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City of Detroit

CITY COUNCIL

LEGISLATIVE POLICY DIVISION
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Detroit, Michigan 48226
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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: September 12, 2022

RE: **9301 Kercheval, LLC PA 255 Certificate Request**

The Commercial Redevelopment Act, PA 255 of 1978

The Commercial Redevelopment Act, PA 255 of 1978, is a tax incentive to provide for the establishment of commercial redevelopment districts in local governmental units. A Commercial Facilities Exemption Certificate entitles the facility an exemption from ad valorem real property taxes for a term of 1-12 years as determined by the local governmental unit.

The criteria set forth for issuing Commercial Rehabilitation certificates under 255 of 1978, as amended, applies to functionally obsolete properties requiring restoration, meaning changes to obsolete commercial property other than replacement may be required to restore the property, together with all appurtenances,¹ to an economically efficient condition.

9301 Kercheval, LLC,² is the project developer of the property located at 9301 Kercheval. The project as proposed consists of vacant retail and office space with approximately 24,360 square feet on 0.446 acres of land. The developer proposes to convert the property into an arts-focused development with retail and artist studios.³ The restoration requires extensive restructuring, including mechanical, window, and HVAC upgrades, a roof replacement, and floor reconfigurations. The DEGC has recommended a full 12-year Commercial Redevelopment certificate.

¹ Accessories or other items associated with a particular activity or style of living.

² The developer is Anthony Curis

³ [How JJ and Anthony Curis are Energizing Detroit's Art Scene - Galerie \(galeriemagazine.com\)](http://www.galeriemagazine.com)

DEGC Property Tax Abatement Evaluation

Property Address: 9301 Kercheval
Developer: Anthony Curis
Prepared By: Catherine Frazier

Description of Incentive: CFF PA 255		
DEGC Abatement Term Recommendation	12 years	
Location		
Address	9301 Kercheval	
City Council District	5	
Neighborhood	Indian Village	
Located in HRD/SNF Targeted Area	IVGV	
Building Use		
Total Retail / Commercial Square Footage	24,000	
Parking Spaces	15	
Project Description		
<p>The redevelopment of 9301 Kercheval will transform three vacant buildings (primarily an obsolete former bakery) at the corner of Kercheval and McClellan into a dynamic, arts-focused development anchor in the community. The project will be designed by internationally-acclaimed architectural firm OMA.</p> <p>The buildings total approximately 24,000 gross square feet but will be divided into multiple commercial spaces including approximately 4,775 and 4,280 square foot spaces for Detroit-based arts nonprofits Signal-Return and Progressive Art Studio Collective. Signal-Return is a Detroit nonprofit organization dedicated to preserving and teaching traditional letterpress printing, and a community center for art, craft, design and collaboration. Progressive Art Studio Collective is one of the only nonprofits in Michigan to provide exhibition, studio and workshop programming for artists with disabilities. There will be roughly 3,625 square feet of additional space for curated retail and an approximately 5,660 square foot second level for artist studios. The majority of the future tenants will access their spaces through a shared outdoor courtyard.</p> <p>This redevelopment and reuse project will bring arts-focused nonprofits to the neighborhood, providing desperately needed quality studio spaces for Detroit artists, while also adding a mix of retail to the neighborhood. It will be very complimentary to the recently announced arts campus, The Shepherd.</p>		
Underwriting Metrics Summary	Performance w/o Abatement	Performance w/ Abatement
Internal Rate of Return IIRR)	-1.52%	0.16%
Debt Service Coverage Ratio	na	na
Cash on Cash Return	3.24%	4.37%
Yield on Cost	3.55%	4.79%
Sources and Uses of Capital Summary		
Total Investment	\$3,563,124	
Sources	\$3,563,124 Equity	
Uses	Hard Costs \$2,369,623 / Soft Cost: \$558,501 / Acquisition: \$635,000	
Project Economic Benefits Summary		
Estimated Jobs (FTE/Construction)	12 Tenant / 19 Construction	
Estimated City benefits before tax abatement	\$596,412	
Total estimated City value of abatement	\$182,294	
Less cost of services & utility deductions	\$160,406	
Net Benefit to City with abatement	\$253,712	

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

	Amount
Real Property Taxes, before abatement	\$214,877
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$91,256
Municipal Income Taxes - Indirect Workers	\$23,744
Municipal Income Taxes - Corporate Income	\$60,354
Municipal Income Taxes - Construction Period	\$19,143
Utility Revenue	\$35,070
Utility Users' Excise Taxes	\$14,836
State Revenue Sharing - Sales Tax	\$58,088
Building Permits and Fees	\$10,000
Miscellaneous Taxes & User Fees	\$69,045
Subtotal Benefits	\$596,412
Cost of Providing Municipal Services	(\$125,336)
Cost of Providing Utility Services	(\$35,070)
Subtotal Costs	(\$160,406)
Net Benefits	\$436,006

