GOVERNMENTAL POLICY AND PROGRAMS

RESEARCH REPORT

OVERVIEW

The following review was undertaken for Building the Engine for Community Development in Detroit (BECDD). It is intended to serve as an information resource to the BECDD Task Force on City and Community Development Partnership. The review consists of three sections:

- Existing Detroit, Michigan, and Federal policy that Impacts community development in Detroit;
- A summarization of governmental partnerships in the five cities which the Urban Strategies Group have deemed to possess mature community development systems;
- Some observations about the implications for Detroit that can be drawn from the information in the first two sections.

The Detroit policies reviewed:

- Community Benefits Ordinance
- Inclusionary Housing Ordinance
- Multi-Family Affordable Housing Strategy
- Rental Property Ordinance
- Strategic Neighborhood Initiative
- Distribution of Community Development Block Grant (CDBG) funding
- Long Term Affordability Model Feasibility and Plan (Under Consideration)

Michigan policies reviewed:

- MEDC's policies and practice for Detroit projects
- Business Improvement District/Principal Shopping District/Business Improvement Zone (BID/PSD/BIZ)
- Community Revitalization Programs
- Corridor Improvement Authority
- Redevelopment Ready Communities
- MSHDA QAP formulae

U. S. federal policies reviewed:

- Community Reinvestment Act impacts
- Opportunity Zone legislation

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- CDBG

A summary of each policy is provided and, where appropriate, recent developments are noted.

In the second section, the governmental policies and practices found in Cities with mature community development ecosystems are summarized into a table which shows how the same types of governmental actions and policies have been undertaken in communities with community development systems.

In the final section of this report, the implications that could be drawn from this review are noted.

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GOVERNMENTAL LEVEL

DETROIT

PROGRAM

COMMUNITY BENEFITS ORDINANCE (#35-16)

DESCRIPTION

“The City is committed to community outreach and engagement that promotes transparency and accountability and ensures development projects in the City of Detroit benefit and promote economic growth and prosperity for all residents.”

- Nine member Neighborhood Advisory Council (NAC)—2 selected by residents, 4 residents selected by PD, 2 by (most impacted) district Council member, 1 resident by at-large councilmember. Decisions are made by majority vote of members present.
- Agreement between Planning Director and Developer must specifically address issues raised by the NAC.
- NEZ tax breaks are exempted from calculation
- At least one meeting between PD and NAC must be held
- Requirements of this ordinance can be waived by City Council if requirements are deemed impractible or infeasible and other accommodations are identified.

TIER 1	TIER 2
>= $75M	>= 3M
LAND >= $1M *and/or* TAX BREAK >= $1M	LAND >=$300K *and/or* TAX BREAK >= $300K
Impact area is all census tracts or census block groups in which project is located	
Must hold at least 1 public meeting in the impact area	
Prior notice must include info related to potential impacts and possible mitigation strategies	
Planning Director must work with district council member and one at large to ensure affected members of the public are informed of the meeting	
PD must provide Council with Community Benefits Report	
Development Agreement must include Community Benefits provision:	

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	Commit to workforce requirements
	Any other mitigation of possible impacts
	Inclusion of above in dev agreement

RECENT DEVELOPMENTS

A webpage on the City's website updates current development activities that trigger the ordinance. As of summer 2018 there have been six projects in Downtown, Midtown, and New Center large enough to trigger the creation of a Neighborhood Advisory Council (NAC) and deliberations on community benefits:

- Pistons
- Herman Kiefer
- Wigle: Midtown West
- Detroit Free Press Rehabilitation
- Hudson
- Book Building and Monroe

Currently, there are two more that are just getting underway:

- Lafayette West
- Michigan Central Station Development

Additionally, there has been some calls to revisit the ordinance, most notably by Monique Tate of the Equitable Detroit Coalition in a Detroit Free Press editorial published March 13th, 2018 in which she opined that the current ordinance is too weak and too controlled by the City in favor of developers.

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GOVERNMENTAL LEVEL

DETROIT

PROGRAM

INCLUSIONARY HOUSING ORDINANCE (#26-17)

DESCRIPTION

This ordinance was enacted October 10, 2017 to "Promote the development of residential housing projects in which at least 20% of the total units are reserved for households with incomes of 80% or less of Area Median Income (AMI)" [to provide rental housing].

Triggered by:

- Use of Land Bank or other City-owned property;
- Direct monetary support of general, CDBG funds, HOME or other federal, state or local funding administered by City of $500,000 or more;
- 20 or more units

Funding Sources:

- 20% of the proceeds from all commercial property transactions
- Gifts
- Carries over unless budget says otherwise

Uses:

- Affordable rental housing creation
- Affordable rental housing preservation
- Compliance with the ADA
- "Administration or disbursement of grant funds for home repair, homelessness prevention, neighborhood revitalization, activities of a nonprofit corporation that develops and stewards affordable housing, and any other activities consistent with this article."

Other:

- The City Council can select individuals with experience in various aspects of affordable housing to advise them
- There are procedures for excepting projects
- There are provisions of locating the affordable housing units near but not in the development
- There are penalties and procedures for noncompliance
- The units have to remain affordable (not withstanding inflation) for 30 years

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- There is annual reporting and website transparency required.

RECENT DEVELOPMENTS

No plans to revise this ordinance are currently being contemplated.

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GOVERNMENTAL LEVEL

DETROIT

PROGRAM

MULTI-FAMILY AFFORDABLE LOW-INCOME HOUSING STRATEGY

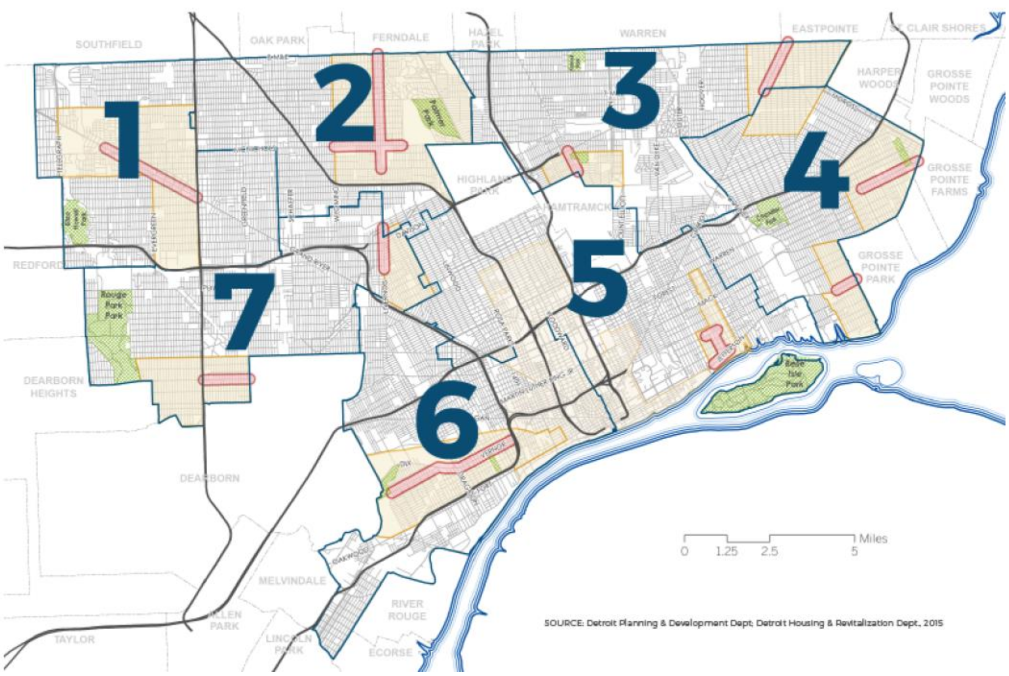
DESCRIPTION

Detroit's Multi-Family Affordable Housing Strategy was released in 2018. Its goals by 2023 are to:

- Preserve 10,000 units
- Develop 2,000 units (20% of all projected multi-family)

Detroit Housing Redevelopment Development is the lead and the focus areas are the same as the Strategic Neighborhood Fund.

