



April 3, 2017

Mark W. Lockridge
Auditor General
Office of the Auditor General, City of Detroit
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Dear Mr. Lockridge,

I write in response to your “Special Report Highlighting Concerns Relative to the City’s Demolition Programs.”

As a preliminary matter, I wish to highlight several aspects of the Report’s preparation and release which were not just unusual, but were also inconsistent with the established standards for government auditors. I first became aware of the Report at approximately 4:00 PM on Wednesday, March 22—*after* the Report had already been released to the news media. I was not the only one who was caught off-guard. Although the Report critiqued both the Detroit Land Bank Authority (DLBA) and the Detroit Building Authority (DBA), neither agency was given an opportunity to comment on the Report prior to its public release.

What is more, to the best of my knowledge, your office did not interview a single DLBA employee, attorney, or Board member when preparing the Report (except for a general interview with our Finance Department that is referenced in a single bullet point). Further, at the time the Report was released, your office had pertinent document requests pending with DBA.

Established professional norms counsel against such practices. Pursuant to government auditing standards (“GAO Standards”), auditors must “communicate an overview of . . . the timing of the performance audit and planned reporting” to “management of the audited entity.” United States Government Accountability Office, *Government Auditing Standards* § 6.47 (2011) (available at <http://www.gao.gov/assets/590/587281.pdf>).¹ Prior to an audit’s release, auditors must also:

¹ Although your office did not expressly label the Special Report a report on a “performance audit,” that is plainly what it is. “Performance audits are defined as audits that . . . provide objective analysis to assist management and those charged with governance and oversight . . . to improve program performance and operations, reduce costs, facilitate decision making by parties . . . and contribute to public accountability.” *Government Auditing Standards* § 6.47. Your areas of concern and your recommendations all seem geared towards “improv[ing] program performance,” “reduc[ing] costs,” and “contribut[ing] to public accountability.” *See id.*

- (1) “[O]btain and report the views of responsible officials of the audited entity concerning the findings, conclusions, and recommendations included in the audit report”;
- (2) “Provid[e] a draft report with findings for review and comment by responsible officials”; and
- (3) “Includ[e] the views of responsible officials . . . in a report that presents not only the auditors’ findings, conclusions, and recommendations, but also the perspectives of the responsible officials of the audited entity and the corrective actions they plan to take.”

Id. §§ 7.32; 7.33. The GAO Standards, it bears emphasis, apply not only to federal entities, but also provide guidance for audits of local units of government in Michigan. See State of Michigan, *Audit Manual for Local Units of Government in Michigan* at 2 (2012) (available at http://www.michigan.gov/documents/treasury/Audit_Manual_for_LUG_in_Michigan_383593_7.pdf) (noting that when a local unit of government is subject to a single audit, “the financial records must be audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards”).

Lamentably, your office failed to follow these well-established practices when finalizing the Special Report. Most notable, in my view, was the failure to provide DBA and DLBA with “a draft report with findings for review and comment.” *Government Auditing Standards* § 7.32. During my 30 years of practice as a corporate attorney, I have never heard of an auditor failing to provide a draft report to the audited entity. That practice is crucial. Circulating a draft report allows auditor and auditee to jointly correct factual inaccuracies, and to jointly resolve areas of concern.

Here, your office’s departure from standard professional practice made a difference. Many portions of the Report lack relevant context. Other portions evince misunderstandings of DBA and DLBA’s policies and procedures—and demonstrate a lack of understanding as to how the demolition program operates. (Your March 29 letter to City Council corrected one such error, but there are others). I am confident that these inaccuracies could have been avoided had DBA and DLBA been appropriately consulted throughout the audit process, and had both agencies been provided a draft report for comment.

The procedural irregularities identified above, moreover, are not the only way in which the Report deviates from established professional standards. As explained in further detail below, the Report fails to comply in numerous ways with GAO Standards—severely undermining its accuracy, its conclusions, and, ultimately, its credibility.

I now address the substance of the Report.

I. In Violation of GAO Standards, the Report Fails to Identify Audit Criteria

As an initial matter, though the Report “highlights major areas of concern,” the Report fails to identify any neutral audit criteria that give rise to those concerns. *See* Special Report at 2. The Report’s failure to identify audit criteria violates established professional norms. Pursuant to GAO Standards:

Auditors should identify criteria Criteria identify the required or desired state or expectation with respect to the program or operation. Criteria provide a context for evaluating evidence and understanding the findings, conclusions, and recommendations included in the report. Auditors should use criteria that are relevant to the audit objectives and permit consistent assessment of the subject matter.

Government Auditing Standards § 6.37.

As the GAO Standards highlight, the omission of any audit criteria means that the Special Report is devoid of any “context for evaluating evidence and understanding the findings, conclusions and recommendations included in the report.” In other words: though the Report avers that your office has “areas of concern,” it fails to explain *why* those are areas of concern—or your office’s “desired state of expectation.” *Id.* The Report, in short, critiques DLBA and DLBA for missing a target it never defines. That is not just unprofessional, *see id.*, it is unfair.

II. DLBA’s Creation and Dissolution of the Approval Committee Was Entirely Appropriate

A. Factual Background

As to the substance of the Special Report: the Report first takes issue with the “Approval Committee” that was briefly in place to review certain properties that were scheduled to be demolished through the federal Hardest Hit Fund (“HHF”) program. It suggests that the Approval Committee’s creation—and subsequent dissolution—was somehow improper or inappropriate. That is not correct.

As the Report correctly notes, the Approval Committee was established to prevent the practice—identified by an external audit—of “redistributing (or ‘smoothing’) costs among properties in a contract.” Special Report at 2. Earlier this year, DLBA became aware that contractors had been submitting documents with these “redistributed” costs. Those documents with “redistributed” prices were ultimately incorporated into DLBA’s HHF demolition contracts.

When DLBA learned about the “redistributing” practice, it enacted a comprehensive package of reforms designed to remedy its past oversight failures. The Approval Committee—which consisted of members from DBA, DLBA, and the City of Detroit—was one component of those reforms. It was charged with closely scrutinizing any HHF demolition bids on properties for which there was reason to believe that the bid price did not reflect actual costs associated with those properties. Contrary to the implication in the Report, however, the Approval Committee was not imposed on DLBA “[a]s a result of the suspension and reinstatement of [HHF] blight elimination activities.” Special Report at 2. Instead, it was a compliance procedure DLBA developed itself and *chose* to adopt—one which went above and beyond HHF requirements.

The Approval Committee operated, without incident, for several months. But on March 10, 2017, the Approval Committee’s procedures were challenged in court by an entity associated with Robert Davis.² That suit alleged that the Approval Committee violated Michigan’s Open Meetings Act. Though DLBA firmly believes that suit is without merit, it also did not want its HHF demolition program—and the contracts awarded thereunder—to be clouded by legal uncertainty. Accordingly, on March 14, 2017 the DLBA Board dissolved the Approval Committee and issued a clarified Policy regarding the award of contracts.

The DLBA remains committed to ensuring continued scrutiny of the properties that previously would have gone before the Approval Committee. The clarified Policy adopted by the Board on March 14, 2017 better reflects the administrative tasks completed by DLBA staff in cooperation with DBA and the City of Detroit, and clearly demonstrates that DLBA is operating in full compliance with Michigan’s Open Meetings Act. Specifically, the clarified Policy prohibits DLBA’s Executive Director from executing contracts for properties subject to the Policy without obtaining the advice and counsel of expert staff, including those at the DBA and the City of Detroit.

Lest there be any doubt, the Approval Committee has been completely dissolved. It has not met since prior to March 14. Nor, since that time, have its former members, acting in their previous capacity as Approval Committee members, provided their advice on contracting. Indeed, due to the regular ebb and flow of HHF demolition work, *no* HHF demolition contracts have been awarded since the Approval Committee was dissolved on March 14.

DLBA has taken steps to clarify any uncertainty regarding the status of the Approval Committee. Full briefings on the Approval Committee’s dissolution have taken place for senior DLBA and DBA staff, as well as the Committee’s former members. Crucially, these briefings took place *before* any new HHF contracts were awarded, and before the Executive Director sought any advice as to whether to move forward on particular properties.

² As I am sure you are aware, Mr. Davis is a convicted felon who has filed dozens of lawsuits against the City of Detroit, the State of Michigan, and affiliated persons and entities.

B. OAG Areas of Concern

In light of the foregoing, I hope I can alleviate the two concerns identified in the Report.

a. DLBA's "rapidly" changing processes

First, the Report expresses concern that DLBA's "[p]rocesses are changing rapidly as a result of . . . pressures or events from external organizations such as MSHDA/MHA, attorneys, etc." Special Report at 4. But far from being an area of concern, DLBA's ability to rapidly respond to external events is indicative of its organizational strength.

Take, for example, DLBA's decision to create the Approval Committee. DLBA voluntarily created the Approval Committee as part of a package of stringent new compliance procedures aimed at remedying past oversight failures. Since their adoption, those procedures (including the Approval Committee) have ensured strict compliance with all state and federal rules and regulations. In other words: faced with external information that its compliance procedures had failed, DLBA rapidly—and successfully—acted to fortify them. That is hardly a cause for concern. It is precisely what a successful and proactive organization should do.

Next, take DLBA's subsequent decision to dissolve the Approval Committee. When DLBA became aware that there was legal uncertainty (however minor) about the Approval Committee, it acted rapidly to resolve that uncertainty. Mindful of the important role the information provided to the Executive Director by the Approval Committee had played, however, DLBA's Board made sure its clarified Policy required that this information was still incorporated as an important element of the administrative process. Again, this proactive step—resolving legal uncertainty, but retaining the core of a critical review process—is precisely the type of action that a mature organization *should* take in response to external events.

In short, far from an area of concern, the ability to quickly and deliberately mitigate programmatic threats is a hallmark of a successful organization. And there would be significant real-world costs if DLBA failed to do so here. As you are undoubtedly aware, DLBA's HHF demolition program is a centerpiece of the City's blight-remediation efforts. Had DLBA failed to act quickly to (1) ensure strict compliance with federal rules and regulations; or (2) resolve legal uncertainty, it could have jeopardized its continued access to federal funding, and/or its ability to promptly demolish blighted structures. And that, in turn, would leave standing dangerous, decrepit eyesores that are magnets for criminal activity.

It bears emphasis, moreover, that the Report's stated concern with respect to DLBA's changed processes is undercut by the Report's failure to identify neutral audit criteria in accordance with GAO standards. As the GAO explains, such criteria are necessary to "identify the required or desired state or expectation with respect to the program." *Government Auditing Standards* § 6.37. With respect to the process changes in particular, it is unclear what expectations your office has for DLBA. Should DLBA have declined to adopt stringent

compliance standards—including the Approval Committee—in response to its historic oversight failures? When made aware of legal uncertainty surrounding the Approval Committee, should DLBA have opted not to respond? The Report’s lack of neutral audit criteria leaves us guessing.

b. DBA’s purported lack of awareness of a “vital process”

Second, the Report expresses concern that “[t]he Demolition Program Manager, DBA, was unaware of the change to a vital process that was established to [e]nsure demolition costs were appropriate and properly funded.” Special Report at 4. That concern appears to be based on a single interview your office conducted with two DBA staff, which took place just two days after the Approval Committee was dissolved.

Again, your office’s decision to base a finding on a single interview flouted standard professional auditing guidance. Pursuant to the GAO Standards, “[a]uditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions.” *Government Auditing Standards* § 6.56. Those Standards further provide that “[t]estimonial evidence obtained from an individual who . . . has direct knowledge about the area is generally more reliable than testimonial evidence obtained from an individual who . . . has indirect or partial knowledge about the area.” *Id.* § 6.61(e).

At the time your office interviewed the DBA staff members, they had not yet been briefed on the dissolution of the Approval Committee—and there was no reason they *should* have been. After all, no contracts had yet been awarded subsequent to the Approval Committee’s dissolution.

What is more, your office declined to interview the demolition operation manager Tim Palazzolo, who is directly responsible for overseeing demolition contracting for DBA.

In short, it is inaccurate to imply that a single interview with two DBA staff reflects DBA’s lack of awareness of vital processes. The demolition operation manager was (and is) well aware of the Approval Committee’s dissolution. Your office could have ascertained that fact had it interviewed him, as the management official with “direct knowledge” about the new Policy, in accordance with GAO standards. *Government Auditing Standards* § 6.61(e). Moreover, to the extent that there was a misunderstanding with respect to DBA’s understanding of the Approval Committee, I highlight again that resolving such misunderstandings is the reason auditors seek comments on draft reports *before* they are released to the public. *Id.* §§ 7.32; 7.33.

III. DLBA’s Actions Surrounding the 19 Properties in Group #3.14.17A Were Appropriate

A. Factual Background

The Report next expresses concern about 19 properties contained in request for proposal (RFP) “Group #3.14.17A.” That “group,” unlike most other RFP groups, seeks bids for debris removal, open hole filling, and final grading on properties where the structure has already been demolished—even though such services are normally included in the scope of demolition.

DLBA’s actions with regard to those 19 properties were entirely appropriate given their unique legal context. In fact, DLBA’s actions on those 19 properties demonstrate its commitment to strict compliance with all relevant rules and regulations. DLBA does regret the delay in filling the 19 open holes; that delay, however, is solely attributable to DLBA’s strict adherence to all relevant rules and procedures.

A bit of context is in order. Demolition contracts funded through the HHF program are subject to a competitive bid process. Those bids are publicly opened, and a presumptive winning bidder is thus publicly identified. The *presumptive* winning bidder, however, is not always awarded the final contract. Prior to awarding the contract, DLBA might determine that the contractor lacks the capacity to demolish structures in a timely manner, or that the contractor does not meet HHF specifications. In such an instance, the contract will be awarded to a different bidder.

Thus, like virtually any business entity, DLBA does not allow contractors to begin work under a contract until (1) a contract is actually executed, and (2) DLBA has issued a Notice to Proceed. Nor *could* DLBA allow such work to begin prior to contract execution. The Michigan Housing Authority (MHA) and the Michigan State Housing Authority (MSHDA)—the State partners that run the HHF program—expressly make the award of a contract a prerequisite to beginning any “[a]ctual [d]emolition [a]ctivities.”³

The 19 properties identified in the Report were originally part of three demolition RFPs that were put out to bid by DBA/DLBA last summer as part of the HHF program. At a public bid opening, Rickman Enterprise Group was preliminarily identified as the *presumptive* winning bidder on those groups. Unfortunately—in violation of both DLBA practice and MHS/MSHDA HHF procedures—Rickman opted to immediately begin work on those RFPs *prior to being awarded a final contract*.

On July 26, 2016, DLBA became aware that Rickman was performing work without a contract. Consistent with its own practices, and with MHA/MSHDA requirements for the HHF program, DLBA thus issued an immediate “stop work” order for all Rickman projects on that date.⁴ (Again—had your staff spoken to *any* DLBA official in accordance with your office’s obligation to “obtain sufficient, appropriate evidence,” *Government Auditing Standards* § 6.56, they would undoubtedly have obtained that “stop work” order).

³ MHA/MSHDA Blight Program Manual at 6, rev. 12/2015 (attached as Appendix A).

