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City of Detroit
CITY COUNCIL
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TO: Detroit City Council

FROM: David Whitaker, Director
Legislative Policy Division Staff

DATE: October 13, 2020

RE: **Community Fund for the State Fairgrounds Development**

The Legislative Policy Division (LPD) has received a request from Council Member Raquel Castañeda-López (Attachment I) for a report on the legality and feasibility of establishing a Community Fund for the State Fairgrounds development, including a review of the proposed structure provided by community advocates Doing Development Differently in Metro Detroit (D4).

LPD begins with the legality of establishing a State Fair Community Fund. The D4 community group indicates it would like the City Council to establish a State Fair Community Fund for the targeted area where the proposed State Fairground project is to occur. Pursuant to the Detroit City Code, Chapter 17, *Finance*, Article III, *Funds*, Section 17.3.1 *Enumerated*:

> The revenues and moneys of the City shall be divided into the following funds:
>
> (1) *General fund.* General fund, to which shall be credited and from which shall be disbursed or distributed to other funds, all moneys levied or received to defray the financial requirements of the City, except as herein otherwise provided;
>
> 2) *Interest and redemption fund.* Interest and redemption fund, to which shall be credited moneys levied and received to pay the fund debt of the City and the interest thereon; and
>
> (3) *Other funds.* Other funds, as may be constituted by the City Council or may be required by the Charter, or the laws of the state or the United States of America.

The legal authority to establish the fund is derived under Subsection (3) *Other funds*, which provide that the City Council may constitute other enumerated funds such as a State Fair Community fund. The establishment of a fund by City Council would occur during the limited budget process where City Council and the Mayor develop the budget appropriations for the upcoming fiscal year.[1]

As suggested by D4, any monies in the State Fair Community Fund could be deposited in a separate City fund (by appropriation) and be earmarked for the identified target area. Alternatively, D4 suggests that the funds could be allocated for the Strategic Neighborhood Fund (SNF), which has already identified the state fairgrounds as a targeted area. It is important to note however, that the SNF is not a City of Detroit governmental fund. The SNF is a collaboration between the City, Invest Detroit and philanthropic organizations as partners. In addition, the SNF is managed by Invest Detroit, which is a private community development financial institution. As a result, City Council would have virtually no oversight over monies in the State Fair Community Fund if they were allocated for the SNF.

In addition to establishment of the State Fair Community Fund, the D4 community group suggest that City Council establish a nine-member Advisory Committee in the following manner:

1. Appointee from Council Member McCalister
2. Appointee from Council Member Benson
3. Appointee from Council Member Jones
4. Appointee from Council Member Ayers
5. Five local residents elected by residents living within the targeted area.

The establishment of any advisory committee or commission is authorized under the City Charter, Article 7, Chapter, Section 7-103, *Advisory Commissions:*

> The Mayor may establish by executive order, any commission of members of the public to advise the Mayor or any director of an Executive Branch department, in the determination of its policies and budgets and the implementation of its programs, services or activities. Appointments to all advisory commissions shall be made by, and members serve at the pleasure of, the Mayor.

Pursuant to the City Charter, the legal authority to establish an advisory committee or commission is within the exclusive purview of the Mayor. In addition, the make-up of the members of such commission is also the exclusive purview of the Mayor and each member serves at the pleasure of the Mayor. While the establishment of a State Fair Community Fund may be done by City Council during the limited budgetary process, the implementation of such

[1] LPD notes that the City Council's authority to establish a fund would take place during the budget process appropriating for the upcoming ficscal year. The Administration could submit to City Council for approval a resolution proposing the establishment of a fund along with a budget amendment appropriating funding any time during the fiscal year.

fund as are the implementation of other programs, services or activities are within the Executive Branch of City government.

With regard to contributions to the fund, it appears that one suggestion of D4 is that funding could be obtained from land sales from parcels sold by the Detroit Land Bank Authority (DLBA). If this is one of the suggested funding models, LPD notes that the DLBA holds title and interest in the properties within their inventory and is a separate legal entity from the City of Detroit. The DLBA would have to agree to such contributions. With regard to funding contributions from taxes derived from the State Fairgrounds Project, LPD notes that as previously indicated under the City Code, the revenues and moneys of the City shall be divided into the three categories: General Fund; Interest and redemption fund; and Other funds.

