



**Date:** January 16, 2014

**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 and Financial Statement Review

**Introduction**

Marlo, Inc., located at 2227 South Street in the City of Racine, has reached maximum capacity for its current office, manufacturing and assembly operations and anticipates growing demand for the company's custom industrial water systems. The company, which started in Racine in 1973, is evaluating two options to enable the company to meet increased demand by current and new customers.

Option 1 is to expand at the company's current location in the City of Racine. The Racine option would result in a new 25,000 square foot manufacturing and office addition, \$2.4 million in capital investment and the creation of 43 new jobs over 3 years.

Key Project Information		
<b>Site:</b> 2227 South Street, Racine		
<b>Use:</b> Office, Manufacturing, and Assembly		
<b>Capital Investment</b>		
Building Expansion		\$1,900,000
Equipment and Personal Property		\$ 500,000
<b>Total Investment</b>		<b>\$2,400,000</b>
<b>Jobs</b>		
Existing Jobs		58
New Jobs		43

Option 2 would result in the company establishing a satellite assembly location in Texas at the site of a local distribution partner. A Texas location would provide broader market coverage and closer proximity to customers in the Southwest and minimize capital investment required by the company due to the co-location with the existing distributor. The establishment of a new site however would diminish

the synergies Marlo has developed by having its design and engineering staff in close proximity to its manufacturing and assembly operations.

A City of Racine expansion is preferred and enables the company to capitalize on the efficiencies created by having design, engineering and manufacturing under one roof. As such, the company is seeking assistance from the City of Racine to help offset the costs of expanding the Racine location which would not be required if a Texas location was chosen, resulting 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 Marlo:

Current City Portion of Property Tax: \$11,528

75% of City portion: \$8,646

Over a ten-year term: \$86,460

City/Job ratio would be: \$2,010/job (\$86,460/43 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. Both local and state assistance are being considered by the company in making a decision regarding 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.

If we are successful in helping this employer expand in the City, RCEDC will perform an annual review for the term of the Agreement and provide the results to the City.