



Coleman A. Young Municipal Center
2 Woodward Avenue, suite 1100
Detroit, Michigan 48226

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www.detroitmi.gov

MEMORANDUM

TO: David Massaron, Chief Financial Officer, City of Detroit

FROM: Valerie Agolli, Debt Manager and
Donnie Johnson, Capital Budget Manager

DATE: October 15, 2019

RE: Plan to Monitor Use of Demolition Bond Proceeds for Compliance with
Federal Tax Laws

To support the proposed sale of \$175 million in tax exempt bond proceeds to fund City demolitions, this memo documents the Office of the Chief Financial Officer's (OCFO) plan to monitor the use of the tax-exempt demolition bond proceeds.

Tax-exempt bonds issued by state and local governments are subject to ongoing compliance with federal tax requirements. Under federal tax law, if bonds are classified as "private activity bonds" (as of the issue date or *any time during which the bonds are outstanding*), then the interest on the bonds becomes includable in the federal taxable income of the holders of the bonds, i.e., the bonds are no longer tax-exempt but instead are taxable. The determination of whether bonds are private activity bonds depends on two tests - (1) the private business test, and (2) the private loan financing test. The latter test includes both a private business use test and a private security or payment test. The private payment test is met when more than five percent of the present value of the debt service on the bonds is secured by privately used property or private payments. Private payments include direct or indirect payments with respect to bond-financed properties. In the context of the blight remediation program, private payments could consist of amounts received from either the sale or lease of any properties that were improved with the tax-exempt bonds.



Office of the
Chief Financial Officer

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To monitor the use of the tax-exempt bond proceeds, and to continue to confirm that the private activity test has not been met (and the bonds therefore remain tax-exempt), the OCFO will establish a system to track how each of the properties that was improved with the bond proceeds are ultimately used. For each parcel, which will be identified using the legal parcel number, the OCFO will track:

- a) the total amount of bond proceeds spent on improving the property,
- b) the type of expenditures made with bond proceeds (e.g., demolition cost, preliminary expenditures to prepare for demolition, site preparation)
- c) ownership of the property at time of demolition,
- d) any other city, state, or federal funds used to improve the property, and
- e) the total amount received from the sale or lease (if any) of the property.

The City will track this information in the Salesforce database. The Housing and Redevelopment Department (HRD) and Detroit Building Authority (DBA) will be responsible for entering the expenditure data for each demolition into the database. The Detroit Land Bank Authority (DLBA) will be responsible for entering the ownership and the total amount received from the sale of any residential property. HRD will be responsible for entering the total amount received from the sale of any commercial property into the database.

Attached to this memo, please find an example of a Salesforce case (or parcel) that included a demolition and disposition. The OCFO will work with HRD, DBA and DLBA to add additional fields to Salesforce that will meet OCFO's reporting needs. In the attached document, please find examples of the current fields that will assist with reporting:

- Cost: Asbestos Survey
- Cost: Asbestos Abatement
- Cost: Knock Down
- Cost: Dirt (greening)



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- Cost: Grade (greening)
- Cost: Seed (greening)
- Cost: Sidewalk (greening)
- Knockdown Date
- Demo Contractor
- Acquisition Method
- Acquisition Date

The OCFO, DLBA, HRD and DBA will add additional fields to meet the OCFO's reporting needs, such as:

- Total Expenditures from Tax-Exempt Bond Proceeds
- Total Expenditures from Taxable Bond Proceeds
- Total Expenditures from City General Funds
- Total Expenditures from Community Development Block Grant (CDBG)
- Total Expenditures from Other Funds
- Total Sale Proceeds
- Total Lease or Other Proceeds for Use of Property
- Ownership Status at Demolition
- Current Ownership Status

The DLBA and DBA will sign a compliance agreement with the City covenanting to complete these responsibilities. As part of this agreement, the DLBA will covenant to maintain the information in a database over the life of the bonds.

The OCFO will design and extract a report with this information on a quarterly basis, and at least often enough to measure compliance with the de minimis limitation for the private payment test. In this report, the OCFO will aggregate the total amount received from the sale or other disposition of all of the parcels improved with the bond proceeds and compare that amount to the present value of debt service to be paid on the bonds.



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This will allow the City to determine if the five percent limit for the private payment test is exceeded.

Because Oracle is the system of record for contracted financial data for the City, the OCFO will extract similar information about expenditures from the Oracle database to ensure the standardization of the compliance system. The Auditor General will be invited to audit the compliance system at their convenience.

The OCFO will maintain this compliance tracking system until the earlier of one of the following: (1) the maturity date of the bonds (or any tax-exempt bonds which refund the bonds) or (2) the end of the useful life of the properties financed with the bonds.