⁴ Email from Pura Bascos to Rickman Enterprises, July 26, 2016 (attached as Appendix B).

Rickman, I emphasize, has **not** been paid for any of the work it performed when it lacked a contract.

At the time DLBA issued its “stop work” order, the demolition work Rickman had begun was in various stages of completion. On some properties, work had not yet started; on others, hazardous-material abatement had already occurred. The 19 properties identified in the Report were properties where Rickman had already completed hazardous-material abatement and actual demolition. On those properties, therefore, nothing remained but an open hole.

DLBA and DBA were (and remain) acutely aware of the potential hazards posed by these open holes. That is why, immediately after issuing the “stop work” order, DBA field inspectors visited the sites to ensure that (a) the holes were properly fenced in; and (b) the holes did not otherwise present a threat to neighboring communities. Those visits took place regularly; and field inspectors submitted photographs of the properties at least four times to document their condition.

Though DLBA and DBA recognized the need to complete work on the 19 properties, both entities also wanted to ensure that the process by which the work was done did not violate HHF rules and regulations. Accordingly, prior to moving forward with work on the 19 properties, DLBA and DBA waited until MHA/MSHDA gave its express approval. That approval was given via email on December 5, 2016. The email specifically provided that any “RFP for the backfill” on the 19 properties “needs to be competitive.” Email from Roxanne Eaton to Rebecca Camargo, December 5, 2016 (attached as Appendix C). In accordance with MSHDA’s explicit instructions, DLBA and DBA thereafter put out a competitive RFP to complete the work on the properties—i.e., “debris removal, open hole completion, and site finalization.” Special Report at 4. Though such bids were originally slated for a non-public opening, DBA is now moving forward with a public opening of these bids.

B. Points Addressed in Special Report

With this background in mind, I address the points raised about the 19 relevant properties in the Special Report.

1. Scope of Services

The Report notes that the RFP containing the 19 properties is “different in nature and in its scope of services” from typical demolition RFPs. Special Report at 4. That is of course correct, due to the atypical fact that structures have already been demolished on these 19 properties.

The Report also notes that DBA management described the RFP as a “ ‘pilot program’ to see if costs and time efficiencies could be gained by decoupling the ‘back end’ of demolition from the front end (i.e. – hazardous materials abatement and knock down of the structure.)”

Special Report at 5. From my understanding, that is partially true. Since these houses had already been demolished, the DBA was forced to issue a “decoupled” RFP encompassing only “back end” work. Accordingly, DBA has opted to *treat* the RFP as a “pilot program”—albeit one it was forced to conduct—so that it can explore potential cost and time efficiencies.

To the extent DBA management’s answer was incomplete—i.e., to the extent DBA failed to fully explain the relevant context behind this “pilot program”—I once again emphasize that DLBA staff, attorneys, and Board members were available for interview. But instead of gathering all relevant facts, your office instead chose to issue the Special Report without once speaking with any of those individuals, and without offering a draft report for DBA and DLBA comment. Those decisions violated established professional standards. *See, e.g., Government Auditing Standards* § 6.61(e) (requiring interviews with personnel with “direct knowledge” of program; § 7.33 (requiring release of draft report).

2. Lack of Public Bid Opening

The Report is correct that the RFP as initially drafted stated that there would not be a public bid opening. As the Report also notes, that draft was issued in error. It was subsequently amended to state that a public bid opening would be held.

3. “Front End” Status of Properties

The Report next makes several observations regarding the so-called “front end” status of properties. Each is addressed in turn.

First, the Report states that “[t]here is no evidence . . . that Building Safety Engineering and Environmental (BSEED) issued the required Notice to Proceed.” Special Report at 5. BSEED, however, does not issue notices to proceed—DLBA does.

You corrected this single error in a March 28, 2017 memorandum to City Council, stating that the Report “mistakenly referred to a ‘Notice to Proceed’ as required by BSEED.” Memorandum from Mark Lockridge to Honorable City Council at 1 (March 28, 2017). What the Report meant to say, you asserted, was that your office uncovered “no evidence” that the *contractors* had submitted a “Notice of Intent to Renovate/Demolish” prior to starting work on the 19 properties. You further noted that DLBA’s “demolition contracts [have] specific language” which require such a Notice to be submitted prior to the contractor submitting work. *Id.*

You are entirely correct that no Notice of Intent was filed with DLBA on the 19 properties. In fact, that is the point. The reason work was stopped was because Rickman moved forward on demolition without a signed contract, without a notice to proceed, and without filing a Notice of Intent. Its actions—as you note—violated established DLBA practice and MHA/MSHDA HHF rules. DLBA had no choice but to stop work on the 19 properties.

Second, the Report notes that only nine of the 19 properties had open-hole inspections from BSEED. Again, context is key here. After a contractor demolishes a structure, the contractor must, before moving forward, obtain an open-hole inspection from BSEED to ensure that the hole is free of debris. Here—as demonstrated in Appendix D—Rickman requested nine open-hole inspections that were completed before DLBA instructed Rickman to stop work. Inspections on the remaining 10 properties were not completed before the “stop work” order was issued. Of course, open-hole inspections will be conducted on all 19 properties prior to those holes being filled.

Third, the Report correctly notes that DLBA paid asbestos survey contractors for work on the 19 properties.⁵ That was entirely appropriate. The survey work was done before the 19 properties were bundled and released as demolition RFPs. Indeed, asbestos surveys are a *prerequisite* to moving forward with demolition RFPs. Without those surveys, demolition contractors are unable to calculate a cost for asbestos abatement.

The survey contractors on these properties were thus timely paid for work that they completed. The survey contractors had nothing to do with Rickman’s subsequent decision to begin work without a contract. Withholding payment would have been improper, unfair, and exposed DLBA to potential legal liability.

Fourth, the Report states that your office is “in the process of determining” whether (1) “any more costs have been paid to the contractor for the actual knockdown of the structure”; (2) the “source of funding for the ‘Front End’ demolition activities”; and (3) the “proposed source of funding for the RFP for the ‘Back End’ demolition activities.” Special Report at 6.

As an initial matter, I am puzzled by your statement that your office is “in the process of determining” the answers to these questions. The answers could have been easily obtained had your office conducted interviews with the relevant DLBA personnel—yet your office opted not to do so.

In any event (and as illustrated in the attached Appendix E), here are the answers you seek: No payments have been made to Rickman for demolishing the structures without a contract—and DLBA’s position is that no payments *will* be made for that work.⁶ As to the “back end” activities (filling the holes and grading them) that work will be paid for using DBA’s Quality of Life funds.⁷ No charge will be incurred by the City, nor will any HHF funds be used.

⁵ More precisely, DLBA can confirm that surveyors have been paid for the work they completed 18 of the 19 properties. See Appendix E.

⁶ The 19 properties were *originally* to have been demolished using HHF funds, but because Rickman failed to follow proper HHF procedures, DLBA will not be seeking to have any HHF funds applied to those contracts.

⁷ Specifically, DBA will be paying these costs using Commercial Demolition (Non Demolition), account string, 3100-352108-353100000000-628500-13824-000000-00000.

4. OAG Site Visits

The Report notes that auditors from your office visited the 19 properties in question “and found them in various stages of demolition.” Special Report at 6. Given the foregoing, that is to be expected. The properties were in “various stages of demolition” when the stop-work order was issued to Rickman.

Since the Special Report was released, my understanding is that many of the issues you have flagged with these properties (including standing water in the open holes) have been resolved.

C. OAG Areas of Concern

Again, in light of the foregoing, I hope I can alleviate the three “OAG Concerns” identified in the Special Report.

1. Dangerous holes

First, the Report expresses concern that the 19 open holes “present a clear and present danger to the community.” Special Report at 7. DLBA agrees that the holes need to be filled. And we note that since the issuance of the Report, the issues flagged have been at least partially resolved. Since issuing the stop-work order, DLBA and DBA have taken steps to ensure that any danger the holes pose is mitigated—and we will continue our vigilance on that front.

The Report also expresses concern that “there may be additional sites across the City in the same hazardous condition.” Special Report at 7. To the best of our knowledge, there are no analogous sites. The 19 properties you have identified contain open holes due to an unfortunate (but contained) series of events—namely, Rickman’s decision to proceed on demolition without a contract. We are unaware of any similar issues on other properties.

2. Non-compliance with contract and program requirements

The Report next states that “[t]his is clear evidence of non-compliance with contract and program requirements.” Special Report at 7. That is simply wrong.

In fact, just the opposite is true. DBA and DLBA’s actions surrounding the 19 properties demonstrate the strictest compliance with “contract and program requirements.” Rickman’s decision to start work without a contract violated both (1) DLBA’s standard operating procedures, and (2) HHF program requirements.⁸ When DLBA became aware of that violation, it immediately instructed Rickman to stop work. Had DLBA *failed* to stop that violation, it would have been in knowing breach of HHF requirements.

⁸ MHA/MSHDA Blight Program Manual at 6, rev. 12/2015 (attached as Appendix B).

Similarly, the delay in filling the holes is attributable to DLBA's desire to strictly adhere to all HHF program requirements. Because the 19 properties were originally slated for demolition through the HHF program, DLBA chose not to move forward with an RFP to fill those holes until MSHDA, its HHF program partner, provided explicit sign-off. That sign-off came on December 5, but was accompanied by a caveat that the RFP "needs to be competitive." Email from Roxanne Eaton to Rebecca Camargo, December 5, 2016 (attached as Appendix C). All of DBA and DLBA's actions since then have been consistent with MSHDA's express instructions to issue a competitive bid for backfill on these 19 properties.

3. DBA's description of the 19 properties as a "pilot program"

Finally, the Report expresses concern that DBA personnel "referred to decoupling demolition activities as a 'pilot program,'" even though an "analysis of the timeline surrounding the demolition activities does not support this claim." Special Report at 7.

Respectfully, this area of concern could once again have been resolved had your office conducted a thorough investigation that complied with professional standards. It is true, of course, that there is more complexity here than a simple "pilot program." But your office could have learned the rest of the story had it (a) interviewed other DBA employees (including, for example, its demolition operations manager Tim Palazzolo); (b) interviewed a single DLBA official; (c) obtained documents related to these 19 properties; or (d) shared a draft report with DBA/DLBA, in accordance with established professional norms. *See, e.g., Government Auditing Standards* § 6.61(e) (requiring interviews with personnel with "direct knowledge" of program; § 7.33 (requiring release of draft report).

Indeed, I note that on the morning of March 22—the day your *Special Report* was released—one of your auditors *did* ask DBA for the original "RFPs and/or contract[s] for the demolition of" the 19 properties in question. Email from Jill Kilbourne to Tyrone Clifton, March 22, 2017 (attached as Appendix F). But instead of waiting for a response, your office simply released its Special Report that afternoon. Your office's failure to obtain this vital documentation violated the established professional standard requiring government auditors to "obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions." *Government Auditing Standards* § 6.56

And had your office waited for a response, it undoubtedly would have learned the rest of the story: Rickman was *never* under contract, which is why demolition on the 19 properties had to be stopped. Any misunderstanding could have been resolved within hours or days had your office simply waited for "appropriate evidence," *see id.*, and held off on the Report's release.

IV. DBA Was Fully Aware of the Temporary Restraining Order On Certain Properties

The Special Report next notes that “the Farrow Group (a demolition contractor) filed a lawsuit against the Land Bank and on March 13, 2017, they were granted a Temporary Restraining Order prohibiting the land Bank from soliciting bids for 153 specifically named properties.” Special Report at 8. The Report further states that your office is “still gathering details surrounding the reason for the original lawsuit.” Special Report at 8.

Although this response letter is not the forum to address pending litigation, I will briefly note that DLBA believes the lawsuit is meritless. In essence, Farrow has sued to force DLBA to award it a contract that it was not eligible to receive. DLBA is confident that judgment will ultimately be issued in DLBA’s favor.

In any event, the Report’s concern related to this litigation did not involve its merits. Instead, the Report expresses concern that “[t]he Demolition Program Manager, DBA, was unaware of the legal actions against the Land Bank and the potential impact of ongoing demolition activities.” Special Report at 8.

Again, this concern could have easily been alleviated had your office completed a more thorough investigation, and abided by its professional responsibility to interview personnel with “direct knowledge” of relevant programs. *Government Auditing Standards* § 6.61(e). The DBA employee who is responsible for bundling properties for bid is Tim Palazzolo, its demolition operations manager. It is Mr. Palazzolo who is responsible for knowing whether certain properties have been enjoined from being put out for bid. And Mr. Palazzolo was, at all times, fully aware of the Farrow lawsuit and the Temporary Restraining Order. Yet, when preparing the Special Report, your office never once asked Mr. Palazzolo about the Farrow lawsuit or how it had affected bidding.

V. DBA and DLBA’s Costs are Reasonable, and their Program Management and Oversight is Sound

Finally, the Report expresses concern about (1) DLBA’s “weak financial controls”; (2) DBA and DLBA’s “inadequate program management and oversight”; and (3) DBA and DLBA’s “escalating administrative costs.” Special Report at 11. Each of these concerns is misplaced.

A. DLBA’s Financial Controls Are Sound

To begin, the Report notes (without elaboration) that “[p]reliminary findings show poor internal controls over financial transactions in the Land Bank specifically as it relates to bank account reconciliations from January 2014 through December 2016.” Special Report at 9. As you know, DLBA has recently revamped its bank account reconciliation procedures. Thus, this

concern is one that has already been addressed, and DLBA has shared its new procedures with your office. What is more, for the time period in question, we have provided your office with audited financial statements which certify that there were no material misstatements made on DLBA's bank account reconciliations.

B. DBA and DLBA's Program Management and Oversight is Sound

The Report separately notes that "there is a lack of evidence that DBA has complied with or adequately fulfilled their role as the Program Manager," and further notes that "there is a clear lack of oversight for Citywide demolitions." Special Report at 9. The Report does not elaborate on that point, beyond stating that the "Land Bank and the City continue to operate with different policies and procedures for demolitions." *Id.*

It is unclear to me precisely which "different policies and procedures" the Report means to reference, or why this is a cause for concern. I highlight again that avoiding such confusion is precisely why the GAO requires neutral audit criteria—and the accompanying expectations they set. *See Government Auditing Standards* § 6.37.

Regardless, it is true that DLBA and the City have different procedures in place for, among other things: (1) demolitions funded through the HHF program, and (2) demolitions that are funded via other means. And that is entirely proper. For HHF demolitions, there are a series of federal and state rules, regulations, and procedures that must be followed. The specific procedures DLBA has in place for HHF demolitions are geared towards ensuring strict compliance with those specific rules.

I would welcome the opportunity to further explain our procedures to you in the event you are interested, and I hope that in the future you will allow me—or other DLBA personnel—the opportunity to comment before you issue a report.

C. DBA and DLBA's Costs Are Reasonable

Finally, the Report expresses concern with DBA and DLBA's "escalating administrative costs." Specifically, the Report notes that "[f]rom fiscal year 2013-2014 through fiscal year 2016-2017, DBA's Cumulative Net Tax Cost to the City's General Fund could be as high as \$3.4 million." Special Report at 9. The Report further notes that, "[i]n just three years, salaries at the Land Bank have . . . almost doubled from \$2.6 million (January 2014 to December 2014) to over \$5.0 million." Special Report at 10.

