



MICHIGAN NSP2 CONSORTIUM

POLICY AND PROCEDURES MANUAL

DEMOLITION REQUIREMENTS MODULE

❶ DEMOLITION POLICY AND PROCEDURES ❶

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I. INTRODUCTION

This chapter provides NSP2 policy and guidance on the demolition of blighted property within income eligible census tracts. MSHDA will work with Cities and Land Banks to ensure that their demolitions comply with regulations and meet eligibility requirements. MSHDA will also assist in assuring that the total dollar amount spent on demolition complies with the waiver the Michigan NSP2 Consortium received. The waiver allows the Consortium to use up to 32% of their total award on demolition costs. MSHDA will analyze how much the cap should be increased to meet the demand of communities and collaborate with the Grantees to adjust their budgets.

Demolition activities are governed by many of the same principles and regulations as are housing construction projects. This chapter covers the regulations and requirements that are unique to demolition activities under NSP2. These apply to your project whether it is a demolition only project, phase of a new construction housing project, or long-term land banking.

A. Key Terms

Asbestos: Naturally occurring silicate minerals with long, thin, fibrous crystals. Asbestos became popular as a type of insulation, and in a variety of building products because of its tensile strength; heat, electrical, and chemical resistance; and its sound absorption. It has been found that the inhalation of asbestos fibers can cause serious illnesses, such as lung cancer, asbestosis, and mesothelioma. It is most susceptible to inhalation when it is disturbed so that it creates dust. Products with “friable” asbestos are so weak and soft that they can be crushed with simple finger pressure.

Blighted: A blighted property is a blighted/abandoned/uninhabitable property that meets any of the following criteria:

- Declared a public nuisance in accordance with local housing, building, plumbing, fire, or other related code or ordinance.
- Attractive nuisance because of physical condition or use.
- Fire hazard or is otherwise dangerous to the safety of persons or property.
- Has had utilities, plumbing, heating, or sewerage disconnected, destroyed, removed, or rendered ineffective for a period of 1 year or more so that the property is unfit for its intended use.
- Has a subsurface structure or demolition debris that renders the property unfit for its intended use.

NOTE: Property owned by a Land Bank is NOT automatically deemed as blighted. All project files must contain a written blighted certification letter which indicates which of the criteria that specific property meets deeming it blighted.

Condemnation: The legislative, administrative or judicial process and procedure whereby real property, usually a structure, is deemed legally unfit for occupancy or continued existence due to its physical defects or for other causes, such as use of the property for illegal purposes. A property may be condemned without the owner's consent.

Deconstruction: A demolition strategy that is the selective dismantling or removal of materials from buildings before or instead of crushing and burying valuable building materials. A deconstruction process salvages not just the most readily available components but also extracts

additional materials. Reclaiming wood millwork, windows, doors, cabinetry, flooring, wall studs, joists, copper piping and wiring, lighting and plumbing fixtures, appliances, concrete, and other masonry prevents those materials from clogging up landfills, whether they are repurposed for use in another project or sent to industrial recyclers to go back into the product stream.

Historic Preservation: The recognition that properties potentially slated for demolition may have historic significance that needs to be considered, either because of their architectural elements or because of their connection with historic events.

Lead-based paint: A type of paint that contains lead, a toxic heavy metal. Significant amounts of lead were used in paint for residential uses until 1978. Deteriorated lead-based paint, and dust containing lead is hazardous.

B. Demolition Project Eligibility

The demolition of buildings is an eligible activity under the NSP within certain defined limits, and following certain requirements and protocol as described on the following pages.

NSP2 Requirements

The following should be considered when determining the eligibility of potential demolition projects under the NSP.

All demolition projects must meet one of the following national objectives.

- a. **Low, Moderate and Middle Income Beneficiary (LMMI):** There is a direct benefit resulting from the final activity completed on the site. For NSP2, a blighted structure is demolished and a new house is redeveloped in its place. This new house is then sold or rented to an income eligible (below 120% of area median income) LMMI household. Note that the final activity in this case would be redevelopment and the property must be residential.
- b. **Low, Moderate and Middle Income Area Benefit (LMMA):** More commonly through demolition only activities and demolition of a property to be land banked (Eligible Use C).

Demolition is an eligible stand alone activity that meets the LMMA national objective by itself with no identified end use under only two circumstances 1) the property is blighted, is in an LMMA area and is an **extreme** documented threat to public health and safety or 2) is blighted, is in an LMMA area and the area is part of a comprehensive strategy for revitalization.

Note that commercial, industrial, or other types of structures may, under limited circumstances, be demolished in addition to homes and residential structures. **MSHDA will review and approve non-residential demolition on a case by case basis.**

Properties to be demolished and then land banked must be foreclosed residential.

See the Module 1 Michigan NSP2 Consortium “Policy and Program Guidelines” for additional information on meeting a National Objective.

All demolition projects must be located in eligible LMMI targeted census tracts as listed in the consortium’s application to HUD for funding. Please refer to the “Policy and Program Guidelines,” “Michigan NSP2 Consortium Targeted Census Tracts”.

Demolition of public housing is prohibited.

Garages or other subsidiary structures cannot be demolished if the parcel contains housing structures that are privately-owned and not part of an NSP2-funded redevelopment project.

Property must meet the definition of blighted as described within the consortium's application to HUD. See the definition of blighted at the beginning of this module and the *attached sample "Blight Certification Letter."*

If stand-alone demolition and defined as blighted, grantee may demolish non-residential structures with MSHDA approval. Non-residential property must also be within an LMMA NSP2 Census Tract and be included within the target area redevelopment plan.

If **the property to be demolished is owned by another entity**, then the Grantee or its Consortium Partner must have a written approval by the owner or a legally approved condemnation order. A title search is required to ascertain ownership and the presence of any lienholders associated with the property need to be formally notified and given adequate notice.

Environmental and Historic Review

1. **Prior to demolition of a residential property**, grantee must receive clearance on all environmental review requirements, as outlined in the "Module 1 Michigan NSP2 Consortium Policy and Program Guidelines," particularly the site-specific Tier II requirements related to historic preservation for residential property. For each Tier II review of a residential property, the project file should contain a copy of the completed site specific Environmental Review Record (ERR) Checklist and the required historic review documentation and approval letter.
2. **Prior to demolition of a non-residential property**, grantee must receive clearance on all environmental review requirements (including Historic Review), as outlined in the "Policy and Program Guidelines".

