



**OFFICE OF THE
CHIEF FINANCIAL OFFICER
OFFICE OF BUDGET**

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March 31, 2023

Honorable Detroit City Council
Coleman A. Young Municipal Center
2 Woodward Avenue
Detroit, MI 48226

Re: Resolution Recognizing Homeowners Affected by Property Tax Over-assessment

Honorable Detroit City Council Members:

The Administration is requesting approval of the attached resolution, which will authorize various program activities for certain homeowners affected by over-assessment of their property for tax years 2009 through 2016. It also authorizes the Chief Financial Officer to transfer up to \$4 million of unencumbered General Fund appropriations balances to the Over-assessment Program appropriation. In fiscal year 2023, this appropriation already received an initial \$2 million.

We respectfully request your approval of the attached resolution, with a waiver of reconsideration.

Best regards,

Steven Watson
Deputy CFO / Budget Director

Att: Resolution Recognizing Homeowners Affected by Property Tax Over-assessment

Cc: Jay B. Rising, Chief Financial Officer
Tanya Stoudemire, Chief Deputy CFO/Policy & Administration Director
Donald Rencher, Group Executive for Planning, Housing and Development
Malik Washington, City Council Liaison

**RESOLUTION RECOGNIZING HOMEOWNERS AFFECTED BY PROPERTY TAX
OVER-ASSESSMENT FOR TAX YEARS 2009 THROUGH 2016**

BY COUNCIL PRESIDENT MARY SHEFFIELD_____:

WHEREAS, a significant number of Michigan homeowners saw the value of their homes suddenly decline during the Great Recession; and

WHEREAS, the City of Detroit's (the "City") assessment practices during the period of the Great Recession were conducted through a city-wide evaluation of sales (defined as an "override" process), rather than through neighborhood-based sales studies; and

WHEREAS, the City started systematically lowering assessments for 2010 levies whereby, by 2016, 87% of residential property had an assessed value equal to its taxable value; and

WHEREAS, the reductions commencing in 2010 lowered residential assessed values on properties which were not transferred by over \$2.8 billion by 2016; and

WHEREAS, these assessment reductions suggest the over-assessment of the property in the year or years prior to the year of the reduction; and

WHEREAS, upon the election of Mayor Duggan the reductions in assessments accelerated, particularly for lower value properties; and

WHEREAS, to correct past deficiencies, the City completed a City-wide reappraisal as of December 31, 2016 and provided the Office of the Assessor with nearly a 50% increase in staff, new technology, and proper training and credentialing; and

WHEREAS, under the Detroit City Council's leadership, the Detroit City Code was amended to require an appraisal of all residential property in the city every five years; and

WHEREAS, a number of programs over the years have attempted to offset the expense of these assessments, including Pay As You Stay (PAYS) legislation; and

WHEREAS, there likely remains individuals who could have appealed their assessments had they filed a timely appeal, but whose appeals rights have now expired; and

WHEREAS, the Mayor and City Council recognize that past overassessment, coupled with the expiration of resident assessment appeal rights, resulted in the diminishment of resident household wealth in Detroit and further exacerbated the negative economic impacts caused by the pandemic and are still experienced by some Detroit residents; and

WHEREAS, the City desires to prioritize eligible use of funds available to the City under the American Rescue Plan (ARP) to help remediate the negative economic impact experienced from the COVID-19 pandemic emergency by those who were left vulnerable to that impact by overassessment practices and the assessment appeal expiration; and

WHEREAS, the following amounts are programmed to support the following programs for which this Resolution which will provide preferences for Affected Homeowners, as hereinafter defined:

- A. Subsidies for Affected Homeowners in an aggregate amount of up to **\$6,000,000** on sales of auction houses and lots under programs offered by the Detroit Land Bank Authority;
- B. The Grow Detroit's Young Talent in which an estimated **\$12,000,000** is invested each year;
- C. The Renew Detroit Program under which up to **\$15,000,000** or repairs remain to be completed prior to the conclusion of that program;
- D. A Down Payment Assistance Program under which an estimated **\$6,000,000** will be invested;
- E. The Small Business Launcher Program (previously operated as the Motor City Match Program) under which **\$6,250,000** is scheduled to be awarded by December 31, 2024; and

