



Date: February 2, 2017

To: City of Racine Redevelopment Development Authority (RDA)

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

RE: Fischer USA, Inc.
TRIP Financing for Retention and Expansion Project

Introduction

This memorandum was prepared for your consideration of an economic incentive to encourage the investment of Fischer USA, Inc. to renovate and expand its current location at 3715 Blue River Avenue in the City of Racine.

Company History

Fischer USA recently celebrated its 75th anniversary in Racine and has been located at its current location since 1956. The Swiss owned company manufactures and services high speed spindles used in the aerospace, automotive, and electronics industries. Fischer USA has experienced steady growth over the last 10 years and employs 63 (60 full-time) people. The company's processes require attention to detail, accuracy and efficiency. The company has maximized its current 38,000 SF facility and needs to expand the building foot print to meet growing customer demand.

Project Overview

In February 2015, the Mayor, City Administrator, Interim Director of City Development and RCEDC met with Fischer to discuss growth plans. Over the last two years, the company has considered several options on how best to gain the needed space and efficiency required for its production process to meet growing customer demand. Options considered include purchasing of adjacent buildings/parcels to the west and south and relocation outside of the City of Racine. Cost considerations and the company's interest in remaining in the City of Racine remained at the forefront of the discussions with Fischer.

After much consideration, in January 2017, Fischer requested to purchase a 32,760 SF of Pierce Woods Park, adjacent Fischer's property line, for \$40,000. Purchase of this parcel will enable the company to add 10,000 SF of state-of-the-art manufacturing space to the facility. If sale of the property and incentive assistance is approved, Fischer will also renovate portions of its existing facility. The total renovation and expansion project is expected to result in \$3 million capital investment and the creation of 20 new jobs over 5 years. The project is contingent upon final approval by the City of Racine and Fischer USA's Board and would be initiated in 2017.



BEFORE



AFTER

Key Project Information	
Site:	3715 Blue River Avenue, Racine
Use:	Manufacturing
Project Description:	10,000 SF addition and existing building renovation
Capital Investment	
Building Renovation	\$1,500,000
Construction 10,000 SF addition	\$1,500,000
Total Investment	\$3,000,000
Jobs	
Existing Full-time Jobs	60
New Full-Time Jobs	20
Total Retained and Created	80
Average Wage Existing	\$26.78
Average Wage New	\$20.94

City Assistance Sought

The company is seeking to purchase the parcel from the City and asking for financial assistance from the City. The Board of Parks, Recreational and Cultural Services will be reviewing the requests for the parcel purchase at their February 8 meeting. The RDA is being asked to consider financial assistance for this project.

Historically the city has considered incentive assistance for other projects, such as Summit Packaging, Butter Buds, Vista Dental, and Marlo, in which the City actively sought to retain and encourage the companies’ growth, utilizing a program referred to as the Tax Re-Investment Program (“TRIP”). As a part of these awards the company agrees to provide hiring preference for City of Racine residents for any new positions added with a target of filling 50% of the open positions with City of Racine residents.

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 Fischer USA:

Estimated TRIP Assistance	
2016 Total Property Taxes:	\$26,700
2016 City Portion of Property Tax:	\$15,503
75% of City portion:	\$11,627
Over a ten-year term:	\$116,263
City Assistance/Job ratio*:	\$1,401/job
*\$116,263/83 jobs created and retained	

The assistance includes the following provisions:

- The company must maintain its existing full-time workforce (base jobs) of 60 to receive assistance in any year during the agreement.
- During the first three years of the agreement, the company receives the full amount of the incentive if the existing base jobs are maintained.
- In the fourth year of the agreement, if job creation is lower than expected, the assistance is prorated based on the jobs created and retained.

Summary and Recommendations

RCEDC staff support the company’s planned project. In addition, RCEDC is currently working with the company to complete an application to the Wisconsin Economic Development Corporation to assist with company expansion.

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.