

One in seven Detroiters threatened with eviction in wave of home foreclosures

Zac Corrigan
7 January 2015

One in seven Detroit residents is threatened with eviction due to tax foreclosure in 2015, according to data compiled by Loveland Technologies. Last fall, Michigan's Wayne County, which includes the city of Detroit, served foreclosure notices on a record 75,000 homes, which will take effect later this year. Sixty-two thousand of the homes are in Detroit, and nearly 36,000 are confirmed occupied by an estimated 100,000 residents.

The mass foreclosures come in the wake of Detroit's precedent-setting municipal bankruptcy proceedings—the largest in US history—in which city worker pensions were looted and the city's assets hived off to private entities. They are part of the effort to squeeze every penny possible from the working class to ensure the continued flow of profits to the wealthy landowners, speculators, and creditors who control Detroit.

Last year, the city's water department, under the direction of Detroit's unelected emergency manager, shut off water service to tens of thousands of city residents behind on their water bills. During the bankruptcy hearing it was revealed that this brutal policy was carried out in coordination with several Wall Street credit rating agencies to clear up "delinquent" accounts, improve the city's borrowing rates and make the water department a more attractive target for privatization.

Poor residents who were as little as \$150 behind on their water bills were shut off immediately, while major corporate customers owing tens or even hundreds of thousands of dollars, including GM and Chrysler, were not shut off. Both the water shutoffs and foreclosures are part of a long-standing plan to "downsize" Detroit by shutting off essential public services to entire neighborhoods deemed to under-populated or poor for

commercial investment.

According to Michigan State law, properties with three years' worth of unpaid back-taxes must be foreclosed and auctioned. However, many properties do not sell at auction. In 2014, Detroit's tax auction resulted in the sale and closure of 8,453 out of more than 23,000 foreclosed homes. Roughly \$198 million in taxes on the unsold homes were not collected.

Additionally, many of those who buy houses at the annual auctions are themselves unable to pay the back taxes, and the properties wind up back on the auction block with no taxes collected. While this scenario applies to many homeowners, it is also a way for real estate speculators and slumlords to purchase foreclosed property on the cheap at auction, pocket a year's worth of rent from tenants, allow the property to return to auction and optionally bid on it again to repeat the process.

In December, Detroit's Democratic Party mayor, Mike Duggan, succeeded in lobbying Michigan's state legislature to pass legislation designed to increase the amount of taxes collected from delinquent homeowners. "Nobody's paying \$17,000 in back taxes on a house that's worth \$40,000," Duggan told the Michigan Senate's Finance Committee. The bills would extend the amount of time for property owners to pay up, reduce the interest rate penalty for overdue bills from 18 percent to 6 percent, and cap bills at 25 percent of the home's fair market value.

While Duggan is presenting the legislation as a way to "keep people in their homes," he admitted to the Finance Committee that even with the reduction in fines most homeowners will not be able to catch up and avoid foreclosure. David Szymanski, Wayne County's chief deputy Treasurer, estimated the fine reductions would allow just 11,000 of the Detroit homes (18

percent) to avoid immediate foreclosure, leaving many tens of thousands facing eviction. “Basically this is a method of clearing out bad debt, debt that would otherwise be written off,” he said.

There is also the potential for property owners to enroll in the new payment plan, begin paying off their back taxes, and then still fall behind and lose their homes anyway. The legislation’s interest rate penalty reduction is to be offered only through June 30, 2016. If homeowners default on their payments, the 18 percent rate is restored. “The passage of these bills means that real relief is coming to those who need it without any more excuses of why it can’t be done,” said State Representative Phil Cavanaugh, another Democrat.

The 75,000 Wayne County foreclosures set for 2015—up 34 percent from the 2014 figure—represent \$326.4 million in total unpaid taxes, according to Curbed Detroit. The fraction of this that is ultimately collected through Duggan’s payment plans will not be invested in improving city services or crumbling infrastructure, but rather will service the city’s debt to bondholders, and subsidize private business interests like Rock Ventures/Quicken Loans, DTE, Detroit Medical Center, and Comerica Bank.

In their study of the Detroit bankruptcy, think tank Demos reported that an estimated \$20 million in subsidies doled out annually by the city to private business interests was a major factor in the city’s revenue shortfall, the justification for the bankruptcy. The City of Detroit also incurred \$177 million in legal fees during the bankruptcy.

The figure of 100,000 potential foreclosures victims is likely an underestimation. Detroit is home to an unknown but large number of squatters living in homes that are supposedly unoccupied. In an interview with the *Detroit Free Press*, John Adamo Jr., CEO of Detroit-based demolition company Adamo Group, estimated that squatters lived in five to ten percent of the 80,000 structures targeted by the Detroit Blight Removal Task Force (DBRTF) for destruction.

The Obama White House-created DBRTF is co-chaired by multibillionaire real estate and home loan tycoon Dan Gilbert. It was provided half a billion dollars for demolition through the bankruptcy, for the essential purpose of raising the value of property in the city, including that of Gilbert’s own 60-plus buildings

downtown.

Applying Adamo’s estimated squatting rates to the 26,000 foreclosure-threatened homes that are supposed to be vacant means thousands of more residents will be thrown into the streets. Approximately 20,000 Detroiters are already homeless, a staggering 2.9 percent of the city’s population. Twenty-five percent of the city’s homeless are children. A tent city appeared last month in Lafayette Park downtown.

Although the city is no longer under the control of an emergency manager, all economic decisions are overseen by a financial oversight committee, which consists of the mayor and city council president and several figures appointed by the governor. For all intents and purposes it is a continuation of the financial dictatorship of the banks, with unilateral power to tear up labor agreements and other contracts and divert what little money is earmarked for the repair of the city’s decayed infrastructure to debt servicing.



To contact the WSW and the
Socialist Equality Party visit:

wsws.org/contact