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# City of Detroit

## CITY COUNCIL

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TO: LaJuan Counts, Director  
Detroit Demolition Department

FROM: David Whitaker, Director   
Legislative Policy Division

DATE: March 21, 2022

RE: **2022-2023 Budget Analysis**

Attached is our budget analysis regarding your agency's budget for the upcoming 2022-2023 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Monday, March 28, 2022 at 3:00 p.m.** We would then appreciate a written response to the issues/questions at your earliest convenience before or after your budget hearing. Please forward a copy of your responses to the Councilmembers, the City Clerk's Office, and the Legislative Policy Division.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

### Attachments

cc: Councilmembers  
Auditor General's Office  
Jay Rising, Chief Financial Officer  
Tanya Stoudemire, Deputy Chief Financial Officer  
Steven Watson, Deputy CFO/Budget Director  
Brad Dick, Group Executive  
Steven Morris, Agency CFO  
Justin Buss, Budget Analyst  
Gail Fulton, Mayor's Office

## Detroit Demolition Department (16)

### FY 2022-23 Budget Analysis by the Legislative Policy Division

On February 4, 2021, the City of Detroit issued \$175 million in unlimited tax general obligation (UTGO) bonds<sup>1</sup> also known as “Proposal N” or “Neighborhood Improvement Plan” bonds. Because there was a high demand for these bond, the bonds sold at a premium, and the City was able to secure an additional \$30.75 million in bond proceeds as a bond premium. The following sources and uses of the Proposal N bonds is as follows<sup>2</sup>:

#### SOURCES AND USES OF FUNDS

The sources and uses of funds are approximately as follows:

<u>Sources:</u>	2021A Bonds	2021B Bonds	Total
Par Amount of Bonds	\$135,000,000.00	\$40,000,000.00	\$175,000,000.00
Original Issue Premium	<u>30,748,789.50</u>	<u>--</u>	<u>30,748,789.50</u>
<b>Total Sources</b>	<u>\$165,748,789.50</u>	<u>\$40,000,000.00</u>	<u>\$205,748,789.50</u>
<u>Uses:</u>			
Project Fund Deposit	\$164,615,393.93	\$39,697,167.44	\$204,312,561.37
Issuance Costs*	<u>1,133,395.57</u>	<u>302,832.56</u>	<u>1,436,228.13</u>
<b>Total Uses</b>	<u>\$165,748,789.50</u>	<u>\$40,000,000.00</u>	<u>\$205,748,789.50</u>

\* Includes estimated costs for printing the Official Statement, Rating Agency, Bond Counsel, Transfer Agent, Dissemination Agent, Investor Relations Agent and Auditor fees, Underwriters' Discount, and other expenses.

As can be seen from the above table, the City of Detroit received a total of \$205.75 million from the Proposal N bond sale. Of this total, \$1.44 million was paid in bond issuance costs (which are explained at the asterisk above). As a result, on February 11, 2021, the City of Detroit received \$204.3 million in net bond proceeds from the Proposal N bond sale. Of this total, \$164.6 million represents Series 2021A (tax exempt<sup>3</sup>) bonds, and \$40 million represents Series 2021B (taxable<sup>4</sup>) bonds.

The Demolition Department is funded primarily from the Proposal N bond proceeds in FY 2023. These funds are appropriated in appropriation 21003 Neighborhood Improvement Bonds in accordance with the bond resolution approved by City Council in July 2020. Fund 4503-General Obligation Bond Fund, is the fund where appropriation 21003 is housed. **Fund 4503-General Obligation Bond Fund is not a general fund but a bond fund where the Prop N bond proceeds were deposited.**

**Since City Council approved appropriation 21003 to house the Prop N bond proceeds in July 2020, these bond proceeds were budgeted in appropriation 21003 in February 2021 when the bonds were sold. Therefore, the activity in appropriation 21003 will not be**

<sup>1</sup> Unlimited tax general obligation (UTGO) bonds are voter-authorized bonds paid off from property taxes based on the City of Detroit’s property tax debt millage. In contrast, limited tax general obligation (LTGO) bonds are non-voter bonds and paid for out of the City’s general fund and are not paid for out of property taxes based on the property tax debt millage.

<sup>2</sup> Source: City of Detroit’s Official Statement providing details on the Proposal N bond sale dated February 4, 2021, which can be obtained from the following link:

[file:///C:/Users/Owner/Downloads/City\\_of\\_Detroit\\_OS\\_Feb\\_2021.16bxemsul.pdf](file:///C:/Users/Owner/Downloads/City_of_Detroit_OS_Feb_2021.16bxemsul.pdf)

<sup>3</sup> Tax exempt bonds are when the interest paid on municipal issues is exempt from federal taxes and sometimes state and local taxes as well.

<sup>4</sup> Taxable bonds are when the interest paid on municipal bonds is subject to both federal and state income taxes.

reflected in the proposed FY 2023-2026 four-year financial plan on pages B16-1 through B16-10 in Section B of the budget book. As a result, Prop N bond proceeds will be balanced forward at the end of each fiscal year until the Prop N bond proceeds are exhausted.

It is important to further note that, however, the Demolition Department uses Prop N bond proceeds to pay for its operational costs, including staff costs, professional & contractual services costs, operating supplies costs, operation services costs, equipment acquisition costs, and other expenses costs. Attachment I represents a legal opinion from the City of Detroit's bond counsel (Miller Canfield) on the legality of using Prop N Bond funds for the Demolition Department's operations.

As a result, the 83 positions the Demolition Department proposes to employ in FY 2023 will be paid from Prop N Bond funds. This is reflected on page B16-10 in Section B of the budget book.

