Declining cities are active sites of capital accumulation. Spaces of decline mark a shift in accumulation strategies rather than a withdrawal of capital. These practices are extended through the deployment of law and policy that privilege private markets and embed market logics in urban governance. The production of urban decline is deepened and extended in the relationship of capital and the state through law and policy. Fundamental to these activities is a conception of private property as the driving force in creating stability and growth within urban areas. The ideological power invested and manifested in private property has driven many of the policy responses to urban decline over the past two decades. The centering of private property as the foundation of urban growth generates policy approaches that appear incapable of addressing the deepening social inequalities of urban life and the uneven development of cities in North America.

Declining cities are frequent sites of market-based intervention, yet the outcomes of policies that have entrenched and deepened decline are attributed to the absence or withdrawal of capital rather than the active practices of accumulation. The development and deployment of laws and policies that conceptualize property as merely a stabilizing force, obscures the practices of property, and allow destructive forces of speculative and predatory investment to persist and expand.

This work identifies shifting accumulation strategies in spaces of decline. It is a study of activity rather than absence or loss. This allows three interventions in urbanization more broadly and declining cities specifically. First, it integrates declining cities into broader discussions on urbanization and neoliberalization. Second, by exploring declining cities as active sites, the cases both unsettle and expand current understandings of disinvestment, the reach of financialization, and the sites targeted for policy development and transfer. Finally, given the current trajectory of urban austerity, the downloading of crisis to the local level, spaces of decline demonstrate possible trajectories and outcomes as austerity is an already ongoing process in these cities. It also demonstrates how these policies and practice are multi-directional and multi-scalar.
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<td>Association of Community Organizations for Reform Now</td>
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<td>ALEC</td>
<td>American Legislative Exchange Council</td>
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<td>CDAD</td>
<td>Community Development Advocates of Detroit</td>
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<td>CDBG</td>
<td>Community Development Block Grant</td>
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<td>CDO</td>
<td>Community Development Organization</td>
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<td>CN</td>
<td>Canadian National Railway</td>
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<td>CP</td>
<td>Canadian Pacific Railway</td>
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<td>CRS</td>
<td>Detroit Community Reinvestment Strategy</td>
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<td>FHA</td>
<td>Federal Housing Administration</td>
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<td>GAO</td>
<td>U.S. Government Accounting Office</td>
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<tr>
<td>HOPE</td>
<td>Housing Opportunity for People Everywhere</td>
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<tr>
<td>HUD</td>
<td>U.S. Department of Housing and Urban Development</td>
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<tr>
<td>IFEC</td>
<td>Industrial Facilities Exemption Certificate</td>
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<td>LISC</td>
<td>Local Initiative Support Corporation</td>
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<tr>
<td>LLC</td>
<td>Limited Liability Corporation</td>
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<td>MERS</td>
<td>Mortgage Electronic Registration Systems</td>
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Introduction
Decline Industry: The Market Production of Detroit

The city of Detroit was placed under emergency financial management in the spring of 2013. The appointment of bankruptcy attorney Kevyn Orr to oversee the city was the culmination of a series of events – intergovernmental negotiations, federal investigations, corruption trials and middling approaches to municipal management in resolving the city’s revenue issues. Republican Governor Rick Snyder’s interventions prior to appointing the emergency manager focused on wresting fiscal control away from the city by withholding the state’s bonding capacity and refusing to authorize cash infusions that would prolong solvency. The fiscal crisis in Detroit is real, but it is intensified by the Legislature’s withholding of transfer payments and the governor’s position on financial reform. It is also complicated by an attempt to resolve long term obligations, such as employee pensions, at the same time the city deals with more immediate revenue shortfalls to cover salaries and services. The city’s approach was divided, not just between the mayor and council, but within Mayor Dave Bing’s administration and in the public pronouncements of Bing. The mayor publicly supported the governor’s initiatives one day and then supported the filing of lawsuits against the governor the next. Organized labor, and the benefits and salaries collectively bargained for, are a major target of the legislature and the governor. Public employees have repeatedly made concessions. Many of the long term obligations now offered as evidence of the crisis are compensation for deferred wages and the result of immediate concessions made by labor in earlier rounds of bargaining. The most recent agreement with Bing, which included some of the largest concessions to date by city employees, was withdrawn by the mayor after certification. The fate of municipal employees, their pensions and their jobs now rest with Orr, who as an emergency manager, has the power to nullify contracts.
The appointment of Orr seemed to signal the direction that Snyder was taking the city, the largest municipal bankruptcy in history. But the hiring of Orr’s former legal firm, Jones Day, and its roster of clients, particularly the largest holders of Detroit’s debts, raises questions about if and when the city will enter bankruptcy and what will be sold off to pay the bills prior to filing. Banks are now well positioned to extract their investment prior to bankruptcy as there are no guarantees for bondholders in municipal bankruptcy and access to city assets are mediated in those proceedings. What has emerged in the past three years in Detroit is a double movement of privatization, both the actual transfer of municipal services, resources, and federal funding streams to private and quasi-public entities and the development and integration of a market-based logic in governance. These activities center on land markets and urban development. It includes the pass through of property from public to private holding, the use of real estate sales and the rise and fall of prices as a proxy to determine service delivery, and the movement of development activity and federal funding for economic and community development out of the public sector and into the quasi-public development organizations. These actions are underway or currently proposed.

This study is also one of crisis and its urban outcomes. It is the longue durée of deindustrialization and globalization in declining cities in the northeastern United States and it is also an artifact of the time in which this research was conducted in the midst of and aftermath of the global financial crisis. The actuality and idea of crisis underlie the political interventions detailed in the cases that follow. Crisis, coupled with racialized and classed constructions of Detroit allowed for the deployment of experimental policies that rather than arrest decline extended these processes and opened avenues for further accumulation. But beyond the actual and discursive deployment of crisis these activities are not unique or exceptional. These conditions are the result of active attempts to extract profit from the increasingly dire conditions produce within the unevenness of capital. The dynamism of uneven development, the activity that emerges in these spaces of decline demonstrate emerging practices and shifting strategies of accumulation. Practices that are developed and deployed as models and experiments
that can in turn be exported and employed in places where growth is the dominant activity.

Declining cities are active sites of capital accumulation. Spaces of decline mark a shift in accumulation strategies rather than a withdrawal of capital. These practices are extended through the deployment of law and policy that privilege privates markets and embed market logics in urban governance. The production of urban decline is deepened and extended in the relationship of capital and the state through law and policy. Fundamental to these activities is an ideological conception of private property as the driving force in creating stability and growth within urban areas. The ideological power invested and manifested in private property has driven many of the policy responses to urban decline over the past two decades. The construction of private property as a stabilizing force in the city frames both the way that cities are built and managed and how cities are studied. The centering of private property as the foundation of urban growth generates policy approaches that appear incapable of addressing the deepening social inequalities of urban life and the uneven development of cities in North America.

Declining cities are frequent sites of market-based intervention, yet the outcomes of policies that have entrenched and deepened decline are attributed to the absence or withdrawal of capital rather than the active practices of accumulation. The development and deployment of laws and policies that conceptualize property as merely a stabilizing force, obscures the practices of property, and allowed destructive forces of speculative and predatory investment to persist and expand in Detroit and other declining cities.

The chapters that follow identify and excavate shifting accumulation strategies in spaces of decline. It is a study of activity rather than what is absent or lost. This approach allows three interventions in understanding urbanization more broadly and declining cities more specifically. First, it integrates these cities into broader discussions on urbanization and neoliberalization. Second, by exploring declining cities as active sites within these processes, the cases both unsettle and expand our current understandings of the reach of financialization and the sites targeted in for policy
development and transfer. Finally, given the current trajectory of urban austerity as the crisis is downloaded to the local level, spaces marked as “declining” offer some of the possible trajectories and outcomes as this is an already ongoing process in these cities. It also demonstrates how these policies and practice are multi-directional and multi-scalar.

The focus of this work is on four interventions in the property market in Michigan and Detroit in particular the first three, urban homesteading, tax reversion, and eminent domain, all occur through actions in the Michigan Legislature. The fourth, market-centric service provision, is driven through a foundation funded initiative at the municipal level. There are three primary reasons for examining the making of property law and policy and its grounded outcomes as the primary lens of analysis in activating spaces of decline. First, for neoliberal and market fundamentalist scholars and practitioners this is where the rational individual is expressed in the market with ownership conveying rights of use, exchange and exclusion. Second, critical scholarship has identified the secondary circuit as a focal point in financialization and urbanization. Also implicated here are a recent reengagement with accumulation by dispossession, an increasing focus on the right to the city and understandings of public and private space. Third, is the possible inquiries that emerge from this case, particularly how vacancy and abandonment, chronic, concentrated and diffuse is tied with temporal acceleration points driven by market interventions trouble foundational conceptions and claims to property – specifically the claims of ownership established through use, improvement or development.

This focus on private property, intervention and economic development has been central to post-war urbanization in the United States and the reorientation of human settlement around the single-family house and the automobile. In the years following World War II, municipal led planning came to define the role of municipal government in Detroit. In 1965, the city of Detroit released an 18-minute film by the industrial filmmaker
Jam Handy. The film Detroit ... City on the Move was narrated by Mayor Jerome Cavanagh. He extolled the possibilities of the city and the bright future that would be shaped through the act of municipal planning. The film premiered in Detroit at the Proclamation Dinner on February 23, 1965 and according to John P. Casey, assistant to the mayor, “…[the film] aroused such great interest that theater owners throughout the Detroit area plan to include it in their programming in the near future (Casey, 1965).” A central focus in the film is the development of planning techniques and tools to spur a Detroit renaissance. Long segments focus on city officials in boardrooms with wall-sized master plans, map flip charts, and a model city in which buildings are moved from place to place as the camera slowly pans across the model. The result of urban renewal projects and the plans for future renewal projects are also featured. “This and other vast reaches of the city where once lay the poverty and ugliness and sickness of slums has been condemned and cleared,” Cavanagh intoned as images of a hospital expansion played (Handy, 1965). The film ends with the mayor inviting people to Detroit to live, visit, work or start a business and he promises that, “the city on the straits welcomes you to share that vision as it continues to plan, to build, and yes, to dream (Handy, 1965).”

Detroit ... City on the Move is an artifact of bureaucratic confidence, released two years before the 1967 rebellion, before the first collapse of Chrysler, before the mass exodus of plants and people, before the oil embargo. The focus on planning as the central role of municipal government reflects the strength of the growth coalition that emerged in Detroit following World War II. It was a coalition that sought to rebuild the city to service the automobile in the manner of the suburbs. By the early 1970s the city funded two planning departments, one serving the mayor and the other working for the City Council. By 2012, the city’s ability to conduct long-term planning, what it once championed as core function, was relinquished to foundations and quasi-governmental entities (Cavanagh, 1964c).

---

1 Jam Handy was one of the most prolific producers of industrial films for various training videos. The municipal film Detroit City on the Move was a rare departure for the firm. Unfortunately, there is no known archive for the production company. The last building in which the production house was located is now abandoned and open to the elements. Most of what could be considered archival material is piled on the floor often mildewed or rotting.
The Detroit metropolitan region is one of the most segregated in the United States. The city’s population is 83 percent Black. There are over 4.4 million people in the Detroit Metropolitan area, and nearly 60 percent of the area’s black population lives within the Detroit city limits. The material segregation of the city and suburbs is explicit in both the suburb-city boundary, but it is also implicit in the struggles over control of regional services and the reluctance of suburban communities to participate in regional approaches to regional issues.

For social theorist George Lipsitz, this balkanization of authorities in the US, whether municipal boundaries or school district lines, are the spatial manifestation of the regressive counterrevolution in response to the civil rights movement and its successes in the 1950s and 1960s and the second great migration of blacks from the south to industrialized cities in the north, particularly Detroit (Lipsitz, 2006). Lipsitz has characterized these practices as the warrant of competitor consumer citizenship. The division of regions into bounded territories that allow residents to be liberal, or progressive, in spending on public goods within their locality, while being more conservative or regressive in their approach to the broader region, particularly toward urban areas (Lipsitz, 2011). Given the spatial racial segregation in Detroit, these practices are highly racialized and inseparable from the political and institutional boundaries erected in response to the civil rights movement.

Lipsitz argument undergirds much of the analysis in this study. The discursive construction of the city is highly racialized and the actions and justifications of lawmakers attempting to intervene are implicitly examined through this lens. The coded racialized language of suburban rural lawmakers justifying intervention and defining

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2 The Civil Rights Movements culminated in a number of legislative changes at the federal level that were enforced to varying degrees in the decades that followed. The elimination of racial covenants in housing, the Brown v. Board of Education rulings that integrated public schools, the voting rights act, and the ending of government redlining in mortgage guarantees were some of the movement’s accomplishments.

3 In the United States, suburbs are most commonly administered as separate municipal entities with taxing authority. School districts boundaries often differ from that of the municipality and are often governed by elected boards with taxing authority. Regional configurations are less common for cities and school boards.
urban residents evolves over time, but continues to demarcate poor, black residents as an undeserving other that must be monitored and made into citizens by the state. This study extends this analysis by scaling these practices from the local inter-jurisdictional struggle by placing it within the Michigan Legislature and the laws produced by representatives and senators and the discursive construction of the city in national media and popular press.

Critical race theorist David Theo Goldberg (1993) argues that the racialization of space allows for the deployment of practices that would be highly contested or never attempted in spaces marked as white. The discursive construction of space having material consequences for those residing in particular places from increased policing and the limiting of rights to the limiting of fiscal oversight and outright intervention. In the state of Michigan, six cities are currently operating under an emergency financial manager appointed by the Governor. The majority of the residents in most of these cities are black. Though blacks make up 14 percent of the state’s population, 49 percent of all black residents in the state are currently living in a city without democratically elected leadership. In *Racist Culture* (1993) Goldberg also argue that such discursive constructions, in their coded language, become superficially about things that are seemingly not about race – the fiscal management of a municipality – but that such superficiality is limited in explaining the disparate impact of such policies on racialized – black – communities.

The primary focus in this study is on shifting accumulation strategies, the widening gap between use value and exchange value in the secondary circuit and the networks involved in the development transfer and deployment of market-centric policies. Within these practices race is implicit. The racialization of particular spaces allows for the expansion and extension of practices that may face more vehement political opposition in suburbs and predominantly white school districts. The discursive construction of the other in justifying laws and policies is evident throughout the testimony and public arguments for changes in property law and the limiting of public housing and municipal funds. These practices are the carry-over of the local jurisdictional battles as the
coalition of representatives promoting and pushing these practices hail from the suburban and rural enclaves that have hemmed in the city of Detroit over the past 50 years (Avila 2004). By drawing out these connections within the analysis rather than dwelling on the more hyperbolic and marginalized racist discourses on Detroit, the interchange and often integrated narratives of race and class in market centric policies and accumulation strategies is embedded within the analysis of the interplay of state and capital, particularly the further orientation of state power toward accumulation.

At the onset of the global financial crisis, critical scholars began to weave together the threads of investigative work on financialization and policy mobility, particularly the evolution of practices around real estate and mortgages. Primarily macro level interventions this work focused on global trends, specifically the interplay of nation states and high finance in mitigating the losses for wealthy elites through the collectivization of risk and debt while avoiding deflation and allowing for the extraction of wealth. Though focused on broader trends in the global economy the effects of the crisis and developing policy responses were grounded in cities and the potential outcomes for urban areas.

After a brief dalliance with an end of neoliberalism thesis, critical scholars began mapping out the ways in which the crisis extended and emboldened neoliberal claims for market-centric policy in response to a market crisis developing. A liberal bailout policy combined with a regressive austerity policy that allowed many of the practices that had bought on the collapse of global financial markets to continue. An expanding literature on crisis neoliberalism that draws relies heavily on analysis of global financial flows, the de- or re-regulation of markets around the globe with a particular focus on the making of liquidity out of spatial fixity in real estate markets (Gotham, 2009). In synthesizing these approaches Walks (2010) places these practices in a period of Ponzi neoliberalism, a dialectical relationship of neoliberal policy and Ponzi finance enforced through state power. Walks argues that the Asian currency crisis marked a point in which accumulation avenues diminished compelling the expansion of “hedge, speculator, and predatory finance (Walks, 2010 p. 62).” These dynamics operate in part
through the continued restructuring of the role of the state in both social services but also in aiding shifts in accumulation strategies, programs such as workfare, flexibalization, privatization and the encouragement of gentrification extend the Ponzi pool as risk and exposure is individualized (Walks, 2010, Finlayson, 2009).

“The entire globalized and neoliberalized economy has evolved into a giant ponzi system, in that flows of new investment are increasingly not used for technological innovation or new production facilities, but to pay off earlier speculators. (Walks, 2010 p. 65).”

Walks argues that these dynamics require an ever increasing pool of investors to avoid crisis or collapse. Mortgage markets became a primary site of extraction with financialization of these markets, credit expansion and debt-fueled consumption. This system requires greater amounts of cash to operate, necessitating regulatory reforms that allow the pool of participants to expand. The withdrawal of the state from social service provision requires individuals hedge the risk of daily in their own assets – such as real estate investments (Walks, 2010, Finlayson, 2009). For urban residents, the combination of inflationary pressure on housing prices and the extension of predatory mortgage instruments places increasing numbers of young and elderly urban residents in positions of unsustainable debt and a tenuous hold on shelter as wages and employment opportunities decline (Walks, 2010).

More recent crisis literature has focused more explicitly on the city. Peck (2012) traces the absorption of the global financial crisis in the nation state and its downloading to increasingly finite scales of governance. For Peck, “Austerity has become a strategic space for the contradictory reproduction of market rule, calling attention to the ways in which neoliberal rationalities have been resuscitated, reanimated and to some degree rehabilitated in the wake of the Wall Street crash of 2008-2009 (Peck, 2012 p. 651).” He calls this process Austerity Neoliberalism. He lays out seven emergent trends within this process that include the cutting of social services, the roll back of grant-based charity and the introduction of fee-based service provision, “fire-sale privatization,” an increasing urban dependency on cheap transferable policy models for economic
development, increased inter-urban competition for state funding and expanded “rule by accountancy.” Peck draws on transitions in governance in Detroit over the past three years to as illustrate these emerging trends, particularly the city’s Financial Stability Agreement with the state in early 2012 and the looming possibility of the appointment of an emergency manager at the time of the paper’s publication. Though the last three years provide the light and heat of these pressures, particularly in the aftermath of the financial crisis, these processes have been unfolding for decades in Detroit. The emergency manager law, though expanded in 2011, has been in place in Michigan for over three decades and laws and policies implemented at the state level since the late 1990s, driven by the “risk shifting rationalities, placebo dependency and tournament financing” identified by Peck as emergent laid the groundwork for the fire sale privatization and state and investor led financial coup in the city of Detroit today. State-led intervention in Detroit’s land markets, particularly over the past two decades, offer evidence, pre global financial crisis, of these processes, there development and the role of declining cities as sites for the roll out of experimental market policies that further shift the redistributive power of the state toward accumulation and cut deeper into the remainders of the welfare state.

Within these analyses the expanding literature on financialization and policy mobility were key. A large body of scholarship is focused on the real estate market and its increasingly central role in economic growth. The increasing financialization of property markets starting in the late 1970s and early 1980s is seen as one of the primary causes of the foreclosure crisis beginning in 2006 (Crump et al., 2008). The construction of Mortgage Electronic Registration Systems (MERS) and the increasing use of derivatives coupled with the restructuring of regulations for mortgage back securities allowed for an expansion in the subprime mortgage market (Gotham, 2006, Immergluck, 2010). In addition to these analyses, scholars such as Gottdiener (1994) and Beauregard (1994) sought to trace the ways in which investment in the built environment separated from any measure of use and became largely speculative investments on appreciable land values and incentives within financial sectors. For Molotch (1976) and others, the centrality of economic growth for city building was the primary motivator for local
governments and policymakers leading to public-private alliances characterized as a
growth machine. Beyond growth coalitions which received voluminous attention,
particularly within locality debates throughout the 1980s, researchers attempted to
isolate actors within the secondary circuit and to classify these relationships. Haila
(1991) generated a typology of investments in land and property utilizing the variables
of use and exchange value and time (present or future) drawing on a localized case
study in Finland. For Haila, land markets operate on an internal logic that is largely
determined by monopoly control and supply. In declining cities such as Detroit, supply is
not an issue and disrupts this construction of an internal logic for markets. In addition,
the speculator for Haila is a “Schumpeterian or Weberian entrepreneur,” destroying to
create. These activities are placed within a continuum where the intended use is not
disruptive. It is primarily a finance-centric argument examining the pursuit of profit that
does not account for externalized costs and the material effects of speculative actions,
particularly in the case of declining markets. More recently Charney (2001) examined
capital switching in the context of the Canadian real estate sector in Toronto. Charney
and others, such as Fox-Gotham (2012), have focused on real estate development and
the financialization of real estate instruments such as mortgages in speculative trade.

Much of this work is generated in response to Harvey’s argument of capital switching
(1978, 2006). Essentially, over accumulation in the productive sector leads to
investment in the built environment and often precedes an economic crisis. Most recent
literature now characterizes the secondary circuit as containing its own rules, logics,
and investment patterns (Fainstein, 2001, Beauregard, 1994, Gotham, 2006). The land
auction process would support that argument to an extent. Actual practices in the
auction problematize both the conception of speculative activity in land markets as
primarily geared toward development, in this case investment is rarely accompanied by
development, and its outcomes require a reconsideration of the “entrepreneurial fervor”
which Beauregard (1994), Charney (2001) and others have pointed to as a driving force
in real estate speculation that accounts for the externalized costs of this activity. Rather
than investment in real estate in Detroit being a spatial fix; it is generating a peculiar and
destructive spatial fixity, in which the ability and capacity to intervene through
government are trumped by ideological concessions to a “free market” and the fervor of its entrepreneurs accelerating destruction with minimal creation.

In their aptly named forum and subsequent series of articles published in *Urban Geography* under the heading *Cities Destroyed (Again) for Cash*, the antecedents and the fallout from the subprime mortgage crisis were given a historical context and a micro-level examination of neighborhood conditions prior to the collapse of the housing market. It detailed the macro-level role of financialization in opening additional avenues of exploitation and shaping the housing crisis as it unfolded across the United States (Crump et al., 2008). By drawing on the title of Brian Boyer’s out-of-print polemic on the HUD-FHA mortgage scandal of the early 1970s, the authors allude to the longer crisis of urban housing in the United States and the ongoing excavation of profit from urban neighborhoods. Newman (2009) illustrates the role of government, particularly the federal government, in constructing financial markets that contributed to the collapse. “Financialization has meant a fundamental restructuring of the economy with the state and market producing new institutional arrangements and rules to facilitate capital accumulation. Whereas the nation-state has played a pivotal role in expanding the new economy, it has done little to ensure that it is regulated (Newman, 2009 p. 750).” As Newman (2009) and Walks (2010) point to the role of the nation-state in remaking these relationships, active interventions at the state and local level in property markets engaged these emerging pathways and expanded access for investors and speculators working outside mainline and subprime financial institutions. The cases that follow detail these activities at the state and local level with a focus on local actors operating outside of traditional financial structures set out in the financialization literature yet fully engaged with the exploiting the increasing liquidity of real estate. The patchwork work landscape of disinvestment that is expanded and exploited in cities such as Detroit is a material manifestation of the increasing separation between use value and exchange value. A separation aided by the intervention of policy experts, think tanks and ideologically aligned lawmakers at the state level building and deploying model policy for economic development and property speculation.
As Peck, Theodore and Brenner argue, various scales of government are “relationally interconnected within a transnational governance system and linked through fast-moving transnational circuits of policy formation” (Peck et al., 2012 p. 273). A growing body of research is focused on the role of policy transfer in neoliberalization, particularly the role of policy transfer as an immediate response to crisis rather than an attempt to instigate structural change (Peck et al., 2012, McCann and Ward, 2012). Much of this work on policy transfer examines the way in which municipal economic development policy is shaped and reshaped by actions in various cities, particularly on OECD countries. Recent work focuses on the collection of consultants and technocrats that offer contractual services as policy carriers. It was also noted that the visible networks through which policy models are passed are not focused on cities such as Detroit. As Peck and Theodore wrote on urban policymakers focus on Vancouver and Barcelona, “... the other side of the coin is that the policy blogs are unlikely to be running hot, any time soon, with talk of the Havana model, Kabulism, or even less lessons from Detroit” (Peck and Theodore, 2010 p. 171). But as this case and a growing body of research on crisis and disaster demonstrates, these sites often cast off as backwaters or exceptions are active areas of engagement for roll out and experimentation with market fundamentalist policies (Adams, 2012, Akers, 2012, Hackworth and Akers, 2011, Hollander et al., 2009).

McCann and Ward (2012) argue that following policy, more specifically those making policy, allows for the understanding and interrogation of processes that expand market-centric governance and activities particularly in disparate urban locales. This research practice dovetails with the arguments of economic sociologists, particularly the work of Fred Block and Margaret Somers tracing the genealogy and development of market fundamentalism (Block, 2011, Somers and Block, 2005, Somers, 2008). For Block and Somers, the social construction of markets is a key node of analysis in countering narratives of natural markets, but also in analyzing how the actual practices of construction rearrange social relations. For Block, the key contradiction in the market fundamentalist approach is that “to construct the market that it imagines to be natural, market fundamentalists have no choice but to use the state as an instrument to achieve

These ideological seams or contradictions in neoliberalism, the ideological push for the paring down the state and the pragmatic deployment of state power in advancing of capital accumulation become increasingly apparent in interventions around property. For Blomley (2007), this contradiction is most incisive where the expansion of accumulation meets private property rights. Hackworth (2012b) argues market-centric policies hinging on individual choice are increasingly driven through private property. Libertarian and free market policy think tanks are at the forefront of property rights movements. The role and influence of think tanks in the crafting and development of policy received greater attention over the past decade. Think tanks focusing on law and policy at various scales span the political spectrum drawing on funding from foundations corporations, and individuals with similar interests (Medvetz, 2012b). Peck (2006a) tracked the growth of these organizations’ influence from the New York fiscal crisis to the federal response to Hurricane Katrina, arguing, in part, that the ability of think tanks to influence policy was drawn from “the construct of veneers of programmatic purpose (Peck, 2006b p. 729).” Peck’s intervention generated responses from Mitchell (2006) and Liu (2006) arguing that the narrative of the rise of influence did not account for the struggle against these policies. For Liu, the appearance of a seamless rise of groups such as the Manhattan Institute belied the existing incoherence of a hegemonic neoliberalism that offers the possibility for alternatives (Liu, 2006). Mitchell argued for more careful consideration of the contestation and struggle these policies generated and how these moments were contingent (Mitchell, 2006). In a more recent collection focused on the intellectual trajectory and expansion of neoliberal policies and ideas, think tanks are likened to showrooms where policies and ideology are peddled to intellectuals and those in a position to influence public opinion (Mitchell, 2009). These centers focus on courting people in positions of influence and crafting policy and are predominantly funded by corporations with money channeled through foundations. As
think tanks proliferated at the national level, even greater expansion occurred at the state level. This franchise approach resulted in the explosive growth of state-level free market think tanks, from 12 in 1986 to 59 in 2006 (Deparle, 2006, SPN, 2012). The largest of these being the Mackinac Center for Public Policy in Midland, Michigan, founded in 1987. Many state level think tanks formed in the past two decades credit Mackinac for developing the tools for expansion (Deparle, 2006).

The efforts of free market think tanks at the state level and its effect on law and policy and the scalar relationships of these actions are less prevalent in much of the literature on urban geography. This expansion further developed a network of ideologically driven organizations that are not only lobbying for market-oriented policies, but also often writing laws for elected representatives. This use of the state legislature limits the parameters in which cities operate and precludes alternative avenues at the local level while shifting the “soft center” further to the right (Friedman and Friedman, 2002, Hayek and Caldwell, 2007, Theodore and Peck, 2011). These coordinated efforts at market production at the state level became a focal point in recent anti-union battles in the state of Wisconsin and the role of ALEC in coordinating state-level initiatives, predominantly legislation developed by the think tanks and corporations that are majority of the organization’s membership (Olsson, 2002, Abowd, 2012, Nichols, 2011c, Cronon, 2011a, Cronon, 2011b, Medvetz, 2012a). What emerged in the public record was a more thorough examination of how state government worked _ not only how bills become laws, but how bills are actually written in the first place. This is not to say that state and national think tanks are necessarily conspiring to change the way property markets and other regulatory structures work, but that the overlapping goals and agendas generate a series of laws, particularly on the state level, that create a systemic bias toward private investment and deregulation to address many of the issues facing post-manufacturing cities or declining areas in expanding cities.

Recent work on declining cities is primarily focused on planning practices and potential interventions in the immediate outcomes in these spaces (Wiechmann and Pallagst, 2012, Hollander et al., 2009, Pallagst et al., 2009, Pallagst, 2009, Mallach et al., 2011,
Dewar, 2009, Dewar, 2006b). Scholars attempting to conceptualize urban decline beyond planning practice are challenged by their own assumption that declining cities are places abandoned by capital (Bernt, 2009, Wlechmann, 2008).

"Governance in the absence of capital has not yet stimulated much discussion, and the trajectories of governance in coping with decline have yet to become a well-studied phenomenon (Bernt, 2009 p. 755)."

This construction is prevalent in analysis of decline and is problematic as it holds these places as sites of exception (Hollander et al., 2009, Pallagst et al., 2009). This formulation of urban decline struggles to account for the activities extending and shaping decline. The claim of absence closes off the exploration of ongoing accumulation in declining cities. It absolves policymaker and lawmakers of the outcomes of market-centric responses to market failures and the roles of state and market in the production of decline. Finally, the construction of these cities as exceptions places a growing byproduct of neoliberal urbanization outside this process. Capital is not absent rather it is highly active. By acknowledging activities, such as the expansion of speculation based on private market activity and public-private development or the deployment of market-centric experimentation, as accumulation practices it allows for an analysis that moves these cities off the margins and integrates urban decline within broader theoretical and conceptual understandings of urbanization and transitions in urban governance. Rather than isolated events, these sites are embedded in trajectories and processes in which outcomes differ but practices are often similar. It is a shift rather than a withdrawal of capital and it is aided by, and influences, governance practices that are oriented toward private markets. Transitions in neoliberal urban governance, particularly the entrepreneurial strategies of state and municipal agencies, are integral in the production of decline. Rather than sites of exception, these are ordinary cities in which the outcomes of the devolution of risk and debt and the evolution of market-centric practices produce spaces of decline (Robinson, 2006, Peck, 2012). These cities are the present future of austerity urbanism and a primary exhibit in the reorientation of the state’s power of redistribution toward accumulation.
Methodologically, the project is situated within critical realist approaches to understanding complex systems. Following Sayer (2000) and Graeber (2001) this approach opens a dialectical approach that emphasizes flux and change while pulling histories into the contemporary moment and analyzing the pathways and modalities prescribed and inscribed by imaginings of the future.

Heterodox economists are frequently deploying retroduction as a methodological practice to overcome disciplinary barriers but to understand the complexity of social relations in both making and participating in markets through a mix of qualitative and quantitative methods. Jones and Murphy (2011) recently argued that retroduction is "well-suited to the study of practice. … it is open to a diversity of qualitative and quantitate techniques and because it emphasizes the importance of triangulation as a process through which empirical data and abstract theories can be more rigorously interrelated through an exchange of information derived from both intensive and extensive methodological approaches (Jones and Murphy, 2011 p. 380)."

Emerging approaches to retroductive reasoning in Social Sciences (Sayer, 2000, Graeber, 2001, Lawson, 2003, Yeung, 2005, Castellacci, 2006) move beyond the reductivist point of perception or inference and deploy a mixed methods approach of ethnographic fieldwork and quantitative data analysis to engage the object of study. The process is reflexive and dependent upon the dialogue between theory and observation. These approaches are most often deployed in the study of a particular defined object, the household or an industrial cluster for example. A city or more specifically urbanization, even when sited, is a complex and dynamic field. Brenner (2009) argues that an analysis of uneven spatial development must include place-based, territorial and networked dimensions. “Thus, in contrast to reductionist, isomorphic, and mono-dimensional approaches, it is methodologically imperative to view every sociospatial process as a complex crystallization of multiple, intertwined, geographical dimensions and consequently to subject each of the latter to sustained analysis (Brenner, 2009 p. 32).” The intent is to move beyond scale as a container by reflexively combining these manifestation points with other geographical dimensions setting in motion structures
and relations previously static in analysis. This approach takes seriously Lefebvre’s argument of the urban as process or mode of production and destabilizes the boundaries of the state offering both the expanse and limits of its reach and the knowledge of those operating within the apparatus of government and its intersections and divergence with capital in shifting accumulation strategies (Lefebvre, 2003b). The use of a reflexive approach deploying scale as a process allows for the global reach of the urban and the local intervention of the state. It recognizes the macro-necessity and micro-diversity through the observable variegation in the accumulation process contingent upon local practices and global networks in the process of uneven spatial development.

The methods deployed here allow for a dynamic engagement with people and place. Archival work, interviews, and participation observation, were also deployed out of past experience and familiarity with these approaches. The mixture of methods captures both the complexity of the city and the trends and issues that emerge as relevant in place. There are of course limits - documents are lost, people are unavailable, informants have their own needs and desires and the there are no controls over these outcomes, but this messiness is representative of both lived experience and practice and informs the work that appears here. The act of record keeping, the limits of knowledge within official documents, the lack of engagement by those in power or in control of property inform the work and inform the analysis of data and the statements and claims of interviewees.

The focus of this project is on production – or the ways and means of making things – in this case decline or value from what is often categorized as waste. This informs the identification of sites - law and policy within within institutional bodies and the bodies of those operating in and on those institutions. Within the state-property-market triad informants and research sites arise out of engagement with those operating in and on the state, the practices of property, and the actions of those operating in or outside the market. At its core this methodology relies on a relationship between the informants and the archive as interviews direct toward particular archives and material and that material
is brought back to interviewees and others they identified. This work avoids deriving any truth claims from interviews as each interview is unique and undertaken in a variety of different circumstances. The treatment of interviews in the analysis reflects that. Interviewees are rarely quoted and their observations are often combined within the analysis. Many of the targets within the archives were pulled from the interaction with various groups and individuals as well as interviews.

The work that follows examines the production of decline and the active processes within uneven development holding these practices as multi-scalar, variegated and asynchronous. Land is the fundamental starting point and the construction of laws and policies in making and unmaking material boundaries and abstract claims to property are examined primarily through archival research, quantitative analysis, and interviews. Law is analyzed not as an abstract endeavor but as a codification of social relationships and the making of rules that set parameters for policy and market activity. The outcomes of these activities are analyzed through comparison of intent and outcome. These outcomes are measured quantitatively through property records, real estate transactions and the mapping of change over time and through qualitative engagement as a participant observer and active interviewer. This mixed methodology allows for the identification and understanding of practice, activating spaces often constructed as inert or explained through abstract process such as deindustrialization and globalization. This archeology of practice and genealogy of law and policy reveals place specific variation but also the ways in which these activities are developed and transferred between places and across scales.

The examination of these processes is broken into six chapters. These chapters are focused on economic and political activity in the state of Michigan and Detroit. It situates the city as an outcome of neoliberal urbanization rather than as an exception. It demonstrates how declining cities are active sites of experimental market policy and examines the increasing role of free market and neoliberal think tanks in directly shaping urban governance through law and policy. Finally, it identifies a shift in the
orientation of governance beyond entrepreneurialism and partnership toward a less than full service market city.

Chapter One examines the history, development and evolution of urban homesteading policies utilized as both a vehicle to spur private investment and promoted as a means to alleviate poverty through property ownership by transferring publicly-held property into private markets. Urban homesteading programs demonstrate the contradictory logics of neoliberal governance. First, it is a pathway for the devolution of state responsibility. Urban homesteading programs became an effective vehicle to download control of vacant and abandoned property generated by market fraud to increasingly finite levels of government. This began in the early 1970s with the U.S. Department of Housing and Urban Development Section 810 program that allowed federally held property to states and cities. The program was followed by the Michigan Urban Homesteading Act of 1999 that transferred responsibility for vacancy and abandonment from the state to counties and cities. Second, it demonstrates the necessity of the state in codifying market centric policy. Urban homesteading was intended to limit publicly-held property and return it to market, but it required local governments to act as the arbitrator of property dispensation and maintained a role for the state as a moral authority in determining ownership eligibility.

Chapter Two examines the origination and implementation of the land auction in Michigan and its outcomes in the city of Detroit over the past decade. In spaces of decline the return of land to productive of use is a key site of state intervention. A variety of approaches have emerged over the past four decades intended to address issues of declining tax revenues (tax liens and tax auctions) and arrest the externalized effects of vacancy and abandonment (land banks and development incentives). These interventions rely on private property ownership as a stabilizing force and are focused on returning land to the private market with varying degrees of government oversight and speed. The public land auction is the primary method deployed to move land back into the private market in Wayne County and Detroit.
Chapter Three details the variety and volatility of speculative activity in property markets by developing a typology of speculation drawn from a decade of public land auction activity in Detroit. For free market and libertarian think tanks, property markets are often conceptualized as utopian spaces in which individuals act in their self-interest. This exchange of property and the act of ownership generating stability and growth. More critical scholars often conceive of speculation as a more-or-less monolithic category. Though the ends are the same for speculators, profit, the means and material outcomes of speculation vary considerably. This chapter focuses on the speculative aspect of property, examining both the market activity generated by the land auction process in Wayne County, Michigan and post-auction activity of speculators and investors. It does not examine the simple bet of the single family home owner that a house will be worth more in 20 years, but the short term bets that a property can be sold for profit regardless of condition.

Chapter Four draws on the typology of speculation and narratives of decline surrounding a 1.5 square mile site in the city of Detroit. It demonstrates the production of decline and challenges assumptions of capital’s absence. Within this finite area there are heavy investments in infrastructure that generate path dependencies due to both its construction as an international border and the industrial and commercial trade routes passing through. There is also residential and commercial gentrification in the area that utilizes the ruins generated by struggles over territory and control over trade routes to boost commercial traffic and identify the area. This process is captured and obscured through the production of images, the making of meaning around iconic symbols of abandonment, and narratives of resurgence tied to the expansion of residential and commercial gentrification. These images and the texts around them often narrate the racialized and classed divisions of the city, drawing on war metaphors and deploying government and unions as stand-ins for skin color and poverty. This chapter begins with an analysis of the proliferation of images and text that situate decline. It then turns to an examination of the changing patterns of land ownership examining this transition within the political and economic networks in which it is situated to demonstrate the active practices producing ruins and deepening decline.
Chapter Five argues the recent history of eminent domain in Michigan is demonstrative of transitions in the state’s role in markets and the means by which market fundamentalist movements actively shape laws and policies restructuring the relationship of state and local governments to the private market. It is illustrative of the increasing role of free market think tanks in the crafting of state law and policy. These actions are buttressed by financing and research networks that seek out sites for the deployment of market-centric ideas. The history of eminent domain in Michigan, from the 1981 Poletown case to the passage of constitutional amendment in 2006, demonstrates the evolving role of the state in market construction and intervention. These transitions in Michigan mark a movement away from the managerialism of urban government, as seen in early urban renewal projects, to an entrepreneurial role in serving a conduit to pass private property to private interests, and most recently as an actor in markets, which by legislative limitation, local government is forced to compete with other private actors. Finally, it illustrates how market-centric intervention through law and policy furthers the ongoing orientation of the state’s redistribution power away from social services and toward capital accumulation.

Chapter Six examines how urban governance is shaped by decline. The reconstruction of governmental capacities demonstrates the shift to entrepreneurial urbanism, the rise of grant coalitions, and the transition to a less than full service city where resource allocation is based on market-type rather than residency. Recent austerity measures exacerbated the crisis, but these measures are situated within a reorientation of the redistribution power of the state toward accumulation, particularly in spaces of decline. Over the past four decades the state of Michigan and city of Detroit actively pursued policies that reorient government’s role in service provision and the distribution of revenues toward business and property owners. The following sections detail these transitions. Section one examines the roll-out and evolution of the Detroit Works Projects and the market city approach that emerged as the foundation of both the short term and long term plans. Section two examines the expansion of incentive based growth in Detroit over the past four decades. It details the various programs reorienting
local government away from service provision and toward accumulation. Section three briefly brings these movements into the present municipal fiscal crisis where the state-level threat of emergency management or bankruptcy.
Chapter 1

Searching For Stability: Addressing Vacancy and Abandonment Through Urban Homesteading

In 1999, Michigan Governor John Engler signed the Michigan Urban Homesteading Act. The suite of bills allowed individuals to take over publicly-held property for $1, plus repairs, and resulted in the transfer of title after five years. For Engler and fellow Republican state Senator Bill Schuette the act was a model for other states dealing with widespread vacancy and abandonment in urban cores. Schuette said urban homesteading would “give poor individuals a chance to work toward homeownership and gain a ‘real stake in their community’ (Gongwer, 1999b).” In addition to moving publicly-held land inventories to private individuals, the laws allowed for the transfer of public housing to tenants and set out a series of regulations for participants to qualify and remain in the program.

Over the past decade no urban homesteads were issued in the city of Detroit, the primary target of the bill. The impact of the act was the restructuring of the state’s tax reversion process and the introduction of a public land auction. Though urban homesteading was ineffective as a program its construction and passage is instructive both in the expansion of neoliberal governance and the institutionalization of market-centric policy within state and local government. First, the development of the Michigan Urban Homesteading Act reveals the increasing role of free market think tanks in the crafting of policy for state and local governments in the 1990s. Second, it extended a nearly 25-year process of devolving state responsibility for vacancy and abandonment. Third, it defined the role of local governments in addressing these issues by prioritizing the rapid return of vacant and abandoned property to the private market and instituting a structure of state managed moral requisites for property ownership in the discounted transfer of property to individuals.
Vacancy and abandonment are a manifestation of uneven development. Spaces of decline are marked by high concentrations of property that is unused or underutilized. Critical urban scholarship on uneven development has focused on the process of urbanization as increasing sections of the periphery are urbanized (Walker, 1981, Darden, 1987, Smith, 2008) or on the return of capital to the city through revanchist redevelopment (Smith, 1996, Hackworth and Smith, 2001, Hackworth, 2007). For Smith, reinvestment in the city was driven by increasing opportunities for profit as the gap between potential property value and actual value widened. The rent gap increased through the five part devalorization cycle ending with abandonment when all value was extracted from the property (Smith, 1982). But Smith’s cycle concludes here before beginning again with reinvestment. For neoliberal scholars, the lack of investment results from overregulation and government interference in private markets (Butler, 1984, LaFaive, 1999). If the private market is allowed to operate without government interference stability and equilibrium will be achieved through individuals seeking their own self-interest (Friedman and Friedman, 2002). This was the approach argued for by proponents of the Michigan Urban Homesteading Act and taken by the state though stability and equilibrium did not materialize (Weicher, 1999b).

Within the devalorization cycle abandonment is the result of a building’s costs surpassing the profit of maintaining it. But vacant and abandoned property often co-exists as abandoned buildings are exchanged repeatedly. The abandonment of buildings is sometimes more profitable for one owner, but it is rarely the case that all value is extracted. Speculative and predatory investment seeking advantage in government or community projects remains highly active, leaving property materially abandoned but deeply embedded in capital accumulation as property titles are held and exchanged. Hackworth and Smith (2001) detail the intrinsic role of the state in aiding and influencing capital’s return to the city. They detailed the state’s role in the dismantling of public housing and buttressing of urban real estate markets through the devolution of governance and downloading of responsibility (Hackworth, 2007). The role of think tanks in shaping market-centric policies for government response to crisis and the use of religious community organizations and charity networks as rhetorical
replacement for welfare provision allows for the continued dismantling of social service provision (Hackworth, 2012c, Hackworth and Akers, 2011). Local governments are actively involved in the mitigation of vacancy and abandonment through a variety of approaches, many of which are centered on economic development and growth. The use of state policy to privilege private markets and ownership allows for the expansion and deepening of devalorization cycles. It buttresses a market for the exchange of vacant and abandoned property that is removed from the physical conditions of the actual structures and is reliant on the speculative possibilities of urban entrepreneurialism and grant coalitions targeting redevelopment (Harvey, 1989, Bernt, 2009).

This chapter examines the production of vacancy and abandonment, the subsequent devolution of state responsibility for the mitigation of issues arising from these conditions, and the evolving role of urban governance in managing decline. The case of urban homesteading demonstrates both the practice of neoliberal rule and the contradictory logics of neoliberal governance. First, urban homesteading programs were an effective conduit to download responsibility for vacant and abandoned property generated by market fraud to increasingly finite levels of government. This was part of the Housing and Community Development Act of 1974 under the Ford Administration. The program was overseen by the U.S. Department of Housing and Urban Development (HUD) and was known as the Section 810 program. It moved federally held property to states and cities. The program was followed by the Michigan Urban Homesteading Act of 1999 that transferred responsibility for vacancy and abandonment from the state to counties and cities. Second, the Michigan act demonstrates how market-centric policies are crafted and codified. The law created a property dispensation method that emphasized moving publicly-held and tax foreclosed property to the private market more quickly and introduced a city-managed urban homesteading program to pass market rejected property to poor residents meeting moral qualifications delineated by the state. Third, an act presented as a state initiative was funded and driven by free market think tanks and foundations. This continued an expanding
engagement of think tanks in policy production at increasingly finite scales with a particular focus on spaces of decline for market-centric policy roll out.

In tracing the genealogy of urban homesteading from its introduction in Wilmington, Delaware to its incarnation as a state level policy in Michigan the chapter is broken into two parts. The first section briefly examines the market production of vacancy and abandonment between 1968 and 1972 and the introduction of the urban homestead program. It follows the evolution of the HUD urban homesteading program from 1974 to its demise in the early 1990s. Section two examines the development of the Michigan Urban Homesteading Act; focusing on how the legislation was crafted and examining the assumptions made about property markets, home ownership, urban residents and the role of government.

