



To: Mary Sheffield, President, Detroit City Council
From: Julie Schneider, Director, Housing & Revitalization Department
Date: March 14, 2023
Re: Responses to Council President Mary Sheffield Budget Questions

Please find below responses to your questions sent on March 14, 2023, regarding the proposed Fiscal Year 2024 Proposed Budget for Housing & Revitalization Department.

- 1. Federally funded homeownership programs such as the Housing Choice Voucher Homeownership Program (HUD) and the Key to Own Homeownership Program (MSHDA) assist with mortgage payments, pre/post housing counseling and additional guidance throughout the purchasing process. Is there opportunity for a city-funded voucher program? What policies or programs have been/will be implemented that aligns with this idea?**

HRD is providing assistance to households who are interested in becoming homeowners. In April 2023, the downpayment assistance program will launch. In 2021, HRD expanded the number of HUD-certified housing counseling agencies and financial counselors and has been working with this network of agencies to provide a Detroit-informed curriculum for housing counseling. In combination these programs help Detroiters repair credit, prepare for homeownership, and receive downpayment assistance resources.

HRD is also helping Detroiters find housing through the Detroit Housing Services office within the department. A staff of 60 is helping residents become housing ready by collecting key documents, finding housing, and providing assistance with security deposits and the first month's rent when necessary.

HRD administers or oversees Community Development Block Grant (CDBG), HOME Investment Partnership (HOME), Emergency Solutions Grants (ESG), and Housing Opportunities for Persons with AIDS (HOPWA) (run by DHD). Of these, only HOME and HOPWA allow for ongoing voucher programs. The HOPWA program administered by DHD does provide vouchers. HRD has not used HOME for vouchers as HOME is the main federal source for preserving and creating affordable housing. If HRD were to use these funds to create a voucher program, it would result in less affordable housing being created and preserved each year as the funds currently going for that purpose would be diverted to maintaining vouchers. A voucher program also creates an annual obligation that would need to be accounted for so that households are continuously housed.

- 2. According to a publication authored by the Detroit Rescue Mission, there were over 18,000 homeless people in Detroit a night that needed shelter in 2022. Although the number of sheltered individuals has declined since 2015, what plans, or initiatives will the department prioritize to assist the homeless population in Detroit?**

HUD mandates that each homelessness system (referred to as a Continuum of Care) collect and report out on data through the Homelessness Management Information System (HMIS). HMIS and the annual Point in Time Count, provide data on how many people are experiencing homelessness in Detroit. In 2022, there were 1,691 people living in emergency shelter or on the streets according to the Point in Time Count, a federally mandated count of all

persons experiencing homelessness on the last Wednesday in January. A similar count was done in 2023, but we are currently awaiting the final count from the Homeless Action Network of Detroit.

In 2022 there were 4,533 individuals throughout the entire year that utilized the shelter system and 852 unsheltered households. While we don't know the exact number of unsheltered households that moved into emergency shelter (and would be counted twice), we can safely assume that no more than 5,385 individuals (shelter + unsheltered) utilized these services for a 12-month period. HRD is unsure what the source of information is from DRMM.

HRD uses the available federal resources through the Emergency Solutions Grant and matching Community Development Block Grant funding to support homelessness initiatives in the city. These initiatives are limited to the federally allowable activities - Street Outreach for the unsheltered, Emergency Shelter, Rapid Rehousing, and Prevention. In addition, ARPA presented a unique opportunity to further support prevention activities. HRD utilized \$2.7M of ARPA funding for Prevention and Diversion programs focused on keeping households out of the homelessness system.

Finally, the recent approval of the Strategic Planning Contract with Barabara Poppe and Associates will allow the homelessness system a chance to determine system priorities, set measurable goals, and develop initiatives to reduce homelessness.

3. In 2022, HRD utilized \$13 million of ARPA funds to provide down payment and homeowner assistance programs to Detroit residents. How successful were these programs? What were their utilization rates? Is there follow-up with the homeowners once they transition out of the program?