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DLBA

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Case 00120834

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Socrata: BSEED (4) | Inquiries (7) | DLBA Activities (2) | Comments (0) | Attachments (0) | Open Activities (0) | Activity History (0) | Case History (21) | Approval History (0) | Contractor Violations: Properties (0) | DLBA Field Surveys (0) | Post Abatement Verifications (0) | Sidewalk Repairs (0) | Sidewalk Repairs (Related Case) (0)

Case Detail

Edit Delete Close Case Sharing Map

Property 18901 Huntington
Parcel ID 22069799

Status For Sale
Pipeline Side Lot
Status Date 7/10/2019
Program Side Lot
Priority High
Case Record Type Disp - Side Lot
Interested Entity

Transfer Case
Grant Program HHF5

Property Class (Acct) Residential-Lot

Archived Case URL

MSHDA Demo Lien YES

Sale Prep Activity A-193119

Case Record Type (ref) Disp_Side_Lot

PTA Date Filed

Contact Name (Compliance ref)

Compliance DNG Email

Sidewalk Replaced Date

BB Failed Date
BB Failed Reason
Latest Listing 7/11/2019
BSEED: Final Grade Approved 8/9/2018

Case Details

(ref) QT Recorded Date

Quiet Title Batch

5/50 Waiver Date

Number of Attempts to Sell 1

Project Batch

Description

BSEED Legal Authority ODM

Subject Demo - Non-HHF (Non-DLBA) | 18901 Huntington | 2016-03-29

Closeout Reason
FIE Amount Withheld

Acquisition Information

Acquisition Method Transfer-WCT
Acquisition Date 1/13/2017

Transfer Agreement
Acquisition Amount \$0.00

Donor Name

Concession Amount
Concession Designation

Signoff Details

Signoff Date

GTJ Survey

GTJ Batch
GTJ Survey Complete 12/21/2016
GTJ Address 18901 Huntington
GTJ Photo Link http://www.gtjadmin.com/view_assets.asp?id=2162928
GTJ Structure Yes
GTJ Structure Type Single Family
GTJ Notes 10 openings, fire damage ,

GTJ Occupancy Vacant
GTJ Property Secure No
GTJ Overall Condition
GTJ Neighborhood Condition 3
GTJ Survey Assessment Salvage
GTJ Deconstruction Candidate No
PhotoRev GTJ-MCM Pass Dt 2/16/2017

Demo Recommendation & Decision

Blight Letter Batch HHF5 Batch 2
Blight Letter Received Date 4/10/2017
Blight Letter Requested Date 3/13/2017
Blight Letter Address
Blight Letter Status Received

NTP Batch HHF5 NTP 2.2
NTP Date 4/11/2017

Asbestos Survey

ASB Survey RFP Group 6,23,17A
 ASB Survey Contractor Name ATC Group Services, LLC
 ASB Survey Status Completed

ASB Survey Date 8/28/2017
 ASB Document URL <https://drive.google.com/drive/folders/0B9yggHp...>
 ASB Survey Report Date 9/7/2017
 Asbestos Survey Plaster or
 Transite

Asbestos Abatement Estimate & Certification

ASB Abatement Verification Contractor ATC Group Services, LLC
 ASB Verifier Name Charles D. Gheen

ASB Abatement Estimate Min \$424.43
 ASB Abatement Estimate Max \$1,061.09

Asb Abatement Est/Cert RFP 6,23,17A

Utilities

Util: Cut Request Cancel Date

Util: Gas Cut Date 5/17/2017

Util: Gas Clearance Type Office Clear

Util: Electric Cut Date 7/5/2017

Util: Cut Status Double Cut

Util: Electric Clearance Type Field Verified

Util: Cut Issues

Util: Hazard Notification Date

Util: Hazard Notification Description

Demo Contractor Details

Demo RFP Group 10,17,17C

Socrata Projected Knocked By Date 7/31/2018

Demo Contractor Salenbien Trucking & Excavating Inc.

