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TO: COUNCIL MEMBERS
FROM: David Whitaker, Director, 
Legislative Policy Division Staff
DATE: February 5, 2020
RE: MyLocker Properties LLC Public Act 198 Certificate Request

Industrial Facility Abatements (Public Act 198 of 1974)

Public Act 198 of 1974, as amended, is the primary tool local units of government use as an incentive to renovate and expand manufacturing plants or to build new plants. The local legislative body grants the abatement, which reduces local property taxes by roughly 50% on new plants. In the case of a rehabilitation project, the obsolete SEV is frozen and the investment on improvements is 100% exempt from property taxes. Abatements cover both real and personal property and can run from one to twelve years at the option of the local unit of government.

The project developer is MyLocker Properties LLC, an affiliate of My Locker, which is requesting the approval of an Industrial Facilities Exemption Certificate (IFEC). Currently, My Locker¹ provides merchandise and apparel online. My Locker demolished a 20,000-square-foot building in order to build its new 110,000-square-foot production and warehouse facility, located at 1641-1661 Porter St. /1300 Rosa Parks Blvd. After completing its \$14 million headquarters expansion, MyLocker held a ribbon cutting ceremony on November 18, 2019.² This IFEC is allowed under PA 198, since the construction commenced within six months of My Locker filing its certificate application (application filed 10/10/19).³

¹ <https://www.mylocker.net/>

² MyLocker completes \$14-million expansion in Corktown, will hire 200, Detroit Free Press, by Taylor Nichole Morris, November 18, 2019 <https://www.freep.com/story/news/local/michigan/wayne/2019/11/18/mylocker-detroit-jobs/4230121002/>

³ MCL 207.559 (2) (c) For applications made after December 31, 1983, the commencement of the restoration, replacement, or construction of the facility occurred not earlier than 6 months before the filing of the application for the industrial facilities exemption certificate. (According to its application, construction commenced 7/15/19)

The overall level investment in the My Locker project, is \$14.37 million, which includes over \$10 million in real property costs and \$4.37 million in personal property costs, based on its IFEC application.

According to the DEGC, in its initial stages of its planned expansion, MyLocker was reportedly advised by its shipping partner (UPS), that locating in Reno, Nevada would be the ideal location for them and would potentially save My Locker \$80,000 per month in shipping costs. In addition, the state of Nevada has no personal income tax, and the property taxes in Reno are significantly lower than (those) in Detroit.

The DEGC indicated, *“Due to all of the additional costs of locating their expansion in Detroit ... the company ...requested the City’s assistance in filling that financial gap.”* At the time of its application, My Locker listed it had **269 employees working in Detroit and proposed to create 222 jobs**⁴ DEGC has recommended a full term 12-year PA 198 abatement.

The Detroit Free Press also reported in November 2019 that, “MyLocker moved to Detroit (from Warren) five years ago with 60 employees. Today, it employs over 450.” It also reported that “75 percent of (MyLocker’s) employees are Detroit residents, and (that) two-thirds (of their employees are women).”



Founder/CEO of MyLocker, Robert Hake, shows Mayor Mike Duggan around new MyLocker facility located in Corktown, Detroit. (Photo: Taylor Morris, Detroit Free Press)⁵

⁴ My Locker has contractually committed to maintaining 322 jobs, based on its IFEC Agreement

⁵ <https://www.freep.com/story/news/local/michigan/wayne/2019/11/18/mylocker-detroit-jobs/4230121002/>

DEGC Project Evaluation Checklist
MyLocker Expansion
 Developer: MyLocker Properties LLC
 Principal: MyLocker

