

WHY Tax Incentives HURT MAJORITY BLACK DETROIT

DETROIT People's PLATFORM NEWS



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“Numbers Don’t Lie... People Do”

announced the head of the DEGC, the Detroit Economic Growth Corporation whose team didn’t bring the numbers needed to back up their claims. The statement was made at a recent DEGC hosted event. **If jobs are the justification for tax incentives bring jobs data that you can back up.**

Detroiters understand enough to know that capitalism is an economic model that is driven by profit and that it is one of many potential models. Detroiters also understand that there are shades of capitalism, some that are mutually beneficial and some that take more than they give. The majority of Detroiters understand economics extremely well but they do not share the same language as businesses and corporations.

Often, we have seen proponents of this economic development model miss the point entirely and turn Detroiters lack of awareness about how tax incentives work against them. Really, Detroiters shouldn’t have to educate ourselves about tax incentives, we should be able to count on the city council and others to do their research and make decision that lead to better outcomes for Detroiters.

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- Read archived issues of the DPP Newspaper
- Learn more about Detroit People’s Platform



This Special Report by Detroit People’s Platform NEWS assumes Detroiters lived experience is more than enough to justify the outrage and opposition around the use of tax incentives. Here we hope to offer some tools and resources to support Detroiters already righteous opposition. The economic THEORIES that support tax incentives are just that. Time and time again, research shows that incentivized private projects with public funds and resources hurt communities and cities. Here in Detroit all we have to do is look around and see how uneven the results of 8 years of “the only way possible” has gotten us.

An important note about OUR Public Libraries

Detroit People’s Platform advocate for **THE COMMONS**; resources/ services that function best when they are part of the community and governed by community interest. Accessible and thriving public libraries are an essential part of **THE COMMONS**.

There have recently been efforts to shift the governance of Detroit Public Libraries from an independent Commission to the City of Detroit. Sign up for DPP email and follow us on social media for updates.

It is vital that the Libraries remain independent!

SPECIAL DISINFO REPORT ALERT

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Disinfo WHAT?

We live in the age of ‘FAKE NEWS’ and it is disturbing that some of our local elected officials have chosen to cast **righteous community opposition** as dangerous and misinformed. Similar strategies were used in propaganda campaigns against Proposal P, the People’s Charter and Proposal A, the People’s Community Benefits Ordinance. **DPP** breaks down the messaging being weaponized against residents’ own interest.

Learn more about Disinformation, pg 2

6 MYTHS ABOUT TAX INCENTIVES IN DETROIT

City says: Development will not occur in Detroit “but for” the tax breaks.



- 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.



- 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.

(Continued on page 3)

Why are TIFs a Problem?

It's how they work.

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

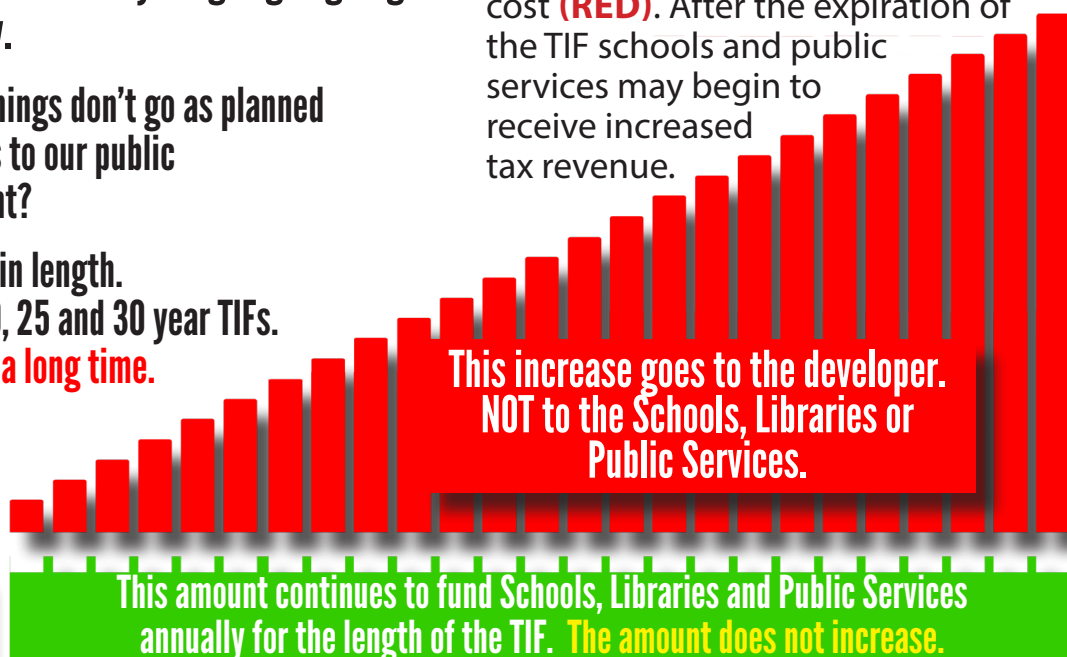
Question: If things don't go as planned what happens to our public tax investment?