The Report fails, however, to place these costs into context. It is true that DBA and DLBA costs have risen over the past three years. But that rise is matched by a dramatic expansion of DLBA's program. In January 2014, DLBA had five full-time employees, less than 700 properties in its portfolio, and had conducted *zero* demolitions. Today, DLBA has 131 full-

time employees, oversees a portfolio of 99,243 properties, and has completed 8,400 demolitions. What is more, since 2014, DLBA has established numerous programs, including:

- Nuisance abatement (1,787 default judgments in favor of DLBA);
- Auction (1,046 properties sold and closed)
- Community Partner sales (669 properties sold)
- “Own It Now” (655 homes sold)
- Rehabbed and Ready (27 homes rehabbed and sold)
- Occupied Home Buy-Back Program (224 participants)

DLBA also maintains a compliance team whose sole purpose is to ensure that properties that are sold (or are under nuisance abatement program agreements) are rehabbed and occupied on schedule. Nearly 3,000 homes have become occupied or are in the process of being rehabbed pursuant to those programs.

Again, DLBA would have welcomed the opportunity to make all of this information available to you or your auditors. And we would happily have done so had your office interviewed a single DLBA employee when preparing your report.

Yet another, more basic point bears emphasis. Even without the benefit of DLBA’s assistance, I am puzzled by your office’s decision to critique DBA and DLBA for “escalat[ing]” costs without pausing to consider the commensurate expansion of their programs. As programs expand in virtually any sector, so too do the administrative costs associated with running them. It would be passing strange, for example, to assert that Google is somehow a wasteful company just because its salaries and administrative costs rose between 1999 (when it was in start-up phase) and today. The Report’s critique of DBA and DLBA’s costs, divorced from the relevant context, is only slightly less befuddling.

* * *

I hope that this letter has helped to alleviate any concerns you may have had regarding DLBA and DBA. I remain available for questions, and to address any remaining concerns. Members of my Board, DLBA staff, and DLBA attorneys also stand ready to answer any questions you may have.

I end, however, by reiterating how deeply disappointed I am in the manner in which your office conducted this investigation—and the manner in which the Report was released. Your office’s conduct in connection with the Report repeatedly violated no fewer than six standards of professional conduct, *see Government Auditing Standards* §§ 6.37, 6.47, 6.56, 6.61(e), 7.32,

7.33, and severely undermined the Report's accuracy and credibility. I hope that in the future you will reach out to us before issuing any reports. I also hope that, when conducting future audits, your office will abide by established professional standards.

Sincerely,



Erica Ward Gerson
Board Chair

Cc: Honorable Members, Detroit City Council

APPENDIX A

BLIGHT ELIMINATION PROGRAM OPERATIONS MANUAL

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Blight Elimination Program Operations Manual

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 to include 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, existing owners and impacts 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.

Eligible Cities

Cities were determined based on a multitude of factors to include; vacancy rates, and areas that had the greatest potential to create future economic growth.

Detroit
Flint
Grand Rapids
Pontiac
Saginaw
Ecorse
Highland Park
River Rouge
Ironwood
Muskegon Heights
Inkster
Jackson
Hamtramck
Port Huron
Adrian
Lansing

Eligible Properties

Strategically targeted demolition of 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 meet one or more of the following benchmarks:

- 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 within a neighborhood or community that is immediately adjacent to the designated city furthering the goal of economic investment and growth.
- 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.

Communities proposing demolition outside of the city limits must submit documentation showing that local officials agree that demolition in the adjacent community is critical to support the redevelopment or stabilization within the core community and contained within the strategic plan.

To be eligible for demolition funding, a property title must be held by a public partner agency and contain a vacant, abandoned and blighted structure. A property will be considered blighted if it meets any of the following criteria as determined by the local governing body:

- a. Considered a public nuisance according to local code or ordinance.
- b. Is a nuisance because of age, use and/or physical condition.
- c. Has had utilities, plumbing, heating, or sewage disconnected, destroyed, removed or rendered ineffective so that the property is unfit for the intended use.

All processing files must contain a pre-demo inspection deeming property as "blighted".

Eligible Partners

All Partners must have the capacity, knowledge and be owner of record to the property in order to be eligible for reimbursement for demolition funds.

- Detroit – Michigan Land Bank Authority, Detroit Land Bank Authority
- Flint – Genesee County Land Bank Authority
- Grand Rapids – Kent County Land Bank Authority, Kent County Habitat for Humanity
- Pontiac –Michigan Land Bank Authority
- Saginaw – Saginaw County Land Bank Authority
- Ecorse-Wayne Metropolitan Community Action Agency
- Highland Park-Michigan Land Bank Authority
- River Rouge- Wayne Metropolitan Community Action Agency

- Ironwood-Gogebic County Land Bank
- Muskegon Heights- Muskegon County Land Bank
- Inkster-Michigan Land Bank Authority
- Jackson- John George Home, Inc.
- Hamtramck-Michigan Land Bank Authority
- Port Huron-Port Huron Neighborhood Housing Corporation
- Adrian- Lenawee County Land Bank
- Lansing-Ingham County Land Bank

Strategic Plan/Submission and Content Requirements

All chosen cities along with their potential partners, must compile and submit a formal request for participation in the Hardest Hit Blight Elimination Program. These strategic plan submissions must contain:

- Description of local project areas within the city limits including street boundaries, neighborhood description and rationale for the selection.
1. Rationale should include information on how it accomplishes one or more of the following:
 - 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.
 - Assists in the stabilization of neighborhoods with high rates of foreclosure prevention services and/or homeownership, or other tipping point indicators.
 - Presents a visual impediment along key corridors.
 2. Description of project areas; that are immediately adjacent to the municipalities that have been identified. Information should include street boundaries, as well as a description on how the target area will lead to an investment or redevelopment opportunity or otherwise have a direct stabilizing effect within the core city.
 3. Identification of properties by address within the project areas target areas within the city limits that have been identified that are likely candidates given all of the eligibility criteria.

Property Eligibility Criteria includes those that meet the following:

- Are vacant at the time of acquisition
 - Can document that their last use was as single-family or multifamily residential 1-4 unit structure
 - Have been either deemed a public nuisance according to local code or ordinance or deemed a nuisance because of age, physical condition, or use
 - OR has had utilities, plumbing, heating, or sewage disconnected, destroyed, removed or rendered ineffective so that the property is unfit for its intended use
4. Identification of partners that will acquire property and contract for demolition. Please include an organizational description, detail of any relevant experience and list of contracts by dollar amount managed by that entity.

5. Identification of any contractors that the partner will use in carrying out the demolition. Blight partners are responsible for RFP and contract approvals with any third party hired for Blight process.
6. A detailed timeline demonstrating how all requested demolitions can be carried out within the next 18 months of signing participation agreement.
7. Any supporting documents required to document narrative provided such as the following:
 - Maps identifying project areas and likely demolition candidates
 - Property ownership rights for demolition candidates
 - MSHDA/MHA Blight Participation Agreement (exhibit I) to include contact sheet and ACH wire instructions for each partner acquiring property and contracting for demolition.
 - Procurement information for any contractors already selected by the program partners to ensure the best possible quality and pricing.

The contractors should be selected in keeping with the following minimum criteria and is the sole responsibility of approval by the Blight partners. MSHDA or MHA will not have any liability for contractors selected, though our office will conduct random bi-annual audits on a percentage sampling of contractor files to ensure that qualified contractors are conducting the demolition process and that Blight Partners are following the eligibility requirements;

- Evidence of financial stability- review financial statements, two years corporate tax returns. Key is to ensure sufficient capital to complete the project.
- Evidence of License and certification- State and local license/certification to complete work; I.e. SOM residential builder's license and/or maintenance and alterations contractor with a house wrecking designation, asbestos survey/abatement (NESHAP)
- Evidence of Insurance- Commercial general liability coverage of no less than \$2,000,000 workers compensation; and employer's liability coverage of no less than \$500,000.
- Automobile liability with limits not less than \$1,000,000 per occurrence. Professional liability with coverage no less than \$1,000,000.
- Current Certificates must be on file in Partners office at all times.
- Evidence of legal standing- contractors must be legally organized and in good standing with the SOM by verifying:
 - Certificate of Good Standing (corporate) or Certificate of Existence (LLC) issued by LARA or
 - Articles of Organization
- A complete list of all the contractors' board/officers.
- Any operation agreements; current copies must be maintained in Partner files at all times.
- Evidence of Experience: Partners must verify that all contractors have a minimum of five (5) years of proven experience providing professional licensed demolition services or similar scope/scale.
- Surety/Performance Bond- Contractors must secure a performance bond in an amount equal to one hundred percent (100%) of the total contract amounts. Bonds must be issued by a bona fide company authorized to do business with the SOM and to comply with state regulations.
- Partners must ensure that there is no State or Federal debarment/suspension, conflict of interest or gross program violations with all contractors.
- State and local licenses and permits for all worker- it is the Partners responsibility to ensure that any and all state and local ordinances are met including NESHAP designations, certification, operator license and other requirements. Contractors selected must provide to partner evidence and ongoing certification that and sub- contractor paid with Hardest Hit funds are also in

compliance with all state and local regulations and ordinances.

- Communities proposing demolition outside of the city limits must submit documentation showing that local officials agree that demolition in the adjacent community is critical to support the redevelopment or stabilization within the core community and contained within the strategic plan.

Historic Preservation Parameters and Procedures

The United States Treasury does not consider HHF to be an undertaking for purposes of Section 106 of the National Historic Preservation Act of 1966. The Authority is not obligated to take into account adverse effects on historic resources targeted for demolition under the HHF.

Although the Authority is not obligated to take into account the effects of the HHF on historic resources, the Authority recognizes public purpose of historic preservation. Consequently, MHA and the blight partners will take into account the potential effects of the HHF on historic resources if it can reasonably do so without delaying the intent and purpose of the HHF.

During planning for demolition, the blight partners will take historic preservation into account through avoidance of adverse effects on historic resources found within National Register-listed historic districts, as well as those found within locally-designated historic districts under 1970 PA 169. In the event that historic resources located within either National Register-listed or locally designated historic districts cannot be avoided, the blight partner will take into account potential adverse effects on historic resources as follows:

- In the event that historic resources targeted for demolition falls within a NRHP-listed historic district, the blight partner will consult with the SHPO to either:
 1. Avoid demolition and/or retarget the historic resource slated for demolition; or
 2. Hire/engage an independent consultant who meets the historic preservation professional qualification standards (48 CFR 44716) to consult with the Authority and the SHPO to develop alternatives and/or mitigation measures that may include recordation of the historic resource prior to its demolition.
 - A. In the event that historic resources targeted for demolition fall within a locally-designated historic district, the Authority will avoid and retarget; however, if the property slated for demolition cannot be avoided or retargeted, the Authority shall request from the locally-designated historic district a commission a Notice to Proceed in accordance with 1970 PA 169 and local ordinance in effect at the time of the application for the Notice to Proceed.

All property files on the MATT system must contain proof that address has been checked against historical maps. A copy of the census trac map highlighting the subject property address and a statement that it is not nationally registered or listed must be uploaded in the Historical section of the MATT system. This policy will take effect for all new addresses entered into the system beginning 3/2/15.

Partner Participation Agreements

All designated Blight partners will be required to review, complete and execute a “Participation Agreement” (Exhibit I). Contained as part of this agreement, is a Wire/ACH Authorization and a Partner Contact roster. Agreements will be reviewed and executed by a MSHDA/MHA agent and retained for records. No funds will be distributed to Partner unless agreement has been fully executed and on file.

TYPICAL DEMOLITION TIMELINE:

Purchase of Blighted Property: if applicable

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 days
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

Awards Granted

| | |
|------------------|---------------|
| Detroit | \$128,598,388 |
| Flint | \$34,699,519 |
| Grand Rapids | \$2,433,179 |
| Pontiac | \$3,705,000 |
| Saginaw | \$11,196,914 |
| Ecorse | \$2,190,000 |
| Highland Park | \$5,000,000 |
| River Rouge | \$1,300,000 |
| Ironwood | \$ 675,000 |
| Muskegon Heights | \$1,825,000 |
| Inkster | \$2,250,000 |
| Jackson | \$5,500,000 |
| Hamtramck | \$ 952,000 |
| Port Huron | \$1,000,000 |
| Adrian | \$ 375,000 |
| Lansing | \$6,000,000 |

Review Committee

Internal and external individuals were chosen to review submitted strategic plans from each partner. Any subsequent amendment will also be required to be analyzed by this select group. Members are:

- Edwin Harlin, Southeast Michigan Development MSHDA
- Gary Heidel, Program Policy & Market Research MSHDA
- Andy Martin, Allocation Manager, MSHDA
- Kate Luckert-Schmidt, Program Director Grand Rapids Community Foundation
- Will Moseng, Acting Deputy Director Legal Affairs MSHDA
- Jamie Schriner-Hooper, Executive Director CEDAM
- Clarence Stone, Director of Legal Affairs MSHDA
- Jeff Sykes, Director of Finance MSHDA
- Mary Townley, Director of Homeownership MSHDA
- Michele Wildman, Chief Housing Investment Officer MSHDA
- MSHDA Executive Director

This selection group may be subject to change for any future amendments.

Spending Timeline

Upon award announcement and completion of fully executed partner agreements; each partner must spend 25% of all funds in the first 6 months, up to 70% of award within 12 months of executing agreement and the remaining award of up to 100% of award must be spent within 18 months. Awards to any community not hitting the 12 or 18 month benchmark may be reduced by the difference between the benchmark and the amount expended as of that date. All spending or lack of spending will be evaluated on a case by case basis.

If the partner does not spend the monies according to the timelines, MHA board will review the blight partner's scenario and its consequences utilizing the following:

- A warning letter sent to the city, requiring them to explain their failure to meet their benchmarks and their plan to remedy the issues.
- Possible reduction of the money awarded them if it is felt that they do not have the capacity or inventory to use all funds.
- Possible re-allocation of the funds to one or more other cities/partners meeting and/or exceeding expectations.
- If Blight partner is requesting an extension of time, approval may be granted based on progress made to date and reasonableness of request.

Reporting Metrics

The Michigan State University Land Policy Institute has been commissioned to provide a Blight Elimination Impact Assessment for all cities awarded blight elimination funding. This assessment will contain;

- Literature Review- of all strategic plans for designated cities to evaluate similarities and differences in their approaches, identified goals and anticipated challenges. This information can improve blight practices and evaluate techniques for Michigan.
- Vacancy/Foreclosure Rate Change- Analysis will show trends in vacancy rates from before the blight elimination program through its implementation.

- Crime Rate Analysis- evaluate change in violent and property crimes on a regular basis in the cities where Blight Elimination funds have been spent
- GIS Mapping- Mapping will show people how the blight elimination efforts are having impact on a geographic scale with visualization for community impact.
- Visual Improvement Evaluation-MSU will use a qualitative analysis of before and after pictures of the neighborhoods and properties where building are being demolished through the Blight Elimination Program to also include a local social media survey asking respondents to rate the quality of the random sample of properties base in part on respondents.
- Property Price Analysis- A hedonic property price analysis will be completed to evaluate the relationship between the Blight Elimination activity and nearby property prices.

