

Referral
9/4/18

**BUDGET,
FINANCE, AND
AUDIT STANDING
COMMITTEE**



OFFICE OF CONTRACTING AND
PROCUREMENT

August 30, 2018

HONORABLE CITY COUNCIL:

The Office of Contracting and Procurement recommends a Contract with the following firm(s) or person(s):

6000728 100% City Funding – Amend #1 - To Provide Valuation Services for Casino Appraisal for a Two (2) year period – Contractor: TS Worldwide dba HVS, 2501 Sagebrush Dr., Suite 101, Flower Mound, TX 75028 – Contract Period: Upon City Council Approval through June 19, 2019 – Contract Increase: \$126,000.00 - Total Contract Amount: \$220,000.00. **LAW**

**This Amendment is for Additional Funds Only in order to complete the project.
Original Contract Amount \$94,000.00**

Respectfully submitted,

Boysie Jackson, Chief Procurement Officer
Office of Contracting and Procurement

BY COUNCIL MEMBER _____ AYERS _____

RESOLVED, that Contract No. 6000728 referred to in the foregoing communication dated August 30, 2018 be hereby and is approved.



OFFICE OF CONTRACTING AND
PROCUREMENT

August 30, 2018

HONORABLE CITY COUNCIL:

The Office of Contracting and Procurement recommends a Contract with the following firm(s) or person(s):

6000098 100% City Funding – Amend #2 - To Provide Consulting Services on an on-going basis on all Pension and Actuarial Matters. – Contractor: Cheiron, A VA Corporation, 1750 Tysons Boulevard, McLean, VA 22102 – Contract Period: Upon City Council Approval through June 11, 2020 – Contract Increase: \$25,000.00 - Total Contract Amount: \$250,000.00. **OFFICE OF THE CHIEF FINANCIAL OFFICER**

This Amendment is for and Extension of Time and Additional Funds. Original Contract Amount \$225,000.00 – Original Contract Terms Through June 12, 2018.

Respectfully submitted,

Boysie Jackson, Chief Procurement Officer
Office of Contracting and Procurement

BY COUNCIL MEMBER _____ **AYERS**

RESOLVED, that Contract No. 6000098 referred to in the foregoing communication dated August 30, 2018 be hereby and is approved.

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**OFFICE OF CONTRACTING AND
PROCUREMENT**

August 30, 2018

HONORABLE CITY COUNCIL:

The Office of Contracting and Procurement recommends a Contract with the following firm(s) or person(s):

6001627 100% City Funding – To Provide a Business District Liaison Program to assist the Director on Business Outreaches, Retention Activity in each of (7) City Council Districts.
– Contractor: Detroit Economic Growth Corporation, 500 Griswold, Suite 2200, Detroit, MI 48226 – Contract Period: Upon City Council Approval through June 30, 2019 – Total Contract Amount: \$694,304.00. **HOUSING AND REVITALIZATION**

Respectfully submitted,

Boysie Jackson, Chief Procurement Officer
Office of Contracting and Procurement

BY COUNCIL MEMBER _____ **TATE** _____

RESOLVED, that Contract No. 6001627 referred to in the foregoing communication dated August 30, 2018 be hereby and is approved.

Janice M. Winfrey
City Clerk

City of Detroit
OFFICE OF THE CITY CLERK

Caven West
Deputy City Clerk/Chief of Staff



August 23, 2018

Honorable City Council
1340 Coleman A. Young Municipal Center
Detroit, MI 48226

Re: Application for Neighborhood Enterprise Zone Certificate for Algonquin Area

Dear Council Members:

On October 21, 1992, your Honorable Body established Neighborhood Enterprise Zones. I am in receipt of one (1) application for a Neighborhood Enterprise Zone Certificate. **THESE APPLICATION HAS BEEN REVIEWED AND RECOMMENDED FOR APPROVAL BY THE CITY PLANNING COMMISSION, A COPY OF WHICH IS ATTACHED.** Therefore, the attached Resolution, if adopted by your Honorable Body, will approve this application.

Respectfully submitted,

Janice M. Winfrey
City Clerk

JMW:aj
Enc.

Resolution

By Council Member _____

WHEREAS, Michigan Public Act 147 of 1992 allows the local legislative body to establish Neighborhood Enterprise Zones for the purpose of providing exemption from as valorem property taxes, and the imposition of specific property tax in lieu of as valorem taxes; and

WHEREAS, The Detroit City Council has established a Neighborhood Enterprise Zone for the following area, in the manner required by and pursuant to Public Act 147 of 1992.

NOW, THEREFORE, BE IT RESOLVED, That the City Council approve the following address for receipt of Neighborhood Enterprise Zone Certificate for a fifteen-year period:

<u>Zone</u>	<u>Address</u>	<u>Application No.</u>
Algonquin New	977 & 979 Navahoe (Duplex)	06-8409

Alton James
Chairperson
Lesley Carr Fairrow, Esq.
Vice Chair/Secretary

City of Detroit

CITY PLANNING COMMISSION
208 Coleman A. Young Municipal Center
Detroit, Michigan 48226
Phone: (313) 224-6225 Fax: (313) 224-4336
e-mail: cc-cpc@detroitmi.gov

CITY CLERK 2018 AUG 22 PM 2:53

Brenda Goss-Andrews
Lisa Whitmore Davis
David Esparza, AIA, LEED
Lauren Hood, MCD
Gregory Pawlowski
Frederick E. Russell, Jr.
Angy Webb

August 22, 2018

HONORABLE CITY COUNCIL

RE: Neighborhood Enterprise Zone Certificate Application for two (2) rehabilitated housing units in the Algonquin NEZ Area A (RECOMMEND APPROVAL)

The office of the City Planning Commission (CPC) has received one (1) application for Neighborhood Enterprise Zone (NEZ) certificates forwarded from the office of the City Clerk. This application corresponds to units that are to be rehabilitated within an existing two-family house on Navahoe Street south of East Jefferson Ave. CPC staff has reviewed the application and recommends approval.

The subject properties have been confirmed as being within the boundaries of the Algonquin Area A NEZ which was established on September 17, 2001 and should be eligible for NEZ certificates under State Act 147 of 1992 as currently written. The units to be rehabilitated are located at 977 and 979 Navahoe Street. The NEZ certificate application appears to have been submitted prior to the issuance of any applicable building permits.

Please contact our office should you have any questions.

Respectfully submitted,



Marcell R. Todd, Jr., Director CPC
Christopher J. Gulock, AICP

cc: Janice Winfrey, City Clerk

City of Detroit
OFFICE OF THE CITY CLERK

Janice M. Winfrey
City Clerk

Caven West
Deputy City Clerk/Chief of Staff



August 23, 2018

Honorable City Council
1340 Coleman A. Young Municipal Center
Detroit, MI 48226

**Re: Application for Neighborhood Enterprise Zone Certificate for
Paperclip Properties Area**

Dear Council Members:

On October 21, 1992, your Honorable Body established Neighborhood Enterprise Zones. I am in receipt of one (1) application for 107 Units for a Neighborhood Enterprise Zone Certificate. **THESE APPLICATION HAS BEEN REVIEWED AND RECOMMENDED FOR APPROVAL BY THE CITY PLANNING COMMISSION, A COPY OF WHICH IS ATTACHED.** Therefore, the attached Resolution, if adopted by your Honorable Body, will approve this application.

Respectfully submitted,

Janice M. Winfrey
City Clerk

JMW:aj
Enc.

Resolution

By Council Member _____

WHEREAS, Michigan Public Act 147 of 1992 allows the local legislative body to establish Neighborhood Enterprise Zones for the purpose of providing exemption from as valorem property taxes, and the imposition of specific property tax in lieu of as valorem taxes; and

WHEREAS, The Detroit City Council has established a Neighborhood Enterprise Zone for the following area, in the manner required by and pursuant to Public Act 147 of 1992.

NOW, THEREFORE, BE IT RESOLVED, That the City Council approve the following address for receipt of Neighborhood Enterprise Zone Certificate for a fifteen-year period:

<u>Zone</u>	<u>Address</u>	<u>Application No.</u>
Paperclip Properties, LLC	1150 Griswold (Floors 7-35)	06-8408

Alton James
Chairperson
Lesley Carr Fairrow, Esq.
Vice Chair/Secretary

City of Detroit

CITY PLANNING COMMISSION
208 Coleman A. Young Municipal Center
Detroit, Michigan 48226
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e-mail: cc-cpc@detroitmi.gov

Brenda Goss-Andrews
Lisa Whitmore Davis
David Esparza, AIA, LEED
Lauren Hood, MCD
Gregory Pawlowski
Frederick E. Russell, Jr.
Angy Webb

March 21, 2018

HONORABLE CITY COUNCIL

**RE: Neighborhood Enterprise Zone Certificate Application for one hundred-seven (107) units of rehabilitated housing units in the Paperclip Properties area.
(RECOMMEND APPROVAL)**

The office of the City Planning Commission (CPC) has received an applications for a Neighborhood Enterprise Zone (NEZ) certificate forwarded from the office of the City Clerk. This application corresponds to units that are to be redeveloped as part of a multi-family residential rental development undertaken by Paperclip Properties, LLC. CPC staff has reviewed the application and recommends approval.

The subject property has been confirmed as being within the boundaries of the Paperclip Properties, LLC NEZ and should be eligible for NEZ certificates under State Act 147 of 1992 as currently written. The property to be redeveloped consists of one hundred-seven (107) apartment units between the 7th and 35th floors, located at 1150 Griswold Street. The NEZ certificate application appears to have been submitted prior to the issuance of any applicable building permits.

Please contact our office should you have any questions.

Respectfully submitted,



Marcell R. Todd, Jr., Director CPC
George A. Etheridge, City Planner, LPD

cc: Janice Winfrey, City Clerk

Janice M. Winfrey
City Clerk

City of Detroit
OFFICE OF THE CITY CLERK

Caven West
Deputy City Clerk/Chief of Staff



August 23, 2018

Honorable City Council
1340 Coleman A. Young Municipal Center
Detroit, MI 48226

**Re: Application for Neighborhood Enterprise Zone Certificate for
Pyramid Development Co., LLC Area**

Dear Council Members:

On October 21, 1992, your Honorable Body established Neighborhood Enterprise Zones. I am in receipt of one (1) application for 103 Units for a Neighborhood Enterprise Zone Certificate. **THESE APPLICATION HAS BEEN REVIEWED AND RECOMMENDED FOR APPROVAL BY THE CITY PLANNING COMMISSION, A COPY OF WHICH IS ATTACHED.** Therefore, the attached Resolution, if adopted by your Honorable Body, will approve this application.

Respectfully submitted,

Janice M. Winfrey
City Clerk

JMW:aj
Enc.

Resolution

By Council Member _____

WHEREAS, Michigan Public Act 147 of 1992 allows the local legislative body to establish Neighborhood Enterprise Zones for the purpose of providing exemption from as valorem property taxes, and the imposition of specific property tax in lieu of as valorem taxes; and

WHEREAS, The Detroit City Council has established a Neighborhood Enterprise Zone for the following area, in the manner required by and pursuant to Public Act 147 of 1992.

NOW, THEREFORE, BE IT RESOLVED, That the City Council approve the following address for receipt of Neighborhood Enterprise Zone Certificate for a fifteen-year period:

<u>Zone</u>	<u>Address</u>	<u>Application No.</u>
Pyramid Development Co., LLC	321 W. Lafayette Blvd (Floors 4-14)	06-8407

Alton James
Chairperson
Lauren Hood, MCD
Vice Chair/Secretary

City of Detroit

CITY PLANNING COMMISSION
208 Coleman A. Young Municipal Center
Detroit, Michigan 48226
Phone: (313) 224-6225 Fax: (313) 224-4336
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Brenda Goss-Andrews
Lisa Whitmore Davis
David Esparza, AIA, LEED
Gregory Pawlowski
Frederick E. Russell, Jr.
Angy Webb

July 5, 2018

HONORABLE CITY COUNCIL

RE: Neighborhood Enterprise Zone Certificate Application for one-hundred-three (103) units of rehabilitated condominiums in the Pyramid Development Co., LLC Neighborhood Enterprise Zone area. (RECOMMEND APPROVAL)

The office of the City Planning Commission (CPC) has received an application for an Neighborhood Enterprise Zone (NEZ) certificate forwarded from the office of the City Clerk. This application correspond to 103 units that are to be newly rehabilitated as part of a mixed-use multi-family residential condominium development undertaken by Pyramid Development Co., LLC. CPC staff has reviewed the applications and recommends approval.

The subject property has been confirmed as being within the boundaries of the Pyramid Development Co., LLC NEZ and should be eligible for NEZ certificates under State Act 147 of 1992 as currently written. The property to be redeveloped consists of from Detroit Free Press building, located at 321 West Lafayette Boulevard. The NEZ certificate applications appears to have been submitted prior to the issuance of any applicable building permits.

Please contact our office should you have any questions.

Respectfully submitted,



Marcell R. Todd, Jr., Director CPC
George A. Etheridge, City Planner, LPD

cc: Janice Winfrey, City Clerk

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Office of the Auditor General

Mark W. Lockridge, Auditor General

Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 216
Detroit, Michigan 48226
Phone: (313) 224-3101
Fax: (313) 224-4091
www.detroitmi.gov

AUDIT MEMORANDUM

DATE: August 9, 2018
TO: Honorable City Council
Honorable Mayor Mike Duggan
FROM: Mark W. Lockridge, CPA *MWL*
Auditor General
RE: **THE CASINO DEVELOPMENT FUND**
Paradise Valley Cultural and Entertainment District Project
CC: Glen Long, COO, DEGC/EDC
Stephanie Washington, Esq., City Council Liaison
Daniel Arking, Attorney, Law Department
David Whitaker, Director, Legislative Policy Division
Casino Representatives

Attached for your review is our audit memorandum on the Casino Development Fund Paradise Valley Cultural and Entertainment District project. It contains our audit purpose, scope, objectives, methodology and conclusions; background; our audit summary and recommendations.

Responsibility for the installation and maintenance of a system of internal control that minimizes errors and provides reasonable safeguards rests entirely with the Economic Development Corporation.

Copies of all of the Office of the Auditor General reports can be found on our website at [www.detroitmi.gov/How-Do-I/View City of Detroit Reports/Auditors General-Audits](http://www.detroitmi.gov/How-Do-I/View-City-of-Detroit-Reports/Auditors-General-Audits).

CITY CLERK 2018 AUG 9 10:02

Audit of the Casino Development Fund
Project: Paradise Valley Cultural and Entertainment District

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AUDIT PURPOSE, SCOPE, OBJECTIVES, METHODOLOGY AND CONCLUSIONS

AUDIT PURPOSE

The audit of the Casino Development Fund - Paradise Valley Cultural and Entertainment District project was performed in accordance with the Office of the Auditor General's (OAG) charter mandate to conduct audits of the financial transactions, performance and operations of City agencies based on an annual risk-based audit plan prepared by the Auditor General, or as otherwise directed by the City Council, and report findings and recommendations to the City Council and the Mayor.

