City of Detroit

CITY COUNCIL

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TO: COUNCIL MEMBERS

FROM: Irvin Corley, Jr., Fiscal Analysis Director ICJ.
Derrick Headd, Fiscal Staff Analyst DH

DATE: April 29, 2008
RELATED TO PLAN & ECON COMMITTEE- LINE ITEM #12, 4/30/08

RE: PDD's **(AMENDED) 2004, 2005 & 2006** Jobs & Investment Monitoring Report
Industrial Development District Tax Abatement (Public Act 198)

The Planning and Development Department's (PDD) report dated September 7, 2007, relative to its 2004, 2005, & 2006 Public Act 198 Jobs and Investment Monitoring reports, was discussed during Council's Planning and Economic Development Committee meeting of January 8, 2008. Unfortunately, however, PDD reported that less than 50% of the recipients returned the surveys. Upon our review of PDD's report, we recommended to the committee that our draft letter urging the delinquent recipients to respond, addressed directly from Council, go out and for PDD to report on the progress. PDD's amended report of March 7, 2008, is the follow up of the additional effort to gather the unattained information.

Fiscal's Findings

Our analysis of the most recent data indicates the following. As we indicated in our last report, to prevent double counting, our employment numbers were derived from accounting for projected and actual jobs at individual facilities, rather than counting up the totals of every individual abatement. We used the most recent abatements for the projected and actual counts. As the chart below indicates, for 2006, there were surveys returned reflecting 22,148 actual jobs (90.07%) of the 24,591 jobs the abatement recipients projected to be created and retained. Of the aforementioned 22,148 jobs, Detroit residents held 7,131 or 32.20% of the positions (the overall data is included in attachment 1).

Employment Data All Abatements

Projected Jobs Retained	Projected Jobs Created	Projected Jobs Total	Actual Jobs 2006	Actual Jobs Created/(Lost) 2006	Actual Ovr/(Undr) Proj Jobs 2006	Detroit Residents 2006	Actual Projected Jobs %	Detroit Resident%
23,253	1,338	24,591	22,148	(1,105)	(2,443)	7,131	90.07%	32.20%

The final number of approximately 90% of the projected jobs is a surprisingly high number, considering the local economy's current challenges, and the fact that several companies still haven't reported. PDD has indicated that most if not all of the companies that have not reported are most likely out of business. This number is, however, perhaps skewed, given the fact that a number of businesses that have received abatements have gone out of business and are no longer listed. Therefore, their projected numbers are not counted against the actual employment figures.

A more accurate way to digest the survey results is to look at the number of companies that have reported satisfactory employment figures. Of the 90 companies included in the survey, only 43 (47%) employed more than 70% of their projected number of jobs. Also, only 52 abatement recipients (57%) have reported having over 50% of their projected number of jobs. To sum it up, several companies have performed poorly in the area of creating and retaining jobs.

Investment Data

In its investment summary of its September 7, 2007 report, PDD reported that the original investment committed by the abatements recipients at $3.76 billion, and the actual investment to-date at $1.76 billion (46.86%). Thereby leaving a net difference of $2 billion under the projected investment projected by the abatement recipients.

In its follow up report of March 7, 2008, PDD reports a projection of approximately $3.8 billion commitment in investment and an actual investment to-date of $2.1 billion (55.26%), a net difference of $1.7 billion. We do not dispute this estimate, given the fact that issue of double counting does not apply to investment.

Conclusion and Next Steps

In its observations, PDD states that it has adjusted their number of responses to account for the 15 abatements listed as "return to sender", "out of business and "expired" abatements, by adding these 15 abatements to the number of responses. The number of responses in PDD's March 7, 2008 report is now listed as 82 out of 92 abatements, for a response rate of "90%" (89.1% actually), with 10 not reporting (instead of 67 out of 92 reporting).

In addition, PDD also states that 30 days from its March 7, report, the department would have verified if the 23 businesses listed as non responsive in its most recent report (25 abatements), are closed, via onsite inspections by the Human Rights Department. After this 90-day period, PDD further states that it will then report back to Council. PDD will then recommend that the companies confirmed to be open and refusing to report, appear for a hearing before Council to determine their abatements should be recommended to the State Tax Commission for reduction, or revocation.

PDD states that it anticipates a 100% compliance rate for its 2007 report, given the fact that it has now has obtained a contact person for each company, "sanitized" its mailing list, and has acquired the email addresses for each company, thereby enhancing its monitoring procedures. Additionally, PDD has established a firmer link with the Finance Department's Assessor's and Treasury divisions to more accurately ascertain the current status of tax abatements. The department anticipates that its improved mode of communication, sending out and receiving surveys via email, will allow for more prompt and complete responses from tax abatement recipients.