Reports will be provided quarterly and a final end of funding report upon completion of all Blight Elimination activity.

System of Record/MATT Data Entry Guidelines

The first step to beginning the program is to create a HHF-Blight Grant for each of the blight partners. This task is completed by the MSHDA/MHA Blight staff members, using the following procedures:

MHA/MSHDA-Blight staff is assigned a username and a password issued by Agate/Matt. Current requests are made via Project Trax which is an on-line request to programmers/management at Agate. Access sign on and initial password is limited to program lead from Agate. Upon issuance of staff member password, staff member must re-set a new password upon receipt.

MHA/MSHDA Specialist Login using assigned username (HHF specialist (user id))/password(****)

1. Click the “Administration” link at the top.



2. Click on “Create a Document”



3. The “Create a Document” page, type “HHF” into the Organizational Name search bar.
4. In the Organization Category, select the appropriate category for your organization.
5. In the Document Category drop-down field, select “HHF Blight Grant.
6. Click Search.

Create Document
This page will allow you to create a new document for a specific organization.

Search Criteria

Organization Name
Identifier
City
State
County
Zipcode
Organization Category
Document Category

Activities

7. Under Organization Name, click the box next to the appropriate name.

Export Results to: Screen Sort By: - SELECT - ASC 00

| <input type="checkbox"/> | Organization Name | Identifiers | Address | City |
|--------------------------|-------------------|------------------------|---|-------------|
| <input type="checkbox"/> | HHF test1 | HHF test1; ; ; ; 2013; | 5678 street | Grand Ledge |
| <input type="checkbox"/> | HHF test2 | HHF test2; ; ; ; 2013; | 1234 rd | okemos |
| <input type="checkbox"/> | MIMSHDA_HHF | MIMSHDA_HHF; 12345678; | 735 East Michigan Avenue P.O. Box 30044 | Lansing |

8. Under Document Template Instance, click the “Create Document For Selected Organization”

Document Template Instance HHF Grant

CREATE DOCUMENT FOR SELECTED ORGANIZATION(S)

9. The screen will note that the action has been completed.

Page Information
Your actions have been executed

10. Log back in as the Specialist and you will see this screen.
11. In order to then create the award amount/award letter, access must be made through “My Tasks”

My Tasks

You have 2 new tasks **Tasks**
You have 0 tasks that are critical.
Select the **Open Tasks** button below to view your active tasks.

OPEN TASKS

12. Then select the name (Blight Partner) that you are working with:

My Inbox
 You have 0 new messages
 Select the Open Inbox button below to open your system message inbox
[Open Inbox](#)

My Tasks
 Export Results to: Screen Sort by: Select [Go](#)

| Info | Document Type | Organization | Name | Current Status | Date Received | Date Due |
|------------------|----------------------------|--------------------------------------|------|---------------------------------------|---------------|----------|
| HHF Activities | HHF Inert | GR-00007 | | Stage 5 - Recorded Documents Required | 10/7/2013 | |
| HHF Blight Grant | HHF Inert2 | HHF HHF Inert2 00007 | | Grant Creation in Progress | 10/9/2013 | |

13. You will see the following screen.

[Back](#)

HHF Blight Grant Menu - Forms
 Please complete all required forms below.

Documental Information: [HHF HHF Inert2 00007](#)
[Details](#)

Forms

| Status | Page Name | Note | Created By | Last Modified By |
|--------|---|------|------------|------------------|
| | Grant Letter | | | |
| | Grant Financial Statement | | | |
| | Change Bld Status | | | |

14. Click “Award Letter” and fill in with the information requested and Save. This is the original city award granted through their strategic plans.

Back

Document Information: HMF-HMF-MS2-00007

You are here: > HMF-Right Grant Menu > Forms Menu

AWARD LETTER

Award Amount

Award Term Start Date End Date

Save

15. After saving, go back to previous menu and select “Change the Status”. Any amendments to a grant award require a status change.

Forms

| Status | Page Name | Note | Created By | Last Modified By |
|--------|--------------------------|------|----------------|-----------------------|
| ✓ | Award Letter | | HMF Specialist | 10/10/2013 9 05 55 AM |
| | Grant Financial Snapshot | | | |
| | Change the Status | | | |

16. You will see the following screen, for “Grant Awarded”, apply status.

Possible Statuses

GRANT AWARDED

APPLY STATUS

17. After the Status is applied, it will take you back to the new menu.

Forms

| Status | Page Name | Note | Created By | Last Modified By |
|--------|--------------------------|------|----------------|-----------------------|
| ✓ | Award Letter | | HMF Specialist | 10/10/2013 9 05 55 AM |
| | Proposals | | | |
| | Grant Financial Snapshot | | | |
| | Change the Status | | | |
| | Status History | | | |

18. The “Status History” will show the history of this particular grant: example below:

Document Status History

| Status | Date/Time | By | Notes |
|----------------------------|-----------------------|-----------------|-------|
| Grant Creation in Progress | 10/10/2013 8 59 20 AM | Specialist, HMF | |
| Grant Awarded | 10/10/2013 9 11 03 AM | Specialist, HMF | |

19. When the Grant is closed- click the “Change the Status”

The screenshot shows a 'Forms' menu with the following items: Award Letter, Properties, Grant Financial Snapshot, Change the Status (highlighted with a red arrow), and Status History. The top right of the menu displays 'Note: Created By: HHF Specialist' and 'Last Modified By: 10/10/2013 9:05:55 AM'.

Then Apply the Status:

The screenshot shows a 'Possible Statuses' dialog box. Under the heading 'GRANT CLOSED', the 'APPLY STATUS' button is highlighted with a red arrow.

Once the Grant has been established, Blight Partner (using user ID and password) enters individual property data identified from their strategic plan. They then open system by accessing through “My Tasks.”

1. Click “ My Tasks”

The screenshot shows the 'My Tasks' section. It indicates 'You have 2 new tasks' and 'You have 0 tasks that are critical'. Below this, the 'OPEN TASKS' button is highlighted with a red arrow.

2. Click the link under Name (grant award by Blight partner):

The screenshot shows the 'My Tasks' table. The table has columns: Info, Document Type, Organization, Name, Current Status, Date Received, and Date Due. The 'Name' column contains the link 'HHF-HHF.test1-00008', which is highlighted with a red arrow.

| Info | Document Type | Organization | Name | Current Status | Date Received | Date Due |
|------|------------------|--------------|---------------------|-------------------------|---------------|----------|
| | HHF Activities | HHF.test1 | GR-00010 | Property Setup Required | 10/10/2013 | |
| | HHF Blight Grant | HHF.test1 | HHF-HHF.test1-00008 | Grant Awarded | 10/10/2013 | |

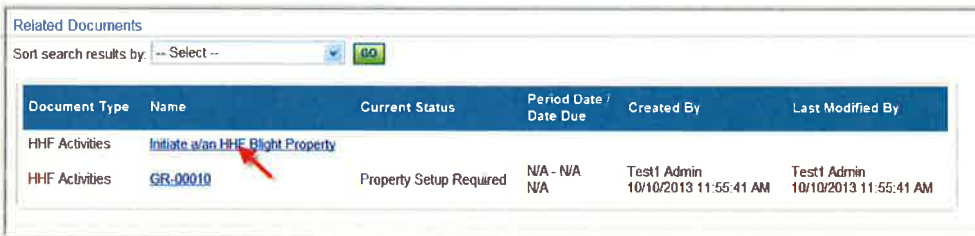
3. Click “Properties” in order to enter in property data.

The screenshot shows the 'Forms' menu with the following items: Award Letter, Properties (highlighted with a red arrow), Grant Financial Snapshot, Change the Status, and Status History. The top right of the menu displays 'Note: Created By: HHF Specialist' and 'Last Modified By: 10/10/2013 11:14:20 AM'.

- Then click the link under “Name” which then allows entry of individual addresses.



| Status | Page Name | Note | Created By | Last Modified By |
|--------|-----------------------------------|------|------------|------------------|
| | Property Address | | | |
| | Change the Status | | | |

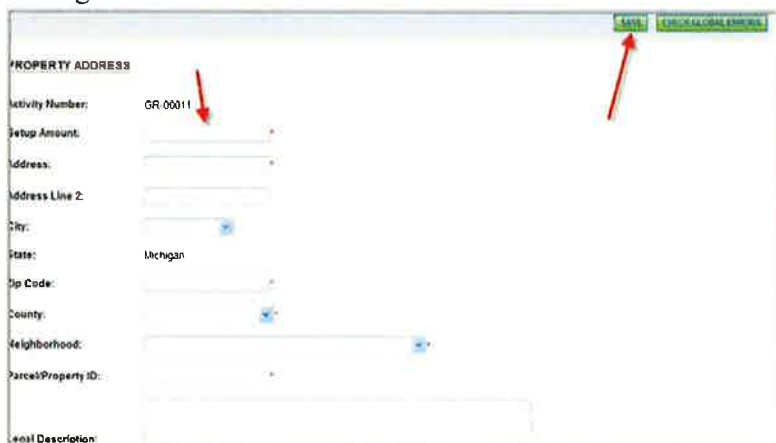


Related Documents

Sort search results by: --- Select --- GO

| Document Type | Name | Current Status | Period Date / Date Due | Created By | Last Modified By |
|----------------|---|-------------------------|------------------------|---------------------------------------|---------------------------------------|
| HFE Activities | Initiate w/an HFE Blight Property | | | | |
| HFE Activities | GR-00010 | Property Setup Required | N/A - N/A N/A | Test1 Admin 10/10/2013 11:55:41 AM | Test1 Admin 10/10/2013 11:55:41 AM |

- Complete the form and complete all data fields, then click “Save”. Upon saving system will automatically take you to the main menu which then requires you to “change status.”



PROPERTY ADDRESS

Activity Number: GR-00011

Setup Amount:

Address:

Address Line 2:

City:

State: Michigan

Zip Code:

County:

Neighborhood:

Parcel/Property ID:

Email Description:

Save Check for Global Errors



Forms

| Status | Page Name | Note | Created By | Last Modified By |
|--------|-----------------------------------|------|---------------------------------------|---------------------------------------|
| | Property Address | | Test1 Admin 10/10/2013 12:53:36 PM | Test1 Admin 10/10/2013 12:54:40 PM |
| | Change the Status | | | |

- Click on “Manager Approval Required” or “Cancelled” if you do not want to submit.



Possible Statuses

MANAGER APPROVAL REQUIRED

APPLY STATUS

CANCELLED

APPLY STATUS

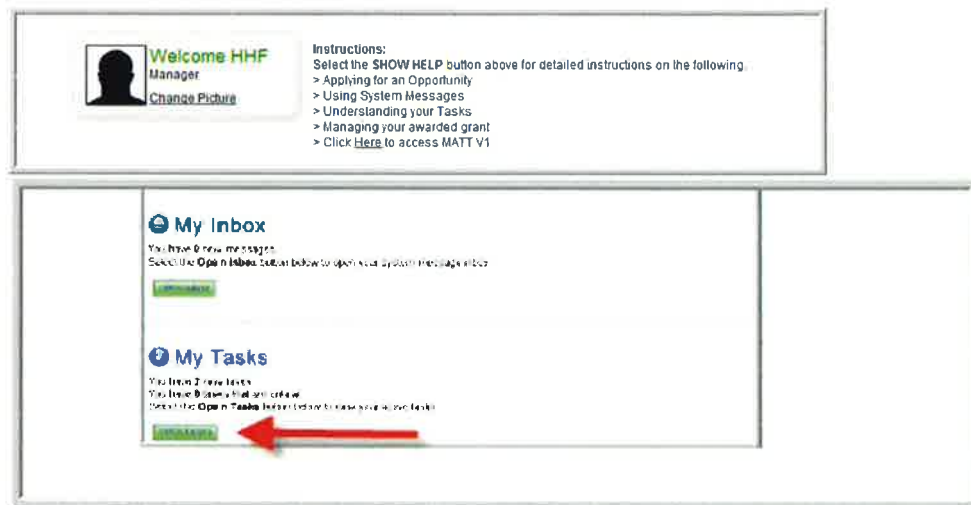
Stage 1 - This steps moves responsibility to MSHDA/MHA Blight staff to review address and confirm that it was identified on initial strategic plan. If address is not listed it will be rejected requiring additional information from Blight partner. Property lists can and will be amended based on new factors obtain by Blight Partner and feasibility of acquisition and final costs.

The Blight Team Lead will approve the property entered and verify that address, Parcel ID, neighborhood and census tract are complete.

Blight Team Lead

MHA/MSHDA/Blight Team Lead

1. Login as the manager (HHF manager(user id)/password(****)and click the “My Tasks” button



2. As Blight Partners enter addresses, they will be listed in this area. Blight Team Lead must access each property to review and move to next status. Click the link under “Name”

| Export Results to: Screen | | Sort by: -- Select -- | | | | |
|---------------------------|----------------|-----------------------|--------------------------|---------------------------|---------------|----------|
| Info | Document Type | Organization | Name | Current Status | Date Received | Date Due |
| | HHF Activities | HHF test1 | GR-00001 | Manager Approval Required | 9/27/2013 | |

3. Open the Property Address and Review for accuracy: (that the parcel ID, neighborhood and the address match the information on the Cities list of properties).

| Forms | | | |
|--------|-----------------------------------|------|----------------------|
| Status | Page Name | Note | Last Modified By |
| | Property Address | | Test1 Admin |
| | Activity Sheet | | 9/27/2013 2:54:29 PM |
| | Invoices | | |
| | Change the Status | | |
| | Status History | | |

Detailed property data will be displayed as entered by Blight Partner. If all data is confirmed and accurate it moves to next screen.

PROPERTY ADDRESS

Activity Number: OR-00011

Setup Amount:

Address:

Address Line 2:

City:

State: Michigan

Zip Code:

County:

Neighborhood:

Parcel/Property ID:

Local Description:

Buttons: **SAVE** (highlighted with red arrow), **VIEW CHANGES**

4. Click the “Change the Status” link

Forms

| Status | Page Name | Note | Created By | Last Modified By |
|--------|--|------|----------------|------------------------|
| | Award Letter | | HHF Specialist | 10/10/2013 11:54:20 AM |
| | Properties | | | |
| | Grant Financial Snapshot | | | |
| | Change the Status | | | |
| | Status History | | | |

5. Select either Stage 1-Pre-Demo Process or Set up Modifications Required. Pre-Demo is defined as property passed and it now ready for demolition. Set up modification is defined as a possible issue with information or data supplied.

Sort search results by: -- Select -- **GO**

| Document Type | Name | Current Status | Period Date / Date Due | Created By | Last Modified By |
|----------------|--------------------------|--------------------------|------------------------|--------------------------------------|-------------------------------------|
| HHF Activities | OK-00012 | Stage 1 Pre-Demo Process | N/A - N/A / N/A | Test2 Admin 10/10/2013 1:18:32 PM | HHFManager 10/10/2013 2:58:33 PM |

















This will then send the file back to the Partners.

