



TO: Council Member at Large Coleman A. Young II
Council President Mary Sheffield

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

DATE: March 28, 2025

RE: FY 2025-26 DEGC Budget Questions

This memo is in response to Council Member at Large Coleman A. Young II's questions received March 24, 2025.

1. As Detroit continues attracting new investments such as 3D printing, how is DEGC incorporating smart technology such as AI-driven infrastructure, IoT-connected systems, expanding Wi-fi and digital payment solutions into its economic development plans?

DEGC's Business Development team focuses its corporate attraction efforts on companies in three Prosperity Sectors. One Prosperity Sector is "Research, Engineering and Design (RED)" which includes companies operating in the artificial intelligence, IoT connected systems, and 3D printing subsectors. To attract companies in these subsectors, DEGC attends trade shows, conferences and missions focused on innovation such as the Automate Conference, SelectUSA, and the MOVE Conference. DEGC is currently developing customized marketing materials for the RED sector, which will describe the City of Detroit's value proposition to these companies, leveraging our emerging innovation hubs and traditional strengths in auto-mobility innovation.

2. With major development projects reshaping parts of the city, what protections are in place to prevent displacement and ensure long-term affordability for Detroit residents?

The majority of real estate developments, whether they are large scale mixed-use projects, industrial developments or smaller neighborhood projects, require a tax abatement for the project to qualify for and to receive bank financing. Housing projects that receive tax abatements are required to enter into a tax abatement agreement that includes an affordability addendum. Pursuant to the affordable housing ordinance, these projects must include a minimum of 20% of the units reserved for residents with incomes at or below 80% of Area Median Income (AMI). However, most of the recent projects that have received tax abatements



approved by the City Council have included AMI levels from 50% to 70% of AMI. This requirement is coterminous with the life of the tax abatement.

In 2023, Public Act 381 of 1996 was amended to include the use of tax increment financing to reimburse developers for affordable housing eligible costs, for housing developments not to exceed 120% AMI, under an approved brownfield plan. The requirement to keep the housing units affordable is coterminous with the life of the brownfield plan not to exceed 30 years.

3. How does the budget reflect efforts to increase Detroit's competitiveness in securing federal or state economic development grants?

With respect to federal and state grants in the budget, the DEGC works cooperatively with the City's Office of Development and Grants to leverage available grant funds for development, thereby maximizing the use of these resources.

4. Are there plans to adjust tax incentives or TIF allocations to ensure they generate measurable community benefits rather than primarily serving large-scale developers?

The City, the DEGC and its strategic partners have had tremendous success in neighborhood development over the last 10 years. Through the Strategic Neighborhood Fund ("SNF"), there has been nearly \$200 million to support dozens of projects in the 10 SNF neighborhoods. In almost every case, these projects also leveraged tax incentives. Other programs like Motor City Match and the Supporting Equitable Economic Development (SEED) are also focused almost exclusively on neighborhood revitalization, and when the DEGC was awarded a grant through the RAP program last year, we have focused most of those state dollars exclusively on supporting vibrant neighborhood development.

Furthermore, since 2019, on a cumulative basis, most of the tax abatements approved by the City Council were located outside the Central Business District, Midtown and New Center Submarkets ("the City Core"). In fact, in 2023 and 2024, 55% or 28 of the tax abatements approved by City Council with an average total development cost of \$7.1M were outside the City Core. Moreover, during the same period, 50% of the tax abatements approved were for developments led by developers of color.

Lastly, in 2023 and 2024, 71% or 12 brownfield plans approved by City Council, with an average total development cost of \$12.9M, were outside of the City Core and during the same time, 29% of the brownfield plans approved were for developments led by developers of color.



5. Are there specific funds or programs dedicated to helping small businesses transition into new development zones where large-scale projects are planned?

The DEGC, through its Development Services and Small Business Services units, works to connect small businesses to developments where there are opportunities to strengthen amenities and bolster tenanting. Specifically, Motor City Match works to host outreach events in close proximity to planned developments where small businesses are prioritized through community benefits agreements. We have also worked to support grocery stores in residential developments through our Green Grocer Project.

cc: Hon. Detroit City Council
Hon. Janice Winfrey, City Clerk
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Douglas Ortiz, Budget
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