


David Whitaker, Esq.
Director
Irvin Corley, Jr.
Executive Policy Manager
Marcell R. Todd, Jr.
Senior City Planner
Janese Chapman
Deputy Director

John Alexander
LaKisha Barclift, Esq.
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Elizabeth Cabot, Esq.
Tasha Cowan
Richard Drumb
George Etheridge
Deborah Goldstein

City of Detroit
CITY COUNCIL
LEGISLATIVE POLICY DIVISION
208 Coleman A. Young Municipal Center
Detroit, Michigan 48226
Phone: (313) 224-4946 Fax: (313) 224-4336

Christopher Gulock, AICP
Derrick Headd
Marcel Hurt, Esq.
Kimani Jeffrey
Anne Marie Langan
Jamie Murphy
Kim Newby
Analine Powers, Ph.D.
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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director
Legislative Policy Division Staff 

DATE: May 27, 2020

RE: Request to approve a Commercial Facilities Exemption Certificate (PA 255)
as requested by Tellevation II LLC **PUBLIC HEARING**

Commercial Redevelopment Act (Public Act 255 of 1978)

The Commercial Redevelopment Act (known as the Commercial Facilities Exemption), PA 255 of 1978, as amended, provides a tax incentive to commercial business enterprises to enable the renovation and expansion of aging facilities and to assist in the building of new facilities. A Commercial Redevelopment District (CRD) must be created prior to initiating a project. A Commercial Facilities Exemption Certificate entitles the facility to exemption from ad valorem real property taxes for a term of 1-12 years as determined by the local governmental unit.

Tellevation II LLC

The project developer, Tellevation II LLC plans to convert a 133-year-old Queen Anne¹ building, located at 110 E. Ferry for the establishment and operation of a women's social club to be operated as Bas Bleu. Upon the project's completion, Bas Blue will create a space for connection, creativity and discovery by uniting the diverse female community of Detroit with highly curated programs of food and culturally enriching experiences in a single destination. Due to the high restoration costs, the abatement is considered necessary for the project to proceed.

¹ The Queen Anne style of architecture represented the culmination of the picturesque, or romantic movement of the 19th century. Based on a premise of "decorative excess" and variety, there was little attempt to stay true to any one particular style or historical detailing. <https://architecturestyles.org/queen-anne/>

The DEGC has recommended a full 12-year tax abatement. The total investment for this project is approximately **\$3,038,000**.

DEGC Project Evaluation Checklist

Tellevation II

Developer: Tellevation II LLC

Principal: Nancy Tellum

Commercial Facilities Exemption, PA 255 of 1978 as amended - Current taxes frozen at pre-rehab values / Improvements not taxed, local taxes abated for up to 12 years	
Location	
Address	110 E Ferry
City Council District	District 5
Neighborhood	Cultural Center
Located in HRD Targeted Area	Yes, Great Downtown
Building Use	
Total Square Foot	7,340
Number of Stories	Three
Project Description	
<p>The project is the rehabilitation of the approximately 133-year-old Queen Anne building at 110 E. Ferry for the establishment and operation of a women's social club to be operated at Bas Bleu. Bas Blue will create a space for connection, creativity and discovery marrying the diverse female community of Detroit with highly curated programs, food and culturally enriching experiences in a single destination. The very high cost to restore the building requires the approval of a PA 255 tax abatement to prevent the property tax burden from imposing an overwhelming burden on the operating costs of the property.</p>	
Use Breakdown	
Single Tenant Women's Club Lease	\$32.70/PSF
Total Annual Lease Amount	\$240,018
Sources and Uses	
Total Investment	\$3,038,000
Sources	\$3,038,000 Owner Equity Contribution (100%)
Uses	\$400k Acquisition (15%), \$2.59MM Hard Construction (73%), \$50k Soft Costs (12%)
Project Benefits	
Estimated Jobs	3 FTE, 10 Construction Employees
Estimated benefits before tax abatement	\$501,859
Total estimated value of PA 255 abatement	\$149,031
Less cost of services & utility deductions	\$160,189
Net Benefit to City	\$192,639



110 E. Ferry

Location Map



² Photo and map courtesy of DEGC

Projected Benefits, Prior to the Abatement over 12 years: City of Detroit

	Amount
Real Property Taxes, before abatement	\$246,512
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$37,661
Municipal Income Taxes - Indirect Workers	\$4,637
Municipal Income Taxes - Corporate Income	\$9,053
Municipal Income Taxes - Construction Period	\$17,084
Utility Revenue	\$136,240
Utility Users' Excise Taxes	\$11,285
State Revenue Sharing - Sales Tax	\$14,120
Building Permits and Fees	\$5,435
Miscellaneous Taxes & User Fees	\$19,831
<u>Subtotal Benefits</u>	<u>\$501,859</u>
Cost of Providing Municipal Services	(\$23,949)
Cost of Providing Utility Services	(\$136,240)
<u>Subtotal Costs</u>	<u>(\$160,189)</u>
Net Benefits	\$341,670