For the sake of transparency, Attachment II represents a spreadsheet prepared by the Legislative Policy Division (LPD) showing the Prop N bond proceeds activity as of March 18, 2022 in appropriation 21003 Neighborhood Improvement Bonds (main program) discussed above. The spreadsheet further breaks down appropriation 21003 by cost centers (sub-programs): 160010-Demolition Administration; 160020-Residential Demolition; 160040-Demolition Environmental; and 160050-Demolition Compliance.

Meanwhile, the budgeted figures on pages B16-3 through B16-9 are limited only to the Fund 1003 Blight Remediation Fund. General fund surplus dollars are deposited into Fund 1003 Blight Remediation Fund to fund emergency demolitions which are not eligible for the use of Prop N Bond funds.

Attachment III represents the Demolition Department's current fiscal year, FY 2022, proposed budget projections from Fund 1003 Blight Remediation Fund and from Fund 4503 General Obligation Bond Fund prepared by the Administration.

### Issues and Questions

1. Please briefly explain the department's new expense initiatives, new capital funding requests, operational reform and savings proposals, and new revenue initiatives/proposals to be implemented from proceeds in Fund 1003 Blight Remediation Fund (which houses general fund surplus dollars for emergency demolition and remediation purposes) and appropriation 21003 Neighborhood Improvement Bonds, Fund 4503 General Obligation Bond Fund in FY 2023.
2. In response to a budget question raised by Council President Pro Tem Tate during the FY 2022 budget process, the Demolition Department indicated: "Future budgets for Fund 1003 will be requested to fund 300 emergencies demolition with a 1% inflation annual increase included through the term of the existence of the Demolition Department. Emergency demolitions are not bond eligible due to inability to ascertain ownership status prior to the demolition, which is why we need Fund 1003 Cash Blight funds." Questions:
  - a. Please explain the increase of \$3.8 M (47.5%) in Fund 1003 Blight Remediation Fund for FY 2023 over FY 2022 (page B16-6).
  - b. Please explain why for FY 2023 there is a net tax cost of \$11.8 M in Fund 1003 Blight Remediation Fund when there is a \$17.5 M revenue from prior year surplus being

- deposited in Fund 1003 Blight Remediation Fund in the Non-Departmental budget (page B35-12).
- c. On page 2 of 3 before Section A of the FY 2023-2026 four-year financial plan budget book, it is indicated that \$17.5 million will be used for Blight Remediation and Beautification Programs. Please explain how much of the \$17.5 M would be spent by the Demolition Department and the General Services Department, and for what purposes.
  - d. If any of the \$17.5 M is to be used for commercial and industrial demolition in FY 2023, why is this needed when \$95 M of ARPA (American Rescue Plan Act) dollars are appropriated to be used for Blight Remediation, including the elimination of commercial and industrial blight through demolition, remediation, and land reuse?
  - e. Will the Demolition Department be responsible for using some of the \$95 M ARPA funds for commercial and industrial demolition activity in FY 2022 and FY 2023?
3. Page C3 of the legal budget of the FY 2023-2026 four-year financial plan budget book shows that \$4.2 M was spent from the Prop N Bond funds in FY 2021 per the FY2021 Actual column. However, LPD's spreadsheet per Attachment II suggests that \$4.9 M was actually spent in FY 2021 (Prop N Bond net proceeds of \$204.3 M less Prop N Bond funds balanced forward to FY 2022 of \$199.4 M per Attachment II). Please explain the additional \$700,000 that seems to be also spent in FY 2021.
  4. Attachment IV represents the Demolition Department's organization chart for the current fiscal year, FY 2022. Please provide the proposed organization chart for FY 2023.
  5. As indicated previously, Attachment III is the Demolition Department's proposed FY 2022 budget for use of Fund 1003 Blight Remediation Fund dollars and Fund 4503 General Obligation Neighborhood Improvement Bond dollars. Please provide proposed FY 2023 budget for use of these funds.
  6. In February 2021, the City sold \$175 M in Prop N Bond funds. The City has authorization approved by Council and the voters to sell up to \$250 M in Prop N Bond funds. Does the City anticipate selling the difference of \$75 M in Prop N Bond funds in remaining bond authorization in FY 2022 or FY 2023?
  7. As of January 1, 2022, the Demolition Department had 12 vacancies. Please briefly describe the difficulty of filling vacancies or the reason for keeping positions vacant. Also, please briefly explain the department's strategy to fill the vacant positions.
  8. In response to a budget question raised by Council President Pro Tem Tate during the FY 2022 budget process, the Demolition Department indicated: "Prop N Bond funds will pay for outside contractors to perform property demolition services including abatement, demolition, excavation, backfill, and grading. In addition to paying for demolition services, Prop N Bond funds will also pay for staff costs related to demolition and rehabilitation as well as administrative expenses such as office rental, office supplies, and software maintenance." So far, what has been the average cost of demolishing, excavating, backfilling, and grading homes demolished with Prop N Bond funds?
  9. In FY 2023, the Demolition Department's goal is to demolish 400 structures on average per month. What has been the average per month in FY 2022? If the average per month is lower than the goal for FY 2023, why does the department feel more residential properties can be demolished per month in FY 2023?

