

**RULES AND PROCEDURES FOR THE
HOUSING & REVITALIZATION DEPARTMENT
FOR RENT ESCROW
AS PROVIDED IN
SECTION 8-15-81 AND SECTION 8-15-86
OF THE 2019 DETROIT CITY CODE**

CHAPTER 8
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PART 1. GENERAL PROVISIONS

R 8.101 Purpose

These rules are created in accordance with Ordinance 2024-27, which went into effect on January 1, 2025. The purpose of these rules is to effectuate the provisions outlined in Sections 8-15-81(h), and (i), 8-15-86, and 8-15-89 of the 2019 Detroit City Code. These rules are promulgated pursuant to Section 2-111, 2012 Detroit City Charter.

R 8.102 Title

These administrative rules shall be known and may be cited as the “City of Detroit Housing and Revitalization Department Rent Escrow Administrative Rules.”

R. 8.103 Effective date and publication

In accordance with Section 2-111 of the 2012 Detroit City Charter, these Rules and Procedures, and any subsequent amendments, shall become effective upon publication in a daily newspaper of general circulation following the conclusion of the public hearing and consideration of all comments and recommendations. All effective Rules and Procedures shall be printed and made available to the public at the City of Detroit Housing and Revitalization Department and the City Clerk’s Office.

R. 8.104 Amendment of Rules and Procedures

These Rules and Procedures shall be subject to amendment by the Director of the Housing and Revitalization Department in accordance with Section 2-111 of the 2012 Detroit City Code.

R. 8.105 **Computation of time**

When calculating a time period under these rules, the day of the act or event is excluded. If the last day of a period falls on a Saturday, Sunday, or on a day the Housing and Revitalization Department (HRD) is officially closed, the period runs until the end of the next day that is not a Saturday, Sunday, city-recognized holidays, or a day when HRD is closed.

PART 2. DEFINITIONS

R. 8.201 **Terms**

In the event of a conflict between any definitions here and those found at Sections 8-15-3 through 8-15-9 of the 2019 City Code, the Code definitions shall control. For purposes of these rules, except as noted above, the following terms and phrases shall have the meaning provided in this section:

Certificate of Compliance means a certificate issued by the Buildings, Safety Engineering, and Environmental Department, which states that a building, premises or structure, geotechnical report when required or a portion thereof, complies with the requirements of the Property Maintenance Code, Section 8-15-1, *et seq.*, of the 2019 Detroit City Code.

Dwelling or dwelling unit means a single unit providing complete, independent living facilities occupied, or intended to be occupied, in whole or in part, by one or more persons, including permanent space and provisions for living, cooking, eating, sanitation, and sleeping.

Multiple dwelling means any building containing three or more rooming or dwelling units.

Occupancy means the purpose for which a building or structure is utilized or occupied.

Owner means any person, agent, operator, firm, or corporation having a legal or equitable interest in the building, premises, or structure, or is recorded in the official records of the state, the County, or the City as holding title to the building, premises or structure, or otherwise has the legal responsibility for the control and maintenance of the building, premises, or structure, including the conservator or guardian of the estate of any such person, the executor or administrator of the estate of any such person where ordered to take possession of a building, premises, or structure by a court, or is the taxpayer of record.

Rental property means a non-owner occupied dwelling or dwelling unit that:

- (1) Is or are let or occupied by persons, including a family member of the owner, pursuant to an oral or written rental contract, or lease, or other oral or written agreement or understanding for occupation, with monetary compensation; or
- (2) Will be offered for occupancy under an oral or written rental contract or lease, or other oral or written agreement or understanding for occupation, with or without monetary compensation to any person; or
- (3) Is or are contained within a building with two or more dwelling units that are not occupied by the owner; or
- (4) Is advertised to the public or registered with the City as rental property.

Retaliatory action means any action that materially alters the terms of the tenancy of the premises such as an increase in rent, termination of a lease or tenancy, or interference with the tenants' occupancy or use of the premises. Any action that materially alters the terms of the tenancy that takes place within 90 days of a tenant taking action or attempting to take an action protected by Subsection 8-15-87(a)(2) of the 2019 Detroit City Code is presumed to be a

retaliatory action for the purposes of Section 8-15-11 of the 2019 Detroit City Code, unless the owner can establish by a preponderance of the evidence that the action was not taken to retaliate against the tenant.

Safety risk means a condition in a rental unit that directly threatens the physical health, safety, or well-being of tenants. Such conditions may include, but are not limited to:

- (1) Structural hazards, such as unstable walls, floors, or ceilings;
- (2) Electrical hazards, including exposed wiring or faulty circuits;
- (3) Plumbing failures that result in a lack of potable water or sanitation;
- (4) Heating or ventilation deficiencies that prevent safe temperature regulation or air quality;
- (5) Fire hazards, such as blocked exits, non-functional smoke detectors, or flammable material accumulation;
- (6) Chipped- paint surfaces where lead is present; or
- (7) Other conditions deemed unsafe under the 2019 Detroit City Code, or applicable housing standards, as determined by BSEED.