Note: Since MSHDA’s initial Environmental Review for NSP only anticipated demolition of residential properties, demolition of a nonresidential property will require an individual NEPA review supported by a Phase I Environmental Assessment. The Phase I assessment and other supporting materials must be reviewed and approved by MSHDA’s Environmental Review Officer prior to publication of Notice of Finding of No Significant Impact (FONSI) on the Environment and Notice of Intent to Request Release of Funds.”

Lead-based Paint

Lead-based Paint Risk Assessment and Abatement are not required if a demolition project, but a risk assessment is required for deconstruction on projects where the structure is older than 1978. The assessment and clearance requirements are as follows:

	Deconstruction:	Deconstruction:	Deconstruction:
Requirements	Less than \$5,000	\$5,000-25,000	More than \$25,000
Evaluation	Test painted surfaces to be disturbed (or Standard Treatments)	Risk Assessment	Risk Assessment

Work Requirements	Safe Work Practices above de minimus levels	Interim controls for any LBP hazards	Abatement of any LBP hazards
Clearance	Clearance of any hazard control work sites	Clearance of entire unit	Clearance of entire unit

Asbestos

Asbestos Survey and Full Abatement are required on Demolition and Deconstruction projects where the **structure** was built prior to 1981. The requirements are as follows and guidance on how to comply with Asbestos requirements are found at: http://www.michigan.gov/dleg/0,1607,7-154-11407_15333_15369-41734--,00.html

Activity Requirements Evaluation	Demolition/Deconstruction
	Comprehensive Asbestos Survey Prior to initiation of Demo Activities
Work Requirements	Work will disturb asbestos and require removal of materials
Clearance	Full Abatement

Davis Bacon for Demolition Projects with Re-use Plans

For the purposes of Davis Bacon, evidence of a planned re-use includes but is not limited to contract specifications, disposition plans, budgets, applications for assistance, and similar records. NSP2 follows CDBG Davis Bacon Requirements and property under NSP2 can only be redeveloped as housing. So for Demolition Projects of **Residential Structures that will be redeveloped into housing**, the following conditions apply:

1. If the demolition is part of a redevelopment project resulting in residential property of eight (8) or more units, Davis Bacon applies.
2. If the demolition is part of a redevelopment project resulting in a residential property of fewer than eight (8) units, Davis Bacon is not applicable.

Note: For both examples above, a “residential property” is defined as one or more buildings on an undivided lot or on contiguous lots or parcels, which are commonly-owned and operated as one rental, cooperative or condominium project. Examples of 8+ unit properties include:
5 townhouses side-by-side which consist of 2 units each.
3 apartment buildings each consisting of 5 units and located on one tract of land.
8 single-family (not homeowner) houses located on contiguous lots.”

3. If the demolition is part of a redevelopment project resulting in a mixed-use property that includes both residential and non-residential uses, Davis Bacon will apply. Note that in such a

project, all costs associated with the non-residential portions of the building must be paid with non-NSP funding.

Please contact your MSHDA Community Development specialist for further guidance when providing NSP2 funds to a project involving a mixed use building for technical assistance on Davis-Bacon requirements.

Davis Bacon for Stand-Alone Demolition Projects without a Re-use Plan

Demolition, by itself, is not necessarily considered to be construction, alteration or repair (i.e. activities to which Davis-Bacon requirements may apply.) As a result, Davis-Bacon is not triggered by demolition work alone. Therefore, when there is not a re-use plan, demolition only projects are not covered by Davis-Bacon requirements.

Please refer to the letter, “Labor Relations Letter: LR-09-01 Davis-Bacon applicability demolition work” found at <http://www.hud.gov/offices/adm/hudclips/letters/09-11r.pdf>. Evidence of a planned re-use includes but is not limited to contract specifications, disposition plans, budgets, applications for assistance, and similar records.

C. Demolition as an Eligible End Use

Broadly speaking, the NSP regulations expect that any NSP assistance to a property will lead to an NSP-eligible end use of that property, typically as LMMI housing. There are, however, limited circumstances under which NSP funds may be invested exclusively in the demolition of a blighted property under Eligible Use D with that demolition being treated as a stand-alone activity or end use. This policy is intended to discuss such cases and guide consortium members through how to qualify such a property, the considerations that surround demolition as a stand-alone activity, and the limitations on subsequent disposition of such properties toward non-NSP eligible purposes.

In all cases, the discussion below is limited to properties for which NSP funding was used only for demolition under Eligible Use D. Once NSP funds are used to acquire or maintain a property under any other eligible use category, there are specific requirements for the subsequent reuse of such property that apply—namely that the property must result in an NSP eligible reuse, the specifics of which vary somewhat between Eligible Uses B, C, and E.

MSHDA consulted with HUD’s Frequently Asked Questions and with HUD Technical Assistance providers prior to putting this guidance into writing. Following is the rationale to justify the use of demolition as an eligible end use.

Demolition is an eligible stand alone activity that meets the LMMA national objective by itself with no identified end use under only two circumstances:

1. The property is blighted, is in a LMMA area and is an extreme public health and safety hazard. HUD has determined that a national objective is met only when there is a extreme condition such as a fire hazard, a risk of collapse, a harboring of illicit activities, or other condition that is an immediate, serious and documented risk to the community. Please note a property that is an eyesore or a market negative does not meet the extreme threshold.

OR

2. The property is blighted, is in a LMMA area, and the area is part of a comprehensive area strategy for revitalization. HUD has determined that properties which are part of such a comprehensive strategy may be demolished and be considered an area benefit (LMMA).

MSHDA believes that the first circumstance identified above will rarely be needed or used by consortium members. The second circumstance will be the most likely used as all consortium members are implementing the comprehensive strategies identified in the NSP2 Consortium Application. Michigan's NSP2 application to HUD described focused investment to support strategic, long-term revitalization leading to housing development in target neighborhoods. Based on that objective, Michigan's NSP2 target census tracts meet HUD's criteria as areas where the grantee is undertaking a "coordinated program of redevelopment and/or rehab and/or new construction and/or other improvements, including other demolition, in a target area, which together can reasonably be expected to improve the area, can also qualify as LMMA." (Quote is taken from HUD FAQ #545).

