

Pursuant to 2012 PA 296

Second Quarterly Report on Demolition Projects

November 30, 2012

The Michigan State Housing Development Authority in cooperation with the Department of Human Services shall report to the legislature on the demolition projects no later than September 1 of the current fiscal year and quarterly thereafter until the funds have been exhausted. The report shall include, at a minimum, a description of the project areas selected and a complete accounting of all expenditures made pursuant to this section.

I. Detroit Demolition Program

The Detroit demolition program is being incorporated into the State's Neighborhood Revitalization Initiative, headed by the Governor's Office of Urban and Metropolitan Initiatives and including the Department of Human Services (DHS) Pathways to Potential program, which locates DHS social workers in schools. The focus is on schools as the core of neighborhoods. The Initiative as a whole seeks to make students and families stronger and safer by making the surrounding neighborhood safer, reducing truancy, and offering better and more integrated services.

To that end, the \$10 million allocated for blight elimination in Detroit is targeted around eight schools in six focus areas: Clark Academy and East English Village Academy on Detroit's east side (***Attachment 1 – Clark and EEV Map***); Harms Elementary, Bennett Elementary, Clemente Academy, and Neinas Elementary in Southwest Detroit (***Attachment 2 – Harms and Neinas Map***); and Bagley Elementary and Bates Academy on the City of Detroit's North side (***Attachment 3 – Bagley and Bates Map***). The Michigan Land Bank Fast Track Authority (MLB) is handling the demolitions in the City of Detroit.

1. Summary of MLB Demolition Progress and Unit Totals:

The MLB and its partners originally identified at least 1,168 vacant structures within the ½ mile radius of each of the six focus school areas. Of those, 605 structures were confirmed as needing demolition. Based on an immediate agreement with the Wayne County Treasurer, MLB was able to begin preparing 163 addresses, or 27% of the total dangerous buildings near the schools, for demolition in August 2012. The remaining 73% of the identified blighted properties within the ½ mile radius of each school focus area were either city-owned or privately-owned properties. (***Attachment 4 - MLB Demolition Dashboard***).

As of November 30, 2012, MLB will have demolished 115 blighted structures. Another 121 units are out for demolition bid or under contract for demolition. These demolitions should be completed prior to

the end of the December if all utility disconnections are completed. The Detroit Water and Sewerage Department (DWSD) is responsible for disconnecting water lines; DTE disconnects the gas and electricity. The remaining 381 demolition candidates are privately-owned structures within ½ mile of each school. Those structures will be prepared and scheduled for demolition upon Detroit City Council approval, after completion of the City's Dangerous Buildings process.

Another 467 structures were identified as vacant but structurally sound. Those that are owned by any of the public entities: MLB, the City of Detroit or the Wayne County Treasurer, are being reviewed by building officials for possible rehabilitation by the City of Detroit or local organizations, or sale to housing organizations that renovate structures. Those vacant structures for which there is no interest in renovation will be demolished, as a vacant structure can become a nuisance within days and the primary goal is to remove all possible blight from around the schools.

2. Revised Process for Contracting Results in Procurement Transparency and Cost Savings:

MLB procured a consultant as the Technical Assistance Provider and Program Manager for demolition and has completed the transition of project management from the Department of Technology, Management, and Budget (DTMB) to ADR Consulting, LLC. The entire MLB demolition process, including procurement, specifications and contracts have all been reconfigured and rebid with one RFQ issued to create a pool of environmental consultants at the ready. Eleven (11) RFPs have been issued by ADR to date, for a total of 139 demolition addresses.

The new demolition process bids lists of specific addresses with fixed pricing for all abatement and demolition activities, without change orders, so MLB has the ability to monitor actual costs and the total demolition project budget at the point of contract award as opposed to figures becoming available after each job is completed. This enables accurate financial forecasting and budget attainment; a total of \$1,543,826.80 will be encumbered as of November 30, 2012.

As of November 30, 2012, MLB will have 139 properties under new contract awards at estimated cost reduction of almost 70% on the asbestos survey / air monitoring components and over 35% on the demolition / abatement activities. The new average cost per property of demolition is approximately \$7,500 – a huge savings over the previous MLB average cost of approximately \$12,000 to \$14,000 through DTMB. The savings result from an overall simplification of the contract procurement process, including fewer layers of administration, and management by a demolition specialist. Additional savings are achieved by address-specific pricing prior to demolition, which prevents the overcharging that results from estimating costs based only on square footage.

