Demolition Strategy

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

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Demolition Plan Summary

The accompanying plan and documents outline how the Michigan State Housing Development Authority (MSHDA) will address blight in the Cities of Detroit, Flint, Grand Rapids, Pontiac and Saginaw. The plan outlines our targeted demolition strategy that will focus on improving economic conditions and expanding the tax base in each community. This package includes the following:

- Strategy for statewide execution – led by MSHDA that will take advantage of economies of scale, avoid duplication of efforts, and ensure efficient implementation.

- Action steps developed to ensure community engagement in area selection and neighborhood input in identifying blighted units.

- MSHDA's submission to the U.S. Treasury for $100 million in Hardest Hit funds. (We have a reasonable expectation that this amount could be significantly increased.)

- Information on a task force, led by Bill Rustem, being created to raise additional funds for demolition from the private and philanthropic communities.

- Metrics that are collected to evaluate program success.

- Executive Order being proposed in Detroit to improve efficiencies including: creation of a Board of Appeals that can expedite functions currently designated for City Council; implementing cost saving measures such as changes in wrecking charges, permit fees, and basement floor removal; and creation of a task force to explore e-permitting functions.

State of Michigan
Demolition Strategy

The primary purpose and goal of all demolition is to improve the tax base of the city, municipality, or county. This goal is accomplished through two principal methods:

1. An increase of private investment and development and
2. An increase in surrounding property values that translates into an increase in tax collections.

Eligible Properties:

Strategically targeted demolition of both commercial and residential structures must either initiate/trigger private investment and development, support current investment and development, or increase the value of surrounding properties. To that end, the State of Michigan's demolition strategy will focus on demolition of blighted or abandoned property that:

- Is in direct support of proposed investment of public or private funds including properties that will be redeveloped for residential or commercial use.
- Is directly adjacent to or across from recent public or private investment, proposed investment, or other assets designated as critical investments or institutions by state or local officials.
- Is critical for investment in or improvement of infrastructure, public parks or other locally or state endorsed projects.
- Assist in the stabilization of neighborhoods with high rates of foreclosure prevention services and/or homeownership, or other tipping point indicators.
- Present a visual impediment along key corridors.

To be eligible for demolition funding, a property must either be already owned by a private or public partner agency and in the path of potential redevelopment or contain a vacant, abandoned or foreclosed blighted structure. A property will be considered blighted if it meets the following criteria as determined by the local governing body:

1. Considered a public nuisance according to local code or ordinance.

2. Is a nuisance because of age, physical condition, or use.

3. Has had utilities, plumbing, heating, or sewage disconnected, destroyed, removed or rendered ineffective so that the property is unfit for the intended use.

Eligible Areas:

Demolition funds will be primarily focused in the cities of Detroit, Flint, Grand Rapids, Pontiac and Saginaw. Additional demolition targets within the communities immediately adjacent to

these cities will be considered if they are critical to a potential redevelopment opportunity or other investment of public or private capital within the aforementioned cities.

Probable Local Partners

Detroit – Michigan Land Bank, Detroit Blight Authority, City of Detroit, Detroit Land Bank
Flint – Genesee County Land Bank, City of Flint, Uptown Reinvestment
Grand Rapids – Kent County Land Bank, City of Grand Rapids, Dwelling Place, ICCF, LINC
Pontiac – City of Pontiac, Oakland County Treasurer's Office, Michigan Land Bank
Saginaw – Saginaw County Land Bank, City of Saginaw

Update on Conversations with Treasury:

MSHDA has been meeting on a weekly basis with officials with Homeownership Preservation Office within the U.S. Department of Treasury who oversee the Help for the Hardest Hit Funds. Conversations have also included Wayne Ting from the National Economic Council at the White House. Treasury believes that they have a path to move forward with targeted residential demolition by utilizing the Operational Structure outlined in the section below. Given certain limitations, such as the prohibition against commercial property and ownership restrictions; we believe that the proposed process would allow us to proceed in relatively short order with demolition without requiring passage of either of the pending bills (such as the one proposed by Rep. Kildee (D-Flint). We have submitted the required paperwork, which is being vetted by the legal counsel at Treasury. We hope to have approval by the end of May.

Management/Operational Parameters:

- MSHDA will determine project sites in direct communication with local partners. Each local partner must submit a narrative with specifics describing proposed properties, ownership information, and detail on how the demolition will add value to the area and achieve other outcomes. Partners also must pledge local match equal to at least 25% that can be private, public, or in-kind support.

- In each community, MSHDA will contract with a partner land bank, non-profit or local government partner.

- Local partners will be responsible for property acquisition, and ongoing property maintenance.

- Demolition contractors will be pre-screened through an RFQ process

- Local partners will submit to MSHDA the following for each demolition candidate:

    - Acquisition information including property deed, title insurance or equivalent due diligence
    - Eligibility including location, project description, and photographs
    - Inspection Report
    - Environmental reports/due diligence information
    - Other known information including known hazards, adverse findings, etc..

- Upon receipt of required documents, Help for Hardest Hit funds can repay the acquisition note and place a Help for the Hardest Hit Program lien on each property funded with federal demolition funds. The five year lien is forgivable at 20% per year or upon approval for use in an approved redevelopment strategy.

- Costs of demolition work can be reimbursed within 7 business days and release the maintenance fee of up to $750 per parcel (if eligible).

- During the five year term, the local partner is responsible for maintenance of the property under a binding agreement with MSHDA.

Budget and Potential Funding Sources

Using the one time substantial investment of $100 million in Help for the Hardest Hit funds to leverage other sources is critical to the success of the blight elimination strategy in Michigan. A maximum per property assistance amount is set at $25,000 on properties assisted with Help for the Hardest Hit funds to accommodate larger residential structures. However – we expect the average per unit cost including acquisition, demolition and maintenance fees to be between $12,000 and $13,000.

MSHDA staff feel that there is a strong probability that quick and efficient execution of the $100 million in Hardest Hit Funds for blight elimination will lead to new Hardest Hit allocations (from funding recaptured from slower performing states) in future years.

We hope to solicit at least 25% through a variety of other public, private and philanthropic funders to support a variety of related activities including commercial demolitions, title clearance, land assembly, recycling, and maintenance. Possible sources for demolition match include:

- Foundations (Mott, Kresge, Ford, others)
- Bank CRE (Huntington, Chase, others)
- Local CDBG
- NSP2
- NR Trust Fund
- In-kind local match (permits, administration, inspections, etc..)

In addition, MSHDA immediately will begin to make connections between demolition sites selected and possible redevelopment sources (when appropriate). Possible sources to link for future redevelopment include:

- Local CDBG
- HOME (local and state)
- 4% and 9% tax credits
- MEDC CRP
- FHLB
- NMTC

Fundraising Strategy

Coordination of a statewide fundraising strategy will be critical to avoid duplication of efforts and ensure we aren't undercutting our ability to access large investments by flooding funders with small individual asks. To that end, a small task force, led by Bill Rustem, will be created and will include other participants such as Karen Aldridge-Eason, DHS, MSHDA, and one representative from each partner community.

Efforts to solicit funding from funders with a geographical focus – such as the C.S Mott and Ruth Mott Foundations in Flint and Kresge in Detroit will be done jointly between the local and the State. Foundations and banks with the ability to invest statewide will be engaged at the state level to ensure maximum efficiency. Program partners will be asked to avoid individual asks in support of this particular initiative from funders that are not specific to their local community.

Coordination/Cost Savings

Whenever possible and when it results in a cost savings or an increase in overall efficiency, bidding will be coordinated on a local or regional basis. Steps include:

- Competitive bidding will be completed for all contractor work to ensure the best pricing.
- Negotiation with a landfill operator to route all debris.
- Pursue recycling when it results in a documented cost savings
- When possible under local ordinance – move from removal of entire wall/footing to pulverized aggregate mix as backfill.

Step by Step Process

Step One: Convene a meeting in each community of the City Leaders, Land Banks (Genesee County LB, Saginaw County LB, Kent County LB, Michigan Land Bank), county officials, and other critical partners to explain the program and solicit the development of proposals.

Step Two: Accept locally developed proposals – Proposals should include identified target areas or project sites, current master plan information, list of potential demolition candidates including ownership information, map of project areas/sites, applicable data around foreclosure prevention/property tax values, property maintenance plan, and a list of identified barriers that could impede large scale demolition efforts.