Planned Knock Down Date 7/24/2018

Demo Contractor Proceed Date 3/22/2018

Asbestos Abatement Date
 Asbestos Abatement Document Link
 Asbestos Abatement Notes

Asbestos Abatement RFP Group

Asbestos Abatement Contractor Name

Bid Price: Abatement \$891.00

Backfill Complete

Bid Price: Demolition \$9,010.00

Winter Grade Requested

Bid Price: Abatement Demo Single Cost

Winter Grade 2nd Request

Bid Price: Total Demo Contractor Amt \$11,813.23

Socrata Reported Price \$11,813.23

Winter Grade Inspection Scheduled

Knock Down Date 7/24/2018

Final Grade Requested 8/7/2018

Final Grade 2nd Request

Open Hole Requested 7/24/2018

Final Grade Inspection Scheduled

Open Hole Inspection Scheduled

Demo Contractor Hydrant Log

Demo Returned by Contractor

DBA Field Notes

Returned by Contractor: RFP

HHF Non-Recoverable Cost

Sidewalk Contractor

Demo Cost Details

Cost: GTJ Inspection \$15.00

Invoice: GTJ

Cost: Utility Cut

Invoice: Utility Cut

Cost: Asbestos Survey \$892.50

Invoice: Asbestos Survey

Invoice: Asbestos Survey(new) [ATC Group Services, LLC 2091670](#)

Cost: Asbestos Abatement Estimate \$25.00

Invoice: Asb Abatement Estimate [ATC Group Services, LLC 2059769](#)

Cost: Asbestos Abatement Certification \$125.00

Invoice: Asb Abatement Certification [ATC Group Services, LLC 2099061](#)

Cost: Asbestos Abatement \$891.00

Invoice: Asbestos Remediation

Cost: Knock & Greening (combined)

Invoice: Asbestos Remediation(new) [Salenbien Trucking & Excavating Inc. 52520189R](#)

Cost: Knock Down \$9,420.48

Invoice: Demo Contractor

Cost: Dirt (greening) \$934.50

Invoice: Demo Contractor(new) [Salenbien Trucking & Excavating Inc. 630201818](#)

Cost: Grade (greening) \$311.50

Winter Grade Withholding

Cost: Seed (greening) \$155.75

Invoice: Winter Grade Payout

Cost: Sidewalk (greening)

Invoice: Winter Grade Payout(new)

Total: Demo Contractor Amt (formula) \$11,813.23

Bid-Invoice Difference \$0.00

Demo Change Order AMT
 Demo Change Order AMT2
 Hydrant Change Order Invoice Amount
 Demo Change Order Total

 Demo Misc Costs
 Demo Misc Cost Description
 Demo Misc Costs 2
 Demo Misc Cost Description 2
 Demo Misc Costs 3
 Demo Misc Cost Description 3
 Cost: Clean Fill
 Cost: Lot Maintenance
 Cost: Project Management

Demo Change Order Description
 Demo Change Order Description2

 Invoice: Misc Demo Cost
 Invoice: Misc Cost(new)
 Invoice: Misc Demo Cost 2

 Invoice: Misc Demo Cost 3

 Invoice: Clean Fill

 Total: All Demo Costs **\$12,970.73**

MATT Cost Details

MATT Status Stage 7 - Post Funding
 MATT DE Number D5-22072-18901 Huntington

 Total: MATT Invoice **\$14,095.73**
 Credit: FIE Funds
 MATT Invoice Adjustment **(\$1,125.00)**
 MATT Invoice Adjustment Notes

Miscellaneous Demo Details

PDD Source

Demo Pull Requests

Demo Pull Requested Reason
 Demo Pull Staff Recommendation

 Demo Pull Executive Determination

 Demo Pull Request Notes
 Demo Pull Staff Recommendation Date
 Demo Pull Executive Determination Date

 Demo Pulled Date
 Demo Pull Failed

Pipeline History

Demolished
 Reviewed by Demo

 NAP
 Drug House

 Sold - Side Lot
 Sold - Direct Sale
 Sold - Auction

Standard Fields

Case Origin

 Contact Name US Mortgage Specialist, LLC Delaware Co
 Contact Account Name General Citizen
 Contact Phone

System Information

Created By Brian Farkas, 3/29/2016 2:26 PM
 Last Modified By Derick Benedict, 8/20/2019 1:33 PM
 Date/Time Opened 3/29/2016 2:26 PM
 Date/Time Closed

[Edit](#) [Delete](#) [Close Case](#) [Sharing](#) [Map](#)

Socrata: BSEED

Socrata: BSEED Help

Action	Socrata: BSEED	Action Description	Inspection Date	Inspection Results	CSA Notes	CSA Updated	Building Permit Description	Permit Status
	BSEED-132627	Final Grade Inspection	8/9/2018	OK	F/G CALL FINAL GRADE ACCEPTABLE.	8/10/2018		
	BSEED-131801	Open Hole Demo Inspection	7/26/2018	OK	OH CALL DWLG DOWN DEBRIS REMOVED SEWER CAPPED. REC. OK TO FILL	7/27/2018		
	BSEED-108925		3/13/2018					
	BSEED-142695						WRECK AND REMOVE DEBRIS	OPEN

Inquiries

[New Inquiry](#)