WHEREAS, the City seeks to focus resources and opportunities on those residents most likely to have experienced a non-appealed over-assessment of their property that resulted in adverse financial impacts by defining "Affected Homeowners" for purposes of this resolution as individuals meeting all of the following criteria:

- 1. The individual owned a property within the City subject to ad valorem property taxes levies from 2009 and 2016 that was acquired by the individual prior to 2009 and for which a valid principal residence exemption (PRE) was effective for all years of the individual's ownership (the "Eligible Property").
- 2. The individual resides within the City at the time of application for any benefit conferred under Affected Homeowner Benefit Program established by this resolution.

NOW THEREFORE BE IT RESOLVED, in recognition of, and to help offset, any loss suffered, an Affected Homeowner shall be eligible to receive preference to or benefits under one of the following programs (each an "Affected Homeowner Benefit Program") that will remain in effect through December 31, 2024:

- 1. The City will utilize funds, to the extent available and authorized by law for such use, to support and subsidize a program created by the Detroit Land Bank Authority ("DLBA"), to provide Affected Homeowners a discount to or purchase price credit of up to 50% off the purchase price of any auction house purchased from the DLBA either for use by the Affected Homeowner as their principal residence or under any DLBA program that would allow transfer of the acquired property after completion of the rehabilitation requirements. The properties for which a discount or credit may apply can include residential properties that have been stabilized through the City's Neighborhood Improvement Plan Program under which the City has invested an average of \$10,000.00 per house for the clean out and window clear view board ups. The Affected Homeowner shall not be eligible for more than one property for which a discount or purchase price credit may be exercised.

2. The City will utilize funds, to the extent available and authorized by law for such use, to support and subsidize a program created by the DBLA, to provide Affected Homeowners a discount to or purchase price credit of up to 50% of the purchase price of any eligible lot that qualifies under the DLBA side-lot program. The discount or credit shall apply for any side-lot the Affected Homeowner may purchase after creation of the side-lot discount program by the DLBA. The eligibility to purchase a side-lot from the DLBA under a side-lot discount program will be subject to the terms established by the DLBA. The subsidy available from the City to the DBLA for its side-lot discount program for Affected Homeowners may relate to the principal residence of the Affected Homeowner prior to the creation of the side-lot discount program or any principal residence within the City that the Affected Homeowner may acquire prior to December 31, 2024. The Affected Homeowner shall not be eligible for more than one property for which a discount or purchase price credit may be exercised.
3. The City shall establish a program under which Affected Homeowners will receive hiring preference in job openings with the City for which the Affected Homeowner is otherwise qualified. An Affected Homeowner will be eligible to receive 10 points added to their City job application score, which will be in addition to any other points they would otherwise be eligible to receive.
4. The City shall provide Affected Homeowners preferential access to Detroit at Work job search, career services, and financial counseling services. Detroit at Work will provide special notice of this preference in all Detroit at Work program materials and seek to notify persons interested in Detroit at Work of this preference for Affected Homeowners. Those Affected Homeowners who apply to a Detroit at Work program will be assigned to a specially designated career coach who is aware of other non-workforce program components and can help residents leverage multiple programs to help them achieve their career goals.
5. The City shall provide 14-24 year old children and grandchildren of Affected Homeowners with preferential access to summer jobs through Grow Detroit's Young Talent (GDYT). In the annual enrollment for summer jobs through GDYT, 14-24 year old children and grandchildren of Affected Homeowners can receive priority access and placement, and those who complete their application during each year's sign-up program will be given preference to make sure they are placed in a job that summer.
6. Subject to applicable legal restrictions, Affected Homeowners shall receive preferential access to future programs developed by the Housing and Revitalization Department (HRD) to provide additional housing assistance for residents of the City.
7. To the extent permitted by law and any restrictions upon funds used to provide an Affected Homeowner Benefit Program under this provision, Affected Homeowners who completed documentation and who are otherwise eligible for and awarded benefits funded by City ARP funds under the City's Renew Detroit Program ("Renew Detroit") shall receive equal priority to those needing emergency repairs for the delivery of their awarded benefit.