Step Three: State committee – including representatives from MSHDA, LARA, Treasury, and MLB will meet to review all proposals with the goal of vetting the strategy, approving selected work, and troubleshooting any barriers.

Step Four: The Community Economic Development Association of Michigan (CEDAM) will be utilized along with local council members to convene neighborhood meetings in local target areas to assist in the identification of properties within targeted neighborhoods.

Step Five: MSHDA will convene meetings to increase efficiency and address impediments – such as negotiating dumping rates for waste disposal or recycling,

DTE/Consumers Energy on utility disconnects, LARA on permitting, banks on accessing REO properties within target areas, and the like.

Step Six: Use a Request for Qualifications (RFQ) process to solicit, screen and pre-select qualified pool of contractors.

Step Seven: Execute Agreements with each community.

Step Eight: Acquisition Loan is made by MSHDA to acquire properties as required by Help for Hardest Hit. (See attached diagram for flow chart)

Step Nine: Develop schedule for utility disconnects, asbestos survey, and other prep work in each community by focus area.

Step Ten: Develop demolition schedule in keeping with the utility and prep work schedule that will maximize efficiency, reduce trucking/disposal costs and increase speed of demolition.

Step Eleven: Complete prep work:

- Utility Disconnects
- Asbestos Survey
- Survey Review

Step Twelve: Develop Bid Packages for demolition work

Step Thirteen: Demolition Contracts Executed.

Step Fourteen: Complete demolition process:

- Contractor(s) obtain permits
- Contractor(s) submits DEQ/NESHAP
- Abatement of Materials
- Structure demolished/Debris Removed
- Inspections
- Fill and Seed
- Final Inspection

(NOTE: Steps 9 through 13 maybe reversed in certain instances)

Step Fifteen: Local partner submits package for review/payment, review is completed, and payments made. Acquisition loan is repaid and H4HH lien (forgivable 20% annually over 5 years) is placed on the property.

Step Sixteen: Contract for ongoing maintenance is initiated by property owner.

Step Seventeen: Redevelopment plans for early lien discharge and other compliance/monitoring done as needed but at least annually.

Critical Dates

Action	*Timeframe*	*Responsible Party*
Submit final proposal to Treasury for Hardest Hit approval	By May 1, 2013	Townley/Wildman (MSHDA)
Meet with officials in each community · Mayors/City Managers · Emergency Manager · Land Bank · Foundation/Community Leaders · Developers	By May 25, 2013	M. Wildman MSHDA
Submit preliminary concept papers for demolition target areas/properties	By June 1, 2013	Local officials (City, planning/economic development entities) & land Bank
Meet with banks, county treasurers, State officials to identify and gain access to potential REO properties	June 1-30, 2013	MSHDA/Local Partners
Identify and meet with potential private funders (Mott, Kresge, Ford, Pulte, etc…)	June 1-30, 2013	Woosley/Wildman/Homan
Facilitate meeting with State partners (MLB, UMPI, MSHDA, DEQ, LARA) to facilitate coordination of services	By June 15, 2013	MLB/MSHDA
Coordinate meetings with utility companies (Consumers Energy, DTE, water providers, and others) to ensure efficiency in disconnects	By June 15, 2013	MLB/MSHDA
Selection of properties	By July 1, 2013	MSHDA (CD, Executive, SEMD)/MLB/Local partners
Coordinate Bidding for waste disposal, demolition, asbestos	July 1-15, 2013	Land Banks
Execute Agreements with local partners for selected sites based on H4HH approval	July 1-15, 2013	MSHDA Legal
Begin Demolition Process	By July 15, 2013	Local Partners
Coordinate property maintenance plan for post-demolition	August 1, 2013	Land Banks/Local Partners
Set up Operational System to monitor program compliance and ensure timely payment of funds	By July 1, 2013	MSHDA H4HH & Finance staff

Identify Linkages for Redevelopment	Ongoing	MSHDA, Local Partners
Paperwork processing, compliance, site inspections	Ongoing	MSHDA
Land Assembly/Title Clearance	Ongoing	MLB
Execute Maintenance Agreements	Ongoing	Land Banks/Local Partners

Program Measurement

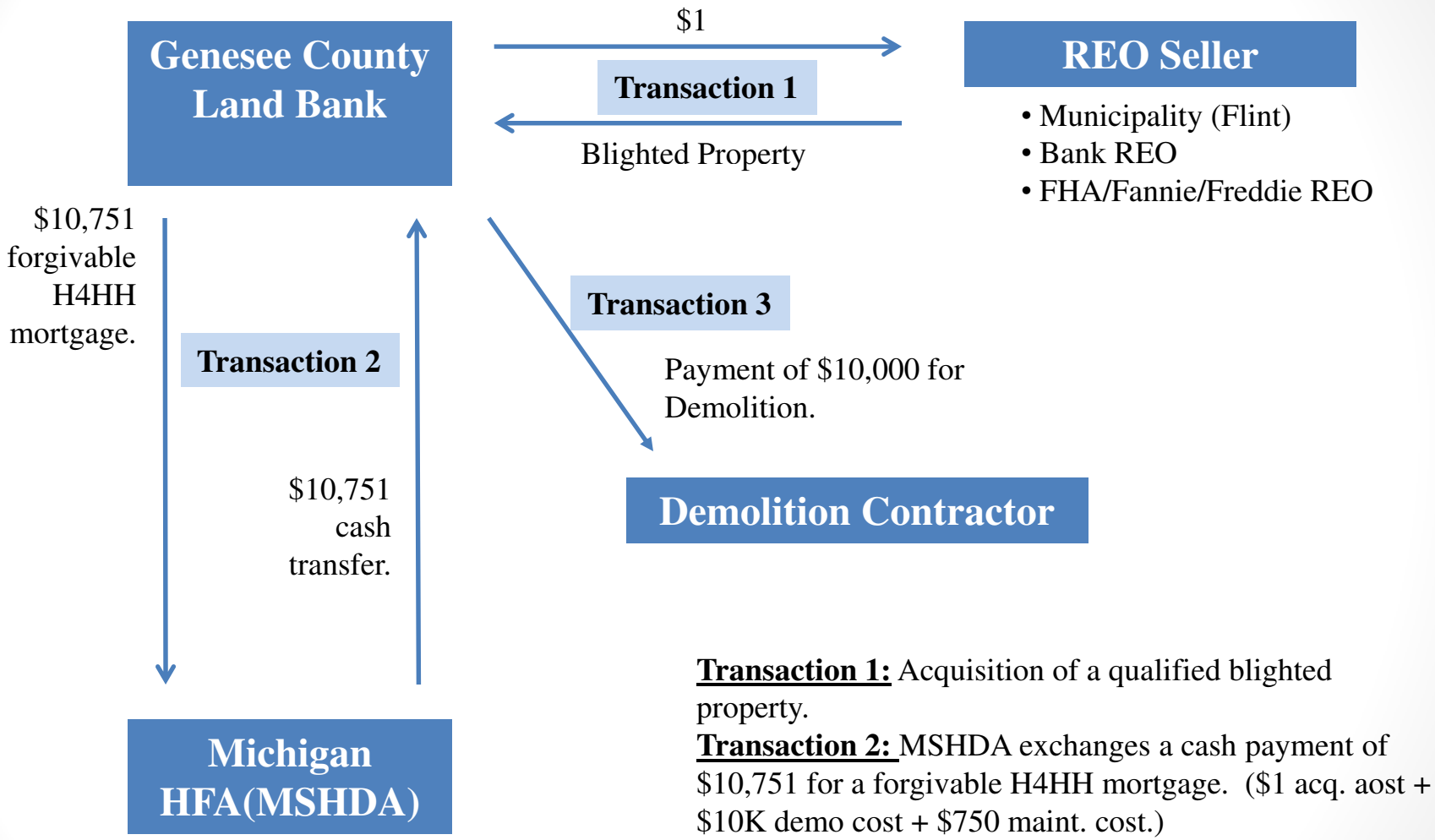
In order to best document program outcomes, the following information will be collected:

- Before/After crime statistics in each target area
- Before/After statistics on fire department calls on vacant/abandoned property by community
- Average cost of demolition related services to analyze volume bidding and other cost saving efforts
- Before/After photographs of each unit
- Before/After data on tax collections by target area

Michigan Help for Hardest-Hit Fund Blight Elimination Program Draft Pilot Proposal

Draft / Pre-decisional

Pilot Program Process Flow



Transaction 1: Acquisition of a qualified blighted property.
Transaction 2: MSHDA exchanges a cash payment of $10,751 for a forgivable H4HH mortgage. ($1 acq. aost + $10K demo cost + $750 maint. cost.)
Transaction 3: GCLB pays demolition contractor for work performed.