In this context, **demolition only** is an acceptable stand alone end use subject to the following conditions:

- property is in the NSP2 target census tract and in an LMMA area;
- property is in a neighborhood where land use is primarily (i.e. majority) residential;
- property is being demolished 1) as an extreme public health and safety hazard **or** 2) as part of a comprehensive neighborhood plan that includes other non-demolition components and the demolition is central to a comprehensive area strategy for revitalization;
- property meets the definition of blighted contained within the consortium's application to HUD as follows:

Definition of Blighted Structure

A blighted property is a blighted/abandoned/uninhabitable property that meets any of the following criteria:

- Declared a public nuisance in accordance with local housing, building, plumbing, fire, or other related code or ordinance.
- Attractive nuisance because of physical condition or use.
- Fire hazard or is otherwise dangerous to the safety of persons or property.
- Has had utilities, plumbing, heating, or sewerage disconnected, destroyed, removed, or rendered ineffective for a period of 1 year or more so that the property is unfit for its intended use.
- Has a subsurface structure or demolition debris that renders the property unfit for its intended use.

NOTE: Property owned by a Land Bank is NOT automatically deemed as blighted. All project files must contain a written blighted certification letter which indicates which of the criteria that specific property meets deeming it blighted.

NOTE: Commercial, industrial or other types of structures may, under limited circumstances, be demolished in addition to homes and residential structures. **MSHDA will review and approve**

non-residential demolition on a case by case basis. Please note a NEPA/Phase I will be required for demolition of a non-residential structure.

Submitting Non-residential Demolition to MSHDA:

Consortium members proposing to demolish non-residential property as a stand-alone project not leading to an NSP2 eligible redevelopment must obtain pre-approval from MSHDA. You should contact your CD Specialist early in the process to discuss the project, and prior to moving forward a letter and supporting documentation should be submitted for review that demonstrates consistency with each of the criteria noted above. MSHDA will review the submission to ensure that the project meets each of these criteria, especially that the demolition is central to a comprehensive redevelopment plan that includes other NSP activities. We expect that such projects will be rare.

In such cases, we suggest that local consortium members consult MSHDA before starting the Phase I and NEPA processes to ensure that the project, but for environmental considerations, will be approved.

Acquisition with Demolition:

At this time (March, 2011), this italicized section represents MSHDA's current policy on projects that include both acquisition and demolition. Continued discussions are underway with HUD, TA providers, and others to determine if any additional project paths may be available; if those discussions yield a broader interpretation, updates to this section will be published.

As further itemized below, if NSP2 funds are used to acquire a property that is then demolished, the future reuse of the property must be NSP2 eligible, namely that the property must be redeveloped as LMMI housing, transferred as a side-lot to an adjacent LMMI homeowner, or transferred to an eligible LMMA service provider. More specifically:

- *Any demolition activities for property acquired under Eligible use C-Land Banking must additionally be foreclosed residential properties and are subject to redevelopment requirements within 10 years under the applicable HUD regulations related to Land Banking;*
- *Any demolition activities for property acquired under Eligible Use E-Redevelopment of Demolished/Vacant Properties must be vacant and be redeveloped as housing, under the applicable HUD NSP2 regulations, within the grant term.*
- *Any demolition activities for property acquired and/or redeveloped under Eligible Use B – Rehabilitation of Foreclosed or Abandoned Properties must be foreclosed or abandoned and rehabilitated/redeveloped as housing within the grant term.*

Demolition of Property Owned by Consortium Member:

Implicit within the policy framework above is the opportunity for an NSP2 consortium member to demolish a blighted property it owns or acquired through means other than NSP2—such a land bank that obtained a property through the tax foreclosure process—as a stand-alone activity. However,

the underlying CDBG rules incorporated into NSP still impact the subsequent reuse of such a property. 24 CFR 570.505 contains specific expectations when grantee-owned (i.e. consortium member) property is assisted with CDBG, and by extension, NSP funds.

First, the property could subsequently be disposed of toward an NSP2 eligible end use. Generically, this is the program's preferred outcome, pushing all assisted properties toward an NSP2 eligible redevelopment.

However, in other cases, the consortium member may determine that an NSP2 eligible reuse is not practical or achievable due to market considerations, site limitations, or the like. In such cases, the consortium member may dispose of the property toward a non-NSP2 eligible reuse subject to the following conditions:

1. Subsequent sale of the property should be consistent with the neighborhood redevelopment plan initially used to qualify the demolition as a stand-alone activity; and
2. Sale should be at market value (unless being donated to a nonprofit organization or governmental unit) with net proceeds of sale used:
 - a. First to repay any documented, necessary, and reasonable non-NSP direct costs incurred by the consortium member in the acquisition of the property; and
 - b. Second deposited as Program Income.

This discussion is limited to properties where NSP2 funds are used exclusively for demolition, and no NSP2 funds were used to acquire or maintain the property. Once NSP2 is used to acquire or maintain the property, there are specific requirements about subsequent reuse of the property that cannot be removed by a sale and collection of Program Income.

If you have any such properties or require advice on this issue, please contact MSHDA for further guidance.

NOTE: Regardless if demolition is part of an acquisition or stand alone strategy; all cross-cutting requirements (environmental/historical, etc.) must be met.

Additionally, the total expenditure for demolition by all consortium members may not exceed 32% of Michigan's overall award.

D. Demolition of Projects in a Flood Plain

Because NEPA requirements limit the ability to build or develop in a flood plain, and the cost of flood insurance generally works against the affordability of housing, local consortium members should not acquire properties in a flood plain. Demolition of such blighted properties, as a stand alone activity under the criteria noted above is both acceptable and, to a limited degree, encouraged since removing structures from the flood plain can have broad benefits to a neighborhood redevelopment effort.

If you previously purchased a property that is in a newly designated flood plain, please contact your CD Specialist to discuss the challenges this may create. MSHDA will help determine the best approach to such properties on a case-by-case basis.

