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# City of Detroit

## CITY COUNCIL

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TO: Dan Carmody, President  
Eastern Market Corporation

FROM: David Whitaker, Director *DW*  
Legislative Policy Division Staff

DATE: March 9, 2020

RE: 2020-2021 Budget Analysis

Attached is our budget analysis regarding your agency's budget for the 2020-2021 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Thursday, March 12, 2020 at 11:00 a.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Council members and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

DW:dh:ss

Attachments:  
Issues and Questions  
Letter from Eastern Market

CC: Councilmembers  
Auditor General's Office  
David Massaron, Chief Financial Officer  
Tanya Stoudemire, Budget Director  
Stephanie Grimes Washington, Mayor's Office

## Eastern Market

### FY 2020-21 Budget Analysis by the Legislative Policy Division

The mission of the Eastern Market Corporation is to mobilize leadership and resources to achieve stakeholders vision for the Eastern Market District and make the Eastern Market the undisputed center for fresh and nutritious food in southeast Michigan.

Stakeholders Vision for the Eastern Market District: Leverage the attraction and legacy of the Eastern Market and build a dynamic, diverse, and unique urban district by:

- Strengthening the identity of the Eastern Market as a food-related district by enhancing the operations of the existing public market and by developing business opportunities for specialty food retailers, food wholesale operations, restaurants, food distributors, and food processors
- Take advantage of the great economic development opportunities available throughout the Eastern Market District while maintaining authenticity (aka 'funkiness') and then using that funkiness to attract more creative people to live, work, visit, and invest in the district.
- Creating a mixed-use neighborhood that improves the business climate and enlivens streets and public spaces by carefully blending in a variety of residential forms. New uses should support and respect the food identity and existing food related uses of the district.
- Improving travel to and within the district and cultivating a unique sense of place by improving major corridors within the district. Streetscaping, façade enhancements, signage, parking, lighting, and landscaping all must be enhanced for the Eastern Market district to fulfill its potential.

The Mayor is recommending a \$225,200 subsidy for the Eastern Market for FY 21 in appropriation 13141 - **Non Dept Eastern Market Operations**, located in the Non Departmental budget (Pg. B-35-11). The Non-Departmental budget provides funds for activities, which are not the responsibility of any other single agency. Non-Departmental is also the depository agency for General Fund subsidy appropriations, enterprise activities and for a wide variety of General Fund revenues that cannot be credited to any specific department.

**In the Four Year Financial Plan<sup>1</sup>, for FY 2020-2021 (FY 21), the Mayor has recommended no change in the Eastern Market subsidy of \$225,000.**

The Eastern Market issued its “Eastern Market 2025 Strategy,<sup>2</sup>” dated January 2016, with a shorter executive summary<sup>3</sup> as well and are both available online. In its report, the Eastern Market listed the following data in relation to the Market:

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<sup>1</sup> Page B-35-11 of the City of Detroit Four-Year Financial Plan FY2020-2022

<sup>2</sup> Link to the full 114 page Eastern Market 2025 Strategy can be found here: <http://9b32aa63de0c5aa2a1c4-ac3abd6e34c389d1c003fbc359fc9e18.r96.cf1.rackcdn.com/Final-Report-Digital-Lo-Res.pdf>

<sup>3</sup> Link to the Eastern Market 2025 Strategy Executive Summary: <https://ca1a13c2c38f5e8e7468-ac3abd6e34c389d1c003fbc359fc9e18.ssl.cf1.rackcdn.com/Exec-Summary-160201.pdf>

- 2 MILLION SHOP AND BUY FOOD AT EASTERN MARKET EACH YEAR
- 22% OF MICHIGAN JOBS ARE FOOD/AG BASED
- \$360 MILLION OF WHOLESALE FOOD SOLD IN EASTERN MARKET
- \$418 MILLION OF MEAT SOLD IN EASTERN MARKET EACH YEAR
- 1,300 PERMANENTLY EMPLOYED IN EASTERN MARKET FOOD BUSINESSES
- \$631 MILLION IN MICHIGAN FOOD EXPORT TO CANADA
- 2:1 FOOD INDUSTRY WHOLESALE BUSINESSES NEED TO DOUBLE THE OPERATING FOOTPRINT IN EASTERN MARKET

The Goals of the Eastern Market 2025 Strategy include the following:

