


David Whitaker, Esq.
Director
Irvin Corley, Jr.
Executive Policy Manager
Marcell R. Todd, Jr.
Director, City Planning
Commission
Janese Chapman
Director, Historic Designation
Advisory Board

John Alexander
Roland Amarteifio
Megha Bamola
LaKisha Barclift, Esq.
Paige Blessman
M. Rory Bolger, Ph.D., FAICP
Eric Fazzini, AICP
Willene Green
Christopher Gulock, AICP

City of Detroit
CITY COUNCIL
LEGISLATIVE POLICY DIVISION
208 Coleman A. Young Municipal Center
Detroit, Michigan 48226
Phone: (313) 224-4946 Fax: (313) 224-4336

Derrick Headd
Marcel Hurt, Esq.
Kimani Jeffrey
Phillip Keller, Esq.
Edward King
Kelsey Maas
Jamie Murphy
Analine Powers, Ph.D.
W. Akilah Redmond
Laurie Anne Sabatini
Rebecca Savage
Sabrina Shockley
Renee Short
Floyd Stanley
Thomas Stephens, Esq.
Timarie Szwed
Theresa Thomas
Ashley A. Wilson

TO: The Honorable Detroit City Council

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: March 2, 2023

Re: DPS and Library Exemption Follow-Up

Council member Gabriela Santiago-Romero requested that the Legislative Policy Division (LPD) respond to the public comments made by a *former* Detroit Public Library Commissioner, regarding the District Detroit Transformational Brownfield TIF's impact on the Detroit Public Schools District (DPSCD), during the public comment portion of the February 16, 2023, Planning and Economic Development Committee meeting. This report is our response to this inquiry.

Council member Santiago-Romero's memo indicates that she wants LPD to provide clarity to the following:

LPD states that the school district gets fully reimbursed for all these costs, but the school board president Angelique Mayberry and School Board Member Sherry Gay-Dagnogo stated that this was false. But LPD keeps reporting it as a fact. So, the school district, according to those school board members, would be losing \$138 million dollars. I think that needs clarification. There are other errors that they keep reporting as facts in regard to the library. I wish they would listen to the people who know the facts.

The costs intimated in this statement, were in reference to our February 10, 2023, report on the DPS and Library Exemption for the District Detroit TBP. In it, we reported that over 35 years the projected TIF capture for the District Detroit TBP applied to DPS is projected at \$138,053,298 and \$4,747,908 for DPL respectively. What's in question is that we reported that the operation of DPS is fully funded by the State of Michigan and that the Library has no such mechanism.

This statement is consistent with what we have reported in the past. In our report of February 15, 2022, we reported that, **"First of all, tax abatements do not have a long-term negative impact on School funding.** Tax abatements, which are for the most part given out by local municipalities, are authorized through state enabled Public Acts with the purpose of retaining business within Michigan as well as attracting new

business to the state. The statement "*long term negative impact on School funding,*" implies that funds are taken from DPS and given over to private developers through tax abatements. Tax abatements are State authorized programs that allow for tax breaks on the improvements to buildings or new buildings. There are no tax abatements on land." In referencing tax abatements and their impact, we stated further, "By referencing these revenues (from tax abatements or tax captures) as either a loss or a reduction is incorrect, because it implies the inevitable receipt of funds that more likely than would [not have] materialized. Counting these funds as taken from DPS and given to the developer as tax abatements is not a proper characterization. Tax [incentives] are State authorized economic stimulus programs that allow for tax breaks on the improvements to buildings or new buildings. The property values prior to development are not abated or reduced in any way. There are no tax abatements on land."

Pursuant to state statute, the State Aid Act, Public Act 94 of 1979 affirms that each school district in the state of Michigan is guaranteed a per pupil foundation funding amount. According to the Act, the amount of each district's foundation (per pupil) allowance for 2015-2016 was based on: (a) The basic foundation allowance of \$8,169. However, Detroit has a unique school structure:

Effective June 21, 2016, the Michigan Legislature enacted Public Act 192 of 2016, amending The Revised School Code, 1976 PA 451, as amended (MCL 380.1 to 380.1853) with immediate effect. Act 192 provided:

- *Effective July 1, 2016, the School District of the City of Detroit ("DPS")¹ became a qualifying district under section 12b of the Code, MCL 380.12b, and a community district was created for the same geographic area of DPS to provide public educational services for residents of that geographic area (the "Detroit Public Schools Community District (" or "DPSCD")² under section 383 of the code, MCL 380.383;*
- *All functions, responsibilities and assets of DPS were transferred to DPSCD;*
- *DPS retains legacy debt and remains a separate, limited identify for the sole purpose of repaying that debt and the emergency loan acquired by the state to fund transitional operating costs;³*

Essentially, the debt of DPS is totally separate from the day-to-day operations costs of DPSCD. As negotiated with the Michigan Department of Treasury, once the debt accumulated by DPS is paid off via voter-approved taxes collected annually and the debt has been discharged, DPS will dissolve. In the meantime, the State of Michigan provides funds to fully provide the per pupil allocation for DPSCD's daily operations, while the debt is separately paid by the district's tax revenue.

When it comes to tax incentives, the City of Detroit operates primarily on a cost benefit - "but for " bases, which simply means that incentives for the most part are not extended by the City, unless it is first determined that the subject project is not financially feasible - but for the abatement; therefore, without the abatement the impacted project would not go forward. So, saying that DPS will lose \$138 million is in fact, not an accurate statement at all. At worst, the currently proposed TIF would leave DPS net neutral. At the absolute hypothetical best, saying the project would go forward with no possible TIF capture, DPS (old) would pay off its debt faster. Finally, in our February 2022 report, after a careful review of the DPS 2021 Certified Annual Financial Report (CAFR), we found **per page 7 of the report, "The School district experienced an increase in net position of \$89.3 million (in 2021). The key reason for the change in net position was the excess of property tax receipts over the required debt obligations due for the year. These funds will be used to service future debt obligations."**

¹ Also referenced as DPS (old)

² Also referenced as DPS (new)

³ Source: [miller-canfield.pdf \(gongwer.com\)](#)

We shared our report and our findings with the Council in a PED committee meeting with the Superintendent of DPSCD, the COO of DPSCD and several members of the DPSCD School Board, and on that day, no one had an issue with any of our findings.