



**Testimony from the Neighborhoods and Communities Coalition in
Support of House Bills (HBs) 5820-5821, Legislation Creating the
Michigan Community Investment Pilot Program and Donation-Based Tax Credit**

September 2, 2020

Chairman Marino, Members of the House Commerce and Tourism Committee:

On behalf of the Neighborhoods and Communities Coalition, we urge you to support House Bills 5820-5821, legislation that establishes the Michigan Community Investment Pilot Program and Tax Credit which provides a 50% donation-based tax credit that provides long-term, sustainable support for locally driven revitalization initiatives in neighborhoods and rural communities.

As lawmakers know, very large community development projects have several tax incentives at their disposal to attract investors. One example is the recent 2017 expansion of Michigan's Brownfield Redevelopment Financing Act, which made \$1 billion worth of incentives available for "transformational" projects. However, small- to medium-sized neighborhood and rural community revitalization projects are often overlooked because they lack the same tools to attract investment.

Our Coalition

The Neighborhoods and Communities Coalition is a regionally-diverse, broad based group that includes statewide associations such as the Community Economic Development Association of Michigan (CEDAM), charitable nonprofits such as Habitat for Humanity, and regional placed-based such as Building the Engine of Community Development Detroit and New Development Corporation of Grand Rapids. The coalition has been meeting since 2018.

In Brief

- House Bill 5820, Rep. Aaron Miller (R-Sturgis), amends the Michigan Strategic Fund to create the Michigan Community Investment Pilot Program.
- House Bill 5821, Rep. Ronnie Peterson (D-Ypsilanti) amends the Income Tax Act creating the Michigan Community Investment Tax Credit.
- Status: both bills are currently before the House Commerce and Tourism Committee (see attached separately for a list of committee members). Chairman Marino intends to take the bills up for a hearing in early September.

Details

Together, the bills would establish the Michigan Community Investment Pilot Program, a donation-based state tax incentive that would provide support for locally driven revitalization initiatives in neighborhoods and rural communities. Under the proposed legislation, a corporate or individual donor contributes directly to a place-based nonprofit for eligible projects or activities, including:

- Small business development, including agri-business
- Affordable housing
- Financial empowerment
- Workforce attraction & retention
- Neighborhood & community revitalization
- Commercial corridor revitalization

In exchange, the donor receives a 50% state tax credit on their donation. As drafted, the bills would cap the program at \$25 million in donation-based tax credits, reflecting a minimum \$50 million in new, local investments.

The proposed pilot program is based upon similar, successful programs in 14 other states:

Delaware	Maryland	Pennsylvania
Florida	Massachusetts	South Carolina
Indiana	Missouri	Virginia
Kansas	Nebraska	West Virginia
Louisiana	New Jersey	

Eligible organizations

To qualify for a community investment tax credit allocation under the Michigan Community Investment Pilot Program, a community development organization/nonprofit must meet all the following:

- Recognized and up to date status as a 501 (c)(3);
- Confirmed as a local, place-based organization;
- Documented engagement and experience in one or more of the qualifying programs, projects, or activities.

Qualified investment

A qualified investment would be a cash or cash equivalent contribution made to a qualified and approved nonprofit as selected by the Michigan Community Investment Pilot Program to receive a community investment tax credit allocation. The Michigan Community Investment Pilot Program shall issue a certification to the taxpayer after the taxpayer makes a qualified investment.

Eligible programs, projects or activities include:

- Creation or preservation of affordable housing
- Removal of blighted properties
- Introducing new businesses/small business support
- Youth or elder programs
- Adding or expanding commercial space
- Growing financial stability services
- Job training/workforce development programs
- Arts, culture, and historic preservation efforts

Eligible donor-investors

An individual or corporation with a state tax obligation, donating in cash or cash equivalents¹ only, to a qualified nonprofit as provided under the Michigan Community Investment Pilot Program.

The Process

The Michigan Community Investment Pilot Program & Tax Credit program would provide a 50% tax credit for donations to qualified 501(c)(3) nonprofit organizations across the state. Its purpose is to increase funding resources to support community economic development activities in any community - urban or rural.

