

**CITY OF SOUTHFIELD**  
**Neighborhood Investment**  
**Initiatives**

**Southfield City Council**  
**December 4, 2017**

**Kenson J. Siver, Mayor**



## *Neighborhood Investment Initiatives*

---

### **Issues Facing Southfield Neighborhoods**

- ❖ Aging Housing Stock
- ❖ Aging Population
- ❖ Mortgage Crisis 2007-2010 – Bank Foreclosures
- ❖ Decline in Property Values following 2008-10 Recession
- ❖ Oakland County Property Tax Foreclosures
- ❖ Significant Increase in Rental Homes
- ❖ Increase in Group Homes
- ❖ Second Wave Homebuyers
- ❖ Infrastructure Issues – Streets, Sewers, Septic Systems

## *Neighborhood Investment Initiatives*

---

### **Goals of Support Programs for Southfield Neighborhoods**

- **Maintain attractive, safe neighborhoods**
- **Improve public infrastructure**
- **Raise property values**
- **Assist older residents with home/yard care so that they may remain in their homes longer**
- **Reduce or contain the number of rental homes**

## *Neighborhood Investment Initiatives*

### **CONCERN: Dramatic Rise in Rental Homes**

Due to the mortgage crisis & recession, houses were devalued; speculators, flippers, real estate investors and home rental companies bought up a large number of foreclosed homes in Southfield. Banks and mortgage companies left homes vacant for years.

Resulting in little or no maintenance of properties



## *Neighborhood Investment Initiatives*

---

### **Help for Southfield Neighborhoods**



### **Rental Home Registration & Inspection Programs**

City Council Strengthened Ordinances on Rental Homes

- Every rental home must be registered
- Every rental home must be inspected every 3 years
- Landlord pays the registration & inspection fees

## *Neighborhood Investment Initiatives*

### **CONCERN: Aging Homes/Aging Population**

We want our older residents to “Age in Place,” but home maintenance becomes more of a challenge for many in their senior years.



## *Neighborhood Investment Initiatives*

---

### **Help for Southfield Neighborhoods**



#### **Home Repair Programs (income restrictions)**

- SHIP – No interest loan for major repairs
- CHORE – \$500 per client for yard work, minor repairs
- Oakland County Home Program – Major repairs

***In the past two years \$1.5 million has been spent in these programs***

## Neighborhood Investment Initiatives

### Help for Southfield Neighborhoods



Sewer tap-in fee reduced to \$5,000.

The City of Southfield now has two loan programs for residents with failing septic systems or failing wells who want to connect to city sewer or city water.

1) 3% loan paid over 17 years

2) 0% loan for income qualified to be paid upon sale of the property.



# *Neighborhood Investment Initiatives*

## Help for Southfield Neighborhoods



Replacement of water & gas lines and storm & sanitary sewers

Repair/replacement of neighborhood streets; additional sidewalks



## Neighborhood Investment Initiatives

### Help for Southfield Neighborhoods



#### Home & Yard Assistance

Oakland Rebuilding Together connects with corporations and volunteers to make home repairs and yard cleanup annually in Southfield.

# Neighborhood Investment Initiatives

## Help for Southfield Neighborhoods



### Home & Yard Assistance

Habitat for Humanity Rock the Block program connects with corporations and volunteers to make home repairs and yard cleanup annually in Southfield.

## Neighborhood Investment Initiatives

# Help for Southfield Neighborhoods



*“It’s a Hand Up, Not a Hand Out”*

Homeowners have to provide some “sweat equity” in return for assistance.

## Neighborhood Investment Initiatives

### Help for Southfield Neighborhoods



### THE BIG RAKE



250 volunteers turned out for **THE BIG RAKE** in 2016 with 75 yards raked

350 volunteers turned out for **THE BIG RAKE** in 2017 with 115 yards raked

Most of the volunteers are students from Lawrence Tech & Southfield Public Schools.

## Neighborhood Investment Initiatives

### Help for Southfield Neighborhoods



## THE BIG RAKE

Southfield Public Schools students, staff & parents joined the BIG RAKE.

