



Department of Neighborhood Services

Erica R. Roberts
Commissioner

Thomas Mishefske
Operations Director

Michael Mazmanian
Operations Director

Memo

To: Honorable Members of Finance & Personnel Committee
From: Erica R. Roberts *ERM*
Date: November 5, 2021
Re: Deconstruction Audit Summary

Brief history of City of Milwaukee Deconstruction from 2010 through 2021

DNS began exploring deconstruction as a potential alternative to mechanical demolition in 2009.

2010

We advertised a request for proposals in 2010 and generated quite a bit of interest but only received 2 responses. An award was made to Cream City Wrecking to deconstruct 2 parcels for the cost of \$99,360.00. 2 shipping containers full of materials were salvaged and stored at the contractor's shop/yard in Menomonee Falls. Very few of the materials were sold and were eventually sent for recycling when Cream City Wrecking closed their doors for good in 2014.

2013

In 2013, the Department engaged the services of deconstruction practitioner and trainer Dave Bennink from Bellingham, Washington. Contractors, community groups and interested parties were invited to take part in hands-on training sessions prior to a request for proposals process. Participants included Southside Community Service Corp, Northcott Neighborhood House, WasteCap, Inc., Cream City Wrecking, Running Rebels, Jake's Wrecking, I.M. Salvage, and a few other interested parties.

Mr. Bennink also provided hands-on coaching for the 2 successful RFP proposers who were awarded contracts for 2 parcels each- Cream City Wrecking for \$48,344.00 and WasteCap for \$60,398.00. Cream City Wrecking sold some materials and added the rest to their collection from 2010. WasteCap also sold some materials and warehoused the rest.



Between 2013 and 2017 DNS informally contracted for approximately 8 fixed-price one-off deconstruction projects with various community organizations in an attempt to spark some interest with groups who were seeking labor-ready projects for their labor training programs. These organizations had existing subsidized labor pools who mostly qualified as Resident Preference Program workers, thus justifying the fixed, lower costs per parcel. Northcott Neighborhood House, Running Rebels, Ezekiel and WasteCap participated. Factoring environmental abatements and incidentals, the average price was \$22,239.00 per parcel or \$117,912.00 total.

2015

In 2015, DNS advertised bids for a deconstruction project consisting of 10 parcels. This project was the first deconstruction project to incorporate Residents Preference Program (RPP) requirements. A contract was awarded to Jake's Wrecking, LLC for \$196,566.00. Jake's performed the physical deconstruction and salvage work fairly well but hoped to "negotiate away" the Resident Preference Program requirements during the contract to off-set their relatively low bid price. Ultimately, Jake's hired on enough RPP workforce to satisfactorily meet the contract obligations. Salvaged materials were moved to Jake's warehouse property on 30th and Clarke. Some materials were sold but many still remain in the building – the building was recently taken by the City through tax foreclosure.

2016

Late in 2016 Deconstruction Request for Proposal awards were made to Spencer Renovation, LLC under 3 contracts for 5 parcels totaling \$119,294.00. Very little material was documented as salvaged with these 5 parcels. This work carried into mid-2017.

2017

The deconstruction ordinance is created and Common Council approves it on November 7, 2017 with an effective date of January 1, 2018.

December 15, 2017-Neighborhood Services held public meeting to take public input on the rules, procedures and forms to implement the provisions of MCO 218-10.

December 20, 2017 Commissioner Preston Cole adopts Deconstruction Administrative Rules.

2018

DNS advertises first Request for Proposals under newly adopted ordinance on January 8, 2018. 3 contractors respond - KPH, Inc., Recyclean, Inc., and Spencer Renovations, Inc. A contract was awarded to Spencer Renovations for 8 parcels at a price of \$209,935.00 – an average of \$26,241.00 per parcel.

Spencer was the only SBE certified responder to the Request for Proposals. The difference in cost to the next lowest responder averaged was \$11,320.00 per parcel.

In October of 2018, the contract was formally rescinded from Spencer Renovations with no work completed for Spencer's failure to return an executed contract with proper bonding and insurance.

7 private deconstructions were performed in 2018 under the requirements of the new ordinance. 3 were performed by Recyclean, Inc. at a reported average cost of \$47,500.00. Verified salvage from the 3 projects was over 90%.

4 private deconstructions were performed by Spencer Renovations at a reported average cost of \$29,000.00. Verifiable salvage from the parcels was minimal.

