The Eviction Machine: Neighborhood Instability and Blight in Detroit's Neighborhoods

Joshua Akers[1] and Eric Seymour[2]

[1]Assistant Professor of Geography and Urban and Regional Studies, University of Michigan-Dearborn*

[2]Assistant Professor of Urban and Regional Planning, Rutgers University

Abstract

The mortgage and financial crisis of the past decade reshaped low income housing markets in Detroit. The twin waves of mortgage and tax foreclosure reconfigured ownership patterns in the city as bulk buyers and speculative investors purchased large volumes of residential property. This transition has led to instability and blight in many of Detroit's neighborhoods. Home buyers and tenants are forced to navigate a housing market of marginal choice. Limited access to credit and mortgage markets often places these homebuyers at the whims of sellers offering land contracts with predatory terms and that often end in eviction. The public system of tax foreclosure serves as a pipeline for bulk buyers seeking new properties to market to residents in need of shelter. The lack of upkeep and care often result in these properties returning to public ownership where the government assumes the cost of demolition. This report is a compilation of our work over the past five years examining what becomes of housing following foreclosure as it moves between banks, private investors, and government inventories and the impact of this process on tenants and residents. Though much of the information in this report is bleak, there are points early in the process where public agencies control these properties, and they could therefore limit the growth of this problematic sub-market. In addition, many of the issues faced by low-income tenants and homebuyers could be redressed by existing policies if they were enforced.

Key Findings:

- Pipeline: 90% of all tax auction purchases have been to investors, principally bulk buyers, since the Wayne County tax foreclosure auction began in 2002.
- Eviction: 60% of properties purchased by the top 20 tax auction buyers experienced two or more subsequent evictions.
- Demolition: We estimate $34 million was spent by the City of Detroit, starting in 2014, demolishing houses purchased by speculators in tax foreclosure.

*jmakers@umich.edu

1 Current Landscape

The financial crisis of the past decade developed a new pathway to neighborhood instability in Detroit. A home enters mortgage or tax foreclosure. It is purchased by a bulk owner or speculator. The home is either milked (rented without maintenance or repairs) or sold on a land contract on terms at or beyond the buyer's means. An eviction occurs and the cycle repeats. The house is traded among bulk buyers often with quit claim deeds reflecting a nominal price of $1 (though this is unlikely the actual price). Once the house deteriorates beyond habitability it is abandoned to tax foreclosure. The public frequently assumes the cost of demolition for these speculator-discarded properties. Since 2014, 2,241 homes have moved from foreclosure to speculative ownership to demolition at a cost of nearly $34 million.[1]

This report is a summation of our work systematically examining the relationship between bulk property ownership and blight and eviction in Detroit. Our findings detail the development of a displacement and eviction machine that extends from the property supply pipelines of foreclosure markets through the use of the courts to dispossess residents and tenants of their investment of monetary resources and time, to the use of the tax foreclosure process to pass the costs of deferred maintenance on to the public.[2]

This is a profitable enterprise. These speculators can see an initial return on an investment 3 to 10 times their purchase price of a single home (Akers et al., 2019c). It becomes increasingly lucrative with each subsequent tenant as speculators collect additional large down-payments. There are risks to the business model and not everyone makes money. The reasons for failure range from optimistic assessment and under-capitalization to inexperience. Bad deals (scams and grifts) are as common between bulk buyers as they are in contract sales to individuals. The substandard conditions of many of these houses and the cost and/or reluctance of speculative investors to make repairs means bulk buyers are also operating under the constraint of time working to sell properties before the pretense of adequate shelter is lost and the asset becomes a liability.

These same speculators are responsible for exacerbating housing insecurity and evictions in Detroit's residential areas. Though the number of annual evictions in Detroit has remained steady since early 2000s, this has occurred in the context of substantial population loss and the further erosion of economic conditions for the city's long-term residents (see Figure 1). The current eviction rate in Detroit, though identical to pre-foreclosure crisis levels, reflects substantial underlying changes in low-income property markets in the years following the financial crisis. While the total number of households has plummeted, the number of renters in Detroit has remained stable, drawing from the number of foreclosed households. Detroit's overall eviction crisis is rooted in the persistent and inextricable problems of deep poverty and intense racial segregation. The lack of income, jobs, and opportunities all play a role in the struggle for residents to find stability. At the same time, residents in search of affordable

[1] We examined tax auction purchases from 2005–2015 and compared these with City of Detroit demolition data from Jan. 2014–April 11, 2019 for non-commercial properties. We calculated $15,145 as the average cost of all non-commercial property demolition utilizing the demolition cost provided for 16,842 non-commercial properties during this period (see Section 7).

[2] More detailed information on our methods may be found in Akers and Seymour (2018); Akers et al. (2019c); Seymour and Akers (2019a,b)

and livable housing are confronted with a property market dominated by bulk owners and speculators charging high rents or utilizing complicated and often onerous land installment contracts. These owners take full advantage of Michigan law to pass on the cost of maintenance as well as back taxes and utility bills to tenants. When tenants find themselves unable to pay, landlords utilize the deference of the district court to quickly evict.

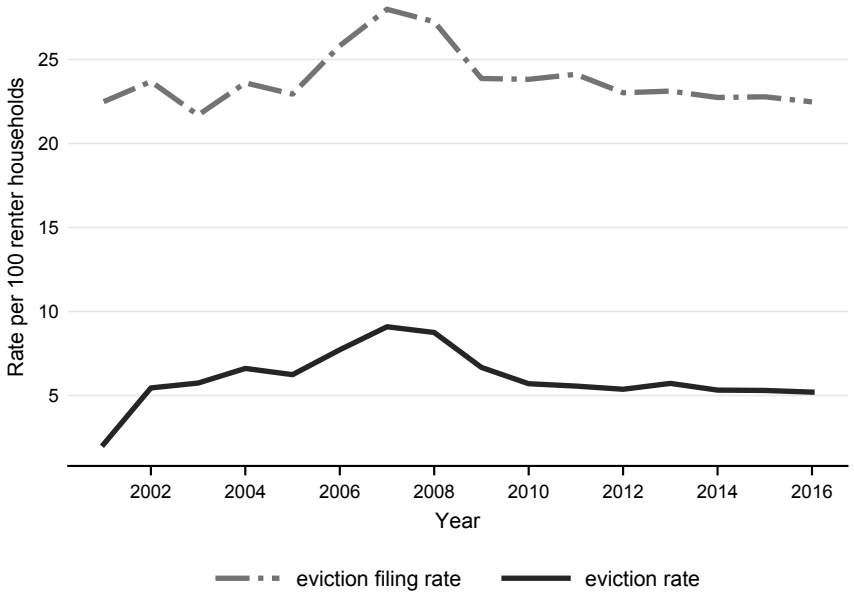

Figure 1: Detroit eviction and eviction filing rates. Source: The Eviction Lab (2018).

Over the past decade, speculators and bulk owners have increased the size of their holdings buying discount properties for cheap. Many of these houses were made available following the mortgage foreclosure crisis and thousands more in the annual Wayne County tax foreclosure auction. Nearly 25% of all properties in Detroit have passed through one of these pipelines in the last decade. The majority of those purchasing these properties were individuals and companies buying in bulk. Though not all of these companies engage in direct predatory practices, the result of this transition is evident in both the steady number of evictions and the public costs of blight and eventually demolition. The focus of this report is on Detroit, but the return of lending instruments such as land contracts and the rise of new bulk landlords is not unique to Detroit. In fact, these companies and their activities actively target low-income African-American communities from Atlanta to St. Louis. Much of this activity is in cities east of the Mississippi River due in large part to policy decisions on the disposition of Real Estate Owned (REO), or bank owned properties following the financial crisis.

The high rate of African-American homeownership in the Detroit is often-overlooked in examinations of Detroit's nearly seven decade decline. During that period, Detroit and Atlanta accounted for the highest number of African American homeowners in the country. But over the last 15 years, as Detroit's population fell by over 25%, the city's population has

become predominantly renters. This is not indicative of broader neighborhood instability, but instead is an outgrowth of the change in ownership patterns exacerbated by the mortgage crisis and the waves of tax foreclosure that followed the financial crisis. Three crises compounded to produce a population in need of housing, many with damaged credit from foreclosure, federal mandates constricting lending, a return of redlining, and the rise of various landlords utilizing new techniques to offload costs and extract profits from Detroit's low-income housing markets.

In this report we detail the ways in which speculators or bulk buyers have operated in the city of Detroit over the past decade, how these activities generate neighborhood instability through eviction, and how the costs of mitigating blight and demolition are pushed on to public agencies. This approach focuses on how this market functions and is made possible by particular policies and regulations. Low income property markets are operating within a system of acquisition, transaction, and disposition. We follow the activities of actors from the point of purchase, the practices they deploy, the outcomes for tenants, and the eventual disposition of the property through government funded demolition. Though precarity and the looming threat of eviction is an ever-present concern for low income residents and tenants, we find that eviction is a part of the business model for many bulk owners operating in low-income housing markets. In addition, these bulk buyers and speculators are targeting African-American neighborhoods in Detroit and other US cities (Seymour and Akers, 2019a). These practices exacerbate already difficult living situations as tenants and contract buyers are left to choose from substandard housing stock and degrees of financial exploitation from high down payments and rental deposits, online payment processing charges, late fees and interest escalators, back taxes and utility bills, the eventual court costs accrued in eviction, and, following eviction, increasingly constricted access to credit and housing due to their record.

This report is part of an ongoing research project at the Urban Praxis Workshop at the University of Michigan-Dearborn. Over the past five years, this project has examined changes in low-income housing markets following the financial crisis. It draws on numerous public data sets dealing with property transactions and ownership, the work of Property Praxis, a research collective focused on speculation in the city of Detroit, and landlord-tenant records from 36th District Court.

2 Background

In the aftermath of the foreclosure crisis, there has been renewed and expanded interest in rentership; residential real estate investment, particularly in single-family homes; and landlord-tenant dynamics linked to housing insecurity and eviction (Desmond, 2016; Fields, 2018; Greif, 2018; Immergluck and Law, 2014a; Raymond et al., 2018).[3] The U.S. homeownership rate fell from a pre-recession, historical high of 69% in 2004 to 63.4% in 2016, the lowest rate since 1960 (US Bureau of the Census, 2018). This reduction is due to a combination of factors, including the forced displacement of approximately 10 million owner-occupant

[3]Sections 2 and 3 adapted from our forthcoming paper, Seymour and Akers (2019a).

households through mortgage foreclosure, the subsequent tightening of mortgage lending, stagnant wage growth, growing household debt, and delayed household formation (Acolin et al., 2016; Haurin, 2016; Martin and Niedt, 2015). Consequently, there has been a substantial increase in the number of renter households and demand for rental housing (Joint Center for Housing Studies, 2017). Investors in residential real estate have played an increasingly important role in supplying this housing, particularly through the acquisition of large numbers of single-family homes repossessed during the foreclosure crisis (Lambie-Hanson et al., 2019). The number of single-family rental units grew by 2.8 million between 2005 and 2015 to an estimated 14.6 million total (US Bureau of the Census, 2009, 2015), with the majority of this growth concentrated in the largest metropolitan areas (Immergluck, 2018b).