The process of obtaining tax credits requires eligible nonprofit organizations to move through the following steps:

- Nonprofits must first be certified as a 501(c)(3) and meet certain other requirements provided in the legislation of a "qualified organization."
- Nonprofits must then go through a competitive application process to receive an allocation of tax credits
- Once selected, the groups would use the credits to attract private donations from corporations and individuals
- Organizations benefiting from tax credits are accountable to local community members and leaders, private donors, and state government

Annual Cap on Pilot Program Tax Credit

The Michigan Community Investment Pilot Program tax credit allocations awarded under the pilot program is capped at \$25 million per year, reflecting a minimum \$50 million in new, local investments.

Fiscal Impact

The proposed tax credit is intended to attract new donor-investors, who might not otherwise be making an investment in a neighborhood or community. Available tax credit allocations granted to eligible organizations under the proposed pilot program is capped at \$25 million per

¹ Liquid assets

year, or \$125 million for the five-year time frame of the pilot, representing a minimum of \$50 million in new local investments per year, or \$250 million across the proposed 5-year term of the pilot program.

NO Impact on School Aid

The proposed tax credit would not impact property taxes, and therefore will not impact the School Aid fund.

Why Now?

Now more than ever, Michigan needs community investments.

Michigan faces a number of challenges including:

- **Lack of Housing**
In many Michigan communities, there is a well-documented shortage of affordable housing. In these communities, local businesses cannot attract workers because there simply is no place for their workers to live. 200,000 households in Michigan do not have an affordable housing unit available
- **Lack of investors for small- to medium-sized projects**
Very large community development projects have tax incentives to attract investors. Small- to medium- sized neighborhood and rural community revitalization projects are often overlooked because they lack the same tools to attract investors.
- **Government cannot do it all**
Over the past 8 years, federal neighborhood programs have been drastically cut. Community Development Block Grants (CDBG) has been cut by \$1.1 billion and HOME has been cut by \$46 million. Governments and local economic development organizations are trying to do more with less.

Closing

The Michigan Community Investment Pilot Program and Tax Credit, as provided in House Bills 5820-5821, will give local nonprofits a tool to attract new investments, similar to the tax credits already enjoyed by very large development projects. Locally based organizations know what they need to grow their local economies, stabilize, and strengthen neighborhoods, and attract the talent needed for new businesses to start and existing businesses to thrive. Finally, as the state begins to grapple with the economic devastation resulting from Covid-19, this pilot program will aid in the recovery and revitalization of neighborhoods and communities. For these reasons, we urge you to vote in support of HBs 5820-5821. Thank you for your consideration of our views.

For more information, please contact:

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Jean Doss, consultant to CEDAM: (517)202-2302 or jdoss@capitol-services.org

**Examples of Community Investment Tax Credit Programs in Other States
Similar to Michigan Community Investment Pilot Program and Tax Credit
Proposed in HBs 5820-5821**

A version of the Community Investment Tax Credit Program is available in these 14 states:

- Delaware
- Florida
- Indiana
- Kansas
- Louisiana
- Maryland
- Massachusetts
- Missouri
- Nebraska
- New Jersey
- Pennsylvania
- South Carolina
- Virginia
- West Virginia

Michigan has the opportunity to become the 15th.

Some examples of how the Community Investment Tax Credit has been used:

In Pennsylvania during 2016, the Neighborhood Assistance Program¹ facilitated:

- 120 new housing units
- Developed 45,000 square feet of commercial space
- Created additional real estate tax revenue on previously vacant properties
- 36 new neighborhood businesses

In Massachusetts, the Community Investment Tax Credit (CITC) between 2014 - 2017² has:

- Built over 600 new affordable housing units
- Prevented 1,300+ foreclosures
- Provided more than 11,6000 individuals with financial coaching and education
- Developed new partnerships between nonprofits and businesses

In Maryland the 2019-2020 funding of the Community Investment Tax Credit³ will:

- Broaden the pool of rental properties accepting housing vouchers
- Expand services to organizations that focus on individuals and families facing homelessness
- Support programs to assist seniors to safely and affordably age in place

¹ <https://dced.pa.gov/download/neighborhood-assistance-program-impact/?wpdmdl=84815>

² <https://www.centreforpublicimpact.org/case-study/community-investment-tax-credit-programme-massachusetts/>

³ <https://www.givemaryland.org/dashboard>

Frequently Asked Questions (FAQ) about House Bills 5820-5821, Legislation Creating the Michigan Community Investment Pilot Program and Tax Credit

(Updated August 2020)