Genesee County Pilot Cost Break Down (per demolished unit)

Purchase Price of the Property	$1
Demolition Cost and "Greening" (grass/trees)	$10,000
Maintenance over 5 years ($150 per year for mowing/clearing of trash)	$750
Total	**$10,751**

- Costs are estimates only.

SERVICE SCHEDULE B-5

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

BLIGHT ELIMINATION PROGRAM (BE)

Summary Guidelines

1. Program Overview	Strategically target residential and multifamily demolition in designated areas within the state of Michigan, by partnering with land banks, non-profit and/or for profit organizations.
2. Program Goals	The Blight Elimination Program (BE) primary purpose and goal is to focus efforts of further promoting and supporting designated areas across Michigan, decreasing foreclosures, promoting homeownership, using two principal methods; 1) an increase in private investment and development; and 2) an increase in surrounding property values that translates into an increase in tax collections and a viable community for homeowners driving continued homeownership and attraction back to newly thriving neighborhoods.
3. Target Population/Areas	Demolition funds will be focused in the cities of Detroit, Flint, Grand Rapids, Pontiac and Saginaw. MHA may authorize demolition to immediately adjacent neighborhoods to the designated cities if there is consensus that activity will promote increased values of remaining property and promote a positive economic impact.
4. Program Allocation (Excluding Administrative Expenses)	$100,000,000.
5. Property Eligibility Criteria	MHA determines property eligibility. Property will be considered blighted if it meets the following criteria as determined by the local governing body in their master plan. • Considered a public nuisance according to local code or ordinance. • Is a nuisance due to age, physical condition or use. • Has had utilities, plumbing, heating or sewage disconnected, destroyed, removed or rendered ineffective so that property is unfit for the intended use.

6. Ownership/Loan Eligibility Criteria	• Eligibility for residential (1-4 units) and multi-family (4+ units) demolition will be determined by MSHDA internal committee, ensuring funds will be appropriately spent providing the greatest good for the city and neighborhood. • Partner will enter individual requests into designated system of record used for tracking and disbursements. • Purchase of property to take place with MSHDA placing a Note on property for total costs. • Internal staff will work with Partner to obtain proof of demolition, proof of ownership, receipt of all inspections, and any environmental information (if applicable) and review such to ensure meets eligibility criteria. • MHA to issue Note and Mortgage for full actual costs of demo not to exceed $25,000.
7. Program Exclusions	Commercial structures.

8. Structure of Assistance	MHA/MSHDA will determine project sites in direct communication with partners. Partners will be responsible for property acquisition, demolition work and on-going property maintenance. Partners will submit to MHA/MSHDA the following for each demolition candidate: • Acquisition information including deed, title insurance or equivalent. • Eligibility including location, project description and photographs. • Inspection report providing proof of completion of demolition. • Environmental information (if applicable) • Any other miscellaneous information identified on property to include hazards, adverse findings, etc. Upon receipt of the above documentation, MHA will provide Hardest Hit funding to partner through the execution of a secured lien; mortgage and note for a maximum of $25,000 in favor of MHA. Total assistance will provide for payoff of existing purchase lien, demolition costs and $150 per year maintenance for a term of 5 years. Loan will be 0%, non-amortizing loan, forgivable over a 5 year term at 20% per year, which will be due on sale, or transfer of the property. Mortgage will be recorded through public records and ongoing monitoring, repayments, and discharges will be conducted by MHA. Any repayment of program funds will be re-invested back into program allocation. All funds remaining in the program will be returned to Treasury after December 31, 2017. Hardest Hit Funds will be available on a first come, first serve basis. Special considerations may be made by MHA board members to release lien prior to 5 year term based on merit of request and to promote positive economic impact to community.
9. Per Property Assistance	Maximum of $25,000 per property which includes payoff of existing lien, demolition and maintenance for 5 years.
10. Duration of Assistance	One time assistance per property. Only exception may be MHA assistance to previous occupied homeowner request.

11. Estimated Number of Properties demolished	4,000 properties could be served under this program if they all receive the maximum funding amount of $25,000. Further economies of scale savings will be investigated to drive costs down throughout all communities served for the BE program. This will in essence increase the total number of properties served to be greater than 4,000.
12. Program Inception/ Duration	Program roll out July 1, 2013. Based on the overwhelming need, funds allocated to this Program will likely be exhausted End of second quarter 2014.
13. Program Interactions with Other HFA Programs	Property will only be eligible for one MHA Hardest Hit Funds Program. MSHDA owned and serviced loans are eligible for this program.

TYPICAL DEMOLITION TIMELINE:

Purchase of Blighted Property: Should be completed within a 10-15 day time period

Clearances and Preparation: Should have been completed
Obtain all clearances/disconnects: 15 - 60 days
Conduct asbestos survey: 7 - 10 days for results
Receive, review asbestos survey results: 1 - 2 days

Procurement/Contracting: Minimum 5 - 7 business days
Create bid packet: 1 - 2 business days
Post/publish bid packet: 3 - 5 business days
Receive proposals/responses and review: 1 - 2 business days
Award contract: Minimum 3 days to review bids

Actual Demolition Activities: Minimum of 15 business days
Permits for addresses
Contractor submits DEQ/NESHAP: 10 business day hold
Abatement of materials completed: 1 - 2 business days
Structure demolished/removed: 1 - 2 business days
Inspection of demo site (open hole): 1 - 2 business days
Installation of dirt: 1 - 2 business days
Final inspection: 1 - 2 business days

Invoicing and Payments: Dependent on receipt of invoice
Contractor submit invoice: Up to 30 days to receive from vendor
Invoice reviewed/approved for payment:
Opal entry/file closeout/ payment processed:
Contractor paid

HOUSING FINANCE AGENCY INNOVATION FUND FOR
HELP FOR HARDEST HIT HOUSING MARKETS

AMENDMENT OF THE MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY & THE MICHIGAN HOMEOWNER ASSISTANCE NON-PROFIT HOUSING CORPORATION

MAY 3, 2013

Background: In February 2010, President Obama announced the availability of funding under the HFA Hardest-Hit Fund®. As a participant in the first, third and fourth rounds of Hardest-Hit funding, the Michigan State Housing Development Authority is requesting an amendment to our existing program guidelines.

The Authority is respectfully submitting a request for a new Michigan Blight Elimination program, adjustment to dollar allocations to our existing Unemployment Mortgage Subsidy Program, and our Modification Plan along with minor amendments to permitted administrative expenses. Population served numbers has been altered to coincide with program allocation adjustments and the insertion of the newly created Michigan Blight Elimination program.

The Authority's request for modification affects the following:

- **Unemployment Mortgage Subsidy Program-** Movement of funding from the Michigan Unemployment Mortgage Subsidy Program, reassigned to new Blight Elimination program. With decrease in allocation, total number of households served will decrease down to 4,080 based on maximum financing per household of $30,000.
- **Loan Rescue Program**-No adjustments requested.
- **Principal Curtailment Program**- No adjustments requested.
- **Modification Plan Program**- Movement of funding from the Modification Plan program, reassigned to new Blight Elimination program. With decrease in allocation, total households served will drop to 295 assuming maximum individual assistance of $30,000.
- **Creation of new Michigan Blight Elimination Program-**Allocation of $100,000,000 which has been moved from the Unemployment Mortgage Subsidy Program and the Modification Plan Program.

Michigan has worked very diligently in addressing our resident's needs with creative, and meaningful foreclosure prevention programs with our Unemployment Mortgage Subsidy program, our Loan Rescue program and the recent approval of allowing the payment of delinquent property taxes, our Principal Curtailment program and the Modification program. All of these efforts have been created to allow homeowners a fresh start, a means to get back on their feet and in many situations resolving property tax delinquencies which have been the next wave of foreclosures in Michigan.

