan. All incentives provided to the company are tied to meeting annual performance requirements, including capital investment, job creation, wage structure, and benefit package targets.

CURRENT STATUS: The conventional loan was disbursed on December 1, 2007. The final installment of the forgivable loan was disbursed on December 1, 2009, based on the achievement of performance targets.

CAPITAL INVESTMENT EXPENDITURES:

Actual Capital Investment Expenditures and Time Period:

$$\frac{\textbf{Actual Expenditure = \$34,432,638}}{\textbf{Target Expenditure = \$23,750,000}} = \textbf{145\% Compliance Percentage}$$

Update as of June 30, 2012: Actual Expenditure = $34,637,371

Cumulative Target Expenditures	Subsection 3(b) Time Periods
$8,000,000.00	the Agreement Date to December 31, 2008
$16,000,000.00	January 1, 2009 to December 31, 2009
$23,750,000.00	January 1, 2010 to December 31, 2010
$23,750,000.00	January 1, 2011 to December 31, 2011
$23,750,000.00	January 1, 2012 to December 31, 2012
$23,750,000.00	January 1, 2013 to December 31, 2013
$23,750,000.00	January 1, 2014 to December 31, 2014
$23,750,000.00	January 1, 2015 to December 31, 2015
$23,750,000.00	January 1, 2016 to December 31, 2016
$23,750,000.00	January 1, 2017 to December 31, 2017

JOB CREATION: Actual Job Creation and Time Period:

Category *i* Employees (any combination of hourly employees who have worked 2000 actual hours)

Total hours worked $\frac{360,997}{2000}$ = **180.50 Category *i* FTE**

Category *ii* Employees (determined by days worked by salaried employees during the year)

Total days worked $\frac{14,877}{260}$ = **57.22 Category *ii* FTE**

237.72 Total FTE

Actual FTE/Target FTE = 102% Job Creation Compliance

Update as of June 30, 2012 = 239.15 Total FTE

The base employment level ("Base") has been established at **170.25** FTE.

Compliance Year	Cumulative number of FTEs required
2008	Base + 10
2009	Base + 24
2010	Base + 29
2011	Base + 52
2012	Base + 63
2013	Base + 75
2014	Base + 75
2015	Base + 75
2016	Base + 75
2017	Base + 75

WAGE STRUCTURE:
The Company shall maintain a wage structure such that an average of the new wages paid to employees counted in determining the FTEs in the preceding subsection are at the targets on the following table.

Average Wage: **$16.93** per hour
Target Wage: **$15.76** per hour

*155 employees received hourly wages above $12.60, which is 41.6% of employees.

Average Wage/Target Wage = 107.6% Wage Structure Compliance

year	Average Wage Targets for all new FTEs
2008	$14.00/hr
2009	$14.42/hr
2010	$14.85/hr
2011	$15.30/hr
2012	$15.76/hr
2013	$16.24/hr
2014	$16.72/hr
2015	$17.22/hr
2016	$17.74/hr
2017	$18.27/hr

**Note: City Administration began tracking this information is 2011 to determine the company's performance related to the new wage floor in the wage criteria scoring model for economic development applications. It is provided for informational purposes only as there are no related contractual compliance requirements.*

EMPLOYEE BENEFITS:
The Company shall participate in the cost of medical insurance for all of its full-time employees and shall provide all of its full- time employees with paid vacation and holidays. Company to certify compliance. If such certification is provided, compliance is deemed at 100% in this category.

Certification Provided: Chris Nelson, Accountant, emailed a report on January 9, 2012, certifying the levels of benefits and other performance benchmarks. The company offers medical insurance for all full-time employees and offers four plan options with categories for single; employee and spouse; employee and children; and family. The company covers 60% – 82% of the premium cost for health insurance, depending on the level of coverage.

Compliance Percentage: 100%

TOTAL COMPLIANCE:

Capital Investment: 145%
Job Creation: 102%
Wage Structure: 107%
Benefits: 100%

Average of above determines blended % of compliance: 113.5% = 100% of incentives

Blended Percentage Range	Portion of each of the Incentives to be Received
Equal to or greater than 85%	100%
Equal to or greater than 80% and less than 85%	80%
Equal to or greater than 70% and less than 80%	70%
Equal to or greater than 50% and less than 70%	50%
Less than 50%	0%

DEMOGRAPHICS: (Percentage of employees who live in Manhattan compared to Riley County, Pottawatomie County, etc.)

- Manhattan –67.5%
- Riley County – 70.0%
- Geary County – 8.1%
- Pottawatomie County – 12.3%
- All other counties – 9.6%

LOCAL COMMUNITY INVOLVEMENT:
As an organization, Meadowlark Hills continues to support the Manhattan Community both in the more than $750,000 of annual charitable care provided as well as through financial support and/or contributions of time, space or relationships with the following organizations: Manhattan Chamber of Commerce including a $100,000 pledge to the Advantage Manhattan campaign, Rotary Club, Manhattan Parks & Recreation, Friends of KSU Libraries, Big Brothers Big Sisters, KSU Foundation, Greater Manhattan Community Foundation, Beach Museum of Art, KSU Center on Aging, Red Cross, Festival of Trees, City of Manhattan Social Services Advisory Board, The First Tee of Manhattan, Manhattan Area Technical College, KSU McCain Auditorium, the Community Health Ministry Clinic, Manhattan Arts Center, Manhattan Habitat for Humanity, Symphony in the Flint Hills, and United Way of Riley County.