A safety risk requires evidence of significant danger, beyond mere inconvenience or cosmetic defects.

Tenant means a person, corporation, partnership or group, whether or not the legal owner of record, who or which occupies a building or structure.

Violation means any condition that is a violation of Chapter 8, Article XV, *Property Maintenance*, Section 8-15-1, *et seq.*, of the 2019 Detroit City Code, or any act that is prohibited or made or declared to be a blight violation by any section of Chapter 8, Article XV, *Property*

Maintenance, Section 8-15-1, *et seq.*, and any omission or failure to act where the act is required by any section of Chapter 8, Article XV, *Property Maintenance*, Section 8-15-1, *et seq.*

Qualifying code violation means a property maintenance code violation that poses a safety risk to the tenant.

PART 3. ELIGIBILITY

R. 8.301 Prerequisites

Tenants of residential rental properties may participate in the Rental Escrow Program (REP) if the property lacks a required Certificate of Compliance or has documented qualifying code violations, or both. The Housing and Revitalization Department (HRD) shall administer the program. HRD may, at its discretion, also administer the program through a designated external vendor, external organization, or both.

R. 8.302 Payment status at time of application

At the time of application, tenants must be current with rent payments or become current within three business days of submitting the application. Failure to become current within three business days will result in the denial of the application.

PART 4. APPLICATION

R. 8.401 Contents

HRD or HRD's designee shall review and process all applications for REP accounts. Tenants shall submit applications on forms developed and provided by HRD. HRD and the Buildings, Safety Engineering, and Environmental Department (BSEED) shall make applications available online and provide written information on obtaining and completing such applications at their respective offices. Applications must be supported by the following information or documents:

- 1) A copy of the lease or a signed attestation providing the terms of the lease or rental agreement as to length, amount of monthly payments, date such payments are due, and any terms regarding timeliness of payments. An intentional misrepresentation of these terms shall result in a denial of the application or termination of the tenant's participation in the program;
- 2) A signed attestation stating that rent payments are current as of the date of the application or will be made current within three business days of the application;
- 3) If the application is based on documented qualifying code violations, it must be accompanied by documentation pertaining to the code violation. This may include communications to the owner, corrections orders, blight violation notices, communications to City agencies or departments, communications to private agencies, or photographs or videos documenting the relevant conditions; and,
- 4) All available contact information regarding the owner or its agent, including physical addresses, email addresses, and phone numbers.

R. 8.402 Review of application

(a) HRD shall review the application to determine if it is complete, meets initial eligibility criteria for the rental escrow program, and includes sufficient information for further processing.

(b) If the application concerns a rental unit that has no current Certificate of Compliance, as required by the code, HRD shall contact BSEED to initiate BSEED's inspection scheduling process. Unless delayed by unforeseen circumstances, inspections shall take place no later than three business days after HRD's initial application review, with notice to the tenant and owner.

(c) If the application concerns a rental unit that has a current Certificate of Compliance or Certificate of Occupancy but reports a qualifying code violation, HRD shall evaluate the application and supporting evidence. HRD may deny the application if it is incomplete or fails to substantiate a qualifying code violation.

(d) If HRD determines that the application is complete and presents sufficient evidence of a qualifying violation, HRD shall forward the application to BSEED for further review.

(1) If BSEED determines that the documentation supports a qualifying code violation, BSEED shall schedule an inspection of the premises for the purpose of determining the existence and extent of violations. Inspection shall take place no later than three business days after HRD forwards the documents to BSEED unless delayed by unforeseen circumstances, with notice to the tenant and owner.

(2) If BSEED determines that the documentation does not substantiate a qualifying code violation, the application shall be denied.

(e) HRD shall forward written notice of the denial to the tenant and the owner by US mail.

PART 5. PRE-INSPECTION NOTICE

R. 8.501 HRD Notice and contents

(a) HRD shall immediately notify the owner of the application, the initial inspection process, and information regarding the REP by US mail, and by email if an address is available.

