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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: October 19, 2022

RE: **Lear Corporation Public Act 198 Certificate Request**

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 State Equalized Value (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 1 to 12 years at the option of the local unit of government.

NP Conner Avenue Industrial LLC applied for a speculative IFT certificate in January 2021, with the intention of identifying a tenant once construction was completed. LPD provided a report dated January 5, 2021, which detailed this request.¹ **Lear Corporation** has been identified as a new tenant to occupy approximately 416,000 sq. ft. of the total 684,490 sq. ft. of the structure, located at 9501 Conner. Lear Corporation² is expected to create a total of 350 new jobs. The DEGC has recommended a full 12-year PA 198 certificate.

Lear was founded in Detroit in 1917 as American Metal Products, which manufactured welded stamped and tubular assemblies for the automotive and aircraft industries. Today, Lear is a global automotive technology leader in seating and E-Systems.³

¹ Link: NP Conner Avenue Industrial, LLC Public Act 198 Certificate Request [July 30, 2013 \(detroitmi.gov\)](https://www.detroitmi.gov/july-30-2013)

² 160,000+ employees globally with 257 facilities in 38 countries. Lear is also #186 in the Fortune 500 list of companies.

[Company | Lear Corporation](#)

³ [E-Systems | Lear Corporation](#)

DEGC Property Tax Abatement Evaluation

Property Address: 9501 Conner
Company: Lear Corporation
Company Officer: William McLaughlin
Company Contact: Tina Welksnar

Description of Incentive: Project will seek the Industrial Facilities Exemption, PA 198 of 1974 as amended – Industrial Development District – millage rate is reduced by 50% for up to 12 years	
DEGC Abatement Term Recommendation	12 years
Location	
Address	9501 Conner
City Council District	5
Neighborhood	Airport Sub
Located in HRD/SNF Targeted Area	N/A
Building Use	
Total Industrial Square Footage	416,000
Project Description	
<p>Lear Corp was founded in Detroit in 1917, incorporated in Delaware in 1987 and is currently headquartered in Southfield, Michigan. The company provides seating and electrical systems to automotive manufacturers globally. Lear will occupy 416,000 square feet of the newly constructed industrial facility located on the site of the former Cadillac Stamping Plant located at 9501 Conner Street. This location will serve as the main Lear Just in Time (JIT) seating facility for major automotive manufacturer's electric vehicle programs.</p> <p>Lear is investing more than \$18 million in real property improvements and \$23 million in machinery and equipment for this project. Upon completion, 350 FTE workers will be employed at the facility.</p>	
Project Investment	
Total Investment	\$39,255,930
Real Property	\$18,200,200
Personal Property	\$39,255,930
Project Economic Benefits Summary	
Estimated FTE Jobs	350 FTE
Estimated City benefits before tax abatement	\$18,460,095
Total estimated City value of PA 198	\$1,677,035
Less cost of services & utility deductions	\$4,418,153
Net Benefit to City with PA 198 abatement	\$12,364,907

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

	Amount
Real Property Taxes, before abatement	\$3,354,060
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$3,428,497
Municipal Income Taxes - Indirect Workers	\$2,388,340
Municipal Income Taxes - Corporate Income	\$3,389,424
Municipal Income Taxes - Construction Period	\$175,082
Utility Revenue	\$702,253
Utility Users' Excise Taxes	\$454,062
State Revenue Sharing - Sales Tax	\$1,961,222
Building Permits and Fees	\$252,110
Miscellaneous Taxes & User Fees	\$2,355,046
Subtotal Benefits	\$18,460,095
Cost of Providing Municipal Services	(\$3,715,901)
Cost of Providing Utility Services	(\$702,253)
Subtotal Costs	(\$4,418,153)
Net Benefits	\$14,041,942

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	\$18,460,095	(\$4,418,153)	(\$1,677,035)	\$0	\$0	\$12,364,907
Wayne County	\$1,319,060	(\$518,865)	(\$400,118)	\$0	\$0	\$400,078
Detroit Public Schools	\$5,802,667	(\$2,815,823)	(\$1,491,028)	\$0	\$0	\$1,495,816
State Education	\$599,248	\$0	\$0	\$0	\$0	\$599,248
Wayne RESA	\$544,516	\$0	(\$272,258)	\$0	\$0	\$272,258
Wayne County Comm. College	\$323,374	\$0	(\$161,687)	\$0	\$0	\$161,687
Wayne County Zoo	\$9,958	\$0	(\$4,984)	\$0	\$0	\$4,974
Detroit Institute of Arts	\$19,925	\$0	(\$9,967)	\$0	\$0	\$9,958
Total	\$27,078,843	(\$7,752,841)	(\$4,017,077)	\$0	\$0	\$15,308,925

	Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive
City of Detroit	\$0	\$109,953	\$219,906
Library	\$0	\$17,587	\$35,173
Wayne County	\$0	\$30,429	\$60,855
Detroit Public Schools	\$0	\$113,394	\$226,787
State Education	\$0	\$45,573	\$45,573
Wayne RESA	\$0	\$20,705	\$41,411
Wayne County Comm. College	\$0	\$12,296	\$24,593
Wayne County Zoo	\$0	\$379	\$757
Detroit Institute of Arts	\$0	\$758	\$1,515
Total	\$0	\$351,075	\$656,571

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Charts courtesy of the DEGC

4 Existing Annual Taxes: \$0 New Annual Taxes AFTER (During) Incentive: \$351,075 New taxes Without Incentive (after the incentive expires): \$656,571

Conclusion

The estimated total investment is approximately **\$39,255,930**. The developer has committed to create 350 FTE positions,⁵ and 175 temporary construction jobs. The total value of the twelve-year PA 198 tax savings is estimated at **\$4,017,077**.

