



# PREVENTING OWNER-OCCUPIED PROPERTY TAX FORECLOSURES IN DETROIT: IMPROVING ACCESS TO THE POVERTY TAX EXEMPTION

RESEARCH REPORT  
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## INTRODUCTION

Michigan state law (MCL 211.7u) requires local governments to make a property tax exemption available to owner-occupants who are unable to contribute to public charges by reason of poverty. This policy is commonly known as the Poverty Tax Exemption (PTE). In Detroit, local implementation of the PTE is referred to as the Homeowners Property Tax Assistance Program (HPTAP). Homeowners living near or below the Federal Poverty Level (FPL) may apply annually to this program to have their property tax bill reduced or eliminated. By alleviating household tax burden, this policy may improve housing affordability and prevent foreclosure among economically marginalized homeowners. Despite the availability of the PTE in Detroit, a low proportion of eligible homeowners gain access to this critical relief. Tax foreclosure continues to displace and dispossess owner-occupants each year in Detroit, the vast majority of whom are African Americans with low-incomes.

Through Poverty Solutions’ 2017 Community-Academic Grant, researchers from the University of Michigan’s School of Public Health partnered with the United Community Housing Coalition (UCHC) and the Healthy Environments Partnership (HEP) to understand how factors at each stage of the HPTAP application process may hinder or facilitate access to the exemption. Findings reveal that low awareness, burdensome application procedures and limited institutional accountability act as barriers that restrict access to the exemption. Many residents who were eligible for but did not receive the PTE in past years face considerable tax debt and remain at high risk for foreclosure. The intent of this report is to inform efforts that state and local governments can take to ensure that the PTE is readily available, easily obtainable, and equitably provided to all eligible homeowners, in order to strengthen this policy’s ability to prevent property tax foreclosure among homeowners with low-incomes in Detroit and statewide.

ACRONYMS	
<b>PTE</b>	POVERTY TAX EXEMPTION
<b>HPTAP</b>	HOMEOWNERS PROPERTY TAX ASSISTANCE PROGRAM
<b>FPL</b>	FEDERAL POVERTY LEVEL
<b>UCHC</b>	UNITED COMMUNITY HOUSING COALITION
<b>TFPP</b>	TAX FORECLOSURE PREVENTION PROJECT
<b>HEP</b>	HEALTHY ENVIRONMENTS PARTNERSHIP
<b>WCT</b>	WAYNE COUNTY TREASURER
<b>BOR</b>	DETROIT CITIZENS BOARD OF REVIEW
<b>IRSPA</b>	INTEREST REDUCED STIPULATED PAYMENT AGREEMENT

## BACKGROUND

### PROPERTY TAXES PLACE AN UNEQUAL BURDEN ON DETROIT HOMEOWNERS

Property taxes disproportionately burden homeowners in poverty, who tend to pay a greater proportion of their income in property taxes than higher-income residents<sup>1</sup>. [This unequal burden is especially apparent in Detroit, which maintained both the highest effective homestead property tax rate and the highest poverty rate among the 50 largest U.S. cities in 2016<sup>2</sup>](#). Home values fell steeply as a result of the city’s subprime mortgage crisis and the recession, during which Detroit’s Tax Assessor was unable to modify assessments to reflect fallen values. As a result, Detroit property values have also been chronically over-assessed, further inflating tax bills. A study by Atuahene and Hodge finds that between 2009 and 2015, the majority of Detroit’s properties were assessed above 50 percent of their market value, in violation of the state’s legal limit<sup>3</sup>. Despite the city’s recent completion of a multi-year property reassessment<sup>4</sup>, assessment inequities continue to be pronounced among Detroit’s lower-valued homes, placing an even greater burden on the city’s most economically marginalized homeowners<sup>5</sup>.

### PROPERTY TAX INEQUITIES CONTRIBUTE TO THE CITY’S ONGOING TAX FORECLOSURE CRISIS

The weight of this unequal tax burden is reflected in Detroit’s ongoing tax foreclosure crisis, which has displaced and dispossessed thousands of homeowners. In Michigan’s tax foreclosure process, unpaid taxes to the City of Detroit are transferred to the Wayne County Treasurer for collection. [After three years of non-payment, the county forecloses on the property and offers it for sale at an online auction.](#) Since 2010, more than 47,000 occupied properties have entered the foreclosure auction<sup>6</sup>. The cascading effects of this crisis not only contribute to population loss and declining homeownership, but also exacerbate housing market distress, foster exploitative and speculative investment and facilitate needless vacancy and blight.

BY REDUCING OR ELIMINATING PROPERTY TAXES FOR ELIGIBLE HOMEOWNERS, THIS POLICY MAY IMPROVE HOUSING AFFORDABILITY AND PREVENT FORECLOSURE AMONG HOMEOWNERS WITH LOW- OR FIXED-INCOMES, AS WELL AS THOSE EXPERIENCING PERIODS OF FINANCIAL HARDSHIP.

Detroit’s tax foreclosure crisis reached its peak in 2015, when nearly 25,000 properties entered the auction, including more than 6,400 owner-occupied homes<sup>7</sup>. [While the rate of owner-occupied foreclosures has declined significantly in recent years, risk among Detroit homeowners remains high.](#) As of 2018, more than 36,000 homeowners, mostly in Detroit, had entered into repayment plans with the Wayne County Treasurer for unpaid property taxes (hereafter referred to as “back taxes”)<sup>8</sup>. To avoid foreclosure, homeowners must make regular payments to the county toward their back taxes, while also ensuring that they do not fall behind on current-year city tax bills. This dual property tax burden may prove too high for many to bear, especially for residents whose property taxes were unaffordable to begin with.

#### FACT

TAX FORECLOSURE HAS A DISPARATE IMPACT ON AFRICAN AMERICANS<sup>9</sup>. OUT OF THE 43 MUNICIPAL TAXING UNITS IN WAYNE COUNTY, THE FIVE PREDOMINANTLY AFRICAN AMERICAN CITIES (DETROIT, HIGHLAND PARK, INKSTER, RIVER ROUGE AND ECORSE) SUFFERED THE HIGHEST RATE OF TAX FORECLOSURES ON RESIDENTIAL STRUCTURES BETWEEN 2013-2016<sup>10</sup>.

### CRITICAL TAX RELIEF REMAINS LARGELY INACCESSIBLE TO DETROIT HOMEOWNERS

Property tax foreclosure among Detroit’s low-income homeowners is not an inevitability. The Homeowners Property Tax Assistance Program (HPTAP) provides a full (100%) or partial (50%) exemption to homeowners living near or below the federal poverty level. By reducing or eliminating property taxes for eligible homeowners, this policy may improve housing affordability and prevent foreclosure among homeowners with low- or fixed-incomes, as well as those experiencing periods of financial hardship. However, the benefits of this existing policy have not been fully leveraged and remain out of reach to the majority of those in need. On average between 2012 and 2016, each year nearly 35,000 owner-occupied households (28.2 percent of the city’s homeowners) met eligibility guidelines for a full exemption<sup>11</sup>, while an additional 4,220 qualified for a partial exemption<sup>11</sup>. However, only 4,645 homeowners applied in 2016—just 11.9 percent of those eligible<sup>12</sup>.