Projected Fiscal Impact of the PA 210 over 12 years: All Taxing Units

	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	\$501,859	(\$160,189)	(\$149,031)	\$0	\$0	\$192,639
Wayne County	\$63,825	(\$4,281)	(\$35,651)	\$0	\$0	\$23,893
Detroit Public Schools	\$242,930	(\$11,693)	(\$137,569)	\$0	\$0	\$93,668
State Education	\$44,625	\$0	(\$26,626)	\$0	\$0	\$17,999
Wayne RESA	\$29,276	\$0	(\$18,056)	\$0	\$0	\$11,220
Wayne County Comm. College	\$24,104	\$0	(\$14,382)	\$0	\$0	\$9,722
Wayne County Zoo	\$744	\$0	(\$444)	\$0	\$0	\$300
Detroit Institute of Arts	\$1,488	\$0	(\$888)	\$0	\$0	\$600
Total	\$908,850	(\$176,163)	(\$382,647)	\$0	\$0	\$350,041

Charts courtesy of DEGC

Based on the estimated investment of \$3,038,000 and despite its projected tax savings to the developer of **\$382,647**, the projected positive cost benefit to the City of Detroit is **\$192,639** and over **\$350,041** to all of the impacted taxing units, in addition to the creation of 3 FTE, 10 temporary construction jobs.

Certificate; issuance; contents; effective date; filing; record³

Following approval of the application by the legislative body of the local governmental unit, **the clerk of the local governmental unit shall issue to the applicant a commercial facilities exemption certificate** in the form the commission determines which shall contain:

- (a) A legal description of the real property on which the facility is or is to be located.
- (b) A statement that unless revoked as provided in this act the certificate shall remain in force for the period stated in the certificate.

³ COMMERCIAL REDEVELOPMENT ACT MCL 207.658

(c) In the case of a restored facility a statement of the state equalized valuation of the obsolete commercial property, separately stated for real and personal property, for the tax year immediately preceding the effective date of the certificate after deducting the state equalized valuation of the land and personal property other than personal property assessed pursuant to section 14(6) of Act No. 206 of the Public Acts of 1893, as amended.⁴

(2) The effective date of the certificate shall be the December 31 next following the date of issuance of the certificate.

(3) *The clerk of the local governmental unit shall file with the commission (State Tax Commission) a copy of the commercial facilities exemption certificate and the commission shall maintain a record of all certificates filed.*

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

cc: Auditor General's Office
Arthur Jemison, Chief of Services and Infrastructure
Maurice Cox, Planning and Development Department
Donald Rencher, HRD
Veronica Fairley, HRD
Stephanie Grimes Washington, Mayor's Office
Avery Peeples, Mayor's Office
Malinda Jensen, DEGC
Kenyetta Bridges, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, DEGC

⁴ THE GENERAL PROPERTY TAX ACT



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

April 8, 2020

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

RE: Commercial Facilities Tax Exemption Certificate – Tellevation II LLC
 Property Address: 110 E. Ferry
 Parcels Number: 01001493.

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the application for a Commercial Facilities Tax Exemption Certificate for the property located at **110 E. Ferry** in the **Midtown** area in the City of Detroit.

The rationale for creating Commercial Redevelopment Districts under PA 255 of 1978, as amended, is based on the anticipation of increased market value upon completion of new construction and/or significant restoration of commercial and former industrial property where the primary purpose and use of which is the operation of a commercial business enterprise and shall include office, engineering, research and development, warehousing parts distribution, retail sales, hotel or motel development, and other commercial facilities. Commercial business enterprise also includes a business that owns or operates a transit-oriented development or a transit-oriented facility. Normal repair and maintenance are not assessed and do not necessarily generate additional market value.

The building consists of a 2+ story vacant rooming house commercial building with 4,541 square feet of total floor area, built in 1900, on .177 acres of land which is impaired due to changes in design and technology or general neglect, warranting substantial restoration. The proposed restoration includes rehabilitation for use by a tenant that is an affiliate of the owner, Bas Bleu LLC, for use in operations of a women’s social club. The restoration of the rooming house will include reconfiguration of the interior, replacement windows, new plumbing fixtures, new interior doors, built in appliances, and the addition of an elevator. The restoration of this facility will provide for an estimated 10 to 20 temporary skilled construction jobs and at least three and likely more permanent jobs are expected to be created.

The 2020 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
01001493.	110 E FERRY	\$ 140,200	\$ 140,200	\$ 199,600	\$ 199,600

This area meets the criteria set forth under PA 255 of 1978, as amended. It applies to functionally obsolete properties requiring restoration meaning changes to obsolete commercial property other than replacement as may be required to restore the property, together with all appurtenances, to an economically efficient condition.



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A field investigation indicated that the proposed Commercial Facilities Tax Exemption status be granted to the facility located at **110 E. Ferry**, as it qualifies for the proposed Commercial Redevelopment Act under PA 255 of 1978, as amended.

Sincerely,

Charles Ericson, MMAO
Assessor, Board of Assessors

mmp



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Parcel Number: 01001493.
Property Address: 110 E. FERRY
Property Owner: TELLEVATION II LLC
Legal Description: S FERRY E N 110.48 FT 20 D M FERRYS SUB L10 P4 PLATS, W C R 1/82 70 X 110.

