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**To:** David Whitaker, Director, Legislative Policy Division

**From:** Timothy Palazzolo, Director, Construction and Demolition Department *TP*

**Date:** March 24, 2025

**Re:** Responses to 2025-2026 Construction and Demo Budget Analysis

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Please find below responses to your questions sent on 3/17/2025 regarding the Fiscal Year 2026 Proposed Budget for the Construction and Demolition Department.

- 1. Please briefly explain the department's new expense initiatives, new capital funding requests, operational reform and savings proposals, and new revenue initiatives/proposals to be implemented from proceeds in Fund 1000 General Fund Construction & Facilities Management and the newly DDOT Facilities Management programs, Fund 1003 Blight Remediation Fund (which houses general fund surplus dollars for emergency demolition and remediation purposes) and appropriation 21003 Neighborhood Improvement Bonds, Fund 4503 General Obligation Bond Fund in FY 2026.**

New expense initiatives include \$782K for ten approved FTEs: one in Cost Center 160070-Construction & Facilities Management and nine in 160080-DDoT Facilities Management. Also included is \$2.975 million for non-personnel contractual items in 160080-DDoT Facilities Management for concrete repairs, electrical, elevator, facilities, and HVAC maintenance, general contractor services, generator repair, overhead door service and plumbing related items.

No new capital funding is allocated in FY26.

New revenue initiatives include \$51K sourced from demolition cost recovery litigation proceeds.

- 2. B16-5: As of February 5, 2025, there are 20 vacant General Fund FTEs and 18 vacant -Non-General Fund FTEs. How are these vacant positions impacting the department's operations? Please explain the difficulty of filling these positions.**

The Facilities Unit has historically faced challenges in filling vacancies, primarily due to the significant disparity between industry-standard compensation and the City's pay scale. Skilled trades professionals in the private sector or unionized environments often earn 20-30% more than what municipal roles offer, making it difficult to attract and retain qualified candidates.



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Additionally, the nature of our facilities—many of which are aging and require extensive maintenance and repairs—demands experienced and specialized skilled labor. This increases the complexity and physical demands of the work, further diminishing the appeal of City employment compared to less demanding, better-paying opportunities elsewhere.

As a result, these vacancies significantly impact operations, placing a greater workload on the existing skilled trades staff and requiring the department to contract the excess volume of work to contractors. This not only increases costs but can also extend project timelines and reduce the efficiency of facility upkeep.

To mitigate these challenges, competitive compensation, workforce development initiatives, and apprenticeship programs aligned with industry standards could enhance recruitment and retention, ensuring the department can effectively maintain City facilities.

**3. B16-5: Given the 20 vacant General Fund FTEs as of February 5, 2025, please explain the need for 59 General Fund FTEs in FY 2026.**

Construction and Demolition is actively recruiting to fill the vacant positions. Positions are needed to maintain City owned structures CDD is charged with overseeing.

Based on the city's current inventory of 140+ buildings the leanest our operation can reasonably manage would be 59 team members. The ideal for the current inventory would be over 80 team members.

It is also important to note that the DDOT Facilities Maintenance division staff costs are offset by a revenue from the Transportation Fund for these services.

**4. B16-5: There are 87 Non-General Fund FTEs budgeted in FY 2026 but drop to 63 budgeted FTEs in the remainder of the four-year financial plan. Please explain.**

The reduction in Non-General Fund positions is due to Fund 1003 positions and expenditures historically not being included in forecast years as funding is sourced from prior year surplus.



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**5. In the Mayor's presentation of his proposed FY 2025 budget, he indicated that from the usage of the \$250 million bond proceeds approved by the voters in November 2020 (however, there's \$283.7 million in total bond proceeds with bond premium dollars added, as described above):**

- **There were 8,000 DLBA houses to be demolished committed to voters, 7,472 demolished to date as of February 27, 2025, and 8,200 projected to be demolished by December 31, 2025.**
- **There were 8,000 DLBA houses to be sold/renovated committed to voters, 8,805 completed to date as of February 27, 2025, and 10,100 projected to be completed by December 31, 2025. Questions:**
  - a. **What is the total amount of Prop N NIB bond dollars available as of February 28, 2025?**
    - a. There is approximately \$25M of funds available; however, there is an additional \$21M of work (demos, stabilizations etc.) already identified in the pipeline for completion.
  - b. **Is this available amount sufficient to meet the projected goals, the number of DLBA homes to be demolished and sold/renovated by December 31, 2025?**
    - a. No, the funds have been exhausted based on the projected number of properties remaining. In addition, the Land Bank continues to identify properties for demolition and stabilization.

