

DLBA Activity

The City will utilize approximately \$15 million of the NSP3 funds to work with developers to conduct rehabilitation for both rental and homeownership projects. During the first quarter the City focused on initiating predevelopment activities with the five developers that were qualified under the RFP and completing a homeownership project with the DLBA. One project entails the renovation of single-family homes for homeownership, one project includes the renovation of an apartment building for rental, two projects include renovation of single-family and duplex units for rental, and one project includes the renovation of single-family and duplex units for a mix of homeownership and rental. The six projects would produce 14 units of homeownership and 89 units of rental housing. The City elected not to approve a seventh project that had previously been under consideration.

The City met with the approved RFP/RFQ developers to discuss NSP3 program requirements and project schedule. Four of the six projects made substantial progress meeting predevelopment milestones. Subsequent meetings and site visits focused on developing specs, reviewing drawings, and agreeing to a construction price. For privately-owned properties, developers have achieved site control, completed Tier 2 environmental assessments and energy audits, provided valuation and confirmed that the amount and method of acquisition meets NSP3 requirements, and documented that rehab properties do not have tenant protection issues. Developers have been submitting proformas and City staff has been evaluating them and revising the amount of NSP funding that would be needed in projects. Developers have begun to provide market information so that the City can evaluate the feasibility of proposed sale prices and rents. The City has provided guidance to developers concerning Section 3 requirements so that developers can complete their Section 3 plans for approval by City staff. The City plans to close on funding with four of the developers in the second quarter and the remaining developer in the third quarter.

During the first quarter, the City worked with the Detroit Land Bank Authority (DLBA) to complete the acquisition of 30 single-family and duplex properties identified by the City on the Wayne County property tax foreclosure list in the NSP3 areas. DLBA successfully closed on the acquisition of all 30 properties. Originally 41 properties had been identified, but the City and DLBA elected not to purchase 11 of them due to deterioration in their physical condition, occupancy of units and demolition of several of the structures. DLBA, as a subrecipient to the City, was provided with \$2.9M to purchase and secure these foreclosed properties and complete the relevant due diligence actions. Because fewer tax-foreclosed properties have been identified than projected, it appears that actual costs may be less, allowing for some funds to be reallocated in the second quarter. Prior to the purchase of the tax foreclosed properties, DLBA conducted environmental review, valuation, researched the existence of tenant protections issues, and carried out assessments for lead and asbestos abatement. Following the acquisition, DLBA has proceeded to conduct pre-construction energy audits, order surveys and title reports, and install security systems. Unless feasibility has been rejected following these steps, DLBA will transfer the properties to City qualified developers approved through the RFP and RFQ procurement process. Acquisition and transfer of properties should occur during the second and third quarters of 2013.

In the first quarter the City issued award letters to two more developers qualified through the RFQ process. There are now five developers qualified through the procurement process to proceed with NSP 3 projects. While the majority of the properties acquired by DLBA will be conveyed to qualified developers, some of the properties will remain with the Landbank to rehabilitate. In the second quarter the City and DLBA will continue meetings with the selected developers to, discuss project feasibility, carry out physical inspections of the proposed properties to be rehabbed and complete the conveyance of the properties for projects to commence construction no later than the third quarter.

The City plans to take the project funding requests to City Council for approval for all NSP3 rehab projects during the second quarter of 2013. Once City Council has provided approval and the City has issued commitment letters to the RFP and RFQ developers, the City will need to amend its Action Plan to reflect these final award amounts. Rehabilitation activity is expected to commence in the 2nd QTR.