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TO: Detroit City Council

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: February 1, 2022

RE: Dissolution of DLBA

The Legislative Policy Division (LPD) has received a request to provide a supplemental report regarding the dissolution of the Detroit Land Bank Authority (DLBA) as well as answers to questions regarding the City of Detroit's ability to undertake the management, disposition and demolition of the DLBA's property inventory.

As indicated in prior LPD report dated October 18, 2019, the DLBA is created under an Intergovernmental Agreement between the City of Detroit and the Michigan Land Bank Fast Track Authority (MLB), pursuant to Public Act 258 of 2003, Land Bank Fast Track Act. Under the Second Amended and Restated Intergovernmental Agreement between the City and the MLB (hereinafter the Agreement) the "Initial Term" of the agreement will end on or about December 19, 2023. Pursuant to Section 9.01 of the Agreement, after the Initial Term the DLBA shall continue until terminated by joint action of the Parties; or by the City Council and Mayor withdrawal under Section 9.02 which provides:

Either Party may withdraw from this Agreement after the initial term upon six (6) months' notice in writing to the City Authority and Parties as provided under Section 9.01; provided, however, that withdrawal by the City requires the approval of the City council and Mayor.

Prior to the DLBA dissolution, Section 9.03 of the Agreement provides that the DLBA must wind up its affairs as follows:

- (a) All of the City Authority’s debts, liabilities, and obligations to its creditors and all expenses incurred in connection with termination of the City Authority and distribution of its assets shall be paid first.
- (b) The remaining assets, if any shall be distributed to any successor entity unless otherwise agreed by the Parties, provided, however, that approval by the City requires the approval of City Council. In the event that no successor entity exists, the remaining assets shall be distributed as directed by the City unless otherwise agreed by the Parties.

As provided in the Intergovernmental Agreement, if the City Council and Mayor approve the withdrawal from the Agreement, the DLBA would be required to wind up all its affairs. In doing so, all of the DLBA’s obligations to creditors and any expenses incurred in undertaking the DLBA’s dissolution must be paid first. If no successor exists, the remaining assets shall go to the City unless otherwise agreed by the Parties. Once the remaining assets are distributed, the DLBA would no longer exist.

In addition to the statutory process outlined for dissolution of the DLBA, Council President Sheffield presented a number of questions to be addressed. LPD has attempted to address these questions to the best of our abilities.

- **How many properties does the DLBA currently manage, and how many are lots, residential parcels, or commercial parcels?**

According to the latest DLBA Quarterly Report for Q2 for 2022, the DLBA’s inventory consist of the following:

Total properties:	76,180		
Vacant land:	62,822	Structures:	13,358
Residential:	12,789	Non-Residential:	60
Accessory:	509	Side Lots for sale:	9,816
Neighborhood Lots for sale:	19,307		

- **What is the annual budget for DLBA operations?**

According to the submitted proposed annual budget for Fiscal Year 2022, the budget for DLBA operations is \$24,411,831.46. Included in the operations budget are the following revenue streams:

City of Detroit	\$11,000,000
Grants	\$ 160,000
Fee Revenue/Economic Dev	\$ 105,750
Side Lot Sales	\$ 275,000

Vacant Land Sales	\$ 200,000
Structure Sales	\$6,406,320
House Showing Fees	\$ 11,000
Pre-Inspection Fee	\$ 132,750
5/50 Revenue	\$ 850,000
Interdepartmental Transfer Disp/Ops	\$4,172,711.46
HHF/Property Maintenance Rnds 1-5	\$1,098,300

- **What is the annual cost to the City to maintain DLBA properties?**

LPD notes, the DLBA does not have a direct funding source other than the City to pay for operations. For this reason, the City undertook to cover much of the cost of maintaining DLBA properties under the General Services Department. The City appropriates \$3.5 million for the services provided in maintaining those properties.

- **What is the annual contribution of City funds to the DLBA for operations?**

As previously indicated the DLBA was not granted a funding stream under its statutory construct. The City has been responsible for providing much of the DLBA's operating budget through a budget appropriation of \$11 million for the 2021 Fiscal Year and the proposed 2022 Fiscal Year.

- **What is the current staffing level at the DLBA?**

According to the information provided to LPD during the 2021 budget process, the DLBA reported it had 133 Full Time Employees (FTE's) with 4 current vacancies. At the time the DLBA intended to fully staff all vacant positions during FY21. For FY22, the DLBA is budgeted for 147 FTE's.