1. What do the bills do?

Together, House Bills (HBs) 5820 and 5821 create the Michigan Community Investment Pilot Program and Tax Credit. This proposed program is a donation-based state tax incentive that encourages businesses and other individuals throughout Michigan to provide support for locally based revitalization work in neighborhoods and rural communities. Under the proposed legislation, a corporate or individual donor makes a contribution directly to a place-based nonprofit that has been selected under the pilot program for a tax allocation. Eligible projects or activities include:

- Small business development, including agri-business
- Affordable housing
- Financial empowerment
- Workforce attraction & retention
- Neighborhood & community revitalization
- Commercial corridor revitalization

The donor then receives a 50% state tax credit on their donation. As drafted, the bills would cap the program at \$25 million annually in donation-based tax credits, *reflecting a minimum \$50 million in new, local investments*. The proposed pilot program is based upon similar, successful programs in fourteen (14) other states.

2. Who are the bill sponsors?

Rep. Aaron Miller (R-Sturgis) is the sponsor of HB 5820, which amends the Michigan Strategic Fund to create the Michigan Community Investment Pilot Program

Rep. Ronnie Peterson (D-Ypsilanti) is the sponsor of HB 5821, which amends the Income Tax Act of 1967, creating the Michigan Community Investment Tax Credit.

3. What is the status of the bills?

The bills are currently before the House Commerce and Tourism Committee. Chairman Marino is excited to start the conversation and plans on holding the first hearing on the bills in early September.

4. Exactly how would this work?

The Community Investment Tax Credit program would provide a 50% tax credit for donations to qualified 501(c)(3) nonprofit organizations across the state. Its purpose is to increase funding resources to support community economic development activities in any community - urban or rural.

The process of obtaining tax credits requires eligible nonprofit organizations to move through the following steps:

- Nonprofits must first be certified as a 501(c)(3) and meet certain other requirements provided in the legislation of a “qualified organization.”
- Nonprofits must then go through a competitive application process to receive an allocation of tax credits
- Once selected, the groups would use the credits to attract private donations from corporations and individuals
- Organizations benefiting from tax credits are accountable to local community members and leaders, private donors, and state government

5. Why are these bills needed?

Even before the pandemic hit our state, Michigan communities faced significant challenges to securing resources for small- to medium-sized projects, ranging from addressing a local housing crisis to workforce development to corridor revitalization. These bills, by encouraging new contributions from private businesses and individuals, will help close the funding gap for critical, locally driven projects and programs. HBs 5820-21 will ensure that Michigan communities have the tools they need to attract the new investment needed to recover from the economic devastation caused by the COVID-19 pandemic.

6. What problems are these bills intended to solve?

Local neighborhood and community development organizations lack the tools for attracting investment that much larger economic development projects currently enjoy. The proposed Michigan Community Investment Pilot Program and Tax Credit targets these vital, locally driven programs and projects, in order to stimulate increased investment. There are many local nonprofit organizations throughout the state doing great work. But they need more financial resources to do even more good for our communities.

7. Who opposes the bills?

To our knowledge, no one at this time opposes the bills. As with any legislation, opposition may not surface until hearings begin on the bills.

8. Does the Governor support the bills?

The Governor has not yet taken a position on the bills.

9. Do these bills impact the School Aid Fund?

No! The proposed tax credit in HBs 5820-5821 will not reduce school funding.

10. Does MEDC support the bills?

The Michigan Strategic Fund/MEDC has not yet taken a position on the bills. Representatives of the Neighborhoods and Communities Coalition met with then-MEDC CEO, Jeff Mason and his staff in July of 2019, and solicited their input during the development of the bills. We are hoping to meet with the current CEO of MEDC in the near future.

11. Isn't this a bad time, when the state is facing a revenue shortfall, to be talking about a new pilot program and tax credit?

Supporters are sensitive to the fact that we are proposing a new program and a new tax credit during an acute budget crisis. Our coalition worked with the bill sponsors to develop the bills prior to and during the COVID-19 pandemic. We believe that having new tools to attract investment and support local communities is not something that can wait. As we struggle to recover from the COVID-19 crisis, local place-based organizations are in an ideal position to respond to the health, education, and job challenges that local communities are experiencing.

12. What is the fiscal impact of this program and tax credit?

As proposed, the Michigan Community Investment Pilot Program and Tax Credit will stimulate a minimum of \$50 million in new investment in local neighborhoods and communities. The pilot program caps the allocation of donation-based tax credits to \$25 million a year.

