

## Detroit landlords cash in on rent aid, ignore tax bills

Sun, Mar 30

detroitnews.com

Detroit— The tidy brick bungalow on Wade Street is a moneymaker for landlord Lamont Hunter.

In five years, he's received nearly \$40,000 through a government program to rent the east-side home to a needy family — and never paid a single Detroit property tax bill.

When the bill climbed to \$12,400, Wayne County foreclosed in 2012. So Hunter wiped away the debt by re-purchasing the home at a tax auction for \$600 — without losing his \$650 monthly rent check from the state.

He's not alone: A Detroit News investigation found about 1 in 4 Detroit landlords paid to rent to poor families through the state's Housing Choice Voucher program collectively owe the city at least \$5 million in back taxes and probably much more. Federal and state guidelines for the rental assistance — known as Section 8 — don't require that all landlords pay.

It's a galling situation to homeowner Jean Calvert, 69, who said she "plays by the rules."

"There is no excuse," said the retired great-grandmother who paid the \$2,100 in taxes last year on her well-kept home on Mansfield on the west side. Her landlord neighbor owes the city more than \$14,700, while collecting about \$850 a month from the program.

"This is part of why we don't have services," Calvert said. "I have worked hard for mine. ... He should pay his."

Experts said the delinquency rate among city landlords receiving Section 8 payments — 26 percent — illustrate the depths of dysfunction in a city that has struggled for years to collect taxes. In comparison, 6 percent of Wayne County landlords receiving the subsidy owed taxes, according to state and county data.

Funded by the U.S. Department of Housing and Urban Development, Section 8 generally pays most of the rent bill for needy families directly to landlords. About 7,500 families receive rent help in Detroit through programs administered by the state and the Detroit Housing Commission. Openings in the programs are limited and tenants typically contribute a small amount toward rent based on income.

Hunter and other landlords said that, even with regular government payments, paying taxes is sometimes hard. Not only have home values plummeted, but properties are often destroyed by tenants or scrappers as soon as they become vacant, they said.

"It's like a never-ending battle," said Hunter, who added he's lost money on non-Section 8 rentals. "You can't let a property sit dormant for a week. It's not like that in Livonia."

"I am not a millionaire off one property."

The News investigated the state's program and found that some owners collected checks until they faced foreclosure and then sold the properties to buyers — including tenants — who became saddled with the tax debts.

Other landlords avoid losing properties by appealing assessments and having them lowered below the \$1,600 threshold the county has set for foreclosure. Others let properties fall into foreclosure, then buy them back at tax auctions that don't require buyers to pay back taxes.

At least \$5 million was owed in January on 757 of 2,914 properties that housed tenants in Detroit through the Michigan State Housing Development Authority's Section 8 program as of May, according to The News' review. At that time, those landlords were drawing a total of \$644,000 a month in rent.

The total debt likely is much higher because it doesn't include 2013 taxes or properties on the Detroit Housing Commission's Section 8 program. The commission denied The News' Freedom of Information Act request for data on landlords renting to its 3,400 Detroit tenants, saying releasing their names "could place a chilling effect" on participation. The News has appealed the denial.

City and county officials said the landlords are taking advantage of a broken system. The News last year found that nearly half of property owners failed to pay 2011 taxes, in part because assessments are widely viewed as inflated. Mayor Mike Duggan in January lowered assessments as much as 20 percent in some neighborhoods.

"It is a vicious game that is being played out there," said the city's chief assessor Gary Evanko when told of The News' findings. "These guys take these properties for a short-term ride, squeeze all the money they can and move on.

"It has the effect of being a financial cancer on our city."

### **System does not inspire trust**

Roberta Wilson this month sat at the kitchen table in her small white bungalow on Barlow Street holding the latest in a string of tax-foreclosure warnings on her home.

The bills haven't been paid for four years and the property is \$4,410 in arrears, even though state records show her landlord receives \$875 per month through Section 8. Wilson pays about \$30 a month.

"It's hard to trust the system when you see this," said Wilson, 53, whose home could be sold at a tax auction this fall. "This is why the city is broken. I have never wanted to leave Detroit as much as I do now."

Property records indicate the home is owned by one of two companies tied to West Bloomfield Township lawyer Richard Radner, the son of longtime Detroit landlord Robert Radner.

The companies — Dorset and Detroit Residential Opportunity Fund I — are among the largest offenders The News found, owing nearly \$220,000 on 55 homes that had Section 8 tenants last summer. More than \$44,000 per month in rent was coming in on those houses at that time, according to the state data. If all those tenants stay put, Dorset could collect \$528,000 annually in rent.

Radner said "landlords are in an impossible situation" in Detroit. He argues the income fluctuates as tenants come and go.

"The minute my properties go vacant in general ... they are ransacked," said Radner, who said he manages the properties for numerous investors. "What is a house worth in total? That is what I am looking

at. ... It is an individual decision based on properties, based on tenants, based on area.”