Figure 1: Targeted Multifamily Housing Areas



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Target Areas:

Preserve Existing Affordable Housing

With over 4,500 LIHTC units over 15 years of age and terms of affordability soon to expire, the City of Detroit believes that it is important to raise awareness of strategies for reinvestment to ensure adequate maintenance and safety of housing and that owner outreach and technical assistance will be critical to preserving LIHTC units to avoid conversion of these units to market-rate housing. Among the strategies Detroit intends to employ are:

- Implement the Near-Term Initiatives of the Preservation Action Plan;
- Establish of the Detroit Affordable Housing Preservation Partnership;
- Train local developers on how to preserve their affordable housing properties.
- Cultivate a network of developers with extensive experience working on preservation projects so that the City is better positioned to reach its goals.

Develop New Affordable Housing

Core to the strategy is the City's intent to enhance its partnership with Invest Detroit in the Strategic Neighborhood Fund (SNF) and to focus the Multi-Family Affordable Housing Strategy in the SNF ten neighborhoods.[1]

The City intends to create the Affordable Housing Leverage Fund (AHLF), a $250 million fund with matching funds from financial institutions, CDFIs, and philanthropic organizations to establish the AHLF and initiate project funding commitments by early 2019.

Opportunities are based on the Detroit Affordable Housing Strategy Five Goals:

- Preserve existing affordable housing.
- Maintain affordability in the Greater Downtown.
- Create deeper affordability in strategic neighborhoods.
- Build supportive housing for Detroiters experiencing chronic homelessness.
- Strengthen neighborhoods through investments in neighborhood-scale single-family stabilization projects.

Finally, a future action is to create the Office of Policy Development and Implementation (OPDI), which will be tasked with creating and implementing the tools and strategies laid

[1] How closely tied the MAHF to the SNF is somewhat unclear. Support for the preservation of existing units is more than likely citywide while support for new (and likely multi-family development) affordable housing units will be focused in the SNF 10 areas. Also on page 27 of the plan, there is the following language "Within neighborhoods undergoing City-led planning efforts, the City will create a formal strategy for prioritizing affordable housing development on publicly owned land." These neighborhoods may or may not be the same as the SNF areas. And on page 29 the language emphasizes greater downtown and "strategic neighborhoods" but then also says, "Strengthen neighborhoods through investments in neighborhood-scale single-family stabilization projects." which may indicate a willingness to consider non-SNF neighborhood projects.

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out in the Multi-Family Affordable Housing Strategy and integrate them into the City's regular operations.

RECENT DEVELOPMENTS

Julie Schneider of Housing and Revitalization Division shared the following in a phone call June 27th, 2018. Julie, who is the lead on these efforts, brings with her some perspective based on her experience. Julie worked at HUD for three years before coming back to Detroit. In comparison with other cities, she believes that the recession hit Detroit's affordable housing market harder and points to several factors. In Detroit more than a number of other cities, the private sector investors just exited after the market dried up and left CDCs with the units and the obligations. Also, MSHDA's deep subsidy program that had been in place prior to the recession, encouraged a higher mix of very low-income rentals to be developed but when the recession hit, higher low-income renters moved to now cheaper units outside the city and the developments became predominantly very-low income but the subsidies provided didn't make up for the lost overall revenue which made it more difficult to meet loan obligations.

As the market has recovered the City's affordable housing inventory is pressured not only by rising market rents but also by potential conversion to market-rate as the obligations and subsidies for providing affordable housing run out. Schneider then gave a status report on where HRD stood in addressing the problem through its Multi-Family Affordable Housing Strategy:

- The City's database for tracking existing affordable housing inventory is 80% complete;
- Much of the inventory is in the Greater Downtown (Downtown, Midtown, and New Center) so preservation efforts are being focused there. Development of additional units are being focused there and in the 10 SNF neighborhoods. That being said, there are no geographic limits for preservation of existing units.

The city has looked at other U. S. cities with the best records of affordable housing development. These cities have a few very capable CDCs doing the vast majority of the development and management while entities worked to train less capable CDCs to increase their capacity. The City intends to foster the same strategy in Detroit:

- The City intends to work with both for-profit and non-profit developers including CDO's that have the capacity to take on affordable housing development to build and preserve affordable housing;
- The RFP to identify the local developers will be coming out in the next 3 to 4 months;
- The City hopes to work with CDO's that don't currently have capacity to help them provide or maintain affordable housing;
- Finally, Schneider reports that the City is roughly on track with its fundraising for the AHLF and will be making the first commitments from that fund on schedule in 2019.

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GOVERNMENTAL LEVEL

DETROIT

PROGRAM

RENTAL PROPERTY ORDINANCE

DESCRIPTION

The Rental Property Ordinance can be summarized as follows:

- Requires landlords to get rental properties up to code within two years.
- Allows tenants to put 3 months of rent in escrow account without fear of getting evicted and if the landlord hasn't completed repair of code violations then renter gets rent back.
- City can suspend or deny landlords' certificates of compliance if they are behind on property taxes totaling more than $1,000 for more than six months;
- City can require yearly lead hazard inspections;
- Landlords who have received no blight violations in the prior year and are current on their taxes,
    - get less frequent inspections;
    - need to renew the certificate only every three years for one- and two-family dwellings and every two years for multi-family dwellings, and;
    - an expedited process for appealing the denial or suspension of a compliance certificate.

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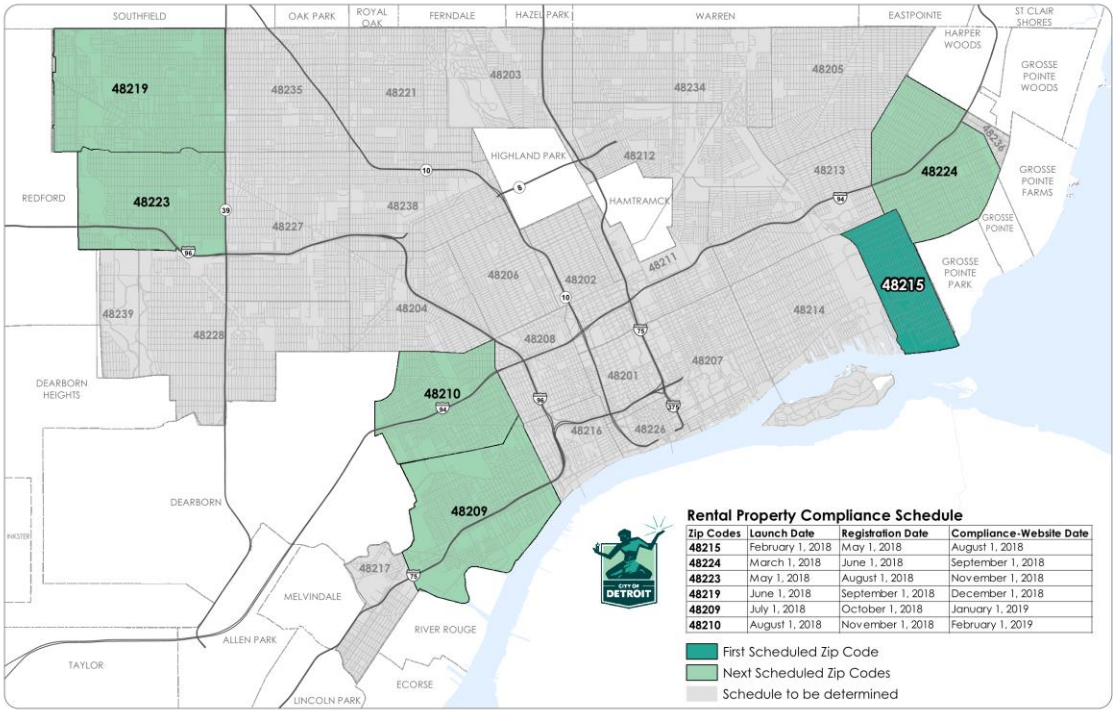
Six compliance zones have been created and are being canvassed from February of 2018 through February 1, 2019.



RECENT DEVELOPMENTS

Interest in this ordinance is such that various Detroit law firms have reviewed this ordinance and written summaries of the requirements that landlords are obligated to follow.