E. Types of Demolition Projects and Related Issues:

Type of demolition project	Description of this type of project	Specific issues that need to be considered for this type of project
Stand-alone demolition	Demolition of one or more structures on property that will not be purchased by the Grantee or its Consortium Partner.	<ol style="list-style-type: none"> 1. The Grantee or its Consortium Partner must have written approval by the owner or a legally approved condemnation order. 2. A minimum five year, forgivable, not prorated lien will need to be placed on the property in the amount of NSP2 assistance.
Demolition on acquired property	Demolition on property that will be acquired through or during the NSP2 program	<ol style="list-style-type: none"> 1. A number of issues directly related to the acquisition of the property, including limits on the purchase amount, regulatory issues regarding environmental review, the uniform, relocation act, tenant rights, and requirements regarding the status of the property (abandoned, foreclosed, or vacant). For information regarding acquisition, reference the acquisition module of this policy and procedure manual. 2. Property that has been acquired must have an eligible reuse, either through redevelopment by 12/31/2012, or land banking (temporarily up to 10 years), transfer to an eligible LMMI beneficiary or for future redevelopment/transfer of ownership to an LMMI Service Provider. Thought should be given to the best reuse of the property prior to purchase and demolition. 3. The need to pay for and address insurance and security requirements related to the property before and during demolition. 4. The need to pay for and address maintenance issues related to the property before, during, and after demolition.

Demolition on previously owned property	The demolition of property which is already owned by the Grantee or its Consortium Partner prior to April 9, 2010 Release of Funds date or Grantee acquired property with <u>non</u> -NSP2 funds (prior to 2/10/2010).	<ol style="list-style-type: none">1. There are a number of issues that will need to be addressed relative to the prior acquisition of this property.<ol style="list-style-type: none">a. Environmental Review: If owned prior to February 10, 2010, provide evidence that it was acquired through foreclosure, if applicable, or that an ER was completed prior to purchase.b. Tenant protections: <u>Only applies if property was foreclosed.</u> The “questionnaire on compliance with NSP tenant protection requirements” in the appendices to the PPM, Module 5, Acquisition, must be completed and all tenant protection requirements fulfilled and documentation completed as outlined in Module 5. <p>For further information regarding these and other issues associated with acquisition, reference the acquisition module of this policy and procedure manual.</p> <ol style="list-style-type: none">2. The need to reuse this property in some eligible way if NSP2 funds are put into it for anything beyond demolition.3. The need to pay for and address insurance and security requirements related to the property during demolition.4. The need to pay for and address maintenance issues related to the property during, and after demolition, especially if “demolition only” is the end reuse for NSP2. Any other NSP2 funds to acquire or maintain the property will require the Grantee to redevelop by February 10, 2013 (if acquired under Eligible Use B or Eligible Use E) OR redevelop by February 10, 2020 (if acquired and/or maintained under Eligible Use C.)
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Demolition of large structures	<p>The demolition of commercial, industrial, or other large structures</p> <p>Requires MSHDA pre-approval.</p>	<ol style="list-style-type: none"> 1. In addition to the typical lead-based paint and the relatively small amounts of asbestos found in most of the housing stock, commercial and industrial structures may contain a much wider array of hazardous substances. The remediation of these can be very expensive. 2. The size and construction of many commercial and industrial structures can make them very costly to demolish. Keep in mind that there is a cap on the amount of NSP2 funds that can be spent on demolition and think carefully about the overall cost benefits of demolishing this type of structure. 3. The overall goal of the NSP2 program was to address the vacancy and abandonment of houses caused by the foreclosure crisis. Therefore, grantees must demonstrate that demolishing large commercial and industrial structures in NSP2 target areas further the goals of NSP2, threatens public health and safety, and increases the quality of life and marketability in NSP2 target areas. This should be a rare occurrence under NSP2. 4. Requires a project specific NEPA review and Phase I Assessment approved MSHDA.
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II. WORKING WITH PROGRAM PARTNERS

Because the demolition of property often involves a number of related activities such as acquisition and/or redevelopment, and because demolition often requires other complicating processes such as condemnation or hazardous material removal, it is important to develop a number of partnerships and to develop good working relationships. Some of these relationships are known going into the program. For example, a consortium of partners including city governments, land banks, and MSHDA were involved in applying to the U. S. Department of Housing and Urban Development (HUD) for the NSP2 funds.

Other relationships may not be so obvious on the surface. For example, the utility companies responsible for turning off and disconnecting the utilities will likely be partners with you in this endeavor. The better the working relationship with each of your partners, the more efficiently your program will operate.

Other potential partnerships that may need to be considered and fostered include the following:

- State and federal agencies with which you may be required to interact such as HUD, the State Historic Preservation Office, the Department of Natural Resources, and the Environmental Protection Agency.
- For profit and non-profit developers, contractors, realtors, appraisers, and consultants with whom you may work.

- Other city departments with whom you will need to work in order to complete the projects. For example building, code enforcement, engineering, planning, fire, and law enforcement personnel may all be required to demolish a property.
- Politicians, neighborhood groups, research institutions, lobbyists, advocates, and others who may be involved in decisions about what is right for a city or a particular neighborhood.
- Financial institutions, other government entities, and foundations that may provide additional project funding.

Additional information on working with partners is available in the PPM, Module 3: The cultivation of developers and program partners.

A. How Can Partnerships Be Facilitated?

Developing good relationships with partners is important to the smooth and efficient operation of a program. Following are some ways that good working relationships can be facilitated.

Recognize and acknowledge your partners. Understanding how another department or agency affects your ability to efficiently meet your goals is vital to your success.

Let them know of your goals. Take time to outline your process and desired outcomes. Explain to them what you are trying to accomplish, and why it is important to the overall goals of the community.

Look for road blocks. Find inefficiencies and points where the process gets bogged down.

Make agencies aware of your needs. Explain how their decisions, processes, and timing affect your results.

Find out how you can help them to help you. Maybe they need more detailed information, or need you to adjust how you do things in order for them to move more quickly.

Work together to develop a better delivery system. Communication and recognition of your partnership are keys to success.

Thank your partners for their help, and let them know that they are appreciated. If possible, do so publicly.

B. Making Use of a Demolition Facilitator (Recommended, but not required.)

A demolition facilitator is a person who is responsible for the handling of demolition projects from start to finish. That does not mean that they handle every aspect of demolitions directly, but it means that they are responsible for coordinating all of the various processes and agencies to ensure that the demolition projects move forward efficiently. There are a number of duties that need to be covered in handling demolition projects, including the following:

- Identification, Selection and Inspection of units to be demolished
- Determination of an end use for property
- Identification of qualified demolition contractors
- Development of a scope of work and bid packet
- Management of the bidding process
- Demolition contractor oversight
- Final property inspection
- Acquisition of property (if applicable)

- Management of maintenance, insurance, and security (if applicable)

III. DETERMINING WHEN DEMOLITION IS AN EFFECTIVE STRATEGY

In working toward the overall goals of NSP2, such as community and economic revitalization, the reestablishment of the housing market, the stimulation of reinvestment, and the mitigation of the effects of foreclosure, vacancy, and abandonment; demolition is just one of several tools in the toolbox. The effectiveness of demolition as a strategy varies with each neighborhood type and project situation.