There has been growing interest in the role of these investors in single-family homes, particularly the hedge funds and private equity firms who collectively purchased more than 350,000 properties between 2011 and 2013 alone, with most of those purchases involving bank-owned properties, also known as real estate owned (REO) (Eisfeldt et al., 2014). The market for these purchases was spurred in part by a 2012 Federal Housing Finance Agency (FHFA) pilot program for disposing of properties repossessed by Fannie Mae and Freddie Mac, the two government sponsored enterprises over which the FHFA had oversight since 2008. This "REO-to-rental" initiative allowed investors to purchase pools of foreclosed single-family homes contingent on maintaining them as rental units for a minimum number of years. Several institutional investors pursued this REO-to-rental strategy by purchasing properties directly through bank short sales and foreclosure auctions (Dayen, 2013). These investors focused their acquisition activities in Sunbelt metros with large REO supplies, but where long-term housing recovery was expected (Fields et al., 2016; Mills et al., 2017). These investors' basic business strategy is to collect adequate rent to satisfy investors until such a time as local housing markets recover sufficiently to realize substantial profits through property sales. Single-family rental properties have become a prominent new asset class, drawing investors seeking new opportunities for yield given the collapse of private-label mortgage securitization. Several corporate landlords have since issued bonds backed by projected rental revenues, reminiscent of the speculative practices preceding the foreclosure crisis (Fields, 2018).

The involvement of large corporate landlords in the single-family rental market represents a departure from the pre-crisis period in certain markets, when smaller "mom and pop" landlords supplied the vast majority of this housing. Housing advocates and researchers have questioned whether the organizational structure and business practices of these corporate landlords exacerbate housing insecurity in the markets in which they operate (Fields, 2014). Corporate landlords' requirements to generate returns for investors could lead to higher and regularly increasing rent, making it difficult for low- and moderate-income tenants living paycheck-to-paycheck to rent and remain in these units. These same demands and the long-distance nature of the landlord-tenant relationship may make corporate landlords less likely to accommodate long-term tenants facing negative income shocks and more likely to add late fees and file for eviction. Further, the limited experience and stretched capacity of these landlords might lead to limited maintenance and poor housing quality. These concerns have been fueled by negative media coverage of poor property maintenance and fee

gouging (Khouri, 2014; Sanders and Reagor, 2018). In a proposed class-action lawsuit against Invitation Homes, a subsidiary of private equity giant Blackstone Group, tenants accuse the company of aggressively adding fees for minor infractions and penalizing tenants for delays caused by non-functioning online payment portals (Conlin, 2018).

Raymond et al. (2018) address the relationship between corporate ownership and housing insecurity in their study of evictions linked to single-family rentals in Fulton County, GA in 2015. Virtually the entirety of the city of Atlanta is contained within Fulton County, the most populous county in the Atlanta metropolitan area. Corporate landlords acquired large numbers of properties in the Atlanta area after 2012, particularly in suburban moderate-income neighborhoods, where large numbers of properties experienced foreclosure as the mortgage crisis expanded from subprime to prime and near-prime loans. The authors constructed a cross-sectional logistic regression model predicting, among single-family rentals, the binary outcome of one or more eviction filings based on indicators of foreclosure history and corporate ownership. They found that properties purchased out of foreclosure markets were 58% more likely to have an eviction filing than homes without crisis-period foreclosure histories. Further, they found rentals owned by large corporate owners, defined as entities owning 15 or more single-family homes, but excluding properties owned by institutional investors like Blackstone, were 68% more likely to receive an eviction notice than those owned by small landlords. Single-family rentals owned by institutional investors were between 11% and 205% more likely to have received an eviction filing than small landlords, depending on the specific institutional owner. In short, the authors observe strong relationships between post-foreclosure property acquisitions by large investor-landlords and subsequent housing insecurity. The specific mechanisms linking these two phenomena was outside the scope of the paper, but the authors suggest corporate landlords might be more likely to employ eviction filings to pressure tenants to pay rent than small local landlords.

The investment practices of bulk buyers generates further displacement pressures in cities with weak housing markets that were hard hit by the foreclosure crisis. In these areas, landlords hold portfolios of deteriorating houses and often charge rents near the market rate for average housing in the city, at least in places with weak housing markets like Detroit and Milwaukee(Desmond, 2016). According to Desmond (2016, p. 74), in Milwaukee's "poorest neighborhoods, where at least 40% of families lived below the poverty line, median rent for a two-bedroom apartment was only $50 less than the citywide median." Desmond (2016) explains inner-city landlords charge high rent precisely in order to put tenants in arrears. Prior delinquencies prevent tenants from claiming breach of covenant or retaliatory eviction. This enables landlords to defer maintenance without fear of tenants placing rent in escrow. When delinquent tenants deduct repairs from rent, or cease paying rent altogether—actions afforded to fully paid tenants—they are immediately vulnerable to eviction. From the landlord's perspective, the cost of evicting tenants, on balance, is less than bringing their substandard properties up to code. Given their low initial purchase price and the relatively high rent charged by landlords, deeply substandard properties yield the "biggest returns" (Desmond, 2016, p. 76).

This economically rational, but socially destructive model for extracting profit from poor renters, applied to the large number of distressed properties sold to investors in markets

dense with desperate low-income families, is likely a significant driver of increasing evictions over the past decade. In this paper, we are interested in landlord practices leading to eviction, but also the upstream channels through which landlords in low-income areas acquire inventory. A major source for currently operating landlords and contract sellers is the large number of mortgage-reverted properties sold by banks and federal agencies beginning around 2008 (Immergluck, 2018a; Seymour and Akers, 2019b). These entities rapidly sold large numbers of properties at steep discounts to strike distressed assets from their ledgers (Dixon, 2011; Immergluck, 2012). While attention has focused on the large corporate landlords buying homes in the Sunbelt, other types of investors purchased large numbers of properties in cities like Chicago, Cleveland, and Detroit. Many of these investors acted as wholesalers, trading properties to yet other investors, or sometimes working with local entities to manage portfolios of rental properties (Ford et al., 2013; Immergluck and Law, 2014b). Other large investors in distressed markets sold properties via installment contracts, without investing more than the initial purchase price (Ford et al., 2013; Goldstein and Stevenson, 2016). According to Desmond (2016, p. 150), "the crisis had provided landlords an almost magical opportunity," allowing local landlords and out-of-state investors to cheaply expand their rental portfolios. This paper contributes to the growing literature on post-crisis housing insecurity by examining the construction of eviction economies in low-income housing markets through large portfolios of foreclosures and the concomitant rise in the number of low-income renters lacking alternatives to predatory landlords and contract sellers.

The consequences of eviction are dire for displaced individuals and families. In particular, eviction can exacerbate material hardship through a number of related mechanisms. Forced moves and the disruptions they generate make it difficult for low-income renters to retain their jobs, particularly given the absence of paid leave and advanced scheduling characteristic of low-wage work. Based on a survey of low-income working renters in Milwaukee, Desmond and Gershenson (2016) find that individuals subject to forced moves are substantially more likely to lose their jobs compared to otherwise identical workers. Eviction also leads to financial hardship by imposing additional costs, particularly the cost of securing new housing, requiring individuals and families subject to forced moves to forgo other necessities. Leveraging a survey of families with new children in 20 U.S. cities, Desmond and Kimbro (2015) find that mothers who were evicted experienced greater material hardship in subsequent years. Further, these mothers were also more likely to suffer from depression and report worse health for both themselves and their children. Evictions also compound the difficulties of securing affordable housing in a decent neighborhood. A history of eviction can relegate renters to substandard housing in unsafe neighborhoods, which in turn increases the likelihood of future mobility and the difficulties that entails (Desmond and Perkins, 2016). In short, eviction can be seen to generate multiple, cascading hardships for evicted individuals.

3 Detroit Context

Detroit has received considerable scholarly interest in recent years due in large part to its extreme population loss and fiscal crisis (e.g., Akers, 2013; Eisinger, 2014; Kinney, 2016), and it is difficult to discuss property relations in Detroit without first situating this research in

the context of this decline and the market collapse with which it is entangled. Between the last two decennial censuses, Detroit was second only to New Orleans among cities over 100,000 in terms of% population loss at fully 25% (US Bureau of the Census, 2000, 2010). This loss, while particularly deep, follows decades of decline. Detroit's peak population was 1.85 million in 1950, meaning the city has lost more than 60% of its peak population, a statistic for which Detroit is second only to St. Louis. The reasons for Detroit's decline are roughly reducible to the post-war conjuncture of deindustrialization, globalization, suburbanization, and structural racism (Galster, 2012; Sugrue, 2014; Thomas, 2013). Though Detroit's experience is particularly severe, it is representative of a class of large and mid-sized cities in the Midwest with economies historically rooted in basic industry, including Buffalo, Cleveland, and St. Louis. Even "turnaround" cities like Chicago and Pittsburgh contain areas exhibiting Detroit-like characteristics, including neighborhoods with dense concentrations of vacant properties (Hackworth, 2016). As in other cities, Detroit's population loss was also selective, with many more White residents leaving the city due to the push and pull factors of racist attitudes and government housing subsidies, respectively (Freund, 2010). As of the 2010 Census, Detroit was 83% Black, the highest percentage among U.S. cities over 100,000 (US Bureau of the Census, 2010), and is tied with Milwaukee for the highest levels of metropolitan segregation between Black and White residents (Logan and Stults, 2011).

Detroit was once defined by its high levels of homeownership. The city's housing stock is predominantly detached single-family residential, due to the timing of the city's industrial boom and the lack of geographic constraints to develop low-cost worker housing on greenfield sites (McCulloch, 2015). Like other U.S. cities, however, Detroit experienced a substantial increase in renter households over the past decade due to the twinned foreclosure and financial crises and the ensuing entrance of foreclosed and newly formed households into the rental market. In 2000, Detroit remained a majority homeowner city, possessing a homeownership rate of 55% (US Bureau of the Census, 2000). Predatory lending and the origination of large numbers of high-cost home purchase and refinance loans in the mid-2000s, however, triggered vast number of mortgage foreclosures in subsequent years (Ashton, 2010; Immergluck, 2011). With the onset of the recession, still fewer households could maintain costly monthly mortgage payments, leading to widespread default and repossession. Since 2005, there were more than 70,000 completed mortgage foreclosures in Detroit, involving nearly 30% of the city's residential properties (CoreLogic, 2014; Data Driven Detroit, 2010). In an environment of widespread foreclosures, tightened mortgage lending, damaged household credit, and reduced incomes, homeownership plummeted to 46% by 2016 (US Bureau of the Census, 2016). While the total number of occupied housing units in Detroit decreased 17% between 2005 and 2016, the number of renter-occupied units barely changed, decreasing just one% (US Bureau of the Census, 2005, 2016). In short, in a context of chronic population loss exacerbated by the mortgage foreclosure crisis the net number of renter households remained stable, drawing, at least in part, from the large number of foreclosed homeowners.[4]

[4]Based on the National Suburban Poll, conducted between 2008 and 2012, Martin and Niedt (2015, p. 44) find adults displaced through foreclosure are likely to live in or near the same neighborhood they were living prior to foreclosure. ACS 2012 5-year estimates show 86% of the population in renter households that were *not* living in the same unit one year prior had been living in a different unit in the same county. An unknown

Job losses and reduced wages triggered by the recession exacerbated secular trends of high poverty and underemployment and unemployment in Detroit. In a context of plummeting home values, inflated property tax assessments, vanishing public services, and financial difficulties faced by a large and growing number of homeowners, Detroit experienced a second foreclosure crisis stemming from delinquent property taxes (Atuahene and Hodge, 2017; Dewar et al., 2015). In 1999, state laws governing property tax delinquency were reformed to streamline the foreclosure process, accelerating the minimum number of years between first year of delinquency and foreclosure from at least eight to just three. The shortened foreclosure process was intended to help local governments return properties to productive use, transferring ownership to responsible parties before properties deteriorated too far for investor interest (Akers, 2013). Since 2002, Wayne County—the foreclosing unit of government—has held an annual tax foreclosure sale. In a first auction in September, properties are auctioned with a reserve price of outstanding taxes plus interest and fees, and in a second auction in October, properties are auctioned with a reserve price of just $500. Between 2002, the first year of foreclosure under the new laws, and 2016, roughly 110,000 homes were repossessed, with the bulk of foreclosures occurring after 2009 (see Figure 2).