#### FACT

PUBLIC ACT 123 OF 1999 SUBJECTS TAX-DELINQUENT PROPERTIES TO A THREE-YEAR FORECLOSURE PROCESS. THIS LIMITED TIMEFRAME PROVIDES LITTLE FLEXIBILITY FOR HOMEOWNERS WITH LOW- AND FIXED- INCOMES WHO ARE PARTICULARLY VULNERABLE TO ACUTE PERIODS OF ECONOMIC HARDSHIP, COMMONLY INTRODUCED BY UN- OR UNDER-EMPLOYMENT, DISABILITY, OR UNANTICIPATED EXPENSES. WHILE THE DISTRESSED OWNER/OCCUPANT EXTENSION (D00E) OFFERS A ONE-YEAR EXTENSION TO HOMEOWNERS WHO ARE EXPERIENCING FINANCIAL DISTRESS, WITHOUT ADDITIONAL INTERVENTION THIS PROGRAM CAN LEAD TAX DEBT TO ACCUMULATE FURTHER.

## THE HPTAP APPLICATION PROCESS

THE HPTAP CAN REDUCE OR ELIMINATE PROPERTY TAXES FOR HOMEOWNERS WHO LIVE NEAR OR BELOW THE FEDERAL POVERTY LINE. TO ACCESS THE HPTAP IN 2017, HOMEOWNERS HAD TO GO THROUGH THE FOLLOWING STEPS:

- STEP 1 AWARENESS AND ELIGIBILITY**  
Be aware that the program exists and that they qualify.
- STEP 2 OBTAIN APPLICATION**  
Obtain an application (online, in-person or by mail) from the Office of the Assessor.
- STEP 3 COMPLETE APPLICATION\***  
Complete the written application, including all of the required supporting documentation.
- STEP 4 SUBMIT APPLICATION**  
Submit a notarized hard-copy of the application to the Office of the Assessor.
- STEP 5 REVIEW AND APPROVAL\*\***  
Have the application reviewed and approved by the local governing body, the Detroit Citizen's Board of Review (BOR), which grants a full or partial exemption for the current tax year.

**RESIDENTS MUST RE-APPLY FOR THE EXEMPTION EACH YEAR.**

## METHODS

Study participants include Detroit homeowners who sought walk-in counseling assistance with the United Community Housing Coalition (UCHC) Tax Foreclosure Prevention Project (TFPP) in 2017. UCHC counselors promote the HPTAP to their clients and offer direct assistance in obtaining and completing the application. Participants identified as eligible<sup>13</sup> and who consented to participate in the study received a phone call within three to six months. Semi-structured interviews were guided by a series of closed-ended questions about the participant's HPTAP awareness (source and timing), application processes (success in obtaining, completing and submitting the application) and outcomes (whether or not the exemption was granted). Responses prompted a series of open-ended probes to explore potential barriers and pathways to HPTAP use. Participants who had submitted the application but had not yet received a decision at the time of their initial interview were called again within the next three months. Interviews focused primarily on the 2017 HPTAP application, but clients were also asked about any experiences with the program in past years.

## CONTEXT

The United Community Housing Coalition (UCHC) is a Detroit-based nonprofit organization that has provided comprehensive housing assistance to low-income Detroit residents since 1973. UCHC established the Tax Foreclosure Prevention Project (TFPP) in 2003, which provides free counseling services to residents experiencing tax foreclosure. The TFPP also partners with local government, community-based organizations, and foundations to conduct city-wide outreach campaigns and develop innovative programming to help thousands of Detroit residents remain in their homes each year.

\* In 2017, the minimum supporting documentation for a complete HPTAP application included: proof of property ownership; proof of residence for all owners and occupants; proof of all household income; proof of household expenses; and a copy of federal and/or state tax returns for all adult occupants (unless not required to file).

\*\* Application review and exemption approval decisions involve multiple steps that take place internally to the BOR. Only homeowners' experiences of these procedures (i.e. communication and outcome) are evaluated in the present study.

**FINDINGS**

**DESCRIPTION OF PARTICIPANTS**

The following statistics and quotations are drawn from study participants, which included a total of 105 Detroit homeowners. The average age of participants was 52 and the majority were women (63%). Most participants were African American (71%). The average household size was just over two persons, with 53% of households being single-occupancy. About 28% of households included a senior (62+), 33% had at least one child under the age of 18 and 31% had a member with a disability. Of the households, 20% had owned their home for less than 5 years, 33% for 5 to 9 years, 11% for 10 to 19 years, and 27% for 20 years or more. The majority of participants owned their homes outright (91%), while 5% had land contracts. About 64% of households were unemployed.

**FACT**

DETROIT'S HISTORICALLY HIGH RATE OF AFRICAN AMERICAN HOMEOWNERSHIP HAS DECLINED SIGNIFICANTLY IN THE PAST TWO DECADES, FALLING FROM 50.2 TO 45.6 PERCENT BETWEEN 2000 AND 2017<sup>14</sup>. WHILE NOT THE ONLY CONTRIBUTING FACTOR, THE CITY EXPERIENCED 160,000 COMBINED MORTGAGE AND TAX FORECLOSURES BETWEEN 2000 AND 2015, IMPACTING 120,000 HOMES AND THE EQUIVALENT OF 48% OF THE CITY'S RESIDENTIAL PROPERTY<sup>10</sup>.

**HOUSING AFFORDABILITY**

“ I MAKE LITTLE TO NOTHING, SO MY HOUSING COSTS—UTILITIES, TAXES, ALL OF THAT—YOU'RE NOT GOING TO BELIEVE ME, BUT 100% OF MY INCOME GOES TO THAT...I'D SAY MY BIGGEST BILL RIGHT NOW IS THE BACK TAXES. WITH UTILITIES, IF THOSE ARE TURNED OFF THEY CAN ALWAYS BE TURNED BACK ON, WITH YOUR TAXES, THAT'S YOUR HOUSE, IT'S GONE...MY SISTER ASKS ME HOW I LIVE WITHOUT CABLE, BUT WHEN IT'S THE DIFFERENCE BETWEEN LIVING INDOORS OR OUTDOORS, YOU DON'T HAVE CABLE. YOU WORK WITH WHAT YOU HAVE.”

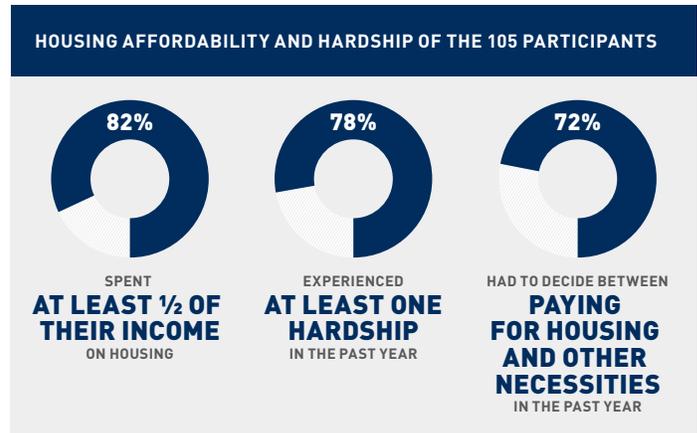
The U.S. Department of Housing and Urban Development (HUD) defines cost-burdened households as those who pay more than 30 percent of their income for housing. Households spending more than 50 percent of their income are considered severely cost-burdened<sup>15</sup>.

