



DETROIT: THE EVOLUTION OF A HOUSING CRISIS

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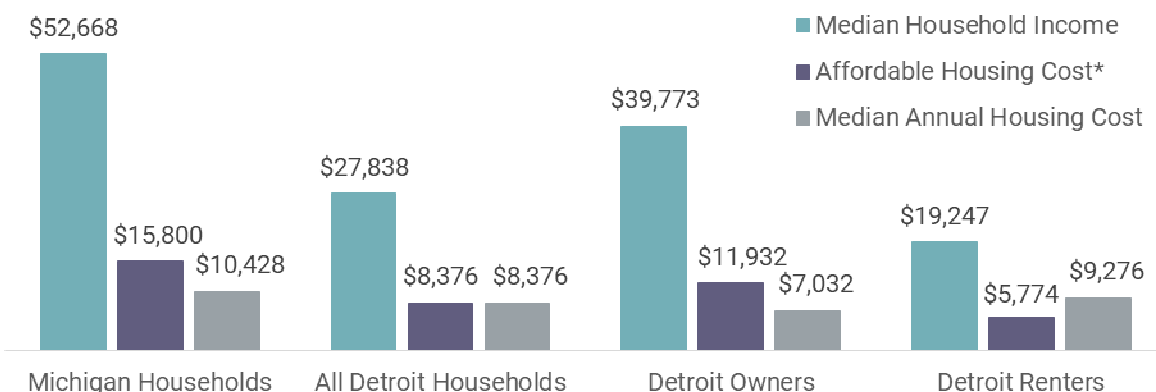
In recent years, states, communities and families across the country have been struggling to cope as decades of stagnant or falling wages and rising housing prices have come to a head. America is commonly said to be in the midst of a nationwide housing crisis. If we look back through history, however, it's clear that this isn't a new problem—at least not for people of color, particularly African Americans—and Detroit may provide one of the country's clearest examples.

For people of color, Detroit's housing crisis began in the early 1700s with the arrival of European colonizers. The French and later the British enslaved indigenous and Black people, exploiting their bodies, skills and knowledge to establish farms and build a thriving international fur trade.¹ In the centuries since then, systemic racism has evolved constantly. It has become more subtle in modern times but always worked to maintain White exclusivity in control over land, access to quality housing and the opportunity to build generational wealth through homeownership. As a result, today we see—in Detroit and other communities across the nation—appalling racial inequities in housing, health and wealth. Reversing the harmful impacts of historical injustice through community-driven, inclusive policy must be central to revitalization efforts in the city.

What is "Affordable"?

The median household income in Detroit is \$27,838 per year—roughly half of the statewide median income—and the poverty rate in the city is twice the state poverty rate.² Compounding the struggle for many households, the average rent in Detroit

Detroit: Affordable Housing Costs vs. Actual Housing Costs



*Thirty percent of median income.

Source: U.S. Census Bureau, American Community Survey Data Profiles (2013-2017 5-Year Estimates)

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increased by 26% from 2005 to 2016.³ With so few financial resources at their disposal, Detroit families have a higher housing-cost burden (the share of income spent on housing) than families in many other Michigan communities.

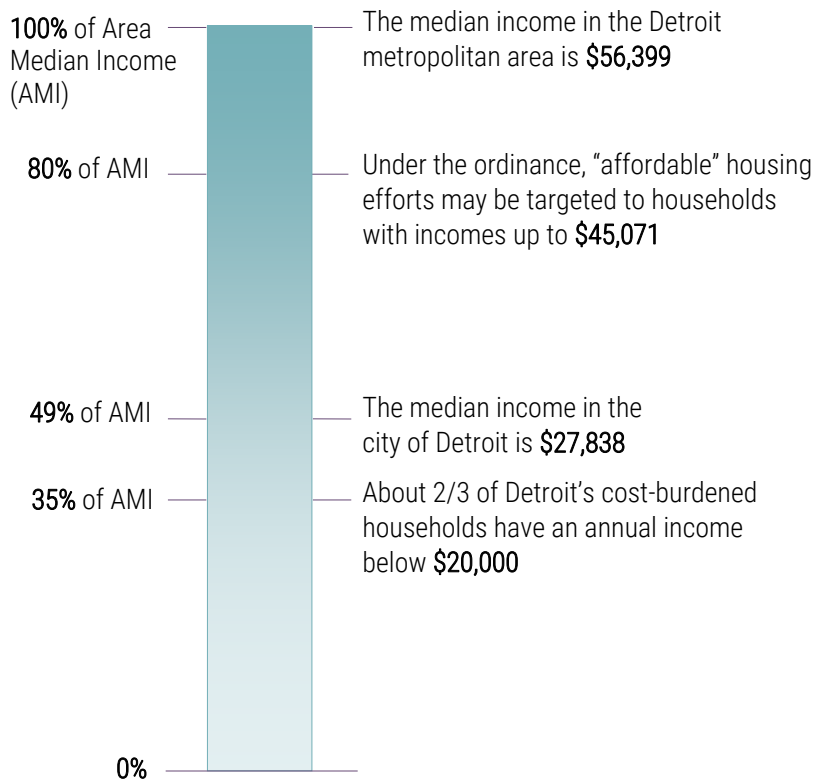
Housing is considered affordable when it consumes no more than 30% of household income. Nearly half of Detroit families are housing-cost burdened, meaning they spend even more than that. Among renter households—now the majority of households in Detroit⁴—the median housing cost equals a staggering 48% of median income. This leaves very little room in the budget for food, clothing, healthcare, transportation and other basic necessities that promote health, academic success, employment and economic security.

