DEGC

TO: David Whitaker, Director
Legislative Policy Division

FROM: Kevin Johnson, President & CEO
Detroit Economic Growth Corporation (DEGC)

DATE: March 19, 2025

RE: FY 2025-26 Budget Analysis

This memo is in response to questions dated March 18, 2025.

1. **Is the District Business Liaison (DBL) program fully staffed? If not, how many vacancies are in the program and how soon will the vacant positions be filled?**

   All of the DBL positions are currently filled. There is more turnover in these positions than others, but they are much easier to fill now that we can pay a competitive wage after the increase of a couple of years ago.

2. **In the DEGC's response to question number 5 to LPD's preliminary budget questions for FY 2025 (Attachment IV), the DEGC currently has 72 budget positions, which is 3 less than the 75 budgeted positions in FY 2024. As of March 14, 2025, 68 positions were filled with four vacancies. The DEGC expects to fill the vacant positions quickly. The number of positions is slightly down from the prior year due to the reorganization that took place after Kenyetta Bridges left the organization. As always, the personnel makeup of the DEGC fluctuates over the course of the year as new program opportunities arise. Please explain the difficulty in filling the vacant positions.**

   We generally have a large pool of candidates for our positions. Exceptions to that are the DBL districts where we require candidates to be bilingual (D3 Bangla, D6 Spanish, D7 Arabic) in order to better communicate with the diverse business owner population in those districts. Many of the other programs we run are fluid and the need for positions will always come and go. Part of what makes DEGC so valuable is our ability to adapt and to change personnel as necessary. There's always change, but we usually fill vacancies quickly.

3. **During FY 2025 budget process, City Council added $850,000 to the City's contribution to the DEGC for the following: 1) $100,000 to perform a Land Value Taxation (LVT) Impact Study, 2) $500,000 for the Detroit Legacy Business Fund, 3) $150,000 for the Young Entrepreneurs Program with the addition of one FTE, and 4) $100,000 for a Corridor Retail Study for Joy Road. Please provide a status update of these programs and the current level of expenditures from the dollars City Council allocated for these programs. Regarding the $100,000 for the Land Value Taxation Impact Study, given that State Legislation for LVT has not passed, does the DEGC feel it's more fruitful to redeploy these dollars for another use**

The DEGC worked with CM Young to redeploy the $100,000 (LVT) into the Green Grocer program, which had been revived when we received 2 years of City funding in the previous budget. City Council approved the contract amendment earlier this year.

1) The Green Grocer Program was relaunched with City support in 2023. Since that time, the Green Grocer Program key milestones include:

Awards were given to eight (8) small format grocery stores for $25,000 each. Two of the stores are currently open: Kornr Store and Linwood Fresh Market. Adelaide's Superette and Whittier Market expect to open in April 2025. Goodpluck, Bryant Park Market and Bovvy + Market expect to be open by September 2025.

The second round of grant assistance is currently open. We will award three (3) more small format stores by April 2025.

Additionally, six (6) Green Grocer awarded stores received individual technical assistance in 2024. In person Bodega Bootcamp training for the current cohort of eight (8) Green Grocer awarded stores was completed in February 2025. Follow-up grocer training will include cohort training in Detroit and virtual one-on-one and cohort technical assistance.

Development of a Purchasing Cohort: currently eight (8) Green Grocer awarded stores with an additional three (3) April, currently involves identifying internal cohort supply chain assets and exploring local sourcing opportunities for small format grocery stores.

2) The Detroit Legacy Business Project has been established to highlight and support businesses that have been located in Detroit for 30 years or more. So far, about $55,000 has been spent in the establishment of the program and $310,000 has been awarded to sixteen (16) legacy businesses. These businesses were selected out of 133 applicants. Funds will be paid out as they are received by the DEGC and based on the awardee's submission of qualifying expenses. The awardees are:

Citywide $50,000 Grant
House of Morrison Shoe Repair LLC
Sweet Potato Sensations

District 1 - $15,000 Grant
Arrow Office Supply Co.
Hair It Iz The Beauty School

District 2 - $15,000 Grant
Chapman's Jewelry & Gifts
MAC Galleries

District 3 - $15,000 Grant
Nunns Bar B Que Restaurant II
Shantinique Music Inc

District 4 - $15,000 Grant
Harry's Barbershop
The Royal Skateland

District 5 - $15,000 Grant
Detroit-Windsor Dance Academy
The Detroit Reparatory Theatre

District 6 - $15,000 Grant
Cafe D'Mongo Speakeasy
RollerCade LLC

District 7 - $15,000 Grant
Baker's Bible and Bookstore Inc
Gigis Birdcage LLC

3) The Young Entrepreneurs Program has been launched as Next Up 313. DEGC staff has worked closely with Council Member Waters' team and city staff to develop training and programing geared toward business owners who are 18-30 years old. We have developed an online training curriculum and will partner with existing training and small business ecosystem supports such as Black Tech Saturdays and Wayne County Community College District. Next Up 313 hosted a small business pitch competition with Council Member Waters' office on March 18, 2025.