As previously indicated, the City Council can establish the proposed fund and appropriate funding under its budget authority during the budget appropriation period. The feasibility of appropriating funding separate and apart from the current Strategic Neighborhood Fund as well as other financial obligations that face the City is a policy question that City Council will have to consider.

A main policy question is the funding source for the State Fairgrounds Community Fund. For the State Fairgrounds Community Fund to be financially viable, it would need a dedicated funding source for long term funding purposes. As mentioned previously, the DLBA would have to agree to contribute land sales revenue to the fund. It is questionable however, that such land sales revenue would generate sufficient dollars for the viability of the fund.

Another source for the State Fairgrounds Community Fund could be a portion of the new tax revenues derived from the State Fairgrounds project. As Council knows, the Administration estimates that the City will receive a net fiscal benefit of $42.9 million over a 10-year period from the Amazon state of the art logistics facility that would be located on the state fairgrounds project site, if approved by City Council. That amounts to about $4 million in new income taxes, property taxes and utility users taxes the City would receive annually from the project, starting in FY 2023, one year after the anticipated opening of the new logistics facility sometime in FY 2022.

The Mayor and City Council could earmark some of those new taxes annually to the State Fairgrounds Community Fund as a dedicated funding source, thereby making the fund more financially viable depending on the amount earmarked. On the other hand, the use of those new taxes will compete with other budgetary priorities as the City looks to recapture general fund revenue lost from the impact of the COVID-19 pandemic.[2]

If the Mayor and City Council were to agree to establish a State Fairgrounds Community Fund, it would be prudent to incorporate a resolved clause in the resolution establishing the fund stating

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[2] On October 7, 2020, the OCFO Budget Department presented a budget update to the City Council Budget, Finance and Audit Committee. It was indicated that in current fiscal year 2021 the City's general fund faces a $256.1 million revenue shortfall due to the impact of the COVID-19 pandemic. Fortunately, measures will be undertaken to address this revenue shortfall in FY 2021, including withdrawal from the City's Rainy Day Fund, workforce savings, elimination of a supplemental Rainy Day Fund deposit, elimination of a supplemental Retiree Protection Fund deposit, use of Unassigned Fund Balance, savings from COVID-19 federal reimbursements, reduction of Blight Remediation expenditures, and other expenditure reductions. For FY 2022, the OCFO Budget Department anticipates a general fund budget gap of $27.8 million that will have to be addressed.

that the monies in the fund, as a last resort, when all other options have been exhausted, can be used to help the City balance the general fund budget and/or meet its pension and bond obligations when there is a general fund revenue shortfall. The third resolved in the resolution establishing the Neighborhood Improvement Fund (NIF) contains similar language (Attachment II). It should be noted that the appropriation for the NIF is located in Housing and Revitalization's budget, and currently it contains only $1 million.

Regarding best practices for the State Fairgrounds Community Fund, LPD feels the implementation of the Community Engagement and Outreach Ordinance, and the implementation of the Outcome Budgeting process, could help to maximize community involvement, transparency, performance measure accountability and feedback mechanisms to ensure expenditures from the State Fairgrounds Community Fund would best meet the needs of Detroiters living in a targeted area associated with the fund.

Please let us know if we can be of anymore assistance.

Attachments

Attachment I

Council Member Raquel Castañeda-López's Request for the Legislative Policy Division to opine on the legality and feasibility of a State Fairground Development-Community Fund

City of Detroit

CITY COUNCIL

RAQUEL CASTAÑEDA-LÓPEZ
COUNCIL MEMBER
DISTRICT 6

MEMORANDUM

TO: David Whitaker, Director, LPD

THRU: Council President Brenda Jones

FROM: Council Member Raquel Castañeda-López

DATE: October 8, 2020

RE: State Fairground Development – Community Fund

My office has spoken with several community advocates who have indicated interest in the establishment of a Community Fund as part of the development deal at the former State Fairground site. Advocates stress that the Fund should be overseen by members of the community in the impact area, with appropriations designated for projects that are proposed by the community.

Advocates have provided our office with a framework for how such a Fund might be structured. Additionally, the City has some existing precedent for community guided Funds including the Bridging Neighborhoods Fund and Neighborhood Improvement Fund.