HRD, with Council approval, entered into contracts for downpayment assistance (\$6.4 million), the Detroit Housing Network manager (\$1 million), and \$4.8 million for single-family scattered site homeownership conversion.

Since the downpayment assistance contracts with National Faith Homebuyers and The Ownership Initiative were approved, HRD has been working with the consultants, mortgage providers, and realtors, to develop program terms and eligibility requirements. The downpayment assistance program will launch by April 2023 in time for the spring/summer homebuying season.

The Detroit Housing Network was started in 2020 to coordinate the way housing programs, including housing and financial counseling is delivered to residents. Through this initiative we have expanded the number of certified housing counsel agencies and counselors, developed a client management system, and made sure that housing counseling curriculum is more informed by common Detroit housing issues. Since public launch of the program in 2021, it has served more than 3,950 households. The \$1 million contract assures that the network manager role will be funded through June 2025.

4. What educational and informational programs does HRD provide to residents that informs them of the housing services offered in Detroit?

HRD is working to improve housing stability for Detroiters by expanding housing counseling services, conducting door-to-door outreach for tax foreclosure prevention services, and establishing a housing services call center. HRD also regularly attends community meetings to provide information and gather input on its many programs and has an active social

media profile so that we reach the many Detroiters that receive news and information primarily through online channels.

The Detroit Housing Network, mentioned in question 4, provides information on housing resources and programs through one-on-one appointments.

The ARPA-funded housing services call center is being developed to provide connections to a variety of housing related resources for all Detroit residents. Trained staff will answer calls, with directives to discover the caller's needs and route callers to the appropriate housing resources specific to that resident or household. The call center will connect eligible residents to the Detroit Housing Services Office, as well as other City programs and a network of external community partners.

5. Does the department plan on funding new programs surrounding home repair and rising rent costs? Will the 2022 programs surrounding home repair and rising rent costs continue to be accessible? Are there plans to expand home repair services beyond roofs and windows?

HRD currently has 5 active home repair programs: Renew Detroit (ARPA), Senior Emergency Home Repair (prior year CDBG & GF), HUD Lead Hazard (FY18, FY19HIN, FY22), State Lead (CHIP 2023), 0% Interest Home Repair Loan (CDBG + Healthy Homes). In 2023, 2 additional programs will come online which are already funded: Accessibility Repairs (ARPA), and Landlord Repair (ARPA). Additionally forthcoming is the CDBG-Disaster Recovery program to provide plumbing repairs related to basement/flood protection. Each program strives to be widely accessible to residents through the announcement of programs, ability to input applications either online or over the phone (in some instances, paper is also available), as well as by engaging community partners to assist in application intake. Of the 5 active home repair programs, only one of them is limited to roofs and windows; the rest of the programs have a wider set of repairs offered. Because of the diversity of program offerings, the Renew Detroit program will not expand its home repairs offered at this time.

HUD funded lead hazard reduction programs are open to homeowner and renter occupied houses, and the new landlord repair program will be as well. Each of these programs places limits on rents that can be charged when repairs are performed on rental units. The new basement backup protection program may also be available to renter occupied houses.

The programs above that serve renter occupied properties require rents to either remain affordable for the existing tenant and/or for several years after the repair is completed.

6. The inadequate supply of affordable housing units in Detroit is an ongoing issue. How does the department plan to support its resolution?

HRD works diligently to align our programs with state and federal housing programs to in order to best position Detroit housing developments for leveraged subsidies that help us maximize production. Furthermore, we prioritize projects that are most shovel ready so that we don't tie up commitments of our limited resources into projects that are unlikely to move forward in a timely manner. We estimate that over 1,000 new units of affordable housing will start construction in 2023. HRD is also always on the lookout for opportunities such as Choice Neighborhoods that can increase the impact and reach of our leveraged commitments.

HRD has also identified areas of focus for affordable housing development in alignment with the Strategic Neighborhood Fund, that focuses investment across a wide array of essential neighborhood amenities in dense corridors across the City. These focused investments act as catalysts for future investment and make those areas more competitive for State and Federal housing programs.