City Council requested that the OAG perform an audit of the Casino Development Fund in relation to a Legislative Policy Division report dated October 11, 2016.

AUDIT SCOPE

The scope of this audit was an independent review and assessment of the Paradise Valley Cultural and Entertainment District project (PVCED) and is being presented for informational purposes since the Casino Development Funds were used to reimburse the Downtown Development Authority (DDA) for purchases of property it had already made. At the time of the first reimbursement from Casino Development Funds, the DDA had already purchased eight of nine properties for the redevelopment.

Note: The appropriateness of the development awards were not reviewed because the auditors were not present at the interviews to hear the presentations for the final scoring.

Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States, except for the completion of an external peer review of the Office of the Auditor General within the last three years.

AUDIT OBJECTIVES

The overall audit objectives were:

- Review financial reports and audited financial statements from each sub-grantee to ensure the casino development funds are properly accounted for and spent in accordance with program objectives and guidelines as stated in the revised casino agreements, EDC/City of Detroit and EDC/sub-grantee funding agreements.
- A performance audit of each sub-grantee to ensure the casino development funds are effectively and efficiently received and spent in accordance with best practices and in support of program objectives and guidelines.

Project Objectives for PVCED

The project objectives and goals for the PVCED as stated in the City of Detroit and EDC funding agreement were to:

- Assist in the establishment of the PVCED.

- Use funding first for land assembly, then matching City, State and Federal grants, and finally to establish a loan program.
- Provide economic assistance to retail, commercial and entertainment businesses operating in the established district in the form of low interest rate loans.

AUDIT METHODOLOGY

To accomplish our audit objectives, our audit work included:

- Reviewing the Casino Development Agreements, project funding agreements, City Charter, the project budget reports, and organization charts.
- Gathering policies and procedures of core operations and similar data.
- Conducting an audit-planning meeting to determine the scope and audit objectives, and to determine the financial transactions and/or areas to audit.
- Developing questions regarding the Casino Development Fund project's transactions, controls, functions, records, and personnel.
- Identifying risks relative to financial transactions and mitigating controls with appropriate personnel.
- Interviewing appropriate personnel, reviewing documentation, and making observations to aid in developing audit programs.

CONCLUSIONS

As a result of our audit of the Paradise Valley Cultural and Entertainment District (PVCED) project, we have concluded that:

Overall Audit Objective

- DDA spent the casino development funds in accordance with the project objectives.

Project Objectives

- The DDA purchased properties and used casino development funds from EDC to reimburse the purchases of properties previously acquired by DDA and to obtain one final property for the project to establish PVCED.
- The DDA did use the \$10 million in initial funding to purchase land.
- The DDA has not provided economic assistance to retail, commercial and entertainment businesses operating in the established district in the form of low interest rate loans. (See the Audit Summary and Recommendations on page 10 for additional information on this objective).

BACKGROUND

Origination of Casino Development Fund

The Casino Development Fund is a commitment made by the three Detroit casinos (MGM Grand Detroit, MotorCity, and Greektown) and the City of Detroit, to contribute money for the purpose of assisting minority business development in a specified area within the City. The assistance to business development focuses on: financing façade improvements, GAP financing, loan guaranties, rehabilitation, equipment and working capital for existing and new businesses.

The City received \$2.5 million from MotorCity Casino during the period of the initial Casino Development agreements (1998-1999). The City received \$30 million from the three casinos (\$10 million from each casino) in accordance with the revised Casino Development agreements.

Economic Development Corporation (EDC)

EDC is a public body corporation created by the City Council of the City of Detroit by enactment of Ordinance 120-H effective June 9, 1979. All services to be performed are set forth in the "Scope of Services" section of the EDC/City of Detroit personal service contract and is coordinated and performed by the DEGC. The DEGC is a private non-profit 501c.4 organization and is an agent of the EDC that acts as a liaison between the EDC and the City.

Paradise Valley Cultural and Entertainment District¹

The Detroit City Council wanted to create a business district showcasing the rich culture and significant achievements of African Americans in the City of Detroit (City). In an effort to improve the economic and social environment within the City, they authorized the creation of PVCED in an October 2004 resolution.

The vision was to use African-American cultural influences to honor the legacy of Paradise Valley. In the first half of the 20th Century, a thriving business, cultural and residential community known as "Paradise Valley" existed in what was then known as Detroit's "Black Bottom." It was a sixty-six square block area on the near-east side of Detroit's downtown. From the 1920's through the 1950's it was where the vast majority of Detroit's African-American population lived. The crowded neighborhood was one of the very few areas blacks were allowed to reside. The needs of the residents were generously met by more than 300 black-owned businesses in Paradise Valley, ranging from drugstores, beauty salons and restaurants to places of leisure such as nightclubs, bowling alleys with bars, theaters and mini-golf courses. This area had its own medical offices and retail shops, as well as swank restaurants and hotels created and patronized by the newly established African-American community comprised of Southern immigrants. The area once hosted the performances of entertainers like Ethel Waters, Pearl Bailey, Ella Fitzgerald, the Inkspots, Duke Ellington, Billie Holiday, Louis Armstrong, and Dizzy Gillespie. In the late 1950's and early 1960's, Detroit's Paradise

¹ Within the scope of the casino development fund and the casino development agreements, the Paradise Valley Cultural and Entertainment District (PVCED) is formerly known as the African American Business District.

Valley and Black Bottom along with the dense, and important cultural contributions and economic support of the area were demolished to make room for the Interstate 75 Freeway. At the time, insufficient consideration was given to what was being lost by the destruction of the area.

Presently, PVCED is the area around the small triangular public space often called Harmonie Park. The area is bordered by East Grand River, Centre and Randolph. The district will include a boutique hotel, a jazz club, an expansion of the current Detroit Seafood Market restaurant, another restaurant possibly affiliated with the nearby Central Kitchen and Bar, luxury and affordable housing, a new 190,000-square-foot building and a 150-space parking garage.

The EDC received Casino Development Funds to administer various programs per their funding agreement including the PVCED. Through the signing of an assignment agreement, the EDC decided that the PVCED should become a Downtown Development Authority (DDA) project since the district would be located in the Harmonie Park area of downtown Detroit, which was a DDA project. The EDC transferred their project management responsibilities to the DDA.

Funding Agreement

In a resolution dated March 15, 2007, the EDC Board of Directors approved the DDA to assume the responsibilities of the EDC in connection with the PVCED, and the transfer of the funds appropriated for the PVCED, in the amount of \$10,000,000, to the DDA for all purposes consistent with the funding agreement including the reimbursement of the DDA for the acquisition of the properties to be devoted to the PVCED.

According to the EDC Casino Development Funds Budget and Expenditure report dated March 31, 2017, PVCED had a budget of \$10 million and the EDC disbursed \$10 million for the project. The following disbursements were made by EDC for the PVCED project:

Date	Description	Amount
8/2/2006	Rob Millard, Expense Reimbursement	\$ 10
8/16/2006	Michigan Chronicle-Advertising	1,664
8/16/2006	Detroit Legal News-Advertising	100
4/21/2007	Downtown Development Authority	6,500,000
10/8/2008	Downtown Development Authority	3,498,226
	TOTAL	\$ 10,000,000

Property Information

The DDA acquired the following properties for the PVCED project:

Address	Property Type	Current Use	Future Use
1407 Randolph St. *	Building	Centre Park Bar	Jazz Club, Restaurant, Offices
1427 Randolph St.	Building	Harmonie Park Music	Jazz Club, Restaurant, Offices
1435 Randolph St. *	Building	Offices, Detroit Seafood Market, PV Lounge	Office Space and Restaurant Expansion
1468 Randolph St. *	Parking Lot	Parking Lot	Apartments, Retail, Parking Deck
1480 Randolph St. *	Parking Lot	Parking Lot	Apartments, Retail, Parking Deck
1496 Randolph St. *	Parking Lot	Parking Lot	Apartments, Retail, Parking Deck
1502 Randolph St. *	Building	Cigar Lounge, Apartments	Cigar Lounge, Apartments
1455 Centre St. *	Parking Lot	Parking Lot	Office Space and Restaurant Expansion
311 E. Grand River Ave. *	Building	Carr Center/Colors Restaurant	Boutique Hotel

* Property purchased prior to the 2007 DDA funding agreement.

Acquisition of Properties

The DDA began purchasing several key properties around Harmonie Park in 2006. When the assignment agreement between the EDC and DDA was signed in March 2007, the DDA had already purchased eight of the nine properties in the PVCED project. The \$10 million in the Casino Development Funds designated for the PVCED were used to reimburse the DDA for the property expenditures which did not cover the total amount expended by DDA. The details for the purchases are listed below:

	Address	Purchase Date	Purchase Amount	Seller
1	1407 & 1502 Randolph St.	10/5/2006	\$1,949,260.76	Sterling Bank & Trust, FSB
2	1435 Randolph St. & 1455 Centre St.	10/12/2006	2,994,022.46	TCF National Bank
3	311 E. Grand River Ave.	11/9/2006	3,091,470.16	The New Harmonie Group, LLC/Charles Mady, Broker
4	1468, 1480 & 1496 Randolph St.	3/15/2007	2,003,685.89	Randolph Development Group, LLC
5	1427 Randolph St	9/16/2013	462,729.39	Flagstar Bank, FSB
	Total		\$10,501,168.66	

Based upon the four (4) purchases made in 2006 and 2007 listed above (items 1-4), the EDC reimbursed \$6,500,000 on March 21, 2007 and \$3,498,226 on October 8, 2008 to the DDA for the properties they had acquired.

The remaining \$1,774.00 was used to pay for various printed advertisements in July and August 2006 to announce a Request for Qualifications/Proposals (RFQ/P). This RFQ/P was to provide a district plan to guide the development of a cultural and entertainment district in the City of Detroit.

Development Proposal Process

On September 28, 2015, the DDA released a Request for Proposals (RFP) seeking proposals from qualified developers to acquire the DDA properties to establish a district with the cultural vibrancy and economic vitality and resilience of the old Paradise Valley. The RFP established:

- Format requirements.
- Selection criteria that would be evaluated, which included proposer capacity, project financials, development plan, and local participation.

NOTE: Proposals were also to incorporate the mission and goals of the PVCED.

A news release regarding the RFP was issued on September 28, 2015, by the DEGC. The news release detailed information on how to download or pick up the RFP. The news release also provided information regarding a pre-bid conference that was held on October 15, 2015. Completed proposals were to be submitted by November 11, 2015 at 3:00 pm.

Twelve proposals were submitted timely² and reviewed by an evaluation committee comprised of DDA staff, City personnel and other stakeholders. Seven respondents were invited to interviews and further examination. Of the seven respondents, six respondents were invited to submit best and final offers. Based on the procurement analysis that was used for scoring, five developers were selected. Resolutions approving the five proposals were approved during summer 2016 by the DDA. The five developers were awarded development agreements. The five developers and the details of the agreements for the PVCED properties are detailed below:

	Address	Agreement Date	Sale Amount	Developer	Development Name	Expected Investment
1	1502 Randolph St.	11/17/2016	\$1,170,000	La Casa Properties, LLC	La Casa Cigars & Lounge	\$ 1,470,000
2	1407 & 1427 Randolph St.	4/12/2017	\$976,000	Gotham Capital Partners, LLC	Harmonie Pointe	2,700,000
3	311 E. Grand River Ave.	4/12/2017	\$1,600,000	311 E. Grand River, LLC	Harmony Club Hotel	13,600,000
4	1468, 1480 & 1496 Randolph St.	6/8/2017	\$1,000,000	Paradise Valley Real Estate Holdings II, LLC	Hastings Place	27,000,000

² Fifteen proposals were submitted for the RFP, however three of the 15 were submitted after the 3:00 pm, November 11, 2015 deadline. Those three proposal were received but not evaluated.

	Address	Agreement Date	Sale Amount	Developer	Development Name	Expected Investment
5	1435 Randolph St. & 1455 Centre St.	7/14/2017	\$2,001,000	Randolph Centre 2020, LLC	Randolph Centre Building	7,500,000
	Total		\$6,747,000			\$52,270,000

1. La Casa Properties, LLC proposed to redevelop the property it was occupying and leasing from the DDA. In the proposed redevelopment plan, they would continue with their current live music and cigar lounge venue, which establishes live music entertainment from local talent four nights per week. The redevelopment proposal for La Casa also included the renovation and leasing of the five (5) apartment units located on the 3rd and 4th floors of 1502 Randolph.

STATUS OF THE PROJECT: Purchase completed. They are currently renovating the property per their proposal.

2. Gotham Capital Partners, LLC proposed to develop multipurpose facilities through the connection of two buildings. The buildings, 1407 and 1427 Randolph St. would be connected on the 2nd and 3rd floors by opening the walls and creating a corridor. The properties would feature two floors of office space and a first floor hospitality area. Included in the properties would be Centre Park Bar (the current commercial resident), or Congress Hospitality restaurant Blvd Content marketing agency, The Fortuity Group, Longfellow's, an upscale music and art-centric lounge, and Ignition Media Group.

STATUS OF THE PROJECT: In the financial planning/due diligence phase.

3. 311 E. Grand River, LLC (formerly known as BASCO) proposed to develop a 1920s feel boutique hotel with modern contemporary conveniences. This hotel would offer a one of a kind lodging experience. The hotel entrance and lobby would also serve as a welcome center and gateway to the extensively restored theatre, and grand ballroom banquet and presentation center to be named the "Virgil Carr Theatre." This space would be a premier destination for weddings, corporate presentations, celebratory banquets, art exhibitions and community events.

STATUS OF THE PROJECT: In the financial planning/due diligence phase.

4. Paradise Valley Real Estate Holdings II, LLC proposed to develop luxury loft apartments, offices and shops. This development would feature a 83,340 square foot building that will house a community of 60 luxury loft apartments (10 of which will be affordable apartment units), 12,620 square feet of first floor retail space, 17,800 square feet of Class A office space and a 5 story, 150-car parking deck. The project would accommodate the expansion of Hamilton Anderson & Associates, a 60 employee, minority-owned, PVCED based, Detroit headquartered architectural firm.

STATUS OF THE PROJECT: In the financial planning/due diligence phase.

5. Randolph Centre 2020, LLC proposed to develop a mixed-use property, with commercial space on the ground floor and 18 loft units on three floors. The proposal

includes the updating and repair of the Detroit Seafood Market and PV Lounge restaurants, with the goal of enhancing the dining and lounge experience for patrons and employees. The updates would include enhancements to the interior décor and furnishings. These restaurants would also began to offer quality historical and contemporary jazz and blues musical entertainment. The property would also have a shared work space/conference center with media/internet/fiber access.

Phase two of the development plan is to create a Paradise Valley Jazz Alley and a Paradise Valley Jazz Club. The plan is to transform the alley behind the properties on Randolph and Centre Streets into a safe, walkable and usable alleyway that can offer opportunities for musical performances, artist murals, retail exhibits and other creative and artistic ventures. The basement jazz club would offer a modern version of the many speakeasies that existed in the former Paradise Valley. The parking lot at 1455 Centre St. would also be used as a flexible area for music, displays and events.