“I can still pay and I just might.”

Records indicate that Radner is so successful at appealing tax assessments to the state that, in many cases, one month’s rent would pay a full year of taxes. The taxes on Wilson’s property, for instance, were cut after a 2010 appeal to \$650 per year — \$195 less than the monthly rent paid by the government.

On the 20 Dorset properties alone, the average 2013 tax bill was \$885. The company received an average of \$800 per month in rent on them as of last summer, records show.

State law allows cities to base landlords’ assessments on their rental income, which would most likely increase their tax bills. But Detroit officials admit their office has been overwhelmed by tax appeals, to the point that in some cases assessors haven’t even shown up to state hearings.

All but one of the Dorset homes qualified for foreclosure last year because of non-payment of taxes since 2010. The process is generally triggered after three years of unpaid taxes.

The properties are headed for the foreclosure auction this fall, said David Szymanski, the county’s chief deputy treasurer. He said he’s unsure why they weren’t foreclosed on sooner, adding the process could have been delayed by state tax appeals and tax bills that fell below the \$1,600 threshold.

Others pledged to pay. Calvert’s neighbor, landlord Magnus Ndukwe, said the \$850 a month in rent he collects barely covers his mortgage on the home and he still hopes to slowly pay off his \$14,700 debt accumulated over three years before foreclosure.

“It’s not because I don’t want to pay,” Ndukwe said. “There is not much really left to pay the taxes.”

## **No monitoring of taxes**

State officials said they don’t check for tax debt because there is no federal requirement to do so.

“Of course, we want all landlords to pay their property taxes,” wrote Katie Bach, a state spokeswoman for the Section 8 program. “Unfortunately, we are not currently nor have we been in a position to monitor that.”

Detroit Housing Commission officials said they require that tax bills are paid when a landlord enters the program but don’t monitor after that.

HUD requires some landlords receiving Section 8 to stay current on taxes, but it’s a different group: Those who have contracts with HUD to provide housing in properties that have Federal Housing Administration-backed mortgages.

Jerry Brown, a HUD spokesman in Washington, D.C., said the agency’s job is to provide housing, not ensure owners pay property taxes.

That allows tax bills to pile up that sometimes are passed on to folks like Tony Winston. He said he was unaware until it was too late of the \$7,700 unpaid tax bill on the home, which had housed a Section 8

tenant before Winston bought it.

He and his wife purchased the east-side brick bungalow on Rogge for his family of five from Woodlawn Properties and the company's agent, Emanuel Soto, last year on a land contract for \$24,000.

When Winston said he found out about the debt and complained, Woodlawn paid a portion of the bill but added the cost onto the land contract. State data show Woodlawn had a Section 8 tenant in that home for 2 ½ years before the sale, drawing \$715 a month as of May.

"We are the ones who have to struggle," Winston said. "I wasn't even here in 2010. Why is that stuck on me?"

A lawyer for Woodlawn, Brad Aldrich, wouldn't comment.

Bankruptcy records from 2009 show the company was half-owned by Michael Kelly, who was identified in 2011 by The News as one of the city's most prolific land speculators.

### **'Working the system'**

Szymanski said Wayne County Treasury officials are so "appalled" by The News' findings they plan to ask a judge to appoint a receiver so the county can collect the rent in the future instead of the landlords and use it to pay the tax debt. He is now working to get lists of Section 8 landlords to identify who is getting the federal funding.

"This is one problem created by a culture that has come to accept that taxes need not be paid," Szymanski wrote in an email.

Szymanski said landlords, like Hunter, won't be able to buy back properties anymore because of a new requirement instituted at the 2011 auction that buyers stay current on taxes or lose the properties. The reform was added after a series of stories in The News about owners who buy back their own foreclosed properties.

Evanko, who governs city assessments, said he's also working to get lists of Section 8 landlords so the city can base its assessments on the rental income the landlords are making.

One expert who has studied Detroit's property tax problems said it's another example of owners "working the system."

"To take money from the government for rent and not pay taxes to the city. Wow," said Michigan State University professor Mark Skidmore. "They clearly understand the system and are taking advantage to the maximum."

### **About this report**

The Detroit News requested through the Michigan Freedom of Information Act a listing of all Section 8 landlords and their properties from the Michigan State Housing Development Authority. Those addresses were compared to county property tax records as of January. Detroit Housing Commission's Section 8 program denied The News' request for the data on its landlords. The News has appealed the denial.



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**Detroit homeowner Jean Calvert paid the \$2,100 in taxes last year on her home on Mansfield, while her landlord neighbor ignores his tax bill while collecting about \$850 a month in rent subsidies. 'This is part of why we don't have services,' Calvert said. 'I have worked hard for mine ... He should pay his.' / David Coates / The Detroit News**

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This month-by-month map identifies the locations of Detroit's deadliest crimes, as reported by the Detroit police. Click a location for details on the crime.

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