

MORATORIUM NOW! COALITION

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May 22, 2018

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 – townley1@michigan.gov

Dear Mr. Poleski and Ms. Townley:

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 purchases pursuant to Right of First Refusal

We are requesting that the MSHDA, as the Housing authority that administers the Hardest Hit Homeowner program in Michigan, adopt an amendment to regulations governing the distribution of the Hardest Hit funds for submission to the federal Department of Treasury for adoption.

The amendment would provide for the use of Hardest Hit Funds to fund the approximately cost to the city of Detroit of purchasing any occupied homes scheduled for tax foreclosure auction and eviction this fall. Pursuant to this amendment, the City of Detroit would agree to allow the occupants of the homes, whether home owners, occupants subject to land contracts, renters or families who have stayed in the homes for a period time, whatever their status, to remain in the homes subject to establishing that the residents would be able to meet affordability guidelines.

Currently there are approximately \$200 million in unspent Hardest Hit Funds. Last year there were approximately 2000 occupied homes that went to auction and where occupants faced eviction. If this program had gone in effect last year, the estimated cost would have been \$12 million. 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.

We would also 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.

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.

We are also requesting that a portion of Hardest Hit Funds be allocated to pay delinquent water bills for families whose water bills exceed the 2.5 % income guidelines recommended by the EPA. Since a water shutoff amounts to a constructive eviction, use of the Hardest Hit Funds in this manner would be consistent with the mission of the fund.

Please feel free to contact myself on behalf of the Moratorium Now Coalition to discuss this matter further. Our organization will be in Lansing on Monday, June 11, 2018, as part of the Poor Peoples Campaign, and we would request a meeting on that date to discuss implementation of this proposal.

Sincerely,

/s/ Michael Shane for the Moratorium Now Coalition