6. The Blight Partner will log- in (using their assigned username and password) and upload Pre-demo documents and pictures to the ACTIVITY SHEET while in Stage 1- Pre Demo Process, all entries require user to save. Each file upload will require date field to be completed. Blight partner will be required to change status to Stage 1- review required. This now pushes address to MSHDA/MHA Blight staff for review.














| Stage 1 - Pre-Demo Process | | |
|----------------------------|-------------------------|--|
| <input type="checkbox"/> | Acquisition | <input type="checkbox"/> |
| | File upload | <input type="button" value="Browse..."/> |
| <input type="checkbox"/> | Deed or Title Insurance | <input type="checkbox"/> |
| | File upload | <input type="button" value="Browse..."/> |
| <input type="checkbox"/> | Pre-Demo Photos | <input type="checkbox"/> |
| | File upload | <input type="button" value="Browse..."/> |
| <input type="checkbox"/> | Proof of Inspection | <input type="checkbox"/> |
| | File upload | <input type="button" value="Browse..."/> |

At this point, a MHA/MSHDA/Blight staff will verify that the documents supplied are accurate, ensure file contains front photos of property, and verify chain of title to document ownership of the property is in the name of the Blight Partner. The title search will be uploaded in misc. documents located on the activity sheet. If property passes, the MSHDA/MHA blight staff member will advance address to Stage 2- Demo in Process – or if file contains issues they will flag “Modifications Required”.

Stage 2 - Demo in Process: This will then send the file back to the Blight Partner, where they will upload documents to Stage 2; they must include the asbestos and/or environmental inspections which contains chain of custody fully executed signatures by inspector and receipt by lab if applicable, also include the Waste Manifest forms that can be loaded into miscellaneous documents, acquisition of property with a sales price reflected on the HUD I, confirmation that property has been checked for historical significance, all post demo photos, post demo inspection report, the completed invoice sheet, any and all change orders, and the attestation form along with any/all demolition expenses to be included in reimbursement. Also include the fire escrow information. Any monies that are paid to the partners for fire escrow need to be entered on the invoice screen on the last line. This will result in a reduction of the monies paid to the partner. A copy of this check must be uploaded to the system.

| <u>Stage 2 - Demo in Process</u> | | |
|---|---------------------------------------|---|
|  | Permit(s) Utility Cuts |  |
| | File upload | <input type="button" value="Browse..."/> |
|  | Asbestos Survey |  |
| | File upload | <input type="button" value="Browse..."/> |
|  | Environmental Inspection |  |
| | File upload | <input type="button" value="Browse..."/> |
|  | Historical Inspection |  |
| | File upload | <input type="button" value="Browse..."/> |
|  | Post Inspection Reports |  |
| | File upload | <input type="button" value="Browse..."/> |
|  | Post-Demo Photos |  |
| | File upload | <input type="button" value="Browse..."/> |
|  | <u>Invoice Sheet Completed</u> |  |
|  | <u>Attestation Form</u> |  |
| | File upload | <input type="button" value="Browse..."/> |

Some Blight Partners may group costs, so not all line items will be fully completed. There are two sections that are underlined: Invoice Sheet Completed and Attestation Form. When the Blight Partner selects these, the following two forms will populate: The first one is the Invoice sheet where each individual invoice is uploaded to the correct category. This will then result in a total dollar amount which will transfer to the Demo in Process sheet.

| INVOICES | | | | |
|--|---------------------|-------------|-----------------------|---|
| <u>Invoice Category</u> | <u>Completed By</u> | <u>Cost</u> | <u>Date Completed</u> | <u>File Upload</u> |
| <input type="checkbox"/> Building Inspection | | | |  Browse... |
| <input type="checkbox"/> Environmental Inspection | | | |  Browse... |
| <input type="checkbox"/> Asbestos Inspection | | | |  Browse... |
| <input type="checkbox"/> Acquisition | | | |  Browse... |
| <input type="checkbox"/> Utility Disconnects | | | |  Browse... |
| <input type="checkbox"/> Permit type: | | | |  Browse... |
| <input type="checkbox"/> Permit type: | | | |  Browse... |
| <input type="checkbox"/> Permit type: | | | |  Browse... |
| <input type="checkbox"/> Demolition Costs | | | |  Browse... |
| <input type="checkbox"/> Debris Removal | | | |  Browse... |
| <input type="checkbox"/> Clean Fill | | | |  Browse... |
| <input type="checkbox"/> Lot Completion (Greening) | | | |  Browse... |
| <input type="checkbox"/> | | | |  Browse... |
| Lot Maintenance Fee | | \$750 | | |
| Project Management Costs | | \$0 | | |
| <u>TOTAL</u> | | | | |
| Invoice Paid: | | | | |

This form must contain all expenses associated with demolition costs for reimbursement. Blight Partner must “select” item, enter in their name, dollar amount of invoice and date of entry. They then must upload actual documents for review and approval. As entries are made to this form it will accumulate total costs for payment. Project management cost will be entered by MSHDA/MHA Blight staff and determined to be either \$500 or 10% of total costs whichever is- less. Lot maintenance fee is a hard cost of \$750 per property.

The second one is the attestation form which is a document that is signed by the Blight Partners and “attests” that the Blight Partner has followed all the guidelines set forth by the MSHDA/MHA Hardest Hit Demolition Program.



Helping Michigan's Hardest-Hit Homeowners

A step forward when you're a step behind

LETTER OF ATTESTATION

I hereby attest that Detroit Land Bank Authority (Partner) has followed all the required guidelines set forth by Michigan Homeowner Assistance Non-Profit Housing Corporation/Help for Hardest Hit-Demolition Program (Blight program) on the following address 14135 Montrose.

I certify that the following are true:

- Partner is legal owner of record
- Addresses of the house matches documents submitted
- Deed or Title Insurance executed and validate ownership of Blight Partner
- Pre-demo photos are of the structure
- Pre-demo inspection are on the accurate structure
- Permits pulled to ensure that all state laws were followed in relation to demolition - (all that were needed including but not limited to Utility cuts/Demo)
- Asbestos survey provided and if remediation required it was adequately documented and completed as per state code
- Environmental inspection and if remediation required, it was adequately documented and completed as per state code
- Historical inspection and if remediation required, it was adequately documented and completed as per state code
- Post-demo photos on the accurate structure
- Post- demo inspection on the accurate structure
- All invoices detailing expenses complete expenses for demolition of structure
- All inclusive invoice sheet completed
- Property not deemed historical

Signature _____

Date signed _____

Print Name: _____

Partner Entity _____

Michigan Homeowner Assistance Nonprofit Housing Corporation (MHA) is acting through the Michigan State Housing Development Authority



Michigan Homeowner Assistance Nonprofit Housing Corporation (MHA)

Step Forward Michigan
PO Box 30632 • Lansing, MI 48909-8132
Phone (866) 946-7432 • Fax (517) 335-9890
www.stepforwardmichigan.org



The MHA/MSHDA/Blight staff will review all Stage 2 uploads to ensure completion and accuracy. At this point, the status will be changed to Stage 3- Pending Execution of Collateral Documents or Stage 3- Modifications Required. Pending execution is a successful move to next stage and modifications required, is defined as additional information or clarification is needed. File to remain in Modifications required until all necessary documentation is obtained, uploaded, reviewed or cleared.

File then moves back to Blight Partner requiring completion of Demand Note, Hardest Hit Note and Hardest Hit Mortgage. The Blight Partner reviews the instructions for proper document execution in Stage 3. The documents will auto populate the majority of fields and requiring minimal additional entries by Blight Partner. Form will then be executed by proper authority, notarized and uploaded to the appropriate documents upload. All original documents must be sent immediately to Hardest Hit/MSHDA Blight Program, 111 S. Capitol Ave., 8th Floor, Lansing, MI 48933.

Stage 3 - Review required: Blight Partner applies to status stage 3, which then sends file back to MSHDA/MHA Blight staff.

Stage 3 - Pending Execution of Collateral Documents

Instructions

Demand Note

File Upload

Hardest Hit Note

File upload

Hardest Hit Mortgage

File upload

Stage 4 - Funding required: is defined as the stage where all original hard copies of collateral documents are received, and reviewed. File then moves to stage 5 for compliance review.

Stage 5 - Compliance: MSHDA/MHA Step Forward Compliance team will review a minimum (via random sample) of 10% of each city's files scheduled to fund. Compliance Department audit three components of each randomly selected file: 1) The file is reviewed for errors, 2) discrepancies if any are identified, and 3) determined eligible for funding. The below screen is a compliance worksheet used to complete full review. All fields must have an entry of Yes, No or N/A based on individual file details, or notes may be placed in the "Notes" field. If file passes, it is then moved directly to stage 6 – Funding. The default for Stage 5 is to "pass" files to Stage 6 (using the report HHF Compliance Report – Final). If not passing, "Compliance Fail" box will be checked and a note will be added directly below in the "Notes" field. If a file fails, it will NOT be included in the Funding Batch in which it was originally scheduled, and it will remain in Stage 5 until errors/missing documentation are corrected/obtained. Files with potential compliance issues will require an e-mail request be sent to Blight Team Lead and Mary Townley, Director. Permission to fund is obtained via email, or an email request is received, sent by Blight Team Lead, asking Compliance to push file back to stage 2 or 3. "Notes" field or Blight Audit Lists contained in: V:\MSHDA3\HHF_Compliance\Weekly-Monthly Batch Compliance Review\12-2014 Dec\Blight - list issues (if any) for files held back temporarily from funding.

Additional Compliance Sheet Information – Please see "Selected for Post-Funding Review" button. By clicking this button, additional fields will become available, and documents such as Google maps may be uploaded if needed. Since no box exists for initials for Post-Funding Audit, auditors should place a note in the "Notes" field, reflecting the date and initials of the Compliance Team member completing Post—Funding Audit.

BLIGHT COMPLIANCE

After selecting yes or no for Pre-Funding or Post-Funding save the page to hide or display additional options.

Selected for Pre-Funding Review ☒ Yes ☐ No

Selected for Post-Funding Review ☒ Yes ☐ No

Compliance Fail ☐

Notes

0 of 400

General Compliance Notes Section

Date of review

Section 1: Required Documentation

Acquisition: A proper Acquisition has occurred: ☐ Yes ☐ No

Demand Note: A demand note accompanies the acquisition ☐ Yes ☐ No

Deed or title insurance: ☐ Yes ☐ No

Pre Demo Photos ☐ Yes ☐ No

Pre demo photos include: ☐

Proof of inspection: ☐

Permits: ☐ Yes ☐ No

Types of permits received: ☐

The property has been verified that the following is clear: ☐

Post Demo Photos Exist ☐ Yes ☐ No

Post Demo Photos include: ☐

Back

Signed Invoice

Utility

Environmental

View

Section 2: Final Documents

Note Received ☐ Yes ☐ No

Note has original signatures ☐ Yes ☐ No

Mortgage Received ☐ Yes ☐ No

Mortgage has original signatures ☐ Yes ☐ No

Note and Mortgage are both signed by authorized parties ☐ Yes ☐ No

Section 3: Invoices

Building Inspection ☐ Pass ☐ Fail ☐ N/A

Environmental Inspection ☐ Pass ☐ Fail ☐ N/A

Asbestos Inspection ☐ Pass ☐ Fail ☐ N/A

Acquisition ☐ Pass ☐ Fail ☐ N/A

Utility Disconnects ☐ Pass ☐ Fail ☐ N/A

Stage 6 - Funding: Funding advisor sets up ACH wire transfer by pulling stage 6 files for a specific date-range. Report is generated by accessing "reports tab", choose HHF Funding Report-repeatable. Report is printed and matched to Compliance team report of successful passes and files ready for funding. Dollar amounts on each report are matched and funding is then moved to an excel format report and saved in V\Blight Elimination Folder\Blight Funding folder. Access is then made to HHF-Funding Final, hit execute which moves to next stage. Saved excel report is then moved or copied to Itellicash for transmission to designated partners. Funding process is then picked up by finance and process is followed using existing Step Forward/HHF funding policies and procedures. The executed documents are then sent for recording moving file to Stage 7.

Once funding's take place, an e-mail excel spread sheet is sent to each partner to request confirmation of receipt of our funds. This confirmation must be completed within 3 to 5 days of receipt and sent back to the HHF Blight staff.

Stage 7 - Recording documents: Log is maintained to document delivery of original collateral documents to Final Documents team at Step Forward Michigan. All HHF documents are sent to register of deeds/recording offices on a bimonthly basis. Simplifile electronic recording will be used in counties offering this service. Payments of recording fees are covered and processed following existing SFM process flow. Once recorded documents are returned, date of recording is inserted into Agate/Matt and document is uploaded to system or retention by Final Document team.

Internal or external staff will complete site inspection on a random sampling (5%) of each Blight Partner and complete the next stage. The photos of the site inspection and the Post funding inspection form (Exhibit VII) will be uploaded upon completion of the inspections. This function may be outsourced as volume increases.

All files will be maintained electronically for a term no less than 3 years beyond term of program. In the event of a Discharge of a Mortgage or a payoff, the discharge will be pulled from the MATT system and recorded.

| | |
|--|---|
| Stage 7 - Post Funding | |
| Hardest Hit Mortgage - Recorded |  |
| Hardest Hit Mortgage | <input type="text"/> Browse... |
| Post Funding Photos/Report |  |
| File Upload | <input type="text"/> Browse... |
| Comments | <input type="text"/> |
| Discharge of Mortgage |  |
| File Upload | <input type="text"/> Browse... |
| Payoff Amount |  |
| Discharge |  |
| Additional Funding |  |
| File Upload | <input type="text"/> Browse... |

System contains a Miscellaneous Documents section which will be used for supporting additional information, title search's and any applicable information deemed important for property. Multiple Miscellaneous documents can be inserted into this field.

| | |
|---|---------------------------------------|
| Miscellaneous Documents | |
| Misc Info (include description) | |
|  | <input type="text"/> Browse... |

Project Trax

An internal system is in place to allow the Blight staff to communicate with Agate/Matt programmers for the purpose of adjustments, and changes to the system. The below screen is an example of tasks that will be requested and allow our staff to manage changes in a timely manner.



The screenshot shows the Project Trax web application. At the top, there are navigation links: Home, User Profile, and Reports. Below this is a header bar with the word 'PROJECTS' and a dropdown menu for 'Project: MSHDA - HUD'. A filter bar indicates 'Filter By Status ALL INCOMPLETE'. The main content is a table titled 'TASKS' with the following columns: Discussion #, Task, Initiated by, Due Date, Priority, Status, and Update Item. The table contains six rows of tasks, all initiated by Roxanne Eaton and due on 3/21/2014. The status for the first five tasks is 'Pushed to PROD - MSHDA review', and the last task is 'Questions for MSHDA'.

| Discussion # | Task | Initiated by | Due Date | Priority | Status | Update Item |
|--------------|------------------|---------------|-----------|----------|-------------------------------|-------------|
| 27253 | New User | Rob McCoy | | | Pushed to PROD - MSHDA review | |
| 27293 | Detroit | Roxanne Eaton | | | Pushed to PROD - MSHDA review | |
| 27530 | Demand Note | Roxanne Eaton | 3/21/2014 | | Pushed to PROD - MSHDA review | |
| 27531 | Mortgage Note | Roxanne Eaton | 3/21/2014 | | Pushed to PROD - MSHDA review | |
| 27532 | Mortgage | Roxanne Eaton | 3/21/2014 | | Pushed to PROD - MSHDA review | |
| 27676 | Access to system | Roxanne Eaton | 3/21/2014 | | Questions for MSHDA | |

This enables the process flow of any changes to be documented.