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

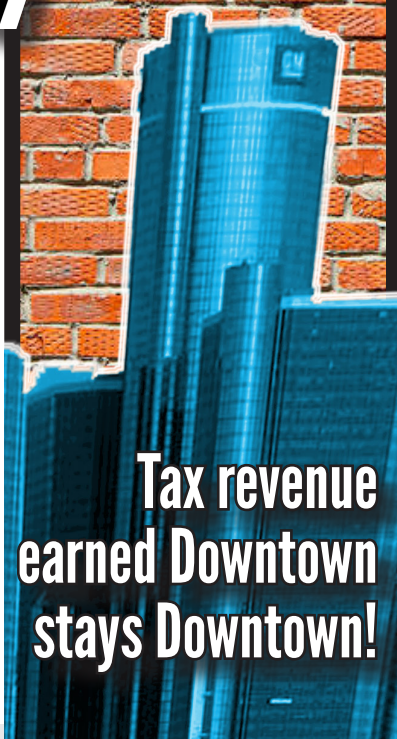
Tax Increment Financing (TIFs) diverts money from one place to another; **that's how they work.** The tax revenue going to schools, libraries and other public services is frozen at the start of the project (**BLACK**). This frozen tax revenue goes to public services yearly for the length of the TIF (**GREEN**). 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.



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



ALL OF THIS GOES TO THE PRIVATE! DEVELOPER



Tax revenue earned Downtown stays Downtown!

ABOUT DISINFORMATION

Historically oppressed people know that disinformation is as old as white supremacy. The very basis of racism is 'fake news'. To claim that community in opposition to a policy or project are dangerous or misinformed implies residents are unable to understand. **For elected official and city representatives to use that strategy as cover to maintain injustice is reprehensible.** The policies that have been enacted upon Detroiters since Emergency Management are FELT and KNOWN by those with the courage to speak up and out. **To frame this as dangerous undermines Democracy.**

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.

Q: What action will city representatives take if the development project doesn't produce the expected amount of economic growth after a set period of time?

Q: What specifically is the TIF District? Why was it selected (what factors were considered)?

Q: Is this project being funded by a TIF?



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.

Corporate Welfare

Know it when you see it.

Q: What are the terms of the TIF:
A) Expiration date;
B) What community benefits can citizens expect to see as a result of this project?

Q: Who are the members of the TIF Authority?

The GRAB for Public Assets

Tax Credits: Used to reduce or eliminate state corporate income taxes by allowing a developer 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.

Q: How will the city insure that the developer complies with its responsibilities as a recipient of tax credits?

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

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

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.

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.

Q: Have the requirements to qualify for receiving a subsidy been established?

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.

Tax-Increment Financing (TIF): A tax incentive that is available to businesses. Cities provide businesses with property tax discounts for several years (usually up to 20 years) 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 Abatements: When government exempts companies from paying all or some of their taxes for several years. 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.

Q: What specific benefits is the developer providing in exchange for the tax abatements they are getting?

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>

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What is the DDA?

The Downtown Development Authority

The Downtown Development Authority (DDA) was adopted in 1976 by City Council ordinance. Empowered by state law, downtown development authorities have broad powers to carry out the mission of development. City Council found that enacting the DDA was justified “to halt property value deterioration in the downtown business district, to eliminate the causes of such deterioration, and to promote economic growth in the downtown business district.”

Detroit DDA activity is funded by using public money in a variety of ways: tax abatements, tax increment financing (TIF), and TIF-based bonds and loans, to name a few. Between 1976 and 2017, according to its own estimates, the DDA directed over \$5 billion toward the designated 7.2 square miles of downtown Detroit. Of that \$5 billion, nearly \$1 billion (\$850 million) was in just TIF funds. Overall, 37% of downtown development since 1976 was funded using public money.