# Neighborhood Investment Initiatives

---

## Help for Southfield Neighborhoods



### Southfield Parks & Garden Club

Yard makeovers for  
CHORE houses

Litter patrols

Annual Garden Walk  
showcases a different  
neighborhood each year

# Neighborhood Investment Initiatives

## Help for Southfield Neighborhoods



Corporations & organizations spruce up neighborhood parks

Comcast, Eaton, Federal Mogul, Kappa Foundation & others



# Neighborhood Investment Initiatives

## Help for Southfield Neighborhoods

### Historic Designations

Southfield was awarded a \$45,000 grant from the Michigan State Historic Preservation Office to prepare two Mid-Century Modern neighborhoods for possible historic designation.

Historic neighborhoods have stronger property values & in times of real estate turn-downs, historic homes retain more value and rebound sooner.



## *Neighborhood Investment Initiatives*

---

### **CONCERN: Property Tax & Bank Foreclosures / Annual Oakland County Auction**

Following the mortgage crisis and the severe devaluation of homes, speculators, flippers, real estate companies and individuals snapped up hundreds of properties at greatly reduced prices.

**Many of the tax foreclosed homes became rental properties.**

Numerous owners who bought at low prices appear unable to afford to maintain their home, pay the water bill & their property taxes and/or condo association fees. These properties are the **“SECOND WAVE”** of fallout from the home mortgage crisis.

# County Tax Foreclosure a 3-year Process

---

**Year 1 – On March 1<sup>st</sup> unpaid taxes become delinquent; an administration fee & 1% interest charged**

**Year 2 – On March 1<sup>st</sup> new fees added & interest rate increases  
On May 1<sup>st</sup> foreclosure petition filed in Circuit Court  
Owners & lienholders are notified**

**Year 3 – In January “show cause” hearings are held, giving taxpayers a chance to appeal foreclosure**

**In February, a Circuit Court hearing is held; Foreclosure order signed by judge**

**On March 31, owner loses all interest in property if tax arrears have not been paid.**

**Around June 1<sup>st</sup>, cities are notified of foreclosures & have first right of refusal to take property by paying all taxes & fees.**

**Mid August foreclosed properties go on the auction block**

*At minimum six warnings are issued to property owners*

**Foreclosures can be avoided by arranging a tax payment plan,  
but property owners must keep up on payments**

## Neighborhood Investment Initiatives

### CONCERN: Property Tax Foreclosures

#### Second Wave Case Studies

**#1** Prior to mortgage crisis this home sold in 2007 for \$132,000;  
Sold again in 2012 for \$21,450.

The owner bought this house in 2012 while delinquent on taxes on another home he owned in Southfield

2<sup>nd</sup> Wave owner failed to pay \$9,754 in taxes & \$2,337 water bill on this house & \$14,027 in taxes & water on his principal residence

Both were foreclosed by Oakland County in 2016



## Neighborhood Investment Initiatives

### CONCERN: Property Tax Foreclosures

#### Second Wave Case Studies



**#2** Purchased in 2007 for \$104,000; Sold in 2009 for \$20,000  
2<sup>nd</sup> Wave owner failed to pay \$27,689 in taxes & \$8,010 water bill;  
Foreclosed by Oakland County in 2016

**#3** Purchased in 2006 for \$350,000; Sold in 2009 for \$74,900  
2<sup>nd</sup> Wave owner failed to pay \$24,733 in taxes & \$1,243 water bill;  
Foreclosed by Oakland County in 2017

**#4** Condo valued at \$144,000; Purchased in 2012 for \$41,000; Owner  
failed to pay \$8,246 in taxes; Foreclosed by Oakland County in 2017

## Neighborhood Investment Initiatives

### CONCERN: Property Tax Foreclosures

#### Case Studies



**#5** Purchased in 2014 at County Tax Auction for \$21,000; Owner failed to pay \$11,982 in taxes; Used property for an illegal marijuana grow operation; Foreclosed again by Oakland County in 2017. Now in very poor shape and will be demolished by the Southfield NRI.

**#6** Owner of four unregistered rental homes fell into tax arrears between 2006 and 2013; Collected rent but failed to pay \$48,795 in taxes on these properties, plus water bills totaling \$4,560. All four homes were foreclosed by Oakland County in 2017.

