

City of Detroit
CITY COUNCIL

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TO: The Honorable Detroit City Council

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: March 25, 2024

RE: **RESOLUTION TO EXERCISE THE DETROIT CITY COUNCIL'S POWER
UNDER THE PROPERTY TAX REFORM ORDINANCE TO SEND PROPERTIES
TO THE BOARD OF REVIEW TO ENSURE SYSTEMIC OVER ASSESSMENTS
ARE NOT OCCURRING**

Council President Mary Sheffield requested that the Legislative Policy Division (LPD) provide a resolution to exercising the Detroit city council's power under the property tax reform ordinance to send properties to the board of review to ensure systemic over assessments are not occurring.

Please contact our office if we can be of any further assistance.

BY COUNCIL PRESIDENT MARY SHEFFIELD

RESOLUTION TO EXERCISE THE DETROIT CITY COUNCIL'S POWER UNDER THE PROPERTY TAX REFORM ORDINANCE TO SEND PROPERTIES TO THE BOARD OF REVIEW TO ENSURE SYSTEMIC OVER ASSESSMENTS ARE NOT OCCURRING

WHEREAS, Section 44-4-11 (a) and Section 44-4-11 (b) state, "City Council, through the City's procurement process, shall hire an Independent Evaluator to complete an assessment ratio study each year. Every year, the Assessment Division must provide the Independent Evaluator with all of its sales data no later than February 1st following tax day. The Independent Evaluator must use this data to conduct an assessment ratio study."

WHEREAS, The Board of Review closes on April 1st, but the City has failed to secure its own assessment ratio study before this time, although Deputy CFO/Assessor Alvin Horhn stated that the City is seeking to contract with the International Association of Assessing Officers (IAAO) to provide an independent evaluation of the City's tax assessments in 2024;¹ and

WHEREAS, The University of Chicago Center for Municipal Finance (the "Center") has reviewed millions of property sales records and produced tax assessment ratio studies in many jurisdictions around the country, including Boston, Chicago, Detroit, New York and Los Angeles following best practices. The Center's research on tax assessments has been featured in outlets such as the New York Times, the Washington Post, Bloomberg, and the Wall Street Journal.

WHEREAS, On March 11, 2024, the Center produced a study² for Detroit, which follows IAAO best practices; and

WHEREAS, Chief Assessor Alvin Horhn's outlined various concerns with the study in a letter³ dated March 15th, stating that the study used data outside the 24-month sales study mandated by the Michigan State Tax Commission, that it was unclear how the study considered Economic Condition Factors (ECF) that the Assessor's Office uses to assess market value by neighborhood under state law, and that the study did not provide how it vetted sales that occurred after March 31, 2023 that were not included in the Assessor's Office data; and

WHEREAS, Based on the March 15, 2024 letter, the Center produced a Revised Study with additional supplemental analysis⁴ on March 20th, which provides a tentative analysis of 2024 property assessments, as final assessment data will not be available until April 2024; and

WHEREAS, Subsection (a) of Section 44-4-12 states, "The City of Detroit assessments should have a:

1. Coefficient of Dispersion (COD) between 5.0 and 15.0;
2. Price-Related Differential (PRD) between 0.98 and 1.03; and
3. Price-Related Bias (PRB) between -0.05 and 0.05."

¹ IAAO standards are advisory in nature but represent a consensus in the assessing profession.

² <https://drive.google.com/file/d/1ndYqZIEwtvIh6bL0ZsyE96oSDJXxbvEq/view>

³ <https://drive.google.com/file/d/1M586iWhshhnbMLXaEhRIfpHbZBRft5qu/view>

⁴ <https://drive.google.com/file/d/1kDzn6Se3JSTkeqAdA-iwwnbFii9wqYXw/view>

WHEREAS, According to the Center’s Revised Study with supplemental analysis, the City fails to meet all three standards outlined in Subsection (a) of Section 44-4-12, calculating a COD of 37.05, a PRD of 1.1736, and a PRB of -0.1161; and

WHEREAS, The Center’s Revised Study with supplemental analysis also provides that the City of Detroit assessed 72% of homes worth less than \$34,700 in violation of the Michigan State Constitution, which states no property shall be assessed at more than 50 percent of its market value; and

WHEREAS, Section 44-4-12(b) of the Property Tax Reform Ordinance grants the Detroit City Council power to “[r]equest that the Board of Review use its powers under Section 30 of the General Property Tax Act MCL 211.30(4), to individually review every residential property in any subset or class of real residential properties that the assessment ratio study identifies as not falling within the guidelines established in Subsection (a) of this section;” and

WHEREAS, The City’s failure to secure its own assessment ratio study in a timely manner has left the City Council and the Board of Review with limited options to correct any potential over assessments before the close of the March Board of Review. According to the STC Bulletin 20 of 2023, “the March Board of Review must complete their work by the first Monday in April;” **NOW THEREFORE BE IT**

RESOLVED, The Detroit City Council requests that the Detroit Office of the Assessor reduce the assessed values of all owner-occupied homes ranging from \$1,700 and \$17,350 in assessed value (fair market value between \$3,400 and \$34,700) by 30% to correct the systematic over assessments identified in the University of Chicago’s Revised Study with supplemental analysis dated March 20, 2024 or to the extent necessary to be in conformance with Michigan law and the Detroit Property Tax Reform Ordinance; **NOW BE IT FINALLY**

RESOLVED, A copy of this resolution be forwarded to the Office of the Chief Financial Officer and the Office of the Assessor for the City of Detroit, as well as Mayor Mike Duggan.