THE NUMBERS DON'T ADD UP:

CITY OF DETROIT TAKES HUNDREDS OF MILLIONS FROM OUR COMMUNITIES TO FUND WEALTHY CORPORATIONS

DETROIT ACTION

WE BELIEVE IN CREATING A JUST WORLD WHERE EVERYONE HAS HOUSING, HEALTHCARE, QUALITY EDUCATION, AND A LIVE-ABLE ENVIRONMENT. TO MAKE OUR DEMOCRACY TRULY ACCOUNTABLE TO ALL OF US WE NEED TO ALIGN OUR BUDGETS, LAWS, AND POLICIES, WITH THE EQUITY AND JUSTICE WE ARE OWED.

The use of tax revenue funds for private developments fails to deliver on the promises of greater tax revenue and economic growth.

Research suggests that subsidizing private investment does not lead to greater economic growth.[1] This is especially true in fiscally distressed cities, where residents struggle to meet their basic needs. In Detroit, subsidies are used more intensively than any other big cities in the state and peer cities Cleveland, Columbus, Memphis, and Milwaukee.[2] Nevertheless, many corporate tax abatements and subsidies have been justified by the promise of induced economic growth and new jobs for residents. For these benefits to materialize, the City must prioritize its residents' needs first. Deficiencies in critical areas like housing, education, and transportation prevent working-class Detroiters from fully benefiting from the jobs and amenities development brings.[3]

In the Red:

CHRONIC LOCAL REVENUE LOSS HURTS WORKING-CLASS DETROITERS

Between 2017 and 2023 the City of Detroit gave away hundreds of millions of dollars to wealthy corporations for their private projects. According to an analysis of audited financial data from the City of Detroit and other public sources, the City's General and Debt Service Funds lost $390 million in property tax revenue between fiscal years 2017 and 2023 to tax abatements and tax capture authorities. These funds are the main accounts for general municipal expenses and capital expenditures. Over half of that - $203 million - was lost to tax abatements, subsidies that temporarily lower or eliminate property taxes owed. One-third of the revenue lost was due to tax capture authorities. These entities capture the increase in property taxes in a designated area and then use it to reimburse developers and support private development in the tax capture district. Only 15 percent of the total abated property tax expenditures supported affordable housing (for more, see chart below).

Local Revenue Loss From Abated and Captured Taxes (FY 2017-2023)

Public Taxing Entities	Loss ($)
City of Detroit	**-$390M**
Property tax abatements	-$203M
Tax capture authorities (DDA, BRDA, LDFA, EMWCIA)	-$127M
Payment in lieu of tax agreements (MSHDA)	-$60M
Detroit Public Schools (DPS)	**-$286M**
Detroit Public Library (DPL)	**-$65M**
Total	**-$741M**

Notes: Includes losses on operating and debt millages. Tax capture authorities are Downtown Development Authority (DDA), Brownfield Redevelopment Authority (BRDA), Local Development Finance Authority (LDFA), and the Eight Mile Woodward Corridor Improvement Authority (EMWCIA). Projects funded by the Michigan State Housing Development Authority (MSHDA) enter into payment-in-lieu-of-taxes agreements with the city.

Sources: See Appendix A, Materials and Methodology, for details.

In the Black:

TAX ABATEMENT AND CAPTURE PROGRAMS LEAVE WORKING-CLASS DETROITERS BEHIND AND MOSTLY BENEFIT WEALTHY CORPORATIONS

Working-class Detroiters see little benefit from projects they are made to help fund with their tax dollars. Companies seeking city subsidies frequently justify their request with promises of new job opportunities and expanded housing choices for Detroiters.[4] The city of Detroit, however, does not have a local hiring requirement for permanent post-construction employment, meaning companies cannot be held accountable if they fail to live up to their rosy job creation promises. Meanwhile, market-rate housing in subsidized developments is seldom affordable for working-class Detroiters. The city's inclusionary housing ordinance does not cover private developers that receive tax capture reimbursements or tax abatements, and companies that receive affordable housing loans from the Downtown Development Authority (DDA) need to set aside only 20% of units as affordable at 50-70% Area Median Income (a threshold that has come under criticism as insufficiently affordable for the most rent-burdened Detroiters).[5]

City Losses on Economic Development Subsidies (FY 2017-23)

Personal Property Tax Exemptions: $66.7M ***(Under PA 328)***[6]

- General Motors *(2023 Net Income: $10B)*[7]
- Marathon Petroleum
- Rocket Mortgage
- Palace Sports and Entertainment (Pistons)
- Microsoft
- And others...

Renaissance Zones: $46.3M[8]

- Ford Motor *(2023 Net Income: $4.3B)*[9]
- Detroit Medical Center (Tenet Healthcare)
- Detroit Chassis
- Flex-N-Gate
- Bedrock
- And others...

