



Michigan Blight Elimination Program FAQ's - August 2012

What is the Blight Elimination Program?

In March 2012, forty-nine state attorneys general including Michigan Attorney General Bill Schuette entered into a settlement with five of the nation's largest mortgage servicers following a lawsuit regarding mortgage foreclosure practices. Among other things, the settlement resulted in payments to states. Of Michigan's \$97.2 million share, state law allocates \$25 million to creation of a Blight Elimination Program to demolish vacant and abandoned properties and promote public safety, stabilize property values, and enhance economic development opportunities. The legislation allocates \$10 million to demolition in Detroit and \$15 million for demolition projects elsewhere in Michigan. The Michigan State Housing Development Authority (MSHDA), the Michigan Department of Human Services (DHS), and the Michigan Land Bank Fast Track Authority (MLB) are charged with selecting project areas, administering the funds, and facilitating demolition of blighted structures.

How will the blight elimination funds be allocated?

The blight elimination funding set aside for Detroit is being used in three project areas centered on eight schools selected as part of the state's Neighborhood Revitalization Initiative, a partnership between the state of Michigan, the DHS Pathways to Potential program, the city of Detroit, and Detroit Public Schools. These areas also coincide with the proposed strategic framework under development as part of the Detroit Works Project. The project areas include those near:

- Clark Preparatory Academy and East English Village Preparatory Academy in Detroit's Morningside and East English Village neighborhoods on the east side.
- Bagley Elementary and Bates Academy in north central Detroit.
- Neinas Elementary, Harms Elementary, Bennett Elementary and Clemente Academy in southwest Detroit.

For the remaining \$15 million, DHS, MSHDA and the MLB will select project areas through a competitive application process. The funds will be expended through the MLB or through grants to county land banks, local units of government or non-profit organizations. Proposals will be evaluated on anticipated impact in promoting public safety, stabilizing property values, and enhancing economic development. DHS, MSHDA, and the MLB will also consider geographic distribution of project areas when awarding funds.

What about the content of the application? What things will need to be included?

The application will require a detailed description of the proposed project including the post-demolition land use plan. It will require a description of the anticipated benefits in public safety, property value stabilization, and economic development. It will also require a description of local support for, and additional public and private investment in, the project.

Who makes the final decisions on which projects get the green light?

All applications for selection as a demolition project will be evaluated by DHS, MSHDA and the MLB.

How will DHS, MSHDA, and the MLB decide which projects are funded?

Project area selection will be a two-part process. First, applications will be scored on a 20-point scale, with a total of five possible points available in each of four categories: public safety, property value stabilization, economic development opportunities, and local support and additional investment. Second, DHS, MSHDA, and the MLB will consider geographic distribution, cost and size of the prospective projects.

Can funds granted under this program be reallocated if lead entities fall short in their end of the agreement?

Yes. Funding commitments will be revoked and funds reallocated if the lead entity fails to provide necessary information, fails to meet deadlines, fails to secure necessary agreements and approvals within established timeframes, or otherwise fails to cooperate with state partners in a manner sufficient to allow for the satisfactory completion of the process. Funds will be reallocated according to unfunded proposals or parts of proposals submitted as part of the application process.

Would it be better/more competitive if we submitted an application from several communities or even several counties that would have multiple sites or is it preferred that each community submits each building proposal separately? Our office works with communities in two counties so we could bundle them together at least at the county level or even regional level.

There are no points that will be specifically allocated to applications that come in as part of a regional approach. That being said – there are several program components that could be impacted by a decision to bring several communities together such as pricing and additional investment. Say, for example, that one community is leveraging other resources. Other considerations in your application decision might be if there is a regional or county-wide economic development strategy or approach to public safety.

Is there a cap on grant awards?

There is no specific limit on the amount of funding that can be requested under this program. Requests should be made in consideration of community need and of those properties that best aligned with the four categories (public safety, property value stabilization, economic development & local support/investment).

The 2012 MBEP Statement and Application states funds will be allocated to the City of Detroit and the rest of Michigan. The program statement goes on to say that the Detroit funds will be allocated in three target areas that surround eight schools. Will the program entertain applications for additional neighborhoods in Detroit from the \$15 million pool of funds?

No, the legislation dictates that the \$15 million must be spent outside of the City of Detroit.

Is this grant is limited to residential demolition projects or can also include commercial demolition projects?

Applications for commercial demolition will also be considered.

Are industrial demolitions eligible?

Due to time and funding restrictions, industrial demolitions are not being considered at this time.

What is meant by the statement “publicly-owned blighted property is automatically eligible for demolition” – do I still need to fill out an application for these properties?

All demolition requests must go through the application process and will be evaluated and scored based on the published criteria. The clarification on publicly-owned properties being automatically eligible only refers to the eligibility of the property itself. Property that is blighted and publically owned is immediately eligible, while blighted property that is privately owned isn't eligible until it's gone through the required local approval process, such as a local dangerous building ordinance.

If the City is awarded funds through the Direct Demolition option what involvement does the City have during the actual demolition process? From the information I read it sounds like if we choose the Direct Demolition option there isn't much the City would have to do.

The role of the local municipality in a direct demolition scenario is more limited, however participation is still required. The local municipality must work cooperatively with MLB to secure the agreements necessary to complete the local demolition including but not limited to utility clearances, ordered demolition letters and site inspections. The municipality would also be responsible for ensuring ongoing maintenance and post-demolition planning/care.