With all of these positive efforts underway in every major city across the State, values continue to decline due to the next major obstacle of blighted properties. These abandoned blighted properties cause significant safety concerns for neighboring residents, city and county officials, and their owners and they impact the growth and stability of values for the remaining homes in the neighborhood. They attract crime to the property site, the surrounding neighbors and the entire

community. The conclusion is that these structures must be eliminated to meet Michigan's goal of positive future economic development, further protecting the residents of Michigan's investment in housing and re-creating Michigan as a place to live, work and play.

Michigan's plan is to strategically target demolition for residential structures within the core cities of Detroit, Flint, Grand Rapids, Pontiac and Saginaw. Intended partners in each city will be the local Land Bank, the city, the State Land Bank and if applicable other non-profit or for-profit agencies with experience and capacity to tackle this problem. All of these efforts will be overseen and managed through the Michigan Homeowners Assistance Non-profit Housing Corporation (MHA) which is the designated eligible entity for the Michigan State Housing Development Authority (MSHDA).

Each owner of record and Partner will make official request to MSHDA and the Eligible Entity (EE), outlining their master plan for blight elimination. A core group of experienced staff members will review all requests and approve their elimination strategy. Key staff from each Partner office will register detailed property information on our system of record and the legal transfer will begin with the Partner obtaining ownership from owner of record, schedule and monitor demolition, then providing the EE with; acquisition information, title insurance or equivalent, property legal address, inspection reports and any other environmental hazard or adverse finding reports.

Once validation is made for demolition the EE will issue a MHA Note and Mortgage to modify the existing mortgage in place. Hardest Hit funds will provide reimbursement of sales price, demolition and maintenance costs.

Program Modifications: Attached are Service Schedules B-1, B-2, B-3, B-4, and B-5 which reflect all of the revised term sheets.

Revised Administrative Budget: Attached as Exhibit E is the new proposed administrative budget reflecting changes to staffing for both mortgage foreclosure program staff and blight elimination staff; increase in professional services, building costs and Information Technology (IT) expenses.

As before, if there are any reductions in administrative costs, the Authority will seek approval from Treasury to transfer funding to assist additional households.

Blight Elimination Flow Chart: Detailed flow chart outlining responsibilities and average time periods for each function.

Population Served: The following table outlines the updated estimates of households served based on the availability of Hardest-Hit funding.

Program	Allocation (millions)*	Maximum Individual Assistance	Projected Households Served**
Unemployment Mortgage Subsidy	$122,408,390	$30,000	4,080
Loan Rescue	$204,079,464.	$30,000	6,802
Principal Curtailment	$3,000,000.	$10,000	300
Modification Plan	$8,851,031.	$30,000	295

Blight Elimination	$100,000,000.	$25,000	4,000
Subtotals	**$438,338,885.**		**15,477**
Administration	$60,266,853.		
Total	**$498,605,738.**		

Notes:
* Figures may not add/divide exactly due to rounding of individual program budgets.
** Households served assume that all participants receive maximum assistance. It is likely that average assistance will be less, resulting in more households served. For example, if the average monthly subsidy is $1,000 and only half of all households need associated rescue funding, average assistance in the Unemployment Mortgage Subsidy Program could be $12,000 resulting in approximately over 20,000 households served. Given our current program experience to date, including average and median levels of assistance within each program area, it could be possible to serve 40,000 total households.
** Same assumption may be involved with the Blight Elimination program. Maximum assistance per property is capped at $25,000, however economies of scale may be obtained through large demolition contracts driving down costs, thus an increased number of structures may be demolished.

Revised Timeline: The revised timeline below takes into account our experience to date, adjusted volume and duration of the program, and the continued need to be flexible in implementation.

Date	Activities/Progress
July 12, 2010	Begin taking applications for assistance.
Sept 30, 2010	262 borrowers approved for assistance. Ongoing review of program effectiveness, updates/modifications needed, and allocation of funding between programs. Begin random auditing of project files.
Dec 31, 2010	597 borrowers approved for assistance. Ongoing review of programs. **Note: Borrowers approved figures represent cumulative totals since program inception, not quarterly production estimates.**
March 31, 2011	838 borrowers approved for assistance. Ongoing review of programs.
June 30, 2011	941 borrowers approved for assistance. Ongoing review of programs.
Sept 30, 2011	1,700 borrowers approved for assistance. Ongoing review of programs.
Dec 31, 2011	2,763 borrowers approved for assistance. Ongoing review of programs.
March 31, 2012	4,032 borrowers approved for assistance. Ongoing review of programs.
June 30, 2012	5,728 borrowers approved for assistance. Ongoing review of programs.
Sept 30, 2012	7,300 borrowers approved for assistance. Ongoing review of programs.
Dec 31, 2012	9,154 borrowers approved for assistance. Ongoing review of programs.
March 31, 2013	10,300 borrowers approved for assistance. Ongoing review of programs.
June 30, 2013	11,800 borrowers approved for assistance. Ongoing review of programs.
Sept 30, 2013	13,300 borrowers approved for assistance. Ongoing review of programs.
Dec 31, 2013	14,800 borrowers approved for assistance. Ongoing review of programs.
March 31, 2014	15,477 borrowers approved for assistance. Ongoing review of programs.
*June 30 2014 & beyond	Continue payments on Unemployment Mortgage Subsidy Program projects* as appropriate. Commit any remaining or additional funding as available, and begin winding down programs as appropriate while continuing to collect outcomes data from assisted borrowers. Reduce staffing levels.

*Implicit within the Unemployment Mortgage Subsidy Program is the need to continue administration of individual files for 12 months beyond the initial funding commitment to any given homeowner. So a borrower receiving a funding commitment in 2014 may continue to receive monthly subsidy contributions into 2015. Based on existing per loan averages, our number of households assisted will dramatically increase which may cause further dates for completion of program.

SERVICE SCHEDULE B-1

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

PRINCIPAL CURTAILMENT PROGRAM (PC)

Summary Guidelines

1. Program Overview	The Principal Curtailment Program will provide a one-time matching fund of up to $10,000 to homeowners seeking to modify their loans. The Lender/Servicer must agree to provide matching forgiveness of principal and to modify the reduced loan balance.
2. Program Goals	The Principal Curtailment will prevent avoidable foreclosures by helping homeowners who have a qualifying, involuntary hardship (for example, homeowners who currently cannot refinance or modify their mortgages due to negative equity positions). Homeowners will benefit from both a restructured loan payment and the reduction in principal balance, reducing monthly payments and increasing sustainability.
3. Target Population/Areas	MHA does not anticipate targeting this assistance on a geographic basis, nor have we anticipated targeting specific income limits.
4. Program Allocation (Excluding Administrative Expenses)	$3,000,000
5. Borrower Eligibility Criteria	MHA determines homeowner eligibility. Homeowners presently having negative equity, greater than 100% Loan to Value (LTV) or greater than 100% Combined Loan to Value (CLTV), and needing principal curtailment in order to reach a sustainable mortgage payment. Homeowners are required to provide a hardship affidavit; it must be the occupying Homeowner who has the qualifying, involuntary hardship. If providing assistance on a 2nd lien, first lien must be documented as current. MHA considers a sustainable mortgage payment 45% or less (gross household income to validated mortgage payment).
6. Property/Loan Eligibility Criteria	The homeowner must currently occupy the property as his/her primary residence and it must be located within the state of Michigan. Homeowners must execute all Hardest Hit Funds application and closing documents. Eligible structures to include single-family, attached or detached, or manufactured homes on a permanent foundation attached to real property; 1-4 unit properties are eligible if one unit is primary residence of homeowner. Existing mortgage loan balance must be equal to or less than $729,250.