2019

In January of 2019, DNS re-advertised a request for proposals to deconstruct city-owned residential properties using 1.2 million dollars allocated specifically for deconstruction by common council resolution. The selection process for a contractor ran into April of 2019.

Of the 4 proposers, only one met the compliance requirements for 25% Small Business Enterprise participation – Spencer Renovation & Construction, an SBE certified firm. Spencer's proposal was to deconstruct approximately 50 properties for a fixed price of \$24,500.00 per parcel. He would achieve his Residents Preference Program goals through employing person's through the Out of School Youth Program. This was coordinated through DNS' Outreach and Training Program.

Contract documents were given to Spencer Renovation in June of 2019 but were not fully executed and returned to DNS until September of 2019 due to Spencer Renovation having difficulty securing the required bonding and insurance.

Spencer began to deconstruct parcels in late September and completed 2 before ceasing work. Complaints from workers about not being paid and requests from equipment rental businesses and suppliers for access to performance and payment bond to resolve non-payment were received shortly after. Verifiable salvage from those buildings was minimal.

Working with the City Attorney, DNS recovered \$62,743.50 from Spencer Renovation's performance and payment bond for \$60,000 in pre-paid funds and \$2,743.50 in damages to City of Milwaukee property.

2020

In May of 2020 DNS again advertised a request for proposals to deconstruct City-owned residential properties using the balance of the 1.2 million dollars allocated specifically for deconstruction by common council resolution. The selection process for a contractor was delayed about 20 days total due to covid-19 and ran into July of 2020.

Of the 4 proposers, only one met the compliance requirements for 25% Small Business Enterprise participation – White Glove Group, Inc, an SBE certified firm. White Glove Group's proposal was to deconstruct 10 properties with prices varying from \$18,000 to \$39,000.00 per parcel (average of

\$23,300 per parcel). Residents Preference Program goals were proposed to be met by hiring individuals directly through local agencies with qualifying programs.

Contract documents were given to White Glove Group in July of 2020 but were not fully executed and returned to DNS until October of 2020 due to White Glove Group having difficulty securing the required bonding and insurance.

To date 8 of the 10 contracted parcels are complete with White Glove Group completing 7.5 of the 10 contracted parcels. Over the last year, White Glove has worked intermittently on the contracted parcels which has been cause for neighborhood complaints about site conditions and illegal dumping at the parcels. To date, verifiable salvage from the parcels has been lower than expected.

2021

Another attempt to contract for deconstruction services was made with the April 1, 2021 Request for Proposals.

4 contractors responded. Jake's Wrecking, White Glove Group, Inc, KPH Environmental and Recyclean, Inc.

On review of the first portion of the RFP – business capacity, experience, capabilities - Recyclean Inc was chosen. Recyclean was asked to provide pricing for 5 parcels from a list of 40 currently abated and prepped for deconstruction. They were also asked to provide compliance documentation for achieving the 25% Small Business Enterprise goals and to explain how they plan to achieve the 40% Residents Preference Participation requirement.

Recyclean returned a proposal without the required SBE paperwork and suggested that they will *try* to achieve some of the requirement *after* they proceed with a contract. They also requested to reduce the 40% RPP requirement to a possible 25%. Recyclean also requested to be paid a portion of the contracted price before work commences. Their price per parcel is \$44,000.00 which translates to slightly over \$47,000.00 per parcel when costs of environmental abatements are factored in. After 3 weeks of exchanged calls and emails, Recyclean states that they will have executed contract returned week of November 1, 2021. No contract received as of 11/03/2021.

The second-ranked contractor, KPH was also asked on August 9, 2021 to provide a proposal for deconstructing 5 of the remaining 35 deconstruction-prepped parcels. To date we have not received a proposal.

Approximately \$800,000 of the original 1.2 million 2019 Capital Account allocation earmarked specifically for deconstruction remains.

The Objectives of the Ordinance

218-10. Deconstruction of Residential Buildings. 1. PURPOSES. This section provides deconstruction requirements for the removal of Milwaukee's older and more historic primary dwelling structures. In particular, through the enactment and enforcement of this section, the common council seeks to:

a. Maximize the salvage of valuable building materials, especially old-growth structural lumber, for reuse, thereby supporting the city's goal of being a sustainable community.

Overall salvage and sales of salvaged materials from all projects (2018 through 2021) is anecdotal at best. Some contractors were able to demonstrate the sale of limited quantities of materials directly from the work sites and some contractors warehoused appreciable quantities of materials but a recognizable, accessible-to-the-public market for salvaged lumber never materialized.

b. Reduce the amount of demolition waste disposed of in landfills, thereby saving city and taxpayer dollars, extending the lives of existing landfills and reducing the need to create new landfills.