The case draws on over 800 pages of documents held at the Michigan State Archive and over 20 hours of recorded testimony held by the Clerk of the Michigan State Senate. Documents in the archive include the bills and their amendments as well as transcribed testimony before the Michigan House of Representatives Local Government and Urban Policy Committee where the bill was introduced. The Clerk of the Michigan Senate provided tapes of hearings on the legislation before the Michigan Senate Committee on Economic Development which reviewed the bill after it passed the House. This material is supplemented by interviews with community development advocates and former lawmakers involved in crafting the legislation. These interviews focused on the construction of the policy at the time and reflections on its outcomes over a decade later. Secondary sources including newspapers, newsletters, magazine articles and the annual reports of think tanks involved are also incorporated. The longer history of urban homesteading draws on scholarly work, news and magazine reports from the period, as well as materials drawn from the Jerome P. Cavanagh and Coleman Young collections at the Walter Reuther Library at Wayne State University.4

4 Many of those involved in crafting or championing the legislation declined or did not respond to interview requests. Those include former Gov. John Engler, Attorney General Bill Schuette, Jeffrey Reno, John Weicher and Patricia Buckholz.
Federal Urban Homesteading

HUD-FHA

By the early 1970s the federal government held title to over 350,000 properties, mostly single family residential parcels, in central cities throughout the United States. In 1972, HUD estimated it held over 40,000 parcels in Detroit (Boyer, 1973, Chandler, 1972). Nearly all of these properties acquired between 1968 and 1972. The increase in federally owned parcels were accumulated in a multi-billion dollar mortgage scandal involving loans underwritten by the Federal Housing Administration (FHA) and administered by HUD. The Department of Housing and Urban Development was created in 1965 as the successor of Housing and Home Finance Authority. HUD was the consolidation of a number of agencies including the FHA. The Housing Act of 1968 was, in part, a response to the urban rebellions of the mid-1960s. The Act rolled back redlining and extended mortgage guarantees to banks lending in urban areas it previously excluded from traditional lines of credit. These loan guarantees were made under Section 235 of the act. This section, written with the aid and support of banks and realtors, was a boon for private capital and often a disaster for new homeowners, many of whom defaulted within a year of taking possession of the property (Stegman, 1972, Mogk and Mager Jr, 1974, Wachter, 1980). These defaults on federally guaranteed mortgages resulted in full payouts to lenders and deeded abandoned property to the federal government (Boyer, 1973, Wachter, 1980). The U.S. General Accounting Office (GAO) estimated government losses of $200 million (US$ 1972, $1 Billion US$ 2012) on loan guarantees in Detroit.

The opening of previously redlined areas to traditional lines of credit created a number of issues. Mortgage banks and speculators colluded with government officials in local HUD offices to push paperwork through on inflated mortgages for buyers whose paperwork and employment history was often falsified by lenders leading to waves of foreclosure that resulted in mortgage banks receiving the loan plus interest and the federal government holding the property. These loans were based on inflated appraisal
values often achieved through bribing appraisers (Boyer, 1973). Buyers were often saddled with slum property and high mortgage payments. Many chose to walk away from the property resulting in default and destroying the credit of many poor and working class black residents offered access to mainline lending institutions for the first time. The HUD-FHA scandal generated massive levels of vacancy and abandonment in the city. The creation of 40,000 vacant and abandoned residential parcels is just under half the total number of vacant and abandoned residential parcels in the city of Detroit in 2012 (DWP, 2012c). In the 40 years since the HUD-FHA scandal, the city’s population declined by over 1 million people and the total number of vacant and abandoned parcels only doubled.

By the early 1970s the federal government began to liquidate the accumulated housing stock acquired through mass defaults. It offered the property to states and cities through various programs, one of which was the urban homesteading program (Drewes, 1973).

The Federal Response Through Urban Homesteading

The federal urban homesteading program was initiated in 1974. Proposals for an urban homesteading program emerged in the late 1960s. Urbanist George Sternlieb and Philadelphia City Councilor Joseph Coleman were two of the earliest and most influential proponents. They sought to develop a program that addressed issues of abandonment in urban cores and increasingly dire housing conditions for the poor. They proposed using the increasing number of vacant houses in Philadelphia for two purposes: to attract new residents and mortgage capital into the central city, and to match low income residents with housing. This twin mandate would become central to the federal program beginning in 1974 and resulted in a program that struggled to

5 There are approximately 150,000 vacant and abandoned parcels of land in Detroit. Of those, 60,000 are industrial and commercial sites held in private ownership, 60,000 are publicly held parcels and 30,000 are privately held residential parcels (DWP, 2012). There are over 360,000 total parcels of land in the city of Detroit.

6 Sternlieb (1969) was a staunch proponent that mortgage capital was necessary to stabilize the inner city. In his 1969 book, *The Tenement Landlord*, he argued that the cycle of blight and the worsening conditions of slums could be halted with the extension of institutional lines of credit into redlined areas. This argument was put into practice, but to quite the opposite effect.
mediate between state-led gentrification and the provision of affordable housing (Newberg, 1991).

In 1973, Wilmington, Delaware started the first urban homesteading program as a local initiative. This was followed by programs in Philadelphia and Baltimore, with the participation of HUD. A year later, the federal urban homesteading program was authorized under Section 810 of the 1974 Community Development Act. The agency expanded the program to 23 pilot cities, offering federally held land in neighborhoods designated at the local level. In part, the program offered a pathway for the federal government to substantially reduce its responsibility for urban land by transferring much of the single-family housing stock it held to municipalities. The homesteading Section 810 allowed HUD to transfer single-family housing in the federal inventory to cities and states that applied to participate in the program. Though the agency did not provide any funding for the program it did transfer title for properties to local agencies with the intent that individuals and families participating in the local program eventually receive the deed to the house. The program combined the aims of the Wilmington homesteading program that intended to end blight through private investment and inducements to more affluent homesteaders and the Philadelphia program that attempted to match low-income residents with housing. Both programs and the federal program assumed that the extension of homeownership would stabilize neighborhoods. These twin aims plagued the program for much of its existence as local governments chose between offering houses to induce middle class residents and providing low-income housing. Cities were left to choose between potential homesteaders who could demonstrate the financial ability to make necessary repairs to the houses or take on the task of matching homesteaders with financing or providing it through the city.

The federal program was enacted as part of the 1974 Community Development Act that introduced the Community Development Block Grant (CDBG) and accelerated the shift

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7 In 1973, Thomas Maloney was elected mayor of Wilmington, Delaware. Maloney instituted the first Urban Homesteading program in the US. The program had three stated purposes, one was to alleviate the city's housing shortage, the second was the elimination of blighted abandoned houses and the third was to return abandoned properties to the tax rolls. Philadelphia followed shortly after with its own program that intended to extend homeownership to low-income family and to limit blight.
away from a nationally directed housing policy to one that emphasized local discretion. According to Chandler,

“As a proposed means of reclaiming declining neighborhoods, urban homesteading enjoyed fleeting popularity in the early 1970s. For a brief period, the media embraced the notion of urban pioneers salvaging communities. Enthusiasm waned as the reality of operating the program tempered the idealism of the implementing agencies and prospective beneficiaries (Chandler, 1988 p. 2).”

In Newberg’s (1991) analysis of the program, the “inter-related but conceptually distinct problems” (p. 742) urban homesteading tried to address “the externalities of abandonment and neighborhood decline, and the need for cost-effective provision of low income housing” (p. 742) led to approaches in demonstration cities that were ineffective as they attempted to address both at the same time. The issue of abandonment and neighborhood decline was seen as best addressed through the attraction of “urban pioneers,” the early gentry at the core of gentrification work by David Ley and Neil Smith (Ley, 1996, Smith, 1979). Some local program administrators and HUD officials attempted to avoid this approach and the subsequent displacement while other pilot cities embraced it (Blackburn et al., 1981). In HUD’s own analysis of the program and the effects of state-led gentrification it focused on the needs of urban homesteaders, particularly the demands for safety and educational opportunities for white parents who left the program or abandoned their homestead (Blackburn et al., 1981). A program initiated to deal with increasing vacancy and abandonment in central cities, HUD found cities where the program focused on spurring private investment most successful (Blackburn et al., 1981). But mounting community pressure and activism shifted the program’s focus in the the early 1980 away from spurring development, an approach that was contributing to gentrification and subsequent displacement, and toward providing low income housing (Blackburn et al., 1981). This transition was largely driven by nationwide squatter campaigns and pressure from community groups and led by the Association of Community Organizations for Reform Now (ACORN)
The organization of squats in Philadelphia quickly spread to other urban cores across the United States and led to the ouster of those controlling the homesteading program in Philadelphia and Congressional hearings that resulted in major changes to the program. In 1983, Congress mandated the program as an avenue to provide affordable housing for low-income residents. The changes expanded the program to abandoned property outside of those owned by the federal government. It also gave priority to those living in unsafe conditions, paying more than 30 percent of their income for shelter and those unlikely to gain better housing without the homestead. The revision also excluded current homeowners from participating in the program (Borgos, 1986).

In Detroit, the focus of the urban homesteading program in the 1970s and 1980s was to provide low-income housing. Its implementation was hampered by long delays in the transfer of properties from the city to homesteaders and also in matching homesteaders to potential houses. In one of the few extended examinations of federal urban homesteading in Detroit, Chandler (1988) cites a 1986 HUD review of the city’s program that found nearly 200 properties were never transferred by the city to homesteaders and many of those properties were either demolished or uninhabitable after being left open to the elements for as long as five years. In addition, an inability to fund the project at the local level and the lack of federal funds were primary obstacles to homesteading in Detroit. These funding issues led the city to move to an ‘as-is’ urban homesteading program in 1983. This approach was intended to relieve the city from providing financing or assisting urban homesteaders in finding financing (Chandler, 1988).

Despite the “as-is” program, participants were still required to demonstrate they had the financial means to bring the structure into compliance with city codes. The city’s preferred approach was to offer the houses through a city-wide drawing. Once homesteading applicants were selected, the inability of many to find the necessary financing to bring the structure up to code, a requirement of the program, disqualified candidates. 

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8 Largely ineffective in putting people into houses, Section 810 program was successful in transferring responsibility for much of HUD’s property inventory to state’s and local governments. The fallout of the HUD-FHA mortgage scandal of the late 1960s and early 1970s left the department responsible for nearly 350,000 houses nationwide by 1974 (Boyer, 1973, Fox Gotham, 2000, Erickson, 2006, Whitman, 1977, McClaughrory, 1975).
them. The city would then hold another drawing to select new participants. Of 100 properties eligible to be transferred to homeowners only 16 transfers occurred by 1988. The program collapsed when all of those selected to participate in 1988 were unable to obtain financing (Chandler, 1988).

By the early 1980s, as the urban homesteading program transitioned from targeting private investment to providing housing for low-income populations, a new formulation of the idea was emerging. Republican Congressman Jack Kemp began to champion the idea of urban homesteading as a means to invigorate markets in declining urban cores and as a way to reduce the federal role in housing (Kemp, 1990). For the congressman and eventual HUD secretary, urban homesteading was a vehicle to privatize public housing and a means to transfer abandoned property from the federal inventory to private individuals. Kemp’s assistant secretary at HUD, economist John Weicher, was a long time advocate for the privatization of public housing. Weicher argued throughout the 1980s that public housing interfered with the private market and that builders would meet the demands for urban housing if the government were to withdraw (Weicher, 1980). By the conclusion of Kemp’s tenure at HUD the federal urban homesteading program was eliminated and replaced with the Housing Opportunity for People Everywhere (HOPE) that accelerated the dismantling of public housing and the subsidization of private development in urban areas across the United States. Though Kemp failed to fully implement his vision of an urban homesteading program in his tenure at HUD, Weicher attempted to implement these ideas in Michigan a few years later.

The federal urban homestead program provided a conduit to download responsibility and cost for vacant and abandon property to state and local governments. The program moved these properties out of the federal inventory but provided no support for the delivery, refurbishment, maintenance or upkeep of these properties to local governments or to individuals participating in the program. The mixed results of the program and its failure in Detroit meant that rather than returning vacant and abandoned structures to productive use the cost of upkeep or demolition was pushed onto local governments. The externalization of the cost of market failure and fraud was
pushed back onto the local communities that bore the brunt of the initial production of vacancy and abandonment. It hampered already struggling areas of the city, displaced long time residents and destroyed the credit of individuals shortly after they were given the opportunity to obtain it.

**Michigan Urban Homesteading**

**The Michigan Urban Homestead Act**

> “Today, we are setting Michigan on a new course to reassert enduring principles: home ownership, personal responsibility and a real stake in our communities (Gongwer, 1997b).”

– Gov. John Engler, October 30, 1997

In 1997, Michigan Governor John Engler announced plans to turn over abandoned properties and vacant lands in cities across the state to the “deserving” poor. Those willing to put in the time and effort to bring abandoned houses up to code, pay rent and abide by strict rules of conduct would be allowed to participate. The research and development of the program was led by the Hudson Institute, a free-market think tank. In selling the idea of giving city-owned houses to the deserving poor, politicians and policymakers relied heavily on the language of an American tradition of homesteading touting the program as the offspring of Abraham Lincoln’s approach to frontier settlement.\(^9\) Since the 1960s, Lincoln’s version of homesteading, land in exchange for improvement over time, has been promoted as a model to address vacancy and abandonment in cities with uneven application and limited results (Sternlieb, 1969, Varady, 1984, Chandler, 1988, Rohe, 1991, Newberg, 1991). These proposals addressed vacancy and abandonment in central cities and intended to provide a path out of poverty through home ownership. It was a means by which to address the outcomes of institutionalized racism that closed off areas of the city from investment and access to capital and enforced segregation and exclusion through legal codes and covenants (Freund, 2007, Sugrue, 2005). In 1999, when the Michigan Urban

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\(^9\) Lincoln’s urban homesteading act was undertaken as an attempt to reconcile a series of issues facing the Union during the Civil War. The use of land in exchange for military service or settlement was integral to the American colonial and revolution periods.
Homesteading Act was introduced its authors identified different causes to the urban conditions they sought to alleviate. Rather than the material consequence of structured exclusion it was the inadequacy of city residents at issue. This new urban homesteading initiative offered discounted property to those with a “real stake” in their community (Gongwer, 1997b). One of the bill sponsors, then Michigan Senator and current Michigan Attorney General Bill Schuette, made it clear who could not participate in the program: “[i]f staying off drugs is a hardship, if continual employment is not your bag, or if you don’t care if your kids stay in school, this isn’t for you (Johnson, 1999).”

**Engler and the Think Tanks**

In 1991, Republican John Engler was elected Michigan Governor, running as a “common sense” conservative. As with many of his colleagues in the United States at the time, common sense meant tax cuts, privatization and reducing welfare programs. According to his state biography, over three terms Engler “... cut taxes, reformed welfare, right-sized government ...” and enacted 32 tax cuts including the elimination of both the inheritance tax and the personal gains tax. Engler was an early member of the American Legislative Exchange Council (ALEC). The organization credits his leadership as essential in its formative years in the late 1970s and early 1980s, working with former Congressman Jack Kemp (ALEC, 2012).

In his first year in office, critics charged that Engler’s agenda was following the Mackinac Center for Public Policy’s “prescription for downsizing” point for point (Kaplan, 1991). Mackinac is a Michigan-based free market think tank. Engler did not shy away from these criticisms, saying “when the Mackinac Center speaks, we listen (Mackinac, 2001).” But Engler and Mackinac’s relationship went beyond listening. As a state senator and board member of the Cornerstone Foundation, he helped bring the Mackinac Center into existence in 1987. Engler promoted and approved the hiring of Lawrence Reed to run the policy center. As Reed recounted to the *New York Times*, he

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10 The American Legislative Exchange Council (ALEC) is a membership organization that focuses on the crafting of model policy for state legislators throughout the United States. Members include legislators, corporations and free market think tanks. The majority of ALEC’s funding is provided by corporate foundations. Legislators pay a $50 annual membership fee. ALEC was responsible for the recent right-to-work legislation passed in Wisconsin in 2011.
and Engler “both thought Michigan needed its own version of the Heritage Foundation (Deparle, 2006).” Reed is credited with the expansion of state-level free market think tanks throughout the United States. The center holds a public policy school twice a year for legislators, policymakers and other think tanks. Mackinac is nearly five times the size of any other state-level think tank and is actively involved in property issues as a member of the Property Rights Network, pushing for limits on eminent domain and for the privatization of government held property. As the largest state-level think tank, Mackinac is an active member of ALEC pushing various legislative and policy programs around education, labor and privatization (Abowd, 2012).

Despite Engler’s claims of success over his three terms, the city of Detroit continued to decline, due in part to Engler’s urban policy initiatives that limited revenue for city government. In 1997, when Engler announced the Michigan urban homestead project he claimed the initiative would reinvigorate cities such as Detroit and Flint. The intent of the project was threefold: to build urban homeownership, dispose of vacant urban land, and to quickly prepare tax-reverted property for sale (Gongwer, 1997a, Reno, 1999b, Reno, 2007b). Though championed by Engler and State Senator Bill Schuette, the project was not a state initiative. It was developed by the Hudson Institute and funded by four foundations. The program operated as the Michigan Urban Policy Initiative. Following Engler’s announcement, Hudson fellows announced plans to meet with mayors and legislators to build a homestead act that allowed for the privatization of public property and to identify “what layers of government have to be addressed to provide for that ownership (Gongwer, 1997a).” The study was funded by the W.K. Kellogg Foundation, the Mott Foundation, the Rollin M. Gerstacker Foundation and the Kinship Corporation of Chicago. Members of the latter two foundations also sat on the

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11 During his tenure Engler pressured the city of Detroit to lower its income tax or face massive state disinvestment. In exchange the state agreed to provide transfer payments of $339 million for seven years from FY 1998-1999 to FY 2005-2006. The state stopped making the agreed upon transfer payments in FY 2002-2003. The city estimates the state has not made over $220 million in transfer payments over the past decade. These non-transfers are highly contested as current Michigan Governor Rick Snyder demanded the near bankrupt city turn over its financial operations to an appointed board in 2012 (Dietrich, 2006, Helms, 2012).
Hudson Institute board. Gerstacker, the foundation of a former executive of Midland-based Dow Chemical, also funds the Mackinac Center.

Over 18 months, John C. Weicher, Patrick Anderson and Jeffrey Reno conducted research for the project. Weicher, a senior fellow at Hudson, spent the previous two decades working in the federal government, most recently at HUD, and at various Washington-based free market think tanks while Republicans were out of power. A University of Chicago trained economist, Weicher first served in HUD under Gerald Ford. This was followed by a stint at the American Enterprise Institute (AEI) where he wrote the book *Housing: Federal Policies and Programs*, published by the institute’s press in 1980. In 1982, Weicher joined President Ronald Reagan’s Commission on Housing. In his book, Weicher (1980) argued for a voucher system allowing those receiving assistance to choose their own housing. He also called for the elimination of Section 8 restrictions on landlords. Weicher claimed HUD housing interferes with the private market and that builders would meet the demand if government were to withdraw (Weicher, 1980). The commission’s report to the president called for the implementation of vouchers for private market housing units and the privatization of public housing (McKenna and Hills, 1982). After serving in the Office of Management and Budget under Reagan, Weicher moved to HUD as an Assistant Secretary under Kemp during the George H.W. Bush Administration. It was in this role, that the idea of homesteading as a privatization scheme was further developed and promoted.

As a congressman Jack Kemp often advocated urban homesteading as a solution to housing issues in the declining inner core of US cities. Kemp’s plan drew liberally from the ideas of Stuart Butler at the Heritage Foundation, building on his call for enterprise zones free of regulation to encourage economic activity in cities (Butler, 1981). Both Butler and Weicher called for the privatization of public housing during the 1980s, and Kemp’s homesteading plan combined both by offering public housing residents an opportunity to purchase their units and as a vehicle to transfer vacant and abandoned properties to low income families in urban centers. Kemp announced these intentions in a speech at the Heritage Foundation shortly after his appointment as HUD secretary.
The implementation of the homesteading plan envisioned by Kemp was cut short by the election of Bill Clinton in 1992, but not before Kemp ended HUD’s existing urban homesteading program, Section 810, which was primarily focused on providing low income housing rather than promoting redevelopment and gentrification. The HOPE program effectively gutted public housing in the United States reducing the overall number of public units, moving to the market for housing provision with vouchers (Hackworth, 2007).

In the early 1990s, Weicher joined the Hudson Institute as a senior fellow overseeing housing and economic issues for the then Indianapolis-based think tank. Founded by Herman Kahn in the 1970s, Hudson morphed over the years from a futurist think tank to a “hands-on” free-market policy center staffed by former members of Republican administrations whenever the party was out of power. One of its most notable current vice presidents is L. Scooter Libby.

The Michigan Urban Policy Initiative was indicative of an evolving approach to free-market policy promotion. The combination of private funding and policymakers operating at the state level increased throughout the early 1990s as neoliberalization increasingly transitioned from rolling back regulations and social programs to rolling out market-centric practices with an increasing focus on local policy pathways (Brenner et al., 2010, Peck and Tickell, 2002, Brenner and Theodore, 2002, Hackworth and Moriah, 2006). Policy clearinghouses such as ALEC and think tanks like the Mackinac Center focused on state legislatures from inception, but national level think tanks also worked directly with elected officials in state legislatures and executive offices. One of the more successful operations of this triangulation resulted in welfare reform in Wisconsin and what became the model for the federal workfare program under Clinton (Peck, 2001). The Hudson Institute sought to build on their participation in Wisconsin with the Michigan Urban Policy Initiative (Stern, 2000). The suite of bills this initiative generated instituted a market solution to a market generated problem and continued the downloading of risk and responsibility for vacant and abandoned land to local governments. In selling this proposal, proponents argued that a freestanding, self-
regulating market combined with the stability of homeownership and the frontier spirit of the homesteader would reinvigorate Michigan cities (Reno, 1999, Weicher, 1999). In the utopian market-driven urban frontier, the rugged individual in the marketplace would stabilize property markets in Detroit.

**Making the Bills**

By 1998, the Michigan Urban Policy Initiative produced a suite of 14 bills creating an urban homesteading program as the flagship legislation. Included in these bills was restructuring of the state’s tax reversion law – the process through which private property in tax arrears becomes public property – and a land auction that governed how tax foreclosed property moved back into the private market. The homesteading program did not generate a single homestead in Detroit, but the tax foreclosure and auction process dramatically changed ownership and speculation patterns in the city. Homesteading provided the rhetorical flourish that garnered most of the public attention and political push.

In crafting the legislation, fellows from the Hudson Institute met with elected officials at various levels of government, non-profit organizations and industry to examine the pressing issues of vacancy and abandonment and possible market solutions to the issue (Reno, 2001). The resulting suite of bills re-situated private capital and private property as the primary driver for the disposition of land under public control. It created a policy structure in which to regulate property ownership through moral codes, privatize public housing and download the responsibility for the costs of managing market failure to counties and municipalities.

The Hudson Institute framed the intent and outcomes of this legislation as means to increase the supply of housing for low income residents. According to Hudson fellow Jeffrey Reno, the initial intent of the program was to create low- to moderate-income housing from municipally owned properties (Reno 2007). But the poor condition of city-owned properties, much of it abandoned for long periods of time, forced the Hudson Institute to take a different approach:
“... a decision was made to connect the two issues: reforming tax reversion would improve the supply of houses available for urban homesteading, and an urban homesteading program would offer cities a new tool for disposing of reverted property.’ (Reno 2007, p. 143)

Hudson’s own research findings forced a reconsideration of the plan. In testimony before the Michigan Senate Committee on Economic Development and Regulatory Affairs, Reno stated that Hudson’s initial assumption, that municipally-held housing was livable housing, was mostly incorrect (Reno, 1999a). Rather than pursue a process that expanded affordable housing, the initial proposal for urban homesteading was left intact, requiring the renovation of houses that the institute’s research demonstrated unsalvageable. The Hudson fellows turned to reworking the tax reversion process – a reformation they claimed would increase the stock of livable housing in the urban homesteading program. Tax foreclosure became a pipeline for moving property from delinquent owners to state-vetted owners for property private buyers had already rejected. Hudson’s recognition that properties in municipal inventories are often stripped shells in need of costly renovation was discarded as the think tank required the full rehabilitation of houses acquired through the program within the five year homesteading period. In addition to requiring the house to be up to code it also required that occupants pay rent at 90 percent of the market rate to the agency overseeing the homestead program (Michigan, 1999a).

This attempt to reform the tax reversion process increased the costs for already struggling municipalities and privileged the private market in the process. The legislation required municipalities to take responsibility for the full costs of this process and the changes in the law also limited the ability of municipalities to mitigate or manage the process either for long-term planning or to recoup back taxes.

The Contents

In 1999, the Michigan Legislature passed the suite of urban homesteading bills addressing various aspects of property ownership, public acquisition, and private transfers. Many of the bills focused on the particularities of transferring particular housing types. One dealt with single family housing that was in possession of the state.
Another covered vacant land held by public entities. It accelerated the landownership process, with the parcel deeded to a developer/resident upon completion of new construction. Another created an avenue to privatize the remaining public housing stock under the control of government entities in the state of Michigan. It allowed for the creation of housing co-ops and condominium boards that received title and control over the properties upon completion of a five-year program. Though all of these bills may be taken together as they contained the same privileges for private market activity over government-held property and planning, the same state-enforced moral strictures on participants in the homesteading program, and varying financial requirements depending on type, it is the single-family housing bill that is dealt with most directly here. Housing in the city of Detroit is predominantly single-family structures and the majority of issues around vacancy and abandonment occur within this neighborhood type and dwelling unit (Mallach et al, 2011).

Under the Act, those wishing to participate in the single-family home program were required to meet a series of criteria. Participants were awarded the homestead if they made improvements and maintained rent payments over five years. At the conclusion of this period the deed is transferred for one dollar. Though the final amount for title was insignificant, the cost of participation was quite high both financially and in the scrutiny of one’s daily life by the state. Under the parameters of the program, once the local governing unit accepted an applicant they matched the homesteader with a property in the city or county inventory. The applicant agreed to pay 80 to 100 percent of the “market-rate” rent for the unit they received. In the first 18 months of tenancy, the homesteader was required to bring the house up to code and to have that certified by the city. State and local agencies were authorized to provide loans to facilitate this process, though no money was appropriated for this purpose in the state budget. The cost of bringing a house up to code is dependent on its condition, but even with properties brought under state ownership in the accelerated timeline of the tax reversion act, the lack of electrical wiring and plumbing was a distinct possibility. In Detroit, in
particular, the stripping of vacant houses is both a distinct and rather expeditious possibility (Sikkema, 1999, Smith et al., 1999).

Though targeted at families whose income was below the state’s median income – at the time approximately $39,000 for a family of four – it required the outlay of large sums of money early in the process to receive title to the homestead after five years. A homesteader was required to bring the house to code, a costly process, within 18 months. In addition, the law placed a series of moral qualifications for participation. Anyone convicted of a felony sex crime was completely excluded from participation. Anyone convicted of a non-sex related felony did not qualify for the program if the conviction had occurred in the past five years. Any felon that applied to participate was required to be off probation and parole for at least five years. All participants must consent to a drug test. If the result was a failed test, addiction treatment was mandated. If the participant were allowed to continue as a homesteader, testing would continued over the five-year homesteading period. Another requirement was proof of employment and continued employment over the five-year homesteading period. If children lived in the homestead, proof of school attendance was required every semester. Anymore than 10 absences in a given semester was considered irregular attendance under the Act and could result in eviction from the homestead. An initial clause cut from the final bill required credit counseling for any applicant considered to have poor credit. Though it is not uncommon for felons to be excluded from many of their basic constitutional rights even after serving time, the inclusion of these morality clauses in the homesteading act construct city residents as the reason for market failures as opposed to hindered by the socio-economic conditions in the city (Michigan, 1999a).

Somers (2008) argues that the mixing of rights and morality are tenants of the ideational regime of market fundamentalism. In this case the mixing of property rights and morality

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12 In interviews with homeowners, community development organizations, and scrappers, this activity was characterized in various ways. For some it was a survival mechanism and for others it was a means to make repairs and furnish other dwellings and developments with these materials. Within neighborhoods groups of homeowners banded together in attempts to discourage stripping by mowing lawns and patrolling recently vacated property. In all cases, the incapacity of the city to intervene in the process was highlighted and often times the sophistication and speed of the scrapping operations made it difficult for residents to determine if the activity was a legitimate renovation or the complete stripping of the property.
are used to exclude residents from ownership of even the most derelict and dilapidated properties in the city. Somers (2008) argues that market fundamentalist projects rely on narratives of social naturalism, the conception of the market as governed by natural laws. This is coupled with a belief that the natural market is the optimal organizer of society and that governments and regulation interfere with the ability of the market to produce social equality under the law and the organization of a free society. These particular tenets lead to attempts to reorganize government relations with citizens into one of contracts where the contribution of citizens determines their access to benefits. At its most successful these interventions embed the supposed morality of the market, often mirroring particular social values of conduct, into laws that are designed both to remove government from the market and to move populations into contractual relations with market participants and government agencies. The social naturalism inscribed in the market fundamentalist narrative allows for the deployment of disciplinary techniques that both contractualizes rights to social services while simultaneously excluding those whose morality is in question under the law. Concomitantly, this process excludes those with means from these moral strictures and reorients government service provision toward accumulation and away from social service provision.

Ownership as Stability

The majority of promotion and attention to the suite of bills crafted by the Hudson Institute revolved around the urban homesteading program. The program was touted as the way to save Michigan cities, as the reason to eliminate protections for the poor from the tax reversion process and as a necessary “second helping of first principles.” The tax reversion bill was portrayed as a secondary measure that would feed more

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13 Testimony of John Weicher, Senior Fellow Hudson Institute (Weicher, 1999)).
sustainable properties into the homesteading program. The need to reintroduce the principles of homeownership and personal responsibility were cited by lawmakers and in proponents’ testimony as a primary benefit as the bills moved through the Legislature and became law in July 1999. *The Detroit News* offered this coverage in February of that year: “some state lawmakers believe rebuilding crumbling cities such as Detroit starts with the pride generated by homeownership (Gregg and Upton, 1999).” Senate Majority Leader Dan DeGrow called the passage of the urban homesteading act a legislative priority: “when you have ownership you have less problems (Gregg and Upton, 1999).”

These claims to private property were offered as fundamental truths on which any program to rebuild Michigan cities should be based. Though some lawmakers and housing advocates questioned the feasibility of the proposed program, the assumption that private property would stabilize failed land markets in cities such as Detroit went unchallenged. The urban homesteading bill included policy prescriptions for poverty alleviation through self-help and “sweat equity,” privatization of public housing, and regulatory rollback through the introduction of Housing Freedom Zones. This prescriptive package was touted as a national model for restoring the urban core in U.S. cities with widespread vacancy and abandonment. State Sen. Bill Schuette claimed “Michigan would be a model for the rest of the land.” Gov. Engler added “Michigan is proud to be one of the first states in the nation to begin a homesteading movement in its cities (Gregg and Upton, 1999).”

14 State Rep. Patricia Birkholz, a Republican from western Michigan, sponsored the 14-bill package. Birkholz, a former county treasurer, argued that changes to the tax reversion process were necessary to feed the homesteading act. “First we’ve got to get the properties back so they (applicants) can get these properties,” she told Gongwer News Service in 1999 (Gongwer, 1999). “It puts people who want to homestead in houses (Gongwer, 1999).” Birkholz went further in that interview arguing that hardworking homeowners were needed in cities like Detroit, “these are the kind of people we want in those neighborhoods (Gongwer, 1999).” The imagined resident of Detroit and the ideal homeowner offered by Birkholz ties the condition of the city to its current residents rather than recognizing the systemic and structural dismantling carried out often at the state level through downloading service responsibility and diminishing transfer payments.

15 Housing Freedom Zones are proposed sites free from most government regulations, particularly building codes, inside the city. Proponents claimed this could stimulate the construction of affordable housing. Opponents were concerned these zones would become poorly constructed second tier housing for the poor. The Housing Freedom Zones were not included in the final bills.
The claim to a national model is repeatedly deployed in the roll out of policies turning public goods into profit centers. In the case of the urban homesteading act it is an attempt, at least in part, to further dismantle the limited public housing programs remaining in cities such as Detroit. In more recent years, the rhetoric of a national model was mounted in the dismantling of public education in New Orleans following Katrina (Akers, 2012, Fox Gotham and Greenberg, 2008, Hackworth and Akers, 2011, Katz, 2008). In the case of Michigan, the focus on abandonment and vacancy is also an attempt to mitigate the fallout of previous policy disasters and market fraud (Boyer, 1973, Chandler, 1988, Newberg, 1991).

The urban homesteading act did have limited opposition. Opponents of the plan often characterized it as unrealistic and, in some cases those interviewed over a decade later, referred to it as a “fantasy” (Interview, 2011l). It was also seen as a fundamental misunderstanding of property issues in Detroit. John George, who founded Motor City Blight Busters in 1988, warned that the bill set people up to fail: “The one thing poor people have in common is they don’t have money. How are you going to give people a house for a $1 if it has big hole in the roof (Gregg and Upton, 1999).” Others working with the Legislature at the time found the Homestead Act to be “a bizarre fascination for Republicans” and “likely to be forgotten (Interview, 2011m).” A former lawmaker that supported tax reversion was less supportive of homesteading during an interview: “They thought okay, well, we will redevelop Detroit through this urban homesteading act and we will empower people moving into vacant properties and fixing them up. And they just sort of were delusional you know, a bunch of white guys not from the city with some kind of random idea and it passed and nobody ever did anything. It was never to be heard from again (Interview, 2011k).”

In pushing for the passage of these bills the act of ownership and sanctity of private property was used as a mobilizing force for both progressive and regressive visions of development in the city. Those opposed to the urban homesteading act saw it as unworkable, but were willing to support it to achieve revisions to the tax reversion process (Interview, 2011k). For community development organizations, the revisions to this process were a positive step in pushing out long-term speculators and opening the
way for new community-based development projects (Interview, 2011m). This occurred in some instances and allowed for the expansion of community development projects, but the types of speculators that emerged following the pass of the tax reversion act and that remain active in Detroit were not anticipated.

Though Detroit was offered as the primary example for why the urban homesteading program was necessary, it was never implemented there. The city did not join the initiative and the state offered no incentives to encourage municipal participation (Interview, 2011m). Despite the claims to a national model and creating a new way to revitalize property markets in Michigan cities the Urban Homesteading Act of 1999 had little impact in the state and was not in use a decade later. Yet the Act demonstrates the ideological construction of private property as a stabilizing and moralizing force and its translation to law and policy by free market think tanks and elected officials to extend market-centric policies. It also points to the actual limits of this construction in the resulting outcomes. Even with the legal and policy structure in place the predicted actions and outcomes did not materialize. Where it did succeed was in transferring the responsibility and cost of vacancy and abandonment onto local governments least equipped to deal with these issues. It also provided cover for the implementation of an auction system that accelerated speculation and scavenging in Detroit. Rather than the emergence of a stable property market and a cycle in which homesteaders became property owners it unleashed a process of hyperactive speculation examined in the following chapters.

**Similarities in the Programs**

These two cases of urban homesteading at the federal and state level demonstrate three ongoing processes: the downloading of particularly costly and complex issues to increasing finite levels of government; the use of state level law and policy to establish market-centric policies that withdraw government oversight in markets while reorienting the coercive power of the state to enforce a moral order on the poor; and the active role of free market think tanks in rolling out experimental policies in spaces of decline.
The federal program, Section 810, was a policy pathway allowing HUD to offload responsibility for vacant and abandoned properties generated by speculator and lender abuse of Federal Housing Administration (FHA) loan guarantees. The initial program not only created a massive inventory of vacant and abandoned properties in central cities throughout the United States, it destroyed the ability of thousands of people to access institutional lines of credit shortly after acquiring access for the first time. Section 810 of the Housing and Community Development Act allowed vacant and abandoned properties to be transferred en masse to state and local governments for disposition. HUD transferred the properties but financing for these properties was the responsibility of the local government administering the program.

Beyond shifting responsibility for mitigating vacancy and abandonment from a federal issue to a state and local issue, Section 810 relied on the assumption that private ownership results in stability. The program did not extend the financial assistance necessary for low-income individuals attempting to homestead to bring the properties into compliance with various codes and basic repairs to make many structures habitable. According to HUD, the most successful homesteads in the early years of the program were often young white professionals with access to traditional lines of credit and a focus on heritage restoration (Blackburn et al, 1981). The drawback of government resources and a reliance on the very market that produced the issues the program intended to alleviate resulted in uneven results that did little to address the underlying issues of vacancy and abandonment.

The Michigan Urban Homesteading Act is an example of the pitfalls of placeless policy construction and its lack of functionality on the ground. The policy was cobbled together from more than a decade of effort to remake public housing at the federal level. The Hudson Institute’s attempt to generate a state-level model for housing and public land sales did not account for the particularities of place leading to a policy that was never deployed in the city it targeted, Detroit, and never transferred to other states. For those who opposed the homesteading bill it was on the grounds that it failed to take into account the dire conditions of publicly owned land in Detroit and elsewhere. The policy document as written and passed is a catalogue of perceptions about the moral
character of the individual in the city and the means and methods by which a citizen, deserving of property, could be monitored and made. It set up a legal framework that allowed for the privatization of most public housing in the city of Detroit, though this has not happened, and it attempted to transition publicly held property into the private market. The fundamental assumption of this legislation – that privileging private interests in a failed market will lead to greater stability – did not come to pass. Just as the earlier federal urban homesteading program pushed both the physical and fiscal responsibility for vacancy and abandonment onto state and local governments, these bills removed the state’s responsibility in the mitigation of these issues in much the same way. In the context of Detroit this meant increasing responsibility for property in poor conditions as the municipality’s ability to respond is limited by increasingly meager resources to deal with these issues.

When the Michigan Urban Homesteading Act was passed it was combined with Public Act 123, which transformed the state’s tax reversion process and introduced a public land auction (see Chapter 2). Supporters of the homesteading program argued that the two initiatives were inseparable and that they would work together to stabilize neighborhoods, put poor people into homes, and restore the real estate market in the city. So again, similar to the Fair Housing Act of 1968 and the federal urban homesteading program, the twin purposes of providing housing for low-income residents and the restoration of a real estate market were tied together.

The Michigan Urban Homesteading Act is quite similar to the homesteading program that Kemp supported throughout the 1980s. This vision of urban homesteading is premised on the belief that the real estate market in inner cities is hindered by

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16 Under the homesteading act, residents in public housing could form residential management cooperatives or condominium associations. In the case of Detroit, if an association is formed it would operate in a similar manner to the Detroit Housing Commission, which currently oversees public housing in the city. The organization would receive the management fees and subsidies issued by HUD to the public housing authority for the property. Under the Act, after five years ownership would vest in the association for $1 and the group would be responsible for any outstanding debt on the property. The Act established a homesteading fund to issue loans to residential management cooperatives and condominium associations at the end of the five year period to assist in paying down principals. Though the fund was created through statute, state money was not allocated and no condominium associations were formed (Michigan 1999a).
government in two ways. The first is the regulation of land use and development. The argument of Stuart Butler at the Heritage Foundation (Butler, 1981), Kemp while running for president and as HUD Secretary (Kemp, 1990), and in Weicher’s testimony on the homesteading bill he authored (Weicher, 1999b), is that areas in the city needed to be set up as empowerment zones. These are zones free from building regulations and land use regulations in the city. The second is that government prevented development through the provision of social services. Butler and Kemp claimed that social services trapped people in poverty and that offering people a path to property ownership would allow them to escape poverty. For Butler and Kemp the act of ownership made people less supportive of social services because they better understood its cost (Butler, 1984, Butler, 1981, Moore, 1991, Kemp, 1990).

Just as Butler, Kemp and Weicher were skeptical of government programs for the poor, they were also wary of the poor – particularly freely giving people property. The Michigan Urban Homestead Act targeted the moral character of its potential pioneers – requiring drug tests, regular employment, excluding people convicted of crimes and demanding regular proof that children attended school. These claims of stability in ownership are undermined by the legislation designed by Weicher and the Hudson Institute. The argument that the act of owning property generates a particular character is undermined by the construction of the homesteader as someone to be improved. It is not the act of owning, but of purchasing property under the logic of the law that brings stability. It also points to a particular role of government: it is constructed as an obstruction in the terms of markets and development, but is necessary for the moral regulation of the poor.

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17 Though part of the initial Urban Homesteading Bills offered by the Hudson Institute, these zones were removed from the version of the bills that passed the Legislature.
Chapter 2

Auction: Public Act 123, Wayne County and Detroit

In spaces of decline the return of land to productive use is a primary locus of state intervention. A variety of approaches have emerged over the past four decades intended to address issues of declining tax revenues (tax liens and tax auctions) and arrest the externalized effects of vacancy and abandonment (land banks and development incentives). These interventions rely on private property ownership as a stabilizing force and are focused on returning land to the private market with varying degrees of government oversight and speed. Over the past decade, Wayne County, which encompasses the city of Detroit, utilized a public land auction in an attempt to move tax foreclosed properties back into private markets. A process created by the State of Michigan under Public Act 123 of 1999, the public land auction was initially intended to perform three functions: invigorate moribund property markets in cities like Detroit; increase tax revenues for cities through auction sales; and create a housing supply for the state’s urban homesteading program. It has not created a housing supply for homesteading, but it expanded and invigorated the speculative buying of properties for amounts well below the taxes owed in the tax foreclosure process. The matrix of ownership that emerged complicates municipal attempts to manage decline and further reduced municipal revenues.18

Public Act 123 (PA 123) of 1999 created a system to offer land cities and counties acquired through tax forfeiture to private investors. The process managed by counties allowed bidders direct access to publicly-held property through a two-tiered auction system. According to the authors of the legislation, moving property out of public inventories and back into the private market would stimulate demand for land in declining cities such as Detroit and stabilize collapsing neighborhoods (Reno, 1999a, 

18 State and county officials argue that the revenues gained through the auction process are surplus as the tax reverted property do not generate any taxes until redeemed or sold. But as detailed in Chapter 3, speculators use the auction to avoid paying taxes or to minimize tax bills by allowing properties they own to enter foreclosure and then repurchase them for the minimum bid at auction.
Weicher, 1999b, Schuette, 1998). This Act mediates local government responses to decline directly through legislated requirements, such as mandatory auctions, and indirectly through the resulting reduction in tax revenue. It expands capital accumulation by opening additional avenues to speculators and investors active in the production of decline within cities such as Detroit. The reconstruction of law delimiting the powers the state and privileging markets are illustrative of changing social relations of productions and are manifest in the material production of the city (Harvey, 2009, LeFebvre, 2003a).

The implementation of the public land auction in Michigan led to an expansion in the literature on the disposition and use of land following auction. In studies of Detroit, Cleveland, and Flint, Dewar (2006a, 2009) examined how properties move through the auction and the speculative practices that emerge without controls on the auction process. In addition, planning students at the University of Michigan have engaged in more technical analyses of the auction process with an emphasis on developing best practices for the Wayne County Treasurer’s Office, which oversees the process (Coenen et al., 2011). Prior to this work the majority of research on public land auctions focused on price mechanisms such as discounts (Mayer, 1998, Vandell and Riddiough, 1992, Quan, 2002, Gwin et al., 2005). Discounted prices are more extreme in depressed markets and open neighborhoods for greater speculation (Mayer, 1998, Vandell and Riddiough, 1992, Dewar, 2009). Much of the work on prices raises abstract economic concerns about ideal markets and perfect information, whereas planning scholars are focused on actual and adapted practice. Rather than adopting an abstract and ahistorical approach to prices or an intervention in practice, this chapter examines the reversion process as embedded within the social relations of production and the practices of investment in disinvestment it enables. It begins with the most recent reform of tax reversion in Michigan law and compares its local implementation in Wayne County with the projected outcomes of policymakers. By analyzing the construction, promotion and implementation of the Act, it is possible to examine how initial intent diverges, particularly the assumptions regarding the actions of property owners and types of properties moving through the reversion process. Rather than a linear trajectory in which individuals unable to pay their taxes lose their property to the state, the
reversion process reveals the fluidity of ownership and the instability of property, as
owners, speculators, banks and the state maneuver to avoid or capture taxes, dump
bad investments or lower costs. These activities result in a churn of property and
disparate ownership that manifests as vacancy and abandonment in the built
environment.

Though arcane, the tax reversion process authorizes particular approaches to dealing
with issues of property abandonment and neglect. It defines the role of local
municipalities, proscribes particular powers in dealing with property and sets limits on
government intervention. Beyond setting the terms under which land is disposed of and
held across the state it also sets the parameters for processes that affect material
structures and service structures in the city. The delimiting of particular powers to the
city and privileging the market, the current tax reversion process both condones and
expands the ability of speculative and predatory capital to acquire, consolidate and hold
vast tracts throughout the city with few limits on disuse except that taxes are paid. The
priority placed on returning property to private ownership exacerbates the process of
asset stripping by predatory rentiers targeting individuals through exploitative practices
as well as the manipulation, co-option of the auction process in the deployment of
strategic buy-and-hold strategies intended to profit from government-led interventions in
decline and drive up land acquisition costs.

This chapter examines the origin and implementation of the land auction in Michigan
and its outcomes in the city of Detroit over the past decade. The first section is a brief
description of the tax reversion process in Michigan prior to PA 123 in 1999. The second
section examines the crafting of the legislation and its intent. This section draws on the
bill as written and amended as well as testimony on the legislation and interviews with
community development advocates and former legislators involved in the process.
Testimony and legislation are drawn from the Michigan House of Representatives
collection at the Archives of Michigan. Secondary sources such as media coverage of
the legislation, which was limited, is also used. The third section lays out how the tax
reversion and auction process operate under PA 123 and analyses the auction process
over the past decade in Wayne County and Detroit. The analysis is drawn from the
auction records of the Wayne County Treasurer, which are a record of every property offered at auction, its sale price, and from 2002 through 2009 the actual purchaser. The move to an online auction in 2010 changed the recorded name of the purchaser to the online alias used to purchase the property. Records from 2010 to 2012 are increasingly opaque as the county relies on a private party, Bid 4 Less.com, to handle auction transactions. Neither the county or Bid 4 Less.com provide the names of actual buyers. The chapter concludes with an examination of the stated intent of the law in light of its outcomes.

The Tax Reversion Process Prior to 1999

By the mid-1990s a varied constituency across Michigan including government agencies, non-profit development corporations, housing activists and attorneys found the state’s tax reversion process a hindrance to addressing issues of property abandonment in Michigan’s central cities (CRC, 1999, LaMont, 1996, Reno, 2007a). For many, particularly those working in the non-profit and community development sector, the reversion process was an obstacle to proactive and progressive housing policies (Interview, 2011c, Interview, 2011m). It allowed slumlords to neglect properties and tax bills while pocketing rents for nearly a decade. It prevented development projects from moving forward as properties were caught in a process that could last from six to nine years. For others, particularly think tanks such as the Mackinac Center and the Hudson Institute, and ideologically aligned politicians such as Gov. John Engler and then state senator and current Attorney General Bill Schuette, the cumbersome government process was contributing to the continuing collapse of land markets in many Michigan cities (Gongwer, 1999a, Schuette, 1998, Weicher, 1999b, Reno, 1999c, Reno, 2007a).

