


David Whitaker, Esq.
Director
Irvin Corley, Jr.
Executive Policy Manager
Marcell R. Todd, Jr.
Director, City Planning
Commission
Janese Chapman
Director, Historic Designation
Advisory Board

John Alexander
LaKisha Barclift, Esq.
Paige Blessman
M. Rory Bolger, Ph.D., FAICP
Victory Corley
Lisa DiChiera
Eric Fazzini, AICP
Willene Green
Christopher Gulock, AICP
Marcel Hurt, Esq.
Sandra Jeffers

City of Detroit
CITY COUNCIL
LEGISLATIVE POLICY DIVISION
208 Coleman A. Young Municipal Center
Detroit, Michigan 48226
Phone: (313) 224-4946 Fax: (313) 224-4336

Kimani Jeffrey
Anthony W. L. Johnson
Phillip Keller, Esq.
Edward King
Kelsey Maas
Jamie Murphy
Dolores Perales
Analine Powers, Ph.D.
W. Akilah Redmond
Rebecca Savage
Sabrina Shockley
Renee Short
Floyd Stanley
Thomas Stephens, Esq.
Timarie Szwed
Theresa Thomas
Janice Tillmon
Ian Tomashik
Emberly Vick
Ashley A. Wilson

TO: Tammy Daniels, Chief Executive Officer
Detroit Land Bank Authority

FROM: David Whitaker, Director 
Legislative Policy Division

DATE: March 11, 2025

RE: Detroit Land Bank Authority FY 2025-2026 Budget Analysis

Attached is our analysis regarding the Detroit Land Bank Authority Budget for the City's Fiscal Year 2025-2026.

Please be prepared to respond to the questions raised in our analysis during your scheduled hearing on **Thursday, March 13, 2025, at 2:00 p.m.** We would then appreciate a written response to the questions at your earliest convenience before or after your budget hearing. Please forward a copy of your responses to the Council Members, the City Clerk's Office, and the Legislative Policy Division.

Please contact us if you have any questions regarding our analysis. Thank you for your cooperation in this matter.

Attachments:
Issues and questions

cc: Councilmembers
Auditor General's Office
LaJuan Counts-Group Executive of Construction & Building Operations
Jay Rising, Chief Financial Officer
Tanya Stoudemire, Chief Deputy CFO-Policy & Administration Director/Interim Budget Director
Donnie Johnson, Deputy Budget Director
Justin Buss, Budget Analyst
Andre Blair, Agency CFO
Malik Washington, Mayor's Office

Detroit Land Bank Authority

Analysis by the Legislative Policy Division (LPD) for the City's FY 2025-2026 Budget

Activities and Purpose of the Detroit Land Bank Authority (DLBA)¹

The Detroit Land Bank Authority (the "DLBA") was created on February 18, 2009 as a Michigan Public Body Corporate. It was created through an inter-local agreement between the Michigan Land Bank Fast Track Authority and the City of Detroit (the "City") pursuant to Public Act 258 of 2003, Land Bank Fast Tract Act, for the purpose of administering land bank programs and functions in the City.

The DLBA's purpose is to exercise the powers, duties, functions, and responsibilities of an authority under the Land Bank Act for the benefits of the City of Detroit (the "City") and the State of Michigan. The DLBA endeavors to carry out the powers, duties, functions, and responsibilities of an authority under the Land Bank Act consistent with the inter-governmental agreement including, but not limited to, the power, privilege, and authority to acquire, manage, and dispose of interests in property, and performing all other functions necessary or convenient to implement the purposes, objectives, and provisions of the Land Bank Act and the purposes, objectives, and powers delegated to a City authority under the laws or executive orders.

The DLBA had no demolition activity for the fiscal year ended June 30, 2024. The DLBA no longer participates in demolition activities. The DLBA's inventory of property decreased to 67,220 parcels, compared to 71,942 parcels as of the end of the previous fiscal year.

The DLBA is dedicated to returning Detroit's vacant, abandoned, and foreclosed property to productive use.

The DLBA is continually maintaining property and disposing of property in conjunction with a development project or other appropriate use. Most transactions that remove a property from the DLBA's inventory generate revenue for the organization. Examples of these transactions include, but are not limited to, property sales, side lot sales, and special purpose projects.