13. How is this different from other tax credits?

This tax credit focuses specifically on allowing place-based nonprofit organizations to direct funds to community economic development and revitalization efforts in their neighborhoods and communities. The Michigan Community Investment Tax Credit gives local nonprofits a tool to attract new investments and deliver on projects, similar to the tax credits already enjoyed by very large development projects.

14. Why aren't existing tax credits enough? Don't they support these exact same organizations and projects?

Very large community development projects have a number of tax incentives to attract investors. One example is the recent 2017 expansion of Michigan's Brownfield Redevelopment Financing Act, which made \$1 billion worth of incentives available for "transformational" projects. But small- to medium-sized neighborhood and rural community revitalization projects are often overlooked because they lack the similar tools to attract investment.

15. What other states have similar programs and tax credits?

Several states, including Maryland, Tennessee, Massachusetts, Indiana, Pennsylvania, South Carolina, Delaware, Florida, Kansas, Louisiana, Missouri, Nebraska, New Jersey, Virginia, and West Virginia, already offer similar tax credits.

16. What are the parameters for projects in other states?

Eligible projects in other states include a wide variety of activities such as affordable housing rehab and development, workforce and business development, neighborhood revitalization, and neighborhood commercial revitalization.

17. What are the fund caps in those states with caps?

States vary in the amount provided under their caps. Massachusetts does not cap their fund, while Pennsylvania recently doubled their cap from \$18 million to \$36 million annually in tax credits.

18. What is the proposed CAP in these bills?

\$25 million per year, representing a minimum of \$50 million in new investment at the neighborhood and community level across the state.

19. As I read the bill, it seems to say \$25 million over a five-year period?

Yes, that is a drafting error. It is the sponsors' intent to cap the program at \$25 million per year, over the 5-year time span of the pilot. We will be addressing this in a draft substitute.

20. The bills do not include a lot of detail about how the program would work – why is that?

We intentionally left this level of detail out of the bill, with the expectation that the bill sponsors and other legislators, nonprofits and other key stakeholders, will work with the appropriate government agency to develop and craft this language in the form of program guidelines.

21. Frankly, I am skeptical about tax credits. In my experience they seem to only benefit the financial interests of donors, and rarely produce the community benefits originally promised.

This program intentionally stimulates new investments for community-based activities. Locally based organizations know what they need to grow their local economies, stabilize and strengthen neighborhoods, and attract the talent needed for new businesses to start and existing businesses to thrive. The tax credit provided in these bills is driven by local residents and will directly impact neighborhoods and communities around the state.

22. Will this pilot program and associated tax credit only apply to urban areas?

No. The bills seek to encourage investment in communities across the state of Michigan, including rural and urban communities.

**23. The bills call this a “pilot program” – how long will the pilot last?
Is there a sunset date in the bills?**

Investments must be made after December 31, 2020, and before January 1, 2026.

24. Can financial institutions apply to the program for allocation of tax credits?

No, financial institutions are not included in the legislation’s definition of “qualified organizations” for tax credit allocations.

For any other questions not answered above, please contact Jessica AcMoody, Policy Director at Community Economic Development Associations of Michigan (acmoody@cedamichigan.org).

What is the Community Investment Program?

The Community Investment Program is a donation-based state tax incentive that would provide long-term, sustainable support for locally-based revitalization work in neighborhoods and rural communities. HB 5820 & 5821 would unleash more private resources for Michigan's communities.

How Would it Work?

A corporate or individual donor makes a contribution directly to a place-based nonprofit. The donor receives a 50% state tax credit on their donation.

*Communities know their problems—
and how to solve them*

What is an eligible nonprofit?

Eligible nonprofits are place-based organizations providing economic development services including:

- Small business development, including agri-business
- Affordable housing
- Financial empowerment
- Workforce attraction & retention
- Neighborhood & community revitalization
- Commercial corridor revitalization

Michigan Needs Community Investment Now

Michigan faces a number of challenges including:

Lack of Affordable Housing

In many Michigan communities, there is a well-documented shortage of affordable housing. In these communities, local businesses cannot attract workers because there simply is no place for their workers to live.

Lack of resources for small- to medium-sized projects

Very large community development projects have tax incentives to attract investors. Small- to medium-sized neighborhood and rural community revitalization projects are often overlooked because they lack the same tools to attract resources.

