



MEMORANDUM

TO: ECONOMIC DEVELOPMENT COMMITTEE
CITY OF RACINE

FROM: GORDY KACALA, EXECUTIVE DIRECTOR
RACINE COUNTY ECONOMIC DEVELOPMENT CORPORATION

SUBJECT: 2011 CITY OF RACINE ECONOMIC DEVELOPMENT SERVICE CONTRACT WITH THE RCEDC

DATE: NOVEMBER 29, 2010

INTRODUCTION

The City of Racine maintains a contract with the RCEDC to provide staff services relative to economic development in the City. As such, we serve as adjunct staff to the City's Planning Department. In 2010, the amount of this contract was \$67,000, with an identical amount proposed for 2011. Jenny Trick, RCEDC Deputy Director was the lead staff person for the City contract. The purpose of this memorandum is to provide summary information to the Mayor, City Council and City of Racine Economic Development Committee with regard to the activities conducted by the RCEDC during 2010.

ECONOMIC DEVELOPMENT ACTIVITIES

The City's contract with the RCEDC is divided into several functional areas including: organizational development assistance, growth and retention of existing business, business recruitment, business finance, marketing activities, workforce development assistance, special program assistance and support activities.

Organizational Development Assistance

There are several organizations that are a part of the economic development system in Wisconsin and impact economic development in the City. It is the job of the RCEDC to develop and maintain a professional relationship with the staff of these organizations, the most important of which include: Milwaukee 7, WeEnergies and the Wisconsin Department of Commerce, as well as several local and regional organizations that maintain services at somewhat of a smaller geographic basis.

During the course of the year, RCEDC has maintained a strong working relationship with the agencies indicated above, as well as others identified in the contract. Staff initiates one-on-one meetings to discuss RCEDC activities, represents the City on a variety of Committees and special meetings and

properly informs these organizations of economic development issues that the City faces as well as ongoing activities.

The most important of these activities included:

1. Representation on the Governing Board, the policy making group, of the Milwaukee 7 and the Milwaukee Water Council Economic Development Advisory Committee.
2. Representation on the Regional Economic Partnership, a staff advisory group to the Milwaukee 7.
3. An average of at least one weekly contact with the Wisconsin Department of Commerce, the major source of business development financial assistance in the State.
4. Represent the City on the Steering Committee of the Workforce Development Board's Strategic Planning Committee, as well as act as the convener for Challenge Three of the Strategic Plan related to job creation and business development assistance in the City.
5. Represent the City on the Racine County Workforce Development Board and the Tri-County Workforce Development Board.
6. Represent the City on various ad-hoc Committees at both the State and Regional levels, for example, Representative Barca's Committee on small business development, the Regional Water Council and SEWRPC's Regional Committee on developing a strategic economic development plan for Southeastern Wisconsin.
7. Serve on the New Markets Tax Credit Committees of Johnson Bank Community Development Corporation, First Ring, M&I CDC and the Delta Institute.

It should be noted that Mayor John Dickert has become an important partner in this activity. Mayor Dickert regularly acts as an advocate for City projects and issues with regional and State elected officials and staff.

Growth and Retention of Existing Business

The growth of existing business represents one of the most important economic development opportunities and the RCEDC places high priority on meeting the needs of existing companies. Overall year-to-date in 2010, the RCEDC had direct contact with 62 businesses in the City through our existing business retention and business finance programs. This represents 50% of the total retention and finance contacts among all Racine County Municipalities.

Specifically, the RCEDC worked on twelve projects where RCEDC or related financial resources, including those provided by other agencies, resulted in the provision of over \$4.0 million in assistance and 294 jobs created and/or retained. Two projects remain active. Perhaps the most visible of these projects included Summit Packaging, 75 jobs impacted and \$734,440 in State tax credits and an unnamed Engine Manufacturer, \$400,000 in State tax credits and expecting 100 new jobs. A summary of other completed projects is shown below:

1. Fischer Precise - \$1,300,000 total investment, awarded \$63,000 in State of Wisconsin tax credits; 14 new jobs to be created.

2. Shurpac Inc – pursued grant from the Wisconsin Department of Natural Resources to complete a phase I and limited phase II on the adjacent parcel west of the company’s headquarters. The DNR approved the request and included the site to be completed as part of the State-wide award to Sigma Environmental to complete like projects. Project was approved based upon the investment (40,000 sq ft addition), jobs retained (70) and jobs to be created as a result of the expansion (50).
3. Summit Packaging Systems - \$6,000,000 total investment; City of Racine committed to provide 75% of the city real estate taxes back to the company for a term of 10 years to incent the company to retain its 50 employees in the City of Racine and to provide City of Racine residents hiring priority specific to the hiring of new employees. The payment for 2011 is estimated to be \$53,444 – assuming a 10 year term without changes to the assessment, would result in a total incentive of \$534,440. Tax credits of \$200,000 have been awarded by the State of Wisconsin.
4. Unnamed Engine Manufacturer – Company is proposing the creation of more than 200 production, engineering and related technician positions. To date the company has received \$740,000 in State resources (\$400,000 in 2010) and three loans from BLP.