Tax reversion in Michigan is governed by the state’s General Property Tax Act, Public Act 206 of 1893. Under this process county treasurers were responsible for the collection of delinquent taxes and overseeing lien sales in the fourth year of delinquency. If a lien was purchased by a private buyer, the property owner was given
one year to redeem the property. The lien claim entitled the lien holder to interest if the owner paid off the taxes owed. If the owner did not redeem the property the lien holders claim vested as an ownership claim and the tax foreclosure process began. If a lien on the property went unsold that property reverted to the State of Michigan and the foreclosure process began. All property subject to a tax lien sale was then transferred to the State Treasurer. The State Treasurer would then transfer all property without a lien to the Michigan Department of Natural Resources (DNR). DNR was responsible for sending notice to all delinquent owners regarding pending property forfeiture. The tax foreclosure process generally took up to three years and could extend to five years bringing the average time in the reversion process to seven years. During this time, the property owner was able to redeem the property until all rights were extinguished, generally two years into the foreclosure process. At the end of the foreclosure process title was vested either to a private party in the case of a lien purchase or to the State of Michigan. For public property, DNR would determine the most appropriate use either for parkland, resource extraction, or economic development either keeping the property or transferring to other state agencies. DNR would then conduct a land sale for remaining properties that the department deemed of no use to the state. The remaining unsold properties were transferred to local municipalities and counties without the right of refusal (Tyszkiewicz and Ross, 1999).

The length of time required for properties to move from delinquency to forfeiture increased as the requirements for due process expanded. The complexity of the process, particularly the transfer of properties between agencies, court mandated notice procedures, and lien sales raised doubts about the chain of title and the ability of the state to quiet competing claims for ownership. By the 1990s, title insurance companies were refusing to insure the majority of titles emerging from the process, making the transition out of public ownership exceedingly difficult, particularly for economic development projects (CRC, 1999, Tyszkiewicz and Ross, 1999, Reno, 1999a).

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19 For an owner redeem a property, all taxes, fees and interest must be paid in full.

20 This process was known as Dow Hearings. In 1976, the Michigan Supreme Court ruled in the case Dow v. Michigan that written, mailed notice must be provided to property owners in danger of tax foreclosure.
Public Act 123

“If government continues to operate in an inefficient manner even when a more efficient system is available, only out of deference to an industry [lien buyers] which requires government to insure its existence, that is corporate welfare. Fortunately, far from closing the door on the private sector, the current proposal blows the door wide open.”

–Jeffrey Reno, Hudson Institute Fellow, testifying before Michigan Senate (Reno, 1999a)

In 1997, the Hudson Institute was hired to design an urban policy for the state of Michigan to address the continuing decline of its core cities such as Detroit and Flint. The free market think tank spent 18-months on the project, developing a series of proposals intended to address both the collapse of urban property markets in some Michigan cities and the need for housing. The proposals were presented to the Michigan Legislature in 1998 as a suite of 14-bills authorizing an urban homesteading program and creating a process, PA 123, to feed houses into that program. The massive revision to the tax reversion process was explicitly attached to the homesteading program but was quickly detached in its implementation once the bills were signed into law.

The Hudson Institute identified three major issues in the former tax reversion process. The first was the lack of due process, often caused by the complicated passing of property between various government agencies. According to the think tank, the Michigan State Treasury found the process of clearing title for over 10,000 properties a year cost prohibitive and did not fully complete the title check for each parcel. The result was tax foreclosed property without clear title, making disposition by local governments difficult to nearly impossible. Second, the fees and penalties charged in the reversion process made it difficult to redeem property once it was in the system. These penalties could double a tax bill on an annual basis. Third, the length of time it took for a property to move through the system resulted in dilapidated structures in need of demolition rather than renovation. At a minimum the process took five years and abandonment often resulted in a stripped and dangerous structure by the time the property was
offered for sale to private parties. The length of the process allowed for property owners to extract high rents with little regard for the property or the surrounding neighborhood while in foreclosure avoiding taxes and walking away only losing the property at the end of the process (Reno, 2007a).

The tax reversion process in Michigan was first established in 1869 and made provisions for the forfeiture of land for back taxes. It was largely ineffective and replaced in 1893 (Johnson and Barlowe, 1954 p. 315). The General Property Tax Act was crafted in the midst of an economic depression and was used extensively in the years that followed. The majority of land taken in by the state passed back into the private market through tax sales and tax-homesteading (Johnson and Barlowe, 1954 p. 315). The act remained unchanged until 1937 in the depth of the Great Depression. The reversion shortened the period of delinquency prior to forfeiture from five years to three years. From the 1930s onward the law was relatively static. There were attempts to amend the act in the 1970s, 1980s and a few less comprehensive proposals in the early 1990s. The Hudson Institute’s proposal in 1998 was the first in 15 years, that proposed revamping the entire tax reversion process, according to the Department of Natural Resources (Michigan, 1999b).

Earlier changes to the tax reversion process track with global economic upheaval and the fall out of these crises in Michigan from the economic depression of 1893, the financial collapse of 1929. By the 1970s, Michigan was at the forefront of another economic crisis. Fully dependent on the automotive industry, 1970s Michigan was exposed to various crises from energy to increased global competition that challenged its largest industries. In the 1980s, the Big Three were well on their way to abandoning the state, as they abandoned the city of Detroit in the preceding decades. The economic crisis building from the 1930s, with an interlude in World War II and a few short years after that, quickened – ravaging cities such as Detroit and Flint. These cities struggled to deal with the compounding financial and management issues exacerbated by an

21 Tax-Homesteading offered tax reverted land deemed suitable for farming as homesteads. This program removed thousands of acres of tax-reverted land from the public domain administered by the Michigan Department of Conservation. The tax-homesteading law was repealed in 1935 (Johnson and Barlowe, 1954).
exodus of population and dwindling employment that had accelerated since the 1950s (Sugrue, 2005). In this environment of high unemployment, wide-scale abandonment and declining housing conditions, the Legislature again took up the tax reversion process, but the efforts at reforms failed. By 1999, when a full revision of the law passed, the discourse of urban crisis was fading in Lansing and a language of recovery and renaissance defined a development agenda at the state and local level. Gov. Engler promoted the resurgence of manufacturing in Michigan as SUVs continued rolling off the remaining lines in the state and sounded an optimistic tone about a return to prosperity:

“Engler's economic policies have helped to create more than 800,000 jobs in Michigan, cutting the state's unemployment rate from over 9 percent the year he took office to 3.4 percent in 2000 - the lowest annual level ever recorded. For an unprecedented five years in a row, Michigan has led the nation with the most new factories and expansion projects (Michigan, 2001).”

Engler, and others such as State Sen. Bill Schuette, identified the condition of Michigan’s core cities as dampening the state’s economic resurgence. Their solution was a series of policies promoting homeownership and moving abandoned and tax delinquent properties back into the private market. The implementation of a two-stage auction process was designed to move property out of state control and into the private market.

The revision of the entire tax reversion process in a time of relative economic prosperity was an attempt to arrest the continued decline in Michigan’s inner cities, particularly eastern Michigan through market-centric practices. It reworked laws initially crafted and amended in times of economic crisis that both expanded the ability of the state to claim ownership over abandoned and delinquent property, but also protected property owners during prolonged economic downturns. It would follow that the prolonged economic downturn in cities such as Detroit would be the impetus for change, but the authors of the bill and its proponents in the Legislature did not make that argument. Instead, the bill was offered as a means to extend the market rationality of suburban growth and development to the urban core and restore markets through a push for a particular type of private ownership and a narrowly defined owner. Schuette, writing in American
Outlook, Hudson’s monthly policy magazine, framed the issue this way: “The challenge is to implement urban policies that square with the ideas of our nation’s founders, building stronger communities through ownership of private property. The Michigan reformers are trying to make cities self-sufficient, but not by expanding entitlements - which has been tried and failed - but by reconnecting urban centers to the values that defined our nation (Schuette, 1998).”

The revision of tax reversion made three major interventions in the foreclosure process: It shortened the foreclosure process to three years from an average of seven years, though the previous law allowed the state to foreclose and sell property after three years; it reduced the number of government agencies involved in the process, both to reduce the time from delinquency to foreclosure and also to transfer responsibility from the state to counties; and it created an avenue for clear title by moving the foreclosure proceeding from an administrative process to a judicial process in which a magistrate determined whether notification of property owners was sufficient for foreclosure. In the decade since the law was passed, local governments are still unable to guarantee clear title, basically that there are no other legal claims on the property. Despite the transition to a judiciary process, counties still receive quitclaim titles as they are unable to quiet title.

These interventions limited the role of government in the foreclosure process, reduced the state’s exposure to the risk and cost of mitigating vacant and abandon properties, increased the cost for local governments required to contract with private companies to conduct title searches, and privileged the private market in the disposition process through a mandatory auction procedure that widened avenues for speculation. As Hudson fellow Jeffrey Reno told a Michigan House Committee while testifying in support of the bill, “what can be more attractive to real private sector investment than the

22 A quitclaim deed is a transfer of ownership interest in the property from one party to another without warranty or guarantee of clear title. A warranty deed guarantees the owner holds clear title, there are no other claims, and has the right to sell the property. In the case of a tax sale, the government agency has to the right to sell the property to recover taxes owed but does not extend a warranty because it cannot guarantee other ownership claims are extinguished. The buyer must initiate action to quiet title. This action requires identifying and extinguishing all other claims to the property.
opportunity to bid on, and acquire property that actually has good title and is more likely to be structurally sound (Reno, 1999c)?”

Beyond the market-centric aims of the Hudson Institute, the Mackinac Center for Public Policy and conservative lawmakers, revising the state’s tax foreclosure law was viewed as a viable way to increase affordable housing and community development in cities. Community Economic Development Association of Michigan (CEDAM) was at the forefront of this push. With membership drawn from community development associations across the state, CEDAM saw the tax foreclosure law as a major hindrance to the work of its members, particularly in cities such as Detroit (Interview, 2011k). In interviews, participants said that at the time the shortening of the tax foreclosure process and the creation of an expedited process for abandoned property seemed a viable solution for stimulating long-term projects and eliminating immediate issues around abandonment, such as vandalism and arson that plagued many of the communities where these organizations were operating.

Other organizations such as the Michigan Poverty Law Program were more reticent. The poverty law program was quick to note the stripping of protections for indigent homeowners. Lawyers from the program argued for the inclusion of provisions that would provide education to homeowners in danger of losing their home. It also called for the restoration of tax waivers for the poor that were in place under the previous reversion process. Neither of these provisions were placed in the bill. In addition to these requests, the poverty law program called for the inclusion of a revolving fund to pay the tax bills of senior citizens below certain income levels and for final notices on foreclosure to appear in a second language (Michigan, 1999b).

Though the Michigan Poverty Law Center was unable to amend the bill, this group was repeatedly included in claims by Hudson fellows and Republican lawmakers of a broad coalition of support after the bill’s passage. Community development organizations supported changes to tax reversion and some have seen positive outcomes. The acceleration of the timeline allowed for the work of community development organizations to expand over the past decade. It eliminated some types of speculation,
but that is replaced with other means of predatory investment and tax avoidance, particularly among landlords with large property holdings. Beyond this work around community development, the stripping of protections for low income property owners resulted in adverse effects in Detroit with poor and elderly residents being evicted from their homes in the tax reversion process (Interview, 2011k, Interview, 2011m). Attempts to alleviate these issues have come at the municipal and county level, but the ability to obtain a tax waiver remains an obscure process decided solely by the City Assessor, a program that is not well known and frustratingly byzantine in practice and application (Interview, 2011p, Interview, 2011l).

Within the framework laid out by the Hudson Institute the reform of the tax reversion process was intended to result in an expansion of the market by limiting government and encouraging investment. Underpinning this expansion was the sanctity of private property and the ability to provide clear title to wary investors and the financial institutions that would back these developments. But the stability of private property and the reinvigoration of the market did not extend to all investors or municipal residents. Homeowners living on the economic margins in the city were stripped of many of the protections provided under the previous tax reversion act and in some cases actually stripped of their homes in the years that followed (Interview, 2011k, Interview, 2011j, Interview, 2011c).

Within the market fundamentalist framework it is not only the private holding of land that is idealized, but also the holder of that land. In arguing for the necessity of the bill and in lauding its passage, proponents spoke of the need to bring people with a “real stake in the process” into communities to replace those that were not contributing to the development of the city (Gongwer, 1997a, Gongwer, 1999c). These discussions focused on individual homeowners and renters with little attention paid to landlords and

23 A review of Wayne County Tax Foreclosure records by The Detroit News, found that the number of landlords using the system to pay lower taxes double between 2010 and 2011. Landowners allow their properties to go into arrears, in some cases for over $250,000 dollars, before purchasing the properties back from the county at auction for about a third of what is owed. There is a risk of losing the property or ending up in a bidding war but the practice continues to expand. This process does not disrupt tenancy, as the owner would have to file eviction proceeding after the property is purchased at auction. Landlords claimed this practice was necessary because assessments were too high (MacDonald 2012).
speculators holding large chunks of moribund property in urban areas the bill was targeting. This framing of citizenship and civic contribution occurred within the promotion of the Urban Homesteading Act. Homesteading provided a rhetorical device and discursive flourish that ensconced the market and property speculation at the pinnacle of productive use and created a mechanism that disempowered government by saddling it with unproductive and environmentally damaged properties with little recourse and few resources to mitigate increasing responsibilities.

**The Stated Intent of the Law**

There were five primary issues PA 123 addressed. The first was the inability to produce a clear title under the previous tax reversion system. Properties moving through tax reversion often entered local government inventories at the end of the process with clouded titles or quitclaim deeds. Questions of ownership made selling the property to private parties, particularly for development, exceedingly difficult as the potential for outside claims to the property could result in loss of title.

The second was to limit the State of Michigan’s role in the process. Under the prior reversion process multiple agencies in state government were responsible for a property at various times. The state was responsible for clearing title and transferring ownership from private individuals to the public trust. It was generally ineffective at clearing title and these sales rarely covered the full cost of clearing title and managing the property during the delinquent period. Property exiting the process was distributed between the Department of Natural Resources for potential resource extraction or park use, the Michigan Land Bank for potential economic development projects or dumped onto counties and municipalities.

The third was to shorten the time it took for a property to move from a private to public holding. By 1999, a property spent an average of seven years in the reversion process. This timeframe allowed owners the possibility of redeeming their property and also allowed the state time to notice all parties with an ownership stake in an attempt to clear title. For properties that were abandoned this length of time resulted in near total
Residents and community organizations seeking to purchase abandoned property waited for a property to exit the process before a legal transfer of ownership could occur resulting in increasing blight, vacancy and abandonment.

The fourth was the monopolization of the tax lien system by a few investors. The tax lien system was intended to allow local governments to collect a portion of the taxes owed while properties with arrears moved through the reversion process. The lien sales further complicated ownership as investment firms bought large lots of liens and then subdivided and sold those liens to smaller investors. These diffuse claims on both taxes owed and on property ownership made clearing titles increasingly difficult. Lien investors and county treasurers who sold the liens to collect revenue were the primary opponents to changing the reversion process in the early 1990s.

The fifth was the implementation of a process to rapidly move growing local inventories to private buyers. By introducing both a process to clear title through the courts and a process to dispose of property, in this case through a public auction, the expectation was that private parties had a desire to access property in the public inventory and that the lack of clear title and government bureaucracy in managing and selling the inventory after forfeiture were the primary obstacles. With the passage of PA 123, investors were given access to public property, but there were few takers for public property.

The revision of Michigan’s tax reversion process was reliant on the existence of a market for land in the state’s most depressed real estate markets. For the authors of this legislation the fundamental issue was a cumbersome state process that kept land from private investors while the property deteriorated. Hudson fellows argued, if private parties were allowed access to land more quickly the market for property would grow (Reno, 1999c, Reno, 2001, Weicher, 1999a, Weicher, 1999b). The intended result assumed that fewer properties entering government inventories and a subsequent increase in private holdings would generate stability in cities racked by market failure. In the remainder of this chapter I examine the previous tax reversion process, the auction process that was approved by the Michigan Legislature and the outcomes of the five
issues the law was intended to address. Finally I address the underlying assumptions of a market for property in Detroit.

The Auction

The process instituted under PA 123 moved all responsibility for managing tax reversion to the county in which parcels were located. It shortened the length of time required for a property to move from private to public ownership, instituted a judicial hearing system to quiet claims to properties in tax foreclosure, eliminated tax lien sales, and introduced a public auction at the end of the process.

The elected office of the County Treasurer became fully responsible for the tax foreclosure process. The entire process from delinquency to auction was designed to occur over three years. A series of penalties, interest, and fees were introduced that were lower than the previous reversion process and were allocated to funding the operation of the foreclosure process. If properties were redeemed at anytime during the process, the funds generated by these fees were placed in the delinquent tax revolving fund. Counties were provided with the possibility of opting-out of running the process. Counties choosing to opt out were generally smaller in size.

The design of the tax reversion process for opt-in counties follows these procedures:

Year 1

In March, the County Treasurer generates a list of unpaid property taxes from the previous year. Property owners on this list are notified by mail three times over the next 12 months that they are in danger of forfeiting their property due to unpaid taxes. Notices are delivered in July, September, and October. During this time the delinquent property is assessed a four percent administrative fee on taxes owed and 12 percent annual interest. If taxes remain unpaid after the third notice an additional $15 fee is charged (MDNR, 1999).
Year 2
In February, the county sends notice to property owners that they will forfeit property for unpaid taxes and includes the foreclosure schedule. On March 1, delinquent property is forfeited to the county. Once the property is forfeited, the interest rate increases to 18 percent annually and is retroactive. A $175 fee is also added. The county then begins establishing all claims of ownership to the property, such as outstanding liens, and provides notice to any interested parties identified. The county or hired representatives visit each property serving notice of pending foreclosure. Notices that cannot be delivered to possible claimants are published in the newspaper for three consecutive weeks. The county files a petition for foreclosure hearings in June (MDNR, 1999).

Year 3
In January, property owners may demonstrate hardship or inability to pay taxes and request relief or assistance at a show cause hearing. In Wayne County, the treasurer’s office extended this process beyond the hearing and offers payment plans and deferments to taxpayers until the foreclosure hearing occurs. According to county officials, it is an attempt to reduce volume of property moving through the system (Sabree, 2012). In March, a foreclosure hearing occurs. The list of delinquent forfeited properties is presented in circuit court. At the end of the foreclosure hearing the county takes title to all forfeited properties and the former owner loses all claims. Once the treasurer holds title, the properties are offered to government entities such as the city, state, and county for the cost of the initial minimum bid. The minimum bid is taxes owed plus fees, penalties, and interest accrued. Under the act, public agencies are restricted to purchasing property for public purpose, but that term is undefined. Between July and November the county holds two auctions. In the first auction, opening bids for property are the total of taxes owed plus fees, penalties, and interest. If the property goes unsold it is offered again in a second auction. The minimum bid in the second auction is set by the county treasurer. The current minimum bid in the second auction is $500 in Wayne County.
Figure 2.1: Tax Reversion Flow Chart

Source: Michigan State Treasurer (2001)
Post-Auction

After the auction, the county offers the remaining properties to the jurisdictions in which the land is located. Local governments have the ability to refuse properties. The county generates a list of all properties within the jurisdiction and forwards it to the local government in November. The local government has until the end of the year to determine which properties it will take. The city of Detroit refused most properties from Wayne County following the auction in 2011 (Interview, 2011p). This resulted in a series of new initiatives by the county. The first was to seek out occupants of any tax foreclosed houses and offer title for $500 (MacDonald, 2012b). The second was the hosting of a third auction with the same minimum bid as the second auction (Sabree, 2012). All of the proceeds from the auction, the amount paid above taxes owed on the property, are transferred to the delinquent tax revolving fund. This fund is used to pay for the operations of the auction and to repay tax bonds. Each year the county sells bonds backed by a percentage of taxes owed. The proceeds from the bond sales are distributed to local governments to cover missing tax payments. After the auction, local governments must reimburse the county for the difference between the bond proceeds distributed and the auction proceeds.

The Auction as Implemented in Detroit

The push to revise the tax reversion process was tied to a state urban homesteading program. Though the urban homesteading program was never implemented in Detroit, tax foreclosure and the auction process changed the way local governments approach vacant property issues and revealed the complexities of property speculation and tax evasion in Detroit property markets.

PA 123 was intended to encourage private investment in real estate. For proponents of the bill, such as Senate Majority Leader Dan DeGrow, the key was building home ownership: “when you have ownership, you have less problems,” he told The Detroit News as the bills moved through the Legislature in February 1999 (Gregg and Upton, 1999). The framing of the homesteading program and an accelerated tax reversion process as stimulating ownership was informed by an ideological view of property
ownership as both a stabilizing force and one that created moral and upstanding citizens. In the same article, one Detroit homeowner told the reporters “any time you have ownership in something and have to sweat for it, you’re more apt to take care of it (Gregg and Upton, 1999).” The Hudson Institute, Engler, and Schuette built the policies of homesteading and accelerated tax reversion around these tropes of stability and growth emanating from the expansion of individual homeownership. In this conception of property markets, government held land was major barrier to investment. In addition to moving land quickly through the reversion process it also pushed public land back into the private market through the auction and limited the government’s ability to intervene in acquiring property moving through the revised process. But the assumption of the housing market as a place where a single individual was making a decision to invest in a neighborhood and a city through buying a single house did not account for the multiple actors, individuals and corporation, and the variations in ownership and investment active in land markets.

In the first decade, Wayne County offered over 71,000 properties in the public auction. Of those 40 percent were sold. In the past two years, the number of properties entering the auction increased significantly. Properties auctioned in 2011 and 2012 account for 46 percent of the total properties offered in the last decade. Sales in those two years account for 64 percent of all properties sold. Broader economic conditions likely account for much of the increase in property volume. Recent changes in the auction process may account for an increase in sales. In 2010, the county moved to an online auction process and eliminated the requirement for bidders to be in the city in person for the auction. This move complicates the evaluation of who is participating in the auction. The county has not released detailed data on auction buyers participating online. Instead, county data contains the addresses of properties sold and the online handle of its purchaser. Some of the largest buyers in the 2012 auction have handles such as BelieveInTheD, Benjamin Brothers, d3lliott, detroitbyuers, carl4100, oranges, and crib (Paffendorf, 2012b). These six buyers accounted for 20 percent of all property sold, each purchasing over 200 properties. Without the cooperation of the Wayne County
Treasurer, the identity of these buyers may only be determined once the title is filed with the Register of Deeds.\textsuperscript{24}

Auction data between 2002 and 2010 is more complete and is the primary focus of this analysis. Between 2002 and 2007 properties entering the auction came primarily from Wayne County and the City of Detroit. Public agencies such as the U.S. Department of Housing and Urban Development and the Michigan Land Bank Fast Track Authority also offered property in the auction. Over 9,000 government properties were offered at auction in the first five years accounting for nearly 64 percent of all property offered. In the same period, government properties accounted for 4 percent of all property sold. For the purposes of this discussion, publicly-held or government-owned property is defined as parcels held for more than one year by a government entity. All property that enters the auction is technically publicly-held as the tax foreclosure process grants control to the county government. In this analysis, property is not included in the public inventory until it has passed through the auction process once.

After 2007, the use of the auction to offer previously held government property, publicly owned property prior to the current year’s tax reversion properties, declined significantly as the volume of privately-held parcels entering auction increased. The rapid increase in private property entering the auction tracks with the twin economic crises in Detroit, the collapse of the mortgage market which begins to appear in the auction data in 2008 and 2009 as bank-owned properties become more prevalent in the auction, and the near collapse and bankruptcy of Chrysler and General Motors in 2008 and 2009 followed by a significant decline in small scale tool and die manufacturers. The state of Michigan lost over 50 percent of its manufacturing jobs between 2000-2010 with the majority of those losses coming in the last half of the decade. Though manufacturing employment increased between 2010-2012 it is not yet reflected in tax foreclosure data as the

\textsuperscript{24} Some buyer aliases, such as Benjamin Brothers, can be traced to registered limited liability corporations in the state of Michigan where the registered agent matches the name of one of the most active speculators in over the past three years in Detroit. Most aliases reveal much less and are nearly impossible to trace until the deed for a specific property is filed with the Register of Deeds. Access to the Register of Deeds database is limited and the query system requires search by parcel description and platting making tracing of large volumes of property cumbersome.
Figure 2.2: Ownership Status of Properties Prior to Entering Auction

Figure 2.2: Between 2002 and 2007 the majority of property in the Wayne County land auction was held by a government agency prior to its offering. Since 2008, the majority of property was privately-held immediately prior to entering the auction.

number of properties entering the auction doubled in 2012 and is expected double again in 2013 (Sabree, 2012).

Another use of the public auction is the repurchase of property by those owing back taxes. There are no provisions in the tax reversion process that prevents someone from reacquiring their tax foreclosed property at auction. Between 2002 and 2010 this became an increasingly common route for large scale speculators to move property through the auction to avoid taxes. A legalized form of laundering or tax washing. Though it was not always successful as some properties sold for more than the minimum bid in the first auction, by 2008 the majority of tax wash properties were selling to the original owner at the minimum bid in the second auction. This activity accounted for nearly 17 percent of all property purchased in the auction process between 2002 and 2010. According to a report in *The Detroit News* this activity doubled between 2010 and 2011 (MacDonald, 2012a).

Since 2006, banks have become increasingly active in the auction process, not as bidders, but as the owners of properties entering tax foreclosure. JP Morgan Chase, CITI Bank, Bank of America, Wells Fargo, and Mortgage Electronic Registration Systems (MERS) have increasing numbers of properties entering the foreclosure auction every year since 2010. According to the *Detroit Free-Press*, banks accounted for over nearly half of all property in tax foreclosure in 2012. Banks are moving through the mortgage foreclosure process, evicting people from houses for non-payment, and then leaving the houses vacant and taxes unpaid until the property is sold at tax auction or taken possession of by a local authority. This practice was estimated to cost the City of Detroit over $118 million in lost tax revenue in 2011 (Lawrence, 2012).

Finally, speculative activity in which property is purchased at auction and then returns to the auction within 3-5 years account for nearly 15 percent of all properties purchased between 2002 and 2010. These properties remain largely unimproved as speculators attempt to flip the houses or wait for a government led development project to occur. If neither occurs the property is allowed to enter tax foreclosure again, and if it does not sell becomes property of the local government.
Figure 2.3: Number of Properties Purchased by First or Second Auction

Since 2008, the majority of auction occur in the second auction. In the second auction, property is offered for a minimum bid of $500.

The increasing number of properties entering the tax reversion process exceeds the institutional capacity and resources of the Wayne County Treasurer. In interviews with county officials, they claimed that it was possible to foreclose on 25 percent of all property in Detroit, or more than 90,000 parcels. But they limited foreclosure in 2011 and 2012 rather than acting on all eligible properties. The reason for delaying foreclosure was the lack of staff to handle that volume (Sabree, 2012). The move to the online auction in 2010 was an attempt to limit some of the workload. In addition, the county hires contractors to deliver notice to homeowners in the final year of foreclosure and now offers payment plans to anyone that comes forward prior to the final foreclosure hearing regardless of need. The city anticipates the number of properties entering the auction in 2013 at 50,000 parcels.

The majority of auction activity now occurs in the second auction with minimum bids starting at $500. The increase in activity in the second auction decreases the revenues the county recoups through property sales. In addition, the City of Detroit is accepting fewer and fewer properties from the county following the auction. The county is offering those that are occupied to the occupants for $500. In 2011, the county offered over 1,100 people the option of purchasing the property they were occupying. Nearly 800 people accepted the offer (Sabree, 2012). The county also introduced a third auction in July 2012 in an attempt to reduce the number of parcels entering its inventory.

**Intent versus Outcomes**

The intentions in revising the tax reversion law were achieved to varying degrees. The clearance and conveyance of title remains an issue despite the introduction of the judiciary process and the foreclosure hearing as a means to extinguish all claims to the property (Dewar, 2009). Despite the state’s inability to clear title, private buyers are increasingly active in the auction process. Though most of this participation occurs in the second auction where the minimum bid is $500 and most of the purchases are not land already in the public inventory. Since moving to the online auction approximately 90 percent of all property sales occurs in the second auction.
Figure 2.4: As auction sales increased over the past four years so did the gap between taxes owed and sales proceeds. In 2012, the gap was over $200 million.
The role of the state of Michigan in the tax foreclosure process in its largest population centers is nearly non-existent. The city of Detroit and Wayne County are now fully responsible for clearing title and conducting property sales. The responsibility for foreclosed property rejected at auction is left for the county and city to determine and the cost of carrying these properties is increasingly born by the dwindling number of taxpayers in Wayne County.

The time it takes properties to move through the reversion process decreased. This is perhaps the programs most clear success in terms of how the policy was promoted. But the ability to move properties through the process more quickly resulted in capacity and cost issues for the county. The combined economic crises in southeastern Michigan and the dwindling population base resulted in massive volumes of property entering foreclosure and expanding public inventories of properties rejected at auction, many with structures in need of demolition or costly environmental remediation, costs now totally born by local government rather than the state. Issues of institutional capacity in the Wayne County Treasurer’s Office mean properties are staying in tax foreclosure longer and the reduction in the time from delinquency to forfeiture that decreased in the first decade is on the rise again.

The elimination of the lien system did not achieve title clearance. The system has been replaced by the delinquent tax revolving fund and the county’s floating of bonds backed by potential tax revenues, but the gap between taxes owed and taxes recovered continues to grow. In 2012, the county made nearly $50 million dollars in sales at the auction, but the taxes, interest, penalties, and fees on all property that entered the auction was over $275 million (Wojtowicz, 2011). As auction purchases have migrated to the second auction this gap increased steadily.

The policy is least effective in moving property out of public inventories and back into the private market. The majority of properties sold in the auction move from private forfeiture to private purchase in the same year foreclosure occurs. The city and county are largely unsuccessful in selling land from the public inventory, acquired in previous
### Table 2.1: Publicly Owned Properties in the Auction

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Properties</th>
<th>Unsold</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>61</td>
<td>49%</td>
</tr>
<tr>
<td>2003</td>
<td>1445</td>
<td>81%</td>
</tr>
<tr>
<td>2004</td>
<td>1229</td>
<td>88%</td>
</tr>
<tr>
<td>2005</td>
<td>1208</td>
<td>98%</td>
</tr>
<tr>
<td>2006</td>
<td>3516</td>
<td>99%</td>
</tr>
<tr>
<td>2007</td>
<td>1598</td>
<td>99%</td>
</tr>
<tr>
<td>2008</td>
<td>2</td>
<td>0%</td>
</tr>
<tr>
<td>2009</td>
<td>22</td>
<td>90%</td>
</tr>
<tr>
<td>2010</td>
<td>6</td>
<td>33%</td>
</tr>
</tbody>
</table>

Figure 2.5: From 2002 to 2007, the majority of properties held by government agencies immediately prior to entering the auction returned to public inventories. Government agencies participating in the auction decreased significantly over the past five years.

years, at auction, even for $500. Between 2002 and 2010, 10,678 properties sold in the Wayne County Auction and 470 of those were public parcels held for more than one year. In that same time period, these long-held public properties accounted for as much as 70 percent of the total number of properties offered.

Public agencies have significantly decreased the number of public properties offered in the auction. In 2008, no public properties were offered; 22 were offered in 2009, most by the federal government; and 9 were offered in 2010. At the same time, the number of privately held properties entering the auction increased dramatically. As of 2011, the City of Detroit estimated it held nearly 70,000 properties.

Discussion

The revision of the tax reversion process and the introduction of the urban homesteading program were intended as state level policies that would spur real estate markets in depressed urban areas and stabilize neighborhoods through the act of homeownership. The tying of property ownership with the individual homeowner and the conceptualization of private ownership as a stabilizing force expanded the opportunity for destructive predatory and speculative investment. The law was intended to increase investment in moribund property markets and to shrink large public inventories of land. Though investment occurred it did not stabilize neighborhoods or the real estate market. Private buyers rejected the majority of publicly held property and local governments saw an increase in the number of derelict parcels in public inventories.

The next chapter details the practices of speculators and investors in the auction. The conflation of home ownership with real estate investment opened the process to rampant speculation and created a number of loopholes through which owners and banks could dump or dodge tax obligations with the tax foreclosure and auction system. Rather than stabilize Detroit neighborhoods, the volatility that emerges from the varieties of private ownership, and the disempowerment of local agencies in intervention, created a series of incentives allowing large investors attempt to flip and move property within a three-year window before the parcel is either forfeited to the
state or retrieved in the second auction to begin the process again. The assumption that a pool of private buyers existed to purchase government held property did not materialize as auction buyers repeatedly allowed most publicly owned property to pass through the auction. The increasing separation between exchange value and use value is evident in the rising number of bank walkaways in the auction. A process that requires banks to first foreclose on homeowners, a time consuming and costly process, before relinquishing property to the state rather than secure it and pay taxes.
Chapter 3

Speculation Typologies and Auction Practices

The introduction of the auction system was intended to expand homeownership in cities such as Detroit. The legislation that authorized urban homesteading and revised the tax reversion system was drawn from market-centric policy proposals developed in the preceding decades and primarily targeted at federal agencies. These policies privileged private ownership and sought to minimize or eliminate the role of the state in housing and property markets. Policymakers identified to primary drivers of chronic economic decline and neighborhood deterioration in Michigan’s largest cities: A) an outsized role of government, particularly its land holdings, and B) the lack of individual ownership, most often constructed through the perceived moral improvements that ownership generated. The failure of the urban homesteading program and the practices revealed in the auction process demonstrate the complexity of property markets and the diversity of ownership. The multitude of actors and institutions involved in the transfer of property and debt through state channels was unaccounted for in the political and ideological arguments promoting these legislative tools. The focus on the individual in the process, both entering tax foreclosure and accessing property through the tax foreclosure process, obscured the more dominant activities of property ownership that emerged in the auction, such as tax dodging and bank walk-aways. These and other speculative practices accelerated the loss of tax revenues in cities such as Detroit and increased neighborhood instability. The speculative practices at work in the auction process in Wayne County reveal both the market forces and market actors that were unleashed in a state-led shift to market-centered planning (Hackworth, 2012a). Rather than a stabilizing flow of investment, renovation, and upkeep, the market expansion that occurred is marked by predatory flipping practices and the extension of land contracts to new owners by high volume auction buyers, the majority of which invest in buying properties and marketing properties not improving houses or neighborhoods.
The property market encompasses a variety of activity based around the exchange of titles for real estate. These exchanges occur between private actors and between private parties and public entities. There are relatively routine transactions, such as the single family home sale or condominium unit for occupancy, that generally occur within a "traditional" property market where valuations are set through comparable sales in an area and financing is handled through a lending institution using standard mortgage instruments. These have been supplemented in recent years with subprime instruments that increased risks to buyers and lenders and led in part to the collapse of the mortgage market.

There are large commercial exchanges in which entire buildings or city blocks are transferred between multinational property holding corporations for millions or billions of dollars. These transactions, much like large-scale commercial building, are financed through consortiums of lenders. These are often backed with physical collateral and at times financed with municipal or state bonds to lower the cost of borrowing.

Many of the transactions in real estate markets are inherently speculative whether it is an expectation that the property's value will rise over the 20 or 30 year term of a traditional mortgage or the investor seeking to renovate and flip a house within a short period of time. The activities of the flipper and motivations and attention to the physical property vary as do the actions of the single family homeowners. In the idealized version of homeownership offered as a salve or intervention in declining cities and neighborhoods, ownership is connected to an individual investment in property and a broader commitment to the neighborhood it is located. But there exists a wide variation in activity among homeowners and investors. Some single family homeowners neglect their properties or focus on increasing values as the primary asset regardless of neighborhood change.

A large body of scholarship is focused on the real estate market and its increasingly central role in economic growth. The increasing financialization of property markets starting in the late 1970s and early 1980s is seen as one of the primary causes of the
foreclosure crisis beginning in 2006 (Crump et al., 2008). The construction of Mortgage Electronic Registration Systems (MERS) and the increasing use of derivatives coupled with the restructuring of regulations for mortgage back securities allowed for an expansion in the subprime mortgage market (Gotham, 2006, Immergluck, 2010). In addition to these analyses, scholars such as Gottdiener (1994) and Beauregard (1994) sought to trace the ways in which investment in the built environment separated from any measure of use and became largely speculative investments on appreciable land values and incentives within financial sectors. For Molotch (1976) and others, the centrality of economic growth for city building was the primary motivator for local governments and policymakers leading to public-private alliances characterized as a growth machine. Beyond growth coalitions which received voluminous attention, particularly within locality debates throughout the 1980s, researchers attempted to isolate actors within the secondary circuit and to classify these relationships. Haila (1991) generated a typology of investments in land and property utilizing the variables of use and exchange value and time (present or future) drawing on a localized case study in Finland. For Haila, land markets operate on an internal logic that is largely determined by monopoly control (ownership of land) and supply. In declining cities such as Detroit, supply is not an issue and disrupts this construction of an internal logic for markets. In addition, the speculator for Haila is a “Schumpeterian or Weberian entrepreneur,” destroying to create. These activities are placed within a continuum where the intended use is not disruptive but an ends to profit – improvement or deterioration are merely side effects. It is primarily a finance-centric argument examining the pursuit of profit that does not account for externalized costs and the material effects of speculative actions, particularly in the case of declining markets. More recently Charney (2001) examined the movement of capital from primary circuit of production to the secondary circuit (capital switching), in the context of the Canadian real estate sector in Toronto. Charney and others, such as Fox-Gotham (2012), have focused on real estate development and the financialization of real estate instruments such as mortgages in speculative trade.
Much of this work is generated in response to Harvey’s argument of capital switching (1978, 2006). Essentially, over accumulation in the productive sector leads to investment in the built environment and often precedes an economic crisis. Most recent literature now characterizes the secondary circuit as containing its own rules, logics, and investment patterns (Fainstein, 2001, Beauregard, 1994, Gotham, 2006). The land auction process would support that argument to an extent. Actual practices in the auction problematize both the conception of speculative activity in land markets as primarily geared toward development, in this case investment is rarely accompanied by development, and its outcomes require a reconsideration of the “entrepreneurial fervor” which Beauregard (1994), Charney (2001) and others have pointed to as a driving force in real estate speculation that accounts for the externalized costs of this activity. Rather than investment in real estate in Detroit being a spatial fix, it is generating a peculiar and destructive spatial fixity, in which the ability and capacity to intervene through government are trumped by ideological concessions to a “free market” and the fervor of its entrepreneurs accelerating destruction with minimal creation.

This chapter focuses on the speculative aspect of property, examining both the market activity generated by the land auction process in Wayne County, Michigan and post-auction activity of speculators and investors. It does not examine the simple bet of the single family home owner that a house will be worth more in 20 years, but the short term bets that a property can be sold for profit regardless of condition.

What emerged in Detroit land markets can be divided into six types of property holders or actions, four of which I focus on in detail. The fifth is a preliminary examination of an emerging category; the practice of ownership by banks or financial institutions through mortgage foreclosure. Owners in this category are now abandoning holdings accumulated during the recent foreclosure crisis. Financial institutions are allowing parcels to enter tax foreclosure rather than offer the property for private sale. The sixth is a broad category that encompasses more traditional forms of ownership and is identified for reference but not under analysis here.
The typologies and practices analyzed in this chapter are constructed from data provided by the Wayne County Treasurer. Auction data between 2002 and 2010 contains records of all properties offered at auction, properties sold at auction and properties that passed through the auction. I examined this data in aggregate and then sorted by year and by sold and unsold. It was then separated again by sales in the first auction and sales in the second. In most cases, each recorded parcel lists the name of the owner, when the property entered the tax foreclosure auction, and the name of the buyer, if purchased. It also includes information on the purchase price and taxes owed at time of auction. This information allows for the tracking of public and private property entering the auction and the frequency of particular participants in the auction. The price data gives some indication of the declining revenue stream prior to auction and the increasing gap between taxes owed and taxes recovered in the auction. The analysis of the data includes tracking the frequency of particular participants. In identifying activities such as tax washing and tax dodging, I traced the passage of titles between owners. This was at times direct with the named taxpayer and taxpayer address identical to the named buyer and buyer address. In other cases, the property passed from a company to an individual or vice versa. By cross-checking the names and addresses of buyers and sellers with the Michigan Secretary of State’s Corporation database, the confirmation of registered agent of a limited liability corporation (LLC) as the buyer, the same LLC that previously owned the property, was considered a tax wash. In some cases, known business partners that also operated separate operations were considered a tax wash. The passage of property from LLCs in which Michael Kelly or Matthew Tatarian was a registered agent to an LLC where either was listed as a register agent or to them as individual was counted as a tax wash. In other cases, the confirmation via newspaper reports and non-profit or corporate websites listing a direct affiliation of an individual to that company or non-profit was considered a tax-wash. The numbers here are conservative and do not capture this practice in its entirety. Reoccurring transfers between particular individuals and particular companies over time were excluded even if the practice appeared deliberate as the actual relationship between individuals and companies or two companies could not be established.
Typologies of Ownership and Activity

Type 1: Speculation

Outright betting on the short term rise in property values either through demand or through ignorance.

The role of speculator in the Detroit real estate market has a long history. David Freund (2007) and Thomas Sugrue (2005) have documented the role of speculators in block-busting by moving black families into white neighborhoods to cause panic and quick sales to speculators in neighborhoods throughout the Detroit Metropolitan region. Speculators would then mark up the property for sale to other black families seeking housing. Brian Boyer (1973) reported on the fallout of the HUD-FHA mortgage scandal in the late 1960s and early 1970s in Detroit when mortgage lenders, speculators and slum lords colluded to sell crumbling over-priced properties to black families on government backed loans. The use of land contracts is another tactic in which property owners place impoverished buyers in homes under payment plans that cover interest cost and rarely the principal.25 Occupants accrue little to no equity and are easily evicted for late payment. More recently, speculators are taking advantage of access to tax foreclosed properties flipping them site unseen to investors around the world or local buyers with limited credit options, particularly those who have lost their homes in foreclosure.26

Speculative auction activities can be subdivided into five types. 1) Simple speculation: properties are purchased in the second public land auction for the minimum bid of $500. Some of these properties are resold at 10 to 20 times the purchase price, but the

25 A land contract is a legal agreement that allows the buyer to use the property. The owner generally finances the occupant and holds title to the property until the occupant pays off the loan. These agreements generally have balloon payments at the end of the financing term. The occupant is responsible for the property in a similar manner to an occupant holding a typical mortgage. But in the case of most land contracts, occupants do not gain an equity stake in the property through monthly payments which are kept low and generally cover interest on the loan.

26 Many local buyers are aware of some of the risks purchasing property in this manner, but they are making decisions based on the limited options available to them, particularly a tight rental market and limited to no access to typical mortgage instruments.
majority these properties remain unimproved for three to five years and property taxes
are not paid during that time. At the end of the tax reversion cycle these properties
reenter the auction, often go unsold, and are transferred to a public inventory. 2) Title
trading: This is a process in which local and non-local speculators utilize the land
auction as a means to acquire large inventories of property that are then marketed
globally through the internet, investor magazines, or informercials. Two of the more
active speculators of this type are Detroit Progress LLC, which offers investment houses
on the internet and markets to individual buyers locally, and Thor Real Estate, which is
actively purchasing properties in distressed neighborhoods around the country and
reselling those properties to other investors and individual local buyers. 3) Revenue
Streams: These speculators purchase houses that can be sold to low income buyers on
land contract or used as dilapidated rental properties. These practices have expanded
in the past three years with a small number of speculators buying high volumes of
properties and quickly reselling them to buyers on land contracts. Additional practices
include the purchase of houses that could take advantage of recent federal mortgage
incentives for first time homebuyers. A variety of marketing techniques are deployed
including the use of flyers, signs in road medians, and Youtube videos to attract
investment and, at times, defend speculative practices. 4) Easy Income: These
properties are generally converted to rental properties and marketed to out-of-state and
overseas investors as income properties. These properties are marketed as high return
investments in a high demand area. 5) The Flip: auction participants buy tax-reverted
properties in relatively stable neighborhoods were the owner failed to pay taxes.
Properties are generally purchased in the first auction and then offered through typical
real estate transactions. In some cases this results in investment in repairs, in others
the house is put on the market immediately.
<table>
<thead>
<tr>
<th>Table 3.1: The Acts of Property Speculation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Simple Speculation</strong></td>
</tr>
<tr>
<td>These are properties purchased in the second auction for the minimum bid and held for three to five years with no improvements or taxes paid. The property reenters the tax foreclosure process goes unsold and enters public inventories.</td>
</tr>
<tr>
<td><strong>Title Traders</strong></td>
</tr>
<tr>
<td>These speculators are located both within and outside the city. They purchase properties at the Wayne County auction that are then sold over the internet, in investor magazines or on informercials. Detroit Progress LLC is a prime example as it attempts to move houses on the internet. Another example is Thor Real Estate purchasing property in distressed neighborhoods around the country and then selling these properties to other investors.</td>
</tr>
<tr>
<td><strong>Revenue Stream</strong></td>
</tr>
<tr>
<td>These speculators are looking for houses that can either be sold to low income buyers on land contracts or used as dilapidated rental properties. This is a more recent emergence under the auction with large numbers of properties being purchased and then resold, quickly, to buyers on land contracts. Another practice in this section is to purchase houses that could take advantage of federal mortgage incentives. The operation of Antoine Hayes and BenjiGates Estates is a prime example of this but there are others operating in a similar manner. They are deploying various strategies from flyers and signs in a median to youtube to attract investment and defend practices.</td>
</tr>
<tr>
<td>Easy Income</td>
</tr>
<tr>
<td>The Flip</td>
</tr>
</tbody>
</table>
Type 2: Protectionism

A collection of property owners that bought into the city early in the period of decline and are seeking to hold their property with limited cost until growth returns or the government pays them more than the property is worth. It includes business owners using failing property markets to expand their holdings around key infrastructure projects and to gain legal standing in challenging projects that might infringe upon their businesses.

These are a collection of property owners more concerned with the protection of interests rather than the care and upkeep of the physical property. For those who invested in property in what they believed was the bottom of the market in the 1970s or 1980s, the continued loss of value resulted in the closure of buildings and minimal to little upkeep. For some owners, what has become essential is a fight to limit the power of any level of government to compel them to keep up the property or to sell it at its current market value. They are generally quite active in property rights groups that frame the issue in populist terms around single family housing. For others, the lack of demand for property in many neighborhoods and the auction made possible the acquisition of parcels around current businesses, future expansion sites, or within government projects that might threaten business practices. These purchases revolve around the legal rights and claims that property provides rather than the property itself as many of the structures are allowed to continue to decline.

