

City panel OKs \$18 million in TIF money for mHub

The subsidy would help pave the way for the advanced manufacturing incubator to purchase and move to a vacant building just west of the Fulton Market District.

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A city panel today signed off on a plan for Near West Side taxpayers to provide nearly \$18 million to help advanced manufacturing incubator mHUB purchase and move to a historic building in the neighborhood.

Taking a key step toward a deal that would solidify the Kinzie Industrial Corridor as the epicenter of Chicago's industrial startup scene, the city's Community Development

Commission unanimously approved \$17.6 million in tax-increment financing assistance for mHub, a five-year-old nonprofit framed as a manufacturing-focused version of Chicago tech incubator 1871. If the subsidy is approved by the City Council it would help finance mHub's \$32.5 million acquisition of a vintage office building at 240 N. Ashland Ave. and \$14 million-plus conversion of the property into a breeding ground for early-stage manufacturers.

The commission's approval paves the way for mHub's long-term growth in the vacant, nearly 80,000-square-foot building just north of the CTA Green Line Ashland station. Crain's previously reported mHub was under contract to buy and relocate to the building from the 63,000-square-foot property at 965 W. Chicago Ave. in River West that it has called home since 2017.

That relocation—slated for late 2023 if mHub's project moves forward as planned—would add to the bevy of light industrial and manufacturing businesses that populate the area west of the Fulton Market District, formally known as the Kinzie Industrial Corridor.

The subsidy to make it happen would be the largest package of TIF assistance ever doled out from the Kinzie Industrial Corridor Tax-Increment Financing District, according to the district's most recent annual report. The district was launched in 1998, and Mayor Lori Lightfoot earlier this year pushed to extend its life beyond its 2022 expiration. A spokesman for the Department of Planning & Development said it expects the TIF extension, which requires City Council approval, to happen by the end of the year.

TIF districts accrue property tax revenue above a baseline number in a designated area for a period of 23 years, with proceeds designed to support projects in blighted areas that wouldn't be redeveloped without the TIF assistance. The mayoral-appointed members of the Community Development Commission review and recommend action on proposed uses of TIF money to assist private redevelopment projects, often a controversial use of taxpayer dollars.

Community Development Commission members pressed leadership from mHub and the Planning Department about why TIF money would be needed to revamp a building so close to trendy Fulton Market, where property values have soared despite the COVID-19 pandemic.

The Ashland building itself was recently appraised at \$29.5 million, according to the Planning Department, and mHub had to pay more than that because there were other prospective buyers. That set of circumstances arguably belies the mandate that TIF money only be used to help finance economic development projects that wouldn't happen without it.

Planning Commissioner Maurice Cox said that had the building been sold to another buyer, it would have likely been converted into luxury condominiums. The mHub project, meanwhile, could help support a launching pad for new businesses that want to grow in Chicago by reducing the costs and other barriers involved with physical product innovation for early-stage companies.

"One of the key priorities for the city's economy is advanced manufacturing," Cox said. "This hit squarely into some of our stated goals on how Chicago is going to remain relevant in this sector."

MHub CEO Haven Allen said the nonprofit is also in a pinch when it comes to its current facility. MHub subleases its current space in River West—a former Gonnella Baking building that was redeveloped by Google as a testing lab for Motorola Mobility in 2013—on a deal due to expire next year, and Allen told the commission that the owner of its current building has "drastically increased the rents and will provide us with a very short-term lease with non-market terms" to stay in the building. "We essentially need to find a home," he said.

MHub reported just under \$4.3 million in revenue in 2019, according to a tax filing. The Planning Department noted the nonprofit has supported hundreds of startups since its inception that have collectively received 410 patents and created 3,900 new jobs.

"Existentially, mHub will continue to be an economic development engine for the Chicago region," Allen said.

Alumni include Hologram, a communications-hardware startup that raised \$65 million last year; NuCurrent, which developed wireless-charging technology; and Sabanto, an autonomous-technology startup in the agriculture space that recently raised \$17 million.

TIF would be the largest single source of funding for the mHub project, according to the commission staff's report on the proposal.

Other financing pieces would include an estimated \$12.8 million borrowed against the property, nearly \$9.6 million in grant funding from the state of Illinois, \$6.5 million in proceeds from the sale of new markets tax credits and \$350,000 in equity from mHub, according to the staff report.

In addition to bankrolling the acquisition of the property, the funding would be put toward roughly \$10 million in construction costs and \$3 million in furniture and equipment, among other uses.

MHub's purchase of the Ashland building would return the nearly century-old property to its former industrial use. The three-story structure was built in 1926 and served for years as a machinery manufacturing and distribution facility for Cameron Can Co. Buildings that once housed heavy equipment are well-suited for the types of work performed by mHub users. Unlike other startup incubators, a key selling point for mHub is that it provides expensive, specialized equipment to manufacturing-focused startups.

MHub's pending purchase—which is slated to close by the end of January—would generate a big windfall for prominent West Loop investor Phil Denny, CEO of Peppercorn Capital. A Peppercorn venture bought the property in 2013 for \$13 million, according to Cook County property records. The building served as the offices of retailer Crate & Barrel's CB2 division when Denny refinanced the property with a new \$12.5 million mortgage in 2015.

Crate & Barrel left the building almost entirely vacant after signing a lease in 2019 to relocate the CB2 offices to Goose Island, leaving Denny hunting for new users. The COVID-19 pandemic hindered that lease-up effort, but the continued growth of Fulton Market and new apartment developments underway nearby boosted the value of the building, ultimately putting Denny in position to cash out with a fat profit.