



Mayor's Office

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MEMORANDUM

TO: Detroit City Council

FROM: Arthur Jemison, Group Executive-Planning, Housing & Development
LaJuan Counts, Director, Demolition Department
Boysie Jackson, Director, Office of Contracting & Procurement

DATE: July 18, 2020

**RE: RESPONSE TO QUESTIONS SUBMITTED BY COUNCIL PRESIDENT PRO
TEM MARY SHEFFIELD REGARDING NEIGHBORHOOD IMPROVEMENT
PROGRAM**

Honorable City Council:

Below please find answers to your questions about the Neighborhood Improvement Program and Bonds.

Goal 1: Save every house possible from demolition by prioritizing the rehab of vacant homes.

QUESTION 1: Is there a commitment to sell a portion of the homes to low- and moderate-income families? If so, how many of the 8,000 homes will be set aside for this purpose?

ANSWER: As a point of information generally DLBA believes that the use of a “buyer – blind” auction method is the only approach through which the houses can be acquired so that human error does not interfere with the process.

These procedures have led to 70% of the buyers of Land Bank properties being Detroiters at the time of purchase and in completed building blocks processes 10 out of the 10 successful buyers were neighborhood.

The City and DLBA are considering programs through Land Bank auction houses that will enable low income homebuyers to acquire the houses.

QUESTION 2: Also, please define low to moderate income that will be used for this purpose.

ANSWER: City and DLBA will target The income cohorts where most Detroiters are located, specifically between 40 and 60% of area median income.

QUESTION 3: What disposition policies and programs are in place that will be utilized to allow neighborhoods/residents to have first preference to the homes?

ANSWER: As described before, the DLBA will use discounts and outreach approaches like The auction and Building Blocks to make sure Detroiters have access to the marketplace.



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QUESTION 4: Can we set aside a portion of the homes or allow preference to individuals whose homes were over-assessed resulting in foreclosure?

ANSWER: The City and DLBA Plan to propose a priority plan for Detroiters who may have been over-assessed with respect to these houses.

QUESTION 5: There appears to be a commitment to better secure homes and possibly replace roofs, however there is no guarantee that future demolitions will be prevented through renovations and ultimate sales in the proposal. What assurances do taxpayers have that their taxes will actually save homes?

ANSWER: The City and the Land Bank experience is that houses which are better secured cleaned out and have minor roof repairs much more likely to sell; versus those that still have debris and trash inside of them and left unsecured. It is also our belief based on cost estimates that the preservation of houses for sale is in fact the low-cost alternative to demolition.

QUESTION 6: Is there a plan to renovate homes like the Rehabbed and Ready Program? If so, is it legal to utilize UTGO Bond funding to rehabilitate property that is not in the City's possession?

ANSWER: The City and Land Bank do intend to renovate some homes in the approach of the rehabbed and ready program. It is legal according to the City's bond counsel for the City to perform this on properties belonging to the Land Bank authority.

QUESTION 7: Also, if the plan is to utilize bond proceeds to rehabilitate properties, who receives the proceeds from the sale and where is that spelled out in writing?

ANSWER: This will be laid out in writing in the Closing Resolution. The Land Bank authority will receive the proceeds from sale for the city bond improved houses. The city currently subsidizes the Land Bank between 13 and \$11 million over the last two years. In the event that the Land Bank's revenues increase such that they do not need a subsidy the value of the improved houses (net of discounts applied for low income Detroit or the over-assessed) would change the cities obligation to subsidize the Land Bank.

Goal 2: Implement a program that gives the maximum legally allowable preferences and opportunities to Detroit companies with a goal to have more than 50% of all work performed be done by Detroit certified companies under the Neighborhood Improvement Plan.

QUESTION 8: If there will only be one bid a year, how can newly formed companies enter the market?

ANSWER: The proposed Annual or semi-annual bidding process is not the only way that newly formed companies can enter the market. There is a progression we expect will exist between the smaller contractors who perform emergency demolitions



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who could in the following year bring their crews to the larger bids and then in the next year add crews and compete for more work.

QUESTION 9: Is it true that the plan contemplates that 30 demolition packages, each consisting of 45 homes to be demolished, will be bid out once a year with 335 days to complete these packages? If so, what happens to contractors who do not meet their targets and what efforts to intervene will the Demolition Department employ to avoid serious issues with Completion?