A. Understanding Different Neighborhood Needs

Below are some descriptions of different neighborhood types and discussion about demolition as a strategy within each type of neighborhood.

Healthy neighborhoods: Healthy neighborhoods are neighborhoods where the market is largely sustaining occupancy and real estate transactions. Homes in these neighborhoods are generally reasonably well maintained, and there is an above average share of the housing stock that is owner occupied. In the present economic climate, even otherwise healthy neighborhoods are in some distress. Market transactions take considerably longer than normal, and job loss and a loss of market value has resulted in some foreclosure activity.

In this type of neighborhood, market forces generally resolve vacancy and abandonment issues. Though in some distress now, these neighborhoods will be the first to rebound when the economy improves, loss of property values will typically be less than in the other neighborhood types. Any blighted properties will be more likely to be purchased by speculators or adjoining property owners and cleaned up. For these reasons, demolition generally does not make sense in this type of neighborhood. However, these neighborhoods fall within a range, and need to be watched closely to ensure that they do not fall into the tipping point category, as described below. Occasionally, if these neighborhoods fall within an eligible census tract, it makes sense to go in and remove one or two blighted buildings to ensure that the neighborhood market values remain stable. The goal is to keep these neighborhoods healthy and to stop the job loss and improve the housing market so they can recover.

Tipping point neighborhoods: In these neighborhoods there has been some marked decline. There are often a significant number of houses for sale and/or rent and a number of vacancies. However, these neighborhoods are still vital. Occupancy is often a mix of owners and renters, and the majority of units are occupied, though the vacancies are increasing and the home values are falling. Generally, less than 20% of the properties are blighted. For the most part, people still maintain their properties, though the number of properties not maintained is growing.

Like the healthy neighborhoods, these neighborhoods fall into a rather broad range. Therefore the strategies necessary will vary from neighborhood to neighborhood. In general, the goal is to stop the bleeding and to begin to turn these neighborhoods in a positive direction so that market forces will take over.

Demolition will likely be a part of that strategy. In most cases, properties will be selected on a scattered site basis for rehabilitation and demolition, hoping that taking care of the worst properties will stimulate the private market to take over and recover. Thought needs to be given to the future

use of lots remaining from demolition projects. How will they best fit into the overall neighborhood fabric? There are a number of options including their sale or donation to adjacent property owners, redevelopment, or transfer to a certified LMMA Service Provider. In each case, you need to look at the broader requirements that go with the subsequent plan for that property.

Revitalization neighborhoods: These neighborhoods have often seen considerable decline over years or even decades. Vacant, boarded up houses are noticeable, and there is a mix of occupied and unoccupied units. Often occupancy is primarily renters. Many properties are not well maintained, and 20 – 70 % are blighted. These neighborhoods again fall into a broad range, but are generally unable to become vital in the marketplace again, without substantial outside assistance.

The strategies necessary to revitalize these neighborhoods will vary based upon the needs and specific characteristics of each neighborhood. Often the assistance will include concentrated work in a small targeted area and radiating from there into the surrounding neighborhoods. This concentrated work will usually involve multiple activities including rehabilitation, infill development, streetscaping, infrastructure improvements, and demolition.

Redevelopment areas: These areas have seen the most decline. Though once vibrant neighborhoods, lost industries and decades of disinvestment have caused these communities to become almost virtual ghost towns. Abandoned, blighted houses are everywhere, with over 70% of the properties blighted. A minority of houses are occupied, usually by renters or illegal occupants. Maintaining basic utilities and city services to these areas usually places a burden on the City.

There are two primary strategies that will generally be applied to this type of neighborhood, as described below. In both of these strategies, widespread demolition plays a key role:

- **Reinventing the neighborhood:** In this strategy, much, or all of a neighborhood will be demolished, and the neighborhood will be redeveloped. Sometimes a few of the original properties will be saved and will serve as a design element for the new neighborhood. Other times the entire neighborhood will be razed and redeveloped with a new plan. This strategy will often make sense where a critical mass of properties of character remain in reasonably good condition; where adjacent neighborhoods contain important community anchors that need protected; or where adjacent neighborhoods are being revitalized.
- **Shrinking toward prosperity:** In this strategy whole blocks or neighborhoods are razed and the property turned into vacant land, which may be land banked for future redevelopment. This strategy is often used where few of the properties are salvageable and there is an overabundance of housing in the region.

B. Considerations Prior to Determining Project Feasibility

There are a number of issues that need to be given consideration as part of the process of selecting properties for demolition. Usually this process begins with the selection of targeted neighborhoods, and the development of a set of strategies for each neighborhood as described above. Once neighborhoods and strategies are selected, a property survey will typically be the next step to determine the ownership and condition of each property within the targeted area. After this information is collected, properties can be identified as potential demolition projects.

Addressing basic project eligibility

Make a site visit to the property and take photographs of the property adequate to demonstrate its architectural character and blighted condition. Also take photos of all four sides of the house, streetscapes on each side and across the street, and at least one interior photo. Ensure that the potential project meets all of the necessary eligibility criteria for demolition and that these criteria are properly documented in the project file. For a list of basic eligibility criteria, see pages 3-5 of this module.

Conducting a property inspection

Conduct an inspection of the property to discover the following:

1. The property description
2. The condition of the premises
3. The property's potential for deconstruction
4. The condition of the structure
5. Confirm Vacancy

Using this information, and information relative to the costs of demolishing similar structures, develop an in-house cost estimate for the potential demolition of this project.

