



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF HUMAN SERVICES
LANSING



MAURA D. CORRIGAN
DIRECTOR

November 27, 2013

The Honorable Roger Kahn, Chair
Senate Appropriations Committee
Michigan State Senate
Lansing, MI 48933

The Honorable Joseph Haveman, Chair
House Appropriations Committee
Michigan House of Representatives
Lansing, Michigan 48933

Dear Senator Kahn and Representative Haveman:

Section 603 of the 2012 Public Act 296 requires the Michigan State Housing Development Authority (MSHDA) and the Department of Human Services (DHS) to report to the legislature quarterly on demolition projects. The attached report describes the funding and project areas for the Detroit and outstate demolitions. It also includes an accounting of demolition expenditures to date. If you have any questions regarding the attached report, please contact Kim Homan at 517-243-5947.

Sincerely,

Maura D. Corrigan
Director, Department of Human Services

Scott Woosley
Executive Director
Michigan State Housing Development Authority

Enclosures

c: Senator Darwin L. Booher

Pursuant to 2012 PA 296

Sixth Quarterly Report on Demolition Projects

November 27, 2013

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 part of the State of Michigan's Neighborhood Stabilization School Anchor Initiative (NSSA), headed by the Governor's Office of Urban and Metropolitan Initiatives. The Department of Human Services (DHS) Pathways to Potential program, which locates DHS "success coaches" in schools, is a key element. 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. The Michigan Land Bank Fast Track Authority (MLB) is handling the demolitions in the City of Detroit.

The areas for blight elimination in the City of Detroit, for which **\$10 million** was allocated, were revised to encompass a total of **eleven** schools in **six** expanded focus areas:

- Clark Academy and East English Village Academy on Detroit's east side;
- Harms Elementary, Bennett Elementary, Clemente Academy, and Neinas Elementary in southwest Detroit;
- Bagley Elementary and Bates Academy on the City of Detroit's north side;
- Bethune Elementary, near University of Detroit Mercy and Marygrove College;
- Cody High School, on the City's west side; and
- Gompers Elementary, in the Brightmoor area.

1. Status of MLB Demolition in Detroit

To date, the MLB has demolished **490** structures in the school focus areas in the City of Detroit with **60** more addresses assigned to contractors and scheduled to be demolished over the next 30 days. Another **200** addresses are currently undergoing asbestos and hazardous materials surveys and those demolitions will be completed within the next 75 days, weather permitting, for a total of **750** blighted structures demolished, and approximately **\$7.6 million** of the \$10 million grant allocated to specific projects as follows:

- expended on completed projects,
- obligated by pending contracts for demolition, and
- estimated costs for addresses currently going through procurement.

MLB is working with the Detroit Land Bank, Detroit Public Schools, the Wayne County Treasurer and community leaders to select the last addresses to be demolished around the schools to maximize the impact of the project in each community; the funds will cover another 250 structures. At least 1,000 remaining blighted structures in those areas.

Several of the school project areas overlap with focus areas chosen by the City of Detroit and the Detroit Land Bank Authority, in collaboration with the Detroit Future City team for the Hardest Hit demolition project. The Michigan State Housing Development Authority (MSHDA) is administering \$52 million of federal funds for residential demolition in the City of Detroit. In several areas, MLB is assisting with property that cannot be demolished using Hardest Hit funding. *(Map showing the status of the Detroit demolition projects attached).*

2. Cost Savings of Over \$1 Million

Cost reduction efforts to date have resulted in a total savings of over \$1 million, which will allow the demolition of an additional 125 houses. Process re-engineering has decreased total average demolition costs by 57%; from \$13,529 to \$7,705 per structure for an all-inclusive demolition, and a 'demolition only' average cost of \$4,781:

- 'All-inclusive' cost model includes utility disconnect fees, environmental surveys, and abatement activities in addition to permits, demolition, hauling and landfill;
- The biggest variable is the cost of abatement and remediation, which depends on the amount of materials in each structure and can range from \$250 to \$76,000 per structure.

3. Operational Efficiencies and Best Practices

A number of technological tools have been implemented to enhance field performance and reduce costs, including a web based procurement system for the posting of Requests for Proposals and the awarding of bid packets. Electronic requests for inspections by contractors, and similar dispatching methods, enable same day inspections. This also results in increases in productivity and contractor capacity.

By integrating process steps, we have streamlined the demolition process into a best practice model. For example, combining the abatement with the demolition process has resulted in a reduction of the two distinct 10-day DEQ regulatory holds by 10 days, or 50 percent.

