



Coleman A. Young Municipal Center
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MEMORANDUM

TO: Council Member Raquel Castañeda-López

FROM: David Massaron, Chief Financial Officer, City of Detroit
Arthur Jemison, Group Executive for Planning, Housing and Development

DATE: October 16, 2019

RE: Responses Questions about Blight Removal Bond Proposal

This memo is in response to questions you submitted on October 15, 2019 regarding the Blight Removal Bond Proposal.

- 1. Provide a detailed description of the review process for determining whether a structure is eligible for demolition, including:**
 - a. Details of site review performed by field inspector**
 - b. Weight given to neighborhood data such as sales history and alignment with City initiatives**
 - c. Process for soliciting resident feedback**

There are a variety of selection criteria as part of the City of Detroit's residential demolition strategy. All demolition candidates currently in the pipeline were selected by the DBA data team due to one or more of the following:

- A) Neighborhood Characteristics & Amenities. Properties close to parks, schools, recreation centers, or other neighborhood amenities are given priority for demolition. Neighborhood characteristics, such as density, are also taken into account.
- B) Request by City Departments or Agencies. Many demolition targets are owned by the Detroit Land Bank Authority (DLBA). The DLBA uses on-site field inspections to determine the structural integrity and feasibility of repair for every property as it is considered for demolition or sale. Presently, the organization's interior inspections include an assessment of the condition of the foundation, internal support structure, roof, systems, and other general repair needs. These findings are weighed against neighborhood data – including on-market sales data, DLBA sales history, housing vacancy, location of nearby amenities, occupancy trends, and relationship with City-led initiatives – as well as all recorded public inquiries to understand the market and preferences of each community. The DBA also includes requests made through the DBA Demo hotline (1-844-DET-DEMO), and other city departments such as City Council, BSEED, Department of Neighborhoods, and DWSD in the selection process.
- C) Special Projects. Demolitions help supplement other City or DLBA initiatives, such as 20-minute neighborhoods, DLBA sales, road resurfacing, etc.
- D) Geographic Clustering. Demolition candidates near properties already in the pipeline are also targeted. Spatial efficiencies make demolition more effective.



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E) Zip Codes. In the City's top five (5) zip codes for elevated blood lead levels, demolitions may only occur during the cold months of the year, October through April. In all other zip codes, demolition may occur at any time.

2. Ideally, I would like to see the process proceed as follows: 1) preserve each home by boarding up the entire structure, 2) thoroughly assess each home to determine the cost of repairs and whether the structure can be salvaged, 3) evaluate potential for sale of each property, including through non-traditional financing methods such as land contracts, and 4) demolish remainder.

a. Request that the City conduct a deconstruction pilot to determine the feasibility of incorporating deconstruction into the demolition program on a larger scale. Please share data from previous efforts.

Currently, the General Services Department and Land Bank are working to secure every accessible opening of every vacant and dangerous home in the city.

As properties are secured, the Land Bank inspects the physical condition and structural integrity of each home, and after comparing these findings with available housing market data, public feedback, and alignment with City initiatives, determines the feasibility of rehabilitating each property.

Earlier this year, the Land Bank also formed a Strategic Initiatives unit charged with identifying, evaluating, and piloting innovative and non-traditional sales techniques for the organization. The sales opportunities developed by the Strategic Initiatives team are also considered in the property evaluation process to ensure that every avenue for preservation is contemplated.

The DLBA's Strategic Initiatives team will work with the City to evaluate a land contract sales model and implement a deconstruction pilot.

3. Given the City's inability to use bond proceeds for foreclosure prevention activities, what commitments will be made within the City budget for funding programs aimed at housing preservation?

a. What amount of funding will be allocated in the FY 2020/2021 budget for home repair grants? Can this program be made available for residents who are not seniors?

b. Please provide a commitment to purchasing every occupied home in foreclosure.

We agree that the City's investment in foreclosure prevention is critical to our future, and we need to continue to push out the City's programs aimed to help residents stay in their homes.

Since 2015, occupied foreclosures have decreased by 94% in part due to the work of the City and philanthropies have done to help people stay in their homes. Under the Mayor's leadership, the City ended the Emergency Manager's practice of placing water bills in the property tax foreclosure system. In partnership with UCHC, we organized volunteers from neighborhoods to knock on doors to offer help to those facing foreclosure. And we led the effort to pass House Bill 5882 that allowed delinquent taxpayers to enter into payment plans to avoid foreclosures; 15,000 signed up first year alone.