Abatements: $32.4M
(Under OPRA and PA 210)[10]

Six downtown hotels: $3.4M

- Shinola, Foundation, Metropolitan, Fort Shelby Hilton, Sonder, Cambria

Four downtown office buildings: $2.2M

- Detroit News, 607 Shelby, Elliott, Huntington

Market-rate housing:

- The David Whitney Building: $2.5M
- The Scott: $1.9M
- Orleans Landing: $1.9M
- DuCharme Place: $1.7M
- The Boulevard: $1M
- Broderick Tower: $1M

DDA Relocation Subsidies: $13.4M[11]

- Blue Cross/Blue Shield: $6.2M
- Rocket Mortgage: $4.8M
- Ally Financial: $2.4M *(2023 Net Income: $1B)*[12]

DDA Debt Service on Little Caesars Arena: $37.2M[13]

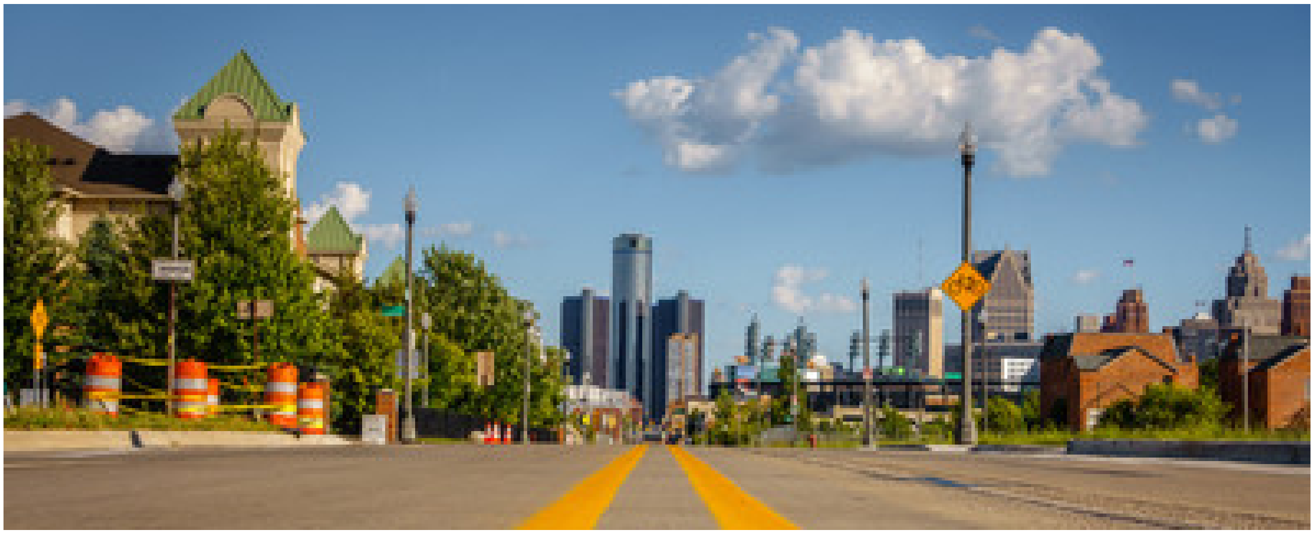
Funding wealthy corporations takes resources from our communities, which...

UNDERMINES THE CITY'S ABILITY TO ADDRESS NEEDS LIKE HOUSING

- The loss of $390 million over the last seven fiscal years - equal to $55 million a year, on average - is more than 30% of the $1.26 billion the City ultimately collected in property tax revenue during that same period.[14] If a developer does not uphold their end of the deal, the City cannot recoup these dollars.[15]
- According to its audited financial reports, Detroit received $305 million through the federal Community Development Block Grant (CDBG) program over the same seven-year period between fiscal years 2017 and 2023.[16] Even excluding the cost of MSHDA PILOT abatements, the City lost more revenue to development subsidies than it received in CDBG funding.

LIMITS FUNDING FOR SERVICES WORKING-CLASS FAMILIES RELY ON

- The Detroit Public Library (DPL) lost $65 million to abatements and tax captures. Its audited financial reports indicate that this was nearly three times more than DPL's total capital expenditures over the same period, which encompasses all spending on building improvements, equipment acquisition, and additions to the library's collection.
- In 2017, Detroit Public Schools (DPS) was relieved of responsibility for operating Detroit's public schools and now exists only to collect property tax revenue and pay off the district's legacy debts. The state reimburses DPS for some of its abatement losses, but even accounting for these transfers, development subsidies cost the district $286 million.



City Council and the Mayor must equitably steward local resources and prioritize working-class Detroiters

PASS A PEOPLE-CENTERED BUDGET THAT CREATES A NEW ECONOMY CITYWIDE FROM THE BOTTOM UP

Development subsidies cost Detroit $55 million a year, on average, since fiscal year 2017. In addition, the City spent another $3.2 million a year out of the General Fund administering its various economic development programs.[17] But in that same time, the City averaged only $3.5 million a year in General Fund spending on affordable housing and home repair programs.[18] Federal and state grants covered all other spending on housing and community development. Subsidizing wealthy corporations while underfunding services for working-class families perpetuates the flawed model of trickle-down economics. Real economic growth happens from the bottom up by investing in residents' education and quality of life.