4) The Joy Road Retail study has been developed in close partnership with the City's Planning and Development Department. We are currently screening responses to the targeted solicitation for a market research, economic development, or community development firm to pursue the study and align the work with the many exciting developments planned for the corridor.

4. **Attachment II represents the DEGC's operating budget for FY 2025 and Attachment II.A is the operating budget for FY 2024. Questions/requests**

   a. **On the revenue side, please explain the $175,000 increase in City Contract revenue in FY 2024.**

      These were one-time increases for programs such as Detroit Legacy Business, Young Entrepreneurs, and retail studies.

   b. **On the revenue side, please explain the $120,000 increase in the DBRA Contract revenue in FY 2025.**

      With the number and complexity of Brownfield Plans changing, the amount of work that DEGC staff puts in on the Authority's behalf has grown quite a bit. The additional staff time as well as the impact of high inflation in recent years necessitated an increase in the DBRA contract.

5. **The Mayor proposed the City's FY 2026 general fund contribution to the DEGC at $2,091,489, $700,000 lower than the current year's allocation. Please explain the impact of the lower allocation on DEGC's operations in FY 2026.**

   The $700,000 decrease is due to the expiration of single time funding changes made by City Council for programs such as Green Grocer, Detroit Legacy Business, and Retail Studies. This will have no effect on the DEGC's operations in 2025-26 though it does affect the continuation of the Legacy Business Program.

6. **In September 2024, the Citizens Research Council of Michigan (CRC) released a report entitled "Allowing the Detroit DDA's Captured Tax Revenues to Again Fund Government Services". In October 2024, the CRC released a report entitled "Detroit's Use of Tax Abatements and Alternative Strategies to Improve Competitiveness".**

   a. **Does the DEGC agree with the conclusions raised by the CRC in these reports?**

      Unfortunately, as highlighted by the reports, despite the growth that the City has experienced, the economic conditions have not improved enough to eliminate the need for incentives. There continues to be a gap in achieving financially feasible development projects, making Detroit less competitive in attracting businesses compared to other cities. Without incentives, Detroit would be challenged to compete for future jobs and investments.

      As the reports state, Detroit cannot afford to stop incentives until costs faced by developers and returns on investment become more aligned with competitor cities.

      Here are three key quotes from the reports:

      - "The list of properties and businesses that have benefited from the activities of the Detroit DDA … is impressive."*
      - "Few would say that the work is finished. There is still work to be done. But the CBD is much improved."**
      - "The role that tax abatements are playing in aiding Detroit's recovery and the process that DEGC uses to analyze the need for tax incentives to make proposed projects work set Detroit at the forefront among many cities." ***

      * Citizens Research Council report: Detroit's Use of Tax Abatements and Alternative Strategies to Improve Competitiveness, Page 8
      **CRC Report : Allowing the Detroit DDA's Captured Tax Revenues to Again Fund Government Services, Page 21
      ***Citizens Research Council report: Detroit's Use of Tax Abatements and Alternative Strategies to Improve Competitiveness, Page 27

   b. **Are there any major issues that were not addressed in the CRC reports?**

      At this time, the DEGC has not identified major issues not being addressed in the reports.

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__EDC__

7. **For FY 2025, the City through the HRD contributed $275,000 to the EDC, with $280,000 allocated for EDC operations and $20,000 for the Detroit Next Michigan Development Corporation (DNMDC) operations. Mayor Duggan proposes to increase the contribution to the EDC by $206,000 in FY 2026. Please explain the need for the $206,000 increase.**

   From the 1980s into the 2000s, the general operations of the EDC were partially funded at a level of $300,000 by the City. Beginning in 2011, the amount was reduced to $255,000 (plus $20,000 for the DNMDC) and has remained at this level. This is approximately 10% of the EDC's operating budget. The EDC is a very large entity, and the staff spends thousands of hours on EDC projects every year that have no or limited funding source for staffing costs. These projects include the I-94 Industrial Park, Jefferson Village, Eastern Market, East Riverfront, Springwells Industrial Park, the Tiger Stadium redevelopment, and Gap Financing Loan Fund. In addition, the operations of the EDC require significant resources to manage the authority properly. EDC must pay insurance, audit, legal, and other administrative costs.