**FACT**

A LARGE PROPORTION OF THE CITY'S HOMEOWNERS FACE CONSIDERABLE HOUSING AFFORDABILITY PROBLEMS: APPROXIMATELY ONE FIFTH OF DETROIT HOMEOWNERS IN 2017 HAD AN ANNUAL INCOME OF LESS THAN \$20,000, NEARLY 80% PERCENT OF WHOM PAID MORE THAN 30 PERCENT OF THEIR INCOME TOWARDS HOUSING COSTS<sup>18</sup>.

**OF THE 105 PARTICIPANTS:**

- 82% indicated spending at least half of their income on housing.
- 37% said that property taxes were their largest housing cost, making it the most frequently reported primary housing expense.
- 68% have faced a utility shut-off in their current home.
  - 54% reported at least one water shut-off.
  - 55% reported at least one DTE shut-off.
- 78% experienced at least one hardship (job loss, income reduction, medical emergency, large/unexpected expense, death in the family, other) during the past year.
  - 50% experienced two or more hardships.
- 72% indicated having to decide between paying for housing and other necessities, like food or medical care, during the past year.



“ I PAY EVERYTHING I HAVE TO HOUSING AND I STILL DON'T HAVE ENOUGH TO FEED MY KIDS.”

“ PAYING MY TAXES IS MORE IMPORTANT THAN FOOD. IF I COULD TAKE THE \$85 DOLLARS I GET IN FOOD STAMPS AND PUT IT TOWARDS MY TAXES I WOULD DO IT. IT'S MORE IMPORTANT TO KEEP A ROOF OVER MY HEAD.”

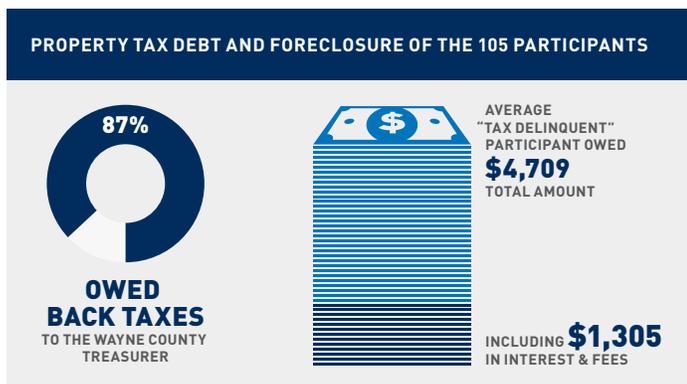
**FACT**

LOW-INCOME HOUSEHOLDS IN DETROIT FACE ENERGY-BURDENS THAT ARE MORE THAN TWICE THE NATIONAL AVERAGE<sup>16</sup>. BETWEEN 2014 AND 2017, THERE WERE MORE THAN 100,000 RESIDENTIAL WATER SHUT-OFFS IN DETROIT<sup>17</sup>.

**PROPERTY TAX DEBT & FORECLOSURE**

“IF I DIDN’T HAVE TO PAY MY 2017 TAXES...IT WOULD FEEL LIKE THE CITY IS WORKING FOR THE PEOPLE. THERE ARE PROGRAMS OUT HERE TO HELP PEOPLE. IT’S NOT LIKE I’M DOING NOTHING, I HAVE A JOB, BUT I ALSO HAVE THREE CHILDREN. THE BIGGEST STRESS IN MY LIFE IS JUST THE QUESTION MARK: AM I GOING TO BE ABLE TO SAVE MY HOME? IF I HAD THAT MONEY [FROM THE EXEMPTION] I WOULD USE IT TO PAY MY MONTHLY PLAN [FOR MY BACK TAXES].”

“I’M TRYING TO MAKE IT WITH WHAT I HAVE. I’VE ALWAYS GIVEN TO CHARITY AND PAID TAXES...AND NOW IT IS JUST SO HARD FOR ME. I’M TRYING AS HARD AS I CAN TO GET BACK ON THE PAYMENTS [FOR MY BACK TAXES]. I ONLY GET SO MUCH MONEY A MONTH, I HAVE TO SAVE UP JUST TO PAY THINGS OFF...IT PUTS A LOT OF STRESS ON ME.”



**OF THE 105 PARTICIPANTS:**

- 87% owed back taxes to the Wayne County Treasurer.
  - The average “tax delinquent” participant owed a total amount of \$4,709.
  - This total included an average of \$1,305 in interest and fees alone.
- 62% were subject to foreclosure in 2017.
  - Among those subject to foreclosure, 8% eventually lost their homes to foreclosure in 2017.
- 82% of the 74 participants who had not previously applied for HPTAP indicated that they qualified for the exemption for at least the past three years. Among these participants:
  - 84% owed back taxes for one or more of those years.
  - 70% were subject to foreclosure in 2017.
- All participants who lost their homes in 2017 were eligible for the HPTAP in past years.

“I MANAGE TO SAVE UP SOME MONEY—\$500—AND TAKE IT DOWN. THEN I FIND OUT THAT THE MONEY I TOOK WAS JUST TO PAY THE LATE FEES. IT DOESN’T BRING DOWN WHAT I OWE.”

**CONTEXT**

When unpaid taxes to the City of Detroit are transferred to the Wayne County Treasurer for collection, the delinquent property owner is charged an administrative fee of 4% and an interest rate of 12-18% per year. In 2015, Michigan enacted a law (MCL 211.78q(5)) which permits the Wayne County Treasurer to offer an Interest Reduction Stipulated Payment Agreement (IRSPA) to owner-occupants. Under this agreement, homeowners have up to five-years to pay off their back taxes, interest is reduced to 6% and any imminent foreclosure is averted. This law is set to expire in July of 2019.

The IRSPA stipulates that homeowners must stay current on:

1. Monthly installments to the Wayne County Treasurer (back-taxes)
2. Annual payments to the City of Detroit (current-year taxes)

Over the past three years, 36,000 Wayne County owners, primarily in Detroit, had entered into an IRSPA<sup>8</sup>. This plan is well-recognized as an effective tool for relieving homeowners of usurious fees and reducing the rate of owner-occupied tax foreclosures. However, [thousands of homeowners with low-incomes now find themselves facing a dual property tax burden: simultaneously owing taxes for both current and past years.](#) For many homeowners—particularly those who were eligible for the HPTAP, but did not receive it—maintaining their IRSPA is a significant challenge, and the threat of foreclosure remains high.

By preventing current-year property taxes from becoming delinquent, the HPTAP can help residents pay off their back taxes, put an end to the cycle of unaffordable tax obligations, and prevent foreclosure in the short- and long-term.