**6. C3: It appears that the \$25 million in ARPA dollars designated for commercial and industrial demolition has been spent. Is it anticipated that general fund dollars will be used to demolish commercial and industrial properties in FY 2026?**

The Construction and Demolition Department ARPA-funded projects covered commercial demolition efforts and capital improvements for City-owned facilities. Both will require funding in the future. There are approximately 70 commercial properties and an additional 19 schools that are currently identified as demolition candidates. Additionally, the CDD manages a City-owned portfolio of over 150 buildings, all of which require ongoing improvements to extend their useful life or eventual replacement when they reach the end of their serviceability.



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**7. B16-8: Please explain why operating supplies in the general fund increase by \$1.93 million in FY 2026.**

The increase in Operating Supplies expenditures is driven by facilities management needs for items including HVAC, plumbing, pool repair, fire suppression, maintenance and repair general contractors, roof repair, boiler treatment, electrical maintenance, commercial glass, door maintenance, software, uniforms, and other small non-personnel contractual items.

It is important to note that increases in the DDOT Facilities Maintenance division (cost center 160080) are partially offset by a revenue from the Transportation Fund for these services.

**8. B16-8: Please explain why professional & contractual services increase by \$3.1 million in FY 2026.**

This increase in Fund 1003 is due to \$4.3M approved in FY 2026 for contractual services for residential demo vs \$2M in FY 2025 Adopted. \$660K approved in FY 2026 for vacant building conservation and \$176K approved for administration/overhead.

It is important to note that increases in the DDOT Facilities Maintenance division (cost center 160080) are partially offset by a revenue from the Transportation Fund for these services.

**B16-8: Please explain why operating supplies increase by \$6.4 million in FY 2026.**

This increase in Fund 1003 is due to increased proposed funding approved for demolition & excavation services.

**9. B16-8: In Fund 4533-City of Detroit Capital Projects, funding of \$2 million in FY 2025 went to zero in FY 2026. City Council added \$2 million in the FY 2025 budget for Monteith Branch Library capital improvements. Please provide an update on this capital project for the Monteith Branch Library. Please explain why there is no capital improvement dollars in FY 2026.**



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The City is continuing to coordinate with the Detroit Public Library administration on moving this project forward.

No capital is recommended for FY26 due to the substantial amount of remaining unspent capital funding from previous PAYGO appropriations and previous bond issuances. These capital funds are programmed and, in many cases, obligated but construction and major renovation projects are moving slowly in the current construction and materials environment. The Department will be spending the next fiscal year continuing work on the existing pipeline of capital projects.

**10. B16-11: Please explain why the DDOT Facilities Management contribution & transfers drop by \$1.03 million in FY 2026 but goes back up to approximately \$3 million level in the rest of the four-year financial plan.**

To ease DDOT into the full cost of proper state of good repair facilities maintenance, the FY26 budget was crafted to only partially offset the Department's expenses. However, by FY27, it is expected that DDOT will pay the full cost of the services.