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GOVERNMENTAL LEVEL

DETROIT

PROGRAM

STRATEGIC NEIGHBORHOOD FUND 2.0

DESCRIPTION

Strategic Neighborhood Fund 1.0 targets three areas with $42 million currently being invested in projects in Islandview/Greater Villages, Vernor/Southwest, and Livernois-McNichols.

Strategic Neighborhood Fund 2.0 targets an additional seven areas (touching 60 individual neighborhoods in all):

- Grand River Northwest
- Warrendale/Cody-Rouge
- Russell Woods/Nardin Park
- Campau/Banglatown
- Gratiot/7-Mile
- East Warren/Cadieux
- Jefferson Chalmers

It is slated to raise $130 million for investment. Project eligibility will be expanded to include streetscapes, park improvements, commercial development and housing stabilization.

The Kresge Foundation has committed $15 million. The Fund will be managed by Invest Detroit which will work with City to raise $56 million from foundations and corporations. The City will match this with additional state and federal dollars.

The City will complement this fund by raising $250 million for its Affordable Housing Leveraging Fund (AHLF) and has committed $50 million of its own funding to the AHLF.

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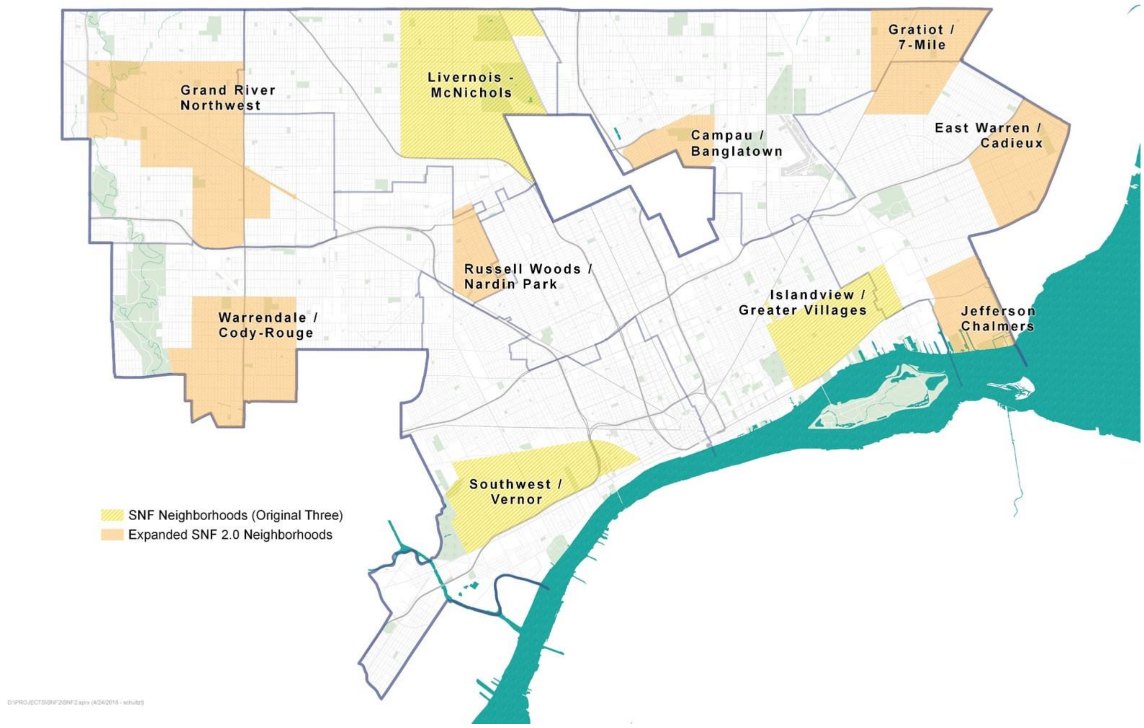
Areas



RECENT DEVELOPMENTS

Invest Detroit piloted a Participatory Budgeting Process in Hubbard Farms to get resident input on $250,000 in infrastructure projects to compliment its project investments in that neighborhood. The intention is to replicate the process in other strategic neighborhood fund areas.

Other Detroit foundations are in the process of committing funding to the SNF.

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GOVERNMENTAL LEVEL

DETROIT/UNITED STATES

PROGRAM

CDBG ALLOCATION

DESCRIPTION

From HUD's website: "The Community Development Block Grant (CDBG) program is a flexible program that provides communities with resources to address a wide range of unique community development needs. Beginning in 1974, the CDBG program is one of the longest continuously run programs at HUD. The CDBG program provides annual grants on a formula basis to 1209 general units of local government and States.

CDBG Entitlement Program provides annual grants on a formula basis to entitled cities and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons."

CDBG funds may be used for activities, which include, but are not limited to:

- Acquisition of real property
- Relocation and demolition
- Rehabilitation of residential and non-residential structures
- Construction of public facilities and improvements, such as water and sewer facilities, streets, neighborhood centers, and the conversion of school buildings for eligible purposes
- Public services, within certain limits
- Activities relating to energy conservation and renewable energy resources
- Provision of assistance to profit-motivated businesses to carry out economic development and job creation/retention activities

Consolidated Plan

- 5 years
- Last submitted May 15, 2015 (45 days before the end of the City Fiscal Year)
- Analyzes existing conditions
- Identifies and prioritizes the following four categories
- Affordable housing needs
- Community development needs
- Needs of vulnerable persons and families
- Elderly
- Frail Seniors
- Homeless
- Guides
- CDBG/NOF

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- HOME Investment Partnership
- Emergency Solutions Grant
- Housing Opportunities for Persons w/ AIDA (HOPWA)

Consolidated Plan
- 1 year
- Last submitted May 15, 2018 (45 days before the end of the City Fiscal Year)
- Implements the Consolidated Plan
- Must be in place to get drawdown

Amounts

	Fiscal Year				
	2005/2006	2010/2011	2013/2014	2016/2017	2017/2018
Millions	**43**	**41**	**32**	**31**	**31**

Benefit Definition (Two ways)
- Limited Clientele Activities
  - 51% Low/Mod persons
  - Presumed: Homeless, Elderly, Battered Spouse, Severely Disabled Adults, Abused Children, Illiterate Persons, Persons w/ AIDS
- Area Benefit Activities
  - 51% of Persons in Service Area Low/Mod

Target Map

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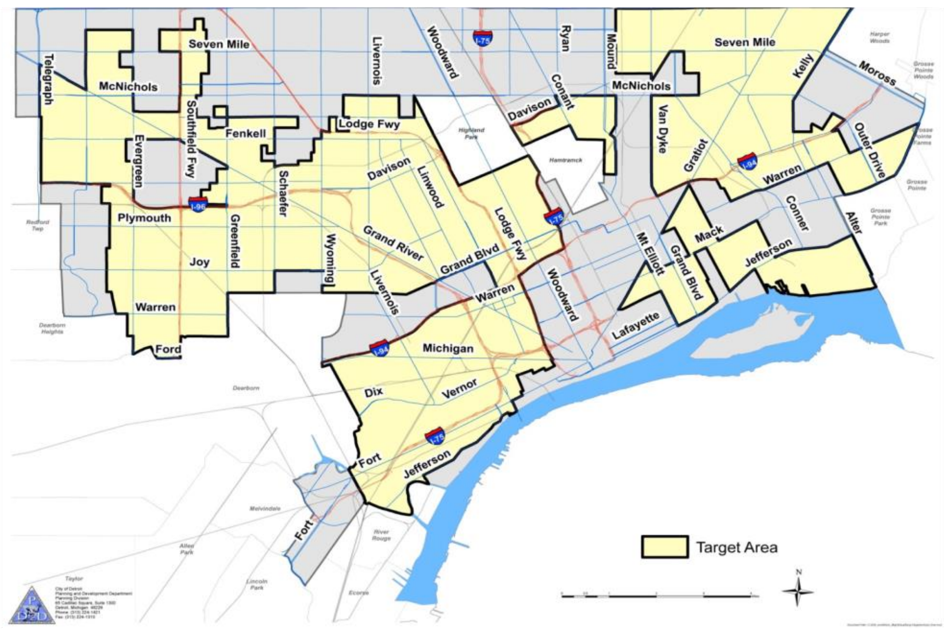
TARGET AREA MAP



RECENT DEVELOPMENTS

Neighborhood Revitalization Strategic Area (NRSA) Designation

In 2015, the City of Detroit got approval from HUD approval of a Neighborhood Revitalization Strategy (NRS) and the designation of five related Neighborhood Revitalization Strategy Areas (NRSAs). These NRSAs comprise some of the most distressed residential neighborhoods in the City. All qualify for NRSA designation based on the high percentage of low-income and moderate-income (LMI) residents and other factors.

