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TO: Detroit City Council

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: December 20, 2018

RE: **Summary of the Detroit Land Bank Authority First Quarter FY 2019**

The Legislative Policy Division (LPD) has been requested by Council Member James Tate to provide a summary review on the Detroit Land Bank Authority's Quarterly Report submitted to City Council, October 15, 2018.

The Detroit Land Bank Authority (DLBA) submits a quarterly report to the City Council which provides an overview of the activity of the entity. The report primarily breaks down the various divisions of the DLBA which include the Finance Department, Inventory Department, Disposition Department, Demolition Department, Legal Department and Community Affairs Department. LPD is providing a summary which attempts to reflect the most pertinent issues or new information that is derived from within the quarterly report.

Finance Department

The DLBA's Finance Department conducted a financial overview of the entity's financial status. The DLBA indicates in the unaudited actual YTD (year-to-date) versus the budget YTD for the first quarter of fiscal year 2019. The total government revenue actually received from Michigan State Housing Development Authority (MSHDA) was \$15,804,929 compared to the budgeted government revenue from the source of \$14,160,560 a variance of \$1,644,369. With regard to revenues provided to the DLBA from the City of Detroit (City) unaudited actual YTD (year-to-date) versus the budget YTD for the first quarter 2019, the actual received by the DLBA from the city is \$3,778,200 compared to the budgeted amount of \$3,500,000. A variance of \$278,200 which was received from COD Blight dollars. The DLBA report does not address the manner in which the \$278,200 was appropriated. City Council may wish to confirm with the DLBA and the Mayor's Administration on whether the COD Blight dollar appropriation was properly submitted

for approval by City Council, as LPD finds no record or electronic transmittal to City Council for this amount.¹

Inventory Department

The DLBA's Inventory Department manages the acquisition, data management, property management, client services, title management, and coordination of DLBA properties with other public partners. In the July 2018 Quarterly Report the DLBA indicated that the inventory of property was 95,252 throughout the city of Detroit, in this first quarterly report of FY 2019, the current inventory is reported as 94,562, a reduction of 690 parcels. Based on the information provided the reduction was from the sale of vacant lots and the sale of parcels with residential structures.² It is reported that since January 2014, the DLBA has sold more than 14,881 parcels properties to date.

The DLBA property inventory is assessed and designated to a particular program in the entity's pipeline. The DLBA reports that it recently inspected over 11,700 parcels in its inventory. Included in this inspection was 6,936 parcels that are outside the Hardest Hit Fund (HHF) designated areas.³ The inspections conducted were part of the DLBA's regular review to capture updated property conditions and occupancy information and to determine whether a structure should be placed in the demolition or sale for rehab pipelines.

Disposition Department

The DLBA's Disposition Department is responsible for the sale or relinquishing title of the properties in the entity's possession. This is done through a number of programs set up at the DLBA.

- Side Lot Sales Program: In September 2018, the DLBA sold 48 side lots in District 2.
- Auction: In the period of July – September 2018, the DLBA sold 214 properties through the auction.
- Own it Now Program: In the period of July – September 2018, the DLBA sold 222 properties under the program.
- Rehabbed and Ready: In the period of July – September 2018, the DLBA sold 2 under the program.
- Occupied Buy Back Program: During the period of July – September 2018, the DLBA closed on 60 properties under the program.

¹ LPD notes that the revenue identified was not budgeted and listed as "Actual YTD". LPD was unable to identify the appropriation and the approval by City Council.

² LPD 690 parcel reduction in inventory appear to be a combination of residential sales and/or vacant lot sales under the various DLBA programs.

³ The DLBA currently has 28,111 parcels residential structures of which 17,179 are in the HHF areas and 10,932 are in non-HHF areas.

- **Community Partnership Program:** The report identifies recent Community Partnership sales as being 23 lots and 4 structures.

Demolition Department

As previously reported by the DLBA, credits were issued from MSHDA representing a refund of settlement proceeds as well as the return of the Fire Insurance Escrow dollars paid to MSHDA. The current refund of \$6,602,690.52 is to be used to demolish additional residential structures. The refunds were issued as follows: HHF1 \$5,409,638.69; HHF2 \$1,192,413.56; HHF3 \$638.25. As of the date of this report, all five rounds of HHF funding are currently open and the DLBA has identified properties from the HHF areas to apply the respective refunds. The DLBA indicates it has demolished 9,948 residential structures under the first four HHF rounds as of the date of the quarterly report. The DLBA further anticipates an additional 500 residential structures to be demolished under HHF round 4 proceeds.

The Department is currently in the fifth round of HHF distribution. This round of funding is to provide \$88,153,425 in demolition funds. As of September 30, 2018, the DLBA (in conjunction with the Detroit Building Authority/ DBA) has issued demolition and abatement contracts for 4,000 properties. As of the date of the quarterly report the DLBA has been reimbursed \$1,855,158.77; leaving \$86,298,266.23 in grant funds to be drawn down, which is inclusive of the \$4,448,375.86 for which the DLBA is seeking reimbursement.

In April 2018, the DLBA issued an RFP for Procurement Administrative Services to transition the HHF procurement process to a third-party company skilled at providing such services on the scale and scope the DLBA envisioned. Effective July 1, 2018, the DLBA transitioned all of its HHF procurement services from the DBA to Price, Waterhouse, Coopers, Public Sector, LLP (PWC). The DLBA indicates that since the transition to PWC there has been a sharp increase in overall efficiency and notes that the time to review, tabulate, and award RFP's has dropped from six-to-eight weeks to two weeks. The DLBA expected to eliminate its RFP backlog by the middle of October 2018.

The DLBA also notes that in complying with the revised blight manual implemented by MSHDA prohibiting the use of local preferences in contract bid awards, the contractor pre-qualification program continued to maintain its current list of thirteen pre-qualified demolition contractors of which three are minority business enterprises (MBE) or women business enterprises (WBE). In addition there are four additional demolition contractors seeking pre-qualified status which are under review.

Legal Department

The DLBA's Legal Department provides legal counsel and assistance to the DLBA Board, Executive Director and to the organization's staff for all the various programs. In addition, the Legal Department staffs programs under its purview:

- **Quiet Title:** As of September 30, 2018, the Legal Department has received 72 quiet title judgments for the quarter and 483 in total.

- **Nuisance Abatement/Abandoned Properties:** In this quarter, as of September 30, 2018, the Legal Department obtained over 112 agreements with property owners to rehab their properties, 16 default judgments, 5 property donations and 6 properties purchased through “We Buy It”.
- **Compliance:** The DLBA’s Compliance Team enforces agreements signed by property owners who have either purchase property from the DLBA (Sales Compliance for properties obtained by auction, Own it Now or Community Partners) or, whose property was subject to the Legal Department’s nuisance abatement action. The overall DLBA monitoring of compliance regarding is as follows:

<u>Compliance Program:</u>	<u>Total</u>	<u>2018</u>	<u>Quarter Ending 6/30/18</u>
Currently monitored	2,672	1321	475
Compliance Achieved	2,537	497	189
Failed Compliance	771	252	77

Community Affairs Department

The Community Affairs Department handles community outreach, public meetings, open houses, off site sales events and social media communications as part of its community engagement program. In September the DLBA secured positive media coverage from local and national media outlets featuring accomplishments of the DLBA. Increased its community engagement and outreach by interacting with Detroiters face to face hosting information tables, meeting with faith-based organizations; and holding weekly office hours in council districts. The DLBA has engaged in social media utilizing Facebook, Twitter, Instagram and YouTube for community outreach in addition to its paid marketing.

If we can be of further assistance please call upon us.