

Top 10 Emerging States for C-Stores



CSD examines certain U.S. states that have the economic might to shoulder future industry growth.

By David Bennett, Senior Editor

SAN ANTONIO-BASED **CST BRANDS** Inc., a Texas-born company, is known as an industry leader not only because of its strong Corner Store brand, but the bolt-on acquisitions it achieved in the last few years.

For example, in acquiring Nice N Easy Grocery Shoppes, it got a c-store chain noted for quality foodservice, but also boasting a strong customer following in New York State.

A later acquisition of Flash Foods Inc., a 182-store chain based in Waycross, Ga., brought CST a c-store well versed in technology, and a gateway into the Southeast region.

Moving forward to this year, it can be said that Couchetard's recent acquisition of CST Brands might have opened up the Texas market for the Canadian retailer, but the driving force in the \$4.4 billion deal was all of the dynamic assets that CST Brands had systematically pieced together, including a strong foodservice unit, as well as a technical-savvy c-store operation.

Undoubtedly, market opportunity is one of the main driving forces when a c-store operation looks beyond its operational footprint. The factors that go into the decision-making process are plentiful. When looking at a particular state, convenience retailer must consider such tangibles as demographics, how cool or hot the business climate is, the commercial taxes on the books, proposed taxes being discussed by legislators, zoning ordinances, distribution channels, etc. The list is often long and varied and has to be checked a few times.

Another factor to consider is that state's economy. Does it foster industries that have seen better days, or is it progressively pursuing new market opportunities that spur population increases, new income tax dollars and

attention from fledgling start-ups, angel financiers and business incubators?

SHIFTING TIDE

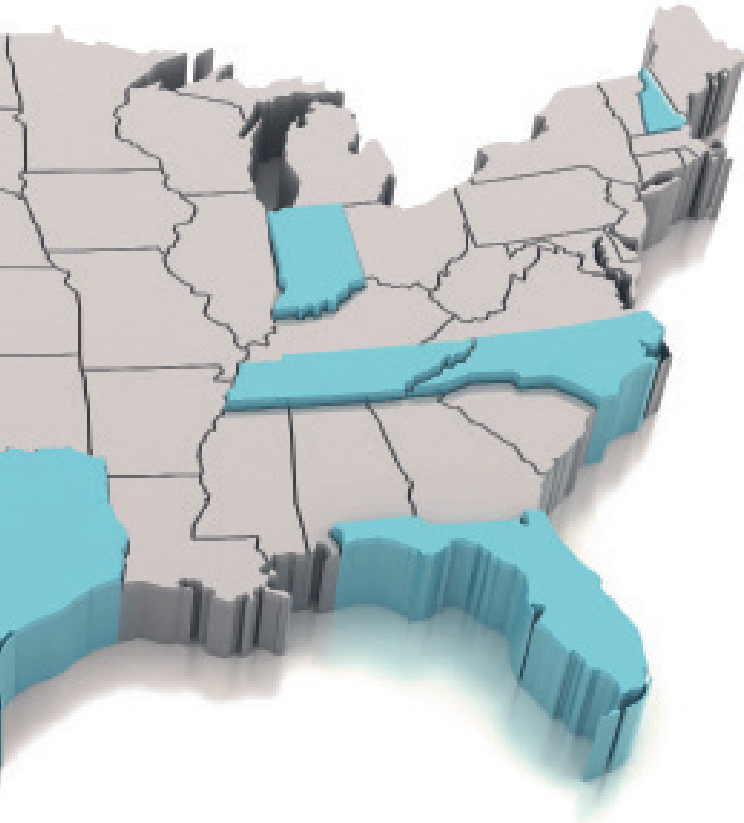
You can almost track the development of the c-store industry by the development of the U.S. Not surprisingly, states in the industrial belt such as Ohio, Michigan and Pennsylvania were manufacturing titans, and are vital states to the c-store industry. Of course, over time, as the emphasis on new industries comes to the forefront, the tide of c-store migration begins to shift as well.

Today, the most robust economies are found largely in coastal and technology-driven states, with heavy representation in the West, according to a nationwide survey conducted earlier this year by *Business Insider*. Included on the list of top 10 economies were Nevada, Utah, Colorado and Washington. Unemployment rates; GDP per capital; average weekly wages; and housing prices were considered.

Last year, Utah led *Forbes'* ranking of the "Best States for Business" for the second straight year and fifth time since 2010, based upon a multitude of metrics. Following the theory about c-store migration then, it's not surprising that Maverik Inc. a few years ago relocated its corporate operations to Utah.

Not just in the Mountain West, which is home to growing cities such as Denver, but also in places as varied as Seattle in the Northwest, and Orlando, Fla., in the Southeast, employers are hiring at a steady clip, housing prices are up and consumers are spending more freely.

Of course, no state is perfect. Each has economic shortfalls, policy constraints and home-grown taxes that can chip



NATIONAL MOVERS STUDY HIGHLIGHTS MIGRATION TRENDS

DURING THE RECENT RECESSION people stopped moving to the Sun Belt as they had been doing for the past few decades, but that trend appears to be picking back up as more people, especially baby boomers, choose warmer weather communities. Likewise, people also have been moving to the South for work, to retire and to be closer to family.

The annual National Movers Study looked at states that people moved to and from throughout 2015 based on data from 128,000 moves across the 48 continental states and the District of Columbia. It based its rankings on which states had the highest percentage of inbound moves.

Overall, the study found that Americans continue to move West and South. The report cited the tech boom that's led to more job openings as a big enticement for people to move West, as well as a growing desire among Americans for outdoor activity and nature. On the flip side, the report lists the Top States People Left in 2015:

- | | |
|----------------|------------------|
| 1. New Jersey | 6. Kansas |
| 2. New York | 7. Massachusetts |
| 3. Illinois | 8. West Virginia |
| 4. Connecticut | 9. Mississippi |
| 5. Ohio | 10. Maryland |

away at a c-store's profitability. For example, despite the fact that California is a dynamic state with a lot to offer a thriving c-store operation, environmental regulations can make it challenging to conduct business where fuel is involved.