(b) HRD's notice must contain the following information:

- (1) If the application is based on a lack of the required Certificate of Compliance, an initial BSEED inspection to determine the rental unit's eligibility for the program shall be scheduled;
- (2) If the application is based on lack of a required Certificate of Compliance for a multiple dwelling building and an inspection for certificate of compliance took place within 60 days of the current application with the building failing the inspection, no new inspection need be scheduled to determine eligibility; the previous inspection shall support the lack of compliance;
- (3) If the application is based on an allegation of qualifying code violations, and BSEED determines that the documentation submitted substantiates the existence of such violations, an inspection shall be scheduled;
- (4) If the application is based on an allegation of qualifying code violations in a multiple dwelling building and an inspection for the same code violation took place within 60 days of the current application, with the violation located in a common area or impacting the entire building and remaining unremedied, the previous inspection shall suffice for applications concerning the same violation;
- (5) If the initial BSEED inspection reveals that the rental unit meets the standard for a Certificate of Compliance and has no qualifying code violations, and the owner obtains a Certificate of Compliance or pays all necessary fees to obtain one within seven calendar days of the inspection, the application shall be denied;
- (6) If the initial BSEED inspection reveals that the rental unit is not in compliance or the inspection reveals qualifying code violations, the rental unit may be placed in the REP;

- (7) The lease or relevant information regarding the terms of the lease as provided by the tenant and the tenant's claims as to currency of rent payments. The owner shall be informed that if they dispute the lease terms, leasing information, the existence of qualifying code violations, or the tenant's claim of being current on rent payment, the owner may submit evidence to challenge these assertions; and
- (8) The owner is barred from taking any retaliatory action towards a tenant who is using the REP pursuant to Sections 8-15-81(h), and (i), 8-15-86, and 8-15-89 of the 2019 Detroit City Code.

PART 6. INSPECTION

R. 8.601 Tenant cooperation

As a condition of participating in the REP, tenants shall cooperate with reasonable efforts by the owner, BSEED, and HRD to inspect the rental unit. Failure to comply with reasonable inspection efforts may result in denial of the application or termination of participation in the program.

R. 8.602 Results and decision

(a) Application denied: For applications based on an allegation of qualifying code violations, if no such violations are found and the rental unit meets the standards for issuance of a Certificate of Compliance and has a current Certificate of Compliance or a Certificate of Occupancy, the escrow application shall be denied.

(b) Application conditionally denied: Applications based solely on a lack of a Certificate of Compliance for rental units for which a certificate is required, shall be denied only under the following circumstances:

- (1) The initial inspection finds that the rental unit meets the standards for issuance of a Certificate of Compliance; and
 - (2) The owner applies for a Certificate of Compliance and obtains the certificate within seven calendar days of the inspection or pays all necessary fees for issuance of the Certificate of Compliance within seven calendar days of the inspection.
- (c) Application accepted for placement in REP: If the rental unit fails to meet the standards for issuance of a Certificate of Compliance or has qualifying code violations, the rental unit shall be placed in the rent escrow program. In addition, if the owner of a unit that is eligible for a Certificate of Compliance fails to meet the requirements outlined in Section b above, the unit shall be placed in the REP until a Certificate of Compliance is issued.

PART 7. POST-INSPECTION NOTICE

R. 8.701 Notification to tenant and owner

Upon receipt of the results of BSEED's inspection, HRD shall notify the owner and tenant of the results by US mail.

R. 8.702 Contents of notice

The notice provided to the tenant and owner shall include the following details based on the inspection results:

- (a) If no qualifying code violations are found and the unit has a current Certificate of Compliance, a statement that the application has been denied.
- (b) If no qualifying code violations are found and the rental unit lacks a current required Certificate of Compliance, but meets the standards for issuance of a Certificate of Compliance, a statement that the escrow application has been placed on a seven-calendar day

hold, during which the owner must obtain a Certificate of Compliance or pay all necessary fees to obtain the Certificate of Compliance. The notice shall also state that failure to comply within this period will result in the unit being placed in the REP until a Certificate of Compliance is issued.

(c) If the inspection reveals qualifying code violations or the rental unit is not eligible for a Certificate of Compliance where required, a statement that the rental unit has been placed in the REP.

(d) If the rental unit is placed in the REP, the notice must include the following additional information:

- (1) The inspection report and the violations which must be corrected to achieve compliance and removal from the REP;
- (2) A reminder to the tenant that failure to make rent payments in accordance with the rent agreement or lease as to time and amount, or interference with reasonable repair efforts, shall result in termination of their participation in the REP;
- (3) If the rental unit lacks the required Certificate of Compliance as of the date of the notice, the tenant may opt to place the rent escrow funds in a repair-dedicated account or in a funds disbursement account. If the sole basis for entry into the rent escrow program is a qualifying code violation, the escrow funds shall be placed in a funds disbursement account;
- (4) A statement that fund disbursement escrow accounts shall be reviewed on a periodic basis; such periods shall not exceed 120 days and the owner may request an inspection prior to the conclusion of the designated period;

- (5) A notice that the owner is barred from taking any retaliatory action towards a tenant who is lawfully using the REP; and
- (6) A notice that failure to comply with any corrective order issued by BSEED may also result in the issuance of blight violation notices.

PART 8. ESCROW FUND COLLECTION, MANAGEMENT, AND DISBURSEMENTS.