10. Under the Prop N Neighborhood Improvement Program, 8,000 blighted homes are slated to be demolished and 6,000 blighted homes are slated to be preserved for future renovation and sale, improving the safety, value and health of the City of Detroit's neighborhoods. To date, how many blighted homes have been demolished using Prop N Bond funds?
11. What strategy is the Demolition Department using to prioritize demolition targets in the neighborhoods using Prop N Bond dollars?
12. To date, what is the total number of demolition contractors used to demolish blighted homes using Prop N Bond funds? Of this total, how many were a) Detroit based business? b) Detroit based minority owned businesses? c) Detroit based women owned businesses? d) Non-Detroit based businesses?
13. To date, what are the main impediments preventing Detroit based businesses from being awarded demolition and rehabilitation contracts using Prop N Bond funds?
14. What strategies are in place to help increase the number of demolition and rehabilitation contracts with Detroit based businesses, including minority owned and women owned businesses? Are Detroit based businesses encouraged to joint venture to increase their ability to be awarded demolition and rehabilitation contracts using Prop N Bond funds?
15. To date, does the Demolition Department know how many Detroiters have been hired by demolition and rehabilitation contractors?
16. To date, how many demolition contractors were terminated due to violating Demolition Department requirements since the inception of the Prop N NIP demolition program?
17. Beyond those that are terminated, how many demolition contractors are still suspended since the inception of the Prop N NIP demolition program? What is the average timeframe for suspensions to be resolved?
18. What strategy is the Demolition Department using to identify the vacant residential structures targeted to be stabilized through debris removal, roof repair, and securing of property in the neighborhoods using Prop N Bond dollars?
19. To date, how many blighted homes have been stabilized for future sale or rehabilitation?
20. Once a home is stabilized, how quickly does the Detroit Land Bank Authority (DLBA) take control of the property for future sale or rehabilitation? Are rehabbed homes made available for rent if not sold to citizens and Detroiters? If so, is the DLBA the landlord of the rehabbed properties?
21. Are funds available to increase Rehab efforts beyond weatherizing and securing of homes with the use of Prop N dollars, including restoration, preservation and deconstruction?
22. Attachment V represents the Neighborhood Improvement Plan (NIP) closing resolution supporting the Administration's commitment to the goals of the NIP, to be supported in part by the Prop N Bond funds. Please provide the Administration's/Demolition Department's most recent score card on the progress made addressing the goals as enumerated by the resolved clauses 1 through 27 of the NIP closing resolution. For any goals that are still in progress to be met, is there a timeframe in place to meet them?

23. Under the NIP closing resolution, the NIP Advisory Board will review and monitor the goals of the final NIP closing resolution, review the Quarterly Reports from the Vacant House Management Department, and provide recommendations to the Administration and City Council. Please provide a copy of any recommendations made by the NIP Advisory Board so far. Where applicable, does the Demolition Department have a timeframe of implementing any recommendations made by the NIP Advisory Board?
24. During the FY 2022 budget process, the Demolition Department indicated that the titles for three employees under “Executive Management Team” were Director Demolition, Deputy Director Demolition, and Assistant Director Data, GIS, Media. Are these titles now in the FY 2022 Compensation Schedule?
25. Please provide the amount fire insurance escrow fund<sup>5</sup> monies that have been transferred during FY 2022 to reimburse the General Fund for past demolition activities.

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<sup>5</sup> PA 218 of 1956 established the Fire Insurance Escrow Program. Under the Fire Insurance Escrow Fund program, 25% of the amount of each fire insurance settlement for losses to real property caused by fire or explosion, as well as losses caused by the perils of vandalism, malicious mischief, wind, hail, riot, or civil commotion, related to residential, commercial and industrial properties can be escrowed by the City of Detroit. The escrowed dollars would be returned to the insured party if the insured party made the repairs to bring the property up to code. If the insured party does not make the repairs, the City can use the retained proceeds to secure, repair, or demolish the damaged structure to bring the property up to code.

# MILLER CANFIELD

## MEMORANDUM

TO: John Naglick, Jr.  
FROM: Jeffrey S. Aronoff  
RE: Proposal N Bonds  
DATE: March 12, 2021

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You have requested a memorandum addressing questions related to the Proposal N Bonds (the "Bonds"), the first series of which was issued on February 11, 2021. The Bonds were authorized pursuant to City Council's July 21, 2020 bond authorizing resolution and the approval of the following ballot question by the City's electors at the November 3, 2020 election:

*Shall the City of Detroit issue bonds in an amount of not more than \$250,000,000 for the purpose of paying the cost of neighborhood improvements in the City through property rehabilitation, demolition and other blight remediation activities?*

Your questions are described and addressed in turn below.

### **I. Can the Demolition Department operations can be funded from the Proposal N tax-exempt/taxable bonds?**

The federal tax rules applicable to tax-exempt bonds require that bond proceeds be spent for specific purposes. One of those specific purposes is for capital expenditures. The Treasury Regulations relating to tax-exempt bonds do not provide specific examples of what constitutes capital expenditures for tax-exempt bonding purposes. Therefore, we often rely on the Treasury Regulations and accounting principles which more generally describe capital expenditures for income tax reporting purposes (see Internal Revenue Code Sections 263, 263A and the regulations thereunder). Based on those rules, we have provided guidance that the City can use proceeds of the tax-exempt Bonds to pay the portion of employee costs that are directly allocable to a capital project. Therefore, if the proper procedures (as set forth below) are followed, the costs of the Demolition Department operations relating to direct employee costs can be financed on a tax-exempt basis.

In the case of the demolition project, proceeds of the tax-exempt Bonds can only be used for the employee time actually spent on the tax-exempt project (i.e. demolition), and cannot be used for employee time spent on other projects that are not eligible for tax-exempt financing (i.e. rehabilitation). This requires that the City keep contemporaneous records of the amount of each employee's time spent on the tax-exempt project and the cost of that time. This can be relatively

straightforward if a particular employee spends all of his or her time on the project. However, an employee that switches between multiple projects in a day, such as a supervisor or manager, would have to keep track of the time spent on the project, only, and a pro rata percentage of total benefits, salary, etc. for that employee could be paid from tax-exempt Bond proceeds. Based on this guidance, we understand that the City will be allocating proceeds of tax-exempt Bonds only to Demolition Department employees working exclusively on the demolition project.

Bonds issued on a taxable basis will not be subject to the analysis set forth above; however, the proceeds of the Bonds issued on a taxable basis must still be spent in accordance with the ballot approval, which would be restricted to “property rehabilitation, demolition and other blight remediation activities.” The ballot restricts the spending of Bond proceeds to those categories, but not to specific costs within those categories, and therefore taxable proceeds could be used to pay Demolition Department operational costs directly related to the approved categories.