Complaints about high tax burdens also play into boomers' desire to leave high tax states for those with a view and that are easier on the wallet. Such migration is driving shifts in population from states such as Connecticut to locations such as Tennessee. While Florida has been both tax friendly and a magnet for retirees for a number of years, it still remains a well spring for new residents and a growing convenience store community.

Not surprisingly, Florida is a perennial addition to listings that include top states with the highest number of store locations. Conversely, it always runs at least second to Texas, which has a lot of land, a lot of people and a lot of c-stores.

In Texas, December was the 10th month of job increases in 2015. Texas ended the year with 166,900 new jobs as employers continue to add jobs and move workers to the state. Texas job growth is likely to remain positive due to continued strength in healthcare, leisure and hospitality in such cities as Dallas, Austin and San Antonio.

NEW ECONOMY

Economic prosperity is a big driver in a state's population growth. A state's economic dynamism is based on how easy it is for a new business to flourish and existing businesses to change. One measure of an economy fit for the 21st century is how well it nurtures innovation.

Cottage industries are nice, but growth industries will pay the future bills of the convenience store channel.

Industry growth equals job growth, which equates to people with money in their pockets buying items in c-stores.

Again, the face of America is changing, not just economically, but also in terms of population. Millennials are the new market force. By nature, Millennials seem drawn to new employer templates: sustainable-oriented companies, high-tech organizations, community-driven businesses, etc.

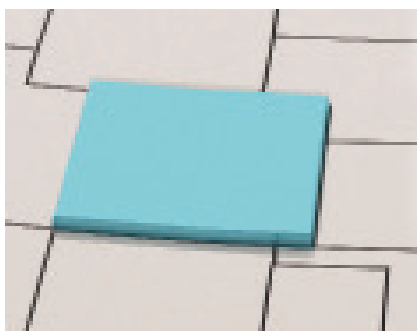
A recent development within state governments—namely Colorado, Utah and Washington—is the creation of high-level positions charged with improving outdoor recreation opportunities throughout their respective states. As a result this region seems to draw adventurous Americans.

Lastly, the c-store industry is acutely aware of changing demographics in more communities. To note, Texas, Florida, Nevada and Colorado all have growing Hispanic populations, a consumer group with considerable purchasing clout.

Will the c-store landscape look different 20 years from now? Most assuredly it will. Nobody can say where the next big wave of growth within the industry will take place. But for a topic of discussion, we chose 10 U.S. states that possess the economic tangibles that we think would support a growing c-store operation looking to expand its footprint. The states aren't ranked, but listed in alphabetical order.

We also chose states located in different regions: the Pacific, the West, Rocky Mountains, the Southwest, the Midwest, the Northeast and the Southeast. Two of the regions—the Rocky Mountains and Southeast contain a higher number of states than other regions. That's because those regions more strongly reflect developing economic industries.

Let the discussion begin.



Scaling Colorado's Lofty Markets

From its natural splendor to its splendid economic advances, Colorado is a go-to state for growth.

By CSD Staff

BY ALMOST ANY MEASURE, Colorado currently has one of the most robust economies in the U.S.

Some Americans migrate to Colorado for the skiing, but many more are arriving to seek out new job opportunities. Between June 2015 and June 2016, the state's labor force grew by 2.8%, the fifth fastest growth rate in the country.

With new development surging along the Denver-to-Boulder corridor, the opportunity for an expanding c-store operation—if the move is right—in Colorado is ample.

Even as the number of job seekers grew meaningfully in the state, unemployment went down over the same time period, dropping from 3.9% to 3.7%.

Colorado had the nation's fourth-highest percent change in real gross domestic product (GDP)—behind only Arkansas, Oregon and Washington state—in the first quarter of 2016, according to a Bureau of Economic Analysis report released this past August. Colorado's first quarter annualized growth rate of 3% eclipsed the national average of 1.2%.

New jobs have mushroomed in Colorado in the last few years, according to the annual Colorado Business Economic Outlook, compiled by the University of Colorado's Leeds School of Business. Among the big job-gaining sectors are professional and business services, which are expected to grow employment by 15,000 jobs; education and health services by about 11,000 new jobs.

With such figures, Colorado led the Rocky Mountain region, which includes Idaho, Montana, Utah and Wyoming. The state's biggest gains were in real estate, construction and agriculture. Only New Hampshire, Oregon and Washington saw greater positive percentage changes in real estate statistics.

GOING GREEN

During fiscal 2015, which ended June last year, marijuana-specific tax revenue in Colorado hit \$70 million, *Time* reported. That's nearly twice what the state raked in from alcohol tax revenue during that same time.

Green initiatives in Colorado take many forms, including the portfolio of energy-efficient convenience stores that West Des Moines, Iowa-based Kum & Go L.C. has added in the last few years. The c-store has found Colorado a productive state to expand its Western operations. Kum and Go currently operates 52 stores in Colorado.

"Our commitment to sustainability and building LEED-certified stores has also helped us achieve success in Colorado, which is known for its environmental focus," said Jesse Yuran, director of site selection for Kum & Go, which operates 408 stores in 11 states, and has plans to build or rebuild 40-50 stores by the end of 2017.

At least five of those stores will be coming online in Colorado by the close of 2016.

"We've found Colorado to be an exceptionally welcoming environment to build our stores," said Yuran. "City and county

governments are well-organized, which facilitates development; customers are incredibly loyal and there is a lot of community support; and finally, there is customer demand for the full convenience store offering and atmosphere that Kum & Go provides."

As Colorado and its mile-high economy continue to flourish, Kum & Go plans to flourish right along with it.

"We've enjoyed success and brand loyalty in the Colorado markets where we operate—customers love our stores, and we love to deliver more than they expect," Yuran said.