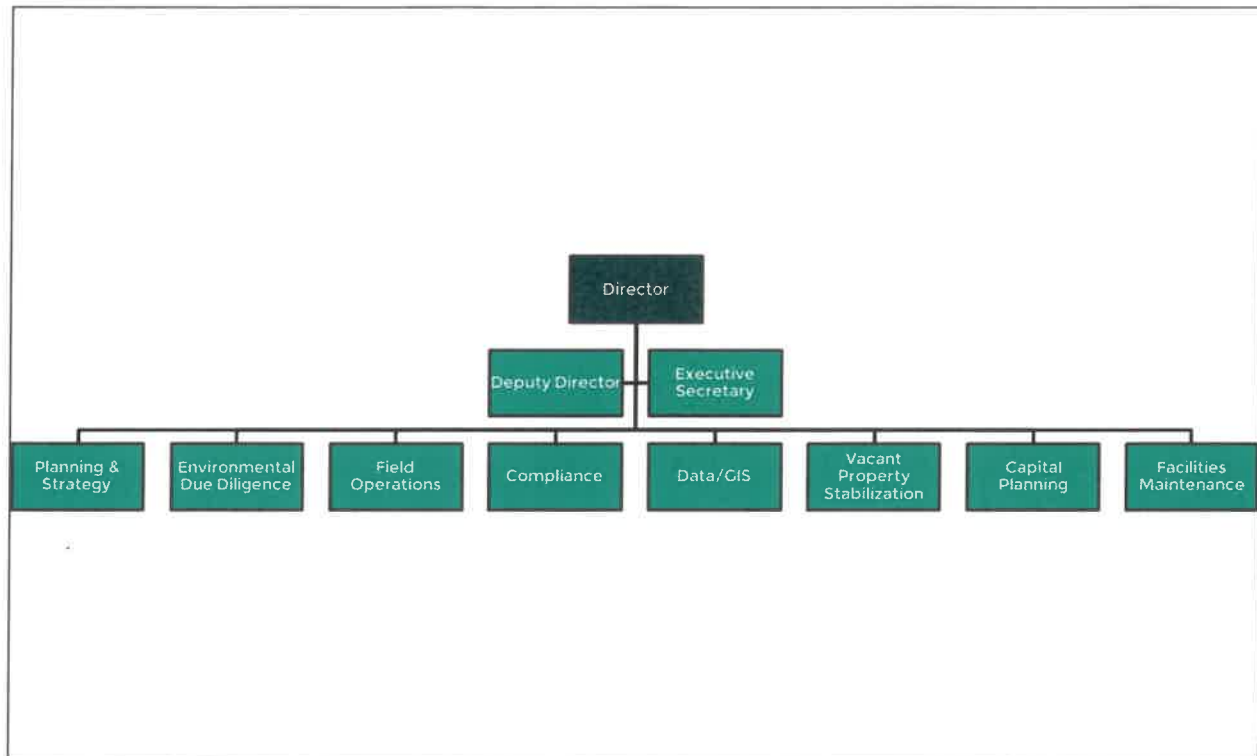
**11. B6-10 and B6-11: In FY 2025, it was anticipated that revenues would equal expenditures in the DDOT Facilities Management program. But in FY 2026-2029, there's a \$400,000 to \$500,000 net tax cost to the general fund in this program. Please explain.**

See response to Question 10.



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**12. Please provide the proposed organization chart for the Construction & Demolition Department for FY 2026.**





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- 13. In response to one of the Legislative Policy Division's (LPD) questions on the department's proposed FY 2025 budget, the department indicated that the average cost of demolishing, excavating, backfilling, and grading homes demolished with Prop N Bond funds over the last 12 months is \$26,682. Please provide the average cost for doing these things currently. If the average cost is escalating dramatically, that means there's less the number of homes that can be demolished.**

Emergency residential property FY26 funding request was based on an average of \$26,500 per property.

- 14. As the department knows, the City Council passed in 2021 the Neighborhood Improvement Plan (NIP) closing resolution supporting the Administration's commitment to the goals of the NIP, to be supported in part by the Prop N Bond funds. Please provide the Administration's/Demolition Department's most recent score card on the progress made addressing the goals as enumerated by the resolved clauses 1 through 27 of the NIP closing resolution. For any goals that are still in progress to be met, is there a timeframe in place to meet them?**

Not applicable at this time.

- 15. Under the NIP closing resolution, the NIP Advisory Board will review and monitor the goals of the final NIP closing resolution, review the Quarterly Reports from the Vacant House Management Department, and provide recommendations to the Administration and City Council. Please provide a copy of any recommendations made by the NIP Advisory Board so far. Where applicable, does the Demolition Department have a timeframe of implementing any recommendations made by the NIP Advisory Board?**

Not applicable at this time.

- 16. Please provide the amount fire insurance escrow fund monies that have been transferred during FY 2025 to reimburse the General Fund for past demolition activities.**

During FY25, \$5,872,872 has been transferred from the Fire Insurance Escrow funds to Demolition.