After Detroit bankruptcy: Tax foreclosures threaten 30,000 residents

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The Detroit Land Bank Authority has begun auctioning off thousands of foreclosed properties in Detroit, America's poorest big city. In January 2015, one month after the conclusion of the largest municipal bankruptcy in US history, Wayne County initiated a series of hearings to review nearly 80,000 delinquent property tax bills. Over 100,000 people in this city of 680,250 faced losing their homes.

The deadline for property owners to work out a payment plan has been extended twice since January. But on September 11, the Detroit Land Bank Authority will begin auctioning 28,576 tax-delinquent properties in Detroit. Of these foreclosed properties, about 10,000 are occupied dwellings.

While an exact figure is unknown, some 30,000 people could be evicted by the end of the year in what has been described by the Tricycle Collective—an organization dedicated to helping Detroit residents stay in their homes—as the largest municipal auction of tax-foreclosed homes in the history of the United States. Detroit already has more than 20,000 homeless people and 84,000 unoccupied and blighted properties. The eviction of tens of thousands from this already devastated city is one more aspect of a calculated plan to drive out the poor and consolidate the city to meet the needs of wealthy downtown investors.

A recent series on foreclosures in the Detroit News illustrates the magnitude of the foreclosure crisis. There have been 139,000 mortgage and tax foreclosures in the city over the past 10 years. The enormity of these foreclosures over the years can be seen in this animated map. This is equivalent to **all** the houses in Buffalo, New York, and equals one-third of the homes in Detroit. Half of the Detroit properties that went into foreclosure due to mortgage default are now blighted.

Since the financial crash of 2008, Detroit has averaged around 25,000 foreclosures annually. In the late 2000s most were due to mortgage default; in 2014, the majority were property tax delinquency foreclosures. Many properties sold off by the banks during the height of the subprime mortgage crisis have since gone into foreclosure again due to tax foreclosure proceedings. Properties that fail to sell during two rounds of bidding run by Wayne County this autumn will become the property of the city of Detroit.

According to the Tricycle Collective, "This year alone, over 80,000 Detroit properties received tax foreclosure notices." Further, in the report the organization notes that 67,000 Detroit homes went into either mortgage or tax foreclosure between 2005-2007, and "This year *alone*, tax foreclosures *alone* may surpass that number."

Bills passed in December 2014 by the Michigan legislature allow only a small portion of those still facing tax foreclosure to receive any relief. The Interest Rate Stipulated Payment Agreements (IRSPA) was available only to owner-occupied dwellings. The IRSPA reduces interest on unpaid back property taxes from 18 percent to six percent if the owner agrees to pay 10 percent of the total up front plus three percent monthly, in addition to remaining current on this year's taxes. This can amount to thousands of dollars that Detroit homeowners do not have.

The recent flood of tax foreclosures in Detroit has three immediate causes:

• The Michigan state legislature passed Public Act 123 in 1999, reducing the time homeowners have to get current on property taxes from five years to two years before foreclosure proceedings can begin.

• The artificial inflating of the tax burden on city residents. The *Detroit News* found in 2013 that the city of Detroit had over-assessed the value of homes by an average of 65 percent.

• Wayne County Treasurer Raymond Wojtowicz recently ended the long-standing practice of avoiding foreclosures if properties had delinquencies of less than $1,700.

While the increase in tax foreclosures was expedited by these policy moves, ultimately the roots lie in the policies of de-industrialization and a decades-long attack on working class living standards. Once a model for the "American Dream," Detroit had among the highest homeownership rates and per capita income in the nation. Now, Detroit serves as a model for the "new normal" of falling wages, high unemployment, attacks on pensions, decaying infrastructure, and now homelessness.

Historically unprecedented, the displacement of tens of thousands of Detroiters marks a continuation of the brutal attacks begun during the bankruptcy proceedings, and follows the recent water shutoffs to thousands of the same residents who now face eviction. Both political parties, from the city government to the Obama White House, which established the Detroit Blight Removal Task Force, have backed these brutal policies

As a prelude to the mass auction beginning September 11, a separate auction has already begun of select homes that have been renovated and are being sold as "Rehabbed and Ready."

On Wednesday, August 26, Detroit Mayor Mike Duggan and Quicken Loans/Rock Ventures founder and multi-billionaire Dan Gilbert held a press conference outside 18652 Monica Street, in the Bagley neighborhood of Detroit, announcing the first auction of the Rehabbed and Ready program. In this "public-private partnership" the foreclosed homes are provided by the Detroit Land Bank Authority, with financing provided by Quicken Loans and home improvement retailer Home Depot overseeing the construction.

The program is currently renovating 20 homes in the Bagley, Crary/St. Mary's, College Park and Evergreen/Outer Drive neighborhoods of Detroit, with a possible total of 65 homes targeted for renovation. The areas chosen for the program were carefully selected and represent the more stable neighborhoods in the city.

