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TO: Council Members
FROM: David Whitaker, Director 
Legislative Policy Division Staff
DATE: November 6, 2024
RE: 2930 E. Jefferson Ave Commercial Facilities Tax Exemption Certificate

The Commercial Redevelopment Act, PA 255 of 1978

The Commercial Redevelopment Act, PA 255 of 1978, is a state statute that allows for the granting of a tax incentive that provides for the establishment of commercial redevelopment districts in local governmental units. A Commercial Facilities Exemption Certificate entitles an eligible facility to an exemption from ad valorem real property taxes for a term of 1-12 years, as determined by the local governmental unit. City Council approved the district for this project on October 29, 2024.

The criteria set forth for issuing commercial facility exemption certificates under PA 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.

The developer, 2930 E Jefferson LLC, is requesting a Commercial Facilities Exemption Certificate for the restoration of a commercial building located at 2930 E. Jefferson. This existing structure is a 6,703 sq ft building on a 0.225 acre. The developer plans to reconfigure the interior layout; restore the existing architectural and design features; and undertake comprehensive repairs which includes upgrades to the mechanical, electrical and plumbing systems; repairs to the roof, siding, windows and doors; waterproofing and masonry restoration; and additional ADA compliance changes.

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

The two-story office building will be used as a small business incubator targeting women and minority owned businesses. The first floor will house wellness-focused small businesses, including massage

Impacted Taxing Units: Incentive Summary Over the First 12 Years

Jurisdiction	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Business Personal Property Tax Abatement	Brownfield Tax Capture	Net Benefits After Tax Abatements & Incentives
City of Detroit	\$208,993	(\$52,783)	(\$106,703)	\$0	\$0	\$49,507
Wayne County	\$30,309	(\$1,809)	(\$27,045)	\$0	\$0	\$1,455
Detroit Public Schools	\$112,192	(\$10,406)	(\$100,564)	\$0	\$0	\$1,222
State Education	\$20,382	\$0	(\$20,382)	\$0	\$0	\$0
Wayne RESA	\$18,416	\$0	(\$18,416)	\$0	\$0	\$0
Wayne County Comm. College	\$10,939	\$0	(\$10,939)	\$0	\$0	\$0
Wayne County Zoo	\$337	\$0	(\$337)	\$0	\$0	\$0
Detroit Institute of Arts	\$675	\$0	(\$675)	\$0	\$0	\$0
Total	\$402,243	(\$64,999)	(\$285,061)	\$0	\$0	\$52,184

therapists, body art professionals and fitness instructors. The second floor will be private offices that can be leased on a long-term basis and the headquarters of Parkston Development Partners.

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² All tables provided by the Detroit Economic Growth Corporation

2930 E Jefferson - PA 255 CFE Impact Analysis Summary

City of Detroit: Incentive Summary Over the First 12 Years

Year	Additional Benefits Before Tax Abatements	Additional Costs	Real Property Tax Abatement	Business Personal Property Tax Abatement	Enter Incentive Description*	Net Benefits After Tax Abatements & Incentives	Present Value of NB After Tax Abatement & Incentives
1	\$45,110	(\$3,936)	(\$7,956)	\$0	\$0	\$33,219	\$33,219
2	\$13,467	(\$4,014)	(\$8,115)	\$0	\$0	\$1,338	\$1,275
3	\$13,737	(\$4,094)	(\$8,277)	\$0	\$0	\$1,365	\$1,238
4	\$14,012	(\$4,176)	(\$8,443)	\$0	\$0	\$1,392	\$1,203
5	\$14,292	(\$4,260)	(\$8,612)	\$0	\$0	\$1,420	\$1,169
6	\$14,578	(\$4,345)	(\$8,784)	\$0	\$0	\$1,449	\$1,135
7	\$14,869	(\$4,432)	(\$8,959)	\$0	\$0	\$1,478	\$1,103
8	\$15,167	(\$4,521)	(\$9,139)	\$0	\$0	\$1,507	\$1,071
9	\$15,470	(\$4,611)	(\$9,321)	\$0	\$0	\$1,537	\$1,041
10	\$15,779	(\$4,703)	(\$9,508)	\$0	\$0	\$1,568	\$1,011
11	\$16,095	(\$4,797)	(\$9,698)	\$0	\$0	\$1,600	\$982
12	\$16,418	(\$4,893)	(\$9,892)	\$0	\$0	\$1,633	\$955
13	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$208,993	(\$52,783)	(\$106,703)	\$0	\$0	\$49,507	\$45,400