7. What programs are in place to encourage the development of new infill housing?

Current market dynamics make the new construction of infill housing (single family, duplex, multiplex) very challenging. At current construction pricing, we are seeing per unit costs of around \$415,000 per unit (for a 1600 square ft home). With these costs, there is very little interest in this type of development, and the level of subsidy required to incentivize infill is not feasible. HRD is beginning a project with the State of Michigan Land Bank and the DLBA to identify strategies to streamline infill design, construction, and permitting to reduce the cost structure of new infill development.

8. How much funding, if any, does the department plan to allocate to the Homeless Solutions Department to increase CAM support? In what other ways has the department provided assistance to Southwest Solutions?

HRD has supported CAM through its federal Emergency Solutions Grant funds and plans to allocate \$200,000 of its total award for this program. This funding is an approximate \$85,000 increase from 2021. Please note that the Emergency Solutions Grant and matching Community Development Block Grant funding is a fixed amount of funding each year. Homelessness programming funding is limited to these federal funding sources. Therefore, if additional support for CAM is requested, it would take money away from these programs.

As Southwest Solutions is currently serving as the CAM, HRD allocated \$1,205,812 under the Homelessness Diversion ARPA contract as this program aims to prevent households presenting to CAM for emergency shelter from entering the homelessness system. Outside of CAM, Southwest Solutions received funding for a Rapid Rehousing contract that expired on 12/31/2022 (2021 application year) and did not apply in either the 2022 or 2023 NOFA.

HRD has been and is currently working with Southwest Solutions on preserving their existing affordable housing and new affordable housing, as well as a contract to provide funding for housing counseling.

9. What programs or initiatives does HRD provide/plan to provide that supports the landlord's ability to maintain and repair their property?

HRD administers one active program and three newly developing ARPA programs for this purpose. The active program is the HUD Lead Hazard grant, a federally funded program

available to owner occupants and landlords that were built prior to 1978 and are occupied by low-income households with a child under 6. It provides grants up to \$25,000 for lead-related repairs. This primarily serves homeowners, with approximately 20 rental units improved through the program since 2019.

Under a \$5 million ARPA appropriation, HRD is in the process of developing and launching three new resources for this purpose:

(1) The largest is a \$3,157,000 program that provides matching grants and rebate incentives to rental property owners. Matching grants of up to \$15,000 will be available to small, Detroit-resident landlords. The program will focus on the city's 31,000+ duplex properties. Owners must achieve a Certificate of Compliance and agree to a five-year affordability restriction. Expected program launch in June 2023.

(2) A landlord training program will launch in May, funded through a \$375,000 contract with Environmental Testing & Consulting. Free trainings to eligible Detroit landlords include areas of Certificate of Compliance process, lead-safe repairs, property management best practices, and compliance with local, state, and federal regulations pertaining to operating rental property.

(3) A 2nd Floor Apartment program that provides \$10,000 matching grants of up to four Detroit property owners with vacant residential space over commercial space on commercial corridors. This is initially focused on 24 properties in SW Detroit through a \$325,000 contract with Southwest Detroit Business Association, while HRD develops a plan to expand to other geographies.

10. How will HRD support and participate in the proposed Right to Counsel Program?

HRD is working directly with the Office of Eviction Defense to create a referral process between the two programs. Housing Services will refer residents to legal service providers when program participants need legal representation, and legal service providers through Right to Council will refer to Housing Services where program participants need relocation assistance. Referrals will be based on program eligibility and capacity.

11. In the department's FY 23-24 budget, the mayor proposed \$669,739 for the department's neighborhood economic development team. Will this money solely be used for salaries? Will some of this money be used towards implementing neighborhood programs?

The Neighborhood Economic Development (NED) team is made up of a director and three project management staff. The team provides oversight and cross-functional coordination across all departments and entities contributing to commercial corridor revitalization, citywide. The four key components of the commercial corridor strategy include economic development and investment strategy, infrastructure coordination, enforcement and property management and existing business support.

The \$669k proposed for the FY23-24 budget includes funds for the NED team's salaries and benefits as well as funds for the Jobs and Economy Team's Non-Personnel Budget. The NED team is part of the Jobs and Economy Team.