The DDA works by using public tax dollars either as a direct benefit to developers or as a base to draw in additional dollars (i.e. through TIF-based bond financing). With a few exceptions, most of the projects in the downtown area are run by private companies. Rather than being disbursed to the rest of the city, prosperity from economic development largely stays in the downtown core. Profits either go to private developers or are recycled through the DDA to be used on future projects. According to the TIF plan, the downtown core is to serve as an economic anchor and will spur development in the rest of the city; however, the reality exposes the untruth in that vain hope.

Though the DDA is based in state law, it is remarkably lacking in transparency in its business operations, particularly given the incredible amounts of public money that it moves around. For example, it was not until in

2018, when required by a new state law, that the DDA published the TIF plan that steers its development and outlines estimates of spending. Other parts of ordinary business remain unclear, such as how exactly proposed developments are determined to be worth the investment.

Its important to note at this point that the TIF plan published by the DDA is dated 2017. This is important for a couple reasons: (1) this is the year that Detroit became a majority renter city; (2) many of the current community interest items, such as increased funding for the Hudson project and an additional \$200 million reward for development for the Little Caesar Arena project, had not yet come to pass; and (3) the COVID-19 pandemic (and all its ripple effects) had yet to happen.

At the time when the DDA was established, Detroit was experiencing massive white flight to the suburbs. Remarkably, the TIF plan does not once mention “Black,” “white,” or “white flight.” It seems that rather than addressing the root cause of disinvestment via racism, the DDA has chosen to address only the effects. The “if you build it, they will come” mentality has resulted in an outsized amount of development in just 5% of Detroit’s land. Most of the downtown core is now developed, while the rest of Detroit still waits for its due.



Detroit Economic Growth Corporation (DEGC) MEMBERS

- Mikya Aaron, Laborer’s Union 1191
- April Anderson, Good Cakes and Bakes
- Marvin Beatty, Greektown Casino
- John Blanchard, General Motors
- David Blaszkiewicz, Invest Detroit
- Kofi Bonner, Bedrock
- Eva Garza Dewaelsche, SER Metro
- Kenneth L. Harris, National Business League
- Dimitrius Hutcherson, First Independence Bank
- George W. Jackson, Jr. (Emeritus)
- Marshall S. Kleven, Fifth Third Bank
- Eric Larson, Downtown Detroit Partnership
- Thomas Lewand, Jr., Shinola
- Rachel Lutz, Peacock Room
- Conrad L. Mallett, Jr., City of Detroit (Chair)
- Mike McLauchlan, Ilitch Holdings
- Darrell Middleton, Blue Cross Blue Shield
- Dave Meador, DTE Energy
- Cynthia Pasky, Strategic Staffing Solutions
- Andra Rush, Rush Group Family of Companies
- Ned Staebler, Wayne State University
- Ronald Stallworth, Fiat Chrysler Automobiles
- Tony Stovall, Hot Sam’s Detroit
- Terence Thomas, Sr., Thomas Group Consulting
- Gary Torgow, TCF Financial Corporation
- Michael Tyson, Michael R. Tyson & Associates
- Jim Vella, Vella Strategic Philanthropy
- Jacci Woods, Motor City Casino

- Ex Officio Directors
- Mike Duggan, Mayor of Detroit
 - Kevin Johnson, President and CEO
 - Brenda Jones, President, Detroit City Council
 - Nicole Sherard-Freeman, City of Detroit Appointee

Please Note: We cannot vouch for the accuracy of this information. It was taken directly from the DEGC website as of the printing of this issue.

6 Myths about Tax Incentives in Detroit

(Continued from cover)

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



- 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.

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



- 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



- 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.



- 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.

LANGUAGE OF DISINFORMATION

Let’s look at how some people talk about DISINFO: **Misinformation:** false information that is spread without the intent to mislead.

Disinformation: deliberately misleading or biased information; manipulated narrative or facts.

Corporate **Propaganda** models use media to shape public opinion, governance and outcomes. In Detroit, consent is manufactured and underwritten by quasi-public/private groups like the DEGC whose mission is to promote this economic development model as the only way.



BIG Questions for the DDA

How much money has the DDA captured?

