

QUICKEN LOANS COMMUNITY FUND

NEIGHBOR TO NEIGHBOR



THE FIRST DETROIT PROPERTY TAX FORECLOSURE CENSUS
2019




*“The homeowner had a stroke last month
and needs help filling out forms, amongst
other things. He lost his wife in the summer
last year and is really struggling.”*

Notes from a Conversation with a Homeowner on Detroit's West Side

*“Renter would be interested in the home.
Renter moved five times because property taxes
were owed on previous houses.”*

Notes from a Conversation with a Tenant on Detroit's East Side



*“Very nice guy, wore Detroit firefighter shirt.
He grew up in the house, moved back to
take care of mom, she passed away and
he has been in the home for about 2 years.”*

Notes from a Conversation with a Homeowner on Detroit's West Side

*“Met a young man and his family who
are renting. They had no idea the house
was in foreclosure.”*

Notes from a Conversation with a Tenant on Detroit's East Side

NEIGHBOR TO NEIGHBOR

THE FIRST DETROIT PROPERTY
TAX FORECLOSURE CENSUS



THIS REPORT IS THE PRODUCT OF A COLLABORATION

between the Quicken Loans Community Fund, the United Community Housing Coalition, and neighborhood associations throughout Detroit. The data presented in this report was compiled during the 2017 - 2018 Neighbor to Neighbor tax foreclosure prevention program. The door-to-door program was created by the Quicken Loans Community Fund and completed through a partnership involving the Quicken Loans Community Fund, United Community Housing Coalition, and Detroit neighborhood organizations.



For free assistance to prevent tax foreclosure, visit the
UNITED COMMUNITY HOUSING COALITION

9 a.m. - 12 p.m.
Every Monday / Wednesday / Friday

2727 Second Ave. Suite 313, Detroit, MI 48201
(313) 963 - 3310

“Detroit’s collapsing structures and vacant lots didn’t just ‘happen.’ They are the physical result of dire economic and social forces that pulled apart the city.”

—
Tax Foreclosure & Blight, The Blight Task Force Report, 2013

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ABOUT THIS REPORT

DEAR NEIGHBORS,

In 2013, the Obama administration convened the Detroit Blight Removal Task Force to chart a course to eliminate blight in Detroit. Co-chaired by Dan Gilbert, founder and Chairman of Quicken Loans, the Task Force first sought to understand the extent of blight in the city. To do so, it commissioned a project called Motor City Mapping. The effort brought together hundreds of Detroit residents, Quicken Loans team members, and other resources from the Quicken Loans Family of Companies and local tech firms, Loveland Technologies and Data Driven Detroit, to evaluate the condition of all 385,000 properties in Detroit¹.

At the conclusion of the project, the Task Force issued a report that contained this warning about tax foreclosure in Detroit:

“Without intervention, county tax foreclosure will continue to sweep across the city until the inventory of foreclosable properties is exhausted. Speculators will buy cheap property and allow it to deteriorate. Despairing and frustrated residents will continue to walk away from their tax-foreclosed homes and from Detroit. Unscrupulous landlords will evict tenants and scrap their own properties. [...] Even the swiftest and most aggressive fight against today’s blight will accomplish very little if we don’t address the conditions that led to it.”

In recent years, the Quicken Loans Community Fund has taken unprecedented steps to research and address the human cost of the tax foreclosure system.

The report you are reading is the product of an unprecedented community-led tax foreclosure prevention effort called Neighbor to Neighbor, a project inspired by the legacy and mission of Motor City Mapping. Neighbor to Neighbor sought to:

1. *Investigate the human costs of tax foreclosure.*
2. *Test a model for community-led early intervention to prevent tax foreclosures.*
3. *Inform solutions that can address the tax foreclosure crisis.*

In partnership with the United Community Housing Coalition, the Quicken Loans Community Fund granted funds to 30 Detroit neighborhood organizations for outreach to prevent tax foreclosure. Those groups employed more than 400 Detroit residents to knock on the door of all Detroit homes at risk of tax foreclosure.

Between November 2017 and May 2018, Neighbor to Neighbor canvassers reached out to all 60,000 Detroit homes on which property taxes were owed, delivering foreclosure prevention information and collecting data at each property. The findings are presented in this report.

The Quicken Loans Community Fund and the Neighbor to Neighbor partner organizations believe there is a better way to keep Detroiters in their homes, build neighborhood wealth, and fund city services. We believe these findings can achieve these goals, and end the tax foreclosure crisis in Detroit.



KEY FINDINGS

AFTER KNOCKING ON MORE THAN 60,000 DOORS and spending the last year finding success with a number of tax foreclosure prevention programs, we have assembled five key findings that can help stabilize neighborhoods across Detroit, with the goal of making the tax foreclosure crisis and chronic tax delinquency things of the past.

1

RESIDENTS LACK INFORMATION ON TAX DELINQUENCY AND HELPFUL PROGRAMS

Direct outreach, like Neighbor to Neighbor, to all tax-delinquent homes in Detroit should happen every year in the spring, when temperatures are warmer, and there is time to help residents ahead of the annual fall tax foreclosure auctions. Canvassers equipped with the Loveland smartphone app should collect data and deliver information to all homes in Detroit with owners who are struggling to pay property taxes.

2

HOMEOWNERS NEED MORE OPPORTUNITIES TO GET PROPERTY TAX EXEMPTIONS

Homeowners with low incomes should have ample, and well-advertised, opportunities to get help completing their property tax exemption (PTE) applications, which can eliminate current year taxes for homeowners with low incomes. PTE workshops should be held in community centers across the city, and plenty of government and nonprofit staff should be trained to help residents complete their application.

3

ERASE TAX DEBT FOR VULNERABLE HOMEOWNERS

It should be possible to wipe out the back taxes owed by homeowners with low incomes, securing their homes and helping them exit the state of chronic property tax delinquency. This would require state legislation to make the existing property tax exemption retroactive. Making this legislation a priority would help Detroit homeowners with low incomes resolve their property taxes once and for all.

4

PAYING FOR PROPERTY TAXES MONTHLY WOULD BE EASIER

Today, Detroit homeowners receive their tax bill in two installments—about 85% of the property tax bill arrives in the summer, and 15% arrives in the winter. This unwieldy split leads to budgeting problems and can cause tax delinquency. A citywide information campaign should help Detroiters take advantage of the monthly Property Tax Savings Program created in 2019.

5

TENANTS WANT THE FIRST CHANCE TO BUY TAX FORECLOSED RENTAL PROPERTIES

Tenants who face tax foreclosure should not suffer the consequences of their landlord's neglect. Tenants should have the first opportunity to buy the home they've been renting for the cost of the back taxes owed. The City of Detroit has, and should continue to, exercise its Right of Refusal through the Make it Home program to pull rental properties from the auction process and make homeownership possible for tenants.

TAX FORECLOSURES ARE DECLINING... TAX DELINQUENCY IS NOT

WHAT IS TAX FORECLOSURE?

SIMPLY PUT: When a property owner doesn't pay property taxes for three years, the result is tax foreclosure. Prior to this, a home with unpaid property taxes is tax delinquent.

Tax foreclosure represents the last attempt by the Wayne County Treasurer to recover delinquent property taxes from the property owner. Properties are placed into an online tax foreclosure auction where anyone can bid to purchase properties.

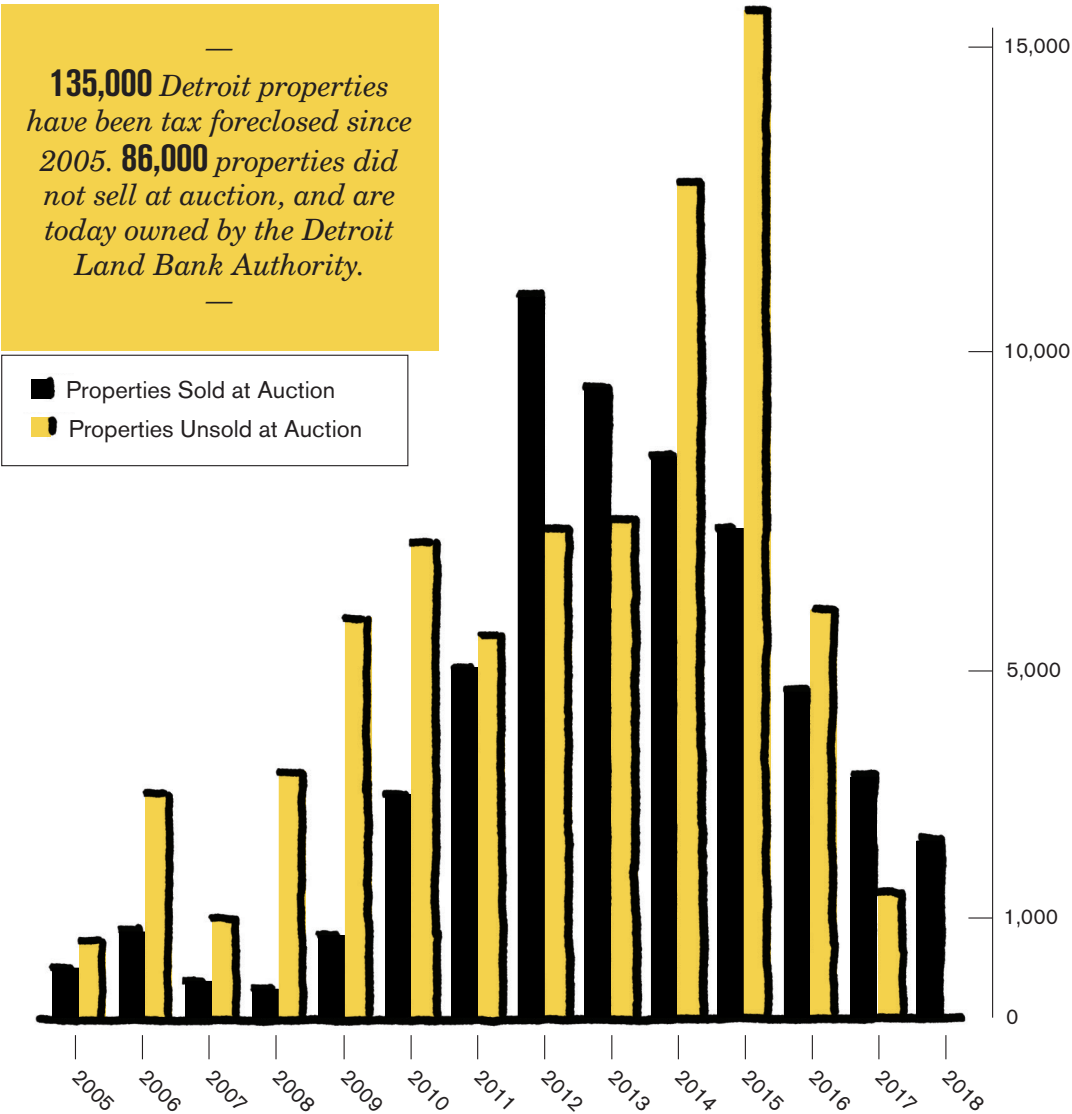
The way the tax foreclosure system plays out in Detroit is the result of a statewide system created by a 1999 state law—Public Act 123. However, no city in Michigan has experienced the rate of tax foreclosures seen in Detroit. In Detroit, nearly 1 in 3 properties² have entered a tax foreclosure auction sometime in the last 10 years.

WHAT IS THE IMPACT TODAY?

