TO: COUNCIL MEMBERS
FROM: David Whitaker, Director
Legislative Policy Division Staff
DATE: May 25, 2022
RE: RESOLUTION ADVOCATING FOR THE DEGC TO ESTABLISH A CITYWIDE EDUCATION SERIES ON HOW DEVELOPMENT INCENTIVES POSITIVELY IMPACT THE CITY’S GENERAL FUND

Council member Scott Benson requested that the Legislative Policy Division (LPD) draft a RESOLUTION ADVOCATING FOR THE DEGC TO ESTABLISH A CITYWIDE EDUCATION SERIES ON HOW DEVELOPMENT INCENTIVES POSITIVELY IMPACT THE CITY’S GENERAL FUND.

Attached, please find our draft of the aforementioned resolution.

Attachment
RESOLUTION ADVOCATING FOR THE DEGC TO ESTABLISH A CITYWIDE EDUCATION SERIES ON HOW DEVELOPMENT INCENTIVES POSITIVELY IMPACT THE CITY’S GENERAL FUND

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

WHEREAS, Despite an existing narrative that tax abatements are a financial drain to the communities that offer them; to the contrary, tax abatements are a positive tool used by local units of government to encourage investment in their community. As a matter of fact, in Detroit and the rest of the state of Michigan, tax abatements are an important and effective tool local units of government can offer as an incentive for manufacturing companies to locate, expand or renovate its facilities; and

WHEREAS, An abatement is a tax break offered by a state or municipality on certain types of real estate or business opportunities. Unfortunately, the term “tax abatement” comes with a negative connotation. The principal misconception is that local taxing authorities are eliminating or reducing tax liability for the applicant, most frequently a manufacturer with substantial assessed value. This misunderstanding can have tax paying citizens question why their local unit of government would grant an abatement to a developer; and

WHEREAS, A report issued by Michigan State University, Tax abatements actually increase taxes - MSU Extension – spells out the primary reasons why tax abatements are actually beneficial to taxing jurisdictions:
1. The opportunity to promote economic development
2. Preservation of current local tax base and provide for future tax revenue increases
3. Ability to attract new businesses, keep businesses and to target the type of businesses they want to attract
4. Incentive for business to compete for jobs with other states and countries that have lower tax rates
5. Rewarding a company that has been a good corporate citizen
6. Annual salaries of the new and retained jobs flow into the local community
7. Other business factors may dictate where a company locates, but tax incentives are one of the key considerations for a company to remain competitive, continue in business and maintain their local employment; and

WHEREAS, By accomplishing the aforementioned objectives, the City of Detroit’s General fund is positively impacted when tax abatements and tax incentives facilitate the generation of new income tax revenue by the creation and retention of jobs, and the development of new housing that bring in new residents. In addition, incentives also assist in stabilizing the tax base by helping to bring obsolete and derelict properties back on the tax rolls; NOW, THEREFORE, BE IT

RESOLVED, That the Detroit City Council, strongly urges the Detroit Economic Growth Corporation (DEGC) the City’s economic development catalyst, to start a citywide
education series, in order to educate Detroit’s residents on the utility of tax abatements and TIF captures, by demystifying development incentives and their various impacts; **THEREFORE, BE IT FINALLY**

**RESOLVED,** That the Detroit City Clerk is directed to send this resolution to Kevin Johnson, Detroit Economic Growth Corporation President and CEO.