As we have stated earlier, we have a few technical items to discuss with the department in regard to this report, such as repeating that there should be 90 abatements listed rather than 92, but we can discuss that with the department away from the table, given the cooperative spirit of our work with PDD on this project. The additional number of responses is a positive sign, and it appears Council's input has proven to be effective. If the department does determine that the remaining companies have not responded due to the fact they have closed and are no longer doing business in Detroit, no further action will be required.

We look forward to hearing from PDD to discuss its findings and final recommendations. Ideally, at that time, we will submit our final report on 2004-06 tax abatements.

Finally, Councilmember Collins asked Fiscal if the tax abatement program performs up to its prescribed task, to create and retain jobs in the city of Detroit. This is not an easy question to answer. There are several factors that have impacted the effectiveness of the program, such as the downturn of the auto industry and the overall challenges we are currently facing in our local economy. Currently, given these factors, and the competitive nature of municipalities throughout the state and the rest of the country, the tax abatement program has had very limited success, but the City of Detroit would be at a competitive disadvantage without it.

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

Council Divisions

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Clinton Griffin, Planning & Development Department
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ATTACHMENT I

2007 Update of PDD 2004-06 Job Monitoring Report Surveys for Industrial Development Districts (Tax Abatement)

Public Act 198

Certificate Number	Company (Facility)	Proj Jobs Retained	Proj Jobs Created	Proj Jobs Total	Actual Jobs 2004	Actual Jobs 2005	Actual Jobs 2006	Actual Jobs Created/(Lost) 2006	Actual Ovr/(Undr) Proj Jobs 2006	Detroit Residents 2006	Actual % / Proj Jobs 2006	Detroit Resident%
93-446	Ajax Metal Processing	112	17	129	99	120	127	15	(2)	60	98.45%	47.24%
94-065	All American Produce	17	7	24	NO RESPNS	Expired 2005	Expired 2005	Expired 2005	Expired 2005	Expired 2005	Expired 2005	Expired 2005
00-692	American Axle & Manufacturing	3,827	0	3,827	5,034	4,848	4,393	566	566	668	114.79%	15.21%
02-507	American Axle & Manufacturing	281	0	281	5,034	4,848	4,393	4,112	4,112	668	1563.35%	15.21%
96-717	American Axle & Manufacturing	3,635	170	3,805	5,034	4,848	4,393	758	588	668	115.45%	15.21%
99-722	American Axle & Manufacturing	3,504	0	3,504	5,034	4,848	4,393	889	889	668	125.37%	15.21%
02-368	Arrow Chemical	17	3	20	16	16	17	0	(3)	4	85.00%	23.53%
01-447	Arvin Meritor	54	0	54	559	447	383	329	329	156	709.26%	40.73%
01-508	Arvin Meritor	54	0	54	559	447	383	329	329	156	709.26%	40.73%
00-534	Bing Manufacturing	57	10	67	100	79	81	24	14	43	120.90%	53.09%
96-527	Bing Manufacturing	60	28	88	447	281	337	277	249	90	382.95%	26.71%
97-565	Bing Manufacturing	79	10	89	117	130	160	81	71	90	179.78%	56.25%
00-691	Blue Circle Cement (St. Mary's Cement)	54	0	54	60	58	56	2	2	18	103.70%	32.14%
98-441	Caravan Technologies	24	0	24	8	8	8	(16)	(16)	6	33.33%	75.00%
03-227	Coca Cola	135	16	151	153	150	150	15	(1)	38	99.34%	25.33%
00-549	Commonwealth Industries (Metadyne)	57	10	67	NO RESPNS	NO RESPNS	NO RESPNS	N/A	N/A	NO RESPNS	N/A	N/A
95-054	Continental Baking	281	0	281	NO RESPNS	NO RESPNS	NO RESPNS	N/A	N/A	NO RESPNS	N/A	N/A
99-427	Corver Engineering	118	9	127	NO RESPNS	NO RESPNS	NO RESPNS	N/A	N/A	NO RESPNS	N/A	N/A
00-693	Daimler Chrysler	950	0	950	1,065	967	864	(86)	(86)	170	90.95%	19.68%
02-250	Daimler Chrysler	2,690	0	2,690	2,083	2,108	1,699	(991)	(991)	475	63.16%	27.96%
03-574	Daimler Chrysler	2,690	0	2,690	3,029	3,051	2,808	118	118	960	104.39%	34.19%
97-192	Daimler Chrysler	950	0	950	1,065	967	902	(48)	(48)	26	94.95%	2.88%
97-640	Daimler Chrysler	1,374	0	1,374	2,083	2,108	1,699	325	325	475	123.65%	27.96%
97-641	Daimler Chrysler	900	0	900	revoked 2002	revoked 2002	revoked 2002	revoked 2002	revoked 2002	revoked 2002	revoked 2002	N/A
97-642	Daimler Chrysler	4,010	0	4,010	3,029	3,051	2,808	(1,202)	(1,202)	1,177	70.02%	41.92%
98-670	Daimler Chrysler	600	0	600	740	763	758	158	158	156	126.33%	20.58%