Please provide an opinion regarding the legality and feasibility of development of a Community Fund for the State Fairground development, including a review of the proposed structure provided by community advocates (attached), and any recommendations for best practices for this Fund.

Please do not hesitate to contact my office if you have any questions.

Cc: Honorable Detroit City Council
Avery Peeples, Mayor's Liaison
City Clerk

Coleman A. Young Municipal Center 2 Woodward Ave., Suite 1340 Detroit, Michigan 48226
Phone: 313.224.2450 Fax: 313.224.1189
councilmemberraquel@detroitmi.gov

D4 Doing Development Differently in Metro Detroit

To: Nicole Vargas, Policy Analyst, Office of Council Member Castaneda-Lopez
From: Sam Butler, Executive Director, D4
Date: October 5th, 2020
RE: Potential Structure of State Fair Community Fund

Dear Nicole,

I'm sending this document in response to previous questions about how a potential State Fair Community Fund could work. The following is intended to propose ideas as well as identify issues that would need further discussion. For your convenience, I've tried to keep this document brief, but am happy to provide more detail about any of the points below.

As I've shared previously, my inspiration for the State Fair Community Fund comes from the Atlanta Stadium Neighborhoods Community Trust Fund. There are also several Detroit examples of similar funds – including the Bridging Neighborhoods Fund which was established after another large public land sale.

Fund Components:

Authorizing resolution – Such a fund would ideally be established by act of City Council giving it more permanence and longevity. City Council can direct the executive branch to set aside an amount of money to be used for community and economic development within a targeted area. Doing so as the City conducts budget planning in fall 2020 seems like an ideal time to establish such a community fund, and within the purview of Council's existing budget powers.

Target Area – A recommended target area for the State Fair Community Fund might be: Woodward (west boundary) to Conant (east boundary); 7 Mile Rd. (south boundary) to 8 Mile Rd. (north boundary). This area exhibits higher unemployment rates, lower income levels, and higher vacancy than the rest of the City. A fund targeting this area would ensure that the funds are directly impacting a currently-under-resourced neighborhood.

Fund fiduciary – It seems simplest for the monies in the Community Fund to remain within City coffers and earmarked for the identified target area as a separate fund. However, if desired, there is likely is a way for the funds to be allocated for the Strategic Neighborhood Fund, which has already identified the state fairgrounds as a targeted area (part of the Livernois/McNichols target area, but it may be necessary to move the boundary east to Conant St.).

Advisory Committee – When approving the project, CPC recommended that City Council establish a body to continue community engagement throughout the project phases "and

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beyond." If City Council were to establish such a body, then that body could act as the official advisory committee for the Community Fund. The advisory committee could vet proposed projects and conduct engagement in conjunctions with City officials; and make recommendations to City officials about how to distribute the funds.

Seating the Committee – There are a number of ways the Advisory Committee could be seated (i.e. elected, appointed, etc.). More discussion is necessary. However, the precedent established by the Community Benefits Ordinance showcases a way for the committee to be seated with a combination of appointees and elected members. A possible structure could see nine members:

1. Appointee from Council Member McCalister
2. Appointee from Council Member Benson
3. Appointee from Council Member Jones
4. Appointee from Council Member Ayers
5. Five local residents elected by residents living within the targeted area.

Fund Distribution – Likewise, there are a number of ways to identify potential projects for the Community Fund. One potential method, taken from the Atlanta model, is an annual call for proposals for community projects. The Community Advisory Committee would then vet these proposed projects and recommend to City officials which ones should get funding.

An alternative scenario would entail an annual participatory budgeting process where previously proposed projects are presented during a series of community meetings and residents vote on which projects should receive funding.

Long term funding – In the long term, the Atlanta fund is contributed to by a portion of future public land sales in the targeted area. Given the large number of DLBA-owned properties in the State Fair neighborhoods the Community Fund could instead be contributed by future tax proceeds from the site. Because such tax revenue won't start accruing until a couple years from now, tying future contributions to taxes could help alleviate immediate budget concerns resulting from the current pandemic. More discussion with various City departments would likely be necessary to identify the property structure for ongoing contributions; with perhaps tying future revenue to the site permanent employees' income taxes being the easiest system.