Perform a project feasibility analysis

Armed with the information gathered above, conduct a project feasibility analysis and determine whether the project should be excluded from the program, demolished, or rehabilitated. Consider the following:

1. Value of demolishing this property to the overall neighborhood plan
 - How this project fits into the overall neighborhood strategy
 - Proximity to other significant NSP work
 - Extent to which the appearance of this property is a blighting influence on the neighborhood
 - Degree of safety concerns associated with this property
 - Level of importance of the vacant land created by this project to the overall neighborhood plan.
2. Costs associated with demolishing this project
 - Actual hard and soft costs
 - Demolition costs
 - Loss of a neighborhood anchor or building with historic significance or architectural character.
 - Loss of viable housing stock
 - Difficulty in successfully completing this project
 - Carrying costs, such as maintenance, insurance, security, and taxes.
3. Project's potential for rehabilitation

IV. ADMINISTRATION OF DEMOLITION PROJECTS

A. Other Compliance Requirements and Issues to address prior to project bidding

Once you have determined that a project is viable for demolition and plan to move forward with the project, the additional compliance requirements, not mentioned above, need to be addressed prior to putting this project out to bid.

Item that needs addressed prior to putting a demolition project out to bid	Description of what needs to be done	Reference for more information
Blight Certification	<p>Conduct an inspection and determine if the property meets the definition of blighted as described in the consortium’s NSP2 Application.</p> <p>Produce a blight certification letter and place a signed copy of the letter in the project file.</p>	<p>See the definition of blighted under key terms in this module.</p> <p>See the sample blight certification letter in the appendices following this module.</p>
Condemnation/ Approval	<p>For all properties being demolished without taking ownership of the property, meet one of the following requirements:</p> <p>Obtain written approval of the owner of the property to demolish the specific structure(s), and place a signed copy of this approval in the project file.</p> <p>Obtain a legal condemnation order for the property and place a copy of this order in the project file.</p>	<p>See the definition of condemnation under key terms on page two of this module.</p> <p>See the sample voluntary participation letter in the appendices following this module.</p>
Acquisition/ Relocation/ Tenant Rights	<p>Demolish only Vacant Properties.</p> <p>For all projects that will be demolished by the local government, the land bank, or a partner, ensure that all issues involving the occupancy of property demonstrate the property is vacant.</p>	<p>See the table “Types of Demolition Projects and Related Issues” on pages 4 and 5 of this module, and module 5: “Acquisition” for details.</p>

Other Government Requirements	Ensure that you have met all of the requirements for other government agencies and departments. Provide appropriate documentation in the project file.	Coordinate with the other government agencies as described in this module.
Ethical Considerations	Ensure that all real or perceived conflicts of interests have been appropriately addressed.	See module 4: “Cultivation and Procurement of Program Partners”.
Safety/Security	Have a plan in place to address any concerns related to public and worker safety. Include in the plan details regarding the management of site security.	Refer to the Michigan Department of Labor and Energy Construction Safety Standards Commission: http://www.michigan.gov/dleg/0,1607,7-154-11407_15368-88962--,00.html
Property Maintenance	Develop a plan for the proper maintenance of the site prior to, during, and following demolition. Include a means to pay for these costs.	Further information to be available in a module on land banking.
Project Timing	Give consideration to the timing of this project in relation to the other activities to be undertaken within the target area and develop a timeline to ensure a smooth and efficient flow of work.	See the strategies for addressing various types of neighborhoods, beginning on page 7 of this module.
Future Site Use	For all projects that will be purchased by the local government, the land bank, or a partner, ensure that there is a plan in place for the disposition and/or future redevelopment of the property.	See module 5: “Acquisition” for details.
Demolition or Deconstruction	Determine to what extent deconstruction is a possible and appropriate strategy for this project. If deconstruction is feasible, develop a plan, including the following components: Who will conduct the deconstruction? What components may be viable for salvaging? Who will receive the proceeds from the sale of the salvaged materials? What concerns need to be addressed?	See the appendices of this module

B. Issues Requiring Particular Attention

Opportunities and challenges associated with deconstruction

The deconstruction of houses and other buildings presents both opportunities and challenges. The opportunity lies in the ability to meet multiple objectives from the singular activity of demolishing a building. Through the use of the green principles embodied in the deconstruction process, it is possible to not only remove a blighting influence from a neighborhood, but at the same time reduce the waste stream from this activity, produce a source of low cost building components, reduce the amount of raw materials needing to be produced through recycling, and produce jobs for a relatively low skilled labor force.

The challenges come from a variety of fronts. First and foremost is cost. A comprehensive deconstruction project will generally cost more than the value of the recycled materials. In some cases the most valuable materials have already been removed by people on the street. Also some buildings are unsafe to enter, making deconstruction impractical. The presence of hazardous materials also adds to the costs and difficulty of salvaging materials, and the unsuitability of many components for reuse. In addition the deconstruction process slows down the removal of blight. Houses often have to be re-secured following the removal of components such as windows. Weather can also be a factor.

There are levels of deconstruction. On one end of the spectrum is the removal of only very high value items such as copper plumbing. On the opposite end of the spectrum is the concept of separating all parts of a building, by type of material, and then finding a way to reuse each material. For example, the concrete can be crushed back into aggregate, the wood shredded for mulch, the nails melted back into steel, etc. In between are a wide variety of methods. Following are a few tips for success:

1. Identify markets for deconstructed products. The following are examples of potential markets:
 - a. Construction and architectural reuse stores: <http://www.bmra.org/reuse-stores> has a link to some stores by zip code. The Building Materials Reuse Association, the keeper of this website, may also be a useful resource to anyone desiring to deconstruct houses. These types of stores often sell building components such as windows, doors, cabinets, trim, brick, and slate.

Habitat for Humanity also has a chain of “Restores”, which are listed at <http://www.habitat.org/cd/env/restore.aspx>
 - b. Recycling centers of various types may take a number of materials that can be reused as raw materials to make new products. For example, Concrete aggregate collected from demolition sites is accepted by concrete crushing facilities. These facilities accept only uncontaminated concrete, which must be free of trash, wood, paper and other such materials. Metals such as rebar are accepted, since they can be removed with magnets and other sorting devices and melted down for recycling elsewhere. This material has a number of reuses. For example, Smaller pieces of concrete are used as gravel for new construction projects. Crushed recycled concrete can also be used as the dry aggregate for brand new concrete if it is free of contaminants. Larger pieces of crushed concrete, such as riprap, can be used for erosion control. With proper quality control at the

crushing facility, well graded and aesthetically pleasing materials can be provided as a substitute for landscaping stone or mulch.

Many other raw materials may also be recycled for reuse such as copper, aluminum, steel, wood, glass, and some plastics.