This will allow the City to better leverage private investment with Community Development Block Grant (CDBG) funding by allowing for greater flexibility in:

- Using CDBG funds to create and retain jobs;
- Using CDBG housing assistance to a wider variety of income groups with at least 51% of units assisted benefiting low and moderate-income persons;

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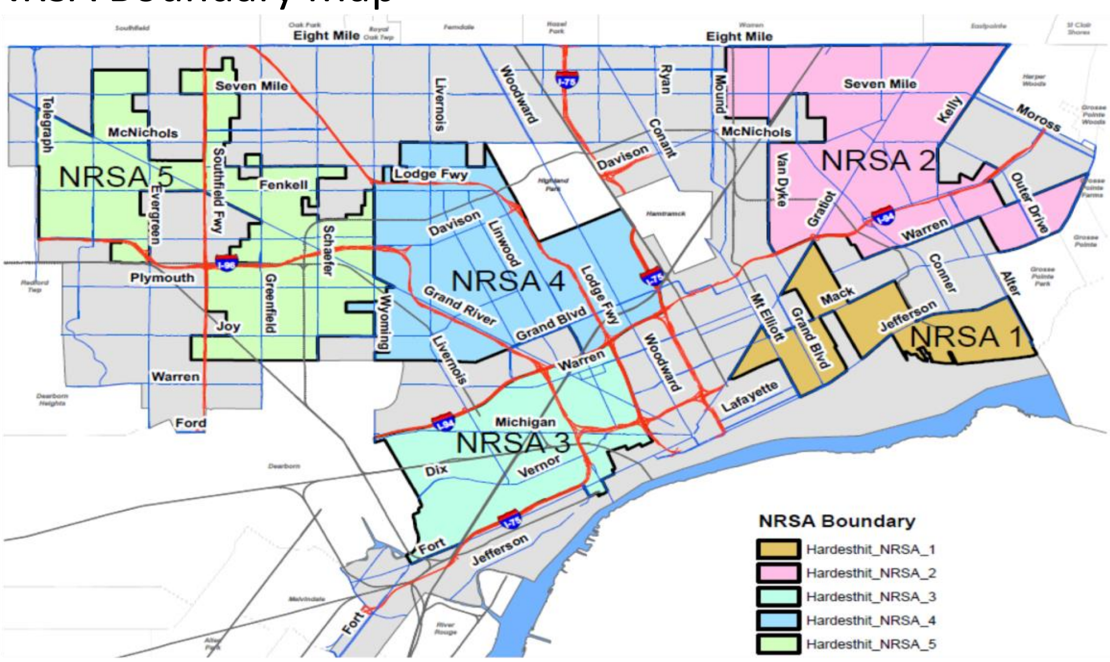
- Initiating community economic development and neighborhood revitalization activities;
- Providing public services in the NRSAs

The process for selecting the eligible census tracts was governed by HUD Community Planning and Development Notice CPD-96-01, which outlined the following criteria:

- Identified neighborhood boundaries of the NRSAs must be contiguous;
- Identified neighborhoods must be primarily residential and have a low/mod percent equal to the "upper quartile percentage" or 70% for Detroit.[2]
- Areas within Empowerment Zones or Enterprise Communities are automatically qualified;
- Selection of areas must be based on documented input from area's stakeholders, including residents, owners/operators of businesses, local financial institutions, nonprofit organizations, and community groups.
- Selection of the NRSAs must be based on an assessment of economic conditions, opportunities for economic development and anticipated barriers and challenges;
- The implementation plan must promote the area's economic progress with a focus on activities that will create economic opportunities for low- to moderate-income residents of the NRSAs.

NRSA Boundary Map



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[2] Concerns have been raised that some low-income areas of Detroit were not selected while some higher income areas were included. The HUD guidelines for NRSA designation would likely been the major cause of this outcome. Selecting for the upper quartile of the low-income designation meant that the lowest income areas would not be eligible. Using census tracts as the defining unit may have meant that some higher income areas next to the upper quartile areas were included because there were in the same census tract.

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The City's HRD is currently working with HUD to ensure continued eligibility for the designation based on a reworking of the initial application's very ambitious targets for investment activities.   The Department believes very strongly that the designation provides the increased flexibility to better address potential community-based strategies in these areas.

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GOVERNMENTAL LEVEL

DETROIT

PROGRAM

Long Term Affordability Model Feasibility Study and Plan (Under Consideration)

DESCRIPTION

The City of Detroit is looking to engage a consultant to conduct a two-year feasibility study and plan to create a model for enhancing residential and commercial affordability by taking the cost of the land out of the equation by having a governmental entity retain ownership.

RECENT DEVELOPMENTS

An RFP was published at the end of June, 2019 with the following language:

"Funded by the U.S. Department of Housing and Urban Development, Community Development Block Grant (CDBG), the City of Detroit's Housing and Revitalization Department (the "City") is issuing a Request for Proposal (RFP) to obtain experienced technical experts for the following study:

Long-Term Affordability Model Feasibility Study and Plan (RFP#18EJ1961): Vendor teams to build a model to leverage public-ownership of land for long term housing and commercial space affordability, and open space management, including green storm water infrastructure. Components include: real estate economic analysis, affordable housing funding analysis, land trust or community land trust model development, legal review, land use analysis, open space productivity financial modeling, capacity measurement, community engagement, and business planning."

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GOVERNMENTAL LEVEL

STATE

PROGRAM

MSHDA QAP FORMULAE

DESCRIPTION

From MSHDA's website: "Pursuant to Section 42(m)(1)(A) of the Internal Revenue Code of 1986, as amended, and Section 22b(4) of Public Act 346 of 1966, of the State of Michigan, as amended, the Qualified Allocation Plan shall be prepared by the Authority, submitted to the legislature, and approved by the Governor after notice to the public and public hearing. Low income housing tax credit dollars shall be allocated in accordance with this Plan, and any amendments thereto." Applications will be judged primarily by the quality of the development team and the benefits to the community provided by the project.

To qualify the Development Team must demonstrate

- Professional and financial capacity to plan, build, market, and operate the proposed development.
- A Record of performance of the Applicant, consultant, architect, management agent and contractor of the quality and quantity of previous development(s); design, construction and property management efforts; and affirmative action records.

The project must demonstrate:

- Level of community impact, including economic and social impact
- Unique financing opportunities
- Job growth
- Coordination with other site amenities to enhance the overall neighborhood
- Coordination with an overall community revitalization effort
- In addition to the usual threshold requirements, at a minimum, to qualify for this Category, the application must include:
- Evidence of a Neighborhood Plan adopted by the municipality that delineates target properties (new construction, rehabilitation, demolition, for example) and that explains how housing related amenities such as transportation and community services are or will be incorporated
- Evidence of significant municipal and/or state funding commitment(s) - not including housing tax credits – and any other unique sources of financing
- Evidence of substantial outside private investment, within the past two years and/or planned and committed in the following two years - not including investment in housing tax credits
- Demonstration of proximity to job growth/new sources of employment

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- Projects applying in any of the three Categories outlined in the QAP can also apply in this Strategic Investment Category. MSHDA, in its sole discretion, will make the determination of which, if any, applications shall receive an award from this Category. It is anticipated that very few applications will meet the criteria to apply in this Category, and that there may, in fact, be none in a given funding round.