## *Neighborhood Investment Initiatives*

# CONCERN: Property Tax Foreclosures

## Case Study

**#7** Purchased in 2011 from US Bank for \$10,000, this Cranbrook neighborhood home had sold in 2002 for \$167,000; Out-of-town landlord rented the home & didn't pay taxes. The landlord also failed to maintain the home. When the sewer line collapsed he rigged up a pump and dumped raw sewage in the yard. Foreclosed again by Oakland County in 2016.



## ***Neighborhood Investment Initiatives***

---

### **Help for Southfield Neighborhoods**

#### **THE QUESTIONS BECOME:**

What to do about hundreds of homes & condos that were sold at the Oakland County property auctions resulting in a dramatic rise in rental and group homes? (Many to out-of-town landlords.)

**How do we improve home values?**

***Doing nothing is NOT an option!***



## *Neighborhood Investment Initiatives*

---

### **Help for Southfield Neighborhoods**

#### Formation of Southfield Neighborhood Revitalization Initiative (NRI)

- ❑ Partnership formed between Southfield City Council, Southfield Non-Profit Housing Board and Habitat for Humanity Oakland County.
- ❑ City Council exercises “First Right of Refusal” on Oakland County tax foreclosed properties; Transfers title to the Southfield NRI, LLC.
- ❑ Southfield Non-Profit Housing Board pays back taxes, water bills and fees and finances renovation costs.
- ❑ Southfield NRI contracts with Habitat for Humanity to renovate homes, perform environmental studies, bring houses up to current building codes and sell the homes at market value, thus raising property values. Property sale proceeds go back to the Southfield Non-Profit Housing Board.
- ❑ Anyone may buy an NRI home once they obtain mortgage approval; purchaser must live in the home. NRI homes cannot be rented.

## *Neighborhood Investment Initiatives*

---

### **Help for Southfield Neighborhoods**

Southfield Neighborhood Revitalization Initiative (NRI) has 97 properties including vacant lots. It demolished four homes that were beyond repair.

Neither the City of Southfield, Non-Profit Housing Board nor the NRI foreclose on property owners. The Oakland County Treasurer's office forecloses when taxes go unpaid for three years or more or payment plans are not met.

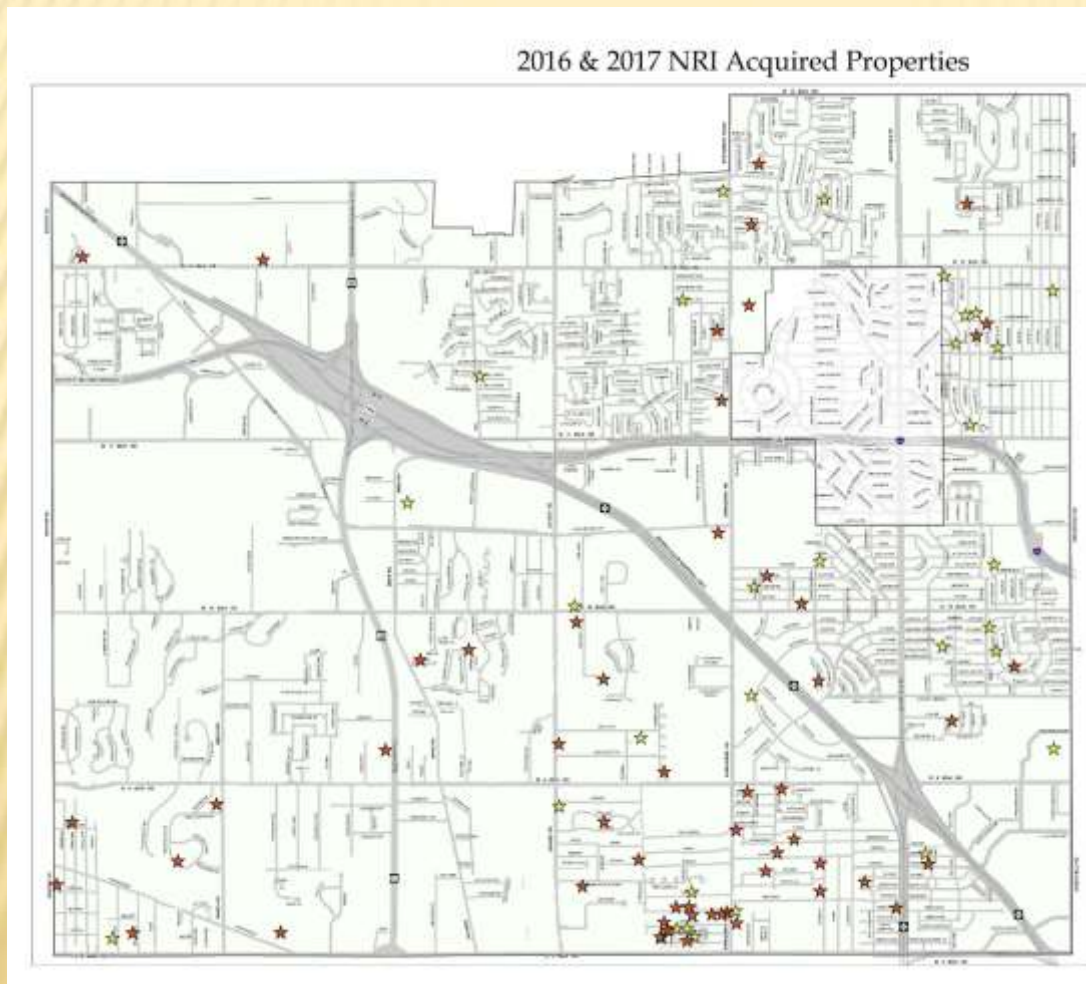
In 2016 the NRI paid \$959,444 in back taxes and \$62,171 in overdue water bills. So far in 2017 it has paid \$1.1 million in back taxes. To date, the Southfield Non-Profit Housing Board has invested over \$4.5 million in home renewal.