The impacts of the COVID-19 pandemic

As we struggle to recover from the COVID-19 crisis, local place-based organizations are in an ideal position to respond to the health, education, and job challenges that local communities are experiencing.

512,288

households in Michigan are paying more than 30% of their income on housing

The Community Investment Program could help reduce the housing cost burden

Fourteen states have some form of this tax credit

- Delaware
- Florida
- Indiana
- Kansas
- Louisiana
- Maryland
- Massachusetts
- Missouri
- Nebraska
- New Jersey
- Pennsylvania
- South Carolina
- Virginia
- West Virginia

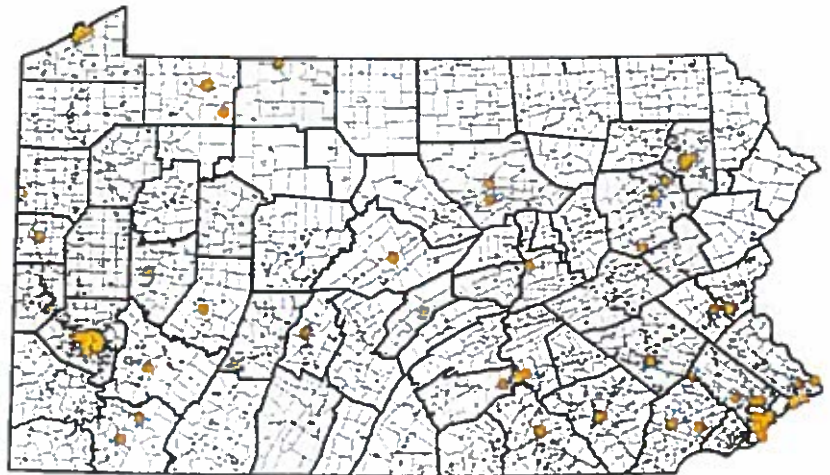
Here's how the Neighborhood Assistance Program (NAP) has worked in Pennsylvania:

Case Study:

2016 NAP Tax Credit Awards:

In the Lawrenceville neighborhood of Pittsburgh, NAP helped facilitate:

- 36 new neighborhood businesses in two years
- Development of 120 new housing units worth \$30 million
- Development of 45,000 square feet of commercial space worth \$9 million
- Average \$2,900 in real estate tax revenue on previously vacant parcels



This program has been a catalyst for community and economic development and has created unprecedented partnerships between the corporate and nonprofit sectors.

- Jennifer Beer, Vice President, Government Relations, Greater Pittsburgh Chamber of Commerce

It's time to establish a Community Investment Program

Community members across Michigan, urban-rural-suburban, simply want the same tools to attract investment that larger projects already receive. Government can't do it all, and locally-based organizations know what they need to grow their local economies, stabilize and strengthen neighborhoods, and attract the talent needed for new businesses to start and existing businesses to thrive.

Join the Neighborhoods & Communities Coalition (NACC) by contacting:

Jessica AcMoody, Community Economic Development Association of Michigan (CEDAM) | 517.485.3588 | acmoody@cedamichigan.org
Maggie DeSantis, Building the Engine of Community Development in Detroit (BECDD) | 313.477.3155 | mdesantis.becdd@gmail.com

The Neighborhoods & Communities Coalition (NACC) is a group of community development advocates and professionals, local job providers, and investors committed to establishing a source of sustainable support for local nonprofits working to revitalize neighborhoods and rural communities.

**Organizations Supporting House Bills 5820-5821,
Legislation Creating the
Michigan Community Investment Pilot Program and Tax Credit**

As of September 2, 2020

Statewide

Community Economic Development Association of Michigan
Habitat for Humanity of Michigan
HousingLinks LLC
Michigan Municipal League
National Church Residences

Regional/Local

Allen Neighborhood Center
Building Community Value
Building the Engine of Community Development in Detroit
City of Grand Rapids
Dreams of Detroit
Dwelling Place of Grand Rapids NPHC
Enterprise Community Partners
Eastside Community Network
Genesis Non-Profit Housing Corporation
Grand Rapids Area Chamber of Commerce
Grandmont Rosedale Development Corporation
Habitat for Humanity Hiawathaland
Habitat for Humanity Menominee River
Habitat for Humanity Northeast Michigan
ICCF
LINC Up Nonprofit Housing Corporation
Macomb County Habitat for Humanity
Northern Michigan Chamber Alliance
New Development Corporation
Southwest Detroit Business Association
United Way of Washtenaw County