This month, the Mayor partnered with Wayne County Executive Warren C. Evans, Wayne County Treasurer Eric Sabree, and State Representative Wendell Byrd to propose "Pay As You



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Stay”, a sweeping new approach that, if approved by the state legislature, would assist tens of thousands of Detroiters and Wayne County residents who owe back property taxes avoid foreclosure. Under the “Pay as You Stay” plan, homeowners who qualify for and enroll in a full or partial Property Tax Exemption would be eligible for the program. For those that enroll:

1. All interest, penalties and fees would be eliminated;
2. To reduce an undue burden on homeowners, the balance due would be limited to back taxes only or 10% of a home’s taxable value – whichever is less.
3. The remaining balance would be paid back over three years at zero percent interest.

This proposal amounts to a significant investment in those at risk of foreclosure because, if approved by the legislature, we anticipate the City of Detroit will see lost revenue collection. In addition, the City will continue to fund the poverty tax exemption program (currently estimated at \$1.8 million annually in a tax expenditure), which we anticipate will grow due to the PAYS program.

The Operating Budget is determined each year by the Administration and City Council based on the available resources: The Four Year Budget forecasted that the Home Repair Program would be funded at over \$2 million between General Fund and CDBG in FY2021. The four year plan also included \$2.5 million to recapitalize of the 0% Home Repair Program and \$1 million in matching funds for the City’s ongoing and special lead hazard Prevention grants for FY2021. In early 2020, the City expects to identify reforms to the all of our Home Repair programs to make them available to more homeowners. In order to maximize impact on low income seniors, we recommend that the program rules for the Senior Home Repair program remain as currently in place. Once reforms have been implemented we will review progress and see if we can expand the program to non-seniors.

We have used our Right of First Refusal and City general fund in a partnership to remove over 1000 people from the occupied foreclosure list. This past year that number was just over 500 down from over 9,000 in 2014. We commit to continuing to use ROR and City resources to keep this number at a “functional zero” but there unfortunately will always be cases that have to go to foreclosure.

- 4. I support the citywide neighborhood strategic planning program that has been proposed, however the City should have detailed programs in place for residents to review and from which they can select. Please commit to developing the following land disposition policies/programs:**
 - a. First right of refusal for neighboring property owners**
 - b. Priority bidding period for neighbors who reside on the block**
 - c. Land contract options to expand purchase opportunities to those who may not have access to traditional financing**

Our sales platforms are designed to be blind, in that staff does not touch the bidding process until a winning bidder is identified through online interface. We believe this is the fairest process and protects all bidders by not allowing opportunities for preferential treatment. We are sympathetic to the need for near neighbors to be involved in the process. For this reason, we have implemented Building Blocks. This is a coordinated effort where the DLBA partners with a non-profit, faith-based group, or neighborhood association to sell many homes at once in a concentrated area. Neighbors are invited to participate in advance of the listing date so they are aware of every property that will be made available for sale. Building Blocks also coordinates



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sales with other efforts, including demolition and property maintenance, and promotes collaboration with other agencies to coordinate additional neighborhood activities, such as lawn mowing and street sweeping prior to the event.

Our voluntary, post-sale survey shows 69% of buyers lived in Detroit at the time of purchase, and 67% plan to live in their DLBA home after renovation. Additionally, 61% of respondents indicate they were renters before buying from the DLBA, demonstrating our unique ability to make the dream of homeownership a reality for those systematically excluded from the traditional real estate market.

5. Provide a detailed timeline and cost estimate for conducting strategic planning in all Detroit neighborhoods over the next five years.

Over the next 5 years, the Planning & Development Department intends to complete the planning of all areas of the city. Specifically, this entails implementing planning processes for approximately 15 additional areas of the city, in addition to the 15 plans already completed or currently underway. This next phase of planning will focus on:

- 1) Lower density residential areas that will be impacted the most by blight removal
- 2) What follows once the abandoned and dangerous structures are removed
- 3) Industrial and commercial land uses
- 4) Updating of master plans

For the most part, PDD can complete these plans with existing PDD budget and reflects a continuation of the pace of current department work. However, PDD is evaluating what additional funds may be needed and from where they can be sourced. The department has traditionally used a combination of City GF, Capital and non-City resources to complete its planning work. Through the FY2020-2021 budget process we will evaluate and recommend resources that are needed to meet these goals, subject to available resources.

6. It was indicated that each demolition would cost approximately \$17,000. Does this estimate account for all costs, including administrative, pre-demolition surveys, abatement and fugitive dust mitigation, post-abatement verification, site preparation and cleanup, sidewalk repair, utility shut-off, etc? Provide a comprehensive breakdown of actual costs.

In the past 12 months, the costs paid to demolition contractors is approximately \$20,000 per residential property. This average cost includes:

- The abatement of all safely accessible hazardous/regulated materials
- The demolition of the structure and the removal and disposal of all debris
- The backfill, grading, and seeding of the lot.