These practices can be divided into two categories. First, the Long Game: these are long term owners who have often left the city but still live in the metropolitan area. Properties such as hotels and office buildings have been mothballed or boarded for years if not decades. The property owners are waiting for an offer or development that will increase the value of their building. Alan Ackerman is at the forefront of the current struggle over property rights in Michigan. Aligned with the Mackinac Center and the Castle Coalition the attorney helped write the constitutional restrictions on the use of eminent domain and represented the case that overturned the Poletown case in Michigan. He also owns buildings in downtown Detroit that are shuttered (Ackerman, 2011). Ackerman funded and helped author Michigan’s Constitutional Amendment banning the use of eminent domain for economic development in 2006. For Ackerman
and other owners, the issue of whether the government could condemn these buildings using the power of eminent domain is not as clear cut as it may seem under the recent constitutional amendment. He argues that saving the city trumps arguments against not using eminent domain for economic development. But what the amendment he wrote ensures is that if the government uses eminent domain it pays over market value for the property.

Second, the Short Game: investors and speculators use the availability of vacant and abandoned property in the auction and low demand in the market to purchase strategic parcels that either protect business interests or creates obstacles to outside development that may adversely affect their interests. By purchasing particular properties in the path of government projects these investors can use the rights of property to challenge government proposals and projects in court. Billionaire trucking magnate and Ambassador Bridge owner, Manuel “Matty” Moroun is playing both the long and short game using the Legislature, ballot initiatives, and property ownership in an attempt to slow government efforts to build a second bridge across the Detroit River. These maneuvers occur with little regard for the physical state of the properties and neighborhoods in which he accumulates these claims. The destruction and dereliction resulting from these actions have become iconic symbols of Detroit's decline.

**Type 3: Legalized Extortion**

The manipulation of the public financing system or the market for advantage. The purchase of property within or adjacent to proposed government-led redevelopment projects. These actions push up the cost of the project and creates lucrative gains for investors and speculators. The use or manipulation of wrinkles in the property recording system to purchase a portion of another person's property and demanding payment. The use of cheap properties for mortgage fraud. Any act of creating gains by using property and its privileges as a lever against individuals or government.

These speculators often seek out properties near or within particular development plans for governments or non-profits. Documented cases of buying portions of property and then threatening eviction also fall under this category. In all cases it is using the legal
privileges offered under ownership to seek profit with investment limited to acquiring an ownership claim.

There are three general categories for these activities. First, is exploiting wrinkles in the system. One of the peculiarities that emerge in the property system is overlapping claims to the same territory. Due to changes over time in ownership and surveying and cataloguing errors these idiosyncrasies in the system have resulted in situations where seemingly legitimate ownership is destabilized and challenged. Parcels within parcels on the tax roles may generate bills and foreclosures without the owner of the larger parcel ever notified of the pending tax foreclosure. Under lien systems, obscure claims to a portion of debt that transfers with property rather than ownership can lead to the loss of property. The most blatant example of this activity in Detroit is carried out by Michael Kelly whose knowledge of the lien and auction system as well as the property boundaries in the city led to claims for back payment from an operating business after he purchased the deed to a piece of property that contained their front door and small portion of the parking lot. In another case, he demanded $2 million after purchasing a parcel within a manufacturing firm and threatened to foreclose on the business if he was not paid. Finally, another tactic is the taking of houses through lien claims after owners had finished renovations. Though Kelly is not the lone actor he is by far the most bold and most known for his actions.

Second is mortgage fraud, an often alleged practice that is difficult to track as it is rarely prosecuted. Following the financial collapse of 2008, the incidence of mortgage fraud in Detroit increased. There were reports of mortgage fraud prior to this, particularly during the bubble, but a strategic attempt to take advantage of federal stimulus money offered mortgages to people for homes, they may or may not taken possession of, while receiving a government rebate check for the purchase. The thousands of dollars in rebates split between the buyer and the seller with the houses often being sold again when the seller foreclosed on them. Michael Kelly was a prime participant (Wolcheck, 2009).
Third is positioning purchases to profit from government-led investment. In this case speculators often buy and hold property based on assumptions about land that will be needed for government-led projects, either for infrastructure or construction. By utilizing public reports, inside information, or guesswork properties are purchased throughout the city and held in hopes that the project will be underway in the next three years. It is a $500 investment that often turns into a $20-30,000 pay off from the government. These speculators push up the cost of projects and often delay development as they challenge the government’s offer in court. These speculators often forgo paying taxes on the purchased properties letting it enter tax reversion if the project was not underway. If they want to continue betting on the property there is no prohibition on buying at auction a second time for $500, a price well below what they would have paid in taxes in the three years prior. This is not a new practice, but the introduction of the auction increased the number of parcels available and reduced the barrier to gamble on these pay outs.

**Type 4: Tax-Washing**

The practice of an owner dodging tax bills by allowing a property to move through the tax reversion system and then repurchasing it in the second auction. This practice carries some risk as valuable properties may sell at auction for more than the current tax bill, but increasingly these properties are purchased for the minimum bid in the second auction allowing owners to avoid thousands of dollars in unpaid taxes.

Nearly 20 percent of all property sold in the Wayne County land auction between 2002 and 2010 were purchased by the previous owner. Though it is possible that this was an attempt by an owner in financial difficulty to hold onto their property, the county offers a very open redemption program targeted at limiting the number of properties that actually end up at auction. The opportunity to redeem property through payment plans is offered until the final foreclosure judgement which occurs a few months before the first auction. The risks to this practice is that the owner will be outbid for the property. The practice peaked in 2008 with 60 percent of all properties sold returning to the previous owner. It declined significantly in 2009 and 2010, according to Wayne County auction records (Wojtowicz, 2011). *The Detroit News* reported over 400 instances in the 2011 auction.
Figure 3.1: Tax Washing

![Graph showing the trend of parcels exchanged over years]


**Figure 3.1:** The auction is used to avoid paying taxes. An owner repurchasing their property at auction can lower tax bills by thousands of dollars.
For landowners buying back property in the 2011 auction, disputes over the size of the tax bill and the economic downturn were given as primary reasons for using the auction process.

**TYPE 5: REO**

Real-estate-owned or REO properties are increasingly entering tax foreclosures as financial institutions abandoned these investments.

The foreclosure crisis resulted in additional housing stock moving into the tax reversion process. Mortgage foreclosure, in which the lender or holder of the mortgage note takes possession of the property from the borrower, is a process that often occurs well before tax foreclosure. Many mortgages include estimates of annual property tax in the monthly payment and various methods of tax payment are deployed from direct pay by the lender to escrow accounts from which the borrower draws to pay property tax. Increasingly lending institutions that have foreclosed on houses are allowing these properties to enter tax foreclosure. This strategy allows for lending institutions to write off losses and to transfer responsibility for the properties to government agencies. This is a reflection of both the failure of the market in Detroit and the excesses of market exploitation in the year's prior to the collapse of the housing bubble. Properties for which loans were extended in the first half of the decade are now moved off bank books by a transfer to government control.

**Type 6: Typical Markets**

There are limited housing markets in the city of Detroit that could be described as typical. This is housing that is purchased utilizing a mortgage. A traditional mortgage through a mainline lending institution, a bank or mortgage brokerage firm, covers 80 percent of the property value. Though these types of financial instruments are deployed in the single-family housing market and condo market in Detroit, mortgages do not often cover the full sale price of the property. Individuals seeking to purchase property often have to provide a larger downpayment or find alternative financing in addition to the mortgage to cover the cost of the house. This stems from the appraisal and the lenders’

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27 Wayne County would not provide data for 2011 or 2012.
reliance on this process as one of the sole indicators of a houses value or price.\textsuperscript{28} The low number of sales in the Detroit housing market makes it difficult for appraisers to find comparable houses. Comparable sales are often drawn from different types of property and different neighborhoods and without regard for distressed sales of long vacant houses in the private market, either by an owner or through foreclosure. The loan institution will approve 80 percent of the appraised value.

**The Auction at Work**

Private participation in the Wayne County land auction increased steadily over the past decade. The county’s decision to change from an in-person to online auction significantly increased the number of participants and the number of parcels sold in the auction. The apparent increase in revenue from the auction is negated by the significant amount of uncollected tax revenues from the sold properties. One of the more significant changes in auction participation is increasing activity in the second auction and relatively flat participation in the first auction.

Activity in the first auction is often based on the quality or desirability of the property whether it is an active business or move-in ready house. The starting bid for the property, back taxes, interest, penalties and fees, is well under the market value of the property and bidders are willing to pay more than the taxes owed to acquire it. In 2012 the first auction accounted for 32 percent of the total revenue collected and was under 4 percent of all property sold in both auctions. The gap between the first and second auction reflects the relatively small size of the conventional property market in Detroit and more typical pre-foreclosure crisis activity in county land auctions, as buyers with the ability to make large cash transactions bid for properties below market value. Increased market activity and speculation is firmly situated in the second auction where all property begins with a minimum bid of $500. Since 2009, and increasing after the

\textsuperscript{28} An appraisal remains a rather unsophisticated process as three sales of comparable properties within a specified time period, often a few months, are used to determine the properties market value.
move to the online auction system in 2010, property sales in the second auction outpace the first auction by a 15 to 1 margin.

In 2002, the first year of the auction, nearly 88 percent of properties offered sold in the first round. Between 2003 and 2007, about half of all properties sales occurred in the second auction. From 2008 to the present, the number of properties purchased in the second auction increased from nearly 73 percent to 93 percent. This coincides with a massive increase in the number of properties being offered over the same period from 4,102 in 2008 to 20,658 in 2012.

The increase in second auction purchases is driven in part by the entry of large speculative buyers with various business models. Eleven buyers, that can be grouped into seven entities through business relationships, account for over 24 percent of all auction purchases between 2002 and 2010. The post auction approach of these speculators vary, but the majority of their purchases occur in the second auction. Some are local speculators and investors active in the Detroit real estate market for decades while others run out-of-state property speculation companies operating in depressed or declining markets throughout the United States.

**Speculators**

If there is a division between speculation and investment it is likely the use or development of a property after purchase. In interviews with officials from the city of Detroit, Wayne County and State of Michigan there was little consensus or willingness to venture beyond the abstract acknowledgement that speculation existed and was an issue for government intervention and planning (Anderson, 2012, Sabree, 2012, Interview, 2011p, Interview, 2011l, Interview, 2011j). Outside of large volume auction buyers the most common definition became one of “I know it when I see it (Interview, 2011k).” For some officials, the line between an investor and speculator was 20 properties; while others clearly drew distinctions between speculation and investment often for the same person. As for property owners, developers, and realtors the distinction was even less clear. As one property owner put it when asked if he was a
Table 3.2: Frequent Auction Buyers

<table>
<thead>
<tr>
<th>Buyers</th>
<th>Properties</th>
<th>Associations</th>
<th>Local</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael Kelly and Matthew Tatarian</td>
<td>696</td>
<td>Detroit Leasing</td>
<td>Yes</td>
</tr>
<tr>
<td>Keith Hudson/ Antoine Hayes/ Ernest Karr</td>
<td>636</td>
<td>BenjiGates Estates</td>
<td>Yes</td>
</tr>
<tr>
<td>Angel Haus, LLC</td>
<td>368</td>
<td>Jeff Park</td>
<td>Yes</td>
</tr>
<tr>
<td>Todd White</td>
<td>302</td>
<td>Manuel Moroun</td>
<td>Yes</td>
</tr>
<tr>
<td>Edward Azar</td>
<td>247</td>
<td>Detroit Progress LLC</td>
<td>Yes</td>
</tr>
<tr>
<td>Danielle Ahmadieh</td>
<td>197</td>
<td>Land Connection.com</td>
<td>Yes</td>
</tr>
<tr>
<td>Eric Tomasi</td>
<td>131</td>
<td>Thor Real Estate</td>
<td>No</td>
</tr>
</tbody>
</table>

speculator, “no one wants to be called a speculator and even those that are don’t see themselves that way (Interview, 2011h).”

Even volume purchasers refuse the label of speculator preferring the term investor. Michael Kelly and Manuel “Matty” Moroun, two of the largest speculators in the city of Detroit claim their actions are a benefit to the city. They are investors rather than speculators. Kelly told The Detroit News in 2011, “People went out West speculating for gold. That’s what it is. You need speculators. It’s called investors (MacDonald, 2011h).” Moroun told the Detroit Free-Press in 2010 that his vast holdings reflected his interest in the city’s future. “For me to own land in Detroit, it was a badge of honor, and it was support for the city. Our fortunes are linked to the city. If the city doesn’t have any prosperity, we don’t have any value in the land, right (Gallagher, 2010a)?”

But it is more speculation than an investment as it relies on someone else betting on Detroit’s future whether it is government or private development. The holding of property without improvement, the boarding of houses left to rot, the quick flip, and the extortion of occupants and business owners through title errors are all means of the largest “investors” in Detroit. The auction accelerated these predatory practices and increase property holdings for minimum cost.

These are not the only active speculators. Between 2002 and 2010, people purchasing 20 or more properties accounted for nearly 50 percent of all auction sales. That is 82 total buyers out of the 2,139 that purchased property in the auction during the eight year period. People purchasing more than 5 properties over the same time period, account for nearly 75 percent of all sales and only 18 percent of the total auction buyers. One time individual purchases, the primary focus of the urban homesteading act and PA123 accounted for 10.5 percent of all purchases in the same period.

The Spread of Properties
Between 2002 and 2010, properties from every neighborhood in the city of Detroit entered the auction with properties going sold and unsold in all areas. Online bidding
Table 3.3: Auction Buyers by Frequency

<table>
<thead>
<tr>
<th>Property Range</th>
<th>Number of Buyers</th>
<th>Total Property</th>
<th>% Purchases</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;100</td>
<td>10</td>
<td>2577</td>
<td>24.06</td>
</tr>
<tr>
<td>50-100</td>
<td>14</td>
<td>907</td>
<td>8.49</td>
</tr>
<tr>
<td>20-50</td>
<td>58</td>
<td>1836</td>
<td>17.18</td>
</tr>
<tr>
<td>10-20</td>
<td>100</td>
<td>1286</td>
<td>12.03</td>
</tr>
<tr>
<td>5-10</td>
<td>204</td>
<td>1316</td>
<td>12.31</td>
</tr>
<tr>
<td>2-5</td>
<td>630</td>
<td>1648</td>
<td>15.42</td>
</tr>
<tr>
<td>1</td>
<td>1123</td>
<td>1123</td>
<td>10.51</td>
</tr>
</tbody>
</table>

increased the number of properties being sold at auction but the activity of buyers is largely informed by property conditions and location.

The Acts of Property Speculation

In practice, various strategies are deployed by speculators often simultaneously. Though some exclusively seek to trade titles, or flip property quickly, most high volume buyers are engaged in a combination of activities seeking to turn a profit on discounted auction properties. The categories below emerge from repetitive activities by speculators in the city’s land market. It does not encompass all speculative activity nor does a category serve as an isolated container. It is divided by common practice over the past decade in the city of Detroit.

Speculation

Title Traders

The derivative market for home mortgage is often cited as a primary culprit in the collapse of the housing market. The fallout from mass foreclosures fed a growing national property auction market that now accounts for over $16 billion in annual sales. The type and frequency of auctions are increasing. Wayne County now utilizes an online auction company. In-person auctions continue in small suburban hotel conference centers often offering bank foreclosures in cities across the country (Gregory, 2007). Some of the most active auction buyers are small firms that specialize in purchasing tax foreclosed properties in depressed markets and then selling the houses to individuals or other investors. These speculators deploy a web of opaque LLCs that allow for various investors to participate, spreads liability, and makes tracking actual ownership exceedingly difficult as properties are transferred between various corporations where a rotating cast of investors serve as representatives often from multiple companies. The marketing techniques range from advertisements in investor magazines and online investor sites, to yellow or white plastic signs posted in medians and yards promising a house for little money down with low monthly payments, and Craigslist ads and Facebook pages promising no credit checks.
Map 3.1: The auction includes parcels from across the city. The map illustrates all parcels offered at auction between 2002 and 2010.

Source: Wayne County Treasurer (2011) Tax Reverted Auction Property
Map 3.2: Auction Purchased Parcels 2002-2010

Source: Wayne County Treasurer (2011) Tax Reverted Auction Property
These speculators often operate in property markets from a distance. Three of the largest out-of-state investors in Detroit are Thor Real Estate of Sherman Oaks, California, Detroit Progress LLC, based in Palm Beach, Florida, and Land Connection.com, a California-based real estate company primarily marketing to investors. All three are active in the Wayne County Land Auction and have varying investment strategies. All are running wholesale businesses that focus on other investors while marketing some properties to individual buyers.

One of the largest landholders in the city of Detroit and frequent auction participant are Eric and Sheila Tomasi. The couple, operating as Thor Real Estate, have purchased thousands of houses across the United States since 2008. Tomasi owns over 200 properties in Detroit and characterizes the city as the “hottest market in the nation.” In 2010, Tomasi purchased 132 properties in the Wayne County auction. Though the county provided some sales data for the 2011 and 2012 auction the names of the buyers are listed as online user names rather than legal names making it difficult to track or verify auction buyers.

The volume of the Tomasi’s purchases both in Detroit and cities such as Cleveland attracted media attention. The New York Times Magazine detailed the activities of the Tomasi’s Cleveland operation in 2009. According to the Times, the Tomasi’s had purchased over 2,000 properties in 22 states in 2008. These holdings included 200 houses in Cleveland. While in court for code violations, Sheila Tomasi told a Cleveland municipal court that the couple intended to purchase 1,000 more properties in the city (Kotlowitz, 2009). In 2011, The Detroit News reported that the Tomasi’s had purchased over 6,000 properties in the Midwest over the past three years (MacDonald, 2011g). In the Times and The Detroit News, the Tomasi’s portrayed themselves as “personally responsible” and “providing a pretty good service.” The Tomasi’s claim to have a 10

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29 Land Connection.com offers properties over the internet to investors. They list properties throughout the West and Southwest, Michigan and Mexico. In 2010, Danielle Ahmadi purchased 198 properties in the Wayne County land auction. According to the companies website Land Connection began operations in 2000 and offers a “varied selection of land at favorable prices.” The company claims that many of its buyers are repeat customers. There is limited information available about this company and inquiries did not generate a response.
Image 3.2: Facebook Property Sales

Detroit Homes For Sale
17 hours ago

It's a new year and we have all new properties available. Check out this one on Waveny, near Cadieux and Mack Ave. Large Home available for $6000 Cash. Land Contract also available.
Call 877-625-5255 for more info

Sistah Nubia
Beautiful home near Detroit's University District! 5 be...
13 hours ago

Nicole Nikki Thomas
please send me a list of houses east and west npooka...
17 hours ago

John Louis Davis
How is information feed to this page? Is this page up...
Monday at 9:12pm

MzKelia Untouchable Hawkins
happy birthday hope u enjoy ur day n b safe n may g...
December 27, 2012 at 11:51pm

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Consulting/Business Services
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Swole Sports Nutrition
Vitamins/Supplements
Like

Michigan State University - SPARTANS
College/University
Like

Mexican Village Restaurant - Detroit
Mexican Restaurant
Like

The Detroit Pistons
Professional Sports Team
Like
member maintenance team overseeing their properties in Detroit to ensure they are not blighted.

In selling to individuals, the Tomasi’s require $500 down and keep payments under $450 a month, but charge 10 to 11 percent interest on the properties (Kotlowitz, 2009). They claimed their practices were better than other land speculators and flippers as they provided all of the material that had been stripped such as hot water heaters and wiring, but required the buyer to pay for installation. If the Tomasi’s paid for installation it was added to the mortgage (Kotlowitz, 2009). But other investors who have purchased properties from the Tomasi’s have filed lawsuits over the condition of properties and unpaid bills. A Wyoming investment company accused the couple of selling houses that were unlivable and is suing the investment firm. Capital Asset Recovery claimed that many of the properties did not have windows. Tomasi told The Detroit News in early 2011 that his speculating and flipping “… give the opportunity for lifelong renters to have the American dream and own their own home (MacDonald, 2011g).”

Beyond the sheer volume and rapid expansion of the Tomasi’s property business, their operations are relatively standard for property wholesalers. Yet the Tomasi’s long term business plan attempts to leverage similar practices as those used in the derivative market for mortgages. According to Eric Tomasi, the couple intends to eventually bundle and sell the mortgages they hold to investors (Kotlowitz, 2009). It is a cynical twist in a market that expanded due to mass foreclosure, displacement and individual credit collapse where those seeking affordable shelter outside of the conventional mortgage system could have their new high interest mortgage turned into a trading chip for global investors.

Another wholesale property speculator, Detroit Progress LLC, based in Palm Beach, Florida, is positioning itself as a distribution point for both large and small investors.

“An amazing opportunity has been created by the sub-prime mortgage meltdown; will you profit from it? Detroit has seen record numbers of foreclosures with one of the highest rates in the country. This window of opportunity provides a surplus
The company run by Edward Azar, who grew up in Farmington Hills, sells Detroit houses on its website under the slogan, “Rebuilding Detroit One Home at a Time.” Azar purchased 249 properties in 2010 for over $325,000 (Wojtowicz, 2011). Some of these properties are offered on the Detroit Progress website for between $1,500 and $8,500. Over the past two years the company expanded its staff in Detroit and extended its marketing from individual home sales to investors and speculators. Detroit Progress posts videos on its websites in which it interviews “homebuyers” about their experience with Detroit Progress focusing on the ease of buying from the company rather than from similar operations active in the city. These videos target individual buyers, but the website also promotes their services to speculative investors.

The company claims to have developed a special relationship with banks allowing it to purchase foreclosed properties prior to being auctioned or publicly listed though many of the properties featured on the website are county auction purchases in which the company does not have a privileged buying position. The company claims these relationships “effectively puts DetroitProgress.com at the front of the distribution channels of foreclosed housing (LLC, 2012).” According to Detroit Progress this allows the company to offer properties at below market value increasing investment returns.

The company offers investors four options for achieving returns: 1) is buy wholesale from Detroit Progress and resell the properties to individual buyers at a mark-up; 2) is restore properties and sell to individual buyers “on the retail end;” 3) is “create a portfolio of high return rental units;” 4) is sit on the property and wait for the market to change. Detroit Progress is moving titles as a wholesaler to wholesalers (LLC, 2012). The company offers properties purchased at auction for mark-ups of 15 to 20 times the initial acquisition price at auction.

Rather than an investment in neighborhoods and housing these companies are operating as title wholesalers, flipping and trading titles among investors, while selling
Map 3.3: Azar Eastside Auction Parcels

Source: Wayne County Treasurer (2011) Tax Reverted Auction Property Data
off the occasional property to individuals trying to find affordable housing at inflated prices with heavy interest.

**Revenue Streams**

“How can making hundreds of homeowners hurt the city. That’s what the city needs (MacDonald, 2011e).”  -Antoine Hayes, BenjiGates Estates

In 2010, BenjiGates Estates became one of the largest buyers of auctioned properties in the city of Detroit. Keith Hudson and Antoine Hayes combined to purchase 585 properties in the Wayne County land auction in 2010. This is 5.5 percent of all properties sold in the public auction between 2002 and 2010. In 2011, online auction user BenjiGates was a major purchaser acquiring 105 properties. In 2012, the user Benjamin Brothers, the name of an LLC registered to Hudson, purchased 440 properties, the second largest purchaser that year.

Hudson and Hayes role in the auction became the focus of media attention after a rash of incidents between buyers and former tenants at properties that passed through their operation. In the summer of 2011, a former occupant of one of the properties they purchased at auction firebombed the house and severely burning the new owner. The family told Detroit media outlets that they had purchased the property on a land contract from BenjiGates Estates and that they had been harassed by the former occupant who was characterized as a squatter (MacDonald, 2011a).

Incidents between former occupants and new residents in auction bought houses are not uncommon according to police and media reports (MacDonald, 2011a, MacDonald, 2011f). Often houses sold at auction are severely damaged by broken pipes, open water taps and flooded basements, according to residents and auction participants (Interview, 2011i, Interview, 2011m, Interview, 2011p). What is unusual about the BenjiGates incident is the sheer quantity of houses in Hayes and Hudson’s operation. BenjiGates Estates sells their auction purchased properties often sight unseen for both buyer and seller. In 2011, *The Detroit News* featured a sale by Hudson and Hayes to a family of six for $2,750 after a brief walk through. BenjiGates had purchased the
property at auction for $500 (MacDonald, 2011e). As documented by The Detroit News and the Detroit Free-Press these properties are often in varying states of disrepair and are unlikely to pass occupancy inspections. Hudson justified the company’s practice as meeting demand in the market. He argued that renovations would push the cost of the houses past what most could pay. According to Hudson and Hayes, the foreclosure crisis created a situation in which people cannot access financing and many are out of work (MacDonald, 2011e). According to Hudson, BenjiGates houses are generally sold on land contracts with $1,500 down and the remainder payable over 18 months to take ownership. A land contract does not build equity in the house and if a buyer fails to make payments, or cannot cover the balloon payment at the end of the financing term, the house is repossessed with little recourse for the occupant. BenjiGates did not disclose the interest rates it charged, but said payments were kept under $500 a month.

BenjiGates Estates participation in the auction and property market in Detroit coincides with the increasing volume of property moving through the auction process and the collapse of the housing market in the city. What Hudson and Hayes identified was an emerging market for housing whose primary participants had been displaced by foreclosure and bankruptcy. For people with limited access to credit, and a limited number of housing options in the city, the land contract model offered a possible avenue to ownership. For Hudson and Hayes the low cost of property, minimal financing costs, and lucrative interest possibilities equal a speculative bonanza and the possibility of cycling properties through buyers multiple times as occupants default on the loan or are unable to make the balloon payment at the end of the term.

The scope of BenjiGates operations and the speed of expansion required a significant amount of funding and access to cash. According to Hudson the initial money for the operation was provided by Ernest Karr, one of the largest property owners in the city (MacDonald, 2011e). The Detroit News reported Karr held 272 properties in Detroit in early 2011 (MacDonald, 2011h). Karr provided a $386,000 loan to Hudson and Hayes to start BenjiGates Estates. Hudson said he worked for Karr performing maintenance on various properties when he proposed the idea for the property business (MacDonald,
2011). The auction activity of Karr and BenjiGates account for over 6 percent of all auction sales.

Karr is one of the largest landlords in Detroit focused on low income housing, mostly houses in poor condition with little maintenance or support to tenants. In 2002, Metro Times detailed the conditions of a number of Karr’s properties, collapsing basements, backed-up sewers, no furnace, no running water, and lease agreements with tenants requiring them to do any repairs. Karr uses an array of companies to shield his holdings and manipulate municipal oversight by transferring deeds between different companies. Karr’s companies specialize in purchasing government foreclosed property. Metro Times’ investigation found many of Karr’s properties were purchased from the U.S. Department of Housing and Urban Development, which had taken possession of the property over non-payment of taxes or default on FHA backed mortgages. Properties were also purchased from the state and the city (Collins, 2002).

Karr utilizes the auction process and the courts to pick-up property cheap, evade taxes and challenge the regulation of his properties. In the late 1990s, the city’s attempt to cite Karr’s companies for numerous housing violations resulted in the court dismissing the violations and vacating the city’s housing maintenance code, which Karr’s lawyer argued was improperly adopted. The Water and Sewerage Department’s policy requiring landlords to report when tenants moved out was overturned in court on a challenge from Karr complicating the ability of department to collect delinquent bills. Lawsuits over required inspections and other regulations of rental properties filed by Karr’s companies in the past 30 years resulted in the vacating of laws meant to protect tenants and ensure taxes and bills for service were paid. Perhaps the most damaging lawsuit by Karr against the city was class action lawsuit making it difficult for the city to collect overdue bills by requiring the city to foreclose on the property, a process that often cost more than the debt. Karr’s attorney told Metro Times, they “... always fight the city. ...That’s because the city doesn’t do things properly (Collins, 2002).”

In addition to BenjiGates and Karr, speculator Michael Kelly also utilizes the auction to turn property quickly to individual buyers. In 2009 and 2010, Kelly was alleged to be
Map 3.4: BenjiGates Eastside Auction Activity

Source: Wayne County Treasurer (2011) Tax Reverted Auction Property Data
using property acquired in the auction to take advantage of federal mortgage incentives for first time homebuyers under a federal stimulus program. Detroit media recorded small seminars hosted by Kelly’s associates in which individuals were encouraged to purchase derelict properties owned by Kelly or his companies. After signing papers, the purchaser would return to the office where they made the purchase to collect an $8,000 stimulus check that was split between the seller and the buyer. Participants were encouraged in the recordings to walk away from the house as they would not have to refund the stimulus money if the structure burned down or was destroyed within two years (Wolcheck, 2009, Oosting, 2009).

The collapse of the housing market and the depth of the economic crisis in Detroit propelled particular speculation practices that sought out low income or no credit buyers in search of housing. Often couching these predatory practices as opportunities to realize self-reliance and the American Dream of home ownership through sweat equity, speculators were able to move derelict and abandoned properties back into a private market. In this market, buyers are placed on land contracts and given the responsibility for the costs of the necessary repairs to make the houses livable and the responsibility for the taxes that prevent it from being auctioned again. These types of sales often displaced the occupants living on the property prior to auction pitting the new occupants, often displaced through earlier bank foreclosures, against those that were recently evicted. Other speculators are able to utilize the auction process and government programs to enrich themselves. Though these practices extend homeownership through the private market, neither generates stability nor does it guarantee a return to revenue generating land within the city – the primary claims of proponents of the auction system. Instead it creates exploitative revenue streams that are renewed annually through the auction system.

**Easy Income**

As the housing bubble grew in the early 2000s, the marketing of income properties proliferated with late night and weekend television informercials promising high returns for limited investment. Investors could purchase property site unseen with tenants in place and a rent stream to supplement their income. In Detroit, these purchases often
resulted in out-of-state buyers later visiting their investment after the rental checks never came or stopped. According to local real estate agents who met these buyers as they were seeking to sell what they often found a stripped shell of a house, sometimes burned, with a mounting property tax bill (Interview, 2011q).

In early 2012, a group of European property investment firms filed a lawsuit in Wayne County. The firm claimed that its contacts in Detroit had absconded with a large amount of money and had abused their access to the firms client list to negotiate investments in Detroit property (Aguilar, 2012). At the height of the foreclosure crisis Assetz and NS-UK, International, global property investment firms specializing in emerging markets, began offering investors rental properties in Detroit with promises of up to 21 percent returns. The glossy brochures featured areas such as Eastern Market and some of the more stable neighborhoods in the city. Closely cropped photographs of rental houses obscured the condition of neighboring properties. One brochure promised that for an investment of $45,000 one could own a rental property in Detroit producing $7,100 in income after taxes (Assetz, 2010). Assetz promised buyers that U.S. Hardware megastore chain Home Depot had supplied and guaranteed all equipment and fixtures in the houses for two years. It also promoted the use of Section 8 housing vouchers from the U.S. Department of Housing and Urban Development as a means to guarantee both payment and recourse for unruly tenants.30 "The company claimed that 9,000 people were on the Section 8 waiting list in Detroit, adding that this equaled high demand for affordable housing. It did not mention the dwindling supply of vouchers. In addition to appealing to investors with claims of high returns, the company promoted Detroit as an “ethical investment.” By becoming an absentee landlord in Detroit one’s investment would be “… helping an underprivileged family to live in a safe and stable community (NSUK and Assetz, 2008).” Under the heading “One strike and you’re out! Government-backed rental scheme,” the company insured investors that “unlike the UK and other parts or Europe where unruly tenants just get re-housed, this does not happen in the USA … (Assetz, 2010).”

30 Section 8 housing vouchers pay public rental assistance to private landlords who rent to qualified applicants.
Some investors in the Assetz scheme had lost over $100,000. According to *The Detroit News* (2012) one disabled British Military veteran found himself unable to afford medication after losing money in the deal. The case ended up in court as each of the agencies involved, the London Police, HUD and Wayne County either claimed a lack of jurisdiction or inability to act. The Assetz case is not unique in Detroit, the frequency and velocity of out-of-state purchases and attempts to flip increased in the mortgage boom throughout the early part of the last decade. In interviews with realtors, local developers, community development organizations and municipal officials, most characterized out-of-state investment in local residential real estate as hindering neighborhood stabilization and redevelopment efforts (Interview, 2011p, Interview, 2011m, Anderson, 2012, Interview, 2011i, Interview, 2011l, Interview, 2011i, Interview, 2011h, Interview, 2011b, Interview, 2011a). Though it is difficult to track, the anecdotal failures of this practice are captured through the experience of real estate agents. In interviews with agents they were often approached by telephone or in person by investors who had purchased property through web or television advertisements and were now looking to unload properties that had mounting costs, taxes and repairs, and no tenants. In many cases the properties had been stripped and some burned (Interview, 2011c, Interview, 2011i, Interview, 2011m, Interview, 2011q). Other means of tracking external speculation come from foreclosure proceedings on out-of-state owners, though these are often people who have walked away and moved, and through county auction records that record the company or individual purchasing large numbers of parcels in the city.

In interviews, the use of infomercials to sell properties in Detroit was often cited. These late night commercials would offer investment properties with tenants in place for a small investment. Often times these properties had been purchased at auction for a minimal amount, minor repairs were made and a tenant was found for the property before it was marketed and sold as an investment. According to city officials and realtors, investors often found they owned a stripped and damaged property or with squatters rather than tenants and an annual tax assessment and legal bills rather than income. Many of these houses returned to the auction within a few years of purchase (Dewar, 2009). Beyond infomercials properties were marketed on eBay and sold to
Image 3.3: Investment Brochure

Why Detroit?

Detroit is a world-famous city, once best known for the Motown music movement and also the hub of US car production. However, the decline in the global economy over the past two years has provided yet another ground-breaking opportunity – property investment.

Detroit is the largest city in the State of Michigan, located in the upper eastern region of the USA. This major industrial centre is a port city on the Detroit River and located North of Windsor, Ontario. Founded in 1701, the metropolitan area of Detroit is now home to more than 5.4 million people.

Some 240,000 businesses are located in this region, employing nearly 2.8 million people. Detroit is the fourth highest ranking city in the US with regards to high tech employment, including 70,000 in the automotive industry alone.

By investing in Detroit, you have the opportunity to:

• See a superb return on investment for a minimal cash investment. You will not find such an investment opportunity anywhere in Europe at the moment.
• High yields are sustainable over the long term.
• You will see potential capital growth on the property as the US housing market shows signs of recovery.
• Excellent cash flow.
• Take an ethical approach to property investment – your investment is helping an underprivileged family to live in a safe and stable community.

buyers sight unseen. A recent listing by Premier Real Estate Assets on the site proclaimed the many possibilities in purchasing a property in Detroit. “Flip it quick for cash! Renovate it and rent it out for cash flow! Bulldoze it and build a brand new house.” The seller also offered boarded up, abandoned, and vacant properties in others cities across the country.

In general, these speculators are well financed buyers with large property holdings marketing to individual investors that are seeking to purchase one or two properties. The entire transaction is predicated on the ability to demonstrate or find tenants for the property. It is not about the development of the neighborhood or the provision of livable housing, but on the swapping of a consistent revenue stream. For out-of-state buyers, relying on glossy brochures and the promises of informercial pitches that ensured a predictable revenue stream, or the functionality or usefulness of the property, it was often a losing bet.

The Practice and Strategies of Limited Speculators

Property flipping is an ongoing practice in some parts of Detroit as small investors purchase houses at auction, make upgrades and improvements, and attempt to sell it in the conventional property market. This practice carries some risk as full financing for conventional mortgages is difficult to obtain in the city which limits the pool of buyers for these properties post-renovation. Property appraisals remain based on comparative sales that are often limited. Once an appraisal is made a bank may extend 80 percent of the appraised value. If the appraisal is low, which it often is for a renovated house in a stable neighborhood, the buyer will have to seek alternative financing to cover the difference. Some real estate agents have partnered with developers that have access to credit to assist buyers in covering the difference (Interview, 2011i). In other cases, buyers utilize other accounts and lines of credit to cover the difference (Interview, 2011m). One real estate agent said the problem was not a lack of buyers in Detroit it was the lack of the right type of buyer in Detroit (Interview, 2011q). Basically, buyers with more than a 20 percent down payment. A conventional attempt at a flip went on the market in the city’s Corktown neighborhood in 2012. A property purchased for $33,500
Image 3.4: Ebay Property Listing

HUGE PROPERTY IN DETROIT MICHIGAN

PROPERTY VALUES ARE GOING UP RIGHT NOW!! I'M READING ARTICLES EVERY DAY ABOUT THE REAL ESTATE RECOVERY! NOW IS THE TIME TO BUY! DON'T PROCRASTINATE ANY LONGER!

TAKE ADVANTAGE OF THIS OPPORTUNITY RIGHT NOW BECAUSE IT WON'T BE HERE MUCH LONGER!

324 Englewood Street, Detroit MI 48202
in the first auction in 2011 was renovated and is now listed for sale for $149,000 (Cox, 2012). The property remains unsold.

Larger speculators are leaving out the renovations in attempts to flip Detroit properties. Detroit Progress LLC, Land Connection.com, and Angel Haus offer auction purchased properties for significant mark-ups almost immediately after acquisition. Many of these properties are marketed online as potential investment properties or for occupancy. The quick turnaround from auction purchase to listing limits any type of renovation that may be done. The properties are marketed as-is and there are limited descriptions of the interiors or the condition of the houses.

The minimal costs of purchasing property in the second auction opens the opportunity for naked speculation with minimal or no investment in the development of property in the city of Detroit. The only penalty for non-payment of taxes is the loss of property after three years. If a speculator is able to sell a small number of properties at mark-ups of four to 20 times the purchase price, the forfeiture of unsold properties is not a major loss. The same speculator can repurchase forfeited properties in either the first or second auction without restriction.

The foregrounding of the private market within the auction system creates incentives that discourage renovation and use and promote the expansion of predatory practices that do not result in increasing property tax revenues. The underlying presumption that the market would create stability in the city instead promoted a form of ownership that is both removed from place and incentivizes disuse.

**Protectionism**

Beyond speculation on immediate or future profits, the acquisition of property provides a set of rights to the owner, primarily the ability to determine the use or disuse of the property. For one major speculator, this right to exclude and the legal claims it allows through the court system is instrumental in larger battles over the expansion of infrastructure that threaten his current monopoly on truck-based transit across the U.S.-Canadian border. Manuel “Matty” Moroun’s buying patterns differ significantly from other
speculators. Most auction-based speculators are engaged in turning a quick profit on their minimal investment. For Moroun, the investment is in preventing government projects from impinging on his business practices and profits. A billionaire, much of Moroun’s fortune is derived from transport, both the ownership of infrastructure and the trucks that move goods across it. Moroun owns the Ambassador Bridge that connects Detroit and Windsor. He also owns transport companies in the U.S., Canada, Mexico, parts of Asia, and the Arabian Peninsula. Moroun purchased 302 properties in the Wayne County auction between 2002 and 2010. Community activists in Southwest Detroit where the bridge is located have traced over 1,000 properties to Moroun and his array of companies (Interview, 2011c). The Detroit News found 619 properties in their investigative report on speculation in 2011 (MacDonald, 2011h). The Detroit Free-Press reported 625 in 2010 (Gallagher, 2010b, Gallagher, 2010c, Gallagher, 2010d). The ownership pattern for Moroun reflects business strategies. One strategy is to make any government-led project to construct a second bridge over the Detroit River exceedingly difficult. He holds large clusters of property around the Ambassador Bridge, rail yards, the proposed site of a new bridge, and the municipal airport.

The purchases around the municipal airport are relatively recent. Moroun began purchasing property around the airport in bulk in 2006 when he acquired over 75 parcels near the airport at the Wayne County auction. A year later he increased his holdings around the airport to over 90 parcels in some of the most vacant and abandoned neighborhoods in the city. Nearly all of these lots were purchased at the minimum price of $500. The purchases around the airport coincided with discussions by city officials around improvements to the airport to attract more air shipping. Moroun told the Free-Press in 2010 that he wants to build a shipping facility near the airport. “We are trying to employ people in Detroit. That’s what we’re really trying to do. We try to do the right thing (Gallagher, 2010b).”

Moroun utilizes his property holdings as legal leverage in numerous lawsuits against the city of Detroit, the State of Michigan and the Government of Canada. In 2008, Moroun fenced off a section of a public park adjacent to the Ambassador Bridge and directly under a proposed second span he claimed will be built to replace the current bridge
Map 3.5: Moroun Parcels Coleman A. Young Airport

Source: Wayne County Treasurer (2011) Tax Reverted Auction Property Data
Image 3.5: Parcels adjacent to Coleman A. Young Municipal Airport

Source: Author
The corporate squatting of the park became a major flashpoint for community activists and was exacerbated when Moroun stationed a guard with a shotgun on the other side of the fence (Thurtell, 2008). The bridge company argued that the closure of the park was a matter of homeland security and that the bridge needed to be secured (Testimony, 2011). Activists and lawyers for the city pointed to the Windsor side of the bridge that had not been secured by the company (Interview, 2011e). In 2011, as the bridge company and city fought over the park in court, community activists took down the fence. The court ruled against the bridge company and the land reopened as a park after being illegally held by the company for over five years.

In addition to the fight over the park, a coalition of churches and community development organizations have been working to prevent Moroun from buying properties in the Mexicantown neighborhood (Interview, 2011m). The main contention of activists and organizations working to stabilize these neighborhoods is that Moroun purchases a property, boards it up, and lets it deteriorate with negative consequences for the neighborhood (Interview, 2011m, Interview, 2011c, Interview, 2011e). One of the most egregious examples is the Delray Neighborhood in southwest Detroit where Moroun has been acquiring properties for years in an attempt to delay or prevent the construction of a new bridge. Many houses in the neighborhood are abandoned and boarded, a number of which are owned by Moroun. In 2011, the Michigan Legislature reconsidered approval of a new bridge crossing after the government of Canada offered to loan the entire cost of construction interest free and the full support of the state’s Republican Governor. Moroun hired political consultant and Fox News contributor Dick Morris to run a PR campaign against the bridge (Snavely, 2011). Morris and the Koch-backed organization Americans for Prosperity leafleted the Delray neighborhood with flyers mimicking eviction notices that claimed the government was going to take their homes and destroy the neighborhood.

In an interview with the Detroit Free-Press in 2010, Moroun said his properties, which are among the most derelict and abandoned parcels in the city, are a way for him to improve Detroit. “For me to own land in Detroit, it was a badge of honor, and it was
THIS PROPERTY IS SUBJECT TO SEIZURE BY THE MICHIGAN DEPARTMENT OF TRANSPORTATION
UNDER EMINENT DOMAIN AUTHORITY GRANTED IN MICHIGAN COMPILED LAWS
125.944 (PA 208 OF 1949)
UPON SEIZURE OF YOUR PROPERTY YOU MAY RECEIVE AN
EVICTION NOTICE
UNDER SENATE BILL 410 AND 411, YOUR PROPERTY MAY BE SEIZED BY MDOT AND
TRANSFERRED AS A “GIFT” TO THE BRIDGE CONSTRUCTION PROJECT KNOWN AS THE
NEW INTERNATIONAL TRADE CROSSING (NITC)
ONCE THIS PROPERTY TRANSFER IS COMPLETE, THE NITC AUTHORITY MAY USE
YOUR PROPERTY FOR CONSTRUCTION OF BRIDGE ACCESS HIGHWAYS, TOLL PLAZAS,
MAINTENANCE AREAS, OR ADMINISTRATIVE OFFICE SPACE RELATED TO THE BRIDGE.
SENATE BILL 410 AND 411 CURRENTLY UNDER REVIEW BY THE MICHIGAN SENATE.
YOUR SENATOR,
COLEMAN YOUNG II
HAS NOT TAKEN A PUBLIC POSITION ON WHETHER OR NOT HE SUPPORTS THIS BILL.
IF YOU OPPOSE THIS ABUSE OF EMINENT DOMAIN AUTHORITY,
PLEASE CALL SENATOR YOUNG AT
(517) 373-7346
OR EMAIL HIM AT
SENCYOUNG@SENATE.MICHIGAN.GOV
AND TELL HIM TO PROTECT YOUR PROPERTY RIGHTS AND VOTE AGAINST THIS BILL.
THIS PROPERTY RIGHTS ALERT Brought TO YOU BY AMERICANS FOR PROSPERITY-MICHIGAN
FOR MORE INFORMATION ON PROTECTING YOUR PROPERTY AGAINST EMINENT DOMAIN ABUSE,
VISIT WWW.MICHIGANAFF.ORG

Source: Author
support for the city. Our fortunes are linked to the city. If the city doesn’t have any prosperity, we don’t have any value in the land, right (Gallagher, 2010b)?”

Value is a difficult thing to measure in Detroit property markets. But much of the value that Moroun extracted from the city comes through the monopolistic control of infrastructure necessary to move goods between the United States and Canada. The control of land and many of the trucks moving goods through Detroit resulted in a massive fortune for the reclusive billionaire, a good portion of which is spent on political campaigns and candidates that help protect these monopolies. In 2011, in his push to kill the proposed bridge, Moroun and his network of donors, family members, and company executives, spent over $1.5 million on state and congressional candidates. Despite the offer of $550 million from Canada to pay for the bridge, the proposal to build it failed in the Michigan Legislature (Gray, 2011, Gallagher, 2012b). In 2012, Moroun spent over $30 million on a ballot initiative for a constitutional amendment requiring public approval for the construction of any new border crossings (Egan, 2012b). The initiative failed. The project recently received clearance from the federal government and planning and acquisition are ongoing.

**Legalized Extortion**

Michael Kelly is one of the largest property owners in the city of Detroit. *The Detroit News* investigation placed his property holdings at over 1,152, though Kelly denies he holds that many properties (MacDonald, 2011h). He filed for bankruptcy in 2009 claiming he owned 830 parcels and had $800,000 in debts. His business partner Matthew Tatarian paid off the debts prior to the parcels being sold off and Kelly continued to buy properties in the city (MacDonald, 2011h).

Kelly and Tatarian are adept at navigating the legal channels and the arcane system of property recording to turn profits, extract money from other property owners, and avoid paying property taxes. Kelly and his companies use three primary strategies: A) targeting locations for the likelihood of economic development projects by the city or community development organizations; B) the Wayne County property auction; and C)
the idiosyncrasies of a property parceling system that may situate buildings on multiple parcels without consolidation. Prior to 2002, Kelly was also adept at utilizing an arcane and opaque tax lien system that allowed him to foreclose on other properties. The State Legislature ended the tax lien system in 2002 upon implementing the property auction to reclaim outstanding taxes on properties.

The Wayne County property auction allowed Kelly to extend his holdings across the entire city. Kelly and Tatarian have purchased over 696 parcels at auction between 2002 and 2010 (Wojtowicz, 2011). These purchases accounted for seven percent of all parcels sold at auction. BenjiGates Estates was the only other volume buyer that came close to the total of Kelly and Tatarian. But there is a quirk to Kelly and Tatarian’s purchases. Nearly 35 percent are properties that they already own. By allowing speculative properties to move through the auction process they are able to lower the three-year tax bill for the property to the $500 minimum bid in the second auction.