- **Prior to the establishment the DLBA, which City department oversaw the maintenance and disposition of residential properties?**

According to the information LPD was able to ascertain, prior to the establishment and transfer to City owned properties to the DLBA, the management, sale and disposition of residential properties owned by the City was handled through the Planning & Development Department (P&DD)

According to the 2012-2013 Adopted Budget:

The Planning & Development Department's Housing Services Division responsibilities included but was not limited to, the restoration of vacant foreclosed properties that foster home ownership opportunities¹. The number of FTEs in the Housing Services Division was 28. The appropriation

¹ The Housing Services' Division is responsible for the preservation and improvement to the City's housing stock, through providing grant funding assistance for housing rehabilitation, new construction and lead remediation for low

for the Housing Services Division was \$2,636,993. The P&DD's Real Estate/GIS Division responsibilities included but were not limited to, the procurement, management, and selling of City owned real estate. The number of FTEs for the Real Estate Division was 5. The appropriation for the Real Estate Division was \$580,243.²

The designation of dangerous vacant properties and the demolition of residential properties was undertaken by the Building Safety, Engineering and Environmental Department (BSEED).³ The Adopted Budget for 2012-2013 did not list any FTEs for demolition administration, however, \$2,928,995 was appropriated.

The maintenance of vacant lots under the City's ownership was provided by the General Services Department (GSD) Grounds Maintenance Division. The Grounds Maintenance Division maintains all city-owned grounds, parks, right of ways, vacant lots and the urban forest. According to the 2012-2013 Adopted Budget the Ground Maintenance Division had 43 FTE's and an appropriation of \$3,117,284.

- **What was the annual cost to the City?**

As indicated above a number of City departments and divisions handled the maintenance and disposition of residential properties under the City's control.

The P&DD had two divisions Housing Services and Real Estate/GIS with a combined appropriation of \$3,217,236.

The BSEED had an appropriation for Demolition administration of \$2,928,995.

The GSD has a Grounds Maintenance Division that maintained all City owned grounds with an appropriation of \$3,117,284.

The total appropriated during 2012-2013 Fiscal Year that may have been available for the maintenance, disposition and/or demolition of residential properties in the City's control was approximately \$9,263,515.

LPD notes, the three City Departments would have better information on how the City handled its inventory of residential properties prior to the establishment of the DLBA. LPD further notes that during the 2012-2013 fiscal year the City was going through financial turmoil and many cuts and reductions were taking place throughout City government.

income, disabled and senior households for rental and owner-occupied properties. In addition, the Division provides funding for new construction and multifamily housing projects, mortgage/down payment assistance, supportive housing and the restoration of vacant foreclosed properties that foster home ownership opportunities.

² The Real Estate Development Division (merger of Development and Real Estate Divisions) is responsible for the procurement, management, and selling of City owned real estate, capital development projects, and the administration of NOF public facility rehabilitation contracts, for the purpose of developing and stabilizing neighborhoods.

³ The Building Safety, Engineering and Environmental Department (BSEED) description of services as stated in the adopted budget 2012-2013, include "Manage the Demolition process for obsolete, damaged and/or abandoned buildings that pose an imminent danger to the public."

- **How many City employees worked on residential disposition?**

As indicated above, the various departments and divisions provided the services regarding residential property maintenance and disposition. According to the Approved Budget 2012-2013 P&DD (Housing Services and Real Estate) had a total of 33 FTE's; The GSD had 43 FTEs for ground maintenance (includes all City owned property) and BSEED showed no FTEs for demolition administration. LPD notes Departments would be in a better position to indicate how personnel was utilized.

- **How many would be needed to bring residential disposition in-house?**

LPD does not have the expertise to ascertain how many FTEs would be needed to bring the residential disposition portfolio from the DLBA back into the City. However, a working group with expertise from the various departments and Human Resources should be able to provide a reasonable projection.

- **Does the City of Detroit have the authority and ability to provide quiet title for properties?**

The City has always had the authority to provide quiet title for properties. However, the DLBA has been provided special tools granted under the Land Bank Fast Track Act, MCL 124.759 *Expedited quiet title and foreclosure action; procedure*. The expedited quiet title tools include but are not limited to; the ability to include multiple properties on one petition to be submitted to the court; modified notification requirements; and expedited hearing schedule before the court. These tools enable the DLBA to provide a clear title to purchasers and allows for the properties to be placed back into productive use in a much quicker and more efficient manner than the City or other public or private entities could provide.

- **Could the DLBA continue providing quiet title, but transfer maintenance and disposition of residential properties to the City of Detroit?**

Pursuant to the Land Bank Fast Track Act, MCL 124.759, the DLBA must have title to the property in which it seeks to quiet title. The DLBA could not transfer title of the properties to the City and execute quiet title on the properties. However, the City and DLBA could enter into an agreement under which the City would be responsible for maintenance and disposition (sale or demolition) of the residential properties in the DLBA's portfolio. This would be possible unless there are any contractual obligations the DLBA has with another entity to provide those services to which an agreement with the City would interfere.

If we can be of further assistance, please call upon us.