STATUS OF THE PROJECT: In the financial planning/due diligence phase.

Status of the Developments

Currently, one developer, La Casa Properties, LLC has completed the property purchase. The purchase of 1502 Randolph St. was completed on September 28, 2017. The amount documented and the purchase price is the same amount in the development agreements. Based upon the benchmark requirements established in the development agreement, the renovations to redevelop La Casa Cigars & Lounge should be complete by March 2019.

The remaining four development projects are still in the financial planning/due diligence phase of the agreement. According to the benchmark requirements established in the respective development agreements:

- Gotham Capital Partners, LLC should be finished with the development of 1407 & 1427 Randolph Street by August 2019.
- 311 E. Grand River, LLC should be finished with the development of 311 E. Grand River Avenue by February 2021.
- Paradise Valley Real Estate Holdings II, LLC should be finished with the development of 1468, 1480 & 1496 Randolph Street by June 2021.
- Randolph Centre 2020, LLC should be finished with the development of 1435 Randolph Street and 1455 Centre St. by August 2021.

PVCED Conservancy

The Paradise Valley Cultural and Entertainment District Conservancy (Conservancy) was created in March 2017. The purpose of the Conservancy is to provide for the maintenance, improvement, beautification and programming of the public space within the PVCED. It is a private non-profit 501(c)(3) organization. Membership is required for the PVCED developers that were awarded development agreements. The active membership of the Conservancy is reserved for any property within the boundaries of the district, which is defined as a company, firm, corporation, partnership, club,

association or individual with an interest in the general objective of the Conservancy. These active members have voting rights. Associate memberships are offered to other individuals or associations who share the concerns of the Conservancy, however they do not have voting rights.

The Board of Directors shall not have less than nine and no more than 15 directors. The directors must serve an initial two year term, thereafter the directors are elected at each annual membership meeting (held on the last Tuesday in September) for a term of one year. There are no term limits imposed. The Conservancy is funded through initiation fees, special assessments and annual dues.

AUDIT SUMMARY AND RECOMMENDATION

Based on the assignment agreement between the EDC and the DDA, the responsibility for accomplishing the goals of the PVCED is that of the DDA. With the purchase of the properties within one area, the decision to obtain developers that would help the area emerge into an entertainment and business district showcasing the rich culture and significant achievements of African Americans. With the foresight to have the district membership create the PVCED Conservancy for the purpose of continued goal achievement, the DDA has begun to meet the project objectives listed in the funding agreement. The completion of the development projects, will allow the DDA to fully meet the goal of establishing the district.

The project objective to “provide economic assistance to retail, commercial and entertainment businesses operating in the established district in the form of low interest rate loans, and matching City, State and Federal grants, and finally to establish a loan project,” could be accomplished once the sale of the PVCED properties are complete. The excess funds from the sale of the PVCED properties to the developers could be used to continually achieve the project objectives. The process to be used for the furtherance of the objectives has not yet been decided, however this is something that should be evaluated at the proper time.

The RFP for PVCED was in-line with the goals set forth in the Funding Agreement of establishing an African American cultural and business district because the RFP provided the background of what the former Paradise Valley encompassed, therefore giving the interested developers an opportunity to expound on that heritage and bring forth a new vision that would honor the past. The developments that were selected for projects are aligned with the goal of establishing the district because they focused on the past history of art, music, socialization and the entrepreneurial spirit that is also currently present in Detroit.

Recommendation

We recommend that EDC keep City Council and the Administration apprised of the progress of this project by submitting a report on the sales and progress of each developer on an annual basis.



Office of the Auditor General

Mark W. Lockridge, Auditor General

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AUDIT MEMORANDUM

DATE: August 9, 2018

TO: Honorable City Council
Honorable Mayor Mike Duggan

FROM: Mark W. Lockridge, CPA *MWL*
Auditor General

RE: **THE CASINO DEVELOPMENT FUND**
Office of Neighborhood Commercial Revitalization Project

CC: Glen Long, COO, DEGC/EDC
Stephanie Washington, Esq., City Council Liaison
Daniel Arking, Attorney, Law Department
David Whitaker, Director, Legislative Policy Division
Casino Representatives

Attached for your review is our audit memorandum on the Casino Development Fund Office of Neighborhood Commercial Revitalization project. It contains our audit purpose, scope, objectives, methodology and conclusions; background; our audit summary; and the response from the Economic Development Corporation.

Responsibility for the installation and maintenance of a system of internal control that minimizes errors and provides reasonable safeguards rests entirely with the Economic Development Corporation.

Copies of all of the Office of the Auditor General reports can be found on our website at [www.detroitmi.gov/How-Do-I/View City of Detroit Reports/Auditors General-Audits](http://www.detroitmi.gov/How-Do-I/View-City-of-Detroit-Reports/Auditors-General-Audits).

The Casino Development Fund
Office of Neighborhood Commercial Revitalization Project

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Summary of Organizations Funded by ONCR	Attachment B
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AUDIT PURPOSE, SCOPE, OBJECTIVES, METHODOLOGY AND CONCLUSIONS

AUDIT PURPOSE

The audit of the Casino Development Fund – Office of Neighborhoods Commercial Revitalization project was performed in accordance with the Office of the Auditor General's (OAG) charter mandate to conduct audits of the financial transactions, performance and operations of City agencies based on an annual risk-based audit plan prepared by the Auditor General, or as otherwise directed by the City Council, and report findings and recommendations to the City Council and the Mayor.

City Council requested that the Office of the Auditor General (OAG) perform an audit of the Casino Development Fund in relation to a Legislative Policy Division report dated October 11, 2016.

AUDIT SCOPE

The scope of this audit was an independent review and assessment of the Office of Neighborhoods Commercial Revitalization (ONCR) project. Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States, except for the completion of an external peer review of the Office of the Auditor General within the last three years.

AUDIT OBJECTIVES

The overall audit objectives were:

- Review financial reports and audited financial statements from each sub-grantee to ensure the casino development funds are properly accounted for and spent in accordance with program objectives and guidelines as stated in the revised casino agreements, EDC/City of Detroit and EDC/sub-grantee funding agreements.
- A performance audit of each sub-grantee to ensure the casino development funds are effectively and efficiently received and spent in accordance with best practices and in support of program objectives and guidelines.

AUDIT METHODOLOGY

To accomplish our audit objectives, our audit work included:

- Reviewing the Casino Development Agreements, project funding agreements, City Charter, the project budget reports, and organization charts.
- Gathering policies and procedures of core operations and similar data.
- Conducting an audit-planning meeting to determine the scope and audit objectives, and to determine the financial transactions and/or areas to audit.
- Developing questions regarding the Casino Development Fund project's transactions, controls, functions, records, and personnel.
- Identifying risks relative to financial transactions and mitigating controls with appropriate personnel.

- Interviewing appropriate personnel, reviewing documentation, and making observations to aid in developing audit programs.

CONCLUSIONS

As a result of our audit of the Office of Neighborhood Commercial Revitalization (ONCR) project, we have concluded that due to the project providing the final grants in 2010 and the record retention policy only requiring that records be maintained for three years after the conclusion of the project, the auditors could not determine if:

- Proper internal controls existed for this program.
- Proper documentation was provided by sub-recipients.
- All funds were spent in accordance with the program guidelines.

The auditors concluded that EDC reprogrammed and used \$970,793.25 of ONCR funds for administrative cost. Under the funding agreement between the Economic Development Corporation of the City of Detroit and the City of Detroit, EDC is allowed to draw funds from programs to cover administrative services if they do not earn enough interest to cover their administrative cost (Attachment C).

Project Objectives

The auditors could not verify that the funds disbursed were used for the project objectives, again due to the project providing the final grants in 2010 and the record retention policy only requiring that records be maintained for three years after the conclusion of the project.

While Casino Development Funds (CDF) were disbursed to community organizations, we could not determine or verify the appropriateness of the expenditures paid for with CDF being used in accordance with the Refresh Detroit Façade Grant Program Guidelines.

BACKGROUND

Origination of Casino Development Fund

The Casino Development Fund is a commitment made by the three Detroit casinos (MGM Grand Detroit, MotorCity, and Greektown) and the City of Detroit, to contribute money for the purpose of assisting minority business development in a specified area within the City. The assistance to business development focuses on: financing façade improvements, GAP financing, loan guaranties, rehabilitation, equipment and working capital for existing and new businesses.

The City received \$2.5 million from MotorCity Casino during the period of the initial Casino Development agreements (1998-1999). The City received \$30 million from the three casinos (\$10 million from each casino) in accordance with the revised Casino Development agreements.

Economic Development Corporation (EDC)

EDC is a public body corporation created by the City Council of the City of Detroit by enactment of Ordinance 120-H effective June 9, 1979. All services to be performed are set forth in the "Scope of Services" section of the EDC/City of Detroit personal service contract and is coordinated and performed by the DEGC. The DEGC is a private non-profit 501c.4 organization and is an agent of the EDC that acts as a liaison between the EDC and the City.

Office of Neighborhood Commercial Revitalization (ONCR) Project

The Funding Agreement for the Office of Neighborhood Commercial Revitalization project is between the Economic Development Corporation of the City of Detroit and the City of Detroit acting by and through its Planning & Development Department (P&DD). The Funding Agreement Exhibit D Scope of Services City Activities reads as follows:

The City shall provide the following services to assist the EDC in its administration of those parts of the Project.

The City, acting through the ONCR (or its successor organization) will provide loan and grant underwriting services, project management services, accounting, loan servicing, collection, and document preparation for the following projects and make recommendations to the EDC Board of Directors in relation to making grants or loans pursuant to the following guidelines:

ONCR Targeted Business Fund

The Mission of the ONCR Targeted Business Fund Work Plan is to enhance the City's support for small business at the City-wide level and to continue and expand our support for neighborhood commercial revitalization. This will be accomplished by establishing six loan/grant programs to be managed either by ONCR or independent contractors identified and approved by ONCR. The loan/grant programs are detailed below.

1. Small Business Detroit Community Capital Micro-Loan Program
Program Description: The Microloan fund will assist small retail, restaurant or service businesses to begin or expand. The Small Business Detroit Community Capital Loan Program will also serve as a coordinating and advocacy body to make small business technical assistance, City services, and other forms of small business technical assistance more accessible to Detroit small businesses.
Amount Allocated to Program: \$1,500,000
2. Refresh Detroit Façade Grant Program
Program Description: Allow for the expansion of the Refresh Detroit Façade Grant program by providing additional funding. Funding for this program will be awarded on a competitive basis to community based organizations that operate a qualified Refresh Detroit program for their district. Funds to be used as matching grants to property and small business owners and to provide architectural assistance for the improvements.
Amount Allocated to Program: \$2,150,000
3. Refresh Detroit Streetscape Improvements Program
Program Description: An additional facet of the expanded Refresh Detroit program is to address the need for streetscape improvements in order to create pedestrian friendly shopping districts. The construction matching grants will provide a guaranteed source of funding for organizations to use when applying for Michigan Department of Transportation TEA-21 Streetscape enhancements.
Amount Allocated to Program: \$1,205,000
4. Restore Detroit Expansion Program
Program Description: Reinforce Restore Detroit program in the five (5) pilot districts and expand the program to three additional districts.
Amount Allocated to Program: \$2,900,000
5. Renew Detroit Program
Program Description: Expand the knowledge and experience of community based neighborhood commercial revitalization through Renew Detroit, the technical assistance and training program for staff and neighborhood volunteers of potential districts.
Amount Allocated to Program: \$250,000
6. ONCR Long-term Sustainability Program
Program Description: Create a source of long-term funding for the ONCR in order to lessen demand for future CDBG funds to meet ONCR operating and program expenses. This reserve can also be used to meet currently unforeseen needs of, in limited cases, provide seed capital for program needs not currently anticipated by the ONCR Advisory Board.
Amount Allocated to Program: \$495,000

The auditors noted on the EDC Casino Development Funds allocation reports dated June 30, and September 30, 2017, there was funding allocated for just two of the six ONCR projects. The original budget for all six programs listed above is summarized in the table below:

Original Programs	Original Budget
Small Business Detroit Community Capital Micro-Loan Program	\$1,500,000
Refresh Detroit Façade Grant Program	2,150,000
Refresh Detroit Streetscape Improvements Program	1,205,000
Restore Detroit Expansion Program	2,900,000
Renew Detroit Program	250,000
ONCR Long-term Sustainability Program	495,000
GRAND TOTAL	\$8,500,000
Revised Programs	Revised Budget
Small Business Detroit Community Capital Micro-Loan Program	\$1,500,000
Refresh Detroit Façade Grant Program	2,924,733
REVISED GRAND TOTAL	\$4,424,733

The auditors questioned EDC about the other four programs not funded. A representative from EDC stated the following concerning the Revised Budget for the project:

“Back when the ONCR program was in existence, the then Mayor’s Office (Kilpatrick Administration) ran the ONCR program. They decided which programs to fund. EDC made sure that the requests were within the budgets, but other than that, EDC was obligated to fund them. The unspent portions (\$8,500,000 - 4,424,733 = \$4,075,267) became part of the money that the City never funded to EDC.”

EDC provided Funding Agreements for 18 Community Organizations totaling \$2,976,166.67. However, EDC only allocated \$2,924,733 for the project. The variance between the funding agreement for the Community Organizations and the funds allocated is \$(51,433.67).

The quarterly report dated December 31, 2017 for CDF funds shows that EDC disbursed \$2,924,733 (see attachment A) for the ONCR program. According to the list of checks issued for the program, EDC disbursed \$1,953,939.25. The variance between what EDC shows on their report as disbursed versus the actual amount disbursed to the ONCR project is \$970,793.75. Attachment B details the agreement amounts versus the expenditure amount per organization.

The EDC CDF reports indicates that all funds allocated for this program were expended. However, EDC reprogrammed and used \$970,793.25 of ONCR funds for administrative cost. Under the funding agreement between the Economic Development Corporation of the City of Detroit and the City of Detroit, EDC is allowed to draw funds from programs to cover administrative services if they do not earn enough interest to cover their administrative cost (Attachment C).

Overview of the ONCR – Refresh Detroit Project

The mission of the ONCR is to provide services to Detroit’s citizens by supporting the growth of small business in clean, safe and thriving shopping districts. The project objective for ONCR was to allow for the expansion of the Refresh Detroit façade grant program by providing additional funding.

The ONCR supports the growth of small businesses by providing grants and services to local community based organizations through programs that assist commercial business in Detroit. *Refresh Detroit* is a business Façade improvement reimbursement program.

Refresh Detroit is ONCR’s Façade Renovation and Exterior Structure Habilitation program. It provides matching grant money and architectural assistance to community based organizations (CBOs) to assist small businesses with façade improvements. The ONCR has completed façade renovation projects and is directly responsible for improving the “look” of the commercial districts which complements the growing residential development.