I hope this helps,

Sam Butler
Executive Director
Doing Development Differently in Metro Detroit

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Attachment II

City Council Resolution establishing the Neighborhood Improvement Fund

By: Coouncil Member Sheffield:

RESOLUTION IN SUPPORT OF A NEIGHBORHOOD IMPROVEMENT FUND

By Honorable Council Member Sheffield:

Whereas, The mission of the Detroit City Council is to promote the economic, cultural and physical welfare of Detroit's citizens and residents through Charter-mandated legislative functions; and

Whereas, This fall, the Detroit Pistons will return to Detroit and move into the new Little Caesars Arena, returning after nearly 40 years since moving to Oakland County. The Pistons' move into the city, which includes a commitment to build a new headquarters and practice facility in Detroit, was aided by municipal bonds as well as various tax incentives; and

Whereas, The City of Detroit is defining its comeback through various large-scale development projects and initiatives designed to spur redevelopment within neighborhoods across the City. It is imperative that the neighborhoods, and all other areas of the City, benefit from the Detroit Pistons' return to downtown; and

Whereas, In turn, the City will receive income tax revenue, from the multimillion dollar salaries of NBA players as well as other Pistons employees and Palace Sports & Entertainment employees. This is in addition to the Pistons' commitment to provide various community benefits that have been detailed in the Pistons Development Agreement and Memorandum of Understanding between the Pistons and the City; and

Whereas, It is the will of the Detroit City Council to ensure that the Pistons' move back to Detroit has a clearly defined positive tangible impact on the community outside of the city's downtown and midtown corridor; and

Whereas, In order to facilitate development in the various neighborhoods of the City of Detroit, the City Council is committed to the establishment of a Neighborhood Improvement Fund (NIF). The NIF funds will be derived from the proceeds of the net income tax revenue collected from NBA players' salaries during home games played at Little Caesars Arena; also included are the salaries of Pistons and Palace Sports & Entertainment employees; and

Whereas, With the majority of City Council members elected from districts, the NIF's focus on addressing neighborhood needs and facilitating neighborhood development would benefit from a collaborative and proactive approach to determining appropriate NIF projects and expenditures, with early and detailed input from the City Council; and

Whereas, The Mayor's Office has expressed support from the NIF initiative. Going forward on an annual basis, the Office of the Chief Financial Officer should estimate the amount of net income tax revenue to be collected from the sources described above, and the Council as part of the appropriation process should allocate available funding in the NIF for neighborhood initiatives during the budget process, after ensuring that all City bond and pension obligations are fully funded; and

Whereas, The Detroit City Council anticipates additional funds may be allocated to the NIF from public and/or private sources, except for the Gordie Howe International Bridge Project; and Now, Therefore Be It

Resolved, To the extent permissible under federal, state and local law, the Detroit City Council hereby urges the Mayor to establish an appropriation for a Neighborhood Improvement Fund (NIF) to be created in fiscal year 2018-19 and remain in existence at least until all obligations related to the $34.5 million in bonds issued by the Downtown Development Authority (DDA) to support the Pistons' move to Detroit are satisfied; and Be It Further

Resolved, Funding of the NIF shall be appropriated pursuant to the budget process by City Council based on the estimates provided by the Office of the Chief Financial Officer and in conformance with the Consensus Revenue Estimates. The NIF may also be funded by other public and/or private sources, except for the Gordie Howe International Bridge Project, subject to the City's budgeting appropriation process; and Be It Further

Resolved, Should there be any unforeseen short fall in the City's pension or bond obligations, funds in the NIF shall be used as a last resort, when all other options have been exhausted, to help meet pension or bond obligations when other General Fund Revenues are insufficient for such obligations; and Be It Finally

Resolved, That City Council desires further collaboration with the Mayor on the NIF and will submit proposals for consideration by the executive branch. Subject to established budgetary and appropriation processes NIF funds shall be appropriated for, but not limited to, the following purposes: to remove blight, provide new recreational opportunities, provide home repairs for seniors and the disabled, educational and apprenticeship opportunities for young people and to finance affordable housing developments.

Adopted as follows:

Yeas — Council Members Benson, Castaneda-Lopez, Cushingberry, Jr., Leland, Sheffield, Spivey and Tate — 7.

Nays — President Jones — 1.

By: Council Member Sheffield:

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Adopted as follows:

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Nays — President Jones — 1.