Tax Incentives *HURT* MAJORITY BLACK DETROIT

The **Detroit People's Platform** (DPP) is building a Detroit where race and the priorities of majority Black Detroit are centered. Our work advances racial and economic justice in the nation's largest black majority city by organizing with community residents and community leaders to build grassroots power and transform systems and structures that make real the vision for a more racially just Detroit.

In addition to moving resources from the public to private hands, tax incentives can produce inequitable development; GENTRIFICATION AND DISPLACEMENT.

Tax Incentives tend to support those with the credit and resources to secure them.

Detroit People's Platform @DetroitPeoples

How does the City justify the use of **over ONE BILLION DOLLARS** in Tax Incentives in the last decade?

Check Out

- Why are TIFs a Problem? It's how they work.
- Corporate Welfare, know it when you see it.
- The GRAB for Public Assets

Detroit People's Platform @DetroitPeoples

DETROIT People's PLATFORM @DetroitPeoples

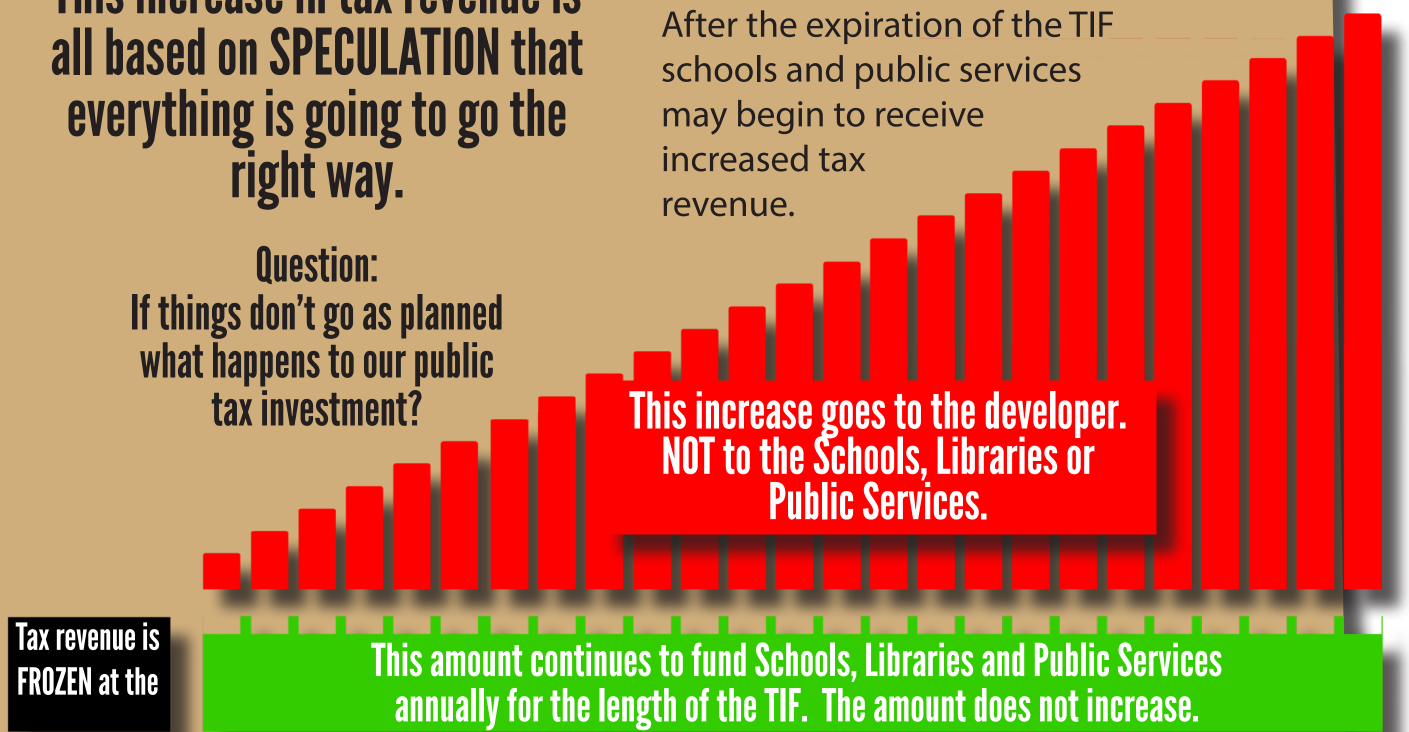
Why are TIFs a Problem?

It's how they work.

Tax Increment Financing (TIFs) diverts money from one place to another; **that's how they work.** The tax revenue going to schools, libraries and other public services is frozen at the start of the project **(BLACK)**. This frozen tax revenue goes to public services yearly for the length of the TIF **(GREEN)**. The problem is the increase in tax revenue that is given to the developer to offset their cost **(RED)**. After the expiration of the TIF schools and public services may begin to receive increased tax revenue.

This increase in tax revenue is all based on SPECULATION that everything is going to go the right way.