Manhattan Economic Development
Annual Report and Update
2011

Funds Allocated:
$5,000,000 Infrastructure Support Grant

2002 Roads and Jobs Sales Tax
Annual Accountability Review
City of Manhattan

Intersection of Kimball and Denison Avenues
Kansas State University
www.dhs.gov/nbaf

national bio and agro defense facility (NBAF)

MANHATTAN ECONOMIC DEVELOPMENT OPPORTUNITY FUND

ACCOUNTABILITY CHECKLIST

Company: National Bio and Agro Defense Facility **Date of Review:** September 2012

Report for year ending: June 30, 2012

Review Team: Lauren Palmer

Company Representatives: Julie Brewer, NBAF Project Manager, U. S. Department of Homeland Security; and Tim Barr, NBAF Site Manager, U. S. Department of Homeland Security.

Funding History and Overview: On February 6, 2007, the City Commission approved Resolution No. 020607-D declaring its support to assist in the recruitment of the National Bio and Agro Defense Facility (NBAF). The Commission pledged up to $5 million in economic development funds to finance infrastructure and site improvements for the project. After an extensive three-year site selection process, the U. S. Department of Homeland Security (DHS) chose Manhattan as the future home of NBAF. NBAF will be built on a site on Kansas State University adjacent to the existing Biosecurity Research Institute. The $1 billion research facility will create approximately 470 jobs and provide the country with an urgently needed biocontainment laboratory for the study of foreign animal, emerging and zoonotic (transmitted from animals to humans) diseases that threaten the U.S. animal agriculture and public health. NBAF will replace the Plum Island Animal Disease Center that is near the end of its useful life.

Current Status: NBAF is being designed by the NBAF Design Partnership, an award-winning team of architects, engineers, and planners. It will contain 580,000 gross square feet of facility space which includes biosafety levels 2, 3, and 4 laboratory space for the development of vaccines and countermeasures. In 2010, DHS completed a Site-Specific Biosafety and Biosecurity Mitigation Risk Assessment (SSRA) on the 15% design plan. As part of the ongoing design and operational planning, DHS continues to identify appropriate risk mitigations for biosafety and biosecurity, and completed an update of the SSRA in February 2012. The updated SSRA found that the current NBAF design is sound and includes biocontainment measures that go well beyond industry standards.

The State of Kansas committed $105 million to the project. Of that amount, $30 million has been spent for site clearance and site preparation. DHS has been appropriated $203.6 million to date for NBAF. The 2013 federal budget required DHS to obtain a comprehensive project assessment from the National Research Council (NRC) which was completed in July 2012. The assessment did not revisit the site selection but rather examined the threat posed to livestock by emerging and zoonotic disease and the U.S. laboratory infrastructure needed to counter the identified threat. This assessment, and other information, is currently being considered by DHS leadership in determining the path forward for the project. The most recent project schedule indicates that facility commissioning should begin in 2018, with NBAF fully operational in 2020.

As of June 30, 2012, almost $2.3 million of the City's $5 million economic development funds have been approved by DHS and committed for relocation infrastructure projects for water, gas, and electric utilities. DHS will likely request the remaining funds for infrastructure such as sanitary sewer, water, electric, and other on-site utility needs. Some funds may be authorized for related traffic improvements.

Manhattan Economic Development
Annual Report and Update
2011

Funds Allocated:
$500,000 Reimbursable Grant - Leasehold Improvements

2002 Roads and Jobs Sales Tax
Annual Accountability Review
City of Manhattan

1709 S. Airport Road
www.prathista.com

prathista
international

MANHATTAN ECONOMIC DEVELOPMENT OPPORTUNITY FUND

ACCOUNTABILITY CHECKLIST

Company: Prathista International **Date of Review:** September 2012

Report for year ending: June 30, 2012

Review Team: Lauren Palmer

Company Representatives: Sai Ram, President; and Supal Sharma, Deputy Manager for Techno-Commercial Operations

Funding History and Overview: On December 20, 2011, the City Commission approved a lease agreement and economic development incentive package for Prathista International, Inc. Prathista International is the North American spin-off of Prathista Industries Limited, an Indian company that manufactures fermentation-based feed supplements and agricultural nutrients. The company has a Research Relationship Agreement with the Kansas State University College of Agriculture and chose to establish its North American headquarters in Manhattan due to the existing relationship with K-State.

For the company's initial expansion, a pilot plant facility is needed to test and develop products that are compatible with North American crops and soils. The City agreed to lease approximately 12,000 square feet of space in the former National Guard Armory at Manhattan Regional Airport. The City will reimburse the company for up to $500,000 of costs for leasehold improvements (design and construction) to retrofit the Armory for the pilot plant. The City maintains ownership of the Armory and all leasehold improvements (excluding equipment). If the pilot plant is successful, after three to five years of initial research and development work, the company may construct a 52,000 square foot permanent manufacturing facility that would create approximately 50 new jobs.

