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# 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

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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director   
Legislative Policy Division Staff

DATE: September 13, 2022

RE: **Tellevation II, 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,<sup>1</sup> to an economically efficient condition.

Tellevation II, LLC,<sup>2</sup> is the project developer of the property located at 110 ½ E. Ferry Street. The project as proposed consists of a 2-story carriage house.<sup>3</sup> The proposed project involves stripping and reconfiguring the interior layout, retrofitting the building's HVAC systems, restoring existing architectural and design features and the construction of new interior improvements, converting the building into a commercial space for a non-profit tenant, BasBlue. The DEGC has recommended a full 12-year Commercial Redevelopment certificate.

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<sup>1</sup> Accessories or other items associated with a particular activity or style of living.

<sup>2</sup> The developer - Principal: Nancy Tellum

<sup>3</sup> Renovation of the carriage house at 110 ½ E. Ferry will be used in conjunction with the BasBlue non-profit women's club that occupies the former main house at 110 E. Ferry [Home - BasBlue \(basblueus.com\)](http://www.basblueus.com)

## DEGC Project Evaluation Checklist

### Tellevation II - Addition

Developer: Tellevation II LLC

Principal: Nancy Tellum

Commercial Facilities Exemption, <b>PA 255 of 1978 as amended</b> - Current taxes frozen at pre-rehab values / Improvements not taxed, local taxes abated for up to 12 years	
<b>Location</b>	
Address	110 ½ E Ferry
City Council District	District 5
Neighborhood	Cultural Center
Located in HRD Targeted Area	Yes, Great Downtown
<b>Building Use</b>	
Total Square Foot	3,079
Number of Stories	Three
<b>Project Description</b>	
<p>Renovation of the carriage house at 110 ½ E Ferry to be used in conjunction with the Bas Blue non-profit women’s club that occupies the main former house at 110 E. Ferry. Bas Blue has been an overwhelming success already, far exceeding its membership and hiring goals. Approximately 60% to 70% of the Bas Blue members live or work in Detroit. Eight of its ten current employees are Detroit residents (two more employees are expected to be hired as a result of this request). 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>	
<b>Sources and Uses</b>	
Total Investment	\$1.078 million
Sources	\$1.078M Equity (100%)
Uses	\$328K Acquisition (30%), \$652K Hard Costs (60%), \$98K Soft Costs (10%)
<b>Project Benefits</b>	
Estimated Jobs	2 FTE + 6 Construction
Estimated benefits before tax abatement	<b>\$200,246</b>
Total estimated value of PA 255 abatement	<b>\$73,762</b>
Less cost of services & utility deductions	<b>\$38,563</b>
Net Benefit to City	<b>\$87,922</b>

**City of Detroit: Benefits, Costs, and Net Benefits over the Next 12 Years<sup>4</sup>**

	Amount
Real Property Taxes, before abatement	\$109,695
Personal Property Taxes, before abatement	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes - Direct Workers	\$13,037
Municipal Income Taxes - Indirect Workers	\$3,392
Municipal Income Taxes - Corporate Income	\$10,644
Municipal Income Taxes - Construction Period	\$6,329
Utility Revenue	\$18,551
Utility Users' Excise Taxes	\$2,300
State Revenue Sharing - Sales Tax	\$9,274
Building Permits and Fees	\$16,000
Miscellaneous Taxes & User Fees	\$11,025
<u>Subtotal Benefits</u>	<u>\$200,246</u>
Cost of Providing Municipal Services	(\$20,012)
Cost of Providing Utility Services	(\$18,551)
<u>Subtotal Costs</u>	<u>(\$38,563)</u>
Net Benefits	\$161,683

**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	\$200,246	(\$38,563)	(\$73,762)	\$0	\$0	\$87,922
Wayne County	\$28,670	(\$2,473)	(\$17,598)	\$0	\$0	\$8,600
Detroit Public Schools	\$110,591	(\$13,036)	(\$65,580)	\$0	\$0	\$31,975
State Education	\$19,598	\$0	(\$13,178)	\$0	\$0	\$6,420
Wayne RESA	\$17,808	\$0	(\$11,975)	\$0	\$0	\$5,834
Wayne County Comm. College	\$10,576	\$0	(\$7,112)	\$0	\$0	\$3,464
Wayne County Zoo	\$326	\$0	(\$219)	\$0	\$0	\$107
Detroit Institute of Arts	\$652	\$0	(\$438)	\$0	\$0	\$213
<b>Total</b>	\$388,468	(\$54,072)	(\$189,862)	\$0	\$0	\$144,534

	Existing Taxes	New Taxes AFTER Incentive(s)	New Taxes Without Incentive
City of Detroit	\$4,748	\$4,793	\$9,521
Library	\$759	\$767	\$1,523
Wayne County	\$1,314	\$1,326	\$2,635
Detroit Public Schools	\$4,897	\$4,943	\$9,819
State Education	\$984	\$993	\$1,973
Wayne RESA	\$894	\$903	\$1,793
Wayne County Comm. College	\$531	\$536	\$1,065
Wayne County Zoo	\$16	\$17	\$33
Detroit Institute of Arts	\$33	\$33	\$66
<b>Total</b>	\$14,176	\$14,311	\$28,428

<sup>4</sup> Charts courtesy of the DEGC

<sup>5</sup> Existing Annual Taxes: \$14,176 - New Annual Taxes AFTER (During) Incentive: \$14,311 New taxes Without Incentive (after the incentive expires): \$28,428

## Conclusion

The estimated total capital investment for this project is **\$1.078 million**. It is also estimated that the completed project will create 2 positions and 6 temporary construction jobs. The 12-year Commercial Redevelopment tax abatement is estimated to provide the developer a *tax savings* on the new investment of **\$189,862**.

Based on the investment and jobs, this project is also estimated to provide the City of Detroit a net benefit of **\$87,922** and all of the impacted taxing units, a net benefit of **\$144,534**, 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 1, 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



**Current view<sup>6</sup>**

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<sup>6</sup> Source: 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 1, 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 Certificate – **Tellevation II LLC**  
 Property Address: 5439 John R  
 Parcels Number: 01001494.000

Dear Ms. Trudeau:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the Commercial Facilities certificate application for the properties located at **5439 John R** in the **Midtown** area in the City of Detroit.

The rationale for issuing Commercial Facilities 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 property consists of a two-story carriage house structure with 3,079 sq.ft. on 0.072 acres of land. The owner plans to rehabilitate the structure into event and operating space for a non-profit tenant. Rehabilitation includes new building mechanicals and HVAC systems, restore existing architectural and design features, and construct new interior improvements. The rehabilitation is expected to increase commercial activity in the area, prevent loss of employment, revitalize the urban area and increase the number of residents in the city.

The 2020 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
01001494.000	5439 John R	\$ 132,200	\$ 29,823	\$ 37,800	\$ 8,527

The project 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.

A review of the proposed project and related statutes indicated that the facility located at **5439 John R** is eligible under the Commercial Redevelopment Act under 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

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

Commercial Facilities Certificate

5439 John R

Page 2

Property Owner: TELLEVATION II LLC

Property Address: 5439 JOHN R

Parcel Number: 01001494.000

Legal Description: W JOHN R PT OF 20 D M FERRYS SUB OF PARK LOT 41 L10 P4 PLATS W C R 1/82; ALL DESC AS BEG AT SE COR 20 TH S 59D 20M 25S W 60.25 FT TH N 30D 48M 23D W 50.74 FT TH N 59D 20M 25S E 63.32 FT TH S 27D 20M 42S E 50.83 FT TO POB 50.83 IRREG 3,136.3 SQFT