The DLBA will continue to execute federal, state, and local grants that have a public land component focused on neighborhood revitalization. During earlier years, the DLBA played a key role in implementing several rounds of the federally funded Neighborhood Stabilization Program in conjunction with the City and the Michigan State Housing Development Authority ("MSHDA"). More recently, the DLBA has been awarded \$6.5 million in rounds 1 through 5 of State Blight Elimination Grant funding. These grants are reimbursable upon completion of rehabilitation projects approved by the State of Michigan. In addition, the DLBA has substantially completed the MSHDA-administered federal Hardest Hit Fund program and has fully closed out the program.

During the current fiscal year (2024), the DLBA experienced an increase in sales. The DLBA will continue to focus on sales, as well as neighborhood revitalization by continuing to build relationships with the philanthropic community, seeking to attract foundation grant support to leverage public funds.

Public and Private Partnerships-The DLBA has formed partnerships with local organizations to implement a program providing newly rehabilitated homes in targeted neighborhoods of Detroit. The DLBA received grants of \$665,000 supported by a loan of \$2 million to rehabilitate the housing and alleviate blight in the surrounding neighborhoods. The DLBA also received a loan loss reserve to fill any shortfalls in sales price versus rehabilitation costs. Property rehabilitation has expanded within a multitude of neighborhoods and is funded by operating revenue and City rehabilitation funding. Independent contractors and organizations will rehabilitate the identified properties.

Under Michigan law, the DLBA will receive 50 percent of the specific tax generated on all properties that are sold by the DLBA for five years succeeding the transfer of the property to private owners. The specific tax is equal to the

¹ DLBA's financial statements as of June 30, 2024, and LPD's memo entitled "Dissolution of DLBA" dated February 1, 2022 (attached) provide the DLBA's activities and purpose information.

ad valorem taxes that would be generated if the property were not exempt from ad valorem taxation. These funds will be received by the DLBA in the same manner and the same time that the City distributes current tax collections to all taxing jurisdictions for which it collects property taxes. The DLBA budget first realized this revenue source in May 2015.

The DLBA will continue to market its ability to act as a City-wide development tool in areas that are deemed marketable, as well as to increase visibility to support commercial development investments and develop fee-based services, such as title cleansing. The DLBA's long-term strategy is to act as a resource in the City's neighborhood revitalization efforts, aligning its efforts with the City specifically on management of public land, extending relationships with philanthropy, and partnering with community groups to improve Detroit neighborhoods.

The Mayor recommends a general fund subsidy of \$5 M to the Detroit Land Bank Authority (DLBA) in FY 2026, a \$5.5 million (52.4%) reduction from FY 2025 (page B35-16 from Non-Departmental budget-see attached).

1. Please explain the impact of the proposed \$5.5 million reduction in the City's general fund subsidy to the DLBA in FY 2026.
 - a. According to DLBA's 2024 annual financial statements, DLBA's inventory of property decreased to 67,220 parcels as of June 30, 2024, compared to 71,942 as of the end of the previous fiscal year as of June 30, 2023. In addition, according to the DLBA's FY 2025 second quarterly report, total parcels decreased further to 66,177. Does the continual decline of parcels in DLBA's inventory help to explain the rationale for reducing the City's general fund subsidy to DLBA in FY 2026?
 - b. Please provide a budget versus actual report for the DLBA's FY 2025 budget.
 - c. Please provide DLBA's projected budget for FY 2026 showing the impact of the proposed City general fund subsidy reduction on operations and level of personnel.
2. DLBA reported in response to a LPD question last year that since the inception of the Prop N Neighborhood Improvement Bond (NIB) program in 2021, 2,159 homes have been stabilized and returned to the DLBA by Detroit Construction & Demolition Department staff through calendar year 2024. And among properties returned, 1,586 have been sold through the Auction and Own It Now programs through calendar 2024. Please update these numbers through the calendar year 2025.
3. Under Michigan law, the DLBA receives 50 percent of the specific tax generated on all properties that are sold by the DLBA for five years succeeding the transfer of the property to private owners. DLBA has reported that it has received the following amounts in 5/50 property tax revenue: 2019 \$909,526; 2020 \$1,456,898; 2021 \$1,821,942; 2022 \$2,751,734; 2023 \$3,095,012, and 2024 513,377 (partial year). How much did the DLBA receive in property tax revenue for full year of FY 2024? What is the budgeted and year-to-date figures for this revenue in FY 2025? What is the projection for FY 2026?
4. The following table provides a history of structure sales and side lot sales, by amount and unit, and loss of disposition of property held for resale from DLBA financial statements, data provided during the FY 2025 budget process, and 2nd Qtr 2025 DLBA report:

[Rest of the page is blank]

	2018	2019	2020	2021	2022	2023	2024	2 nd Qtr of 2025
Properties held for resale	95,242	90,860	86,898	79,688	74,341	71,942	67,220	66,177 total properties; 59,617 vacant properties; 5,174 structures; 1,386 unaccounted for.
Structure sales	\$9.03 M	\$8.60 M	\$8.44 M	\$15.82 M	\$10.25 M	\$9.51 M	\$10.10 M	
Structure closings	1812	2636	3391	3343	2079	1909	1526(forecast)	
Residential Structures Only	1802	2631	3376	3322	2034	1852	1503 (forecast)	
Side lot sales	\$0.79 M		\$0.67 M	\$1.48 M	\$3.33 M	\$2.51 M	\$1.2 M	
Lot Closings	2401	4163	2431	5059	3770	2479	2963 (forecast)	
Residential Lots Only	2394	4136	2424	5051	3760	2472	2962 (forecast)	
Loss on disposition of property held for resale	\$(3.67) M	\$(3.45) M	\$(2.99) M	\$(2.78) M	\$(2.40) M	\$(1.47) M	\$(2.16) M	

Questions/requests:

- a. Please ensure that the data above for structure closings, residential structures only, lot closings, and residential lots only for years 2018 through 2021 is correct. LPD wants to make sure no numbers were double counted.
 - b. Please provide budgeted and forecast actual amount of structure sales and side lot sales by category for FY 2025, and for the budgeted amount for FY 2026, if available.
 - c. Please provide structure closings and lot closings in total, and residential structures only and residential lot only for FY 2024, forecast for FY 2025 and projected amount for 2926, if available.
 - d. Please provide reasons for the increase in structure sales in FY 2024, especially in light of declining structure closing numbers.
 - e. Per DLBA's 2nd quarterly report for 2025, there's a gap of 1,386 properties unaccounted for (see top row above in far-right column). Please explain.
 - f. With 59,617 vacant properties, and with Prop N NIB demolition program creating more vacant lots, is the DLBA looking for more creative ways to increase these sales, both for residents and for economic development?
 - g. Has DLBA identified more funding to help more Rehabbed and Ready homes to be made available to low to moderate-income Detroiters?
 - h. Please provide the number of vacant homes owned by the DLBA as of March 1, 2025. Does the DLBA anticipate it will be at a point of owning no more vacant homes by the end of 2026?
5. According to the DLBA audited financial statements as of June 30, 2024, DLBA has an unassigned fund balance of \$38.4 million, or \$2.2 million higher than the previous fiscal year 2023. Does DLBA have any future plans to use any of this unassigned fund balance for operations or capital improvements?

**CITY OF DETROIT
BUDGET DEVELOPMENT
FINANCIAL DETAIL BY DEPARTMENT, FUND, APPROPRIATION, & COST CENTER - EXPENDITURES
DEPARTMENT 35 - NON-DEPARTMENTAL**

