

Detroit launches legal attack on delinquent taxpayers

Robert Snell and Christine Ferretti, The Detroit News 6:56 a.m. EDT September 1, 2016



(Photo: Clarence Tabb Jr. / The Detroit News)

Detroit — The city has sued more than 500 financial institutions and for-profit corporations in an attempt to recoup \$12.2 million it believes is owed in unpaid property taxes.

The lawsuits fulfill a threat by Mayor Mike Duggan's administration to force banks, investment companies and others to pay delinquent taxes — money that could improve police, fire and other services.

For Detroit, officials say it'll amount to about \$5 million. The other dollars being sought are owed to taxing authorities, including the Detroit Zoo, Detroit's school district and Wayne County.

The legal action against banks and corporations comes amid complaints the city — particularly the Detroit Water and Sewerage Department — has [unfairly targeted residents](/story/news/local/detroit-city/2016/03/31/detroit-water-shutoffs/82497496/) for delinquent water bills while overlooking thousands of businesses that owe millions of dollars.

"We are interested in pursuing people who purchased properties, held them as revenue generators, or for investment purposes, and failed to pay taxes," said David Szymanski, Detroit's treasurer and deputy chief financial officer. "The time has come to make sure they step up to that obligation."

Wednesday was the deadline for Detroit to sue companies in hopes of collecting taxes owed between 2010-13. Szymanski said more than 550 lawsuits were to be filed.

The companies — including First National Bank of America, Bank of New York Mellon, Citibank NA and Freddie Mac — owned or had a financial stake in properties that have since been foreclosed, according to the city. Under state law, the former property owners are still personally liable for unpaid taxes, the city alleges.

The city sent the companies demand letters Aug. 17 in an attempt to recoup taxes for both residential and commercial properties before filing lawsuits in Detroit's 36th District and Wayne County Circuit courts.

A handful of firms responded and agreed to try to negotiate a settlement, Szymanski said.

Among the lawsuits filed in Wayne County Circuit Court, the tax debts ranged in amount from \$25,000 to more than \$200,000.

Bank of New York Mellon owed one of the largest debts — \$229,121 — for almost 30 properties.

Freddie Mac was sued over a \$52,666 tax bill involving seven residential properties.

But the mortgage agency never owned one of the properties, said Freddie Mac spokeswoman Lisa Tibbitts, and no longer own the other homes.

"Moreover, we do not owe any delinquent taxes now, and we did not owe any delinquent taxes during the time we held title," she wrote in an email to The News.

Szymanski said the data used to pursue the unpaid taxes relies upon city records and the filing of property transfer affidavits. Some records may be outdated, he said.

Local real estate developer Herb Strather is tied to two companies that Detroit claims owe a total of \$279,285 in taxes.

Strather said he had a 1 percent stake in 14000 Schoolcraft Associates LLC, an entity that owned a 31,000-square-foot commercial building on Schoolcraft Avenue.

The state rented the building but moved out five or six years ago after scrappers repeatedly damaged the building, Strather said. Strather estimates he spent \$1 million on the building before it fell into foreclosure.

Detroit sued the firm Friday, alleging it owed \$213,035 in delinquent taxes.

"Say 14000 Schoolcraft owes taxes and the city gets a judgment against the LLC. It has no assets," Strather said. "Even if I owned half of the LLC, (the debt) wouldn't filter down to me."

Strather is listed as resident agent of another firm being sued by Detroit. CSPE Tuscan Hills LLC allegedly owes \$66,250 in property taxes for an apartment building on W. Seven Mile between Berg and Lahser. The property was foreclosed in 2013.

"I really never owned it," Strather said. "We sold the membership interest to a new entity. I'm a broker. That was one of my creative deals."

Strather said he is not responsible for the tax debts.

James McTevia, a Bingham Farms private-sector turnaround specialist, expects the city will reach resolutions with many of the firms now that Detroit is out of bankruptcy.

"The investors tried to pick up these properties and were just sitting on them to see what's happening to the city of Detroit," he said. "Now the City of Detroit is a very nice place to have money invested. I would think that these property owners can see that and would want to try to protect their investment any possible way they could."

A & M Global Investments LLC got slapped with a bill for nearly \$63,000 in unpaid taxes for properties it owned in Detroit.

But Avi Tevlo, president of the West Bloomfield Township-based company, said he sold the 15 properties — vacant homes, mostly — to an investor in California years ago, shortly after he acquired them.

Tevlo on Wednesday said he got an "astronomical" tax lien in the mail a few days ago, but "I just ripped it up."

"It's not ours," he said. "I don't owe them."

Investor Matt Tatarian, of Bimini Properties II, who resides out of state, said Wednesday that he hadn't received the city's letter nor was he aware of the lawsuit. The court filing contends his investment company owes more than \$116,000.

"The city is being ridiculous. They know as soon as it gets to the Supreme Court, it's going to get dumped," he said. "But how many people are going to pay those amounts because they don't want to get litigated."

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