**STEP 1 AWARENESS AND ELIGIBILITY**

“ I WOULDN’T BE FACING THIS FORECLOSURE. BECAUSE I DIDN’T GET THE RIGHT INFORMATION, BECAUSE I DIDN’T KNOW, I WOULDN’T BE DEALING WITH THIS...I KEPT HEARING ABOUT THE POVERTY EXEMPTION, BUT BY THE TIME I ACTUALLY GOT THE KNOWLEDGE FOR HOW IT COULD HELP ME, IT WAS SAD THAT IT WAS TOO LATE.”

**OF THE 105 PARTICIPANTS:**

- 55% first became aware of the exemption in 2017; 31% between 2016 and 2014; and 10% in 2013 or earlier (4% unreported).
  - 56% found out about the exemption from UCHC; 18% from friends, family or neighbors; and 17% from another source, including other nonprofits, flyers or word of mouth. Only 3% of participants heard about the exemption directly from a governmental source (6% unreported).
- 70% never previously applied for the exemption. Among them:
  - 91% indicated that they would have qualified for the exemption at some point during the past three years.
    - 76% of those who indicated prior eligibility said they did not apply because they did not know about it.
    - 24% cited other reasons for not applying, including challenges related to health and disability, the pressing need to avoid foreclosure or pay off their back taxes, confusion regarding their eligibility, or apprehension about the program.

“ I READ ABOUT THIS BEFORE BUT THEY MAKE IT SO COMPLICATED—I THOUGHT I COULD NEVER APPLY FOR IT. I’VE ALWAYS HAD PROBLEMS FILLING OUT FORMS. I THINK THEY MAKE IT MORE DIFFICULT FOR YOU THAN THEY HAVE TO—IT’S LIKE THEY DON’T WANT TO HELP YOU...THEY NEED A LOT OF INFORMATION AND A LOT OF PAPERS...AND THEY KEEP WARNING YOU, IF YOU PUT SOMETHING THAT ISN’T ACCURATE THEY’LL COME AFTER YOU—IT SCARED ME.”

**OF THE 105 PARTICIPANTS:**

- 30% had previously applied to the program and were asked to recall the years that they applied, the years for which they were approved, and to elaborate on what problems, if any, they encountered during this process.
  - Participants often recounted an inconsistent application history, citing barriers to renewing their application, or not knowing that the application needed to be re-submitted annually.
  - Participants commonly indicated having applications rejected or never acted upon. Of those who reported having previously applied, 35% stated that in at least one instance they never heard back about their application and were later billed for their taxes.
  - Participants recounted negative interactions or miscommunications with personnel at the Office of the Assessor, either when requesting, seeking assistance with or inquiring about their application, sometimes resulting in apprehension and distrust of the program.

“ THEY [THE OFFICE OF THE ASSESSOR] HADN’T BEEN MAILING ME THE APPLICATION. I CALL AND CALL—THEY DON’T KNOW WHAT I’M TALKING ABOUT OR THEY TRANSFER ME TO ANOTHER DEPARTMENT OR IT JUST RINGS AND RINGS...THIS HAS HAPPENED YEARS BEFORE. I CANNOT GET DOWNTOWN TO PICK IT UP, IT’S TOO DIFFICULT FOR ME, SO I DIDN’T APPLY AND THAT’S WHY I OWE SO MUCH TODAY.”

“ WHEN I WENT DOWN THERE THE FIRST TIME THEY PUT ME THROUGH SO MUCH CRAP THAT I SKIPPED THE NEXT YEAR. THEN I APPLIED IN 2014 AND WAITED FOR THE RESULTS. I NEVER HEARD ANYTHING BACK ABOUT IT SO I WENT DOWN THERE. THEY TOLD ME THAT I WAS DENIED.”



## CONTEXT

In July 2016, the American Civil Liberties Union (ACLU) of Michigan, the National Association for the Advancement of Colored People Legal Defense and Educational Fund, Inc. (NAACP LDF), and the law firm Covington & Burling LLP filed a class-action lawsuit against the City of Detroit and the Detroit Citizens Board of Review. The lawsuit alleged that Detroit’s administration of the HPTAP presented unfair procedural and logistical obstacles that prevented low-income homeowners from receiving the state-mandated exemption, violating their due process rights<sup>19</sup>. In July 2018, the Detroit City Council approved a legal settlement resolving this case, resulting in numerous changes to the HPTAP application process:<sup>20</sup>

- Each tax year, the Office of the Assessor will mail a notice to all city homeowners with homes valued less than \$95,000 about the tax relief available through the HPTAP. A copy of the application will be mailed to all homeowners who are delinquent on city taxes.
- In 2019, the BOR will revise the HPTAP application to have fewer paperwork requirements. The application may no longer include deadlines other than the final day

of submission, and must permit applicants of advanced age, limited physical mobility and caretakers to sign a sworn statement as an alternative to the application’s notarization requirement.

- The Office of the Assessor and the BOR will implement training and management procedures to improve customer service and provide more accurate application request, submission and decision tracking.

In an effort to provide relief to low-income homeowners who were affected by the prior HPTAP process, the settlement also stipulates that the city, beginning in 2018, will exercise its Right of First Refusal (ROR) authority under state law (MCL 211.78m) to purchase foreclosed homes that are occupied by homeowners who were eligible for the HPTAP in 2014, 2015, 2016 and/or 2017, before they are sold in auction. After acquiring properties from the Wayne County Treasurer, the City of Detroit transfer ownership to a nonprofit organization, which sells them back to the original owners for \$1,000. In 2018, UCHC partnered with the City of Detroit to implement the ROR program, which assisted 170 homeowners. The city will continue its ROR program to enable low-income homeowners to save their homes from foreclosure until the year 2020.

## RESOURCES

TO ADDRESS THE BARRIER OF LOW AWARENESS, THE RESEARCH TEAM DEVELOPED THIS VIDEO [[HTTPS://YOUTU.BE/VCLVH00E4V0](https://youtu.be/vclvh00e4v0)] IN 2017 TO INFORM RESIDENTS ABOUT THE HPTAP AND DIRECT THEM TOWARDS COUNSELING RESOURCES.

## STEP 2 OBTAIN APPLICATION

“THERE WAS SO MANY DIFFERENT PROGRAMS THEY [UCHC] WERE BRINGING UP AND TELLING ME ABOUT AND SHOWING ME FLYERS FOR. THE PAYMENT PLAN WAS WHAT I UNDERSTAND THE MOST, THAT WAS WHAT SEEMED MORE IMPORTANT. I KNEW I NEEDED TO PAY THAT EVERY MONTH AND STAY CURRENT ON MY TAXES.”

- All 105 participants were informed about the HPTAP by UCHC counselors prior to study enrollment.
  - 77% obtained the 2017 HPTAP application within three to six months of enrollment.
    - Among these participants, 48% obtained the application in person; 28% had it printed for them by UCHC; and 15% received it by mail (5% other; 4% unreported).

Participants were asked to describe any problems they faced at this stage of the application process.