Question:
If things don't go as planned what happens to our public tax investment?



TIFs can vary in length. We've seen 10, 25 and 30 year TIFs. They last a long time.

THIS IS THE PROBLEM

ALL OF THIS GOES TO THE PRIVATE! DEVELOPER

THIS IS ALL THAT GOES TO PUBLIC SERVICES

But Wait!

NONE of the tax revenue from Downtown projects goes to schools, libraries or other services because of the DDA.

The DDA or **Downtown Development Authority** is a 'Mega TIF Area' that captures tax revenue Downtown so that it stays downtown. Due to this NONE of the Tax Revenue generated in the DDA goes to schools, libraries and other services.

Tax revenue earned Downtown stays Downtown!

That's a WHOLE other PROBLEM!

Learn more about the DDA from ***Corporate Welfare, Know it when you see it***

6 Myths about Tax Incentives in Detroit

DETROIT People's PLATFORM
@DetroitPeoples

Corporate Welfare
Know it when you see it.

City says: Development will not occur in Detroit "but for" the tax breaks. (1)

- The market drives development, not tax incentives.
- Detroit is in demand and has value.
- Development has and can occur in Detroit without tax breaks.

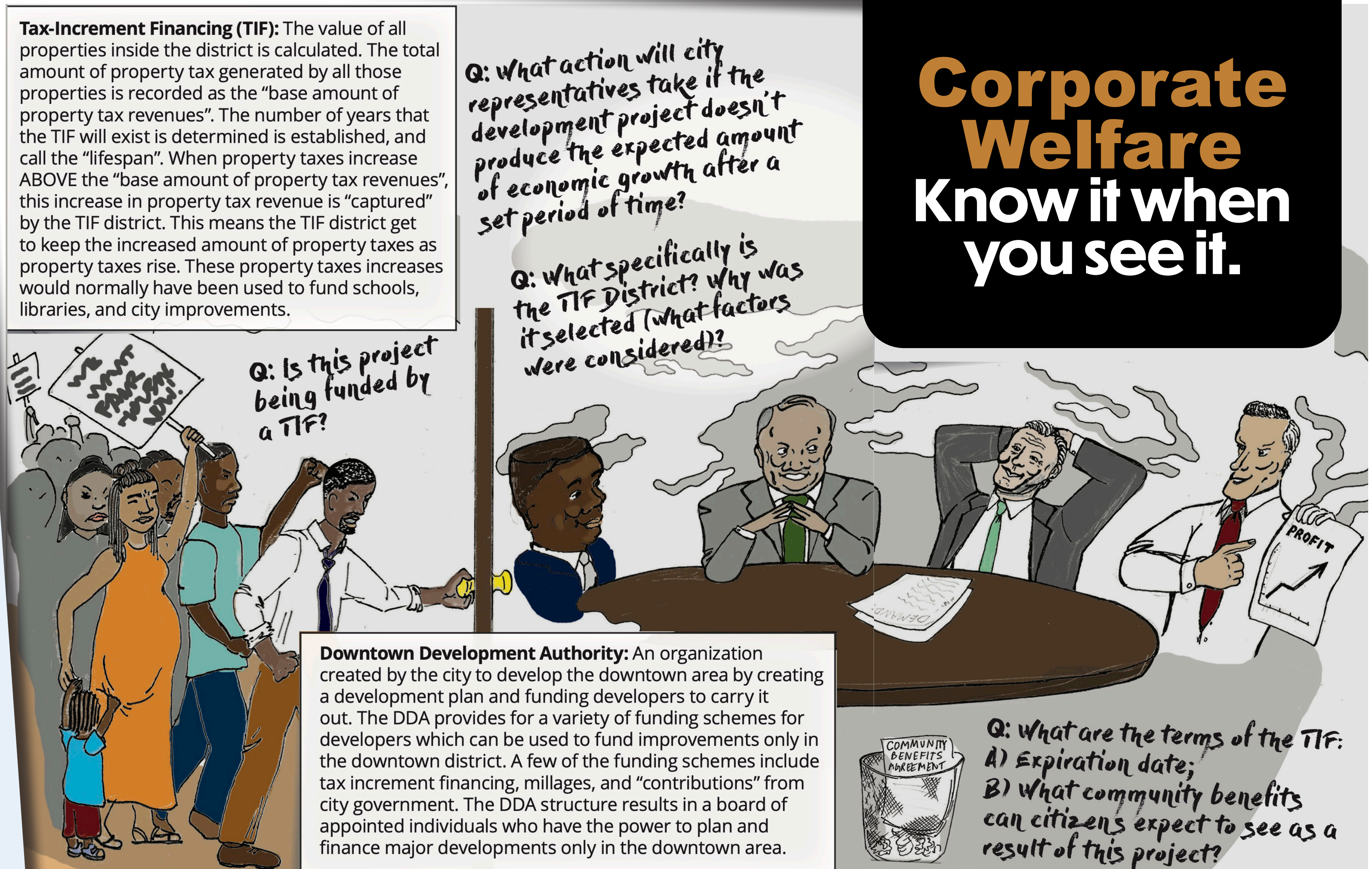
City says: It's the only way to grow the general fund. (2)

- The general fund has barely grown over the last few years.
- Most of the increase is due to casino activity and NOT land development from tax incentives.
- Detroit's growth model gives developers the land almost tax free. In return they give us taxable jobs.