7. Program Exclusions	Second homes or investment properties. Homeowners with Liquid- cash reserves exceeding 6 months validated mortgage payments. Lender/Servicer is not required to accept homeowner to the program if a notice of trustee/sheriff sale has been recorded or the trustee/sheriff sale is scheduled less than seven days from date the Lender/Servicer is notified of borrower eligibility.
8. Structure of Assistance	Homeowners receiving assistance will execute a secured Subordinate lien mortgage and note in favor of the MHA. Loan will be 0%, non-amortizing loan, forgivable over a 5 year term at 20% per year, which will be due on sale, transfer of the property, or when the property ceases to be the principal residence of the homeowner. If the primary lien is paid in full due to a no cash out, limited-term, refinance, the MHA may subordinate lien position in accordance with program guidelines. Mortgage will be recorded through public records and ongoing monitoring, repayments, discharges, and subordinations will be conducted by MHA. Any repayment of program funds will be re-invested back into program allocation. All funds remaining in the program will be returned to Treasury after December 31, 2017. Hardest Hit Funds will be available on a first come, first serve basis. The Lender/Servicer will determine terms of modification according to their internal guidelines. The Lender/Servicer will transmit modification terms to the MHA for review and agree to match MHA's assistance dollar for dollar towards principal curtailment. Awarded funds will be remitted to Lender/Servicer to be applied towards the capitalized balance resulting in a reduction in existing principal on either the 1st or 2nd Mortgage. Lender/Servicer is required to provide timely communication of homeowner's loan data to the MHA and agree to place collection and foreclosure activity on hold upon their acceptance of the homeowner into the Hardest Hit Funds Program; active foreclosure action to be canceled upon receipt of Hardest Hit Funds. Lender/Servicer is required to provide evidence of timely application of Hardest Hit Funds inclusive of their required minimum 1:1 match. Lender/Servicer is required to waive all accumulated late charges and non-sufficient funds (NSF) fees.

9. Per Household Assistance	Maximum of $10,000 per household with a minimum 1:1 match from the Lender/Servicer; total of $20,000 per household.
10. Duration of Assistance	One time assistance to homeowner paid directly to Lender/Servicer for application towards capitalized balance.
11. Estimated Number of Participating Households	300 households could be served under this program if they all receive the maximum funding amount of $10,000.
12. Program Inception/ Duration	Program rolled out July 12, 2010. Based on the overwhelming need, funds allocated to this Program will likely be exhausted 3rd quarter 2014.
13. Program Interactions with Other HFA Programs	Homeowners will only be eligible for one MHA Hardest Hit Funds Program. MSHDA owned and serviced loans are eligible for this program.
14. Program Interactions with HAMP	Homeowners can receive HAMP assistance (including UP program assistance) prior to or after receiving Hardest Hit Funds assistance; Hardest Hit Funds cannot be used to pay HAMP trial period payments. Lender/Servicers to follow current guidance issued by their investor and/or U.S. Treasury.
15. Program Leverage with Other Financial Resources	Existing Lender/Servicer will be required to match Hardest Hit Funds at a minimum of 1:1 towards capitalized debt. Lender/Servicer agrees to waive all accumulated late fees and NSF fees upon receipt of Hardest Hit Funds.
16. Qualify as an Unemployment Program	☐ Yes ☑ No

SERVICE SCHEDULE B-2

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

LOAN RESCUE PROGRAM (LR)
Summary Guidelines

1. Program Overview	Whether it was a divorce, a serious illness, or a recent period of unemployment, many Michigan families have encountered some significant obstacle in their lives that resulted in mortgage delinquency. This program will provide up to $30,000 in assistance to households who had a qualifying, involuntary hardship and can sustain homeownership, but need assistance to catch up on delinquent payments, escrow shortage, ~~and/or~~ delinquent property taxes, and/or delinquent condominium association fees to avoid foreclosure. (Condominium assessed fees as described in Act 59, MCL 559.101, *et seq.,*as amended.
2. Program Goals	This program will prevent avoidable foreclosures by putting homeowners, who otherwise are on the brink of foreclosure, back on solid footing without increasing their mortgage debt payments. In so doing, the program will stem the oversupply of foreclosed homes and short sales that dominate many markets and help stabilize the broader housing market in Michigan.
3. Target Population/Areas	MHA does not anticipate targeting this assistance on a geographic basis, nor have we anticipated targeting specific income limits.
4. Program Allocation (Excluding Administrative Expenses)	$204,079,464.
5. Borrower Eligibility Criteria	MHA determines homeowner eligibility. Homeowners who have had a qualifying, involuntary hardship (for example, decreased income or a catastrophic event). Homeowners are required to provide a hardship affidavit; it must be the occupying Homeowner who has the qualifying, involuntary hardship. If providing assistance on a 2nd lien, first lien must be documented as current. MHA considers a sustainable mortgage payment 45% or less (gross household income to validated mortgage payment). If the property is free and clear of mortgage liens, sustainable housing ratio will be calculated on monthly payment of annual tax and hazard insurance expenses; must be 45% or less.

6. Property/Loan Eligibility Criteria	The homeowner must currently occupy the property as his/her primary residence and it must be located within the state of Michigan. Homeowners must execute all Hardest Hit Funds application and closing documents. Eligible structures to include single-family, attached or detached, or manufactured homes on a permanent foundation attached to real property; 1-4 unit properties are eligible if one unit is primary residence of homeowner. Existing mortgage loan balance must be equal to or less than $729,250.
7. Program Exclusions	Second homes or investment properties. Homeowners with liquid cash reserves exceeding 6 months validated mortgage payments. Lender/Servicer is not required to accept homeowner to the program if a notice of trustee/sheriff sale has been recorded or the trustee/sheriff sale is scheduled less than seven days from date the Lender/Servicer is notified of borrower eligibility.

8. Structure of Assistance	Homeowners receiving assistance will execute a secured subordinate lien mortgage and note in favor of the Eligible Entity. Loan will be 0%, non-amortizing loan, forgivable over a 5 year term at 20% per year, which will be due on sale, transfer of the property, or when the property ceases to be the principal residence of the homeowner. If the primary lien is paid in full due to a no cash out, limited-term, refinance, the MHA may subordinate lien position in accordance with program guidelines. Mortgage will be recorded through public records and ongoing monitoring, repayments, discharges, and subordinations will be conducted by MHA. Any repayment of program funds will be re-invested back into program allocation. All funds remaining in the program will be returned to Treasury after December 31, 2017. Hardest Hit Funds will be available on a first come, first serve basis. If assistance is paid directly to tax authority or condominium association, homeowner will execute an additional, simultaneous Demand Note in the amount of delinquent taxes and/or delinquent condominium association fees. Lender/Servicer and/or eligible third party (property tax authority or condominium association) is required to provide timely communication of homeowner's loan data to the MHA and agree to place collection and foreclosure activity on hold upon their acceptance of the homeowner into the Hardest Hit Funds Program; active foreclosure action to be canceled upon receipt of Hardest Hit Funds. Lender/Servicer and/or eligible third party (property tax authority or condominium association) is required to provide evidence of timely application of Hardest Hit Funds. Lender/Servicer is required to waive all accumulated late charges and non-sufficient funds (NSF) fees.
9. Per Household Assistance	One time award up to $30,000 per household.

10. Duration of Assistance	One-time assistance to homeowner, paid directly to Lender/Servicer and/or eligible third party, for application towards homeowner's total, accrued delinquent mortgage payments, escrow shortages, corporate advances, excluding late charges and NSF fees, delinquent property taxes and/or delinquent condominium association fees on homeowners' account. If funds are to be paid through the Lender/Servicer to be applied towards delinquent property taxes, the Lender/Servicer should set up an escrow account to pay homeowners' future property taxes for future sustainability. If Lender/Service is not able to set up an escrow account, assistance to pay delinquent property taxes will be disbursed directly to the tax authority.
11. Estimated Number of Participating Households	Based upon maximum program funding of $30,000 per household, 6,802 households may be assisted.
12. Program Inception / Duration	Based on the overwhelming need, funds allocated to this Program will likely be exhausted 3rd quarter, 2014.
13. Program Interactions with Other HFA Programs	Homeowners will only be eligible for one MHA Hardest Hit Funds Program. MSHDA owned and serviced loans are eligible for this program. Homeowners are eligible for simultaneous disbursements to multiple, eligible entities in this Program.
14. Program Interactions with HAMP	Homeowners can receive HAMP assistance (including UP program assistance) prior to or after receiving Hardest Hit Funds assistance; Hardest Hit Funds cannot be used to pay HAMP trial period payments. Lender/Servicers to follow current guidance issued by their investor and/or U.S. Treasury.
15. Program Leverage with Other Financial Resources	Lender/Servicer agrees to waive all accumulated late fees and NSF fees. No further matching is required.
16. Qualify as an Unemployment Program	☐ Yes ☑ No