Current Status: The company's first reporting deadline is December 31, 2012. By that time, the company needs to create seven full-time equivalent positions. The company currently has one employee within Manhattan and is advertising to fill seven new positions in sales/marketing, product development, and biotechnology (pilot plant operator). The Kansas Department of Commerce and the Manhattan Workforce Center are assisting with the recruitment process.

Before the end of the year, the company is also required to obtain a building permit for the pilot plant improvements and to demonstrate capital investment of at least $500,000. These two provisions may be difficult to achieve. The company faced unforeseen challenges in obtaining work visas for key employees to travel to the U. S. to help advance the project. The company has been working in India on a basic pilot plant design that must now be conveyed to a local architect to develop construction documents in accordance with relevant building codes and requirements. The company president, Mr. Ram, is traveling to Manhattan in September to initiate this process. City staff communicates regularly with representatives of Prathista and will provide updates to the City Commission if needed as performance deadlines approach. Fortunately, the City's risk in the project is minimal since no funds will be expended until the company performs.

Manhattan Economic Development
Annual Report and Update
2011

Funds Allocated:
$550,000 Local Match for Airline Revenue Guaranty
$200,000 Marketing Grants
$116,370 Ground Support Equipment
$10,000 Reimbursement to General Fund for Fee Waivers

2002 Roads and Jobs Sales Tax
Annual Accountability Review
City of Manhattan

Manhattan Regional Airport
5500 Fort Riley Boulevard
www.flymhk.com

regional jet service

ACCOUNTABILITY CHECKLIST

Project: Regional Jet Service **Date of Review:** August 2012

Report for year ending: June 30, 2012

Review Team: Lauren Palmer

GOAL OF PROJECT: On March 23, 2009, American Eagle Airlines announced it would begin twice daily regional jet service between Manhattan Regional Airport (MHK) and Dallas-Fort Worth International Airport (DFW), contingent on a commitment from the community to provide incentives. The State of Kansas agreed to fund $2 million over two years to support a Minimum Revenue Guarantee (MRG) to the airline that required local matching funds of $550,000.

The service has grown to now include three daily flights to DFW and twice daily flights to Chicago O'Hare International Airport (ORD). The flights were added due to the success of the original service, and no additional revenue guarantee incentives were required. On June 21, 2011, the City Commission agreed to waive six months of office rent and fuel flowage fees in exchange for the airline adding the second flight to Chicago. Due to additional airport revenues from the second Chicago flight, the net impact of the fee waivers is approximately $10,000. The second flight to ORD was added in November 2011.

Manhattan Economic Development Funding: On May 5, 2009, the City Commission authorized $400,000 from economic development funds to be used as follows: $300,000 for airline start-up costs that qualify for the local match to the state funds and up to $100,000 for marketing funds to encourage use of the service. The City used $116,370 of economic development funds to purchase Ground Support Equipment for American Eagle to use in its operation of the service. A portion of this equipment was sold to the airline, and sale proceeds totaling $54,120 were returned to the Economic Development Fund. On May 4, 2010, the Commission authorized up to $250,000 to meet the local match requirement for the second year of the revenue guaranty. Finally, on August 18, 2010, the Commission authorized $100,000 as a local match for a grant from the U. S. Department of Transportation Small Community Air Service Development Program. The funds supported ongoing marketing efforts for the airport and the new jet service. The revenue guarantee escrow account was closed in November 2011, and the State of Kansas received a payment of $2,019,906.30, representing the full amount of the initial investment plus interest. The City received $204,240. Therefore, the City's net investment for air service to date has been $618,010.

The Manhattan Area Chamber of Commerce and former Chair of the Airport Board worked jointly to solicit additional local matching and marketing dollars from counties and cities in the region based on a pro rata share of population and usage of the Manhattan Regional Airport. The following regional partners provided funds to support the new service: Clay County, Pottawatomie County, Riley County, Junction City, Marysville, and Wamego.

CURRENT STATUS: The City has approached other airlines about expanding service to a new destination under a similar revenue guarantee arrangement. Additional routes will only enhance the economic potential of the State of Kansas and the region, particularly as it relates to the National Bio and Agro Defense Facility (NBAF), Kansas State University, and Fort Riley. Given airline instability, having a second carrier would secure vital jet service for the success of NBAF and related businesses, which was the primary purpose of the State of Kansas appropriating the original revenue guarantee funds. In 2012, the state legislature authorized reinvesting $1 million of the returned revenue guarantee funds to support recruitment of additional air service to Manhattan Regional Airport. The City is currently negotiating with airlines to establish a new revenue guarantee agreement for expanded service.

ECONOMIC IMPACT: In August 2010, the Kansas Department of Transportation released its Kansas Aviation Economic Impact Study. The report showed total employment related to Manhattan Regional Airport at 233 jobs and a total economic impact of $22.9 million. This report was compiled before the revenue guarantee agreement, so the City has contracted with the firm that completed the original impact study to update the Manhattan portion to reflect the growth of jet service. American Eagle is authorized to have 18 employees based in Manhattan. In addition, two flight crews (based in Chicago and Dallas) overnight daily in Manhattan at a local hotel.