Speculators, contract sellers, and slum landlords use the annual county tax auction to expand their portfolios of low-value housing, buying homes in large numbers at the second auction (Akers, 2013; Dewar et al., 2015). Speculative bulk buying follows supply, and as the number of mortgage foreclosures has dwindled, this type of purchasing has increasingly focused on tax foreclosure. Investors account for roughly 90% of tax auction sales, many buying dozens or hundreds of properties at a time. The tax foreclosure process performs other key functions integral to the business models of property speculators and slum landlords. These actors buy in large quantities, often acquiring more supply than they can they can quickly flip, sell on contract, or rent. These buyers externalize the costs of carrying these surplus properties by withholding taxes and passively disposing of them through tax-reversion. Some foreclosure investors even use the tax auction to purchase properties back for an amount below outstanding taxes, effectively "tax-washing" their inventory (MacDonald, 2011c, 2012, 2017a). In 2011, *The Detroit News* reported about 200 of the nearly 3,700 Detroit homes sold at auction the year past appear to have been bought back by the prior owners under aliases (MacDonald, 2011c). After years of criticism over property speculators' abuse of the auction, Michigan banned owners from repurchasing properties at auction in 2015. But speculators' use of multiple limited liability companies has allowed this practice to continue, while also making it difficult to quantify the extent of tax-washing (MacDonald, 2017c). One large landlord particularly active at the auction, Jeffrey Cusimano, has engaged in this activity for years. In 2010 Cusimano bought back seven rental properties for $4,051, erasing $128,000 in government debt (MacDonald, 2011c).

The accelerated foreclosure process and ensuing auction has served to remove large numbers of low-income households from their homes, with many eligible for poverty exemptions and other forms of relief, while investors have taken advantage of the system to increase their inventory and make quick profits off low-income households consigned to the private rental and contract sale market. As shown in Figure 2, however, there has been a decline in

percentage of these 73,000 Detroit residents were likely displaced from a nearby unit through foreclosure.

the number of tax foreclosures in recent years. This is due in part to the efforts of the new Wayne County Treasurer to better serve notice of foreclosure and enroll eligible parties into repayment plans. In 2016, one year after these programs were initiated, more than 23,000 residential property owners who otherwise would have had their properties repossessed were enrolled in a repayment plan. This has at least temporarily restricted the flow of properties in this pipeline of cheap inventory for slum landlords and speculators. Though it remains to be seen how many of these properties remain out of foreclosure in future years—the average debt for homeowners who were enrolled in repayment plans was nearly $6,000, a substantial fraction of total home value in Detroit—this reduction does not diminish the impact of prior sales of homes through this one specific acquisition pathway (MacDonald, 2016).

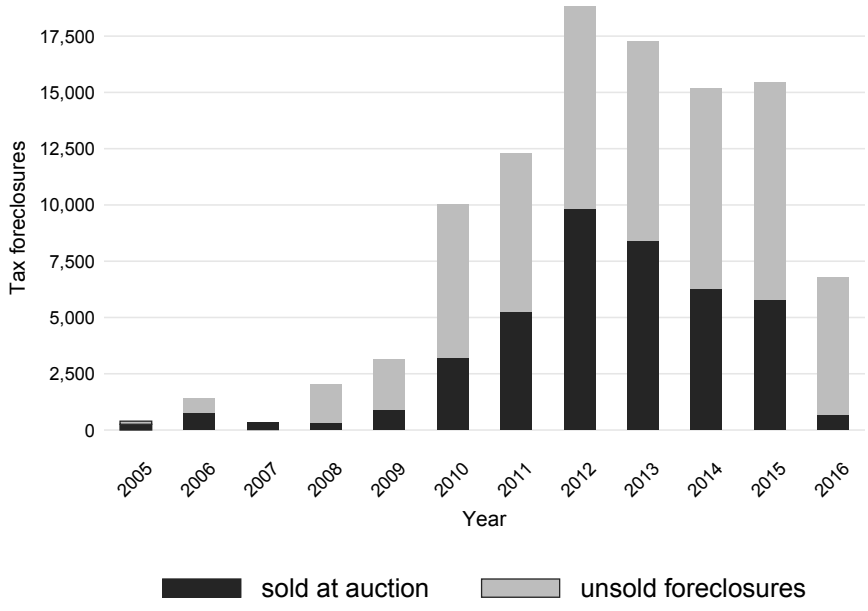

Figure 2: Residential tax foreclosures, Detroit 2005–2016. *Note:* Includes only residential properties with structures. Adapted from Seymour and Akers (2019a). Sources: City of Detroit. Office of the Assessor (2014); Wayne County Treasurer (2016)

4 Post-crisis Speculation and Housing Insecurity

Between 2005 and 2015 roughly 48% of all residential properties in Detroit experienced mortgage or tax foreclosure. There were approximately 160,000 foreclosures in this period affecting 120,000 homes (Akers and Seymour, 2018).[5] A majority of properties sold out of foreclosure inventories were purchased by investors and speculators with operations of various size

[5]See also MacDonald and Kurth (2015) for investigative journalism concerning the cumulative impact of Detroit foreclosures.

and geographical scope.[6] The proliferation of these holdings by bulk buyers has had a significant impact on the single-family housing market in Detroit. The highest quality properties were quickly sold to investors or individuals for a significant profit. Less desirable houses often circulated between property firms deploying a variety of practices from wholesaling to investors to marketing to low-income families. Those that sat vacant for too long were either abandoned to the tax foreclosure auction or trickled down to less-capitalized investors until the property was uninhabitable or abandoned to tax foreclosure.

In the same period, nearly 37,000 properties went through foreclosure more than once. Of these, 27,000 went through tax foreclosure after going through mortgage foreclosure (Akers and Seymour, 2018). Most of those properties were acquired by speculators at a deep discount from banks and federal housing agencies. In these cases, the tax foreclosure auction operates as a sorting mechanism by which speculators mitigate the risk of buying bulk by offloading the cost of their least valuable properties onto public agencies.

According to the City's property assessor files, in 2004, 31,449 (14%) of the city's 227,065 residential structures were owned by parties with mailing addresses outside Detroit.[7] The corresponding figures for March 2019 are 42,072 (23%) of 179,900 residential structures. Thus, even as the number of residential structures, predominantly single-family homes, has been reduced through abandonment and demolition, the number owned by non-local investors has grown by roughly 10,000. Of these 42,072 residential structures, at least 14,956 (36%) are reportedly owned by out-of-state financial institutions (e.g., U.S. Department of Housing and Urban Development (HUD), Fannie Mae) and investors (out-of-state investors frequently provide P.O. Boxes in Detroit suburbs as mailing addresses for property taxes). According to the City's 2017 property ownership records, Steve and Stephen Hagerman, a suburban father-and-son investment team dominating the Wayne County tax foreclosure auction in recent years, are the largest investor-owner with at over 1,100 homes acquired using more than a dozen limited liability companies (LLCs) (see Table 3 for additional data on large speculators, including the Hagermans).

These statistics represent the transformation of Detroit property markets, particularly in low- and moderate-income neighborhoods. The initial waves of eviction generated by mortgage and tax foreclosure also created a pool of steeply discounted houses that were often purchased in bulk by local landlords and out-of-state investors. Bulk buyers developed and deployed practices intended to maximize short-term profits leveraging the large number of newly available distressed properties in a context of deep credit constriction. In the first instance, bulk buyers often use wholesale practices to sift through properties purchased out of foreclosure. The shifting ownership often leaves structures unoccupied and untended for long periods of time and results in more rapid decline of the structures. When these houses are rented or sold to individuals they are often sold "as is" without mechanicals such as hot

[6]Though our work does not focus on foreclosure evictions we note that in the initial tumult of the mortgage foreclosure crisis, the government sponsored enterprise (GSE) Fannie Mae initiated the largest number of evictions in Detroit. As tax foreclosures rose in the years following the mortgage crisis, the Wayne County Treasurer outsourced tax foreclosure evictions of occupied properties to the auction purchaser.

[7]Our denominator is parcels with a property class code starting with '4' and having one or more residential buildings.

water heaters or furnaces. In addition, Michigan law allows landlords to place all costs of repairs on tenants for leases 12 months or longer (Michigan State University Housing Law Clinic, 2018). Beyond rental agreements, high-volume owners increasingly use land installment contracts. These contracts, which are fundamentally a seller-financed home-purchase transaction, hig-volume owners require high down payments, have interest rates of up to 11%, and are designed to revert to rental agreements if payment is late.[8] These agreements often fail and are generally adjudicated as landlord-tenant cases in 36th District Court rather than as contract cases in circuit court. In short, these practices accelerate the decline of an already aging housing stock by placing the costs and responsibilities for maintenance and upkeep on low-income tenants and increase the likelihood of eviction through the structure of these agreements.

These practices are able to thrive because of the general conditions that followed the foreclosure crisis. The foreclosure and financial crisis displaced large numbers of families, and credit for home purchases became difficult to acquire. Though some people that lost their homes to foreclosure left Detroit or doubled up with relatives, many others were left to find adequate housing in the city. Mortgage lending virtually ceased Detroit in 2008 (Akers and Seymour, 2018). It has slowly risen over the last decade, but remains rare, particularly relative to the number of cash sales. The constriction of credit following the crisis opened a market for owner-financed housing priced at or below market rents for housing in substandard conditions with contracts that often end in eviction and houses that often pass through tax foreclosure prior to demolition. These practices rely on current regulations or the lack of enforcement to operate. Land contracts are not required to be filed with any state agency making them difficult to track. Land contracts are not enforced as contracts at the local level.