In the larger Detroit metro area, affordable rentals are available for fewer than 1 in 3 renter households with extremely low incomes.⁵ Federal funding for key affordable housing programs in the city has been slashed, falling by 45% from 2002 to 2016.⁶ To make matters worse, thousands of Detroit units developed with the Low-Income Housing Tax Credit (LIHTC) will reach the end of their required 15-year affordability period over the next few years. This leaves little to discourage the owners from converting them to market-rate units, especially in neighborhoods targeted for redevelopment.

In 2017, Detroit adopted a voluntary inclusionary zoning ordinance applicable to developers getting a discount on the purchase of city-owned land or accepting at least \$500,000 in subsidies from the city. Under the ordinance, 20% of units in these developments must be priced affordably for households making up to 80% of Area Median Income (AMI). Whether this policy will substantially increase affordable housing options for struggling Detroiters, however, is questionable because AMI is calculated with regard to the entire metropolitan area. In the Detroit metro area, AMI is roughly twice the median income in the city itself. Most of the city's cost-burdened households make less than \$20,000 per year⁷—well below 80% of AMI. Even with the subsidies, it's possible that these families with the very lowest incomes won't be a priority for developers.

Will Detroit's New Inclusionary Zoning Ordinance Live Up to Its Promise?

The families facing the greatest economic barriers to quality housing could continue to be left behind.



Source: U.S. Census Bureau, American Community Survey Data Profiles (2013-2017 5-Year Estimates)

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The Insidious Shapeshifting of Racism

The Great Recession caused the largest setbacks for African Americans, who already had lower homeownership rates than Whites and lived in more dilapidated neighborhoods and homes. This was a result of decades of explicitly racist laws, neglectful public budget decisions, and discriminatory practices in the real estate and lending industries. In some cases when African Americans managed to achieve

The More Things Change, the More They Stay the Same

Racial Covenants

Multiplying rapidly in the 1920s, clauses included in some property deeds restricted ownership to White, American-born Christians. These covenants eventually covered 80% of Detroit property outside the city core. Despite a 1948 U.S. Supreme Court decision finding the covenants unconstitutional, developers continued to include them in deeds well into the 1960s.

Redlining

Federal mortgage subsidies begun in the 1930s sparked significant growth in U.S. homeownership among Whites. Government agencies adopted color-coded maps based on neighborhood racial composition, required developers to employ racial covenants and refused to subsidize mortgages in and around African American neighborhoods.

Whites-Only Community Associations

Whites formed community associations with bylaws that made membership mandatory for homebuyers in certain neighborhoods and also barred people of color from joining. From 1943 to 1965, nearly 200 such groups were formed in Detroit.

Land Contracts

Denied financing through the conventional channels open to Whites, African Americans seeking the advantages of homeownership had no choice other than a land installment contract—often an exploitative arrangement that saddles the buyer with the responsibilities of a traditional mortgage without any guaranteed benefit.

Highway Construction & Blight Removal

In the 1950s, the federal government took possession of 750,000 parcels nationwide under the auspices of the interstate highway program. In Detroit, African American and immigrant neighborhoods such as Paradise Valley, Black Bottom and Corktown were bisected or destroyed and their residents displaced or isolated from economic opportunity.