RECENT DEVELOPMENTS

From the 2017 staff report: "The LIHTC program is currently in a unique position not only in the state of Michigan, but also nationwide. The combination of a healthy market for LIHTC equity investment and legislative changes that have taken place to modify the LIHTC program has given the LIHTC program the ability to be even more transformative than it historically has been."

The 2017-2018 QAP requirements were designed to ensure that affordable housing is available in areas of high opportunity by ranking projects based on the following criteria:

- Proximity to Transportation/Walk Score
- Developments Near An Employment Center
- Neighborhood Investment Activity Areas
- Affordable/Market Rent Differential
- Mixed Income Development
- Rural Set-Aside

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GOVERNMENTAL LEVEL

STATE

PROGRAM

BUSINESS IMPROVEMENT DISTRICT/PRINCIPAL SHOPPING DISTRICT/BUSINESS IMPROVEMENT ZONE (BID/PSD/BIZ)

DESCRIPTION

Michigan Public Act 120 of 1961 allows cities, villages, and urban townships to create a Business Improvement District (BID), a Principal Shopping District (PSD) or a Business Improvement Zone (BIZ) to promote economic development within a defined area by addressing the maintenance, security, and operation of that district. A BID/PSD allows the municipality to collect revenues, levy special assessments and issue bonds and a BIZ allows by private property owners of the parcels in a zone plan to levy special assessments to finance activities and projects outlined within a zone plan for a period of ten years.

A PSD must have a minimum of ten retail businesses; a BID may be one or more portions of an eligible municipality or combinations of contiguous portions of two or more municipalities and is “predominately commercial or industrial use.”

PSDs, BIDs and BIZs each have a slightly different method of creation. PSDs and BIDs are created by municipal resolution and have governing boards comprised of district property owners, business owners, and governmental representatives. A BIZ is created by a petition driven by at least 30 percent of the property owners within the district and then by resolution of the municipality. The city is immune from civil or administrative liability arising from any actions of the BIZ.

PSDs/BIDs can:

- maintain and modify roads and pedestrian walkways (subject to governmental approval);
- prohibit or regulate vehicular traffic or parking (subject to governmental approval);
- own, operate, or contract for off-street parking lots or structures;
- acquire, own, maintain, demolish, develop, improve, or operate properties per the established district plan for that district;
- promote of economic development in the district through conducting market research and public relations campaigns;
- developing, coordinating and conducting retail and institutional promotions;
- sponsoring special events and related activities, and ;
- provide or contract with other public or private entities for the administration, maintenance, security and operation of the district.

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BIZs can

- adhere to the “zone plan” which outlines the BIZ goals, strategies, objectives, and guidelines and may include
  - owning, maintaining and operating park areas and planting areas;
  - acquiring, owning, maintaining, reconstructing, or relocating sidewalks, street curbing, street medians, fountains and lighting, and;
  - Any and all improvements.
- provide or contract for security services with other public or private entities;
- purchase equipment related to security services;
- promote and sponsor cultural or recreational activities, and;
- engage in economic development activities, including promotion of business, retail, or industrial development, recruitment and retention.

The cost of projects within a BID or PSD may be financed by grants and gifts to the city or district, municipal funds, levying of special assessments, general obligation or revenue bonds, and any other source. The cost of projects within a BIZ may be financed by grants and gifts, special assessments and loans in anticipation of the receipts of assessments as long as the repayment period of the loan does not extend beyond the ten (10) year operating period of the zone, does not exceed 50 percent of the annual average assessment revenue in the previous year.

RECENT DEVELOPMENTS

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GOVERNMENTAL LEVEL

STATE

PROGRAM

MEDC COMMUNITY REVITALIZATION PROGRAM

DESCRIPTION

The Michigan Community Revitalization Program (MCRP) is an incentive program available from the Michigan Strategic Fund (MSF), in cooperation with the Michigan Economic Development Corporation (MEDC). It is designed "to promote community revitalization that will accelerate private investment in areas of historical disinvestment; contribute to Michigan's reinvention as a vital, job generating state; foster redevelopment of functionally obsolete or historic properties; reduce blight; and protect the natural resources of this state. The program is designed to provide grants, loans, or other economic assistance for eligible investment projects in Michigan."

Assistance incentives may be given to an individual or group of individuals who demonstrate capacity to develop an property possessing one or more characteristics:

- Facility;
- Historic resource;
- Blighted;
- Functionally obsolete;
- Adjacent or contiguous to a property described above, if the development of the adjacent or contiguous property is estimated to increase the taxable value of the property described above; or
- Any other property that previously met the conditions as a facility, functionally obsolete or blighted within the last 15 years.

The MSF's support will not exceed 25 percent of the total eligible investment for a single project, and in no event exceed a total of $10,000,000 for loan agreements or $1,500,000 for grant agreements, or $10,000,000 for a combination of support. Any grant or loan under the program will be performance based.

The MEDC outlines the following factors when considering a project for MSF support:

- Projects which include revitalization of regional urban areas shall be given preference for MSF support;
- MSF support shall not include support for economic based projects that are not located in a downtown or traditional commercial center and that do not primarily promote the revitalization of urban areas;
- The importance of the project to the community in which it is located;
- Whether the project will act as a catalyst for additional revitalization of the community in which it is located;
- The amount of local community and financial support for the project;
- The applicant's financial need for the incentive;

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- The extent of reuse of vacant buildings, reuse of historical resources and redevelopment of blighted property;
- The level and extent of environmental contamination;
- Creation of jobs;
- The level of private sector and other contributions, including, but not limited to, federal resources;
- Whether the project is financially and economically sound
- Whether the project increases the density of the area;
- Whether the project promotes mixed-use development and walkable communities;
- Whether the project converts abandoned public buildings to private use;
- Whether the project promotes sustainable development; • Whether the project addresses area-wide redevelopment; • Whether the project addresses underserved markets of commerce;
- Whether the project involves the rehabilitation of a historic resource and will meet the federal secretary of interior's standards for rehabilitation; and
- Whether the project will compete with or affect existing Michigan businesses within the same industry.

RECENT DEVELOPMENTS

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GOVERNMENTAL LEVEL

STATE

PROGRAM

CORRIDOR IMPROVEMENT AUTHORITY

DESCRIPTION

Created by state legislation in 2005, the Corridor Improvement Authority Act is a mechanism for funding improvements in commercial corridors that are not the main commercial or downtown area of a city in a manner similar to the Downtown Development Authority (DDA) Act of 1975. A Corridor Improvement Authority may hire a director, establish a tax increment-financing (TIF) plan, levy special assessments, and issue revenue bonds and notes.

Qualifying the corridors must:

- have at least 51 percent of existing first floor space classified as commercial;
- be in existence for the past 30 years;
- adjacent or within 500 feet of a road classified as an arterial or collector;
- contain at least 10 contiguous parcels or at least five contiguous acres;
- be zoned to allow for mixed-use and high density residential;
- served by municipal sewer,
- have a municipality that agrees to expedite the local permitting and inspection process in the development area, and:
- have a municipality that agrees to modify its master plan, if necessary, to provide for walkable non-motorized connections including sidewalks and streetscapes throughout the area.

Municipalities may have multiple authorities and an authority may contain multiple municipalities. The governing body of the municipality that has created an authority may enter into an agreement with an adjoining municipality that also has created an authority to jointly operate and administer those authorities under an interlocal agreement.

RECENT DEVELOPMENTS

Michigan recently passed that will go into effect January 1, 2019 that requires any tax increment financing district to increase transparency via additional public meetings and more detailed reporting requirements.

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GOVERNMENTAL LEVEL

STATE

PROGRAM

MEDC TECHNICAL ASSISTANCE PROGRAMS

DESCRIPTION

The Michigan Economic Development Corporation provides both financial and technical assistance resources. The main financial resource is the Community Revitalization Program which is covered in a separate section. MEDC also provides a range of technical assistance programs. The programs that may be the most useful to neighborhood-based community development organizations are:

- Redevelopment Ready Communities® (RRC) program
- Michigan Main Street Program
- Public Spaces Community Spaces

The Redevelopment Ready Communities® (RRC)

The RRC program is a municipal designation designed, according to the MEDC, to "empower communities to shape their future by establishing a solid foundation that retains and attracts business investment and talent."