Required Supporting Documentation

MATT system requires documents to be uploaded and provided for review. These documents are listed on the Grant Conditions page and are as follows:

- Deed or Title Insurance for subject property
- Location and project description
- Pre-Demo photographs and Inspection
- Proof of Inspection: Asbestos, environmental, historical etc.
- Partner Attestation (exhibit II)
- Post Demo Inspection with Photo's

Once Demo has been completed and file has been cleared by MHA staff, Partner will be required to complete and execute:

- Hardest Hit Note (Exhibit III)
- Hardest Hit Mortgage (Exhibit IV)
- Demand Note (Exhibit V)

Upon receipt of the fully executed collateral documents, funding will be authorized. MHA Blight staff will review all incoming documents within 7 days of receipt. If volume dictates a longer time period we will notify all Partners immediately and bring in additional staff as needed.

Funding Schedule

All completed demolition projects with passing compliance review of all conditions, will be processed for remittance to the Blight Partners multiple times per week or as necessary. Funds will be transmitted by 3:00 PM and received by 8:00 AM the following morning. These funds will be remitted via an ACH transfer as per the Blight Partners instructions to their designated bank and routing number.

Funding Process and Allowable Reimbursements

The maximum of \$25,000 is allowable per structure. Blight Partners must complete all required and necessary steps to demolish the property complying with Federal, State and Local ordinances.

Upon completion of demolition, all invoices accumulated for each specific property must be scanned and loaded into the MATT system for specific properties. Reimbursement will be granted after all documents are obtained, reviewed and upon execution and receipt of the original MHA Note and original executed Mortgage.

Costs will be remitted for the following expenses:

- Dangerous Building Inspection
- Environmental Survey and Compliance Inspection
- Abatement
- Cut and Plug
- Demolition and Permits
- Dirt costs for backfill
- Original Acquisition Cost of Structure (if applicable)
- Greening costs to include grade, seed, sidewalk repair
- Maintenance Costs (\$750)
- Project Management Fee (maximum per structure \$500)

Due to the limited time period of funding for this program and the limited funds available, deconstruction will be allowed as a test in designated areas (Detroit). Once process has been proven to be effective and cost efficient, a higher percentage of properties may undergo deconstruction or skimming. Discussions are required with HHF Blight staff prior to engaging in this process.

Funding Corrections or Credits

MATT system allows for adjustments and corrections to funding be made within Stage 7. MSHDA/MATT staff will make any necessary and required adjustments when needed.

Quarterly Performance Reporting

Quarterly performance reporting will be completed and submitted to U.S. Treasury no later than 45 days after the end of the quarter. A template (exhibit 6) has been created for reporting which contains quarterly data and cumulative numbers. Report will be generated by following these steps:

1. Agate/Matt system contains a system generated U.S. Treasury report. Report is pulled covering the appropriate time period.
2. Agate/Matt system will also be queued to generate a dump of the same reporting data in an export to Excel. File will be scrubbed to ensure that there is 100% accuracy in reporting.
3. Quarterly reporting files will be maintained for audit purposes in the Blight Elimination folder maintained on the shared drive. Folder is secured with limited staff access.

Post Funding Audit:

A random sample will be pulled on a monthly basis of approximately 5% of Blighted Properties per Partner. Inspection will be completed by internal or external inspectors and a post funding inspection report and photo will be completed and uploaded to the property file. These inspections will enable our office to monitor oversight of all areas to guarantee that Demo and greening is complete and the property is maintained on an ongoing basis.

If violations are noted during the Post Funding Audit our office will follow the below criteria:

- Warning letter and email notification sent to blight Partner to bring property into compliance within 15 business days.
- Partner to send notification upon clearing the violation.
- Upon receipt of notification, an additional inspection will be completed by MSHDA/Blight staff.

Consequences of Blight Partners with 50% threshold of violations may be subject to but not limited to the following:

- Suspend funding.
- Future greening or maintenance funds to be escrowed
- 100 % inspection of properties before funding is disbursed
- Placed on suspension for a time set forth by the Blight staff

Procurement Bid Package Audits

All Blight partner bid packs will be analyzed by a MSHDA/HHF team on a consistent and continual basis during the life of the HHF Blight program. Review process will contain at a minimum:

- Pulling all bid packs
- Random sample for contractors with lowest bids
- 100% sample of contractors that did not have the lowest bid but won the award
- Review posting process to acquire bids
- Review and analysis on change orders for contractors that received winning award. Is change order justified and does the change order dramatically increase/decrease overall costs? Clear documentation must be contained in the file
- Review to ensure that all contractor award contain proof of bond insurance covering 100% of the total contract amount.

Areas of review include but are not limited to; scoring system, capacity of contractors, price quote, qualifications/licensing and demolition experience. Clear and concise documentation must be contained in the application to document rationale used in the analysis of each and every bid pack. Evaluation committee members must be disclosed as part of this review.

Completed audits will be vetted through MSHDA office and shared with Blight partners giving them a 30 day period to respond and resolve any open observations/findings. Lack of response within established time period could result in suspension of funds and reporting of circumstances to U.S. Treasury.

Additional Bid Package Audits

- All additional cost change orders must be provided to our office for review. Our office will not be approving these change orders, however we will have the authority to question costs that appear to be excessive and to question items that were already included in the original bid pack and now appear to contain a change order
- All files that contain a change order for dirt where dirt was already contained in the bid award. Blight partner must provide a copy of the actual dirt invoice and transportation invoices for moving of the back-fill.
- All contractors bidding through Blight Partners RFP process must produce a fee schedule or have the

Blight Partner provide an upfront cost analysis to support overall demolition costs.

Releases and Discharges

Loan will be for 0%, non-amortizing, forgivable over a 5 year term at 20% per year, as long as covenants are met; outstanding balance of loan will be due on sale, or transfer of the property, to the extent of net proceeds received. Any repayment of program funds will be re-invested back into the Blight program allocation. Special considerations may be made by MHA to release lien prior to 5 year term based on merit of request and to promote positive economic impact to community on a case by case situation.

Many counties are pursuing the “side lot sale program” which results in lien release requests. Lien Release requests are sent to the Blight Elimination Team Lead. Blight staff verifies that the mortgage has been recorded and the requests are sent to Director of Homeownership for approval. Upon approval the partners will be notified via email to continue the sale and provide proof of transfer of ownership. When proof of transfer of ownership is received, blight staff will review and then request discharge of mortgage through the Final Documents team. The lien release request, approval, transfer of ownership and recorded discharge of mortgage will be uploaded to the file as received by either Blight Staff or Final Document staff. Any sale of the side-lot that generates income back to the Blight Partner in excessive of negligible (\$100 to \$500) income to cover administrative costs will be required to be returned to MHA. These funds will then be placed back into the general Blight Program for additional demolitions to take place.

All requests for discharges, payoffs and special requests can be made to Hardest Hit Blight staff at MSHDA Lansing office (517) 335-6979 and/or sent to the Blight email: mshda-hhfblihtelimination@michigan.gov.

Client Referrals, Disputes and Client Complaints

Any questions or information required can be obtained by contacting the Hardest Hit call center at 866-946-7432.

Client complaints that need immediate attention should be directed to the Team Lead, Roxy Eaton at eatonr4@michigan.gov or Mary Townley, Director at townleym1@michigan.gov

EXHIBIT I

Michigan Homeowner Assistance Nonprofit Housing Corporation
Help for the Hardest Hit Blight Program
Blight Partner Participation Agreement

This Blight Partner Participation Agreement (Agreement) is made this _____ day of _____, 20__ by and among the Michigan Homeowner Assistance Nonprofit Housing Corporation (“MHA”), the Michigan State Housing Development Authority (the “Authority”) and _____ (“Blight Partner”):

RECITALS:

WHEREAS, Blight Partner is duly qualified to engage in the process of blight removal and demolition oversight/services; and

WHEREAS, Blight Partner desires to participate in the H4HH Blight Elimination Program; and

WHEREAS, Blight Partner understands that participation in the H4HH Blight Elimination Program is voluntary and is distinct from MHA’s foreclosure prevention programs; and

WHEREAS, Blight Partner, the Authority and MHA desire to enter into this agreement to set forth certain premises and mutual covenants;

MHA and Blight Partner confirm their mutual agreement on the following principles relating to the MHA’s Help for Hardest Hit Program (H4HH Program) and agree as follows:

1. **Application Process:** Blight Partner will access the H4HH Program through the MATT system, through <https://www.mshda-matt.org>, by entering individual property site data to begin the process.
2. **Eligible Properties:** Demolition funds are specifically approved for the cities of Detroit, Flint, Grand Rapids, Pontiac Saginaw, Ecorse, Highland Park, River Rouge, Ironwood, Muskegon Heights, Inkster, Jackson, Hamtramck, Port Huron, Adrian and Lansing. (the “Cities”). MHA may authorize Blight Partner to demolish properties in immediately adjacent neighborhoods to the approved designated cities if it determines that the activity will promote increased values of remaining property and promote positive growth. Blight Partner must obtain MHA approval prior to taking any action regarding a specific property.
3. **Selection/Qualification of Property:** MHA and MSHDA will review and approve strategic plans for each City. Blight Partner may only request funding for demolition of properties located in the areas in the attached Exhibit A. In addition, MHA staff will review each entry in MATT system to confirm structures are residential 1-4 or multi-family 4+.
4. **Point of Contact:** MHA shall provide a list of key contacts to Blight Partner, and Blight Partner agrees to provide a primary and secondary point of contact to MHA.
5. **Collateral Documents:** At the time Blight Partner submits the documentation described in 6, below, Blight Partner will execute a Demand Note in favor of the Authority in the amount of the total costs for the demolition, as described in 7, below, as supplemented by MHA’s Blight Elimination manual (the “Manual”), a Note in favor of MHA in the same amount and a Mortgage in favor of MHA securing MHA’s Note. The MHA Note will repay in full the Authority Demand Note, which will be deemed cancelled upon execution of the MHA Note. The MHA Note will be a 0% non-amortizing loan, forgivable over a 5 year term at 20% per year, as long as the covenants contained in the MHA Note and Mortgage are met; the outstanding balance of loan will be due on sale or transfer of the affected property. Upon completion of all demolition activities and MHA’s receipt of required supporting documentation, MHA will reimburse Blight Partner for all eligible costs, as described in the Manual.

6. **File Documentation Requirements:** All individual property files must contain: acquisition information (if applicable) including deed, title insurance or equivalent; environmental survey and compliance inspections; proof of abatement (if necessary); proof utility cuts with costs; and completion of demolition with permits; and any other relevant information regarding the property.
7. **Subcontractors:** Blight Partner acknowledges that Blight Partner has sole discretion regarding any subcontractors that Blight Partner utilizes in carrying out the terms of this Agreement. Blight Partner covenants that it will assure that any and all subcontractors will be properly licensed (if necessary) and both Blight Partner and any subcontractors will comply with all applicable statutes, rules, regulations and ordinances. In addition, all subcontractors must meet any and all Authority requirements.
8. **Property Assistance:** Maximum loan amount is \$25,000 per property which includes payment of acquisition cost; demolition (inspections, asbestos or lead-paint abatement (if necessary) deconstruction, removal, permits, grading and greening, and maintenance costs of \$ 750 for a period to run concurrently with the terms of the lien. The total of \$ _____ has been awarded to _____ City.
9. **ACH Payments:** Blight Partner shall promptly provide ACH transmission information to MHA. MHA will make all payments via this method.
10. **Expiration of Agreement and Funding:** This agreement will terminate, and all funds allocated for blight elimination must be totally expended, 18 months from the date of contract execution.
11. **Status as Independent Contractors:** Notwithstanding the characterization of Blight Partner as "Blight Partner," nothing in this agreement shall create a partnership, agency or other relationship among the parties other than that of independent contractors.
12. **Termination:** Any party may terminate the agreement without cause on 30 days written notice. Either party may terminate immediately upon material breach by another party.

Accepted and agreed to by:

Blight Partner: _____

By: _____

Print: _____

Its: _____

Date: _____

Address: _____

Michigan Homeowner Assistance Nonprofit Housing Corporation

By: _____

Its: _____

Date: _____

Michigan State Housing Development Authority

By: _____

Its: _____

Date: _____

Partner Information

Zixmail is used to exchange secure communication. The State of Michigan Data Exchange Gateway (DEG) is used to send records back and forth. When your Step Forward representative reaches out to the contacts below, they will be assigned a user name and password to access the site.

Partner Name:

Additional Contact Information:

Please indicate who in your office will be our main contact person for the following specific functions:

Primary/Management: (Name and phone number)

Data Transfer/Communication: (The person who will send property records for acceptance in the program)
[Name and phone number]

Accounting/Funding: (Name and phone number) Post

Funding: (Name and phone number) Reporting: (Name
and phone number)

Authorized Agent Contact Name:

Please indicate who in your office will be our main contact person:

1. Contact Name: Title:
E-mail Address: Fax
Number:
Phone Number:
2. Contact Name: Title:
E-mail Address: Fax
Number: Phone Number:
3. Contact Name: Title:
E-mail Address: Fax
Number:
Phone Number:

Reporting Details

Reporting Method (mark with "X")

- ☐ E-mail

MICHIGAN HOMEOWNER ASSISTANCE NONPROFIT HOUSING CORPORATION
Acting Through

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

735 E. Michigan Avenue
Lansing, Michigan 48912

Partner Contact/ACH Instructions

ACH Instructions:

Complete ACH Instructions: Depository Financial Institution
(DFI) Routing-Transit #, DFI Name, Account Name, etc.

