

1 Walk-on

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TO: The Honorable Detroit City Council

FROM: David Whitaker, Director
Legislative Policy Division Staff

DATE: April 11, 2025

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RE: RESOLUTION URGING THE STATE TO ALLOW UNCAPPING EVENTS

City Council President Mary Sheffield has requested the Legislative Policy Division (LPD) to produce a resolution urging the Michigan State Legislature to pass a law that would allow municipalities to phase in uncapping events such as property sales and expirations of Neighborhood Enterprise Zones.

RESOLUTION URGING THE STATE TO ALLOW UNCAPPING EVENTS

- WHEREAS** Due to the changes to the Michigan Constitution regarding the collection of property taxes that were implemented after the passage of Proposal A, the growth on taxable value for individual parcels of property is capped to the lesser of inflation or 5 percent annually; and
- WHEREAS** When a property is sold, the taxable value is uncapped and reset to the state equalized value, which equals half of the property's cash value; and
- WHEREAS** Mortgage lenders do not currently have a duty to disclose to homebuyers that uncapping the taxable value of the property may increase their tax burden, which may effectively cause a significant increase the cost of homeownership beyond what the homebuyers can afford; and
- WHEREAS** In just the last 5 years from 2020 to 2025, Michigan home values have risen from around \$170,000 to around \$242,000 which represents a roughly 42% increase;¹ and
- WHEREAS** Meanwhile, from the first quarter of 2020 until the last quarter of 2024, total compensation for individuals when factoring for inflation has only risen at an annual rate of 1.3%;² and
- WHEREAS** A report by the Harvard Joint Center for Housing Studies found that home sales prices have risen to around 5 times the median household income nationally and that nearly half of home buyers in metro areas must make more than \$100,000 to afford a home, which was only the case in 11% of home markets in 2021;³ and
- WHEREAS** The increase in home prices has also come with higher mortgage payments at higher interest rates in addition to home insurance premiums, which have also risen dramatically in recent years with a 21% increase just from May 2022 to May 2023;⁴ and
- WHEREAS** When additional costs like property taxes are factored in, the all-in costs for the median-priced home in the U.S. are the highest since these data were first collected more than 30 years ago;⁵ and
- WHEREAS** Many homeowners who purchased property prior to the COVID-19 pandemic who would otherwise be selling their property are reluctant to sell because it would mean giving up a lower mortgage interest rate and seeing an increase in property taxes due to an uncapping on the property they purchase; and
- WHEREAS** These conditions have exacerbated racial disparities in home ownership, where just 8% of Black renters and 13% of Hispanic renters had enough income to afford monthly payments on a median-priced home in the first quarter of 2024;⁶ and
- WHEREAS** Because of the aforementioned conditions, serious consideration must be given to alleviate some of the costs associated with home purchases, including amendments to the Michigan

¹ Data according to the Zillow Michigan Housing Market Overview - <https://www.zillow.com/home-values/30/mi/>

² <https://www.brookings.edu/articles/has-pay-kept-up-with-inflation/>

³ The State of the Nation's Housing 2024, Joint Center for Housing Studies of Harvard University -

https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2024.pdf

⁴ <https://www.policygenius.com/homeowners-insurance/home-insurance-pricing-report-2023/>

⁵ *Id.*

⁶ *Id.*

Constitution and the General Property Tax Act that would allow for the tax increase from an uncapping event to be gradually phased-in over a number of years;⁷ and

WHEREAS Similarly, the Neighborhood Enterprise Zone (NEZ) Act⁸ could be amended to increase the phase-in period for the tax increase that accompanies the expiration of an NEZ; and

WHEREAS While the recent rapid increase in Detroit home prices has undoubtedly provided many Detroiters with a benefit and an opportunity to create generational wealth, the Detroit City Council recognizes that this price increase also acts a barrier to homeownership for a significant portion of Detroiters given the increase in property taxes after an uncapping event; **NOW, THEREFORE BE IT**

RESOLVED The Detroit City Council hereby urges the Michigan Legislature to explore all potential methods to reduce the burden for home purchasers related to the uncapping of property taxes, including allowing for a gradual phase-in of the property tax rate after a home purchase or after the expiration of an NEZ; **NOW BE IT FURTHER**

RESOLVED The Detroit City Council hereby urges the Michigan Legislature to create a duty for mortgage lenders to disclose the effect that uncapping the taxable value of the property will have on their property taxes; **NOW BE IT FINALLY**

RESOLVED That the Detroit City Clerk provide a copy of this resolution to Mayor Mike Duggan, the Detroit delegations of both the Michigan State House and Senate, in addition to Governor Gretchen Whitmer.

⁷ MCL 211.1 *et seq.*; MI Const. Article IX, Section 3.

⁸ MCL 207.771 *et seq.*