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**TO:** Detroit City Council  
**FROM:** David Whitaker, Director   
Legislative Policy Division  
**DATE:** March 7, 2025  
**RE:** Questions On Detroit Land Bank Operations

The Legislative policy Division (LPD) has been requested to provide a report regarding the Detroit Land Bank Authority (DLBA). LPD has provided answers to the following questions:

- 1. Funding of the DLBA: The DLBA was incorporated as a public body nonprofit in 2015 and receives an estimated \$10 million annually from the City of Detroit's General Fund, totaling approximately \$100 million over the past decade. Please explain why the City of Detroit is funding a nonprofit organization and clarify the legal basis for this funding arrangement.**

The DLBA was created by the City of Detroit (City) and the Michigan Land Bank Fast Track Authority (State Authority) pursuant to the Intergovernmental Agreement dated September 15, 2008 by and between the City and the State (as amended and restated December 19, 2013) to provide a separate authority to acquire, develop and re-sell land located in the City in accordance with Public Act 258 of 2003, Land Bank Authority Fast Track Act, MCL 124.751 et seq.,

The Land Bank Fast Tract Act nor the Intergovernmental Agreement which created the DLBA did not provide a separate funding source to finance the DLBA. However, Section 124.773(9) provides:

A qualified city and any agency or department of a qualified city, or any other official public body, may do 1 or more of the following:

- (a) Anything necessary or convenient to aid a local authority in fulfilling its purposes under this act.
- (b) Lend, grant, transfer, appropriate, or contribute funds to a local authority in furtherance of its purposes.
- (c) Lend, grant, transfer, or convey funds to a local authority that are received from the federal government or this state or from any nongovernmental entity in aid of the purposes of this act.

This provision allows for the City to provide anything necessary or convenient to aid the DLBA in fulfilling its purpose, including but not limited to lending, granting or appropriating funds to aid in the purpose of the Act. The City through budget appropriations by the City Council has provided funds to support the operations of the DLBA throughout the years.

With regard to why the City funds the operations of the DLBA, LPD notes the Land Bank Fast Track act does not provide a funding source for local authorities established under the Act. The City of Detroit entered into the Intergovernmental Agreement establishing the DLBA with the intent of having the DLBA receive the dangerous buildings and other houses in the City's portfolio for demolition and sale. Additionally, the thousands of vacant lots in the City's inventory were to be transferred to the DLBA for sale. Utilizing the unique abilities of an authority, it was the City's belief that the DLBA would combat dumping and blight and increase property values by placing property back into productive use. Because there was no established funding for the DLBA to accomplish these goals, the City has appropriated funds from the General Fund for the DLBA's operations.

**2. State Statutes Regarding Local City Funding: Please provide the relevant state statutes that mandate the local cities, such as Detroit, are required to fund the operational cost of the DLBA.**

LPD is unable to identify any statute that mandates the City fund the operational costs of the DLBA. LPD notes that the City may provide financial resources to the DLBA as set forth under MCL 124.773(9) which provides:

A qualified city and any agency or department of a qualified city, or any other official public body, may do 1 or more of the following:

- (a) Anything necessary or convenient to aid a local authority in fulfilling its purposes under this act.
- (b) Lend, grant, transfer, appropriate, or contribute funds to a local authority in furtherance of its purposes.
- (c) Lend, grant, transfer, or convey funds to a local authority that are received from the federal government or this state or from any nongovernmental entity in aid of the purposes of this act.

**3. Role of the Wayne County Land Bank: The Wayne County Land Bank, established in 2006, has the same statutory powers as the DLBA, including the ability to return foreclosed properties to productive use and return vacant lots to the tax rolls. Why did the City of Detroit choose not to allow Wayne County to perform these functions within the City?**

The Wayne County Land Bank Authority is an authority created under an intergovernmental agreement between the State Authority and Wayne County pursuant to MCL 127.773(3) and (4). The terms and conditions under which the Wayne County Land Bank Authority operate are set forth in that Intergovernmental Agreement. LPD cannot provide all the reasons the City (by and through the Mayor and City Council) decided not to utilize the Wayne County Land Bank Authority, however, we do surmise that part of that decision would be due to the number of vacant properties in which the City had vested title, and the ability to say in determining the manner in which the City's created authority handled the disposition of properties. The transfer of City owned properties to the Wayne County Land Bank Authority could have divested all interest the City had in the disposition of the properties.