THE NUMBER OF properties entering tax foreclosure auctions has declined in recent years. That means more homeowners and renters are avoiding the worst fate of tax foreclosure: losing their home in an online auction that frequently results in eviction. However, the good news of declining tax foreclosures is not as simple as it seems.

Tax Foreclosures in Detroit³

2005 - 2018



2: Paffendorf, Jerry. Every Tax Foreclosure in Detroit, 2002 - 2016. Site Control. August, 2017. Retrieved from: <https://taxforeclosure.sitecontrol.us/m/every-tax-foreclosure-in-detroit-2002-2016#b=none>
3: Wayne County Treasurer Tax Foreclosure Auction Totals.

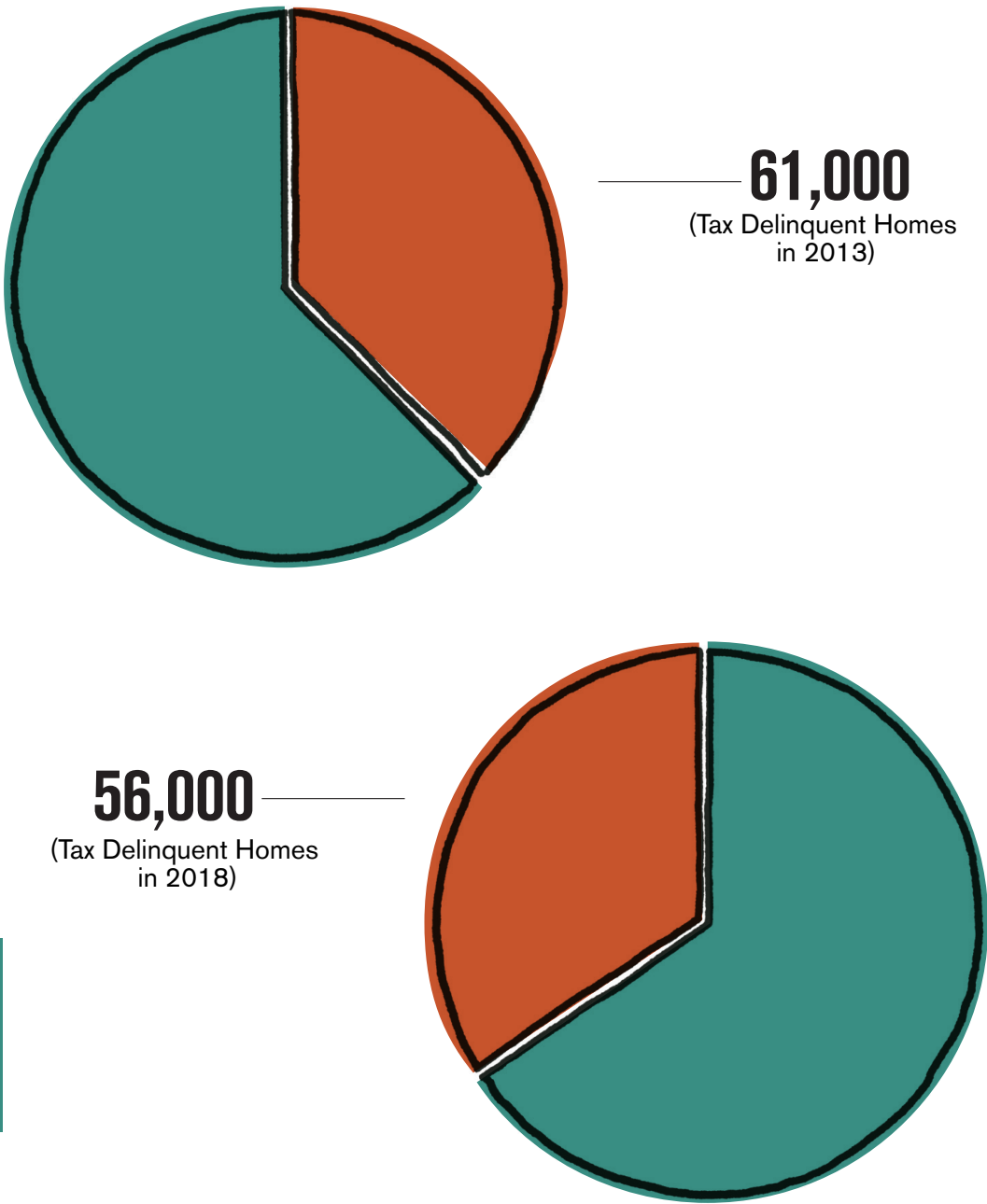
TAX DELINQUENCY OF OCCUPIED HOMES HASN'T CHANGED IN 5 YEARS

WHILE THE NUMBER of tax foreclosed homes is down 88% from the tax foreclosure auction's peak in 2015⁴, **the number of tax delinquent homes has declined only 8% and has remained steady between 2013 and 2018.** That means that the number of occupied homes with delinquent taxes is nearly the same as it was five years ago. Tax foreclosure prevention tools available today are treating symptoms (the tax foreclosure auctions), but are unable to address root causes (tax delinquency caused by poverty).

Tens of thousands of Detroit homes are caught in a chronic state of tax delinquency, and residents remain in a fragile situation as a result. Many homeowners and tenants find themselves on the precipice of tax foreclosure year, after year, after year.

Changes in overall economic conditions, or changes in the administration of delinquent tax payment plans, could upset this precarious balancing act and cause a new wave of tax foreclosures.

Tax Delinquency of Occupied Homes
2013 vs. 2018



The number of occupied homes with delinquent property taxes has declined only 8% since 2013.

4: Retrieved from: <https://www.detroitnews.com/story/news/local/detroit-city/2017/09/19/detroit-tax-foreclosures-down-duggan/680432001/>

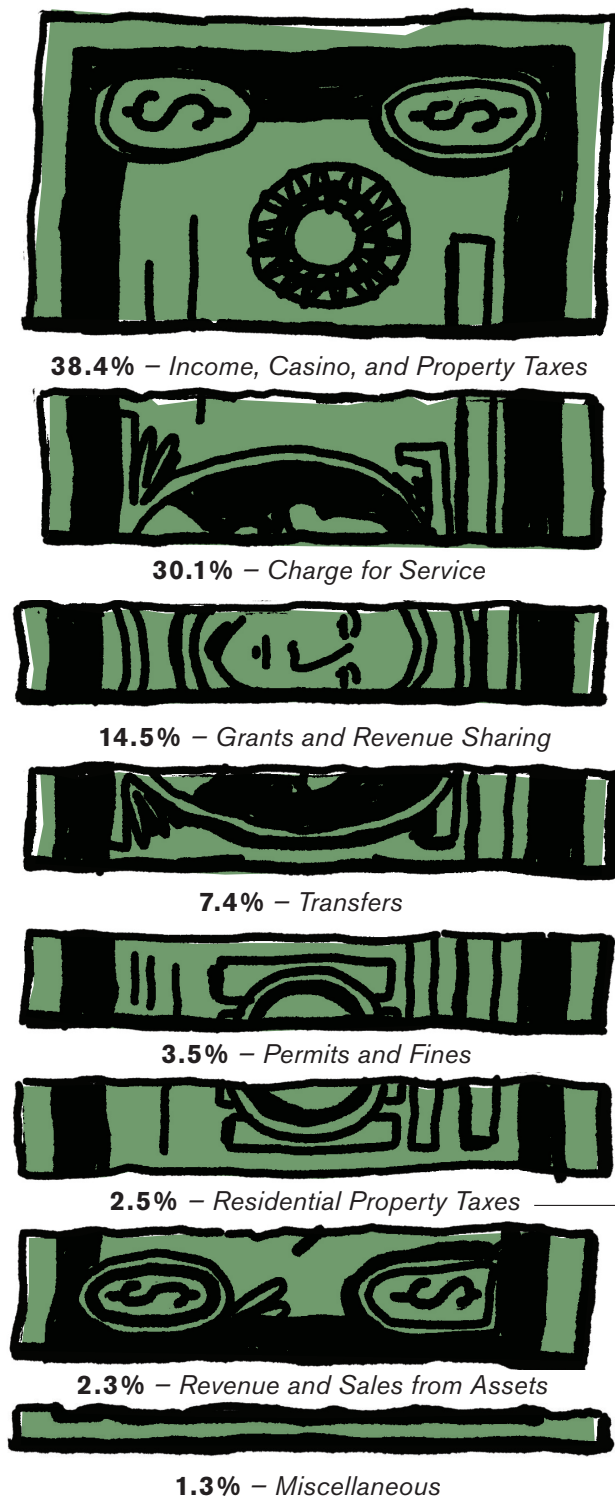
THE HUMAN COST OF TAX FORECLOSURE

A VICIOUS CYCLE

IN THEORY, the annual tax foreclosure auctions are intended to take properties that are neglected and not generating tax revenue, and sell them to owners who will pay taxes and put the properties to productive use.

IN PRACTICE, most homes that face tax foreclosure never return to productive use. Instead, speculators who purchase cheap property at auction allow it to deteriorate without paying property taxes, leading to further depressed home values and blight.

SYSTEM	TAX FORECLOSURE CYCLE	FAMILY
<p>YEAR 1</p> <p><i>Owner fails to pay taxes to the City of Detroit.</i></p>		<p>YEAR 1</p> <p><i>The family in this home suffers a hardship and is unable to make their property tax payment.</i></p>
<p>YEAR 2</p> <p><i>When the 2nd tax payment is also missed, the Wayne County Treasurer purchases the property's tax debt, and adds 18% interest.</i></p>		<p>YEAR 2</p> <p><i>The family is now juggling bills, and falling further behind on their property taxes.</i></p>
<p>YEAR 3</p> <p><i>After the 3rd tax payment is missed, the Wayne County Treasurer takes possession of the home and auctions it. The property is purchased by a speculator.</i></p>		<p>YEAR 3</p> <p><i>The family is evicted from their home</i></p>
<p>YEAR 4</p> <p><i>The new property owner fails to pay taxes to the City of Detroit. Property becomes tax delinquent again.</i></p>		<p>YEAR 4</p> <p><i>The home is now vacant, scrapped, blighted. It will require demolition. The family rents from a speculator in a new property.</i></p>



RESIDENTIAL PROPERTY TAXES FUND ONLY A SMALL PORTION OF CITY SERVICES

PROPERTY TAXES FUND CRITICAL CITY SERVICES and government departments. In most cities in Michigan, property taxes are a major source of revenue. In Detroit, however, residential property taxes are not a significant revenue source for the city. Detroit's General Fund, which helps pay for city services, took in about \$1 billion in revenue in 2017. That money supported the City's \$1.9 billion 2017-18 budget⁵, which was spent on city services including water and sewerage, police and fire protection, and neighborhood development. Yet only about \$50 million of that \$1.9 billion budget came from residential property taxes – about 2.5% of the 2017-18 City Budget⁶.

Nonetheless, Detroit has one of the highest property tax rates in the country. As Detroit's population declined and revenue dwindled, the city accumulated debt. Today, property owners are paying for the financial decisions of the past: Homeowners in Detroit pay about 30% of their property taxes to cover debt from the City of Detroit and Detroit Public Schools. For rental homes, and commercial and industrial properties, debt payments are 45% of the property tax bill⁷.

In addition to supporting the city's General Fund and debt service, property taxes contribute funding for public libraries, community colleges, the Detroit Institute of Arts, and other institutions. However the largest share of a Detroiter's annual tax bill goes to debt service. Eventually, additional tax revenue sources were created to help fill the gap created by falling property tax revenues. These new revenue sources included casino taxes and the income tax, yet property taxes have remained high.