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00-522	Detroit Automotive Interiors	64	17	81	NO RESPNS	NO RESPNS	NO RESPNS	N/A	N/A	NO RESPNS	N/A	N/A
96-713	Detroit Automotive Interiors	64	17	81	NO RESPNS	NO RESPNS	NO RESPNS	N/A	N/A	NO RESPNS	N/A	N/A
95-186	Detroit Edge Tool	45	0	45	33	35	37	(8)	(8)	4	82.22%	10.81%
95-283	Detroit Edge Tool	45	0	45	33	35	37	(8)	(8)	4	82.22%	10.81%
97-134	Detroit Edge Tool	63	0	63	33	35	37	(26)	(26)	4	58.73%	10.81%
03-570	Detroit Electro-Coatings	109	12	121	194	147	116	7	(5)	51	95.87%	43.97%
95-728	Detroit Heading	59	11	70	74	74	90	31	20	26	128.57%	28.89%
99-306	Detroit Heading	65	20	85	74	74	90	25	5	26	105.88%	28.89%
99-310	Detroit Salt	35	21	56	45	46	49	14	(7)	5	87.50%	10.20%
02-467	Diversified Machines Inc.	171	36	207	NO RESPNS	NO RESPNS	NO RESPNS	N/A	N/A	NO RESPNS	N/A	N/A
00-274	DTI Molded Products	8	23	31	NO RESPNS	NO RESPNS	NO RESPNS	N/A	N/A	NO RESPNS	N/A	N/A
96-707	Euro-American Brewers	2	24	26	NO RESPNS	NO RESPNS	NO RESPNS	N/A	N/A	NO RESPNS	N/A	N/A
02-159	Federal Reserve Bank of Chicago	0	275	275	235	166	169	169	(106)	45	61.45%	19.15%
96-339	Fitzgerald Finishing	63	21	84	94	89	89	26	5	38	105.95%	42.70%
01-509	General Mill Supply	19	0	19	NO RESPNS	NO RESPNS	NO RESPNS	N/A	N/A	NO RESPNS	N/A	N/A
95-576	General Mill Supply	19	0	19	NO RESPNS	NO RESPNS	NO RESPNS	N/A	N/A	NO RESPNS	N/A	N/A
96-192	General Motors (Det/Ham)	3,800	0	3,800	3,120	3,166	2,850	3,166	206	1,375	75.00%	44.07%
98-674	General Motors (Det/Ham)	4,100	0	4,100	3,120	3,166	2,850	3,166	206	1,375	69.51%	48.25%
97-655	Gonzalez Manufacturing	51	22	73	108	18	0	(51)	(73)	0	0.00%	0.00%
04-516	Hall Steel Company	18	14	32	NO RESPNS	NO RESPNS	NO RESPNS	N/A	N/A	NO RESPNS	N/A	N/A
01-440	Ideal Shield	69	90	159	33	34	30	(39)	(129)	7	18.87%	21.21%
98-312	Ideal Shield	15	13	28	33	34	30	15	2	7	107.14%	23.33%
02-425	Integrated Packaging	81	1	82	83	86	56	(25)	(26)	36	68.29%	43.37%
97-546	International Hardcoat	124	42	166	114	110	97	(27)	(69)	58	58.43%	50.88%
96-714	Interstate Brands (Continental Baking 2001*)	252	0	252	NO RESPNS	NO RESPNS	NO RESPNS	N/A	N/A	NO RESPNS	N/A	N/A