Abatements Requested:		
1. Industrial Facilities Exemption, PA 198 of 1974 as amended – Industrial Development <i>District</i> – millage rate is reduced by 50% for up to 12 years		
DEGC Abatement Length Recommendation	12 Years	
Location		
Address	1300 Rosa Parks Boulevard – Unit 2	
City Council District	District 6	
Neighborhood	Corktown	
Located in HRD Targeted Area	Yes, Greater Downtown	
Building Use		
Total Square Foot	103,000	
Industrial Square Foot	103,000	
Project Overview – New Construction		
<p>Project will consist of a 103,000 sqft warehouse and production facility that will house a state-of-the-art \$2.5 million robotics inventory system engineered to simplify order fulfillment automation, reliability and cost effectiveness. In addition to the warehouse benefits, production facilities will more than double providing much needed capacity to handle continued growth.</p> <p>When considering expansion, MyLocker was advised by its shipping partner (UPS) that locating in Reno, Nevada would be the ideal location for them and would save them potentially \$80,000 per month on shipping costs. Additionally, the state of Nevada has no personal income tax, and the property taxes in Reno are significantly lower than in Detroit.</p> <p>Due to all of the additional costs of locating their expansion in Detroit, and the company has requested the City's assistance in filling that financial gap.</p>		
But For Analysis		
Competitive Siting	Detroit	Reno
Estimated Total Income Taxes Paid	\$1,351,586	\$0
Estimated difference in cost of locating in Detroit	\$1,351,583	
Effective Property Tax Rate	2.76%	0.70%
Sources and Uses		
Total Investment	\$10.4M	
Financial Sources	\$3.6M Invest Detroit (35%), \$3.6M MEDC Loan Participation Program (35%), \$1.6M PACE Equity (15%), \$450k DEGC (4%), \$1.1M Owner's Equity (11%)	
Uses	\$10.4M Hard Construction Costs (68%), \$5.0MM Soft Costs (32%)	

Project Benefits	
Estimated Jobs	322 new FTE, 269 retained
Estimated FTE Salary	\$22,000
Estimated City benefits before tax abatement	\$9,168,621
Total City estimated value of PA 198 abatement	\$324,060
Less cost of services & utility deductions	\$4,175,682
Net Benefit to City	\$4,598,880

City of Detroit: Benefits, Costs, and Net Benefits over the Next 12 Years

	Amount
Real Property Taxes, before abatement	\$1,032,304
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$1,351,523
Municipal Income Taxes - Indirect Workers	\$324,517
Municipal Income Taxes - Corporate Income	\$1,322,650
Municipal Income Taxes - Construction Period	\$51,689
Utility Revenue	\$1,158,777
Utility Users' Excise Taxes	\$252,474
State Revenue Sharing - Sales Tax	\$1,471,255
Building Permits and Fees	\$150,000
Miscellaneous Taxes & User Fees	\$1,963,372
Subtotal Benefits	\$9,168,621
Cost of Providing Municipal Services	(\$3,016,905)
Cost of Providing Utility Services	(\$1,158,777)
Subtotal Costs	(\$4,175,682)
Net Benefits	\$4,992,939

Impacted Taxing Units: Incentive Summary over the First 12 Years

	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Business Personal Property Tax Abatement	Utility Users Tax & Corporation Income Tax Exemption	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$9,168,621	(\$4,175,682)	(\$594,060)	\$0	\$0	\$4,598,880
Wayne County	\$662,702	(\$476,324)	(\$100,237)	\$0	\$0	\$85,141
Detroit Public Schools	\$2,574,287	(\$1,705,760)	(\$326,789)	\$0	\$0	\$481,737
State Education	\$194,357	\$0	\$0	\$0	\$0	\$194,357
Wayne RESA	\$127,304	\$0	(\$50,707)	\$0	\$0	\$76,597
Wayne County Comm. College	\$104,979	\$0	(\$40,436)	\$0	\$0	\$64,543
Wayne County Zoo	\$3,239	\$0	(\$1,248)	\$0	\$0	\$1,991
Detroit Institute of Arts	\$6,479	\$0	(\$2,495)	\$0	\$0	\$3,983
Total	\$12,841,967	(\$6,357,766)	(\$976,052)	\$0	\$0	\$5,508,169

Charts courtesy of the DEGC

Conclusion

The estimated total investment from the developer is approximately \$14.37 million, which includes over \$10 million in real property and \$4.37 million in personal property. According to its enforceable IFEC agreement, My Locker has committed to maintain 322 jobs at the site. The total value of the ten-year PA 198 tax abatement is estimated at \$976,032.