**4. Revenue from DLBA Property Sales: The DLBA retains proceeds from property sales and 50% of the property taxes for five years. How many properties previously owned by the DLBA are currently generating property tax revenue for the City? Please provide a breakdown of the fiscal impact of this process on the City's General Fund.**

The DLBA has provided a response to this question indicating:

The Detroit Land Bank Authority receives revenue from each property sale. However, the DLBA does not retain or receive property tax revenue on every property sold. The DLBA does not assess taxes. Therefore, the DLBA only receives 5/50 property tax from those parcels that are properly assessed and property taxes collected. In FY23, our purchasers received tax bills totaling \$16,465,821.10, which calculates to \$8,232,910.55 due to the DLBA as 5/50 revenue. During this same year, the DLBA only received \$3,299,887.57, which is only 40% of the revenue due.

Finally, we estimate an additional \$5,686,722.25 in potential taxes went unbilled because the properties were sold to non-profits, tax exempt homeowners, or had pending PTA filings.

Regarding the fiscal impact of this process on the City, the DLBA indicated this answer may best be provided by the Office of the Chief Financial Officer, Assessor's Office to which LPD concurs.

**5. City Services for DLBA-Owned vacant lots: The City of Detroit's Department of General Services maintains vacant lots owned by the DLBA. IS the City Charging for this service? If so, how much? If not, please explain why the City is not charging for this service.**

The City does charge the DLBA for services provided by the General Services Department. According to the DLBA, "Currently, the Detroit Land Bank Authority paid \$1.4M to GSD for lot maintenance annually".

**6. Transfer of 100,000 parcels to the DLBA: Why did the City transfer 100,000 parcels of land to the DLBA at one time.**

LPD notes that while the DLBA's inventory of parcels exceeded 95,000, they were not all transferred from the City of Detroit and were not all transferred at one time. The City transferred parcels of property to the DLBA over a few years, under property transfer agreements. In 2013, the City authorized the transfer of 740 structures to the DLBA.<sup>1</sup> In 2014, the City authorized the transfer of 16,399 structures<sup>2</sup> and 10,316 vacant parcels<sup>3</sup>. In 2014 the DLBA also received 13,058 properties from the Wayne County Treasurer.<sup>4</sup> The transfer of properties into the DLBA inventory included transfers from the Michigan Land Bank, Wayne County Treasurer, City of Detroit and other transferees.

The main purpose for the City transfer of properties with structures to the DLBA appears to be due to the State of Michigan receiving U.S. Treasury Departments Hardest Hit Funds for demolition. These funds were funneled through the State of Michigan to designated recipients. The designated recipient for the funds to Detroit was the DLBA. In order for the funds to be used on residential demolition, the title of the property had to be vested with the DLBA. Additionally, it was determined by the City that the DLBA would be a better vehicle for the sale of vacant parcels at the agreed upon \$100 through the DLBA vacant lot program.

LPD notes that regarding all the properties transferred from the City of Detroit to the DLBA, all title and interest of the City of Detroit in those parcels were vested with the DLBA. For the U.S. Treasury Hardest Hit Funds to be utilized through the State of Michigan on behalf of the City of Detroit for demolition, the properties were required to be owned by the DLBA as the designated recipient. Additionally, to sale houses or vacant lots and clear title and put properties back into productive use, the DLBA needed to be have title to all the properties.

**Incremental Transfer of Land: Why wasn't City owned land transferred to the DLBA in increments? How did the City ensure that the newly formed nonprofit had the capacity to carry out its duties and return land to productive use in a timely manner.**

As previously indicated, the transfer of thousands of parcels of land to the DLBA was done over a period of time by a number of different entities. Although, the City was the main entity providing property to the DLBA. It is LPD's understanding that the City intended to ensure the DLBA would work with the City's needs via the Memorandum of Understanding between the City and the DLBA. The City also requires the DLBA to provide quarterly reports regarding DLBA operations.