This business received a matching grant for a new sign on Eight Mile Road
(Photo from ONCR brochure)

The CBOs create their own local program using these resources to incentivize property owners and merchants to invest in their buildings and businesses. CBOs are required to create design guidelines and a design committee so that the community’s long-term vision for the district is achieved. The following are Refresh Detroit Districts:

- Corktown’s Michigan Ave. Business District
- East Warren Business District
- East Jefferson Business District
- Grand River Avenue
- Southeast Gratiot Avenue
- University Commons

- Southwest Detroit
- W. Davison
- North-Town
- W. Vernor & Springwells
- Woodward Avenue
- Joy-Southfield



This business received grant dollars for façade improvements on Grand River.

(Photo from ONCR brochure)



AUDIT SUMMARY

According to the Funding Agreement By and Between the EDC of the City of Detroit (COD) and the City of Detroit, the City shall provide the following services to assist the EDC in its administration of those parts of the Project included in this Exhibit D the Project:

The City, acting through the ONCR (or its successor organization) will provide loan and grant underwriting services, project management services, accounting, loan servicing, collection, and document preparation for the following projects and make recommendation to the EDC Board of Directors in relation to making grants or loans pursuant to the guidelines.

Neither the City of Detroit nor EDC has copies of the documents required in the Refresh Detroit Program Guidelines.

The Funding Agreement By and Between the Economic Development Corporation of the City of Detroit and the City of Detroit Article VI – Data Reports requires:

- The EDC shall maintain full and complete books, ledgers, journals, accounts, documents and records in auditable form wherein are kept all entries reflecting all of its operations pursuant to this Agreement, and the EDC shall make available at all reasonable times all books, documents, papers and records for monitoring, audits, inspections and examination by City.
- All records referred to in Section 6.03 shall be maintained by the EDC for three (3) years after the date of completion of the work.

According to a check registry report received from EDC, the last check for this program was issued in January 2013. There is no documentation to substantiate that the funds were expended in accordance with the funding agreement.

According to EDC, they would reimburse the ONCR project based on a letter from a COD representative and a budget page. No invoices were required to substantiate the expenditures because the COD representative would have reviewed the required documents for the program and approved them based on the request for reimbursement from the participant.

According to a Planning & Development Department (P&DD) staff member, they consulted with Housing and Revitalization Department (HRD) staff and they have no information on ONCR activities. The staff member stated that notes maintained by the department show that the program went defunct between FY 09-10 and 10-11 due to budget limitations. The last remaining staff with knowledge of the program was un-appointed when the current administration arrived in 2013.

Since that time, P&DD has moved offices, as well as changed storage facilities and it's doubtful that any useful reports are available on this activity.

ATTACHMENTS

RE  FRESH DETROIT

ATTACHMENT A

EDC CASINO DEVELOPMENT FUNDS 12/31/17

	Original Budget	Revised Budget	Received	Balance
Receipts				
City of Detroit	42,750,000.00	32,500,000.00	32,500,000.00	0.00
Interest Income	1,175,000.00	1,175,000.00	1,230,524.01	55,524.01
Proj Funds and Loan Repayments	3,025,000.00	3,025,000.00	3,721,141.59	696,141.59
	46,950,000.00	36,700,000.00	37,451,665.60	751,665.60
	Original Budget	Revised Budget	Disbursed	Balance
Expenses				
Tech Town	4,000,000.00	3,040,936.00	3,040,936.00 x	0.00
JEPAB	2,000,000.00	1,520,468.00	1,251,764.00 x	268,704.00
ONCR Small Bus Loan Fund	1,500,000.00	1,500,000.00	1,500,000.00 x	0.00
ONCR	7,000,000.00	2,924,733.00	2,924,733.00 x	0.00
DCLF	4,500,000.00	3,421,053.00	3,421,053.00 x	0.00
Black Chamber	500,000.00	380,117.00	380,117.00 x	0.00
AABD	10,250,000.00	10,000,000.00	10,000,000.00 x	0.00
National Retail	5,000,000.00	3,985,808.00	2,429,632.55 x	1,556,175.45
Non-Affiliated/Resident Retail	2,000,000.00	2,000,000.00	1,725,000.00 x	275,000.00
Resident Real Estate	6,000,000.00	3,726,885.00	1,028,089.34 x	2,698,795.66
Administration	4,200,000.00	4,200,000.00	4,200,000.00 x	0.00
	46,950,000.00	36,700,000.00	31,901,324.89	4,798,675.11
	0.00	0.00	5,550,340.71	5,550,340.71

ATTACHMENT B

Organization Name	Agreement Totals	ONCR Expenses	Unspent ONCR Funds	2006	2007	2008	2009	2010
Arab American & Chaldean Council	53,000.00	53,000.00	0.00	X		X		
Eastside Land, Inc.	35,000.00	25,000.00	(10,000.00)	X				
Eight Mile Boulevard Association	35,000.00	26,600.00	(8,400.00)		X			
Focus Hope	50,000.00	11,672.94	(38,327.06)	X		X		
Grandmont Rosedale Development Corp.	390,666.67	350,089.40	(81,914.93)	X	X	X	X	
Gratiot McDougall United Comm Development Corporation	516,000.00	388,257.17	(127,742.83)	X	X	X	X	X
Greater Corktown Development Corp.	401,500.00	271,441.61	(130,058.39)	X	X	X	X	
Gwendolyn Lewis		1,310.01	0.00					
Jefferson East Business	148,000.00	63,974.48	(84,025.52)	X		X	X	
Joy Southfield Community Development Corp.	45,000.00	11,666.60	(33,333.40)				X	
Michigan Avenue Business Association	5,000.00	5,000.00	0.00	X				
Nortown CDC	80,000.00	25,800.00	(54,200.00)	X			X	
Southwest Detroit Business Association	148,000.00	135,229.47	(12,770.53)					
University Commons Organization	356,500.00	246,119.31	(110,380.69)	X	X	X	X	
University Cultural Center Association	5,000.00	5,000.00	0.00	X				
U-Snap Back, Inc.	401,500.00	306,724.26	(94,775.74)	X	X	X		X
Woodward Avenue Action Association	45,000.00	27,056.00	(17,944.00)				X	
Mexicantown Community Development Corp.	221,000.00	0.00	(221,000.00)	X	X			
Prevailing Community Development Corporation	40,000.00	0.00	(40,000.00)	X	X			
	2,976,166.67	1,953,941.25	(1,022,225.42)					

NOTE: Only \$2,924,733 was funded for this program. See Attachment A.

ATTACHMENT C

ARTICLE IV COMPENSATION

4.01 It is understood and agreed by the parties that the EDC will receive compensation in the amount of Three Hundred Fifty Thousand (\$350,000) Dollars annually as compensation for the administrative services rendered hereunder. Said sum shall be initially paid from the interest in City Funds transferred hereunder. If the interest in any given year be insufficient for the EDC to draw down the aforesaid sum, the EDC shall have the power to make the payment out of the principal amount of the City Funds. The compensation will be paid annually at the beginning of each fiscal year of the Project. The EDC shall report annually to the Director of Planning & Development or the successor to that position, the investments made with City Funds, the amount and sources of interest earned, and the disposition of the interest and the source of payment of the EDC's annual compensation.

Source: The Funding Agreement By and Between the Economic Development Corporation of the City of Detroit and the City of Detroit, page 4.

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TO: Detroit City Council

FROM: David Whitaker, Director 
Legislative Policy Division

DATE: August 20, 2018

RE: Report on Gaming Tax Revenue through June 2018

For Council's review, the attached schedules present the gaming tax revenue activity through June 2018 and prior fiscal years.

Through the last month of the fiscal year the casinos reported a combined gross revenue increase of 0.99% compared with the prior fiscal year. Specifically, MGM's annual receipts are up by 1.45%, Motor City's are up by 2.11% and Greektown's are down by 1.42%, compared with the prior fiscal year.

In the final month of the fiscal year, the City collected \$14.17 million in gaming tax revenue, which was 5.34% greater than June 2017, as reflected in Chart 1. Chart 2 "Monthly Detroit Gaming Tax Collections" through a twelve-month moving average trend line shows an increase of 0.96% since last June among the combined casino tax revenues. Based on existing data as reported by the state, the city collected a gaming tax revenue total of \$178.33 million, a 0.99% increase over last fiscal year. This is a \$1.2 million surplus over the budget of \$177.8 million.

Adjusted gross casino gaming receipts came in at \$119.12 million for the month of June 2018 as shown in Chart 1A. This represented a 5.34% gain compared with June 2017. Casino gross gaming receipts through June total \$1.41 billion. Chart 2A "Monthly Detroit Gaming Receipts" through a twelve-month moving average trend line shows growth of 0.95% among the combined casino receipts.

MGM and Motor City are each paying 12.9% of gross gaming receipts to the City, while Greektown Casino is paying 11.9% of gross gaming receipts and is broken out as follows. By state law, all casinos are now paying 10.9% of gross gaming receipts to the City as wagering tax. The casinos also have an additional 1% payment because of the 2002 amended development agreement with the City. Additionally, if a casino reaches \$400 million in receipts in a calendar year, like MGM and Motor City, then an additional 1% is paid to the City per the amended development agreement of 2002.

There is not a complete one-to-one relationship between the adjusted gross receipts and the tax revenue collection increases when comparing prior years, due to two factors. First, there is the fact that MGM and Motor City casinos began paying the City 1% less due to the permanent casinos opening on October 3 and November 29 of 2007. This reduction to the City is part of state Public Act 306 of 2004, when the legislature amended Public Act 69 of 1997, which was the original casino gaming legislation. P.A. 306 increased the wagering tax by 6% of which 2% went to the City of Detroit. P.A. also allowed that when the permanent casino had been certified by the state gaming board as having operated for 30 consecutive days and once the City determined the project was complete, 5% of the 6% additional wagering tax would be eliminated, with the remaining 1% allocated to the City where the casino is being operated. Greektown continued to pay the 6% additional wagering tax – 4% to the state, 2% to the City – until its permanent status was agreed to by the Administration and approved by the State Gaming Commission, which occurred on March 9, 2010.

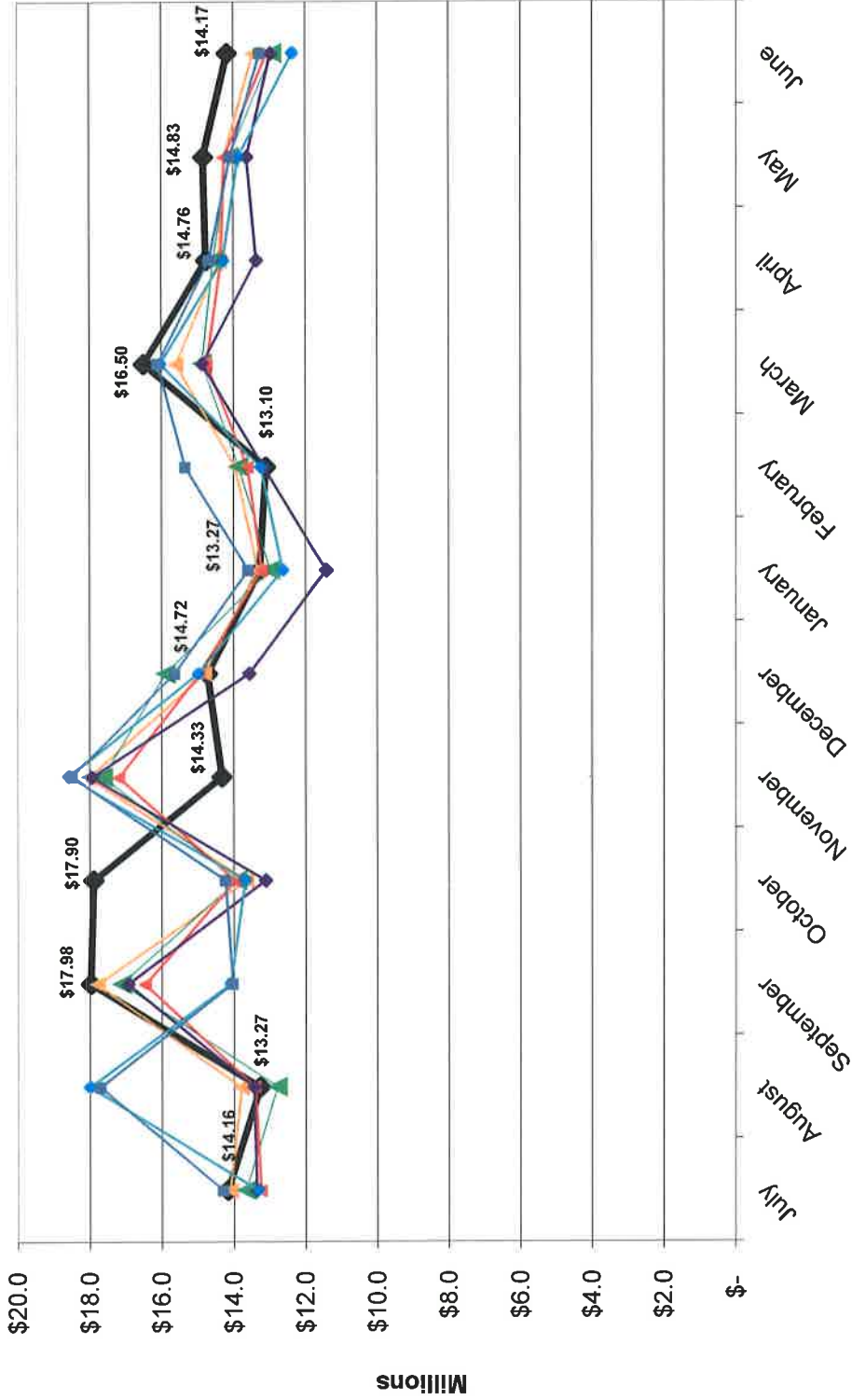
Second, the amended development agreement of August 2002 between the City and the casinos, which is separate from the state law, has all casinos, beginning in January 2006, paying an additional 1% over the state law, plus another 1% when the casino reaches \$400 million in gross receipts in a calendar year. For the eleventh year, MGM and Motor City were projected to exceed \$400 million in the calendar year and increase gaming tax collections by \$10.5 million between September and December. MGM reached \$400 million in early September and Motor City reached \$400 million in mid-October. The additional 1% totaled just over \$10.7 million, slightly higher than initially projected.