Based on the investment and jobs, the new industrial operation is projected to provide the City of Detroit a net benefit of **\$4.59 million** and all of the impacted taxing units, and a net benefit of **\$5.5 million** over the 12 years of the PA 198 abatement, which is inclusive of a net benefit of \$481,737 to the Detroit Public Schools (DPS old).

The City's IFEC tax abatement contract with My Locker, based on the provisions in PA 198, allow for revocation and or clawbacks if the written promises made by My Locker, the recipient of said tax abatement are not met.⁶ The current proposed project, subject to Council approval, is bound by the provisions of PA 198. This may be why My Locker has only contractually obligated itself to maintaining 322 jobs for the duration of the abatement period.

Please contact us if we can be of any further assistance.

cc: Auditor General's Office
Arthur Jemison, Chief of Services and Infrastructure
Katy Trudeau, Planning and Development Department
Donald Rencher, HRD
Veronica M. Farley, HRD
Stephanie Grimes Washington, Mayor's Office
Malinda Jensen, DEGC
Kenyetta Bridges, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, DEGC

⁶MCL 207.572 (1) A new industrial facilities exemption certificate shall not be approved and issued under this act ..., unless a written agreement is entered into between the local governmental unit and the person to whom the certificate is to be issued, and filed with the department of treasury. ... (a) A requirement that the industrial facilities exemption certificate is revoked if the eligible next Michigan business is determined to be in violation of the provisions of the written agreement. (b) A requirement that the eligible next Michigan business may be required to repay all or part of the benefits received under this act if the eligible next Michigan business is determined to be in violation of the provisions of the written agreement.



1641-1661 Porter St.⁷



⁷ Source: <https://www.loopnet.com/Listing/1641-1661-Porter-St-Detroit-MI/4113739/>

⁸ Map courtesy of DEGC



CITY OF DETROIT
 OFFICE OF THE CHIEF FINANCIAL OFFICER
 OFFICE OF THE ASSESSOR

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January 3, 2020

Katy Trudeau, Deputy Director
 Planning & Development Department
 Coleman A. Young Municipal Center
 2 Woodward Ave, Suite 805
 Detroit, MI 48226

RE: Industrial Facilities Exemption Certificate – My Locker Properties LLC
 Property Address: 1641 Porter (aka 1300 Rosa Parks Blvd Unit 2)
 Parcel Number: 08007399 002

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Assessments Division, has reviewed the request for an Industrial Facilities Exemption certificate for the property located at 1641 Porter, now known as 1300 Rosa Parks Blvd Unit 2, located in the West Side Industrial area in the City of Detroit.

The rationale for creating Industrial Facilities Exemptions under PA 198 of 1974, as amended, is based upon the anticipation that granting the exemption is a benefit to the city and that expansion, retention, or location of an eligible business will not occur without this exemption. PA 198 of 1974, as amended, also provides a tax incentive to manufacturers in order to enable renovation and expansion of aging facilities, building of new facilities, and to promote establishment of high tech facilities.

The project as proposed by My Locker Properties LLC will consist of demolishing one of the three contiguous buildings on this industrial site and constructing a 5-story 100,000 square foot warehouse and production facility that will house a state of the art \$2.5 million robotics inventory system to simplify order fulfillment automation, reliability and cost effectiveness. There will also be added production and office space to the project. The estimated total cost of the project is \$14,372,011 (\$10,090,478 for real property and \$4,275,533 for personal property) and is expected to retain 269 existing jobs and create 222 new jobs.

A field investigation indicated that the proposed project located in the area as described above is eligible as outlined under PA 198 of 1974, as amended.

Sincerely,

Charles Ericson, MMAO
 Assessor, Board of Assessors

mmp



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER
OFFICE OF THE ASSESSOR

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Industrial Facilities Exemption Certificate
My Locker Properties LLC
Page 2

Parcel Number: 08007399.002
Property Address: 1300 ROSA PARKS BLVD UNIT 2 (Formerly 1641 Porter)
Property Owner: MYLOCKER PROPERTIES LLC
Legal Description: E ROSA PARKS UNIT 2 WAYNE COUNTY CONDO PLAN NO 1126 "MYLOCKER COMMONS"
RECORDED L55267 P393, W C R 94,238 SQFT 40%
SPLIT ON 11/01/2019 FROM 08007399-413;