DFI Routing-Transit No: _____

DFI Name: _____

Account Name: _____

Account No: _____

Type of Account: (Circle one) ☐ Checking ☐ Saving

Partner Contact:

MHA Partner Code: _____
(MSHDA use)

Contact name: _____

Address: _____

Phone number: _____

Fax number: _____

Email: _____

(Complete and return with executed Blight Participation Agreement)

Date: _____

Signature: _____

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 (together, "Partners"). |
| 2. Program Goals | The Blight Elimination Program (BE) primary purpose and goal is to focus efforts on decreasing foreclosures and stabilizing neighborhoods through the demolition and greening of vacant and abandoned single family and multi family structures in designated areas across Michigan. MHA will work with program Partners to identify meaningful indicators that will enable them to track and quantify the Blight Elimination Program's impact in the designated communities. |
| 3. Target Population/Areas | Demolition funds will be focused in the cities of Detroit, Flint, Grand Rapids, Pontiac, Saginaw, Ecorse, Highland Park, River Rouge, Ironwood, Muskegon Heights, Inkster, Jackson, Hamtramck, Port Huron, Adrian and Lansing. MHA may authorize demolition to immediately adjacent neighborhoods to the designated cities if there is consensus among the applicable Partners that activity will promote increased values of remaining property and promote a positive economic impact. |
| 4. Program Allocation (Excluding Administrative Expenses) | \$ 207,700,000 |
| 5. Property Eligibility Criteria | <p>MHA determines property eligibility. Property will be considered blighted if it meets any of the following criteria as determined by the local governing body in their strategic plan and pursuant to program guidelines.</p> <ul style="list-style-type: none">• 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 | <ul style="list-style-type: none">• Eligibility for residential (1-4 units) and multi-family (4+ units) demolition will be determined by MHA internal committee, ensuring funds will be appropriately spent, providing the greatest good for the city and neighborhood as defined in the program guidelines.• MHA to issue note and mortgage not to exceed \$25,000 per structure for actual costs incurred to acquire (if applicable), demolish, green, manage, and maintain property for a period to run concurrently with the term of the lien. |
| 7. Program Exclusions | <ul style="list-style-type: none">• Commercial structures |

| | |
|--|--|
| | <ul style="list-style-type: none"> Properties listed on a national, state, or local historic register that do not receive approval from State Historic Preservation office and local Historical Chapters. |
| 8. Structure of Assistance | <p>MHA/MSHDA will determine project sites in direct consultation with Partners.</p> <p>Partners will be responsible for property acquisition (if applicable), demolition work and on-going property maintenance.</p> <p>Partners will submit to MHA/MSHDA the following for each demolition candidate:</p> <ul style="list-style-type: none"> Property ownership and/or acquisition information including location, deed, title insurance or equivalent. Pre demolition inspection with photos and post demolition inspection with photos. Third party environmental inspection (including asbestos information, if applicable), report providing proof of completion of demolition. Any other miscellaneous information identified on property to include hazards, adverse findings, etc. <p>Upon receipt of the above documentation, MHA will provide Hardest Hit funding to Partner after Partner's execution of a mortgage and note for a maximum of \$25,000 in favor of MHA. Total assistance will provide for payoff of any existing lien (if applicable), demolition costs, a \$500 one-time project management fee, and \$750 maintenance fee to cover maintenance of property for a period to run concurrently with the term of the lien.</p> <p>Loan will be 0%, non-amortizing loan, forgivable over a 5 year term at 20% per year, as long as covenants are met; outstanding balance of loan will be due on sale, transfer, or unauthorized use of the property, to the extent of net proceeds received. 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. Special considerations may be made by MHA to release lien prior to 5 year term based on merit of request and to promote positive economic impact to community as set forth in program guidelines.</p> |
| 9. Per Property Assistance | Maximum of \$25,000 per structure which includes payoff of existing lien (if applicable); demolition costs, a one-time project management fee, and maintenance fee. |
| 10. Frequency of Assistance | One time assistance per property. |
| 11. Estimated Number of Properties demolished | 7,000 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 8308. |
| 12. Program Inception/ | Expansion of Program to roll out late November, 2014. Based on the |

| | |
|---|--|
| Duration | overwhelming need, funds allocated to this Program will likely be exhausted prior to December 31, 2017. |
| 13. Program Interactions with Other HFA Programs | Property will only be eligible for one MHA Hardest Hit Funds Program. MSHDA owned properties may be eligible for this program. |

LETTER OF ATTESTATION

This is an attestation that _____ (Partner) has followed all the required guidelines set forth by Michigan Homeowner Assistance Non-Profit Housing Corporation/ Help for Hardest Hit-Demolition Program (Blight program) on the following address
_____.

These include but are not limited to the following:

- Partner is legal owner of record
- Address of the house matches documents submitted
- Deed or Title Insurance executed and validate ownership of Blight Partner
- Pre- demo photos are on the accurate structure
- Pre-demo Inspection are on the accurate structure
- Permits pulled to ensure that all state laws were followed in relation to demolition- (all that were needed including but not limited to Utility cuts/Demo)
- Asbestos survey provided and if remediation required it was adequately documented and completed as per state code
- Environmental inspection and if remediation required, it was adequately documented and completed as per state code
- Historical inspection and analysis to ensure that property is not considered historically significant and that it is not listed on the potential list of historical properties
- Post-demo photos on the accurate structure
- Post- demo inspection on the accurate structure
- All invoices detailing complete expenses incurred for demolition of structure
- All-inclusive invoice sheet completed

_____ Date signed _____

Signature

Print Name:

Partner Entity

EXHIBIT III

MORTGAGE NOTE - BLIGHT ELIMINATION

MICHIGAN HOMEOWNER ASSISTANCE NONPROFIT HOUSING CORPORATION

Acting Through

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

735 East Michigan

Avenue Lansing,

Michigan 48912

\$0.00

Date: Mar 25,
2014

Detroit, Michigan

FOR VALUE RECEIVED,

Detroit Land Bank Authority (herein called the "Mortgagor") whose address is 65 Cadillac Square, Suite 3200, Detroit, Michigan, 48226, promises to pay the Michigan Homeowner Assistance Nonprofit Housing Corporation ("MHA"), a Michigan nonprofit corporation (herein called the "Mortgagee"), whose address is 735 East Michigan Avenue, Lansing, Michigan 48912, or order, the principal sum of Zero Dollars and Zero Cents (\$0.00) bearing no interest. If the Mortgagor's interest in all or any part of the property located in Detroit, Wayne County, State of Michigan, commonly known as (the "Property") is sold, transferred, or otherwise conveyed, voluntarily or involuntarily (an "Early Maturity Event") then this Note shall be immediately due and payable in an amount equal to the principal amount advanced under this Note, minus an amount equal to 20% of the principal amount advanced multiplied by the total number of complete years elapsed after the date of this Note until the date of the Early Maturity Event.

On and after the fifth anniversary of the date of this Mortgage Note, the Mortgagor shall have no further repayment obligation, unless Early Maturity Event has occurred.

The undersigned shall have the right to prepay the principal amount outstanding in whole or in part. Any partial prepayment shall be applied against the principal amount outstanding and shall not extend or postpone the due date of any subsequent payments unless the holder hereof shall otherwise agree in writing.

Principal shall be payable at 735 East Michigan Avenue, Lansing, Michigan 48912 or such other place as an Authorized Officer of the Mortgagee or holder of this Mortgage Note may designate in writing.

In the event of default in the payment of this Mortgage Note, and if the same is collected by an attorney at law, the undersigned hereby agree(s) to pay all cost of collection, including a reasonable attorney's fee.

All parties to this Mortgage Note, whether principal, surety, guarantor or endorser, hereby waive presentment for payment, demand, protest, notice of protest, and notice of dishonor and consent to any number of renewals or extensions of the time of payment thereof. Any such renewals or extensions may be made without notice of any of said parties and without affecting their liability.

This Mortgage Note shall be the joint and several obligation of all makers, sureties, guarantors and endorser s , and shall be binding upon them and their heirs, personal representatives, successors, and assigns.

Any notice to Mortgagor provided for in this Mortgage Note shall be given by mailing such notice by regular or certified mail addressed to Mortgagor at the Property Address stated below, or to such other address as Mortgagor may designate by notice to the Note holder. Any notice to the Note holder shall be given by mailing such notice by regular or certified mail to the Note holder at the address stated in the first paragraph of this Mortgage Note, or at such other address as may have been designated by notice to Borrower.

This is the Mortgage Note described in and secured by a Mortgage of even date in the same principal amount as herein stated.

Signed this _____ day of _____,

Mortgagor print name _____

Title _____

Mortgagor print name _____

Title _____

Mortgagor print name _____

Title _____

Mortgagor print name _____

Title _____

Property Address:

Parcel ID:

EXHIBIT IV

MORTGAGE HELP FOR HARDEST HIT - BLIGHT ELIMINATION

MICHIGAN HOMEOWNER ASSISTANCE NONPROFIT HOUSING CORPORATION Acting Through

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

735 East Michigan Avenue
Lansing, Michigan 48912

THIS MORTGAGE, made and entered into this 25 day of March, 2014 by Detroit Land Bank Authority, whose address is 65 Cadillac Square, Suite 3200, Detroit, Michigan, 48226 (herein referred to as the "Mortgagor"), and the Michigan Homeowner Assistance Nonprofit Housing Corporation, whose address is 735 East Michigan Avenue, Lansing, Michigan 48912 (herein referred to as the "Mortgagee").

WITNESSETH:

WHEREAS, the Mortgagor is justly indebted to the Mortgagee in the principal sum of Zero Dollars and Zero Cents (\$0.00) (the "Debt") evidenced by a Mortgage Note (the "Note") made on March 25, 2014. Said Note and all of its terms are incorporated herein by reference and this Mortgage shall secure any and all extension thereof, however evidenced.

THIS IS A FUTURE ADVANCE MORTGAGE. THE MAXIMUM PRINCIPAL AMOUNT, EXCLUDING "PROTECTIVE ADVANCES" AS DEFINED IN MICHIGAN COMPILED LAWS 565.901(C), THAT MAY BE SECURED BY THIS MORTGAGE IS \$0.00

NOW, THEREFORE, the said Mortgagor, for the better securing of the payment of such principal sum of money and the performance of the covenants and agreements herein contained does hereby MORTGAGE AND WARRANT unto the Mortgagee, its successors or assigns, the lands, premises and property (the "Property") situated in _____ Of _____, Wayne County, and State of Michigan, described as follows,

to wit:

Parcel number:

TOGETHER with the privileges and appurtenances belonging to the Property, and all of the issues, and profits which may arise or be had therefrom.

TO HAVE AND TO HOLD the above-mortgaged premises, to the said Mortgagee forever, provided that if the Mortgagor shall pay the principal as provided in the Note executed by the Mortgagor to the Mortgagee and shall pay all other sums hereinafter provided for, and shall keep and perform all of the covenants herein contained, then this Mortgage and the Note shall be null and void; otherwise to remain in full effect.

AND the Mortgagor hereby covenants as follows:

1. The Mortgagor will pay the Note at the times and in the manner provided therein.

2. So long as this Debt is unpaid, if the Property is sold or transferred without the Mortgagee's prior written consent, or if the Mortgagor repays in full any mortgage loans encumbering the Property that are senior to this Mortgage, such act shall be deemed a breach of a covenant in this Mortgage and all the sums secured by the Mortgage shall be immediately due and payable. For purposes of this Mortgage, the words "sold or transferred," individually or together, specifically include, but are not limited to, an outright sale of the Mortgage, transfer by operation of law either upon the death of the Mortgagor or otherwise, and leasing of the Property.

3. The Mortgagor will pay before the same become delinquent or subject to interest or penalties, all taxes, assessments, water rates, and all other charges and encumbrances which now are or shall hereafter be or appear to be a lien upon the Property (unless otherwise agreed to in writing), and that in default thereof, the Mortgagee may, without demand or notice, pay the said taxes, assessments, charges or encumbrances, and pay such sum of money as the Mortgagee may deem to be necessary therefor, and shall be the sole judge of the legality or validity thereof and of the amount necessary to be paid in satisfaction thereof.

4. The Mortgagor will not permit or commit any waste on the Property and will keep the Property in good repair, and promptly comply with all laws, ordinances, regulations, and requirements of any governmental body affecting the Property, and should the Property or any part thereof require inspections, care, or attention of any kind or nature not provided by the Mortgagor, or by another party responsible therefor the Mortgagee, being hereby made sole judge of the necessity therefor may, after notice to the Mortgagor, enter or cause entry to be made on the Property, and inspect, protect, care for or maintain the Property as the Mortgagee may deem necessary, and may pay such sum of money as the Mortgagee may deem to be necessary therefor and shall be the sole judge of the amount necessary to be paid.

5. Should any default be made in the covenants of this Mortgage, the Mortgagee may cause the abstract or abstracts of title, or Title Insurance Policy and the tax histories of the Property to be certified to date, or may procure new abstracts of title or Title Insurance Policies and tax histories or title search in case none were furnished to the Mortgagee, and may pay therefor such sums as it may deem to be necessary, and if unpaid, may pay any mortgage tax on this instrument, and shall be the sole judge of the amount necessary to be paid

therefor.

6. The Mortgagor shall pay the Mortgagee forthwith the amounts of all sums of money, which the Mortgagee shall pay or expend pursuant to the provisions of the Note and this Mortgage, and such payments by the Mortgagee shall be a further lien on the Property under this Mortgage.

7. Should any default be made in the payment of principal, or should default be made in the performance of any other covenants of this Mortgage or the Note, or any part thereof, when the same is payable or the time of performance has arrived, as above provided, then all sums due hereunder shall, at the option of the Mortgagee, without notice, become immediately payable thereafter, although the period above limited for the payment thereof may not have expired, anything herein contained or contained in the Note to the contrary notwithstanding, and any failure to exercise such option shall not constitute a waiver of the right to exercise the same at any other time with respect to the same default or any subsequent default. Upon any such default, the Mortgagee may invoke the power of sale provided below or exercise any other remedy available under applicable law.

8. No forbearances on the part of the Mortgagee and no extension of the time for the payment of the debt hereby secured, given by the Mortgagee, shall operate to release, discharge, modify, change or affect the original liability of the Mortgagor herein either in whole or in part.

9. This Mortgage contains a Power of Sale and upon default may be foreclosed by advertisement as herein provided. Upon default being made in the payment of the sums of money herein agreed to be paid, or in the performance of any of the covenants or agreements herein contained according to the terms hereof or of the Mortgage Note secured hereby, the holder of the Mortgage Note is hereby authorized and empowered to sell the Property or cause it to be sold and to convey the same to the purchaser in any lawful manner, including but not limited to that provided in Chapter 32 of the Revised Judicature Act (MCL 600.3201, et seq.) entitled "Foreclosure of Mortgage by Advertisement," which permits the mortgage holder to sell the Property without affording the Mortgagor a hearing, or giving the Mortgagor personal notice; the only notice required is to publish notice in a newspaper of general circulation in the county in which the Property is located and to post a copy of the notice on the Property.

10. The covenants herein contained shall bind, and the benefits and advantages shall inure to, the respective successors and assigns of the parties hereto.

Property Address:

IN WITNESS WHEREOF, the Mortgagor has caused these presents to be signed as of the day and year first above written.

Mortgagor Name: _____

Title _____

Mortgagor Name: _____

Title _____

Mortgagor Name: _____

Title _____

Mortgagor Name: _____

Title _____

STATE OF MICHIGAN)

County of _____)

The foregoing instrument was acknowledged before me on this _____ day of _____, _____ by _____

Notary Public Signature: _____

Notary Public's Name: _____

State of Michigan, County of : _____

My Commission Expires: _____

Acting In: _____

FORM DRAFTED BY:
Willard G. Moseng
735 E. Michigan Avenue
P.O. Box 30044
Lansing, Michigan 48909

RETURN TO:
Roxy Eaton Homeownership
Blight Elimination Program
111 S. Capitol Avenue
Lansing, MI 48933

EXHIBIT V

DEMAND NOTE – BLIGHT ELIMINATION

FOR VALUE RECEIVED

(The "Mortgagor"), promises to pay to the **MICHIGAN HOMEOWNER ASSISTANCE NONPROFIT HOUSING CORPORATION**, a public body corporate and politic (the "Mortgagee"), whose address is 735 East Michigan Avenue, Lansing, Michigan 48912, or to order, the principal sum of _____ Dollars

(\$ _____) in connection to property located at _____

Principal shall be payable immediately **UPON DEMAND** by the Mortgagee to the Mortgagor at 735 East Michigan Avenue, Lansing, Michigan 48912 or such other place as an Authorized Officer of the Mortgagee or holder of this Note may designate in writing.

