



TO: Council President Mary Sheffield

FROM: Kevin Johnson, President & CEO
Detroit Economic Growth Corporation (DEGC)

DATE: March 21, 2023

RE: FY 2023-24 Budget Analysis

This memo is in response to questions dated March 9, 2023.

1. According to the balance sheet/budget provided the DEGC spends over 85% of its annual revenue on personnel and contract services.

What is the breakdown of those expenditures? How does the DEGC spend on personnel compare to other Economic Growth agencies in similar size cities?

In the 2022-23 budget there was \$6,130,000 in salary for 74 FTE, \$1,825,000 for fringes, and \$131,600 in contract services. The DEGC percentage can't really be compared to entities in other cities, because the DEGC is unique in its "one-stop" structure. All work done by DBRA, DDA, EDC, etc. is performed by DEGC employees. The economies of scale realized by having the DEGC house and staff all those authorities provide great savings; however, it results in the DEGC being primarily a staffing agency with the program expenses then being charged by each of the Authorities. Other entities don't provide staffing and administrative services as part of its business model. While they don't use quite the same business model as the DEGC, the St. Louis Economic Development Agency is close and has a similar 85% personnel rate when adjusted for intercompany transfers (which the DEGC doesn't have).

2. Also according to the balance sheet/budget provided, \$388,500 has been budgeted to spend on Travel/Meetings & Marketing.

What is the breakdown of those expenditures? With respect to marketing, how are your programs marketed to Detroiters?

In the 2022-23 budget, there was \$89,000 for Conferences, \$12,000 for air travel, \$8,000 for mileage, \$40,000 for meetings, \$2,500 for public notices, and \$237,000 for marketing & promotion.



Program availability is shared through the DEGC website, social media and informational webinars sponsored by the city of Detroit and local stakeholder/partners.

3. The Mayor's Budget is proposing a \$1,941,489 contribution to the DEGC of which \$796,304 or 41% is for the Detroit Business Liaison program.

What metrics does the DEGC use to measure the success of the Business Liaison program? How does the DEGC or the program interface with the business community to assess their experience in dealing with Detroit Business Liaison program?

Each DBL is expected to respond to at least 15 unique requests per week from business owners within their respective geography. Timeliness and appropriateness of the responses is weighed when a complaint or report arises from any stakeholder. In addition to these requests, each DBL is expected to convene regular office hours or events with City Council members, community development organizations, City departments, and economic development ecosystem partners. The program director and VP of Small Business Services collaborate to be sure that the needs and priorities of businesses with city-wide concerns are met or triaged properly. Further, the program director and VP of Small Business work closely with stakeholders to request feedback on the level of engagement of each DBL.

The DBL and DEGC customer service line is on DBL website, DMB website and, all DBL promotional materials. That line goes to a DEGC support team member who is outside of the DBL team and reports any complaints or concerns through the VP of Small Business services. There was a link online where constituents could request support from a DBL and we are presently in the process of repairing that support request link/page.

4. During our City Council retreat, we hosted Dr. Andre Perry of the Brookings Institute for a discussion involving Economic Justice and Equitable Development. At that time, he challenged Council and staff to focus on commercial property acquisition and development in order to create generational wealth and help close the wealth gap.

What programs or efforts does the DEGC employ to assist Detroiters, specifically historically disenfranchised residents, with entering the commercial real estate development space? What barriers exist for the majority of Detroiters to enter this arena and how is the DEGC utilizing its budget to remove those barriers?

The DEGC works closely with small minority developers both experienced and individuals who may be embarking upon their first foray into real estate rehabilitation and development. Our services include evaluating project viability, structuring incentives, coordination of other funding sources and assisting with land purchases and entitlements. Over the past few years, there has been strong attention for properties in neighborhoods outside of downtown and midtown. Yet,



with a population that is 80% African American, few development teams have equity and ownership structures that reflect the City's demographics. Typical barriers for this group to enter the development industry include access to capital, equity and lack of balance sheets, pipeline of development opportunities and project team capacity. While there are local programs in the ecosystem to address some of these challenges, there isn't a single entity equipped to coordinate and support the entire system. As we look to create generational wealth among minority developers, we must institute a deliberate approach to build the capacity and, while focusing on strategies that complement existing neighborhood planning priorities. An emphasis should be placed on strong or emerging neighborhoods that allows the City to:

1. Leverage key opportunity sites for small, minority development opportunities.
2. Establish a funding vehicle to support minority development and provide seller financing opportunities.
3. Expand marketing and access
4. Provide advisory and technical services to developers, particularly construction management, financial modeling, pre-bid due diligence, leasing and marketing and property and asset management.
5. Establish strategic partnerships to support projects and deliver ongoing supportive services to the minority development community.
6. Establish a small developer fast track permitting program and discount permit fees or allow the fees to be deferred; and,
7. Establish mentoring programs for smaller, newer developers.

Last year, the Detroit City Council tasked the DEGC with developing a tax incentive curriculum followed by a request to host a series of presentations in each of the City Council Districts. To date, DEGC has completed presentations in Council Member Benson's district, Council Member Durhal's district, Council Member Johnson's district and President Pro Tem Tate's district. Two of the four presentations were convened in-person, the other two presentations were led virtually. For all events, people had to register online. Total number of sign-ups for the four sessions were 566.