COLORADO AT A GLANCE

State Population (June 2016): 5,456,574

Unemployment Rate (June 2016): 3.7%

Labor Force Growth (Since June 2015): 2.8%

Minimum Wage (Since Jan. 1, 2016): \$8.31 per hour

Secondary Graduation Rate (2015): 77.3%

C-Stores (as of Dec. 31, 2015): 1,812

2016 Friendly Tax Ranking (of 50 states): 18

Sources: U.S. Census Bureau; National Conference of State Legislators; Nielsen TDLinx, Dec. 31, 2015; U.S. Bureau of Labor Statistics; Tax Foundation



Florida Offers Sunny Returns

From shimmering skies to low taxes and an affordable cost of living, Florida is an appealing location to do business.

By CSD Staff

IT SHOULD COME AS no surprise that Florida is among *Convenience Store Decisions'* list of the best states for convenience stores to expand their businesses. Florida not only offers great weather and an affordable cost of living, it also allows business dollars to go the extra mile thanks to limited corporate taxes.

The Sunshine State is home to more than 20.2 million residents, according to the U.S. Census Bureau. It also is home to 9.7+ million workers and welcomes some 98.9+ million tourists per year, according to Enterprise Florida Inc. (EFI), the principal economic development organization for Florida.

The state doesn't require a personal income tax, which makes employees' paychecks go further. The Florida minimum wage is set at \$8.05 per hour. The median household income in 2014 dollars was \$47,212, (2010-2014) and the median gross rent for the same time period was \$998, according to the Census Bureau.

Tax benefits for businesses include no corporate income tax on limited partnerships and subchapter S-corporations, no corporate franchise tax based on capital stock as well as no state-level property tax assessed, among other benefits, EFI pointed out. What's more, the state recently unburdened companies by cutting 2,800 regulations from its books.

FLOCKING TO FLORIDA

Even as it's business friendly, Florida is also competitive as many c-store chains look to grow their foothold there.

"Chevron has approximately 7,838 stations in the U.S. and we're eager to grow our business in Florida," said Anna Vargas, district sales manager, Chevron Products Co., a division of Chevron U.S.A Inc. She noted that the recent expansion of its loyalty partnership program with

Albertsons in the Florida market offers the chain a "great opportunity to increase our visibility, bring customers additional value, build our brand and grow our retail business in this key market."

Chevron is far from the only company that sees Florida as a burgeoning market.

Headquartered in Pennsylvania, Wawa Inc. was one of the first major migrant c-stores, entering the Florida market in July 2012. Two years later, Wawa had opened 50 stores between the Tampa and Orlando markets, and it is on track to have 100 stores in the Florida market by November of 2016.

RaceTrac is another c-store chain enjoying the Florida market. As of September 2016, the Atlanta-based retailer now operates more than 180 stores in Florida with 19 additional stores currently under construction and another 50 stores in active permitting.

"Our RaceWay brand, which is our fleet of our contractor-operated stores owned by RaceTrac Petroleum Inc., also has a presence in Florida with 25 locations," said Robby Posener, vice president of marketing, merchandising, design and construction for RaceTrac Petroleum Inc., which operates more than

600 total RaceTrac and RaceWay stores in 12 states.

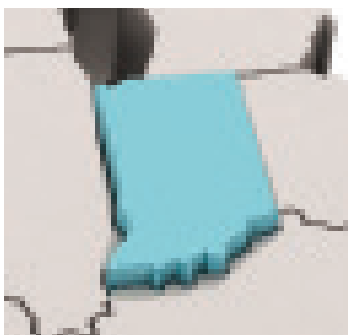
RaceTrac debuted its first Florida location in August 1982, making it a member of the Florida business community for more than 35 years. "We will continue to invest and grow in our local communities there," Posener said.

Posener noted that the "competitive but friendly business environment" in Florida is a great draw for RaceTrac and a number of other businesses. "We are well-received by the diverse guest population in the state who love to escape the heat and cool off and refuel with us—these guests are our driver in delivering enhanced and expanded offerings."

FLORIDA AT A GLANCE

State Population (June 2016):	20,271,272
Unemployment Rate (June 2016):	4.7%
Labor Force Growth (Since June 2015):	1.4%
Minimum Wage (Since Jan. 1, 2016):	\$8.05 per hour
Secondary Graduation Rate (2015):	77.8%
C-Stores (as of Dec. 31, 2015):	9,909
2016 Friendly Tax Ranking (of 50 states):	4

Sources: U.S. Census Bureau; National Conference of State Legislators; Nielsen TDLinx, Dec. 31, 2015; U.S. Bureau of Labor Statistics; Tax Foundation



Indiana's Rising in the Midwest

Positioned among industrial stalwarts such as Ohio and Michigan, the Hoosier State is making new-industry inroads.

By CSD Staff

SOME CONVENIENCE RETAILERS WILL say that the Midwest isn't the easiest region in which to do business. In the Rust Belt, older manufacturing cities such as Detroit, Rockford, Ill., St. Louis and Toledo, Ohio have seen a decrease in population during the last few years, while other newer cities are expected to sprout up and take off because of modern-age industries.

New types of research and development-intensive, non-traditional manufacturing have emerged recently in the Rust Belt, such as biotechnology, the polymer industry, infotech and nanotech. Indiana has developed as a favorite among progressive companies, including San Francisco-based tech giant Salesforce.com Inc., which this past May announced plans to invest \$40 million in Indianapolis, move into the city's tallest building and add 800 new high-paying technology jobs.

The company, which employs 1,400 people in Indianapolis, had \$6.7 billion in revenue last year, up 24% from the year prior.

Such investment has helped the Hoosier State's economy the last few years.

Indiana's labor force has grown by almost 200,000 workers since January 2013, the Indiana Department of Workforce Development reported this past September. That growth has helped create all-time highs in Indiana's total labor force (3.379 million) and total number of employed individuals (3.226 million).