In the event of default in the payment of this Mortgage Note, and if the same is collected by an attorney at law, the undersigned hereby agree(s) to pay all cost of collection, including a reasonable attorney's fee.

All parties to this Mortgage Note, whether principal, surety, guarantor or endorser, hereby waive presentment for payment, demand, protest, notice of protest, and notice of dishonor and consent to any number of renewals or extensions of the time of payment thereof. Any such renewals or extensions may be made without notice of any of said parties and without affecting their liability.

This ~~Mortgage~~ Note shall be the joint and several obligations of all makers, sureties, guarantors and endorsers, and shall be binding upon them and their heirs, personal representatives, successors, and assigns.

Any notice to Mortgagor provided for in this Mortgage Note shall be given by mailing such notice by regular or certified mail addressed to Mortgagor at the Property Address stated below, or to such other address as Mortgagor may designate by notice to the Note holder. Any notice to the Note holder shall be given by mailing such notice by certified mail, return receipt requested, to the Note holder at the address stated in the first paragraph of this Note, or at such other address as may have been designated by notice to Mortgagor.

Upon default of making payment within 10 days of DEMAND, and providing this note is turned over for collection, Mortgagor agrees to pay all reasonable legal fees and costs of collection to the extent permitted by law.

Signed this _____ day of _____,

MORTGAGOR

EXHIBIT VI

TEMPLATE FOR TREASURY REPORT

| Michigan | | |
|---|-----|------------|
| HHF Performance Data Reporting- Program Performance Blight Elimination Program | | |
| | QTD | Cumulative |
| Program Evaluation | | |
| <i>Approved/Funded</i> | | |
| Number of Structures Demolished/Removed | | |
| % of Total Number of Submissions | | |
| <i>Denied/Cancelled</i> | | |
| Number of Structures Denied/Cancelled | | |
| % of Total Number of Submissions | | |
| <i>Withdrawn</i> | | |
| Number of Structures Withdrawn | | |
| % of Total Number of Submissions | | |
| <i>In Process</i> | | |
| Number of Structures In Process | | N/A |
| % of Total Number of Submissions | | N/A |
| <i>Total</i> | | |
| Total Number of Structures Submitted for Eligibility Review | | |
| Program Characteristics | | |
| <i>Assistance Characteristics</i> | | |
| Total Assistance Provided | | |
| Median Assistance Spent on Acquisition | | |
| Median Assistance Spent on Demolition | | |
| Median Assistance Spent on Greening | | |
| Total Assistance Reserved | N/A | |
| Geographic Breakdown (by city) | | |
| <i>Approved/Funded Number of Structures</i> | | |
| Detroit | | |
| Flint | | |
| Grand Rapids | | |
| Pontiac | | |
| Saginaw | | |

EXHIBIT VII

BLIGHT ELIMINATION
POST FUNDING INSPECTION REPORT

Date of Inspection _____ of _____ sites to inspect
INSPECTED BY _____

ADDRESS _____ Unique ID #: _____

Photos taken of subject property: Yes _____ No _____ Explanation _____

Property Inspection to include, if possible (weather permitting):

- ** Debris/Rubble _____
- ** Backfill _____
- ** Cement work _____
- ** Curb cuts _____
- ** Greening _____

Additional notes: _____

Signed

Signed

EXHIBIT VIII

Helping Michigan's Hardest-Hit Homeowners

Procedure/Policy Change Form

Date: 03/12/14

Main Area Effected: Blight Program

Other Areas Impacted:

Funding/Compliance Change Submitted/Approved By:

Joshua Long/Melissa Austin, Mary

Townley

Effective Date of Change: 03/12/14 **Short Description of Change:**

Step Forward Michigan is establishing a process for processing both credits and debits that do not follow the normal funding process flow.

Summary of Change

Effective Date: 03/12/14

Step Forward Michigan will retain an excel log of all manual funding transactions that are not currently retained in the Agate software. This excel sheet will retain information such as the original funding date, revised funding date, as well as the amount of the adjustment and reason for the need. This will be a temporary process until a better database type system is established.

Process Flow:

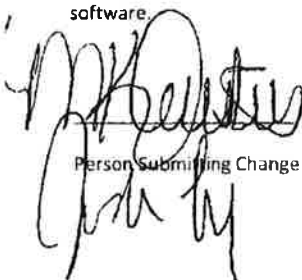
Once discrepancy is noted, the funding/reporting team will be notified of the issue and will research. Once they have completed their review, they will advance to the compliance area the draft disbursement by using the "Template-Manual Blight Funding" Excel file (see attached). Once compliance signs off on the calculations, the funding team will initiate an ACH transaction to the respective partner(s) if necessary. Funding will then ensure that the entry has been recorded in the "Blight Funding corrections" worksheet.

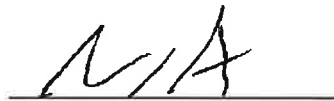
Old Policy Stated (Short Description):

N/A

Justification of change:

Step Forward Blight program needs the ability to keep track of manual disbursements that are not included in the Agate software.

software.

Person Submitting Change



Management Approval

Director Approval (If Applicable)

APPENDIX B

From: [Pura Bascos](#)

Sent: Tuesday, July 26, 2016 11:26 AM

To: rr@rickmanenterprise.com; [phil](#); [David MacDonald](#)

Cc: [David Manardo](#); [James Wright](#); [Tom Fett](#); [Tyler Tinsey](#); [Carrie Lewand-Monroe](#); [Martha Delgado](#); [Tyrone Clifton](#)

Subject: EFFECTIVE IMMEDIATELY - STOP WORK ORDER

It has come to my attention that Rickman Enterprise has demolished the structures (see attachment) for which it has not received neither an executed contract nor a Notice to Proceed from the Detroit Land Bank.

This is an order to STOP WORK IMMEDIATELY on all Rickman projects until this matter is investigated and resolved.

Detroit Land Bank Authority



Pura S. Bascos

Director of Demolition

Hours of Operation: Monday – Friday; 9:00 a.m. - 5:00 p.m.

500 Griswold, Suite 1100 | Detroit, MI 48226

Office: [313.974.6869](tel:313.974.6869); Fax: [313.285.9019](tel:313.285.9019)

pbascos@detroitlandbank.org | www.buildingdetroit.org

APPENDIX C

Rebecca Camargo

From: Eaton, Roxanne (MSHDA) <EatonR4@michigan.gov>
Sent: Monday, December 5, 2016 4:08 PM
To: Rebecca Camargo
Cc: Pura Bascos; Townley, Mary (MSHDA)
Subject: RE: Follow up question

Yes, I double checked with Mary and she agrees that you can do the RFP for the backfill, but remember it needs to be competitive bid, I don't see any reason to wait – the holes need to be filled. thanks.

From: Rebecca Camargo [mailto:rcamargo@detroitlandbank.org]
Sent: Monday, December 05, 2016 3:47 PM
To: Eaton, Roxanne (MSHDA) <EatonR4@michigan.gov>
Cc: Pura Bascos <pbascos@detroitlandbank.org>
Subject: FW: Follow up question

Roxy – thanks for sending me the emails re Rickman. Please see my communication to Rickman below. Pura and I are also wondering about issuing an RFP for all of their unfinished work. Do you want us to wait until they have a chance to speak to you and Mary one more time? Or can we issue the RFP, which they will have the opportunity to bid on?

Thanks as always!
Becki

From: Rebecca Camargo
Sent: Monday, December 05, 2016 11:27 AM
To: 'Roderick Rickman' <rr@rickmanenterprise.com>; 'phil@rickmanenterprise.com' <phil@rickmanenterprise.com>; paul@rickmanenterprise.com; David MacDonald <david@rickmanenterprise.com>
Subject: FW: Follow up question

Good morning all. Please forward this communication to anyone I missed as I do not have everyone's email addresses handy.

I'm writing regarding the work that was done by Rickman prior to the contract being executed (and to date has not been executed). I spoke to Roxy and Mary on Friday. They both confirmed that while they understood that you were hopeful that you would get paid for this work, they told you that they would speak to the MSHDA attorneys and get back to you. They then did speak to their attorneys and the attorneys told them to tell you to speak to your attorneys.

According to the communications below, it is clear that their directive to you is to contact your attorneys about the work performed. Based on that, it is clear to me that MSHDA's position is that they will not reimburse us for that work.

I know that you wanted to still meet with Roxy and Mary. I am fine with that. Please contact them directly to set something up. I can give you several dates and times that I am available.

Thanks,
Becki

APPENDIX D

Open-Hole Status of 19 Properties Identified in Special Report

| Address | Parcel ID | Demo Contractor: Account Name | Status | Knock Down Date | Open Hole Requested | BSEED: Open Hole Approved |
|----------------|-----------|-------------------------------|------------|-----------------|---------------------|---------------------------|
| 18082 Biltmore | 22064060 | Rickman Enterprise Group | Demolished | 7/25/2016 | - | - |
| 1933 Tuxedo | 8003437 | Rickman Enterprise Group | Demolished | 7/21/2016 | - | - |
| 2254 Lawrence | 8003344 | Rickman Enterprise Group | Demolished | 7/21/2016 | - | - |
| 2248 Lawrence | 8003345 | Rickman Enterprise Group | Demolished | 7/21/2016 | - | - |
| 2219 Tuxedo | 8003449 | Rickman Enterprise Group | Demolished | 7/21/2016 | - | - |
| 2270 Tuxedo | 8003484 | Rickman Enterprise Group | Demolished | 7/21/2016 | - | - |
| 2010 Tuxedo | 8003497 | Rickman Enterprise Group | Demolished | 7/21/2016 | - | - |
| 1980 Tuxedo | 8003502 | Rickman Enterprise Group | Demolished | 7/21/2016 | - | - |
| 1974 Tuxedo | 8003503 | Rickman Enterprise Group | Demolished | 7/21/2016 | - | - |
| 1944 Tuxedo | 8003508 | Rickman Enterprise Group | Demolished | 7/21/2016 | - | - |
| 2359 Monterey | 8003635 | Rickman Enterprise Group | Demolished | 7/20/2016 | - | 7/25/2016 |
| 2366 Monterey | 8003643 | Rickman Enterprise Group | Demolished | 7/20/2016 | - | 7/25/2016 |
| 2340 Monterey | 8003647 | Rickman Enterprise Group | Demolished | 7/20/2016 | - | 7/25/2016 |
| 2421 Monterey | 10003377 | Rickman Enterprise Group | Demolished | 7/20/2016 | - | 7/26/2016 |
| 2427 Monterey | 10003378 | Rickman Enterprise Group | Demolished | 7/20/2016 | - | 7/26/2016 |
| 2433 Monterey | 10003379 | Rickman Enterprise Group | Demolished | 7/20/2016 | - | 7/26/2016 |
| 2442 Monterey | 10003450 | Rickman Enterprise Group | Demolished | 7/20/2016 | - | 7/25/2016 |
| 2323 Monterey | 8003629 | Rickman Enterprise Group | Demolished | 7/20/2016 | - | 7/26/2016 |
| 2349 Monterey | 8003633 | Rickman Enterprise Group | Demolished | 7/20/2016 | - | 7/25/2016 |

APPENDIX E

Payments Made On 19 Properties Identified in Special Report

| RFP | Address | Survey Costs | Survey Costs Paid | Demolition Bid | Demolition Paid |
|----------|----------------|--------------|-------------------|----------------|-----------------|
| 6.22.16A | 18082 Biltmore | \$ 358.00 | No | \$ 10,530.00 | No |
| 6.22.16J | 2323 Monterey | \$ 920.00 | Yes | \$ 9,010.00 | No |
| 6.22.16J | 2340 Monterey | \$ 800.00 | Yes | \$ 16,970.00 | No |
| 6.22.16J | 2349 Monterey | \$ 1,040.00 | Yes | \$ 11,660.00 | No |
| 6.22.16J | 2359 Monterey | \$ 965.00 | Yes | \$ 14,540.00 | No |
| 6.22.16J | 2366 Monterey | \$ 1,540.00 | Yes | \$ 13,740.00 | No |
| 6.22.16J | 2421 Monterey | \$ 972.00 | Yes | \$ 14,490.00 | No |
| 6.22.16J | 2427 Monterey | \$ 806.00 | Yes | \$ 8,490.00 | No |
| 6.22.16J | 2433 Monterey | \$ 950.00 | Yes | \$ 9,200.00 | No |
| 6.22.16J | 2442 Monterey | \$ 870.00 | Yes | \$ 18,670.00 | No |
| 6.22.16K | 1933 Tuxedo | \$ 880.00 | Yes | \$ 15,530.00 | No |
| 6.22.16K | 1944 Tuxedo | \$ 1,140.00 | Yes | \$ 13,630.00 | No |
| 6.22.16K | 1974 Tuxedo | \$ 1,168.00 | Yes | \$ 21,580.00 | No |
| 6.22.16K | 1980 Tuxedo | \$ 703.30 | Yes | \$ 8,640.00 | No |
| 6.22.16K | 2010 Tuxedo | \$ 835.00 | Yes | \$ 12,970.00 | No |
| 6.22.16K | 2219 Tuxedo | \$ 1,010.00 | Yes | \$ 19,890.00 | No |
| 6.22.16K | 2248 Lawrence | \$ 1,180.00 | Yes | \$ 9,190.00 | No |
| 6.22.16K | 2254 Lawrence | \$ 674.00 | Yes | \$ 9,620.00 | No |
| 6.22.16K | 2260 Lawrence | \$ 770.00 | Yes | \$ 9,840.00 | No |

APPENDIX F

From: Jill Kilbourn
To: Clifton, Tyrone
CC: Goodspeed, Laura; Timothy M. Palazzolo
Date: 3/22/2017 9:45 AM
Subject: Re: RFP for Demolition related to RFP 3.14.17A

Tyrone,

To clarify, what you said you would provide is the RFP and/ or contract for the abatement and demolition of the properties included in RFP #3.14.17A. RFP #3.14.17A is for Debris Removal, Open Hole Completion and Site Finalization of Residential Properties. We requested the RFP and/ or contract for the demolition of the properties included RFP #3.14.17A. From information in SalesForce it appears the associated Demo RFP Groups are 6.22.2016A, 6.22.2016J and 6.22.2016K,

Hope this helps clarify what it is we are requesting.

Thank you,
Jill Kilbourn

Jill Roderus Kilbourn
City of Detroit
Office of the Auditor General
[\(313\) 224-1996](tel:3132241996)

>>> Tyrone Clifton 3/21/2017 5:02 PM >>>
Hello Jill,

There is no contract for this RFP. We will send you the RFP and any addendums tomorrow.

Thanks,

Tyrone Clifton
Director
Detroit Building Authority
1301 Third Street, Suite 328
Detroit, MI 48226
PH: [313.224.5504](tel:3132245504)
FAX: [313.224.4998](tel:3132244998)
EMAIL: tclifton@detroitmi.gov