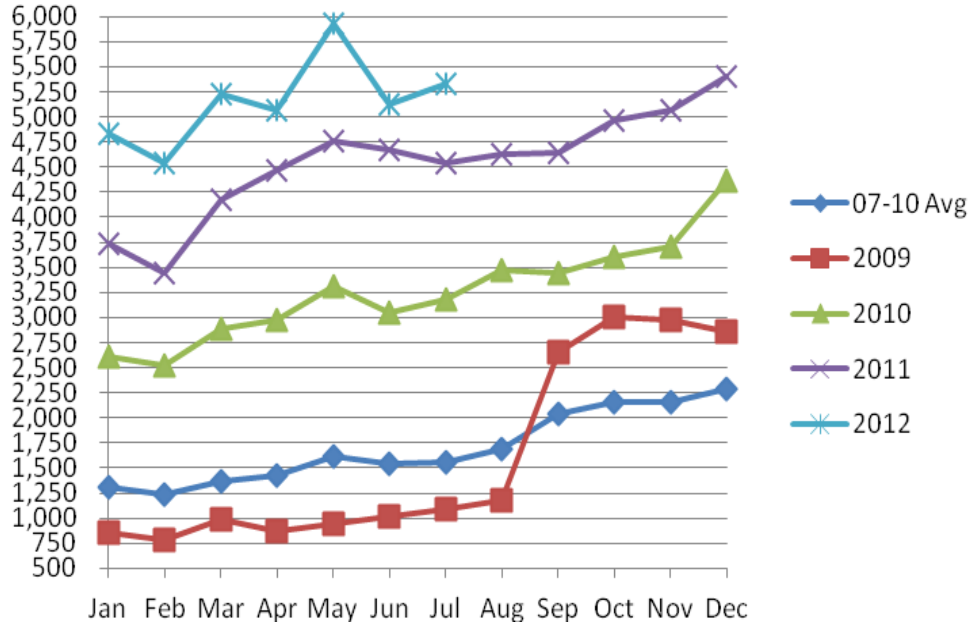
Manhattan Regional Airport conducted a Passenger Demand Analysis (PDA) in April 2007 that indicated only 8% of travelers in the Airport Catchment Area (ACA) were traveling through MHK. Most travelers were going out of state to Kansas City. With regional jet service, the retention rate grew to 19%, based on a second PDA that was completed in August 2011. The second PDA was conducted with only partial data from the new Chicago service, so the retention rate is likely higher today.

Travelers through MHK come from throughout the region, based on parking lot license plate surveys conducted from March through November 2011:

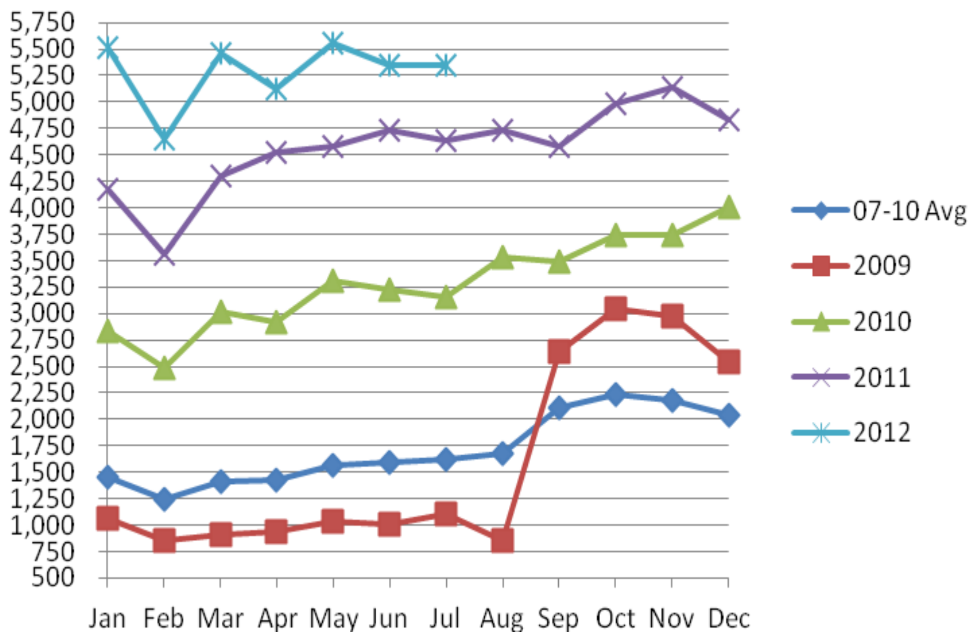
- Riley County – 37.5%
- Out of State – 23.0%
- Geary County – 10.8%
- Pottawatomie County – 6.9%
- All Other Counties (83 counties represented) – 16.8%
- Other (veterans, U.S. government, K-State, no county) – 5.0%

The charts below show the strong success of the new service for both enplanements and deplanements.