The vast majority of NRI properties were formerly owned by people who purchased homes at greatly reduced prices and immediately fell behind in their property taxes and water bills. Almost all of these homes need significant repairs/upgrades.

Some houses are **SOLD** to Habitat clients. There are **NO** free houses.

# Neighborhood Investment Initiatives

## Help for Southfield Neighborhoods



SNRI properties are spread throughout the city and vary in size from 900 sq. ft. to 5,400 sq. ft.

# Neighborhood Investment Initiatives

---

## IN SUMMARY:

- The Oakland County Treasurer's Office makes the determination to foreclose on properties
- The City of Southfield does NOT foreclose or evict homeowners
- The City of Southfield takes "First Right of Refusal" on foreclosed properties per state law and transfers properties to the Southfield Neighborhood Revitalization Initiative (SNRI). Otherwise these properties would be auctioned off at the annual county property sale.
- The City of Southfield provides redevelopment assistance to the SNRI via Brownfield Tax Credits
- The SNRI, in partnership with Habitat for Humanity Oakland County rehabilitates and/or upgrades homes ... OR ... demolishes them
- The goal of the SNRI is not to profit but to breakeven on home rehabilitation. In some cases the SNRI puts more money into home restoration than the selling price. Demolished homes are a total loss.

# Neighborhood Investment Initiatives

## Southfield NRI Success Story



### **BEFORE**

\$84,750 owed in back taxes & \$2,681 in water bills when foreclosed in 2016.



### **AFTER**

Rehabilitation cost \$121,233, including new driveway, landscaping. Sold for \$250,000.

# Neighborhood Investment Initiatives

## Southfield NRI Success Story



Totally rehabbed interior, including new electrical, plumbing and HVAC. New kitchen cupboards and granite counter tops. New flooring and doors, as well.

## Neighborhood Investment Initiatives

### Southfield NRI Loss



SNRI took possession of this mold filled and damaged home in 2016, after paying back taxes, fees and a water bill, totaling \$8,475.

Insurance, demolition, management fees, etc. came to an additional \$23,401, for a total loss for the SNRI of \$31,876.

**The goal of the SNRI is to break even on its investments. Some properties will generate a profit while others are a loss.**

# Neighborhood Investment Initiatives

## Help for Southfield Neighborhoods



SNRI homes are placed on the real estate multi-list.

Homes sold to date have had multiple bidders.

SNRI hosts occasional open houses.