- c. Other community departments, non-profit agencies, and for-profit companies may also have uses for specific products. For example, one non-profit reuses salvaged toilets for its rental properties. Another example would be a nursery that reuses framing lumber to make mulch or compost. Be careful to properly address the potential inclusion of hazardous wastes such as lead-based paint in such products.
2. Make use of efficiencies and economies of scale: Build connections and systems to make the work flow faster, the labor less expensive, and the materials more valuable. Examples include the following:
- a. Take bids on the price for aluminum (or any other specific material), and have all demolition contractors take their aluminum to one high paying facility.
 - b. Work with a local agency providing work opportunities for youth (or homeless, or ex-offenders, etc.) as a benefit to them and a source of low cost labor.
 - c. Provide training to develop a pool of deconstruction workers that have the skills necessary to conduct the work.
 - d. Develop a warehouse into a central facility for deconstruction, and have contractors cut houses into large pieces, put them on a flatbed, and deliver them to the facility, where work can be conducted year around.

Managing hazardous materials

Project Stage	Hazardous material being addressed	Demolition requirements	Deconstruction requirements
Planning (non-residential structures newer than the dates listed to the right may also contain hazards.)	Lead-based paint	Determine when the house was built. If prior to 1978, then lead-based paint (LBP) may be a factor.	
	Asbestos	Determine when the house was built. If prior to 1981, then asbestos containing material (ACM) may be a factor.	
Initial inspection	Lead-based paint/ Asbestos	Determine whether the house is structurally safe to enter. If unsafe, then deconstruction of interior components will be infeasible. Presumption will be made that hazards are present and appropriate measures will be taken during the demolition process as described below. A State or local agency should not issue a demolition order unless the facility is structurally unsound and in danger of imminent collapse. These conditions should be confirmed independently, and a demolition order should not be based solely on the representation of the	

		contractor or the contractor's agent. If safe to enter, conduct a visual survey for potential areas of LBP, friable ACM, or mercury, particularly on any areas that would need to be disturbed to remove components considered for salvage (heavily alligatored painted or varnished surfaces, wrapping on pipes, ductwork, etc.). Utilize this information as a tool in determining whether to further pursue deconstruction on this property.	
Survey/Assessment requirements prior to bidding project	Lead-based paint	None required	A risk assessment must be completed by a licensed lead-based paint risk assessor: The risk assessor will need to know the components considered for salvage.
	Asbestos	An asbestos survey will be required to be conducted on all projects built prior to 1981. These inspections must be conducted under the Michigan Occupational Safety and Health Act (MIOSHA) standards, and must also adhere to the Asbestos Hazard Emergency Response Act (AHERA) inspection protocol and be performed by a Michigan-accredited asbestos building inspector or a Certified Industrial Hygienist (CIH). The building survey must document the presence, location, and quantity of all “suspect” ACM. Laboratory analysis information should be a part of the building survey document and be kept by the building owner.	
Notification requirements	Lead-based paint	None required	
	Asbestos	Asbestos removal projects that are 160 s.f., 260 l.f., 35 c.f. or more are subject to the NESHAP notification procedure. A 10 working day notification is required to be postmarked or hand-delivered prior to a subject renovation or demolition using the required form. Issuance of a demolition order (for a building structurally unsafe for entry and in danger of collapse) will allow for a shorter notification timeframe.	
Removal of hazardous material prior to demolition/deconstruction, where the building is structurally <u>safe</u> for entry.	Lead-based paint	None required	Yes, any lead-based paint hazards identified by the risk assessor need to be properly addressed, and proper cleaning conducted in compliance with 24 CFR Part 35 prior to allowing work crews into the unit to conduct deconstruction activities.
	Asbestos	Yes, the National Emission Standards for Hazardous Air Pollutants (NESHAP) specifies that Category I materials which are not in poor condition and not friable prior to	

		demolition do not have to be removed, except where demolition will be by intentional burning. However, regulated asbestos-containing materials (RACM) and Category II materials that have a high probability of being crumbled, pulverized, or reduced to powder as part of demolition must be removed before demolition begins by a licensed asbestos abatement contractor.	
Addressing hazardous materials where the building is structurally <u>unsafe</u> for entry, or where lead-based paint remains in place during demolition	Lead Based paint	The demolition contractor should keep all building components adequately wet to eliminate dust and prevent the release of particulates into the air.	
	Asbestos	The demolition contractor should keep all building components adequately wet to eliminate dust and prevent the release of particulates into the air and comply with the U. S. Environmental Protection Agency (EPA) “Asbestos NESHAP Adequately Wet Guidance”.	N/A (will not be conducting deconstruction on this type of structure)
Removal and disposal of waste	Lead Based paint	Material should be kept wet and covered during transport to eliminate dust and prevent the release of particulates into the air. Material containing lead-based paint that is exempted from hazardous waste management requirements as household waste may be disposed of in a construction and demolition landfill or a municipal solid waste landfill.	
	Asbestos	Material shall be kept wet and covered during transport to eliminate dust and prevent the release of particulates into the air in compliance with CFR, Title 40, Volume 7, Part 61.150.	

C. Managing the Demolition Process

Developing a bid packet

The bidding process and the award of contracts should follow the procedures outlined in the Policy and Procedures Manual, Module 3: “Cultivation of Developers and Program Partners”. In addition to what is outlined there, make sure that all of the appropriate items are addressed in the scope of work and the contract, as described in the subsequent pages.

Demolition projects are not required to pay federal prevailing wages, unless the end use for the project will be the construction or rehabilitation of 8 or more houses or the construction or rehabilitation of a mixed-use structure. In either of these cases federal prevailing wages will apply. There may be additional local prevailing wage requirements.

Managing the project environment

A number of administrative and project environment issues need to be addressed in the contract for construction, and managed as the project proceeds, including the following:

- **Ensuring that permits are obtained and posted**
- **Checking utility connections:** It is important not only to call for disconnects on all utilities, but to field check to make sure they are off. It is also important to call for a check on the location of any underground lines. Hitting utilities such as gas and electric lines with heavy equipment can be very dangerous for both the operator and anyone else in the area, and breaking of water mains can cause contamination. Three days prior to digging, grantees are encouraged to call Miss Dig at 1-800-482-7171, or 811.
- **Addressing accessory structures:** (See note in Section I-B “Garages or other subsidiary structures of this module)
- **Ensuring that fill and compaction requirements are met:** Soil compaction is defined as the method of mechanically increasing the density of soil. If it is not done properly, then a number of problems will likely occur, such as settling; frost damage; water seepage, swelling and contraction; soil instability; and decreased load bearing capacity. This is particularly a problem if there is ever a chance that another structure will be placed on the lot. **Many buildings have failed because of improper soil compaction.** Compaction must be done in lifts (narrow, level, layers) and done with care. Compaction is particularly a problem in the winter, where frozen ground, and ice in the fill can make compaction challenging.

