

JEROME D. GOLDBERG, PLLC

(313) 393-6001 • Fax (313) 393-6007 • Email: apclawyer@sbcglobal.net

September 18, 2017

Earl J. Poleski, Executive Director
Mary Townley, Director, MSHDA Home Ownership
Michigan State Housing Development Authority
735 East Michigan Avenue
PO Box 30044
Lansing, MI 48909
By email: poleskie@michigan.gov – townleym1@michigan.gov

Dear Mr. Poleski and Ms. Townley:

We are sending this memo pursuant to the meeting with members of the Coalition to Stop Unconstitutional Tax Foreclosures and MSHDA on August 29, 2017. At the meeting, you agreed to submit a proposal for approval to Treasury that would allow the use of Hardest Hit Funds to pay the delinquent property tax bills on occupied homes that the City of Detroit and/or Wayne County pulled out the auction by exercising their right of first refusal pursuant to Michigan law. The use of the Hardest Hit Funds would be subject to the occupants meeting affordability guidelines moving forward. What follows is our proposal. We are certainly open to working with your staff to assure this proposal meets the proper format for submission to Treasury.

Memorandum to Michigan State Housing Development Authority re Amendment to Step Forward Program to Provide Hardest Hit Funds to be used for Payment of Delinquent Taxes on Homes the City of Detroit purchase pursuant to Right of First Refusal

There were 3,319 residential occupied tax foreclosed homes in Detroit that were presented by the Wayne County Treasurer to the City to permit it to exercise its statutory “right of refusal” (ROR) during the month of July (MCL 211.78m (1)). 1,408 of those homes were estimated to be owner occupied (with a PRE in place). In order to exercise the right, the city is required to pay the non-city share of the taxes for each property. If the city were to exercise the right of first refusal for all of the 3,319 occupied residential properties, the total amount required to be paid to the county would be \$12,215,891 at an average per home cost of \$3,680. In the past, the county has been willing to accept the city’s exercise of this right with a credit request and a promissory note requiring payment within one year and in the past, the right has been exercised in August.

We are requesting that Treasury allow an amendment to provide for the use of Hardest Hit Funds to fund the approximately \$12 million cost to the city of purchasing the 3,319 occupied homes scheduled for auction and eviction this fall. Pursuant to this amendment, the City of Detroit

would agree to allow the occupants of the homes to remain in the homes subject to establishing that the residents would be able to meet affordability guidelines. Currently there is approximately \$130 million in unspent Hardest Hit Funds.

We would ask that an additional \$1 million dollars be allocated to a program for approved non-profits to inspect the homes to determine that they are safe, meet with the residents and provide counseling as to programs that are currently available to prevent delinquent property tax payments in the future. Because most of the homes that have been foreclosed and are subject to the auction were based on assessments that did not accurately reflect the market value of the homes as required under the Michigan constitution, part of that effort will be to work with the city to insure that the homes are properly assessed. In addition, many of the residents or even the majority will be entitled to poverty tax exemptions under Michigan Law, and the non-profits will work to insure that those entitled to exemptions receive them.

The use of these funds in this manner would actually bring money into the City treasury that could be used for demolitions or other blight-elimination costs.. Otherwise the City will be responsible for paying back the county as a chargeback the difference between what the home sells for at auction (usually on 10-20% of the tax bill) and the actual delinquent taxes owed.

An additional amount of funding should be set aside to provide for a zero interest home repair revolving loan fund for these properties which would also be managed by an approved non-profit.

Please feel free to contact myself, Professor Bernadette Atuahane, Marilyn Mullane, Jayesh Patel, or any of the members of the Coalition negotiating team to discuss this matter further, or to collaborate about finalizing the proposal for submission to Treasury. Thanks for your cooperation in this critical matter.

Sincerely,
Jerome D. Goldberg, PLLC

/s/ Jerome D. Goldberg

JDG/KAH