Kelly and Tatarian’s strategy of buying and holding property near potential sites of government projects is common in the city. During interviews, current and former employees in the City of Detroit Department of Planning and Development identified speculative activity as one of the most costly and difficult parts of executing any city-led projects (Anderson, 2012, Interview, 2011p, Interview, 2011o, Interview, 2011l, Interview, 2011j). For some planners, this obstacle had remained from the beginning of their careers in the late 1980s and early 1990s to the present (Interview, 2011p). This type of speculation increases the cost of projects and often delays completion as the city negotiates for the land. A former planner said the problem was so common that it was an open joke within the department to try and estimate the cost of owning a corner lot on every city block in Detroit (Interview, 2011l). Kelly’s holdings are clustered within areas that public projects are likely to happen or are ongoing. He holds a number of lots near the Coleman A. Young Municipal Airport where the city is attempting to increase the buffer area between the neighborhoods and runway. He also holds property within the proposed site for the new Detroit-Windsor Bridge. But buying in or around government projects is not the only target, Kelly also buys properties around housing developments and projects run by Community Development Corporations and Non-
Map 3.6: The Diffuse Pattern of Auction Purchases by Kelly and Tatarian

Source: Wayne County Treasurer (2011) Tax Reverted Auction Property Data
Map 3.7: Kelly and Tatarian Ownership near Non-Profits and City-Owned Parcels

Source: Linn (2010) Mapping the Strait
profits. In 2010, Rob Lin, an analyst for the non-profit Data Driven Detroit, mapped Kelly and Tatarian’s holdings by their proximity to city of Detroit owned properties and non-profit owned properties. Lin used a 45 foot buffer based on street widths and lot frontages. He found that nearly 75 percent of Kelly and Tatarian’s holdings are within this buffer.

Kelly used quirks in the property parcel record to extract large payments from business owners. The owner of a strip club was forced to settle with Kelly after he purchased a small parcel of land that included a portion of the businesses parking lot and front entrance for $1,100 at auction. Kelly demanded the business pay $35,000 or he would begin eviction proceedings. The owner eventually settled for $19,000. (MacDonald, 2011c). In 2006, Kelly bought a parcel inside an active business for $95,000 at the county auction. According to the firm and denied by Kelly, he demanded $2 million or he would begin eviction proceedings. The firm filed suit and eventually received the property back. These quirks in the parceling system and the auction process allow adept speculators to make large sums quickly. In the case of the strip club, Kelly justified his actions to The Detroit News saying that the club had used his property for over two years and had not compensated him (MacDonald, 2011c).

The previous tax lien system was another tool utilized by speculators. Kelly used the lien system to acquire properties throughout the last decade. The lien system allowed claims of ownership to be made by paying a portion of outstanding taxes on the property. Though the payment provided a claim of ownership that claim did not have to be filed with the county. Once a person purchased a property and made upgrades, Kelly would begin foreclosure proceedings. In one case, Kelly paid off a $144 debt and in 2005 moved to evict the owner of the house after he had spent nearly $40,000 rehabbing the house (MacDonald, 2011c). Kelly was granted the title to the property. He sold it. It caught fire and is now an abandoned shell going into tax foreclosure. Kelly told The Detroit News in 2011:

“We cannot take property. We buy property at the tax auction, which follows a long, statutory process. If anyone has a complaint, they need to lodge it with the
Michigan Legislature and then with the county – these are people who can change the system (MacDonald, 2011c).”

The Michigan Legislature changed the tax reversion process in 1999, and made subsequent changes in 2002. This change to the system allowed Kelly and Tatarian to acquire larger amounts of property and opened new avenues for avoiding the tax liabilities that accompany their growing property.

**Tax Washing**

In the first nine years of the auction nearly 20 percent of all property sold was purchased by its previous owner. By repurchasing property at auction the previous tax bill on the parcel is cleared. There is a risk in allowing a parcel to go to public auction. Others participants may be willing to pay more than the tax bill for the property. In earlier auctions, from 2002 to 2004, this often occurred forcing the owner to pay more than the taxes owed to keep the property. But recent tax washing activity is primarily situated in the second auction, as are the majority of all property sales. By allowing a parcel to move through the tax reversion process and repurchasing it in the second auction for the minimum bid of $500, owners can eliminate thousands of dollars in tax obligations and in some instances tens of thousands of dollars. Their are few controls on participation in the auction. This allows for speculators and tax dodgers to operate with little consequence except the possible loss of property to another bidder in the auction.

Nearly 17 percent of all property buy backs, or less than three percent of total auction sales, were single parcel purchases by the original owner. These singular engagements with the auction are often delinquent taxpayers who were unable to make arrangements with the county prior to foreclosure. The Wayne County Treasurer does encourage owner-occupants who approach their office after the foreclosure proceedings to attempt to purchase their house at auction (Sabree, 2012). But the majority of people using the auction process to purchase back their own property are avoiding paying full taxes on large holdings as they are repeat buyers or transferring high volumes of property. The
ability of speculators to avoid tax payments contributed to the increasing gap between taxes outstanding and the auction proceeds collected.

The frequency of tax washing or tax dodging occurs most often with small numbers of properties. Over 55 percent of all property buy backs occur between individuals and companies holding between two and 20 properties. Those holding 2 to 5 properties accounted for nearly 24 percent of tax washing activity. Seven people accounted for tax dodging on holdings of 20 to 50 properties and the on-and-off business team of Michael Kelly and Matthew Tatarian accounted for over 13 percent of all tax washing. They were the largest individual participants moving over 241 properties.

Table 3.4: Tax-Wash by Volume 2002-2010

<table>
<thead>
<tr>
<th>Volume</th>
<th>Number of Participants</th>
<th>Number of Properties</th>
<th>Percentage of Total Tax Wash</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;100</td>
<td>1</td>
<td>136</td>
<td>7.64</td>
</tr>
<tr>
<td>50 - 100</td>
<td>2</td>
<td>105</td>
<td>5.90</td>
</tr>
<tr>
<td>30 - 50</td>
<td>4</td>
<td>161</td>
<td>9.04</td>
</tr>
<tr>
<td>20 - 30</td>
<td>3</td>
<td>79</td>
<td>4.44</td>
</tr>
<tr>
<td>10 - 20</td>
<td>22</td>
<td>284</td>
<td>15.95</td>
</tr>
<tr>
<td>5 - 10</td>
<td>46</td>
<td>289</td>
<td>16.23</td>
</tr>
<tr>
<td>2 - 5</td>
<td>165</td>
<td>426</td>
<td>23.92</td>
</tr>
<tr>
<td>1</td>
<td>301</td>
<td>301</td>
<td>16.90</td>
</tr>
</tbody>
</table>


The practice of tax dodging or tax washing is likely higher than captured here. In some cases the passage of ownership was direct from the named taxpayer to the same-named buyer. In other cases the property passed from a company to an individual or vice versa. By utilizing the Michigan Secretary of State’s Corporation database, the confirmation of registered agent of an LLC as the buyer was considered a direct pass.
In some cases, such as that of Detroit Leasing and Michael Kelly and Matthew Tatarian, the passage of property from LLCs in which they were a registered agent to the other business partner was counted as a tax wash. In other cases, the confirmation via newspaper reports and non-profit or corporate websites listing a direct affiliation of an individual to that company or non-profit was considered a tax-wash. This resulted in reoccurring transfers between particular individuals and particular companies over time were excluded though the practice appears more deliberate than the majority of auction sales in the data.

Table 3.5: Active Tax-Wash Participants

<table>
<thead>
<tr>
<th>Owner</th>
<th>Total Properties</th>
<th>Affiliations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael Kelly/Matthew Tatarian</td>
<td>241</td>
<td>Detroit Leasing, Michael Kelly, Matthew Tatarian</td>
</tr>
<tr>
<td>Angela Simon</td>
<td>45</td>
<td>4150 Grand Boulevard LLC</td>
</tr>
<tr>
<td>Esteria Rogan</td>
<td>42</td>
<td>Habitat for Humanity</td>
</tr>
<tr>
<td>Michael Chateau</td>
<td>39</td>
<td>Northwest Detroit Neighborhood Development</td>
</tr>
<tr>
<td>Gary Wayne Armstrong</td>
<td>35</td>
<td>Armstrong Family Trust, ACAPACO Corp., Entrust Great Lakes LLC, GoStrong Corp.</td>
</tr>
<tr>
<td>Steve Z. Oram</td>
<td>27</td>
<td>Steve Oram</td>
</tr>
<tr>
<td>Todd White</td>
<td>27</td>
<td>Manuel Moroun</td>
</tr>
<tr>
<td>Shawqi Dababneh</td>
<td>25</td>
<td>Shawqi Dababneh</td>
</tr>
</tbody>
</table>


Tax washing or tax dodging is an expanding practice. *The Detroit News* reported occurrences doubling between 2010 and 2011 (MacDonald, 2012a). The reported number in 2010 exceeds that drawn from the Wayne County data for this study, but the exclusion of non-direct matches could account for the difference. The expansion of the practice mirrors the increasingly speculative activity in the auction and the dominance of
the second auction in property sales. For Kelly and Tatarian this activity accounts for nearly 35 percent of all auction purchases. The two men have been the most active auction participants, yet when tax washing is taken into account they lag far behind fellow speculators from BenjiGates Estates. The presence of non-profit homebuilders such Habitat for Humanity and Northwest Detroit Neighborhood Development Organization appear part of a larger trend in the county’s auction data which shows an influx of property held by non-profit community development organizations beginning in 2008 and accelerating in the years that follow. This may reflect both the economic downturn, the collapse of the housing market, and an overextension of community development organizations with the availability of low interest financing. It warrants greater investigation but falls outside the scope of this study.

**REO**
The mortgage foreclosure crisis affected every neighborhood in the city of Detroit. Community development organizations organized in mass attempting to assist homeowners facing foreclosure but to also deal with the increasing number of vacant houses. The rapid rise of bank foreclosures destabilized neighborhoods that many in the Detroit’s community development network had considered stable. The result of this mobilization was the Detroit Vacant Property Campaign and the Foreclosure Prevention Office opened by the city. Much of the work on foreclosure prevention drawing on the work Alan Mallach and others at the Brookings Institution sought to intervene directly in the bank foreclosure process by offering assistance to homeowners struggling to pay their mortgages (Interview, 2011d). Immergluck (2008) tracked the rapid rise in real-estate-owned properties (REO) in Detroit and other cities finding the rise of these properties in the city of Detroit beginning earlier, accumulating in greater numbers and continuing to rise longer than in other cities. Immergluck’s study finds that the accumulation of subprime and prime REOs begins to decline late in 2007 and early 2008. Rather than an indication that these properties are returning to the market, data from the Wayne County Treasurer’s office indicates that a number of these properties entered the tax foreclosure process soon after financial institutions took possession. By
2010 REO properties were moving through the county tax reversion process and entering the county land auction. In 2007 only two bank-owned properties were offered at auction. By 2010, 427 bank-owned properties were offered at auction. According to the *Detroit-Free Press* that number increased to 6,430 parcels in 2011 and 10,124 parcels in Wayne County in 2012. This phenomenon is not particular to Detroit or Wayne County, the *Free-Press* reported that nearly 50 percent of the 1,650 parcels that went to auction in Oakland County were REO properties (Lawrence, 2012).

**Table 3.6: Bank Walkaways 2008-2010**

<table>
<thead>
<tr>
<th>Financial Institution</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Total</th>
<th>Percent Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deutsche Bank</td>
<td>19</td>
<td>43</td>
<td>62</td>
<td>124</td>
<td>18.42</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>2</td>
<td>11</td>
<td>52</td>
<td>65</td>
<td>9.66</td>
</tr>
<tr>
<td>US Bank</td>
<td>1</td>
<td>8</td>
<td>51</td>
<td>60</td>
<td>8.92</td>
</tr>
<tr>
<td>MERS</td>
<td>8</td>
<td>17</td>
<td>29</td>
<td>54</td>
<td>8.02</td>
</tr>
<tr>
<td>Chase Bank</td>
<td>6</td>
<td>4</td>
<td>39</td>
<td>49</td>
<td>7.28</td>
</tr>
</tbody>
</table>


In 2010 alone, five financial institutions accounted for over 50 percent of the REO property entering the auction (Wojtowicz, 2011). The five banks walking away from property and tax obligations most often between 2008 and 2010 account for over 50 percent of all REO properties. Deutsche Bank is the most active in dropping property, accounting for over 18 percent of REO properties in the auction. The Mortgage Electronic Registration Systems -- the clearinghouse set up to facilitate market transactions around titles and derivatives -- accounts for over 8 percent. The move by banks to clear tax obligations compounds a series of bad bets and has far reaching ramifications in cities such as Detroit. When a home mortgage is active there is an escrow account or payment system in place to cover property taxes. The act of foreclosure and eviction moves people out of their homes and forces neighborhood
groups and community organizations to address the immediate impacts of vacancy. One of the primary complaints of neighborhood groups in Detroit is that bank foreclosed houses were left open and unsecured. The decision to forgo paying property tax and forfeit the property withholds funds from the city and transfers responsibility for vacant and abandoned property to public agencies.

**Discussion**

The intended market effects of PA 123 and the Urban Homesteading Act failed to materialize in over a decade of practice. Rather than a stabilizing flow of investment into troubled property markets in Detroit what emerged instead is a hyperactive scavenging that exacerbated neighborhood effects and expanded the abilities of speculators to avoid the collective cost of ownership, property tax. The market-first approach to tax reverted land limits the capacity of government to assemble parcels for development, greatly reduces the resources available to address the speculators derelict properties, and attend to a growing inventory of publicly-held parcels.

The logics of the real estate sector with high supply and a state established price point through the auction are largely short term and highly exploitative. For those speculators deploying long term strategies the properties are tied to accumulation in the primary circuit and tied to international trade and fixed transit networks resulting from path dependencies. These long term strategies are deployed most often in the protection of fixed operating interests and the prevention of development that could challenge these interests.
Chapter 4

The Production of Decline: Narratives and Practice

Image 4.1: Michigan Central Station

“A once great city brought to its knees by government bureaucracies and powerful unions … a perfect lab of leftist policies at work over the last 50 years (Crowder, 2009).”

-Steven Crowder, Conservative Commentator in his YouTube trip to Detroit

“When we are afraid, we shoot. But when we are nostalgic, we take pictures (Sontag, 1977 p. 15).”

-Susan Sontag, *On Photography*
Declining cities are often defined by what is absent or lost, the outflow of population and the dwindling of economic activity and employment. The active withdrawal of capital is shaping these cities, but a variety of ongoing investment activities produce the material manifestations of decline. This chapter examines transitions in property ownership in a 1.4 square mile section of Detroit, west and southwest of downtown. It utilizes the typology of speculation and ownership introduced in the previous chapter to examine investment patterns and places these activities within the regions ties to global trade and transportation as well as recent waves of gentrification in the neighborhood of Corktown. This neighborhood is about a quarter of the study area under analysis here. This section of the city was selected for three reasons: 1) it is the gateway for over $100 billion in international trade annually 2) it is the primary site for recent arguments of renaissance in the city due to increasing gentrification and 3) two of the city’s most recognized symbols of decline are located within it, the abandoned Michigan Central Station and the former Detroit Public Schools Book Depository. The production of decline is an active process of selective investment. In the study area, there is heavy investment in infrastructure that generates path dependencies for investment due to both its proximity to an international border and industrial and commercial trade routes. There is also residential and commercial gentrification in the area that utilizes the ruins generated by struggles over territory and control over trade routes to boost commercial traffic and craft an identity for the area. This process is captured and obscured through the production of images, the making of meaning around iconic symbols of abandonment, and narratives of resurgence tied to the expansion of residential and commercial gentrification. This chapter begins with an analysis of the proliferation of images and text that situate decline. It then turns to an examination of the changing patterns of land ownership examining this transition within the political and economic networks in which it is situated to demonstrate the active practices producing ruins and deepening decline.

The first section is an analysis of image production and the narrative text attached. It examines media articles, broadcasts, critical essays and blog postings utilizing these
images. By examining the text combined with the image it is analysis of the way in which these images are interpreted and used rather than an engagement of these images as art. It offers an understanding of how representations of these photographs are appropriated and inculcated in broader political and ideological debates on the production of decline. Section two utilizes property records from the City of Detroit Assessor from 2001 to 2011. This data was coded into 10 ownership categories for the years 2001, 2003, 2005, 2008, 2011. Some years were left uncoded due to inconsistencies in the data, such as recorded format or incomplete information on ownership. Only years which were consistent with the overall record keeping of the assessor’s office were included in the study. This analysis examined a 1.4 square mile area containing approximately 3,500 parcels. A more finite study area, approximately half of the initial study area, was analyzed and mapped as well. This area includes the Michigan Central Station, Detroit-Windsor Rail Tunnel and property directly east of the Ambassador Bridge on the U.S. side, all contested sites of accumulation. This finite area contains 1,000 parcels, about one third of the parcels in initial study area.31 The third and final section examines the activities of government, rail and Manuel “Matty” Moroun, the primary investor/speculator in the area, with a particular focus on the expansion of transportation networks in the Detroit-Windsor corridor. This section draws on government documents, investor reports and corporation filings and media coverage.

Narratives

(Con)Textualizing the Image

“This fragility, the time elapsed but even so running fast, lead us to watch them one very last time: being dismayed, or admire, making us wondering about the permanence of things (Marchand and Meffre, 2010).” – Yves Marchand and Roman Meffre

Amateur and professional photographers combed the ruins of post-manufacturing cities in North America for decades. At the forefront of this movement to catalogue, contextualize, and capture is Camilo Jose Vergara and his photographs documenting

31 Parcel numbers are approximated here as they change on a year-to-year basis due to consolidation and splitting. For full parcel numbers in each year of analysis see Appendix.
the same sites and places over time. In the early 1990s, Vergara offered an alternative vision for what he called “the skyscraper cemetery” of Detroit. He posited that Michigan Central Station be preserved in a manner similar to the ruins of Rome, left to decay as life or the natural environment proceeded around it (Vergara, 1995). Though Vergara’s amusement park imagining of Detroit’s ruins did not come to pass, the role of Michigan Central Station in discourses on Detroit and the construction of possible futures is entwined with understandings of the city’s condition.

For researchers, photographs serve many purposes. These images are documentary evidence of experience and place, illustrative examples, primary and secondary sources and objects of study. Critical scholars have examined the power of photographs, particularly drawn from the focus of the image and what the image occludes (Fyfe and Law, 1988). Rose (2000, 2003) theorized how the image works in research both as an object of archival study and its circulation, through conference presentations and lectures, with particular attention to the power relations and expertise this circulation and presentation offers it presenter. Harvey (2000) used images of cityscapes and changing use patterns to supplement the underlying economic and social changes in the city. This combination of photographs and data provide visual representations of the processes at work in cities. Wyly (2010) dissected representations of the city of Baltimore in the television show The Wire by interspersing his analysis with author generated snapshots to which he adds captions. He argues that captions are the most revealing and important part of the relay of images to a larger audience as it frames how the viewer interprets the image. This act of engagement with the urban landscape through photography to supplement a narrative and the use of the caption to frame it draws on the early reflections by Walter Benjamin. “Benjamin was right to hint that the caption might become the most important part of the photograph: writing captions requires patience and sensitivity, and it helps to have a guide (Wyly, 2010 p. 449).”

For Harvey (2000) and Wyly (2010), the control of the image – the actual act of taking the photograph – and the framing of its meaning through patience and sensitivity is an act over which the researcher has some control. For Rose (2000), the researcher’s control in selecting and disseminating the image but minimal to no control over its
production. In Susan Sontag’s essays *On Photography*, the proliferation of the image and act of taking pictures is at the fore. For Sontag (1977), the act of picture taking is “an act of non-intervention.” In the most extreme cases, the choice between “a photograph and a life.” This argument is a critique and reflection on what she and others at the time, such as J.G. Ballard, reflected upon as Atrocity Exhibitions. They were examine the meaning and reception of photographs detailing the atrocity of concentration camps and the horrors of the Vietnam War as they unfolded on television screens and in newspapers. Yet these reflection also speak to the notable absence of people in the array of photographs emerging from spaces of decline such as Detroit.

More recently, Millington (2012) argued that photographs of the city carry “political implications in the broader construction of imaginative geographies (p. 2).” Millington argues the photographs of urban decline are documents of ambiguity that allow viewers to work through new urban ecological imaginaries and that the use of nature-society binaries in the imagining of Detroit’s decline naturalizes these conditions. “By separating the category of nature from the category of the city, photographers and journalists use ecological metaphors to effectively naturalize the social processes responsible for Detroit’s decline (p.2).” The naturalization of these processes obscures the actions and actors that keep structures in various states of decline. These actors are engaged in the deployment of accumulation strategies that utilize the staggering inertia of decline that inhibits government intervention and relies on economic interpretations generating laws and policies expanding avenues for the exploitation of property ownership and land use that generates profit from ruins.

**The Visual Record**

“One could say that Detroit has become America’s version of an open city. It’s been left undefended against an onslaught of scrappers, vandals and the force of nature (Moore et al., 2010 p. 118).” - Photographer Andrew Moore

“As photographs give people an imaginary possession of a past that is unreal, they also help people to take possession of space in which they are insecure (Sontag, 1977 p. 9).” - Susan Sontag, *On Photography*

Since 2009, images and stories of Detroit appeared regularly in media outlets from online sites such as the *Huffington Post*, which has a page dedicated to the city, to *Time*
Magazine, Newsweek, The Atlantic, The Guardian, Slate.com and other online and print forums. This proliferation of images and commentary on Detroit drew the attention of Detroit-based scholar John Patrick Leary who situated the growing body of imagery and text as Detroitism (Leary, 2011). Leary identified three narrative types deployed to define conditions in the city drawn from recently published photography, film and graphic novels.

For Leary, this cultural work falls under the headings of the metonym, the Detroit lament and the Detroit utopia, none all-containing and each at times overlapping. The metonym dwells in the industrial past, the collapse of the auto industry, corporate welfare, corrupt unions and Democratic politics with the majority of the blame placed on government writ large. The Detroit lament plays on a nostalgic past through the illustration of its current condition and vaguely signaling an explanatory power for the present conditions in urban America. Last, Detroit utopia is an attempt to situate any new development as a sign of urban vitality and the possibilities of constructing a new urban, often somewhat rural, libertine and libertarian future in the remains of the city. Each of these narratives of Detroit dwell on variations of the past and interpretations of failure that refuse or are incapable of imagining both Detroit’s future and a collective urban future in the United States, a failure driven by a framing that relies on the construction the city as an exception. These narrative categories are useful containers in deconstructing the expanding collection of images and writings on the city, yet Leary leaves the work of these images and text aside. He is focused on how they are constructed rather than how they are received or circulate. The representation of Detroit through still images and photographs are appropriated and interpreted as evidence in populist political and economic arguments. The intersection and overlap between the photographs in lament and the arguments of those who utilize these photographs to marshall the city as a metonym for the failure of government and unions provide insight into the ideological struggle waged outside Detroit over urban futures, both imagined and possible.

Photographs of derelict interiors and abandoned facades of Detroit buildings circulate regularly in urban explorer message boards and on websites dedicated to documenting the material decline of the city. Early collections for broader consumption include
Vergara (1995) as well Lowell Boileau’s contribution to the The Detroit Yes! Project *The Fabulous Ruins of Detroit* (Boileau, 1997). In 2010, the publication of two coffee table books, *Detroit Disassembled* by photographer Andrew Moore (2010) and *The Ruins of Detroit* by Yves Marchand and Romain Meffre (2010) marked the commercialization of “ruin porn.” The work of these artists was rolled out around the globe with a marketing machine that included gallery shows, interviews, book signings and photo montages on the websites of magazines such as *Time* (2009), a feature in the *Guardian* (2011) and on news sites and blog pages. These images often became visual evidence in the narration of conditions in the city of Detroit and the United States in general. The images generated thousands of comments and it was the viewer who said more about the work than the artist who produced it. Moore, Marchand and Meffre retreated into the ambiguity of art avoiding the politics and meanings of the images they were selling. In forums open to more political analysis, Moore remained reticent to explore the meaning of the work. “I do not think the work is political. It may indirectly be political. But I am not a crusader. The book is not a polemic. It is a call to arms, but not a crusade (Tower, 2011),” he said in an interview on the World Socialist website.

Whereas Moore characterized his work as cataloging the ceaseless march of nature’s reclamation of the city, Marchand and Meffre prefer the vantage point of the distant documentarian, preserving moments in time for future consumption. They package their work as capturing the ephemeral with vague allusions to the material state of the objects tied to the decline of empires.

> “Ruins are the visible symbols and landmarks of our societies and their changes, small pieces of history in suspension. The state of ruin is essentially a temporary situation that happens at some point, the volatile result of change of era and the fall of empires. This fragility, the time elapsed but even so running fast, lead us to watch them one very last time: being dismayed, or admire, making us wondering about the permanence of things. Photography appeared to us as a modest way to keep a little bit of this ephemeral state (Marchand and Meffre, 2010).”

These works and the proliferation of professional and amateur photography documenting the process of decline and decay in buildings throughout the city is contentious (Hodges, 2010). For Detroit-based scholars, the ruin industry obscures the
actual practices of decline and the maintenance and production of intensely racialized urban poverty (Leary, 2011, Steinmetz, 2008, Steinmetz, 2009, Herron, 2002, Herron, 2007). Scholars have focused on the content of images, but the generation of narratives attached to these images receives less attention. On message boards, in news articles and the comment sections that follow, and blog posts these images provide a backdrop for people to dissect municipal governance, to argue over the roots of industrial failure, and to reinterpret organized labor’s struggle as an inability or unwillingness to adapt to globalization (Brubach, 2010, Collins, 2011, Crowder, 2009, Hennen, 2010, Hitchens, 2011, Lifson, 2011, O’Hagan, 2011). It is discourse steeped in nostalgia with a heavy dose of ideology and an occasional dash of overt racism. The production of decline for the documentarians and the analyst they inspire is an abstract process in which names, such as Coleman Young, and organizations such at the UAW become are to blame and become stand-ins for the outcomes of a market fundamentalist dismantling of redistributive structures. There is a power to these images that is quickly subsumed into a revanchist and reactionary narrative of the city in the abstract and its inhabitants (largely absent) in actual place.

**The Text and the Image**

“What is an ideology without a space to which it refers, a space which it describes, whose vocabulary and links make use of, and whose code it embodies (1991 p. 44)?” - Henri Lefebvre, *The Production of Space*

The proliferation of mediums for rapidly sharing images and texts opened outlets for expression and generated a rich collection of documents for analysis. It also spurred an increase in commentary attached to images, videos, and events by opening the possibility to publish for a global audience with little more than access to the internet. The circulation of photographs of Detroit, particularly those by Moore and Marchand and Meffre, have particular characteristics that allow for the co-optation and interpretation of the image. First, the content of the images are captionless, the decision of artists to not provide context. Second, the lack of context and the focus and framing of the image allows the work to become evidence in socio-political constructions of the city as its production and dissemination obscures the practices at work in and around these sites. Narratives are attached to the image by embedding the photos in author generated text
or in comments and links. These images are drawn into broader regimes of power and knowledge and marshaled as further evidence in tropes that situate the urban condition as a failure of governments and unions (Brubach, 2010, Collins, 2011, Crowder, 2009, Hennen, 2010, Hitchens, 2011, Lifson, 2011, O’Hagan, 2011). Within these narratives, Detroit is a city that failed to adapt to the global economy (Frum, 2009) or it is poorly run and organized labor is shortsighted (McGurn, 2011). These arguments are stretched beyond the city of Detroit often attempting to place these images of the city within particular narrative of the nation and the position of the U.S. in the world. These images of decline become evidence used to justify a continued assault on social services and government regulation, though the images often represent the outcomes of private landowners allowing for the deterioration of physical structures in the pursuit of profit.

Within this decontextualized deployment of the image as evidence, the abstract idea of Detroit, the metonym, becomes a scrim upon which anxieties and fears about the future, the place of the nation and the enemies to be defeated are projected. The most iconic images of Detroit and decline feature the Michigan Central Station and the Roosevelt Warehouse, also known as the former Detroit Public Schools Book Depository. Images of these structures are attached to a variety of text. In February 2011, *The Wall Street Journal* published a photo of the station in the print edition and the book depository in its online edition. These images accompanied an editorial lamenting the abandoning of school buildings while arguing the system was overbuilt.

“It’s hard to think of a sadder commentary on a government so fiscally desperate and so captured by its workers that it may be forced to abandon property to thieves. But are they the scavengers or the union (Editorial, 2011a)?”

A month prior, on the blog *The American Thinker* a photograph of the station and a link to an online photo essay riffs off the pictures of Marchand and Meffre.

“… It is heartbreaking to see -- almost as if a war was fought there. Actually, there was, but it was a political war won by Democrats and unions, with the results starkly obvious to all not blinded by ideology. If President Obama has his way with over-regulation, union bailouts, borrowing and spending, and "spreading the wealth around," he can do for America what the Dems have done for Detroit (Lifson, 2011).”
This war imagery appears in a number of stories that use the photos as illustrations. It is an allusion used on the political left and right in the U.S. when discussing Detroit. These arguments often extrapolate the city’s condition to comment on the state of the nation and its position in the world.

In 2009, Dave Blount writing on a Michigan-based blog, *Moonbattery*, offers one of the first comparisons of what became a chain e-mail and eventual Glen Beck segment on the Fox News Channel in February 2011, the comparison of Detroit with Nagasaki and Hiroshima 60 years later (Beck, 2011).

“Detroit was less lucky. Rather than nuclear weapons, it was hit by liberalism, from which cities don’t spring back: … We might have been better off fighting it out with the Soviet Union than letting its ideology destroy us from within (Blount, 2009).”

But this imagery of World War II destruction is not limited to a castigation of liberalism. Steven Litt reviewing Moore’s work in the Cleveland Plain Dealer finds free-market capitalism and the trope of a footloose population as competing reasons for the state of Detroit.

“The shock is that he [Moore] isn’t recording images of remote and ancient Rome, Greece or Persia, or the bombed-out cities of Nazi Germany or Japan after World War II. Instead, Moore’s work depicts the consequences of free-market capitalism and democratic self-government in a country with lots of land and a footloose population (Litt, 2010).”

Commentary on the photographs such as those of Litt are the most common from a what might be termed left of center in the U.S. – focused on the work as art with a brief conjecture on why it might be this way. On the right, where there are many more who have taken these photographs as evidence rather than art, these works become the primary exhibit in laying blame for contemporary economic conditions and justification for a list of internal enemies that must be eliminated, particularly public sector unions. There is little discussion of the photographs except to validate a point and there is rarely a mention of art or artistic merit.
Image 4.2: Market Propaganda


Image 4.2: This illustration appropriates the work of Marchand and Meffre, stripped of any context it threatens the viewer with a future of vacancy and abandonment while insinuating that these conditions are the result of workers organizing.
Though some, like Beck and Crowder try to lend historical weight to their arguments for eliminating regulation and worker protections through unions, others are more blunt, utilizing these images as simple propaganda.

The narratives and discursive construction of the conditions, causes and consequences, particularly in more mainstream media publications use terms such as unions and local government as replacements for more direct engagement with race and class. David Theo Goldberg argues that this limits the discussion on the disparate outcomes of proposed policies and interventions on racialized communities. The allusion to war are placed in the context of international contests may be more effectively read at the scale of the city through the lens of race and class struggles that shape cities across the United States. The United States military was deployed in the city of Detroit twice in a 25 year span, quelling a race riot in 1943 as white’s rampaged through the city assaulting and killing black residents and again in 1967 when primarily black residents rebelled against the worsening conditions of segregated neighborhoods and the repressive police tactics deployed in maintaining these racialized lines within the city (Capeci and Wilkerson, 1991, Fine and Ruglis, 2009).

These examples are not exceptional, but are sites of contention as the image of ruin is appropriated for gain in a political struggle over the role of cities and the state of the nation. These arguments are illustrative of of the power of representational space and its influence on and in the lived space of daily life (Lefebvre, 1991 p. 44). In On Photography, Sontag writes, “As photographs give people an imaginary possession of a past that is unreal, they also help people to take possession of space in which they are insecure.” The proliferation of photography of Detroit’s ruins is in part a way of taking possession, but it is also a means to distance ourselves from its implications. It allows the city to be contained and categorized as a state of exception rather than a material outcome of social relations.

**Practices**

“The more the word landscape is used, the greater its ambiguity. And the greater its ambiguity, the better it functions to naturalize power (1996 p. 2).”
- Don Mitchell, *Lie of the Land*

“I don’t know how you [the City of Detroit] would manage a property inventory that size. The bureaucracy wasn’t built for that (2011i).”

- Interview with local developer

“The city hasn’t tried to help. It doesn’t even know what it has. If you don’t know what you own there isn’t much you can do (2011c).”

- Interview with community activist

Michigan Central Station is an iconic image of Detroit and urban decline, yet the station is situated at the center of struggles to monopolize the flow of commerce through border corridors. It is landmark in a national narrative of Detroit’s decline, a possible resurgence, and a tourist destination. In recent years, New York Magazine (2012), Details (2012) and other national print media outlets visited Detroit producing stories of revival and possibility, weekend getaways, and art-topias that focused on a small commercial strip north of the station in the neighborhood of Corktown. It is a relatively stable neighborhood just west of downtown.

In popular press, Corktown is a focal point in narratives of decline and revival in the city of Detroit. Both Michigan Central Station and the former Detroit Public School Book Depository are located in the neighborhood. The restaurants and bars that have opened around the station and their media savvy proprietors are both the feature and the source for much of the positive coverage focused on Detroit. But underlying this particular construction of place there is a longer narrative than the recent celebration of young entrepreneurs and recent college graduates reviving the city through artisanal craft and consumption. The long history of gentrification in Corktown, the formation of its iconic ruins and the continued collapse of the neighborhoods that surround it complicate the claims of renaissance and reveal the practices generating profit through the production of decline. The property record of Corktown follows the continued collapse of the property market in the city and the interventions in that market by monopolists and speculators. The crumbling conditions of its warehouses and train station are not the result of disinvestment but are a byproduct of maneuvers to control the various channels through which billions of dollar in trade pass between the United States and
Map 4.1: Study Area

Source: City of Detroit Assessor
Canada. The struggle between capitalists and the state for control over border crossings involves a billionaire bridge owner and trucking magnate, nation-states, rail companies and multi-national investment firms backed by the pension funds of Canadian government workers.

Situated at the northern end of a major transportation corridor, Corktown and the neighborhoods to its south including Mexicantown and Southwest Detroit are strategic sites over which $100 billion in commercial trade traverses annually. The western boundary of the area under analysis is the Ambassador Bridge and Interstate-75 which also runs through the northern boundary of the study area. The majority of trade crosses the Ambassador Bridge and its owner Manuel “Matty” Moroun is engaged in a various legal battles with community groups, the State of Michigan and the Canadian government attempting to maintain his monopoly on the only privately-owned border crossing in North America. In addition to the bridge, commercial trade also moves by rail through the Detroit-Windsor Rail Tunnel. The track runs directly behind Michigan Central Station. The Detroit-side mouth of the tunnel is about a half a mile to the southeast. It is this struggle over territory, and the profit garnered through the management of trade flows, producing the derelict structures that serve as iconic images of decline.

Land records within this neighborhood provide insight into the process of decline, the contradictions of uneven development and the greater forces that are shaping the area through attempts to configure trade routes and borders to accommodate a near frictionless flow of goods through the transport corridors of the city.

**Ownership Patterns**

This section utilizes property records from the City of Detroit Assessor office from 2001 to 2011. This data was coded into 10 ownership categories. Ownership categories were based on the following requisites: 1) Business, active commercial or industrial operation, 2) CDO/CBO this category includes all third sector organizations including religious organization but excluding churches, 3) Government, this includes all levels and agencies of government holding property, 4) Individual - a person holding no more
A Disaster Tour pulls in front of Michigan Central Station. The Roosevelt Book Depository is to the left. The grass in the front is part of a community-funded park improvement.
than two individual land parcels, 5) Investor/Speculator, an individual, property or finance-based business holding three or more properties,\textsuperscript{32} 6) Moroun, this separates the activities of billionaire trucking magnate and bridge owner Manuel “Matty” Moroun, who is the second largest landholder in the area and the most active investor/speculator, 7) Railroad, all rail holdings in the area, 8) Religious, all church holdings separated out in part because of tax-exempt status, 9) Utility, all utility holdings, 10) Unknown, these are parcels whose ownership was not known by the city assessor. By examining the underlying ownership patterns interests practices begin to emerge. There are two areas under analysis. A broader study area encompassing 1.4 square miles and over 3,000 parcels, and more finite area within the broader area focused on .7 square miles and approximately 1,000 parcels.

Over the past decade government agencies have actively divested ownership, investor and speculator activity increased, and business activity declined. There is increasing ownership by community development and religious organizations while individual ownership grew slightly. Railroads have doubled their ownership, but it accounts for a small number of strategic parcels tied to rail lines and possible expansion. The more finite geography captures similar patterns, with some differentiation in ownership activity. Individual ownership increased by 15 percent as compared to less than one percent in the broader study area. The majority of government withdrawal occurs in this area as does the majority of Moroun’s acquisitions. Business activity declined more rapidly, nearly 34 percent compared to 14 percent in the broader area. Community development organizations (CDO) and non-profit activity increased by nearly 20 percent compared to five percent in the broader study area. Railroad acquisitions were primarily focused in the finite study area with all new properties occurring here in the 10 year period. There is limited rail capacity or infrastructure outside of the finite study area and within the broader area of analysis.

\textsuperscript{32} Investor and Speculator are not divided here. It is not possible to divine intentions from the data set provided and many property owners with multiple holdings were reluctant to interview. Of those that did agree to an interview, all claimed to hold parcels as an investment and did not consider their actions to be speculation.
The difference in business activity are driven in part by the boundaries of the map, the commercial strip of five businesses on the north side of Michigan Avenue are not included. It is also driven, in part, by the concentration of businesses and manufacturing oriented along the Detroit river and south of the Corktown neighborhood, all included in the finite area. Another factor is the segregation of parcels owned by Moroun. A few of these parcels could be categorized as active business sites. The overall loss of business activity contradicts much of the narrative of resurgence which is focused on emerging service sector employment in the area. The increase in individual ownership matches with vacancy rates in the finite study area, though increased activity by community development organizations and non-profits indicate some neighborhood instability.

Maps 4.2 through 4.5 illustrate the decreasing number of publicly-held properties in the area. Between 2001 and 2011, government agencies reduced holdings in the broader study area by nearly 24 percent. This coincides with the introduction of the public land auction in 2002. Over half of the 194 properties that left public inventories occurred between 2001 and 2003. The finite study area around Michigan Central Station accounted for 60 percent of all properties relinquished by government agencies with total public holdings decreasing from 315 in 2001 to 197 by 2011.

Maps 4.6 and 4.7 examine the declining number of properties categorized as a business in the smaller study area between 2001 and 2011. In the finite study area, the decline in property ownership by business, from 56 parcels in 2001 to 37 parcels in 2011, is spread throughout, but limited concentration appears in the northern section over the 10-year period. A section, currently viewed as driving a commercial resurgence in the city.

One of the more pressing issues for the city is decreasing tax revenues. Property taxes account for nearly one-third of Detroit’s annual revenue. Most government holdings are exempt from property taxes as are non-profit and religious organizations, parcels whose

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Map 4.2: Publicly-Held Land in the Broader Study Area 2001

Source: City of Detroit Assessor (2001) Raw Unpublished Data
Map 4.3: Publicly-Held Land in the Broader Study Area 2011

Source: City of Detroit Assessor (2011) Raw Unpublished Data
Map 4.4: Publicly-Held Land in the Finite Study Area 2001

Source: City of Detroit Assessor (2001) Raw Unpublished Data
Map 4.5: Publicly-Held Land in the Finite Study Area 2011

Source: City of Detroit Assessor (2011) Raw Unpublished Data
owner is unknown to the city, and some utility holdings. In 2011, these properties accounted for nearly 25 percent of all holdings in the broader study area.

In addition to tax-exempt properties, parcels held by investors and speculators are inconsistent sources of revenue as speculators utilize strategies to avoid paying property taxes. In 2011, speculator and investor property and tax-exempt property accounted for nearly 60 percent of parcels in the study area. Map 4.8 illustrates the number of tax-exempt properties in the broader study area and Map 4.9 contains both tax-exempt and speculator/investor properties.

Investor and Speculator ownership appears largely stable in aggregate, increasing by about 8 percent between 2001 and 2011 in the broader study area. In the more finite geography investor and speculator activity increased by nearly 23 percent. If you remove Manuel “Matty” Moroun, the most active investor/speculator in the area, those numbers drop significantly and investor/speculator activity in terms of total parcels is flat over the ten year period. The growth in speculation and investment activity is largely due to the actions of Moroun. He increased his holdings in the study area by over 50 percent. Over 70 percent of those purchases occurred in the area adjacent to the Michigan Central Station and Detroit-Windsor Rail Tunnel. In addition to owning Michigan Central Station and the Ambassador Bridge, Moroun holds nearly 10 percent of the property in the study area accounting for approximately 40 percent of his holdings citywide. Maps 4.10 shows the all speculator and investor properties in the broader study area including Moroun’s holdings. Map 4.11 is speculator and investor property without Moroun’s holdings. Maps 4.12 through 4.15 demonstrate the transition in buying patterns by Moroun over between 2001 and 2011 in the broader and finite study area.

Interviews with those working for CDOs and non-profits focused on low income housing, identified staying ahead of Moroun as one of the more pressing challenges in acquiring property (Interview, 2011m, Interview, 2011d). These groups point to Moroun’s role in the decline of the Delray neighborhood in southwest Detroit as a motivating factor in attempting to create stability and avoid displacement particularly in neighborhoods
Map 4.6: Business Holdings in the Finite Study Area 2001

Source: City of Detroit Assessor (2001) Raw Unpublished Data
Map 4.7: Business Holdings in the Finite Study Area 2011

Source: City of Detroit Assessor (2011) Raw Unpublished Data
Map 4.8: Tax Exempt Properties in the Broader Study Area 2011

Source: City of Detroit Assessor (2011) Raw Unpublished Data
Map 4.9: Tax Exempt and Investor/Speculator 2011

Source: City of Detroit Assessor (2011) Raw Unpublished Data
south of Michigan Central Station (Interview, 2011c). In Delray, Moroun purchased large numbers of houses which he holds vacant and boarded. These purchases are in the path of a proposed publicly-owned bridge connecting Windsor and Detroit. CDOs and churches have attempted to negotiate with Moroun by drawing a line in which any property purchased by the bridge company or Moroun would be contested and attempting to purchase any property that came on the market or went to auction within the area (Interview, 2011c). For church officials and non-profits this approach slowed Moroun’s acquisition and allowed them to focus on stabilizing neighborhoods near the bridge. Map 4.16 is of current non-profit holdings in the finite study area.
Map 4.10: Investor/Speculator and Moroun Holdings 2011

Source: City of Detroit Assessor (2001) Raw Unpublished Data
Map 4.11: Investor/Speculator Holdings without Moroun 2011

Source: City of Detroit Assessor (2011) Raw Unpublished Data
Map 4.12: Moroun Holdings in the Broader Study Area 2001

Source: City of Detroit Assessor (2001) Raw Unpublished Data
Map 4.13: Moroun Holdings in the Broader Study Area 2011

Source: City of Detroit Assessor (2011) Raw Unpublished Data
Map 4.14: Moroun Holdings in the Finite Study Area 2001

Source: City of Detroit Assessor (2001) Raw Unpublished Data
Map 4.15: Moroun Holdings in the Finite Study Area 2011

Source: City of Detroit Assessor (2011) Raw Unpublished Data
Map 4.16: Community Development Holdings in the Finite Study Area 2011

Source: City of Detroit Assessor (2011) Raw Unpublished Data
Corktown

Directly south of Michigan Central Station sits a revitalized commercial strip. In 2012, there was a restaurant, two bars, a coffee shop, a real estate office, a small number of apartments and another restaurant/condo conversion under development in a former pawn shop. A decade long revitalization project, undertaken by the Cooley brother’s from Maryville, Michigan and other investors, began with the opening of Slow’s Barbecue. Over the past five years, many popular press stories on Detroit’s revival between either featured or included the restaurant and it’s charismatic co-owner Phillip Cooley (Editorial, 2011b, Ryzik, 2010, Saulny, 2010, Schmidt, 2011, Ishayik, 2012). Widely featured on various food-centric television programs and in advertisements for canvas boots starring Jackass Star Johnny Knoxville the strip is portrayed as a must see for anyone visiting Detroit (Mavros, 2010).

In first decade of the 20th Century, the construction of Michigan Central Station was envisioned as an economic development tool to revive a slum (Kavanagh, 2001, Schultz, 2010). In the first decade of the 21st Century, the station is both a symbol of the decline of a city, but also, in its ruined state, a potential site of renaissance and revival. This centering of the station in remaking of the city is promoted by the residents and business owners who now live and work in one of the city’s most stable neighborhoods. In the century between the construction and ruin of the station, the characterization of the neighborhood in which it was built changed. Corktown was considered a slum in 1910, resurgent in 1920, a slum during World War II, and the site of Detroit’s first urban renewal project in 1950 after it was deemed a blighted area (Hartigan, 1999, Goodspeed, 2004, Thomas, 2013). But as city neighborhoods began to crumble around it, Corktown became one of the most stable neighborhoods in Detroit.

There remain a myriad of issues in Corktown, particularly vacancy and abandonment of large commercial buildings and the loss of much of the housing stock. Most of this loss occurred in North Corktown or Briggs, which is divided from Corktown by Interstate 75. City officials, real estate agents and business owners define stability by highlighting the 99 percent occupancy rate in its rental market, above average housing
Image 4.4: Corktown Commercial

Source: Author
prices for the city, and the areas large number of owner occupants (Interview, 2011i, Interview, 2011p, Interview, 2011q). Despite its stability, the neighborhood is one of the most frequented sites of disaster tourism and trophy photography. The gentrification of Corktown is contentious as the small commercial strip of businesses along Michigan Avenue fill out between long stretches of grass fields and empty parking lots (Stephens, 2010, Swickard, 2011, Swickard and Tanner-White, 2011, Lind, 2011, Leary, 2011). Though recent debates on gentrification in Corktown focus on the present, the neighborhood experienced waves of gentrification over the past four decades while other areas of the city declined.\textsuperscript{33} The first wave came in the 1970s with the renovation and restoration of historic Federal Townhouses by young middle class buyers utilizing government programs intended for low-income and unhoused populations. In the present moment, young professionals battle to move long-standing services for the homeless and low-income residents in the neighborhood away from the burgeoning commercial and entertainment strip along Michigan Avenue (Hartigan, 1999). Current development is focused on servicing a growing population of young people with disposable income. In the last ten years, Cooley, his brother, and other financial partners have slowly transformed the burned out shell of commercial businesses adjacent to Michigan Central Station into restaurants, bars, and a coffee shop. Much of this is done with limited access to traditional financing mechanisms and the use of volunteer and investor labor (Interview, 2011i). These developments have drawn young highly-educated and under-employed people from around the country to the area. Much of the clientele is white, much of the neighborhood is white, and the majority of the photographers shooting the city for broader consumption are white. But this is neither new nor unusual in Corktown, an area of the city predominantly white since Irish

\textsuperscript{33} Though gentrification in Detroit is somewhat different in its scope it is no less disruptive for those displaced.
immigrants were categorized as white (Hartigan, 1999). Despite its relative stability within the city of Detroit, the neighborhood contains many abandoned buildings, vacant houses and empty lots.

