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# City of Detroit

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**TO:** Detroit City Council

**FROM:** David Whitaker, Director  
Legislative Policy Division 

**DATE:** July 10, 2019

**RE:** Report on Demolition Management Agreement between the City of Detroit and the Detroit Building Authority

The Legislative Policy Division (LPD) has reviewed the proposed Demolition Management Agreement (the Agreement) between the City of Detroit (City) and the Detroit Building Authority (DBA) dated August 18, 2019. The Agreement is a continuation of the current Demolition Management Agreement with the DBA containing many of the same terms and conditions. This report highlights pertinent provisions of the new Agreement.

LPD notes that the existing Demolition Management Agreement dated August 11, 2015, is set to expire on or around August 11, 2019. The current agreement has a term of three (3) years and will expire on or around August 18, 2022, unless terminated by the parties as set forth under Section 7.<sup>1</sup>

The document provides that the recitals have been incorporated within the terms and conditions of the Agreement. The underlying purpose of both the prior and current Agreement is stated in the second "Whereas", which provides:

WHEREAS, the City desires to continue utilizing the professional services of the DBA to coordinate and implement the Demolition Program in accordance with the terms of this Agreement;

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<sup>1</sup> Section 7 *Term*, provides that the Agreement can be terminated by both parties in whole or in part by agreeing in writing thirty (30) days before the effective termination date, or by either party terminating in whole or in part by giving written notice to the other party at least one (1) year before the termination date in the manner set forth in Subsection 7A and 7B.

The provision identifies that the DBA will coordinate and implement the Demolition Program. The first “Whereas” broadly defines the Demolition Program as the “City’s demolition program for the demolition of certain residential and commercial improvements situated on property in the City of Detroit”.<sup>2</sup> LPD notes the significance of this definition as it includes any residential or commercial property within the City of Detroit identified by the City to be in need of demolition. This would also include the thousands of residential properties owned by the Detroit Land Bank Authority or any other persons or entities.

Section 3D of the Agreement provides the method the City approved expenditures (including but not limited to administrative fees) in carrying out its Program Manager functions for the Demolition Program shall be paid by the City to the DBA. It provides in pertinent part:

The City is hereby authorized under this Agreement to pay such DBA Cost up to the amounts that are budgeted by the City in both Appropriation 20253, Non-Departmental Blight Remediation and Appropriation 00277, Non-Departmental Detroit Building Authority, or any other Appropriation established for this purpose (together the “Funds”), for each respective City of Detroit fiscal year of this Agreement.<sup>3</sup>

The Agreement under Section 3D authorizes the City to utilize general fund dollars or any other appropriation established for the purpose “funds” to cover the cost of managing the Demolition Program that are appropriated by City Council for each fiscal during the term of the Agreement.<sup>4</sup>

The Agreement provides that any contractor or subcontractor contracted by the City shall indemnify the City and the DBA; comply with the bonding requirements outlined in the Demolition Policies and Procedures manual<sup>5</sup>; and comply with the insurance requirements outlined in Subsection 3F. The contractors selected to participate in the Demolition Program will be procured by the City’s O-CFO, Office of Contracting and Procurement.

The Agreement provides that it is the duty of the Housing and Revitalization Department (HRD) to facilitate the payments to contractors; ensure all federal sources used for the Demolition Program are used for eligible purposes; coordinate the City’s compliance with Section 3 of the Housing and Community Development Act of 1968; pay BSEED from the “Funds” all initial

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<sup>2</sup> The prior Demolition Management Agreement also defined the Demolition Program as “the City’s plan for the demolition of certain residential and commercial improvements situated on property in the City of Detroit.

<sup>3</sup> The Fiscal Year 2019-2020, budget for Appropriation 20253, Non-Departmental Blight Remediation for demolition is approximately \$41,086,976 and for Appropriation 00277, Non-Departmental Detroit Building Authority for blight and DBA office is approximately \$3,749,532.

<sup>4</sup> LPD notes the appropriated funds would include not only general fund dollars that are appropriated for Blight Remediation as well as appropriations specifically designated to the DBA, but also any appropriated Fire Escrow, or Community Development Block Grant dollars. LPD further notes that the use of these dollars under the Demolition Program as defined may include the use of general fund dollars for DLBA owned properties, particularly once Hardest Hit Fund dollars have been expended under the Federal and State program.