We are incorporating green initiatives and recycling to minimize landfill footprints, develop creative infrastructure and lot treatments to enhance the communities.

4. Updated Demolition Totals for all Detroit School Focus Areas

Completed demolitions as of November 14th: **490**
 Additional properties in process as demolition candidates: **319**
 Number of properties in preparation or active demolition: 260
 Number of properties recently authorized: 59
 Estimated number of additional properties to be demolished: **225**
 Remaining funds to be allocated: approximately \$2.4 million
 Properties are being selected for greatest impact in enhancing public safety and stabilizing property values near schools.

Actual and anticipated expenditures:

To date, **\$7.6 million** in demolition funds have been **expended or are obligated** under pending contracts for environmental surveys or demolition;

This includes actual costs for the 490 completed demolitions, contractual amounts for the 260 structures currently being surveyed for asbestos or already assigned to a contractor for demolition, and the estimated average costs for 59 structures in the procurement process.

Invoices are not submitted for payment until all work, including back-fill and lot leveling is completed. For budgeting purposes, however, funds are considered obligated once the structure is assigned to a contractor.

II. State of Michigan Demolition Project

DHS, the MSHDA, and the MLB developed an application process to select the project areas for the **\$15 million** allocated for demolition outside Detroit.

Thirty four (34) grantees were awarded funding for proposed projects according to four criteria: **public safety, property value stabilization, economic development opportunities, and local support and additional investment.** The current status of the individual grants is as follows:

Grantee	Awarded Grant Amount	No. of Units Approved	No. of Units Completed
City of Plainwell	\$720,720.00	1	1

City of Au Gres	\$112,000.00	1	1
Northeast Michigan Affordable Housing (Arenac County)	\$36,750.00	2	
City of Bay City	\$269,325.00	14	
Berrien Cass Van Buren Michigan Works	\$740,000.00	19	4
City of Coldwater	\$97,000.00	2	2
Northern Homes CDC (Charlevoix County)	\$20,000.00	2	
City of Petoskey	\$21,000.00	2	2
Genesee County Land Bank	\$3,713,240.00	264	34
Genesee County Planning Commission	\$182,960.00	17	
Grand Traverse County	\$44,000.00	1	1
Houghton County Land Bank Authority	\$10,000.00	1	1
Ingham County Land Bank	\$836,850.00	28	
City of East Tawas	\$23,000.00	1	1
City of Mt. Pleasant	\$800,000.00	2	
Kalamazoo County Land Bank	\$936,915.00	70	45
LIFT Foundation (Kalamazoo County)	\$136,000.00	14	14
ICCF – Wealthy (Kent County)	\$41,868.00	4	4
LINC (Kent County)	\$682,500.00	18	
Leelanau County Land Bank	\$58,500.00	3	
Village of Newberry	\$180,000.00	7	

Brevort Township	\$50,000.00	1	1
City of Manistee Housing Commission	\$90,500.00	1	
Marquette County Land Bank	\$486,385.00	36	15
City of Muskegon	\$111,500.00	2	
Village of Ravenna	\$45,000.00	1	1
NCCS Center for Nonprofit Housing (Newaygo County)	\$70,000.00	5	
City of Pontiac	\$996,668.00	83	73
Reed City	\$370,000.00	1	
City of Onaway	\$14,000.00	2	
Saginaw County Land Bank	\$1,784,685.00	126	123
Village of Constantine	\$10,032.00	1	
City of Vassar	\$41,158.00	5	5
Charter Twp of Ypsilanti	\$653,840.00	151	151

