Detroit and Wayne County Democrats bleed working-class homeowners dry

By Debra Watson
24 June 2017

For over a decade, a legal travesty cooked up between the Democrats who run Detroit and those who oversee surrounding Wayne County has been used to systematically fleece homeowners with hefty surcharges on unpaid back taxes, ballooning local tax collections.

Using fees and interest rates as high as 22 percent on back taxes owed, the county gouged homeowners who found themselves struggling with property tax payments on their homes. Capitalizing on housing distress going as far back as the aftermath of the 2001 recession and exacerbated by the mid-decade auto crisis and ensuing recession in 2008, the county bled distressed homeowners dry. When they collected all they could, the officials seized and sold their properties, diverting even more into municipal coffers.

According to data presented in an article in the online *Bridges Magazine* last week, this year alone the $48 million in fees and interest levied against back taxes made up a whopping 9 percent of the county's $535 million in revenues.

The article was based on a collaboration between Wayne State University's WDET public radio station and the online magazine. It revealed that 160,000 properties have been seized for back taxes in Wayne County since 2002. It notes that number represents "more foreclosures in one county than banking giant JPMorgan Chase executed across the country over the same time, according to RealtyTrac, a California-based mortgage data firm."

It reports that 8,000 to 25,000 could go up for auction this fall unless homeowners can be somehow moved into "forgiveness" plans that will likely just postpone the inevitable for a few more years.

Both homeowners and renters are affected. Many renters surveyed who are living in houses under threat of tax foreclosure last year were unaware their landlords were not paying taxes, even though they paid rent, or that eviction might be looming. About 40 percent of those in houses facing foreclosure are renters.

Detroit, which once had the highest home ownership rate in the US, became a city with more renters than owner-occupiers sometime in the past few years, according to the most recent data from the US Census American Community Survey. At least 53 percent of residential properties, largely single-family homes, are now owned by landlords.

Absentee landlords, who bought up whole swathes of the city's distressed single-family homes on the cheap, are notorious for contributing to blight through neglect and abandonment of properties. Nevertheless, there are still a lot of homeowners struggling to keep up underwater mortgages or pay the taxes on their homes in neighborhoods across the city. Low wages and lack of jobs make that hard. With a poverty rate of 40 percent and median household income under $26,000, Detroit remains the poorest big city in the US.

"This is egregious, and once you see how bad it is, you can't let it go. We are clearly not doing enough to stop foreclosure. This goes beyond negligence," Jerry Paffendorf, co-founder and CEO of Loveland Technologies, a Detroit-based data company, told *Bridge Magazine*.

He said it's absurd that the county auctions all foreclosed properties "to strangers," regardless of whether they're "burned-down smoldering piles of rubble" or the homes of "grandmas" who have lived in the city for years and fallen on hard times.

In comments to the WSWS, Paffendorf said, "We requested an updated list from the County Treasurer's office. We just received information they plan to put 8,000 properties up for auction in the fall. About 4,000 of those properties are occupied. I am always thinking of the whys, and I am wondering how did they come up with this figure? What was the criterion? If 4,000 are occupied, why could they not save all of them?”

Starting in 2003, Detroit began to use a property tax collection arrangement previously used by the county for smaller cities and local tax authorities. Each city’s property tax liabilities are purchased with borrowed money. The purchased back taxes, fees and interest liabilities go into collection with the proceeds going to pay off the banks financing the purchase. The county uses the hefty surcharges to make a profit for the county coffers.

While home values across the US have recovered in some areas, in the entire middle section of the US, from north to south, including Detroit, home prices are still deeply depressed, according to a recent report from Harvard’s Joint Center for Housing Studies.

Despite adjustments in surcharge interest rates for some very low-income homeowners caught up in arrears, the city has calculated a similar gain on this practice in the future. It told its financial overseers, imposed by the Detroit Bankruptcy court in 2014, that it expects $286 million on foreclosures, fines and interest for the 2015-2019 period.

It is appropriate here to follow the money and to consider the response of the Detroit City Council, which now controls decisions in the city post-Detroit bankruptcy, subject to approval from a Financial Review board.

The Detroit City Council voted 7-2 Tuesday not to spend hundreds of millions in city dollars to help the over-taxed or the nearly homeless residents in the city, but to aid the super-rich. Democrats piled on more corporate welfare, floating $34.5 million additional in bonds to modify the new Little Caesars Arena demanded by the Detroit Pistons professional basketball team. The money would come from education and park taxes levied on homeowners.

This is on top of $250 million tax-increment financing deal the city awarded in 2013 to help finance construction of a new sports arena along Woodward Avenue. The Ilitch School of Business at Wayne State University will be conveniently built next to the site and carry the name of the scion of the family of the recently deceased Detroit billionaire Mike Ilitch in honor of a $40 million “gift” to the school made before his death last year.

Billionaire Dan Gilbert is a major player in Detroit real estate, having snapped up 80 downtown properties at cheap prices. He amassed his fortune as a predatory lender after he founded Rock Financial in 1985, all the while fleecing workers across the US via dodgy home loans.

A cool $37.2 million in federal funds financed a light rail line that provides added bling to Gilbert’s Downtown-Midtown real estate ventures. New legislation passed by the Michigan House and Senate in May and expected to be signed by Governor Rick Snyder will turn over to Gilbert $40 million in income taxes over 20 years, an allotment of property tax collections and a cut of the sales tax of any business he operates in an area designated a “brownfield.”

Hard-pressed working class families, meanwhile, are facing an assault of unprecedented proportions on their income. The recent *Bridges Magazine* story profiled two families, both autoworker families, caught up on a modern version of the medieval rack, this one inflicting its own punishment on the innocent through penury up until death.

Annie Perry and her autoworker husband bought a home in 1970 in northwest Detroit. After he died, she could not keep up the taxes, and the 83-year-old could lose the house if she cannot keep up the payment plan worked out with a local community group. She expects to die before she can pay off what she owes. A tragic end for the mother of three whose husband labored to provide billions in profits for the auto companies over the years.

Merneesha Cheers, a Ford worker and mother of three, was trying to save the home she bought in northwest Detroit a few years ago, attending a tax foreclosure workshop at a local non-profit. As a part-time worker she can never know if the hours will be regular and enough to pay the bills and the taxes, and she was behind. The increased use of temporary workers was sanctioned in the UAW sellout agreement in 2015.