## ***II. How premium is counted toward/how does it affect the authorized bond amounts and the amount of the second series?***

The City has not yet sized the second series of Bonds to be issued pursuant to Proposal N. Regarding how the Bonds are counted toward the overall authorization under Proposal N, the voters authorized the City to “*issue bonds* in an amount of not more than \$250,000,000...” The question seeks approval of the issuance of bonds—i.e., the incurrence of debt to be repaid. It does not seek approval of the amount of money generated by the sale of the Bonds to be spent on projects (though it does approve the project purposes, meaning that any funds produced by the sale of the Bonds must be spent on costs related to the categories described in the ballot question). The par amount of the Bonds issued constitutes the principal of debt to be repaid. The premium results from the price investors paid for the Bonds. Section 16 of City Council’s November 3, 2020 authorizing resolution provides the Chief Financial Officer has the authority to determine the prices at which the Bonds are sold to investors, among other things.

There is always a difference between the par amount of bonds issued and the amounts available for a project. If, for example, the Bonds were sold without premium, the amount of proceeds available for projects would be less than \$135,000,000 after the payment of costs of issuance and the customary underwriter’s discount. In that case, the amount issued would remain \$135,000,000, even though less than that amount would be available to spend on projects. We therefore track the issuance of the Bonds against the ballot authorization based on par. This is consistent with the tracking of outstanding bonds for other state law purposes, including for purposes of compliance with constitutional, statutory and charter debt limitations.

# Attachment II Fund 4503 General Obligation Bond Fund

City of Detroit  
 FY 22 Funds Available Report  
 Proposal N - Demolition Department  
 March 18, 2022

Cost Center	Cost Center Desc	Appn	APPN Desc	Object	Object Desc	FY 22 Budget	FY 22 Encumb	FY 22 Actual	FY 22 Funds Available
160010	Demolition Administration	21003	Neighborhood Improvement Bonds	601100	Salar-Full Time-Gen City	2,686,930.16	-	801,550.54	1,885,379.62
				601125	Salaries-Vacation Time	-	-	45,527.02	(45,527.02)
				601130	Salaries-Holiday Pay	-	-	48,552.67	(48,552.67)
				602100	Wages-Full Time-Gen City	-	-	199,633.43	(199,633.43)
				602125	Wages-Vacation Time	-	-	7,652.34	(7,652.34)
				602130	Wages-Holiday Pay	-	-	13,406.82	(13,406.82)
				602300	Wages-Overtime-Gen City	-	-	1,137.00	(1,137.00)
				602400	Wages-Shift Prem-Gen City	-	-	0.84	(0.84)
				603125	Emplr Pd Pension-GRS	-	-	27,277.50	(27,277.50)
				603200	Emplr Pd Ben-Medical	-	-	54,213.17	(54,213.17)
				603300	Employer Pd FICA	122,931.36	-	83,096.99	39,834.37
				603400	Unemployment	-	-	12,144.87	(12,144.87)
				603405	Workers' Compensation	-	-	18,508.45	(18,508.45)
				603900	Emp Benefits-Miscellaneous	-	-	1,203.05	(1,203.05)
				604100	Other Comp-Unused Sick Leave	-	-	5,381.81	(5,381.81)
				604900	Other Comp-General City	-	-	-	-
				605100	Group Life Insurance	-	-	197.79	(197.79)
				605205	Eye Care-Active Civilian	-	-	226.03	(226.03)
				605500	Income Protection-LTD	-	-	1,448.46	(1,448.46)
				605620	Dental Active	-	-	2,108.03	(2,108.03)
				605700	Health Care Reserve - Civilian	-	-	11,141.99	(11,141.99)
				617900	Contract Svcs-Other-Misc	3,877,667.44	774.21	2,483.42	3,877,667.44
				620100	Office Supplies	10,000.00	-	-	6,742.37
				622302	Software Maintenance	300,000.00	-	-	300,000.00
				626010	Advertising	25,000.00	-	-	25,000.00
				626100	Printing	100,000.00	375.39	110,755.50	(11,130.89)
				626415	Rentals- Office Equipment	50,000.00	-	-	50,000.00
				626500	Dues & Miscellaneous	4,500.00	-	-	4,500.00
				626700	Telecommunications	-	-	98.50	(98.50)
				627105	Private Car Reimbursements	185,000.00	-	38,312.06	146,687.94
				627195	Employee Uniform Expense	5,000.00	739.11	4,260.89	4,260.89
				628200	Training	33,000.00	-	4,210.00	28,790.00
				644100	Acquisitions - Equipment	22,000.00	-	-	22,000.00
160010 Total						7,422,028.96	1,888.71	1,490,268.28	5,929,871.97
160020	Residential Demolition	21003	Neighborhood Improvement Bonds	617900	Contract Svcs-Other-Misc	16,000,000.00	7,569,452.52	3,405,840.48	5,024,707.00
				620100	Office Supplies	-	-	2,716.71	(2,716.71)
				621900	Oper Supplies-Miscellaneous	90,000.00	4,975.09	15,909.41	69,115.50
				622400	Repairs & Maint-Facilities	10,800,000.00	-	-	10,800,000.00
				622900	Repairs & Maint-Misc	13,500,000.00	1,639,041.28	1,051,987.03	10,808,971.69
				622970	Abatement Services	24,814,817.00	13,114,064.36	6,297,263.70	5,403,488.94
				622975	Demolition & Excavation Services	78,397,891.00	31,681,866.11	11,098,591.93	35,617,432.96
				622980	Backfill & Grading Services	11,587,934.00	9,982,994.22	3,891,609.03	(2,286,669.25)
				622985	Site Finalization Services	19,717,276.00	3,300,910.10	1,092,732.13	15,323,633.77
				626804	Utilities-Electricity	50,000.00	-	4,110.62	45,889.38
				628500	Miscellaneous Expense	5,670,000.00	-	-	5,670,000.00
				628501	Misc-License,Insp&Permit Fees	3,777,000.00	-	103,768.00	3,673,232.00
160020 Total						184,404,918.00	67,299,303.68	26,964,529.04	90,147,085.28
160040	Demolition Environmental	21003	Neighborhood Improvement Bonds	601100	Salar-Full Time-Gen City	624,253.61	-	103,328.82	520,924.79
				601125	Salaries-Vacation Time	-	-	3,470.78	(3,470.78)
				601130	Salaries-Holiday Pay	-	-	5,877.55	(5,877.55)

