

Detroit house auction flops for urban wasteland

By Kevin Krolicki Kevin Krolicki — SUN OCT 25, 3:26 PM ET

DETROIT (Reuters) – In a crowded ballroom next to a bankrupt casino, what remains of the Detroit property market was being picked over by speculators and mostly discarded.

After five hours of calling out a drumbeat of "no bid" for properties listed in an auction book as thick as a city phone directory, the energy of the county auctioneer began to flag.

"OK," he said. "We only have 300 more pages to go."

There was tired laughter from investors ready to roll the dice on a city that has become a symbol of the collapse of the U.S. auto industry, pressures on the industrial middle-class and intractable problems for the urban poor.

On the auction block in Detroit: almost 9,000 homes and lots in various states of abandonment and decay from the tidy owner-occupied to the burned-out shell claimed by squatters.

Taken together, the properties seized by [tax collectors](#) for arrears and put up for sale last week represented an area the size of New York's Central Park. Total vacant land in Detroit now occupies an area almost the size of Boston, according to a [Detroit Free Press](#) estimate.

The tax foreclosure auction by Wayne County authorities also stood as one of the most ambitious one-stop attempts to sell off urban property since the real-estate market collapse.

Despite a minimum bid of \$500, less than a fifth of the Detroit land was sold after four days.

The county had no estimate of how much was raised by the auction, a second attempt to sell property that had failed to find buyers for the full amount of back taxes in September.

The unsold parcels add to an expanding ghost town within the once-vibrant town known worldwide as the Motor City.

Critics say the poor showing at the auction underscores the limits of using a market-based system to clean up property tax problems. They say the system has enriched a few but failed to deliver a way for Detroit to staunch its dwindling population and could worsen the vacancy crisis.

One proposed alternative would have officials take control of the tax foreclosure process through a land bank program of the kind being used to revitalize the nearby city of Flint.

The stakes in the debate are rising.

The number of Detroit properties in tax foreclosure has more than tripled since 2007 and seems certain to rise further. The [lots for sale](#) last week represented arrears from only 2006, well before the worst of the downturn for U.S. automakers.

"We have to keep in mind that GM and Chrysler filed for bankruptcy this year," said Terrance Keith, chief deputy treasurer of Wayne County. "Some people are going to be totally tapped out next year."

Detroit, already stuck with a \$300 million budget deficit, is responsible in the meantime for cutting the weeds and responding to fire calls for thousands more abandoned lots.

'WHY AM I COMPETING AGAINST A BANK?'

Many potential homeowners that Detroit desperately needs said they felt penalized by the auction process.

They mostly found themselves outbid by deeper-pocketed investors from California and New York who were in a race to claim the auction book's relatively few livable properties.

Dozens of potential bidders, mostly local residents, were turned away on the first day of the auction by deputies after they failed to meet the morning deadline for registration.

Ross Wallace, a lieutenant in the U.S. Army, turned in his check for \$500 and waited on the auction floor in full dress uniform for a chance to buy a Detroit house on the cheap.

Wallace, 27, said he did not want to leave his fiancée and two children with a mortgage before shipping out to Iraq later this year.

"I still have student loans and I'm trying to be responsible. I don't want to leave debt," he said.

Wallace waited for the auction to roll around to Detroit's Boston-Edison district, a once stately area that was home to boxing legend [Joe Louis](#) and Motown founder [Berry Gordy](#).

But he was quickly outbid. An unidentified investor at the front of the room who had scooped up several dozen properties took the home Wallace wanted for about \$15,000.

"Why am I competing against a bank?" he said later. "It would be common sense to have a separate process for people who want to move back to the city or it's going to stay empty."

Nearby, a Dutch-born local woman, Riet Schumack, 54, knitted patiently through the auction for a chance to bid on a lot in Brightmoor, one of the most blighted neighborhoods.

Schumack, who runs a community garden near her home that employs 14 neighborhood children, said she had been battling through a maze of bureaucracy for years to try to buy an abandoned lot nearby to expand and plant fruit trees.

She learned the lot had been taken back from its previous owner -- an absentee investor with more than 100 abandoned lots in Brightmoor -- only because of her constant calls to city and county officials, she said.

When officials told her she would have to wait for a fourth day to bid on the property, Schumack broke down into tears.

"Anybody with a job is not able to sit here for days. So you are left with the sharks," she said.

Opinions were divided on whether the investors buying lots and homes by the dozen were a sign of better times ahead.

"They weren't here two years ago. So why are they here now? Unless, as speculators, they believe this is the bottom," said Keith of the [Wayne County treasurer's office](#).

Bill Frank, a Detroit realtor trying to buy a small house for a just-married friend, found himself repeatedly outbid.

"Speculators are often not good for a city and, from my experience, they are going to lose a fortune," he said. "But there are no easy answers. It's a declining city."

(Editing by Peter Bohan and John O'Callaghan)

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