Subprime Lending

In the mid-2000s, Detroit's subprime lending rate was one of the highest in the country, accounting for 75% of mortgages issued in the city. Although subprime mortgages are designed for borrowers with poor credit histories, lenders frequently extend them to low-risk African American and Latinx applicants while giving loans with more favorable terms to higher-risk White applicants.

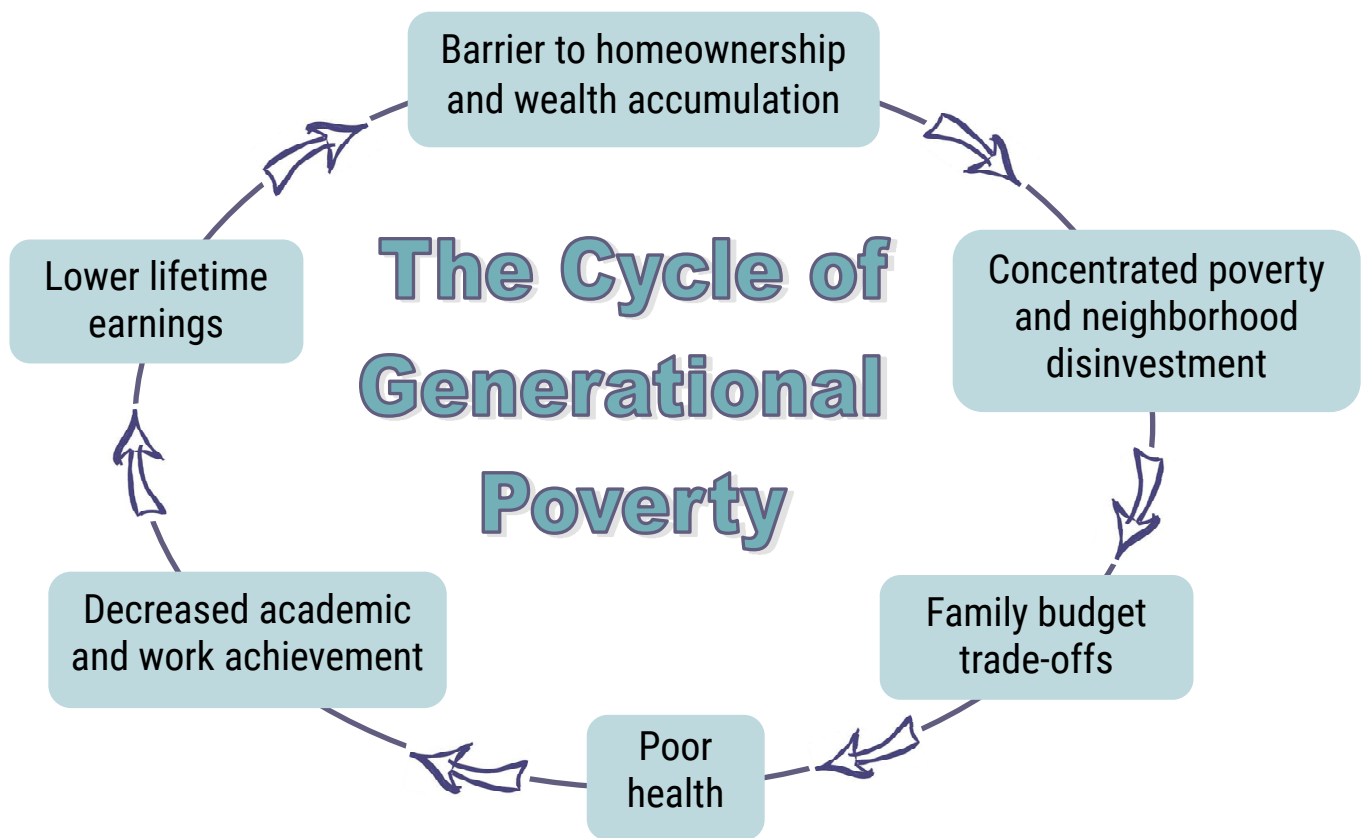
Tax Foreclosure

From 2011 to 2015, 1 in 4 Detroit properties underwent tax foreclosure. Detroit property tax rates are among the highest in the state and for years, the city unconstitutionally over-assessed property values, resulting in inflated tax bills and an increased foreclosure risk for more than half of Detroit homes. Those who lose their homes often become tenants of exploitative speculators who buy tax-foreclosed properties in bulk at the county auction.