Attachments (6)

cc: Auditor General
John Hill, CFO
John Naglick, Finance Director
Tanya Stoudemire, Budget Director
Renee Short, Budget Manager
James George, Agency CFO
Stephanie Washington, Mayor's Office

Chart 1

Monthly Comparison Detroit Gaming Tax Collections By Fiscal Year



Revenue Collections
YTD

FY 17-18	\$178,982,277
FY 16-17	\$177,217,504
FY 15-16	\$174,291,157
FY 14-15	\$172,501,265
FY 13-14	\$167,795,735
FY 12-13	\$174,593,123
FY 11-12	\$181,489,611

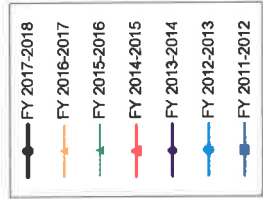
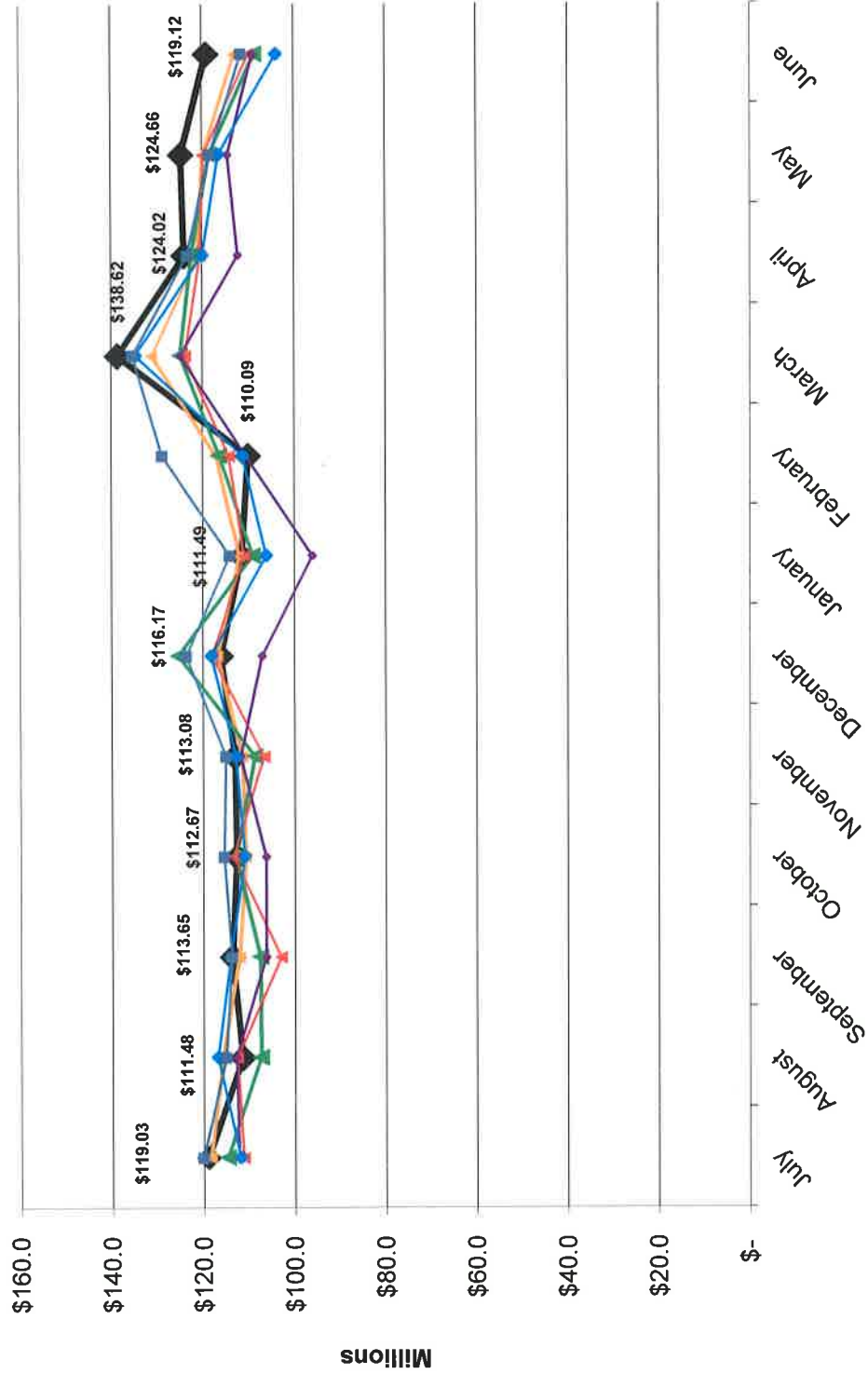


Chart1A

Monthly Comparison Adjusted Gross Casino Gaming Receipts By Fiscal Year



Cumulative Receipts YTD

FY 17-18	\$1,414,067,617
FY 16-17	\$1,403,959,845
FY 15-16	\$1,376,408,437
FY 14-15	\$1,365,041,620
FY 13-14	\$1,324,236,621
FY 12-13	\$1,377,704,417
FY 11-12	\$1,435,064,984