12. Overall, does the department have a staff storage? What is the reason for an additional \$2.5 million increase in salaries and wages?

One driver of this increase is the standard annual wage inflation based on cost-of-living adjustments. There are also additional FTEs needed to build out the Neighborhood Economic Development division of the Jobs and Economy Team (JET) and to provide additional operational and compliance staff for the department to manage federal HUD grants. HRD also added a new Associate Director of Administration to manage the Detroit Housing Services division and a new Executive Manager for the Single-Family Program.

Each federal HUD grant includes a portion of funds for administration and planning activities. For CDBG, no more than 20% of the annual grant can be used for administration and planning (the amount varies across the different grant programs). This is known as the “admin and planning cap.” HRD has historically used a substantial portion of these funds under the cap to administer CDBG and other HUD programs. Funds subject to the cap can also be used to pay for city planning. Funds were shifted at the beginning of the pandemic to cover PDD staff due to constraints on the general fund.

Since the beginning of the pandemic, HRD has taken on several new federal programs such as CDBG-disaster recovery, HOME-ARP, and Choice Neighborhoods. These new programs have smaller administrative limits than CDBG, have prolonged program delivery timelines (6-9 years), and follow different regulatory requirements than the annual formula grants HRD administers. To help administer these programs, as well as prepare for potential retirements of long-term CDBG staff, HRD is looking to add administrative and operational capacity within the department to support expanded programs.

13. Does the department plan to move affordable housing compliance for property tax abatements in house? If so, will it be contractual? How much would be allocated for this initiative?

HRD will carry out compliance activities by adding at least one staff person to manage compliance internally. Additionally, HRD has a contract with a compliance monitoring firm that covers investments made with federal dollars. The contract includes income verification and tenant recertification as well as collection of rent rolls on a regular basis. We would seek to modify this scope of work to extend the monitoring to properties that have received tax abatements. We need to review next steps with OCP and the vendor.

14. How much money is allocated in the department’s budget for the Homeless Solutions Department? Is the department fully staffed?

Below is the funding used for homelessness solutions for FY22 and FY23. The Homelessness Solutions division has one vacant position, which has been posted and interviews are scheduled for later this month. That is the only vacant position currently.

The funding below primarily serves 5 different program components.

1. Street Outreach - Program provides basic needs to people living in places not meant for human habitation such as parks, benches, or sidewalks. Outreach teams connect households to emergency shelter. If they refuse shelter, the teams will work on permanent housing while they live outdoors.

2. Emergency Shelter - Provides overnight sleeping accommodations, meals, and case management services to help the household move into permanent housing. Shelter can serve specific populations such as youth aged 18-24, single adults, and families with minor children.

3. Rapid Rehousing - Provides up to 24 months of rental assistance and case management to households who are unsheltered or living in an emergency shelter.

4. Prevention - Serves households at risk of homelessness by providing rental and utility arrears and other services to keep them in their home and prevent them from coming into the homelessness system.

5. Data Entry - HUD requires that anyone served with ESG funding be entered into the Homelessness Management Information System (HMIS). Each Continuum of Care is required to have a HMIS Lead Agency, which in Detroit is the Homelessness Action

Network of Detroit (HAND). HRD supports HAND with limited funding in order to meet this HUD requirement.

FY 22 - 23 Funding

Program Funding Admin Funding

Emergency Solutions Grant \$2,762,629.00 \$223,997.00

Community Development Block Grant \$2,589,426.00 \$540,847.00

Projected FY 23 - 24 Funding

Program Funding Admin Funding

Emergency Solutions Grant \$2,693,563 \$218,397.00

Community Development Block Grant \$2,524,691 \$560,870.00

15. Please provide the fiscal year 2024 budget for the Community Health Corps. From this budget, what services will be provided? What are the current staffing needs of the department?

The Community Health Corps is not an HRD program. It is a Detroit Health Department ARPA-funded project, and the Detroit Employment Solutions Corporation (DESC) is the subrecipient and service provider.