Indiana ranked as the 32nd fastest-growing state in 2015 in the U.S, with a population growth outpacing each of its neighboring states of Illinois, Kentucky, Michigan and Ohio.

In 2015, Indiana completed a four-year phasedown of its corporate income tax rate from 8.5% to 6.5%, the culmination of legislation adopted in 2011. Subsequent legislation enacted in 2014 established a further schedule of rate reduc-

tions through 2022, when the corporate income tax will drop to 4.9%.

Though Todd Jenney, CEO of Illinois-based Martin & Bayley Inc.,—parent of Huck's Food & Fuel Stores—declines to champion one of the states where the company operates its stores over another, he does tout the business-friendly tax climate of Indiana.

The c-store chain operates 117 store locations in Illinois, Indiana, Kentucky and Tennessee. Of those, 21 Huck's convenience stores are in Indiana.

Indiana currently charges tax of 99.5 cents on a pack of cigarettes, ranking the state 34th nationally and below the tax charged by the nearby states of Illinois (\$1.98), Michigan (\$2), Ohio (\$1.60) and Wisconsin (\$2.52). The only surrounding state with a lower tax is Kentucky, at 60 cents per pack.

Perhaps more significant is the limited property taxes cap on commercial property at 2%.

"Property taxes are something good about the state (of Indiana)," Jenney said.

BEER BLUES

No state is without some fallacies. An antiquated law on the

books that prohibits grocery and convenience stores from selling cold beer is one of Indiana's—no small thing considering that beer can add up to 20% of in-store sales.

An effort to invalidate Indiana's cold-beer statute failed following an appeals court decision recently.

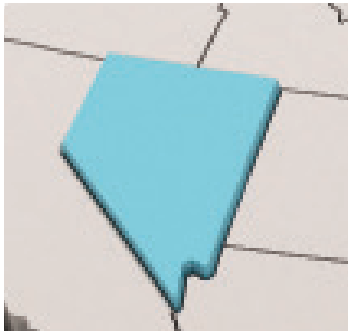
Other states have irregular beer laws on the books, including Pennsylvania, which recently passed a law that finally allows c-stores to add beer and wine to their inventory. Indiana retailers are holding out hope for a similar reprieve.

"It blows my mind how ridiculous it is," Jenney said.

INDIANA AT A GLANCE

State Population (June 2016):	6,619,680
Unemployment Rate (June 2016):	4.8%
Labor Force Growth (Since June 2015):	3.4%
Minimum Wage (Since Jan. 1, 2016):	\$7.25 per hour
Secondary Graduation Rate (2015):	88.9%
C-Stores (as of Dec. 31, 2015):	2,905
2016 Friendly Tax Ranking (of 50 states):	8

Sources: U.S. Census Bureau; National Conference of State Legislators; Nielsen TDLinx, Dec. 31, 2015; U.S. Bureau of Labor Statistics; Tax Foundation



Nevada Deals Winning Hand

If you are handicapping locations for future c-store growth, Nevada might be worth the gamble.

By CSD Staff

IN 2015, NEVADA HAD the third-fastest-growing private-sector employment in the nation, after Utah and Florida. 2015 unemployment insurance wage records show Nevada's private-sector employment grew at a rate of 3.8%, trailing only Utah at 4.3% and Florida at 4.1%.

Moreover, large tax contributions by the tourism and gaming industry allow Nevada's residents and businesses to enjoy among the lowest tax burdens in the nation.

Despite being left reeling by the economic recession a few years ago, the Silver State has an economic driver unlike that of any other state: Las Vegas. Not only is the city the gaming capital of the world, the city welcomes over 5.1 million of convention delegates annually. It consistently ranks in the top three convention destinations annually—Orlando and Chicago being the other two.

Hotels, casinos and other venues currently hire nearly 400,000 employees, with an average yearly gain of 2,500, according to Nevada's Office of Economic Development. Las Vegas has more than \$7 billion in projects planned or under construction over the next few years, according to Las Vegas Convention and Visitors Authority.

Experts point to underlying fundamentals of the local economy, which remain sound with population and employment growth rates above the national average, and the region's core tourism industry pressing forward with all-time high visitor volumes.

Tourists pay a significant portion of the sales tax. It is estimated that approximately 33% of the sales tax is paid by the gaming industry, its employees and tourists, thereby reducing the tax burden of the average Nevada resident and commercial business.

Arguably, no U.S. state was flattened more by the implod-

ing housing debacle and resulting slide than Nevada.

The state's seasonally-adjusted jobless rate stood at 6.4% in June 2016, down from 7.1% a year ago and its lowest level since mid-2008. This is down from 13% in 2011.

People continue to flock to the state. Nevada is expected to have the highest population growth through 2019. Construction, one of the hardest hit sectors in the recession, is leading the state's growth of jobs.

NEW AGE JOBS

However, Nevada isn't dealing with established industries as it looks to the future.

Last December, Faraday Future, an electric vehicle manufacturing start-up, announced plans to build a billion-dollar manufacturing plant in northern Las Vegas. Meanwhile, Tesla is building a giant "Gigafactory" east of Reno to make lithium ion batteries.

Considering that the Silver State has no corporate income tax; no taxes on corporate shares, no franchise tax and no personal income tax, Nevada is ripe for the picking, at least in the eyes of one convenience chain.

Green Valley Grocery, which operated 39 c-stores in and around the Las Vegas Valley at the end of 2011 has expanded its footprint to 53 locations today.

"Fifty-three stores and growing," said David Crawford, the company's vice president of operations, who describes Nevada as the perfect match for the expanding c-store chain.

He cited "a growing economy that is becoming much more diverse every year, reasonable housing costs, lots of jobs, an international airport, strong trade-show town, just to name a few reasons, and if you are an NFL Raiders fan, we might get them to," Crawford said.