Only 2.5% of the City of Detroit's \$1.9B City Budget comes from residential property taxes.

5: City of Detroit 2017 - 2018 Budget in Brief: <https://detroitmi.gov/Portals/0/docs/budgetdept/Budget%20in%20Brief%20-%20FINAL>.

6: Michigan Department of Treasury. Assessed and Equalized Valuation Reports 2008 - Present. Retrieved from: https://www.michigan.gov/treasury/0,4679,7-121-1751_2228_21957_45818---,00.htm

7: City of Detroit Office of the Assessor. Parcel Number Search in Assessing, Delinquent Personal Property, and Tax. Retrieved from: <https://bsaonline.com/?uid=155>





*Even the swiftest and
most aggressive fight against
today's blight will accomplish very
little if we don't address the conditions
that led to it.*

Tax Foreclosure & Blight, The Blight Task Force Report, 2013



THE NEIGHBOR TO NEIGHBOR APPROACH

TALK TO PEOPLE EARLY, DIRECTLY, AND IN PERSON TO PRODUCE BETTER OUTCOMES

THE THEORY OF the Neighbor to Neighbor program is that there's no reason to wait until the third year of tax delinquency, when a property is on the doorstep of the tax foreclosure auction, to see if someone needs help. Outreach should be conducted when a property becomes tax delinquent in year one.

Tax foreclosure is a sensitive subject. Residents often feel isolated and ashamed when they know they are facing it. The best method of communication is direct outreach in person from a trusted community partner. That is the model employed in Neighbor to Neighbor.

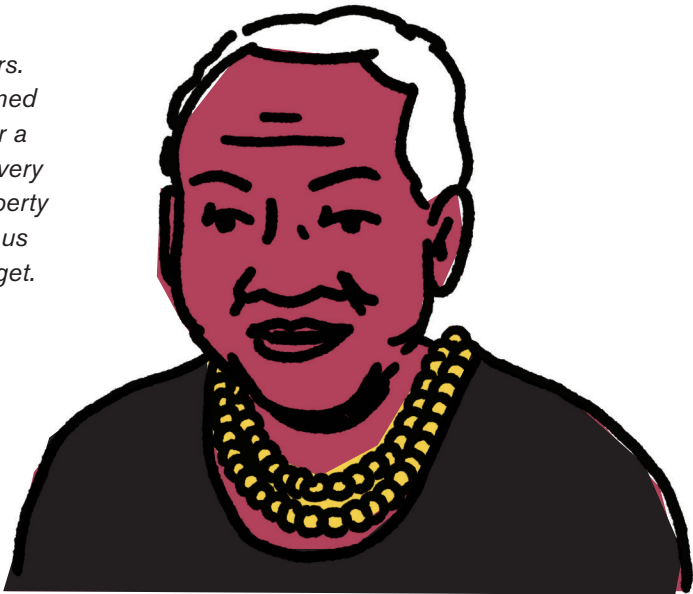
THE PEOPLE WE MET

USING THE LOVELAND APP, a mobile app developed by Detroit-based tech firm LOVELAND Technologies, canvassers had access to more than sixty possible questions regarding tax delinquent homes and their residents. Residents were only asked questions relevant to them. For example, residents who identified as homeowners were asked questions different from those asked of renters.

In the course of the Neighbor to Neighbor project, more than 24,000 residents responded to survey questions.

HOMEOWNERS

I've lived in this house for 20 years. My husband is a veteran of the armed forces. I believe we are eligible for a property tax exemption. We would very much like to be able to pay our property taxes monthly, as that would help us better manage our household budget.



RENTERS

I've been renting here for 5 years. I don't know my landlord very well, and he doesn't take care of problems around the house. I didn't know the property was at risk of tax foreclosure, but if the tax foreclosure moves ahead, I'd very much like to buy this house and become the homeowner.

FAMILY HOME

This was my mother's home and I inherited it when she passed away. I have lived here my whole life. I have the deed to the property, but it's never been through probate, and I'm not sure what I have to do to become the legal owner. I don't want to lose the home to tax foreclosure.



NEIGHBOR TO NEIGHBOR COMMUNITY PARTNERS

NEIGHBOR TO NEIGHBOR wanted to let Detroiters know they are not alone and help is available. We knew it would be important to work with trusted organizations to deliver that message. That’s why we partnered with 30 different neighborhood groups, community development corporations (CDCs), block clubs, and churches to knock on doors at all 60,000 homes at risk of tax foreclosure.

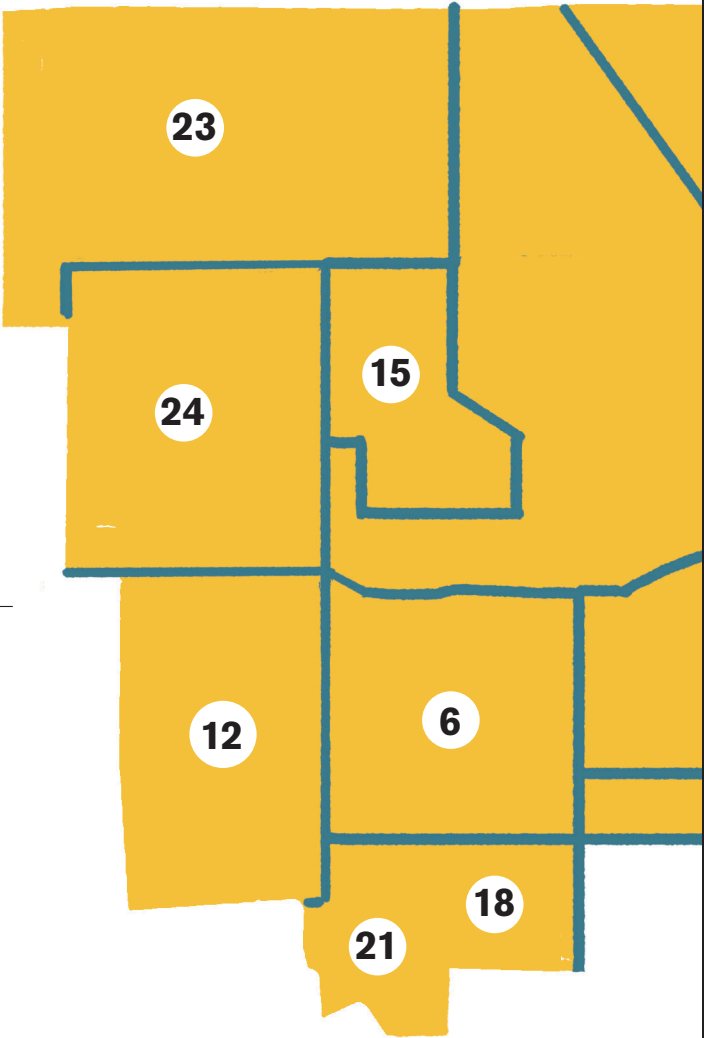
Canvassers were trained to use the Loveland App, a smartphone app with multiple choice survey questions to collect information at each home. The data collected was shared with each community partner organization to support continued outreach to residents in need of assistance.

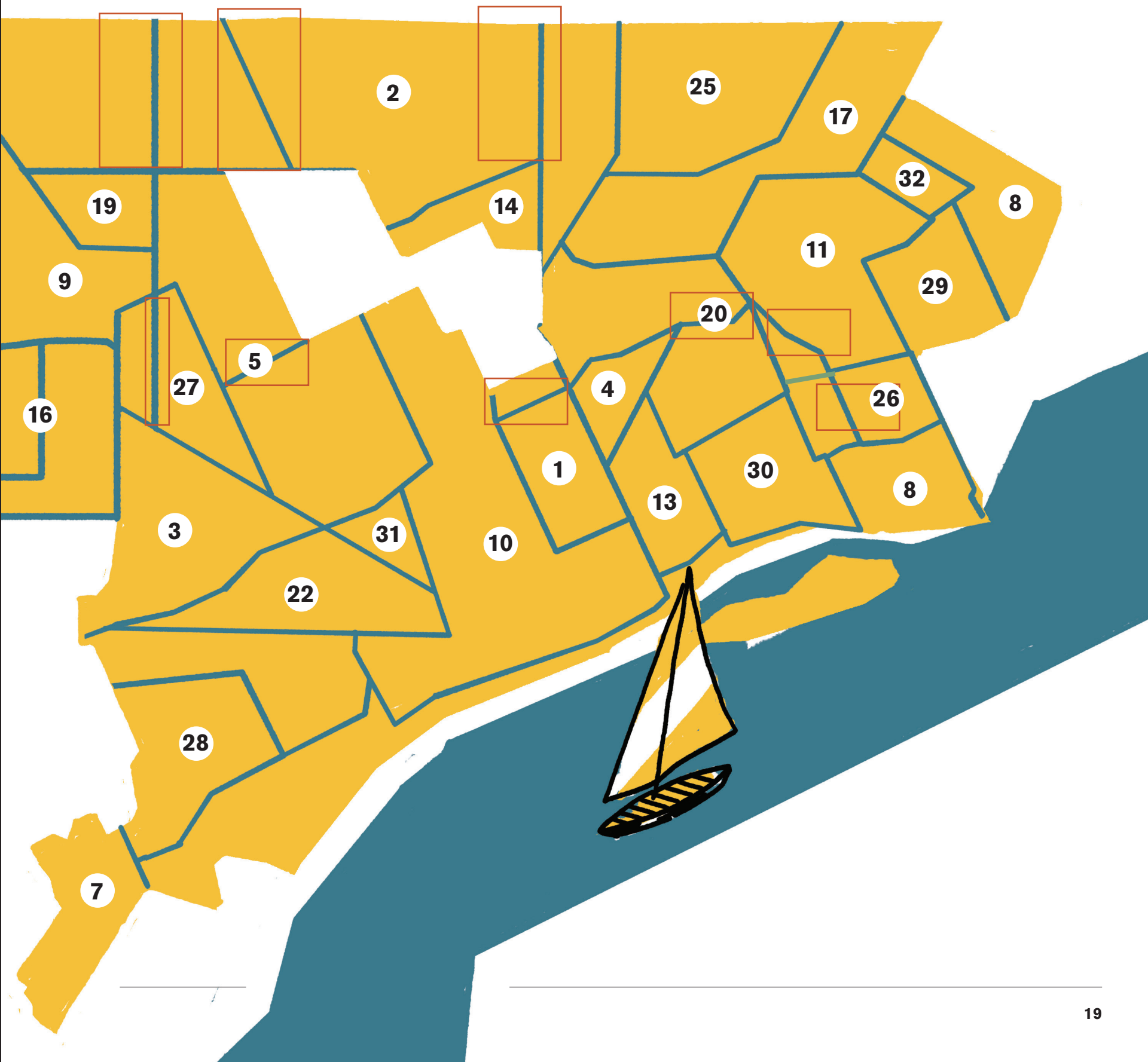
PARTNERS

- 1: BAILEY PARK
- 2: BLACK CAUCUS FOUNDATION
- 3: BRIDGING COMMUNITIES
- 4: CATHEDRAL ABBEY OF ST. ANTHONY
- 5: CENTRAL DETROIT CHRISTIAN
- 6: CODY ROUGE ACTION ALLIANCE
- 7: CONGRESS OF COMMUNITIES
- 8: COURVILLE STREET BLOCK CLUB
- 9: DETROIT ASSOCIATION OF BLACK ORGANIZATIONS
- 10: DETROIT ASSOCIATION OF WOMEN’S CLUBS
- 11: EASTSIDE COMMUNITY NETWORK
- 12: FRANKLIN PARK ASSOCIATION
- 13: GENESISHOPE
- 14: GLOBAL DETROIT