RRC is a no-cost, technical assistance, statewide certification program. It evaluates and certifies that a community has integrated transparency, predictability and efficiency into daily development practices through a set of best practices. RRC is not a cookie cutter approach. While every community must meet all of the best practices criteria to achieve certification, communities can meet the criteria in a variety of ways. RRC engagement will also be a criterion used to assess and prioritize Community Development investments.

The Michigan Main Street Program

s primarily aimed at traditional downtown commercial areas in smaller cities. However, it is beginning to be used in neighborhood commercial districts.

Michigan Main Street (MMS) began in 2003 and is a Main Street America™ Coordinating Program. It is affiliated with the National Main Street Center. Together, they provide technical assistance to help a community implement a historic preservation based economic development strategy. The focus is on leveraging existing social, economic, physical and cultural assets rather than building new and implementing short-term, inexpensive and place-based activities that attract people to the commercial core or corridor and create a sense of enthusiasm about the community.

Public Spaces Community Places (PSCP)

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A nonprofit, working with its municipality can identify a public space or building for which there is a funding gap.   Using the Patronicity crowdfunding platform, the community can apply to MEDC to conduct a crowdfunding campaign of up to $50,000 generated in part by donations from community residents and stakeholders. Funding generated by the campaign will be matched with a grant from the MEDC.

RECENT DEVELOPMENTS

Mexicantown sought and received designation as a Michigan Main Street.

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GOVERNMENTAL LEVEL

FEDERAL/STATE

PROGRAM

OPPORTUNITY ZONES

DESCRIPTION

The main benefit of this new federal program is tax incentives for investment in low-income census tracts. *From a description of the 2017 Tax Cuts and Jobs Act*:

> "Opportunity Zones are a new concept recently enacted in the 2017 Tax Cuts and Jobs Act. The program is designed to incentivize patient capital investments in low-income communities nationwide that have been cut off from capital and experienced a lack of business growth. There are three types of tax incentives that relate to the treatment of capital gains, each of the incentives are connected to the longevity of an investor's stake in a qualified Opportunity Fund that provides the most upside to those who hold their investment for 10 years or more.
>
> Preliminary information indicates an Opportunity Fund can be utilized as a primary investment in a variety of activities. Funds can be used to create new businesses, new commercial or residential real estate or infrastructure. Opportunity Funds can be used to invest in existing businesses if it doubles the investment basis over 30 months.
> The incentive can also be combined with other incentives such as New Market Tax Credits (NMTC), Low- Income Housing Tax Credit (LIHTC) and historic rehabilitation tax credit, adding a valuable tool for economic and community development. State and local governments should also consider creating and targeting other resources, especially job training that will play an important role in leveraging investments. Local activity will show that opportunities exist.
>
> An Opportunity fund cannot engage in any of the following "sin" businesses: any private or commercial golf course, country club, massage parlor, hot tub facility, suntan facility, racetrack or other facility used for gambling, or any store where the principal business purpose is the sale of alcoholic beverages for consumption off premises. "

There are 1,152 eligible census tracts in Michigan and 288 of these tracts have been designated by the Governor.

RECENT DEVELOPMENTS

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States were given only a very limited window of time to designate census tracts so the opportunity for discussion and feedback was severely curtailed. Additionally, there has been concern that this tax break will incentivize gentrification. Maurice Jones, the CEO of LISC testified to Congress, "“One could potentially see this program leading to displacement of lower income community residents, either because the neighborhoods themselves get ‘overheated’ with investment capital, or because the structure of the incentive rewards investors seeking the higher yields offered by market rate or even luxury housing.”

Terri Ludwig, CEO of Enterprise Community Partners, also testified that some communities “have expressed concerns that additional private investment without an explicit commitment to benefiting local residents and businesses could unintentionally displace the very residents and businesses that Congress is seeking to support through this new tax benefit.”

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GOVERNMENTAL LEVEL

FEDERAL

PROGRAM

COMMUNITY REINVESTMENT ACT

DESCRIPTION

From the CRA Website:
“The Community Reinvestment Act (CRA), enacted by Congress in 1977 (12 U.S.C. 2901) and implemented by Regulations 12 CFR parts 25, 228, 345, and 195, is intended to encourage depository institutions to help meet the credit needs of the communities in which they operate.”

The CRA, a 1977 law was designed to overcome decades of redlining that effectively blocked access to credit and home ownership for low-income Americans, particularly people of color. The law requires that banks be evaluated by on how much credit they provide to low-income neighborhoods.

In Detroit, a large group of CDOs is working with the National Community Reinvestment Coalition (NCRC) to ensure that Huntington Bank and Flagstar Bank follow-through on the commitments each have made as part of their CRA compliance plans. The group met on August 13th, 2018 with Jesse Van Tol, NCRC’s CEO.

The Fed and other regulatory agencies are preparing to revamp the current 1995 CRA regulations. From a speech on April 17th, 2018 by Fed Gov. Lael Brainard:

> “The time is ripe to modernize the CRA regulations to make them more effective in making credit available in low- and moderate-income areas at a time when technological and structural changes in the banking industry allow banks to serve customers outside of the areas with branches that have traditionally defined a bank's community…There are several outcomes that we will work toward in the interagency rule-writing effort.
>
> First, we should seek to modernize the definition of assessment areas in such a way that the core focus remains the credit needs of local communities… Technological advances and changing consumer preferences have made it possible for banks to serve customers far outside of their physical branches--for example, online and on mobile devices. Clearly, it is time to find a way to expand the area in which the agencies evaluate a bank's CRA activities. At the same time, it is important to retain a focus on place--and in particular the credit needs of local communities.
>
> Second, banks should be encouraged to seek opportunities in areas that are underserved. Currently, a bank's performance in its major markets is evaluated most closely and weighs most heavily in its CRA rating. This

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emphasis has resulted in what banks and community organizations refer to as credit "hot spots" where there is a high density of banks relative to investment opportunities. Meanwhile, other areas have a difficult time attracting capital because they are not in a bank's major market, if they are served by a bank at all.

Third, revised regulations should be tailored, recognizing that banks vary widely in size and business strategy and serve communities with widely varying needs. We should not adopt a set of evaluation criteria that would be appropriate for large banks and assume that smaller community banks would be able to meet them without substantial additional burden."

RECENT DEVELOPMENTS

FROM CEDAM 9/4/2018:

CRA Implementation Feedback Needed

The Office of the Comptroller of the Currency (OCC) released an Advance Notice of Proposed Rulemaking (ANPR) seeking comment on the best ways to modernize the regulatory framework implementing the Community Reinvestment Act (CRA). The OCC seeks stakeholder comment on ways to modernize the regulations that implement the CRA in the following areas:

- *Increasing lending and services to people and in areas that need it most, including in LMI areas;*
- *Clarifying and expanding the types of activities eligible for CRA consideration;*
- *Revisiting how assessment areas are defined and used;*
- *Establishing metric-based thresholds for CRA ratings;*
- *Making bank CRA performance more transparent;*
- *Improving the timeliness of regulatory decisions related to CRA and*
- *Reducing the cost and burden related to evaluating performance under the CRA.*

Comments are due 75 days after the Notice is published in the Federal Register.

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CITY GOVERNMENT-RELATED ATTRIBUTES FOUND IN MATURE CD SYSTEMS

In reviewing Urban Ventures Group draft report "Findings from a Review of Five 'Mature' Community Development Ecosystems" several patterns emerge related to the relationship between government and the Community Development industry. Four major themes are present with each have several concrete attributes: Development of a positive working relationship between city government and CD industry, political influence, CDC supportive policies, and comprehensive targeting.

Development of a Partnering Relationship between City Government and CD Industry

In all of the mature system cities there is positive working relationship between the CD Industry and City government that is indicative of a basic level of trust. In some of these cities, there has been an explicit recognition of the unique value that CDCs have to City Government goals.