**7. Vacant Land and Title Clearing: Despite expedited powers, the DLBA still controls approximately 60,000 vacant parcels of land in Detroit and has a low percentage of cleared titles. How is this affecting the City's property tax revenue, considering there is a five-year waiting period before taxes can be collected on land?**

LPD is unable to indicate what impact the five-year waiting period on collecting taxes impacts the City's property tax revenue. LPD does note that the five-year tax-exempt period on eligible tax reverted property is pursuant to MCL 211.7gg which provides in pertinent part:

(2) Except as otherwise provided in subsection (3), real property sold or otherwise conveyed by a land bank fast track authority under the land bank fast track act is exempt

<sup>1</sup> 2013 City of Detroit Council Proceedings Vol. 2

<sup>2</sup> 2014 City of Detroit Council Proceedings Vol. 1

<sup>3</sup> 2014 City of Detroit Council Proceedings Vol. 2

<sup>4</sup> DLBA Quarterly Report January 2015

from the collection of taxes under this act beginning on December 31 in the year in which the property is sold or otherwise conveyed by the land bank fast track authority until December 31 in the year 5 years after the December 31 on which the exemption was initially granted under this subsection.

However, the Tax Reverted Clean Title Act, MCL 211.1025, imposes the “eligible tax reverted property specific tax” which provides for the five-year period:

- (a) Fifty percent of the eligible tax reverted property specific tax to and among this state and cities, townships, villages, school districts, counties, or other taxing units, at the same times and in the same proportions as required by law for the disbursement of taxes collected under the general property tax act, 1893 PA 206, MCL 211.1 to 211.155.
- (b) Fifty percent of the eligible tax reverted property specific tax to the authority that sold or otherwise conveyed the property under the land bank fast track act, 2003 PA 258, MCL 124.751 to 124.774, which sale or conveyance caused the property to be eligible tax reverted property. The eligible tax reverted property specific tax disbursed under this subdivision shall only be used by the authority for 1 or more of the following:
  - (i) For the purposes authorized under the land bank fast track act, 2003 PA 258, MCL 124.751 to 124.774, including, but not limited to, costs to clear, quiet, or defend title to property held by the authority.
  - (ii) To repay a loan made to the authority under section 2f of 1855 PA 105, MCL 21.142f.

Pursuant to the statute, the eligible tax reverted property specific tax is split between the City and the DLBA and is to be used by the DLBA during this five-year period. LPD notes the Office of the Chief Financial Officer (OCFO) may be able to determine the impact it has on the City’s General Fund.

**8. Previous Property Sales Methods: How did the City of Detroit previously sell properties, and what was the cost of operating this process through City Departments.**

It is LPD’s understanding that prior to the DLBA, the Planning and Development Department P&DD handled the sale of public property owned by the City. P&DD is required to follow the procedures set forth under the Charter for the disposition of City owned property pursuant to Section 4-112 which provides:

Except as otherwise provided by this Charter, the City may not sell or in any way dispose of any property without the approval by resolution of the City Council.

The City Council shall adopt an ordinance within one-hundred and eighty (180) days after the effective date of this Charter to provide for the acceptance of gifts or real and personal property and services to the City of Detroit.

In accordance with the City Charter, the sale of City owned property is conducted pursuant to the City Code Article VII, Sections 2-7-1 through 2-7-10 regarding the disposition of surplus property owned by the City. These provisions require the OCFO, and P&DD to obtain a determination of property in the City’s inventory to be declared surplus property by the City Council. If declared “surplus real property”, the City Council is to then approve the estimated market value of the property which is then offered for

sale by bid. The bid and sale of the property must be approved by the City Council. The OCFO or P&DD may be able to offer information regarding the cost of operating the process for the City to sale surplus property.

**9. DLBA Board Member Terms: What are the terms for the current members of the DLBA board and when do their terms end?**

According to information provided by the DLBA, the current board members are as follows:

January 2014 – Present	June 2017- Present	April 2019- Present
Erica Ward Gerson	Carol Walters	Miranda Morrow-Bartell
Patricia Pernell-Shelton		
Richard Hosey		

LPD notes, pursuant to the Intergovernmental Agreement, the term of the board members is four years. Upon expiration of the term, the vacancy is filled in the same manner as provided under the Agreement (the Mayor appoints four, subject to approval by City Council, the Michigan State Housing Authority appoints one). However, in accordance with the Michigan Land Bank Authority Act, MCL 124.766(3) provides in pertinent part:

“A member of the authority board shall hold office until a successor has been appointed and qualified.”

Pursuant to this provision, if a board member’s term expires the board member shall hold the office until the appointment of the successor has been made. Although the current board members’ terms have expired, they hold the position until a successor is appointed.

Please call upon us if we can be of further assistance.