City of Detroit  
 FY 22 Funds Available Report  
 Proposal N - Demolition Department  
 March 18, 2022

Cost Center	Cost Center Desc	Appn	APPN Desc	Object	Object Desc	FY 22 Budget	FY 22 Encumb	FY 22 Actual	FY 22 Funds Available
160040	Demolition Environmental	21003	Neighborhood Improvement Bonds	601300	Salar-Overtime-Gen City	10,000.00	-	-	10,000.00
				602100	Wages-Full Time-Gen City	-	-	92,163.23	(92,163.23)
				602125	Wages-Vacation Time	-	-	663.46	(663.46)
				602130	Wages-Holiday Pay	-	-	5,711.35	(5,711.35)
				603200	Emplr Pd Ben-Medical	-	-	-	-
				603300	Employer Pd FICA	6,460.07	-	15,980.48	(9,520.41)
				605100	Group Life Insurance	-	-	-	-
				605205	Eye Care-Active Civilian	-	-	-	-
				605620	Dental Active	-	-	-	-
				626700	Telecommunications	5,000.00	-	-	5,000.00
				627195	Employee Uniform Expense	1,750.00	286.84	-	1,463.16
				628200	Training	33,000.00	-	7,350.00	25,650.00
				644100	Acquisitions - Equipment	14,500.00	-	-	14,500.00
160040 Total						694,963.68	286.84	234,545.67	460,131.17
160050	Demolition Compliance	21003	Neighborhood Improvement Bonds	601100	Salar-Full Time-Gen City	5,916,881.31	-	508,889.97	5,407,991.34
				601125	Salaries-Vacation Time	-	-	37,825.97	(37,825.97)
				601130	Salaries-Holiday Pay	-	-	29,568.91	(29,568.91)
				601300	Salar-Overtime-Gen City	22,000.00	-	-	22,000.00
				602100	Wages-Full Time-Gen City	-	-	760,015.13	(760,015.13)
				602105	Wages-Employee Casual Leave	-	-	3,488.96	(3,488.96)
				602125	Wages-Vacation Time	-	-	15,256.54	(15,256.54)
				602130	Wages-Holiday Pay	-	-	44,201.26	(44,201.26)
				602300	Wages-Overtime-Gen City	-	-	222.40	(222.40)
				603125	Emplr Pd Pension-GRS	-	-	15,138.65	(15,138.65)
				603200	Emplr Pd Ben-Medical	-	-	17,286.95	(17,286.95)
				603300	Employer Pd FICA	299,005.48	-	105,842.77	193,162.71
				603400	Unemployment	-	-	6,603.40	(6,603.40)
				603405	Workers' Compensation	-	-	7,764.26	(7,764.26)
				603900	Emp Benefits-Miscellaneous	-	-	654.18	(654.18)
				604100	Other Comp-Unused Sick Leave	-	-	2,926.34	(2,926.34)
				604900	Other Comp-General City	-	-	146.16	(146.16)
				605100	Group Life Insurance	-	-	136.56	(136.56)
				605205	Eye Care-Active Civilian	-	-	148.62	(148.62)
				605500	Income Protection-LTD	-	-	787.63	(787.63)
				605620	Dental Active	-	-	1,204.70	(1,204.70)
				605700	Health Care Reserve - Civilian	-	-	6,058.33	(6,058.33)
				621900	Oper Supplies-Miscellaneous	2,000.00	3,096.52	13,041.67	(14,138.19)
				626700	Telecommunications	11,500.00	-	387.12	11,112.88
				627135	Pur Svcs-Law Dept	500,000.00	-	-	500,000.00
				627195	Employee Uniform Expense	10,000.00	721.00	-	9,279.00
				628200	Training	33,000.00	4,465.00	11,480.00	17,055.00
				644100	Acquisitions - Equipment	35,000.00	-	-	35,000.00
160050 Total						6,829,386.79	8,282.52	1,589,076.48	5,232,027.79
Grand Total						199,351,297.43	67,303,761.75	30,278,419.47	101,769,116.21

