



**Date:** February 26, 2015

**To:** City of Racine Redevelopment Development Authority (RDA)

**From:** Laura Million, Racine County Economic Development Corporation (RCEDC)

**RE:** Local Medical Device Manufacturer  
2015 Retention and Expansion Project at 2200 South Street

**Introduction**

An existing Medical Device Manufacturer and Distributor located in the City of Racine has reached maximum capacity for its current office, manufacturing, and distribution operations. The company specializes in the manufacturing of disposable dental products and small equipment for dental offices. When the Mayor and RCEDC met with the company in the Spring of 2014, the company indicated significant growth is expected during 2015 and 2016 in connection with the introduction of new patent pending products being introduced to the market in 2014 and 2015. Three patent pending products are the primary drivers of the company growth—an oral cancer screening device (product launch 2015), cordless ultrasonic devices (product launch 2014), and endodontic solutions. The company, which started in Racine in 1994, prefers a Racine location, but is weighing workforce needs as a part of its decision process. Specifically it is considering its ability to attract and retain the talent needed to launch and support its new product lines and develop future products.

The company identified several site locations in Oak Creek and one site in Racine that will better provide for the company's immediate needs and future growth opportunities. The Racine site is located at 2200 South Street. The existing building (29,924 sq ft) is almost equally split between office and warehouse space which aligns with the company's expansion needs. In addition, the building at 2200 South Street offers a more modern, inviting working environment and has reliable building systems. The proposed project in Racine would result in a capital investment of \$1.3 million, retention of 46 existing employees, and the creation of 43 new positions over 3 years.

<b>Key Project Information</b>	
<b>Site:</b> 2200 South Street, Racine	
<b>Use:</b> Office, Manufacturing, and Distribution	
<b>Capital Investment</b>	
Building Purchase	\$1,100,000
Renovation	\$ 100,000
Equipment and Personal Property	\$ 100,000
<b>Total Investment</b>	<b>\$1,300,000</b>
<b>Jobs</b>	
Existing Jobs	46
New Jobs	43
<b>Total Retained and Created</b>	<b>89</b>
Average Wage Existing	\$21.94
Average Wage New	\$25.80

Alternatively, the company has considered locations in Oak Creek which are in closer proximity to the owner’s home and closer to Downtown Milwaukee where several of the company’s young marketing and engineering talent reside.

A City of Racine expansion is preferred and enables the company to retain its current production and warehouse staff which live in the City of Racine. The newer modern facility will offer a more attractive working environment for new hires and for hosting customers. While the company sees the value in investing in a new facility, much of their financial resources will be going into launch and marketing of its new products which will lead to future growth. Financial assistance from the City of Racine is requested to help offset costs associated with the building acquisition and enable the company to remain in Racine. The project will retain jobs in the City of Racine and will result in significant job growth in the City of Racine.

**City Assistance Sought**

In receipt of this request for financial assistance, Staff of RCEDC contacted the City Administrator and Mayor to discuss the project and opportunities to incentivize the project. Historically other projects, such as Summit Packaging and Butter Buds, in which the City actively sought to retain and encourage the companies’ growth, utilized a program referred to as the Tax Re-Investment Program (“TRIP”).

**City Assistance History**

Past incentive projects have returned 75% of the City portion of the property tax, for a ten-year term, to the Company as an incentive. If this model is followed, it would result in the following incentive to the Medical Device Company:

2014 City Portion of Property Tax: \$16,311

75% of City portion: \$12,233

Over a ten-year term: \$122,330

City/Job ratio would be: \$2,845/job (\$122,330/43 new jobs)

### **Summary and Recommendations**

RCEDC staff conducted a thorough review of the company and the strength of the project. In addition, RCEDC worked with the company to complete an application to the Wisconsin Economic Development Corporation to assist with the project. The State assistance and local assistance play an important role in the company's decision to move forward with this project.

If an incentive proposal is approved by the City, RCEDC and City attorney will prepare a Development Agreement wherein the obligations of both parties will be outlined. This Agreement will be sent to the Company for review and consideration. The company has agreed to provide preference for City of Racine residents in its hiring practices to fill new positions being created as a result of the proposed project.

If we are successful in helping this employer expand in the City, RCEDC will perform an annual review for the term of the Agreement which will include verifying City of Racine hiring preference is followed and documenting current employment levels. RCEDC will provide the results to the City prior to annual assistance being distributed to the company.