Total Incentive	\$106,703
Rate of Return	12.2%
Payback period (years)	7.6

Project Summary		
Total Capital Investment		\$619,090
<u>Job Creation</u>	Direct	1.0
	Indirect& Induced	0.3
	Total Jobs	1.3
<u>Average Salaries</u>	Direct	\$40,000
	Indirect& Induced	\$35,467
	Total Salaries	\$38,954

Source of Additional Benefits Before Tax Abatements Over the Next 12 Years

Real Property Taxes, before abatement	\$106,703	51.1%
Personal Property Taxes, before abatement	\$0	0.0%
New Residential Property Taxes	\$0	0.0%
Municipal Income Taxes - Direct Workers	\$8,691	4.2%
Municipal Income Taxes - Indirect Workers	\$1,695	0.8%
Municipal Income Taxes - Corporate Income	\$2,012	1.0%
Municipal Income Taxes - Construction Period	\$7,977	3.8%
Municipal Income Taxes - New Res. Inhabitants	\$0	0.0%
Utility Revenue	\$43,978	21.0%
Utility Users' Excise Taxes	\$3,841	1.8%
State Revenue Sharing - Sales Tax	\$58	0.0%
Building Permits and Fees	\$23,930	11.5%
Miscellaneous Taxes & User Fees	\$10,107	4.8%
Subtotal Benefits	\$208,993	100.0%

Source of Additional Costs Over the Next 12 Years

Cost of Providing Municipal Services	(\$8,805)	16.7%
Cost of Providing Utility Services	(\$43,978)	83.3%
Subtotal Costs	(\$52,783)	100.0%

Source of Net Benefits after Tax Abatements and Incentives Over the Next 12 Years

Real Property Taxes	\$0
Personal Property Taxes	\$0
New Residential Property Taxes	\$0
Municipal Income Taxes	\$20,375
Net Utility Revenue	\$0
Utility Users' Excise Taxes	\$3,841
State Revenue Sharing - Sales Tax	\$58
Building Permits and Fees	\$23,930
Miscellaneous Taxes & User Fees	\$10,107
Cost of Providing Municipal Services	(\$8,805)
Total Net Benefits	\$49,507

DEGC Property Tax Abatement Evaluation

2930 E. Jefferson

Developer: 2930 E. Jefferson

Description of Incentive: PA 255 CFE provides property tax exemption for the rehabilitation of commercial facilities. Existing property taxes are frozen at pre-renovated ad valorem rate.	
Request Type	PA 255 Certificate
DEGC Recommendation	12-Year Approval of PA 255 Certificate
Location	
Address	2930 E. Jefferson
City Council District	District 5
Neighborhood	Rivertown
Located in HRD/SNF Targeted Area	East Riverfront
Building Use	
Total Square Footage (SF)	6,703 SF
Residential SF	N/A
Commercial SF	6,703 SF
Retail SF	N/A
Industrial SF	N/A
Total Residential Units	N/A
Studios	N/A
1-Bed	N/A
2-Bed	N/A
3-Bed	N/A
Project Description	
2930 E Jefferson is an existing commercial building which will be rehabilitated to operate as a small business incubator targeting women and minority owned businesses. It will offer individuals and teams the opportunity to enjoy the private and flexible workspaces throughout the building with the opportunity to be a part of meaningful dialogues with leading creatives and professional services entrepreneurs in the Detroit community. The first floor of the property will be wellness focused small businesses, including: massage therapists, fitness instructors, and a body art professional. The second floor will be private offices that can be leased on a longer-term basis and will be the headquarters of Parkstone Development Partners. The workspace is designed to meet the individual needs of an entrepreneur and creative leaders allowing the experience to be interactive, immersive and inspiring.	
Sources and Uses of Capital Summary	
Total Investment	\$1,691,273
Sources	Equity: \$1,691,273
Uses	Acquisition: \$525K (31%) Hard Costs: \$619K (37%); Soft Costs: \$547K (32%)
Project Economic Benefits Summary	
Estimated Jobs (FTE/Construction)	1 Developer FTE 8 Construction
Estimated City benefits before tax abatement	\$208,993
Total estimated City value of abatement	\$106,703
Less cost of services & utility deductions	\$52,783
Net Benefit to City with abatement	\$49,507