- 15: GRANDMONT ROSEDALE DEVELOPMENT CORPORATION
- 16: GROW LITTLEFIELD BLOCK CLUB
- 17: HICKORY ON THE MOVE
- 18: IN MEMORY OF COMMUNITY GARDEN OF WARRENDALE
- 19: LIVE6 ALLIANCE
- 20: MACC DEVELOPMENT
- 21: MANSFIELD 4-H
- 22: MIDWEST CIVIC COUNCIL OF BLOCK CLUBS
- 23: MOTOR CITY BLIGHT BUSTERS
- 24: NEIGHBORS BUILDING BRIGHTMOOR
- 25: OSBORN NEIGHBORHOOD ALLIANCE
- 26: RIVERBEND COMMUNITY ASSOCIATION
- 27: RUSSELL WOODS ASSOCIATION

- 28: URBAN NEIGHBORHOOD INITIATIVES
- 29: U-SNAP-BAC
- 30: VILLAGES COMMUNITY DEVELOPMENT CORPORATION
- 31: WOODBRIDGE NEIGHBORHOOD DEVELOPMENT CORPORATION
- 32: YORKSHIRE WOODS





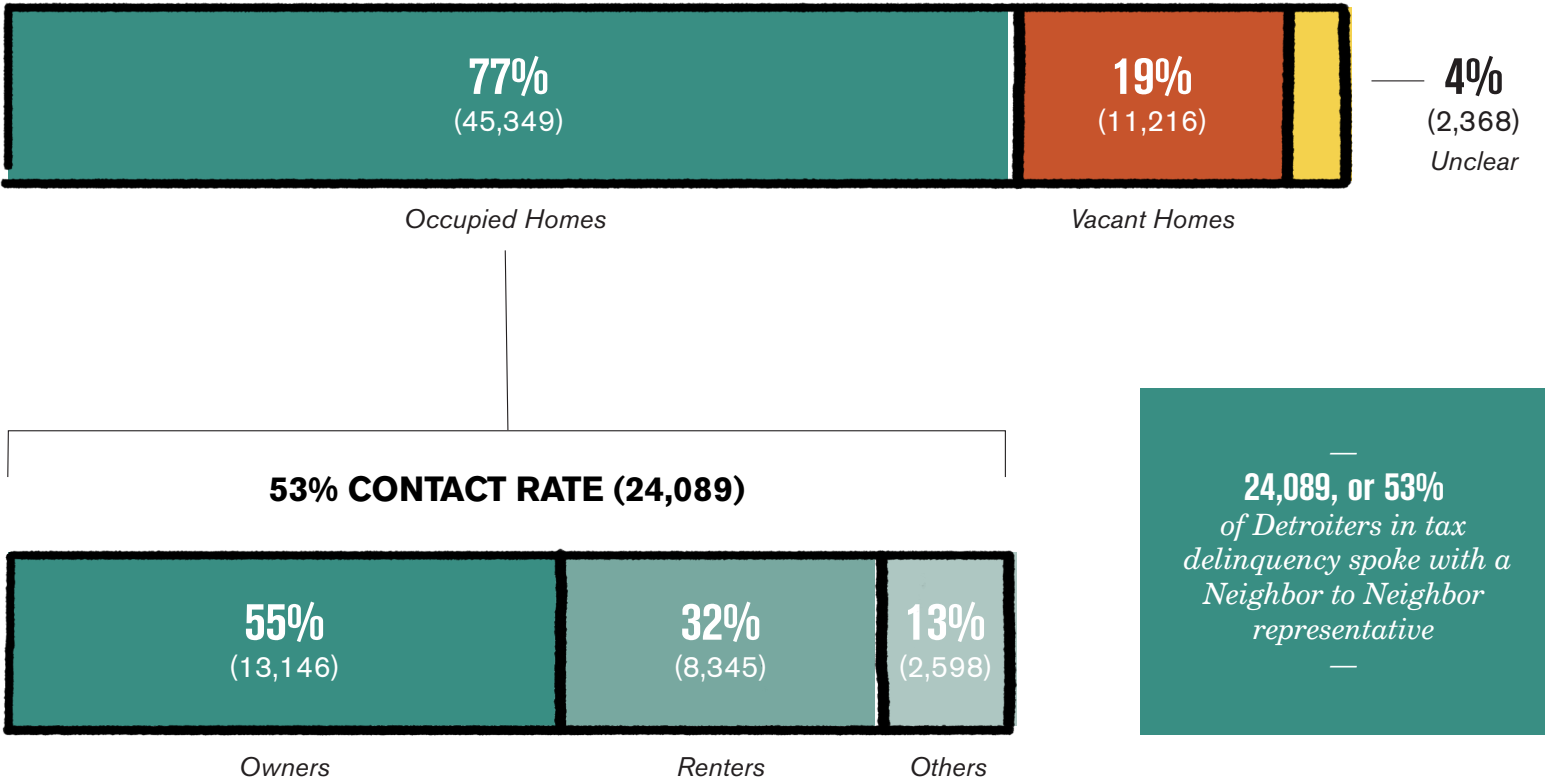
NEIGHBOR TO NEIGHBOR BY THE NUMBERS

SURVEY RESULTS

THE NEIGHBOR TO NEIGHBOR PROJECT was an unprecedented effort to knock on the door of every home in tax delinquency. Thousands of doors were opened, and thousands of residents opened up about their struggle with tax delinquency. The information collected can help end the tax foreclosure crisis. The 53% contact

rate achieved by Neighbor to Neighbor surveyors was the result of their commitment to this project. On this page you will find the high-level, qualitative information gleaned from the Neighbor to Neighbor surveys.

Door-Knocking Totals
(58,933 Homes in Tax Delinquency)



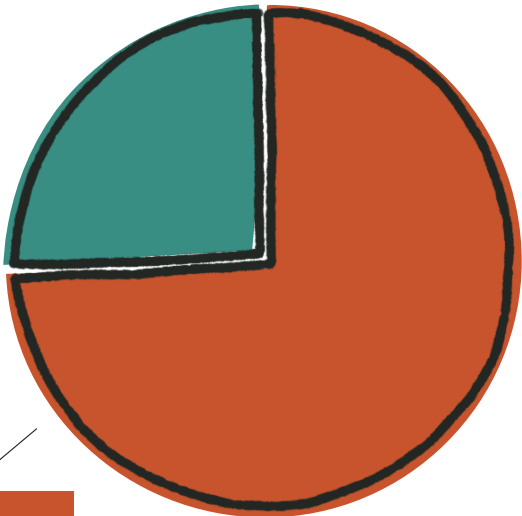
WHAT RESIDENTS REPORTED

ALL OF THE 24,089 RESIDENTS that spoke with Neighbor to Neighbor surveyors received information relevant to their housing situation that could inform their path out of tax foreclosure. Canvassers also collected responses to questions that could lead towards tax foreclosure policy changes.

The majority of homeowners reported they would qualify for the City of Detroit’s Homeowner’s Property Tax Assistance Program (HPTAP), when shown the income guidelines. The HPTAP offers up to a 100% exemption for the current year’s property taxes owed by homeowners with low incomes. The HPTAP is a critical but underutilized tax foreclosure prevention tool.

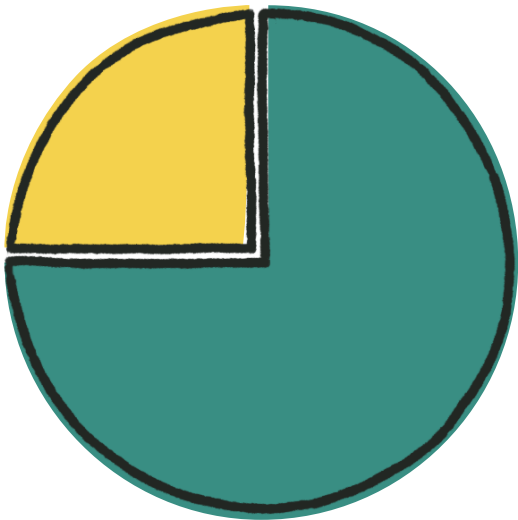
Most of the renters expressed interest in owning the home they rent if it should become available for purchase due to tax foreclosure.

Renters Interested in Owning the Home They are Renting



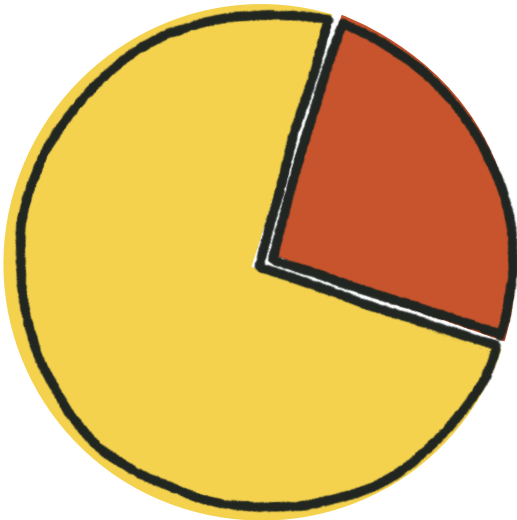
78%
(2,919 of 3,732)
Interested

Owners Potentially Eligible for Property Tax Exemption



75%
(5,222 of 6,948)
Potentially Eligible

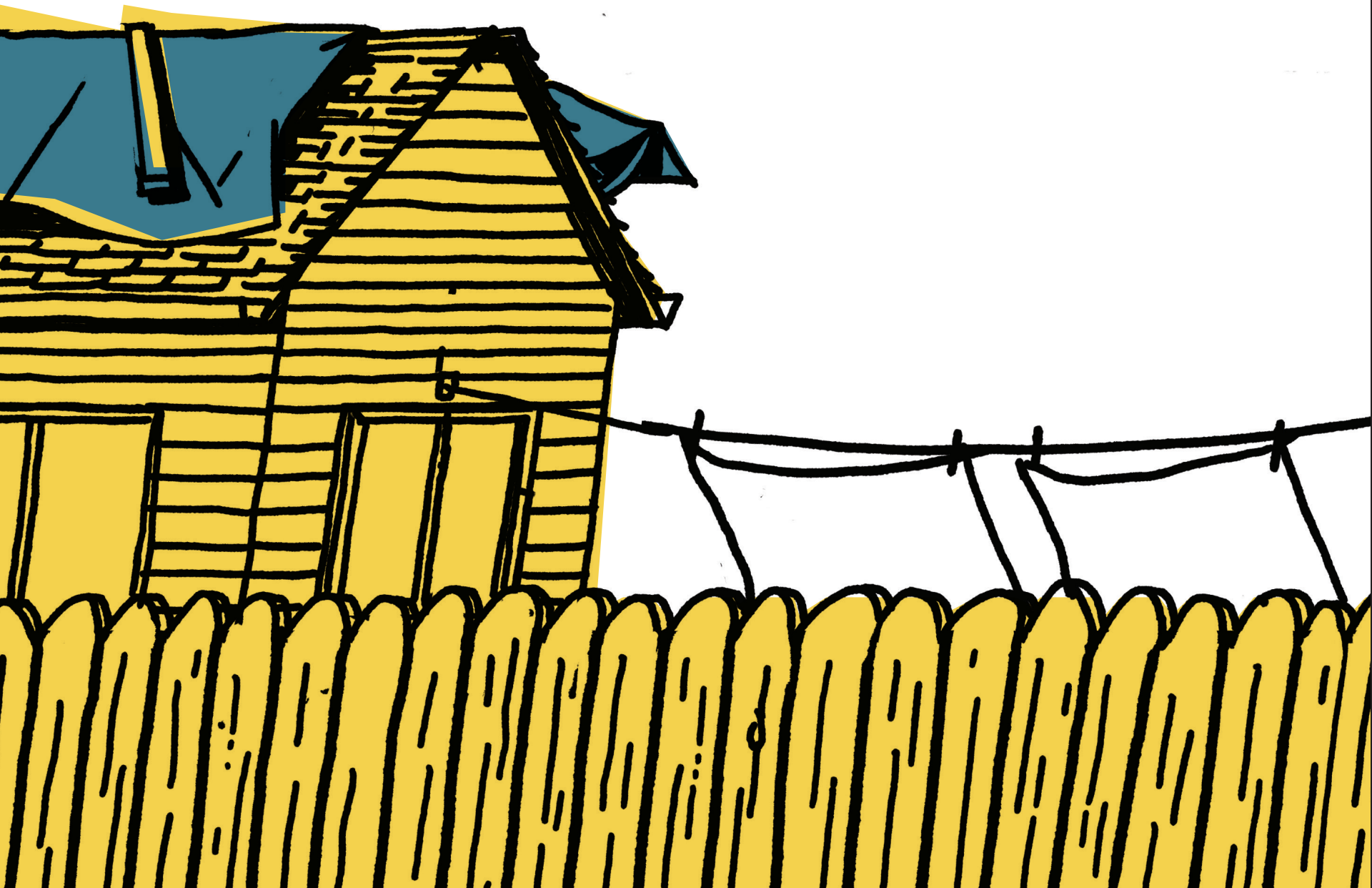
Owners Who Feel They Would Benefit From Monthly Property Tax Payment Options