- **Lack of Information:**  
A lack of clear information regarding HPTAP eligibility and application processes led to confusion about who can apply, as well as when, where and how to get the application. Some were unclear about what the program does or unsure how it could help them. Misunderstanding often stemmed from a confusion between city and county tax obligations. It was common for participants to conflate these taxing entities and the programs they each offer.

“THEY [THE CITY AND COUNTY] ARE ALL DIFFERENT ENTITIES BUT THEY ARE ALL TIED TOGETHER. I WAS CONFUSED ABOUT WHAT WAS IN CHARGE OF WHAT.”

- **Preoccupation:**  
Participants found it difficult to prioritize the exemption over other pressing needs or circumstances in their lives. Many indicated that they had not applied for the exemption because they were focused on paying their back taxes and avoiding foreclosure.

“WHEN THEY TOLD ME ABOUT IT, I WAS THINKING ‘I NEED HELP WITH MY BACK TAXES, NOT MY CURRENT TAXES.’ I WAS DEALING WITH SO MUCH AT THE TIME, I BRUSHED IT OFF.”

### CONTEXT

Detroit Action Commonwealth (DAC) is a nonprofit organization that develops and applies the collective power of its more than 5,000 members to address issues that affect low-income Detroiters. Due in large part to DAC’s efforts, the City of Detroit now provides the HPTAP application online and is processing and approving applications more rapidly. DAC is urging the city to translate the application into Spanish and Arabic. Through weekly meetings of its four chapters, door-to-door outreach, and ongoing negotiation with city officials, DAC works to eliminate unjust tax foreclosures and promote stable, peaceful neighborhoods.



For more information on DAC’s work, visit: [www.detroitaction.org](http://www.detroitaction.org)

### RESOURCES

TO OBTAIN THE HPTAP APPLICATION, VISIT: [WWW.DETROITMI.GOV/GOVERNMENT/BOARDS/PROPERTY-ASSESSMENT-BOARD-REVIEW/PROPERTY-ASSESSMENT-FORMS](http://WWW.DETROITMI.GOV/GOVERNMENT/BOARDS/PROPERTY-ASSESSMENT-BOARD-REVIEW/PROPERTY-ASSESSMENT-FORMS)

### STEP 3 COMPETE APPLICATION

- “THERE ARE SO MANY OPPORTUNITIES TO MESS UP AND GET DISQUALIFIED. THAT’S NOT GOOD FOR THE CITY OR FOR THE RESIDENTS...IT’S JUST SO DIFFICULT. I’M HANDICAPPED AND POOR—THAT JUST MAKES IT MORE DIFFICULT. EVERY YEAR THEY ADD SOMETHING TRICKY TO [THE APPLICATION]. YOU HAVE TO RUN AROUND AND TRY TO GET EVERYTHING TOGETHER—LIKE THE FOOD STAMPS AWARD LETTER...ONCE YOU QUALIFY, YOU’RE NOT GOING TO WIN THE LOTTERY, YOU KNOW? ONCE YOU’RE POOR AND ELDERLY AND SICK, THERE ARE VERY FEW CHANCES TO MAKE ANY MORE MONEY...IF YOU ARE ALREADY WELL BELOW POVERTY LEVEL, WHY DO THEY NEED TO KNOW THAT YOU’RE GETTING \$100 IN FOOD STAMPS? AS IF THAT’S GOING TO PUSH YOU OVER THE LIMITS. IT’S NOT LIKE THEY ARE GIVING YOU \$7,000 IN FOOD STAMPS. IT JUST SEEMS LIKE A BARRIER.”
- Among 81 participants who obtained the 2017 HPTAP application, 96% completed it within three to six months of study enrollment.
  - Among the 78 participants who completed the application, 92% did so with the assistance of UCHC.
    - In receiving this assistance, 43% required two or more trips to the office.
    - Among those who received assistance with UCHC, 92% submitted their application and 89% were approved for the exemption.
  - The remaining six participants completed the application on their own after referral.
    - Among these participants, 83% submitted it and only 40% were approved for the exemption.

Participants were asked to describe any problems they faced at this stage of the application process.

- **Application demands:**  
Participants commonly faced challenges related to the application’s overall complexity and specific paperwork requirements. Some participants indicated difficulty understanding the application’s language, or gathering supporting paperwork, which often required them to make multiple trips to and from various offices to finalize their applications.

“EVERYTHING ISN’T ALWAYS IN LAYMAN’S TERMS...IT WAS FRUSTRATING TO UNDERSTAND ALL THE THINGS THAT I NEEDED... ALL THE PAPERWORK AND NOT UNDERSTANDING THE TECHNICAL TERMS IN THE APPLICATION.”

“I HAD TO GO THERE [TO UCHC] THREE TIMES TO GATHER THE RIGHT PAPERWORK. SIT IN THAT ROOM WAIT ON THIS WAIT ON THAT...[I] DIDN’T HAVE ANY TRANSPORTATION, HAD TO BIKE THERE AND BACK...IT’S REALLY FRUSTRATING.”

- **Accessing assistance:**  
Participants frequently expressed that UCHC’s services enabled them to understand and complete the application. However, obtaining assistance served as an additional step in the application process that contributed to its overall burden.

“I DON’T HAVE TRANSPORTATION AND I HAVE A CANE, SO I TRY TO MAKE SURE I HAVE EVERYTHING WHEN I GO [TO UCHC].”

“[UCHC] IS THERE TO REALLY HELP YOU OUT AND GO THROUGH THE PROCEDURES WITH YOU SO YOU CAN GET HELP. THEY SIT AND TALK WITH YOU AND LISTEN TO YOUR SITUATION...THEY REALLY DO HELP YOU GET BACK ON TRACK.”

#### RESOURCES

FOR FREE ASSISTANCE COMPLETING THE APPLICATION:

**CALL:** 211

**TEXT:** 85274

**VISIT:** [WWW.FROMCLOSUREDETROIT.COM](http://WWW.FROMCLOSUREDETROIT.COM)

## STEP 4 SUBMIT APPLICATION

“ I HAD TO WALK THERE [TO THE OFFICE OF THE ASSESSOR] FROM UCHC...I HAVE NERVE DAMAGE IN MY LEGS AND MY FEET. WHAT AM I GOING TO DO? I HAVE NO CHOICE. I JUST HAVE TO BE CAREFUL.”

- Among 78 participants who completed the 2017 HPTAP application, 91% submitted it within three to six months of study enrollment.

Participants were asked about any problems they faced during this stage of the application process.

- **Mobility demands:**

To ensure that the application is received, both UCHC and the BOR suggested in 2017 that it be submitted in-person (not by mail). Participants commonly experienced mobility limitations stemming from poor access to transportation—an impediment that was often exacerbated among participants living with physical disabilities. While this posed challenges to participants throughout the application process, this burden was most acutely felt during the stage of submission.

“ I AM DISABLED AND I HAVEN'T BEEN ABLE TO GET DOWNTOWN. I'M TRYING TO GET SOME SORT OF TRANSPORTATION.”