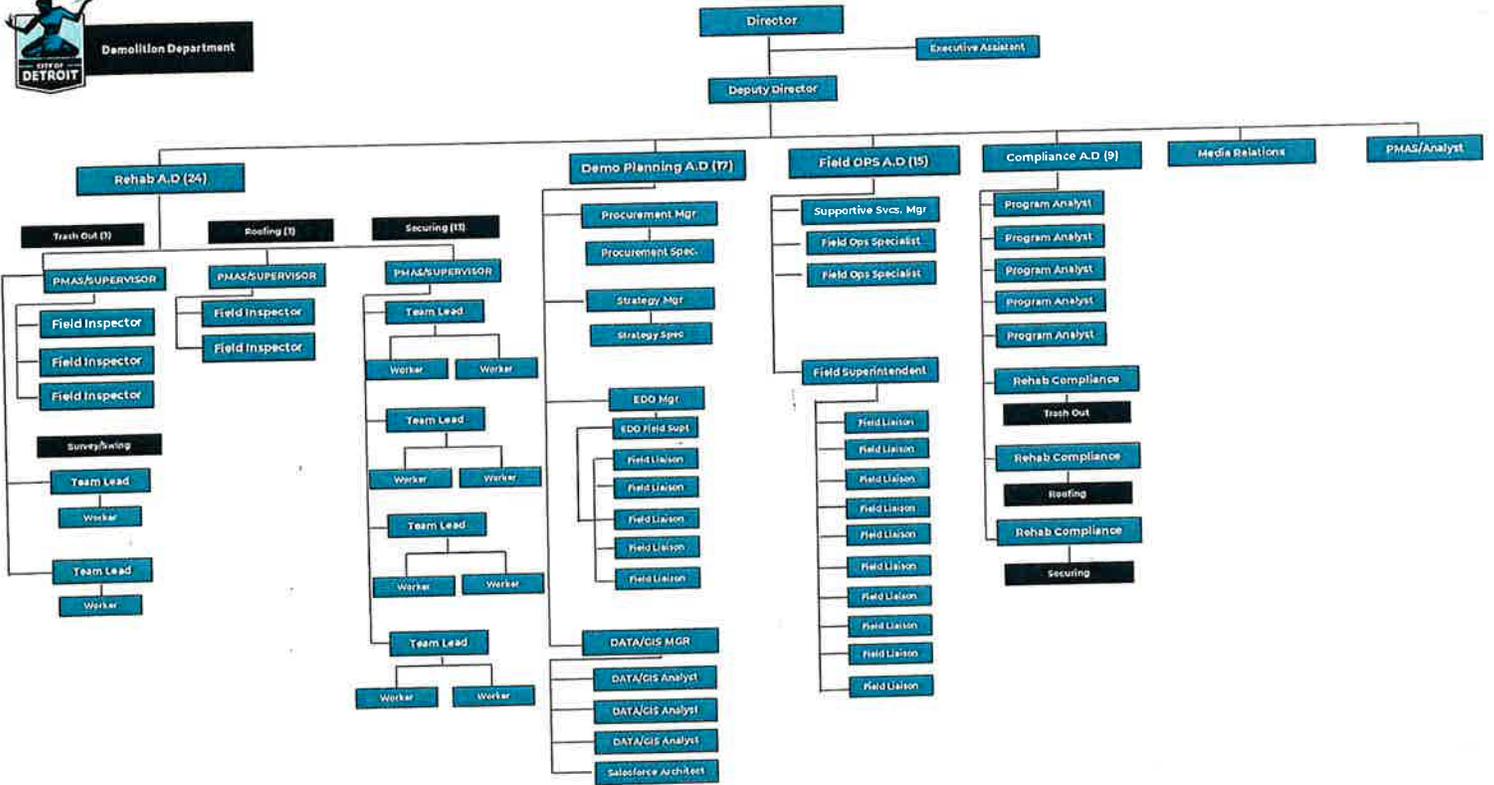
# Attachment III

**City of Detroit**  
**Demolition Dept - Proposed Budget Projections**  
**FY 2022 - FY 2025**

	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>
<b>Fund 1003</b>				
Professional & Contractual Services	\$ 816,500	\$ 808,000	\$ 816,080	\$ 824,241
Operating Supplies	\$ 6,795,630	\$ 6,868,000	\$ 6,936,680	\$ 7,006,047
Other Expenses	\$ 362,000	\$ 378,750	\$ 382,538	\$ 386,363
<b>Total Fund 1003</b>	<b>\$ 7,974,130</b>	<b>\$ 8,054,750</b>	<b>\$ 8,135,298</b>	<b>\$ 8,216,650</b>
<b>Fund 4503</b>				
Salaries	\$ 4,378,300	\$ 4,422,978	\$ 4,376,800	\$ 2,254,792
Benefits	\$ 595,706	\$ 601,785	\$ 595,502	\$ 303,503
Professional & Contractual Services	\$ 6,675,000	\$ 6,882,757	\$ 6,300,000	\$ 1,450,000
Operating Supplies	\$ 16,000	\$ 14,000	\$ 14,000	\$ 5,000
Operating Services	\$ 60,648,150	\$ 63,107,900	\$ 58,782,400	\$ 9,256,200
Equipment Acquisition	\$ 102,000	\$ 4,428,372	\$ -	\$ -
Other Expenses	\$ 4,531,000	\$ 4,539,000	\$ 4,581,000	\$ 1,137,855
<b>Total Fund 4503</b>	<b>\$ 76,946,156</b>	<b>\$ 83,996,792</b>	<b>\$ 74,649,702</b>	<b>\$ 14,407,350</b>
<b>Grand Total</b>	<b>\$ 84,920,286</b>	<b>\$ 92,051,542</b>	<b>\$ 82,785,000</b>	<b>\$ 22,624,001</b>

\*Fund 1003 include 1% annual inflation rate increase.

# Attachment IV





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July 20<sup>th</sup>, 2020

**Resolution Supporting the Administration's Commitment to the goals of the Neighborhood Improvement Plan, to be Supported in Part by Proposal N, the Neighborhood Improvement Bonds**

WHEREAS, the Mayor has requested the City Council to approve a ballot initiative by which the City shall borrow an amount not to exceed \$250,000,000 and issue Unlimited Tax General Obligation Bonds of the City for the purpose of Neighborhood Improvement through the preservation and rehabilitation of as many vacant houses as possible, the demolition of abandoned houses that cannot be saved, and improvement from related blight remediation activities (the "Neighborhood Improvement Plan"; and

WHEREAS, the City of Detroit is experiencing historically high unemployment rates and economic hardship on Detroit businesses; and

WHEREAS, the \$250 million Neighborhood Improvement Bonds provide a much needed opportunity for stimulus for Detroit businesses and employment opportunity for Detroit residents under the commitments specified in this resolution; and