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	\$596,412	(\$160,406)	(\$182,294)	\$0	\$0	\$253,712
Wayne County	\$66,575	(\$15,150)	(\$50,447)	\$0	\$0	\$978
Detroit Public Schools	\$256,361	(\$65,181)	(\$187,998)	\$0	\$0	\$3,181
State Education	\$38,391	\$0	(\$37,779)	\$0	\$0	\$612
Wayne RESA	\$34,884	\$0	(\$34,328)	\$0	\$0	\$556
Wayne County Comm. College	\$20,717	\$0	(\$20,387)	\$0	\$0	\$330
Wayne County Zoo	\$638	\$0	(\$628)	\$0	\$0	\$10
Detroit Institute of Arts	\$1,276	\$0	(\$1,256)	\$0	\$0	\$20
Total	\$1,015,254	(\$240,737)	(\$515,117)	\$0	\$0	\$259,400

	Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive
City of Detroit	\$1,737	\$1,741	\$15,296
Library	\$278	\$279	\$2,447
Wayne County	\$481	\$482	\$4,233
Detroit Public Schools	\$1,791	\$1,796	\$15,775
State Education	\$360	\$361	\$3,170
Wayne RESA	\$327	\$328	\$2,880
Wayne County Comm. College	\$194	\$195	\$1,711
Wayne County Zoo	\$6	\$6	\$53
Detroit Institute of Arts	\$12	\$12	\$105
Total	\$5,186	\$5,199	\$45,670

⁴ Existing Annual Taxes: \$5,186 - New Annual Taxes AFTER (During) Incentive: \$5,199 New taxes Without Incentive (after the incentive expires): \$45,670

Conclusion

The estimated total capital investment for this project is **\$3,563,124**. It is also estimated that the completed project will create 12 tenant positions and 19 temporary construction jobs. The 12-year Commercial Redevelopment tax abatement is estimated to provide the developer a *tax savings* on the new investment of **\$515,117**.

Based on the investment and jobs, this project is also estimated to provide the City of Detroit a net benefit of **\$253,712** and all of the impacted taxing units, a net benefit of **\$259,400**, over the 12 years of the Commercial Redevelopment tax abatement.

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

Attachments: **Assessor's Letter dated, June 24, 2022**
Support Letters

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



Current street view of 9301 Kercheval ⁵

⁵ Source: DEGC



Current interior conditions



Rendering of the completed project at 9301 Kercheval ⁶

⁶ Interior photo and rendering courtesy of DEGC



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

June 24, 2022

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 – 9301 Kercheval LLC
 Property Address: 9301 Kercheval
 Parcels Number: 19000277.

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 **9301 Kercheval** in the **East Village** area in the City of Detroit.

The rationale for issuing Commercial Redevelopment certificates 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 project as proposed by **9301 Kercheval LLC** consists of vacant retail and office space with approximately 24,360 square feet on 0.446 acres of land. The developer proposes to convert the property into arts-focused development with retail and artist studios. The restoration requires extensive reconfiguration, including mechanical upgrades, windows, HVAC, roof replacement, and floor reconfiguration.

The 2021 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
19000277	9301 Kercheval	\$ 34,000	\$ 24,947	\$ 7,400	\$ 5,430

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.



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

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Commercial Facilities Exemption Certificate Request
9301 Kercheval LLC
Page 2

A review of the project plan and relevant statutes indicated that the proposed project located at **110 E. Ferry** is eligible under the Commercial Redevelopment Act, PA 255 of 1978, as amended.

Sincerely,

Charles Ericson, MMAO
Assessor, Board of Assessors



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

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Commercial Facilities Exemption Certificate Request
9301 Kercheval LLC
Page 3

Parcel: 19000277.
Owner: 9301 KERCHEVAL LLC
Address: 9301 KERCHEVAL
Legal Description: N KERCHEVAL N 22 FT 7 8 THRU 11 AND VAC ALLEY ADJ BLK 6 YEMANS & SPRAGUES SUB L13 P11 PLATS, W C R 19/29 136.82 X 142





City of Detroit
Coleman A. Young Municipal Center
2 Woodward Ave
Detroit, MI 48226

Re: 9301 Kercheval

To whom it may concern,

On behalf of Pewabic Pottery, I am writing to urge approval of 9301 Kercheval, the adaptive reuse project being proposed for the corner of Kercheval and McClellan Avenues on Detroit's east side.

We've reviewed the plans submitted by the applicant to transform the former bakery buildings into a mixed-use arts and community hub, and believe the project represents a valuable addition to the neighborhood. It will provide welcoming, publicly-accessible space for two highly respected Detroit nonprofits – Signal-Return and Progressive Arts Studio Collective – and create affordable opportunities for independent artists and creative retailers. We strongly support this project and look forward to having other culturally focused stakeholders in the neighborhood. The proposed project will reactivate a vacant structure in East Village and become a valuable gathering space for the community.