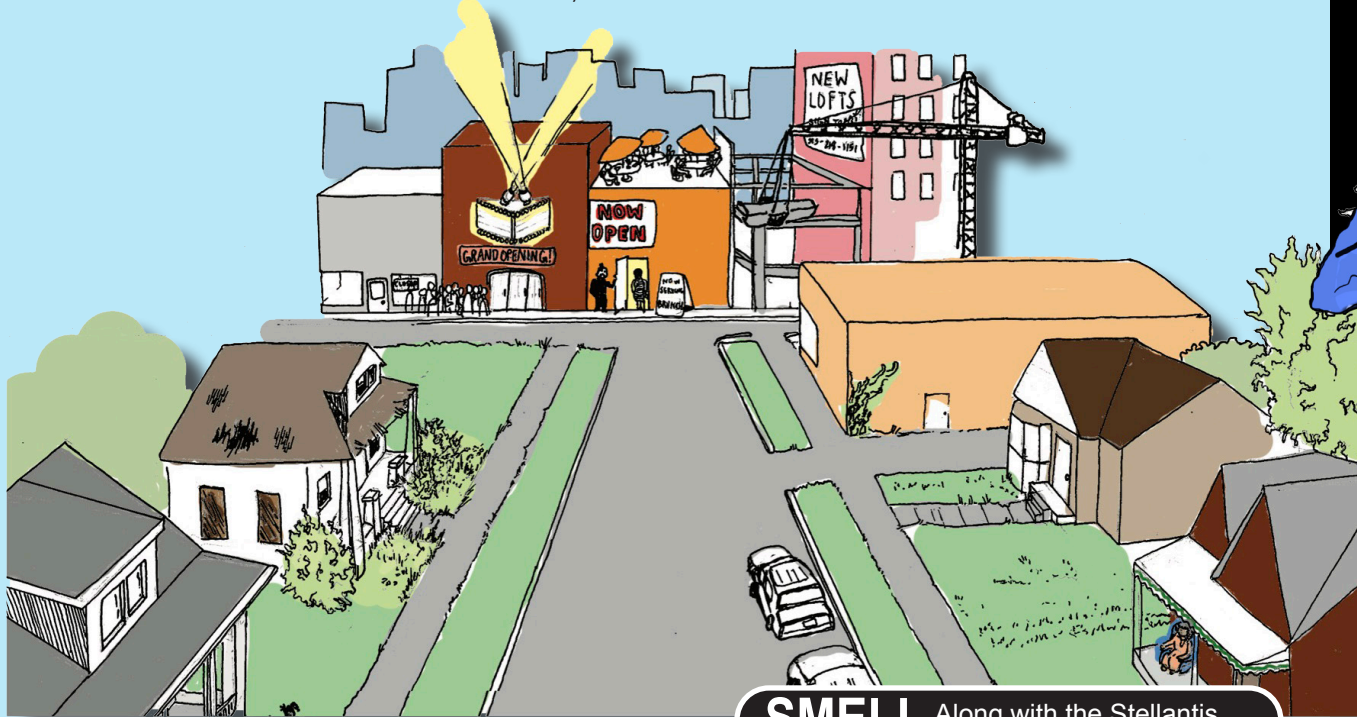
If there is a balance, what is it?

Is some of that money used to pay debt?

How does the money flow?

Could DDA funds be used to offset costs of projects like Hudson’s instead of using tax incentives?

Has the DDA fulfilled its mission of revitalizing Downtown?



SMELL THAT?



Point a phone camera here to
COMPLAIN
Web: bit.ly/AirComplaint
1-800-292-4706

Along with the Stellantis expansion there has been an increase in industrial redevelopment - **REINDUSTRIALIZATION** across the city. This increase has prompted concerns about the cumulative health impact of toxic emissions, waste storage and disposal on Detroiters. **If you smell something, say something and complain.**

THE BIG PICTURE: WHY THE EXCESSIVE USE OF TAX INCENTIVES MATTERS TO MAJORITY BLACK DETROIT

There is a massive disconnection between the way that these tools are supposed to work in models and on paper and the way their implementation impacts everyday Detroiters.

Tax incentivized deals use prime public assets, including land, that are transferred from public to private control.

Tax incentives divert funds from the budget's General Fund for a very long time; into the distant future. Decisions made today can impact funding for generations.

With tax incentivized deals the number, quality and wages for projected jobs are often overstated and highly contested.

Tax Incentives, Brownfield TIFs in particular, often support projects that have negative environmental and health impacts.

There is a direct line from the way tax incentives work, the moving of funds into luxury housing, the effect of luxury housing on a neighborhood, and the moving out of long time Detroiters who can no longer afford to live here.

For these tax policies to be considered successful we would need to see better outcomes for majority Black Detroiters.