WHEREAS, in consideration of the City Council's approval of the proposed Neighborhood Improvement Bond Resolution the Administration agrees to undertake the items within the resolve of this resolution and City Council agrees that its ongoing oversight of the implementation of the Neighborhood Improvement Plan will assure that its implementation will follow the seven goals specified herein; BE IT THEREFORE

1. RESOLVED, the City of Detroit will implement the Neighborhood Improvement Plan operated to accomplish seven primary goals as proposed by the Mayor and agreed to by City Council:

1. Save every house possible from demolition by prioritizing the rehab of vacant homes.
2. Give preference to Detroit companies in all rehabilitation and demolition related contracts with a goal of 50%+ work performed by Detroit contractors.
3. Give preference to companies who commit to train and employ Detroiters with a goal of getting these companies to employ at least 51% Detroit residents
4. Partner with Detroit Community Development Organizations (CDO's) and other qualified groups to rehab homes and redevelop property in the neighborhoods
5. Give preference to Detroit residents to acquire and reuse the properties in their neighborhoods
6. Combine the Neighborhood Improvement Bonds with other funding sources for broader neighborhood redevelopment
7. Bring Accountability for the Demolition back under the oversight of City Government.



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8. Keep the property tax rate at current levels while supporting a \$250 million reinvestment in the neighborhoods
  
2. RESOLVED, Subject to state law and City ordinance, the administration will operate the securing of vacant houses for rehabilitation and for demolition of abandoned houses through a Detroit Vacant House Management Department. The changes will be proposed in an Executive Organization Plan amendment submitted to City Council before the end of the Council Session in November 2020 and will modify the existing Detroit Demolition Department to become the Detroit Vacant House Management Department. The Detroit Vacant House Management Department will be responsible for securing or demolishing vacant houses, but will not be engaged in the sale or ultimate redevelopment of those houses.
  
3. RESOLVED, the City will create a Neighborhood Improvement Plan Advisory Board made up of three members appointed by the Mayor, three members appointed by City Council, and one jointly appointed member. The Board will review and monitor the goals of the final resolution, review the Quarterly Reports from the Vacant House Management Department and provide recommendations to the Administration and City Council.
  
4. RESOLVED, by the end of Council Session in November, 2020, the Vacant House Management Department and DLBA will submit a plan to City Council to provide for the following:
  1. A process of identifying all public owned vacant properties that have potential to be rehabbed and occupied if they are promptly secured
  2. A plan for securing all publicly owned salvageable vacant houses from further deterioration, including a plan to clean out debris, to install exterior security materials sufficient to strongly deter entrance from trespassers or vandals, and to protect the interiors from ongoing water damage from leaking roofs or other sources.
  
5. RESOLVED the Office of Contracting and Procurement agrees to submit non-emergency residential demolition contracts in packages not to exceed 2,000 properties bi-annually.
  
6. RESOLVED Through the use of the equalization ordinances and aggressive work by Civil Rights, Inclusion & Opportunity Department to qualify contractors for the exterior security of houses or for demolition, over 50% of the contracts will be won by a contractor with one of the following certifications: Detroit Based Businesses, Detroit Headquartered Businesses, Detroit Small Businesses, Detroit Resident Businesses, Detroit Based Micro Businesses, Minority-Owned Business Enterprises, Women-Owned Business Enterprises, Mentor Ventures, and Joint Ventures. Special packages may be brought to City Council outside of the biannual process to address emergency, public safety or economic development needs. For bond offerings from this authorization, the City will endeavor to contract with minority owned and operated professional services providers, including but not limited to legal services, bond underwriting and financial advisory services. If there is insufficient capacity, the Office of Procurement and the Civil



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Rights, Inclusion & Opportunity Department will report to the City Council on actions they will take to attract and certify additional demolition businesses in the future.

7. RESOLVED, within each procurement for house security services or demolitions, the Office of Contracting and Procurement will set aside contracts for certified Detroit Small Businesses and Detroit Based Micro Businesses. The Office of Procurement intends to set aside 30% of the contracts for certified Detroit Small Businesses and Detroit Based Micro Businesses in the procurement to be awarded in January 2020 and will report to the Administration and City Council following the completion of the procurement. If there is insufficient capacity to meet the 30% set aside in the January 2020 procurement, the Office of Contracting and Procurement and the Civil Rights, Inclusion & Opportunity Department will report to City Council on actions they will take to attract and certify additional Detroit Small Businesses and Detroit Based Micro Businesses in house security or demolition in the future.

8. RESOLVED, Prior to the submission of a house security or demolition bid package, the Office of Contracting and Procurement agrees to submit a bi-annual employment report for all house security or demolition contractors that are not certified as a Detroit Resident Business including the number of employees and the number of Detroit-resident employees at the time of bidding.

9. RESOLVED, by December 31, representatives from the OCFO and CRIO will work with the Budget, Finance and Audit Standing Committee to review the existing ordinance, develop outcome metrics and recommend changes to the ordinance to better meet the objectives of the Administration and City Council.

10. RESOLVED, the Neighborhood Improvement Plan will provide employment opportunities for Detroiters, including the following:

1. For employees hired directly by the Vacant House Management Department, every effort will be made to hire Detroiters with the expectation of a success rate comparable to the General Service Department's performance in hiring Detroiters in the recent citywide board-up effort.
2. For all bids awarded under the Neighborhood Improvement Plan, the administration has agreed to extend the application of Executive Order 2016-1, regardless of the size of the rehabilitation or demolition contract.
3. Detroit Employment Solutions Corporation agrees to schedule a meeting with house securing and demolition contractors that have been pre-qualified to determine the hiring and training needs of each contractor to inform a gap analysis for implementation of the Blight Elimination Strategy within one (1) month of the approval of this agreement.