ANSWER: That is roughly the current procurement plan, but is subject to change based on the market response. This approach was designed to get maximum participation and optimize pricing for these demolitions. The logic is that there will be downward pressure on price if contractors all know that this is their only chance to participate in the market and that they can book their work and have certainty of work schedule for a year or 6 months. Contractors who do not meet their targets have financial penalties and it will or course be considered in the following year if they seek to continue as bidders in the next annual or semi-annual packages. This approach also allows the City to optimize to get the best prices for these demolitions.

QUESTION 10: A goal is very different from a requirement. Given the history of demolition contracting and economic justice, in general, in contracting, can there be a requirement that 50% of the work be performed by Detroit Certified companies?

ANSWER: This proposal is in discussion and a specific position will be outlined on the Closing Resolution.

QUESTION 11: How is Detroit-certified being defined for the purposes of the Neighborhood Improvement Plan? What is the delineation between Detroit-Based, Detroit-Resident and Detroit-Headquartered for the purposes of contracting under the Neighborhood Improvement Plan?

ANSWER: All these are considered Detroit Certified. A company will have to be certified as one of these to be included in the 50% Requirement.

Goal 3: Give preference to companies who commit to train and employ Detroiters with a goal of getting these companies to employ at least 51% Detroit residents Contractors, under the Neighborhood Improvement Plan, will be required to elect one of two options:

-Follow Executive Order 2016-1 requiring 51% of the hours worked on the project to be performed by Detroit residents; or

-Follow the FCA agreement provisions to interview Detroit candidates screened for the job qualifications by Detroit at Work before interviewing non-Detroiters.



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QUESTION 12: This doesn't seem to commit anyone to ensure that 51% is met. How will this be monitored and enforced?

ANSWER: CRIO is the enforcement arm on these agreements and has been very successful under the leadership of Charity Dean. CRIO has enforced and obtained significant fees for non-compliance which have been used to drive the City's workforce initiatives.

QUESTION 13: My office has been working on a local hiring ordinance and we were told that there are capacity issues in terms of monitoring demolition companies and activity. How has that changed with this proposal?

ANSWER: CRIO will need to add additional staff to monitor and enforce the expansion. The Administration is committed to adequately funding CRIO in the Mayor's proposed budget to perform this work.

QUESTION 14: E.O. 2016-1 has a threshold of \$3,000,000 and demolition is not considered construction according to the order. How will this be applied to the Neighborhood Improvement Plan being proposed? Will contracts for demolition bundles and renovations exceed the \$3,000,000 threshold?

ANSWER: The Administration has proposed to extend the E.O. to include these contracts regardless of whether they meet the \$3MM threshold.

QUESTION 15: Does the Administration support codifying the proposed 51% requirements in an ordinance which defines construction as inclusive of demolition activities? Doing so makes 51% Detroit workforce goals a requirement and not just an agreement subject to an Executive Order which could be unilaterally changed by the Administration. This is the Local Hiring Ordinance my office has been working on.

ANSWER: As described above, for this specific proposal, the Administration has proposed to extend the E.O. to include these contracts. The impact of this change through an ordinance has broader implications that need to be considered. At this time the Administration would like to extend the E.O. and continue to study the idea of an ordinance.

Goal 4: Partner with Detroit Community Development Organizations (CDO's) and other qualified groups to rehab homes and redevelop property in the neighborhoods

QUESTION 16: Please list all the known active potential CDO partners under this plan.

ANSWER: The City plans to work with community development corporations involved with the Detroit 21 and the building the engine of community development in Detroit housing compact groups. Other groups will also be allowed to use resources dedicated to CDOs.



QUESTION 17: How does the Administration plan to avoid the pitfalls of bundling property under the DLBA that has been a source of consternation in the community?

ANSWER: Over the last six years, the City has sold for rehabilitation over 8,000 properties the Herman Kiefer and Fitzgerald projects accounted for approximately 200 of these properties and were pilot efforts to try and move larger volumes of houses at once. Both have had their successes (Fitzgerald Park and Greenway) and pitfalls (Fitzgerald's slow housing rehab production). Going forward, the City is going to emphasize smaller 1,2 and 3 property at-a-time strategies.

QUESTION 18: Are CDO's prepared to handle the rehabilitation and redevelopment of property under the Neighborhood Improvement Plan?

ANSWER: Some CDO's are prepared to take this responsibility on; and others are not. The pilot program we are working on with them is expected to have approaches that enable small ones to get stronger; and larger ones to do more rehabilitation work.

QUESTION 19: How has this been evidenced and what will be the stipulations placed on the CDO's with respect to timelines and investment in the properties?