Other demolition-related costs, including:

- Hazardous/regulated materials survey approximately \$1,300 /each property
- Post-abatement verification approximately \$107/each property



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- We are holding contractors responsible for excessive damage to sidewalks, and we are working with DPW and DWSD to coordinate underground work and prioritize repairs.

In addition, there are annual operating costs of the demo team, procurement staff, etc. These overhead costs have not been included in the average cost per property because these costs don't change per property and so we are measuring it consistently with the way previous administrations have calculated demo costs.

7. Provide a detailed description of how the record-keeping and tracking will be performed in order to ensure that demolitions meet the public purpose requirement of the tax exempt bonds.

See memo attached.

8. Explain why the Administration is proposing to maintain decentralized demolitions operations, versus establishing a centralized demolition department (exclusive of the Office of the Chief Financial Officer divisions, such as the Office of Contracting and Procurement.)

We have heard concerns from members of City Council, and we are evaluating ways to streamline the teams.

9. Disclose any ongoing litigation or investigations into the Detroit Building Authority and the Detroit Land Bank Authority.

The Special Inspector General for the Troubled Asset Relief Program (SIGTARP) and the City of Detroit Office of the Auditor General are currently conducting audits of the Detroit Demo Program.

The following are DLBA pending litigation. Cases in red font denote litigation arising from the DLBA/DBA Demolition Program.

<u>Case Caption</u>	<u>Case No.</u>	<u>Court</u>
<i>Daniel Murray v DLBA, Rebecca Camargo, Craig Fahle et al.</i>	16-009806-CH	3rd Circuit
<i>Farrow Group Inc. v DLBA</i>	17-002792-CK	3rd Circuit
<i>Pamula Sharp v DLBA, Reginald Scott, Robert Hillery and Stacy Hillery</i>	17-015844-CH	Court of Appeals
<i>Tim Drakeford & Direct Construction Services v DLBA, Tammy Daniels, Irene Tucker et al.</i>	18-12356	Eastern District of Michigan



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<i>Khalil Barakat v DLBA</i>	18-011926-CH	3rd Circuit
<i>Den-Man Contractors, Inc. v DLBA et al.</i>	19-004685-CK	3rd Circuit
<i>Lawanda Turner v DLBA</i>	19-006431-CD	3rd Circuit
<i>Anthony & Eboni Parker v DLBA et al.</i>	19-006708-CZ	3rd Circuit
<i>Joy Rahaman v DLBA</i>	19-241197-SC	36th District Court
<i>MacDonald v DLBA et al.</i>	19-12183	Eastern District of Michigan
<i>DLBA v 5005 32nd Street Detroit Michigan 48210</i>	350231	Michigan Court of Appeals
<i>Green Way Environmental and Bill Scully v DLBA and City of Detroit</i>	19-013334-CZ	3rd Circuit
<i>BBEK and Kevin Woods v DLBA and City of Detroit</i>	19-013361-CZ	3rd Circuit

10. How will the demo tracker be enhanced to provide easily available information to the public, given the inaccessibility of the salesforce platform? How will you ensure that data provided to the public is accurate and inclusive of all demolition costs?

We are always looking for ways to enhance the demo tracker. The first version was launched in the summer of 2016, only after heavy input from the residents and members of the Eastside Community Network. DBA staff attended many meetings at ECN with mock ups of the tracker and engaged the residents on what they wanted to see on it. They wanted to see, in a very simple format, when a demolition near them will happen or has happened, by what contractor and how much was paid to that contractor.



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A few months later and based on additional meetings, an enhanced version of the tracker was released. This version had additional details from DLBA programs. The clear goal is to show residents the work being done around them.

The tracker is synced every morning from Salesforce, the operational platform of the demolition program. Contractors are required by contract to enter data directly into Salesforce, like a "Planned Knockdown Date" for example. That data is automatically shared the next day on the demo tracker the demolition data includes all demolitions for which the City/DLBA has the date that the structure was knocked down, the cost of the demo and abatement paid to the contractor listed, and the contractor since 2014. This count includes all buildings that have been knocked down but may not necessarily have been final graded yet.

For residents that may not have access to the website, a texting service was developed. By texting an address they care about to 313-254-DEMO (3366), residents will receive a text message listing the addresses of structures within 500 feet that are scheduled for demolition and the approximate date of demolition.

We will continue to rely on community feedback to drive updates and changes to the demo tracker.

11. Provide any demolition-related contracts that the Detroit Building Authority has entered into under their own authority, and for which they are currently fully responsible for administering.

- Gayanga (de-watering)
- ATC, PSI, and NTH (environmental services)
- AKT Peerless (backfill monitoring and testing)
- GTJ Consultants, Premier Group, and Detroit Grounds Crew (general supportive services)