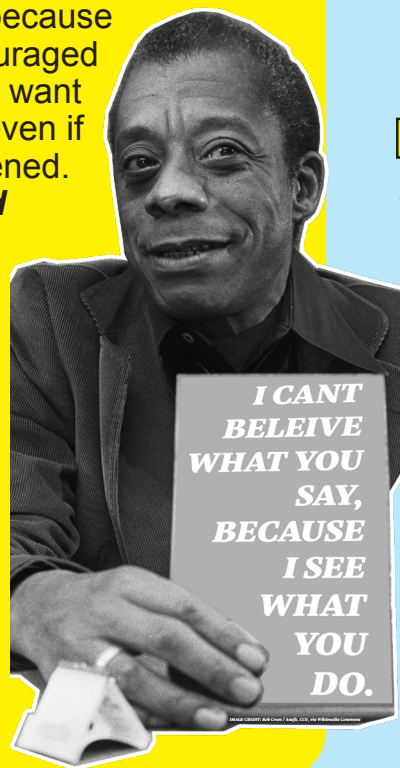
WE DO NOT!

HOW WE CUT THROUGH THE DISINFORMATION



One of the ways that disinformation can be effective is by promoting small individual successes as accessible to all. The winners and losers' strategy is powerful because many of us have been encouraged to win our whole lives. Many want to identify with the winners even if we're vulnerable and threatened. **DPP believes that the lived experience of Detroiters is the way we cut through the disinformation and propaganda.**

James Baldwin said "I can't believe what you say, because I see what you do." **Detroiters know what's up.** Decision makers just need to take off the pro-development glasses and look around.



**I CAN'T
BELEIVE
WHAT YOU
SAY,
BECAUSE
I SEE
WHAT
YOU
DO.**

Issues Detroiters **SEE** daily

Mass Poverty

Mass Evictions

Mass Foreclosure

**Yes, there is still a
Water Crisis!**

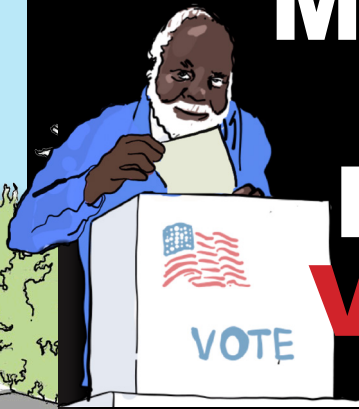
Over Taxation

**Redirection
of Funds**

(ARPA, Hardest Hit)

and more.

Majority Black Detroit **VOTES!** 2022



Save the Dates and Make a Plan to Vote!

**Detroiters have VOTING RIGHTS
including:
Early Voting, No Excuse Absentee Voting
Same Day Registration**

**YOU CAN REGISTER TO VOTE
EVEN IF YOU HAVE BEEN
CONVICTED OF A FELONY**

1. Save these dates in your calendar!

Primary Election

**Tuesday,
August 2nd**

General Election

**Tuesday,
November 8th**

Polls are open from 7 a.m. to 8 p.m. local time.
You have the right to vote if you are in line at 8 p.m.

**2. Check to verify you're registered
to vote and/or if your polling location
has changed. Note: Due to redistricting your
district may have changed.**

**3. If you're not registered, do so
ASAP**

You must be registered to vote in Michigan. **Michigan now allows Same Day Registration.** If you've never registered in Michigan before, go in person to your city clerk's office before 8 pm on Election Day and register to vote with a document showing proof of residency. **If you are a student, are in jail or have been convicted of a crime, or are homeless you CAN register and vote. Go to www.mi.gov/vote for more details.**

4. Learn about the Candidates

Know where the candidates stand on issues that impact you and your neighborhood to hold them accountable. Attend candidate forums and town halls to meet the people you are being asked to vote for.

5. VOTE!

Michigan Voters can cast absentee ballots beginning 45 days prior to Election Day. **No Excuse Absentee Voting** - All eligible and registered voters in Michigan may now request an absent voter ballot without providing a reason. **Early Voting** with an absentee ballot can be mailed or delivered to the City Clerk's office. You can vote early in person at the City Clerk's office or one of the Clerk's "Satellite" voting locations. Voters who do not have an acceptable form of ID with them can still vote by signing a form. If you have a problem voting call 866-OUR-VOTE. **YOU CAN REGISTER TO VOTE EVEN IF YOU HAVE BEEN CONVICTED OF A FELONY.**



Michigan Voter
Information Center
michigan.gov/vote

City Clerk's Office
2978 W. Grand Blvd.
(313) 224-3260
detroitmi.gov/departments/elections



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People's
PLATFORM** @DetroitPeoples