What The Bankruptcy Missed: A Snapshot of Tax Foreclosure In Detroit & Wayne County

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“Basically the bottomline is, stop trying to come up with ways to try and hide the lead. You should be *looking* for the high lead, that is your job as the DEQ. When you find it you tell us. Do your job the way the EPA intended for you to do it.”

- LeeAnne Walters, Flint Resident, as quoted in The Poisoned City: Flint’s Water and The American Urban Tragedy, by Anna Clark
Approximately 150,000 Detroit properties have been tax foreclosed and auctioned since 2005.

Approximately 50,000 have been occupied.

82,282 Detroit properties have been tax foreclosed and auctioned since the bankruptcy.

Approximately 30,822 have been occupied.
370,102 Detroit properties have been sent tax foreclosure notices since 2005.

Approximately 50,000 have been occupied.

226,447 Detroit properties have been sent tax foreclosure notices since the bankruptcy.

151,719 have been occupied.
Since 2009, countywide, Wayne County has made more than \( \frac{1}{3} \) of $1 billion dollars by being the lender, debt collector, and auctioneer in this system.

<table>
<thead>
<tr>
<th>Year</th>
<th>Countywide Delinquent Tax Net Receivables</th>
<th>Total Collections of Taxes, Fees, Interest</th>
<th>Difference/Surplus</th>
<th>Cumulative Surplus</th>
<th>Surplus Percentage Above Receivables</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$358,340,998</td>
<td>$399,923,489</td>
<td>$41,582,491</td>
<td>$41,582,491</td>
<td>11.60%</td>
</tr>
<tr>
<td>2010</td>
<td>$349,536,670</td>
<td>$392,446,885</td>
<td>$42,910,215</td>
<td>$84,492,706</td>
<td>12.27%</td>
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<tr>
<td>2011</td>
<td>$328,592,835</td>
<td>$368,787,340</td>
<td>$40,194,505</td>
<td>$124,687,211</td>
<td>12.23%</td>
</tr>
<tr>
<td>2012</td>
<td>$313,847,717</td>
<td>$366,738,696</td>
<td>$40,194,505</td>
<td>$177,578,190</td>
<td>12.23%</td>
</tr>
<tr>
<td>2013</td>
<td>$300,427,094</td>
<td>$360,884,264</td>
<td>$52,890,979</td>
<td>$238,035,360</td>
<td>16.85%</td>
</tr>
<tr>
<td>2014</td>
<td>$220,877,668</td>
<td>$274,710,201</td>
<td>$60,457,170</td>
<td>$36,674,841</td>
<td>20.12%</td>
</tr>
<tr>
<td>2015</td>
<td>$202,019,057</td>
<td>$231,361,900</td>
<td>$29,342,843</td>
<td>$14.52%</td>
<td>14.52%</td>
</tr>
<tr>
<td>2016</td>
<td>$195,432,273</td>
<td>$231,361,900</td>
<td>$35,409,994</td>
<td>$18.11%</td>
<td>18.11%</td>
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<tr>
<td>2017</td>
<td>$184,998,587</td>
<td>$230,842,267</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Surplus 2009 - 2016: $339,463,03

Delinquent Tax Surplus Graph

- Countywide Delinquent Tax Net Receivables
- Total Collections of Taxes, Fees, Interest
- Difference/Surplus
- Cumulative Surplus
- Surplus Percentage Above Receivables
Wayne County made a surplus of $161,884,848 from its participation in delinquent taxes since 2013 (countywide, with the majority in Detroit)
It continues to make between $30 and $40 million each year that it would not make if people paid on time, but that it relies on to balance its budget and avoid state oversight.
This map shows every Detroit property that reached the Wayne County tax foreclosure auction from 2002 - 2016. In a city of 384,840 properties, there have been 343,958 tax foreclosures at auction over the last 15 years, with the vast majority since 2008.*

The data was assembled from an archive of foreclosure auction properties 2002 - 2013 hosted on Data Driven Detroit's data portal, and from Loveland's auction tracking data from 2014 - 2016. This map does not show the 8,000 additional tax foreclosures going to the auction this September, including 4,000 occupied homes. You can see that map on the Loveland site here: http://detroit.makeseloveland.com.

Here is a link to the tax foreclosure data sets for 2002 - 2013 from the Data Driven Detroit data portal: http://portal.datadrivedetroit.org/datasets/9438af6

*Note: If you find a property on this map that was not sold at the auction, it is likely that it was indeed tax foreclosed, went to the auction, and was withdrawn at the last minute before bidding began (typically because the owner made an emergency payment). The D3 dataset includes all tax foreclosures listed as being in the auction from 2002 - 2013. The Loveland datasets from 2014 - 2016 remove a small percentage of properties that were withdrawn from the auction at the last minute, as that data comes from tracking the auction directly.