Sources: Atuahene, B., & Berry, C. R. (2018). Taxed out: Illegal property tax assessments and the epidemic of tax foreclosures in Detroit. *SSRN Electronic Journal*; Battle, J., Mancini, S., Saunders, M., & Williamson, O., National Consumer Law Center. (2016). *Toxic transactions: How land installment contracts once again threaten communities of color*; Black Bottom Archives. (2015, May 18). A legacy of housing discrimination; Gallagher, J. (2018, July 9). Here's what you might not know about Corktown's history. *The Detroit Free Press*; Gottesdiener, L. (2013, June 30). Detroit's debt crisis: Everything must go. *Rolling Stone*; Hedman, C. and Pendall, R. Urban Institute. (June 2018). *Rebuilding and sustaining homeownership for African Americans*; Jones-Correa, M. (2000). The origins and diffusion of racial restrictive covenants. *Political Science Quarterly*, 115(4), 541-568; MacDonald, C. & Kurth, J. (2015, July 8). Foreclosures fuel Detroit blight, cost city \$500 million. *The Detroit News*; MacGraw, B. (2017, February 7). Bringing Detroit's Black Bottom back to (virtual) life. *The Detroit Free Press*; NAACP Legal Defense and Educational Fund. (nda). *History of Housing Discrimination Against African Americans in Detroit*; Rothstein, R. (2017). *The color of law: A forgotten history of how our government segregated America*.

homeownership in good neighborhoods despite these obstacles, Whites employed violence (often with the complicity of law enforcement) to prevent them from moving into the homes they had legally purchased. From 2000 to 2016, the homeownership rate among Michigan's African American families dropped from 51% to 40%⁸, further stalling progress toward closing the racial wealth divide. In Detroit, as in so many communities across the country, the barriers to quality housing and wealth accumulation facing families of color today are just the latest configuration of structural racism.

Even though housing discrimination was banned decades ago, it set the stage for residential segregation and wealth inequality to persist even without the force of law behind them. In 2017, Whites received nearly half of the mortgages issued in Detroit despite making up only 10% of the population. Of the city's nearly 300 census tracts, mortgages were concentrated in nine of the wealthier ones while 139 tracts saw no mortgage activity at all.⁹



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The economic impact of past housing policies is connected to an alarming health legacy in Detroit following the Great Recession. For every 10 percentage-point increase in a neighborhood's historical redlined area, there were seven more foreclosures per 100 owner-occupied units from 2009 to 2011. Residents of neighborhoods with higher foreclosure rates during that time were also more likely to report being in poor health,

with the foreclosure rate having a greater effect on health in neighborhoods with a higher percentage of redlined areas.¹⁰

The policies and practices that have forced people of color into substandard rental housing and neglected neighborhoods reveal themselves in the health status of city residents. In the context of racism in housing, it is not surprising that Detroit—the nation’s largest majority-African American city—has exceptionally high rates of childhood lead poisoning, asthma, and infant and maternal mortality.

The Trauma of Housing Instability

Unaffordable housing costs, dangerous building conditions and evictions lead to frequent moves and homelessness, with serious consequences for health and economic security. In the 2015-16 school year, 58% of all Detroit students were enrolled in more than one school, compared to only 26% of their suburban peers.¹¹ One in 3 of the city’s elementary students changes schools every single year¹², constantly leaving friends, trusted teachers and other school staff and having to establish new relationships and routines in an unfamiliar environment. When children change schools, academic achievement suffers at both the individual and classroom levels, and the negative impact grows with each subsequent move.¹³

Children experiencing multiple moves, homelessness and other forms of housing instability experience worse health, more hospitalizations and greater developmental risks than their counterparts with stable housing. Parents and other caregivers also face negative health impacts, which can make it difficult to provide for the family.¹⁴

Water Crisis

Water bills have played a significant role in Detroiters’ housing struggles over the last few years. To be considered affordable, water bills should consume no more than 2.5% to 4.5% of household income. Among households living below the federal poverty line in Wayne, Oakland and Macomb counties, however, water bills average 10% of income.¹⁵ Compounding the struggle, water bill arrearages in Detroit are rolled into unpaid property taxes, meaning people who can’t afford to pay for their water use are in danger of losing their homes to tax foreclosure.

Childhood Housing Struggles Have Lifelong Impacts

One move:



Can put a child from an economically disadvantaged family **4-6** months behind in school.

Not graduating on time:

About **43%** of Michigan students experiencing homelessness do not graduate from high school on time, compared to **19%** of all students.



Income levels:

For children from families with low incomes, moving three or more times is linked to a **52%** decrease in earnings later in life.