Political Influence

Mayoral support, sometimes persevering through successive administrations is a commonality. The movement of people from the CD industry to government positions is a common attribute. It is clear that the CD Industry possesses considerable political influence with both Mayors and City Councils.

CDC Supportive Policy

Pure operating support has sometimes been made available. In all of these cities there are policies supportive of CDCs unique role—primarily financial incentives for investment in low/mod income neighborhoods but other policies as well. Most have been able to get state legislation passed to support CDC goals as well.

Targeting

All the mature system cities have targeted market-based incentives in those neighborhoods that data shows to be the most receptive. They have balanced that policy and resource focus with tailored resources and policy aimed at stabilizing and enhance harder-hit neighborhoods in their city.

The following chart summarizes the existence of these attributes in the five mature CD System cities. A discussion of each City follows.

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		BOS	CHI	CLE	IND	PHL	DET
Partnering	Two-way Trust/Respect Between City Gov. and CDCs	Y	Y	Y	Y	Y	**N**
	City Gov. Recognition of CDCs' Unique Value-Add	Y	Y	Y	Y	Y	**N**
Political Influence	Mayoral Support for CDCs	Y	Y	Y	Y	Y	**N**
	People Move Between CD Industry and Government	N	N	Y	Y	Y	**y**
	CD Industry has Local Political Influence	Y	Y	Y	Y	Y	**N**
CDC Supportive Policy	Sustained Operating Support from City Government	Y	N	Y	N	Y	**N**
	CDC Supportive City Legislation/Policy	Y	Y	Y	Y	Y	**y**
	CDC Supportive State Legislation	Y	Y	Y	Y	Y	**N**
	CDC Supportive Development Funding Legislation	Y	Y	Y	Y	Y	**N**
Targeting	City/Foundations Prioritize Market-Rate Areas/CDCs	N	Y	Y	Y	Y	**Y**
	City/Foundations Balance Targeting w/ Non-targeted Actions	--	Y	Y	Y	Y	**N**
	Total	**8**	**9**	**11**	**10**	**11**	**2**

Boston

Boston has a very robust system which has at its core the support of leaders in the Mayors and Governors offices. Perhaps more than in any of the other five cities studied, the support of the city and state to partner, fund CDCs by creating CDC supportive policy and institutionalizing the role CDCs play. Two major state laws cemented this relationship—the state passed certification standards for CDCs and made resources available to CDCs that met those standards. The state also passed a tax credit program aimed at supporting the types of projects CDCs typically undertake. The City of Boston has been very responsive to CDC needs and has used a wide range of tools to empower CDCs to play their role effectively.

Chicago

Like Boston, much of the strength of Chicago's system comes from the willingness of the government to institutionalize the role of CDCs with public policy and programs. This has lead to consistent, predictable funding for CDC projects. While not a lot of evidence exists to show people moving from the CDC industry to government, it is clear that CDCs have been able to exert policy influence in Chicago's Ward and Mayor form of government.

Also of note, Chicago recently moved to a balanced form of targeting neighborhood resources with its 2014 – 2018 Housing Plan as a way to "concentrate its limited of public resources in targeted areas to rebuild weak and transitional markets and attract private, non-subsidized development. This is part of a comprehensive strategy which used data to categorize every neighborhood as "Weak, Transitional, Stable, or Strong" and assigned an array of programs and resources based on the categorization.

Cleveland

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From “City Government’s Role in the Community Development System,” Mayer and Keyes, Urban Institute, 2005

> By 1989, with the election of Mayor Mike White, CDCs also became a crucial component of a new strategy to build market rate units for middle-income households. During the l990s, city government continued to support the CDC industry. Many of the neighborhood advocates of the 1970s became players in Cleveland’s city government in the 1990s.
> The close relationships have been important. Cleveland exhibits little sense of “us versus them” in city government and neighborhood dealings. Many of the current players, both inside and outside of city government, have worked together since the l970s. At each point in the transition from advocacy to community development, they have seen their roles expand and their connection to power and decision-making increase. Today, CDCs, bankers, and other major players in Cleveland’s community development support system marvel at the degree to which the city and the outside players have become part of one system. Obviously there are exceptions to the sense of well-being. But the fact that so many neighborhood players are now in city government, and the tradition of working together and not worrying about turf, has become part of the common language in Cleveland. The perception that others are part of a cooperative effort has probably increased the willingness of many individuals to cooperate in their turn.

Cleveland has also had a wide range of City and State policy and legislation passed to support CDCs including direct operating support early on and a balanced system for targeting neighborhood investment resources.

Indianapolis

In Indianapolis beginning in 1987, the local foundations and civic leaders recognized the value of supporting community-based organizations across all the city’s HUD-eligible core neighborhoods. They established the Indianapolis Neighborhood Housing Partnership. This public-private partnership provided core-operating support to CDCs as well as project funding in the form of grants and loans. While the bulk of resources available have been from the philanthropic community, the community development system has been supported by Mayors over several administrations and City programs and policies have been aligned with the work of CDCs.

Indianapolis’ approach to targeting resources is encompassed in its community development strategy “Great Places 2020”. This plan puts the focus on six neighborhoods with high potential to become diverse, mixed-income communities that draw middle-income residents back into the city, while continuing to support CDCs and other nonprofits meeting the needs of lower-income residents in neighborhoods not yet positioned for market recovery.

As Indianapolis transitions to its Community Development 2.0 approach, there remains a broad commitment across sectors to providing essential services and supports to all core neighborhood residents while targeting increased funding for project investment in areas with solid market potential and high-capacity CDCs.

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Philadelphia

Philadelphia's redevelopment may be the closest fit to Detroit's – an initial focus on the downtown followed by a recent influx of new residents primarily into the first ring of neighborhoods adjacent to downtown. For this reason, the following is an extensive discussion of how the Philadelphia's community development system evolved to encompass all of the city government related attributes of a mature community development system as outlined in above chart and provides an interesting contrast to Detroit's experience.

While the steps discussed below were not strictly linear—incremental advancement in one step would feed into the advancement of another and vice-versa; the process started to gain momentum in the mid 1990's. The steps outlined below were based on an initial level of competency and achievement by a core group of CDCs which gave the other stakeholder enough confidence to consider a more wide-ranging and sustainable partnership.

Development of a Positive Working Relationship between City Government and CD Industry

In Philadelphia, leadership from four actors are seen as having been crucial to kick starting the momentum for CDC-based neighborhood revitalization:

1. CoreStates Bank's Tom Patterson created a consortium of banks that wanted to go beyond actions to simply meet CRA requirements and share the lending risk to support the development of affordable housing.
2. The Tasty Baking Company decided to stay in its inner city neighborhood where it was located and where many of its employees lived and then adopted the Allegheny West CDC as its vehicle for improving the neighborhood.
3. The Pugh Charitable Trusts decided that they would meet their local mission by investing in both CDCs and social services agencies serving Philadelphia neighborhoods.
4. Mayor Rendell saw it in the City's interest to use Empowerment Zone funds to support neighborhoods due to political pressure to not focus solely in downtown as well as support the investment in downtown.

Each of these four stakeholders acted both from self-interest and an enlightened self-interest.

Political Influence

When CDCs began to develop some resources and a track record of success the executive directors' skill sets and knowledge started to become recognized and they were recruited into intermediaries, bank community development arms, and city positions.

CDCs also started to organize. Due to underwriters feeling conflicted between their duty to evaluate a deal and their desire to offer assistance to CDCs to help them learn to avoid financial pitfalls, a trade association was created to support training and develop policy and influence. The Philadelphia Association of CDCs (PACDC) was created with

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a sliding dues schedule aimed at accommodating the budgets of 3 tiers of CDCs. It also created nonvoting associate memberships for intermediaries, consultants and even developers.

<u>CDC Supportive Policy</u>

The PACDC became a vehicle to push CDC supportive policy. For example, siphoning a portion of the housing ownership transfer tax into an affordable housing fund was a successful legislative initiative. They have also been influential in determining how CDBG is spent and in interacting with Councilmembers and the Mayor to lobby for projects or policies friendly to CDCs. The PACDC was also instrumental in getting funding tied to the development of a neighborhood plan.