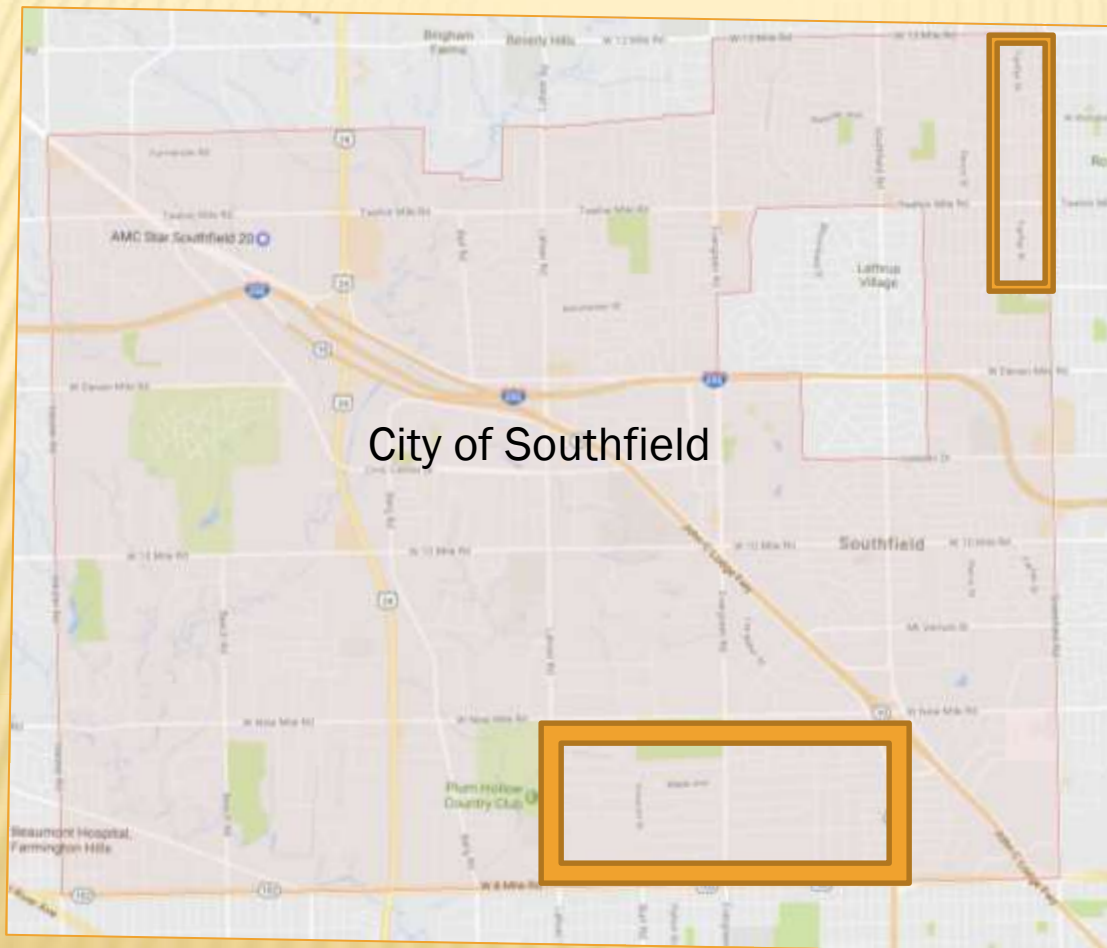
Persons interested in buying an SNRI home should contact a realtor.



# Neighborhood Investment Initiatives

## Help for Southfield Neighborhoods

### NEIGHBORHOOD ENTERPRISE ZONES



Two areas of the city will be designated Southfield Neighborhood Enterprise Zones

NE corner of the city from Catalpa to 13 Mile Road and Sections 34 & 35

These areas have the largest concentrations of pre 1960 homes with modest assessed values.

## Neighborhood Investment Initiatives

# Help for Southfield Neighborhoods

## NEIGHBORHOOD ENTERPRISE ZONES



*Credits only include material costs, NOT labor.*

City and county taxes will be **reduced by 17.2 mills for 12 years** for homeowners who opt into the program.

In turn, property owners must make major home improvements by licensed contractors. Improvements must meet building code requirements.

Improvements may include new roofs, rewiring, re-plumbing, new windows, foundation repairs, insulation, additions, etc.

# **CITY OF SOUTHFIELD**

## **Neighborhood Investment Initiatives**

*ReVitalizing Neighborhoods  
House by House*

**Kenson J. Siver, Mayor**