MHK Commercial Airline Enplanements



MHK Commercial Airline Deplanements



Manhattan Economic Development
Annual Report and Update
2011

tax abatement report

city of manhattan tax abatements

overview of outstanding tax abatements

job creation statistics for outstanding tax abatements

property taxes paid by companies receiving tax abatements

tax abatement report

city of manhattan tax abatements

State statute authorizes tax abatements on buildings and equipment financed with proceeds from Industrial Revenue Bonds. The City of Manhattan has been very judicious in granting tax abatements. As of August 2012, the City of Manhattan has five companies that are currently receiving tax abatements. A sixth tax abatement was approved in May 2012 for CivicPlus, but the abatement is not anticipated to begin until 2014. In the case of five companies, the tax abatements were provided to assist with expansions of local companies operating in Manhattan. The sixth company to receive tax abatement is Florence Corporation of Kansas. Florence expanded its operations from the Chicago area to Manhattan in 2002.

In July 2003, the City Commission approved a new Tax Abatement Policy. The purpose of this policy is to establish the official position and procedures of the City for considering applications for property tax abatement for real and personal property used for economic development purposes. Highlights of the policy include requiring tax abatement recipients to achieve annual job creation targets in order to maintain the abatement and to provide an annual report to the City Commission on the status of outstanding abatements. Following is a description of the companies that have current tax abatements with the City. The charts that follow provide an overview of the economic impact created by the companies as a result of the tax abatement incentive.

civicplus

CivicPlus is engaged in the business of developing, designing, and managing community engagement systems that use advanced technology to connect people with government. The company specializes in cost-effective website solutions for public sector clients. CivicPlus is projecting nearly 40% growth in 2012 based on a steadily growing stream of both one-time revenue from professional services and committed recurring revenue from software clients. The client base has grown by 285% since 2008, despite a weakened economy during that period, which is indicative of the strong products and value offered by the company.

The company plans to build a new multi-story facility at the southwest corner of the intersection of 4th St. and Pierre St. This will be a minimum 50,000 square feet facility that will house high-end office space for CivicPlus, first floor retail/restaurant space, and potentially some residential loft apartment space. The City approved a 10-year partial property tax exemption for real and personal property acquired or constructed with IRB proceeds. The tax abatement will not apply to the first floor of any new structures or to any portions of land, buildings, or equipment used for purposes other than the direct corporate business.

farrar corporation

Farrar Corporation is a family and employee owned manufacturing company dedicated to providing the highest quality iron products to its manufacturing customers throughout the United States. As a customer focused organization, Farrar is dedicated to its internal and ultimate customers and will strive to meet or exceed their expectations through continuous improvement in products, services and processes. Farrar Corporation opened a 37,000 square foot machining facility in Manhattan in the spring of 2000 and increased it by another 18,000 square feet in 2007. In 2007, Farrar Corporation received assistance from the City of Manhattan through the issuance of Industrial Revenue Bonds to finance the expansion of its manufacturing facility and operation.

florence corporation of kansas (auth-florence)

Florence Corporation of Kansas is a commercial mailbox manufacturer specializing in mailbox installations for large residential developments as well as locking mail boxes to address mail security issues. The company holds a major competitive contract with the United States Postal Service. Florence expanded its operations from the Chicago area and constructed a 200,000 square foot facility in Manhattan's Corporate Technology Park in 2003. The facility is designed to meet future expansion needs as the company grows.

gtm sportswear

GTM Sportswear is a Manhattan-based company founded in 1987 as "It's Greek to Me." The company started out by selling custom screen-printed and embroidered apparel in the college fraternity & sorority market, but soon had a presence in the high school market as well. Advertising and selling their products via telephone and the internet has enabled GTM to maintain their competitive edge in the worldwide marketplace. GTM expects to create 500 new jobs to support its anticipated growth over a 10-year period ending in 2016.

ice corporation

ICE Corporation is a long-time Manhattan business, having started here in 1973. ICE specializes in advanced electronic designs and products which specialize in aircraft industry applications. In addition, the company provides applications which serve the agriculture industry, and the veterinary medicine profession along with other industrial uses. ICE expanded in Manhattan in 2002 by moving from Manhattan's Industrial Park to a larger existing facility on Amherst Avenue. ICE's tax abatement has allowed the company to compete and win long-term international contracts in an industry where many foreign governments provide generous subsidies to ICE's direct competitors. ICE's part-time employees are students in career-related fields at KSU. These positions provide hands-on training for the students while allowing ICE the opportunity to evaluate talent and offer full-time employment to skilled graduates who would like to remain with ICE.

manko window systems, inc.

Manko Window Systems, Inc., was incorporated in 1989 and is a commercial grade window and door manufacturer located in Manhattan. In 1996, Manko expanded its operations in Manhattan with a new 68,000 square foot facility allowing additional space for manufacturing operations, inventory storage, and improved line management. Since 1996, the facility has been expanded several times. Manko is located on Hayes Drive in Manhattan's Industrial Park. In 2005, Manko utilized Industrial Revenue Bonds to construct and equip an additional 45,000 sq. ft. adjacent to Manko's pre-existing facility. The remaining $700,000 of IRBs already approved by the Commission may be requested in the future to expand the existing office and administration area by 10,000 sq. ft.

expired abatements

nanoscale materials, inc.