The extent of these practices also are possible because of lax regulation, limited enforcement, and minimal attention from the state, county, and city governments. Many of these contract sellers initially purchased properties out of mortgage foreclosure. As the number of REO properties declined many of these same actors began buying from the Wayne County tax foreclosure auction. More recent regulations were put in place to stop bulk buyers that were not paying taxes from continuing to purchase property in the auction. But this clause is rarely enforced and easily avoided as speculators set up new limited liability companies to bid in the auction and hold properties. Those that sell contracts continue to file landlord-tenant cases in eviction proceedings. In Detroit, 36th District Court has accepted this rationale rather than treating these agreements as contracts. The difference is that a resident in a land contract has different rights than a tenant. The treatment of these cases as landlord-tenant cases strips these residents of their rights and makes eviction both cheaper and easier for the property owner. In 2018, the City of Detroit passed an ordinance requiring landlords to register properties and to bring them up to code to receive a certificate of occupancy. This ordinance was put in place after a long period of limited enforcement on property conditions. Despite the intentions, landlords have largely ignored the law and 36th District Court has not

[8]Land contracts are a malleable instrument and may be structured to provide mutually beneficial terms for buyers and sellers including low down payments and manageable interest rates. Housing advocacy organizations, non-profits, and individual home sales have utilized contracts as a pathway to ownership for low- and moderate-income buyers when traditional mortgage financing is unavailable.

enforced the ordinance while adjudicating eviction cases (MacDonald, 2018).

5 Foreclosure Pipelines

In this section we detail the two primary pipelines for speculative property investment in the Detroit since 2005: sales of mortgage- and tax-reverted properties. Each pipeline involves a different set of actors and institutions, though they have both served to funnel large numbers of properties at discount prices to owners whose management, rental, and sales practices have deeply contributed to blight and housing insecurity in Detroit.

5.1 Mortgage Foreclosure

In the early and mid-2000s, a large number of subprime and otherwise high-cost mortgages were issued in Detroit, triggering a surge in the number of mortgage foreclosures. Low- and moderate-income homeowners that either owned their homes outright or had built substantial equity in their homes were targeted by predatory lenders with high-cost home refinance loans. Black homeowners in Detroit and other cities with neighborhoods with large numbers of households fitting this "cash poor, house rich" profile were particularly sought after by subprime lenders (Ashton, 2010; Crump et al., 2008). Through a variety of mechanisms, including steep interest rate adjustments, balloon payments, and prepayment penalties, borrowers were all but guaranteed to default when homes stopped rising in value (Immergluck, 2011). Between 2005 and 2013, there were roughly 70,000 completed mortgage foreclosures in Detroit (Seymour, 2016).

Upon foreclosure, the majority of Detroit properties were repossessed by the federal agency or financial institution either owning or servicing the mortgage. This was also the case in many other cities with weak housing markets, particularly in the Midwest (Immergluck, 2010). Of the nearly 70,000 homes that entered real estate owned (REO) status between 2005 and 2013, roughly 60% were repossessed by banks and other private-sector financial institutions, with the remaining 40% repossessed by federal agencies, principally Fannie Mae, Freddie Mac, and the U.S. Department of Housing and Urban Development (HUD). Fannie alone repossessed more than 12,000 homes, equivalent to nearly 18% of all Detroit REOs during this period (Seymour, 2016). Fearful of the perceived liabilities posed by large inventories of devalued properties in cities with weak housing markets, private and federal institutions alike sold large numbers of foreclosed homes in Detroit and similarly situated cities in bulk deals to non-local speculative-investors (Immergluck, 2012).

Foreclosure buyers engaged in a number of speculative practices likely to exacerbate blight and housing insecurity, particularly home flipping and milking. Additionally, a smaller number of nationally active real estate investors, many backed by private equity, bought in bulk specifically to engage in contract for deed and rent-to-own transactions. As we discuss in Seymour and Akers (2019b), these types of investors purchased more properties in the Detroit metropolitan area than any other, acquiring 4,500 homes in the Detroit metropolitan area. Figure 3 shows the concentration of these acquisitions in the city of Detroit and

within the boundaries of other majority-Black municipalities in the Detroit tri-county area, particularly Inkster and Pontiac.

To provide context, Figure 4 shows the tract-level share of the population identifying as Black alone in the 2010 Census. Together these two maps show the clear correspondence between the geography of majority-Black neighborhoods and the uneven geography of bulk sales and predatory neo-contract sellers.

A large percentage of these acquisitions were from Fannie Mae, the principal government sponsored enterprise (GSE) active in the secondary mortgage market. The single largest buyer from Fannie Mae was Harbour Portfolio Solutions, of Dallas TX. The exploitative terms of Harbour's contract sales have been documented in the *The New York Times* and elsewhere (Goldstein and Stevenson, 2016). Fannie also sold large numbers of properties to Vision Property Management of Columbia, South Carolina. Given the historical use of land contracts and related instruments to exploit Black home-seekers (Satter, 2009), we examine the relationship between contract seller acquisitions and neighborhood racial composition. Drawing on a national dataset of real estate transaction records, we identified all Fannie Mae REO sales and all acquisitions by the seven largest nationally active contract sellers.[9] Following Immergluck (2018a), We restricted our sample to REO sales made by Fannie Mae, and coded them as 0 or 1 based on whether those sales were made to a contract seller. Through this approach, we are able to compare sales to contract sellers with the universe of properties "at risk" of being sold to one of these operators.

Table 1 presents descriptive statistics for our sample, having joined these sales with neighborhood demographic and housing information from the American Community Survey 2011–2015 estimates. Among properties sold to contract sellers, the average tract-level percentage of the population that is Black alone is 65%, compared to just 31% for all other sales. We also find that 65% of sales to contract sellers are located in majority-Black census tracts (50–10% Black), but those same neighborhoods account for just 27% of sales to other types of buyers. Nearly 50% of sales to other types of buyers are located in majority-White neighborhoods where less than 10% of the population is Black, but these neighborhoods account for just 13% of sales to contract sellers. The neighborhoods in which sales are made to contract sellers also have far lower incomes and home values. Given the close correspondence of race and income in the United States, particularly in highly segregated metropolitan areas like Detroit, we estimate a regression model to assess whether the association between race and contract seller activity persists after controlling for socioeconomic conditions. This relationship between race, space, and predatory investor activity is suggested by the last row in Table 1, which shows that 61% of Fannie sales to contract sellers are located in Detroit, while Detroit accounts for just 21% of sales to other buyers and 23% of *all* Fannie sales in the tri-county area. Majority-Black cities in the tri-county area collectively account for 70% of sales to contract sellers, but just 31% of Fannie sales.

Table 2 presents the results of our regression models. Model (1) shows a statistically significant relationship between the binary outcome of a Fannie Mae sale to a contract seller and the tract-level percentage of the population that is Black alone and non-Hispanic, net of key housing market conditions, as indicated by our limited set of control variables. Median

[9] See Seymour and Akers (2019b) for details.

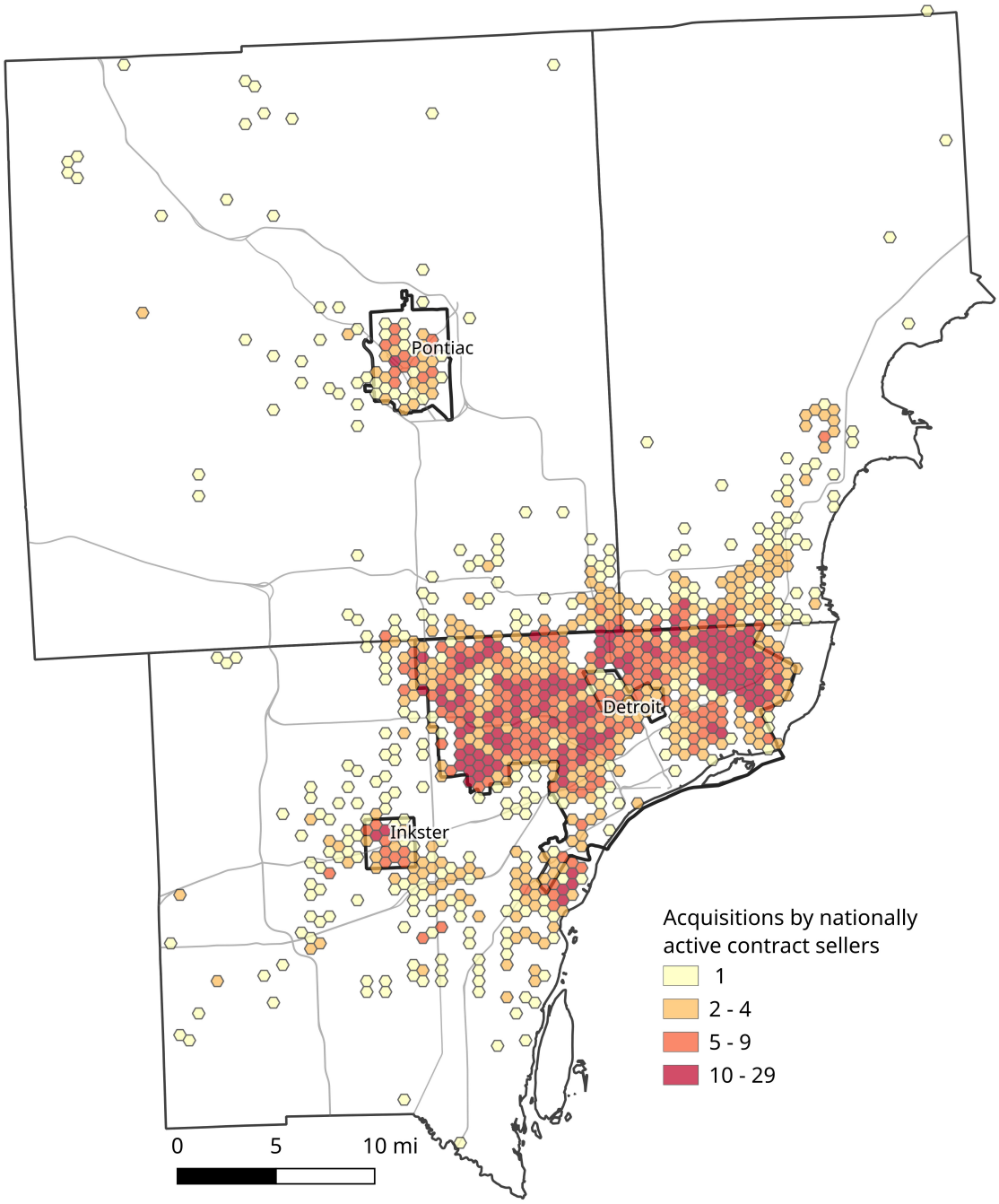

Figure 3: Residential property acquisitions by previously identified nationally active contract sellers 2008–2016. Source: CoreLogic (2017).