All contractors are now using online paperless procurement via the website at (www.mlbdemo.us), which includes all actual procurement documentation from the RFPs with specific addresses and asbestos survey results, to the bid tabulations used to award contracts. In addition to the cost reductions realized by the above actions, this streamlined procedure has shortened the procurement

time for opening and posting results, and making awards, as contracts are now awarded within 48 hours of bid opening. Requests for demolition site inspections are now dispatched electronically allowing same or next day execution, which facilitates faster demolition processing. Additionally, the first payments to contractors were issued within the program goal of a 14 day turnaround from invoice to payment with the new process. MLB has increased its capacity to handle 350 asbestos surveys per week, from only 30, with a corresponding increase in monthly demolition capacity to approximately 300.

3. Operational Efficiencies and Shortened Demolition Cycle:

Based upon MLB's new process, and contingent upon obtaining utility disconnects, the standard demolition cycle is now targeted to be approximately 45 days from asbestos survey to procurement, and about 60 days through demolition completion, including contractor payment for a non-emergency structure. 'Emergency' structures, for which an asbestos survey is not required, are estimated to take approximately 20 days from RFP to demolition completion, for a total of 35 days including contractor payment.

The new process includes completion of the asbestos abatement during the NESHAP 10 day Notification / Hold period mandated by the Department of Environmental Quality (DEQ), so that actual demolition can commence as soon as that notification period has concluded. Using this streamlined process, the balance of the available structures will be demolished starting the week of November 26th, with 25 already scheduled for demolition that week, and the remaining series of structures ending notification hold and moving to demolition starting the following week and continuing in December.

All available properties in inventory are scheduled to be demolished prior to the end of the year as long as utility clearances are received on schedule. These addresses include all the publicly-owned blighted structures, which MLB has the authority to demolish pursuant to executed agreements with the Wayne County Treasurer and the City of Detroit.

4. City Council Approval for MLB to Demolish City-Owned and Privately-Owned Structures:

On October 16th, the Detroit City Council approved the two proposed agreements authorizing the MLB to demolish vacant and blighted City-owned and privately-owned properties within the ½ mile radius of each of the six school focus areas. MLB was given clearance by the City of Detroit's Buildings Safety & Engineering Department (BSE) to demolish 49 of the identified city-owned properties; 12 city-owned properties identified by MLB and its partners are already out for bid or under contract with contractors for the City by BSE.

MLB negotiated an agreement with the City of Detroit whereby MLB would submit all its permit applications and requests for inspections to the City of Detroit, rather than using the State's Department of Licensing and Regulatory Affairs (LARA). The City agreed to a discounted permit fee of \$150 per property, the price charged by the State of Michigan for the same service, rather than the \$283 fee

usually charged by the City, as a critical aspect of the State's Demolition Initiative is to ensure efficiency and cost-effectiveness in order to be able to demolish as many units as possible.

5. City of Detroit's Dangerous Buildings Process for Privately-Owned Structures:

The next focus is the privately owned houses that must be processed through the City's Dangerous Buildings System (DNG) in order to ensure that notification and due process requirements are met. The status of each address within the DNG process, which includes two site inspections, research of owners twice, and service of notice for two separate hearings, will also determine the remaining demolition schedule for MLB in each school area.

BSE agreed to prioritize the privately-owned properties through its DNG system, and will further ensure that BSE inspectors respond to inspection requests by MLB contractors within 24 hours of the request. MLB has offered to provide as much assistance as needed to the BSE team in order to expedite the processing and approval of the remaining properties.

MLB and its partners originally identified over 700 privately-owned structures in need of demolition within the ½ mile radius around the identified schools. Pursuant to BSE's initial data review of those addresses, almost 400 properties are in the DNG process for City Council approval, with 100 of those already under contract or out for bid by the City. At least 300 vacant addresses identified by MLB were not in DNG, and needed to be inspected and verified as meeting DNG criteria.

BSE inspected the addresses not yet in DNG and determined that 72 of those properties meet the DNG criteria for demolition and will be initiated. Additionally, BSE has verified the status of the initial 247 properties already in process in DNG as follows:

- 61 are approved by City Council for demolition;
- 54 will be set for hearing before City Council in early February;
- 29 are scheduled for a BSE Office Hearing on December 11th, and will be forwarded to City Council in February if no action is taken by the owner; and
- 103 need the initial notices sent out to the property owners.

MLB has created an outline of the DNG process in order to monitor the progress of units through each aspect of DNG, in order to immediately move approved addresses into demolition, and to create a future schedule of demolition activity.

6. Community Revitalization Initiatives in School Focus Areas:

A number of organizations that provide training and employment opportunities for local, structurally unemployed individuals are interested in renovating available vacant structures as well as in providing lot maintenance and greening services.

MLB is working with MEDC's Community Ventures and the Greening of Detroit on a proposal for clearing and maintaining vacant lots within the ½ mile radius of one of the focus school areas. MLB will also be meeting with the City's Planning & Development team to review the inventory of vacant MLB owned properties that could be rehabilitated by City or its development partners.