In each of our presentations, for the most part the feedback has been positive. Participants have expressed that they gain a better understanding of the mechanics of the tax abatements. We provide the context around why the incentives are needed and how they aid in completing neighborhood projects. Given this information, participants have also expressed newfound support for tax incentives in this current climate.



As plans currently stand, the remaining presentations for Council President Sheffield, Council Member Whitfield- Calloway and Council Member Santiago-Romero as well as the council members at large if they wish to host a presentation, will occur over the next two quarters.

5. Please summarize any DEGC programs to attract and support minority-owned, LGBTQ+-owned, and small disadvantaged businesses.

The DEGC is committed to supporting the development and growth of new and existing small businesses and entrepreneurs, citywide. We do not offer services specifically for only minority-owned, LGBTQ+ owned and or small disadvantaged businesses.

However, we have conducted similar presentations as outlined in response to question #4 for R.E.A.D. and W.S.D.I. (*Women's Sustainable Development Initiative*). One organization focuses on minority developers, the other on women developers. We also presented at the February DONCast which had roughly 200 attendees via Zoom. We are also in the planning stages with Capital Impact Partners to present to their Equitable Development Initiative alum in the next 45 days.

6. Please explain the more than \$100,000 increase in the City's funding contribution to the DEGC for FY2024?

The \$102,000 increase in the proposed funding for 2023-24 is for the DBL program. The program was established several years ago with funding through the City's General Fund contribution to the DEGC. The funding level had not been changed since the inception of the program. High inflation and a competitive job market has made it difficult to retain talented people in the DBL program while also hampering recruiting. The increase will allow us to increase the compensation packages for these very important positions.

7. Please list any vacancies at the DEGC. What positions are vacant and what is the plan/timeline for filling them?

Currently, DEGC has six vacant positions. Three positions (SBS Executive Assistant, Business Development Manager, and D6 DBL) are currently in the active recruitment phase, and we are reviewing candidates. The D6 DBL position has been difficult to fill as we require the successful applicant to be bi-lingual (English/Spanish), but we've narrowed down some candidates and expect it to have these positions filled within a month.

The other three positions are ARPA-funded positions for DMB - Resources Manager, Outreach Manager, and Communications Manager. We waited to recruit for these positions until the DMB



president was onboard. Now that Marlo has started, we anticipate opening the recruiting process in mid-April and should have them filled in early July.

8. According the DEGC by-laws, the organization’s operating budget must be recommended by the Finance Committee and adopted by the Executive Committee of the DEGC Board of Directors. Has the DEGC FY23-24 operating budget been approved by the Board? If not, how would that affect DEGC funding and operations?

The 2023-24 DEGC operating budget cannot be completed and approved until the DEGC knows for certain how much the City of Detroit’s General Fund contribution will be. It is standard procedure for the DEGC budget to be approved in late May or early June.

9. How many Motor City Match recipients are still in operation as of January 1, 2023? What benchmarks are used to measure success in the program? What is the total amount of funds given out by the program since its inception? Are there any plans to expand the program?

There are currently 146 open businesses, 136 as of January 1, 2023
Program Benchmarks used to measure success include:

- Business Plan – complete business plan, make first sale.
- Develop (formerly Space) – develop a budget for brick & mortar, sign a lease or letter of intent.
- Design – complete design through Design Development phase, complete construction budget
- Cash – open business
- Restore – complete façade project.

Total amount of funds awarded by the program since inception: \$11.4m

There are no current plans for expansion. Our current contract ends June 30, 2024 – final awards will happen then. We would like to expand to focus more on providing ongoing assistance after opening – expand TA and business services, help businesses become more sustainable.

10a. How many prospective Brownfield sites are ready for development? How does the DBRA market development-ready sites?

There are an unknown number of brownfield sites across the city. The primary purpose of the DBRA is to approve brownfield plans that authorize the reimbursement of eligible improvement costs so that these sites can be redeveloped and returned to productive use. The DBRA portfolio represents projects in every City Council district and includes projects representing



transformational mixed use development projects at one end of the spectrum to smaller neighborhood projects at the other end of the spectrum.

In coordination with the Administration, the DEGC continues to facilitate the marketing and implementation of the city's industrial land strategy. This strategy prioritizes site readiness activities around approximately 11 key sites ranging from 10 to 55 acres. The industrial land strategy includes defined predevelopment activities for site survey, environmental assessments, adjacent private land assembly opportunities, site clearing and demolition and utility assessments in order to attract manufacturing and logistics companies. In 2022, 60.5 acres of industrial land was assembled and or packaged to be redeveloped by a private developer.

10b. How many Brownfield TIFs have been approved but the development never occurred?

Since 2013, there have been 23 TIF plan terminations with four plans being transformed into new TIF plans.

10c. Does the City or DBRA incur any costs for unrealized Brownfield developments?

The DBRA charges developers an application and processing fee which covers brownfield plan approval costs. We can't speak for the City, but we have absolutely no reason to believe that they would incur any costs for unrealized Brownfield developments.

Sincerely,

A handwritten signature in blue ink, appearing to read "K. Johnson", written over a faint horizontal line.

Kevin Johnson,
President and CEO
Sincerely,