NEVADA AT A GLANCE

State Population (June 2016): 2,890,845

Unemployment Rate (June 2016): 6.4%

Labor Force Growth (Since June 2015): 0.9%

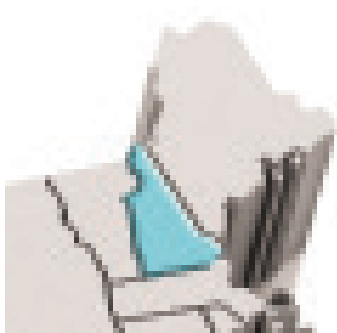
Minimum Wage (Since Jan. 1, 2016): \$8.25 per hour

Secondary Graduation Rate (2015): 76.7%

C-Stores (as of Dec. 31, 2015): 1,166

2016 Friendly Tax Ranking (of 50 states): 5

Sources: U.S. Census Bureau; National Conference of State Legislators; Nielsen TDLinx, Dec. 31, 2015; U.S. Bureau of Labor Statistics; Tax Foundation



New Hampshire Joins the Discussion

New Hampshire doesn't come to mind immediately when convenience stores are the topic. Then again, is the Granite State an untapped field of opportunity?

By CSD Staff

SOME RETAILERS WOULD ARGUE that the Northeast, particularly many of the states that make up New England, are fraught with factors that fly in the face of a conducive business environment.

Then there's New Hampshire, which constantly receives high marks for business friendliness, often topping its other New England neighbors by a wide margin.

In 2014, according to the Federation of Tax Administrators, New Hampshire collected \$2.283 billion in tax revenues. The state's tax revenues per capita were \$1,720, ranking lowest in the U.S. Notably, New Hampshire is one of five states in the U.S. that doesn't levy a general sales tax (the others being Alaska, Delaware, Montana and Oregon). It also has no income tax and no inventory tax.

Toward the end of the 20th century, Massachusetts became a center for high-tech sectors. And in turn, New Hampshire has been able to piggy-back off its neighbor's success, moving its economy toward electronic component manufacturing and other high-tech industries.

Smart manufacturing/high technology (SMHT) is the largest and most important sector of the state's economy.

New Hampshire also has one of the highest percentages of college-educated citizens in the nation and ranks consistently high for the rate of people employed in science and technology. While 86.9% of U.S. adults graduated from high school, 92.2% of New Hampshire adults have done the same. Just 9.2% of New Hampshire's population lives below the poverty line, the lowest proportion in the country.

PLAYING THE PERCENTAGES

Interestingly, for a state of its size, New Hampshire isn't overly saturated with convenience stores as in more devel-

oped locations such as Massachusetts. One company that is making its presence known in New Hampshire is Nouria Energy Corp., which operates the Lil' Mart convenience store chain.

Worcester, Mass.-based Nouria is a diversified group of companies primarily engaged in the retail operation of more than 140 gas stations and c-stores in Maine, Massachusetts, New Hampshire and Rhode Island.

Industry veteran Joe Hamza, Nouria's chief operating officer of retail and marketing, said the company isn't just looking at store sites, but business operations that complement and grow Nouria's entire operation, which includes 27 stores in New Hampshire.

According to Hamza, the company will soon announce a c-store acquisition that will expand the company's footprint in Massachusetts and Connecticut. Hamza said any c-store venture in New England is tricky because the markets in the area are extremely competitive due to an abundance of c-stores in some areas, as well as high taxes rates in Maine and other Northeast locations.

A saving grace for New Hampshire is its approach to taking more of the tax burden

off of companies. "A lot of businesses in Massachusetts—because of the high tax rates—are moving to southern New Hampshire," Hamza said. Not surprisingly c-store development is concentrated in the southern part of the state.

"From a tax perspective, you're much better off doing business in New Hampshire than any other of those states," Hamza said.

However, fuel and cigarette pricing is competitive in New Hampshire. But perhaps Nouria's biggest challenge is finding workers because of New Hampshire's extremely low unemployment rate of 2.8%.

NEW HAMPSHIRE AT A GLANCE

State Population (June 2016): 1,330,608

Unemployment Rate (June 2016): 2.8%

Labor Force Growth (Since June 2015): 1.3%

Minimum Wage (Since Jan. 1, 2016): \$7.25 per hour

Secondary Graduation Rate (2015): 84.4%

C-Stores (as of Dec. 31, 2015): 913

2016 Friendly Tax Ranking (of 50 states): 7

Sources: U.S. Census Bureau; National Conference of State Legislators; Nielsen TDLinx, Dec. 31, 2015; U.S. Bureau of Labor Statistics; Tax Foundation



North Carolina Flies Higher

Always a destination for tourists and university students, the Tar Heel State is shoring up its reputation as a progressive business player.

By CSD Staff

LIKE THE ENTERPRISING SPIRIT that powered Wilbur and Orville Wright at Kitty Hawk, North Carolina is speeding beyond the economic boundaries once marked by tobacco farms and textile mills.

A historically significant state for convenience store development, the coastal state is fortifying its economy from the Triangle area—anchored by North Carolina State University, Duke University and University of North Carolina at Chapel Hill—to the emerging business presence of Charlotte.

Also during that same period, between the first quarter of 2013 and the third quarter of 2015, no state's economic output grew as fast as North Carolina's 13.4% rate, according to data from the U.S. Department of Commerce's Bureau of Economic Analysis.

Florida and California came close, at 13.3% and 13.2% gross domestic product (GDP) growth, respectively. The average for the U.S. as a whole was 9.9% during this time.

Today, aviation is still an important part of North Carolina, which is home to more than 180 aerospace companies, including Boeing, Cessna and Lockheed Martin. Other growing industries include information and communication technology. Apple, Microsoft, Google and Facebook all have operations in North Carolina.

From 2013 to 2014 and from 2014 to 2015, only five states added more people than North Carolina. But it has a better-than-average growth rate, and it's on pace to continue closing the gap with larger states.

Between June 2015 and June 2016 unemployment improved slightly in North Carolina, falling from 5.8% to 4.9%, based on U.S. Bureau of Labor Statistics. The change came despite increased competition as labor force participation grew by 2% over the same period.