Pending projects include:

1. Company A is proposing an expansion that would require the acquisition of an adjacent building (78,000 sq ft), \$2,900,000 asking price; connect the two buildings with a walkway and extensive (\$2,500,000) equipment investment. Project expected to be considered by the corporate parent in Q1 2011. Proposed jobs unknown at this time.
2. Company B has identified capital investment and workforce needs; provided State application for company to complete; company has met with WDC but has yet to provide paperwork to proceed with application.

Recruitment of New Business

While all economic development activities have been impacted by the recession, business recruitment is impacted to a greater degree and in two ways. First, firms are less likely to relocate or open branch facilities during a recession. Second, the incentives offered to business throughout the country have grown significantly. The second of these factors impacts Racine in that Wisconsin is not known as a State that has traditionally offered significant business financial incentives.

During 2010, the RCEDC worked with 13 businesses that were either interested in a site in the City, or the City was a consideration with other sites in Racine County. These activities were a part of the RCEDC’s DRIVE! program (Developing Racine County through Innovation, Vision and Entrepreneurship). Perhaps the most visible of these efforts included: Altus Vinyl, representing 12 jobs and \$50,000 in tax credits. With the help of BLP, Altus was able to secure funding for a building lease. Tilsner Collision, relocating from Kenosha, also received assistance after leasing a building.

China SINB continues to work with Mayor Dickert on a location for an economic development project.

Pending projects include:

1. Company C – seeking space to establish a City of Racine presence – sent property options; waiting for direction.
2. Company D – entered into a land contract in the City and is seeking assistance from the City for renovation costs.

Business Finance Activities

The RCEDC administers a variety of business finance activities that City firms can take advantage of. These include the countywide U.S. Economic Development Administration (EDA) Revolving Loan Fund (RLF) and the SBA 504 programs. In addition, however, the RCEDC, via this contract, administers the City's EDA Industrial/Commercial Revolving Loan Fund, as well as the Racine Development Group, a multi-bank community development corporation RLF. These programs are only operational in the City of Racine.

At the time of this writing a total of 23 City EDA RLF loans have been closed, ten of which are active. These loans have included \$17.6 million in total project costs, \$2.8 million in EDA RLF financing and 144 jobs created and/or retained. The RDG program includes 19 loans, eight of which are active, \$8.1 million in program costs and \$1.3 million in RDG financing. In addition, the RDG has provided small working capital loans of \$5,000 at zero percent interest to 20 businesses on Main Street and 13 businesses on 6th Street during reconstruction of these streets. Overall in 2010, the RCEDC worked with 50 businesses in the City as a result of our management of business finance programs and provided financing to 8 companies.

In addition to providing the financing to companies, RCEDC staff monitors the loan portfolio, collects monthly payments, and performs collateral substitutions and all federal reporting.

Marketing Activities

The RCEDC provides economic development marketing assistance to the City via our DRIVE! program explained in the business recruitment section above. In 2010, the RCEDC targets included five manufacturing and four service industries, the foreign countries of Germany, France and Sweden and companies in the Chicago-Milwaukee Corridor. One-on-one meetings with intermediaries (real estate developers and brokers, attorneys, accountants, etc.) that may come into contact with companies that are considering relocation or branch location was a primary activity as well as targeting specific companies at two major trade show events. Lastly, RCEDC provided press releases to local and regional outlets.

Workforce Development Services

Due to the historical high unemployment rate in the City and the lack of education and job experience by many members of the City labor force, the RCEDC and the City have included a workforce development component in the economic development services contract. The most important aspect of these services included the RCEDC's advocacy relative to the completion and implementation of the Racine County Workforce Development Board's Strategic Plan that includes specific challenges related to improving the preparedness of the City's labor force for the world of work, including the Advancing Family Assets program. In addition, our staff at the Racine County Workforce Development Center fulfills loan recipient's requirements that jobs be made available to low- and moderate-income persons.

Special Program Assistance

In 2010, the RCEDC contract with the City includes a section on Special Program Assistance that included working with the City with regard to transferring grant responsibilities of \$22,500 and program development for the Community Kitchen and working in the Commercial Corridors (State Street, Uptown, West Racine and Douglas Avenue) via separate contract; and brownfields development under special contract.

In addition, the RCEDC continues to maintain data and information with regard to the City's business parks and available buildings through a new web portal, Xceligent that provides wider coverage and direct access via the RCEDC website versus the Milwaukee 7 website.

Support Activities

In 2010, the RCEDC continued to maintain an inventory of socioeconomic and demographic data for the City.

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