75%
(4,631 of 6,192)
Prefer a monthly payment option

*“Right now, there are things I need
just to live properly, but I can’t
afford to pay to get things fixed
or buy things I need.”*

Homeowner on Detroit's West Side





“Tenant was unaware that the landlord was behind in taxes. They don’t want to be evicted. They would consider purchasing the home if it does go for sale.”

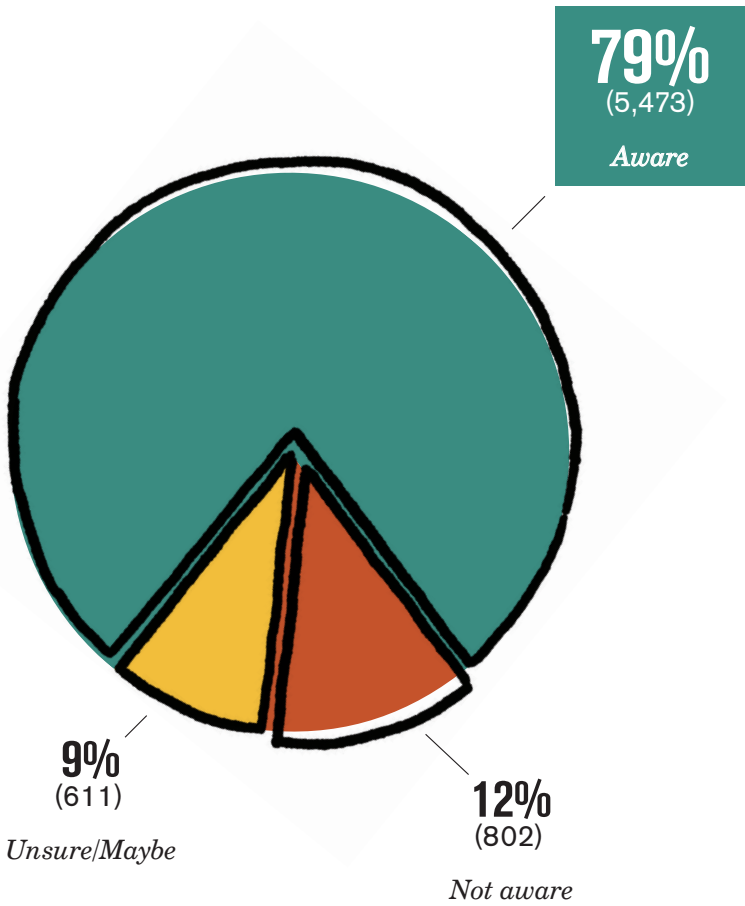
Notes from an Interview with a Renter on Detroit’s West Side

LEFT IN THE DARK: LONG-TIME HOMEOWNERS AND RENTERS

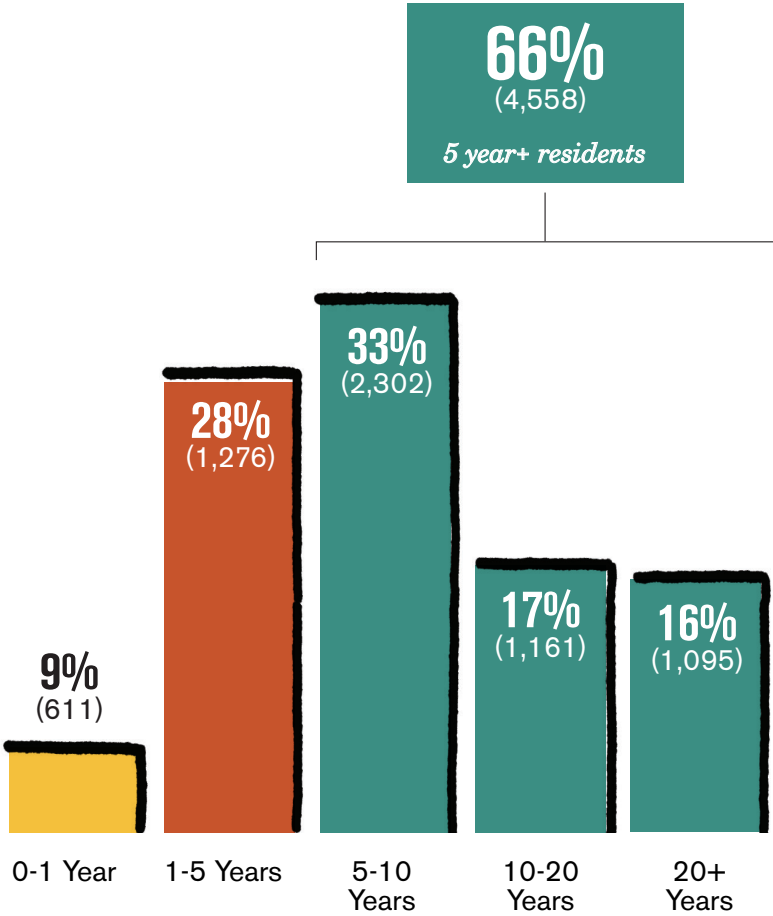
HOMEOWNERS AT RISK OF TAX FORECLOSURE CAN'T AFFORD THEIR TAXES

THE VAST MAJORITY of homeowners were aware they owed back property taxes, but many did not know about programs that could help them avoid foreclosure, or even reduce or eliminate their property tax bill.

Homeowner Awareness of Tax Delinquency
(6,886 Total)



Length of Residency
(6,889 Total)

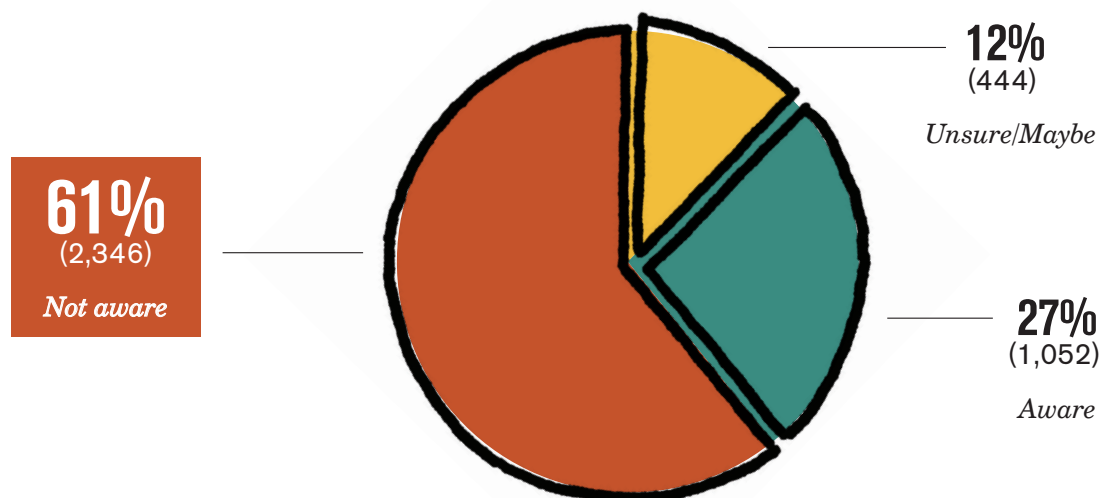


RENTERS ARE IN A SITUATION THEY CAN'T CONTROL

RENTERS WERE FAR less aware of the property's tax delinquency than homeowners. A majority of renters said they would be interested in purchasing the home they were renting if it went to a tax foreclosure auction.

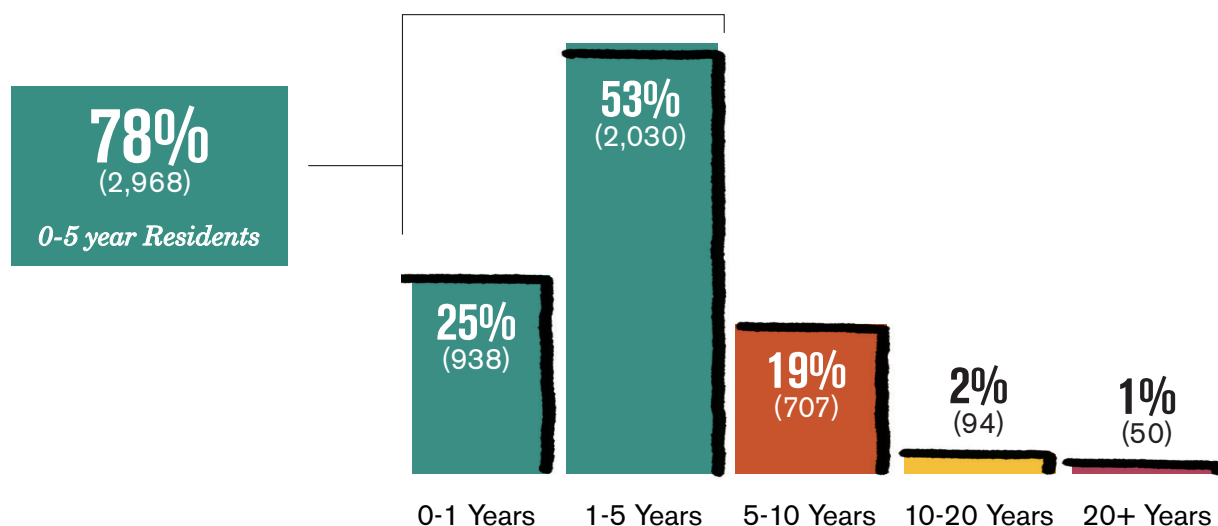
Renter Awareness of Tax Delinquency

(3,842 Total)



Length of Tenancy

(3,819 Total)



1

RESIDENTS LACK INFORMATION ON TAX DELINQUENCY AND HELPFUL PROGRAMS

Direct outreach to all tax-delinquent homes in Detroit should happen every year in the spring when temperatures are warmer and there is time to help residents ahead of the annual fall tax-foreclosure auctions. Canvassers equipped with the Loveland App should collect data and deliver information to all homes in Detroit with homeowners who are struggling to pay property taxes.