ELIMINATE THE DOWNTOWN DEVELOPMENT AUTHORITY'S FUNDING STREAM THROUGH TAX CAPTURES

We can no longer afford to fund the DDA through general property taxes. Diverting funds from the City's General Fund to a special slush fund for downtown corporations robs Detroiters of community investments. After 45 years, there has not been any evidence that the DDA's tax abatements and subsidies have increased Detroit's tax base or economic activity. Wealthy downtown corporations need to pay into the City's General Fund. No more abatements on false promises of future economic activity.

DIRECT THE DETROIT ECONOMIC GROWTH CORPORATION TO PRIORITIZE ECONOMIC ACTIVITY THAT BENEFITS DETROITERS

The DEGC was established in 1978 to design and implement solutions through public-private partnerships that drive investment, create jobs, and advance the economy. It has nevertheless failed to prioritize Detroit workers and small business owners. Most of the board's seats are held by representatives of wealthy corporations, while the communities impacted by development lack opportunities to participate in decision-making.[19] Subsidies, abatements, and technical assistance have the greatest impact in fledgling economic areas.[20] Tying future funding for the DEGC to programming directly aimed at small businesses and disinvested neighborhoods would enforce a democratic economic policy that favors Detroiters over wealthy corporations.

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APPENDIX A: MATERIALS AND METHODOLOGY

Local tax abatement and tax capture losses are taken from two sources. Revenue foregone to abatements is reported in the notes section of each entity's annual comprehensive financial reports (ACFRs) for fiscal years 2017 through 2023. For the city of Detroit and Detroit Public Schools, they are inclusive of operating and debt millage losses. The ACFR notes also contain annual revenue lost to property tax reimbursements under the Brownfield Redevelopment Authority, but not to any other public authority capturing local millages.

Seven-year revenue losses to the remaining three public authorities - Downtown Development Authority (DDA), Local Development Finance Authority, Eight Mile Woodward Corridor Improvement Authority - were taken from a dataset compiled and hosted online by Detroiters for Tax Justice, a coalition of community organizations formed in opposition to the city's use of development subsidies (https://detroitersfortaxjustice.com/millage-tax-captures). Their raw data was obtained through Freedom of Information Act (FOIA) requests to the Detroit Economic Growth Corporation. The dataset was then cross-referenced with the 2022 and 2023 Annual Report on Status of Tax Increment Financing Plan presented to the Detroit City Council at their January 17, 2023 and January 16, 2024 meetings, respectively, to verify the information's accuracy and to align tax years with fiscal years.

City revenue lost to PA 328 New Personal Property tax abatements, Obsolete Property Rehabilitation Act (OPRA) abatements, Commercial Rehabilitation Act (PA 210) abatements, and Renaissance Zones are likewise taken directly from the City's ACFR notes, which break down revenue losses by program. Recipients of abatement certificates are disclosed by the Michigan Treasury Department in annual activity reports posted online, though these reports do not provide any information on the value of the abatement to the recipient. Companies operating in Renaissance Zones since FY 2017 are identified both on the city of Detroit's "Renaissance Zones" webpage and in the Michigan Strategic Fund's annual reports to the state legislature on the status of existing Zones.

Project-level costs of OPRA and PA 210 abatement certificates were calculated using Assessing Officer Reports (Form 4770) from fiscal years 2017 through 2023 obtained through a FOIA request to the Michigan Treasury. The Detroit Assessor's Office is statutorily required to file these reports with the state every year, which list all outstanding certificates, the recipient's name, the abated property's initial frozen taxable value, and the property's current taxable value. A project's abatement cost to the city is the product of its share of total incremental taxable value abated and the amount of revenue foregone citywide under the same program. This calculation was done for each of the seven years considered in the analysis and then aggregated to get the multi-year total.

The City's contribution to the DDA's relocation subsidies for three downtown employers were calculated by multiplying the total annual grant value in each year, as given in the most recently amended DDA TIF Plan, by the share of total incremental revenue captured from the City's operating and debt millages. The same method was used to apportion the City's share of the DDA's debt service expenditures on bonds issued to finance the Little Caesars Arena (LCA) development and to determine its share of future LCA-related debt service spending.

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Page 1	Spirit of Detroit statue in downtown Detroit. Iconic symbol of largest city in Michigan. Picture taken in December 2019. File # 527375611. Adobe Stock. https://stock.adobe.com/images/spirit-of-detroit-statue-in-downtown-detroit-iconic-symbol-of-largest-city-in-michigan-picture-taken-in-december-2019/527375611?prev_url=detail
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Detroit Action a project of Tides Advocacy, is a grassroots member-led, community-based organization fighting for political power, racial and economic justice for working-class Detroiters. Our mission is to build the power of individuals and families to challenge the root cause of poverty, advance justice, promote human development and expand working-class Black and Brown Michiganders' ability to improve our communities through leadership development, community organizing and civic engagement.

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