



Memorandum

TO: City of Racine Redevelopment Authority Members

FROM: Laura Million, Racine County Economic Development Corporation

DATE: April 1, 2015

RE: Apak, Inc.
2015 Expansion at 3801 S Memorial Drive, Racine

Introduction

Apak, Inc., a contract manufacturer specializing in dry product packaging headquartered in Mundelein, IL, established a second location in the City of Racine in 2014, choosing to lease 3801 S Memorial Drive. The Packaging Company’s client list includes Proctor & Gamble, Walmart, Costco, Walgreens, Target, Trader Joe’s and the Dollar Store. The company is seeking assistance from the City of Racine to assist with the purchase of 3801 S. Memorial Drive and facilitate a growth plan locally which will increase its Racine employment from 12 current employees to 46 total employees.

Key Project Information	
Site: 3801 S Memorial Drive	
Use: Office and Manufacturing	
Capital Investment (Phase I)	
Building Acquisition	\$762,500
Existing Jobs	12
New Jobs	34
Total Jobs	46
Average Wage	\$11.74

Summary of the Company Operations

The Packaging Company is a contract packaging manufacturer that specializes in packaging of dry contents. The company has approximately 110 full time employees at their Illinois location. The company plans to maintain its Illinois location and grow operations through the addition of packaging lines in Racine. Currently, the company operates two food packaging lines at 3801 S. Memorial Drive and has the space to add additional lines within the facility. The company maintains food grade facilities, adhering to FDA regulations and maintaining a Safe Quality Food Certifications required by their

customers. Packaging services provided include stand-up zippered pouches, vertical and horizontal form bags, dry fill, canister filling, and assembly.

RCEDC Involvement

In August 2013 our office was contacted by the company to assist with a land search. The company was seeking a parcel to accommodate a 60,000 sq ft food packaging facility with immediate access to IH-94. After touring the IH-94 corridor for land options with the owners, the owners later contacted RCEDC to indicate that they needed to secure a second location sooner than new construction would allow. The company decided to enter into a short-term lease with the property owner of 3801 S. Memorial Drive with the option to purchase the facility. Purchase of the facility is contingent on the company receiving economic assistance from the City. The building meets the companies short terms needs, providing 19,600 sq ft of space (primarily manufacturing and warehouse). A future expansion will be needed to accommodate expected growth. The 3.1 acre lot provides for future expansion needs.

Proposed New Location

The owners are negotiating on the facility at 3801 S Memorial Street property and are targeting a June 15, 2015 closing.

Given the distance from IH-94 and the costs required to operate and expand the facility, the owners have asked RCEDC to seek financial assistance to offset these costs. The building acquisition is estimated to cost \$762,500 (Phase I of the project). The company made approximately \$67,000 in tenant improvements under its current lease. Expansion of the building, Phase II, is projected to be initiated in 2016.



In late October 2013 RCEDC, Mayor Dickert, Tom Friedel, Matt Sadowski and RCEDC met with the principals of the company to discuss the site, the building expansion and the potential for incentives.

The company delayed moving forward with purchase of the site until 2015 and have indicated that moving forward now is dependent on assistance from the City.

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 Apak, Inc.:

Current City Portion of Property Tax: \$11,580
75% of City portion: \$8,685
Over a ten-year term: \$86,850
City/Job ratio would be: \$1,888/job (\$86,850/46 jobs)

Conclusion

RCEDC staff conducted a thorough review of the company and the strength of the project. In addition, RCEDC is working with the company to access low-interest financing for purchase of the property. Local assistance plays 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.

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