“ I HAD TO GET A NEIGHBOR TO TAKE ME DOWN THERE [THE OFFICE OF THE ASSESSOR] AND PAY THEM FOR THEIR TIME AND THEIR PARKING...IT'S SO HARD TO GET DOWN THERE EVERY YEAR. ONE YEAR I WENT IN A BLIZZARD.”

“ IT'S TERRIBLE GOING DOWN THERE [THE OFFICE OF THE ASSESSOR]. YOU HATE TO GO. THERE'S NOWHERE TO PARK, YOU NEED MONEY TO PARK. YOU HAVE TO GET SOMEONE TO TAKE YOU, YOU NEED TO PAY THEM FOR GAS, AND THERE'S ALWAYS A LONG LINE. IT'S A MESS DOWN THERE, YOU SHOULDN'T HAVE TO GO THROUGH THAT.”

## CONTEXT

In 2016, an alliance of several long-standing Detroit community organizations formed the Coalition to End Unconstitutional Tax Foreclosures, with the goal of ending the historic property tax foreclosure crisis in Detroit. As part of this work, the Coalition has led major advocacy efforts to ensure that the HPTAP is made more accessible to eligible homeowners.



For a list of participating organizations and more information on the coalition's work, visit: [www.illegalforeclosures.org](http://www.illegalforeclosures.org)

## STEP 5 APPROVAL AND EXEMPTION

“ IT WAS A LOT OF STEPS TO GET THERE, BUT I WAS GLAD I GOT IT...IT'S NOT JUST THE AMOUNT OF MONEY THAT I'M SAVING... IT'S A HELP KNOWING, WITH ME NOT HAVING THE FUNDS TO PAY, IT'S NOT SO MUCH OF STRUGGLE...I'M ACTUALLY PAYING THEM [MY BACK TAXES] MONTHLY, I STILL HAVE A COUPLE OF YEARS TO PAY OFF. IT WILL HELP ME GOING FORWARD, NOT HAVING TO WORRY SO MUCH.”

- Of the 71 participants who submitted an application, 23% received notice from the BOR stating that further information and/or documentation was required for their application to be reviewed.
  - 69% indicated receiving this notice by phone and 31% received it by mail.
  - **Communication:** In some cases, the notice provided clear information to applicants. In others, notice led to concern or confusion among participants, particularly when communication was by mail. Some were unsure of how to correct their application, unclear whether the documents they were being asked to provide (via fax) were received by the BOR, or indicated difficulty in contacting the BOR by phone for clarification.
- Among 71 participants who submitted the application:
  - 86% were granted the exemption. Among them:
    - 64% indicated receiving formal, written approval delivered by mail.
      - Despite receiving this paperwork, 23% were not aware that the letter they received was meant to indicate their approval.
    - 21% indicated that they did not receive this paperwork, although two of these participants cited communication with the Office of the Assessor, either in-person or over the phone.
    - 15% could not be reached for a follow-up interview.
  - **Communication:** Some participants were unaware that their application was granted until the interviewer described the approval process and corresponding paperwork over the phone.
- “ WHAT DOES THIS [THE APPROVAL LETTER] MEAN? IT DOESN'T SAY IN CLEAR LETTERS...HOW MUCH DO I OWE? HOW LONG DO I HAVE TO PAY IT? MORE CLEAR LANGUAGE. SIMPLE LANGUAGE. THAT'S WHAT I NEED.”

THE OPPORTUNITY TO HAVE THEM [THE CITY] PAY YOUR TAXES FOR YOU IS SIMPLY A BLESSING. ESPECIALLY IF [PEOPLE] ARE GOING THROUGH HARDSHIPS, LOSS OF A FAMILY MEMBER OR A JOB...THEY SHOULD TAKE ADVANTAGE OF IT."

- Among those who were not granted the exemption:
  - Two participants indicated receiving formal, written denial delivered by mail.
  - Four participants indicated that they had no contact with the BOR about the status of their application. Two said that they were told by the Office of the Assessor in 2018 that there was no record of their application being submitted.
  - Four participants could not be reached.
- **Accountability:**  
Despite successfully submitting the application, a number of participants received no notice regarding their application, and ultimately were not granted the exemption.

I GO DOWN THERE. THE LADY TELLS ME SHE DON'T KNOW WHAT HAPPENED WITH MY PAPERWORK. GAVE ME ANOTHER APPLICATION TO FILL OUT THIS YEAR."

I REALLY NEED THE HELP. I'M NOT THE TYPE OF PERSON TO TAKE ADVANTAGE OF THE SYSTEM. BUT IF I MISS A COUPLE OF PAYMENTS, I LOSE MY HOUSE."

## CONTEXT

While state law (MCL 211.7u) dictates, and the State Tax Commission gives guidance certain eligibility criteria for the exemption, the governing body of the local assessing unit has the discretion to determine its jurisdiction's specific documentation requirements, income guidelines (if higher than the Federal Poverty Level), and implementation procedures—as well as the extent of the relief it offers. In Detroit, this authority lies with the Detroit Citizen's Board of Review (BOR), which consists of nine Detroit residents appointed by the City Council. The BOR currently offers either a 100% or a 50% exemption to residents, depending on household income and property type (single- or multi-family with principle residence exemption on file with the Office of the Assessor). Detroit also adopts alternative income eligibility guidelines for its program that are above the Federal Poverty Line, extending the opportunity for relief.

During the study period, the BOR stated that it had taken steps toward ensuring that the HPTAP was more widely accessible to residents, including:

- Making the application available online, eliminating the need for residents to request the application in person and allowing community-based groups to expand their outreach efforts.
- Supporting public outreach efforts by attending community meetings, training community leaders on how to complete the application and assisting with neighborhood-based HPTAP workshops.
- Collaborating with nonprofit and advocacy organizations on ways to streamline the application, and implementing changes to the 2018 and 2019 applications based on the recommendations of these groups.
- Allowing a known subset of vulnerable residents to complete an abridged version of the application requiring minimal documentation.
- Implementing trainings with staff, and adopting standard procedures issuing notice of incomplete application, first by phone, then by mail.

## SUMMARY

- The HPTAP offers critical relief to homeowners who face chronic and acute financial strains that affect their ability to afford property taxes. By eliminating or reducing household property tax burdens among grantees, the HPTAP may improve housing affordability and prevent foreclosure among homeowners with low- or fixed-incomes, as well as those experiencing periods of financial hardship.
- Homeowners who were eligible for the HPTAP in prior years did not apply for the exemption because they did not know that it existed or that they qualified. The vast majority found out about the HPTAP from UCHC or other non-governmental sources.
- HPTAP-eligible owner-occupants face tax debt and foreclosure for back taxes they could have been exempt from paying. The HPTAP is critical for allowing these homeowners to maintain their payment plan agreements and avoid foreclosure. For some it was too late to save their homes.
- Awareness does not guarantee access. Homeowners faced considerable barriers at each stage of the application process that prevented them from receiving the exemption. Challenges stemmed from the application’s complex documentation requirements and procedural demands, and were often compounded by the multiple social, economic, and/or physical vulnerabilities faced by applicants.
- Counseling services, such as those provided by UCHC, remain important—and in many cases critical—to ensure that homeowners are informed about and successfully complete the HPTAP application. However, the application’s current requirements make these services time-consuming and resource-intensive, placing a greater burden on homeowners and nonprofit organizations.
- Most homeowners who successfully obtained, completed and submitted their application were granted the exemption. However, applicants experienced uncertainty about whether or not their application was received, reviewed and/or granted. A lack of communication and accountability from the BOR to the applicants may result in eligible homeowners being unjustly excluded from the program.