Department # - Department Name	Fund # - Fund Name	Appropriation # - Appropriation Name	Cost Center # - Cost Center Name	FY2025 Adopted	FY2026 Mayor Proposed	FY2027 Forecast	FY2028 Forecast	FY2029 Forecast
35 - Non-Departmental	1000 - General Fund			198,484,062	248,249,628	209,566,662	218,915,212	229,392,010
		25350 - Board of Police Commissioners		183,962,521	242,983,628	204,184,662	214,337,212	223,675,010
		350002 - Board of Police Commissioners		4,581,541	4,046,753	4,117,038	4,188,675	4,261,690
		26350 - Cultural Institutions Support		6,586,000	5,100,000	5,151,000	5,202,510	5,254,535
		350093 - Detroit Historical Museum		1,000,000	1,000,000	1,010,000	1,020,100	1,030,301
		350095 - Zoo Operations		2,436,000	1,200,000	1,212,000	1,224,120	1,236,361
		350097 - Eastern Market Corporation		550,000	300,000	303,000	306,030	309,090
		350290 - Charles H. Wright Museum of African American Histoi		2,600,000	2,600,000	2,626,000	2,652,260	2,678,783
		26351 - Blight Remediation Projects.		10,500,000	5,000,000	5,000,000	7,000,000	9,000,000
		350014 - Land Bank Operations		10,500,000	5,000,000	5,000,000	7,000,000	9,000,000
		26352 - Solid Waste Services Support		3,388,315	17,074,650	19,274,014	20,137,415	21,011,862
		350079 - Solid Waste Contribution for Operations		3,388,315	17,074,650	19,274,014	20,137,415	21,011,862
		27350 - Special Services		1,633,775	1,564,640	1,583,469	1,602,652	1,622,196
		350370 - Project Clean Slate Operations		1,567,775	1,564,640	1,583,469	1,602,652	1,622,196
		350372 - Reparatons Task Force		66,000	-	-	-	-
		27351 - Transportation Services Support		90,726,203	111,044,567	108,600,642	110,184,735	111,797,854
		350040 - DTC Contribution for Operations		6,500,000	7,450,000	6,565,000	6,630,650	6,696,957
		350080 - DDOT Contribution for Operations		78,523,185	97,906,791	96,290,988	97,751,985	99,240,777
		350081 - DDOT Contribution for Legacy Debt		1,363,410	1,346,476	1,359,941	1,373,540	1,387,275
		350090 - Airport Contribution for Operations		4,039,608	4,041,300	4,081,713	4,122,530	4,163,755
		350140 - Detroit Port Authority		300,000	300,000	303,000	306,030	309,090
		27352 - Community Programs Support		1,000,000	500,000	505,000	510,050	515,151
		350230 - Childhood Education & Enrichment Support		1,000,000	500,000	505,000	510,050	515,151
		28351 - Board of Ethics		682,960	591,195	601,233	611,458	621,874
		350165 - Board of Ethics		682,960	591,195	601,233	611,458	621,874

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LEGISLATIVE POLICY DIVISION
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Phone: (313) 224-4946 Fax: (313) 224-4336

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TO: Honorable Detroit City Council

FROM: David Whitaker, Director
Legislative Policy Division

SUBJECT: Recirculate Report regarding Dissolution of DLBA

DATE: January 21, 2025

The Legislative Policy Division (LPD) has received a request to recirculate the report regarding the dissolution of the Detroit Land Bank, originally created on February 1, 2022.

Please let us know how you would like to proceed with this request.

Thank you for your attention to this matter.

David Whitaker, Esq.
Director
Irvin Corley, Jr.
Executive Policy Manager
Marcell R. Todd, Jr.
Director, City Planning Commission
Janese Chapman
Director, Historic Designation
Advisory Board

John Alexander
Megha Bamola
LaKisha Barclift, Esq.
Nur Barre
Paige Blessman
M. Rory Bolger, Ph.D., FAICP
Christopher Gulock, AICP


City of Detroit

CITY COUNCIL

LEGISLATIVE POLICY DIVISION
208 Coleman A. Young Municipal Center
Detroit, Michigan 48226
Phone: (313) 224-4946 Fax: (313) 224-4336

Derrick Headd
Marcel Hurt, Esq.
Kimani Jeffrey
Edward King
Jamie Murphy
Kim Newby
Analine Powers, Ph.D.
Laurie Anne Sabatini
Rebecca Savage
Ryan Schumaker
Sabrina Shockley
Renee Short
Dr. Sheryl Theriot
Thomas Stephens, Esq.
Theresa Thomas
Ashley A. Wilson

TO: Detroit City Council

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: February 1, 2022

RE: **Dissolution of DLBA**

The Legislative Policy Division (LPD) has received a request to provide a supplemental report regarding the dissolution of the Detroit Land Bank Authority (DLBA) as well as answers to questions regarding the City of Detroit's ability to undertake the management, disposition and demolition of the DLBA's property inventory.

As indicated in prior LPD report dated October 18, 2019, the DLBA is created under an Intergovernmental Agreement between the City of Detroit and the Michigan Land Bank Fast Track Authority (MLB), pursuant to Public Act 258 of 2003, Land Bank Fast Track Act. Under the Second Amended and Restated Intergovernmental Agreement between the City and the MLB (hereinafter the Agreement) the "Initial Term" of the agreement will end on or about December 19, 2023. Pursuant to Section 9.01 of the Agreement, after the Initial Term the DLBA shall continue until terminated by joint action of the Parties; or by the City Council and Mayor withdrawal under Section 9.02 which provides:

Either Party may withdraw from this Agreement after the initial term upon six (6) months' notice in writing to the City Authority and Parties as provided under Section 9.01; provided, however, that withdrawal by the City requires the approval of the City council and Mayor.