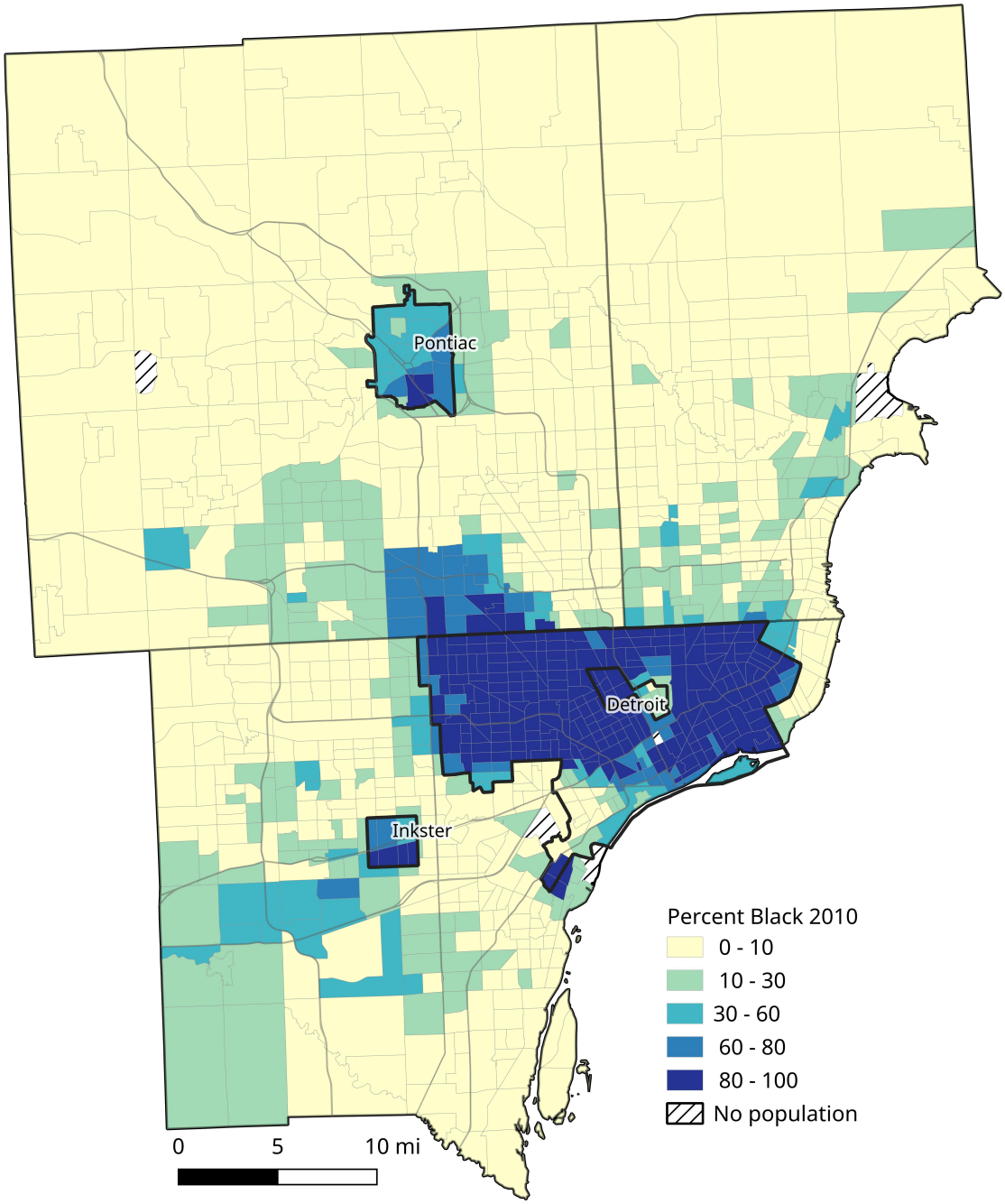

Figure 4: Tract-level percentage of the 2010 population identifying as Black alone. Source: US Bureau of the Census (2010).

Table 1: Neighborhood attributes of Fannie Mae REO sales by contract seller purchase

	Contract seller = 0		Contract seller = 1	
Variable	mean	std	mean	std
Pct. Black alone	31.16	35.40	64.81	34.68
Pct. in Pct. Black category (%):				
0–10%	47	–	13	–
10–25%	15	–	9	–
25–50%	11	–	13	–
50–100%	27	–	65	–
Pct. Hispanic	3.57	4.84	3.41	5.84
Median family income†	60.64	28.00	36.10	14.01
Poverty rate	19.93	14.85	34.91	13.68
Median home value†	105.12	72.23	47.10	24.69
Pct. in Detroit (%)	21	–	61	–
Observations	44,911		1,580	

†In thousands of dollars

Sources: (US Bureau of the Census, 2015; CoreLogic, 2017)

family income is negatively associated with sales to contract sellers, as expected given the substantially higher values in suburban locations. The age of the housing stock is positively associated with sales to contract sellers, reflecting the over-representation of these sales in older inner-city neighborhoods. In Model (2), we classify neighborhood percent Black into four categories, with 0–10% Black serving as the reference category. Results indicate that each successively higher level of of this variable is associated with higher odds of sale to a contract seller compared to the predominantly White reference category. In majority-Black neighborhoods, the odds of a sale to a contract seller are roughly 2.5 times those of the odds of such a sale in a predominantly White neighborhood, again net of key housing market characteristics.

Fannie Mae, under pressure for consumer protection groups and advocates for targeted communities, have since barred Harbour and Vision from future acquisitions. But with the near exhaustion of large REO inventories in cities like Detroit, this particular pipelines has has largely dried up. However these properties, once acquired by speculators, persist in an ongoing cycle of eviction, exploitation, blight, tax foreclosure, demolition. In Detroit, as noted above, many REOs were eventually repossessed for delinquent taxes, making them newly available to investor-speculators based in Detroit and its suburbs.

5.2 Tax Foreclosure

Our research has identified the Wayne County Tax Foreclosure auction as a primary site of supply for speculative buyers. The consequences of these activities range from a more rapid deterioration of the city's housing stock to the use of costly land installment contracts that

Table 2: Logistic regression results for Fannie Mae sales to contract sellers

	(1)		(2)	
Pct. Black	1.009***	(0.002)		
Pct. Black category:				
0–10% (reference)				
10–25%			1.679***	(0.241)
25–50%			1.601**	(0.282)
50–100%			2.460***	(0.398)
Pct. Hispanic	1.014	(0.010)	1.013	(0.011)
Median family income	0.963***	(0.003)	0.963***	(0.003)
Median home age	1.023***	(0.005)	1.025***	(0.005)
Pct. one-unit detached	1.007**	(0.002)	1.008**	(0.003)
Constant	0.042***	(0.016)	0.029***	(0.011)
Year fixed effects	Yes		Yes	
County fixed effects	Yes		Yes	
Pseudo R^2	0.207		0.208	
Observations	46,491		46,491	

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Exponentiated coefficients; Standard errors in parentheses (clustered by census tract)

often end in eviction. As bulk buyers are the primary purchasers in the tax auction, this annual is instrumental in the cycle of displacement and financial hardship for residents and the continued destabilization of neighborhoods through vacancy, blight, and demolition.[10] The negative effects of the Wayne County Tax Foreclosure auction has a disparate impact on the five majority Black cities in the county. This racial disparity is not simply one of socio-economic status, but also reflects the targeting of these communities by bulk buyers and contract sellers (Seymour and Akers, 2019b).

Tax foreclosure in the city of Detroit increased rapidly from between 2,500 and 5,000 annually in the early 2000s to over 20,000 by 2013 (see Figure 2). In 2017, 35,601 properties were in tax foreclosure and over 31,586 were occupied. The estimated number of people facing eviction from tax foreclosure in April 2017 was 85,000 (Loveland Technologies, 2017). The actual number of properties offered for sale in the tax foreclosure auction fell considerably in 2017 and 2018. The drop is due to an aggressive effort to put tax delinquent residents on repayment plans. Though these result in fewer foreclosure sales it appears unlikely that residents will be able to maintain their repayment schedules which will eventually result in foreclosure (Gross, 2019).

Between 2006 and 2013, investors purchased roughly 40,000 REO properties in Detroit. This accounts for 68% of all REO purchases in the city (RealtyTrac, 2015). Bulk buyers were also dominant in the Wayne County Tax Foreclosure auction in which most properties are

[10]Section 5.2 adapted from (Akers and Seymour, 2018).

purchased for the minimum bid of $500. Between 2005–2015 investors buying in bulk accounted for nearly 90% of all purchases (see Figure 5). Over 40% of those purchases were bulk buys of 50 or more properties. Between 2005 and 2015, roughly 30% of all homes purchased at the tax auction were for $500 or less (18 properties had values below $500) and the median winning bid amount was just $1,300. Between 2005 and 2014, among all homes purchased at the fall tax auction, 95% were purchased at the second auction, where the minimum bid is $500 (Wayne County Treasurer, 2016).[11] Figure 6 shows the spatial distribution of investor acquisitions of properties at the annual tax auction, with dense concentrations in areas hit hard by mortgage foreclosures, including Warrendale on the far west side and Morningside on the east side above Jefferson Avenue. Though housing conditions have long been an issue in the city. The mortgage foreclosures crisis and subsequent rounds of tax foreclosure undermined many once-stable neighborhoods.

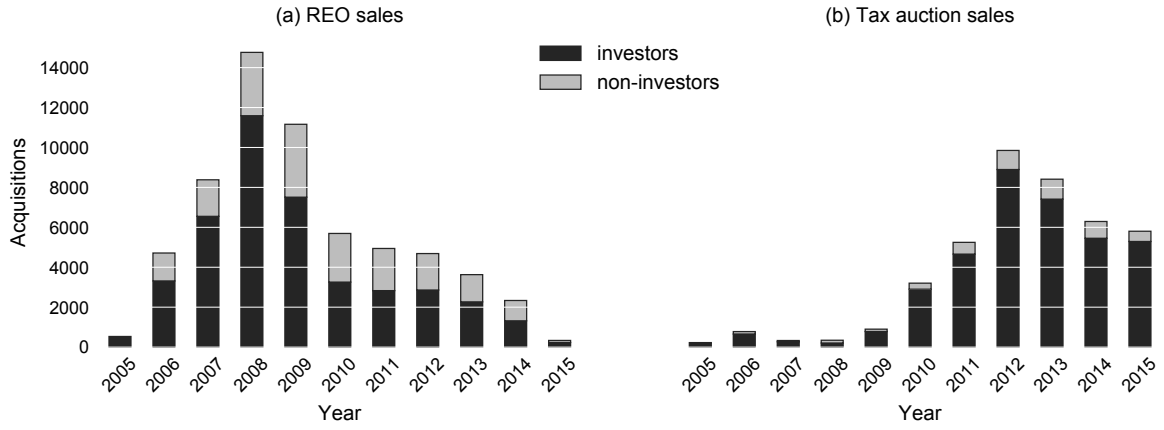

Figure 5: Investor and non-investor acquisitions of residential mortgage and tax foreclosures, Detroit 2005–2015. Sources: City of Detroit. Office of the Assessor (2014); RealtyTrac (2015); Wayne County Treasurer (2016). Note: Adapted from Akers and Seymour (2018).