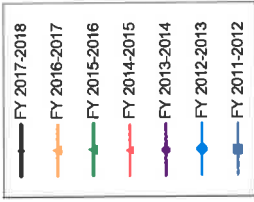


Chart 2

Monthly Detroit Gaming Tax Collection History

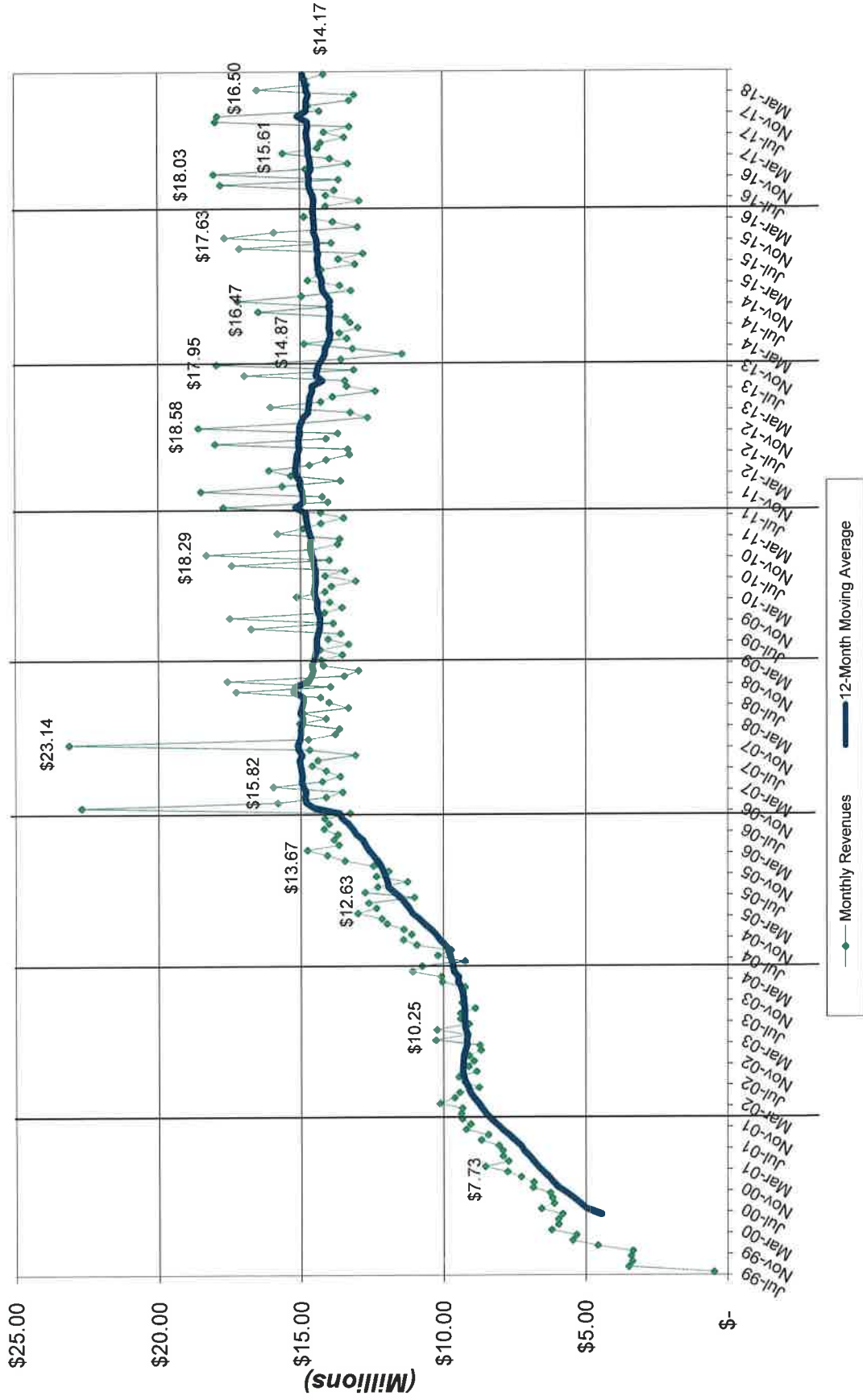


Chart 2B
12-Month Moving Average by Fiscal Year - Gaming Revenue Collections

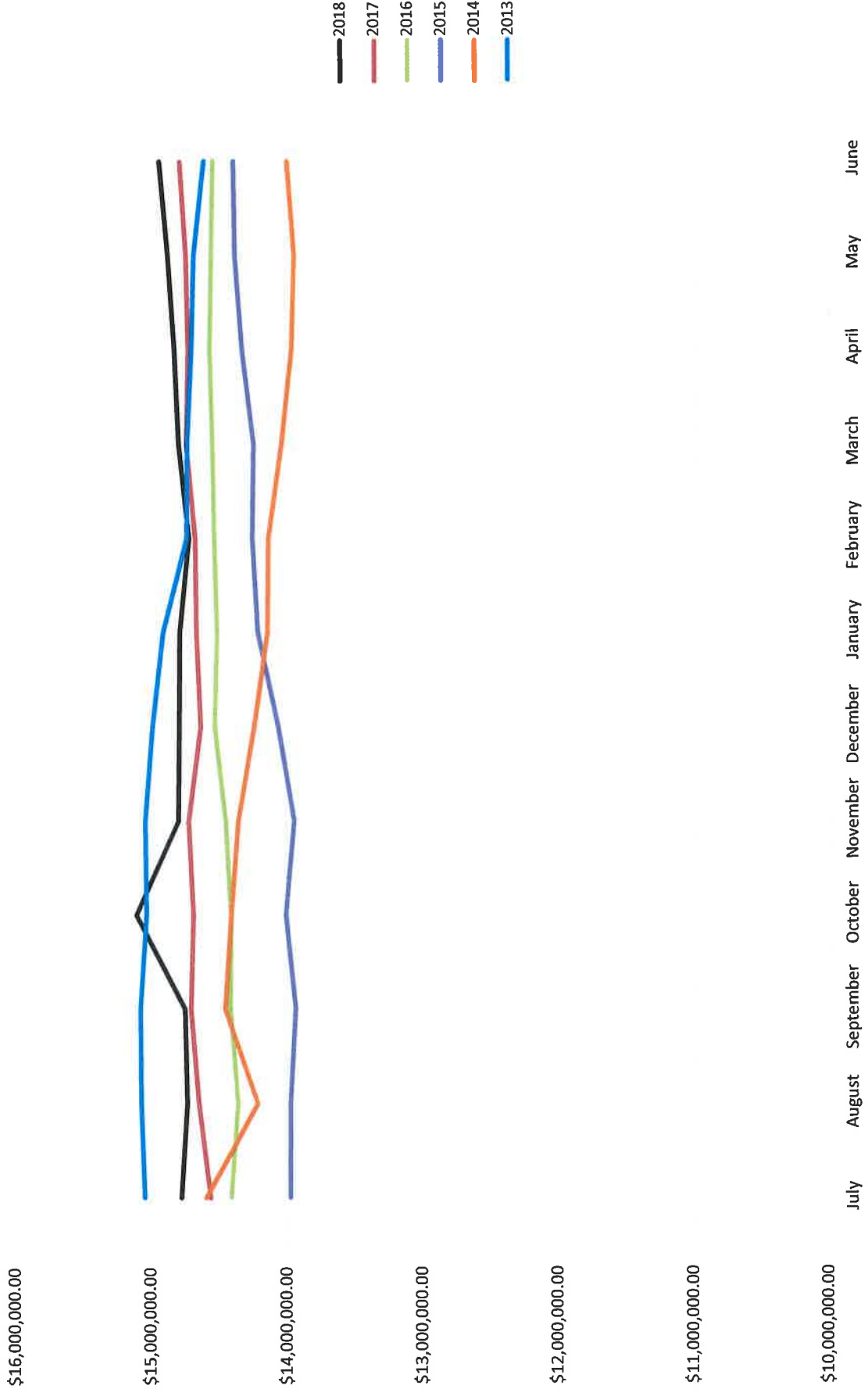


Chart 2A

Monthly Adjusted Gross Casino Gaming Receipt History

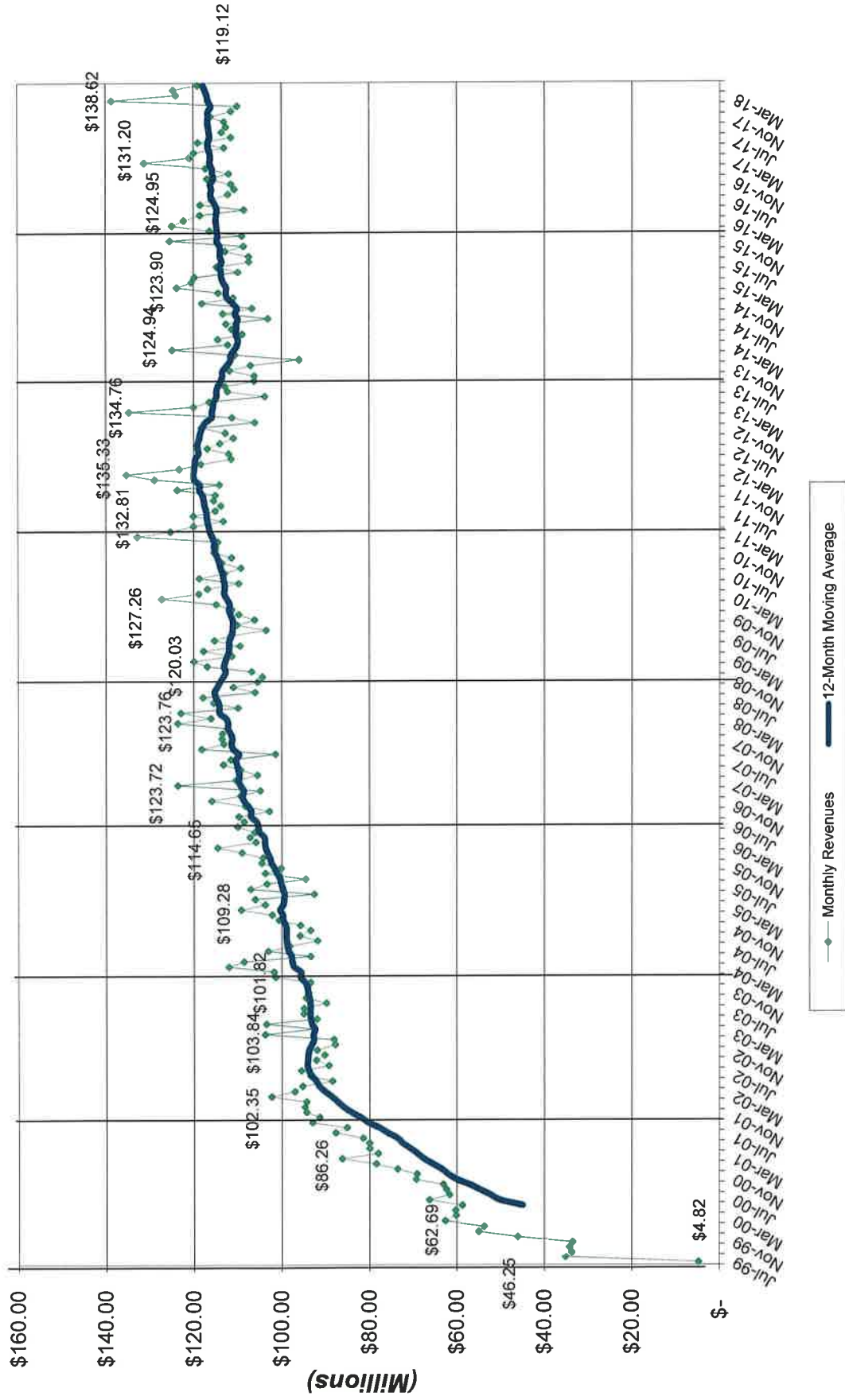


Table 1

Wagering Tax History and Tax Projections - All Casinos

	Total Adjusted Gross Receipts	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior year		
	FY 12-13		FY 13-14		FY 14-15		FY 15-16		FY 16-17		FY 17-18	
July	\$ 112,003,165.02	-6.75%	\$ 112,324,111.14	0.29%	\$ 111,335,628.63	-0.88%	\$ 114,773,549.99	3.09%	\$ 118,462,544.37	3.21%	\$ 119,025,164.52	0.47%
August	\$ 116,927,170.60	1.60%	\$ 112,898,452.02	-3.45%	\$ 112,662,906.77	-0.21%	\$ 107,454,382.18	-4.62%	\$ 115,902,952.67	7.86%	\$ 111,475,141.33	-3.82%
September	\$ 114,076,340.96	-3.96%	\$ 106,340,200.54	-6.78%	\$ 103,111,649.21	-3.04%	\$ 107,556,002.33	4.31%	\$ 112,167,563.98	4.29%	\$ 113,650,378.92	1.32%
October	\$ 110,948,695.96	-1.95%	\$ 111,841,042.99	0.80%	\$ 106,779,739.55	-4.53%	\$ 112,839,250.36	1.78%	\$ 110,737,995.50	-1.86%	\$ 112,667,682.55	1.74%
November	\$ 118,237,351.55	4.43%	\$ 107,124,733.60	-9.40%	\$ 118,134,341.40	10.28%	\$ 125,463,371.75	6.20%	\$ 111,502,032.31	-8.82%	\$ 113,084,415.06	1.42%
December	\$ 106,171,928.35	-7.02%	\$ 96,048,307.53	-9.54%	\$ 111,021,844.76	15.59%	\$ 109,066,698.11	-1.76%	\$ 112,004,791.29	2.69%	\$ 111,494,603.74	-0.46%
January	\$ 111,300,171.62	-13.67%	\$ 110,608,613.45	-0.62%	\$ 114,422,344.27	3.45%	\$ 116,400,992.94	1.73%	\$ 117,241,823.84	0.72%	\$ 110,086,016.70	-6.10%
February	\$ 134,760,573.52	-2.68%	\$ 124,936,684.16	-7.29%	\$ 123,903,906.42	-0.83%	\$ 124,949,116.99	0.84%	\$ 131,203,575.63	5.01%	\$ 138,618,493.30	5.65%
March	\$ 120,040,027.27	-2.68%	\$ 112,273,443.83	-6.47%	\$ 120,548,875.91	7.37%	\$ 122,356,901.35	1.50%	\$ 120,997,540.75	-1.11%	\$ 124,023,991.41	2.50%
April	\$ 103,857,356.92	-1.59%	\$ 114,508,490.99	11.73%	\$ 119,815,053.34	4.63%	\$ 118,534,756.46	-1.07%	\$ 119,945,966.90	1.19%	\$ 124,659,270.12	3.93%
May	\$ 116,520,102.17	-6.85%	\$ 109,007,620.90	-4.96%	\$ 109,930,191.80	0.85%	\$ 108,612,340.75	-1.20%	\$ 113,073,887.16	4.11%	\$ 119,116,145.61	5.34%
June	\$ 1,377,704,416.53	-4.00%	\$ 1,324,236,621.27	-3.88%	\$ 1,365,041,620.23	3.08%	\$ 1,376,687,027.05	0.85%	\$ 1,400,148,545.50	1.70%	\$ 1,414,067,616.62	0.99%
TOT RECEIPTS thru FY	\$ 1,416,734,426.23	-0.54%	\$ 1,349,503,615.26	-4.75%	\$ 1,332,782,569.59	-1.24%	\$ 1,376,408,436.95	3.27%	\$ 1,385,601,766.53	0.67%	\$ 1,400,536,681.31	1.08%
Wagering Tax - pre 9/2004 (State)												
Wagering Tax - post 9/2004 (State)	12.90%		12.90%		12.90%		12.90%		12.90%		12.90%	
Wagering Tax - post 1/2006 (Dev. Authority Tax - post 1/2006)	1.00%		1.00%		1.00%		1.00%		1.00%		1.00%	
\$400 M (Dev. Agrmt) after permanent opens	11.90%		11.90%		11.90%		11.90%		11.90%		11.90%	
Wagering Tax FYTD	\$ 163,946,825.57		\$ 157,584,157.93		\$ 162,439,952.81		\$ 163,825,756.22		\$ 166,617,676.91		\$ 168,274,046.38	
Add'l 1% after casino reaches \$400M during calendar year (Dev Agrmt)	\$ 10,646,297.40	-0.66%	\$ 10,211,576.83	-4.08%	\$ 10,061,311.75	-1.47%	\$ 10,465,401.23	4.02%	\$ 10,599,827.55	1.28%	\$ 10,708,230.46	1.02%
Total Revenue FYTD	\$ 174,593,122.97	-3.80%	\$ 167,795,734.76	-3.89%	\$ 172,501,264.56	2.80%	\$ 174,291,157.45	1.04%	\$ 177,217,504.46	1.68%	\$ 178,982,276.84	0.9958%
Fiscal Year's Wagering Tax (est)												
Budget	\$ 171,000,000.00		\$ 170,000,000.00		\$ 168,000,000.00		\$ 169,042,005.00		\$ 175,200,000.00		\$ 177,780,000.00	
Initial Surplus/Deficit	\$ 3,593,122.97		\$ (2,204,265.24)		\$ 4,501,264.56		\$ 5,249,152.45		\$ 2,017,504.46		\$ 1,202,276.84	



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- George Etheridge
- Deborah Goldstein
- Christopher Gulock
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- Kimani Jeffrey
- Anne Marie Langan
- Jamie Murphy
- Analine Powers, PhD
- Sabrina Shockley
- Thomas Stephens, Esq.
- David Teeter
- Theresa Thomas

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- Timothy Boscarino, AICP
- Elizabeth Cabot, Esq.
- Janese Chapman
- Tasha Cowan
- Richard Drumb

TO: Detroit City Council

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

DATE: August 21, 2018

RE: Report on Gaming Tax Revenue through July 2018

For Council's review, the attached schedules present the gaming tax revenue activity through July 2018 and prior fiscal years.

In the first month of the fiscal year the casinos reported a combined gross revenue increase of 0.27% compared to the first month of the prior fiscal year. Broken out by casino, MGM's annual receipts are down by .55%, Motor City's are up by .27% and Greektown's are up by 1.82%, compared with the same period in the prior fiscal year.

In the first month of the fiscal year, the City collected \$14.20 million in gaming tax revenue, which was .27% greater than July 2017, as reflected in Chart 1. Chart 2 "Monthly Detroit Gaming Tax Collections" through a twelve-month moving average trend line shows an increase of 1.28% since last July among the combined casino tax revenues. Based on existing data, there is projected to be surplus of \$0.17 million for the fiscal year for a gaming revenue total of \$180.94 million, a 1.1% increase over last year.

Adjusted gross casino gaming receipts were reported at \$119.35 million for the month of July 2018 as shown in Chart 1A. This represented a .27% gain compared with July 2017. Chart 2A "Monthly Detroit Gaming Receipts" through a twelve-month moving average trend line shows growth of 1.30% among the combined casino receipts.

MGM and Motor City are each paying 12.9% of gross gaming receipts to the City, while Greektown Casino is paying 11.9% of gross gaming receipts and is broken out as follows. By state law, all casinos are now paying 10.9% of gross gaming receipts to the City as wagering tax. The casinos also have an additional 1% payment because of the 2002 amended development agreement with the City. Additionally, if a casino reaches \$400 million in receipts in a calendar year, like MGM and Motor City, then an additional 1% is paid to the City per the amended development agreement of 2002.

There is not a complete one-to-one relationship between the adjusted gross receipts and the tax revenue collection increases when comparing prior years, due to two factors. First, there is the fact that MGM and Motor City casinos began paying the City 1% less due to the permanent casinos opening on October 3 and November 29 of 2007. This reduction to the City is part of state Public Act 306 of 2004, when the legislature amended Public Act 69 of 1997, which was the original casino gaming legislation. P.A. 306 increased the wagering tax by 6% of which 2% went to the City of Detroit. P.A. also allowed that when the permanent casino had been certified by the state gaming board as having operated for 30 consecutive days and once the City determined the project was complete, 5% of the 6% additional wagering tax would be eliminated, with the remaining 1% allocated to the City where the casino is being operated. Greektown continued to pay the 6% additional wagering tax – 4% to the state, 2% to the City – until its permanent status was agreed to by the Administration and approved by the State Gaming Commission, which occurred on March 9, 2010.

Second, the amended development agreement of August 2002 between the City and the casinos, which is separate from the state law, has all casinos, beginning in January 2006, paying an additional 1% over the state law, plus another 1% when the casino reaches \$400 million in gross receipts in a calendar year. For the twelfth year, MGM and Motor City are projected to exceed \$400 million in the calendar year and increase gaming tax collections by \$10.6 million between September and December. MGM should reach \$400 million in August and Motor City in the months following.

Attachments (5)

cc: Auditor General
John Hill, CFO
John Naglick, Finance Director
Tanya Stoudemire, Budget Director
Renee Short, Budget Manager
James George, Agency CFO
Stephanie Washington, Mayor's Office

Chart 1

Monthly Comparison Detroit Gaming Tax Collections By Fiscal Year

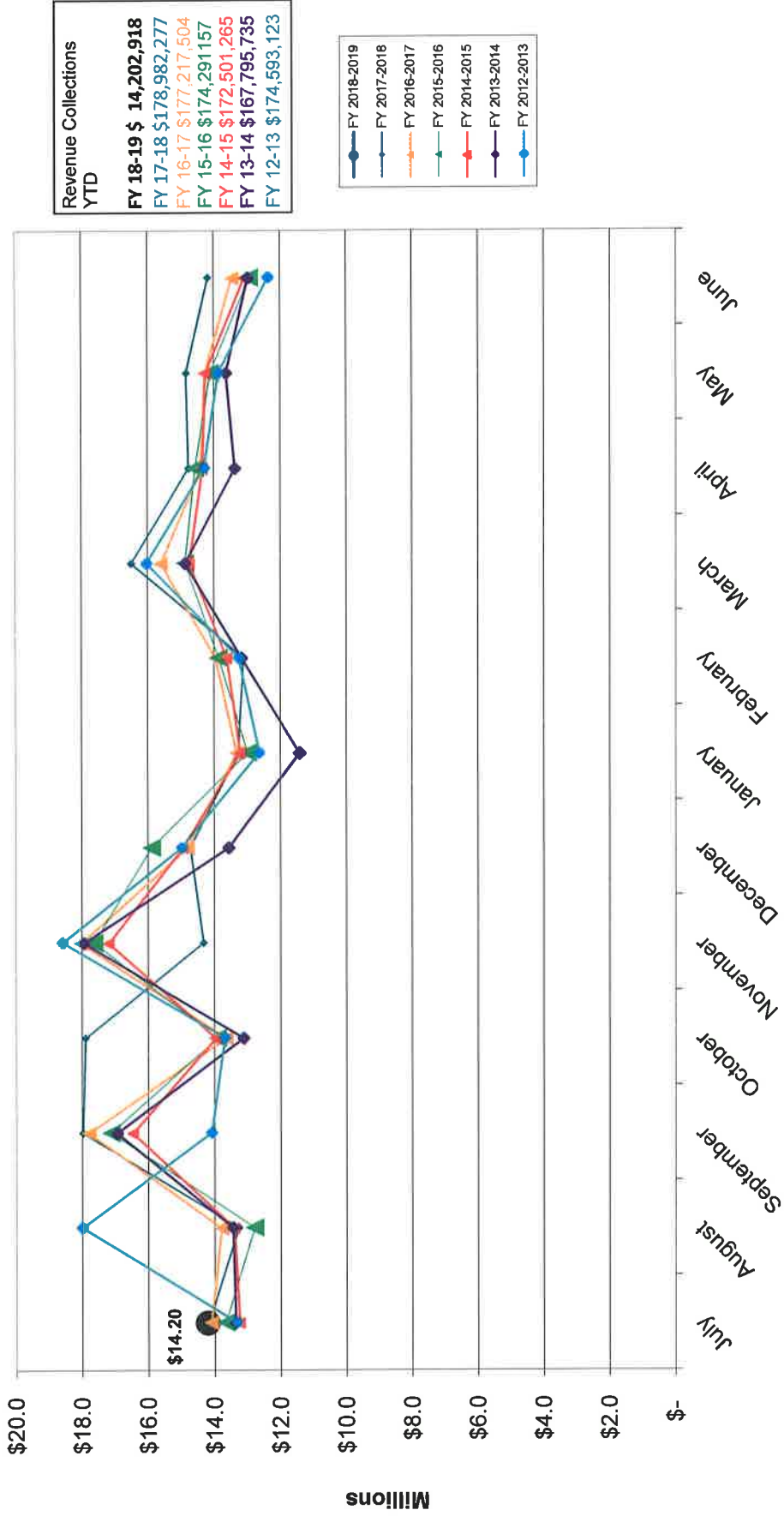
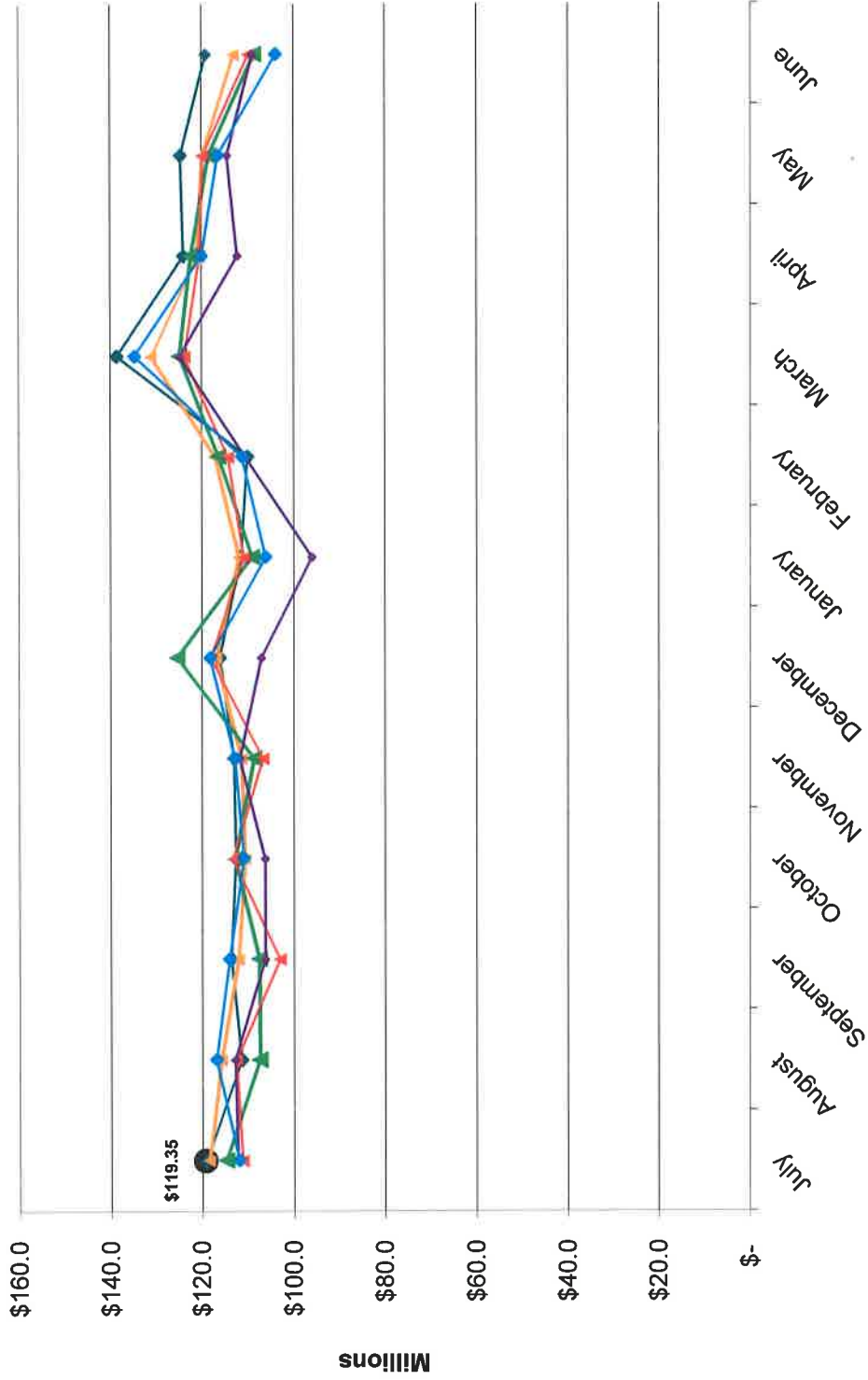