Prior to the DLBA dissolution, Section 9.03 of the Agreement provides that the DLBA must wind up its affairs as follows:

- (a) All of the City Authority’s debts, liabilities, and obligations to its creditors and all expenses incurred in connection with termination of the City Authority and distribution of its assets shall be paid first.
- (b) The remaining assets, if any shall be distributed to any successor entity unless otherwise agreed by the Parties, provided, however, that approval by the City requires the approval of City Council. In the event that no successor entity exists, the remaining assets shall be distributed as directed by the City unless otherwise agreed by the Parties.

As provided in the Intergovernmental Agreement, if the City Council and Mayor approve the withdrawal from the Agreement, the DLBA would be required to wind up all its affairs. In doing so, all of the DLBA’s obligations to creditors and any expenses incurred in undertaking the DLBA’s dissolution must be paid first. If no successor exists, the remaining assets shall go to the City unless otherwise agreed by the Parties. Once the remaining assets are distributed, the DLBA would no longer exist.

In addition to the statutory process outlined for dissolution of the DLBA, Council President Sheffield presented a number of questions to be addressed. LPD has attempted to address these questions to the best of our abilities.

- **How many properties does the DLBA currently manage, and how many are lots, residential parcels, or commercial parcels?**

According to the latest DLBA Quarterly Report for Q2 for 2022, the DLBA’s inventory consist of the following:

Total properties:	76,180		
Vacant land:	62,822	Structures:	13,358
Residential:	12,789	Non-Residential:	60
Accessory:	509	Side Lots for sale:	9,816
Neighborhood Lots for sale:	19,307		

- **What is the annual budget for DLBA operations?**

According to the submitted proposed annual budget for Fiscal Year 2022, the budget for DLBA operations is \$24,411,831.46. Included in the operations budget are the following revenue streams:

City of Detroit	\$11,000,000
Grants	\$ 160,000
Fee Revenue/Economic Dev	\$ 105,750
Side Lot Sales	\$ 275,000

Vacant Land Sales	\$ 200,000
Structure Sales	\$6,406,320
House Showing Fees	\$ 11,000
Pre-Inspection Fee	\$ 132,750
5/50 Revenue	\$ 850,000
Interdepartmental Transfer Disp/Ops	\$4,172,711.46
HHF/Property Maintenance Rnds 1-5	\$1,098,300

- **What is the annual cost to the City to maintain DLBA properties?**

LPD notes, the DLBA does not have a direct funding source other than the City to pay for operations. For this reason, the City undertook to cover much of the cost of maintaining DLBA properties under the General Services Department. The City appropriates \$3.5 million for the services provided in maintaining those properties.

- **What is the annual contribution of City funds to the DLBA for operations?**

As previously indicated the DLBA was not granted a funding stream under its statutory construct. The City has been responsible for providing much of the DLBA's operating budget through a budget appropriation of \$11 million for the 2021 Fiscal Year and the proposed 2022 Fiscal Year.

- **What is the current staffing level at the DLBA?**

According to the information provided to LPD during the 2021 budget process, the DLBA reported it had 133 Full Time Employees (FTE's) with 4 current vacancies. At the time the DLBA intended to fully staff all vacant positions during FY21. For FY22, the DLBA is budgeted for 147 FTE's.

- **Prior to the establishment the DLBA, which City department oversaw the maintenance and disposition of residential properties?**

According to the information LPD was able to ascertain, prior to the establishment and transfer to City owned properties to the DLBA, the management, sale and disposition of residential properties owned by the City was handled through the Planning & Development Department (P&DD)

According to the 2012-2013 Adopted Budget:

The Planning & Development Department's Housing Services Division responsibilities included but was not limited to, the restoration of vacant foreclosed properties that foster home ownership opportunities¹. The number of FTEs in the Housing Services Division was 28. The appropriation

¹ The Housing Services' Division is responsible for the preservation and improvement to the City's housing stock, through providing grant funding assistance for housing rehabilitation, new construction and lead remediation for low

for the Housing Services Division was \$2,636,993. The P&DD's Real Estate/GIS Division responsibilities included but were not limited to, the procurement, management, and selling of City owned real estate. The number of FTEs for the Real Estate Division was 5. The appropriation for the Real Estate Division was \$580,243.²

The designation of dangerous vacant properties and the demolition of residential properties was undertaken by the Building Safety, Engineering and Environmental Department (BSEED).³ The Adopted Budget for 2012-2013 did not list any FTEs for demolition administration, however, \$2,928,995 was appropriated.