NanoScale Corporation is a dynamic and innovative company focused on the commercialization and application development of proprietary advanced nanocrystalline materials. The company generates revenues through the sale and distribution of branded products, custom application engineered solutions, and contract research and development services. The advanced materials and products are provided under the brand names NanoActive®, FAST-ACT®, NanoPak™, OdorKlenz®, OdorKlenz-Air™, ChemKlenz®, SpillKlenz™, and NanoZorb®. The company currently occupies 20,000 square feet of laboratory, office, and production facilities in the Manhattan/K-State Research Park. The company recently expanded its production space in a warehouse facility at 809 Levee Drive. The expansion allowed for a new assembly and packaging line.

In 2002, the City Commission approved a declining, 10-year tax abatement for the years 2003 – 2012. The exemption only applied to personal property, so it was effectively invalidated in 2006 when the legislature changed state law to exempt all machinery and equipment from personal property taxation.

transportation design and manufacturing (tdm)

Transportation Design and Manufacturing was a qualified vehicle modifier for various large auto manufacturers, including Ford and General Motors. TDM came to Manhattan in 1995 to establish an alternative fuel vehicle center, with a focus on electric, natural gas and propane-fueled automobiles. TDM is no longer operating in Manhattan's Industrial Park, and the company's tax abatement was not renewed in 2004. The former TDM facility at 721 Levee Drive facility was leased and subsequently purchased by the Kansas National Guard for its Manhattan operations.

Overview of Outstanding Tax Abatements
Update September 2012

<table>
<tr><th>Name of Business and Exemption Application Date</th><th>Ordinance Number</th><th>Abatement Length and Expiration Date</th><th>Abatement Percentage</th><th>Abatement Authorized</th><th>Notes</th></tr>
<tr><td rowspan="2">**ICE Corporation**

September 19, 2002</td><td rowspan="2">6303</td><td>10 years

2003-2012</td><td>100% personal property</td><td>ED statutes</td><td rowspan="2">Not abated in 2003 due to outstanding lease on facility.
<table><tr><th>Tax Year</th><th>Abatement %</th></tr><tr><td>2004</td><td>100%</td></tr><tr><td>**2005**</td><td>**100%**</td></tr><tr><td>2006</td><td>80%</td></tr><tr><td>**2007**</td><td>**60%**</td></tr><tr><td>2008</td><td>60%</td></tr><tr><td>**2009**</td><td>**40%**</td></tr><tr><td>2010</td><td>30%</td></tr><tr><td>**2011**</td><td>**20%**</td></tr><tr><td>2012</td><td>10%</td></tr></table></td></tr>
<tr><td>9 years

2004-2012</td><td>55% average on real property</td><td>ED statutes</td></tr>
<tr><td>**Florence Corporation of Kansas (Auth-Florence)**

January 30, 2003</td><td>6321

Signed Agreement February 1, 2003</td><td>10 years

2004-2013</td><td>100% land, buildings, and personal property</td><td>Under IRB statutes - $10,000,000 principal issue</td><td>Must reach cumulative target expenditures and FTEs, maintain a wage structure, and provide benefits to all trained, non-probationary, FTEs by June 30 of each year to receive full tax abatement. The average percentage of completion of these four requirements is then used to calculate the “Blended Compliance Percentage”, which is then used to derive the percentage of the tax abatement the Corporation will receive.
<table><tr><th>Tax Year</th><th>Cumulative Target Expenditures</th><th>FTEs</th><th>Blended % Range</th><th>Portion of each of the Incentives to be received</th></tr><tr><td>2004</td><td>$4,000,000.00</td><td>100</td><td>≥85%</td><td>100%</td></tr><tr><td>**2005**</td><td>**$6,000,000.00**</td><td>**150**</td><td>**80%-84%**</td><td>**80%**</td></tr><tr><td>2006</td><td>$8,000,000.00</td><td>175</td><td>70%-79%</td><td>70%</td></tr><tr><td>**2007**</td><td>**$9,000,000.00**</td><td>**200**</td><td>**50%-69%**</td><td>**50%**</td></tr><tr><td>2008</td><td>$9,000,000.00</td><td>225</td><td><50%</td><td>0%</td></tr><tr><td>**2009**</td><td>**$9,000,000.00**</td><td>**250**</td><td></td><td></td></tr><tr><td>2010</td><td>$9,000,000.00</td><td>250</td><td></td><td></td></tr><tr><td>**2011**</td><td>**$9,000,000.00**</td><td>**250**</td><td></td><td></td></tr><tr><td>2012</td><td>$9,000,000.00</td><td>250</td><td></td><td></td></tr><tr><td>**2013**</td><td>**$9,000,000.00**</td><td>**250**</td><td></td><td></td></tr></table></td></tr>
</table>

Overview of Outstanding Tax Abatements
Update September 2012

Name of Business and Exemption Application Date	Ordinance Number	Abatement Length and Expiration Date	Abatement Percentage	Abatement Authorized	Notes
Manko Window Systems September 2, 2002	6269 supercedes 4964	10 years 2003-2012	50% land and buildings 100% personal property	Under IRB statutes - $6,100,000 principal issue	
Manko Window Systems May 17, 2005	6494	10 years 2006-2015	50% land and buildings 100% personal property	Under IRB statutes - $2,500,000 principal issue	FTE defined as 1800 annually. For each year, consider only all personnel added since January 1, 2005. Take all hours worked by these personnel associated with expansion and divide to 1800 for total FTE each year. To determine the annual percentage of compliance, divide total annual FTE by Cumulate Net New FTE target. Match the annual compliance percentage with the % of tax abatement benefit to be received for each accounting period.