The City did support CDCs with operating funds early on in this process but overtime this shifted to the PACDC. As in Detroit, developer fees became a major source of operating funds.

An example of stakeholder self-interest impulse leading to enlightened self-interest came when Pennsylvania's affordable housing agency shared decision-making on the tax credit allocations with the City by having Philadelphia rank the candidates for Philadelphia's allocation. This pushed the City into making supporting investments into and around the developments it suggested should get the state tax credit.

This was followed by the intermediary Local Initiatives Support Corporation (LISC) setting up a local office in Philadelphia, Previously it had been servicing Philadelphia out of its New York office, It refocused its lending efforts away from commercial and to multi-family housing. It made major, sustained commitments to four CDCs that had exhibited significant development capacity. Funding primarily covered pre-development cost for projects that were in line to receive tax credit allocations. Foundations came together to provide core operating support and technical assistance.

LISC brought in their national lending subsidiary (LISC NEF) and competed with local banks to provide loans. An initiative was created to get the bank to pool funds in LISC NEF if LISC NEF would then loan those funds one-for-one for Philadelphia projects. This was another example of self-interest being artfully combined with enlightened self-interest. The banks got credit for local jobs and reduced their loan risk by being part of a national pool while generating increasing numbers of affordable housing units. Another financial intermediary, Delaware Valley Reinvestment (now Reinvestment), also had Philadelphia as part of its market and this generated a healthy competitive environment. Eventually LISC NEF and DVR partnered to mitigate risk. To address commercial corridors, Philadelphia's Commerce Department started to allocate CDBG using a Main Street approach to focus and coordinate investment.

An example of a statewide policy that PACDC got enacted is the State of Pennsylvania Neighborhood Assistance Program (NAP) which, using Tasty Bakery as a model, give corporations a 50% tax credit for every dollar they donate to a designated CDC.

PACDC saw the opportunity to supplement this with a change to the City's Business Privilege tax to create the Philadelphia CDC Tax Credit Program. This program provide

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tax relief if $100,000 is donated annually to a specific CDC for ten years. Over 30 partnerships between businesses and CDCs have been created in ten years.

Targeting

Philadelphia has approached asset concentration by using data analysis and identifying areas by typology with a strategy unique to the typology. There is an understanding that areas with a stronger private market (such as the neighborhoods adjacent to downtown) need a more market-based approach while other neighborhoods need more supportive types of interventions. This is all being done in concert with develop of the City's 2035 citywide plan.

Additionally, all neighborhoods are eligible to compete for a funding to develop a neighborhood plan. Initially, CDBG was used to create a neighborhood plan. For the last 12 years Wells Fargo Regional Foundation has been the funder. The grants are competitive and are worth $100,000 dollars. There are also grants from the Philadelphia Foundation to pay for an organizational strategic plan. Completion of these two plans positions a CDC to compete for implementation grants from Wells Fargo totaling $750,000 to $1,000,000 over five to seven years.

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IMPLICATIONS FOR DETROIT

The five cities chosen in Urban Ventures study were the best examples of functioning and effective community development systems in the United States currently. As such, they can provide Detroit models for the development of a mature community development system.

As this review has shown, a positive working relationship between the CD industry and government is critical component to the development of a mature community development system. This review shows that they possess the same characteristics—a positive working relationship built on respect borne from experience, political influence both formally and informally, CDC supportive legislation which enables CDCs to fulfill the unique role they can provide to neighborhood revitalization, and an inclusive approach to resource targeting.

Each of these major themes contains concrete attributes and certainly each city had a unique path to build these attributes. Development of these attributes was also certainly not linear and each helped to provide support for other attributes. For Detroit community development system to evolve it is important for stakeholders to decide which of these themes and attributes are important to create in Detroit and which of those to pursue first.

The issue of city partnership is fraught with past failures, a changing landscape of city staff effectiveness, but the bottom line is that many effective mature systems have an effective relationship with the City—one where the City sees the CDOs as valuable and indeed critical partners in accomplishing the City's goals. How this relationship developed is unique to each city but certain themes are likely to have been consistent in each city:

- The CDOs worked together to create political power
- The CDOs and their representative intermediaries the City as a partner to achieving their goals
- Politicians who understood and supported community development competed successfully for the Mayorship and, in office, worked to strengthen the CDC access to resources, sustainability, and favorable policy environment.

The primary issue in Detroit is the concern about resource targeting. The administration is very clear about its intention to concentrate resources to those neighborhoods that hold the most potential for growth. The following map shows what areas one or more administration initiatives target.

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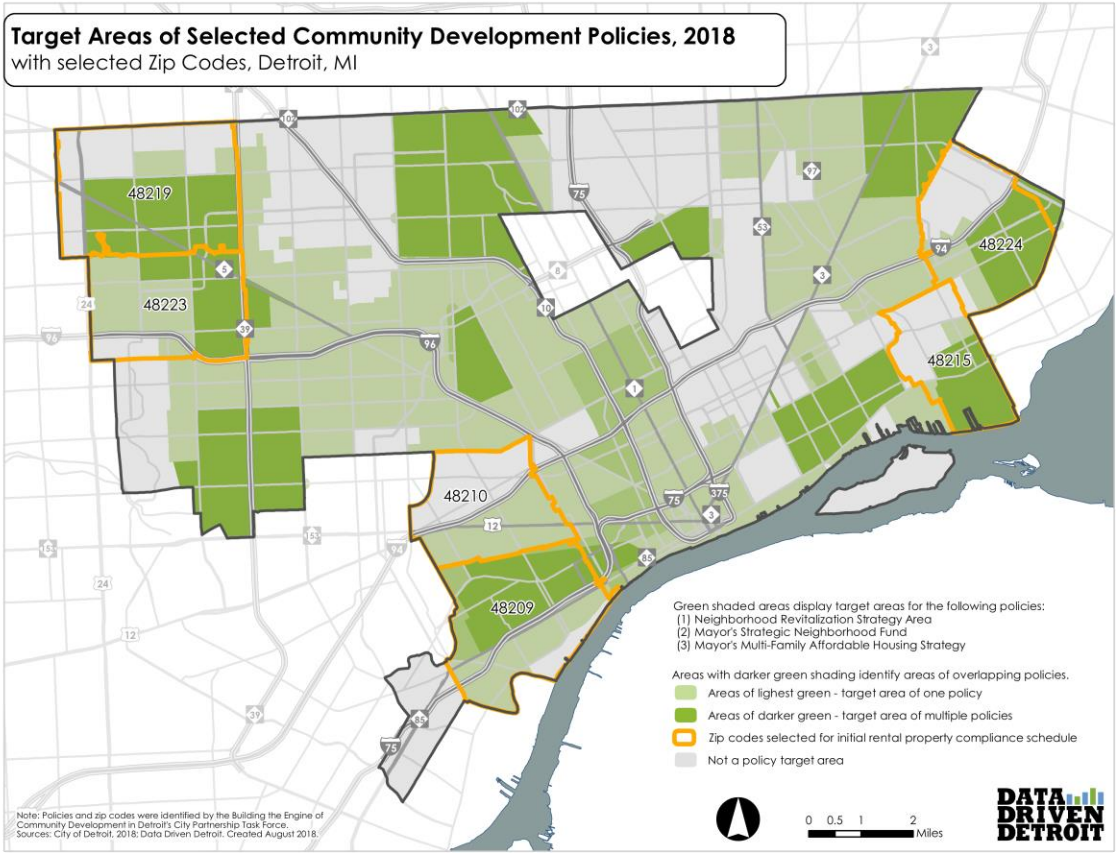

This map yields some important observations:

1. While areas that have more than one policy initiative are perhaps only a third of the 149 square miles; the area where there is at least one policy initiative is about half of Detroit—making it more difficult that the administration's policies are too exclusionary.
2. Neighborhoods and their CDOs in the non-targeted areas are understandably concerned about being left to their own devices;
3. Neighborhoods and their CDOs in targeted areas have a vested interest in continuing the current system and so may be reluctant to partner on any effort that could result in the loss of targeted funds.

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