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# The Dream Defaulted: Foreclosure, Crisis, and Hope in Baltimore, Maryland, and Detroit, Michigan

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THE DREAM DEFAULTED: FORECLOSURE, CRISIS, AND HOPE IN BALTIMORE, MARYLAND, AND DETROIT, MICHIGAN

By

Heidi M.R. Reijm

A dissertation submitted to the Graduate Faculty in Political Science in partial fulfillment of the requirements for the degree of Doctor of Philosophy, The City University of New York

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THE CITY UNIVERSITY OF NEW YORK

**Abstract**

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By

Heidi M.R. Reijm

Advisor: Professor John Mollenkopf

In the United States, the late 2000s were a time of crisis that tested many urban decision-makers. The recession that started in 2007 was defined by a severe crash in the housing market and the proliferation of mortgage foreclosures across the country. Foreclosures occurred in urban, suburban, and rural communities, but had a particularly devastating impact on larger, older cities and their low and moderate-income neighborhoods. These cities had been dealing with economic and population decline for half a century. In many of their urban neighborhoods, foreclosures affected as many as one in four households and added yet another challenge to improving the quality of life for residents.

However, despite sharing historical characteristics of population and job decline and demographic change from majority white to majority black, some older, larger cities fared quite differently in the mortgage foreclosures crisis. For example, in 2007, the Baltimore metropolitan region in Maryland had a foreclosure rate of 0.7 percent compared to the Detroit metropolitan region in Michigan whose rate was 4.9 percent (RealtyTrac 2008). Since 1950, these cities have seen drastic declines in population, as well as rising unemployment rates as major industries have left the area. Both cities have been left with high rates of vacant properties, high poverty rates, and low housing values for most of the past few decades. Given these similarities, it is clear that the local economic environment cannot be the sole factor in determining the fate of

cities like Baltimore and Detroit. The disparity in foreclosure rates points to the possible explanatory value of other differences, such as local political arrangements and how those affect the ability of networks of stakeholders, or governing coalitions, to prepare for and respond to the crisis.

Cities and their decision-makers provide an isolated and contained environment within which to examine responses to crises. By using the foreclosure crisis as a test, my research on Baltimore and Detroit aims to uncover what kinds of governing coalitions and their resultant actions may have contributed to resiliency in these cities to withstand and address the mortgage foreclosure crisis. By examining the political histories of the governing coalitions in both cities, this dissertation argues that the greater involvement of community development interests in Baltimore contributed to a stronger community development sector overall. During the foreclosure crisis, stakeholders in Baltimore were able to launch a quicker response to the crisis and the housing market in that city remained more stable.

In addition to making a contribution to the literature on urban development and governance, this research will address the contemporary situation of urban, low and moderate-income neighborhoods of color, many of which face on-going challenges from high crime rates, low public and private investment, low-quality services and loss of wealth. High mortgage foreclosure rates in such neighborhoods compound these problems and make it difficult for these communities, and the cities which contain them, to become and remain stable and sustainable. Understanding how local policies affect these processes could help urban governments promote greater neighborhood equity, growth and opportunity.

## Acknowledgements

Before I applied to graduate school, John Mollenkopf rode his bicycle all the way up to Columbia University, where I was working at the time, to chat with me about pursuing a degree in the Political Science program at the Graduate Center. When I asked how I should approach making a strong application to the program, he said (and I paraphrase), "Just tell us how and why you want to be a political scientist." After being accepted into the Master's program, researchers, like Professor Mollenkopf, got me hooked on this idea of being a political scientist, and this will forever guide my work. To have come this far is no small feat. It has been a road with hills and potholes, some by my own making, and the support of so many people in my life has been instrumental to this achievement.

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I was humbled that the practitioners and change makers in Baltimore and Detroit gave me some of their time to tell me about their efforts, successes and challenges. They really are the heart of this work, both in substance and inspiration, and I am looking forward to standing alongside them on the front lines to continue to make these cities the gems that they really are.

There are many who have served as mentors to me on my path. Thomas Goldstein encouraged me to explore the world and I may have never ended up traipsing the country for the last 20 years if it hadn't been for him. Sheila Cockerel's lifelong commitment to and vision for Detroit is one that I aim to emulate. I often wonder, "What would Sheila do?" when I think about the many challenges that we urbanisms see around us. Jane Morgan has been my boss and, sometimes, indirect benefactor for the final years of my dissertation, but, more importantly, my mentor. I am grateful for her willingness to allow me the time and (office) space to complete this work. Furthermore, her fiercely analytic approach and commitment to social change in Detroit are contagious and I could not have imagined a better place to land to grow as a person, a working mother, and a professional researcher. There are many others that I cannot name, my family of workers at JFM Consulting Group, and friends and former colleagues at the Local Initiatives Support Corporation, for instance, whose work continually inspired a deep commitment to cities, neighborhoods, and to making them better. The encouragement I received by so many friends and co-conspirators in my adopted cities of Brooklyn and Detroit make me feel so lucky to have lived in both places.

Despite not always understanding what it is that I do (or why!), my parents and family have always supported my efforts. As the one of a handful of people in my extended family to go to college, let alone graduate school, this doctorate degree is an accomplishment for my family as much as it is for me. The love and encouragement they have given me over the years has only grown with time and age and I am so grateful that they are in my life.

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## Chapter 1: Introduction

### Introduction

A crisis is defined as a state of instability or danger that leads to change. It is a test and a turning point; the Latin root of crisis, *krisis*, translates into "decision."[1] A crisis requires responsive action from people and institutions, lest the danger or instability remain. How people and institutions address crises can have long lasting effects for those affected: other individuals and organizations, cities, and countries. But responding is not often simple and can be influenced by social, economic, and political factors. This is especially the case in cities, where existing political and economic structures help determine how stakeholders take action during such a turning point.