This is the spatial distribution of the approximately 150,000 tax foreclosures that have reached auction in Detroit.
This is the citywide tax delinquency as of summer 2017. Everything colored in is between 1-3 years behind in property taxes. While we’re getting better at removing properties from the auction, you can see the tax distress remains.
These are the 36,000 Detroit properties that received tax foreclosure notices for 2018. Notices for 2019 are estimated to be as high.
Note: It’s not possible to talk about tax foreclosure without talking about the Detroit Land Bank Authority which owns nearly 100,000 properties (98,516), most of which have come to it through the tax foreclosure auction.
What is happening to other occupied foreclosures in MorningSide: A sampling of stories

EVICTED

On Devonshire
The owner has lived in this house with a college-aged daughter. A stroke several years ago left her right arm and shoulder paralyzed, and unable to work. The foreclosed home was purchased at the auction, and Valerie was immediately served an eviction notice. She and her daughter have until December 31st to move out.

Auction Winner: Stevey Hagerman
Taxes Owed: $12,762.37
Purchase Price: $3,400

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Moved Or Planning to Move

MAKELOVERLAND.COM/REPORTS/MORNINGSIDE

MOVING

On Berkshire
Charles Watkins and his four children had rented this home for seven years when it was foreclosed. He deposited $2,000 with a local nonprofit in an effort to purchase the home at the tax auction, but was outbid by an investor. Charles has yet to hear from the new owner, and is very worried about where they will live.

Auction Winner: John Haedrich
Taxes Owed: $13,289.51
Purchase Price: $3,300

MOVING

On Courville
Family members of deceased owner moved out during the auction.
Auction Winner: John Haedrich
Taxes Owed: $7,737.95
Purchase Price: $16,625

MOVING

On Buckingham
Renter was outbid at the tax auction. New owner offered to rent for $1,500/mo, which was unaffordable. The family will be moving out.
Auction Winner: Stavey Hagerman
Taxes Owed: $7,517.94
Purchase Price: $8,100

MOVING

On Nottingham
Foreclosed owner inherited home with back taxes. Owner’s brother broke in and changed the lock. Plan to stay with relatives until they find a place to rent.
Auction Winner: Jason E. My
Taxes Owed: $7,846.72
Purchase Price: $1,700
Rent to the Occupant

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RENTED
On Lakepointe
Monica Monroe's family had owned this home for 35 years. After the home was lost to tax foreclosure, Monica could not afford the new owner's asking price. She has instead signed a temporary 2-month lease at a lower rate, and plans to move.

Auction Winner: Damian Jackson
Taxes Owed: $10,792.95
Purchase Price: $11,300

RENTED
On Audubon
Owners’ job losses led to tax foreclosure. The new owner will allow their family to stay as a renters.
Auction Winner: Cathy Koch
Taxes Owed: $9,653.12
Purchase Price: $19,000

RENTED
On Three Mile Drive
Foreclosed previous owner has arranged to rent from new owner.
Auction Winner: Mark Hoffman
Taxes Owed: $19,059.44
Purchase Price: $37,000

RENTED
On E Outer Drive
The current renter has made arrangements to rent from new owner.
Auction Winner: Christopher Austin
Taxes Owed: $36,681.17
Purchase Price: $44,000
Henderson: “Also, really quick, Jerry Paffendorf has been tweeting about our conversation he says 100,000 people in 33,000 occupied properties are scheduled to be foreclosed on March 1. Also he says Wayne County made a $100 million surplus from delinquent tax collection and auction last year. Is that how that works? Is that true?”

Evans: “Well, I'm not sure the link he's making between the two, but yes the delinquent tax revolving fund from the interest and penalties on foreclosures is money that's come to the county, and frankly did a lot of the lifting last year to get rid of a lot of the accumulated deficit.”

Henderson: “Is that an incentive to keep things the way they are with tax foreclosures? In other words, if you didn't have that money the financial strain would be worse. Is that one of the reasons that the Treasurer doesn't entertain a different way?”

Evans: “No. No question. That would be blood money. I mean there's no doubt that the revenue is helpful, but anybody who would want to keep the status quo in order to bring in the revenue shouldn't be in government.”

Henderson: “It would be a pretty dark calculation.”

Evans: “Yea. I'm hoping we don't have delinquent tax revolving fund money coming in ever again. But if it does come under the existing structure we'll certainly use it to continue to pay down deficits and put money in the retirement fund, but no, that is not the motive for anyone to do that.”
INTRODUCTION

Wayne County is at a cross-roads. Nearly a decade of declines in population, employment rates, and property values, coupled with poor management decisions has placed the County on the precipice of a financial collapse. Prior decisions that flew in the face of readily apparent economic conditions left significant legacy costs to be absorbed in the future. We can no longer push the problem into the future. We must face up to what is a dire financial situation.