Based on the investment and jobs, the new industrial operation is projected to provide the City of Detroit a net benefit of **\$12,364,907** and all of the impacted taxing units, a net benefit of **\$15,308,925** over the 12 years of the PA 198 abatement, which is inclusive of a net benefit of **\$1,495,816** to the Detroit Public Schools (DPS old).

The City's IFEC tax abatement contract with Lear Corporation, based on the provisions in PA 198, allow for revocation and or clawback,⁶ if the written promises made by Lear Corporation, the recipient of the abatement, are not met. The current proposed project, subject to Council approval, is bound by the provisions of PA 198 (MCL 207.572 (1)).

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

Attachment: Assessor's Letter dated October 7, 2022

cc: Auditor General's Office
Donald Rencher, Chief of Services and Infrastructure
Antoine Bryant, Planning and Development Department
Julie Schneider, HRD
Veronica Farley, HRD
Charles Ericson, Office of the CFO/Office of the Assessors
Stephanie Grimes Washington, Mayor's Office
Gail Fulton, Mayor's Office
Malinda Jensen, DEGC
Kenyetta Bridges, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, DEGC

⁵ The certificate application lists 350 employees in the first two years.

⁶ The term **clawback** refers to any money or benefits that have been given out, but the money or benefits are required to be returned due to special circumstances or events, or where there is a clawback provision in a contract.



9501 Conner⁷



Rendering of 9501 Conner⁸

⁷ Source: [9501 Conner St, Detroit, MI 48213 - M3 Commerce Center | LoopNet](#)

⁸ Source: [9501 Conner St, Detroit, MI 48213 - M3 Commerce Center | LoopNet](#)



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

COLEMAN A. YOUNG MUNICIPAL CENTER
2 WOODWARD AVE., SUITE 824
DETROIT, MI 48226
PHONE: 313•224•3011
FAX: 313•224•9400

October 7, 2022

Katharine G. Trudeau, Deputy Director
Planning & Development Department
Coleman A. Young Municipal Center
2 Woodward Ave, Suite 808
Detroit, MI 48226

Re: Industrial Facilities Exemption Certificate Request – **Lear Corporation**
Property Address: 10600 Gratiot
Parcel Number: 19001584.000

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the request from **Lear Corporation** for an Industrial Facilities Exemption certificate for the property located at **10600 Gratiot** 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.

NP Conner Avenue Industrial LLC applied for a speculative IFT certificate in January 2021 with the intention of identifying a tenant once construction was completed. **Lear Corporation** has been identified as a new tenant to occupy approximately 416,000 sq.ft. of the total 684,490 sq.ft. of the structure. The estimated total investment of the Lear portion of the project is \$18,200,200 for the real property and 21,055,730 for the personal property. Lear Corporation is expected to create a total of 350 new jobs.

A review of the project details and relevant statutes indicated that the proposed project located at **10600 Gratiot** is eligible as outlined under PA 198 of 1974, as amended.

Sincerely,

Charles Ericson, MMAO
Assessor, Board of Assessors



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

COLEMAN A. YOUNG MUNICIPAL CENTER
2 WOODWARD AVE., SUITE 824
DETROIT, MI 48226
PHONE: 313•224•3011
FAX: 313•224•9400

Industrial Facilities Exemption Certificate
Lear Corporation
Page 2

Property Address: 10600 GRATIOT
Parcel Number: 19001584.000

Property Owner: NP CONNER AVENUE INDUSTRIAL LLC

Legal Description: S GRATIOT PT OF PCS 10 11 AND 389 AND PT OF FRAC SEC 23 T1S R12E; ALL DESC AS BG N LN DETROIT TERMINAL RR AND E LN GRATIOT AVE (124 FT WD) TH N 24D 49M 25S E 514.99 FT TH S 65D 09M 30S E 219.92 FT TH N 24D 50M 30S E 202.73 FT TH S 45D 23M 43S E 7.44 FT TH N 35D 54M 19S E 272.06 FT TH N 81D 30M 01S E 87.59 FT TH S 43D 55M 31S E 574.87 FT TH S 22D 54M 45S E 200.99 FT TH S 36D 23M 30S E 609.96 FT TH S 03D 05M 07S E 603.78 FT TH S 00D 05M 57S E 16.02 FT TH N 86D 51M 47S E 180.23 FT TH S 03D 08M 13S E 99.51 FT TH S 86D 51M 45S W 1011.10 FT TH N 35D 51M 15S W 1333.33 FT TO POB 1,869,087 SQFT OR 42.908 AC