City says: There is no harm done to Detroiters, only benefits. (3)

- Tax incentives lead to underfunding and contribute to the underfunding and closure of schools and libraries.
- Incentives are used to build luxury housing that displaces longtime residents.
- About 9% of Detroiters are pushed out of Detroit due to lack of affordable housing. (Continued on other side)

Tax-Increment Financing (TIF): The value of all properties inside the district is calculated. The total amount of property tax generated by all those properties is recorded as the "base amount of property tax revenues". The number of years that the TIF will exist is determined is established, and call the "lifespan". When property taxes increase ABOVE the "base amount of property tax revenues", this increase in property tax revenue is "captured" by the TIF district. This means the TIF district get to keep the increased amount of property taxes as property taxes rise. These property taxes increases would normally have been used to fund schools, libraries, and city improvements.



Downtown Development Authority: An organization created by the city to develop the downtown area by creating a development plan and funding developers to carry it out. The DDA provides for a variety of funding schemes for developers which can be used to fund improvements only in the downtown district. A few of the funding schemes include tax increment financing, millages, and "contributions" from city government. The DDA structure results in a board of appointed individuals who have the power to plan and finance major developments only in the downtown area.

From the 'Economic Development Matters' Zine by Detroit People's Platform detroitpeoplesplatform.org

DETROIT People's PLATFORM @DetroitPeoples

The GRAB for Public Assets

TIFs are one of many 'financial tools' that have been used to promote economic development in Detroit.

Tax Capture: Utilizing an increase in property value created by development (utilizing it to reimburse developers, utilizing it to give to the public, etc)

Subsidy: Income received by a tenant or an landlord on behalf of a tenant to cover the difference between the dwellings lease amount and the amount the tenant is required to pay toward the rent.

Low Income Housing Tax Credit (LIHTC): Created as part of the Federal Tax Reform Act of 1986, LIHTC is administered at the federal level by the IRS. LIHTC provides tax credits to investors to build affordable housing. LIHTC is the major tool used to finance development of new affordable housing and to buy or renovate existing affordable housing. LIHTC provides tax credits to investors of qualifying projects.

Bond: A certificate issued by a government body or a private corporation to finance infrastructure, construction, new equipment or other improvements.

Tax-Increment Financing (TIF): A tax incentive that is available to businesses. Cities provide businesses with property tax revenue over a fixed base for several years (project lengths vary) in exchange for benefits such as brownfield remediation and substantial job creation. Cities approve TIF districts to redevelop distressed areas and motivate private sector investment.

Tax Credits: Used to reduce or eliminate state corporate income taxes by allowing a company to deduct a certain percentage of specific expenses from what it would normally owe. Examples include credits for research and development, spending on new equipment, and employing hard-to-hire workers or workers from a certain city.

Grants: Subsidies given as cash to companies. Usually grants must be used for a specific purpose, such as worker training. Some states and cities award grants for general use.

Tax Abatements: When government exempts a company from paying all or some of its property taxes. Common abatements include property tax abatements, sales tax exemptions, and inventory tax abatements. In dollar terms, tax abatements are often the largest subsidy a company receives.

From the 'Economic Development Matters' Zine by Detroit People's Platform detroitpeoplesplatform.org

We show our work

-Income for white workers have increased 7x higher than Black workers: https://detroitfuturecity.com/wp-content/uploads/2021/05/The-State-of-Economic-Equity-in-Detroit.pdf

-About 9% of Detroiters are pushed out of Detroit: https://poverty.umich.edu/files/2020/05/200358_Poverty-Solutions_Detroit-Housing-Instability-policy-brief_051120.pdf

-Most of the other bullets are based on budget data from the city: https://detroitmi.gov/departments/office-chief-financial-officer/ocfo-divisions/office-budget

6 Myths about Tax Incentives in Detroit

(Continued from other side)

City says: Tax incentives create much needed jobs for Detroiters. (4)

- Detroit has given away hundreds of millions to developers but the city has been losing jobs, not gaining them.
- The jobs that are created unevenly benefit Downtown and Midtown and whites over Black Detroiters.
- Income for white workers have increased 7x higher than Black workers.

City says: Tax Incentives support small businesses (5)

- While some may benefit there are problems with DEGC managed programs like Motor City Match.
- Very competitive, not accessible and there is racial disparity in support.

City says: There is no other way. (6)

- Utilize Community Benefit Agreements for greater equity.
- Promote cooperatives and public ownership and lease; negotiate better deals.
- Say NO and let market demand for Detroit lead to development without incentives.