

Blockbuster Deal of the Week

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Target Does Topeka:

\$80M, 650-Job Distribution Center Clicks Heels in Kansas

By JACK LYNE,
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TOPEKA, Kan. – "Project Good Friend," it was dubbed. And no wonder. With its US\$80 million in capital investment and 650 jobs, **Target's** (www.target.com) distribution center was the kind of bricks-and-mortar friend that many a business recruiter would've risked a root canal to land.

It didn't come to that. Instead, something simpler won Target's 1.3 million sq. ft. (117,000 sq. m.) worth of friendship for **Topeka, Kan.**

"Economic development is not a one-person, a one-organization or even a one-community effort," said Doug Kinsinger, president of the Greater Topeka Chamber of Commerce (www.topekachamber.org). "It is definitely a team effort."

That's obviously a business recruitment-truism. But like many truisms, walking the walk is a lot tougher than simply talking the talk.

And Topeka fairly power-walked the teamwork talk in going after Target. A broad range of organizations and businesses went to bat to land the project. Many recounted the effort at the project announcement, held in downtown Topeka's Capitol Plaza Hotel.

"When this whole process of economic development got underway, we all said collectively, 'We're going to do whatever we possibly can to make this work,' and that's what we've done," Ted Ensley, chairman of the Shawnee County Commission, said at that announcement. "There's been very, very little debate on behalf of the commission. We understand the importance of economic development."

Target's Search Mixes Care, Urgency

Economic development's importance got an exclamation point with the prospect of Target's 650 jobs.

That prospect arrived looking for voluminous details. Target, for example, asked all competing locations to complete a 17-page questionnaire. Thirty city and county officials gathered in one room in Topeka to tackle that task. When they were done, the answers covered 50 pages.

In another nearby room, Target officials questioned local



Target's \$80-million, 650-employee distribution center is headed for Topeka (pictured).



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officials face to face.

Target has become known for that sort of thoroughness in locating its distribution centers. And lately, the company's site selection team is getting a lot of practice.

Target is in the process of implementing plans to build, in only 30 months, 12 new distribution centers, each serving 85 to 90 stores, explained Mitch Stover, senior vice president of distribution services. Previously, the company had built only 12 distribution centers in its entire 39-year history.

Urgency accents Target's expansion blitz, Stover explained. Emboldened by its booming business, the Minneapolis-based company is adding more than 100 stores a year, ensuring that items stay in stock.

"Target is one of the few retailers having very strong growth," Stover said. "We have to have this infrastructure for growth - this is the critical path. If we don't have the centers, we can't open the stores."

And opportunity for new Target stores is fairly bashing down the company's door. The company "is performing spectacularly well," *The New York Times*' observed earlier this month. Target increased sales by 8.1 percent in fiscal 2002, registering an arresting 36 percent increase in earnings in its last quarter.



Ryan Cos., which worked as a consultant in the site search for Target's distribution center, has a 30-year history of working with the No. 2 U.S. discount retailer, including heavy involvement in Target Plaza (pictured), which spans a city block in Minneapolis.

Officials Acquired Options on 400 Acres

"Topeka provided a perfect fit for our new distribution center," said Stover.

Topeka, though, didn't begin as a perfect fit. The city of some 125,000 residents was only one of many candidate locations in the Midwest. (Target didn't disclose the other states that it considered.)

Topeka got into Target's mix back in November of 2001. Kellie Danielson, a business development consultant for the Kansas Department of Commerce and Housing (KDOCH at kdoch.state.ks.us), fielded a call from Ryan Cos. (www.ryancompanies.com). The Minneapolis-based development, construction and property management firm has been working with Target for some 30 years. It was Ryan Cos. Director of Development Randy Danielson (no relation to the Kansas official) who named the Target site search Project Good Friend.

Kansas sent out the word to its economic development community. No one was told the name of the corporate prospect, only its substantial location needs.

Meeting one of those needs wouldn't be easy, Topeka officials realized. Shawnee County contained few large, available land tracts. Go Topeka, the Topeka Chamber's economic development arm, responded by contacting local landowners and developers. If

you have land to sell, they were told, contact us.

Ken Schmanke, president of KS Commercial Real Estate Services (www.kscommercial.com), went a step further, volunteering to help identify acreage. Schmanke eventually acquired options to buy 400 acres (160 hectares) of land from 12 separate owners. All owners had to agree on the purchase price.

Economic Development Tax Helps Fund Incentive Package

Schmanke's proactive initiative solved Topeka's site needs.

That left the city with a major edge in meeting another of Target's major criteria - incentives. Topeka voters in 2000 had approved a quarter-cent sales tax for economic development.

Passing that tax has been part of a major change in the city, Lt. Gov. Gary Sherrer said at the project announcement.

"When I came here in 1995 as secretary of commerce and housing, there were good people here, but they didn't have all the tools they needed," recalled Sherrer, who also serves as secretary of the KDOCH. "When this community responded by agreeing to tax itself, it tells you that there is a way to invest in the future without depending on somebody else."

Revenues from the economic-development sales tax helped fund the city and county's \$18-million incentive package. Included in that package is Target's 143-acre (57.2-hectare) site near U.S. Highway 75.

KDOCH is also providing an incentive package, which includes work-force training, tax credits for job creation and capital investment, and a sales tax exemption for the center's construction costs. Kansas officials didn't estimate the total value of the state incentives.

Contract Provides Penalties For Cutting Jobs, Closing Down

In return for the incentives, Target takes on its own set of obligations.

The company signed a 15-year agreement in which it promises to maintain 650 jobs for 10 years. For each year that the company falls below the 650-job threshold, it must pay Shawnee County \$4,000 per job.

The contract also spells out penalties if Target closes the center in the 11th to 15th years that are covered in the agreement. If the center closes after 11 years, for example, the company must pay Topeka and Shawnee County \$3 million. The penalty for closing drops by \$600,000 in each year over the next four years.

Two other Kansas cities, Wichita and Olathe, were the other finalists for Target's distribution center, company officials said.

And the big fish that Topeka caught may get bigger. A company spokesman said that the center's employment may increase over time to 1,000 workers.

Local officials, after long keeping the project under wraps, were relieved to at last reveal the name of the corporate good friend who might come calling.

"I've had a lot of people talk to me, and I've said, 'I don't know who the company is,' " Topeka Deputy Mayor Betty Dunn said at the announcement. "Today, I'm happy to say that it's Target. Now I can say to Topeka, 'We're going to keep growing.' "



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Editor's note: For more on Kansas, see the Sunflower State section in the November 2002 Site Selection. The new Target distribution center in Topeka is also part of the ports coverage in the September issue's Infrastructure Report.

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