SERVICE SCHEDULE B-3

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

UNEMPLOYMENT MORTGAGE SUBSIDY PROGRAM (UMS)
Summary Guidelines

1. Program Overview	Michigan, through its Unemployment Mortgage Subsidy Program, directly provides funds to the Lender/Servicer to subsidize an eligible homeowner's current or modified mortgage payment. This Program assists the homeowner who has had a qualifying, unemployment-related hardship in retaining homeownership by subsidizing up to 50% or $1,000 (whichever is less) of the monthly mortgage payment. The monthly subsidy will not exceed a total of 12 consecutive months or $12,000. Homeowners will be responsible for the unsubsidized portion of their monthly payment, which will be collected by MHA's special sub-servicer and sent to MHA; MHA will always remit the full mortgage payment directly to the Lender/Servicer. Lender/Servicer agrees to apply the funds towards validated mortgage payments and not homeowner/condominium association (HOA) fees unless such payments have been escrowed and are included in the monthly mortgage payment. Homeowners will also be eligible for upfront assistance to contribute towards a mortgage delinquency; inclusive of current mortgage payment due, delinquent mortgage payments, escrow shortages, corporate advances, excluding accrued late charges and non-sufficient funds (NSF) fees, on homeowners' mortgage account. Maximum reinstatement amount cannot exceed the maximum program reservation of $30,000 less the total amount initially reserved for 12 monthly subsidy amounts.
2. Program Goals	Provide mortgage payment assistance to Michigan unemployed residents helping them remain successful in homeownership.
3. Target Population / Areas	MHA does not anticipate targeting this assistance on a geographic basis, nor have we anticipated specific hard income limits.

4. Program Allocation (Excluding Administrative Expenses)	$122,408,390
5. Borrower Eligibility Criteria	MHA determines homeowner eligibility. Homeowners who have lost their job and have received Michigan unemployment benefits within the last 30 days of application date (not registration date). Homeowners are required to provide a hardship affidavit; it must be the occupying Homeowner who has the qualifying, involuntary hardship. Qualifying ratio of 45% or less (gross household income, including unemployment compensation, to borrower's required portion of the validated mortgage payment).
6. Property / Loan Eligibility Criteria	The homeowner must currently occupy the property as his/her primary residence and it must be located within the state of Michigan. Homeowners must execute all Hardest Hit Funds application and closing documents. Eligible structures to include single-family, attached or detached, or manufactured homes on a permanent foundation attached to real property; 1-4 unit properties are eligible if one unit is primary residence of homeowner. Existing mortgage loan balance must be equal to or less than $729,250.
7. Program Exclusions	Homeowners, as described above, not receiving Michigan Un-employment benefits. Second homes or investment properties. Homeowners with liquid cash reserves exceeding 6 months validated mortgage payments. Assistance may not be provided on a loan in a 2nd lien position. Lender/Servicer is not required to accept homeowner to the program if a notice of trustee/sheriff sale has been recorded or the trustee/sheriff sale is scheduled less than seven days from date the Lender/Servicer is notified of borrower eligibility.

8. Structure of Assistance	Homeowners receiving assistance will execute a secured subordinate lien mortgage and note in favor of the MHA. Loan will be 0%, non-amortizing loan, forgivable over a 5 year term at 20% per year, which will be due on sale, transfer of the property, or when the property ceases to be the principal residence of the homeowner. If the primary lien is paid in full due to a no cash out, limited-term, refinance, the MHA may subordinate lien position in accordance with in program guidelines. Mortgage will be recorded through public records and ongoing monitoring, repayments, discharges, and subordinations will be conducted by MHA. Any repayment of program funds will be re-invested back into program allocation. All funds remaining in the program will be returned to Treasury after December 31, 2017. Lender/Servicer is required to provide timely communication of homeowner's loan data to the MHA and agree to place collection and foreclosure activity on hold upon their acceptance of the homeowner into the Hardest Hit Funds Program; active foreclosure action to be canceled upon receipt of Hardest Hit Funds. Lender/Servicer is required to provide evidence of timely application of Hardest Hit Funds. Lender/Servicer is required to waive all accumulated late charges and NSF fees.
9. Per Household Assistance	$ 30,000 maximum per household.
10. Duration of Assistance	Monthly subsidy ceases after 12 months consecutive monthly payments OR if homeowner fails to pay their portion of the payment in accordance with terms of the Note.
11. Estimated Number of Participating Households	Based upon maximum program funding of $30,000 per household, 4,080 households may be assisted.
12. Program Inception / Duration	Based on the overwhelming need, funds allocated to this program will likely be exhausted 3rd quarter, 2014.
13. Program Interactions with Other HFA Programs	Homeowners will only be eligible for one MHA Hardest Hit Funds Program. MSHDA owned and serviced loans are eligible for this program.

14. Program Interactions with HAMP	Homeowners can receive HAMP assistance (including UP program assistance) prior to or after receiving Hardest Hit Funds assistance; Hardest Hit Funds cannot be used to pay HAMP trial period payments. Lender/Servicers to follow current guidance issued by their investor and/or U.S. Treasury.
15. Program Leverage with Other Financial Resources	Lender/Servicer agrees to waive all accumulated late fees and NSF fees. No further matching is required.
16. Qualify as an Unemployment Program	☑ Yes ☐ No

SERVICE SCHEDULE B-4

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

MODIFICATION PLAN PROGRAM (MP)
Summary Guidelines

1. Program Overview	Michigan's Modification Plan Program provides a permanent solution to many homeowners who have fallen behind due to a qualifying, involuntary hardship, for example loss of income, but have the ability to sustain homeownership if their mortgage payment is modified. Up to $30,000 in assistance may be provided to the Lender/Servicer to pay the capitalized balance in order to contribute towards reaching a lower, sustainable monthly payment. Re-amortization only or Recast Modifications are eligible.
2. Program Goals	This program will prevent avoidable foreclosures by putting homeowners, who otherwise are on the brink of foreclosure, into a permanent, affordable loan modification allowing them to maintain homeownership, curb vacancies and stabilize local communities.
3. Target Population/Areas	MHA does not anticipate targeting this assistance on a geographic basis, nor have we anticipated targeting specific income limits.
4. Program Allocation (Excluding Administrative Expenses)	$8,851,031
5. Borrower Eligibility Criteria	MHA determines homeowner eligibility. Homeowners who have had a qualifying, involuntary hardship (for example, decreased income or a catastrophic event) and present housing payment is greater than 45%. MHA considers a sustainable mortgage payment 45% or less (gross household income to validated mortgage payment). Homeowners are required to provide a hardship affidavit; it must be the occupying Homeowner who has the qualifying, involuntary hardship.

6. Property/Loan Eligibility Criteria	The homeowner must currently occupy the property as his/her primary residence and it must be located within the state of Michigan. Homeowners must execute all Hardest Hit Funds application and closing documents. Eligible structures to include single-family, attached or detached, or manufactured homes on a permanent foundation attached to real property; 1-4 unit properties are eligible if one unit is primary residence of homeowner. Existing mortgage loan balance must be equal to or less than $729,250.
7. Program Exclusions	Homeowners whose Lender/Servicer is unable to permanently modify their existing lien. Assistance may not be provided on a loan in a 2nd lien position. Second homes or investment properties. Homeowners with liquid cash reserves exceeding 6 months validated mortgage payments. Lender/Servicer is not required to accept homeowner to the program if a notice of trustee/sheriff sale has been recorded or the trustee/sheriff sale is scheduled less than seven days from date the Lender/Servicer is notified of borrower eligibility.

8. Structure of Assistance	Homeowners receiving assistance will execute a secured subordinate lien mortgage and note in favor of the MHA. Loan will be 0%, non-amortizing loan, forgivable over a 5 year term at 20% per year, which will be due on sale, transfer of the property, or when the property ceases to be the principal residence of the homeowner. If the primary lien is paid in full due to a no cash out, limited-term, refinance, the MHA may be willing to subordinate lien position. Mortgage will be recorded through public records and ongoing monitoring, repayments, discharges, and subordinations will be conducted by MHA. Any repayment of program funds will be re-invested back into program allocation. All funds remaining in the program will be returned to Treasury after December 31, 2017. Hardest Hit Funds will be available on a first come, first serve basis. The Lender/Servicer will determine terms of modification according to their internal guidelines. The Lender/Servicer will transmit modification terms to the MHA for review. MHA will determine amount of assistance up to program maximum based on delinquency amount or if the loan is current, based on amount required to improve negative equity position. Awarded funds will be remitted to Lender/Servicer to be applied towards the capitalized balance. Lender/Servicer is required to provide timely communication of homeowner's loan data to the MHA and agree to place collection and foreclosure activity on hold upon their acceptance of the homeowner into the Hardest Hit Funds Program; active foreclosure action to be canceled upon receipt of Hardest Hit Funds. Lender/Servicer is required to provide evidence of timely application of Hardest Hit Funds. Lender/Servicer is required to waive all accumulated late charges and non-sufficient funds (NSF) fees.
9. Per Household Assistance	One-time award up to $30,000 per household.
10. Duration of Assistance	One-time assistance to homeowner, paid directly to Lender/Servicer, for application towards capitalized balance, excluding late fees and NSF fees, on homeowners' mortgage account.
11. Estimated Number of Participating Households	Based upon maximum program funding of $30,000 per household, 295 households may be assisted.

