

What Comes Next for Detroit? The End of Hardest Hit Funds

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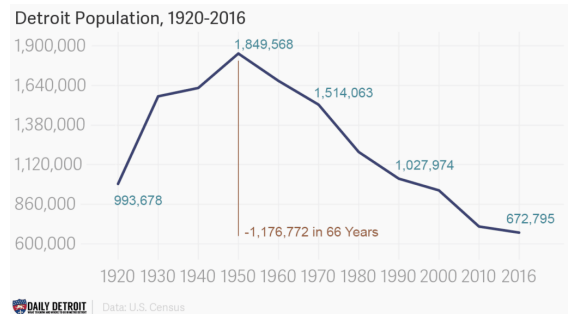
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With the end of federal Hardest Hit Funds (HHF) in early 2020, Detroit enters a new era in its efforts to mitigate blight and abandonment. Having seen success in the city's efforts to reduce blight using federal monies, the city must find a new revenue source to continue its efforts to revitalize Detroit, reduce blight, and promote sustainable home-ownership.

For decades, Detroit has seen tens of thousands of its residents leave the city. A combination of racial segregation, deindustrialization, and white flight have caused Detroit to see a decreasing population coupled with large numbers of newly blighted residential and commercial structures. Exacerbated by the rapid economic downturn of 2007-8, tens of thousands of additional residents have lost their homes through tax foreclosure.



Source: Daily Detroit Staff. (2019, May 25). Detroit Continues to Lose Population According to New Census Data. Daily Detroit. Retrieved from <http://www.dailydetroit.com/>.

To counteract this crisis the federal government authorized a program called Hardest Hit Funds (HHF) for states such as Michigan “that have been particularly hard hit by the economic and housing market downturn of 2007” (“Step Forward Mortgage Assistance”). These funds were provided by the U.S. Department of Treasury through the Emergency Economic Stabilization Act of 2008 (EESA). According to the HHF Q1 report of 2019, Michigan has been allocated \$761.6 million in HHF, \$580.4 million of which has been distributed to over 38,603 homeowners (*Hardest Hit Funds Report*, 2019).

Detroit's demolition program has been largely a success: according to Detroit Mayor Duggan, the city has seen sizeable reductions in crime in neighborhoods that have benefited from HHF, and over 18,000 abandoned homes have been demolished in 5 years (Detroit Public TV, 2019). Duggan additionally noted that neighborhoods that have seen targeted demolition efforts

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have seen home sale prices jump 50% over 2 years, and over 6,000 previously vacant homes have now been rehabilitated and occupied.

Michigan's spending of HHF, however, has not been without its challenges. Although most states receiving HHF have prioritized tax or mortgage assistance programs as a means to prevent foreclosure, Michigan was the first state to get approval for using HHF to demolish abandoned homes (Jayyousi, 2019). While this has allowed large-scale demolition projects to proceed without hindrance, some Detroiters have taken issue with state priorities and have advocated for programs that enable home-owners to retain ownership of their property.

Regardless of its challenges, HHF in Michigan will soon run out, with less than \$40 million left for those facing foreclosure for mortgage or property tax delinquency. To capitalize upon the gains made under HHF and fully eliminate blight, Detroit must find a new source of revenue for blight removal. Mayor Duggan of Detroit has proposed a new \$200 million bond, which will be voted on by residents in March 2020 (Detroit Public TV, 2019). This proposed bond will be used to demolish an additional 4,000 homes per year, leading to a blight-free Detroit by 2024 (Gray, 2019). It will be funded using the city's existing bonding capacity, and the long term tax rate should not exceed the rate of nine mills to be voted on this later this year (Ferretti and LeBlanc, 2019). Having had a balanced budget for the last five years, Mayor Duggan reports that Detroit "can meet our other capital needs without raising taxes because our revenues and finances are running way ahead of schedule" (Ferretti and LeBlanc, 2019).

Duggan sees this new revenue source as an opportunity for Detroit to build upon its achievements and fully eliminate blight in the city. HHF used for demolition projects come with stringent rules established by the federal government, authorizing this use of funds for demolition projects only. Consequently, municipal land banks like the Detroit Land Bank

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Authority have retained properties under their jurisdiction that do not require demolition and are appropriate to be renovated. Using this \$200 million bond as a new funding source may allow municipal land banks to prioritize the renovation of these homes, and may encourage creativity in blight removal that is essential for a sustainable built environment.

The end of HHF additionally signals new opportunity for blight elimination in that HHF came with a massive administrative burden at the local level. The challenges of receiving and distributing federal monies has made it so that many land banks must dedicate much of their staff to meeting HHF administrative burdens. With new funding streams and a decrease in regulatory burden, land banks, who play a critical role in blight removal, may be able to refocus their efforts on home renovation and blight prevention. The Genesee County Land Bank Authority, for example, proposes to transition some of its staff that previously administered HHF into new roles over-seeing and administering home rehabilitation projects.

Some see the end of HHF as a hindrance to Detroit's efforts to fully eliminate blight, but according to Detroit Mayor Duggan, funding through a municipal bond allows more effective, case-specific decision-making, essential for a successful blight elimination program that acknowledges the environmental cost of demolition projects. This new funding source may not only allow the city to prioritize foreclosure prevention and deconstruction over demolition, but could also allow for more precise decision making that is essential to meeting the challenges of blight elimination under HHF. A change in funding source creates an opportunity for the City of Detroit and other communities that face blight and abandonment to prioritize the renovation of salvageable homes, deconstruct abandoned homes to salvage valuable structural materials, and revitalize the city beyond its physical appearance, a domicological approach to our current practices.

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