Source: MI School Data, 2017-18 Graduation Drop-Out Snapshot; Ziolo-Guest, K. & Kahlil, A. MacArthur Foundation (2014, March). *Frequent moves in childhood can affect later earnings, work, and education.*

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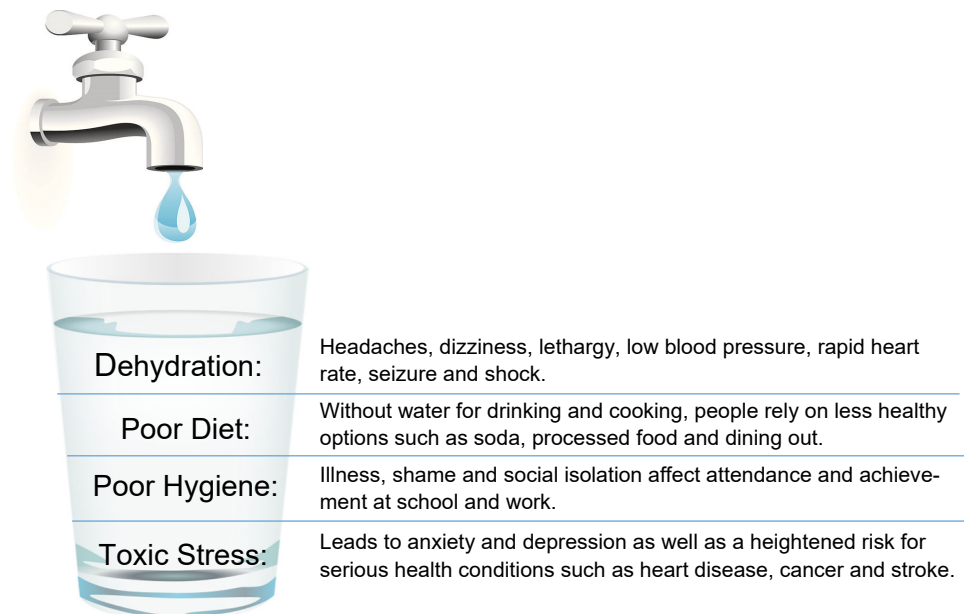
In 2014, the city of Detroit—under the authority of an emergency manager—began shutting off water service once a household’s arrearage lasts for 60 days or reaches \$150. Since then, tens of thousands of homes have lost water, some due to administrative errors. Shutoffs have been concentrated in African American and Latinx neighborhoods¹⁶, and many affected households are considered some of the city’s most socially vulnerable based on such factors as poverty and disability status, language and access to healthcare.¹⁷

Although shutoffs have dropped following implementation of a new water bill assistance program and other changes by the Detroit Water and Sewerage Department, water costs are still a burden that force many struggling families to cut back on other basics like heat and electricity, healthcare, food, transportation and school supplies.¹⁸

A lack of water service has serious consequences for hygiene and health, especially for people who already face health challenges. Among more than 37,000 hospitalized Detroit residents, researchers have identified an increased likelihood of diagnosis of certain water-related illnesses, such as gastrointestinal, skin and soft tissue infections, among those living on blocks affected by shutoffs.¹⁹

Adding to the stress among families is a fear that loss of water service could lead to an investigation by child welfare officials and possibly removal of their children from the home.²⁰ This may deter people from seeking assistance or lead anxious parents to send their children to live elsewhere temporarily. Such family separations can be harmful, especially to people who have already endured the traumatic effects of prolonged water shutoff and housing instability.

Water Shutoff: Poor Health on Tap



Sources: Gross, A. (2017, July 26). Experts see public health crisis in Detroit water shutoffs. *The Detroit Free Press*.
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Policy Recommendations

While the housing issues discussed in this brief may be especially severe in Detroit, they can affect families throughout the state. Thus, our policy recommendations include local measures that could be implemented in other communities as appropriate, as well as actions to be taken at the state level, to make safe homes more affordable and accessible to all Michiganders. (For other state-level policy recommendations, see the League's first issue in the *Home, Health, Hope* series, "A Crack in Michigan's Foundation.")

