



**Date:** November 20, 2015

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

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

**RE:** Marlo, Incorporated of Racine, 2227 South Street, Racine  
2014 Expansion Project Update and Request for Agreement Amendment

### **Introduction**

In January 2014, the Racine Common Council approved providing economic assistance to Marlo, Inc., located at 2227 South Street in the City of Racine for a proposed expansion project that would result in \$2.4 million in capital investment and 43 new jobs to be created over 3 years. Due to project delays, the company is seeking a change in terms to its agreement with the City. This memo provides an overview of the changes sought by the company.

### **Project Update**

Under the agreement, the City agrees to provide Marlo an incentive equal to 75% of the municipal property tax increment over 10 years for the company to meet several agreed to terms including:

- Maintaining 58 existing jobs
- Hiring 43 new employees over 5 years
- Providing a hiring preference for City of Racine residents
- Completion of the building expansion worth \$2.4 million by December 31, 2014.

Due to site limitations (i.e. available land area to undertake the needed expansion), Marlo reconsidered its options to achieve the needed square footage for both manufacturing and office operations. The company considered greenfield development outside the City of Racine for a time, but due to building and moving costs, the company revised its expansion plan to allow for expansion at its current facility.

The new plan required acquisition of land from Warren Packaging to provide adequate space for parking and includes the addition of 38,000 sq ft of office (5,000 sq ft) and manufacturing space (33,000 sq ft), and \$3.2 million in capital expenditures. Job creation is anticipated to stay consistent with the planned addition of 43 new positions.

<b>Key Project Information</b>	
<b>Site:</b> 2227 South Street, Racine	
<b>Use:</b> Office, Manufacturing, and Assembly	
<b>Capital Investment</b>	
2014 Project Estimate	\$2,400,000
2016 Project Estimate	\$3,200,000
<b>Jobs</b>	
Existing Jobs Estimated	58
New Jobs	43

### Changes Requested

Marlo is seeking changes to the existing agreement with the City of Racine due to project delays. Expected job creation is expected to remain consistent with the previous agreement with the company planning to hire 43 new employees over 5 years. Marlo continues to follow the current agreement as to providing a hiring preference for City of Racine residents with a goal of hiring 50% of non-exempt employees from the City of Racine.

The following changes are being requested by Marlo be made to the current agreement with the City of Racine:

- 1. Base employment level of 55, not the estimated 58.** In review of personnel records by RCEDC, actual full-time employees at Marlo as of January 21, 2014 at the time of approval of the agreement was 55 rather than the estimated 58 full-time employees. The company wants to ensure that all parties involved in the agreement are aware of the base level of employment which is monitored annually by RCEDC.
- 2. Completion date of December 31, 2016.** Due to unforeseen site constraints and project delays, Marlo is requesting that the date for substantial completion be changed from December 31, 2014 to December 31, 2016.
- 3. Eligibility of first payment to be triggered by building completion.** Payment under the agreement is to be triggered by completion of the building and meeting hiring requirements. Substantial completion is proposed to be changed from December 31, 2014 to December 31, 2016.
- 4. Term of the agreement to remain 10 years with the start date beginning with payment of 2016 property taxes in 2017.** Original start date would have been payment of 2014 taxes in 2015.

### Staff Recommendation

Marlo carefully considered options when costs and site limitations presented a barrier to company expansion in the City of Racine. City of Racine assistance was an important consideration when determining to move forward with a reconfigured expansion project in the City of Racine at 2227 South Street. Staff recommend approval of the proposed changes to the agreement presented in the attached changes in terms agreement.