Some contractors have a tendency to allow a lot of junk in the fill such as demolition debris and chunks of asphalt. This is not acceptable. Fill must be clean and compactable material. The excavation must be completely cleaned out, including the foundation walls and footings, and should be inspected prior to any fill being placed within the excavation. The surface of the excavation may also need to be loosened to allow for the fill to be cohesive, particularly on steep slopes. The quality and type of fill material should also be clearly specified in the scope of work. This will partly depend on what is available locally. It is recommended that an engineer or other qualified person be involved in this process, as the type of fill will determine the compaction equipment and methods to be used, the amount of moisture required, and the thickness of the individual lifts. The engineer or other qualified person should develop compaction specifications and should also specify testing and/or inspection methods to ensure that compaction is adequate.

- **Dust control:** Dust generation must be limited. Not only is dust a nuisance, but it can contain lead, asbestos, cement, and other health hazards. Specifications should call for the wetting of surfaces during the demolition process, and care should be taken to consider the impact on surrounding persons and property. Impromptu interim inspections should be made to ensure that contractors are keeping dust to a minimum.
- **Control of dirt and debris on the street:** Specifications should call for keeping the mud cleaned up off of the streets and sidewalks and the covering of trucks during the transport of materials and debris. Again, interim inspections will be important to ensure that streets are kept as clean as possible.

- **Getting a good finish grade and seeding:** Just as with the fill, the quality of the topsoil is important. It should not include debris and large rocks. It should also contain enough organic matter and a well graded mixture of various soil particle sizes to ensure that whatever is planted in it will grow. The surface should be level, raked smooth, with large rocks and sticks removed, then seeded with a type of vegetation that grows well in your area, that will be attractive, will not be a nuisance, and will be easy to maintain. Mulch, such as straw or another acceptable material, should be placed over any seeded areas. The seed may need care to get started, including frequent watering. If an acceptable stand of plant growth is not produced, then the contractor should be asked to return to the site and reseed.
- **Managing the proper disposal of materials:** Demolition waste, particularly waste including components with asbestos and/or lead-based paint may not just be taken and dumped anywhere. They must go to a landfill that is approved for and accepts such waste (see the notes in the table above on the handling of hazardous waste for more details). The scope of work should be clear on this, and should require the contractor to provide copies of receipts from the proper disposal site(s).

Managing project change orders and time extensions

Change orders and time delays need to be minimized. These need to be addressed in the **contract** and in the management of the project. A thorough inspection and clear detailed scope of work will help to limit change orders. The contract should require that all change orders and time extensions follow a written and signed contract addendum prior to proceeding with any work. Even with good planning, surprises happen. For example, you find a large underground fuel storage tank that nobody knew was there.

Inspecting the Work

Careful inspections of the work are an important component of the management of demolition projects. This should include interim inspections, when possible, to ensure that work is being properly carried out, including dust and debris control, adequate fill compaction, etc. Final inspections should be conducted with great care to ensure that all requirements are met, and that the site is properly prepared for its final use. All site visits should be documented with notes and signed.

Paying contractors

The payment of contractors should not proceed until all of the following have taken place:

1. All work items for which they are seeking payment are completed.
2. An inspection form has been completed and signed by the inspector, showing all work to be completed satisfactorily and approved based on a thorough inspection by qualified staff
3. An invoice for the completed work has been turned in by the contractor.
4. Copies of lien waivers for all subcontractors and suppliers have been submitted by the contractor.
5. Copies of any other required documentation are provided from the contractor, such as certification of proper compaction by an engineer, receipts from an appropriate waste disposal site, etc.

The management of funds, including payments to contractors, and the handling of administrative and project delivery costs should be in compliance with the requirements outlined in the PPM, Module 2: Program Administration and Module 3: Cultivation of Developers and Program Partners.

V. PROJECT CLOSE OUT

Once a contractor has completed a project and has received payment, it is easy to feel that the project is complete and move on to other things. However, it is important to ensure that all remaining loose ends regarding a project are taken care of. For example, there may be final paperwork to be handled with other city or county departments such as the filing of a lien, and/or a contract to be secured for site maintenance. In addition it is important to make sure that the file is complete, with all documentation included and the checklist finalized. Finally, it is important to complete all of the items on the OPAL Activity Checklist, revise the activity budget if the amount of NSP committed is different than the actual amount of NSP needed for the project, and draw dollars committed on OPAL.

Handling lien requirements

Demolition projects may have lien requirements if the property remains in the hands of the original property owner or if it is acquired, demolished, and sold, as described in the table below.

Activity	Held by (mortgager)	Terms
Third-party demolition--stand-alone demolition of structure owned by a private party	Local grantee (if property privately owned)	Minimum 5-year forgivable lien, not prorated, in the amount of NSP2 assistance. Lien retained in grantee's file.
Stand-alone demolition of property previously owned by consortium partner	None	No lien is required if a stand-alone demolition is completed on property previously owned by a consortium partner. This assumes that no NSP funds were used to acquire or maintain the property under Eligible Uses B, C, or E.
Demolition, as a part of a NSP2-funded construction project	MSHDA (if owned by Grantee) or If owned by 3 rd Party secured by developer agreement	Amount of demolition will be included in the construction mortgage (See the terms for construction mortgages in the PPM, Module 1: Policy and Program Guidelines, page 20.
Demolition, with the end use being the sale or donation of vacant parcel		No lien if income eligible beneficiary or LMMA service provider

Develop a system of checks and balances

It is also a good policy to have in place a system of checks and balances for all of your projects. For demolition projects, this means having someone go out on occasion with the primary inspector to ensure that all work is adequately completed, and/or having someone other than the primary demolition facilitator look over the final project file to ensure that everything is in order.

VI. APPENDIX AND ATTACHMENTS

Sample Blight Certification Letter

Sample Letter for Voluntary Participation Demo