Chart1A

Monthly Comparison Adjusted Gross Casino Gaming Receipts By Fiscal Year



Cumulative Receipts YTD

FY 18-19	\$ 119,352,251
FY 17-18	\$144,057,617
FY 16-17	\$149,149,545
FY 15-16	\$137,408,437
FY 14-15	\$1365,041,620
FY 13-14	\$1,324,236,621
FY 12-13	\$1,377,704,417

- FY 2018-2019
- FY 2017-2018
- FY 2016-2017
- FY 2015-2016
- FY 2014-2015
- FY 2013-2014
- FY 2012-2013

Chart 2

Monthly Detroit Gaming Tax Collection History

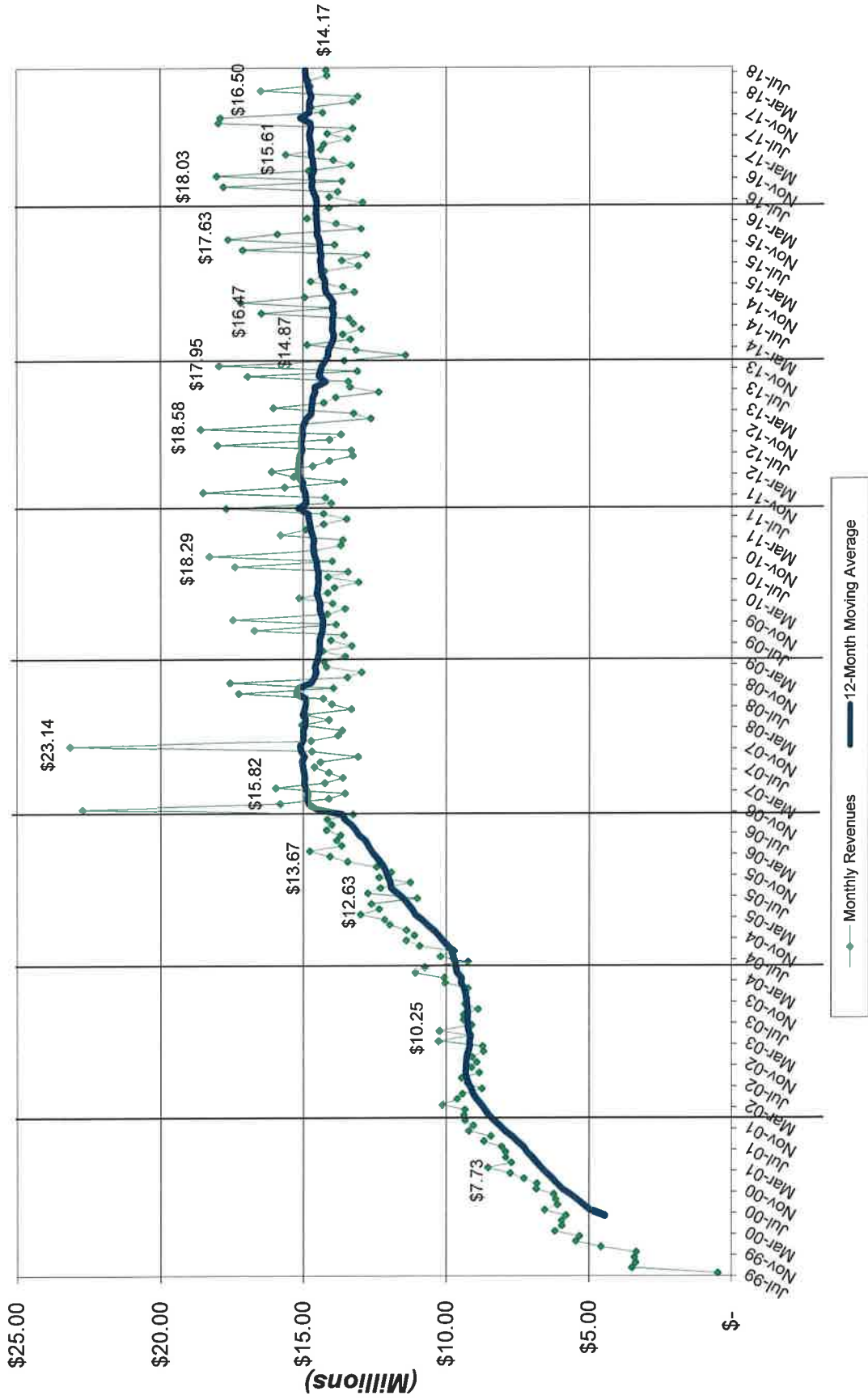
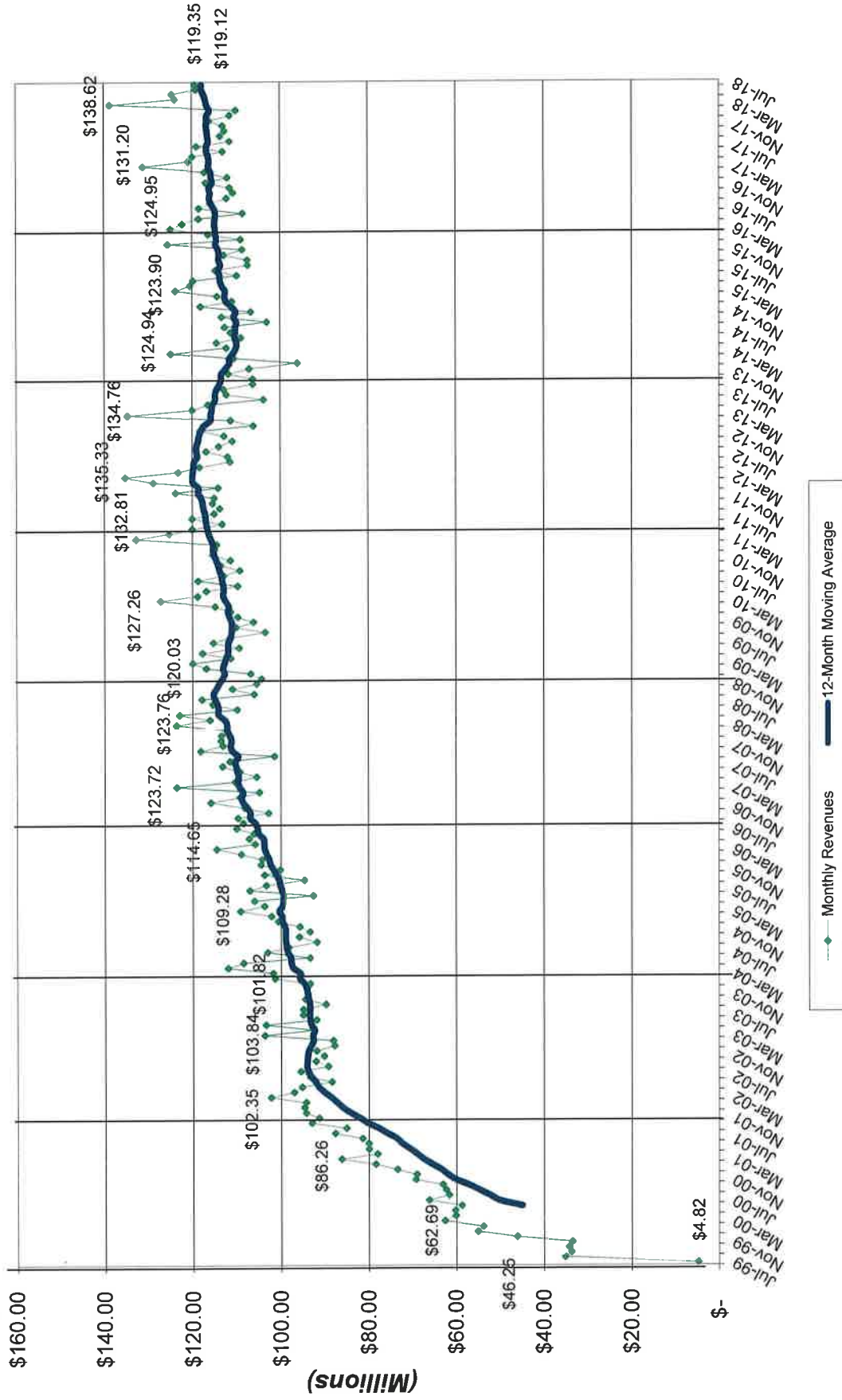


Chart 2A

Monthly Adjusted Gross Casino Gaming Receipt History





CITY OF DETROIT

- Christopher Cullock, AICP
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City of Detroit

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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director
 Legislative Policy Division Staff

DATE: August 23, 2018

RE: **Budgetary Impact of a City of Detroit Employee \$15 per hour Minimum Wage**

Prior to recess, Council member Leland requested that Legislative Policy Division (LPD) provide a report which provides an itemization of the fiscal impact of the City of Detroit implementing a \$15 per hour minimum wage for City of Detroit employees that are classified under each of the employment classifications of full-time employees, part-time employees, and seasonal employees. In addition to quantifying the budgetary impact of the proposal as well.

Included in the request, LPD was also asked to prepare a resolution in support of the City of Detroit implementing a \$15 per hour minimum wage for its employees.¹

Below, please find an overview of the 4-year projected impact of the \$15 minimum wage:²

Category	Fiscal Year				Percentage of Impact	Cumulative 4-yr. Impact on Budget
	2019	2020	2021	2022		
<u>Primary Cost of Wage Increase to \$15 per hour minimum</u>						
Full-Time employees	(\$3,167,177)	(\$3,167,177)	(\$3,167,177)	(\$3,167,177)	57.8%	(\$12,668,708)
Part-time employees	(\$1,946,217)	(\$1,946,217)	(\$1,946,217)	(\$1,946,217)	35.5%	(\$7,784,868)
Seasonal employees	(\$366,078)	(\$366,078)	(\$366,078)	(\$366,078)	6.7%	(\$1,464,312)
Total primary cost of wage increase	(\$5,479,472)	(\$5,479,472)	(\$5,479,472)	(\$5,479,472)	100%	(\$21,917,888)
<u>Primary Cost of Fringe Benefits Increase Due to \$15 min.</u>						
Full-Time employees	(\$626,357)	(\$626,357)	(\$626,357)	(\$626,357)	73.9%	(\$2,505,428)
Part-time employees	(\$148,886)	(\$148,886)	(\$148,886)	(\$148,886)	17.6%	(\$595,544)
Seasonal employees	(\$71,898)	(\$71,898)	(\$71,898)	(\$71,898)	8.5%	(\$287,592)
Total primary cost of fringe benefits increase due to \$15 min.	(\$847,141)	(\$847,141)	(\$847,141)	(\$847,141)	100%	(\$3,388,564)
Primary impact of wage and fringe benefits increases	(\$6,326,613)	(\$6,326,613)	(\$6,326,613)	(\$6,326,613)	57.3%	(\$25,306,452)
Secondary impact of wage and fringe benefits increases	(\$4,723,046)	(\$4,723,046)	(\$4,723,046)	(\$4,723,046)	42.7%	(\$18,892,184)
Impact on Four-Year Financial Plan	(\$11,049,659)	(\$11,049,659)	(\$11,049,659)	(\$11,049,659)	100%	(\$44,198,636)

¹ Submitted under a separate cover.
² The chart reflects the projected primary and secondary impact of the implementation of a City employee \$15 minimum wage, provided by Office of the Chief Financial Officer (OCFO), totaled by LPD over 4 years.

The City's Chief Financial Officer in CFO Memorandum # 2018-101-26, dated July 17, 2018, issued the following conclusion:

- The (\$15 based) minimum wage increase would require the identification of additional resources.
- There (would be) a negative impact on the City's FY 19 budget and Four Year Financial Plan of FY 2019-FY 2022.

Also, included in the CFO memorandum (attached), were its projected fiscal impacts:

- The increase to a City of Detroit \$15 minimum wage would add an estimated cost to the budget of \$44.2 million over the four-year fiscal period of **2019 FY-2022 FY**.
- The estimated increase could be bifurcated into primary (\$6,326,613) and secondary² (\$4,723,046) effects.³
- Of the projected **\$11 million** annual cost to implement the \$15 minimum wage, it is estimated that **\$7.8 million** would be incurred by the General Fund.
- In total, it is estimated that 1033 of the City's budgeted positions would be directly impacted by the implementation of the \$15 minimum wage and another 949 budgeted positions would potentially subject to the secondary impact of the City minimum wage increase.
- The average wage adjustment for positions that would be directly impacted by implementation of a \$15 minimum wage, is estimated at a \$2.93 an hour increase. Conversely, the budgeted positions estimated to be affected by the secondary impact of the City minimum wage increase are estimated to have a corresponding \$2 per hour average wage increase.