- **AUTHENTICITY**  
KEEP IT A REAL, FOOD-FOCUSED ECONOMY
- **DEVELOPMENT EQUITY**  
ENHANCE THE MARKET AS A PLACE OF GENUINE ECONOMIC DEMOCRACY
- **CONNECTIVITY**  
BRIDGE NEIGHBORHOODS AND BREAK DOWN BARRIERS
- **DENSITY**  
ENCOURAGE DIVERSE GROWTH; REBUILD THE URBAN FABRIC
- **DIVERSITY**  
INCREASE THE MIX: PEOPLE, FOOD, AND OPPORTUNITIES

The Eastern Market Corporation has developed this plan to expand its footprint to five times its current size (250 acres) by 2025. However, its plan must mesh with the larger plan that's in development for the district, given that the city owns a significant amount of the property in the area through the Detroit Land Bank.<sup>4</sup>

1) The Mayor is recommending a \$225,000 subsidy for the Eastern Market for FY 21 in appropriation 13141 - **Non Dept Eastern Market Operations**. However, according to a letter from the Eastern Market dated February 19, 2020 (attached), *it is seeking an increase in its subsidy of \$75,000 (33%), which would increase its subsidy to \$300,000 in FY 21*. The stated rationale for this request is to help the Eastern Market to “defray increasing maintenance costs and increased expenses due to stormwater management fees.”

Specifically, what are the increased maintenance costs the Market has experienced and to what amount have they increased overall? How much in storm water management fees has the Market been billed with on an annual basis?

2) Please briefly discuss some of the key elements from the Eastern Market 2025 Strategy. How will the elements of the Eastern Market 2025 Strategy impact the City of Detroit’s general fund budget and or capital budget?

3) How will the elements of the Eastern Market 2025 Strategy impact the City of Detroit’s capital budget?

4) Please provide the Council copies of the Eastern Market Corporation’s 2019-2020 and 2020-2021 operational and capital budgets.

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<sup>4</sup> “Eastern Market plan seeks to balance food, other uses” February 04, 2018 ,Crain’s Detroit Business: <http://www.crainsdetroit.com/article/20180204/news/652096/eastern-market-plan-seeks-to-balance-food-other-uses>

5) Please briefly describe the Eastern Market's new expense initiatives, new capital funding requests, operational reform and savings proposals, and new revenue initiatives/proposals to be implemented in FY 2021.

6) What is the current budgeted level of positions and current actual number of filled positions at the Eastern Market?

7) Recently, the area in and around the Eastern Market has experienced an increased level of development. Is this development viewed as a potentially detrimental beneficial to the future Market? Please explain.

**NON-DEPARTMENTAL (35)**

General Fund contributions to enterprise agencies, the Coleman A. Young International Airport and the Detroit Department of Transportation are recorded in the Non-Departmental agency. General Fund contributions to cultural agencies (listed below) are included in the Non-Departmental agency budget. Operating support from the General Fund is provided in Non-Departmental for the Detroit Wayne Port Authority, and the Detroit Land Bank Authority.

GENERAL FUND CONTRIBUTIONS	
Airport	\$ 1,675,458
DDOT	64,500,000
Charles W. Museum of African-American History	1,900,000
Detroit Historical Institute (does not include property insurance- \$100,000)	500,000
Detroit Zoological Institute	570,000
Eastern Market	225,000
Detroit Wayne Port Authority	250,000
Detroit Land Bank Authority	13,000,000

The Non-Departmental agency records the General Fund obligation to repay principal and interest on various Limited-Tax General Obligation debt including financial recovery bonds issued in connection with the city's 2014 exit from bankruptcy, refunding bonds issued in 2016 to lower interest costs over the life of the bonds, and the 2018 issuance of refunding bonds to purchase prior financial recovery bonds at a discount in order to reduce gross debt service in future years and achieve present value savings. The City's Limited-Tax General Obligation debt may, but is not required to, include a pledge of Distributable State Aid.

Other activities include capital initiatives which are recorded in Fund 4533 - City of Detroit – Capital Projects. Blight Remediation projects are shown in a separate department in FY 2021.

The City continues to increase its "Rainy Day" Fund in FY 2021 by assigning \$30 million in Prior Years' Surplus to the Budget Reserve account. Other uses of Prior Years' Surplus are \$5.3 million is budgeted in FY 2021 for the Affordable Housing Fund, which is included in the Housing & Revitalization Department.