The volume of measurable waste diversion in City-contracted projects compared to mechanical demolition since the ordinance took effect is minimally measurable. The offset in increased costs compared to mechanical demolition has not been achieved to a level where savings to the taxpayer can be claimed.

c. Create employment opportunities for city residents, as the deconstruction process is much more labor-intensive than demolition, which relies on the use of heavy mechanical equipment.

Neither contractor since the inception of the ordinance has demonstrated that meaningful, sustainable employment opportunities through city-contracted projects was achieved. The average number of hours per employee per reported Resident Preference Program hours and wages is 125 hours for a 12 month period of time. Reported wages paid covered 30 individuals with the majority having less than 70 hours each. Reported wages accounted for an average of \$15,300.00 per completed parcel.

d. Reduce carbon emissions associated with demolition activity by preserving the embodied carbon and energy of existing building materials and avoiding the creation of greenhouse gasses associated with producing new materials.

No comment.

e. Minimize the adverse impacts associated with building removal by increasing the likelihood of discovering materials containing lead and asbestos for safe removal and disposal.

Buildings slated for both deconstruction and mechanical demolition are inspected for asbestos and universal wastes prior to bidding (or RFP process). Painted concrete and masonry surfaces are tested for lead as these are likely to be recycled. Painted wood surfaces are assumed to contain lead based on the age of the building and characteristics of deteriorated condition of those surfaces.

Buildings to be deconstructed are required to have all asbestos containing materials abated due to potential worker exposure during the deconstruction process. This includes non-friable materials such as resilient flooring, flexible caulks and pliable roof sealants which could remain during mechanical demolition and create no risk to machine operators, laborers or the public. There are additional costs for the extra required abatements.

Additional materials have been found during both deconstruction as well as mechanical demolition. Those are always handled properly.

f. Reduce the releasing of dust and other hazardous or potentially hazardous airborne substances associated with mechanical demolition of structures.

This is and always will be a challenge for both mechanical demolition and deconstruction. Properly managed application of water during mechanical demolition can fully mitigate fugitive dust. Admittedly, this isn't always the case and we spend a fair amount of time chasing contractors to correct conditions.

Deconstruction has its own hazardous materials issues and is potentially a greater concern. Worker exposure to lead dust and workers spreading lead-impacted materials off site is an ongoing concern with deconstruction projects. Contractors are supposed to employ City of Milwaukee Health Department lead-safe work practices when handling lead-impacted materials. This includes both interior and exterior painted surfaces. Containments for interior work and poly barriers for ground and adjacent dwellings are required. Personal protective equipment and safety protocols are required. DNS inspection staff and Health Department Lead Risk Assessors have found the contractors to be in various degrees of violation at the majority of the project sites.

g. Preserve Milwaukee's historic architectural features and building materials.

DNS continues to work closely with Historic Preservation. Since the adoption of the Deconstruction Ordinance we have salvaged a greater number of architectural pieces from all types of buildings. Pieces include metal façade and trim work, decorative wrought iron and concrete pieces, doors and selective trim pieces.

Contractor Input

Private deconstructions during the active year of the ordinance and since then have netted more favorable results in achieving the above outlined goals sought by the Common Council but was not realized through a direct benefit as a result of the ordinance. The few contractors who regularly deconstruct as opposed to mechanically raze structures are hobbled by their lack of qualification to become a Small Business Enterprise certified contractor and the inability to achieve 25% SBE through subcontracting and remaining competitive in a bid or request for proposal process against existing SBE contractors.

These contractors also cite difficulty in achieving 40% Residents Preference Program goals when they have existing efficient crews of no more than 4 or 5 persons.

These companies have existing networks to facilitate the sale and/or donation of salvaged materials and are able to provide guidance on tax breaks to private individuals for donations of materials which may help control overall costs but does not apply to City-owned parcels.

Summary of costs per year:

Year	number of parcels	total cost	average cost per unit
2010	2	99,360.00	49,680.00
2013	training consultant	53,000.00	
2013	4	108,742.00	27,185.50
2013-2017	8	117,912.00	22,239.00
2015	10	196,566.00	19,656.60
2016	5	119,294.00	23,858.80
2017	0		
2018	0		
2019	2	49,000.00	24,500.00
2020	8	188,000.00	23,500.00
2021	0		
totals	39	931,874.00	