In order for the City of Detroit to increase the City's minimum wage rate to \$15 per hour is primarily dependent on the City's ability to identify the funds to sustain its implementation. According to the OCFO, the current estimate implementing a \$15 per hour minimum wage by each of the City of Detroit employment classifications of full-time employees, part-time employees, and seasonal employees, in addition to the estimated secondary impacts, are listed below:

Primary impact of wage and fringe benefits increases	Per Year Cost	4-year Impact
Full-Time employees	(3,793,534)	(15,174,136)
Part-time employees	(2,095,103)	(8,380,412)
Seasonal employees	(437,976)	(1,751,904)
Total primary cost of wage and fringe benefits Increases	(6,326,613)	(25,306,452)
Secondary impact of wage and fringe benefits increases	(\$4,723,046)	(18,892,184)
Impact on Four-Year Financial Plan	(\$11,049,659)	(\$44,198,636)

Please contact us if we can be of any further assistance.

Attachment: CFO Memorandum # 2018-101-26, dated July 17, 2018

² The secondary impacts are the projected upward wage pressure on employees in titles immediately above the those lower level employees directly affected by the increase to \$15 per hour, which would likely trigger upward wage adjustments.

³ The total annual impact on the City budget. When totaling the primary and secondary figures the total impact to the City budget is projected by the OCFO at (\$11,049,659) annually.



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

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CFO MEMORANDUM
No. 2018-101-026

TO: Michael E. Duggan, Mayor; Honorable Detroit City Council
FROM: John W. Hill, Chief Financial Officer *John W. Hill*
SUBJECT: Fiscal Impact of \$15 Minimum Wage for City Employees
ISSUANCE DATE: July 17, 2018

1. AUTHORITY

- 1.1. State of Michigan Public Act 279 of 1909, Section 4s(2)(d), as amended by Public Act 182 of 2014, states the chief financial officer shall submit in writing to the mayor and the governing body of the City his or her opinion on the effect that policy or budgetary decisions made by the mayor or the governing body of the City will have on the City's annual budget and its four-year financial plan.

2. PURPOSE

- 2.1. To provide financial information to the Mayor and the Detroit City Council in response to the request for the fiscal impact of increasing the minimum wage for City of Detroit (the "City") employees to \$15 per hour.

3. OBJECTIVE

- 3.1. This Memorandum serves as the report on the fiscal impact of increasing the minimum wage for City employees to \$15 per hour in relation to the City's FY 2019 budget and Four-Year Financial Plan for FY 2019 - FY 2022.

4. SCOPE

- 4.1. This Memorandum is not intended to convey any statements nor opinions on the advisability of increasing the minimum wage to \$15 per hour, it is meant only to provide data on the fiscal impact on the City's FY 2019 budget and Four-Year Financial Plan for FY 2019 - FY 2022.

5. STATEMENT

- 5.1. **Conclusion:** The minimum wage increase would require the identification of additional resources. There is a negative impact on the City's FY 2019 budget and Four-Year Financial Plan for FY 2019 - FY 2022.

- 5.2. **Background:** The minimum wage increase would impact the following:

- Increase in the minimum wages paid to full-time, part-time and seasonal employees of the City
- Increase in the cost of fringe benefits earned by City employees subject to increased wages
- Likely create upward wage pressure on positions above those lower-level employees directly affected by the minimum wage increase.

5.3. Fiscal Impact: As shown in the table below, the minimum wage increase for City employees to \$15 per hour would add an estimated \$44.2 million in costs over the FY 2019 - FY 2022 period. Thus, the minimum wage increase would require the identification of additional resources, and there is a net negative impact on the City's FY 2019 budget and Four-Year Financial Plan for FY 2019 - FY 2022.

The estimate can be bifurcated into primary and secondary effects. City employees directly affected by the increase constitute the primary effect, and upward wage pressure on employees in titles immediately above those lower-level employees directly affected by the increase constitute the secondary effect. For instance, the new \$15 minimum wage for a Vehicle Operator I would put upward pressure on wages for a Vehicle Operator II and III. Because wages are currently budgeted flat for each of the four years, the incremental wage increases amount to a flat \$11 million per year. Of that \$11 million in annual citywide costs, an estimated \$7.8 million would be incurred in the General Fund.

In total, 1,033 of the City's budgeted positions are estimated to be directly affected by the minimum wage increase. The median increase amounts to \$2.93 per hour. In addition to those directly impacted by a minimum wage increase, the potential secondary effect would impact 949 positions. The secondary effect was measured under the assumption that the affected positions would receive a corresponding \$2 per hour increase in base wages. However, any formal action beyond the \$15 minimum wage would be subject to a comprehensive compensation review.

**City of Detroit
Implementation of \$15 Per Hour Minimum Wage for City Employees**

	Fiscal Year			
	2019	2020	2021	2022
Primary cost of wage increase¹				
Full-time employees	\$ (3,167,177)	\$ (3,167,177)	\$ (3,167,177)	\$ (3,167,177)
Part-time employees	(1,946,217)	(1,946,217)	(1,946,217)	(1,946,217)
Seasonal employees	(366,078)	(366,078)	(366,078)	(366,078)
Total primary cost of wage increase	\$ (5,479,472)	\$ (5,479,472)	\$ (5,479,472)	\$ (5,479,472)
Primary cost of fringe benefits increase under new wage				
Full-time employees	\$ (626,357)	\$ (626,357)	\$ (626,357)	\$ (626,357)
Part-time employees	(148,886)	(148,886)	(148,886)	(148,886)
Seasonal employees	(71,898)	(71,898)	(71,898)	(71,898)
Total primary cost of fringe benefits	\$ (847,141)	\$ (847,141)	\$ (847,141)	\$ (847,141)
Primary impact of wage increase and fringe benefits	\$ (6,326,613)	\$ (6,326,613)	\$ (6,326,613)	\$ (6,326,613)
Secondary impact on wages and fringe benefits	\$ (4,723,046)	\$ (4,723,046)	\$ (4,723,046)	\$ (4,723,046)
Impact on Four-Year Financial Plan	\$ (11,049,659)	\$ (11,049,659)	\$ (11,049,659)	\$ (11,049,659)

Notes:

1. Based on FY 2019 budgeted positions and assumes the number of positions will stay constant over the Four-Year Financial Plan.

2. Only includes 110,319 cost for part-time employees.

BFA



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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director 
 Legislative Policy Division Staff

DATE: August 20, 2018

RE: Report on the proposal to Repeal Article V (Slavery Ordinance)

Prior to recess in July, Council President Pro-Tem Sheffield requested that Legislative Policy Division (LPD) provide a report on the Proposed Ordinance to Amend Chapter 18 of the Detroit City Code, by repealing Article V (Slavery Ordinance). LPD was requested to answer:

1. When was Article V established and for what purpose?
2. Since the codification of Article V, how many contractors have disclosed ties to or profiting from the institution of slavery?
3. Can the requirement of this disclosure, if an affirmative answer is given, result in the collection of data to support the argument of reparations?
4. What does the disclosure include? How are the disclosures verified and by whom?
5. What burden does this requirement place on the (City's) procurement process?
6. Mass incarceration is considered the slavery of today, can the City amend Chapter 18 of the Detroit City Code to include a disclosure with respect to companies profiting from the prison industrial complex?

When Article V was established and for what purpose (Slavery Ordinance): On June 23, 2004, the Detroit City Council approved an ordinance (Ord. No. 20-04) sponsored by Council member Barbara-Rose Collins, which mirrored ordinances which were previously approved in May 2003 by the Los Angeles City Council, and in October 2002 by the City of Chicago.¹ According to Council member Collins, "The purpose of this ordinance is to set the groundwork for [slavery] reparations. First, you have to get the information and show the companies that benefited from the slave trade."²

¹ The City of San Francisco and the state of California both require insurers seeking to do business with these governments to disclose slavery ties, due to the industries long history of financing and profiting from that institution,

² The Washington Times - <https://www.washingtontimes.com/news/2004/jul/1/20040701-122147-7163r/>

The significance of the "Slavery Era Records and Insurance Disclosure," section of the Detroit City Code, is that it requires that prospective contractors with the City to disclose, or deny by an affidavit,³ whatever it or any of its *corporate predecessors in interest*⁴ had any interests in the slave industry, including any insurance policies issued to slave holders.⁵ The ordinance's penalty provisions are only applied when a prospective "contractor has failed to comply," with the provisions of the ordinance and report accurately. The ordinance indicates that the City's Finance Director can make a "determination to void the contract for failure to comply with the provisions of the ordinance. The ordinance's enforcement provision is here:

Sec. 18-5-91. - Scope.

(a) This division shall apply to each contractor for goods or services with which the City enters into a contract, whether or not the contract is subject to competitive bid. (b) Each contractor shall be responsible for searching and disclosing records of the entity which proposes to enter into a contract with the City as well as all records of any predecessor entity that are within the possession or knowledge of the contractor regarding records of investments or profits from the slave industry.... (Ord. No. 20-04, § 1, 6-23-04)

Sec. 18-5-92. - Affidavit of disclosure required.

(a) As part of its contract package, each contractor with which the City enters into a contract shall submit to the Finance Department Purchasing Division prior to the submission to City Council for approval of such contract, an affidavit that discloses the information indicated in Subsections (b) and (c) of this section. The affidavit shall be on a form provided by the Finance Department Purchasing Division. (b) The affidavit shall verify that the contractor has searched all records of the entity which proposes to enter into a contract with the City, as well as all records of any predecessor entity, that are within the possession or knowledge of the contractor regarding records of investments or profits from the slave industry, ... (c) The affidavit shall disclose any information discovered during the search regarding investments or profits from slavery or slave holder insurance policies which accrued to the current entity or to any predecessor entity.... (Ord. No. 20-04, § 1, 6-23-04)

³ An **affidavit** is a written statement that is then signed under oath. It is derived from the Latin word "affidare," which means "to pledge" or "declared upon oath." Typically, an affidavit must be notarized, which means that it must be signed in front of a notary official who also verifies the identification of the individual signing the statement. <https://www.liveabout.com>

⁴ A **predecessor in interest** refers to a person or entity who previously held the rights or interests that are now held by another.

⁵ Slavery officially ended in the US with the ratification of the Thirteenth Amendment to the Constitution on December 18, 1865. Obviously, the vast majority of corporations seeking to do business with the City today would not be able to trace their origins back more than 150 years. Therefore, compliance with the City's ordinance would be as simple as signing an affidavit of denial for most companies seeking to do business here.

Sec. 18-5-93. - Voidability of contract.

(a) Failure to comply with this division shall render the contract voidable by the City. (b) A determination to void the contract for failure to comply with this division shall be made by the Director of the Finance Department at any time after reviewing, or becoming aware of, information which indicates that a contractor has failed to comply with this division.

(Ord. No. 20-04, § 1, 6-23-04)

The remaining answers to the questions asked are as follows:

- **Since the codification of Article V, how many contractors have disclosed ties to or profiting from the institution of slavery?**
The answer is zero, since the ordinance's inception.⁶
- **Can the requirement of this disclosure, if an affirmative answer is given, result in the collection of data to support the argument of reparations?**
In 2013, the German government as a result of negotiations between the German Finance Ministry and the Claims Conference, a Jewish fund for victims of Nazi aggression, has committed to pay nearly 772 million euros (equivalent to \$1 billion US dollars at the time) for the care of 56,000 elderly Holocaust survivors.⁷ Historically, there has been no significant effort made by the United States Government to provide any reparations for slavery. However, if a company were to answer in the affirmative, this could be a catalyst to negotiations at some level.
- **What does the disclosure include? How are the disclosures verified and by whom?**
As indicated earlier in the report, the ordinance requires that all contractors must disclose or deny whether it or any of its corporate predecessors in interest⁸ had any interests in the slave industry, including any insurance policies issued to slave holders. The ordinance further indicates that the City's Finance Director verifies the veracity of the information in the affidavit, but the ordinance is silent on how this is done.
- **What burden does this requirement place on the (City's) procurement process?**
It is LPD's opinion that this requirement places little to no burden on the procurement process, since it simply requires a prospective contractor to sign an affidavit.

⁶ Although LPD was unable to find a single affidavit filed with the City in the affirmative, some relevance for this type of ordinance does exist: The predecessors of JP Morgan/Chase got their start with loans to slave owners, at times with enslaved Africans as collateral. In 2005 JP Morgan apologized for its predecessors' slave trading activities in Louisiana. Chase subsequently established a \$5M college scholarship fund for black students in Louisiana to "both acknowledge the past and improve the future." –The Guardian, David Teather, Jan 21, 2005. Bank of America and Wachovia also apologized for their early involvement with slave trading.

<https://www.commondreams.org/views/2014/04/14/four-eras-slavery-benefit-corporations>

⁷SPIEGEL ONLINE <http://www.spiegel.de/international/germany/germany-to-pay-772-million-euros-in-reparations-to-holocaust-survivors-a-902528.html>

⁸ **Predecessor in interest** refers to a person or entity who previously held the rights or interests that are now held by another.

- **Mass incarceration is considered the slavery of today, can the City amend Chapter 18 of the Detroit City Code to include a disclosure with respect to companies profiting from the prison industrial complex?**

The short answer is yes, however, the focus of the code would be redirected as: The legal definition of slavery is "The condition of a slave; that civil relation in which one man has absolute power over the life, fortune, and liberty of another."⁹ In the Detroit City Code, slavery is listed under ARTICLE I. - Declaration of Rights, Sec. 9. - Slavery and involuntary servitude: "Neither slavery, nor involuntary servitude unless for the punishment of crime, shall ever be tolerated in this state." However, the Council could develop an ordinance that specifically addresses prison industrial complex and its adverse effects on the city's population.

Please contact us if we can be of any further assistance.

⁹ <https://thelawdictionary.org/slavery/>



City of Detroit

CITY COUNCIL

GABE LELAND
COUNCIL MEMBER

MEMORANDUM

TO: Mayor's Office, Stephanie Washington

THRU: The Honorable Council President, Brenda Jones

FROM: Council Member Gabe Leland

DATE: August 10, 2018

RE: Question about protocol when a contractor doesn't show up to a community meeting

Constituents take time from their schedule to attend community meetings so that they can meet & ask questions of the pertinent department and the contractors working in their neighborhoods. When an invited contractor pulls a no-show it is very disrespectful to the constituents.

I would like to know what the proper protocol is when a invited contractor doesn't show up to a community meeting.

CC: Honorable Detroit City Council Members
Detroit City Clerk, Janice Winfrey
Board of Water Commissioners
DWSD

CITY CLERK 2018 AUG 10 PM 4:50