

Nine thousand homes and lots at auction

Detroit: A city for sale, and very few takers

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Over a four-day period a huge portion of the city of Detroit was put on the auction block, but very few bids were submitted. Of the 9,000 homes and lots put up for sale for prices as low as \$500, only 1,800 attracted buyers. Most of these were not prospective homeowner-occupiers, but speculators from New York City and California hoping to cash in on a quick flip of the property.

The auctions were held in a ballroom next door to a casino. According to an account published by Reuters, “Taken together, the properties seized by tax collectors for arrears and put up for sale last week represented an area the size of New York’s Central Park.”

No estimate was available of the total revenue generated by the auction, but it was certainly minuscule. For 200 properties in 12 city tax districts where information was provided, only \$250,000 in revenue was brought in, for an average price of \$1,250 per house or lot.

The total number of abandoned and vacant properties in the city of Detroit has skyrocketed from 46,000 to 78,000 over the past three years. According to data obtained from the Detroit Office of Foreclosure Prevention and Response and compiled by the *Detroit Free Press*, the total area of these properties approaches that of the entire city of Boston.

The city of Detroit occupies 139 square miles, and the vast majority of the housing stock consists of single-family dwellings. More than 50 years ago, when the US auto industry dominated the world market, the city’s population approached 2 million. Today, with GM and Chrysler bankrupt, the city’s population is down to about 830,000. Detroit is believed to be the only city in modern history to surpass the 1 million mark and then fall back below it.

Last week’s auction was conducted by Wayne County, which includes Detroit, in an effort to recoup back taxes owed on foreclosed homes, and to put some fraction of this abandoned housing stock back on the tax rolls. It was the second such attempt this year, both largely unsuccessful.

The 9,000 lots available last week were from foreclosures based on tax arrears through 2006. Tens of thousands more homes have gone into arrears since then. While the city of Detroit and Wayne County are no longer able to collect taxes on these properties, the city still provides fire cover and occasionally cuts weeds, exacerbating the \$300 million deficit.

The Reuters report noted that local residents who bid for the relatively small number of livable homes were frequently outbid by speculators. A lieutenant in the Army, awaiting deployment to Iraq, sought to buy a home for his fiancée and two children. He tried to get a home in the Boston-Edison district, where old mansions built early in the last century provide a good value. After an investor who bought multiple properties outbid him for the home, he asked Reuters, “Why am I competing against a bank? It would be common sense to have a separate process for people who want to move back to the city or it’s going to stay empty.”

One of the principal factors in the housing crisis is absentee landlords. In the Brightmoor district, a working class area on the city’s far west side, a single owner has more than 100 abandoned lots.

Many people seeking to buy homes for themselves or family members were denied access to the auction for failing to fill out paperwork properly or missing a deadline. On Desoto Street on the city’s near west side, 15 vacant lots were listed in the auction but residents of the street were not even aware the properties were up for bid.

There was not much of a speculative bubble in real estate in Michigan, unlike the Southwest and Western US. The wave of evictions, foreclosures and consequent abandonment and collapse of home values in the Detroit area are the direct consequence of the collapse of automobile manufacturing. Detroit now has a 27 percent unemployment rate, and double-digit unemployment is the rule in the suburban counties as well.

According to a study published October 22 in the *Detroit Free Press*, three small suburban cities actually have higher foreclosure rates than Detroit itself: Hazel Park, Eastpointe and Pontiac, all primarily working-class areas once populated largely by auto workers and their families.

The *Free Press* broke down foreclosures by postal ZIP codes, and found that 18 ZIP codes had a foreclosure rate of one in every ten homes or worse. Detroit's 48205, in the northeast corner of the city, had the highest rate, one of every 5.2 households (nearly 20 percent of all homes in foreclosure). Hazel Park followed with one of every 8.2 households (about 12 percent)

Of the 18 ZIP codes with a 10 percent or greater foreclosure rate, nine were in the city, mainly in its far western and northeastern neighborhoods along the city's border, which were until recently the last remaining stable residential districts in Detroit; nine were in the suburbs, including Redford Township, Southfield (2), Pontiac (3), Hazel Park, Warren, and Eastpointe.



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