   $6,000 of the increase will go fully for EDC operations as an inflationary adjustment, and it still won't be back to the amount of support provided in the 1980s. The cost of everything continues to increase and some of EDC's supplemental revenue sources are sunsetting. This addition will help to cover increasing operating costs.

   The $200,000 increase would launch the Detroit Smart City Tech Grant Program in partnership between the DEGC and JET. The fund would be deployed to issue 15 $10,000 grants to tech companies working on solutions that could be leveraged to improve city functions or services. Proposed eligible uses would be product development, CRIO certification, and other costs. The goal of this project would be to enhance the Detroit-based technology start-up pipeline.

8. **Attachment VI shows that there is approximately $773,430 in unspent Casino Development Fund (CDF) dollars for loan funds as of December 31, 2024, a decrease of $525,000 from the previous year's balance of $1.3 million. These Casino loan funds were formerly allocated amongst the National Retail, Non-Affiliated/Resident Retail and Resident Real Estate programs, but now are consolidated into one category called "Loan Funds". These dollars were reprogrammed to the "Loan Funds" category so that the use of these dollars is no longer restricted to specific geographical areas of the City, particularly downtown Detroit, but now to general areas of the City so that these dollars can be expended throughout the City of Detroit. According to the DEGC, the Casino Loan program is a citywide program that provides funding for the construction buildout of a project, and or fixtures, furniture, and equipment. Loans are generally limited to a maximum of $200,000 or 40% of project costs, whichever is less. Please describe how the expenditure of $525,000 in the last calendar year has helped Detroit businesses, in the downtown Detroit area and outside of downtown.**

DEGC

The casino loan program is a citywide program that provides funding for the construction buildout of a project, and or fixtures, furniture, and equipment. Loans are generally limited to a maximum of $200,000 or 40% of project costs, whichever is less.

In addition to the criteria described above (which also includes Detroit small businesses), a proposed loan from the Fund must undergo a standard underwriting process, including but not limited to an examination of project sources and uses, review of collateral and other security for loan, and review of project viability. With the 2020 inclusion of Detroit small businesses and the lifting of the program's geographic restrictions, these funds can be deployed into neighborhoods where traditional financing and capital are less accessible.

The program helps Detroit Businesses by providing a revolving loan fund to finance facade improvements, GAP financing, rehabilitation, equipment and working capital for new and existing businesses within the City of Detroit. The revolving fund balance is up to $1.7M. These funds create new jobs and facilitate business growth. The program is over 20 years old now, long outliving its intended lifespan, despite not being fully funded as intended.

DBRA

9. **In the DEGC's response to question number 7 to LPD's preliminary budget questions for FY 2025 (Attachment IV), it was indicated that in 2024, the State of Michigan approved amendments to Act 381 of 1996, allowing Brownfield Redevelopment Authorities to specifically assist in the financing of housing developments. Shortly after the Michigan State Housing Development Authority released its program guidance in the spring of 2024, DBRA approved its Housing Tax Increment Finance program guidelines. The new program allows Brownfield TIF to assist the development of for-sale and rental housing for housing available at 120% AMI and below, with a requirement in Detroit that at least 20% of the rental units be available at 80% AMI or below. Please provide a copy of DBRA's approved Housing Tax Increment Finance program guidelines.**

   DBRA Housing TIF Interim Guidelines attached.

10. **Attachment VIII represents the DBRA's operating budget for FY 2025 and Attachment II.A is the operating budget for FY 2024. Questions/requests:**

    a. **On the revenue side, please explain the $450,000 increase in the Brownfield Application/Admin. Fees revenue in FY 2025.**
    Given the large number of Brownfield Plans DBRA the amount of Fees the Authority is able to capture has increased. The volume of plans that the DBRA administers is quite large compared to other communities.

    b. **On the revenue side, please explain the $300,000 decrease in the Special Projects revenue in FY 2025.**

This amount changes from year to year based upon the amount of one-time grants from the State and other sources that the DBRA receives.

c. **On the expenditures side, please explain the $430,000 increase in the Special Projects expenses in FY 2025.**

   This amount also changes from year to year based upon the amount of one-time grants from the State and other sources, but it is also influenced by expenses that might not be incurred in the same fiscal year as the revenue, so it doesn't always equal the revenue amount.

11. Has the number of brownfield redevelopment projects this fiscal year increased or decreased as compared to last year?

To date, there have been three (3) brownfield plans approved this fiscal year. In the prior fiscal year, there were a total of seven (7) brownfield plans approved. We anticipate that the total approved for this fiscal year will remain the same.

The amount of TIF plans that we manage increases annually. We currently have approximately 100 brownfield plans that require tracking, reimbursement and reporting to the state.

Sincerely,

Kevin Johnson,
President and CEO