Inquiries Help

Action	Inquiry Name	Inquiry Category	Inquiry Sub-Category	Inquiry Date	Contact Name	Inquiry Status	Follow-Up Inquiry Count	Priority	Created By
Edit	INQ-036318	Property Maintenance	Board/Secure	8/22/2017	Rita Gantt	Closed	0	Medium	Trezella Goodin , 8/22/2017 12:45 PM
Edit	INQ-036319	Property Maintenance	Debris, Clean Up	8/22/2017	Rita Gantt	Closed	0	Medium	Trezella Goodin , 8/22/2017 12:49 PM
Edit	INQ-052044	Demolition	Demo Timing	5/21/2018	Rita Gantt	Closed	0	Medium	Ternika Bunton , 5/21/2018 10:18 AM
Edit	INQ-053692	Demolition	Demo Timing	6/8/2018	Latrice McClendon	Closed	0	High	Stephanie Young , 6/8/2018 4:50 PM
Edit	INQ-047780	Property Maintenance	Board/Secure	3/22/2018	Latrice McClendon	Closed	0	High	Stephanie Young , 3/22/2018 2:01 PM
Edit	INQ-008924	Demolition	Report Property Damage	4/15/2015	Rita Gantt	Escalated	0	Medium	Ted Schultz , 6/1/2016 6:41 PM

Edit [INQ-013591](#) Demolition Demo Request 1/1/1900 [Fake Fakester III](#) Closed 0 Medium [Ted Schultz](#), 6/3/2016 9:55 AM

DLBA Activities

[Side Lot Sale \(Only\)](#)

[DLBA Activities Help](#)

Action	DLBA Activity	Record Type	DLBA Activity Type	Sale Status	Prospective Buyer Status	Activity Date	Activity Status	Days Until Activity Date
	A-246308	Side Lot Sale		For Sale On Site	NO SELECTED BUYER	7/11/2019	Scheduled	0
	A-193119	Sale Preparation				10/10/2018	Scheduled	0

Comments

[New Comment](#)

[Comments Help](#)

No records to display

Attachments

[Attach File](#)

[Attachments Help](#)

No records to display

Open Activities

[Open Activities Help](#)

No records to display

Activity History

[Mail Merge](#) [Compliance Email](#)

[Activity History Help](#)

No records to display

Case History

[Case History Help](#)

Date	User	Action
7/10/2019 5:14 PM	Savannah Robbins	Changed Status from Sales Review to For Sale .
7/10/2019 4:13 PM	Savannah Robbins	Changed Status Date from 6/3/2019 to 7/10/2019 . Deleted Reset in Transfer Case . Changed Transfer Case from Disposition - Side Lot to Reset . Changed Status from Vacant Land to Sales Review . Changed Case Record Type from DLBA - Inventory to Disp - Side Lot . Changed Transfer Case to Disposition - Side Lot .
6/3/2019 9:53 AM	Savannah Robbins	Changed Status Date from 5/28/2019 to 6/3/2019 . Changed Status from Intake Review to Vacant Land .
5/28/2019 2:20 PM	Derick Benedict	Changed Status Date from 7/24/2018 to 5/28/2019 . Deleted Reset in Transfer Case . Changed Transfer Case from DLBA - Intake Review to Reset . Changed Status from Demolished to Intake Review . Changed Case Record Type from Demo - HHF to DLBA - Inventory . Changed Transfer Case to DLBA - Intake Review .
9/7/2018 9:06 AM	Jerry Assam Jr.	Changed Case Owner from DLBA Admin to Demolition Team .
9/5/2018 9:04 AM	Derick Benedict	Changed Owner (Assignment) from Demolition Team to DLBA Admin .
7/24/2018 4:10 PM	Amber Hine	Changed Status Date from 3/22/2018 to 7/24/2018 . Changed Status from Demo Contracted to Demolished . Changed Knock Down Date to 7/24/2018 .
7/19/2018 12:12 PM	Amber Hine	Changed Planned Knock Down Date to 7/24/2018 .

Approval History

[Submit for Approval](#)

[Approval History Help](#)

No records to display

Contractor Violations: Properties

[New Contractor Violations: Property](#)

[Contractor Violations: Properties Help](#)

No records to display

DLBA Field Surveys

[DLBA Field Surveys Help](#)

No records to display

Post Abatement Verifications

[New Post Abatement Verification](#)

[Post Abatement Verifications Help](#)

No records to display

Sidewalk Repairs

[New Sidewalk Repair](#)

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Sidewalk Repairs (Related Case)

[Sidewalk Repairs \(Related Case\) Help](#)

New Sidewalk Repair

No records to display

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