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October 23, 2020

Honorable City Council
2 Woodward Ave, Suite 1340
Detroit, MI 48226

Re: Resolution Recognizing Homeowners Affected by Property Tax Over-Assessment, 2010 through 2013

Dear Honorable Detroit City Council Members:

The Group Executive for Planning, Housing and Development and the Office of the Chief Financial Officer respectfully submit the attached resolution to recognize and prioritize Detroit homeowners who were potentially affected by property tax over-assessment prior to 2014.

This resolution has been drafted in collaboration with members of City Council as the next step in restoring some of what was lost. The value of Detroit property has increased 90% between 2014 and 2019 in part due to the positive impact of blight removal and rehabilitation. For those homeowners who suffered negative consequences from the legacy of over-assessment, we want to make them a partner in growing the wealth in this City by providing them with a 50% discount on Land Bank auction houses, including those that may be improved under Proposal N if passed. We want to make them first-in-line to gain employment through preferential access to Detroit at Work career services, the new Rehab Academy training, and preferences for hiring in City employment. And we want to make affected Detroiters first-in-line for the occupancy of affordable housing units and enrollment in the senior home repair grant program, based on the availability of these resources.

This resolution proposes a four-year program to assist affected homeowners in restoring wealth. This program will be capitalized with \$6 million from prior year fund balance. Due to strategic use of the City's CARES funding, Detroit was able to end FY2020 with a modest surplus. While most of that surplus will be needed to protect City services from further pandemic driven revenue shortfalls and to make a supplemental deposit into the Retiree Protection Fund, we propose that \$6 million be made available on a one-time basis to support this program. That funding will support administering the program, the net revenue loss from the Land Bank 50% auction discount and other program costs over four years. Any remaining funds from this appropriation will be contributed toward additional home repair investments for affected homeowners.

As you know, making budget decisions about needed services with tight resources is hard. There is no federal or state fund designed to respond to this issue. There is no City, School District, County or other Detroit taxing authority source to provide additional compensation to affected homeowners. This would require a massive cut to services or an additional tax levy that would further charge the same homeowners that were impacted by over-assessments. Instead, we believe that this program will use the assets that the City has to give wealth building opportunities to those that were adversely impacted. The Administration and City

Council will also support state-level advocacy for non-City funding sources to provide additional resources to affected homeowners.

Over the past six years, we have collectively taken action to correct the service deficiencies that plagued Detroiters leading up to Bankruptcy. Just as we rebuilt our parks, reduced Fire and EMS response time, and relit the city's street lights, we recognized and fixed the overassessment gap that was created in 2010 when home prices fell dramatically due to the Great Recession. In January of 2014, we immediately reduced residential assessments by nearly \$1 billion to put an end to the over-assessments. We also invested more than \$10 million in a City-wide re-assessment and provided the Office of the Assessor with nearly a 50% increase in staff. City Council approved an amendment to the Detroit City Code that requires an appraisal of all residential property in the city every five years to protect Detroiters from future over-assessments.

And together, we took steps to reduce tax foreclosures by 90% including:

1. Ending the City's practice of placing water bills in the property tax foreclosure system in 2014
2. Successfully passed a bill to allow delinquent taxpayers to enter into payment plans, and 15,000 signed up the first year alone
3. Partnered with block clubs and others to knock on doors and inform residents of available tax assistance. In 2019, we granted over \$5 million in property tax exemptions to over 7,000 Detroiters
4. Launched the Make it Home Program to allow homeowners who qualify for the Homeowner's Property Tax Assistance Program (HPTAP) and are at risk of foreclosure to get back their property for \$1,000
5. Advocated for the enactment of Pay as You Stay legislation (PAYS) and implemented the program in collaboration with the Wayne County Treasurer to help HPTAP eligible homeowners with delinquent taxes repay their debt. Already this year, over 3,400 homeowners have entered the PAYS program. The program eliminates interest, penalties and fees, reduces the balance due to back taxes or 10% of the home's taxable value (whichever is less) and allows for the remaining balance to be paid off over 3 years. Estimates show that PAYS has already allowed Detroiters to reduce their debt by \$8M using the program.

We thank you for your collaboration on this resolution to assist those that may have been wronged by over-assessments. Through these programs, we are making these Detroiters a partner in the growth of the city.

Sincerely,




Arthur Jemison
Group Executive for Housing, Planning and Development



David Massaron
Chief Financial Officer

APPROVED


Tanya Stoudemire
Deputy CFO/Budget Director

10/23/2020
Date