12. Program Inception/ Duration	Program rolled out July 2012. Based on the Over-whelming need, funds allocated to this Program will likely be exhausted 3rd quarter 2014.
13. Program Interactions with Other HFA Programs	Homeowners will only be eligible for one MHA Hardest Hit Funds Program. MSHDA owned and serviced loans are eligible for this program.
14. Program Interactions with HAMP	Homeowners can receive HAMP assistance (including UP program assistance) prior to or after receiving Hardest Hit Funds assistance; Hardest Hit Funds cannot be used to pay HAMP trial period payments. Lender/Servicers to follow current guidance issued by their investor and/or U.S. Treasury.
15. Program Leverage with Other Financial Resources	Lender/Servicer agrees to waive all accumulated late fees and NSF fees. No further matching is required.
16. Qualify as an Unemployment Program	☐ Yes ☑ No

MSHDA Hardest-Hit Fund Supplemental Submission--Unemployment Program
Exhibit E: Updated Administrative Budget May 2013

Permitted Administrative Expenses

	Michigan			
Updated Total Administrative Budget May 2013		**Previously Approved Budget**		**Changes**
One-time / Start-Up Expenses:				
Initial Personnel				$0
Building, Equipment, Technology				$0
Professional Services	$325,000	$325,000		$0
Supplies / Miscellaneous				$0
Marketing /Communications	$262,500	$262,500		$0
Travel				$0
Website development /Translation				$0
Contingency				$0
Subtotal	**$587,500**	**$587,500**		**$0**
Operating / Administrative Expenses:				
Salaries	$37,256,910	$30,290,300		$6,966,610
Professional Services (Legal, Compliance, Audit, Monitoring)	$2,240,000	$2,040,000		$200,000
Travel	$35,000	$35,000		$0
Buildings, Leases & Equipment	$590,000	$390,000		$200,000
Information Technology & Communications	$450,000	$225,000		$225,000
Office Supplies/Postage and Delivery/Subscriptions	$478,000	$478,000		$0
Risk Management/ Insurance				$0
Training	$50,000	$50,000		$0
Marketing/PR	$7,860,003	$7,860,003		$0
Miscellaneous--Servicing Costs	$4,800,000	$4,800,000		$0
Subtotal	**$53,759,913**	**$46,168,303**		**$7,591,610**
Transaction Related Expenses:				
Recording Fees	$1,850,000	$1,850,000		$0
Wire Transfer Fees	$225,000	$225,000		$0
Counseling Expenses				$0
AVM's & Legals	$604,440	$604,440		$0
Decision Costs				$0
Successful File				$0
Counselor Direct Costs	$3,240,000	$3,240,000	****	$0
Subtotal	**$5,919,440**	**$5,919,440**		**$0**
Grand Total	**$60,266,853**	**$52,675,243**		**$7,591,610**
% of Total Award	**12.09%**	**10.56%**		
Award Amount	**$498,605,738**	**$498,605,738**		**$0**

SUMMARY OF DRAFT EXECUTIVE ORDER
(Establishes Board to Hear Appeals,
Eliminates Deferral Process for Dangerous Structures &
Implements Other Recommendations to Expedite Demolition of Dangerous Structures)

Purpose of Executive Order:

- Expedites demolition process in Detroit by implementing recommendations from State of Michigan Demolition Team and Detroit Blight Authority.

Recommendations and Proposed Orders Included in the Draft Executive Order:

- Establishes board of appeals to hear demolition appeals by replacing City Council as body hearing demolition appeals (amends Section 12-11-28.4(d) of1984 Detroit City Code):
    - Expedites demolition process.
    - Avoids placing Council members in politically difficult situations.
    - Provides greater expertise for evaluating appeals (Board would include Fire Chief, building contractor, registered architect or engineer, member of general public, and individual registered as building official, plan reviewer, or inspector).
- Replaces "deferral" process before City Council—by which owners of dangerous properties can file requests to defer demolition upon making promises to remedy dangerous situations)--with show cause hearing before newly created Board of Appeals (amends Section 12-11-28.4(e) of the 1984 Detroit City Code):
    - Deferrals process before City Council causes significant delays.
    - Owners would have opportunity to be heard before Board of Appeals.
    - Board of Appeals is better suited to hear appeals.
- Allows basement floors to be broken to ensure water drainage by amending Section 12-11-19.10 of the 1984 Detroit City Code:
    - Removes requirement that basement be removed for demolished structures.
    - Estimated to save approximately 30% of total costs for single family structure.
- Capping demolition permit fees at $150.
    - Based on amount charged by LARA to Michigan Land Bank for demolition permits.
    - Would apply savings to demolish more dangerous structures.
- Suspending all "wrecking" requirements, including Board of Examiners, wrecking license and wrecking fees:
    - Reduces costs and eliminates bureaucratic requirements.
    - Suspending wrecking requirements should expedite demolition process.
- Establishing task force on electronic permitting to determine (a) electronic permitting system needed and (b) anticipated use of system.
    - Will need to determine whether long-term savings (from more efficient permitting) outweigh costs.
    - May have to place recommendations of Task Force on hold until City finances improve.

Recommended Actions Not Included in Draft Executive Order:

- Have EM request assistance from Bureau of Construction Codes (LARA):
    - Write letter to Irvin Poke, Director of the Bureau of Construction Codes.
    - Request assistance under Stille-DeRossett Hale Single State Construction Code Act.
    - Would expedite permitting process by having Bureau review plans, issue permits, and conduct inspections.

"**DRAFT**

[INSERT LOGO]

EMERGENCY MANAGER
CITY OF DETROIT

ORDER No. ***

ESTABLISHMENT OF BOARD OF APPEALS,
ELIMINATION OF DEFERRAL PROCESS FOR DEMOLITION OF DANGEROUS STRUCTURES,
AND
RELATED ORDERS TO EXPEDITE DEMOLITION OF DANGEROUS STRUCTURES

BY THE AUTHORITY VESTED IN THE EMERGENCY MANAGER FOR THE CITY OF DETROIT
PURSUANT TO MICHIGAN'S PUBLIC ACT 436 OF 2012,
KEVYN ORR, THE EMERGENCY MANAGER,
ISSUES THE FOLLOWING ORDER:

Whereas, on December 28, 2012, Michigan enacted the Local Financial Stability and Choice Act, Public Act 436 of 2012 ("Public Act 436"), to safeguard and assure the fiscal accountability of units of local government, and to preserve their capacity to provide or cause to be provided services essential to the public health, safety, and welfare; and

On March 14, 2013, the Local Emergency Financial Assistance Loan Board appointed Kevyn Orr as the Emergency Financial Manager for the City of Detroit ("City") pursuant to Public Act 72 of 1990; and

Kevyn Orr's appointment as Emergency Financial Manager became effective on March 25, 2013; and

Public Act 436 went into effect on March 28, 2013, at which time the law provided that Kevin Orr shall continue to serve as Emergency Manager, with all of the powers and duties provided under Public Act 436; and

Public Act 436 grants the Emergency Manager broad powers in receivership to work with the City of Detroit to address its financial emergency, restore financial stability, and ensure the continuity of services essential to the public health, safety, and welfare; and

Public Act 436 authorizes the Emergency Manager to issue orders necessary to accomplish the purposes of Public Act 436; and

The Emergency Manager anticipates that the following measures will help address the City's financial emergency by expediting the demolition of blighted structures, thereby enhancing financial stability and public safety:

(a) establishing a board of appeals to hear demolition appeals, thereby replacing the City Council as the body hearing demolition appeals, by amending Section 12-11-28.4(d) of Ordinance 290-H[1], ("Ordinance 290-H") as saved from repeal by Section 9-2-1, Article II, Chapter 9, the 1984 Detroit City Code; and

(b) replacing the "deferral" process before the City Council for owners of dangerous properties, by which an owner of blighted property may file a request to defer demolition upon making a promise to remedy a dangerous situation, with a show cause hearing before the Board of Appeals, by amending Section 12-11-28.4(e) of Ordinance 290-H; and

(c) establishing that owners aggrieved by a final decision or order of the board of appeals under subsection (e) may appeal the final decision or order to the Wayne Circuit Court by amending Section 12-11-28.4(i) of Ordinance 290-H; and

(d) allowing basement floors to be broken by amending Section 12-11-19.10 of Ordinance 290-H; and

(e) capping at $150 fees assessed by the City for permits required for the demolition of structures; and

(f) suspending all "wrecking" requirements, including all activities of the Board of Examiners, for wrecking contractors and any fees imposed for wrecking; and

(g) establishing a task force on electronic permitting to determine the type of electronic permitting system needed and how participants will use the system.