Tax Year	FTEs
2006	11
2007	**25**
2008	34
2009	**43**
2010	56
2011	**67**
2012	78
2013	**89**
2014	100
2015	**108**

Blended % Range	Portion of each of the Incentives to be received
≥85%	100%
80%-84%	**80%**
70%-79%	70%
50%-69%	**50%**
<50%	0%

Overview of Outstanding Tax Abatements
Update September 2012

<table>
<tr><th>Name of Business and Exemption Application Date</th><th>Ordinance Number</th><th>Abatement Length and Expiration Date</th><th>Abatement Percentage</th><th>Abatement Authorized</th><th>Notes</th></tr>
<tr><td rowspan="4">**GTM Sportswear**

November 27, 2006

July 14, 2008

October 20, 2009

September 13, 2010</td><td>6592</td><td>10 years

2007-2016</td><td>100% real and personal property on both existing and the new property</td><td>Under IRB statutes - $6,000,000 principal issue</td><td rowspan="4">**<u>Maintain a wage structure:</u>**
The company will be required to maintain a wage structure such that 25% of its new employees are making an average of $10.50 per hour and the remaining 75% are making an average of $8.55 per hour. All full-time employees will receive at least $8 hourly. This wage target will increase by 2.5% annually.

<u>Benefits package</u>
Provide benefits to all trained, non-probationary, FTEs that include participation by the Corporation in the cost of medical and life insurance and paid vacation and holidays.</td></tr>
<tr><td>6709</td><td>10 years

2009 - 2018</td><td>100% real and personal property on both existing and the new property</td><td>Under IRB statutes - $3,771,000 principal issue</td></tr>
<tr><td>6797</td><td>10 years

2010 - 2019</td><td>100% real and personal property on both existing and the new property</td><td>Under IRB statutes - $1,020,000 principal issue</td></tr>
<tr><td>6850</td><td>10 years

2011 - 2020</td><td>100% real and personal property on both existing and the new property</td><td>Under IRB statutes - $3,150,000 principal issue</td></tr>
</table>

Year	Capital Investments	New FTEs	Blended % Range	Portion of each of the Incentives to be received
2006	$2,500,000.00	201	≥85%	100%
2007	**$3,250,000.00**	**230**	**80%-84%**	**80%**
2008	$4,350,000.00	262	70%-79%	70%
2009	**$5,650,000.00**	**297**	**50%-69%**	**50%**
2010	$8,150,000.00	339	<50%	0%
2011	**$10,350,000.00**	**383**		
2012	$11,850,000.00	434		
2013	**$13,750,000.00**	**494**		
2014	$15,650,000.00	564		
2015	**$17,950,000.00**	**641**		

Overview of Outstanding Tax Abatements
Update September 2012

<table>
<tr><th>Name of Business and Exemption Application Date</th><th>Ordinance Number</th><th>Abatement Length and Expiration Date</th><th>Abatement Percentage</th><th>Abatement Authorized</th><th>Notes</th></tr>
<tr><td>Farrar Corporation