TAX APPEAL

North Carolina has continued to improve its tax structure as it draws more corporations to its coastal confines.

For instance, state officials on July 1, 2016 lowered North Carolina's gas tax, the third decrease in the state's rate in 14 months. In 2015, the state's gas tax was a tax on wholesalers, leading to revenue volatility. As oil prices started to fall, North Carolina's policymakers were concerned about the amount of revenue that would be generated from the tax.

Likewise, the corporate income tax, which was cut from 6.9% to 6% two years ago, has continued its scheduled decline, falling to 5% in 2015.

The individual income tax, converted from a graduated rate tax with a top marginal rate of 7.75% to a single-rate tax of 5.8% in 2014, was cut this year, decreasing to 5.75%, with further reductions scheduled through 2017.

All is good news for Chapel Hill-based Homes Oil Co., which operates Cruizers Convenience Marketplace, a 25-store chain. John Zikias, chief operating officer, said the Tar State is an ideal location to foster the continuing growth of the convenience chain.

"We see continued opportunity to grow in North Carolina as the population grows and more areas outside of major metro areas see continued home building, population growth and job creation," Zikias said. "All of our stores are in North Carolina and we will have more stores in the market in the future."

With all of the high-flying economic activity that North Carolina now enjoys, it still cultivates its tobacco roots.

"Tobacco is still in the fabric of North Carolina and the industry provides great paying jobs," Zikias said. "The result is a higher-than-average smoking population."

NORTH CAROLINA AT A GLANCE

State Population (June 2016): 10,042,802

Unemployment Rate (June 2016): 4.9%

Labor Force Growth (Since June 2015): 2.0%

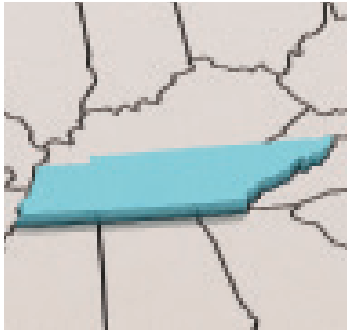
Minimum Wage (Since Jan. 1, 2016): \$7.25 per hour

Secondary Graduation Rate (2015): 85.4%

C-Stores (as of Dec. 31, 2015): 6,330

2016 Friendly Tax Ranking (of 50 states): 15

Sources: U.S. Census Bureau; National Conference of State Legislators; Nielsen TDLinx, Dec. 31, 2015; U.S. Bureau of Labor Statistics; Tax Foundation



Tennessee Enjoys Hometown Growth

The Volunteer State's relaxed vibe can't hide a serious economic engine.

By CSD Staff

DURING THE NEXT 20 years, Middle Tennessee's 10-county region is expected absorb 1 million new residents. That's twice the growth rate of the rest of the nation.

That's a lot of George Jones records flying out of Nashville. It's also a promise of potential opportunity for a c-store industry that is already making strong inroads into the Southeast.

Tennessee, which is home to the headquarters of major convenience retailers, including Pilot Flying J and MAPCO Express, is ideally located in a pocket of the country that isn't extremely cold, nor baked by the sun. The state's hospitable climate, burgeoning tourism trade and friendly business environment is seemingly attracting new companies, younger workers and retiring baby boomers at the same time.

For instance, Tennessee was recently ranked No. 4 in the "10 Best States for Retirement 2016" by *Kiplinger.com*.

Nashville was named 10th best U.S. city for business and careers in 2014, ranking just behind Seattle, according to an annual report by *Forbes*. The report measured the 200 largest metropolitan areas on a dozen factors, including unemployment rate, labor force education, quality of life and growth in income. Comparable, the cost of doing business in Nashville is about 20% below the national average.

Tennessee's unemployment rate improved by 1.6 percentage points in the past 12 months—more than any other state, according to the U.S. Bureau of Labor Statistics. As of June 2016, its unemployment rate of 4.1% now falls below the national rate of 4.9%.

GROWING PROSPECTS

In Nashville, tech employment is up 65.8%, largely due to the area's rise as a hospital management and healthcare IT hub, with a 160% spike in jobs in computer systems

design services, according to *Forbes*.

In the past five years, technology and computers have added almost 6,500 new jobs, growing to 23,400 in 2015 from 16,988 in 2010, according to the Nashville Technology Council.

Perhaps more enterprising is the fact that Chattanooga has leveraged its lightning-fast broadband connections to spur a developing innovation district, a 140-acre section of its compact central business district.

In the Chattanooga area, companies including Volkswagen, McKee Foods and Amazon are pursuing multi-million dollar expansions of existing operations. In fact, Volkswagen is part of Tennessee's expanding automobile industry. At a time when Ford announced that it's moving all of its small car manufacturing to Mexico, the Volunteer State is seeing measurable growth at auto plants owned by Nissan.

Part of the reason for such economic development is a friendly business tax structure. While Tennessee has long considered itself an income tax-free state, it did maintain a tax on stocks and bonds. But in April 2016, state officials approved a measure to remove even the income tax on stocks and bonds, making Tennessee only the second state in history to repeal an income tax.

Since entering office in 2011, Gov. Bill Haslam, has spearheaded a tax reform movement—total tax cuts during his

tenure are nearing \$2 billion. The most meaningful cuts have come from a full repeal of the state's death and gift taxes, as well as a significant reduction in the sales tax on food.

All of these factors are strong arguments for why Tennessee is an ideal location for Weigel's Stores Inc., which opened its doors 85 years ago as a dairy operation—still an important part of the company. Kurt Weigel, director of recruiting for Weigel's 63 stores, said the company's home state continues to pay dividends.

"We see Tennessee playing a large role due to our local dairy; we want to stay local and support local people," Weigel said.

