NOTED

This meeting was held electronically because of the COVID-19 crisis.

President Bellant called the Virtual Special Meeting of the Detroit Library Commission to order at 2:05 p.m.

A roll call attendance was taken with the following results:

- Hayden Friley Present
- Peterson-Mayberry Present
- Smith Gray Present
- President Gray Present

Commissioner Byrd-Hill joined the meeting at 2:19 p.m.

Excused: Commissioners Adams, Jackson

Administrative Staff: Mondowney, Brown, Bruni, Caruso, Funchess, Moore, Norfolk, Powell, Simmons, Williams

Taxing Increment Financing (TIF) and Its Impact on the Detroit Public Library through Tax Captures

What is Tax Increment Financing (TIF)?

The National Housing Conference defines tax increment financing (TIF) as a “tool used by municipal governments to stimulate economic development in a targeted geographical area. TIFs are used to finance redevelopment projects or other investments using the anticipation of future tax revenue resulting from new development. When a TIF district is established, the “base” amount of property tax revenue is recorded using the status quo before improvements. To the extent such efforts are successful, property values rise, leading to an increase in actual property tax receipts above the base. While the base amount of property tax revenue (the level before redevelopment investments) continues to fund city services, the increase in tax revenue is used to pay bonds and reimburse investors and is often captured as city revenue and allocated toward other projects.”

Michigan State tax increment financing laws allow Detroit’s City government to “capture” portions of dedicated millage revenues and use those funds for economic development projects. Michigan has several tax increment financing authorities (TIFA) authorized to use TIF financing. One authority in the City of Detroit is the Detroit Downtown Development Authority (DDA). This authority may capture property taxes in its district based on the increased value of properties. For example, an initial assessed taxable value on a property is $1 million. Improvements are made to the property and the next year, the assessed taxable value on the property increases to $1.25 million. The increase in the property’s value generates an increase of $250,000 in the property tax. As the property value increases, more property tax is generated. The DDA is allowed to capture any additional property tax increases for the remaining years of the tax capture agreement. Yet, the Library will only receive the property tax based on the initial taxable value of $1 million annually for the remaining years of the tax capture agreement.
The Impact of Tax Captures

Over the past 22 years, the Detroit Public Library’s share of tax captured millage revenue for economic development projects, in the City of Detroit, totals **$48,501,433.** Currently, approximately 89% of the Library’s revenue is derived from its dedicated millage of 4.63 mills. DPL has a .63 mill in perpetuity. The ballot language for the Library’s 2014 millage renewal (Proposal L) read as follows:

“Shall the tax limitation on taxable property for operating and maintaining the Detroit Public Libraries, be renewed for up to 3.9943 mills ($3.9943 on each $1,000.00 of taxable value) for 10 years (July 1, 2015 to June 30, 2025). This renewal combines two millages that voters approved on November 2, 2004, which expire June 30, 2015. 3.9943 mills will raise estimated revenue of $37,700,000 the first year, if approved, levied, and 100% collected. Of this, **5% may be captured by the tax increment authorities under the Detroit Economic Growth Corporation, as required by state law.**”

Since 2017, the amount of captured millage revenue has annually exceeded the voter approved 5% cap. A memo dated February 9, 2018, was sent to the Honorable City Council of Detroit from the City of Detroit’s deputy corporation counsel. It stated that “the 5% reference was presented in an information matter, rather than as a substantive part of the proposal and certainly not as a legally binding cap” and therefore “has no legal effect on the TIF captures.”

It bears noting that in June, 2013, Lt. Governor Brian Calley signed a series of bills that allow the Detroit Zoo and the Detroit Institute of Arts to receive 100 percent of millages funding those institutions. Indeed, after signing the bills, Lt. Governor Calley stated that “voters approved millages to support these cultural icons, and these bills guarantee that the voice of the voters in southeast Michigan is not only heard, but followed.” (Official website of Michigan.gov, June 18, 2013)

Capital Improvements

Since 2015, the Library has had to use operational reserved dollars to fund much needed capital improvements. On February 24, 2009, the voters of Detroit approved Proposal C, a general obligation bond proposal, for the City of Detroit Museums, Libraries and other cultural institutions.

