



ADD CEDAM LOGOS

INCENTIVIZING DONATIONS TO PLACE-BASED NONPROFITS



PRESENTERS

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**HOW DO WE
SUPPORT LOCAL,
PLACE-BASED
WORK?
A SYSTEMIC
SOLUTION IS
NECESSARY, ONE
THAT MOBILIZES
LOCAL
COMMUNITIES AND
UNLEASHES MORE
PRIVATE RESOURCES**



**What we are up against is much bigger than
any one of us:**

- Racial wealth gap
- Lack of housing affordability, especially workforce housing
- Increasing cost of living
- Displacement of Lower Income Residents
- Neighborhood and community blight
- Environmental injustice
- Fragile small businesses and commercial corridors
- Unaffordable /inaccessible child care and health care

COLLABORATION TO
SUPPORT THE FUTURE OF
MICHIGAN'S
NEIGHBORHOODS' AND
COMMUNITIES' THROUGH
A STATEWIDE TAX CREDIT

**Community Investment
Program (CIP)**



CIP HISTORY AND BACKGROUND



- In Detroit, since 2016 multiple stakeholders have been working together to establish a more connected and powerful community development ecosystem:
 - Community development organizations, block clubs, intermediaries, funders, CDFIs, city and state government and academia collaborated through a “System Capitalization Task Force”
- 5 cities were studied, and in 3 of them a statewide “community development donation-based tax credit” program was discovered.
- CDAD and its stakeholders teamed with CEDAM and other organizations across the state and created the “CIP” Concept - “Community Investment Program” - to draw from and replicate these programs, which exist in 13 other states across the USA.
- CDAD and CEDAM have been working to get this legislation pass since 2019.



**CDAD SYSTEM CAPITALIZATION TASK FORCE MEMBERS, 2019-2021:
A CROSS-SECTOR COALITION**

Bridging Communities Inc.	Community Development Advocates of Detroit
CEDAM	Central Christian Detroit CDC
Eastside Community Network	CommunityUp
Ford Foundation	Erb Family Foundation
Detroit Housing + Revitalization Department	Grandmont Rosedale CDC
IFF	Hudson Weber Foundation
Kresge Foundation	Invest Detroit
MEDC	Mayor's Office
New Economy Initiative	MSHDA
Urban Neighborhood Initiatives	Detroit Planning and Development Department
Wayne Metro Community Action Agency	Wayne County CRA Association

WHY CIP?



- **LMI Michiganders spend too much of their income on housing**
- **Too many substandard and unhealthy housing units**
- **Shortages mean businesses cannot attract workers because there is no place for them to live,**
- **Too many Michigan residents – especially youth and seniors - are underserved - lacking access and resources for important services**
- **These factors contribute to Michigan's declining population growth rate**
- **Small-to-medium-sized projects are overlooked while large development projects can exploit many different types of tax incentives**
- **Local place-based organizations are uniquely positioned to respond to the challenges that local communities are experiencing**
- **Local communities should be able to prioritize and resource their local needs**

THIS IDEA IS NOT ORIGINAL AND NOT NEW...

- ✓ 13 other states across the country have similar programs.
- ✓ Pennsylvania program started in 1978 and others have existed for 5 to 40 years.
- ✓ \$350 Million in donations has been leveraged in the last two years alone
- ✓ 1500 nonprofits have benefitted from this program: 1500 neighborhoods and communities strengthened and renewed
- ✓ Capacity of 1500 local nonprofits has increased

COMMON THREADS ACROSS STATES...

50% non-refundable tax credit on state tax obligation, in exchange for donations to the nonprofits.

Nonprofit recipients apply to a state agency to qualify to receive an allocation of tax credits, which are used to attract private donations

Statewide tax credit allocation is set by legislatures and typically has a renewable sunset

WHAT IS THE COMMUNITY INVESTMENT PROGRAM (CIP).....AND HOW WOULD IT WORK?



A *proposed* statewide program now being developed as Bills sponsored by State Representative Kristian Grant (D-82nd House District)



A donation-based state tax credit incentive that would provide long-term support for revitalization work that qualified, place-based nonprofits carry out right in our own neighborhoods, small cities, townships and rural communities.



The State makes a five-year allocation of \$125M in state tax credits, to be distributed to qualified place-based non-profits across Michigan.