The development of the commercial strip adjacent to the station brings the discussion of ruin and renewal into material proximity. For some residents of Corktown, the station is a symbol and rallying point. Calls for its preservation either as a ruin or repurposed are central to proposed plans for development around the site (Paffendorf, 2012a). Echoing artist Camilo José Vergara, tech entrepreneur, artist, and self-proclaimed futurist Jerry Paffendorf called Michigan Central Station “our Acropolis.” He placed the station at the center of a growing movement of artists and young professionals filling the neighborhood around the building. The station is a linchpin in bringing together a broad base of community supporters determined to preserve it, though they are divided on what preservation entails. One project, currently ongoing, is the renovation of Roosevelt Park in front of the station. Volunteers raised over $1 million for the project (Interview, 2011a). There are plans to put in a skate park and amphitheater to accompany the natural grass sculpture installed in 2009. To the east of the station, two abandoned houses are the site of the Imagination Station, an interactive exhibit by Loveland Technologies, the working name for art entrepreneurs Paffendorf and Mary Lorene Carter. The Imagination Station consists of two abandoned houses that participants can walk through or sit inside while looking at the station and imagine what Detroit may become. This project moved from the actual to the virtual when the station’s owner Manuel “Matty” Moroun solicited Paffendorf to develop a website allowing people to

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34 In his book Racial Situations, John Hartigan examines three neighborhoods in Detroit focusing on Briggs, Corktown and Warrendale. Both the gentrification of Corktown and its status as a predominantly white neighborhood in a majority black city are central to Hartigan’s ethnography of whiteness and the construction of race within the city. For Hartigan, the construction of race through rhetoric and specifically class are explicit in the production of Corktown as a neighborhood and as a site of struggle within the city. In the 20 years since Hartigan did his fieldwork, many of the issues he identified remain and are carried on by younger waves of residents unaware of this history yet carving out a similar identity for Corktown. There remains a focus on historic preservation and the protection of the neighborhood through the language of community, though that term is often contested and recognized for its exclusion, and continued efforts, sometimes violent, to remove homeless people and the services they access within the community.

35 One of the Imagination Station structures was destroyed by arson in June 2012. Arsons increased across the city in 2012.
Image 4.5: Imagination Station

Source: Author
offer suggestions for the renewal of the station. The site, curated for positive commentary, allows people to propose uses for the station.

**Michigan Central Station**

Michigan Central Station was ordered demolished in 2009 by the Detroit City Council. Councilors voted to tear down the station and charge its owner, “Matty” Moroun, for the cost of the project. Councilwoman Barbara-Rose Collins, said the building was “obviously a public safety hazard (Patton, 2009).” Council President Monica Conyers, recently released from prison after serving time for corruption said, “it [Michigan Central Station] should have been torn down years ago (Patton, 2009).”

Demolishing the train station and connected 18-story tower was estimated to cost $3.6 million by the city. Private contractors estimated the cost at between $8-10 million, most of which was for asbestos mitigation and site stabilization. The city intended to use recently designated federal stimulus funds to remove the building. It was a plan typical of the municipal approach to federal funding for nearly 50 years – demolition with few plans for replacement (Thomas, 2013). The plans to demolish the station are currently on hold, yet the outcomes of this municipal “development” model are apparent across the the city and within the neighborhood of Corktown (Patton, 2009).

One of the oldest neighborhoods in Detroit, Corktown was the site of a series of urban renewal and growth projects. The siting of the Michigan Central Station in the first decade of the 20th Century was intended to spur growth on the city’s west side, but the train station was never completed. The top floors of the tower never finished or occupied (Kavanagh, 2001). At the time, city officials considered the area a slum and the project allowed for a large section of housing to be torn out to accommodate the station and a large park in the City Beautiful style. Following the opening of the station in 1913, development was slow and a proposed plan by Henry Ford to develop the area ended with the onset of the Great Depression (Rottman, 2011). These redevelopment plans for land around the station never materialized.
Image 4.6: Urban Renewal

Image 4.6: Charles A. Blessing, Director of City Planning for Detroit, gestures over a model of downtown Detroit. The map on the wall illustrates the urban renewal projects under development. The west side industrial renewal areas one and two, incorporating portions of Corktown, are seen below his chin.
Directly west of the downtown core, Corktown was targeted in the 1950s as an urban renewal project. The intent of this project was to serve as a relocation site for commercial and industrial warehouses displaced in the construction of the city’s convention center (Goodspeed, 2004, Thomas, 2013). But delays in the project and neighborhood protests over displacement slowed the development of the district and most warehouse businesses displaced by the convention center relocated to other parts of the city.

As interstates were built to cut through the city, passenger train traffic waned at Michigan Central Station. The station’s distance from the downtown core, nearly two miles, was a greater obstacle with with the closure of the city’s streetcar service in 1956 and its lack of parking for private vehicles (Kavanagh, 2001). By 1987, the last year it operated as a passenger rail terminal the building changed hands three times in the decade that followed. It was abandoned by Amtrak and sold to a New York investment firm with plans for the station that never came to fruition (Rottman, 2011). It was again sold to an investor who proposed turning the station into a casino and hotel, but city voters did not approve casino gambling in the city until the mid-1990s, by that time these investors abandoned the project and many of the fixtures and all of the wiring were stripped from the building. In the 1996, Central Terminals, Inc. purchased the property as it moved from relic to icon of Detroit’s decline (Schultz, 2010).

Moroun said he purchased the station because it was cheap and he thought its rail yard might be valuable. “I hate being associated with that. What the hell am I supposed to do with that? I can’t sell it and I won’t give it away for a dollar. I can’t redevelop it. Who would want to go in there? Nobody. There’s no reason. That’s throwing money to the wind. Can’t tear it down, it’s an historic landmark (LeDuff, 2008).” In 2010, he claimed the purchase of the station was an investment, but also made clear he would not make any improvements to the structure without a viable venture in place (Gallagher, 2010a). Dan Stamper, the president of Moroun’s CenTra, Inc. said the station was acquired by “accident”. In a 2009 interview with the Associated Press, Stamper said Moroun came to own the station in the late 1990s after a local businessman defaulted on loan owed to Moroun (Williams, 2009). Ventures of varying viability have been proposed over the
years, Detroit Police Headquarters, a casino prior to Moroun’s ownership, the headquarters for the Department of Homeland Security, and a number of other schemes intended to salvage the structure. In more recent interviews, Moroun’s wife Nora Moroun spoke of a desire to save the historic structure and preserve it for future generations. This characterization of Moroun’s plans emerged after more than a decade of neglect in which the station sat windowless and open to the elements and rarely secured. The threat of multi-million dollar demolition bill may be motivation as the city contests court challenges attempting to preserve the historic structure.

Though the Moroun’s appear to have changed their management of the station, the condition of the station, standing, crumbling or no longer existing, is relatively unimportant. The cost of demolition would be steep compared to the relatively minimal tax assessment levied each year, but hardly of consequence for someone Moroun’s means. It is the site of the station and the hard transportation networks snaking through behind it that are of consequence. One of Moroun’s chief lieutenants, Dan Stamper said the convergence of rail lines behind the station was the reason it was purchased. “We got into it because of the railroad implication, and all the railroads converged there. It had been closed and stripped long before we got involved (Williams, 2009).” The Detroit-Windsor rail tunnel emerges to the northeast of the station, rail cars often loaded at the Port of Montreal and production facilities in Ontario’s golden triangle move under the Detroit River and behind the station on a daily basis. This tunnel is a major trade route between the United States and Canada carrying over $20 billion in trade per year. The tunnel is at capacity and attempts to expand the border crossings for freight have persisted for over 25 years.

**The Michigan Central Railway Tunnel and DRIC**

Built in 1910, the Michigan Central Railway Tunnel is currently under joint-ownership by the Canadian Pacific Railway and Borealis Infrastructure. Borealis is an investment firm primarily focused on the ownership and operation of once-public utilities. The company seeks monopolistic firms for investment, taking advantage of both the publicly-subsidy of risk and construction costs and the guaranteed customer base offered by former
government monopolies on utilities. The investment capital is provided by public employee pension funds in the province of Ontario. In addition to the tunnel, Borealis is a major investor in the XL Pipeline intended to carry bitumen from the Alberta tar sands to refineries in the United States. It is a major investor in nuclear power and electrical grids, as well as the construction, management and leasing of hospitals and schools for the province of Ontario. Other investments include government satellites, medical testing laboratories and property registration services (Borealis, 2012a, Borealis, 2012b, Borealis, 2012c).

Borealis purchased its share of the tunnel from Canadian Pacific Railway (CP) in 2001 (Borealis, 2002). CP gained full control of the tunnel after Canadian National Railway (CN) sold its interest and shifted operations approximately 80 mile north of Detroit in the mid-1990s. CN utilizes the St. Clair Railroad Tunnel between Sarnia and Port Huron for the transnational shipment of goods. It completed an expanded St. Clair tunnel in 1994 that accommodates double stack containers (Kula, 2009). The Detroit-Windsor Tunnel is too small for the passage of double stack rail cars. The tunnel is expanded to its full capacity. If double stack rail shipments are to move through the Detroit-Windsor corridor, a new tunnel is required. An attempt to ship double-stack containers through the tunnel damaged the containers in 2006. Multiple proposals to add double stack capacity have been presented since the early 1990s (James, 1993, Borealis, 2011, Kula, 2009, Newswire, 2011, Unsigned, 2001, Warzecha, 2010, Miller, 2009).36

After the opening of the Port Huron-Sarnia Tunnel in 1995, CN sold its ownership stake in the Detroit-Windsor Rail Tunnel to CP. In 2001, CP sold a 50 percent stake in the tunnel to Borealis Infrastructure. In 2009, Borealis increased its stake in the tunnel to 84 percent with a $110 million payment to CP and an additional $22 million in payments due from tunnel traffic proceeds. In the late 1990s, Borealis and CP proposed building a

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36 In the early 1990s, the choice between tunnel expansion in Port Huron or Detroit was characterized as a referendum on maintaining the state’s position as a rail conduit, in the case of Port Huron, or positioning the state as a major rail hub that would serve as a competitive alternative to Chicago, in the case of Detroit-Windsor. The political battle over the bridge pitted a Republican controlled State Senate and Executive against Democratically controlled Detroit with prominent Republican State Senator Dan Degrow, from Port Huron, championing the CN Rail tunnel in Sarnia. The plan to develop the tunnel in Sarnia proceeded rapidly and was completed in 1995 (James, 1993).
new tunnel to accommodate double stack rail cars and converting the existing tunnel into roadways for semi-truck traffic (Unsigned, 2001, Knapp, 2011, Newswire, 2011). Shortly, after this proposal, Moroun’s Central Terminals took possession of Michigan Central Station. In addition to the station, Moroun owns the Ambassador Bridge, the busiest trade crossing in the corridor carrying over $100 billion in trade annually. The majority of that traffic heads into the United States on semi-trailers (Belzer, 2003, Borealis, 2011). In addition, the Moroun family owns a trucking company, duty free plazas with gas stations, warehouses near major transportation hubs and vast quantities of land zoned for a variety of uses and in varying states of disrepair.

Much of the recent land purchases by Moroun are located around the bridge or in the direct path of projects that would compete with the monopoly he currently holds on international trade traffic through the control of the Ambassador Bridge (Gallagher, 2012a). The consequences of the battles between Moroun and various levels of government, on both side of the border, over the flow of trade and profits siphoned off these movements is visible in the destruction of the Delray neighborhood in southwest Detroit. This is the site where Michigan and Canada propose constructing a new bridge. In Windsor, north Indian Road is dotted with vacant and abandoned houses as Moroun seeks to control the site for landing of second span to the Ambassador Bridge (Wattrick, 2011). This process produces increasingly larger pools of vacancy and abandonment in these neighborhoods over the past two decades as Moroun uses ownership claims in these areas to file court actions against the government.

The most recent plan to expand the Detroit-Windsor Rail Tunnel abandons the conversion of the old tunnel for truck traffic. The double stack expansion remains atop the Canadian government’s top five infrastructure priorities (Warzecha, 2010). In 2011, in an attempt to spur approval of the bridge in Michigan, the Canadian Government pledged to loan over $500 million, interest free, to fully fund the bridge construction. This offer failed to move the Michigan Legislature who voted against the bridge – citing declining traffic – data provided by Moroun (Egan, 2011b, Egan, 2011a, Egan, 2012a). The billionaire also provided over $1.5 million in campaign funding during the 2010 election cycle. In 2011, he funded an ad campaign in the Canadian federal election in
seeking to unseat pro-bridge MPs from Ontario (Christoff and Gray, 2011a, Christoff, 2011a, Leslie, 2011). In the fall of 2011, at the height of the legislative battle over the bridge, Moroun announced he would put new windows and a new roof on the station. The building was fenced and workers began to clean out the lobby, but work slowed significantly once the bridge bill was defeated, though work continues and the building was recently lit at night (Oosting, 2011a, Greenwood, 2011). For Canada, the bridge is the last transportation link in the multi-billion dollar expansion of the Port of Montreal and the ongoing expansion of expressways in Windsor to link to the new bridge (Gallagher, 2012d, Christoff, 2011b, Egan, 2011b, Greenwood, 2009b, Gallagher, 2011a, Egan, 2012a). In 2012, Moroun funded an initiative that placed a constitutional amendment on the state ballot. It stipulated any new bridge project go to a public vote. Moroun spent $31 million on the initiative which was rejected by voters (Egan, 2012b).

Moroun’s opposition to the bridge is clear after having spent millions opposing it over the past decade. His stated position on the rail tunnels is less clear except to note that the current proposal, a new tunnel to accommodate double stack rail cars, should change where the trains emerge. It is where the land is situated not the structures that comprise its value. What appears vacant and abandoned is an active control node in global flows of goods and the profits to be made through efficient transit. It ties the fortunes of monopoly players, federal governments and public employees pension funds in a multi-faceted struggle that locks value into position and renders the physical structures and their blight as costs to be managed for continued accumulation rather than as site integrated within communities.

The Infrastructure of Local Disinvestment

Between the Ambassador Bridge and the Detroit Windsor Rail Tunnel over $122 Billion US in trade passes through Corktown on an annual basis. Bridge traffic accounts for over $103 billion and products carried by train account for about $19 billion (Borealis, 2011). This is the most active border between the United States and Canada for trade. The Canadian government pledged over $1 billion in infrastructure upgrades and improvements to the transportation systems that converge on Ontario’s western border.
with Michigan. Control over properties and the possibilities for expansion on both the Detroit and Windsor side of the border are highly contested and over the last decade resulted in a patchwork of vacancy and dereliction that exacerbated and accelerated decline in both Corktown and Windsor.

**Canadian Investment in Infrastructure**

Over the past ten years, the federal government of Canada listed the construction of a new bridge crossing between Detroit and Windsor as a top infrastructure priority. But beyond lobbying for the bridge in Washington D.C. and in Lansing, the Canadian government is spending $1.4 Billion expanding the highway system that will connect to the foot of the still unbuilt bridge. The completion of the Right Honorable Herb Gray Expressway is slated for 2014 (Battagello, 2013). This expansion is coupled with a major push by the Canadian government for approval of the bridge in Michigan (Egan, 2012a). Responding to concerns raised by the Michigan Legislature about cost and the current economic situation in Michigan, Prime Minister Steven Harper committed $500 million to the project as an interest free loan for bridge construction (Egan, 2012a). The money would be recouped in tolls on the new bridge.

These infrastructure projects in Windsor are tied to the ongoing expansion at the Port of Montreal, Canada’s largest eastern import-export trans-ocean connection. This expansion is expected to be completed within decade (Authority, 2008). The bridge is considered essential to handle the projected increase in the volume of materials moving across Ontario and into the western and southern United States through Windsor and Detroit. The owners of the Ambassador Bridge are active in their opposition to the new bridge, funding political campaigns, political television ads in the U.S. and Canada and actively supporting and building astro-turf groups to oppose the bridge on the U.S. side (Gallagher, 2012a, Christoff and Gray, 2011a, Gallagher, 2011b). Moroun also encouraged the work of the Sierra Club in challenging the new bridge on environmental grounds that it would encroach on wetlands home to endangered birds (De Souza, 2011). So far, these tactics are successful in delaying approval for the bridge in Michigan.
Image 4.7: Proposed Bridge

Source: Michigan Department of Transportation
The Detroit-Windsor Rail Tunnel

In addition to the bridge, three proposals have been announced since 1996 to expand the Detroit-Windsor Rail Tunnel. The tunnel was constructed in 1910 and widened in the 1980s. This widening expanded the tunnel to full capacity. The proposals call for a new double stack rail tunnel that would allow Canadian Pacific to utilize the process of shipping double stack rail cars from the Port of Montreal to destinations throughout the United States.

The initial tunnel expansion proposed by Canadian Pacific and Borealis Infrastructure, which co-own the tunnel, included converting the old rail tunnels into dedicate lanes for semi-trucks, this proposal was actively opposed by the owners of the Ambassador Bridge. This opposition led to the withdrawal of the plan. Borealis and CP offered a new plan in 2003 that dropped the proposal to add truck tunnels. This plan was not directly opposed by the Moroun, but a company spokesperson, said the tunnel alignment should be changed (Miller, 2009). U.S. Rep. Carolyn Cheeks Kilpatrick (D-Detroit) and her son Mayor Kwame Kilpatrick also opposed this plan citing the need for a different alignment for the expansion to be considered (Muller, 2012). Interviews with residents and activists pointed to the campaign support the two received from bridge company executives and from Moroun (Interview, 2011m, Interview, 2011k, Interview, 2011c). The Moroun’s outsized wealth and power and their willingness to use litigation to delay or end projects that many neighborhood residents felt would be a benefit resulted in an outsized reputation for unscrupulous practices and as a puppet master of the Detroit and Michigan political systems (Interview, 2011c, Interview, 2011m, Christoff and Gray, 2011b, Egan, 2011a, Greenwood, 2011, Rubin, 2012).

CP and Borealis again tendered a proposed expansion in 2010. This proposal is under review, but the request for realignment from the Moroun’s remains. CP and Borealis acquired properties along the existing rail corridor that runs behind Michigan Central Station. Moroun holds much of the surrounding property.
Image 4.8: Detroit-Windsor Rail Tunnel

Source: Author
Map 4.17: CN Rail Map

Source: Canadian National Railway
Map 4.18: Rail Ownership 2011

Source: City of Detroit Assessor (2011) Raw Unpublished Data
Moroun and Corktown

The property records in Corktown provide context to the decontextualized representations of Detroit. It is a failed market in which speculative investment is extreme and public ownership persists. There is a highly active non-profit sector working on housing issues in the area with little private housing development. Moroun’s ability to hold a large volume of property without improvement is aided through changes in the tax reversion laws that simplifies speculation, reduces the cost of acquisition, and increases the responsibility of local governments to pursue code enforcement or demolition with a concomitant decrease in revenues.

Beyond the neighborhood these properties are located in, these structures are also situated within a matrix of global trade that is largely regulated and practiced beyond the reach of local government. Within this matrix the physical structures are of little consequence while the control of property around ports of entry is essential. For Moroun, it protects his bridge monopoly while for railroads and investment firms it is an opportunity to profit from government investment in trade infrastructure. The Delray neighborhood bore the brunt of this battle between governments and a billionaire. Long the site of intense environmental degradation, neighbors are now fighting the construction of a new public crossing that will expropriate large tracts of property and divide remaining communities while increasing traffic and environmental pollution. Moroun supported neighborhood groups opposing the bridge while simultaneously accelerating the areas decline to increase his leverage in court battles over the bridge. In addition to activity in Delray, Moroun’s array of companies increased the number of purchases around the Detroit-Windsor Rail Tunnel over the past decade.

An expansion of the tunnel, particularly the addition of truck tunnels, would introduce competition to the Ambassador Bridge for trade traffic. It is the one major trade port in the city not under his control at this time and a proposed site of expansion. By holding property adjacent to possible ingress and egress for the tunnels opens up a means to challenge their expansion or to profit from it. Moroun’s acquisition of the rail station in 1996 coincided with the announcement by Borealis and CP to construct a tunnel for
double stack rails cars and convert the old tunnels from rail to trucking. In the late 1990s and early 2000s, Moroun’s company claimed they owned the station by accident as collateral in a loan while at the same time arguing the rail junction behind it was the reason for their initial interest (Williams, 2009). Over the past 16 years, Borealis and CP purchased properties along the rail line as they become available attempting to craft a path around and through Moroun’s property collection along the rail corridor.

The investment patterns in Corktown reflect a focus on both reducing the friction on goods flowing through Detroit and an investment in the threat of friction, but used for advantage in the expansion of trade in the Detroit-Windsor corridor. Though the proposal for truck tunnels was abandoned the nearly two decade battle to build a publicly-owned crossing west of the Ambassador Bridge continues. These games of strategy require the city and community development organizations to deal with the repercussions of speculative investment that displaces residents and creates large swaths of abandonment while federal governments and billionaires fight over how and where profits should move through the city.

The cultural production of images and the discursive construction on material representations of place capture both a site for the examination of material practices and the manufacturing of meaning. As the textual analysis tied to photographs become about fiscal crisis, government incompetence and union intransigence rather than the racialized and classed practices at work, the attribution of ruins as the physical representation of larger processes of deindustrialization and globalization obscures the active extraction ongoing in declining cities.
“The Constitution says that areas that are not blighted may not be condemned. But you can have a good property in a blighted area and remove that good property along with all the blighted area in order to completely clean the area up. The economic development provision just for a city to get taxes is not the same as the city not being able to survive. I know everybody is shocked that I as a real old libertarian property rights guy would advocate for that, but the reality is that our city cannot afford $4 million a square mile to provide water and sewer and utilities for 55 residents (Ackerman, 2011).”

- Alan Ackerman, Attorney and national property rights proponent

In November 2006, Michigan voters approved Proposal 4, a state constitutional amendment that delineated state and local government powers of eminent domain. It was the final act in a 36 month period that significantly altered the power of Michigan counties and cities to expropriate land and marked a subtle but significant shift in the role of government in economic development.

Following the United States Supreme Court decision in Kelo v. City of New London in 2005, which upheld the authority of local government to use eminent domain for economic development, states across the country responded with legislation and constitutional amendments redefining or restricting local powers of eminent domain. These actions by state Legislatures were promoted as a populist backlash against government overreach by a coalition of property rights advocates. The characterization of the Kelo case as a radical expansion of government power became a tool to redefine the role of state and local governments in relation to private land markets and to extend the reorientation of the state’s redistribution power away from social services and toward capital accumulation.

The state of Michigan is a key locus in both the expansion and contraction of the power of government to intervene in failing markets. Within the property rights movement, Detroit is cited as a primary example of eminent domain abuse (Berliner, 2004). Some
within this movement trace the city’s continuing decline to its deployment of eminent
domain for economic development (Betzold, 2005). Detroit was the site of the landmark
eminent domain case Poletown Neighborhood Council v. City of Detroit. In 1981, the
Michigan Supreme Court sided with the city’s decision to condemn a neighborhood and
transfer the property to General Motors for the construction of a new automotive
manufacturing plant. In 2004, the Detroit suburb of Romulus was the site of the case
County of Wayne v. Hathcock. The state supreme court’s decision in this case
overturned the Poletown decision and limited local governments’ powers of eminent
domain. This case was cited by the majority in the U.S. Supreme Court decision in Kelo
v. City of New London. It was an example of how states could restrict the use of eminent
domain. Despite victory in the Michigan Supreme Court and validation by the U.S.
Supreme Court, property rights proponents in Michigan argued that the “primacy of the
market” must be restored across the state, but particularly in Detroit (Betzold, 2005).

In 2006, a constitutional amendment appeared on the ballot in the November general
election. Proposal 4 limited the ability of government to use eminent domain for
economic development, particularly the passing of private property to private parties,
and it strictly defined blight. It was coupled with legislation requiring cities to pay “just
compensation” for condemnation. It required governments pay a 25 percent premium
over fair market value and to cover relocation costs for renters and businesses. There
was minimal public opposition to the proposal. Wayne State law professor John Mogk
argued the provision would only increase speculation because of the mandated
premiums and it would severely limit the power of local governments to act in declining
cities such as Detroit (Mogk, 2006). After testifying against putting the proposal on the
ballot in the Michigan Legislature, Arnold Weinfeld, a director at Michigan Municipal
League, was called “un-American” for his views on the amendment (Interview, 2011n).

Once the initiative was placed on the ballot, a group called Protect Our Property Rights
began an advertising campaign in support of the amendment. The coalition of real
estate and business organizations raised over $375,000 to support the ballot measure.
The campaigns primary funder was the Michigan Association of Realtors which
contributed over $300,000. Other donors included the Michigan Chamber of Commerce,
the Michigan Association of Homebuilders, Building a Better West Michigan PAC, Prime Housing Group, a property management company in Lansing, and Alan Ackerman, an attorney who represented Ed Hathcock in his victory over Wayne County (NIMSP, 2006). The amendment passed with over 80 percent of the vote.

The recent history of eminent domain in Michigan is demonstrative of transitions in the state’s role in markets and the means by which market fundamentalist movements actively shape laws and policies restructuring the relationship of state and local governments to the private market. It is illustrative of the increasing role of free market think tanks in the crafting of state law and policy. These actions are buttressed by financing and research networks that seek out sites for the deployment of market-centric ideas. The history of eminent domain in Michigan, from the 1981 Poletown case to the passage of constitutional amendment in 2006, demonstrates the evolving role of the state in market construction and intervention. These transitions in Michigan mark a movement away from the managerialism of urban government, as seen in early urban renewal projects, to an entrepreneurial role in serving as a conduit to pass private property to private interests. and most recently as an actor in markets, which by legislative limitation, local government is forced to compete with other private actors. Finally, it illustrates how market-centric intervention through law and policy furthers the ongoing orientation of the state’s redistribution power away from social services and toward capital accumulation.

This chapter examines these transitions by tracing the deployment of eminent domain and the evolution of arguments around its use. It begins with an examination of recent critical scholarship on eminent domain and literature critical of eminent domain. These critiques of government practices are generated by a prolific cluster of affiliated property rights proponents over the past decade. It then turns to a brief history of eminent domain in the city of Detroit. This is followed by three cases in reverse chronological order. The first case, is the push for a constitutional amendment in Michigan in 2006. The second case examines the development that led to County of Wayne v. Hathcock. The third case revisits Poletown Neighborhood Council v. City of Detroit, a landmark
decision in the use of eminent domain. The chapter concludes with a brief examination of how curbs on eminent domain effects redevelopment attempts in Detroit.

**Property Rights and Government Practice**

Local government's power of eminent domain and its willingness to use it for the primary benefit of private interests has expanded over the past three decades across the United States. The state of Michigan and city of Detroit have been testing grounds for both the extension and the limits of government power in pursuing economic development through the taking of property from one owner and transferring it to another for private use. The use of these powers faced increasing opposition over the past decade, mainly from a small and prolific group of libertarian lawyers. Their populist rhetoric protecting the home from the government, garnered some state-by-state victories in the wake of the U.S. Supreme Court decision in Kelo v. City of New London – a case in which the court ruled economic development is a justifiable use of eminent domain. A coalition of libertarian think tanks and legal foundation fund studies of eminent domain “abuse,” file legal challenges to the use of eminent domain, and sponsor laws and state constitutional amendments that curtail state’s power in property takings. These groups actively seek advantageous cases to open court challenges. They draw support and generate legislative pressure through appeals to many of the same populist constituencies, such as homeowners rights movements, of previous conservative struggles. Their political efforts are often backed by free market foundations such as the Heritage Foundation and organizations such as Freedom Works.

The property rights movement achieved some success in the past decade, most following the decision in Kelo v. City of New London. Over 40 states approved limits, of some kind, to eminent domain powers. Of these, 12 approved constitutional

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37 Kelo v. City of New London was decided by the U.S. Supreme Court in June 2005. In the case, the property owner Susette Kelo argued that the condemnation of her house for the construction of a pharmaceutical factory violated her property rights. The Supreme Court sided with the city of New London and its use of eminent domain for economic development. In its decision the court pointed toward a number of cases including County of Wayne v. Hathcock arguing that it is within a state’s discretion to limit the powers of local governments in taking private property for specified uses.
amendments limiting this power (Castle, 2007). Property rights scholars disagree on the effectiveness and extent to which these legislative acts curtail eminent domain powers. Jacobs (2011) argues that the wave of eminent domain legislation following Kelo v. City of New London was little more than populist thunder in an election year. CATO scholar and Institute for Justice contributor, Ilya Somin (2009), acknowledges that few states passed reforms that actually curtailed powers, adding that the majority of these actions were largely symbolic to appease voters and did not significantly curb state and municipal powers of eminent domain.

Somin’s work utilizes a growing collection of scholarly writing critiquing the use of eminent domain and takings. The volume of this work increased following Kelo and primarily relies on self-referential scholarship, studies and reports drafted by those either employed by or affiliated with the Institute for Justice, its “grassroots” activist organization the Castle Coalition, the Pacific Legal Foundation or the CATO Institute. These organizations form the backbone of the property rights movement, but they also draw heavily on state-based think tanks such as the Michigan-based Mackinac Center for Public Policy. These organization share expertise and support for state-level policy battles and for the gathering of anecdotal evidence with members of the organizations offering friendly testimony in Legislative committees or filing amicus briefs in property rights cases. These state-level relationship are utilized in building a case to support the contention of one CATO Scholar and Pacific Legal Foundation Attorney that “an epidemic of private condemnations actually exist (Sandefur, 2004).”

Beyond this ideological cluster, much of the legal and economic scholarship on eminent domain is focused on questions of price and power. In the case of power, these examinations are focused on the historical development of eminent domain and the underlying legal reasoning. At its most sweeping, tracing the history of takings and private ownership from William the Conquerer in 1066 and the distribution of lands to lords to the present and in its more nuanced and precise its development within the context of the United States at various periods in time (Benson, 2008, Epstein, 1985, Sax, 1983). Economic analysis is primarily concerned with price determination, with particular attention to the question of whether fair market value may be achieved in a
non-competitive market. The most cited study by the libertarian property rights coalition is a 1976 analysis of renumeration in Chicago urban renewal projects (Munch, 1976). Patricia Munch, a University of Chicago trained economist, Rand analyst and Hoover Institute fellow, argued that eminent domain was less efficient than the free market in consolidating contiguous parcels (Munch, 1976). Based on her models of urban property markets in Chicago, Munch argues that people with low value property were likely to receive less than fair market value while people with high value property were likely to receive more. One of the few empirical studies on eminent domain, these findings are often deployed in support of arguments that the state is inefficient, that the use of eminent domain for economic development is easily corrupted (Sandefur, 2005, Sandefur, 2004), it stymies urban economic development (Betzold, 2005), and the costs are disproportionately born by poor and minority communities (Carpenter and Ross, 2010, Carpenter and Ross, 2009). This last contention is important, particularly given the history of eminent domain and its use in mid-century urban renewal programs, but the proposed remedies of this property rights coalition – to dismantle government programs and curtail its ability to intervene in declining conditions in the urban core while paying premiums to landowners – offer little relief from current conditions.

More recent empirical work suggests the greater beneficiaries of limits to government intervention and mandated price premiums are absentee landholders and speculators. Chang (2010) found that over a 12 year period nearly 50 percent of properties condemned in New York city were vacant while only 25 percent of property were occupied residential properties. Kerekes (2009) found that eminent domain was more likely to be deployed in urban areas with high vacancy and abandonment. Chen and Yeh (2010) argue that eminent domain encourages over investment by property owners who anticipate higher compensation in the case of condemnation.

Critical scholars see the Kelo case as illustrative of a key contradiction in neoliberalism. Blomley (2007) argues that neoliberalism demands both the withdrawal of the state from intervention in individual pursuits - or individual’s property - while at the same time needing to marshall the state’s most “despotic power” to churn property for economic gain. “For the power of private property and rugged individual entrepreneurialism to be
unleashed requires, as always, the state (Blomley, 2007 p. 201).” For Blomley, the Kelo case offers an instructive window into the contradictory geographies of property under neoliberalism and demonstrates that social geographies of dispossession are not equitable. Gibson (2010) argues Kelo reveals ideological seams in neoliberalism and that the division between ‘neoliberal pragmatist’, utilizing state power in the advancement of capital accumulation, and the dystopian visions of ‘libertarian idealist’ seeking to pare down the state. Both Blomley and Gibson draw on Harvey’s tracing of property relations through rural enclosure, colonial dispossession, urban renewal, and contemporary gentrification and each of these movements justification through the imperatives of improvement, productivity and higher and better uses (Harvey, 2005). For Gibson (2010), drawing on Harvey, the deployment of eminent domain for economic redevelopment is a continuation of the liberation of primitive forms of accumulation for capital through dispossession. According to Gibson (2010), the seams revealed by Kelo, and its definition of the power of eminent domain, opens opportunity to reposition eminent domain as a tool to return property to the commons.

The expansion and evolution of eminent domain powers in Michigan over the past 30 years illustrates the transition in the role of local government. From the protection and privileging of General Motors in the Poletown case to the protecting and privileging of speculators and longtime landholders that fled the city of Detroit and boarded up their properties until it was advantageous to reopen or sell, these three cases reflect the shifting arguments around private property rights and the role of government and its intersection with private interests.

**Eminent Domain in Detroit**

“We are fortunate in Detroit that urban renewal and purely private development both are accelerating. The competition among the developers to play a part in creating the new projects is an indication (Cavanagh, 1964a).”

-Detroit Mayor Jerome Cavanagh, addressing new Lafayette Park residents, March 26, 1964

The City of Detroit made extensive use of eminent domain in the last half of the 20th Century. The power to take property was a commonly used tool of local governments
across the United States in the post-war period. The use of eminent domain accelerated after the U.S. Supreme Court expanded the definition of public use ruling in favor of the demolition of neighborhoods for private development in Washington D.C., in the case Berman v. Parker in 1954 (Lavine, 2010, Ginsberg, 1971, Gans, 1965, Blomley, 2007, Benson, 2008). Urban Renewal programs were a priority for the city of Detroit. A population boom between between World War I and World War II driven by auto and wartime production and unlike other major cities of the time most of Detroit’s growth took place with nascent planning and zoning codes at the municipal level (Thomas, 2013). Following World War II, under the guiding hand of urban planner Charles Blessing, Detroit embarked on a series of ambitious plans to tear down and remake the city. It was a major beneficiary of federal funds for urban renewal which it utilized to carve out new commercial and residential spaces in the city that could accommodate the automobile and compete for residents and eventually businesses with the growing suburbs (Thomas, 2013, Blessing, 1966).

At any given time, in the late 1950s and early 1960s, the city of Detroit had at least 13 urban renewal projects in planning or in progress (Mayer, 1962). One of the most lasting symbols of this project is the Lafayette Park Development west of downtown (Cavanagh, 1964c). The city cleared the thriving, but overcrowded and deteriorating, neighborhood of Black Bottom for a tower and townhouse project by the famed Bauhaus architect Ludwig Mies Van Der Rohe (Thomas, 1997). The opening of the towers was heralded by then Mayor Jerome Cavanagh as “typifying New Detroit (Cavanagh, 1964a).”

Cavanagh praised the new residents as “pioneers” and called the environment “healthy” and “invigorating.” The mayor noted that between Lafayette Park and an adjacent urban renewal project, Elmwood Park, over 31,000 residents could live in the shadow of the downtown skyline and new residents would live in the “… comfortable, park-like surroundings where not long ago some of Detroit’s worst slums existed (Cavanagh, 1964a).” The development remains among the most celebrated pieces of architecture in the city, but the isolation and desolation resulting from the neighborhood clearance remains in evidence with the continued decline of what remains of Black Bottom to the
northeast. The Heidelberg Project sits on the edge of what was the Elmwood Park renewal project. The Heidelberg Project is an effort to turn blocks of this neighborhood into both a shrine of memory and celebration of possibility that began over 30 years ago. In the 1990s, the city tore down parts of the project as blight. The city and artist Tyree Guyton, who began the Heidelberg Project, established an uneasy relationship in which code enforcement and public oversight are nominally accepted and the installations, occupied and abandoned houses, streets and trees used as canvas are allowed to remain and grow (Shepardson, 1999). The largely black community in these areas was displaced to other parts of the city. The new towers and townhouses intended to alleviate the crowded and deteriorating housing stock in Black Bottom targeted white residents with the means to purchase high rise units. The former residents of the neighborhood found similar, if not more crowded conditions in other areas of the city. Many cluster around what was then 12th Street and Claremont, the eventual flashpoint in the 1967 rebellion (Sugrue, 2005, Thomas, 2013, Darden, 1987). Despite the intervention of the U.S. Supreme Court in the use of racial covenants in real estate in the 1950s, racial restrictions remained a defining characteristic of Detroit neighborhoods. These race lines enforced through du jour techniques of real estate agents and financing operations and through outright violence and intimidation by white populations against black residents that dared to cross unofficial the color line (Freund, 2007).

In addition to urban renewal projects and slum clearance, the city and state were active participants in the Federal Highway Administration program clearing out large sections of the city to transect downtown and Midtown Detroit with a series of interstate rings that divided neighborhoods and eliminated others. Cavanagh celebrated the opening of a three-mile stretch of the Chrysler Freeway in downtown by calling for more interstate construction. “We here today surely know that these life-lines of transportation are cutting across our land not out of whim but out of economic demand and social necessity (Cavanagh, 1964b).”

Detroit was an early participant in the Model City program that followed the elimination and rebranding of urban renewal. But both the Urban Renewal program and the Model
City program were plagued by delays and a lack of funding. The result of these delays meant that large swaths of condemn housing often sat vacant for years at a time. These vacancies were seen by community organizations and churches as a way to alleviate the housing crisis in Detroit in the late 1960s and these groups petitioned to the mayor regularly to open these homes to temporary settlement while the plans were finalized and actualized (Cavanagh, 1967). In archived papers at the Walther P. Reuther Library at Wayne State University, Mayor Cavanagh is sympathetic to these calls and pushes repeatedly for the federal government to allow the houses to be used as temporary settlement. These requests were denied by Housing and Urban Development Secretary and former Michigan Governor George Romney. In a tersely worded telegram Romney threatened that all funds would be withdrawn if the plan were to move forward. As tensions rose between community groups and the city, complicated by the intractable position of the federal government, the response at the city level was to raze the houses to avoid further conflict (Thomas, 1985). Many of the proposed projects were never built but large vacant swaths of land were created (Thomas, 2013). Both the desire to use publicly-held city owned property and the vacancy resulting from failed projects persist in arguments around land management and the government’s role in development today (Gallagher, 2012e, Albom, 2011b, Albom, 2011a). These failed projects are often referenced by property rights proponents in arguments against government intervention (Castle, 2006, Mills, 2009, Sandefur, 2004).

Urban Renewal and the expansion of the federal highway system through cities such as Detroit was celebrated in a language of progress and justified as economic development. The concept of social progress was tied explicitly to economic gain as the material costs of these projects particularly for poor and racialized communities in Detroit and throughout cities in North America was characterized as regress, protested and fought against (Jacobs, 1961, Thomas, 2013). Urban renewal was replaced with the Model Cities program that attempted to incorporate communities, but the program was short lived and poorly funded. The use of eminent domain took on an increasingly economic justification as conditions in the city of Detroit deteriorated throughout the 1970s and 1980s. The actual outcomes of urban renewal, Model Cities, and Poletown
led to alliances in recent struggles against eminent domain with the Mackinac Center for Public Policy and Ralph Nader filing Amici briefs in County of Wayne v. Hathcock and the Institute for Justice and Jane Jacobs filing Amici briefs in Kelo v. City of New London. The Institute for Justice and its affiliates often cite the briefs of Nader and Jacobs as demonstrating a broad coalition to limit eminent domain due to its effects on poor and racialized communities (Carpenter and Ross, 2010, Carpenter and Ross, 2009). The cynical allusion to alliances glosses over fundamentally differing views of the causes and consequences of government action in eminent domain. As the Institute for Justice and others argue for laissez-faire approaches to development and property, their allies of convenience have argued for decades that a broader role for government is essential to reign in the abuses of private interests and landholders.

Proposal 4: Restricting Eminent Domain

“If you live in Grosse Pointe, you don’t have anything to worry about. It’s people whose houses aren’t that valuable and don’t produce that much tax dollars who should watch out (Kurth, 2005).”

-Lee J. Strang, law professor, Ave Maria School of Law Detroit New June 24, 2005

In June 2005, the United States Supreme Court handed down its decision upholding the power of local governments to use eminent domain for economic development purposes. The ruling created immediate controversy as lawyers for Susette Kelo from the Pacific Legal Foundation backed by libertarian think tanks declared the decision meant no individual’s property was safe from the government.

U.S. Representative Candice Miller (R-Harrison Township) wrote an op-ed for the Detroit Free Press shortly after the decision.

“Freedom of speech, freedom of religion, freedom of the press, the right to keep and bear arms, and equal justice for all are the cornerstones of our free society. Equally important are private property rights, particularly home ownership.

Owning a home, owning your property, is the cornerstone of the American dream. Your home is your largest financial investment, but also where your children grow and your photos hang. It’s where you experience so many great family memories.
- from Thanksgiving dinners to graduation parties. It reflects your values, your
tastes and your life.

Private ownership is vital to our freedom and our prosperity - and the less
government intrusion into our homes the better. A person’s home is truly his
castle (Miller, 2005).

Miller relied heavily on arguments developed by the Castle Coalition on property as the
‘cornerstone’ of the American dream. The home is a castle. The lineage of this language
traces directly to the Castle Coalition. Miller tied the issue to the most extreme of
government intrusion and particular ideas of domesticity and tranquility under threat by
the government of which she is a member. Home ownership is elevated to the
equivalent of a right offered in the Bill of Rights. In calling for action, Miller went on to
speculate through rhetorical questions of what might happen to homeowners across the
country and Michigan – “Whose neighborhood will knocked down next? Whose dream
home destroyed (Miller, 2005)?”

Miller’s column promoted her sponsorship of federal legislation to limit the power of
eminent domain for state and local governments. She also joined a House resolution
condemning the court decision. Kelo had turned the right upside down as conservative
politicians sought to use the federal government to restrict state’s rights and local
autonomy and was not chastising the “strict constructionist” it had lobbied to place on
the bench for not being activist enough in its interpretation of the takings clause of the
Constitution.

Property rights proponents, funded in part by the Castle Coalition, and conservative
legislators sought to capitalize on the public backlash introducing a series of bills to
restrict eminent domain. But in Michigan, Kelo appeared to be much ado about nothing.
The recent Michigan Supreme Court decision in County of Wayne v. Hathcock, cited as
an example by U.S. Justice John Paul Stevens, was used to exemplify a state’s ability
to limit the use of eminent domain. Some of those most active in the crafting of a
constitutional amendment in Michigan the next year had downplayed the rulings effect.
Attorney Alan Ackerman, who would write the language for the amendment, told The
Despite the 2004 ruling by the Michigan Supreme Court limiting local governments use of eminent domain to cases of public use, property rights advocates sought to entrench these prohibitions and increase the cost for local government to intervene in the property market. In the months after the U.S. Supreme court decision, a coordinated campaign emerged in Michigan composed of realtors, builders, property rights attorneys, foundations and think tanks to develop and promote one of the most restrictive eminent domain clauses in the country. The Mackinac Center for Public Policy, a conservative free market think tank in Midland, and a small group of Republican State Legislators worked to build public support for a property rights campaign. The Mackinac Center, which filed a brief in Kelo, began crafting legislation and a policy justification to change the constitution of Michigan and limit the power of local governments to take private property. The amendment placed the language of the state’s Hathcock ruling, limiting eminent domain to public use, into the constitution. By placing the language in the constitution, proponents sought to make it more difficult to change the law and to avoid the possibility of a court overturning the restrictions in the future (Gongwer, 2006a). The amendment also authorized legislation making any type of takings by local government more costly as required all takings include a premium over fair market value for each parcel (Gongwer, 2006b).

In 2005, a series of resolutions were offered in the Michigan State Legislature to limit the use of eminent domain and redefine blight. Each resolution targeted changes in the state constitution. A constitutional amendment limiting state and local powers of eminent domain was put to statewide referendum in November 2006. The series of resolutions came from Republicans in the House and Senate. State Senator Tony Stamas (R-Midland), offered Senate Joint Resolution E that would become the constitutional amendment. In addition to Stamas’ resolution State Representative Leon Drolet (R-St. Claire Shores) and Rep. Kevin Elsenheimer (R-Bellaire) put forward House Joint Resolutions N and P attempting to accomplish the same thing. House Joint Resolution P stated the amendment’s intent was to “… restrict the power of state or local
government to take private property by eminent domain for the primary benefit of private entities (Drolet et al., 2005).” The Senate resolution both restricted the power of the government to take property and increased the cost of doing so. It required any local government using eminent domain to pay 125 percent of fair market value. It also required that the government demonstrate the property was being taken for public use.

Supporters of the resolution included the Michigan Chamber of Commerce, an organization representing local chambers across the state. In January 2006, chamber president Jim Barrett released a statement in support of the resolution stating, “Private property rights are fundamental in a social system based on individual freedom and personal responsibility and are inextricably linked to economic prosperity (Gongwer, 2006c).”

In addition to the constitutional amendment, legislators passed a series of bills that placed monetary requirements on governments utilizing eminent domain for public purposes. These bills went into effect once voters approved the amendment. In addition to requiring the payment to individual property owners in excess of fair market value, governments were also required to pay $5,200 to cover moving expenses upon seizure—an increase from the previous $1,000 paid after eviction. It also required that persons 125 percent below the poverty level be paid within 30 days before the eviction occurs.

Rather than legislators responding to the outcry of their constituents, these bills were drafted in concert, if not fully, by right wing think tanks and policy centers. Patrick Wright, a senior legal analyst at Mackinac Center, became both a key witness and technical expert in crafting the stricter definition of blight and the amendment intended to prevent most uses of eminent domain. “Proposal 4 would close this loophole [the definition of blight] by requiring the government to show through clear and convincing evidence that each property being taken was in fact blighted (Wright, 2006).”