Conclusion

The estimated total capital investment for this project is **\$1,691,273**. It is also estimated that the completed project will create 1 developer job, and 8 temporary construction jobs. The 12-year Commercial Redevelopment tax abatement is estimated to provide the developer a *tax savings* on the new investment of **\$285,061**.

Based on the investment, this project is also estimated to provide the City of Detroit a net benefit of **\$49,507** and all of the impacted taxing units combined, a net benefit of **\$52,184**, 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, September 27, 2024**

Attachments

cc: Auditor General's Office
Antoine Bryant, Planning and Development Department
Julie Schneider, HRD
Veronica Farley, Law Department
Justus Cook, HRD
Stephanie Grimes Washington, Mayor's Office
Hassan Beydoun, Jobs & Economy Team
Brittney Hoszkiw, Jobs & Economy Team
Gail Fulton, Mayor's Office
Malik Washington, Mayor's Office
Kevin Johnson, DEGC
Derrick Headd, DEGC
Jennifer Kanalos, DEGC
Brian Vosburg, DEGC
Cora Capler, DEGC
Glen Long, DEGC
David Howell, DEGC
Christopher Hughes, DEGC
Jay Rising, OCFO
John Naglick, OCFO
Tanya Stoudemire, OCFO



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

September 27, 2024

Mr. Antoine Bryant, Director
 Planning & Development Department
 Coleman A. Young Municipal Center
 2 Woodward Ave, Suite 808
 Detroit, MI 48226

RE: Commercial Facilities Exemption Certificate Request
 Owner: 2930 E Jefferson LLC
 Address: 2930 E. Jefferson Ave
 Parcel Number: 11000085

Dear Mr. Bryant:

The Office of the Chief Financial Officer, Office of the Assessor, has reviewed the application for a Commercial Facilities Tax Exemption Certificate for the properties located at **2930 E. Jefferson Ave** in the **East Riverfront** area of 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 enterprises also include 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 2024 values are as follows:

Parcel #	Address	Building Assessed Value (SEV)	Building Taxable Value	Land Assessed Value (SEV)	Land Taxable Value
11000085	2930 E. Jefferson Ave	\$148,800	\$71,476	\$102,300	\$49,140

The project proposed by **2930 E Jefferson LLC** consists of a two-story office building built in 1964 with a total gross building area of 6,703, situated on 0.225-acre lot. The Owner plans to repair the existing roof, windows, siding, exterior doors, replace the ADA ramp, and repave, strip and light the exterior parking lot as well as make improvements to the existing electrical and plumbing systems, demo and construct new interior improvements. Once the restoration and rehabilitation are complete, the property will open as a small business incubator targeting women and minority owned businesses. The first floor of the property will be wellness focused small businesses, including: massage therapists, fitness instructors, and a body art professional. On the second floor there will be private offices that can be leased on a longer-term basis.

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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Commercial Facilities Exemption Certificate Request
2930 E Jefferson LLC
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A review of the project details and relevant statutes indicated that the facility located at **2930 E. Jefferson Ave** is eligible for the proposed Commercial Facilities Certificate pursuant to PA 255 of 1978, as amended.

Sincerely,

Charles Ericson, MMAO
Assessor, Board of Assessors



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Commercial Facilities Exemption Certificate Request
2930 E Jefferson LLC
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Parcel Number	Property Address	Property Owner	Legal Description
11000085	2930 E. Jefferson	2930 E Jefferson LLC	S JEFFERSON 5 BLK 11 SUB OF PT JOS CAMPAU FARM L5 P26 PLATS, W C R 11/13 56 IRREG