The auction closed at 5 p.m. on September 2, with the lone bidder having met the minimum requirement of 75 percent of the cost of refurbishing the home: $45,600, slightly higher than the current median Detroit sales price of $39,900 (down from around $80,000 in 2005).

The Rehabbed and Ready plan is itself part of the restructuring of Detroit in the interests of the tiny financial layer controlling the downtown area. The same forces responsible for the devastation are now trying to portray themselves as Detroit's saviors.

The history of 18652 Monica Street is indicative of the disastrous state of housing in the city of Detroit. In 2007 Quicken Loans (the same company that restored the home and is offering mortgages to the winning bidders) issued the homeowners a mortgage for $116,500, which was quickly sold to Freddie Mac, the government-sponsored mortgage lender, now in conservatorship. When the borrower defaulted on the mortgage in 2014, Freddie Mac wrote it off after concluding the borrower did not qualify for "loan modification" (negotiating lower interest rates and payments). The property then fell to the Detroit Land Bank Authority, the entity responsible for the tens of thousands of abandoned and blighted properties in Detroit.

The *World Socialist Web Site* spoke with Brenda Beasley, a retired hospital worker who lives next door to the newly rehabbed property, and down the block from another home now in foreclosure. An attractive area close to shopping and freeways, the Bagley neighborhood was once home to many professionals and autoworkers.

"I first purchased my own home in 1999, when home values were higher, for $84,000. I chose this area because I am legally blind and disabled and there are a number of stores that I can walk to and it seemed like a very stable community. While living here is very tough for me, I like being in my own home. However, it is financially very tight," Brenda told our reporters.

She continued, "What they did next door in rehabbing that house, which sat vacant for five years, should be done for everyone who wants to stay in their house. … Instead of evicting people for back taxes, they should provide assistance and also help them with repairs. Many of the people affected by this crisis are single parents and seniors. They should be assisted regardless of the costs. Everything should not be about making money and the almighty dollar."

Detroit was targeted by subprime lending vultures before the financial crisis of 2008. The majority of foreclosures were the result of predatory subprime mortgages that caught workers unable to pay for rising interest rates as home values collapsed. Sixty-eight percent of mortgages in the city in 2005 were subprime compared to 24 percent nationwide. Dan Gilbert's Quicken Loans was one of the top five lenders guilty of predatory lending practices during the period prior to 2007. Not a single subprime lender has been prosecuted following the subprime mortgage meltdown.

At the same time, workers have suffered a drastic decline in living standards since the onset of the recession. The people of Detroit have not seen a "recovery."

The decimation of Detroit has been taking place over decades, particularly since the 1980s. (See: "The rape of Detroit: Deindustrialization, financialization and parasitism") Decent paying manufacturing jobs have all but disappeared, schools have been shuttered, pensions and health care have been gutted, access to essential utilities has been denied and publicly owned cultural treasures are moving into private hands. No aspect of social life is spared from the insatiable dictates of the bondholders and finance capital.

The attempt to "revitalize" Detroit, by the same forces that preyed on its most vulnerable residents, is a strategic plan to depopulate whole swaths of the city and pour billions of dollars into a tiny downtown enclave dominated by a handful of billionaires, led by Dan Gilbert and sports franchise owner Mike Ilitch.

The WSWS wrote just over two years ago on the "7.2 SQ MI" report. The 7.2 square mile downtown area has been the focus of a gentrification process for more than two years. This was to be accomplished by evicting seniors and other long-time low-income residents in hopes of luring in young professionals. However, the population of the area has *decreased* since 2013, and the average income of $20,681 is just $400 higher than in 2013—and less than half the median statewide income.

Also in 2013, the Hudson-Webber Foundation launched its mission "15x15" to great fanfare. The goal: "to attract 15,000 young, talented households to Greater Downtown Detroit by 2015." A visit to the web site today reveals a brief note: "UPDATE: The Hudson-Webber Foundation will be evaluating and reflecting on the 15x15 initiative throughout 2015. In the meantime, the Foundation is continuing to award grants to organizations and projects aligned with place-based talent attraction and retention in Greater Downtown Detroit."

As the WSWS concluded in 2013, "Detroit is returning to the days of the early 20th century when it and other nearby industrial cities like Pontiac and Flint were 'company towns,' whose economies and political establishment was controlled with an iron fist by General Motors, Ford and Chrysler—and resistance by workers was met with violent repression." Only this time it is the speculators and real estate moguls like Gilbert and Ilitch who own Detroit. The aim is to turn the once thriving city into a playground for the wealthy and upper-middle class and to "cleanse" its neighborhoods of the working class and the poor.