TENNESSEE AT A GLANCE

State Population (June 2016): 6,600,299

Unemployment Rate (June 2016): 4.1%

Labor Force Growth (Since June 2015): 2.6%

Minimum Wage (Since Jan. 1, 2016): None

Secondary Graduation Rate (2015): 84.5%

C-Stores (as of Dec. 31, 2015): 4,372

2016 Friendly Tax Ranking (of 50 states): 16

Sources: U.S. Census Bureau; National Conference of State Legislators; Nielsen TDLinx, Dec. 31, 2015; U.S. Bureau of Labor Statistics; Tax Foundation



Texas Boasts Big Business

A strong economy, affable business policies and an expanding population make this Southwest state a top choice to grow a c-store business.

By CSD Staff

ON THE LIST OF best states for convenience stores to expand, Texas is a clearly a top choice thanks to the numerous benefits it offers businesses, including one of the lowest tax burdens in the country with no individual or corporate income tax, less commercial regulations and a strong workforce.

“Texas as a big state has lots of country and state roads, heavy agriculture and energy and many small rural communities that have heavy transportation needs. That lends itself to lots of driving, lots of vehicles and lots of needed services that play into our industry,” said Bill Kent, president and CEO of the Kent Cos., based in Midland, Texas. The chain operates 42 Kent Kwik convenience stores, 39 of which are located in Texas.

According to the U.S. Census, the Lone Star State had an estimated population of 27 million in July 2015—a healthy spike of 9.2% from April 2010; and an affordable cost of living with a median household income of \$52,576 in 2014 dollars and a median gross rent of \$870 (2010-2014).

In fact, the U.S. Bureau of Economic Analysis found Texas ranked No. 5 for the percentage growth change in personal income by state between 2013 and 2014, with an increase of 5.6%, compared to the national average of 3.9%.

The unemployment rate in Texas is a low 4.5% as of June 2016, according to the U.S. Bureau of Labor Statistics. Texas employment saw an annual growth rate at 1.4% seasonally adjusted, gaining 7,200 jobs (June 2016), according to Texas A&M University’s “Outlook for the Texas Economy.”

All these figures have added up to a booming economy. *Forbes* listed the \$1.65 trillion Texas economy as the second biggest in the U.S., second only to California. Comparably,

the cost of doing business as 8% below the national average in 2015.

“With the population growth and the fact that convenience stores started in Texas with Southland Corp., Texas is a natural fit for our industry,” Kent said.

BIGGER AND BETTER

The Lone Star State is a business-friendly state—from local laws to regulations, especially when compared to more regulated states—and it respects and honors landowners’ rights, which means development is encouraged.

In 2008, Texas replaced its franchise tax with a margins tax, which rewards businesses for good choices—such as hiring employees, paying for health insurance or investing in a pension plan—with a decrease in tax liability, according to TexasWideOpenForBusiness.com.

“Being a Texan and biased, I believe Texans have a great work ethic and can do attitude that makes for great customers and employees,” Kent said.

The low taxes, lack of corporate income tax and low regulations “are exactly why Texas is such a financially successful

state, and why it’s experiencing great long-term growth,” Kent said. “As Texans we love the states that are highly regulated and expensive to work or live in. It just means more people are moving here, and more businesses relocating here for our great business climate.”

If challenges exist to doing business in Texas, Kent pointed to the highly-competitive environment, and sometimes overly-built areas and industries. “There is not a shortage of competition in any industry, especially convenience stores and fuel, so competing in Texas means bringing your helmet and mouthpiece as business here is a combat sport,” Kent said.

TEXAS AT A GLANCE

State Population (June 2016): 27,469,114

Unemployment Rate (June 2016): 4.5%

Labor Force Growth (Since June 2015): 2.0%

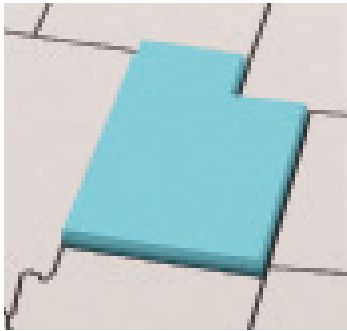
Minimum Wage (Since Jan. 1, 2016): \$7.25 per hour

Secondary Graduation Rate (2015): 88.3%

C-Stores (as of Dec. 31, 2015): 15,607

2016 Friendly Tax Ranking (of 50 states): 10

Sources: U.S. Census Bureau; National Conference of State Legislators; Nielsen TDLinx, Dec. 31, 2015; U.S. Bureau of Labor Statistics; Tax Foundation



Utah's Soaring Economy

From stellar job and population growth to low fuel prices, the Beehive State is creating a commercial buzz.

By CSD Staff

THE "2016 ECONOMIC REPORT to the Governor," a report prepared by the Utah Economic Council, found in 2015 Utah led the nation in job growth for nine months, and ranked second for the remaining three months. Utah had an estimated year-over-year job growth rate of 3.7%.

Low fuel prices compared to other Western states, strong consumer spending, and an attractive business climate with steady job and wage growth and low unemployment make Utah a location with strong c-store growth potential.

While the Utah population is growing, it has a smaller population relative to other states.

"Utah is a high growth state, experiencing some of the highest population growth in the U.S.," said Danielle Mattiussi, president of operations, Maverik Convenience Stores, based in Salt Lake City, Utah.

Mattiussi pointed to Utah's diverse economy and strong and growing customer base of c-store shoppers, as reasons why the state is a great place to do business.

MEASURING UP

Maverik knows firsthand how doing business in Utah—home to six national parks, six national forests, and eight national monuments—compares to other states. The chain operates convenience stores in 10 states, and has operated in Utah for more than 35 years. Of its 280 c-stores, Maverik operates 136 stores in Utah, expecting to add six more Utah locations by the end of 2016.

In June 2016, Maverik moved its corporate operations to Utah from Wyoming. Earlier in the year, Maverik moved "Base Camp" (corporate headquarters) to downtown Salt Lake City.