The challenge is to remain solvent while continuing to deliver needed services. Clearly understanding the problems, honestly disclosing the size of the accumulated and on-going structural deficits and instituting a plan that eliminates those deficits is necessary now. We must reform County finances to operate within a balanced budget.

An accumulated deficit ballooning to over $150,000,000 at the end of 2013 was covered by transferring funds from the County’s Delinquent Tax Revolving Fund ("DTRF") in FY 2014 and FY 2015. While these transfers resolved the accumulated deficit, they masked the real problems and exhausted the County’s liquidity.

For years the County used “pooled” cash and short term borrowings to maintain liquidity and meet its financial obligations, in essence robbing Peter to pay Paul. The very DTRF funds used to resolve the County’s accumulated deficit were part of this “pooled” cash account. The transfer of DTRF funds to the General Fund did not increase the “pooled” cash by one dime.

“Pooled” cash cannot hide the problem any longer. Until the annual structural deficits are reduced, the “pooled” cash will continue to decline. Present projections are that cash will be dangerously low by August 2015, and negative liquidity by June 2016. Without liquidity we can’t pay our bills. Time is our enemy. Drastic remedial action is necessary now.

An annual structural deficit of $52 million can no longer be ignored. No easy fixes are left to solve the County’s structural deficit.
CAUSES OF CURRENT FINANCIAL CONDITION

The current dire state of Wayne County’s fiscal situation is traceable to two major causes: loss of property tax revenue and fiscal and managerial mismanagement.

LOSS OF PROPERTY TAX REVENUE

A significant cause of Wayne County’s fiscal situation is the loss of property tax revenue. Wayne County receives approximately 60% of its General Fund revenue from property taxes. In the 2007-08 fiscal year the County received approximately $408 million in property tax revenue. It fell to $289 million by the 2012-13 fiscal year. A sizeable reduction to manage when there is no corresponding reduction in the mandated functions required of Wayne County.

Wayne County gets 60% of its General Fund revenue from property taxes.

<table>
<thead>
<tr>
<th>Revenues ($ in millions)</th>
<th>07-08 Actual</th>
<th>08-09 Actual</th>
<th>09-10 Actual</th>
<th>10-11 Actual</th>
<th>11-12 Actual</th>
<th>12-13 Actual</th>
<th>13-14 Actual</th>
<th>14-15 Projected</th>
<th>15-16 Forecast</th>
<th>16-17 Forecast</th>
<th>17-18 Forecast</th>
<th>18-19 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property and Other Taxes</td>
<td>$408.0</td>
<td>$385.8</td>
<td>$395.4</td>
<td>$326.6</td>
<td>$309.1</td>
<td>$288.8</td>
<td>$313.9</td>
<td>$301.9</td>
<td>$301.6</td>
<td>$302.4</td>
<td>$306.3</td>
<td>$312.6</td>
</tr>
<tr>
<td>Grants and Contracts</td>
<td>118.8</td>
<td>101.3</td>
<td>105.5</td>
<td>126.5</td>
<td>96.7</td>
<td>86.3</td>
<td>86.9</td>
<td>72.0</td>
<td>73.9</td>
<td>73.2</td>
<td>73.2</td>
<td>73.2</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>74.0</td>
<td>79.0</td>
<td>71.6</td>
<td>113.9</td>
<td>127.5</td>
<td>130.3</td>
<td>141.2</td>
<td>118.3</td>
<td>119.7</td>
<td>120.6</td>
<td>121.4</td>
<td>122.4</td>
</tr>
</tbody>
</table>

The causes of this huge reduction in property tax collections are generally associated with the adverse economic factors associated with Southeast Michigan over the last decade: population loss, high unemployment, lower than average income of Wayne county residents and falling property values.
WAYNE COUNTY LAND BANK AND ACTION BEFORE AUCTION

Another area I’d like to touch on is the Wayne County Land Bank.

There’s no denying that Wayne County receives money annually from the Delinquent Tax Revolving Fund. But I push back on the notion that Wayne County benefits from it. I believe that premise ignores how foreclosures impact the region over the long haul.

Our county government is funded primarily by property taxes. When houses foreclose, it devastates property values, including all the houses around it. Foreclosures lead to blight which creates a terrible cycle that strips entire neighborhoods of their value.

Lower property values translate to lower property taxes. Year after year that can and has had a devastating impact on much of this County.

Wayne County is far better off over the long term with people in their homes working and paying their taxes. Period.

Foreclosure is a nasty thing and my heart goes out to any family or resident who has to go through that process. But they happen. Our system of government doesn't work if we don't collect property taxes. While it can appear cold and callous, the Treasurer has to do it, and in the last couple of years the Treasurer has made great progress with programs to reduce the number of foreclosures and keep people in their homes.