It is hereby ordered that:

1. A board of appeals is established to hear demolition appeals by replacing subsection (d) of Section 12-11-28.4 of Ordinance 290-H, with subsection (d) in Exhibit A, which is attached to and made a part of this Order.

2. Subsection (e) of Section 12-11-28.4 of Ordinance 290-H, is replaced by subsection (e) in Exhibit A.

3. Subsection (i) of Section 12-11-28.4 of Ordinance 290-H, is replaced with Subsection (i) in Exhibit A.

4. Section 12-11-19.10 of Ordinance 290-H, is replaced with Section 12-11-19.10 in Exhibit B, which is attached to and made a part of this Order.

Comment [clsjr1]: $150 is the amount charged by LARA

Comment [CLS2]: MCL 141.1552 (dd) would be cited/relied on to assert that the EM has the power to amend Building Ordinances. (EM's counsel should review Section 12(dd) to ensure that they agree.)

[1] (Ordinance 290-H is not set out in the Code; it is kept on file with the City Clerk.)

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5. Fees assessed by the City shall be capped at $150 for (a) permits for the demolition of structures issued by the City's Building and Safety Engineering Department and (b) permits issued in connection with the demolition of structures.

6. A task force on electronic permitting (a) is established to determine the type of electronic permitting system needed and how participants will use the system and (b) shall have the responsibilities and members set forth in Exhibit C.

7. All "wrecking" requirements set forth in the 1984 Detroit City Code, as amended, including but not limited to permitting requirements, examinations, payment of licenses, and reviews by the Board of Examiners for wrecking contractors, are suspended.

This order is effective immediately upon the date of execution below.

The Emergency Manager may modify, rescind, or replace this order at any time.

Dated: _____, 2013

By: _____
Kevyn D. Orr
Emergency Manger
City of Detroit

cc: State Department of Treasury
Mayor Dave Bing
Members of Detroit City Council

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EXHIBIT A

[*Replace the current subsection (d), which addresses appeals to City Council, with the following:*]

(d) *Board of Appeals.* City Council shall appoint a board of appeals, as provided for under section 141c of the Housing Law of Michigan, PA 167 of 1917, to hear all of the cases and carry out all of the duties of City Council under this section and the Housing Law of Michigan. The board of appeals shall consist of (i) a building contractor, (ii) a registered architect or engineer, (iii) the Fire Commissioner for the City, (iv) a member of the general public, and (iv) an individual registered as a building official, plan reviewer, or inspector under the building officials and inspectors registration act, the building officials and inspectors registration act, Act No. 54 of the Public Acts of 1986, being sections 338.2301 to 338.2313 of the Michigan Compiled Laws, who may be an employee of the Buildings and Safety Engineering Department. Board of appeals members shall be appointed for 3 years, except that of the members first appointed, 2 members shall serve for 1 year, 2 members shall serve for 2 years, and 1 member shall serve for 3 years. A vacancy created other than by expiration of a term shall be filled for the balance of the unexpired term in the same manner as the original appointment. A member may be reappointed for additional terms. The board of appeals annually shall elect a chairperson, vice-chairperson, and other officers that the board considers necessary. A majority of the board of appeals members appointed and serving constitutes a quorum. Final action of the board of appeals shall be only by affirmative vote of a majority of the board members appointed and serving. A meeting of the board of appeals shall be held pursuant to the open meetings act, Act No. 267 of the Public Acts of 1976, being sections 15.261 to 15.275 of the Michigan Compiled Laws. Public notice of the time, date, and place of the meeting shall be given in the manner required by Act No. 267 of the Public Acts of 1976. City Council shall fix the amount of any per diem compensation provided to the members of the board of appeals. Expenses of the board of appeals incurred in the performance of official duties may be reimbursed as provided by law for city employees. The board of appeals members, with the exception of the Fire Chief, must be residents of the City. .

[*Replace the current subsection (e), which addresses deferrals, with the following*:]

(e) *Show Cause Hearing Before Board of Appeals*. The board of appeals shall set a date not less than thirty (30) days after the hearing prescribed in Subsection (a) of this section for a hearing on the findings and order of the hearing officer. The board of appeals shall give notice to the owner, agent, or lessee in the manner prescribed in Subsection (a) of this section of the time and place of the hearing. At the hearing, the owner, agent, or lessee shall be given the opportunity to show cause why the order should not be enforced. The board of appeals shall approve, disapprove, or modify the order. If the board of appeals approves or modifies the order, City Council shall take all necessary action to enforce the order. If the order is approved or modified, the owner, agent, or lessee shall comply with the order within sixty (60) days after the date of the hearing under this subsection. For an order of demolition, if the board of appeals determines that the building or structure has been substantially destroyed by fire, wind, flood,

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deterioration, neglect, abandonment, vandalism, or other cause, and the cost of repair of the building or structure will be greater than the state equalized value of the building or structure, the owner, agent, or lessee shall comply with the order of demolition within twenty-one (21) days after the date of the hearing under this subsection. Where the owner(s) of record fails to adhere to the order of demolition, the building or structure may be demolished without further notice. If the board of appeals allows an owner to defer demolition, the owner shall be required to post a bond based on the cost of demolition determined by the Board of Appeals.

(i) *Appeal decision from the Board of Appeals.* An owner aggrieved by a final decision or order of the board of appeals under Subsection (e) of this section may appeal the final decision or order to the Circuit Court by filing petition for an order of superintending control within twenty (20)days from the date of the decision or order.

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EXHIBIT B

Amendment to Section 12-11-19.10

In any wrecking operation for the demolition of a building from a lot site in the City of Detroit, it shall be the responsibility of the wrecking company or the person who secures the permit for the demolition of any building, to undertake the following measures:

1. Dismantle the basement or cellar walls to at least two (2) feet below grade.

2. Break the basement or cellar floors in such a way that it ensures water drainage.

3. Fill all basement, cellar or excavated area to grade level with organic material or inorganic material that meets the requirements of M.D.O.T. Granular Material Class III (Grade A fill).
    a. When inorganic material is used as fill, the last 6" of fill material must be organic accompanied by low grow drought tolerant grass.

4. Remove all excess materials, rubbish and debris from the premises above grade.

5. Remove all existing private sidewalk, driveways, walls and other miscellaneous concrete slabs to their full depth.

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EXHIBIT C

The task force on electronic permitting shall have the following responsibilities:

- determining the type of electronic permitting system needed;
- determining how participants will use the system;
- charting information workflow—how documents will be reviewed and approved, how review results are provided to customers and how data is distributed—and defining how the permitting system will support it;
- developing system, software, service and training requirements;
- developing internal staffing and skills requirements and determining how the skill sets will be achieved by staff; and
- completing the foregoing responsibilities by March 1, 2014.

Comment [clsjr3]: Task force will need funds and a consultant experienced in helping municipalities procure such systems.

The task force on electronic permitting shall include the following representatives:

- Detroit Building and Safety Engineering Department
- Detroit Water and Sewage
- Michigan Land Bank Fast Track Authority
- Michigan State Housing Development Authority
- Bureau of Construction Codes, Michigan Department of Licensing and Regulatory Affairs
- Michigan Department of Technology, Management and Budget
- [Local Software Firm]
- [Local Private Construction or Demolition Firm]
- [Local Accounting Firm]
- [Local Law Firm]
- [Local Nonprofit]

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