8. The City shall provide Affected Homeowners who are otherwise eligible with preferential access to for the City's Down Payment Assistance Program ("Down Payment Assistance") under which eligible applicants will be eligible for a grant towards the purchase of a principal residence. All Down Payment Assistance awards will be subject to program parameters created for the program.
9. To the extent permitted by law and any restrictions upon funds used to provide an Affected Homeowner Benefit Program under this provision, the City shall seek an amendment to its subrecipient agreement with the Economic Development Corporation of the City of Detroit to provide a 20% increase in the maximum financial or technical assistance award that an Affected Homeowner who is the sole owner of, or holder of a controlling interest in, a business that is awarded financial or technical assistance under the City sponsored Small Business Launcher Program (previously operated as the Motor City Match program). All financial and technical assistance award for which the maximum award may be increased under this provision will be subject to all other program requirements created for the program.
10. To the extent authorized by any agreement with any recipient of a tax abatement or other tax incentive related to an affordable housing development project in the City, provide Affected Homeowners with preferential access to purchase or lease of property subject to the agreement.

RESOLVED, that an Affected Homeowner shall only be eligible to receive a benefit under one of the Affected Homeowner Benefit Programs listed in this Resolution and must elect a benefit prior to December 31, 2024; and

RESOLVED, that all Affected Homeowner Benefit Programs under this resolution shall be subject to the restrictions imposed by law upon the operation of, and eligibility for, the program and use of funds for the program, and no Affected Homeowner Benefit Program may be offered or conducted in a manner inconsistent with law or that would cause funds used to in a manner unauthorized by law; and

RESOLVED, that any preferential access granted under this resolution for an Affected Homeowner Benefit Program shall not grant eligibility to or a waiver of the eligibility requirements of an Affected Homeowner Benefit Program or for use of a benefit beyond the date for which funding may be available for the benefit; and

RESOLVED, that, subject to available appropriated funds, the Chief Financial Officer or his designee is hereby authorized to enter into agreements or amendments to existing agreements to authorize and implement an Affected Homeowner Benefit Program, to make and approve expenditures and make disbursements associated with the Affected Homeowner Benefit Programs described above, and to fund the costs associated with implementation operating the Affected Homeowner Benefit Programs, including but not limited to verification and management of the Affected Homeowners and for disbursements to the DBLA for lost revenue associated with discount offered under this Resolution, as determined by the Office of the Chief Financial Officer; and

RESOLVED, in a continued effort to address the problem of over assessments, the City Council and Administration will support a state level task force comprised of state and local government officials and community stakeholders who will identify non-City funding sources to provide additional resources to Affected Homeowners; and

RESOLVED, that the Housing and Revitalization Department shall prepare and disseminate information describing the qualification requirements established by this resolution for the Affected Homeowner Benefit Programs and the process and information necessary for an individual to receive verification of their qualification as an Affected Homeowner; and

RESOLVED, that participation in an Affected Homeowner Benefit Program by an Affected Homeowner shall not preclude their participation in or eligibility for other programs that are not directly mentioned in the resolution; and

BE IT FINALLY RESOLVED, upon approval of the Chief Financial Officer, up to \$4,000,000 of any unencumbered General Fund Fiscal Year 2022-2023 appropriation balances may be transferred from such appropriations to Appropriation No. 20866 for the Fiscal Year 2022-2023, which appropriation may be applied to administer the implementation of this resolution, for uses as authorized under this resolution, and be carried forward for use in subsequent fiscal years upon approval of the Chief Financial Officer.