



December 7, 2015

County Commission, Douglas County, Kansas
Attn: Craig Weinaug
1100 Massachusetts Street
Lawrence, KS 66044

RE: Project Plan for Menards/Midwest Manufacturing – Lawrence VenturePark

Dear Members of the Douglas County Commission,

I have been authorized on behalf of Menard, Inc. ("Menards") to submit the following project plan with respect to the acquisition and development of an approximately 90-acre parcel within Lawrence VenturePark. The following is a summary of Menards' proposal, including a brief history of the company, a description of the project and facilities envisioned, and a summary of the benefits that the project would have for the community. Menards is proposing to purchase the property for its appraised value and to pay the appropriate share of assessments for the VenturePark infrastructure in full at the time of closing on the property. In order for the project to proceed, Menards is requesting that the Commission consider a \$200,000 grant to be paid over a 10-year period, which combined with City assistance, would help to offset a portion of the development costs of the project.

Company Overview

Menard, Inc. is a family-owned home improvement retail company founded in 1960. It is headquartered in Eau Claire, Wisconsin and currently operates "Menards" stores in approximately 295 locations in fourteen midwestern and plains states. The company has over 55,000 employees nationwide. It is the third largest home improvement store chain in the United States by sales volume.

In addition to typical warehousing and distribution operations, Menards also owns and operates manufacturing facilities to support its retail store network under its Midwest Manufacturing division. Midwest Manufacturing operations include wooden truss, concrete block, countertop, steel siding and roofing and door manufacturing, among others. Midwest Manufacturing operates industrial campuses located throughout Menards' current store range, including major facilities in Eau Claire, WI; Plano, IL; Holiday City, OH; Shelby, IA; and Valley, NE as well as smaller campuses in Iron Ridge, WI; Saginaw, MI; Terre Haute, IN; Shell Rock, IA; Rapid City, SD and Chester, MN.

The continued success of Menards' retail stores has resulted in steady expansion throughout the company's history on both the retail and manufacturing fronts. In the past 12 years, the company has added over seventy-five new stores and entered five new states. It has also developed eight new industrial campuses in this same time period. Midwest Manufacturing currently has new industrial campus under development in North Dakota, Missouri and Iowa and is also in the process of expanding several of its existing facilities. Because the company still has a large number of new markets to enter and develop, all indications are that this growth will continue into the foreseeable future.

Menards prides itself on its commitment to the communities it calls home and has a long history of reinvesting in and expanding its retail and industrial facilities once it becomes a corporate resident. Menards is also committed to its employees and has a "promote from within" philosophy, which is demonstrated by the multitude of team members who have begun their careers as part-time workers in the stores or production workers at a manufacturing plant, and who have turned a school or entry-level job into a lifelong career.

Project Description

Menards is proposing to develop the VenturePark site with three primary operations: a concrete block manufacturing plant, a truss plant and a distribution cross dock building. The project would also include construction of a new rail spur into the property to bring in lumber both as a raw material for its truss manufacturing facility and for transloading of lumber from rail cars to semitrailers. The site would also include some ancillary functions, including a fleet repair shop, a wood recycling operation, a visitors/hiring center and administrative offices. Approximately 60 acres of the subject property are proposed to be developed with buildings, product storage areas, parking and driveways. The balance of the property will be used for buffer and screening purposes, landscaping, and storm water collection, with approximately 20 acres set aside for future expansion and development of additional manufacturing and/or distribution functions as the need arises.

The above-described industrial campus will serve current and future Menards store locations throughout Kansas and western Missouri, and may ultimately provide products to future locations farther west and south as Menards' store range continues to expand. The facility will also be able to package and ship materials directly to construction sites throughout this same area. By development of campuses such as this one, Menards is able to reduce the distances trucks must travel to store locations and job sites as well as the total number of truck loads because of the efficiency in loading various products together, thereby decreasing costs and service times to its customers.

The proposed operations are designed to minimize the possibility of negative impacts to surrounding properties and the environment. Grass berms will be used to screen views of storage yards and other operations and to minimize light and sound impacts. The truss and block plants utilize sound dampening technology to prevent sounds of the manufacturing process from emanating beyond the immediate vicinity of the buildings. There are no process water discharges from the facility, it does not handle or utilize dangerous materials or contaminants, and it does not produce significant amounts of waste or other by-products. The manufacturing operations are designed to conserve raw materials and recycle them wherever possible. Small amounts of waste wood from truss manufacturing and broken pallets will be recycled on site or back-hauled to other Menards facilities where they can be turned into mulch or fuel for wood fired boilers. Defect concrete blocks are ground and reintroduced into the manufacturing process. In fact, the site will be nearly zero-waste, with the largest source of landfill bound material coming from consumer waste of employees and truck drivers (food packaging, etc.).