**Proposal C**

It would: Pay for the acquisition, construction, renovation or rehabilitation of city museums, libraries, recreation and other cultural institutions.

**Cost:** $97 million ($34.66 per year on a home with a taxable Value of $100,000).
A memo dated October 22, 2018, was sent from David Whitaker, Director of the City of Detroit’s City Council Legislative Policy Division, to the Detroit City Council members. The memo provided information from the Office of the Chief Financial Officer pertaining to issuing up to $255 million in Unlimited Tax General Obligation bonds (UTGO).

Unlimited tax general obligation bonds are voter-authorized bonds paid off by property taxes, based on the City of Detroit’s property tax debt millage. The bonds would finance capital projects and make investments that help improve the quality of life for Detroitzers and spur the City’s economic growth. The memorandum included recommended capital projects that fell within already approved 2004 and 2009 voter bond authorizations. No capital projects were recommended for the Detroit Public Library.


There are two additional documents dated March 1, 2021 included with this memo. The first document, lists the amounts of property tax revenues, tax captures, capital expenditures, as well as the amount of fund balance used for capital improvements (FY2015-FY2020). The second document lists the estimated property tax revenues, estimated tax captures, and the estimated capital expenditures for FY2022-FY2023.

The FY2024 property tax revenues forecast for the Library is estimated to be $29,337,680. The estimated amount to be captured in FY2024 is approximately 11.76% at $3,450,123 versus the voter approved amount of 5% being $1,466,884. The FY2025 property tax revenues forecast for the Library is estimated to be $29,895,096. The estimated amount to be captured in FY 2025 is approximately 11.76% at $3,515,676 versus the voter approved amount of 5% being $1,494,755.
This chart represents the Detroit Public Library’s (DPL) audited financial statements pertaining to property tax revenues collected, compared to the taxes captured for economic development, critical capital expenditures made using funds purposed for the Library’s operations, and use of the Library’s fund balance for Fiscal Years 2015 – 2020.

A total of $167,011,122 in property taxes has been collected on behalf of the Library since FY2015. A total of $12,487,250, or slightly more than 7% of the property taxes has been captured by the Detroit Development Authority and used for economic development projects during this period. The Detroit Public Library has spent a total of $6,609,700 or 4% of its property tax revenue, needed to support library operations, for critical capital expenditures during the same period. During the past three fiscal years (FY2018 – FY2020), the DPL has used $7,526,518 of its fund balance to offset declining property tax revenue to pay for critical capital needs, while maintaining existing operations.

A highlight of much needed capital expenditures made since FY2015 to date are as follows:

- Redford Library Branch renovation – new flooring, lighting, new shelving, paint and technology upgrades
- Douglass Library Branch renovation – new flooring, lighting, new technology center
- Wilder Library Branch renovation – new flooring, lighting, new shelving, new HVAC system, technology upgrades
- Edison Branch renovation – new flooring, lighting, new shelving, new HVAC system, new parking lot, technology upgrades

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• Skillman Branch renovation (due to flooding from a ruptured pipe in the fire suppression system) - ceiling tile replacement, new technology upgrade, new boiler
• Franklin Library branch renovation – new flooring, lighting, and shelving, HVAC system replacement, technology upgrades
• Jefferson Branch renovation – new flooring, lighting, and shelving, HVAC system replacement, technology upgrades
• Purchase of a New Mobile Library; included in the total cost of the project was the garage extension at the Douglass branch and replacement of the concrete parking area to accommodate the larger vehicle
• Bowen Branch Library – New air conditioning system
• Duffield Branch Library – new flooring, lighting, and technology upgrades
• Main Library – new flooring on one half of Music, Arts, and Literature section, installation of new condenser pumps and air handling units, new furniture and technology upgrades including a state-of-the-art studio in the Teen HYPE center, new roof on Cass Ave. Side
• Hubbard Branch Library – new HVAC system replacement
• Parkman Branch Library – replacement of two boilers

Detroit Public Library Estimated Property Tax Revenues as Compared to Estimated Tax Captures and Capital Expenditures for FY2022 and FY2023

