



**1301 Third Street, Suite 618
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www.detroitmi.gov/demolition**

To: Mary Sheffield, President, Detroit City Council
From: Tim Palazzolo, Director, Construction & Demolition Department *TP*
Date: 3/31/2025
Re: Responses to 2025-2026 CDD Budget Analysis

Please find below responses to your questions sent on 3/21/2025, regarding the Fiscal Year 2026 Proposed Budget for the Construction & Demolition Department.

- 1. On page B16-8, please explain the increase in Operating Supplies Expenditures from \$3,639,348 in FY25 to \$5,573,892 for the proposed FY26 Budget.**

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

- 2. On page C4, please explain why Appropriation #20507 – CoD Capital Projects, is zeroed out after a \$2 million expenditure in FY25.**

No capital funding was allocated for FY 2026.

- 3. Please provide an update on Proposal N Bond activities for blight remediation.**

- **How much of the funds have been allocated and spent?**
 - There has been a total of \$283M allocated for Proposal N Bonds, of which approximately \$239M has been spent to date.
- **How much funds remain?**
 - There is approximately \$25M of unencumbered funds available. However, there is an additional \$21M of work (demos, stabilizations, etc.) already identified in the pipeline for completion.



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4. Has the department been getting reimbursed when forced to demolish private structures?

- **How many demolitions of private structures occurred in the previous year and at what cost?**

In 2024, the Department demolished structures on 322 privately-owned properties.

- 239 residential structures at a cost of approximately \$6.72M.
- 75 commercial structures at a cost of approximately \$10.32M.

- **What is the process for receiving payment for those demolitions?**

Once demolitions are complete, the Department refers the project to the Finance and Law Departments for cost recovery. The Law Department identifies the owner who should receive the invoice. The Finance Department creates and sends the invoice, and the Law Department follows up on any unpaid invoice.

- **Does the department ever take legal action to force payment?**

Yes, \$51K in revenue is sourced from demolition cost recovery from litigation proceeds.

5. How has the Capital Management Division performed under the Demolition Department?

- **Will more FTEs be brought in to manage City facilities?**

Not at this time.

- **What capital improvements are expected in FY26?**

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.



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6. Has the department contracted with any outside companies for demolition site soil testing?

Yes. The Department has a contract with AKT Peerless for management and oversight of the backfill program. Soil testing is an allowable activity under the contract with AKT Peerless. The Department also has contracts with a number of other environmental firms who can perform soil testing, if necessary. As Council is aware, illegal dumping is a problem for many neighborhoods, and the Department typically uses these contracts to test soil that is illegally dumped on or around demolition sites. The Department typically does NOT test soil for the demolition contractors. The demolition contractors are responsible for testing their own fill material.

○ Is the demolition contractor or the city responsible for soil testing?

Yes, the contractor is responsible for testing their own fill material.

○ What are the enforcement options for sites found to have contaminated soil?

The use of contaminated soil is a serious violation. First, the contractor must remove, transport, and dispose of the contaminated fill material at their cost, and the contractor must replace the contaminated fill with an approved, clean fill material at their cost. Furthermore, the contractor is subject to the Demolition Program Disciplinary policy which may prohibit a contractor from receiving an award for more work and/or may result in termination of current contracts.

7. What is the monthly rate at which new structures are added to the demolition list?

The number of properties transferred into the demolition pipeline fluctuates throughout the year. However, since January 1, 2024, fifty-four properties per month were transferred to the demolition pipeline on average. Since January 1, 2025, the number of properties transferred to the demolition pipeline has dropped to thirty-one properties per month on average.

○ Is the Department adding new structures quicker than we can demolish them?

No. Since January 1, 2025, we have averaged approximately 100 demolitions per month while only adding 31 properties per month on average.



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- **What is being done to prevent new structures from being added to the demolition list?**

We work diligently with other City departments and agencies (BSEED, DPD, HRD, and DLBA) to ensure that we stabilize as many structures as possible. The Department is proud of its work to stabilize vacant structures. In 2024, the Department installed clear board on more than 1,500 structures, cleaned out more than 600 structures, and installed plywood on more than 3,100 structures.

8. Are any ARPA funds being used for demolitions?

- **If so, how much has been allocated and spent on demolitions?**

Yes, the Department used ARPA funds for commercial demolition projects. The amended budget for ARPA commercial and residential demolition is \$87,875,000 and year-to-date actuals are \$45,325,096.