



STATE OF MICHIGAN  
DEPARTMENT OF HUMAN SERVICES  
LANSING

RICK SNYDER  
GOVERNOR

MAURA D. CORRIGAN  
DIRECTOR

February 28, 2013

The Honorable Roger Kahn, Chair  
Senate Appropriations Committee  
Michigan State Senate  
Lansing, Michigan 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 project areas for the Detroit demolition funding and the application process that will be used to select the outstate project areas. It also includes a complete accounting of all demolition expenditures. 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. Boher  
Representative Martin Knollenberg

Pursuant to 2012 PA 296

Third Quarterly Report on Demolition Projects

February 28, 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'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.

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; Harms Elementary, Bennett Elementary, Clemente Academy, and Neinas Elementary in Southwest Detroit; and Bagley Elementary and Bates Academy on the City of Detroit's North side. The Michigan Land Bank Fast Track Authority (MLB) is handling the demolitions in the City of Detroit.

**1. Overview of MLB Demolition Progress**

To date, the MLB has demolished **179** structures in Detroit, and there are another **56** currently under contract that will be demolished within the next few weeks, once the required National Emissions Standards for Hazardous Air Pollutants (NESHAP) waiting period has expired and the structures have been abated of all hazardous materials. (Attachment 1 - MLB Demolition Dashboard.)

The MLB has another **34** structures currently posted for bids, and the deadline for pricing proposals expires on March 5, 2013. Those structures will be awarded to the lowest responsible bidder and will begin preparation for demolition within a week of that expiration date.

The MLB's demolition capacity is estimated at 325 per month with the current Detroit regional contractor pool. However, at this time, the MLB has very few additional properties that can be prepared for demolition until approvals are received from the City of Detroit for remaining demolition candidates.

## 2. Updated Demolition Totals for All Six Detroit Focus Areas

- (1) Total vacant structures identified by this Initiative:
  - (a) **1234** vacant structures
- (2) Total properties remaining as demolition candidates:
  - (a) **688** total candidates:
    - (i) **93** County Treasurer-owned;
    - (ii) **46** MLB-owned;
    - (iii) **96** City-owned;
    - (iv) **453** Privately-owned.
- (3) In active demolition:
  - (a) **56** are assigned to contractors;
  - (b) **34** are posted for bids/pricing;
- (4) In the Universe Queue Inventory, waiting for authorization or approval:
  - (a) **406** privately-owned structures currently being processed by the City of Detroit's Dangerous Buildings department for City Council approval for demolition.
- (5) Completed demolitions:
  - (a) **179** blighted structures have been demolished.
- (6) Removed from this Initiative:
  - (a) **546** structures were identified as candidates for rehabilitation, or were removed as not meeting the criteria for the City's Dangerous Buildings ordinance.
- (7) Expenditures:
  - (a) Invoices are not submitted for payment until all work, including back-fill and lot leveling is completed, however for budgeting purposes funds are considered obligated once the structure is demolished.
  - (b) A minimum of **\$2.3 million** in demolition expenses has been expended, or is obligated under pending contracts, to date by the MLB.
  - (c) At least **\$290,000** is anticipated to be incurred within the next two weeks, for the approved properties that are currently out for bid.
- (8) Plan and timeline for future demolitions: the privately-owned structures that are currently being processed by the City of Detroit's Dangerous Buildings department are scheduled before City Council for approval starting April 1, 2013; demolition cannot begin until late April 2013.

## 3. Privately-Owned Blighted Structures and the City of Detroit:

The majority of the remaining structures available for demolition are privately-owned properties that must go through the City of Detroit's Dangerous Buildings process, which includes notifications to owners, office hearings and, if no action is taken by the owner, a hearing before City Council for approval for demolition.

Initially, the City had **183** structures scheduled for hearing before the City Council on February 4, 2013, but those hearings have been postponed until **April 1, 2013**.

Another **223** structures have been identified, but still need to be processed by the City for an office hearing, or must be inspected and reviewed by City inspectors for demolition candidacy based upon the condition information provided by the MLB and its partners.