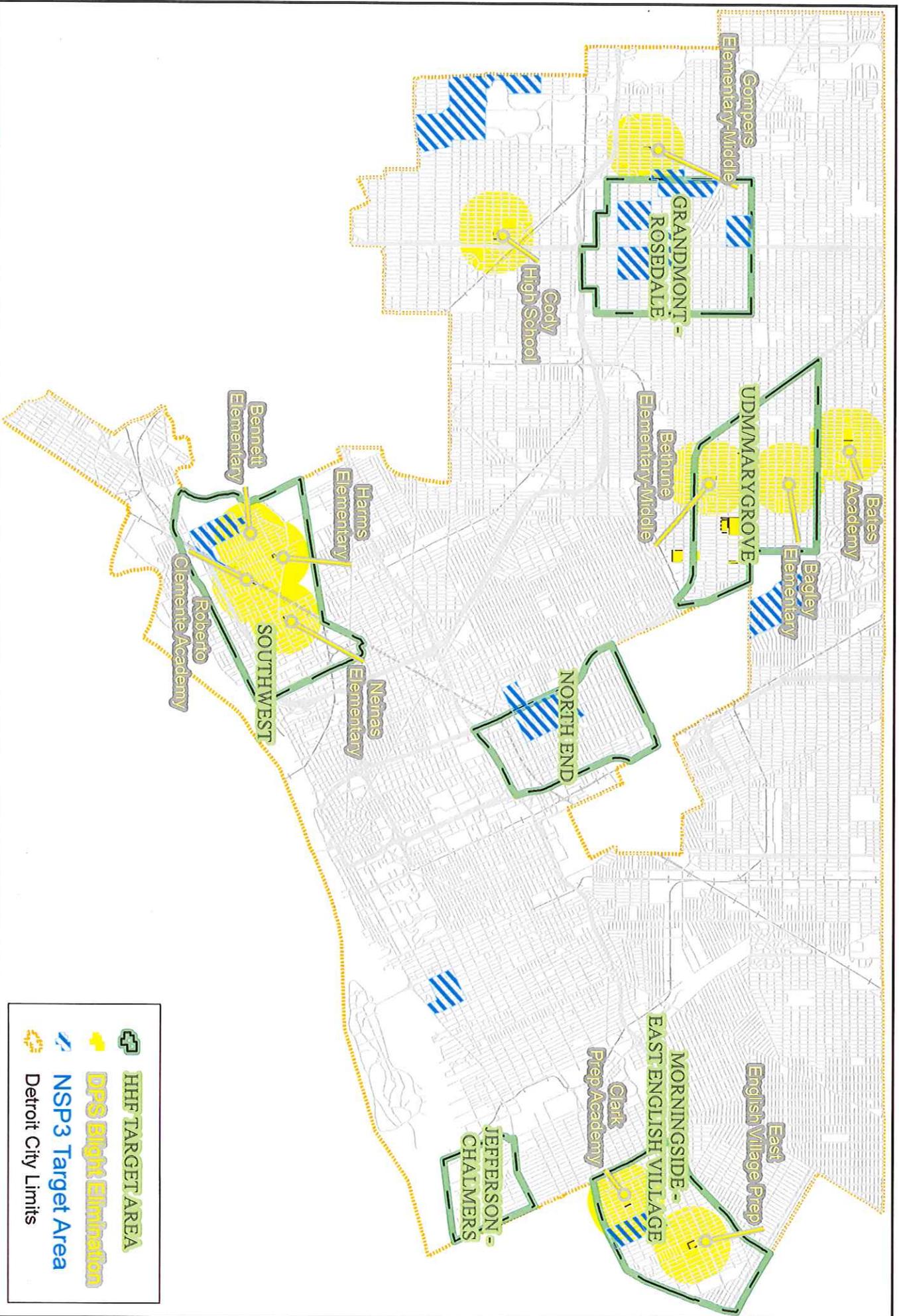
Total Program Units: 888
Percent of Units Completed: 497 54%

Currently, all 34 grantees are now active, encumbering \$13.8 million or 96% of the total funding amount with specific projects and addresses. 19 grantees (56%) are operationally active. Of these 13 Grants (38%) already completed with all demolition activities; several other grantees have removed all structures and are finishing lot treatments. The current estimate is that \$90,000 will be available from these completed projects to be allocated to other applicants.

The project is exceeding projections as over 54% of the units planned for demolition are already completed, and the State has received almost \$1.6 million in invoices and anticipates meeting the end of year invoicing goal of receiving a total of \$4 million in program charges.

BLIGHT ELIMINATION DEMOLITION PROGRAMS | DETROIT OVERVIEW

NSA (DPS BLIGHT ELIMINATION), NSP3, AND HARDEST HIT FUND TARGET AREAS | CITY-WIDE



	HHF TARGET AREA
	DPS Blight Elimination
	NSP3 Target Area
	Hardest Hit Fund
	Detroit City Limits

Projection: NAD 1983 StatePlane Michigan South FIPS 2113 Feet Intl

Source: Michigan Land Bank East Track Authority, City of Detroit, R&D, Detroit Public Schools, Michigan Geographic Data Library, Hamilton Anderson Associates

Prepared by the Michigan Land Bank, 10/15/2013