

MEMORANDUM

TO: AMY CONNOLLY, DIRECTOR OF CITY DEVELOPMENT

FROM: LAURA MILLION, BUSINESS DEVELOPMENT MANAGER, RCEDC

RE: MID-YEAR2 2018 RESULTS AND ACTIVITIES GENERAL ECONOMIC DEVELOPMENT CONTRACT

DATE: AUGUST 27, 2018

Quarterly, RCEDC provides an update to our Board of Directors and the City on our activities within Racine County and City specific projects. This report provides an update on progress toward our 2018 goals as included in RCEDC's General Economic Development Contract with the City, providing a written summary of activities and a numerical snapshot of program outcomes.

The snapshot reflects the support RCEDC provides in four primary strategy areas: 1) proactive business development including assisting existing businesses and recruiting new businesses and business finance activities; 2) marketing activities to build relationships with internal and external stakeholders through programming; 3) city staff support and 4) education and training programs implemented to provide a competitive workforce.

Project Activities

- Maintained conversations with 7 existing business expansions and 5 recruitment prospects including working with existing City of Racine business to finalize Jacquet Midwest's expansion at Southside Industrial Park and coordinating discussions with and providing technical assistance for a relocating business interested in locating in vacant building located in the Uptown neighborhood.
- Continue to work with twelve City businesses that may need financing for their projects and could benefit from low interest, low down payment loans.
- Completed processing of a financing request for the establishment of co-working space in the City of Racine. The request was for a building purchase and was approved at the first Committee meetings in July. Preparation for closing on the building is in process.
- Continue to work with the developers who are redeveloping the former Red Cross YMCA building in downtown Racine. Revolving Loan Fund (RLF) financing through RCEDC is being provided and staff continues to monitor progress as the building is finished and prepared for ground level tenants.
- Assisted a City of Racine business with a loan modification to allow for the sale of the business resulting in the retention of employees in the City of Racine and a strong buyer that plans to keep the business in the City.
- Assisted two City of Racine businesses with changes to their City RLF loans to further benefit the businesses.

- Continue to service loans to 27 City of Racine businesses with three visits to City of Racine loan recipient businesses in 2018.
- Working with a retail recruitment project to downtown Racine to secure financing for building and equipment purchases.
- Fielded 28 requests for information from City of Racine residents and businesses. Information requests included assistance with small business resources, updated economic data, and site location searches.
- Hosted *Real Resources for Manufacturers* event with WEDC and co-sponsored *Real Estate Showcase* for Industrial Real Estate Brokers located in the Chicago-Milwaukee corridor.
- Supported 24 City of Racine businesses with onsite employment recruitment and placed 15 City of Racine out of school youth in Internships.
- Engaged with City of Racine residents about employment resources at town hall meetings held at the Bray, Bryant, and Caesar Chavez Centers. Attendees (75) learned about Greater Racine County at Work, training opportunities and job opportunities. Future community engagement activities are planned.
- Maintained regular meetings with the Mayor and City staff to discuss and coordinate current development opportunities in the City, including activities related to Foxconn.

RACINE COUNTY ECONOMIC DEVELOPMENT CORPORATION: ECONOMIC DEVELOPMENT PLAN - QUARTERLY SNAPSHOT

RCEDC CHALLENGE #2: To implement a proactive business development program that includes business retention and expansion and business recruitment activities that utilize local, State and Federal resources including financial, technical assistance and workforce resources that when successfully implemented result in the creation and retention of jobs and increased tax base in Racine County.

I STRATEGY A: RCEDC will develop and implement community and economic development programs, with priority on 1st and 2nd stage companies, that result in the retention and creation of jobs and increase the tax base in Racine County.							
		2018 Goal	As of 3/31/18	As of 6/30/18	As of 9/30/18	AS of 12/31/18	
1	Number of businesses and development recruited to Racine County (Delineate by Stage 1, 2, etc.)	10	0	2 (0 City)			
2	Number of businesses retained/expanded (Delineate by Stage 1, 2, etc.)	18	2 (0 City)	3 (0 City)			
3	Number of businesses assisted with micro-funding programs (MGP, Façade, Rent Assistance)	25	2 (0 City)	18 (10 City)			
4	Number of jobs created and retained	550	7 (0 City)	90 (0)			
5	Amount of private investment, including subcategory of construction investment and public/private leverage	T: \$71,000,000 C: \$40,000,000	T: \$714,962 C: \$0	T: \$5,550,849 C: \$3,114,149			
6	Average wage level of jobs created and/or jobs retained	\$20/hr.	\$20.30/hr.	\$24.33/hr			
7	Amount of incentives awarded	\$2,000,000	\$4,100 (\$0 City)	\$382,229 (\$0 City)			
8	Number of loans approved	26	4 (0 City)	6 (0 City)			
9	Dollar amount of RCEDC loans approved	\$8,778,000	\$590,249 (0 City)	\$1,640,910 (0 City)			
10	Dollar amount of RCEDC loans closed	\$7,848,700	\$2,974,749 (0 City)	\$4,119,749 (0 City)			
11	Number of outreach calls and visits completed	200	72	128			