The MLB will immediately initiate demolition activities on those pending structures upon receipt of City Council approval. Based on the current City Council schedule, however, such approval may not be obtained until as late as the end of May 2013.

#### **4. Rehabilitation Candidates**

As it pertains to the overall Initiative, the MLB started with a universe of over 1,200 structures that were identified by the Detroit firefighters or provided by neighborhood associations. To date, that total universe of demolition candidates has dwindled to approximately 700, not including those that have already been demolished.

Over one-third of all vacant structures identified as part of this Initiative, over 200 structures, were not processed for demolition by the MLB due to their better condition and potential for rehabilitation, should buyers step forward. Properties the MLB deemed demolition candidates were those that licensed building inspectors verified as being beyond repair. The MLB provided the City of Detroit and the Wayne County Treasurer, the owners of many potential rehabilitation candidates, with the lists of those structures in the hopes that they will be renovated.

Additionally, the City of Detroit's Dangerous Buildings division notified the MLB that over 250 of the privately-owned structures identified by the MLB and its partners did not meet the minimum criteria pursuant to the City's ordinance and could not be initiated in their Dangerous Buildings process.

#### **5. Cost Savings**

The MLB demolition project initially started through DTMB had a stated average cost of \$12,500 to \$14,000 per house, and the last 78 houses demolished under that process averaged \$12,100 per house.

The current process implemented for the MLB by ADR Consulting, LLC (ADR), based upon over 115 demolitions to date, indicates an average per unit cost of \$8,500, or a 30% overall per house cost reduction.

The actual demolition data from almost 200 demolition events running the full scope of emergency ordered demolitions and conventional survey / abate / demolish operations over a wide variety of sized structures shows a continued cost drop of 30% with an equalized total cost per sq. ft. of \$5.74.

This initial cost reduction effort was initiated to immediately benefit the current demolition initiative while maintaining timing objectives of selectively clearing dangerous structures around

targeted schools prior to the weather impacting operations. The MLB is currently exploring a comprehensive reengineering of the process to reduce costs even further with a target of a mid \$4,000 per house threshold. If successful the initiative will be incorporated into the MLB's process with the potential of using the model for other demolition projects statewide.

**II. State of Michigan Demolition Program**

DHS, the Michigan State Housing Development Authority (MSHDA), and the MLB developed an application process to select the project areas for the \$15 million allocated for demolition outside of the City of Detroit. Local governments, land banks, and non-profits developed proposed projects and applied for either direct demolition by the MLB or a local-level grant.

The application was released in September 2012, and the deadline for submitting applications was December 12, 2012. The response to the request for proposals was overwhelming: DHS, MSHDA, and the MLB received over 90 applications, and nearly \$50 million in requests for local-level grants alone.

Applications were evaluated according to four criteria: public safety, property value stabilization, economic development opportunities, and local support and additional investment. In making the final award decisions, DHS, MSDHA, and the MLB also considered geographic distribution of project areas, as required by the appropriating legislation.

Awardees were individually notified on February 15, 2013, and a press release followed on February 20, 2013. (Attachment 2 – Press Release.) The awards are as follows:

<b>Applicant</b>	<b>Award Amount</b>
Genesee County Land Bank	\$3,713,240
Ingham County Land Bank	\$836,850
City of Plainwell	\$720,720
City of Bay City	\$269,325
Charter Township Of Ypsilanti	\$653,840
ICCF-Wealthy (Kent County)	\$41,868
Saginaw County Land Bank	\$1,784,685
Genesee County Planning Commission	\$182,960
Grand Traverse County	\$44,000
Marquette County Land Bank	\$486,385
LIFT Foundation (Kalamazoo County)	\$136,000
City of Manistee Housing Commission	\$90,500