R. 8.801 Tenant responsibilities

Tenants shall make escrow payments in accordance with the rent agreement as to time and amount. Tenants shall not refuse or interfere with entry by repair personnel so long as such entry is sought during reasonable business hours. Failure to comply with these requirements shall result in the termination of their participation in the REP. Except as governed by the lease agreement, owners shall provide at least 24 hours advance notice to tenants of entries for repairs.

R. 8.802 Escrow funds

(a) Based on eligibility and the tenant's choice, escrowed rent shall be placed into one of the following funds:

- (1) Repair dedicated funds – The funds will be dedicated to payment of repairs to the enrolled rental unit by the owner.
 - (a) The tenant will deposit the funds into the program defined funds deposit system. These payments shall be made in accordance with the terms of the lease as to timeliness and amount.
 - (b) Escrowed funds shall be held and managed in accordance with applicable state law.
 - (c) The owner may apply for release of these funds solely for the purpose of repairing the premises. HRD may require documentation including

estimates, invoices, certification, or other evidence demonstrating that funds are applied exclusively to repair the enrolled rental unit.

- (d) Advance payments for repairs shall be made at 50 percent of the estimated amount, as supported by the required documentation (e.g., estimates or invoices). The remaining 50 percent shall be released upon submission of proof of completion, including, but not limited to photographs, contractor affidavits, or other evidence acceptable to HRD, subject to verification during the BSEED inspection.
- (e) The amount disbursed in advance or upon completion of repairs shall not exceed the total funds available in the escrow account at the time of the disbursement request, after subtraction of any applicable administrative fees. Any payment, whether an advance payment of 50 percent of the estimated repair amount or the remaining 50 percent upon proof of completion, shall be limited to the balance of the escrowed funds dedicated to the enrolled rental unit, less administrative fees.
- (f) If the owner fails to apply disbursed funds to the repairs described in the estimate or other documents, the owner may not withdraw any additional funds until the owner provides evidence of the completion of the repairs described in the estimate or other documents.
- (g) Once repairs are complete, the owner shall request that BSEED schedule an inspection. BSEED shall schedule an inspection to occur within seven calendar days following the owner's request.

- (h) Upon issuance of a Certificate of Compliance, the escrow account shall be terminated, and the funds shall be released. Released funds shall be distributed to the owner less administrative fees.
 - (i) If the tenant terminates the lease before the owner completes the repairs, any unexpended funds paid into the escrow account which are attributable to the unexpired portion of the tenancy or lease shall be returned to the tenant.
- (2) Fund Disbursement Escrow Account – The funds will be returned to the tenant or the owner based on the results of an account review to take place no later than 120 days after the rental unit is placed in escrow.
 - (a) The tenant shall deposit the funds into the program defined funds deposit system. Payments shall be made in accordance with the terms of the lease as to timeliness and amount.
 - (b) Escrowed funds shall be held and managed in accordance with any applicable state law.
 - (c) Compliance status shall be reviewed by HRD on a periodic basis as determined by HRD or its designee. Such periods shall not exceed 120 days. At the expiration of each such period, the escrow funds shall be distributed to the tenant if the rental unit remains out of compliance less reasonable and necessary administrative fees. If the rental unit is in compliance, the funds collected during that period shall be distributed to the owner, less reasonable and necessary administrative fees.

- (d) The owner is responsible for timely requesting inspections of the rental unit by BSEED following completion of repairs. BSEED shall schedule an inspection to occur within seven calendar days of the owner's request.
- (e) If the tenant leaves the property prior to the expiration of the review period, the escrowed funds shall be held until the next scheduled review. If the rental unit remains out of compliance, the funds shall be disbursed to the tenant, less administrative fees. If the rental unit is found to be in compliance, the funds shall be disbursed to the owner less administrative fees and the funds paid into the escrow account which are attributable to the unexpired portion of the tenancy or lease which shall be returned to the tenant.

(b) HRD shall provide that the payment and disbursement records for all properties enrolled in the REP shall be available to the owner and the tenant via electronic media.

PART 9. APPEALS

R. 8.901 Appeal to Administrative Appeals Bureau

(a) Either party may appeal HRD's decision to grant or deny the application for placement in the REP within 21 calendar days of the decision. Upon request of an aggrieved party, HRD shall immediately issue a Certification of Right to Appeal which certifies that all remedies at the department have been exhausted, the date the decision was issued, and the appellee has the right to appeal to the Administrative Appeals Bureau.

(b) The aggrieved party must obtain the Certification and file the appeal with the City of Detroit, Department of Administrative Hearings, within 21 calendar days of the decision.

(c) The appeal must comply with the rules found at R.3.1101, *et seq.*, *Rules and Procedures for Department of Appeals and Hearings Administrative Appeals Bureau* of the 2019 Detroit City Code.