## CONTEXT

In November of 2018, Detroit City Council approved an ordinance designed to improve access to the HPTAP<sup>21</sup>. The goal of this ordinance was to solidify and expand upon changes to the HPTAP application process that were introduced by the 2018 settlement. The HPTAP ordinance was sponsored by City Council President Pro Tempore Mary Sheffield and crafted in partnership with the Coalition to End Unconstitutional Foreclosures. The ordinance:

- Guarantees the exemption at current levels (100% and 50%) and income guidelines;
- Allows applicants to more easily demonstrate eligibility by showing enrollment in means-tested government programs;
- Institutes a “short-form affidavit” that allows certain owners who have received the exemption in prior years to file an abridged version of the application to renew their exemption;
- Mandates that the city includes information about the HPTAP on the annual assessment notice and makes the application available at the Office of the Assessor, City of Detroit Recreation Centers, Department of Neighborhood Offices and the city’s website;
- Codifies changes to the application process introduced by the 2018 settlement order, which includes fewer documentation requirements, a more flexible notarization option and standard procedures for issuing decision letters.
- Requires that an accurate tax bill be issued after exemptions are granted.

## RECOMMENDATIONS & NEXT STEPS

To ensure that the HPTAP is readily available, easily obtainable and equitably distributed to all eligible homeowners, local and state governments can prioritize efforts to increase awareness and remove access barriers, reduce application requirements and mobility demands, and strengthen institutional communication and accountability procedures. Steps can also be taken to alleviate tax debt and prevent foreclosure among residents who were eligible but did not receive the exemption in past years. As indicated throughout this report, significant changes are underway, due in large part to considerable efforts by non-profits, legal organizations, community-based groups, and philanthropic foundations—often with the support of local officials. The recommendations below represent some, but not all, of the next steps that the city, county and state governments can take to support and expand ongoing efforts to improve HPTAP implementation in Detroit and strengthen PTE effectiveness across Michigan.

### AWARENESS

#### CHALLENGE

Many eligible homeowners do not know about the HPTAP or how it can assist them in preventing foreclosure.

#### EXISTING SOLUTIONS & RESOURCES

- As a result of the 2018 settlement and HPTAP ordinance, the Office of the Assessor and the BOR are required to conduct various forms of direct outreach to homeowners and make the application available at the Office of the Assessor, City of Detroit Recreation Centers, Department of Neighborhood Offices and the city’s website.
- Local officials and community-based groups can share this video [<https://youtu.be/vCLVh00E4vo>] on their websites and social media outlets to inform residents about the HPTAP.

#### NEXT STEPS

- To ensure that all homeowners receive notice of tax relief options, including the HPTAP, the City’s Office of the Assessor can promote the Principal Residence Exemption (PRE) to owner-occupants (since PRE designation is a precondition for the HPTAP and other tax relief programs). The Assessor can provide clear information about PRE eligibility and filing procedures using existing communication channels (e.g., annual assessment notice, website) and conduct targeted outreach to properties on the tax rolls without PRE designation, but where the owner and property addresses match. The Wayne County Register of Deeds and the Detroit Land Bank Authori-

ty can also distribute flyers about the PRE and other tax relief options to new homebuyers. At the same time, local and state governments can take actions to identify and deny fraudulent PREs, helping to offset revenue loss associated with greater HPTAP use and limit abuse by non-homeowners. For example, the Office of the Assessor can integrate its data with the City’s Buildings, Safety Engineering and Environmental Department (BSEED) rental registry, and the Michigan Treasury can increase the frequency of PRE audits in Detroit.

TO BETTER PROMOTE THE HPTAP AS A WAY FOR DETROIT HOMEOWNERS TO AVOID CYCLES OF DELINQUENCY, STAY CURRENT ON REPAYMENT PLANS AND PREVENT FORECLOSURE, THE WAYNE COUNTY TREASURER CAN EDUCATE RESIDENTS ON THE CONNECTION BETWEEN CITY AND COUNTY TAX OBLIGATIONS AND ACTIVELY PROMOTE THE HPTAP (AND OTHER JURISDICTIONS’ PTE PROGRAMS) TO RESIDENTS IN-PERSON, ONLINE AND AT TAX PAYMENT KIOSKS.

- To better promote the HPTAP as a way for Detroit homeowners to avoid cycles of delinquency, stay current on repayment plans and prevent foreclosure, the Wayne County Treasurer can educate residents on the connection between city and county tax obligations and actively promote the HPTAP (and other jurisdictions’ PTE programs) to residents in-person, online and at tax payment kiosks. For instance, the Treasurer can update its automated platforms to remind taxpayers of their current-year tax obligation and direct them to their local Assessor’s Office for tax payment and relief options. The Treasurer can train staff to identify Detroit homeowners using IRSPA and/or PRE designation (which should be updated regularly to reflect the status on file with the Office of the Assessor), and provide informational flyers with HPTAP eligibility criteria and resources for assistance. The Treasurer can also allocate a portion of the county’s Delinquent Tax Revolving Fund to conduct preventative outreach to homeowners who are at risk of defaulting on their IRSPA. Each year, the Wayne County Treasurer should provide cities with a list of homeowners who have an IRSPA and are on the foreclosure petition, so that outreach can be done to those homeowners most in jeopardy of losing their homes.

## ACCESS

### CHALLENGE

Homeowners face considerable barriers at each stage of the HPTAP application process due to its complex documentation requirements and procedural demands. These difficulties make the provision of counseling services critical for improving access, but the need for this assistance and the various steps involved place time and resource burdens on applicants and service providers.

### EXISTING SOLUTIONS & RESOURCES

- The BOR makes the application available online and mails it to previous applicants.
- As a result of the settlement and HPTAP ordinance, the BOR will reduce some of the application's documentation requirements and offer a more flexible notarization option. For instance, the BOR will no longer require proof of debts for applicants who meet the income guidelines, and will permit applicants who do not file tax returns to demonstrate their eligibility by showing enrollment in any government program that has the same or lower income requirements.
- In addition to implementing these mandated changes, the BOR has worked collaboratively with community organizations to significantly revise the 2019 HPTAP application so that it is easier for applicants to understand and complete.
- As required by the ordinance, the BOR will continue and expand its practice of offering an abridged version of the application to a subset of residents who have been approved in prior years.
- Efforts by nonprofit organizations and community-based groups, aided in part by short-term foundation funding, have expanded access to direct services where residents can seek assistance completing their application in or near their neighborhoods. Residents may call 211, text 85274, or visit this website [<http://fromclosureetroit.com/>] for information on the HPTAP and a list of counseling hours and locations.