Uses of Prior Year Surplus	
Blight Remediation	\$50,000,000
Budget Reserve	30,000,000
Retiree Protection Fund	20,000,000
Capital Projects	5,000,000
Total in Non-Departmental (see note above)	\$105,000,000

**CITY OF DETROIT  
BUDGET DEVELOPMENT  
FINANCIAL DETAIL BY DEPARTMENT, FUND, APPROPRIATION, & COST CENTER - EXPENDITURES  
DEPARTMENT 35 - NON-DEPARTMENTAL**

Department # - Department Name	FY2020 Adopted	FY2021 Mayor	FY2022 Forecast	FY2023 Forecast	FY2024 Forecast
Fund # - Fund Name					
Appropriation # - Appropriation Name					
Cost Center # - Cost Center Name					
<b>00870 - Non Dept Centralized Payments</b>	<b>18,251,413</b>	<b>25,082,806</b>	<b>24,292,589</b>	<b>24,785,656</b>	<b>23,291,062</b>
350800 - Centralized Payments	18,251,413	25,082,806	24,292,589	24,785,656	23,291,062
<b>04739 - Non Dept General Revenue</b>	<b>22,833,900</b>	<b>18,843,200</b>	<b>18,875,000</b>	<b>19,442,021</b>	<b>19,440,251</b>
351020 - Non-Departmental	22,833,900	18,843,200	18,875,000	19,442,021	19,440,251
<b>05414 - Non Dept African American History Museum</b>	<b>1,900,000</b>	<b>1,900,000</b>	<b>1,900,000</b>	<b>1,900,000</b>	<b>1,900,000</b>
350290 - Charles H. Wright Museum of African American Histc	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
<b>10397 - Non Dept Board of Ethics</b>	<b>448,228</b>	<b>496,113</b>	<b>502,851</b>	<b>509,724</b>	<b>516,735</b>
350165 - Board of Ethics	448,228	496,113	502,851	509,724	516,735
<b>12161 - Non Dept Zoo Operations</b>	<b>570,000</b>	<b>570,000</b>	<b>570,000</b>	<b>570,000</b>	<b>570,000</b>
350095 - Zoo Operations	570,000	570,000	570,000	570,000	570,000
<b>12162 - Non Dept Detroit Historical Museum</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>
350093 - Detroit Historical Museum	500,000	500,000	500,000	500,000	500,000
<b>13125 - Non Dept Media Services &amp; Communications</b>	<b>1,548,237</b>	<b>1,528,623</b>	<b>1,549,583</b>	<b>1,570,963</b>	<b>1,592,769</b>
350325 - Communications Services	506,784	588,369	595,508	602,790	610,216
350326 - Media Services	1,041,453	940,254	954,075	968,173	982,553
<b>13141 - Non Dept Eastern Market Corporation</b>	<b>225,000</b>	<b>225,000</b>	<b>225,000</b>	<b>225,000</b>	<b>225,000</b>
350097 - Eastern Market Corporation	225,000	225,000	225,000	225,000	225,000
<b>13181 - Non Dept Distributable State Aid Bond</b>	<b>33,165,745</b>	<b>37,959,990</b>	<b>37,950,698</b>	<b>37,950,488</b>	<b>37,953,127</b>
351030 - 2016 Series DSA Debt	33,165,745	37,959,990	37,950,698	37,950,488	37,953,127
<b>13608 - Non Dept Pension &amp; Employee Benefits Pension</b>	<b>3,704,243</b>	<b>3,432,107</b>	<b>3,500,749</b>	<b>3,570,764</b>	<b>3,642,179</b>
350015 - Pension & Employee Benefits/Pension	3,704,243	3,432,107	3,500,749	3,570,764	3,642,179
<b>13637 - Non Dept Elected Officials' Compensation</b>	<b>1,470,563</b>	<b>1,462,773</b>	<b>1,486,995</b>	<b>1,511,701</b>	<b>1,536,902</b>
350007 - Elected Officials' Compensation	1,470,563	1,462,773	1,486,995	1,511,701	1,536,902



February 19, 2020

Mr. David Whitaker  
Legislative Policy Division  
Coleman A. Young Municipal Center  
2 Woodward Avenue  
Suite 1106  
Detroit, MI 48226

Dear Mr. Whitaker

Eastern Market Partnership (EMP) seeks an increase in General Fund operating support from \$225,000 to \$300,000 to help defray increasing maintenance costs and increased expenses due to stormwater management fees.

Please find other Eastern Market related updates in the attached package along with background information and responses to various questions since our last budget hearing with City Council.

As you know, this year's city council hearing is scheduled for 11am on 12 March.

Look forward to any follow up questions you may have.

Best

President