The annual tax foreclosure auction in the city of Detroit serves various purposes both as a means to externalize the costs of the crises of the past decade and as an active pipeline for speculative acquisition. The volume of property is an outcome of speculative activity in the REO market, the City of Detroit's chronic over-assessment of property values to maintain tax revenues, and the expiration of a properties extractable value. It is a primary lever of displacement for low-income residents in the city (Akers, 2013, 2017a; Atuahene and Hodge, 2017). The issue of over assessments has the greatest impact on homeowners in areas with marginal value in the city. A recent lawsuit by the American Civil Liberties Association (ACLU) and the National Association for the Advancement of Colored People (NAACP) claimed the tax foreclosure auction had a disparate impact on Black residents in Wayne County. This issue is not isolated to Detroit. The five majority Black cities in Wayne County, out of 43 total municipal taxing units, are also the top five in the rate of tax foreclosures on residential structures

[11] Our 2015 data lack information on month of sale. This figure also excludes roughly 120 homes sold during a special summer auction in 2014.

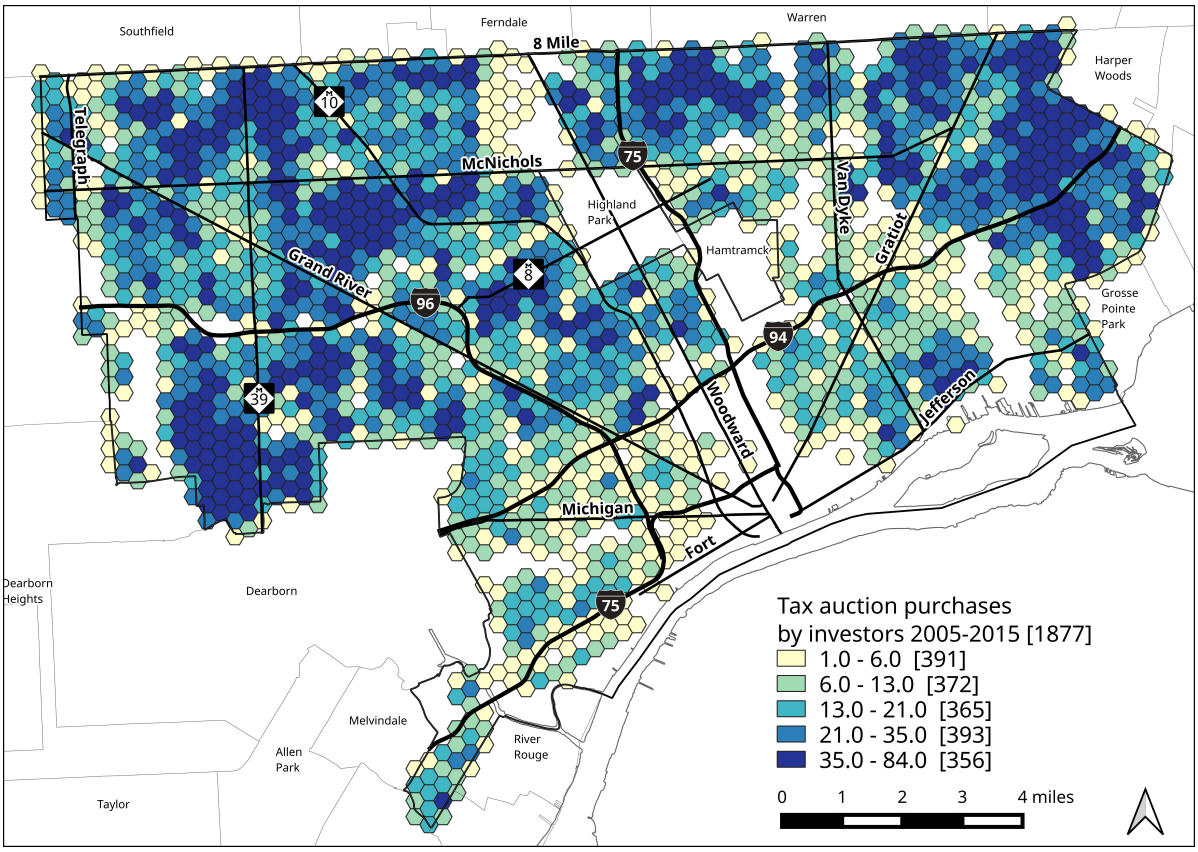

Figure 6: Investor acquisitions of Detroit residential properties at the Wayne County tax foreclosure auction, 2005–2015. Note: Number of hexagons in brackets, classified into quintiles by number of investor acquisitions. Source: Wayne County Treasurer (2016).

between 2013 and 2016. Tax foreclosure rates in majority Black cities vastly exceed those in majority white municipalities, while places with distressed housing markets adjacent to Detroit have the highest tax foreclosure rates among majority white places (US Bureau of the Census, 2010; Wayne County Treasurer, 2016).[12] In an affidavit filed as part of the lawsuit, housing and real estate expert Gary Sands (2016) found that the average over assessment in Detroit was 4.43 times the amount allowed under the Michigan Constitution. For those homes with the lowest value the average over assessment was 24 times the home's value.

In general, properties entering tax foreclosure do not have a standard mortgage. These properties may be resident owned or under a more informal arrangements such as a land contract or lease to own agreements. In some cases, tax foreclosure is a vehicle for private entities such as banks and investment firms to unload REO inventory they could not sell in discount markets.[13] In tax foreclosure the state is the primary creditor and its claims supersede all other debt obligations attached to the property.

In the state of Michigan, a tax delinquent property is foreclosed after the third year of non-payment. In Wayne County, the annual process has become a pageant of misery as residents facing foreclosure and eviction gather in a ballroom adjacent to a casino to discuss payment plans, penalties, and interest with officials in the county treasurer's office in hopes of keeping their homes. Those with some cash can buy themselves time with a commitment to pay all back taxes, interest, and fees within a year. But the construction of the payment plans with interest rates approaching 18% often delay rather than prevent foreclosure (Akers, 2013; Azikiew, 2016). Properties that are foreclosed are offered for sale in two online auctions. In the first auction, the opening bid for a property includes all taxes owed, interest, and fees. Less than 10% of auction purchases between 2002 and 2013 occurred in this auction. The majority of purchases occur in the second auction where opening bids start at $500 and buyers are responsible for the previous six months of taxes (Dewar et al., 2015). The second auction was the primary acquisition pipeline for speculators between 2010 and 2013 as REO inventories declined (Figure 7).

6 Practices

The tax foreclosure auction attracts a variety of speculators. The move to an online format in 2013 produced an increase in out-of-state buyers. But over 90% of speculators are based in Southeast Michigan or within the state (Akers et al., 2019b). The variety of speculation provides insight into the ways in which low-income housing markets changed after the crisis, particularly the increasing prevalence of bulk ownership rather than "mom and pop" landlords. Even those landlords with lower volumes of property that may have once been considered "mom and pops" are entering the market through the wholesale operations and business guides of bulk buyers.[14]

[12]The majority Black cities in Wayne County, in decreasing order of Black population as share of total population, were Highland Park, Detroit, Inkster, River Rouge, and Ecorse.

[13]These properties have often been left unsecured following a foreclosure eviction and subsequently stripped by scrappers and often burned.

[14]Section 6 adapted from Akers and Seymour (2018).

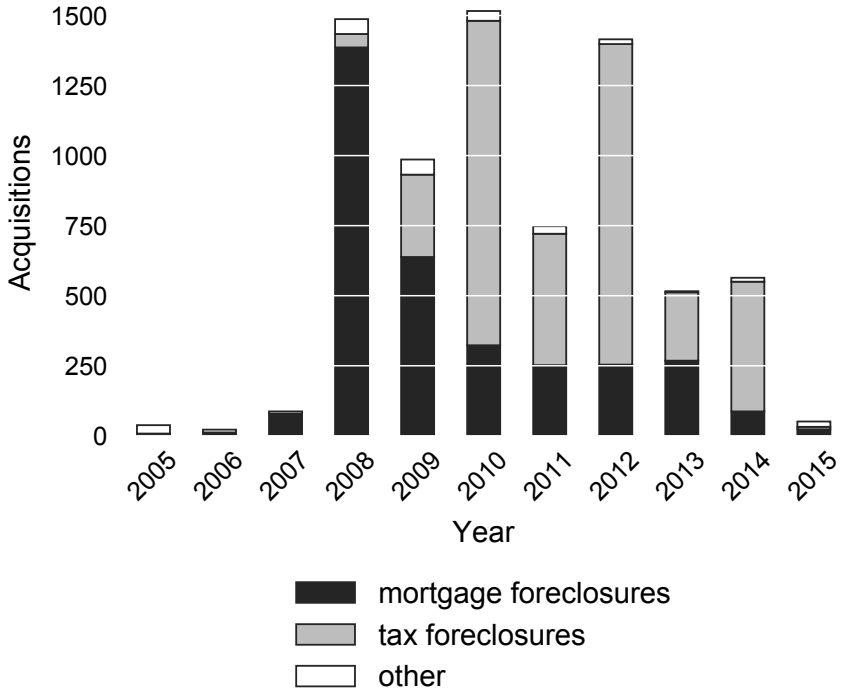

Figure 7: Acquisitions of mortgage and tax foreclosures by 12 largest contract sellers, Detroit 2005–2015. Sources: RealtyTrac (2015); Wayne County Treasurer (2016). Note: Adapted from Akers and Seymour (2018).

The motivations of multi-property owners varies significantly. Speculative holdings are not always defined by the direct profit from the property.[15] Speculative activity operates in various registers producing differing material and temporal effects (Akers, 2017b). In the tax auction, active participants such as Manuel Moroun, the owner of the Ambassador Bridge, an international border crossing, and numerous trucking companies, makes purchases that protect his business interests or place him in a position to legally contest developments that may interfere with his bridge monopoly. In these cases it is the proximity of property to nodes and chokepoints in global logistic networks that prompt acquisition. The largest property owner in Table 3 is an investment broker who has used the city's right of first refusal in the tax foreclosure auction to consolidate multiple blocks on Detroit's east side. The current iteration of plans for the site includes the development of a tree farm. Hantz offers an economistic argument of supply and demand hoping that creating land scarcity will increase property values in Detroit. In the neighborhoods abutting Hantz land, community organizations and activist argue the project is a land grab that creates a buffer between his stable neighborhood

[15]Property Praxis defines speculation as: Five or more parcels in area in which the owner does not have a taxable address; ownership of a large number of parcels in varying conditions and disuse; single vacant or abandoned property held by an owner with an out-of-state or international address; a residential property that serves as a taxable address for multiple owners with three or more holdings in the city.