March 2007</td><td>6613</td><td>10 years

2008-2017</td><td>100% real and personal property on project additions funded through IRB financing</td><td>Under IRB statutes - $3,010,000 principal issue</td><td>Company must furnish proof to the City of compliance with the following job targets (which include a base of 25 existing employees):
<table>
<tr><th>Year</th><th>FTEs</th><th>Blended % Range</th><th>Portion of each of the Incentives to be received</th></tr>
<tr><td>2008</td><td>33</td><td>≥85%</td><td>100%</td></tr>
<tr><td>2009</td><td>34</td><td>81%-84%</td><td>80%</td></tr>
<tr><td>2010</td><td>37</td><td>71%-80%</td><td>70%</td></tr>
<tr><td>2011</td><td>39</td><td>50%-70%</td><td>50%</td></tr>
<tr><td>2012</td><td>42</td><td><50%</td><td>0%</td></tr>
<tr><td>2013</td><td>45</td><td></td><td></td></tr>
<tr><td>2014</td><td>47</td><td></td><td></td></tr>
<tr><td>2015</td><td>50</td><td></td><td></td></tr>
<tr><td>2016</td><td>52</td><td></td><td></td></tr>
<tr><td>2017</td><td>54</td><td></td><td></td></tr>
</table></td></tr>
<tr><td>CivicPlus</td><td>TBD</td><td>Anticipated
2014 - 2023</td><td>100% real and personal property on project additions funded through IRB financing, excluding the square footage of the ground floor of any building and any portion of property not used exclusively by the company for its Corporate business. Also excludes any property within a TIF District (see economic development agreement dated May 15, 2012).</td><td>Under IRB Statutes – first issue anticipated in 2013</td><td>The average wage of all positions created shall be at least $45,055 per year. All permanent positions will receive a minimum hourly wage of $12, excluding part-time internships. Wages targets will increase by 2.5% annually. The company will be required to participate in at least 60% of the premium cost of standard medical insurance coverage for all full-time employees and provide at least 15 days of paid leave per year.
<table>
<tr><th>Year</th><th>Capital Investments</th><th>New FTEs</th><th>Blended % Range</th><th>Portion of each of the Incentives to be received</th></tr>
<tr><td>2013</td><td>$4,350,000</td><td>20</td><td>≥85%</td><td>100%</td></tr>
<tr><td>2014</td><td>$8,850,000</td><td>39</td><td>80%-84%</td><td>80%</td></tr>
<tr><td>2015</td><td>$8,850,000</td><td>62</td><td>70%-79%</td><td>70%</td></tr>
<tr><td>2016</td><td>$8,850,000</td><td>93</td><td>50%-69%</td><td>50%</td></tr>
<tr><td>2017</td><td>$8,850,000</td><td>122</td><td><50%</td><td>0%</td></tr>
<tr><td>2018</td><td>$8,850,000</td><td>150</td><td></td><td></td></tr>
<tr><td>2019</td><td>$8,850,000</td><td>176</td><td></td><td></td></tr>
<tr><td>2020</td><td>$8,850,000</td><td>199</td><td></td><td></td></tr>
<tr><td>2021</td><td>$8,850,000</td><td>220</td><td></td><td></td></tr>
<tr><td>2022</td><td>$8,850,000</td><td>234</td><td></td><td></td></tr>
<tr><td>2023</td><td>$8,850,000</td><td>250</td><td></td><td></td></tr>
</table></td></tr>
</table>

Job Creation Statistics for Outstanding Tax Abatements
Updated September 2012

Name of Business	Number of Full Time Equivalents				
	Projected on Application	As of 12-31-11	As of 6-30-12	Number of Jobs Required by Agreement	Number of Jobs Over/Under Projection (6-30-12)
	FTE	FTE	FTE	FTE	FTE
CivicPlus	250 by 2023	n/a	17	**Year FTEs** 2013 20	17
Farrar Corporation	54 by 2017	42.5	47	**Year FTEs** 2011 39 2012 42	5
Florence Corporation of Kansas	250 by 2009	177.6*	186.5	**Year FTEs** 2012 250	(63.5)
GTM Sportswear	641 by 2015	777.5	772	**Year FTEs** 2011 383 2012 434	338
ICE Corporation	36 by 2012	36	39	N/A	3
Manko Window Systems	108 by 2015	200	210	**Year FTEs** 2011 67 2012 78 *Net new FTE added since January 1, 2005*	132

** as of June 30, 2011*

Property Taxes Overview for 2011

Business	2011 Real Property Tax Paid	2011 Special Assessments Paid	2011 Personal Property Tax Paid
CivicPlus (ICON Enterprises)	$54,972	–	–
Farrar Corporation	$64,112	$25,391	$12,802
Florence Corporation of Kansas (Auth-Florence)†	–	*$44,070*	$337
GTM Sportswear‡	$7,288	$1,484	$444
ICE Corporation	$17,555	–	$1,457
Manko Window Systems	$74,064	$2,794	$41,796
TOTAL	**$217,991**	**$29,669**	**$56,836**

A total of $304,496 in property taxes was paid in 2011 by companies that have been awarded tax abatements.

† Special assessments were paid by City of Manhattan Economic Development Fund as part of incentives package and are therefore not included in total.

‡ Real estate taxes for GTM are for (1) property used in retail activities that were not included in the tax abatement and (2) buildings that were still under lease at the time the abatement began.

Reliable Information

Companies receiving incentives are contractually required to accurately provide the information included. In addition, staff in the City Manager's Office conducts selected site visits for companies to verify information provided for reporting purposes. Finally, supplemental information regarding tax abatements and property taxes generated is provided by the appraisers offices of both Pottawatomie and Riley Counties.

Consistency and Relevance of Information

Each company that receives economic incentives enters into an agreement with the City that requires certain performance targets to be met. Those contractual requirements provide the basis for the information in the report. The performance targets for each company are determined using the City's economic development return-on-investment model that calculates the "payback" to the taxpayers through capital investments and taxes (both personal and corporate). The same performance measures are included each year, so comparing this report to previous versions allows the reader to assess progress from year-to-year.

For More Information

This report is scheduled to be presented at a City Commission work session on September 25, 2012. Copies of this report are available for review at City Hall. Electronic copies are available by visiting www.cityofmhk.com. The City's website also includes additional information about the City's economic development program. Questions and comments regarding this report should be directed to Lauren Palmer, Assistant City Manager, City of Manhattan, 1101 Poyntz Avenue, Manhattan, KS, 66502, (785) 587-2404, palmer@cityofmhk.com.

about the report