WHAT QUICKEN LOANS COMMUNITY FUND IS DOING

The Quicken Loans Community Fund has plans to help recanvass the city in 2019 and beyond.

HOMEOWNERS PROPERTY TAX ASSISTANCE PROGRAM

THOSE WITH LOW INCOMES COULD PAY \$0 IN PROPERTY TAXES BUT DON'T KNOW IT

MICHIGAN STATE LAW requires cities to offer homeowners with low incomes an opportunity to reduce their property taxes. In Detroit, that requirement takes the form of the Homeowners Property Tax Assistance Program otherwise known as the property tax exemption (PTE).

The PTE allows homeowners to apply for a 100% exemption from their current year's property taxes if their household income is less than roughly 130% of the federal poverty level.

The PTE is an extremely powerful tool in the fight against tax foreclosure, but few homeowners know it exists, and many are unable

to apply for it on their own. Today, about 5,000 Detroit homeowners apply for the PTE annually, but United States Census data suggests **40,000 homes may be eligible for the exemption**⁸.

Neighbor to Neighbor canvassers showed every resident who identified as a homeowner the income eligibility guidelines for the PTE. 74% said they might be eligible for the exemption. **This confirmed anecdotal evidence that suggests many Detroit homeowners are foreclosed for property taxes they should have had an opportunity not to pay.**

TAX RATES SO HIGH, THEY'RE ILLEGAL

HOMEOWNERS have also faced steep property tax bills. Recent research revealed that, between 2009 and 2015, as many as 85% of Detroit homes were assessed by the City of Detroit at rates that violated Michigan law⁹, which states that the assessed value of a home cannot exceed 50% of its market value.

Fortunately, a citywide property reassessment completed in 2017 brought down property assessments and taxes. However, for homeowners saddled with years of tax debt, their tax debt still reflects the high assessments of years past.

THE HOME ACCORDING TO THE CITY OF DETROIT'S ASSESSMENT



THE HOME IN REALITY



8: U.S. Census Bureau (2016). 2012 - 2016 American Community Survey 5-Year Estimates. Retrieved from: <https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>

9: Atuahene, B. & Berry, C. (2018) Taxed Out: Illegal Property Tax Assessments and the Epidemic of Tax Foreclosure in Detroit. Retrieved from: <https://harris.uchicago.edu/files/inline-files/Atuahene%20and%20Berry%20Mar2018.pdf>

WHY AREN'T MORE PEOPLE USING THE PROPERTY TAX EXEMPTION?

IT'S DIFFICULT TO APPLY FOR THE HELP

THE APPLICATION that homeowners need to complete to apply for the PTE is complicated and can be intimidating. The documents that homeowners must produce in order to complete the PTE application include the deed to their home, tax returns, school report cards (if children live in the home), IDs for all adults in the home and proof of debts and income. Then, when the application is finally complete, it must be notarized.

Until two years ago, just to get the PTE application, homeowners needed to go to the City-County Building and fill out a form requesting the application to be mailed to their home¹⁰.

These hurdles, as well as a lack of awareness that the PTE even exists, contribute to the low application rates for the PTE. Fortunately, recent changes will lessen the burden on homeowners who want to apply for the PTE, but much more can and should be done to help homeowners apply.



2

HOMEOWNERS NEED MORE OPPORTUNITIES TO GET PROPERTY TAX EXEMPTIONS

Homeowners with low incomes should have ample, and well-advertised, opportunities to get help completing their property tax exemption (PTE) applications. PTE workshops should be held in community centers across the city, and plenty of government and nonprofit staff should be trained to help residents complete their application.

WHAT QUICKEN LOANS COMMUNITY FUND IS DOING

The Quicken Loans Community Fund is sponsoring monthly workshops with 20 community organizations across Detroit where residents can get help with their PTE applications. Text INFO to 85274 or call 211 to find out more. QLCF is also working with the City of Detroit to develop an online PTE application.

10: MacDonald, C. (2018, July 2). Foreclosures to be Sold Back to Owners in ACLU, City Settlement. Detroit News. Retrieved from: <https://www.detroitnews.com/story/news/local/detroit-city/2018/07/02/foreclosures-sold-back-owners-aclu-lawsuit-settlement/742974002/>

TAX FORECLOSURE AND THE CYCLE OF POVERTY AND DEBT

TENS OF THOUSANDS OF HOMEOWNERS WOULD BE HELPED WITH A RETROACTIVE PROPERTY TAX EXEMPTION

DETROIT HOMEOWNERS who are eligible for a property tax exemption (PTE) today, were likely eligible last year, and the year before that, and the year before that. However, the PTE can apply only to the current year's property taxes—it cannot help wipe out back taxes.

A state law change could make the PTE retroactive, wiping out back taxes for Detroit homeowners with low incomes. This would stabilize homeownership and neighborhoods across the city.

Homeowners should not suffer because the PTE is under-publicized and difficult to apply for. Making the PTE retroactive must be a legislative priority for the city and state.

HOW THE RETRO PTE WOULD LOOK IN PRACTICE

YEAR 1

Family struggles to pay property taxes, falls behind.



YEAR 2

Family doesn't know about PTE, falls further behind and owes 18% interest.



YEAR 3

Family faces tax foreclosure, reaches out to the United Community Housing Coalition for help, completes Retro PTE application, and has back taxes wiped out.



YEAR 4

Family owes no back taxes, and surrounding properties retain value, thanks to a stabilized block.



WHO WOULD BENEFIT FROM THE RETROACTIVE PTE?

“There’s so much emotional stress when the tax foreclosure notice shows up.”

20-year homeowner,
Southwest Detroit

“You don’t know how something like tax foreclosure affects your sleeping, your eating.”

28-year Homeowner,
Detroit’s East Side

“My mother has been in the house next door since 1956. I can tell you every family that started on this block.”

10-year Homeowner,
Southwest Detroit

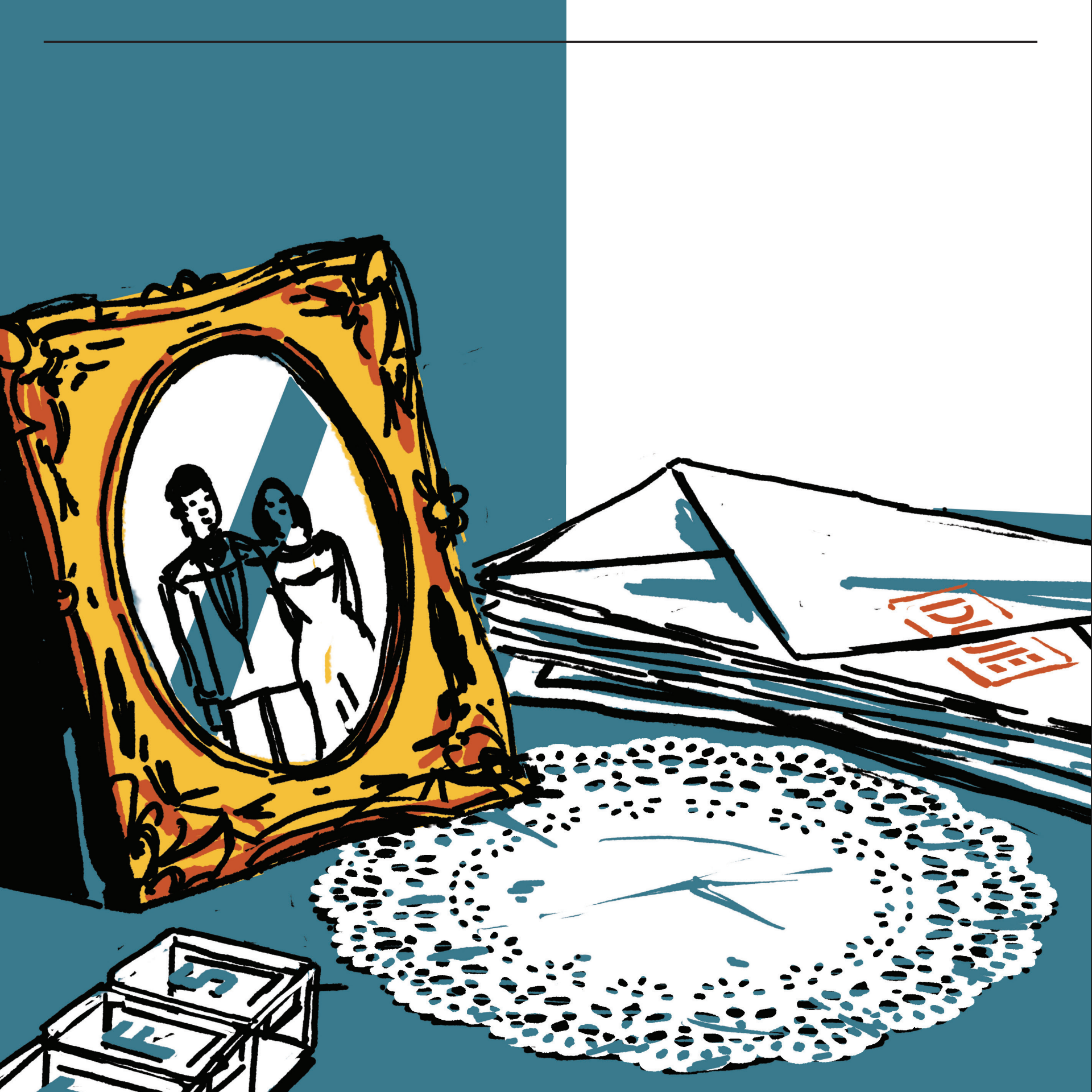
3

ERASE TAX DEBT
FOR VULNERABLE
HOMEOWNERS

It should be possible to wipe out the back taxes owed by homeowners with low incomes, securing their homes and helping them out of chronic property tax delinquency. This would require state legislation to make the existing property tax exemption retroactive (PTE). Making this a priority would help Detroit homeowners with low incomes resolve their property taxes once and for all.

WHAT QUICKEN LOANS
COMMUNITY FUND
IS DOING

The fund is developing research and analysis to show that making the PTE retroactive would not negatively impact City of Detroit and Wayne County finances and to demonstrate its potential impact.



“I gave the homeowner the information; she was a senior, getting ready to leave, and mentioned she’s on a fixed income and that she will call tomorrow to see if she can get an appointment to fill out the application.”