Table 3: Top property speculators and acquisition pipelines, Detroit 2017

Name	Company	Pipeline	Properties
John Hantz	Hantz Farms	Tax foreclosure	1,943
Manual "Matty" Moroun	Various	Tax foreclosure	1,186
Stephen Hagerman	Various	REO, Tax foreclosure	1,128
Melvin Washington	Various	Government	673
Michael Kelly	Various	Tax foreclosure	642
Gideon Pfeffer	Various	REO, Tax foreclosure	515
Wendy Briggs	Tradin' Places LLC	REO, Tax Foreclosure	360
Dennis Elliott	Asset Managers Direct	REO	337
Matthew Tatarian	Various	Tax foreclosure	335
Eddie Hobbs	Various	REO	334

Note: Property counts derived by first aggregating records owned by various aliases and LLCs associated with a particular person or entity using City of Detroit property assessor records from 2017, and then updating those records using tax foreclosure sales also from 2017. Source: Akers et al. (2019b).

of former industrialists mansions and the declining east side while positioning him for huge profits on future development (Safransky, 2014, 2016). Whether Hantz's endgame is development or speculation, the active planting of a tree farm places his activities on a different timescale than many speculators who are often concerned with speed.

Auction sales are more than just a representation of changing ownership patterns. With speculative purchases dominating the auction, the impact of these acquisitions is evidenced further downstream in the experience of tenants in the properties of bulk owners. Table 4 shows the direct relationship between tax auction sales and subsequent eviction filings. The overall ratio of 0.29 distinct addresses linked to cases filed against tenants occupying properties previously purchased at tax auction is likely lower than the actual value, however it shows a clear association between foreclosure sales and subsequent evictions. If we assume this pattern applies to addresses for eviction filings we were unable to match to city parcel numbers, approximately one-third of all residential tax sales are linked to at least one subsequent eviction.5 The falling ratios overtime reflect the fact these data are right-censored, with 2017 being the final year in which we observe eviction filings. The two right-most columns provide information about tax auction purchases linked to two or more subsequent eviction filings. It is probable some auction buyers file for eviction a single time to take control of new acquisitions. We find more than 5,200 properties purchased at auction were the site of two or more subsequent evictions, equivalent to at least 12% of all tax sales and 42% of all addresses with at least one eviction filing. The regular return of tenants residing in these properties to eviction court provides partial evidence of auction buyers exacerbating displacement pressures in the low-income neighborhoods where their acquisitions are concentrated.

Unfortunately, this analysis is limited by the uncertain number of tax sales purchased by different types of investors. Some speculators acquire properties in bulk and take no imme-

Table 4: Property tax sales with subsequent eviction filings

		Eviction filings		Distinct addresses	
Year	Tax sales	Count	Ratio	Count	Ratio
2009	1,208	501	0.41	265	0.22
2010	3,320	2,709	0.82	1,246	0.38
2011	5,257	4,339	0.83	2,036	0.39
2012	9,937	6,393	0.64	3,323	0.33
2013	8,548	4,028	0.47	2,251	0.26
2014	6,987	2,906	0.42	1,804	0.26
2015	6,994	1,908	0.27	1,406	0.20
Total	42,251	22,784	0.54	12,331	0.29

Notes: Includes tax auction sales 2009–2015 and landlord-tenant cases Jan. 1, 2009–Dec. 28, 2017. Includes only distinct case numbers and addresses. Roughly one-third of eviction filings are excluded from analysis through failure to match addresses in property assessor records. Table adapted from Seymour and Akers (2019a).

diate action, while others convert them to rentals or sell them on installment contracts. In the absence of this information, it is impossible to ascertain the true percentage of properties purchased by investor-landlords and contract deals linked to evictions. We were, however, able to determine many of the largest auction buyers linked to subsequent eviction filings are speculators and slum landlords who regularly fail to register, bring up to code, or pay taxes on their properties. Table 5 shows the top 20 auction buyers in terms of properties linked to subsequent eviction filings. At the top of the list, Sameer Beydoun of Metro Property Group acquired more than 1,000 Detroit properties through sales of bank-owned properties and tax auctions. Beydoun's business model involved rapidly flipping homes via land contracts for several times his purchase price. Since 2009, Metro Property Group has filed for more than 1,700 evictions. In October 2017, Beydoun was sentenced to 24 months in federal prison for defrauding investors, many located overseas (Gallagher, 2017).

Local landlord Michael Kelly has been one of the largest auction buyers over the past decade and is associated with 5 of the top 20 plaintiffs: Angel Group, Belmont Properties, Frenchy Sirois, Detroit Leasing, and Chase Detroit. Kelly and his associates have acquired more than 1,000 residential properties since 2005, contributing to his status as one of the largest private landowners in Detroit (MacDonald, 2011d). Kelly, operating through various associates and LLCs, is a contract seller and a milker-landlord, as well as a speculator, acquiring properties in future redevelopment areas (Akers, 2013; Kurth, 2016).

Jeffrey Cusimano, a Detroit landlord residing in Macomb County, similarly built his portfolio of rental properties through the tax auction. Cusimano is a classic milker-investor, withholding repairs and property taxes while continuing to collect rent. Cusimano has filed for eviction more than 800 times since 2009 to pressure or remove tenants, while simultaneously leveraging the tax auction to tax-wash his holdings (MacDonald, 2017b).Of the 160

Table 5: Top 20 tax auction buyers with subsequent eviction filings ordered by distinct addresses with filings

Bidder name	Deed name	Plaintiff	Cases	Addresses	% of purchases†
SAMEER BEYDOUN	ARTESIAN EQUITIES	METRO PROPERTY GROUP	1,050	558	57%
ANGEL HAUS	None	ANGEL GROUP	553	220	64%
KEITH HUDSON	BENJIGATES ESTATES	BENJIGATES ESTATES	357	215	32%
GIDEON PFEFFER	DET 123 FUND	TURNKEY REAL ESTATE	429	201	25%
FLUTURIE LOGA	ABC HOME OWNERSHIP	ASM SERVICES	296	188	38%
MICHAEL HAMADE	SUBURBAN RENAISSANCE	SUBURBAN RENAISSANCE	199	158	37%
JULIE VULAJ	BELMONT PROPERTIES	BELMONT PROPERTIES	293	147	67%
EDWARD AZAR	None	DETROIT PROGRESS	183	139	29%
MOHAMAD BAZZI	HARPER WOODS INV	HARPER WOODS INV	214	137	44%
STEPHEN HAGERMAN	WESTSIDE BRICK	WESTSIDE BRICK	274	136	79%
JEFFREY CUSIMANO	CUSIMANO BROS. PROPERTIES	JEFF CUSIMANO	380	127	79%
ANTOINE HAYES	None	BENJIGATES ESTATES	189	125	46%
JASMINE MCMORRIS	PENN STATE ENERGY	GREAT LAKES	163	107	31%
JOSE DESOTO	FRENCHY SIROIS	FRENCHY SIROIS	243	106	77%
ROBERT VANDERWOUDE	ASBURY PARK PROPERTIES	ROB VANDERWOUDE	146	94	22%
ERNEST KARR	ACORN INVESTMENT	JOY MANAGEMENT	159	92	48%
MICHAEL KELLY	DETROIT LEASING	DETROIT LEASING	211	81	64%
NICK LEFEVRE	CHASE DETROIT	CHASE DETROIT	183	81	72%
DENNIS ELLIOTT	ASSET MANAGEMENT DIRECTORS	DMP HOLDINGS	94	78	9%
SIEGEL CLORE	SKYE RESIDENTIAL	SKYE RESIDENTIAL	194	77	73%

†Distinct addresses as percentage of total residential properties purchased by bidder at tax auctions.

Notes: Includes tax auction sales 2005–2015 and eviction filings 2009–2017. Deed and plaintiff names are those most frequently occurring for each bidder. Table Adapted from Akers and Seymour (2018).

residential properties Cusimano purchased at auction between 2010 and 2015, we found he was the prior owner of at least 72.

Keith Hudson and Antoine Hayes are both affiliated with the now-defunct Benjigates Estates, which acquired roughly 1,000 properties between 2010 and 2012. Benjigates sold homes using land contracts where payments were to be completed in under two years. During the contract period, however, neither party would pay property taxes, and buyers were expected to resolve these engineered delinquencies before their homes faced repossession at the three-year mark. Many of these contracts failed, leading to eviction and resale prior to Benjigates' 2016 court-ordered dissolution (Anglebrandt, 2013; Gross, 2018). Ernest Karr, a longtime Detroit landlord, bankrolled Benjigates' initial acquisitions with more than $300 thousand (MacDonald, 2011a). Karr, a notorious slum landlord with massive obligations in terms of blight tickets and tax delinquencies on his once-large portfolio of rental properties, also appears on our list of auction buyers with the largest number of properties linked to eviction filings (Collins, 2002; Pinho, 2016).

Stephen and Stevey Hagerman, a father and son investment operation based in suburban Detroit, are collectively one of the biggest auction buyers in the past few years, purchasing more than 300 homes between 2013 and 2015 and 600 more properties in 2016 (Loveland Technologies, 2016). The Hagerman's business model is based on buying in bulk and flipping properties on land contract for several times their purchase price. They passively dispose of unsold inventory by withholding taxes and allowing them to fall back into foreclosure. The Hagerman's acquire new properties at auction each year despite outstanding delinquencies on their existing inventory (Alvarez, 2017). Edward Azar, a former Detroit resident now based in Florida, is another notable investor, operating a wholesale property business targeting smaller bulk buyers, as well as a sophisticated individual contract sales operation (Akers, 2013, 2015; MacDonald, 2011b).

For many of these foreclosure investors, eviction filings have been a frequent occurence on a sizable portion of their acquisitions. Among all properties acquired by the top 20 auction buyers in terms of addresses linked to subsequent eviction filings, 60% of them experienced two or more subsequent eviction filings, and nearly 25% of the 7,700 total homes purchased by these 20 actors experienced two or more eviction filings. For many of these investors, eviction serves as a mechanism to pressure tenants for payment on substandard properties, or remove and replace them in the event of non-payment. Profits are generated precisely through serial eviction and new contract sales with large down-payments, all while withholding property taxes and repairs. Those obligations are passed down to buyers, though the structure of these sales and the conditions of the properties all but guarantees breach of contract and, eventually, repossession.

7 Demolition

Since 2014, the City of Detroit spent over $34 million demolishing houses that were purchased by speculators in the tax foreclosure auction. These speculator purchases between 2005 and 2015 account for 2,241 or 13% of all non-commercial demolitions in that time. Nearly three-quarters of these demolitions used federal money from the Hardest Hit Fund (HHF)

program.[16] Demolition has been a constant tool of municipal governments, particularly in legacy cities and in the Great Lakes for decades both to spur development but also as response to vacancy and abandonment (Akers et al., 2019a; Gordon, 2009; Hackworth, 2016). Demolition is expensive and the burden for removing dilapidated structures often falls on the public through government agencies. Those living in the vicinity of demolitions, particularly children, face serious health risks such as lead and asbestos exposures that can have lifetime consequences (Farfel et al., 2003; Rabito et al., 2007).[17] Despite this, there is limited work tracing the lifecycle of housing to vacancy, foreclosure, and demolition. Though this report does not provide the complete lifecycle of individual houses it begins with the rupture in ownership status following the foreclosure crisis of 2006 and the subsequent wave of tax foreclosure in the following decade. What it demonstrates is a relationship between the volume of property ownership, point of purchase (foreclosure auctions), likelihood of tenant evictions, and finally its disposal through subsequent tax foreclosure and demolition.