Target more affordable housing efforts toward the households with the lowest incomes:

Detroit's inclusionary zoning ordinance aims to produce more housing for families making up to 80% of Area Median Income (AMI), but incomes in the city are generally much lower than incomes in the larger metro area and the most severe shortage of affordable housing is among renter households with Extremely Low Incomes (ELI)—those living at 30% of AMI and below.²¹ To focus on these families, the ordinance also created the Affordable Housing Development and Preservation Fund, which receives 20% of the net receipts of city-owned commercial property sales as well as the penalties assessed for failure to comply with the ordinance. The money can be used to meet the housing needs of families with incomes of up to 50% of AMI, with the majority dedicated to ELI families. In 2018, Mayor Mike Duggan announced an initiative to establish a second housing fund, the Affordable Housing Leverage Fund (AHLF). Planned investments to the AHLF from several sources total \$250 million over five years, eclipsing the city's commitment to the ordinance-created fund. The AHLF, however, is directed at development priced for households up to 80% of AMI, with a focus on those up to 60% of AMI. The city should make a more robust commitment of dedicated annual revenue to the first fund, which includes creation of an Affordable Housing Task Force, in order to achieve its deeper affordability goals for the Detroit families facing the greatest housing challenges.

The city also could address the shortcomings of the ordinance by lowering its upper income limit or using a more localized alternative to AMI as the reference point—for example, the city median income or median income by ZIP code. In certain metropolitan areas, the U.S. Department of Housing and Urban Development has started using ZIP code as the geographic unit for calculating Housing Choice Voucher amounts. This type of small area approach would allow for more precise targeting of affordable housing developments to ensure that they benefit the families most historically underserved or excluded by the private market.

Strengthen the Community Benefits Ordinance (CBO): In 2016, Detroit voters approved a CBO that applies to developments that are worth at least \$75 million, receive \$1 million or more in property tax abatements, or receive \$1 million or more in value of city land sales or transfers. Few projects in the city, however, are large enough to meet any of those criteria; as of September 2018, only nine projects have been subject to the CBO. Additionally, there is concern among some Detroiters that only two of the nine representatives of the neighborhood councils that advise developers in creating individual Community Benefits Agreements (CBAs) are chosen by residents of the impacted neighborhood.²²

Furthermore, developers ultimately are not required to incorporate the advisory councils' feedback in their legally binding CBAs, resulting in a feeling among some Detroit residents that the community benefits produced thus far are lackluster compared to the significant subsidies given to profitable developers.²³ Residents who have remained in and cared for the city through hard times should be given greater assurance of long-term benefits that will truly uplift their families and neighbors, including a commitment to affordable housing, local hiring and environmental justice.

Establish water shutoff protections and income-based bills for households with low incomes: Michigan should extend to water suppliers the same rules that prohibit electric and natural gas providers from shutting off service to households with low incomes, older adults and people with serious medical conditions. Additionally, water suppliers should consider income-based rates for customers facing burdensome bills. In 2017, Philadelphia adopted a water rate structure, setting bills at 2% to 4% of income for customers at or below 150% of the federal poverty level or who experience certain financial hardships. Such a plan makes it more likely that families can stay current on their water bills, increases certainty in the water supplier's revenue stream, and reduces the supplier's expenses related to collections and bad debt.

Provide for eviction expungement: Nearly 30,000 evictions are filed in Detroit every year.²⁴ Any dispute between a landlord and tenant that ends up in housing court—even if it doesn't ultimately end in eviction—can tarnish a tenant's rental history indefinitely, making it extremely difficult to secure an adequate, stable home for the entire family.

In some cases, landlords who fail to properly maintain their rentals move to evict tenants for complaining about property conditions or escrowing rent payments. A majority of Detroit landlords are actually operating illegally, flouting city requirements to register their rentals and have them inspected.²⁵ Even under these circumstances, when tenants attempt to hold their landlords accountable for providing a basic level of habitability, the court approves eviction. The law should provide for eviction expungement after a certain period of time, just as it does for negative financial entries on a credit report, to give struggling families the opportunity to gain the housing that is so critical to economic security.

Strengthen consumer protections in land contracts: Following the Great Recession, land contracts have made a comeback in Detroit, outnumbering mortgage transactions in recent years.²⁶ Beyond capping the interest rate on a land contract at 11%, Michigan law places few parameters around this type of real estate transaction, leaving buyers with little protection against unscrupulous sellers. At a minimum, state law should require that land contracts be recorded with the county register of deeds. Ideally, the law also should prohibit unfair, deceptive and abusive practices; allow for an independent inspection and third-party appraisal of the home; and require the contract to disclose all transaction terms, address any existing liens or delinquent property taxes, and clarify what will happen upon early termination by either party.²⁷ These measures would help ensure that buyers are not unfairly denied the return they're promised on their investment and ultimately gain the home equity that is so important to the transmission of intergenerational wealth.

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