ANSWER: Over the last six years the City has not adequately brought the key development organizations into his efforts to redevelop property and would like to change direction and bring those organizations in. The CEOs would argue that they have not had an opportunity to demonstrate their capacity because they have not had a specific relationship with the City's institutions. A partnership proposed will change that direction.

We expect the pilot project to be funded with CDBG funds and potentially where appropriate bond funds.

QUESTION 20: What requirements will be placed on CDO's to sell properties versus leasing properties?

ANSWER: The community development organizations will have the same requirements that are typically negotiated with developers or individuals through the Land Bank. The strategy will be to start small and if there is success, reinvest.

Goal 5: Give preference to Detroit residents to acquire and reuse the properties in their neighborhoods.

QUESTION 21: With respect to the disposition of the 8,000 homes to be saved, how will the City of Detroit maintain oversight and can the disposition activity be returned to City control for greater transparency?

ANSWER: Last year's proposal included a specific demolition review board which proposed City and administration appointed members to provide oversight and review an



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annual action plan for demolition. The City plans to propose a similar approach for this revised proposal.

QUESTION 22: What preferences will be given to Detroit residents to acquire and reuse the properties in their neighborhoods?

ANSWER: We are including this transmittal a copy of the DLBAs vacant land policies approved by the board in March of this year. Please weigh out expanded opportunities to acquire vacant land in neighborhoods.

QUESTION 23: Is this goal referring to vacant land after demolition or saved homes or both? What are the specifics of the plan to provide Detroiters with preferences?

ANSWER: This commitment includes currently vacant land as well as vacant land made available in the future at post demolition.

Goal 6: Combine the Neighborhood Improvement Bonds with other funding sources for broader neighborhood redevelopment.

QUESTION 24: What are the other funding sources the Administration, via the Neighborhood Improvement Plan, is contemplating to compliment neighborhood redevelopment?

ANSWER: The City's community development budget priorities will reflect this plan through the support provided to the Detroit Land Bank Authority, the City's CDBG and new monies provided to the City through HUD, sources that are one time in nature such as NSP or future CARES Act allocations.

QUESTION 25: What measures will be taken to ensure the expenditure of Bond proceeds does not result in the gentrification of neighborhoods?

ANSWER: Through the discounting described earlier and Building Blocks approaches described earlier, the city Plans to make sure that houses that are saved go to Detroiters as has been the case with 70% of the houses sold by the Land Bank to date.

Goal 7: Bring Accountability for the Demolition back under the oversight of City Government.

QUESTION 26: Bringing accountability back under the oversight of City Government, potentially allows for more checks and balances however there have been concerns with the City's ability to monitor the program in the past. How does the Administration plan to address past transgressions in the program related to contaminated dirt, improper fill, contractor and employee fraud, and mishandling of holes and removal debris?

ANSWER: Previously, the administration of all demolition contracting was done through the DLBA. Although the DLBA has a Council appointed board member the oversight



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was less complete than it will be going forward. As the HHF is closed out, all demolition activities, contract management and program oversight will shift completely to the Demolition Department. The new Demolition Department has performed a thorough assessment of the program and past issues and have updated and revised all of the past policies and procedures to address those past failures. As issues are brought forward we will address them and refine our policies and procedures. With a program of this scale, there will always be mistakes and problems: the criteria for success is if there is transparent leadership and correctly aligned oversight that is prepared to act on information. We believe we have aligned oversight and identified leadership capable of meeting this criteria.

Goal 8: Keep the property tax rate at current levels while supporting a \$250 million reinvestment in the neighborhoods.

QUESTION 27: **Keeping the property tax rate at current levels amounts to a tax increase given the potential for property owners to pay less taxes if the bonds are not approved. Why isn't this being communicated to give the public the most accurate picture?**

ANSWER: This is an inaccurate statement. Detroiters have the choice to either allow their taxes to go down by \$29 on average per year or to allow them to stay as they are today and have the benefit of the proposed rehabilitation and demolition proposal.

QUESTION 28: **How can the public trust other assertions being made if there isn't complete transparency provided with respect to the bond being a tax increase?**

ANSWER: There is simply a disagreement about this statement. Taxes are not going up as a result of this approach.

cc: Avery Peeples, Mayor's Office
Saskia Thompson, Exec. Director, Detroit Land Bank Authority

Attachments: DLBA Vacant Land Policy
DLBA Vacant Land Policy Resolution, Approved March 2020
February 2020 Board of Director's Report