The qualified nonprofit uses the tax credits to seek private donations from donors who have a state tax obligation.

A private donor makes a contribution directly to the pre-qualified place-based nonprofit and receives a 50% non-refundable state tax credit on their donation.



CIP could stimulate hundreds of millions in new investments in local neighborhoods and communities throughout Michigan



CIP STATEWIDE STEERING COMMITTEE: BROAD-BASED AND CROSS-SECTOR





ELIGIBLE, PLACE-BASED NONPROFITS:

PLACE-BASED NONPROFIT COMMUNITY ORGANIZATION ORGANIZED UNDER THE MICHIGAN NONPROFIT CORPORATION ACT

FEDERALLY TAX-EXEMPT

MAJORITY OF THE ORGANIZATION'S EFFORTS ARE FOCUSED ON "SERVING ONE OR MORE SPECIFIC NEIGHBORHOODS OR COMMUNITIES AND A CONSTITUENCY THAT IS ECONOMICALLY DISADVANTAGED"

ORGANIZATION'S PURPOSE IS TO "ENGAGE LOCAL RESIDENTS AND BUSINESSES TO WORK TOGETHER TO UNDERTAKE COMMUNITY DEVELOPMENT PROGRAMS, PROJECTS AND ACTIVITIES."

ORGANIZATION'S CONSTITUENCY, INCLUDING ECONOMICALLY DISADVANTAGED PEOPLE, HAS A "MEANINGFUL ROLE IN ITS GOVERNANCE.....AND DIRECTION."

ORGANIZATION HAS DEVELOPED A PLAN FOR THE NEIGHBORHOOD, FOR APPROVAL BY MEDC (DETAILS OF THIS COMPONENT NOT YET DETERMINED)



ELIGIBLE ACTIVITIES FOR USE OF DONATED FUNDS:

“Community Development Programs, Projects and Activities”:

- ✓ Small business development
- ✓ Affordable Housing
- ✓ Financial Empowerment
- ✓ Workforce Attraction and retention
- ✓ Any other strategies that assist a distressed area within a neighborhood, community, or commercial corridor and the low-income population who reside there



OTHER FEATURES OF THE CURRENT BILL DRAFTS:

- ✓ **State would allocate \$25M per year, for five years, in tax credits to be distributed state-wide, for a total of \$125 million in tax credits, 2025 - 2029**
- ✓ **Donations made after December 31 2024 or before January 1, 2030 would qualify**
- ✓ **Tax credit allocations to any given organization would be \$50,000 minimally, up to \$150,000 maximum**
- ✓ **Community Development Financial Institutions (CDFIs) do *not* qualify to receive donations**
- ✓ **Qualified donations are cash or cash equivalents**

THE STATUS OF CIP TODAY



- ✓ **Hundred Place LLC** supporting CDAD and CEDAM to pass CIP legislation
- ✓ **Sponsor: Rep. Kristian Grant (D-Grand Rapids)**
- ✓ **Legislative Workgroup** updating previous legislation
- ✓ **Statewide Steering Committee** in place to support the bill and mobilize constituents at the right time
- ✓ **MEDC**, an agency of LEO, now expected to be lead agency
- ✓ **New drafts expected out very soon**, then will be assigned to a House Committee and hearing(s) scheduled.
- ✓ **Some of the Bill features to be determined through committee process:**
 - **Equitable Distribution of Tax Credits** statewide
 - **Size of Tax Credit to Donor: 50% or Higher**
 - **Clarifying details “plan”** that eligible organizations are required to have

NEXT STEPS

- ✓ **House Committee hearings**
 - ✓ **Bill to House Floor for a vote**
 - ✓ **Find Senate Sponsor(s) and get Bill to Senate Committee for hearings**
 - ✓ **Bill to Senate Floor for a vote**
 - ✓ **Get bills passed in late 2024 or 2025**
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DISCUSSION:

- 1. WILL BANKS VIEW THE 50% TC INCENTIVE AS ENOUGH TO TAKE ADVANTAGE OF?**
- 2. WILL NEW CRA REGULATIONS HELP OR HINDER CIP, OR HAVE NO EFFECT?**
- 3. HOW CAN BANKS HELP PASS THE CIP LEGISLATION?**