In addition to Wright, Scott Bullock was also called to testify on the Michigan amendment and bills in the fall of 2005. Bullock was an attorney for Susette Kelo before the U.S. Supreme Court. Bullock said of the amendment: “At least the Supreme Court
admitted in Kelo that states could pass laws against the use of eminent domain for so-called economic development. It’s been great to see so many states take up that challenge, and Michigan, with significant participation from the Mackinac Center, is in the vanguard with its 2006 ballot proposal. We are pleased to work with the Center during the passage of this initiative through the Legislature (Shull, 2006).”

Though legislators Stamas and Drolet argued the bills were driven by public outrage, the Mackinac Center for Public Policy, the Pacific Legal Foundation and the Institute for Justice and the Castle Coalition were instrumental in pushing policies that limited the role of government in intervening in property issues. They sought to limit the possibility of expanded power through the courts and limit the ability of local government to use the power by increasing the financial costs of intervention in the market.

Following passage by the Legislature, the coalition formed Protect Our Property Rights, a $375,000 advocacy campaign for the amendment. The coalition was a collection of real estate and business organizations. The largest contributor was the Michigan Association of Realtors who donated $301,948. The Michigan Chamber of Commerce contributed $50,000, the Michigan Association of Homebuilding $15,000 and Building a Better West Michigan PAC gave $8,800 and Prime Housing Group, a property management company in East Lansing, contributed $2,204. Property rights attorney Alan Ackerman said he personally donated $50,000 to the campaign (Ackerman, 2011).

Proposal 4 limited local government power to use eminent domain. The communities it most affects are those in need of multiple planning tools to deal with the scope of abandonment and vacancy. For local governments such as Detroit and Wayne County, the curb on the power of eminent domain puts long term strategies for stabilization and growth in jeopardy as the ability to assemble land is consider essential (Mogk, 2010, Anderson, 2012, Interview, 2011j). In interviews and in public meetings, many residents were quick to point out that the city could not take their property through eminent domain. City officials rarely spoke publicly about eminent domain. In public meetings for the Detroit Works Project, city officials were quick to note that any plan that involved the acquisition of private property would be done through negotiations with individual
residents and not through eminent domain (Interview, 2011p). City officials and others involved with the foundation funded Detroit Works Project said the limits on eminent domain powers made the planning and execution for the long term difficult, particularly ideas that neighborhoods with widespread vacancy and abandonment could be “decommissioned” or “closed” as people relocated to more dense urban nodes within the city (Interview, 2011p, Interview, 2011j, Interview, 2011g, Interview, 2011f, Interview, 2011d). But some added that the conditions in the neighborhoods they wanted people to move from could be considered blighted and may open the possibility of eminent domain.

Just as some residents took comfort in the idea that the government’s power was limited others saw these limitations as problematic in implementing community based planning initiatives. The Lower East Side Action Plan, a pilot project of Community Development Advocates of Detroit, saw the use of eminent domain as a possibility in creating sustainable neighborhoods focused on quality of life rather than economic development. The community-led planning project imagined new zoning categories for the neighborhood that could designate land for less intensive residential and commercial purposes in areas of high vacancy and abandonment. But this approach was not popular with all community members and eminent domain was a continually contested tool in group discussions and general meetings about the long term plan for the community (Ligon, 2011b, Ligon, 2011a, Ligon, 2010).

Even Ackerman defended the idea that eminent domain could still be used in the city of Detroit. For Ackerman, the issue in Detroit is not economic development, but the need to save the city. The attorney argued that within the law he helped write, one could interpret the use of eminent domain for blight to include properties that were not blighted, in essence returning to the legal rationale offered in Parker v. Berman. Ackerman said that the blighting of an entire area that included non-blighted property should be a legally acceptable use as long as the compensation guidelines set out by the Legislature were followed (Ackerman, 2011).
With the passage of Proposal 4 interested parties appeared to switch sides on the use of eminent domain, with a city desperately seeking to avoid it, at least in public conversation, and leaders within the state’s property rights movement arguing it could be an effective technique for development in the city of Detroit. This may reflect the guarantee of compensation for property owners, many of whom no longer live in Detroit, but retained claims within the city. The guarantee of above market prices provides some return on the disinvested holdings left empty in the city. For groups such as the Castle Coalition, the city of Detroit was a longtime target and a major abuser of eminent domain powers. In 2004, the group argued the city might learn its lesson after a few more court cases (Berliner, 2004).

With these changes, the city is in essence forced to act as any other buyer, investor, or speculator in the property market with all of its risks and instability. The transition in eminent domain was its curtailment as a tool to assist powerful corporations that shaped and left the city and its expansion as a protection for property interests of wealthy elites who abandoned the city boarding their buildings while minimally maintaining structures from the suburbs over the last few decades. The passage of Proposal 4 guaranteed their rights of ownership while at the same time ensuring they would receive in excess of market value if government-led development infringed on their ability to hold property with minimal investment.

**County of Wayne v. Hathcock**

In 2004, the Michigan Supreme Court overturned its previous decision in the case of Poletown Neighborhood Council v. City of Detroit. Property rights advocates hailed the decision in County of Wayne v. Hathcock as an appropriate curb on government power and a turn toward the restoration of individual property rights. Ackerman hailed the ruling in 2004 as the “restoration of the primacy of the market (Betzold, 2005).” The attorney argued that the lack of economic development in Detroit was because of the extensive use of eminent domain by the city, telling *Hour Detroit* after the decision that city-led redevelopment projects “killed market demand in the city (Betzold, 2005).”
The pointed criticism of Detroit in the aftermath of the Hathcock decision is odd as the case did not involve the city and the project was outside of the city. The case revolved around the government of Wayne County’s attempt build an aeropark in the suburb of Romulus. The Pinnacle Aeropark proposal encompassed 1,300-acres and included office complexes, hotels, and leisure activities for business travelers. It was based on John Kasarda’s idea that agglomerations of business and tech ventures around airports was the next logical progression in urban development, similar to the development patterns seen around ports, railroads and highways in earlier urban iterations (Kasarda and Lindsay, 2011, Kasarda, 2006). In the case of Pinnacle Aeropark, the goal was to create a city that allowed the business traveler to never actually enter the city but stay within proximity to the airport (Kasarda, 2006).

Throughout the 1980s and 1990s, Wayne County acquired parcels around the airport both for expansion and also as part of the Federal Aviation Authority noise-abatement program. Under this program the county would offer homeowners living near the airport three options, 1) to sell to the county for market rate plus moving expenses; 2) to have their home retrofitted with soundproofing material at government expense; or 3) to agree to continue living on the property without improvement. Over time, many property owners chose to sell to the county. This resulted in public ownership of a number of small parcels in the area which the county eventually chose for the development of the aeropark. In April 1999 when the county chose to pursue the aeropark, the government-held over 75 percent of the 1,300 acre site. The remainder was held by 39 separate owners and comprised 320 acres. The county entered into negotiations with property owners in the area, a mix of businesses, agricultural land such as sod farms, individual houses, speculators, and light industrial uses. Condemnation proceedings to take the property of those with whom an agreement could not be reached began shortly after the announcement.

By April 2001, the county acquired all but 60 acres for the project. Nineteen separate owners held the land. The county filed condemnation suits against the remaining owners. Ed Hathcock, who owned a light manufacturing facility in the area, refused to sell, as did 18 other property owners. Those property owners hired Ackerman’s firm in
what became County of Wayne v. Hathcock. The main contention for many owners was not a desire to stay in place, but a disagreement over appropriate compensation from the government. *Crain’s Detroit Business* reported that many of the owners were attempting to negotiate higher payments. In many cases the county was offering a 50 percent premium on the land per acre, plus a 15 percent bonus for settling quickly. Just over half of the owners, holding 80 percent of the land sold to the county (Kosdrosky and Smith, 2001).

In December 2001, the remaining owners lost their first challenge in Wayne County District Court. The ruling found that the county’s project met the public-purpose requirement of the law. The public purpose requirement was expanded in the Poletown case to include economic development that was a direct transfer to private developers. One difference in this case is that the private developer for Pinnacle Aeropark was not publicly designated at the time. Ackerman told the *Detroit Free-Press* that their argument was simple: “They want the right to utilize their land without government interference (Angel, 2003).” In an interview eight years later, Ackerman said he took the case because it was a chance to overturn Poletown and role back eminent domain powers. He said the change in the Michigan Supreme Court and increasing public awareness of property issues made a change to the law likely (Ackerman, 2011).

In April 2003, the defendants lost again in the appeals court which upheld the lower court ruling. Ackerman said the appeals judge decision made sense within the confines of the law and the precedent set by Poletown, but the defendants wanted to challenge the underlying legal reasoning that taking private land to give to a private developer was justified under the Michigan Constitution (Ackerman, 2011). Martin Fealk, who represented two of the defendants in the case, said appealing to the Michigan Supreme Court was necessary because local governments were expanding the definition of public purpose. “How far can the government go in taking away people’s land,” he asked in the *Detroit Free-Press* (Angel, 2003). The Michigan Supreme Court accepted the appeal and issued an order that both sides prepare to discuss whether Poletown should be overturned.
The county argued that the Pinnacle Aeropark project fell within the definition of public use as the project would “create and stimulate private investment and redevelopment (Angel, 2003).” The boost would come from tax revenues and the increased ability of the county to deliver public services. Prior to the court’s decision Wayne County’s attorney Mark Zausmer, whose firm was active in city and county eminent domain for decades, said the Pinnacle Aeropark would be unaffected if Poletown were overturned because the county relied on past precedence (Angel, 2003).

In 2004, the Michigan Supreme Court ruled in favor of the property owners overturning the Poletown case in the process. The decision significantly slowed the county’s aeropark project and curbed the power of local governments to use eminent domain for economic development. The Republican dominated court drew on the Poletown dissent of former Justice James Leo Ryan. In 1981, Ryan argued against the majority’s understanding of “public purpose” as economic development to benefit a private corporation. The Hathcock decision held the county’s application of eminent domain for the aeropark project as unconstitutional as the condemnations were not a public benefit as the private entity that would control the land was not accountable to the public. It also found there were no other significant factors such as blight to justify the takings. For the court, and property rights proponents, this was a restoration of the property rights regime and role of government in economic development that existed prior to Poletown. But for critics of the decision, particularly John Mogk, a law professor at Wayne State and occasional columnist for The Detroit News, it was a return to the faulty reasoning of Michigan judges in the 19th Century and severe and dangerous limit to the powers needed to address increasingly dire issues in cities such as Detroit.

“If ‘Next Detroit’ is to be more than an urban hospice, land in the city must be assembled in large tracts, re-planned and developed for a 21st-century economy. ...Without eminent domain, a single owner holding out in Detroit, including relentless, scavenging speculators, could scuttle an economic development project of great public value ... (Mogk, 2005)”

Pinnacle Aeropark remains a county project. Wayne County built roads and extended utilities, but progress is limited. In 2005, many of the same people that realized a
political opportunity to overturn Poletown in the Hathcock case and ideological make-up of the Michigan Supreme Court, recognized public sentiment and the political climate might allow a further roll-back of the power of local government to intervene in failing property markets. The coalition that emerged was able to codify the gains made in the court system by placing these restrictions in the state’s constitution. As a legislative lobbyist for the Michigan Association of Realtors argued, “courts can change (Westrin, 2006).”

The Hathcock decision is part of a continuing shift in the role of government in markets. One argument of property rights proponents is that government intervention in economic development is, in part, responsible for the failure of property markets in cities such as Detroit (Betzold, 2005, Munch, 1976, Benson, 2008, Lopez et al., 2009, Ambrose, 2005, Garrett and Rothstein, 2007). Rather than address the failures in the market, their proposed course of action and, in this case, the legally binding language requires government intervene in the market as any other investor or entrepreneur. Yet government intervention comes with a steeper penalty as the added costs of acquisition are mandated within the law. The expansion of costs and acquisition time make it increasingly unlikely that eminent domain for economic development is utilized for urban redevelopment in Detroit. Though Ackerman argues that blight is a legitimate reason for the taking of property, the populist sentiments stirred in the arguments over Hathcock and Kelo, and the constant invocation of the overreach of Poletown, makes the use of eminent domain politically difficult for any candidate or elected official seeking to use land acquisition as a redevelopment tool in Detroit.

**Poletown**

“… the only alternative presenting itself, and one that we couldn’t let pass – was to retool Detroit, to build a new industrial town within the sagging boundaries of the old one. Such a thing had not happened anywhere else in the country, but it was in Detroit’s tradition to be on the leading edge of industrial evolution (Young and Wheeler, 1994 p. 244).”

- Mayor Coleman Young on Poletown
“… That’s corporate socialism in its most pristine form and a radical departure from free enterprise (Wylie, 1989 p. 127).”

- Ralph Nader, announcing a federal suit on behalf of Poletown residents

In the late 1970s, the City of Detroit was in crisis. Official unemployment was at 18 percent, black unemployment at 30 percent. The auto industry was floundering as it attempted to respond to increasing foreign competition and to meet new efficiency and pollution standards set out by the federal government. For the city, the automakers difficulties manifested in continuing plant closures as the companies sought to increase profits through automation and the construction of new plants in largely suburban green fields, cheaper to build, cheaper to run, and cheaper labor. The competition for plants among cities put Detroit at an increasing disadvantage as the availability of sites that fit within the automakers guidelines was limited.

Mayor Coleman Young’s attempts to deal with the deepening crisis through industrial incentives are detailed in a collection of his papers at the Walter P. Reuther Library at Wayne State University and in his autobiography Hard Stuff. Young approached executives of the major auto firms in the city requesting Detroit be considered for any new plant expansion. In response, GM CEO Tom Murphy gave Young a list of demands for a site if the company were to consider building its new plant in Detroit. The demands included a 450-500 acre rectangular parcel with access to long-haul railroad lines and freeway systems. Title to the property needed to be delivered within a year (Murphy, 1980).

The city responded with a list a nine possible sites. GM chose a 465 acre site on the Hamtramck border. The area included the closed Dodge Main plant and a portion of the Poletown neighborhood. The primary issue with the area was that it was occupied by a neighborhood with 1,500 houses, 150 businesses, 16 churches, four schools and a hospital. An environmental assessment of the area by the city found the site to have an

[38 In his autobiography, Young complained, as he did during the battle over the site, that Poletown never existed. “To capitalize on their ability to elicit public sympathy – as if the little old ladies in black dresses and babushkas weren’t enough – the bleeding-heart activists in the area organized an opposition group and began very effectively referring to the neighborhood by the deliberate misnomer of Poletown, falsely implying that the neighborhood as a whole, had been preserved over the decades as a quaint ethnic treasure (Young and Wheeler, 1994 p 243).”]
active community and thriving of local businesses. It was not a blighted neighborhood though it underwent a number of transition in the previous three decades, much of it driven with the ongoing plant closures. There was limited vacancy and abandonment and it consisted of predominately owner-occupied houses with mostly older residents, a mix of long term renters, and some transient rental population (Detroit, 1980).

In response to GM’s request for title within the year, the city utilized the state’s “quick take” law that allowed the city to take title to the property within 60 days without an pre-existing agreement with property owners. This law was passed by the legislature a year earlier with intense lobbying by Young. The mayor said he lobbied for the law because “[high unemployment] constituted a public emergency in the state’s industrial cities, and I intended, at some undetermined but propitious moment in the near future, to push the argument that eminent domain could and should be utilized for the unprecedented purpose of providing jobs in such cities (Young and Wheeler, 1994 p. 239).” The city’s action limited residents negotiating power as legal proceedings to take title of all properties in the 250 acre neighborhood was underway once the project was announced.

Young considered the plant a “community development” project for the city. The Mayor characterized Poletown as a microcosm of the city that without intervention would be plagued by wide scale disinvestment and decline. In defense of the project, he claimed that decline was rampant in the Poletown neighborhood. “As it was, the immediate and greater communities were slipping fast. Poletown (I’m loath to use the name but lack a better one) had become an economic microcosm of Detroit, where industrial abandonment had put a quarter of a million auto workers out of jobs (Young and Wheeler, 1994 p. 244 ).”

According to numbers produced by the city, public entities spent over $200 million acquiring the land, constructing infrastructure, laying utilities for the project such as roads and street lighting, and the disposal of hazardous waste and underground lines. The majority of this money was provided by the federal government. The city utilized $95 million in grants and lines of credit from the U.S. Department of Housing and Urban
Development. An additional $5 million came from Community Development Block Grant funds (Cohen, 1982 p. 27). At the time, activist working to stop the project found the total cost to the city to be much higher when tax breaks for GM were included. In announcing plans to file suit against the city in federal court utilizing the National Environmental Protection Act, Ralph Nader said, “this is not capitalism in action. GM is demanding that it be given a welfare payment of some $320 million by the federal, state, and local taxpayers, and a 465-acre site for the privilege of making a profit (Wylie, 1989 p. 127).”

The city negotiated with property owners and businesses while offering renters up to $4,000 to leave. Renters were the first to go. According to a documentary filmmaker working in the neighborhood at the time, the departure of the renters was a major blow to neighborhood organizing and opposition, not because renters were involved, but because it was an exponential increase in vacancy and abandonment nearly overnight (Corsetti, 2011). After spending over $200 million in public money, the city sold the site to GM for $6.5 million. The corporation was given a 12-year 50 percent tax abatement at an estimated cost of $5.4 million per year to the city. Estimated employment at the plant was 6,100 with tax revenues estimated at $20 million per year after seven years. But employment at the plant never reached the estimate. The worst case scenario estimates provided to the city, by GM, showed annual tax revenue of $7 million, which is more in line with actual employment and production at the plant. Though the argument for the plant was that it would bring jobs to the city, GM transferred employees from the plants it closed.

**Discussion**

Throughout Detroit’s long decline, the use of eminent domain, both its expansion and contraction, tracked with changes in urban governance. The managerialist approach of urban renewal and Model Cities in the 1950s and 1960 gave way to more explicit alignments of government as a conduit and partner in aiding accumulation. Most recently the implementation of restrictions forcing local governments to compete with land owners and developers on potential profits from economic development and
continues the reorientation of the redistributive power of the state away from social services and toward accumulation.

The demolition of Poletown defined the extended powers of eminent domain across the United States and played a significant role in the Kelo decision. While the case of County of Wayne v. Hathcock severely limited the power of local governments in the state to use eminent domain and became the foundation for the constitutional limits of eminent domain in Michigan. Proposal 4 both limited government power and expanded its responsibilities guaranteeing premiums to property owners of condemned land.

For critical scholars, neoliberal claims to limited government and the role of the individual in the market are contradicted by the need for government power to be brought to bear in churning urban property for economic development (Blomley, 2007, Gibson, 2010). I would argue that though it may appear as a contradiction, the legal outcomes of this 'ideological ferment' allow for the accommodation of the neoliberal pragmatist and libertarian idealist through a repositioning of government in a manner that serves both an abstract neoliberal ideology and actually existing neoliberalisms. In the case of Michigan's Proposal 4, the ability of local government to act in the interest of capital accumulation are maintained and it extended the possibility that property owners and speculators caught in the failure of property markets in Detroit will reap excessive profits for any state-led expropriation. It is an extension of the state’s power of redistribution to absentee owners and the speculative interests set to benefit from state-funded redevelopment. This act remakes market rules extending premiums to those holding out for growth and investing in disinvestment.
Chapter 6

From Entrepreneurialism to Market City

In 2010, the city of Detroit and various private foundations embarked on a systematic attempt to plan the city’s future. The Detroit Works Project, primarily funded by the Kresge Foundation, was led by the city’s planning department and a foundation chosen planning consultant. By the end of the first year, this arrangement collapsed and the project was split into two separate processes. The city took responsibility for a short term planning initiative and the foundation-funded consulting team continued developing a long term strategic framework. The division was intended to allow the Mayor’s office to focus on immediate interventions necessitated by both material conditions and political demands. This separation was to allow project consultants the ability to develop a plan outside these same constraints. By 2013, both approaches coalesced around the construction of the city as a collection of markets and prescribed both immediate and future deployment and allocation of city resources and services based not on need, but on the perceived demands of market-types.

This approach extends transitions in urban governance over the past 40 years and is an evolution in the entrepreneurial city, one in which government becomes both a market analyst and market actor in determining if, when, and how resources and services are delivered. Under this market fundamentalist rationale, what emerges is less than full service city produced by constrictions on governance, induced by both economic and population decline coupled with free market policies, and compounded by austerity measures at state and federal levels. Recent scholarship on urban decline, examines transitions in urban governance in shrinking through an analysis of the breakdown of growth machine coalitions and the emergence of grant coalitions (Bernt, 2009, Wiechmann and Pallagst, 2012). The rise of the grant coalition is positioned as resulting from the weakening of local government and business in urban economic collapse. Bernt (2009) argues, the breakdown of growth machine coalitions troubles arguments of an entrepreneurial city or neoliberal city laid out through studies on urban economic
growth. In particular, the weakened state of government and business make the formation of effective public-private partnerships increasingly difficult. Bernt’s case is focused in Germany and on the city of Leipzig where federal funding mechanisms through grants appear to play an important role in coalition building. In the United States, the majority of federal aid available to community groups in large cities are administered at the local level through the Community Development Block Grant (CDBG) program. In addition, funding mechanisms, particularly state, county and municipal bonding capacity allow declining cities to pursue large scale economic growth projects such as stadiums and waterfront redevelopment as they simultaneously struggle to maintain service provision and carry increasing deficits. Beyond site-specific differences in fiscal and policy pathways, attempts to conceptualize decline beyond planning practice are fundamentally challenged by their own conjecture that declining cities are places abandoned by capital.

"Governance in the absence of capital has not yet stimulated much discussion, and the trajectories of governance in coping with decline have yet to become a well-studied phenomenon (Bernt, 2009 p. 755)."

This construction is prevalent in analysis of decline and is problematic as it holds these places as sites of exception (Hollander et al., 2009, Pallagst et al., 2009). This formulation of urban decline struggles to account for the activities extending and shaping decline. The claim of absence closes off the exploration of ongoing accumulation in declining cities. It absolves policymaker and lawmakers of the outcomes of market-centric responses to market failures and the roles of state and market in the production of decline. Finally, the construction of these cities as exceptions places a growing byproduct of urbanization outside this process. Capital is not absent rather it is highly active. By acknowledging activities, such as the expansion of speculation based on private market activity and possible public-private development, or the deployment of market-centric experimentation, as accumulation practices it allows for an analysis that moves these cities off the margins and integrates urban decline within broader theoretical and conceptual understandings of urbanization. Rather than isolated events, these sites are embedded in trajectories and processes in
which outcomes differ but practices are often similar. It is a shift rather than a withdrawal of capital and it is aided by and influences governance practices that intend to reward market activity. Transitions in neoliberal urban governance, particularly the entrepreneurial strategies of state and municipal agencies, are integral in the production of decline. Rather than sites of exception, these are ordinary cities in which the outcomes of the devolution of risk and debt and the evolution of market-centric practices produce spaces of decline (Robinson, 2006, Peck, 2012). These cities are the present future of austerity urbanism, a strategic site in market-centric policy, and a primary exhibit in the orientation of the state’s power of redistribution toward accumulation.

Peck (2012) argues that austerity is a new urban condition driven by the state’s internalization of the recent financial crisis and the subsequent downloading of crisis outcomes, particularly risk and debt, passed to increasingly finite scales of governance. In the past five years, cities considered stable now struggle with increasing budgetary pressures. The results are a reduction in services from lighting to public safety as state’s continue to withdraw support for cities. This withdrawal was masked in part by rapid growth in the housing sector and the revenues generated through construction, sales and property taxes. The collapse of the housing market exacerbated an increasingly speculative fiscal growth regime maintained through borrowing on revenue projections based on increasing property values and continued growth in the residential market. In cities such as Detroit, the effects of state withdrawal are clearer as the city’s decline continued during the housing boom. Over the past decade the state reduced transfer payments to the city of Detroit by $700 million. This amount is nearly double the city’s current deficit. Rather than follow through on commitments to the city, the State of Michigan demanded increasingly draconian cuts to the city’s workforce and increased privatization under threat of a state takeover or forced bankruptcy.

Austerity urbanism was honed in Detroit over the past two decades. The reconstruction of governmental capacities demonstrates the shift to entrepreneurial urbanism, the rise of grant coalitions, and the transition to a less than full service city where resource allocation is based on market-type rather than residency. Recent austerity measures exacerbated the crisis, but these measures are situated within a reorientation of the
redistribution power of the state toward accumulation, particularly in spaces of decline. Over the past four decades the state of Michigan and city of Detroit actively pursued policies that reorient government’s role in service provision and the distribution of revenues toward business and property owners. The following sections detail these transitions. Section one examines the roll-out and evolution of the Detroit Works Projects and the market city approach that emerged as the foundation of both the short term and long term plans. Section two examines the expansion of incentive based growth in Detroit over the past four decades. It details the various programs reorienting local government away from service provision and toward accumulation. Section three briefly brings these movements into the present municipal fiscal crisis where the state-level threat of emergency management or bankruptcy persist.
The ‘Right-Sized’ Future

Map 6.1: Foundation Investment in Detroit

“The harsh reality is that some areas of the city are no longer viable neighborhoods with the population loss and financial situation our city faces. But instead of looking at our land as a liability we need to begin to think creatively about how it can be a resource as we rebuild our city (Bing, 2010).”

- Detroit Mayor Dave Bing inaugural State of the City address, 23 March 2010

The Detroit Works Project was an exercise undertaken by mayor’s office and private foundations intended to shrink the size of the city, if not geographically, at least the size of government and municipal obligations to its residents. In its earliest iteration and in the two tract programs it pursued, the project attempted to define government’s role in
providing two sets of “core services”, one essential services such as public safety and public lighting and, two, finding ways to utilize vacancy and abandonment to attract investors by consolidating city-owned land and marketing investment opportunities.

In the spring of 2009, Dave Bing was elected mayor of Detroit. The hall of fame basketball player, auto parts manufacturer, and land developer defeated City Councilor Kenneth Cockrell Jr. The election was to fill the remaining term of soon to be imprisoned former mayor Kwame Kilpatrick. A year earlier, Bing moved to Detroit from the suburbs in preparation to run for mayor. A political newcomer, he portrayed himself as a steady voice of experience that would bring sound management back to Detroit. A major campaign plank was his plan to “right-size” government in Detroit. By the time Bing won a full term in the November election, he was promising to “right-size” the entire city. For many working in the non-profit sector and community development, Bing’s election was seen as an ideal match. His call for a comprehensive strategic plan and the right-sizing of government were issues that umbrella organizations such as Community Development Advocates of Detroit (CDAD) and funders such as the Local Initiatives Support Corporation (LISC) advocated for nearly a decade. These calls for reform became increasingly urgent as the impacts of the foreclosure crisis became clear (Interview, 2011c, Interview, 2011g, Interview, 2011l, Interview, 2011m).

In his first State of the City address, Bing announced his staff was developing a plan to shrink Detroit’s municipal responsibility for infrastructure and services. In the past six decades, Detroit’s population declined by over one million people. Between 2000 and 2010 the city’s population declined by 25 percent to 714,000 people, according to the U.S. Census Bureau. By 2010, the population fell below the city’s estimated population in 1914, the year Henry Ford offered five dollars a day for auto workers setting off a mass migration to the city. The population peaked at 1.8 million people in 1950. By 2010, when Bing announced plans to shrink the city, over one-third of the 360,000

39 Long under investigation for corruption, Kilpatrick was forced to resign following his conviction on perjury in a text messaging scandal. Kilpatrick was later convicted of embezzling city funds. In 2011, the U.S. Attorney General announced indictments against the Kilpatrick syndicate detailing a massive kickback and bribery scheme for city contracts. Kilpatrick, his father and other associates were put on trial in federal court in 2013.
parcels in the city were vacant or abandoned. The city of Detroit is the largest landholder in the city and speculators hold thousands of parcels in various states of disrepair and neglect. The mayor’s plan to restore the city included the demolition of vacant structures and the consolidation of neighborhoods. He instituted a demolition program with the goal of removing 3,000 structures in his first year in office and 10,000 structures by the end of his term. The project was funded with $20 million in federal funds through the Neighborhood Stabilization Program. The mayor’s office touted the program as creating 900 jobs. “Abandoned and dilapidated buildings are hotspots for crime and a living reminder of a time when the city of Detroit turned a blind eye to owners who neglected their properties (Bing, 2010).” In his prepared remarks, the mayor addressed “some myths out there,” about his plan to shrink the city. “We’re not giving away or selling any neighborhoods to anyone. This is about determining what areas of our city are best suited for residential use, commercial and industrial businesses, parks and green space (Bing, 2010).”

The plan to shrink municipal responsibility became the Detroit Works Project, a large scale planning operation funded by, and initially directed by, the Kresge Foundation and other foundations operating in Detroit. Kresge allocated nearly $100 million to fund a light rail line in the Woodward Corridor and the Detroit Works project. Kresge Director Rip Rapson said the size of the donation and the scope of the project was necessary as “incrementalism is no longer an option (Rapson, 2009).” Rapson promised rapid change in 18 months. For Rapson, the fiscal situation in Detroit and the overburdening of non-profits created an opportunity for philanthropy to offer a vision for change and the financing execute the proposal (Rapson, 2009). Before the Detroit Works Project, Rapson developed a “Reimagining Detroit” plan. It contained multiple pillars with philanthropy playing a major role in reinventing the city. After Bing’s election he chose to partner with Rapson in pursuing the plan. Kresge hired Planner Toni Griffin and paying
Image 6.1: Rapson’s Vision for Detroit

Source: Kresge Foundation
her salary and the cost of consultants. The project hired an array of professionals, many
from outside Detroit, and developed an elaborate planning charrette for residents. The
rollout of the project was advertised and the first meeting drew thousands. But many
who attended were not interested in imagining the future. They demanded to speak with
the mayor with attendees shouting at the mayor and project organizers. Attempts to
move attendees into small groups to talk about the future increased tensions. They
needed streetlights fixed, police response improved, vacant houses torn down and
busses to run on time now.

“The five meetings in September happened and they were a disaster. At least the
first one was largely seen as a disaster. .... There were facilitators, there were
facilitated discussions, but the community really, I think the conversation started
in the wrong place. I think that what I heard the community saying that night was
you can't ask us to talk about the long term when, Mr. Mayor, we elected you a
long time ago. And you said you were going to come and do a plan with us. And
now you want us to sit here and talk about the future of transportation. We want
to talk about what are you doing for us today. Do you know what we're
experiencing? Do you understand what its like on the ground for us (Interview,
2011g)?”

For some who develop the first round of meetings, the outcome was a reflection of the
work of consultants that ignored the concerns local community groups raised about the
conditions on the ground. In interviews, community members involved in the project said
there was an unwillingness to address local residents skepticism of another group of
outsiders with plans to fix the city (Interview, 2012a, Interview, 2011c). Following the first
meeting, the project’s community outreach consultants, JSI of Washington DC, were
fired from the project and replaced with local firms. What was sold to the mayor as a
“gold star team” funded and delivered by the Kresge Foundation was rejected by the
community (Interview, 2011j)). In an attempt to salvage a project that appeared on the
verge of collapse, the mayor’s office attempted to take control by bringing in local firms
to work with residents on the project and limit Griffin and Kresge’s control over the
project. By December, as the mayor announced a plan was coming in the spring, the
Detroit Works Project ground to a halt (Interview, 2011g, Interview, 2011f). Many of the
consultants were no longer being paid and minimal work was being done as the mayor
and Rapson wrestled over the direction of the project. During this time, Kresge responded by limiting funding for the project (Dolan, 2011).

By January, the remaining Detroit Works Project staff was working to design and host 40 community meetings, a promise the mayor spontaneously made in the confusion of the first meeting (Interview, 2011c). As the second of community meetings began in late January, many community groups were expressing frustration, some calling the process a sham and actively discouraging others from participating (Interview, 2012b). One of the main contentions of those that did attend meetings was the plan was already developed and that their input did not matter. Though the mayor and the members of the Detroit Works Project continued to claim there was no plan, interviews such as the one given by the mayor in December 2010 claiming the city would focus on seven to nine neighborhoods aided these suspicions (Gerritt, 2010).

In the second phase of the project, meetings were held across the city and consisted of a presentation, based on the work of Griffin and the consultants. The presentation utilized an interactive clicker for each audience member and a controlled question and answer period moderated with question cards. After a brief introduction of the meeting by an advisory board member from the community, an arena-voiced announcer would call “everyone put your hands together for your assistant director of planning and development …” At particular junctures in the presentation audience members were asked to participate by choosing one of four predetermined answers to questions on topics such as jobs, transportation and education. Audience members were asked to rank options in order of preference. The answers offered for ranking were innocuous and vague such as encourage entrepreneurship, better mass transit, and good schools. About an hour into the first community meeting, one man stood up and summarized his feelings about the participation process, “it’s like Nazi Germany controlling the crowd with clickers,” he shouted. “This in not dialogue, this is slavery.” A woman behind him shouted, “this is stupid. We want housing and schools, duh.” The man was quickly surrounded by a group of Detroit Works Project staff and ushered to the back of the

40 These observations were drawn from the 14 Detroit Works Project community meetings I attended.
WARNING!
No public participation will be allowed at these meetings!

BING’S “TEAM” IS AFRAID TO LISTEN TO DETROITERS!
At these forums you will not be allowed to speak – you will only be allowed to use a silent electronic device to choose pre-selected answers to pre-selected questions. They not only choose the questions – they choose the range of possible answers you have to choose from! The questions are ridiculous – along the lines of: what is most important to you: a) housing; b) transportation c) education – as if we can live without ANY of these things! The goal is to keep the audience passive, quiet and controlled.

At the end, you will only be allowed to hand in written questions, and the presenters pick and choose which questions to read and answer.

THEY DON’T CARE WHAT DETROITERS THINK!
They only want to present dire statistics (which Detroiters already know), and insist that dismantling our city is the only answer. This scheme is not what Detroiters want. But the corporations want to convince us that it is the only thing possible and all that we deserve.

BUT THERE IS A PLACE WHERE YOU WILL BE HEARD. THERE IS A NEW MOVEMENT FOR JUSTICE FIGHTING TO DEFEND AND REBUILD DETROIT, NOT TEAR IT DOWN.

If you want to be part of the solution, not a victim of other people’s plans, flip this flier over.

Attend the Next Meeting of Movement for Justice
Wednesday February 9, 2011 – 5:30PM
Gracious Saviour Church – 19484 James Couzens (Northbound Lodge Service Dr. – ½ mile north of 7 Mi Rd.)

FIGHTING TO WIN - TOGETHER WE CAN SAVE OUR CITY!

Source: Movement for Justice
room. But his complaint was echoed in less incendiary language in the meetings that followed. Attendees claimed the clickers did not do anything and were only there to placate the crowd. Others question the percentages displayed after each round of voting claiming the numbers were predetermined and not based on audience selection.

The increasingly skeptical reception of the project dampened the work of activists attempting to disrupt it and build support for alternative practices. Though groups organized to protest and disrupt the meetings they quit entering the buildings after the second meeting and stopped handing out fliers after the fifth meeting. In interviews, activists said they abandoned the meetings because nothing was happening there and the number of people attending was falling (Interview, 2011c, Interview, 2011m).

By the end of the second round of public meetings, long term planning increasingly occurred away from public forums led by Griffin and the Detroit Economic Growth Corporation. The short term planning continued with small special-interest (seniors, youth, entrepreneurs). Despite claims that community input would drive the plan and the process, these meetings were largely exercises in fulfilling political promises to hold a particular number of meetings. As the project transitioned in the months that followed, community input would become the gloss for short and long term planning strategies that reoriented the city toward the service of the market and determined neighborhood services based on the results of market analysis.

The Market City

In August 2011, Detroit Mayor Dave Bing announced changes to his signature program. The Detroit Works Project would be split into two tracks. The first tract would focus on what the city called short-term planning. It focused on alleviating issues in selected city neighborhoods. The second tract was long-term planning. This tract utilized foundation chosen experts and long-time city development officials to craft a framework for the city’s next 50 years.

The mayor’s announcement in Southwest Detroit generated both curiosity and angst. In nine months prior the mayor promised a plan that would outline which neighborhoods
the city would focus on as it moved toward creating a denser more serviceable city. In a December 2010 interview with the *Detroit Free-Press*, Bing said there would be “winners and losers” in the process and that he envisioned a city where “seven to nine neighborhoods” would receive the bulk of city services (Gerritt, 2010). He added that the plan would be completed and announced by spring. That deadline came and went and the Mayor’s office extended it to August, saying that the input gathered from residents that attended community meetings in the spring was being taken into account (MacDonald, 2011b). By the time the August deadline came the program changed dramatically. The internal battles over the direction of the project appeared in stories in *The Wall Street Journal* and *The Detroit News* pitting the mayor against Kresge President Rip Rapson (Dolan, 2011, Berman, 2011). The division of the Detroit Works Project into two tracks allowed the mayor to target the short term gains he need politically and for Kresge to pursue an approach to a possible future with Kresge’s hand picked planner former Harvard now CUNY Professor and urban consultant Toni Griffin and George Jackson from the Detroit Economic Growth Corporation heading the long-term tract and representatives from the Mayor’s office leading the short term project (DWP, 2012a).

Standing before a small crowd in Southwest Detroit in early August, Bing announced that three neighborhoods would be the focus of the short-term tract. These neighborhoods were a pilot project in which the city would provide “greater services” and monitor and assess the impact of these actions every six months (MacDonald, 2011d). It was an experiment that illustrated the level of need and inability of the city to deliver services to all residents. Greater services did not mean full service. The pilot neighborhoods were targeted with increased code enforcement and the demolition of blighted and abandoned structures. The short-term strategy focused the city’s resources rather than providing additional resources (Hackney and Neavling, 2011). For decades, the city has been unable to provide most basic services to all areas of the city such as streetlights, street and sidewalk repair, code enforcement and the care and maintenance of public parks (Laitner, 2011). The new initiative was to measure if providing some of these services more regularly would stabilize neighborhoods,
Map 6.2: TRF Detroit Markets

Source: Detroit Works Project
encourage economic development, and spur home ownership, one of the primary measures the city utilized to determine a neighborhoods market-type.

**City as Markets: Governing by Private Investment**

There were three pilot neighborhoods for the Detroit Works Project. 1) A 3,000 acre area with nearly 26,000 residents west of Woodward Avenue and below Eight Mile taking in the relatively affluent Palmer Woods subdivision. 2) A 2,300 acre area with approximately 20,000 people encompassing part of the affluent Boston Edison district and the intensely impoverished North End in central Detroit. 3) A 1,400 acre area with approximately 30,000 residents in southwest Detroit encompassing the Hubbard Farms neighborhood which is a mix of owner-occupied units, rentals, and vacancy and abandonment (DWP, 2012d). The neighborhoods were chosen based on identified market-types with each area’s city services determined by market analysis (Nichols, 2011b, Nichols, 2011a). This method of delivering service delivery was a new approach for the city. The market-types were produced in an analysis by the Philadelphia-based non-profit The Reinvestment Fund (TRF). Prior to the announcement, the Detroit Works Project held over dozens of community meetings attended by thousands of residents. Project coordinators catalogued residents requests, demands, and desires in question and answer sessions which they videotaped and recorded for future analysis. The project collected comment cards and service requests that included both the type of service needed and its location. Participants were told these comments and requests would lead to service improvements and assist the city in choosing pilot areas for the project. Instead, pilot areas were chosen utilizing a market analysis. This construction of neighborhoods as markets formed the foundation for municipal decisions on service delivery and development both in the short term and long term tracks of the Detroit Works Project. The reworking of the project and the plans that emerged constructed the city as a series of market-types that called for particular government approaches to intervention and service. Within these plans and policies, the role of the city was defined by its ability to attract and retain investment depending upon the market.
TRF was hired as a consultant at the behest of Kresge, according to members of the initial citizens advisory board for the Detroit Works Project (Interview, 2011f, Interview, 2012a). In promotional material the Philadelphia non-profit promotes its ability to bring together “investors, developers and entrepreneurs” with a focus on “neighborhoods that offer unique geographic, economic and institutional assets.” The organization claimed over $500 million in investments over the past 20 years. These investment are increasingly focused on bringing charter schools and other non-profit and for-profit service providers, such as child care, into “distressed” areas through the development of mixed income communities (TRF, 2005, Black et al., 2003).

For Detroit, TRF produced a market analysis of the city categorizing areas of the city with nine different market-types in what it called a “market value analysis.” This analysis took into account median sales price of houses, subsidized housing, vacant lots, open and dangerous buildings, foreclosures, owner-occupied housing and the ratio of commercial to residential. The assumption within the model is that the more owner-occupants and higher the housing price the more stable the neighborhood (DWP, 2011a). TRF conducted market value analyses for a number of cities including Baltimore, Newark, Philadelphia, Pittsburgh, Washington D.C. and San Antonio. The non-profit characterizes the analysis as a tool to “assist government officials [to] identify and comprehend the various elements of local real estate markets (DWP, 2011a).” The group argues that a greater comprehension of real estate markets by government officials allow cities to craft better policies and target services that either support ongoing or encourage more growth in these markets.

The market analysis makes the following assumptions of a city’s financial means: 1) “public subsidy is scarce and it alone cannot create a market;” 2) “public subsidy must be used to leverage, or clear the path for private investment;” 3) government must invest in areas of “strength” in distressed markets such as cultural institutions and transit centers; and 4) “decisions to invest and or deploy governmental programs must be based on objectively gathered data and sound quantitative and qualitative analysis (DWP, 2011a).”
Map 6.3: TRF Detroit Four Markets

Source: Detroit Works Project
Despite massive amounts of qualitative data gathered during the first two phases of the Detroit Works Project, the quantitative analysis and assumptions based on housing values and owner-created stability were the primary driver in selecting areas for increased city services (DWP, 2011a). Some members of the advisory board complained that at least one area, Palmer Woods, was chosen based on campaign financing rather than need (Interview, 2011g, Interview, 2011f). A charge officials in the mayor’s office and the Detroit Works Project denied (Interview, 2011o, Interview, 2011j). Nine different market-types were constructed in the market analysis of Detroit. These nine individual market-types these were nested under four major types, the distressed market, the transitional market, the steady market, and the varied market. Each of these markets were assigned a description of quantitative condition, the prescribed role of government, and possible activities in that area to encourage the support or cultivation of private investment in the city. The Detroit Works Project presented these descriptions and prescriptions to the Citizens Advisory Board and at a conference hosted by the Federal Reserve Bank of Richmond, Virginia (DWP, 2011a, Goldstein, 2011, Lewinski, 2011).

**Distressed Markets**

Distressed neighborhoods are characterized as experiencing long term physical decline with limited to no licit market activity and widespread vacancy and abandonment. The prescription for government activity is to continue the city’s policy of demolishing vacant and abandoned structures and for the city to begin consolidating property holdings so that large parcels of land may be marketed to investors and potential businesses or industries. The government’s role to residents in the area is vaguely defined as “invest in people” or as their presentation slide stated “intervene to build on strength (DWP, 2011b).”

**Transitional Markets**

Transitional markets are defined by a high foreclosure rates and a mix of rental and owner occupied property. In these market-types, the government role is to invest in
purchasing and rehabilitating foreclosed properties while at the same time actively working to eliminate blight from vacancy and abandonment. In addition, the pursuit of public-private partnerships with businesses to keep them from leaving the neighborhood was recommended. The government role is summarized as “rapidly respond to any signs of physical or economic deterioration; introduce aggressive preservation programs (DWP, 2011b).” As late as 2004, the neighborhoods within this market were used as examples of Detroit’s recovery and resurgence. Prior to the mortgage crisis, neighborhoods such as Osborne in the Northeast corner were filled with relatively young owner-occupants in newly built houses. The area was touted as both a sign of recovery in Detroit and a growing stability in the city’s northeast corner. But the onset of the mortgage crisis revealed the tenuous situation of many owner-occupants in these neighborhoods and the role of subprime and variable rate mortgages played in both the construction of new houses and the placing of owners in them. By 2008, many of these neighborhoods were suffering from widespread vacancy and abandonment and non-profits organized to provide assistance to the increasing number of homeowners facing foreclosure or just walking away. In an interview with a teacher and community activist about conditions in her neighborhood she said, “it had gone to hell” over the past few years. “We have to watch for when people leave, so we can board up the house. If we don’t it will be stripped in no time. An open property next store is too dangerous. But I can’t leave. I paid it off. Besides no one is buying (Interview, 2011r).”

**Steady Markets**

There are noticeably fewer of these markets in Detroit. Steady markets are identified by high housing prices, predominantly owner occupants and houses that were well maintained. Government activity in these neighborhoods is about supporting existing merchants and businesses and keeping homeowners satisfied. The report called for active code enforcement, rapid responses to blighting and increased investment in commercial corridors and infrastructure. The role of government was defined as “protect market strength and foster market confidence (DWP, 2011b).” The fostering of market confidence calls for the types of government activity that would be expected by any suburban homeowners association and commercial business strip. Many of the
Map 6.4: TRF Distressed Markets

Source: Detroit Works Project
Map 6.5: TRF Transitional Markets

Source: Detroit Works Project
Map 6.6: TRF Steady Markets

Source: Detroit Works Project
neighborhoods identified as steady have experienced affects of the long term decline in Detroit, but are insulated by their initial design and construction as enclaves of wealth and privilege within but separate from the city.

**Making Markets: Municipal Action**

Following the announcement of the pilot areas the city began monitoring both activity in the real estate market and its own actions by tracking the various activities undertaken by city departments.\(^1\) In early 2012, the city compiled and released its first set of “progress reports” for the three pilot areas. Though there is little data to compare these area-specific activities against it does provide both the metrics and what city services are provided in its attempt to encourage, sustain or restore markets (DWP, 2012e, DWP, 2012f, DWP, 2012g).

The market metrics are focused on housing with the city compiling data on home sales, average sales price and foreclosure filings. The report also tracks the number of city-owned parcels sold in each area.\(^2\) The city struggled to manage its property inventory over the past decades much less liquidate or move property into the private market.\(^3\) According to the city reports, 16 municipally owned properties were sold in the last six months of 2011. This is compared to 288 real estate transactions in all three areas over the same period. This period also includes the county land auction though the number

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\(^1\) Many of these departments maintained separate database and records and did not coordinate or share activities. This siloing, in part, allowed for the protection of responsibilities and line items in increasingly austere municipal budgets. One of the most difficult aspects of collecting data in Detroit, particularly data gathered and managed by the City of Detroit was the alleged propriety of departments over particular data sets. Though one department might have the data set, there was only one person in that department with the data and the only reason that person had the data was because of a personal relationship with a person in the department that generated. A lot of effort was put into pursuing these data sets at the alleged source only to be told that the department would not provide it because it belonged to another department.