Notes from a Conversation with a Tenant on Detroit’s east side



MAKE PROPERTY TAXES EASIER TO PAY

MAKE PROPERTY TAXES EASIER TO PAY

A MAJORITY OF DETROIT HOMEOWNERS

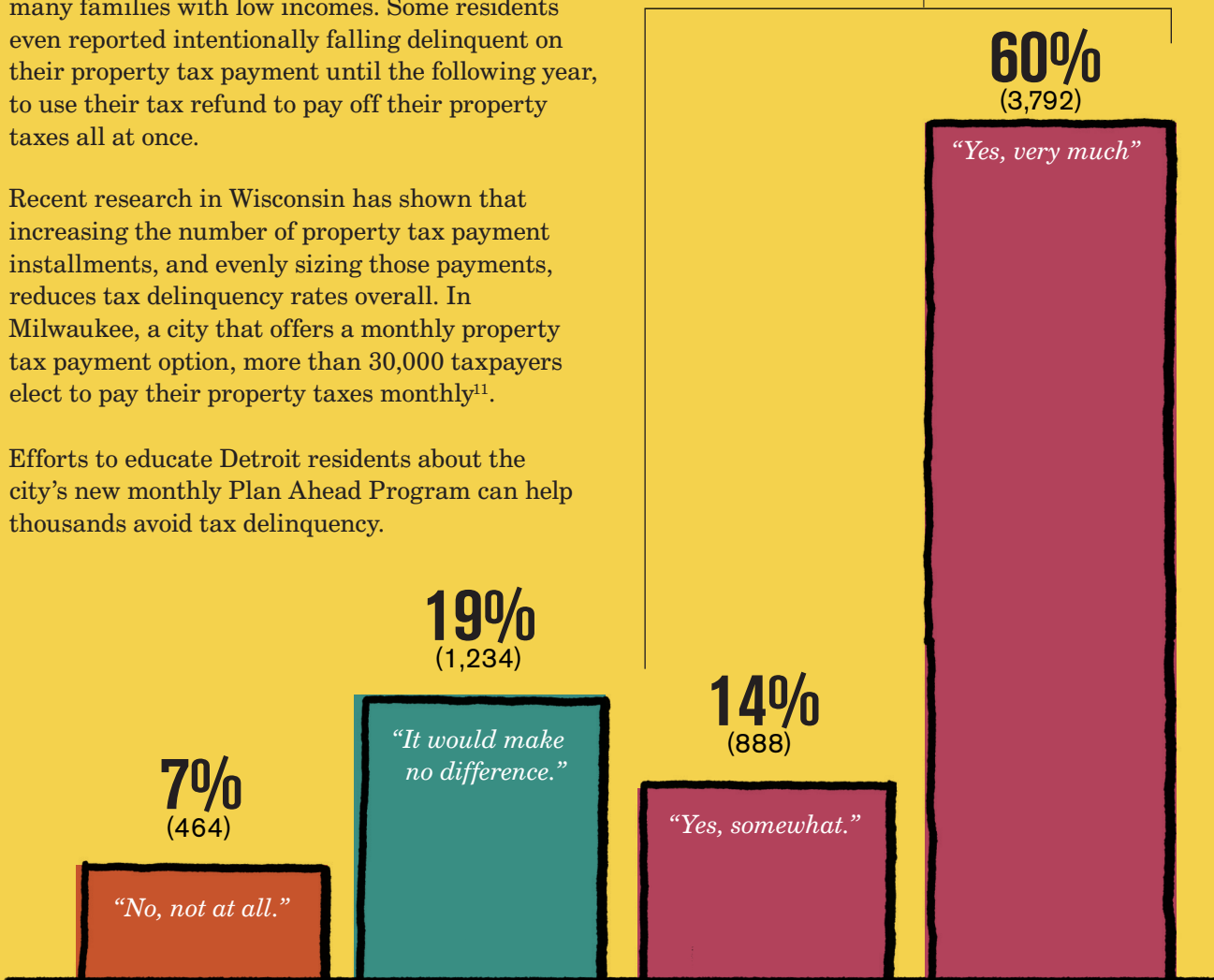
interviewed by Neighbor to Neighbor surveyors expressed interest in a monthly property tax payment option. The current “big bill in the summer, small bill in the winter” property tax billing cycle causes significant budgeting stress for many families with low incomes. Some residents even reported intentionally falling delinquent on their property tax payment until the following year, to use their tax refund to pay off their property taxes all at once.

Recent research in Wisconsin has shown that increasing the number of property tax payment installments, and evenly sizing those payments, reduces tax delinquency rates overall. In Milwaukee, a city that offers a monthly property tax payment option, more than 30,000 taxpayers elect to pay their property taxes monthly¹¹.

Efforts to educate Detroit residents about the city’s new monthly Plan Ahead Program can help thousands avoid tax delinquency.

INTERESTED IN A MONTHLY PROPERTY TAX?

74% of homeowners interviewed during Neighbor to Neighbor expressed interest in paying their property taxes on a monthly basis.



4

PAYING FOR PROPERTY TAXES MONTHLY WOULD BE EASIER

Today, Detroit homeowners receive their tax bill in two installments—about 85% of the property tax bill arrives in the summer, and 15% arrives in the winter. This unwieldy split leads to budgeting problems and can cause tax delinquency. A city-wide information campaign should help Detroiters take advantage of the monthly Plan Ahead Program created in 2019.

WHAT QUICKEN LOANS COMMUNITY FUND IS DOING

The Quicken Loans Community Fund is working with the City of Detroit to promote the Plan Ahead Program.

AN OPPORTUNITY TO CREATE HOMEOWNERS

MAKE IT HOME PROGRAM OFFERS RENTERS A PATH TO HOMEOWNERSHIP AMIDST FORECLOSURE CRISIS

IN 2017, the Quicken Loans Community Fund partnered with the United Community Housing Coalition (UCHC) and the City of Detroit to pilot a program called Make it Home. The goal of Make it Home is to give renters like Pearlie Mack (right) the first opportunity to purchase the home they had been renting should it become tax foreclosed.

The program rested on the City of Detroit's use of its Right of Refusal (RoR). The RoR allows the city to buy properties facing tax foreclosure for the cost of the back taxes owed. Typically, this is done for economic development purposes, but Make it Home saw the city exercise its Right of Refusal for 80 rental properties where landlords allowed the property go into tax foreclosure and tenants wanted to purchase the home.

The 80 properties were purchased from the City of Detroit by UCHC, via grant funding from the Quicken Loans Community Fund. UCHC then sold the properties back to the former tenants for the cost of the back taxes—between \$2,500 and \$6,500 per home—making them new homeowners in Detroit.

In other words, Make it Home holds the promise of creating homeowners out of the tax foreclosure process at low cost to the new homeowner, and no profit to the parties involved.

In 2018, this partnership expanded, and 500 homes joined Pearlie in the Make it Home program.



“It feels amazing to see my family playing outside in my front yard. That’s what I love about having my own house. It’s a blessing. If I didn’t own this home, I don’t know where I’d be today.”

Pearlie Mack, 2017 Make it Home program participant

5

TENANTS WANT THE FIRST CHANCE TO BUY TAX FORECLOSED RENTAL PROPERTIES

Tenants who face tax foreclosure should not suffer the consequences of their landlord’s neglect. Tenants should have the first opportunity to buy the home they’ve been renting for the cost of the back taxes owed. The City of Detroit has, and should continue to, exercise its Right of Refusal through the Make it Home program to pull rental properties from the auction process and make homeownership possible for tenants.

WHAT QUICKEN LOANS COMMUNITY FUND IS DOING

The Quicken Loans Community Fund has committed \$1.3 million to cover the Right of First Refusal costs for 580 Detroit homes between 2017 and 2018, creating a revolving fund that will allow tenants to buy their homes in future years.

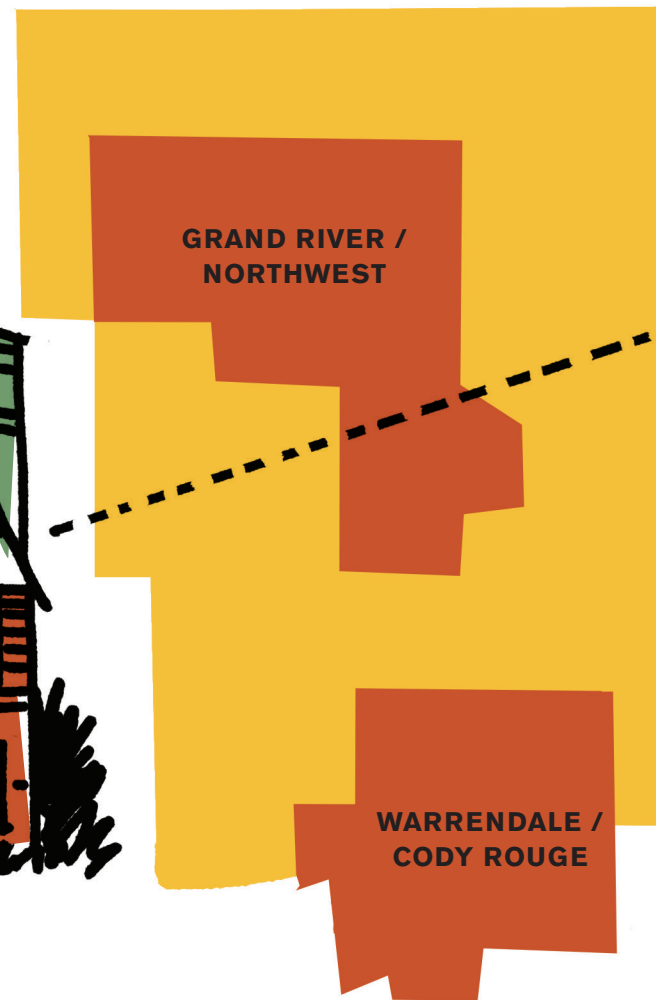
TAX FORECLOSURE WITHIN THE STRATEGIC NEIGHBORHOOD FUND AREAS

THE CITY OF DETROIT and its residents are committed to preserving and establishing the city's neighborhoods as great places to live, thrive, and raise families. A \$178-million public and philanthropic investment in 10 Strategic Neighborhood Fund Areas promises to attract \$600 million of private investment. This unprecedented investment aims to set the City of Detroit's neighborhoods apart as go-to destinations.

Today, one-third of the 45,000 households in these strategic investment areas are at risk of tax foreclosure. 15,000 households may be excluded from participating in neighborhood advancement, increased quality of life, and ultimately the benefit of equity as a result of their ownership.

At best, there is an opportunity preserve the history and equity of many long-term Detroit residents within the Strategic Neighborhood Fund Areas.

At worst, there is a risk of losing the investment to the chaotic and destabilizing force of tax foreclosure.







“Resident was recently evicted from a previous home that the landlord owns on another block in the neighborhood. She’s very much interested in purchasing this home if it becomes available and would ‘love, love, love’ help in any way.”

Notes from a Conversation with a Resident on Detroit’s West Side

WHAT'S HAPPENED SINCE MOTOR CITY MAPPING IN 2013?

DIRE WARNING FROM THE FIRST CITYWIDE PROPERTY CONDITION SURVEY PROVES TO BE TRUE

Motor City Mapping created the first comprehensive picture of Detroit property conditions. With this new clarity, the Detroit Blight Removal Task Force offered recommendations to address blight in Detroit. The Task Force also issued a warning that economic forces pulling neighborhoods apart still posed a threat. Tax foreclosure was identified as the greatest risk facing the city's people and homes ¹².

While tax foreclosures have decreased sharply in recent years and demolitions have removed thousands of blighted structures, persistent tax delinquency remains a destabilizing threat across Detroit's neighborhoods. Driving home the point that tax delinquency can be difficult to escape — 61% of the homes identified as tax delinquent in 2018 also owed delinquent property taxes during Motor City Mapping in 2013.



MORE VACANT HOMES, BUT SOME NEWLY OCCUPIED HOMES, TOO

AS CANVASSERS VISITED homes for Neighbor to Neighbor they evaluated whether each property appeared to be occupied or vacant. The same 60,000 Detroit properties were evaluated by Motor City Mapping surveyors in 2013. Neighbor to Neighbor revealed that the damage from tax foreclosure is ongoing and that there are more newly vacant homes than newly occupied ones.