Village of Newberry	\$180,000
Kalamazoo County Land Bank	\$936,915
Northern Homes CDC (Charlevoix County)	\$20,000
LINC (Kent County)	\$682,500
Reed City	\$370,000
Berrien-Cass-Van Buren Michigan Works!	\$740,000
City of Mt. Pleasant	\$800,000
City of Au Gres	\$112,000
City of East Tawas	\$23,000
City of Vassar	\$41,158
NCCS Center for Non-Profit Housing (Newaygo County)	\$70,000
Northeast Michigan Affordable Housing (Arenac County)	\$36,750
City of Coldwater	\$97,000
City of Pontiac	\$996,668
Houghton County Land Bank	\$10,000
Village of Ravenna	\$45,000
Brevort Township	\$50,000
City of Muskegon	\$111,500
City of Petoskey	\$21,000
City of Onaway	\$14,000
Village of Constantine	\$10,032.12
Leelanau County Land Bank	\$58,500
<b>Total Amount:</b>	<b>\$14,386,396.12</b>

The MLB has requested additional information from each of the awardees, including proof of authority to demolish the structures, building department inspection reports, and environmental survey information. The MLB will evaluate each project's feasibility and budget within 30-45 days of receiving the requested information. For local-level demolition grantees (all but four: NCCS Center for Nonprofit Housing, City of Coldwater, Houghton County Land Bank Authority, and Brevort Township), the MLB will issue grant agreements within another 14 days. The agreements will include specific reporting obligations to the MLB.

Demolition will begin as soon as possible after the feasibility determinations are made and the weather allows. Grantee kickoff meetings are being scheduled in the next two weeks and the plan is to have all demolition projects in production by the end of April or beginning of May, weather permitting. Expenditures will be reported as encumbered once the final grant amount is established by the feasibility and budget approval process, and reported as expended as the grant funds are disbursed to grantees.

The next quarterly report will include more detailed information about each project, including the project areas.

### **III. DHS Pathways to Potential**

The DHS Pathways to Potential program is a product of DHS's commitment to locating where clients can connect with DHS most easily. The pilot program, launched in summer 2012, assigned DHS caseworkers to 21 schools in Detroit, Pontiac, Flint and Saginaw.

As of February 2013, DHS "success coaches" are based in 97 public elementary schools in Detroit, Pontiac, Flint, and Saginaw. Success coaches will be in an additional 27 schools by April 1, 2013. There are also success coaches in three Detroit high schools: Cody, Osborn, and Denby, as well as Pontiac High School.

DHS success coaches ensure that children and their families have the resources they need so children can attend and succeed in school. In addition, they support families through job placement assistance, and help connect them with partner organizations that have made a commitment to supporting community needs.

In addition, promising new partnerships are bringing additional resources to Denby High School and the surrounding community. An adolescent health clinic has opened at the school through a partnership with the Michigan Department of Community Health. Beginning April 1, the clinic will also be able to address mental health needs. Community Ventures provides support and training for structurally unemployed parents and works with youth on job-readiness. VIP Mentoring provides on-site mentoring to at-risk youth and their parents.

### **IV. Foundation Community**

As noted in the first and second quarterly reports, State of Michigan staff met with representatives from the private foundation community from west and southeast Michigan to discuss blight elimination and Pathways to Potential. State staff continue these discussions to identify areas of possible collaboration.

### **V. School-Justice Partnership**

The "Michigan Leadership Summit on School-Justice Partnerships – Keeping Kids in School and Out of the Justice System" will be held in Ann Arbor on September 18, 2013 and September 19, 2013. Governor Snyder, Michigan Supreme Court Chief Justice Robert Young and/or Justice Mary Beth Kelly, DHS Director Maura Corrigan, and Department of Education Director Mike Flanagan will participate. DHS, the Michigan Committee on Juvenile Justice, the University of Michigan Law School, School of Social Work, and School of Education will co-sponsor the summit.

This summit will focus attention on the problem of truancy and its connection to crime ("the school to prison pipeline"). Teams of leaders from each of Michigan's 83 counties will be asked to make a commitment to solving the school to prison pipeline issues identified in their communities. Leadership summit teams 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 prioritized and carried out in each county.

County Teams will be expected to continue working to implement their plans after the leadership summit ends. The momentum garnered through participation in the summit will be sustained through biannual meetings to review progress reports from each participating county, discuss best practices and lessons learned, and receive the latest research and practice information from the field. This model combines local-level work on the issue with state-level oversight and direction to ensure ongoing progress and accountability.