11. RESOLVED, within one (1) month of approval of this agreement, the Detroit Employment Solutions Corporation agrees to implement a Neighborhood Improvement Employment Outreach marketing plan that may include, but not limited to the following: outdoor signage; digital and social media outreach across Detroit at Work and all city channels; outreach to our community



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partners including City Council, Faith-based, community partners, Detroit Public Community School District, Department of Neighborhoods; Detroit at Work website banners and landing page highlighting details and how to sign up and find our more information (detroitatwork.com averages 50,000 visits a month); Detroit at Work newsletter with over 120,000 Detroiters subscribing; press conference to announce efforts and garner media partners stories, including ethnic media; and translation of marketing materials.

12. RESOLVED, the Office of Contracting and Procurement, Detroit Employment Solutions Corporation, the Vacant House Management Department, and the Civil Rights, Inclusion & Opportunity Department agree to host employment fairs for contractors that do not qualify for the Detroit Resident Business certification. The Office of Contracting and Procurement will encourage those house security and demolition businesses that do not qualify for this certification to attend.

13. RESOLVED, in consultation with the City Council, City and Detroit Land Bank Authority (DLBA) will work together to accomplish the following:

1. Evaluate and recommend new discount programs for Detroit residents
2. Evaluate and recommend methods to make it easier for Detroiters to acquire vacant land and housing (such as the Building Blocks Program) and
3. Make recommendations on the future of all vacant lots currently in the DLBA's inventory as well as future vacant lots resulting from the blight bond initiative.
4. Continue to implement the Building Blocks program across the City as structures and land are made available for sale.
5. Implement the Vacant Land Policies Approved by the DLBA Board in March of 2020.
6. Implement Rehab Academy

14. RESOLVED, in partnership with the DLBA, the City will pursue a goal of converting the secured houses into rehabilitation as quickly as possible, with a goal of increasing the number of rehabs to 2,500 per year. This will vary based on housing market conditions, but the City will use multiple strategies to achieve this goal including sales, affordable housing subsidies (with a 50% AMI target), encouraging bank lending for home repair, rehabilitation subsidies, coordinated demolition strategies, expanding programs such as Rehabbed and Ready, planning support, and other initiatives.

15. RESOLVED, the City and DLBA agree to maximize the use of Community Development Organizations such as Detroit 21 and other non-profits, including churches, to develop community partnerships to speed up the renovation of the secured vacant houses.

16. RESOLVED, the City will have a rehab and marketing strategy that is aimed at assisting lower income residents (targeting households below 50% AMI) and seniors in purchasing rehabbed or partially rehabbed houses.



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17. RESOLVED, the City will use sustainable renovation standards to provide future property owners with low utility costs, to include but not limited to, high efficiency systems (such as furnace, water heater) and updated windows.
18. RESOLVED, the Vacant House Management Department will submit quarterly reports detailing the following: number of homes secured, number of houses demolished, proof of field liaisons' visits to each property, proof that all securing and demolition work was monitored - including the backfill activity, any ongoing investigations or litigation, and any violations issued.
19. RESOLVED, the Vacant House Management Department will conduct a deconstruction pilot which preserves reusable materials that are then made available for purchase by residents engaged in rehabilitation or construction of their homes, to determine the feasibility of incorporating deconstruction into the demolition program on a larger scale.
20. RESOLVED, Planning and Development Department will complete neighborhood plans driven by the community, including those neighborhoods most impacted by abandoned structures and vacant land, and update the master plan for the City over the next five years with community input.
21. RESOLVED, in the areas most affected by demolition of vacant and abandoned structures, the City will be investigating four primary areas for neighborhood planning: the history of the neighborhood; tactical historic preservation opportunities; housing rehabilitation opportunities for vacant properties; interim and medium-term open space strategies. These pillars will help the city and neighbors plan for redevelopment while also creating amenities, prevent illegal dumping and making the neighborhood more attractive. The City will continue to use at least six large community meetings as part of its community engagement in the manner it has conducted its prior neighborhood plans.
22. RESOLVED, through community meetings, the Planning and Development Department will develop side-lot, landscape and interim use strategies for areas that will remain vacant for the medium term. The City and DLBA will create land use policies that promote and protect public space and explore shared land ownership models such as land trusts.
23. The Neighborhood Improvement Plan will include efforts to address non-structural blight, including alley clean-ups, vacant lot cutting, and dead tree removal, and efforts to discourage illegal dumping.
24. RESOLVED, the City will continue to partner with nonprofits and philanthropies to provide information about pathways out of foreclosure through Make it Home, Homeowner Property Tax Exemption Program, Pay as You Stay, and Right of First Refusal. These efforts will be extended in an unprecedented door-to-door community outreach campaign through a new established Detroit Community Health Corps.



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25. RESOLVED, the City's Mayor's office and applicable department and affiliates will conduct a Community Outreach Plan exceeding the requirements of the proposed Community Engagement Ordinance, the Plan will include but not be limited to:

- a. 7 Charter mandated meetings by the Mayor (Aug-Sep)
- b. 4 Virtual info sessions
- c. 7 Council District meetings (Councilmember hosted)
- d. 1 Mayor Public Address via TV (pre-Election day)

26. RESOLVED, the City OCP will consider a procurement for Project Manager / Contract Manager to provide support such as certified soil, insurance, equipment leasing, etc. for certified Detroit-Based, Detroit headquartered and small businesses.

27. RESOLVED, HRD agrees to use future CARES Act CDBG, HOME, future non-CARES Act CDBG or other eligible funds to support the Detroit Housing Compact / Building the Engine Community Development home rehabilitation pilot program. HRD, the Detroit 21 and the Housing Compact members will work together through August 2020 to complete due diligence on the program to help redevelop vacant DLBA structures to be included in the City's HUD Annual Action Plan.