When you evaluate applications will preference be given either Direct Demolition or Local-Level Grants? Is it advantageous to apply for one or the other?

There are no points assigned to submitted applications for either a direct demolition or a local-level grant.

If the City applied for the Direct Demolition, the application information says cost estimates are not necessary; is it preferred or doesn't it matter?

MLB will bid and negotiate pricing based on volume for direct demolitions so cost estimates are not necessary.

If the scheduled property for demolition is privately owned (such as a home owner or business owner) are there any extra requirements or does it make it more difficult? Or would we just have to get their permission to demolish the structure?

Legal authority must be obtained before privately-owned structures may be demolished. This may take the form of the owner's agreement, court order, or order of demolition from the appropriate local government entity (city council, board of appeals, etc.) issued after completion of the dangerous buildings process set forth in the Housing Law of Michigan, MCL 125.538-125.543, if adopted by the local government, or the equivalent local ordinance process.

The application materials mentioned an actual application form, is there one? I couldn't find one on the website.

The application format is located on page 4 of the following link:

http://www.michigan.gov/documents/dhs/Michigan_Blight_Elimination_Program_Statement_and_Application_Final_Reformatted_397606_7.pdf

As part of the demolition is money allocated for removing basements and foundations as well as site restoration such as filling and seeding the site to make it green space?

Removing basements and foundations as well as filling and seeding are all eligible costs under the program.

Is there any dollar match requirement on the part of the City?

There is no specific amount of match required, however, you should note that category 4 in the application scoring criteria awards encompasses other investments or matching funding being leveraged.

Is more than one application allowed from a single lead entity? On a related point, if an entity seeks demolition funds for a few scattered properties, is it better to file a single application or multiple applications?

More than one application is allowed from a single lead entity if the entity seeks funding for distinct projects. To a large extent, decisions about whether proposed demolitions constitute a single project or multiple projects are within the discretion of the lead entity. In making such decisions, the lead entity should consider the proximity of the proposed demolitions, whether the demolitions are consistent with a single local/regional planning document, are in similar areas in terms of types of use, levels of vacancy, property conditions, and similar factors.

Even if proposed demolitions are presented as separate projects, coordination of, and local and regional support for, multiple projects is relevant, particularly under Category 4 (Local Support and Additional Investment), and may strengthen individual applications.

Can demolition funds be used for deconstruction?

Yes. Applications for projects involving deconstruction will be considered. In evaluating such applications, particular attention will be paid to projected timelines and measures in place to ensure participant safety.

Is there a possibility that one or more projects will be partially funded?

Yes. High demand for demolition funding under this program and the statutory requirement that the funds be equitably distributed statewide may make it necessary to consider partially funding projects or funding parts of projects. Such decisions will only be made to the extent that the project as funded meets the overall goals of the program.

What do you mean by a proposal that seeks to demolish structures in a low- or moderate-vacancy neighborhood to prevent further decline serves the goal of stabilizing property values? Do you mean that you are looking for projects located in areas where there are relatively few vacancies? Do you want projects in healthy neighborhoods or in areas of high vacancy rates?

In evaluating the proposals and points in this category we will consider the vacancy data available for a given census tract. Specifically, we will look at the census tracts of the proposed project using combined sums of for sale, for rent or “other vacant”. We’ve analyzed this data across the state – and found that for the Michigan census tracts outside of the City of Detroit (which aren’t eligible for this program) the median vacancy is 6.2%. We’ve published a data set by census tract to the Blight Elimination site – but generally will consider low vacancy to be under 5.5%, Moderate vacancy to be between 5.5% and 7% and High Vacancy to be those tracts above 7%.

That said – this should not be interpreted to mean we prefer projects in only areas with low to moderate vacancy. We know that communities are tackling broad Blight Elimination strategies community wide. While sometimes this might mean tearing down a building in an area with low vacancy – it could also mean working in an area that is adjacent to a low-moderate income area to prevent decline or blight from spreading into otherwise stable neighborhoods. We also know that sometimes a community resource (such as a school, commercial hub, etc.) might be in an area struggling with residential vacancy – and envision this funding might be helpful in preserving community assets as well.

Do we have to go through the State Historic Preservation Office (SHPO) review for this project?

This program isn’t being funded with a federal source, so a review by SHPO is not required. However, applicants must identify whether or not the site proposed for demolition is located within a local historic district or is listed on the National Register of Historic Places. Compliance with all applicable laws such as the Local Historic Districts Act and all local ordinances is required.

Can applicants for a local level grant charge staff time for activity delivery above and beyond the allowable 5% to the project such as in the NSP program?

No. No more than 5% of funds awarded under this program can be spent on costs related to administration, project management, and applicant’s project delivery costs.

Are you expecting the properties to be redeveloped?

There is an expectation that there is a land-reuse plan for each property demolished identifying how the property will be owned, maintenance ensured and proposed future use. However, we recognize that development may not be the best option in some places and green space is acceptable.

Can funding for maintenance and disposition count as match?

Yes, funding for maintenance and disposition will be considered as leverage under scoring category 4, presuming that firm written commitments are documented at the time of application.

Is there a minimum award? How about a maximum?

There is neither a minimum nor maximum grant award.

How will I know about any changes in the process as it unfolds?

Updates and any changes to the application process will be posted on the DHS, MSHDA, and MLB websites. You may wish to bookmark the relevant webpages (where you are now).