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Public money powers manufacturing incubator mHUB's growth

Move to the Kinzie Industrial Corridor on the Near West Side planned with \$17.6 million in tax increment financing and another \$9.6 million from the state.

By David Roeder

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Manufacturing incubator mHUB plans to move its operations to 240 N. Ashland Ave.

Brian Rich/Sun-Times

Since starting out five years ago on Chicago Avenue in West Town as a prized project of former Mayor Rahm Emanuel, the manufacturing incubator mHUB has been doing noble work.

It connects emerging entrepreneurs, many of them minorities, to the funding and advanced know-how needed to get started. The organization said it has had a hand in 500 startups and business expansions that have gone on to create 4,000 jobs. Its ultimate mission is to make sure Chicago keeps its place in global manufacturing, whatever happens with financial pressures and supply chains.

Factory jobs are good for economic diversity and a source of decent wages for jobs that might not require advanced degrees. So the average person has a rooting interest in mHUB's success.

But it turns out we'll have more than that, especially people in Chicago, where taxpayers will have a significant financial stake in mHUB itself.

Chicago Enterprise

It's coming because mHUB is embarking on a \$46.8 million venture for which it is slated to get \$17.6 million in city help via tax increment financing plus state funding of \$9.6 million. The incubator's equity in the project is \$350,000.

The numbers are drawn from a report made last week to the city's Community Development Commission, a mayoral-appointed agency that advises the City Council on TIF subsidies. The commission unanimously approved the request, but not before asking pointed questions about the project, the extent of the subsidies and the protection taxpayers have if mHUB were to fail.

The agreement would let mHUB acquire a nearly century-old three-story building with a clock tower at 240 N. Ashland Ave. It has a contract to pay \$32.5 million for the building owned by Peppercorn Capital. In turn, mHUB can vacate leased space at 965 W. Chicago Ave. The plan is for the sale to close early in 2023 and for mHUB to occupy the new space by the end of that year.

It's a classy building, listed in the city's historic resources survey as contributing to the character of the Kinzie Industrial Corridor. The area runs west of the hot Fulton Market

District and is feeling the development pressure from it. The building used to be a Cook Brothers warehouse store and then the home of Crate & Barrel spinoff CB2, but has been vacant since 2019.

City officials said the subsidy agreement would encourage growth in manufacturing jobs while preserving a building that otherwise would fall prey to the next residential developer. Helping mHUB, said Assistant Planning Commissioner Terrence Johnson, would be “a catalyst for a key economic sector that has previously been identified as a city priority.”

The incubator would buy the building for \$32.5 million, although it has been appraised at just \$29.5 million.



A rendering of mHUB’s planned space at 240 N. Ashland Ave.

Planning Commissioner Maurice Cox attributed the above-market price to the presence of other bidders in an area where attractive parcels are getting snapped up.

“The building comes at a pretty high cost, but it’s also a prestigious building,” Cox said.

Cox called the TIF amount “eye-popping.” TIF subsidies are drawn from property taxes that ordinarily would go to local governments but instead are set aside for public works or private development thought to be beneficial. He said his agency worked for a long time to get comfortable with the request and to suggest alternate sites for mHUB, but nothing was suitable.

"This is a brick-and-mortar investment that we're making in the future of light manufacturing in Chicago," Cox said.

The TIF will be paid up front in a lump sum once the move is finished.

If mHUB fails, the city would have a claim on the property, but the nonprofit has strong philanthropic backing — and even its own venture capital fund — and nobody thinks matters will come to that.

Haven Allen, CEO and co-founder of mHUB, told commissioners that the move will allow for the expansion of programs and services. It also solves a pressing problem.

"Our current landlord has drastically increased the rent" on Chicago Avenue, Allen told the commission.

Owning your space, as any business owner will tell you, gives you more control over your own affairs. To round out the deal, mHUB is expecting \$6.5 million in federal New Markets Tax Credits and \$12.8 million in bank financing, according to city documents.

Outwardly, the move seems modest in terms of extra space, from 63,000 square feet to 79,000 square feet on Ashland. But Allen said in an interview the new layout is far more functional, allowing for a 50% increase in space efficiency. He said the group wants to provide more help to people addressing climate and energy issues and to help them set up shop in the city's Opportunity Zones, legally designated distressed areas where investments can bring tax incentives.

It's a socially conscious mission, with taxpayers riding along. No pressure, mHUB. Really.