These findings can help stop the deterioration of Detroit homes and erosion of homeownership due to tax foreclosure. Continued outreach can match people to programs and resources. This must be pursued urgently.

CHANGES IN HOME OCCUPANCY

2013



2018



*2,443 homes that were vacant in
2013 were occupied in 2018.*

*5,750 homes became vacant
between 2013 and 2018
amongst the 60,000 properties
Neighbor to Neighbor
canvassers knocked on doors.*



*8,193 homes that were occupied in
2013 were vacant in 2018.*



TAX FORECLOSURE IS SOLVEABLE

FROM THIS REPORT, *you have learned that tax foreclosure is a system created by people and that system can be changed by people. The costs to Detroiters, property, and neighborhoods are foreseeable and preventable. The recommendations assembled here can save thousands of homes and help stabilize neighborhoods across Detroit.*

1

RESIDENTS LACK INFORMATION ON TAX DELINQUENCY AND HELPFUL PROGRAMS

Direct outreach, like Neighbor to Neighbor, to all tax-delinquent homes in Detroit should happen every year in the spring, when temperatures are warmer, and there is time to help residents ahead of the annual fall tax foreclosure auctions. Canvassers equipped with the Loveland smartphone app should collect data and deliver information to all homes in Detroit with owners who are struggling to pay property taxes.

2

HOMEOWNERS NEED MORE OPPORTUNITIES TO GET PROPERTY TAX EXEMPTIONS

Homeowners with low incomes should have ample, and well-advertised, opportunities to get help completing their property tax exemption (PTE) applications, which can eliminate current year taxes for homeowners with low incomes. PTE workshops should be held in community centers across the city, and plenty of government and nonprofit staff should be trained to help residents complete their application.

3

ERASE TAX DEBT FOR VULNERABLE HOMEOWNERS

It should be possible to wipe out the back taxes owed by homeowners with low incomes, securing their homes and helping them exit the state of chronic property tax delinquency. This would require state legislation to make the existing property tax exemption retroactive. Making this legislation a priority would help Detroit homeowners with low incomes resolve their property taxes once and for all.

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Today, Detroit homeowners receive their tax bill in two installments—about 85% of the property tax bill arrives in the summer, and 15% arrives in the winter. This unwieldy split leads to budgeting problems and can cause tax delinquency. A citywide information campaign should help Detroiters take advantage of the monthly Plan Ahead Program created in 2019.

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Tenants who face tax foreclosure should not suffer the consequences of their landlord's neglect. Tenants should have the first opportunity to buy the home they've been renting for the cost of the back taxes owed. The City of Detroit has, and should continue to, exercise its Right of Refusal through the Make it Home program to pull rental properties from the auction process and make homeownership possible for tenants.

ENDING THE TAX FORECLOSURE CRISIS IS ONLY THE BEGINNING

IN THE FIVE YEARS since the Detroit Blight Removal Task Force issued its report and stressed the link between blight and tax foreclosure, there has been important progress:

- *Fewer homes wound up in the annual tax foreclosure auctions.*
- *Occupied homes in tax foreclosure auctions peaked at 9,111 homes in the 2015 tax auction. Fewer than 700 occupied homes entered the 2018 auction.*

Property tax bills for homeowners citywide are largely down as a result of City of Detroit efforts to reassess the value of every home in the city. Most Detroit homeowners saw tax reductions between 5% - 20% as the city cut assessments in recent years.

Property tax collections are also up. Property tax collections stood at 80% in 2017, up from a low of 50% in 2013. All of these are admirable achievements. However these hard-won gains are at risk of erosion.

The persistent property tax delinquency of nearly ten of thousands occupied Detroit homes is a significant threat to the city and its

residents. The collective efforts of government, philanthropy, and nonprofits are successfully diverting occupied homes from foreclosure auctions today, but that does not guarantee those same efforts will be as effective tomorrow.

The remedies outlined in this report can sustainably remove the risk of tax foreclosure from the day-to-day lives of Detroiters.

In many cases, tax delinquency is, of course, a symptom of a deeper problem: poverty. If the immediate threat of tax foreclosure is addressed, other problems and opportunities that get at that deeper problem of poverty will be easier to pursue with more stable housing.

We cannot afford to concede the ground we've gained. Tax foreclosure must be removed as a source of housing instability for Detroit residents. This can and should happen immediately.

It is the hope of the Quicken Loans Community Fund and partners who worked on Neighbor to Neighbor that the findings presented in this report provide a road map for ending the tax foreclosure crisis in Detroit once and for all.



THANK YOU

NEIGHBOR TO NEIGHBOR PARTNERS

NEIGHBOR TO NEIGHBOR would not have been possible without the coalition of neighborhood organizations, Detroit residents, and others who contributed to its success. This city-spanning network is powerful, informed, and motivated to make change in Detroit. The Quicken Loans Community Fund would like to thank everyone who was involved in this groundbreaking project:

- **BAILEY PARK**
 - **BLACK CAUCUS FOUNDATION**
 - **BRIDGING COMMUNITIES**
 - **CATHEDRAL ABBEY OF ST. ANTHONY**
 - **CENTRAL DETROIT CHRISTIAN**
 - **CODY ROUGE ACTION ALLIANCE**
 - **CONGRESS OF COMMUNITIES**
 - **COURVILLE STREET BLOCK CLUB**
 - **DETROIT ASSOCIATION OF BLACK ORGANIZATIONS**
 - **DETROIT ASSOCIATION OF WOMEN’S CLUBS**
 - **EASTSIDE COMMUNITY NETWORK**
 - **FRANKLIN PARK ASSOCIATION**
 - **GENESISHOPE**
 - **GLOBAL DETROIT**
 - **GRANDMONT ROSEDALE DEVELOPMENT CORPORATION**
 - **GROW LITTLEFIELD BLOCK CLUB**
 - **HICKORY ON THE MOVE**
- **IN MEMORY OF COMMUNITY GARDEN OF WARRENDALE**
 - **LIVE6 ALLIANCE**
 - **MACC DEVELOPMENT**
 - **MANSFIELD 4-H**
 - **MIDWEST CIVIC COUNCIL OF BLOCK CLUBS**
 - **MOTOR CITY BLIGHT BUSTERS**
 - **NEIGHBORS BUILDING**
 - **BRIGHTMOOROSBORN NEIGHBORHOOD ALLIANCE**
 - **RIVERBEND COMMUNITY ASSOCIATION**
 - **RUSSELL WOODS ASSOCIATION**
 - **URBAN NEIGHBORHOOD INITIATIVES**
 - **U-SNAP-BAC**
 - **VILLAGES COMMUNITY DEVELOPMENT CORPORATION**
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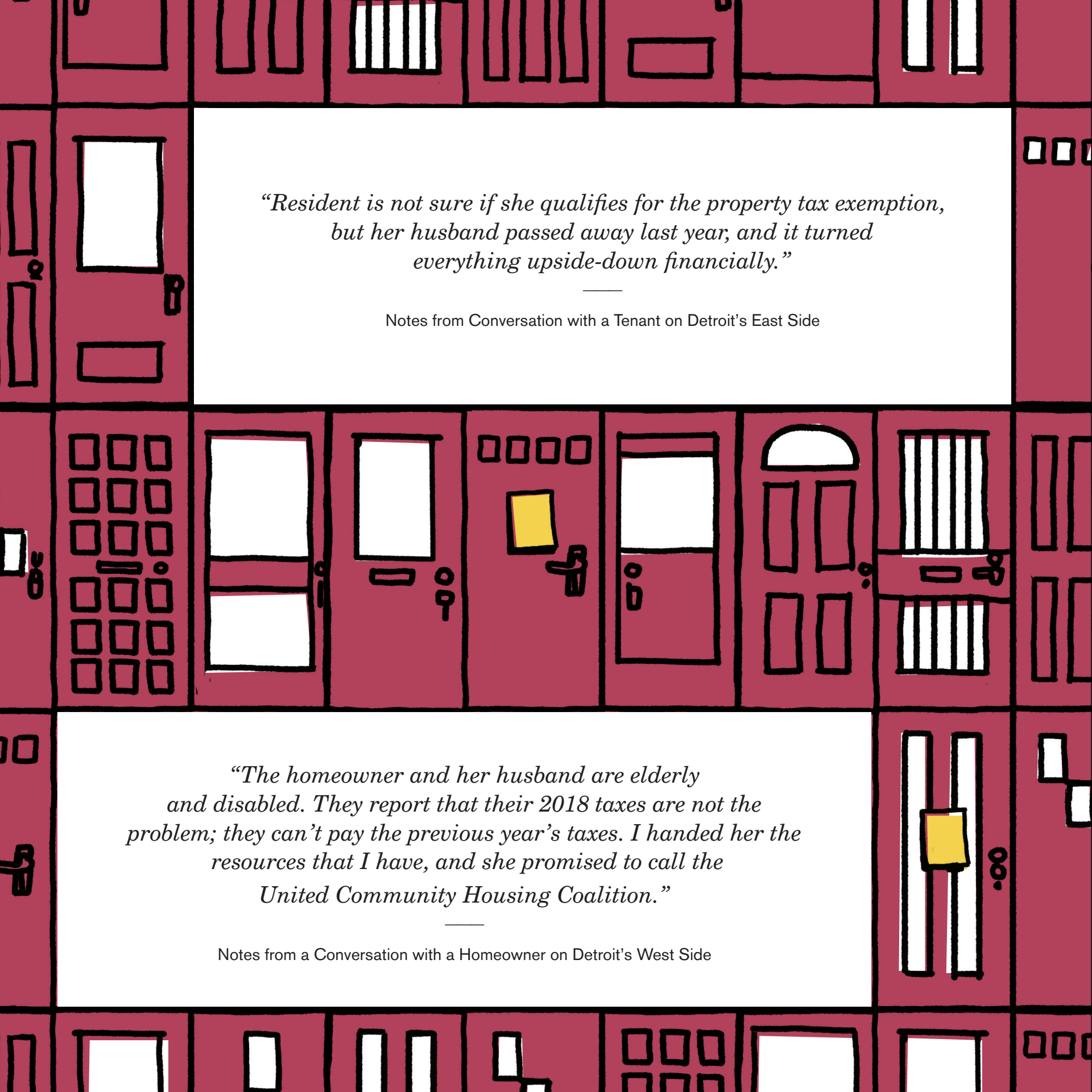
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**Thank you to the 400 Detroit residents who
worked as canvassers to make Neighbor
to Neighbor, the first Detroit Property Tax
Foreclosure Census, possible**

*Your efforts are important steps towards rebuilding homeownership
and equitable housing for the entire city of Detroit.*






“Resident is not sure if she qualifies for the property tax exemption, but her husband passed away last year, and it turned everything upside-down financially.”

Notes from Conversation with a Tenant on Detroit's East Side

“The homeowner and her husband are elderly and disabled. They report that their 2018 taxes are not the problem; they can't pay the previous year's taxes. I handed her the resources that I have, and she promised to call the United Community Housing Coalition.”

Notes from a Conversation with a Homeowner on Detroit's West Side



“The renter is unaware that the property taxes are past due. They pay rent every month and assumed everything was up-to-date. They will discuss with their landlord. I left the resources and information about renter’s rights.”

Notes from Conversation with Homeowner, West Side Detroit

“Homeowner is highly motivated to keep the home, and she’s reaching out to get the proper information.”

Notes from Conversation with a Tenant on Detroit’s East Side