\(^2\) This tracking is unique. In 2012, the city turned down a request for information on the sale of city-owned property by year. The Department of Planning and Development, which oversees the city’s real estate division, said the data did not exist in that form, and that they were unable to produce an annual report of properties sold. The official added they were aware that information would be very useful to the city and regretted it was not available for internal use.

\(^3\) In interviews with developers who purchased property from the city the cost, length of time it took for the transaction, and the necessity of constantly calling and showing up at city offices to move the transaction along was incredibly onerous. “If we hadn’t had a guy that could go in and sit there, it would never have gotten done,” one developer said about buying municipally owned land.
of sales resulting from the auction were not recorded by the city. During this same period, 321 properties went into foreclosure in the three areas. The Bagley/Palmer Woods area on the city’s northern boundary seeing the highest number of sales at 125 and the highest number of foreclosures at 137. The city examined tax assessments, abatements and exemptions in each of the target areas. The primary residence exemption, a tax exemption that can be claimed on a primary residence, is used as a proxy for owner-occupant housing. The tracking of the real estate market follows the definition of various markets within each of the target areas laid out in the TRF study. The areas are broken down in block groups that are categorized as steady, transitional, distressed or varied.

In addition to tracking real estate as a proxy for neighborhood change and stability the city is recording the role out of “increased services” in the target areas. Among these services are building inspections and permitting, demolitions, rehabilitation and abatement programs, transportation and infrastructure and “quality of life” actions centered on code enforcement. Over the first six months of the study, the city issued 205 building permits and demolished 29 properties. Building permits could include a variety of activities such as renovation. The level of permits issued does not reflect new construction in the city. These numbers are well below the municipally led and government financed demolition projects. Over the past 30 years, the city of Detroit demolished 10 structures for every new structure built (Gallagher, 2012e).

The majority of “greater services” provided by the city focused on inspecting buildings and issuing tickets for code violations. This activity led to a backlash in many of the neighborhoods where residents find the short-term focus of the city to be more of a penalty than a benefit.\footnote{The use of code enforcement to curb blight is highly controversial and characterized as ineffective by many community development organizations and non-profits. Members of CDAD argue that code enforcement is merely aesthetics and fails to address underlying issues such as adequate housing and high unemployment. One CDO staffer characterized code enforcement as the first idea every suburban resident offers when they decide to ‘help’ Detroit. “It doesn't look like where they are from. It’s hard to see past that and the jump they likely make is that it if looked the same as where they’re from it would be better. It’s always about code enforcement and it never works. It’s not that people don’t want to care for their houses. They can’t. They can’t afford it. They don’t have time. They are working three odd jobs to make it and trimming the lawn or repairing the porch is way down the list (Interview, 2011).”} For residents in the Southwest Detroit area the increase in

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code enforcement citations was compounded when the city failed to send notice of the violation for months. The notices did not arrive until just before or after the date for compliance resulting in a number of fines (Hackney, 2012). As one resident put it, “it turns out the city inspector retired and never sent the notices. It took the city months to figure that out (Interview, 2012b).” Between July and December of 2011 the city cited 1,309 code violations and issued 582 tickets for violations. For building inspections the city issued 2,557 correction orders, issued 49 tickets, and granted only 35 certificates of compliance (DWP, 2012e, DWP, 2012f, DWP, 2012g).

The increased enforcement was accompanied by attempts to improve services in the neighborhoods with a focus on street lights, bus stops, road paving, tree trimming and the clearing of illegal dump sites. The city claims it repaired or replaced over 2,000 streetlights in the three areas in the six month period.45 The city lists improvement to 71 bus stops and the paving of 9.57 miles of road. As with any figure from the city of Detroit these numbers may or may not be accurate and could include projects that were started well before these neighborhoods were chosen. The city also trimmed or cut 86 trees and cleared 82 illegal dumpsites (DWP, 2012e, DWP, 2012f, DWP, 2012g).

Though residents demanded improved city services for years, the additional services, often code enforcement on issues unenforced for decades, are viewed by some residents as punitive and superficial (Interview, 2012b, Interview, 2012a). In addition to code enforcement, the Detroit Works Project short-term tract is measuring the effectiveness of intervention by tracking home sales and prices as variable in the protection and production of markets.

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45 Mayor Dave Bing announced a multi-million dollar project between the state, electric utility DTE and the city to begin replacing downtown streetlights with efficient LED lights. Many streetlights in the city of Detroit do not work. The city was in negotiations with DTE for over a decade in attempts to privatize street lighting. The transfer of responsibility over street lights would allow the city to eliminate the public lighting department and would provide DTE with a steady stream of revenue as the city would pay the bills to keep the lights on at night. In 2013, Bing announced the formation of a quasi-public lighting authority that would takeover responsibility for public lighting from the city.
Detroit Future City

The division of the Detroit Works Project into tracks marked the city relinquishing long term planning duties. According to those charged with developing a long term planning framework, the city’s reduced role was a recognition of its dwindling capacity to conduct long term planning largely due to the immediate demands on a shrinking staff. In interviews with city officials and other members of the Detroit Works Project, the most pressing issue was the need to expend federal allocations before the federal government reclaimed the money (Anderson, 2012, Interview, 2012a, Interview, 2011p, Interview, 2011j, Interview, 2011g). The need to spend federal money within prescribed timelines defined much of the city’s planning and actions over the past two decades. According to former city employees that oversaw the distribution of Community Development Block Grant Funds and other allocations, the approach was a scatter shot attempt to meet overwhelming needs in the city. “The idea was that if you gave everybody a little bit, everybody was a little bit better (Interview, 2011l).” What was new in the short-term tract was the focus of the money on particular areas. In the summer of 2011, federal officials were assigned to Detroit to aid the city in spending millions of dollars of federal aid it accumulated but never allocated in the prior decade (Gray and Neavling, 2011, Price and Bouffard, 2011). In the spring of 2012, the Department of Planning and Development went on $50 million dollar spending spree over three weeks to avoid losing CDBG money that was slated to be returned to the federal government. As one department official put it, “it may not have been the best use of the money, but we didn’t lose it, and we made some improvements (Interview, 2011p).” The short term scramble reflects the increasing difficulty city government faces as the scope of the problems in the city are outside of traditional planning approaches and assumptions and occurring in an increasingly restrictive fiscal environment of furlough days and decreasing pay and benefits.

The Detroit Works Project long-term tract was led by Kresge and the quasi-governmental Detroit Economic Growth Corporation. A coalition of umbrella organizations were hired to do community outreach. This portion led by Dan Pitera, a planning professor at the University of Detroit-Mercy. Outreach focused on a series of
targeted and semi-permanent office space in Detroit’s Eastern Market. Pitera’s group used a mobile comment booth to promote the project and gather input from residents on the future of the city. Those involved hoped a strategic framework for a long-term plan would be available by August 2012.\textsuperscript{46} In announcing the long-term planning process, experts and officials reiterated claims that there was no plan and that any plan would be developed through community engagement. This was a consistent mantra of the entire Detroit Works Project, but those involved in the long-term tract hoped residents would buy into the process once it separated from the city’s immediate short-term goals.

“I think most people just assumed it was a sham. The mayor already knows what he is going to do he’s just not telling us. He’s been talking about relocation, winners, losers, lawsuits, and relocation followed by we are going to pick seven to nine winning neighborhoods. These are the kinds of messages the mayor was putting out there. People just sort of grabbed on to that and were very dismissive of the Detroit Works Project process because a) it didn't feel right in its own right and b) it was very disconnected from the kinds of things the mayor was saying. It was a disaster. It was a total disaster (Interview, 2011g).”

Others were more guarded in their criticism of the project, but also said the new process was designed to avoid the same mistakes. Phil Cooley, a member of the Detroit Works Steering Committee and former co-chair of the Detroit Works Citizen Advisory board in the first round told \textit{MLive} in December 2011.

“I think we’re lucky to have learned from the mistakes of the first process and to really embrace them. We know what not to do. I don’t want to just bash the previous process completely, because I do think there were a lot of honest intentions there. But it’s not something we’re trying to sweep under the rug (Oosting, 2011b).”

In early 2013, \textit{Detroit Future City}, a 50-year framework for the city of Detroit was released. The document was the culmination of a multi-million dollar project which began in 2009. It was developed by a rotating cast of planning contractors, engineers and other experts funded through foundation dollars. The plan’s authors claimed it was the first planning document in the city’s history to discard the assumption that Detroit

\textsuperscript{46} The framework was released in January 2013 as the Detroit Future City plan. The 50-year framework was supported with an additional pledge from Kresge of $150 million (Berman, 2012, Dickerson 2012, Walsh, 2012).
would regain a population of 2 million people. It offers a framework for economic growth, land use, city systems, neighborhood elements and land and building “assets.” Though touted as a community informed project, the near-term “horizon” laid out in the plan is the lowering of cost for business compared to surrounding and similar cities and the elimination or reduction of regulation around permitting, zoning and codes to support business growth and “wealth creation (DWP, 2012b).”

*Detroit Future City* was intended as an exploration of possibility. The long term planning component of the Detroit Works Project operated semi-independently from the political demands of the Mayor’s office though the chair of the steering committee was George Jackson, the longtime head of the Detroit Economic Growth Corporation. The report was characterized in the *Detroit Free-Press* as a “municipal triage plan” that “apportioned the city’s dwindling resources across a sprawling landscape of deprivation (*Dickerson, 2013)*.” Others claimed that the plan was innovative in its use of landscapes as a development tool (*Gallagher, 2013*). The use of bluescapes (water features) and greenscapes (parks and nature areas) to utilize large sections of the vacant city do draw on emerging planning practices at a scope untested in urban areas. But the majority of the plan is reliant on a collection of current planning practices and economic growth prescriptions that continue the selective withdrawal of the state from social service provision and increased attention to the needs of business and capital.

This is most evident in the prescriptions for land use and economic development. The plan does call for immediate curbs on property speculation by targeting vacant and abandoned land through increased fines, fees and code enforcement, but the larger land use matrix calls for government to use its power to acquire and zone land to consolidate property that may be passed on to corporations and foundations for private investment (*DWP, 2012b p. 86*). The framework underlying government decisions on use is the deployment and management of the market typologies utilized in the short term project. These typologies provide market variables intended to determine both immediate and future government intervention or withdrawal in city neighborhoods. Eminent domain is conspicuously absent as a strategy in the framework laid out by the Detroit Works Project. Rather than using this power of government to consolidate land
for the proposed centers and districts, the plan calls for the development and deployment of coercive regulations and incentives. The suggested practices include incentives for use by increasing the cost of holding property that is vacant and or abandoned. These approaches require coordination among government units and enforcement measures that are currently beyond the capacity of the city to carry out. Beyond the actual practice of land consolidation the framework promotes the development of “clean and safe” programs because “perception is reality, so focusing on the look and feel of key employment areas is essential to their success (DWP, 2012b p. 52).” The plan argues for increasing the privatization of security and tax revenues through the deployment of Business Improvement Districts and the reduction of regulations to attract more business. Government regulatory power is envisioned as a tool to expropriate land from speculators and investors that do not conform to the business-government-foundation network that are the core pillars of the envisioned regeneration of the city.

The minimal role of government and increased role of philanthropic partners with business interests extends the public-private partnership of the entrepreneurial city. The elimination of regulations and taxes on businesses, the proliferation of business improvement districts and the focus on inter-urban competition are all hallmarks and expansion of the entrepreneurial city. Rather than the emergence of a grant machine it is a realignment of growth coalitions around a private-public-private axis. The reliance on landscapes and recreational amenities are intended as both a way to attract employers and new residents while lifting property values. It is an extension of the creative city formula on a massive scale. Rather than a re-imagining of urban possibilities or urban triage it is an advance in the march toward a full market city.

The Market Shift

Over nearly four decades, efforts at the state and local level to arrest decline primarily focused on the construction of markets through acquiescence to the demands of private interests and attempts to lure economic development to the city through laws and policies eliminating taxes and shifting support services to industry. The free market
policy ideas of conservative think tanks and foundations such as the Hudson Institute, Mackinac Center for Public Policy and Castle Coalition have been instituted as law and practice across the state of Michigan. Offered as remedies to arrest or slow economic decline the outcome is an acceleration of these processes in Detroit and other cities in eastern Michigan. In response to the failure of market-centric practice to alleviate market failure, these think tanks and foundations argue that the state and municipalities need to give away more. Despite these interventions over the past decades the reconstitution of the city as a series of markets is a marked shift in governance that changes both the orientation of government from service delivery to one of micro-market cultivation.

**Giving It Away**

At the height of the financial crisis, with General Motors on the verge of bankruptcy and seeking a federal bailout, the Detroit suburb of Warren, made a play for General Motors' headquarters. Warren Mayor Jim Fouts offered the company a 30-year tax abatement on personal property taxes and a 12-year, 50 percent abatement on real property to move its employees from the Renaissance Center in Detroit to the Tech Center in the suburb (Josar and Ferretti, 2009). The offer and possibility of the move was strongly criticized by state and local officials. Gov. Jennifer Granholm and Oakland County Executive L. Brooks Patterson, one of the staunchest proponents of sprawl and corporate relocation to the suburbs, co-signed a letter to GM CEO Fritz Henderson. The letter called the move “would be devastating both substantively and symbolically in Detroit (Gray and Walsh, 2009).” Despite the opposition, despite the fact the city and company were in dire financial straits, and even though the company would collapse without a government bailout, GM agreed publicly to consider it.

Rather than take the chance of losing GM, newly elected Mayor Dave Bing and Wayne County Executive Robert Ficano made a counter offer. The city and county proposed to designate the Renaissance Center a Renaissance Zone. This designation would make the structure nearly tax-free saving GM nearly $25 million a year in tax and utility payments. Bing and Ficano made the announcement at the Mackinac Policy
Conference in April 2009 (Gustafson, 2009). At the time, Bing called Fouts offer to GM “asinine” and others were quick to criticize Warren’s mayor. According to the *Detroit Free-Press*, Paul Gieleghem, Chairman of the Macomb County Commission, called the Warren proposal “economic cannibalism” and added “we want to see expansion and growth, but we don’t want to be taking from each other (Gray and Walsh, 2009).” After years of taking business from the city of Detroit, suburban counties finally drew the line.

Within a month of the policy conference, GM announced that it would keep its headquarters at the Renaissance Center. At the same time, Bing said the incentive package for GM was in flux and that options beyond a Renaissance Zone were being considered (Gorchow, 2009). The decision to stay came as the company entered bankruptcy and government oversight. President Barack Obama called staying in the Renaissance Center a “GM business decision (Shepardson and Feighan, 2009).” In addition to federal pressure, GM CEO Fritz Henderson, who floated the move, was replaced. The Renaissance Center did not become a Renaissance Zone, but the package of incentives given to GM to keep at least 2,000 employees in the building topped $221 million. The Michigan Economic Growth Authority quadrupled the initial offer to GM signing off on a $200 million package of tax incentives. The Detroit Economic Growth Corporation and the Downtown Development Authority authorized an additional $15 to $21 million in incentives over a period of several years as well (Snell, 2010).

**Renaissance Zones**

In 1996, the Michigan Legislature authorized the Michigan Renaissance Zone Act. These zones were similar to the empowerment zones argued for in the 1980s by Stuart Butler of the Heritage Foundation and promoted and deployed under Michigan Gov. John Engler. But unlike empowerment zones, Renaissance Zones did not eliminate building codes and zoning, instead these areas eliminated all taxes for up to 25 years in exchange for large-scale development. These are utilized with varying frequency, generally used to extend tax breaks to pre-planned projects. These zones have not drawn any new or previously unplanned development. The site of the former Tiger’s
Stadium was designated as a Renaissance Zone over 15 years ago. The site in the Corktown neighborhood adjacent to Interstate-75 remains undeveloped.

In terms of abatements and incentives the Renaissance Zones is the most “extreme” and the “best deal” according to city officials interviewed about the use of incentives and abatements for business. One interviewee who works on applications for abatements described the creation of Renaissance Zones as follows: “It was a push down from the state, a state initiative, obviously socio-economic factors played into the zones. They wanted to get development in these zones. Extreme development, therefore they offered an extreme abatement (Interview, 2011o).”

But the offer of nearly tax-free development has not drawn a lot of interest. According to the city, besides the Renaissance Center, which was already occupied, the only other active Renaissance Zone is in Southwest Detroit near the Marathon Oil Refinery. This area is populated with trucking and parts suppliers as well the shipping and receiving along the river for steel inputs. Most of the businesses in this zone are servicing industry in the area (Interview, 2011p).

The less successful zones include sites such as the crumbling Packard Plant and old Tiger’s Stadium just west of downtown.

“There is another one … that encompasses only Tiger Stadium, or I should say, where Tiger Stadium used to stand. So we want development so bad there a guy can get, or at least someone doing development there can get, a Renaissance Zone and the abatement of everything. … If we could just get a developer there, but we've tried and we've tried and we've tried and no one will do anything on that site. It just didn't work (Interview, 2011o).”

Despite the inability to attract investment with Renaissance Zones, the underlying idea is quite popular with think tanks such as the Mackinac Center. Fellows from the center argued that the failure to attract economic development is because the city and state are attempting to direct investment to particular areas within the city. They argue that these targeted incentives create unfair advantages for particular businesses while disadvantaging others despite the fact these zones are underutilized. The solution according to the Mackinac Center, for a city facing a $300 million budget shortfall and a
Map 6.7: Detroit Renaissance Zones

Source: Detroit Economic Growth Corporation
state grappling with long-term debt, is to in essence eliminate the Renaissance Zone, by making Michigan a renaissance state and passing on all of its lucrative tax breaks and abatements to all businesses regardless of location (Wing and LaFaive, 2002).

After the city and county withdrew its offer to create the last state authorized Renaissance Zone in Detroit at the Renaissance Center, Wayne county designated a new zone within Detroit the following year. The sale of the Detroit Medical Center, a non-profit hospital, to Vanguard Medical Systems, a for-profit health provider, prompted the county to designate the medical center as a Renaissance Zone. According to county officials the zoning ensured the deal went through after Vanguard promised over $1 billion in upgrades to the facility. Ficano told The Detroit News at the time, “it was an incentive to bring the deal home. We wanted to show Wayne County is open for business. … This is a non-brainer from the standpoint it’s a $1.1 billion investment. There’s nothing that’s this big in the area in decades (Nichols, 2010).”

**Crisis Abatement 1**

In the early 1970s, with Chrysler Corporation on the verge of bankruptcy, the company’s CEO Lee Iacocca approached the Michigan Legislature in need of a hand out. The Legislature responded with Public Act 198 of 1974, the Plant Rehabilitation and Industrial Development Districts Act. This act introduced Industrial Property Tax abatements in Michigan. The industrial property tax abatement allowed for companies to receive 100 percent abatement on property tax and 50 percent abatement on the purchase of personal property for 12 years. The abatement on personal property was the most lucrative as the automation and retooling of factories was one of the most expensive processes in manufacturing. Under PA 198, manufacturers are required to enter into an Industrial Facilities Exemption Certificate agreement (IFEC) with the local municipality in which the manufacturing plant is located. This negotiated agreement commits the company to hiring additional workers, or at times not reducing its workforce, in exchange for the inducement. Detroit planning development officials who worked on this process, said it was routine for any applicant to receive a 12-year abatement in the first 25 years it was offered. Over the past decade, the city
incorporated a cost-benefit analysis and the number of years the abatement is awarded now varies. As one interviewee put it, “we have been very, very, very careful to do these analyses now. In that, it’s dried up in Detroit and we need some property tax revenue. So, we are not just giving away 12 years anymore (Interview, 2011o).”

According to the city, nearly 84 percent of businesses with active IFEC are suppliers to the automotive industry. Between 2006 and 2010 the number of IFEC’s that were revoked increased significantly. These revocations occurred because many of the firms went out of business. The city delayed revoking IFEC’s for firms that laid off workers or missed hiring targets in an attempt to help these companies remain open. In 2008 alone, over a dozen manufacturers closed and liquidated assets between annual IFEC reports. The number of applications declined to less than one per year. Though companies with exemptions are largely tied to the auto industry, the state expanded the definition of manufacturing to include high tech firms. The intent was to lure personal computer and energy manufacturing, such as wind and solar production, to the state.

**Crisis Abatement II**

“That is becoming the abatement of choice for the big boys. Even 198 has lost a lot of its luster, 328 has been a more than adequate catch all for industry. Not just automotive, but for any guy (Interview, 2011o).”

Though PA 198 was initially intended to target the large auto manufacturers, by the early 2000s it was mainly parts suppliers and tool and die manufacturers using the abatement. Large multi-nationals moved on to more lucrative abatements.

In 1998, the Michigan Legislature passed the Personal Property Tax Relief in Distressed Communities Act or Public Act 328. This action allowed for the full abatement of personal property purchases. This abatement did not require additional jobs or the maintenance of the current labor force. The length of the abatement was determined by local governments. The result is extended abatements for General Motors and other companies retooling plants in Southeastern Michigan. The ability of the local government to determine the timeline for the abatement created competition among Michigan cities for plant retooling and new products offered by auto manufacturers. In
Flint, GM’s current abatement under this act extends for 50 years. “Flint is hurting pretty bad and they are just saying we need you to stay. They are saying please and we will give you this. We will make it up on payroll taxes and all that stuff and the donut shops and all the trickle down stuff (Interview, 2011o).”

In Detroit, the abatement was used to capture the manufacturing of the Chevy Volt, GM’s first all electric car. The city offered a 25-year abatement at the Detroit-Hamtramck (Poletown) plant as GM retooled to produce the car. “Let me give you an example, … they make it at the same plant but they’ve got to retool it. This act allows them to purchase that equipment and not pay any taxes on it, install it on the line and get rolling. What do we require? Well this is kind of open ended … you can't give a guy a tax abatement in perpetuity. So what they do is they do a cost-benefit analysis over a number of years and they try to remain competitive (Interview, 2011o).”

In addition to auto manufacturers PA 328 is being use for other major projects. Marathon oil is currently upgrading an oil refinery in southwest Detroit at an estimated cost of $2.1 billion. The city of Detroit awarded a 25-year abatement on all personal property purchases. According to city officials involved in the deal, competition with Marathon Oil facilities in other states left few options.

**Commercial**

"It also says to a guy in the inner ring suburbs. Hey look, maybe your expanding, we've got buildings downtown. We've got buildings everywhere. Come on down, do you one of these and you will save a hell of lot more money than you will by being out there. It's very popular (Interview, 2011o)."

The city of Detroit Planning and Development Department carries a loan portfolio of nearly $100 million. This is mostly the administration of U.S. Department of Housing and Urban Development (HUD) grants. If Detroit’s Planning and Development Department were a bank nearly all of the loans made in the past two decades would be in default (Interview, 2011p). The loans are primarily for development projects in the downtown core aimed at revitalizing commercial buildings and attracting businesses back to the city. For developers these loans are often treated as handouts with low to no interest and an even lower priority for payback (Gallagher, 2012c). In the mad scramble for
revenues over the past year in Detroit, these loans were identified as a revenue source that needed to be on a regular repayment schedule. The city's attempt to collect was criticized by those in commercial development claiming that the additional payments on what was owed put their businesses in jeopardy in the midst of an economic recession (Interview, 2011j).

One loan recipient, the Westin Book Cadillac Hotel, is a multi-million dollar renovation of a long abandoned historic hotel in the downtown core. It opened in 2008 after being abandoned for nearly 25 years. The development combined the hotel and high-end residential apartments. The building and site was targeted for redevelopment by the Detroit Economic Growth Corporation since it closure three decades prior. In early 2012, the city used pension fund money to make an interest payment on loans for the hotel. Private investors failed to make a single payment on the $9 million loan from the city. The $180 million renovation failed to generate buyers for its high-end condominiums, selling less than 15 percent of the 67 condos, and room bookings are below expectations (Snell, 2012).

In attempts to lure investors to the site, the city cobbled together a creative financing scheme that included both private financing and federal, state, county and local tax incentives, as well as money from a grocery chain and the city's pension fund. For those working in Detroit's commercial real estate sector this type of creative financing is the only way to make projects work. Private financing for large renovation projects is largely unavailable in the city. Many projects, even small renovations, rely on a series of tax credits and incentives and access to low-interest government money to finance projects (Interview, 2011b). The city uses two different legislative acts to subsidize commercial growth, Public Act 146 of 2000, the Obsolete Property Rehabilitation Act (OPRA) and Public Act 210 of 2005, the Commercial Rehabilitation Act. Each act allows developers to reduce tax payments on projects for up to 12 years. These are in addition to Tax Increment Financing and other tools for subsidizing the actual costs of renovations (Interview, 2011o).
Map 6.8: Parcels with current Commercial Abatements

Source: City of Detroit Planning and Development Department
The city of Detroit granted over 100 abatements under Public Act 146 in the past decade, according to the Planning and Development Department. These abatements are awarded after the City Assessor deems a building functionally obsolete. This definition is quite broad and can range from stripped and open buildings to vacant or nearly vacant buildings in which a developer plans to do some type of renovation. Generally, a 12-year tax abatement is awarded which keeps the tax-assessed value at that the assessment level prior to renovation. According to the city, the difference in value can be in the millions of dollars as initial valuations for vacant buildings in the downtown core are as low as $5,000 to $10,000.

"Are there any drawbacks to it? Other than the fact that after 12 years you're going to ramp back up within three years to full taxable rate. It is a win-win for us. We get you down here. You've got employees. They work in Detroit. We get the payroll taxes. The business is viable and the fact is that we got one ugly building renovated. It's just one less building that is old and outdated and open to trespass that has come to fruition downtown or wherever in the city than we had before. It is a win-win (Interview, 2011)."

The second incentive was initially designed to address issues in the suburbs, particularly the aging and obsolesce of shopping malls. Public Act 210 was first used to refurbish the Summit Place Mall in Pontiac. The change allowed for tax abatements similar to OPRA, but did not require functional obsolesce as a condition of receiving the abatement. The creation of a commercial rehabilitation zone allows for the freezing of taxable value prior to renovations for up to 12 years. The length of time is determined by the city. Beyond the renovations of existing structures this act is used to replace buildings as well. The declaration of a commercial rehabilitation zone fixes the taxable value of the existing structure and extends that assessed value to any new construction in the zone. This act was used in the construction of privately offered student housing near Wayne State University where the developer bought a former Christian Science Reading Room and replaced it with a $10 million project.

**Residential Incentives**

In 1992, the state created the Neighborhood Enterprise Zone. The act targeted new construction and rehabilitation. It extended tax abatements to homeowners, particularly
in the city of Detroit. A person owning a newly constructed home in a Neighborhood Enterprise Zone (NEZ) could see a drop in their tax millage from between 70 and 80 mills down to 10 or 11 mills for 12 years with a three year ramp up to full tax in years 13 through 15. Rehabilitation of property within a designated NEZ also resulted in reduced millage. Since it was authorized, Public Act 147 has been used extensively in Detroit. The designation was used 116 times between 1992 and 2006.

“For the longest time there had been no new construction in Detroit for obvious reasons, one is with all the moving out there is no reason to replenish the housing stock. So, there hadn't been any new housing starts in a long time. So along comes this deal right here and we say look, we want you to build houses in Detroit and we want people to move here. What can we do? Well guess what we'll do. We will give people that move here, into new developments, we will give them a tax break (Interview, 2011o).”

In addition to awarding tax breaks for new construction and rehabilitation, Mayor Kwame Kilpatrick created the Neighborhood Enterprise Zone Homestead Districts. These districts were designated by the mayor and approved by the council. The purpose of these districts was to provide tax abatements to long-standing and generally stable neighborhoods that did not qualify for Neighborhood Enterprise Zones. Between 2006 and 2008, the city approved 52 homestead districts that included some of the wealthiest neighborhoods in Detroit such as Boston Edison, Indian Village and Palmer Woods and stable middle-income neighborhoods such as Woodbridge.

“We had our own offshoot of that in that that guys that paid the highest tax rates in some of the more prominent areas of Detroit. They say listen we would like some tax relief as well. … Those districts are probably some of the taxpayers that paid some of the highest rates in the city, more upscale neighborhoods, some more upscale than others, probably the guys paying the lions share of the taxes in the city and they gave them a rate not as low as the new construction but substantially lower than they would have paid at a homestead rate. So, it has been highly successful, very, very successful in the fact that you have a spinoff that has also allowed for some tax relief for citizens of the city of Detroit (Interview, 2011o).”
Map 6.9: Neighborhood Enterprise Zones

Source: City of Detroit Planning and Development Department
Map 6.10: Neighborhood Enterprise Zone Homestead Districts

Source: City of Detroit Planning and Development Department
Struggling to Survive

The city of Detroit entered a consent agreement with the state of Michigan in April 2012. The consent agreement moves many of the decisions on municipal finance out of city control and under the oversight of an advisory board. The city and state are at odds on how to address Detroit’s $300 million deficit and the state refused to continue making transfer payments to Detroit. Over the past decade the state reduced transfers to the city by $700 million. The recent budget proposed by Bing eliminates 2,500 jobs and cuts $250 million dollars from the budget for fiscal year 2013. The majority of these cuts are based on the scaling back of social programs and the elimination of employment at one of Detroit’s only consistent employers, the city itself. Despite these cuts and the arguments that money for Detroit is little more than a handout at the Legislature, state representatives continue to craft and pass legislation that hands out abatements and credits to corporations and businesses. In 2010, the Michigan House of Representatives Fiscal Agency reported that these abatements meant the state forfeited over $6.3 billion in revenues in fiscal year 2008, a number that was project to continue climbing. In fiscal 1998, there was a state surplus of $6.8 billion in revenue over the amount of tax breaks issued, an amount squandered twice over in the following decade with few gains in employment or quality of life for its resident to show for it.

Emergency Management

Either on a shelf or in a box, in an empty office, storage room or closet, there is a copy of a report, a community-developed plan for the city’s neighborhood clusters. It cost $1.5 million and was funded by the Kresge and Skillman Foundations in 1997. Under Mayor Dennis Archer the foundations funded the Detroit Community Reinvestment Strategy (CRS), a yearlong project intended to develop community-based planning. The result was a series of neighborhood cluster plans developed through consultation between community boards and planning professionals hired by the project. The plans were submitted to the city and intended to guide the Planning and Development Department. The implementation never happened.
Figure 6.1: House Analysis of Tax Exemptions

Both CRS and the Detroit Works Project began as citywide interventions to create a framework for future planning. Each project largely funded by the same philanthropic organizations and each emphasizing a claim to and need for community engagement and support. The CRS plan pursued community engagement through the establishment of community boards that worked directly with the technical teams and planners paid for by the foundations. In the Detroit Works Project, community engagement entailed sanitized public presentations with pre-determined questions and a series of defined answers. The little iterations of mobile comment booths and targeted meetings became the thought bubbles and comments supporting expert opinions in the glossy *Detroit Future City* report. The fundamental difference between the two projects and a marked departure from 60 years of municipal planning in Detroit was the construction of the city as markets and the outsourcing of the city’s role in long term strategic planning.

In the years following World War II, municipal led planning came to define the role of municipal government in Detroit. In 1965, the city of Detroit released an 18-minute film by the industrial filmmaker Jam Handy.47 *Detroit ... City on the Move* was narrated by Mayor Jerome Cavanagh. He extolled the possibilities of the city and the bright future that would be shaped through the act of municipal planning. The film premiered in Detroit at the Proclamation Dinner on February 23, 1965 and according to John P. Casey, assistant to the mayor, “…[the film] aroused such great interest that theater owners throughout the Detroit area plan to include it in their programming in the near future (Casey, 1965).” A central focus in the film is the development of planning techniques and tools to spur a Detroit renaissance. Long segments focus on city officials in boardrooms with wall-sized master plans, map flip charts, and a model city in which buildings are moved from place to place as the camera slowly pans across the model. The result of urban renewal projects and the plans for future renewal projects are also featured. “This and other vast reaches of the city where once lay the poverty and ugliness and sickness of slums has been condemned and cleared,” Cavanagh

47 Jam Handy was one of the most prolific producers of industrial films for various training videos. The municipal film Detroit City on the Move was a rare departure for the firm. Unfortunately, there is no known archive for the production company. The last building in which the production house was located is now abandoned and open to the elements. Most of what could be considered archival material is piled on the floor often mildewed or rotting.
intoned as images of a hospital expansion played (Handy, 1965). The film ends with the mayor inviting people to Detroit to live, visit, work or start a business and he promises that, “the city on the straits welcomes you to share that vision as it continues to plan, to build, and yes, to dream (Handy, 1965).”

*Detroit ... City on the Move* is an artifact of bureaucratic confidence, released two years before the 1967 rebellion, before the first collapse of Chrysler, before the mass exodus of plants and people, before the oil embargo. The focus on planning as the central role of municipal government reflects the strength of the growth coalition that emerged in Detroit following World War II. It was a coalition that sought to rebuild the city to service the automobile in the manner of the suburbs. By the early 1970s the city funded two planning departments, one serving the mayor and the other working for the City Council. By 2012, the city’s ability to conduct long-term planning, what it once championed as core function, was relinquished to foundations and quasi-governmental entities (Cavanagh, 1964c).

The division of the Detroit Works Project into short term and long term tracks and the allocation of long term planning responsibility reflect the compounding challenges of chronic decline. The long-term economic and social crisis in Detroit shapes and is shaped by a municipal government that, fiscally and structurally, is increasingly ill-equipped to respond to the immediate demands of a 139 square mile city. In interviews and observations, municipal employees are tasked with responding to the most immediate emergency on their voice mail or in their inbox, rather than engage with issues of maintenance and planning. In a city of extreme need, tens of millions of federal dollars sit unspent for nearly a decade. It is a capacity issue not an issue of neglect. The focus of the planning and development department is on the limited amount of development it can entice or keep in the city. The array of tax breaks and tax abatement, tools created by the state, allow for the discounting of almost any project proposed in the city. After years of hoping to stimulate the market through increasing tax breaks, incentives, and access to municipal bond markets, the city now identifies its neighborhoods as markets deploying the logic of finance as government service is defined as investment and its limited resources are targeted toward accumulation rather
than population. The long term framework, *Detroit Future City*, offers illustrations of a well-manicured city. It is full of wide open spaces. It has developed employment and leisure nodes where services are based on market-type and the role of the government is to redistribute revenue and land to private developers, foundations, and a security apparatus funded through Business Improvement Districts directing already limited tax revenues to increasingly finite sites of development and commerce.

“We need to grow the city of Detroit. That’s the long-term answer here, and it’s going to be really hard (Helms, 2013).”

-Gov. Rick Snyder, News Conference on the Detroit Financial Crisis

In early 2013, the state of Michigan released a review of the city of Detroit finances. The report found the city’s annual operating deficit had increased to $326 million. It had $14 billion in long-term liabilities, such as pension and health payments, of which $1.5 billion was due in the next five years. The report is part of a state-mandated review that will allow the governor to appoint an emergency financial manager to oversee the city. The manager, an unelected official, is charged with balancing a city’s books by whatever means necessary. The manager has the power to hire and fire, is not accountable to elected officials, can privatize city assets and is authorized to borrow as necessary without oversight.

In late February 2013, Gov. Rick Snyder held a press conference. He took the media through the states financial review of the city by running through a series of graphs and charts showing Detroit’s declining population and growing deficit. Snyder said he was still determining whether to appoint an emergency financial manager. He reiterated numerous times that bankruptcy was not an option for Detroit. Snyder allowed that some creditors may have to accept less, but “you try to negotiate a settlement outside of bankruptcy (Helms, 2013).” There are few protections for creditors in municipal bankruptcies and assets such as utility services and park land are off limits.

For Snyder, whatever path is chosen, the end result must be growth. But the policy pathways under consideration are cuts. The continued withholding of funding from the
state to the city. The increasing of limits on local government power. The weakening of protections for public sector employees and the possible withdrawal or reduction of pension and health benefits for retired municipal workers. Rather than a prescription for growth it is an extension of the policies of decline.
Discussion

Rather than a measurement or analysis of absence this work focuses on what is active in spaces of decline. The material conditions in cities such as Detroit are often assigned to macro-economic processes and structural inflexibility. The case presented here challenges explanations that focus on absence and loss and arguments that set categorize chronic urban decline as an exception or outlier. In many ways, the slow collapse of the city reveals the interplay of capital and the state in search of a spatial fix or the pathways to unfix the most illiquid of investments, real estate. Rather than inert places left behind or struggling to keep up, spaces of decline incubate reconfigurations of state power and capital. It is these reconfiguration— the shifting accumulation strategies of capital to feed off disinvestment and government interventions in the making of markets and privatization of space. It is an archaeology of practices and a genealogy of the ideas at work in the production of decline.

It is difficult to work in Detroit without being asked about the future. The city serves as both a symbol and harbinger of a bleak dystopian future or a bohemian utopia. The use of the city as a metaphor obscures the processes active in the production of spaces of decline. Though the conditions in Detroit are extreme with nearly 40 percent living below the poverty line and approximately 50 percent of the population unemployed, it is not a city in isolation. The intersection of state attempts to manage decline and the capitals attempts to profit from the process is produced and reproduced in overlapping scales around the globe. Questions on urban decline are often framed around attempts to identify where capital has flown or the aftermath of where it has been, but what is less explored is how capital is being deployed in spaces of decline and to what ends. These places are fitted into the discussion of urbanization through narratives of deindustrialization or globalization. And though these processes have debilitating effects in the region and in the city of Detroit - this is where much analysis stops. In this way, these processes are forever ongoing and what is left -- is to measure the outcomes. Though this is informative it does not provide a framework for action or a means to
interrupt or arrest emerging and evolving accumulation strategies that heavily rely on shifting the redistributive power of the state more fully toward private accumulation.

The focus on property and law and policy allows for a navigation of a material and fixed territory and the relational engagements through political practice and market activity. The examination of homesteading programs details the complex and contradictory relationships that emerge in the mitigation of risk by private actors through market fraud in the case of the HUD-FHA scandal and the downloading of this risk to increasingly finite scales of governance through land conveyance policies under subsequent urban homesteading programs. Programs that struggled under the contradictory program aims of economic development and providing housing for the poor. The production of vacancy and abandonment through market fraud rather than consumer choice offers a glimpse of the latency of crisis in the material landscape as the consequences and costs of these activities linger in the urban core, at times for decades. This is an area that further investigation is needed. The HUD-FHA scandal, the Savings and Loan crisis of the late 1980s and the recent mortgage crisis offer opportunities for further study.

In chapter two, market-centric intervention led primarily by free market think tanks operating in conjunction with state government demonstrates how crisis and declining cities are active sites for the development and deployment of experimental market policies intended as transferable models. These interventions add to the growing literature on policy mobilities and contribute evidence of the operation of these organizations at the state level in developing urban policy earlier than previously demonstrated. Beyond the activities of these organizations, these interventions in law and policy set up particular parameters that privilege the market while limiting the ability of local governments to intervene. The centering of the market in the disposition of property sets up the state or local government as the primary actor in the privatization of public space.

The activity that emerge from these interventions in the property market is detailed in chapter three as the cost of speculation is lowered and the gap between use value and
exchange value expands in the city. There is a wide variety of means deployed, but little differentiation in ends. Though speculators and investors are taking advantage of the pathways that emerged recently under financialization the variegated approaches and practices offer some complexity to analysis of this process often dominated by mainline lending institutions and international and national regulatory frameworks.

Chapter four engages directly with the cultural production of meanings and the obscuring of racialized and class practices in the city. It grounds these discussions in the particularities of the places represented while tying these places to the flows of international trade and the path-dependencies of transit infrastructures.

A fundamental contradiction in neoliberalism remains the necessity of the state in churning property for economic development or to allow individuals to realize their freedom in the property market. Chapter five details the central role of Michigan and Detroit in the evolution of libertarian property rights activists approach to the issue of eminent domain and attempts to ensure that any taking results in the unequal distribution to the owner.

Finally, chapter six examines how the market becomes the central organizing tool for the determination of government service delivery and at the core of future plans for the city through a privately funded planning process. It concludes by tracing the redistribution of government revenues from service delivery to industrial, commercial and residential property owners.

By identifying active and developing practices of accumulation we can move cities that are often constructed as outliers or exceptions out of this space and into a more robust conversation on urbanization and fully activate capitalist practice in uneven development. The demonstration of the decline as an active process of accumulation opens three avenues for further investigation.
The first is an investigation into the practice of property. A supplement and extension of the typology of speculation developed in Chapter Three. Though this work is heavily informed by various community members and residents in Detroit, the focus is on institutional actors, policymakers and private market actors. A more in depth study and analysis of community responses decline at the neighborhood level to practices of speculation would deepen understanding of how property is actually practiced. In Detroit, the practices of property could be examined through three lenses. One is the robust history and continuing practice of occupation actions in Detroit, initially by labor and now employed in actions to defend Detroit Public Schools by students and teachers. Two, is an exploration of growing squatters movement both in the city and in suburban areas affected by the foreclosure crisis. Three is through the study of community actions to protect property through maintenance, without ownership, in neighborhoods affected by foreclosure and abandonment.

The second is an examination of the persistence and production of vacancy and abandonment in core cities across the United States. Preliminary archival research raises questions about both the pace of abandonment and the latency of moments of economic crisis within the built environment. By drawing on the mapping and records of the U.S. Department of Housing and Urban Development and various city planning departments and active community housing organizations a comparative project that examines the growth and decline of vacancy and abandonment around three crises point in the housing market, the HUD-FHA Scandal in the early 1970s, the Savings and Loans Scandal in the 1980s and the mortgage crisis that began in 2007 is possible. A greater understanding of the temporal and lasting nature of crisis in land and housing markets is necessary to address the current crisis and provides a greater understanding of the role of the state and private actors in arresting or accelerating urban growth and decline.

Finally, a theme that emerges within this research on urban property markets and declining cities is the invocation of frontier and settlement. These tropes are repeatedly invoked in the reconstruction of urban land markets dating back to the 1950s. The
apparent disuse or non-use of land and the array of policies deployed to put land back into productive use raise questions about fundamental claims to property in settler colonial societies based on Locke’s notion of use and productivity. An investigation into the connection of the frontier and notions of use in declining cities may lead to greater understandings of the mechanisms of possession and dispossession at work in urbanization.
Appendix A:

Archival Material ≈ 1,500 pages
  ≈ 1,300 pages - Archives of the State of Michigan
  ≈ 200 pages – Walter Reuther Library Wayne State University

Participatory Research:
  Lower East Side Action Plan (LEAP)
  By Any Means Necessary (BAMN)
  Save Our City (Labor/Community Coalition)
  Detroit City Futbol League (DCFL)
  Ponyride (art and design collective)

Recorded interviews – 40
  Informants – municipal, county and state officials, community development organizations, activist, realtors, investors, speculators, developers, residents
  See Appendix B

Quantitative Data:
  Wayne County Tax Foreclosure Records (2002-2011) ≈ 100,000 parcels
  Property Ownership Records (2001-2011) ≈ 6,000 parcels west of downtown
  City Ownership Records (2011) ≈ 66,000 parcels

Other Material:
  DWP Policy Audits, questionnaires, presentations, survey responses
  ≈ 2,000 media articles – abandonment, foreclosure, city planning, DWP, etc …
  Public Statements – planning, DWP
  Films: *Detroit – City on the Move, Poletown Lives*
## Appendix B: Confidential Interviews

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<thead>
<tr>
<th>Interview</th>
<th>Position</th>
<th>Date</th>
<th>Place</th>
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<tbody>
<tr>
<td>Interview 2011a</td>
<td>Active Corktown Developer</td>
<td>19 July 2011</td>
<td>Detroit, MI</td>
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<tr>
<td>Interview 2011b</td>
<td>Architect and Developer</td>
<td>17 July 2011</td>
<td>Detroit, MI</td>
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<td>Interview 2011c</td>
<td>Community Activist</td>
<td>27 May 2010</td>
<td>Detroit, MI</td>
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<td>Interview 2011d</td>
<td>Community Development Advocate</td>
<td>3 Aug. 2011</td>
<td>Detroit, MI</td>
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<td>Interview 2011e</td>
<td>Community Organizer</td>
<td>17 Feb. 2011</td>
<td>Detroit, MI</td>
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<td>Interview 2011f</td>
<td>DWP Advisory Board Member</td>
<td>24 Feb. 2011</td>
<td>Detroit, MI</td>
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<td>Interview 2011g</td>
<td>DWP Member</td>
<td>3 March 2011</td>
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<td>Interview 2011h</td>
<td>Developer/ Business Owner</td>
<td>10 July 2011</td>
<td>Detroit, MI</td>
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<td>Interview 2011i</td>
<td>Developer/ Real Estate Agent</td>
<td>7 July 2011</td>
<td>Detroit, MI</td>
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<tr>
<td>Interview 2011j</td>
<td>City of Detroit Executive Official</td>
<td>3 Aug. 2011</td>
<td>Detroit, MI</td>
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<td>Interview 2011k</td>
<td>Former Michigan Legislator</td>
<td>24 July 2011</td>
<td>Lansing, MI</td>
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<td>Interview 2011l</td>
<td>Former Planning Official</td>
<td>10 Feb. 2011</td>
<td>Detroit, MI</td>
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<tr>
<td>Interview 2011m</td>
<td>Housing Advocate</td>
<td>21 Feb. 2011</td>
<td>Detroit, MI</td>
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<td>Interview 2011n</td>
<td>Legislative Liaison</td>
<td>12 July 2011</td>
<td>Ann Arbor</td>
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<td>Interview 2011o</td>
<td>Planning and Development Official</td>
<td>10 Feb. 2011</td>
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<td>Interview 2011p</td>
<td>Planning Official</td>
<td>27 June 2011</td>
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<td>Interview 2011q</td>
<td>Real Estate Agent</td>
<td>15 July 2011</td>
<td>Detroit, MI</td>
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<td>Interview 2011r</td>
<td>Secondary School Teacher and Community Activist</td>
<td>9 Feb. 2011</td>
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<td>Interview 2012a</td>
<td>DWP Advisory Board Member</td>
<td>5 May 2012</td>
<td>Detroit, MI</td>
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<td>Interview 2012b</td>
<td>DWP project area resident and community advocate</td>
<td>12 Feb 2012</td>
<td>Detroit, MI</td>
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INTERVIEW 2011g. Detroit Works Project Member. *Author*. 3 March.

INTERVIEW 2011h. Developer/Business Owner. *Interviewed by Author*. July.

INTERVIEW 2011i. Developer/Real Estate Agent. *Interviewed by Author*.


INTERVIEW 2011k. Former Legislator. *Interviewed by Author*.


INTERVIEW 2011m. Housing Advocate. *Interviewed by Author*.

INTERVIEW 2011n. Legislative Liaison. *Author*. 12 July.


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