<sup>5</sup> The City’s Demolition Policies and Procedures manual is incorporated in the Agreement as Exhibit A, dated June 2019. The manual provides all the rules and procedural requirements for demolition activity including but not limited to: bonding requirements for contractors; notification to residents regarding the removal of hazardous material such as asbestos; procedures for removal of hazardous materials; procedures to minimize fugitive dust (dual hose spraying during demolition; inspection procedures for demolition and backfill of structure, and requirements for backfill material.

permit cost associated with residential demolition as well as hydrant permit fees related to the demolition program.

The Agreement provides that BSEED duties shall include but is not limited to: identify properties for emergency demolition; conduct inspections; verify property conditions and ownership; co-ordinate dangerous building designations and demolitions orders; issue demolition permits and conduct inspections related to demolitions; release any available fire escrow funding available for any property to be demolished to offset the cost of abatement and demolition in accordance with state law.

The Agreement provides that the DBA shall serve as Program Manager to manage and coordinate the performance of Contractors engaged by the City to implement the Demolition Program; develop a demolition strategy and estimate the funding needed; obtain written approval from the City for any change orders recommended by the DBA prior to the start of any change order work being done; utilize the fee schedule provided in the City's Demolition Policies and Procedures manual when providing estimates to the City for any demolition related activity and/or change order request under the Demolition Program; prepare an Annual Demolition Report; and co-operate with the city's Inspector General in any investigation regarding the Agreement and/or the Demolition Program.

The Agreement provides under Section 5, that it shall become effective on the date it is filed with the Michigan Secretary of State. The DBA is responsible for filing the Agreement with the State.

The Agreement provides under Section 6, that to the greatest extent feasible, lower-income residents of the City shall be given opportunities for training and employment as well as eligible business located in or owned in substantial part by persons residing in the city shall be awarded contracts in connection with the Demolition Program. The Agreement further provides that the City and the DBA shall make positive efforts to utilize Detroit Certified businesses and small/minority/women- owned enterprises as sources of supplies and services needed for the Demolition Program.

Section 15H provides that the Agreement has no force or effect unless and until it has been fully executed by the City, including but not limited to approval by resolution of the Detroit City Council. Any amendments or modifications to the Agreement must be approved as set forth therein including approval by City Council.

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

City of Detroit  
 FY 20 Funds Available Report  
 All Funds

APPN	'N Descript	Cost Center	Desc3	FY 2020			Funds Available
				Adopted Budget	Amended 20 Budget	Encumbrances FY 20 Actua	
00277	Non Dept I	350310	Detroit Building Authority	3,749,532.00	11,199,023.36	7,456,616.86	3,743,203.17
Grand Total				3,749,532.00	11,199,023.36	7,456,616.86	3,743,203.17

Blight	2,000,000.00
DBA Office	1,749,532.00
	<u>3,749,532.00</u>

City of Detroit  
 FY 20 Funds Available Report  
 All Funds

July 5, 2019

FY 2020

APPN	APPN Description	Cost Center	Desc3	Adopted Budget	Amended Budget	Encumbrances	FY 20 Actual	Funds Available
20253	Reinvestment Project_Blight							
		257001	DHWP Health Lead Remediation		26,895.54	26,895.54	(1,520.38)	1,520.38
		350011	Blight Reinvest	10,000,000.00	10,005,155.16	3,107,728.51	(61,223.03)	6,958,649.68
		350014	Land Bank Operations	13,000,000.00	13,000,000.00	-	-	13,000,000.00
		367301	HRD Residential Demolition	30,000,000.00	43,290,880.53	31,006,596.12	(67,640.75)	12,351,925.16
		367302	HRD Commercial Demolition	10,689,776.00	14,832,000.57	8,136,919.77	85,069.22	6,610,011.58
		367303	HRD Emergency Demolition	10,000,000.00	11,125,757.31	3,068,780.31	25,458.00	8,031,519.00
		470405	Blight Remediation - Board Up Pr	3,864,017.00	5,047,757.81	1,183,740.81	-	3,864,017.00
		472140	Mural Program	200,000.00	200,000.00	-	-	200,000.00
		472150	Custodial Services	2,107,126.00	2,107,491.99	365.99	-	2,107,126.00
		472160	Corridor Clean Up	2,025,608.00	2,031,083.00	5,475.00	(5,475.00)	2,031,083.00
		472170	Graffiti Removal GF	1,356,054.00	1,656,072.31	450,018.31	(300,000.00)	1,506,054.00
				83,242,581.00	103,323,094.22	46,986,520.36	(325,331.94)	56,661,905.80
	Grand Total							