7. DTE Energy Community Event:

On Saturday, October 27th, DTE Energy and its partners held a community event near Bates Academy in Detroit, as part of Neighborhood Energy Efficiency Day (NEED), a week-long DTE Energy community event that included weatherization and home energy consultations by volunteers and employees from DTE, The Heat and Warmth Fund of Michigan (THAW) and Solutions for Energy Efficient Logistics (SEEL).

MLB demolished three structures that Saturday: the first was a burned home near a school bus stop; the second was next to a home that was undergoing a DTE energy audit; and the third was near a home that was having a new roof installed with funding from the City of Detroit.

8. Future Initiatives and Collaborative Efforts for Demolition in Detroit:

MLB has been meeting with BSE to determine if there are any fire insurance escrow funds available for any identified properties, and for the transfer of all utility clearances already issued to the City by DTE, MichCon and Detroit Water and Sewerage Department (DWSD) for those addresses being demolished by MLB. Additionally, MLB has invited BSE to participate in some of the other cost reduction, recycling, and Green Initiatives MLB is also pursuing, for the purpose of further driving pricing down while deploying the "Best in Class" demolition modeling.

Finally, as current inventory around selected schools areas is rapidly being encumbered, MLB will need to pursue new inventory either through the expansion of the current school perimeters beyond the half mile radius or through the identification of additional project areas in order to fully expend the \$10 million and with the hope of obtaining additional funding.

II. State of Michigan Demolition Program

The remaining \$15 million will be distributed throughout the state through a competitive application process. Local entities will develop proposed projects and submit an application requesting either direct demolition by MLB or a local-level grant. DHS, the Michigan State Housing Development Authority

(MSHDA), and MLB will evaluate the applications and select the project areas. Applications will be evaluated in four categories: Public Safety, Property Value Stabilization, Economic Development Opportunities, and Local Support and Additional Investment. In addition, the legislation requires an "equitable distribution" of the funds statewide. Therefore, DHS, MSHDA, and the MLB will also consider geographic distribution of project areas in making final selections.

The application was released in September 2012. The deadline for submitting applications is December 12, 2012. In October and November, representatives from MSHDA, DHS and MLB held four sessions to answer questions about the program statement and application. Sessions were held in Grand Rapids, Traverse City, and Detroit and Lansing simultaneously via videoconference. A webinar was also held to replace a Marquette session that was cancelled due to weather. Based on the attendance at those sessions and questions submitted to a joint email account established for this purpose, there appears to be considerable statewide demand for demolition funding and significant interest in this program.

DHS, MSHDA, and MLB will review and evaluate the applications after the deadline and expect to make decisions on project areas by February 15, 2013.

III. DHS Pathways to Potential

The DHS Pathways to Potential program is an outgrowth of DHS's commitment to locating where clients can connect with social workers most easily. The first phase of this program is the establishment of Family Resource Centers in schools. The pilot program launched in Summer 2012 and included schools in Detroit, Pontiac, Flint and Saginaw.

The second phase of the program begins in January 2013, when DHS social workers will move into 134 public elementary schools in Detroit, Pontiac, Flint, and Saginaw. The program will also be launched in three high schools in Detroit: Cody, Osborn, and Denby.

Beyond ensuring that children are attending school and have access to the resources necessary to be successful, Family Resources Centers support families with job placement assistance and connections to both public and non-profit resources. The Family Resource Center will become a central hub of the neighborhood through its extensive partnerships with organizations that have committed to supporting the needs of the community.

The Detroit demolition program focuses demolition around select Pathways to Potential schools in the city of Detroit.

IV. Foundation Community

On October 25, 2012, representatives of DHS, MSHDA, MLB, and the Governor's Office of Urban and Metropolitan Initiatives met with a diverse group of funders based on the west side of Michigan.

Pathways to Potential and the blight elimination program were discussed, with specific emphasis on the blight elimination funds available to communities in outstate Michigan. There was significant interest in both programs and, in fact, the Kent County community already has significant experience in delivering school-based services to families.

State staff are following up with the foundation community in southeast Michigan after the August 15 briefing to secure additional support for these efforts.

V. School-Justice Partnership

In September 2013, Michigan Supreme Court Chief Justice Robert Young and Justice Mary Beth Kelly, in collaboration with DHS Director Maura Corrigan and Department of Education Director Mike Flanagan, will convene a statewide summit to focus attention on the problem of truancy and its connection to crime (“the school to prison pipeline”). The summit will ask counties to make a commitment to solving the specific school to prison pipeline issues identified in their communities. It will involve local courts, counties, school officials, tribal members, law enforcement, and human services agencies and will focus on the creation of local action plans that can be implemented in each county.

The School-Justice Partnership expands Michigan’s focus on schools both geographically and in scope. DHS anticipates considerable community and foundation interest in this new initiative.