II STRATEGY B: RCEDC will build and strengthen relationships with internal and external stakeholders.							
		2018 Goal	As of 3/31/18	As of 6/30/18	As of 9/30/18	AS of 12/31/18	
1	Number of programs undertaken with Partner Organizations	4	2	3			
2	Dollar amount received from RCEDC Investors	\$150,000	\$86,820	\$107,605			
3	Percentage rate of potential RCEDC investors identified, contacted and converted to investors	11%	N/A	N/A			

RACINE COUNTY ECONOMIC DEVELOPMENT CORPORATION: ECONOMIC DEVELOPMENT PLAN - QUARTERLY SNAPSHOT

III	STRATEGY C: RCEDC will measure the well-being of Racine County by compiling relevant data including demographic, development, workforce, other business related factors and work with Partners to mitigate challenges.
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		2018 Baseline	As of 3/31/18	As of 6/30/18	As of 9/30/18	AS of 12/31/18
1	Real Estate Data					
a.	Vacancy and absorption rates	Milwaukee: 4.1% Ind.; 4.1% Ret.; Chicago: 6.2% Ind	County: 4.5 % Ind. 4.9 % Ret.	County: 5.6 % Ind. 6.4 % Ret.		
b.	Residential market (number of homes sales and median sale prices)	Regional:10,819 Sales (Increase); \$185,000 median (Increase)	County: 511 Sales (Increase); \$150,000 median (Increase)	County: 1,121 Sales (Increase); \$164,900 median (Increase)		
2	Business Related Factors					
a.	Identify manufacturing activity indicators	National: 58.7 (Growing)	SE WI: 67.8 (Growing)	SE WI: 67.9 (Growing)		
b.	Identify inventory level indicators	National: 55.5 (Growing)	SE WI: 50.0 (Neutral)	SE WI: 63.3 (Growing)		
c.	Identify retail sales indicators	National Q3 2017: Ret. Sales 4.3% Increase; E-Com. 9.1% of Total	Q4 2017: Ret. Sales 5.7% Increase; E-Com. 9.1% of Total	Q1 2018: Ret. Sales 5.9% Increase; E-Com. 9.5% of Total		

IV	STRATEGY D: RCEDC leadership will manage the efficacy of its activities to ensure that RCEDC is conducting the business of the organization that results in measureable outcomes.
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		2018 Goal	As of 3/31/18	As of 6/30/18	As of 9/30/18	As of 12/31/18
1	Strategy D measurements are reviewed annually		In Process	In Process		

RACINE COUNTY WORKFORCE SOLUTIONS - BUSINESS SOLUTIONS TEAM
ECONOMIC DEVELOPMENT PLAN - QUARTERLY SNAPSHOT

RCWS Challenge #5: To link education and training in a manner that provides a competitive workforce to meet the present and future needs of local employers and to create opportunities for low-income, disadvantaged and minority individuals to prepare for and obtain employment.

STRATEGY C: Develop diversified approaches to meet the workforce needs of employers within Racine County.

		2018 Goal	As of 3/31/18	As of 6/30/18	As of 9/30/18	AS of 12/31/18
1	Business Resources*	15	7 (4 City)	14 (8 City)		
2	On-site Recruitments	75	24 (11 City)	71 (24 City)		
3	Job Fairs	4	0	2		
4	Youth Internships	35	8 (8 City)	15 (15 City)		
5	Employee Training	12	1 (1 City)	3 (1 City)		
6	Collaborate to meet business needs**	15	1 (1 City)	6 (3 City)		
7	Engage business customers from previous years	90%	28%	35%		
8	Increase business engagement from previous year	15%	7%	23%		
9	Assist eligible candidates in successfully obtaining a GED	105	12	44		

* On-the-job training (OJT), Wisconsin Fast Forward Grant, Workforce Advancement Training (WAT) Grant, Outplacement Services, Tech Hire Grant, Wage\$ Apprenticeship Program, etc.

** Assist business with another job center; place candidate referral from another team; host regional team meetings at business, etc.