To address the relationship between investor involvement in the annual Wayne County tax foreclosure auction and subsequent demolitions, we drew on records of deeds conveyed subsequent to the auction. We collected theses from a variety of sources, including Freedom of Information Act (FOIA) requests and data-sharing arrangements with allied researchers. For demolition data, we restricted our analysis to those clearly identifiable as publicly funded, drawing on a file available from the City of Detroit Open Data Portal including HHF and city-funded demolitions between January 2014 and April 11, 2019.

Table 6 shows the top 20 auction buyers with eventual demolition. Bulk buyers utilize a range of practices often selling off the best houses to individual buyers, offering packages of properties at wholesale prices to small scale investors seeking to become landlords, and letting the least valuable property return to the foreclosure auction for non-payment of taxes and eventual demolition.

We used these same data to address the question of whether large investors active in the tax auction were likely to be linked to properties subsequently demolished than small- and mid-size auction buyers. Based on our understanding of the practices of several of the largest operators, we expected their approach of purchasing large numbers of properties and allowing those they could not flip or rent to return to return to auction and/or require demolition. Table 7 shows the frequency and percentage of properties purchased at auction between 2009 and 2014 and subsequent demolition, with buyers classified into three categories. Roughly nine percent of homes purchased by large investors, i.e., those purchasing 51 or more properties between 2005 and 2015, were eventually demolished at public expense, 2.4 times the rate for small investors.

Table 8 shows the results of logistic regression models estimating the association between investor size and demolition outcome in Detroit. We again include a parsimonious set of control variables given their high correlation, particularly within the city of Detroit itself.

[16] The intent of these funds were to help low- and moderate-income homeowners in danger of mortgage foreclosure remain in their homes during the foreclosure crisis. Rather than keeping people in their homes these funds are now used to demolish houses.

[17] A supplementary report for Poverty Solutions on speculation, tax foreclosure, and lead exposure in children is forthcoming.

Table 6: Top 20 tax auction buyers with subsequent demolitions

Buyer	Demolitions	Total purchases	Demolition rate
Dennis Elliott	153	907	16.9
Keith Hudson	97	682	14.2
Wendy Briggs	80	460	17.4
Nate Heaps	73	436	16.7
Sameer Beydoun	64	976	6.6
Robert Vanderwoude	54	437	12.4
EE Meng Peh	44	418	10.5
Udi Perez	38	239	15.9
Edward Azar	35	480	7.3
Michael Hamade	32	429	7.5
Antoine Hayes	28	274	10.2
Franz Ivezaj	28	171	16.4
Peh EE Meng	26	170	15.3
Charles Johnson	25	96	26.0
Eric Tomasi	25	128	19.5
Keith B Hudson	23	132	17.4
Mohamad Bazzi	23	309	7.4
Michael G. Kelly	20	152	13.2
Angel Haus	19	344	5.5
Deone, C Larkins	19	65	29.2

Note: includes residential tax auction purchases by investors 2005–2015 and publicly funded (principally HHF) demolitions January 1, 2014 to April 11, 2019. Sources: (Detroit Land Bank Authority, 2019; Wayne County Treasurer, 2016).

Table 7: Relationship between tax auction investor size and demolition

	Investor size			
Demolition	1–10 homes	11–50 homes	51+ homes	All
No	5,058	6,456	11,128	22,642
	(96.1)	(94.1)	(90.6)	(92.3)
Yes	204	406	1,158	1,768
	(3.9)	(5.9)	(9.4)	(7.2)
All	5,262	6,862	12,286	24,410
	(100.0)	(100.0)	(100.0)	(100.0)

Pearson χ^2 = 193.8; p = 0.000

Notes: Column percentages in parentheses. Auction purchases constained to 2009–2014; publicly funded demolitions recorded between Jan 1, 2014 and April 11, 2019. Investor size based on total number of acquisitions by bidder name 2005–2015. Sources: (Detroit Land Bank Authority, 2019; Wayne County Treasurer, 2016).

After controlling for housing market conditions and the year of the foreclosure purchase, we find that the odds of demolition for large investors is nearly twice (1.98) that of small investors, the reference category in our model.

8 Potential Interventions

The broader crisis facing low-income residents and tenants in Detroit are the shortage of actually affordable housing that is both safe, in terms of public health risk, and stable, in terms of tenancy is not addressed in this report. The supply of quality housing for low-income residents is inadequate and the programs in place to address this are not to a scale or scope of the need in the city.

This report details how a part of the private market for low-income housing is operating. These practices have significant public cost not only as measured in dollars, but in the severe hardship it produces in the city's most vulnerable communities. It is only through the Herculean effort of housing advocacy and legal aid organizations, citizen groups, mutual aid practices, and neighborhood associations that the full effects of the foreclosure-speculation-eviction-demolition pipeline are mitigated. Their tireless work, advocacy, and pressure whether through relationship building, back channels, demonstrations, or court battles has been able to bring together temporary coalitions of government agencies, departments, and administrations to address particular needs at particular times. Though this is effective it is limited, under-resourced, and inadequate to the scale of the problem.

Though tax foreclosure seems a straightforward process, e.g. pay taxes and avoid foreclosure, it is complicated by the fact that for more than a decade the City of Detroit has over-assessed much of the residential property in the city. A study by Atuahene and Hodge (2017) found these over-assessments were far beyond the state mandated threshold of 50%

Table 8: Logistic regression results predicting publicly funded demolition

	(1)		(2)	
Investor size				
1–10 homes (reference)				
11–50 homes	1.422**	(0.153)	1.428***	(0.153)
51+ homes	1.942***	(0.180)	1.948***	(0.179)
Auction year				
2009 (reference)				
2010	0.579***	(0.081)	0.576***	(0.079)
2011	0.540***	(0.073)	0.531***	(0.071)
2012	0.298***	(0.045)	0.292***	(0.042)
2013	0.239***	(0.034)	0.237***	(0.032)
2014	0.0411***	(0.008)	0.0407***	(0.008)
Median family income	0.965***	(0.007)	0.967***	(0.006)
Pct. one-unit detached	1.009*	(0.005)	1.007	(0.005)
Constant	0.231***	(0.088)	0.314*	(0.143)
Council district FE	No		Yes	
Observations	24,410		24,410	
Pseudo R^2	0.075		0.080	

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Exponentiated coefficients; Standard errors in parentheses (clustered by census tract)

of taxable value. Despite the city's ongoing efforts to reassess all property, many residential valuations remain inflated, particularly houses with low values. In other words, people lost homes to tax foreclosure or are on payment plans for taxes they did not owe. In addition, the state provides relief for low-income residents in the form of a full or partial exemption for property taxes called the Homeowners Property Tax Assistance Program (HPTAP). A 2018 research report for Poverty Solutions found that less than 12% of Detroit homeowners qualifying for a full or partial property tax exemption actually applied in 2016 (Eisenberg et al., 2018). The under-utilization was driven in part by a complicated application process administered by the City of Detroit. In 2018, the city settled a lawsuit brought by the ACLU of Michigan and NAACP Legal Defense fund in which it agreed to partially fund a program allowing low-income homeowners facing tax foreclosure to purchase their home for $1,000 (MacDonald and Terry, 2018).[18] This agreement remains in effect until 2020. In November 2018, the Detroit City Council approved an ordinance to make accessing the HPTAP less onerous. Though this is helpful, many low-income homeowners are unaware of the program and by the time they are facing tax foreclosure they are not eligible for relief for taxes owed in prior years.

It is important to acknowledge the resource constraints in Detroit, Wayne County, and Michigan, yet at the same time it should also be recognized that where those constraints are applied is a political choice. Incentives for development in Downtown and Midtown flow relatively freely and range into the hundreds of millions of dollars. Yet many of the city's most vulnerable residents find themselves in a punitive system of foreclosure and eviction in which they risk losing their home over a few hundred or a couple of thousand dollars, often money they do not owe and they do not have. Beyond eviction from tax foreclosure and the high social costs of these practices, these houses are most often purchased by speculators that utilize the system to churn tenants for profit and to push the cost of demolition back on to the public.

There are multiple points of intervention if government branches and agencies choose to more fully address the eviction machine:

A moratorium on the Wayne County tax foreclosure auction

A moratorium on the auction would allow for a comprehensive reassessment of the process to prevent bulk buyers and speculators from adding to their property portfolios while developing a more systematic approach to property redemption and tax repayment.

- The annual auction is the primary pipeline for bulk buyers and speculators to acquire property.
- Existing rules to prevent individuals and business that owe taxes or hold blighted property from purchasing more property from the auction are not enforced.
- Thousands of Detroit residents have lost their homes due to over-assessment.

[18] This agreement excluded homeowners in active payment plans with the Wayne County Treasurer.

- This may require legislative action, but the Wayne County Treasurer has consistently exercised discretion in determining which properties and how many properties are offered at auction.

Make poverty tax exemption retroactive for multiple years

In Michigan, the tax foreclosure process is a three-year process. This would require action by the Michigan Legislature. A retroactive exemption of three years or more would clear the tax bill of low-income homeowners facing foreclosure. This would reduce the number of owner-occupied homes entering the foreclosure auction in Detroit.

Continue and expand targeted enforcement of bulk owners and contract sellers

The Detroit Land Bank uses the city's nuisance abatement program to repossess vacant houses from absentee owners. More strategic and concentrated approaches that account for the role of particular actors and the impact of their activities on residents and neighborhoods could reduce the number of evictions while preventing bulk owners from passing the cost of eviction on to the public.

Enforcement and adjudication of the City of Detroit Rental Ordinance

The City of Detroit passed a comprehensive rental ordinance in 2018. Landlords have been reluctant to participate in the registration program and to seek the required certificate of occupancy to operate rental units in the city (MacDonald, 2019a). In addition, the 36th District Court does not always recognize tenants' rights to withhold rent under the new ordinance. The result is tenant's following the law being evicted anyway. One approach to increasing landlord participation would be for the court to require compliance for landlords to be granted standing in landlord-tenant cases.

Adjudicate land installment contracts as forfeiture rather than landlord-tenant cases

The rise in the use of land contracts by bulk buyers and speculators over the past decade has serious impacts on residents who believe they are purchasing a home only to be evicted as a tenant after a late payment. In many cases, these are handled as landlord-tenant disputes in 36th District Court rather than land contract forfeitures. This puts the purchaser at a disadvantage as they are denied rights and privileges generally extended to land contract purchasers and not to tenants. One is a longer redemption window, from 90 to 180 days, to pay the missed payments, court costs, and any penalties.

Requiring contract sellers to pursue forfeiture rather than eviction would provide buyer protections and make the current contract practices less appealing for sellers substituting contracts for rental agreements.

Provide counsel to low-income tenants facing eviction

Less than five percent of tenants facing eviction in Detroit have legal representation. More than half of tenants in eviction cases do not show up for court. When tenants had legal representation two-thirds of these cases were resolved with an agreement between the landlord and tenant. The right to counsel has been implemented in New York, San Francisco, and Newark with programs in Cleveland, Washington D.C., Seattle, and Philadelphia in development. The estimated cost of the program in Detroit is between $3.5 and $4 million (MacDonald, 2019b).

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