This chart represents the Detroit Public Library’s (DPL) estimated property tax revenues to be collected, compared to the estimated taxes to be captured for economic development, and critical capital expenditures to be made during Fiscal Years 2022 and 2023. It is noted that the estimated property tax revenues and taxes to be captured were provided by the City of Detroit’s Budget Department.
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<tr>
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<th>FY2022</th>
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<tr>
<td>Property Taxes</td>
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<tr>
<td>Tax Captures</td>
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<tr>
<td>Capital Expenditures</td>
<td>$2,000,000</td>
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The total estimated revenues to be collected on behalf of the Detroit Public Library for FY2022 – FY2023 is $57,672,621. Of the revenues to be collected, it’s estimated that a total of $6,705,140 will be captured and used for existing economic development plans. This is slightly less than 12% of property tax revenues to be captured and diverted from library operations. The Library administration has identified critical capital expenditures for Library branches, including Main Library. In FY2022, an estimated $2,000,000 will be needed to replace the two 500-ton chillers and additional equipment needed for proper cooling for the building. The chillers are at their end of useful lives and are currently operating at 50% capacity. In addition, the Library Administration submitted to the City of Detroit’s Budget Department a 6-Year Capital Plan. The plan called for $1,190,000 in capital improvements for Knapp, Redford, Sherwood Forest, and the Service Building.

**NOTED**

President Bellant summarized the report by stating that DPL’s tax captures have tripled since 2015 and the trajectory is less revenues coming in and more is being taken away. The pandemic has increased costs to operate Branches. The Library administration has spoken with City Officials about this matter. President Bellant said that he has also discussed this matter with City Officials as well as City Council members. Despite the communication, he said that he was disappointed in the lack of response. President Bellant said that it was time to start talking publicly to let the City of Detroit voters know what is happening with the money they voted for Library operations.

President Bellant read the following letter from former Detroit Library Commissioner, Dr. Gregory Hicks:

**RE: Open Letter to the Detroit Board of Library Commissioners**

Dear Library Commissioners:

This letter is to encourage the Detroit Library Commission to take aggressive action to reverse further reductions in the effectiveness of the Detroit Library System. It is my understanding that the City of Detroit is planning to take additional revenues from the library in the form of tax captures. It is also my understanding that the Board will soon be forced to make additional reductions in services including the potential closure of more branch libraries.

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As a former member of the Library Commission, I understand the perilous financial position that the library system is in as well as the escalating needs for library related services required by our community. In the past, the Library Administration and Board have sought a balance between shrinking resources and increasing needs. For several decades, the city has chipped away at library funding. Libraries as quasi-independent municipal institutions lack the final decision-making authority over their operations. In Detroit, city government operates as an overseer oftentimes placing city priorities above the interest of the library. While sitting as a member of the Library Commission, we reviewed the annual budget and made necessary decisions to keep the library system afloat. The Library Administrative staff evaluated programs, reviewed the physical health and safety of our facilities and in turn presented to the Library defensible budgets under great consultation to put the needs of our patrons and staff first. Therefore, it is an insult and a misrepresentation that library leadership has not looked for cost saving measures whenever possible. The greatest threat to the library system is the encroachment of outside entities who seek to raid resources.

In the last year, the people of the city of Detroit have been devastated by the ravishing effects of Covid-19. Black people and Black communities have been hit harder than other people and communities. While disproportionate health and economic conditions were highlighted by Covid-19, Covid-19 was not the start of a downward trajectory leading to marginalized communities. For the purpose of this appeal to the Library Board, I argue that disinvestments in libraries, especially as they add to the underdevelopment of children and the negative impact on adults who are denied the opportunity to become full participants in our society is the start of educational, health and economic disparities that retard the development of communities. Libraries are part of a safety net for the intellectual development of our children while rendering critical services to adults in the form of access to organized information, computer access and training to those without connectivity to technology and the internet. The library also provides a wide assortment of social encounters designed to build civil society through our activity centers, book clubs, special assemblies, meetings, and display places. Our system has operated to the best of its ability during the current public health crisis exacerbated by Covid-19. Even during periods of building closure, internet connectivity has allowed for the vital functions of our library system to continue to serve people. Further negative budgetary actions by the city will have paralyzing effects on DPL.