The maintenance of vacant lots under the City's ownership was provided by the General Services Department (GSD) Grounds Maintenance Division. The Grounds Maintenance Division maintains all city-owned grounds, parks, right of ways, vacant lots and the urban forest. According to the 2012-2013 Adopted Budget the Ground Maintenance Division had 43 FTE's and an appropriation of \$3,117,284.

- **What was the annual cost to the City?**

As indicated above a number of City departments and divisions handled the maintenance and disposition of residential properties under the City's control.

The P&DD had two divisions Housing Services and Real Estate/GIS with a combined appropriation of \$3,217,236.

The BSEED had an appropriation for Demolition administration of \$2,928,995.

The GSD has a Grounds Maintenance Division that maintained all City owned grounds with an appropriation of \$3,117,284.

The total appropriated during 2012-2013 Fiscal Year that may have been available for the maintenance, disposition and/or demolition of residential properties in the City's control was approximately \$9,263,515.

LPD notes, the three City Departments would have better information on how the City handled its inventory of residential properties prior to the establishment of the DLBA. LPD further notes that during the 2012-2013 fiscal year the City was going through financial turmoil and many cuts and reductions were taking place throughout City government.

income, disabled and senior households for rental and owner-occupied properties. In addition, the Division provides funding for new construction and multifamily housing projects, mortgage/down payment assistance, supportive housing and the restoration of vacant foreclosed properties that foster home ownership opportunities.

² The Real Estate Development Division (merger of Development and Real Estate Divisions) is responsible for the procurement, management, and selling of City owned real estate, capital development projects, and the administration of NOF public facility rehabilitation contracts, for the purpose of developing and stabilizing neighborhoods.

³ The Building Safety, Engineering and Environmental Department (BSEED) description of services as stated in the adopted budget 2012-2013, include "Manage the Demolition process for obsolete, damaged and/or abandoned buildings that pose an imminent danger to the public."

- **How many City employees worked on residential disposition?**

As indicated above, the various departments and divisions provided the services regarding residential property maintenance and disposition. According to the Approved Budget 2012-2013 P&DD (Housing Services and Real Estate) had a total of 33 FTE's; The GSD had 43 FTEs for ground maintenance (includes all City owned property) and BSEED showed no FTEs for demolition administration. LPD notes Departments would be in a better position to indicate how personnel was utilized.

- **How many would be needed to bring residential disposition in-house?**

LPD does not have the expertise to ascertain how many FTEs would be needed to bring the residential disposition portfolio from the DLBA back into the City. However, a working group with expertise from the various departments and Human Resources should be able to provide a reasonable projection.

- **Does the City of Detroit have the authority and ability to provide quiet title for properties?**

The City has always had the authority to provide quiet title for properties. However, the DLBA has been provided special tools granted under the Land Bank Fast Track Act, MCL 124.759 *Expedited quiet title and foreclosure action; procedure*. The expedited quiet title tools include but are not limited to; the ability to include multiple properties on one petition to be submitted to the court; modified notification requirements; and expedited hearing schedule before the court. These tools enable the DLBA to provide a clear title to purchasers and allows for the properties to be placed back into productive use in a much quicker and more efficient manner than the City or other public or private entities could provide.

- **Could the DLBA continue providing quiet title, but transfer maintenance and disposition of residential properties to the City of Detroit?**

Pursuant to the Land Bank Fast Track Act, MCL 124.759, the DLBA must have title to the property in which it seeks to quiet title. The DLBA could not transfer title of the properties to the City and execute quiet title on the properties. However, the City and DLBA could enter into an agreement under which the City would be responsible for maintenance and disposition (sale or demolition) of the residential properties in the DLBA's portfolio. This would be possible unless there are any contractual obligations the DLBA has with another entity to provide those services to which an agreement with the City would interfere.

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