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**TO:** Detroit City Council  
**FROM:** David Whitaker, Director   
Legislative Policy Division  
**DATE:** October 25, 2024  
**RE:** Report for Proposed Vacant House Tax

The Legislative Policy Division (LPD) has been requested by Council Member Angela Whitfield Calloway to prepare a report regarding a proposed vacant house tax (VHT), similar the recent passage of the VHT by the City of Windsor, Ontario, Canada.

A vacant house tax (VHT) is a tax upon private owners of residential homes that are vacant for a specified period of time as set forth by law or ordinance. The VHT is in addition to the regular ad valorem property tax assessed real property. The VHT in Windsor is a 3% tax on the assessed value of vacant privately owned property. The VHT is designed to provide an incentive to private property owners to obtain occupants for their properties or sell the property, presumably, to someone who will find an occupant for the property. The revenues generated by the VHT can be used for a number of things including but not limited to, assisting to fund affordable housing development.

LPD notes that:

Team Calloway estimates that a proposed Detroit VHT could reduce Detroit vacancies by 33%, thus increasing the number of units on the Detroit market by 14,000 units. Furthermore, a proposed Detroit VHT could generate \$37 million per year that can be directed toward city-wide affordable housing projects.

In looking at the projected \$37 million per year generated by a proposed VHT in Detroit, the 3% tax would have to be applied to 14,000 privately owned properties with a median assessed market value of \$88,100. LPD does not dispute Team Calloway's estimations, however, LPD also cannot verify those estimations. The request asked LPD to give a projection of how much revenue could be generated by a 3% VHT on private vacant homes in the city of Detroit.

In ascertaining an estimate, LPD notes that the number of private vacant homes varies over time, as some vacant homes become occupied and other occupied homes become vacant. Also, the state of disrepair of privately owned vacant homes vary. Many privately owned vacant properties are so dilapidated that they are not suitable for habitation and may be subject to demolition, which can greatly impact the assessed value upon which the VHT would be levied. This means LPD is providing a projection that is hypothetical and is not to be relied upon as actual expected results.

Beginning with the number of privately owned vacant homes. The Detroit News, citing the Director of Media Relations, John Roach, on September 7, 2022, stated:

Roach said of the 16,000 abandoned houses left in the city, 8,480 are owned by the Land Bank, with 8,000 privately owned.<sup>1</sup>

Of the 8,480 that were publicly owned by the Detroit Land Bank Authority (DLBA) in 2022, approximately 5,602 are now currently in DLBA's inventory, according to DLBA's 2024 quarterly report<sup>2</sup>. The 8,000 privately owned properties have also been reduced. The number of privately owned vacant homes in Detroit appears to have also been diminished; a March 3, 2023, Bridge Detroit article citing Mayor Mike Duggan indicated:

Duggan said there's an estimated 4,000 to 5,000 privately-owned vacant houses that still need to be addressed. Duggan said the city's building and safety department is stepping up inspections and requesting emergency demolitions.<sup>3</sup>

In ascertaining an estimated amount that a 3% tax on vacant homes in Detroit could generate, LPD attempted to determine a fair assessment of the amount of taxes that would be levied.

According to CountyOffice.org<sup>4</sup>:

### **Detroit Property Records (Michigan)**

Most buildings were constructed between 1925 and 1955, with some properties dating back to as early as 1849. Property records show the average building size is 1,200 sq ft on lots averaging 0.129 acres. Property taxes in Detroit average \$1,100 annually, with a median assessed market value of \$59,500.

Hypothetically, if based on the median assessed market value of Detroit homes being \$59,500 a vacant home tax of 3% on that assessed value would be \$1,785. If the number of vacant homes is approximately 5,000 as previously indicated, the annual amount of tax generated would be \$8,925,000. If the number of vacant homes taxed was 14,000 (as intimated by Team Calloway), using the median assessed market value of \$59,500, the 3% tax would generate approximately \$24,990,000.

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<sup>1</sup> The Detroit News, article about "Abandoned homes still plague Detroit despite board up brigade" September 7, 2022.

<sup>2</sup> <https://buildingdetroit.org/dlba-reports>

<sup>3</sup> [Detroit Mayor Mike Duggan's \\$2.6B budget proposal includes residential property tax cuts \(bridgedetroit.com\)](https://bridgedetroit.com)

<sup>4</sup> [Detroit, MI Property Records - CountyOffice.org](https://www.countyoffice.org)

The next issue is how the City of Detroit can implement a 3% VHT. As it relates to the City of Windsor levying a VHT, it gets its authority from the Province of Ontario, Canada. The Province of Ontario provides the under Part IX. 1, *Optional Tax on Vacant Residential Units*, Section 338.2 (1)

In addition to taxes imposed under Part VIII, a designated municipality may, by by-law passed in the year to which it relates, impose a tax in the municipality on the assessed value, as determined under the *Assessment Act*, of vacant units that are classified in the residential property class and that are taxable under that Act for municipal purposes. 2017, c. 8, Sched. 19, s. 5.

The City of Windsor is a designated municipality under Ontario law. On July 8, 2024, Windsor passed its by-law for a 3% tax on vacant property.<sup>5</sup> In order for the City of Detroit to have the authority to levy a 3% VHT, it will require the State of Michigan Legislature to pass a law granting that authority.

The purview of taxation is within the exclusive jurisdiction of the State of Michigan. This authority, being exclusive, precludes the City of Detroit from levying any taxes other than as provided for by state statutes. The subject of taxation is outlined in the Michigan Constitution Article IX § 3 *Property taxation; uniformity; assessments; limitations; classes; approval of legislature* and provides the following:

The legislature shall provide for the uniform general ad valorem taxation of real and tangible personal property not exempt by law except for taxes levied for school operating purposes.

The Michigan Constitution grants the legislature the exclusive authority to tax real and tangible personal property. In addition to granting the legislature the authority to tax, the Michigan Constitution also provides under Article IX, Section 2:

The power of taxation shall never be surrendered, suspended or contracted away.

The Michigan Constitution provides that the legislature shall provide for uniform general ad valorem taxation on real and tangible personal property and that its taxing authority cannot be surrendered, suspended or contracted away. In essence, the Michigan Constitution prohibits any other governmental unit from determining taxation.

In fulfilling its constitutional obligation, the Michigan Legislature enacted Public Act 206 of 1893, the General Property Tax Act. The Act provides under MCL 211.1:

That all property, real and personal, within the jurisdiction of this state, not expressly exempted, shall be subject to taxation.

The State would have to provide under the General Property Tax Act provisions which will allow municipalities the authority to levy a separate vacant home tax and the way that tax shall be implemented.

If the City is given authority by the State to levy a 3% VHT, the City Council has the power to submit the question to the voters. The Charter, Article 3, *Elections*, Section 3-105, *City Elections and City Council Initiated Ballot Proposals*, provides in pertinent part:

The City Council may submit, by resolution adopted not less than seventy (70) days before any election or special election, any proposal to the voters of the City.

If approved by a vote of the residents of the city of Detroit, through the City Council and Mayor, can then codify the VHT by passage of an ordinance.

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<sup>5</sup> [https://www.citywindsor.ca/documents/city-hall/by-laws-online/119-2024%20\(Vacant%20Home%20Tax-1\).pdf](https://www.citywindsor.ca/documents/city-hall/by-laws-online/119-2024%20(Vacant%20Home%20Tax-1).pdf)

If we can be of further assistance, please call upon us.