### NEXT STEPS

- To further reduce documentation requirements and ease administrative demands on the BOR, local and state governments can coordinate data sharing across governmental departments and agencies to verify program eligibility. For example, the Wayne County Register of Deeds can provide the BOR with free access to ownership documents, rather than requiring applicants to provide copies.
- The BOR can simplify the application and review process by developing an online platform for completion and submission. The BOR and City Council should translate the application and other required documents (such as the PRE), at a minimum, into Spanish and Arabic.
- The HPTAP notarization requirement may still present an obstacle for applicants who work full-time, have poor access

to transportation or are unbanked. City Council can remove this barrier—as well as the administrative burden it places upon community organizations that provide application assistance—by amending the HPTAP ordinance to remove the application's notarization requirement entirely.

TO SUSTAINABLY IMPROVE HPTAP ACCESS WITHOUT PLACING A BURDEN ON COMMUNITY-BASED ORGANIZATIONS, THE MAYOR CAN ASK THE DEPARTMENT OF NEIGHBORHOODS TO PROMOTE THE HPTAP AND OFFER DESIGNATED OFFICE HOURS FOR APPLICATION ASSISTANCE AT RECREATION CENTERS ACROSS THE CITY.

- To sustainably improve HPTAP access without placing a burden on community-based organizations, the Mayor can ask the Department of Neighborhoods to promote the HPTAP and offer designated office hours for application assistance at recreation centers across the city.
- State law requires that the applicant must file a claim for the PTE each year. State legislators should amend MCL 211.7u so that local governing bodies can issue a multi-year, chronic poverty exemption to long-term applicants (e.g., seniors, residents with long-term disability).

## ACCOUNTABILITY

### CHALLENGE

Applicants experience distrust and uncertainty about whether or not their application was received, reviewed and/or granted. A lack of communication and accountability from the BOR to the applicants may result in eligible homeowners being unjustly excluded from the program.

### EXISTING SOLUTIONS & RESOURCES

- As part of the BOR review process, applicants are informed by mail or by phone if their application is incomplete and offered the ability to correct their application prior to decision.
- As stipulated in the settlement, the Office of the Assessor and the BOR will implement training and management procedures to improve customer service and provide more accurate application request, submission and decision tracking.
- As required by the HPTAP ordinance, all applicants will receive written notice of the BOR's decision within 10 days of the review period. If a denial or no decision is made, this no-

tice will indicate the reason. Further, all taxpayers who are granted the exemption in July or December will be issued a revised tax bill within 30 days of their decision.

### NEXT STEPS

- Even with improved internal tracking procedures, there is still a need for direct accountability between the BOR and applicants. Upon application submission, the BOR can issue a time-stamped receipt to the applicant, including a timeline for when the applicant can expect to receive a decision. Applicants who submit by mail should also be issued receipt by mail.
- To improve communication, the BOR can develop a way for residents to track their application status online.
- To increase transparency, the BOR can make the total number of applications received, approved and denied for each review period available to the general public in an annual publication.
- Notices of approval from the BOR to applicants should be simplified and inform residents that they will be issued an updated tax bill reflecting their exemption.

## ALLEVIATION

### CHALLENGE

Barriers related awareness, access and accountability have prevented eligible homeowners from receiving the HPTAP. Many owe back taxes from previous years and remain at risk for foreclosure.

### EXISTING SOLUTIONS & RESOURCES

- The Wayne County Treasurer offers an Interest Reduced Stipulated Payment Agreement (IRSPA) that allows homeowners to pay back taxes over as long as five years and lowers the interest rate to 6%.
- Homeowners may be eligible for financial assistance with paying off back taxes provided by Step Forward Michigan [<https://www.stepforwardmichigan.org/en/>] or State Emergency Relief [[https://www.michigan.gov/mdhs/0,5885,7-339-71547\\_5531\\_62133---,00.html](https://www.michigan.gov/mdhs/0,5885,7-339-71547_5531_62133---,00.html)].
- As a result of the settlement, the city will exercise its Right of First Refusal (ROR) authority under state law (MCL 211.78m) until 2020 to purchase foreclosed homes that are occupied by homeowners who qualified for the HPTAP at any point between 2014 and 2017. The city then transfers ownership to a nonprofit organization, which sells them back to the original owners for \$1,000. In 2018, UCHC partnered with the City of Detroit to implement the ROR program, which assisted 170 homeowners.

### NEXT STEPS

- The HPTAP does not assist with back taxes, and high interest rates place an excessive burden on homeowners. Legislation authorizing the IRSPA is set to expire in July 2019. The State

legislature can make this law (MCL 211.78q(5)) permanent. To provide more equitable relief to homeowners who owe tax debt for years that their property was over-assessed, the State should restore the State Equalized Value Stipulated Payment Agreement (SEVSPA), which ensures that tax debt does not exceed of the current State Equalized Value (SEV) of the home.

- PTE-eligible homeowners often do not qualify for the 0% interest forgivable loan provided by Step Forward Michigan that can help pay down back-taxes for eligible homeowners, because their financial circumstances do not guarantee that they can afford to pay taxes going forward. The Michigan State Housing Development Authority (MSHDA) should work with the BOR to determine multi-year HPTAP eligibility criteria, allowing MSHDA to waive the income requirement for Step Forward funds, secure in the knowledge that those eligible for multi-year exemptions won't default on their property taxes. The Mayor can advocate for this change at the state and local levels to ensure that homeowners can access the funds before they expire at the end of 2019.
- The settlement does not guarantee sufficient funding to purchase homes on behalf of all homeowners who qualify for the ROR program, which relies on the availability of third-party funding. MSHDA can allocate a portion of the remaining Step Forward funds to ensure that all qualifying homeowners may benefit from the ROR program. Further, governmental resources allocated towards to the ROR program are inadequate, and do not meet the increased capacity needs of UCHC to recruit participants and implement the program. The Mayor can ask the Department of Neighborhoods to coordinate ROR program outreach (e.g., mailers and door-to-door canvassing) to occupied foreclosed properties. The BOR can review past records to identify prior HPTAP applicants who are facing foreclosure, and the Office of the Assessor can provide personnel to assist with HPTAP applications (which are required to document ROR-eligibility for homeowners who had not previously applied).

THE STATE LEGISLATURE CAN AMEND MCL 211.7U TO GRANT LOCAL GOVERNING BODIES THE DISCRETION TO MAKE THE PTE RETROACTIVE, SO THAT HOMEOWNERS WHO WERE ELIGIBLE FOR BUT DID NOT RECEIVE THE EXEMPTION CAN BE ALLEVIATED OF TAX DEBT AND THE THREAT OF FORECLOSURE FOR YEARS THEY LEGALLY QUALIFIED FOR RELIEF.

- The state legislature can amend MCL 211.7u to grant local governing bodies the discretion to make the PTE retroactive, so that homeowners who were eligible for but did not receive the exemption can be alleviated of tax debt and the threat of foreclosure for years they legally qualified for relief.

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