"Utah has close to the lowest unemployment rate in the U.S. at 3.4%, so the customer base is financially healthy," Mattiussi said. The median household income (in 2014 dol-

lars), from 2010-2014 was \$59,846, according to the U.S. Census, and the state has a relatively low cost of living, according to the "2016 Economic Report to the Governor."

What's more, people of Utah tend to be hardworking, honest and loyal. "They reward great customer service with their loyalty and engagement with the brand. These same hardworking, honest and loyal people make great employees as well," Mattiussi said.

Utah offers a low minimum wage at \$7.25, compared to many other states but in order to stay competitive and attract high quality workers, Maverik remains committed to paying Adventure Guides (cashiers) for their experience and contribution, but also offers benefits such as 401K and tuition reimbursement.

Another benefit is that Utah is a safe state. "Convenience stores do not have to grapple as frequently with some of the challenges associated with businesses operating in a 24/7 environment as others," Mattiussi said.

Mattiussi noted that the Utah business community strives to put in place laws and regulations that benefit businesses and continue to fuel present economic growth.

"Local and state government has a business-centric focus, placing emphasis on continually improving the economic outlook of the state of Utah," Mattiussi said.

But be prepared that c-store customer demands in Utah might be different compared to those in other locations.

"There are category nuances related to operating convenience stores in Utah," said Mattiussi. "For example, the cigarette/tobacco category does not play as large a role in overall store sales due to both market size and composition (lifestyle) so emphasis needs to be placed on other areas that resonate with customers such as foodservice."

UTAH AT A GLANCE

State Population (June 2016): 2,995,919

Unemployment Rate (June 2016): 4.0%

Labor Force Growth (Since June 2015): 2.4%

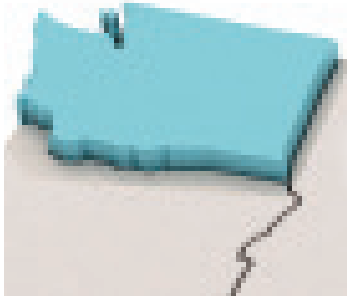
Minimum Wage (Since Jan. 1, 2016): \$7.25 per hour

Secondary Graduation Rate (2015): 84%

C-Stores (as of Dec. 31, 2015): 1,053

2016 Friendly Tax Ranking (of 50 states): 9

Sources: U.S. Census Bureau; National Conference of State Legislators; Nielsen TDLinx, Dec. 31, 2015; U.S. Bureau of Labor Statistics; Tax Foundation



Washington Grows Naturally

Washington State's robust economy helps offset some built-in challenges that come from being on Pacific Coast.

By CSD Staff

WITH ALL THE TALK about the nation's pursuit of new-age commerce and high-tech industry—which Washington State has in abundance—agriculture is still important. In fact, as the convenience industry becomes a more significant provider of fresh fruits and vegetables, it's interesting to relearn what the Evergreen State harvests annually.

The state's 39,500 farms grow, produce and ship 300 different crops, ranking second in the nation for crop production. Food and beverage production supports 131,000 jobs in Washington State, which is the leading producer of apples, sweet cherries, pears, raspberries and hops in the U.S.

Of course, no thriving economy strictly survives on cherries. Washington boasts plum industries as well.

Washington State is home to 14,000 information and communication technology companies, which employ 176,600 tech-based workers. Noted corporations include Microsoft, Cray, Expedia and Amazon.

Collectively Washington State is a viable state for future c-store growth in the insulated Pacific region because of strong employment and wage growth.

An ADP Workforce Vitality Report, which analyzes private-sector job and wage growth, earlier this year showed Washington again is a top 10 state in terms of economic vitality.

An ADP index that combines both factors shows the Evergreen State far outpacing any other state in growth during the fourth quarter of 2015 compared with the same quarter a year ago. Washington earned an index score of 117.9—topping the national average of 106.8 and other states such as California, 108.7; Texas, 108.8; and New York, 105.4.

ALL THE WAGE

Washington's minimum wage stayed at \$9.47 an hour this year, which is in line with other Pacific states, but is a topic of discussion for minimum wage proponents, who say that Washington's position—both legislatively and geographically—is beneficial.

Some studies show that neighboring Idaho is facing a skills gap challenge. People in the crucial 25-29 age bracket are leaving Idaho for higher paying jobs in Washington. Currently, Idaho has the highest share of minimum wage workers in the nation.

Some research indicates the wage hikes instead reduces turnover and leads employers to invest more in worker training—all important factors in the c-store industry.

Soon, Washington will be surpassed when it comes to wages by Alaska, California, Connecticut, Massachusetts and Rhode Island, which are raising their state minimum wage levels, topping Washington.

For full-time employees, wages in Washington were up 5% year-over-year, compared with 4.1% nationally.

Of course wages are just one topic for convenience stores that operate in the Pacific and Western regions of the U.S. Cenex-Zip Trip is a chain of 70 convenience stores across Washington, Idaho, Montana, Wyoming, North Dakota, South Dakota and Minnesota. Twenty-six of those locations are in Washington State.

Jon Fleck, Cenex-Zip Trip's marketing manager, said while Montana, Minnesota and the Dakotas currently are the company's focus, future plans don't exclude Washington.

"Because of the locations of our refineries, Washington is not a major emphasis of our growth, but we are always open to all options," Fleck said. **CSD**

WASHINGTON AT A GLANCE

State Population (June 2016): 7,170,351

Unemployment Rate (June 2016): 5.8%

Labor Force Growth (Since June 2015): 2.6%

Minimum Wage (Since Jan. 1, 2016): \$9.47 per hour

Secondary Graduation Rate (2015): 78.1%

C-Stores (as of Dec. 31, 2015): 3,003

2016 Friendly Tax Ranking (of 50 states): 12

Sources: U.S. Census Bureau; National Conference of State Legislators; Nielsen TDLinx, Dec. 31, 2015; U.S. Bureau of Labor Statistics; Tax Foundation