As a former Library Commissioner, I helped to organize a positive vote for a secure Library millage. Our efforts resonated with the majority of Detroiter who voted to secure a long-term revenue stream allowing the Library to stabilize its operations and grow toward the future needs of the city. Additionally, as a member of the Board, I encouraged our opposition against the diversion of critical library resources to enhance development of Little Caesars Arena (LCA) on the backs of children. By opting out of the planned tax capture anticipated by amending the Tax Increment Financing District (TIFA), we preserved important operating funds to serve people in our geographically dispersed system of branch libraries. As many of you may recall, LCA development promised jobs, affordable housing, and entrepreneurial opportunities for minority residents of our city.

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Today, the results following from these and other promises have left our citizens disparately exposed to hardships including Covid-19. As citizens we await jobs for growth instead we have a failing labor market. As citizens we need clean, healthy affordable housing instead we have a growing number of homeless people, families living in unsafe, and cramped domiciles all amid a comprehensive housing environment dominated by demolition initiatives as opposed to restoration.

Today, the nation, state and city are beginning to feel the rewards from the President's BUILD BACK BETTER - 2021 American Rescue Plan. In every municipality eligible citizens will be expecting to receive stimulus checks to offset long periods of unemployment and job loss. The American Rescue Plan also contains funding for schools to enable them to reopen in safe environments. Municipalities will be reimbursed and given enhancements for services like policing, road repair and construction, as well as upgrades for wastewater treatment facilities and a range of other critical operational systems. The plan is designed to kick-start us into a new future. Considering this new agreement in connection with our "social contract" to assist and build future prosperity, why should the Detroit Library System suffer? Current reductions to the Library's millage/ revenue is directly tied to the city's economic development agenda operated through a wide range of development authorities, brownfield and Tax Increment Financing Districts. These organizations and efforts capture and divert needed resources to build on the future of our children and community. I encourage the Library Commission to seek the immediate termination of special tax districts that divert resources from the Library. I encourage a public campaign to educate citizens on the binary choice, libraries versus job development. Our society remains one of the richest economies in the world, it is not necessary to leverage resources against the needs of individuals. We must ask the question, what does BUILD BACK BETTER mean in the context of Detroit and Detroit's Library system?

In the interest of the Library system and the citizens of Detroit, I encourage you to take the most aggressive actions necessary to support literacy, free access to information and the democratic development of our civil society. To do this, it is necessary for all of our public institutions to sit at a table with the distribution of equitable resources so that we can utilize a full deck of cards to address the needs of our future. If I can be of any assistance toward this future, please do not hesitate to contact me as a volunteer to address critical needs of resource deployment to benefit all Detroiter.

Sincerely,
cZ::>
Gregory Hicks, PhD.
Former member of the Detroit Library Commission
NOTED

Commissioner Smith Gray stated that she and Mrs. Mondowney have worked tirelessly trying to resolve this issue. Commissioner Smith Gray said that she reached out to Mayor Mike Duggan and Deputy Mayor Conrad Mallett to reconsider the tax capture for the Library. To date, no feedback about this matter has been received from any City Official.

President Bellant and Commissioner Smith Gray provided their telephone numbers for the public to contact them about this issue.

Mrs. Mondowney stated that a portion of DPL’s budget is allotted for obligations other than operating costs such as the retirees fund and debt from the City of Detroit Bankruptcy that must be paid.

Commissioner Peterson-Mayberry asked if the information that was presented at today’s meeting could be shared with others.

Mrs. Mondowney stated that the information would be posted on DPL’s website.

Mrs. Mondowney also stated that it would take righteous indignation being driven to bring some relief to the Detroit Public Library and the citizens of Detroit in regards to tax captures.

ADJOURNMENT

Commissioner Hayden Friley moved to adjourn. Commissioner Smith Gray supported.

A roll call vote was taken with the following results:

➢ Ida Byrd-Hill        Yes
➢ Hayden Friley       Yes
➢ Peterson-Mayberry   Yes
➢ Smith Gray          Yes
➢ President Gray      Yes

The meeting was adjourned at 3:04 p.m.

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