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98-355	Intrastate Distributors	80	20	100	128	179	121	41	21	29	121.00%	23.97%
96-470	JSP International	20	2	22	41	38	36	16	14	18	163.64%	50.00%
97-563	JSP International	21	17	38	41	38	36	15	(2)	18	94.74%	50.00%
00-533	Kaufman Window & Door	36	8	44	42	49	40	4	(4)	22	90.91%	55.00%
98-673	Lear	527	6	533	480	355	264	349	206	172	49.53%	65.15%
98-334	LeMica	32	18	50	29	33	31	(1)	(19)	5	62.00%	16.13%
97-418	Lorro (Meridian Auto Systms)	150	30	180	NO RESPNS	NO RESPNS	NO RESPNS	N/A	N/A	NO RESPNS	N/A	N/A
99-472	Mackie Automotive Systems	0	63	63	NO RESPNS	NO RESPNS	NO RESPNS	N/A	N/A	NO RESPNS	N/A	N/A
98-672	Milano Bakery	32	18	50	50	40	40	8	(10)	14	80.00%	35.00%
96-716	Milton Manufacturing	27	0	27	34	48	95	48	206	14	351.85%	14.74%
95-491	Olympic Steel Lafayette	281	0	281	171	146	142	(139)	(139)	45	50.53%	31.69%
95-650	Olympic Steel Lafayette	281	0	281	171	146	142	(139)	(139)	45	50.53%	31.69%
94-556	Palace Quality Services	120	40	160	NO RESPNS	NO RESPNS	NO RESPNS	N/A	N/A	NO RESPNS	N/A	N/A
96-709	Perstorp Xytech Inc.(Arca Systems?)	0	35	35	39	46	100	100	65	0	285.71%	0.00%
96-338	Piston Packaging	14	34	48	79	120	19	5	(29)	10	39.58%	52.63%
95-577	Quality Bakery Products	70	0	70	NO RESPNS	NO RESPNS	NO RESPNS	N/A	N/A	NO RESPNS	N/A	N/A
98-159	Rampart Industries	22	0	22	14	13	9	(13)	(13)		40.91%	0.00%
96-715	Regal Packing	257	20	277	290	293	297	40	20	108	107.22%	36.36%
99-724	Regrind Services	4	4	8	NO RESPNS	NO RESPNS	NO RESPNS	N/A	N/A	NO RESPNS	N/A	N/A
99-333	Ring Screw Textron	0	30	30	NO RESPNS	NO RESPNS	NO RESPNS	N/A	N/A	NO RESPNS	N/A	N/A
96-711	Ronart Industries	114	37	151	59	72	53	(61)	(98)	1	35.10%	1.89%
97-699	Ronart Industries	150	0	150	59	72	53	(97)	(97)	1	35.33%	1.89%
00-548	Roy Smith Company	23	13	36	22	19	17	(6)	(19)	2	47.22%	11.76%
96-708	Shaw & Slavsky	95	0	95	42	43	20	(75)	(75)	10	21.05%	50.00%
97-564	Stylecraft Products	167	29	196	NO RESPNS	NO RESPNS	NO RESPNS	N/A	N/A	NO RESPNS	N/A	N/A
98-512	Superb Manufacturing	341	50	391	374	414	509	168	118	287	130.18%	56.39%
03-525	Technicolor Video Cassette	826	46	872	999	1,021	977	151	105	492	112.04%	50.36%

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99-428	TruMack LLC (Detroit Chassis?)	0	90	90	186	161	164	164	74	4	182.22%	2.44%
95-649	Tyssenkrupp (Budd)	979	0	979	389	339	33	(946)	(946)	12	3.37%	36.36%
97-060	Tyssenkrupp (Budd)	970	0	970	389	339	33	(937)	(937)	12	3.40%	36.36%
97-562	Uni Boring	8	18	26	NO RESPNS	NO RESPNS	NO RESPNS	N/A	N/A	NO RESPNS	N/A	N/A
98-725	Uni Boring	47	42	89	NO RESPNS	NO RESPNS	NO RESPNS	N/A	N/A	NO RESPNS	N/A	N/A
03-571	Vitec	277	5	282	275	297	292	15	10	164	103.55%	56.16%
98-671	Vitec	21	79	100	275	297	292	271	192	180	292.00%	61.64%
98-356	Voss Lantz	97	2	99	NO RESPNS	NO RESPNS	NO RESPNS	N/A	N/A	NO RESPNS	N/A	N/A
96-710	Westcott Paper Products	39	3	42	49	53	58	19	16	22	138.10%	37.93%
95-648	Winston - Morrow	47	7	54	NO RESPNS	NO RESPNS	NO RESPNS	N/A	N/A	NO RESPNS	N/A	N/A
03-237	Woodworth	31	8	39	48	35	34	3	(5)	8	87.18%	23.53%
93-549	Woodworth	16	5	21	S/b expired	S/b expired	S/b expired	S/b expired	S/b expired	S/b expired	S/b expired	S/b expired
	FACILITIES TOTALS*	23,253	1,338	24,591	25,130	24,548	22,148	(1,105)	(2,443)	7,131	90.07%	32.20%

*Given the fact that some single facilities receive multiple abatements (a maximum of 3), we have provided Facilities Totals other than totaling each column. Facilities Totals are derived from accounting for projections and jobs at individual facilities

The abatements that were not reported on in the first survey are indicated in blue.