Pewabic has been part of this neighborhood for over a century, working out of our National Historic Landmark studio just a few blocks from the project site. We believe the proposed development will increase community vitality and resilience, and look forward to this project coming to fruition.

Thank you. Please feel free to contact me if you have any questions.

Sincerely,

Steve McBride
Executive Director

SIGNAL-RETURN

A COMMUNITY LETTERPRESS STUDIO IN DETROIT

April 11, 2022

To the City of Detroit,

We were thrilled to meet Anthony Curis and learn of his vision to create a collaborative and creative hub in the previous Blue Bird Bakery Building located at 9301 Kercheval. His timing coincides with our goal to expand our mission and programming in an area where creative partners already exist. We are excited that Signal-Return will serve as an anchor tenant.

Our Mission-Signal-Return is a Detroit nonprofit organization dedicated to preserving and teaching traditional letterpress printing, and building a community center for art, craft, design and collaboration.

About Signal-Return

In 2011, Signal Return, dedicated to letterpress printing as a means of artistic expression and communication, opened its doors wide to the public. Through innovative and wide-ranging programming—hands-on arts workshops, Open Studio program, visiting artists, educational partnerships with universities, elementary and high schools, often working with other arts and culture organizations—we provide a platform for Detroit area artists to create, collaborate and sell their work. In addition, Signal-Return partners with other cultural organizations to offer a wide range of free events: poetry readings, book release parties, and exhibitions, connecting the written word, the spoken word and the printed word. A crucial part of our mission is our retail shop offering original printed art, focusing mainly on the work of Detroit-based artists, along with work by Michigan and national artists, providing revenue for artists and public exposure for their work.

Signal-Return Programming


The idea of the democratic multiple and the notion of printmaking as a way for artists to share their message and provide a revenue stream informs our programming. Our *On Press: Prints for Nonprofits* project combines art, artist and social responsibility. Our *Power of the Press Fest* events have introduced over 100 print artists to hundreds of Detroit area festival visitors, resulting in sales of works and new connections between exhibiting artists.

Signal-Return Accomplishments

Signal-Return's archive is being collected by the Special Collections of the University of Michigan and *On Press: Prints for Nonprofits*, along with protest posters have been acquired by The Library of Congress, Washington DC, the Henry Ford Museum in Dearborn, Michigan and the Art and Art History Collection of Wayne State University.

Our Goal: With our proposed move to 9301 Kercheval, we aim to expand our mission and our programmatic offerings by increasing the hours of open studio access, increase the number of artists working in the studio, and increase the exposure and market for their work. This is a transformative moment for Signal-Return and we are excited to be coming to a space where we can provide these expanded resources for artists, and be an integral partner of a creative hub being established in Detroit's east side neighborhood.

Sincerely,


Lynne Avadenka, Signal-Return Director

1345 Division #102 / Detroit, Michigan 48207 / 313.567.8970 / signalreturnpress.org

Board of Directors
Jeffrey McKelvey
Chairperson

April 10, 2022

Christopher Cousineau
Vice Chairperson

Dear City of Detroit,

Jackie Lovejoy
Treasurer

This letter confirms STEP (Services to Enhance Potential)'s involvement in the development at 9301 Kercheval. STEP is planning to lease 5000 square feet of the development at 9301 Kercheval from the landlord Anthony Curis to use for our PASC (Progressive Art Studio Collective) Detroit program. This location will provide a large open studio to support adult artists with disabilities, and a professional gallery to present and sell their artwork, as well as produce related exhibitions and public programs.

Judy Hernandez
Secretary

Jeanna English
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Karl Kostrzewa
Lynn Meyer
James Mulcahy
Marisa Nicely
Lisa Redick
Terrence Reed
Nina Rodriguez
Krista Shuler
Ceretta Willis

[Services to Enhance Potential \(STEP\)](#) is a non-profit service organization, founded in 1972, that provides services and support for 1300+ individuals with developmental disabilities and mental health issues in Southeastern Michigan. PASC was launched in January 2021 as the first progressive art and design studio, and exhibition program, in Detroit and Wayne County, dedicated to supporting artists with developmental disabilities and mental health issues to advance independent artistic practices and build individual career paths in the art and design fields. PASC currently runs three studios in Southgate, Westland and Detroit, and is supporting over 100 artists with disabilities.

President/CEO
Brent C. Mikulski

This new building will provide our first public studio space in Detroit, significantly increasing the visibility of the disabled population, while providing a unique platform for creative self-expression. We are excited to play a role in developing this cultural center, shared with printmaking collective Signal Return, and the professional artists who will occupy the second-floor studios. The development at 9301 Kercheval, and the cultural district being formed around it, provides an exceptional opportunity to bring together the disabled and nondisabled populations.

Sincerely,



Brent Mikulski
President/CEO