ECONOMIC DEVELOPMENT PLAN - QUARTERLY SNAPSHOT

ECONOMIC DATA SUMMARY, JUNE 2018

Real Estate Data:

- Q1 2018 industrial vacancy rates in Racine County (5.6%) increased over last quarter. Racine County's industrial vacancy rate is increased by 1.1% from last quarter with more building product coming online in Q2 2018.
- Retail space vacancy rates have improved in eastern Racine County, achieving a vacancy rate of 6.4% in Q1 2018. Racine County vacancy rates remain high in power centers (34.4%), defined as being anchored by large single tenants with smaller retail uses, and neighborhood centers (10.2%).
- Racine County housing sales activity continues to increase, with the number of sales in the first half of 2018 totaling 1,121 (an 8% increase over 2017 sales during the same five month period) and median sales price increasing by 9.3% from Q1 2018. Southeast Wisconsin also saw an increase in volume of sales by 11% over the same five month period in 2017. (Note that the Q2 data does not include sales and price information for the month of June due to report timing).

Business Related Factors:

- The manufacturing sector continues to expand nationally and in SE Wisconsin according to the Manufacturing ISM report with the PMI index being above 50.
- The ISM index indicates manufacturing inventories are growing nationally as well as in Southeast Wisconsin. From last quarter, the manufacturing activity index has shown improvements and went from 50 being neutral to 63.3.
- The national ISM report noted eight industries reporting higher inventories in May — listed in order — are: Apparel, Leather & Allied Products; Printing & Related Support Activities; Textile Mills; Nonmetallic Mineral Products; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Chemical Products; and Machinery.
The six industries reporting lower inventories in May are: Plastics & Rubber Products; Petroleum & Coal Products; Paper Products; Miscellaneous Manufacturing; Transportation Equipment; and Computer & Electronic Products. Both Paper products and Manufacturing industries have high concentrations in SE Wisconsin.
- Retail sales nationally increased 5.9% over the previous year. E-commerce retail activity continues to grow as a percentage of total retail sales, measuring 9.5%.

RACINE COUNTY ECONOMIC DEVELOPMENT CORPORATION: ECONOMIC DEVELOPMENT PLAN - QUARTERLY SNAPSHOT GLOSSARY

Real Estate Data

Industrial and Retail Vacancy Rates: Reported from Costar Industrial Market Report and Costar Retail Overview. Costar reports replace previously reported rates from Xceligent. Reports indicate inventory, availability and vacancy within Racine industrial and retail properties and comparison markets including Milwaukee, Chicago and Kenosha submarket.

The vacancy rate for industrial real estate is a good indicator of sector health in the local and regional economy. A low or declining vacancy rate is positive for the economy because it conveys that business activity is picking up. A high vacancy rate suggests the market may be overbuilt and demand for the space in the market low. Alternatively too low of a vacancy rate can be a barrier to companies seeking to expand or enter a market. Without available space, a company may be forced to look at alternative locations outside of the area.

Residential Market: Home sales and median home price provide an overview of the health of the housing market. Data sourced from the Wisconsin Realtors Association compilation of sales volume and median home sales from the most recently available quarter. The data is not seasonally adjusted. Comparison data is provided for the 7 County's located in Southeast Wisconsin.

Business Related Factors Data

Manufacturing Indicator Index: Sourced from the Marquette ISM Report SE WI and the Institute for Supply Chain Management national Manufacturing ISM Report on Business. The PMI (Primary Market Index) is a composite index of economic activity in the manufacturing industry, including New Orders, Production, Employment, Supplier Deliveries and Inventories. A score of 50 or above indicates that the manufacturing economy is generally expanding; below 50 indicates that it is generally declining. The quarterly snapshot includes the most recently available monthly index for Southeast Wisconsin and comparison data for the Nation.

Manufacturing Inventories Index: Sourced from the Marquette ISM Report SE WI and the Institute for Supply Chain Management national Manufacturing ISM Report on Business. One of five indicators used to measure economic activity in the manufacturing industry. A score of 50 or above indicates that the manufacturing economy is generally expanding; below 50 indicates that it is generally declining. The quarterly snapshot includes the most recently available monthly index for Southeast Wisconsin and comparison data for the Nation.

Change in Retail Sales and E-Commerce as a % of Retail Sales: Sourced from the Quarterly Retail E-Commerce Sales published by the US Census Bureau. The national level data is used as a proxy for consumer confidence. Growing retail sales generally indicate growing consumer confidence. Conversely, declining retail sales indicate declining consumer confidence. E-commerce as a percentage of retail sales is included to show the shift in consumer spending patterns which impacts bricks and mortar retail. The quarterly snapshot includes the most recently available quarterly National data. No comparison data is provided.