Menards' tentative schedule is to commence construction of the project in the summer of 2016 with the first of the facilities starting operation in the summer of 2017. The proposed project would be fully complete and operational by the end of 2017 under this timeline. This schedule would require all due diligence, design and permitting to be completed over the course of this winter, with permits ready for issuance by next spring.

Menards would self-finance the project and has the ability to complete the investment described herein without the use of third party financing. As mentioned above, the company operates numerous industrial facilities throughout the Midwest and beyond and has a dedicated team of in-house site planners, engineers and project managers with extensive experience in the development of this type of facility. A Menards representative will personally attend all City and County meetings for review of the project, will meet with planning and engineering staff members to review project plans and answer questions, and will be available to the County, City and the community at large to help coordinate the completion of the site acquisition, permitting and necessary planning and zoning approvals. A Menards project manager will also be assigned for the construction phase of the development to oversee all construction activities and to be responsive to any needs or questions that may arise.

Summary of Project Benefits

Menards will commit to creating at least 100 full time jobs at the project location and investing at least \$24,820,094 to develop the facilities described herein. These new jobs will pay an estimated average hourly wage of \$14.61 and estimated average annual salary of \$35,978.62. Employees will be offered a full package of benefits including health insurance, dental insurance, paid vacation and holidays, and annual profit sharing. Detailed wage, benefit and project cost information have been provided in the Incentive Application accompanying this letter. Based on County estimates, the facility will have a projected property tax value of $\pm$ \$7,800,000, adding significant tax base revenue for the County, City, the local school district and other taxing authorities. Because the property is owned by the City, the purchase price funds of over \$750,000 will represent an additional direct benefit to the community.

The proposed project will also result in numerous ancillary benefits to the community and its residents. The construction phase of the development will support around 100 construction jobs on the property for a period of approximately 18 months. The facility will also purchase goods and services from area businesses, including raw materials for the manufacturing processes, hotel rooms, fuel, auto parts and services, and utilities. Permanent trucking and site security jobs will also be created to support the facility, which are not included in the above numbers. Menards will also agree to allow other future users in the VenturePark to access the rail line installed as part of the project, which should add value to the remaining lots in VenturePark and will open the park to additional development opportunities.

Proposed Economic Assistance

Menards is requesting a grant of \$200,000, as part of a public assistance package, to assist with the development of the VenturePark site as described herein. Additional public assistance includes a 50%, 10-year tax abatement and a City grant. Total public assistance would offset a projected \$2,291,583 out of the total of the \$24,820,094 minimum investment in the project, or roughly 9% thereof. Public assistance with the cost of the project is required to provide a positive rate of return on the large up-front investment involved in developing a project of this magnitude.

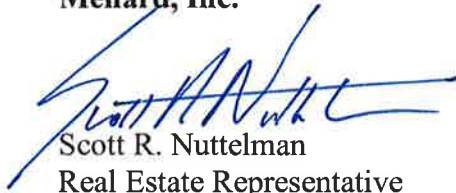
Generally speaking, all of Menards' industrial projects are evaluated versus a "no build" scenario. The Menards retail store locations in Kansas and Western Missouri could continue to be served from existing industrial facilities in the Omaha area or from the new campus being developed in the greater St. Louis area. The annual freight savings from having a facility closer to these store locations is the main source of "revenue" used to offset the costs of constructing and operating a new industrial site in Douglas County. Menards has completed a cost and benefit analysis of the project evaluating the average reduction in distance to stores, the number of stores to be served in the near and long term and the projected costs of the project. This cost versus benefit equation is particularly challenging in the case of the project in Lawrence, because the number and density of stores to be served is lower than for other facilities that Menards has developed in the past. Based upon this analysis, the proposed public assistance from the County, in addition to incentives being offered by City of Lawrence and the State of Kansas, will be vital to provide a positive return on the investment in land, buildings, equipment and infrastructure.

Menards is excited to work with Douglas County, the City of Lawrence, the State of Kansas and the entire community to make the proposed project a reality. The public-private partnership represented by the requested tax abatement will produce over 100 new jobs, millions of dollars of new tax base and numerous other benefits to the community as described herein. The project will also represent a major first step toward completing the renewal of former Farmlands site and the start of a new economic engine in the Lawrence VenturePark. For all of these reasons, Menards requests that the County Commission approve the proposed incentive application to allow the development to move forward.

Thank you for your time and your consideration of this request. If you have any questions or need any additional information to complete your review of the application, please do not hesitate to contact me directly using the information provided below.

Very truly yours,

Menard, Inc.



Scott R. Nuttelman

Real Estate Representative

Phone: (715) 876-2383

Fax: (715) 876-5998

Mobile: (715) 577-0363

snuttelm@menard-inc.com

Enclosures