In the United States, the late 2000s were a time of crisis that tested many urban decision-makers. The recession that started in 2007 was defined by a severe crash in the housing market and the proliferation of mortgage foreclosures across the country. Foreclosures occurred in urban, suburban, and rural communities, but had a particularly devastating impact on larger, older cities and their low and moderate-income neighborhoods. These cities had been dealing with economic and population decline for half a century. In many of their urban neighborhoods, foreclosures affected as many as one in four households and added yet another challenge to addressing chronic challenges and improving the quality of life (Living Cities 2009).

However, despite sharing historical characteristics of population and job decline and demographic change from majority white to majority black, some older, larger cities fared quite differently in the mortgage foreclosures crisis. For example, in 2007, the Baltimore metropolitan region in Maryland had a foreclosure rate of 0.7 percent compared to the Detroit metropolitan region in Michigan whose rate was 4.9 percent (RealtyTrac 2008). Since 1950, both cities have

[1] From www.dictionary.com: "crisis".

seen drastic declines in population, as well as rising unemployment rates as major industries have left the area. Both cities have been left with high rates of vacant properties, high poverty rates, and low housing values for most of the past few decades. Given these similarities, it is clear that the local economic environment cannot be the sole factor in determining the fate of cities like Baltimore and Detroit. The disparity in foreclosure rates points to the possible explanatory value of other differences, such as local political arrangements and how those affect the ability of networks of stakeholders, or governing coalitions, to prepare for and respond to the crisis.

Cities and their decision-makers provide an isolated and contained environment within which to examine responses to crises. By using the foreclosure crisis as a test, my research on Baltimore and Detroit aims to uncover what kinds of governing coalitions and their resultant actions may have had an impact on foreclosure activity above and beyond the effect of local economic and demographic environments. My dissertation is guided by the following research questions: What explains why cities that were so similar in many structural respects took such different paths during the financial crisis? How did local stakeholders respond to the mortgage foreclosure crisis in Baltimore and Detroit, two weak market cities with very different foreclosure rates and what explains the differences in their responses? Who were the primary actors in the local responses and what was the nature of the strategies employed? How were these actors and their responses influenced by the nature of the governing coalitions, political culture and leadership, or capacity of local government in each city?

In addition to making a contribution to the literature on urban development and governance, my dissertation will address the contemporary situation of urban, low and moderate-income neighborhoods of color, many of which face on-going challenges from high crime rates, low public and private investment, and low-quality services and amenities. High mortgage foreclosure rates in such neighborhoods compound these problems and make it difficult for these communities, and the cities which contain them, to become and remain stable and sustainable. Understanding how local policies affect these processes could help urban governments promote greater neighborhood equity, growth and opportunity.

**Framework**

My dissertation will address two main theoretical arguments in the field of comparative urban governance. First, the question of why two weak market cities that face similar economic and demographic circumstances have fared so differently in terms of the foreclosure crisis sits squarely within the debate over the relative influence of markets and politics on urban outcomes. Second, it is also situated in the urban governance literature; whether and how various kinds of nongovernmental stakeholders influence urban governing agendas and whether the resulting agendas have an impact on neighborhood development in their cities. In particular, my research will examine and use theories related to the roles of nonprofit organizations in urban political decision-making and policy implementation. In addition to these theoretical arguments, this study will use a resiliency framework to analyze how stakeholders in Baltimore and Detroit responded to the foreclosure crisis and test the impact of the governing coalitions in each city.

The first debate is a long-standing one on both sides of the right-left political spectrum. Both the neo-Marxist and the rational choice perspective tend to see the actions of city governments as largely determined by economic forces (Mollenkopf 1983, Chapter 2). The Marxist and neo-Marxist analysts see capitalism as dominating urban governance and determining the fate of cities (Brenner and Theodore 2002; Harvey 1989; Katznelson 1993;

Smith 1982). These theorists argue, simply, that the expansion and contraction of the market determines the opportunities and constraints facing cities. When the market deems the city profitable, the city flourishes, and when the market risks a loss, the city declines. According to such theories, governmental and other local institutions must accommodate themselves to the needs of the market, and attracting business investment dominates the policymaking process (Friedland and Palmer 1984). Marxist theories of urban governance, however, may not be able to explain why cities with similar positions and roles in the capitalist system, such as Detroit and Baltimore, have had different outcomes in the foreclosure crisis.

Regulationists are in the same family as the Marxists (Harvey 1989, Jessop 1997, Painter 1995). Regulation theory highlights the role of social and political institutions in creating the capitalist system. It argues that cultural norms, values, and social and political activities shape the capitalist processes of accumulation, reproduction, consumption and circulation. Norms and values do not regulate the market, but have a more circumstantial and passive impact. The market is still central to urban governance, but operates at least in part through the domain of norms and values. While regulation theory may seem like a better lens through which to analyze how policy has influenced the housing market because it allows for some variation in local norms and values, it still describes political actions as a function of a division of labor, as in industrial organization. Regulation theory thus does not lend itself to a detailed deconstruction of the many possible influences and actions that may yield many varieties of urban policymaking, each of which can have a different impact on local market environments.

While public choice theorists are generally on the opposite end of the ideological spectrum, they also view the fate of cities from a market perspective (Peterson 1981; Tiebout 1956). They contend that if urban governments act in ways that are detrimental to a city's market competitiveness, such as by having a progressive tax system or many services for the poor, they will only stimulate capital to leave the city, yielding urban decline within a competitive system of cities. It is in the interest of urban governments, therefore, to take actions that enhance the local economy. Cities that are straddled with impoverished residents must pay even more attention to promoting economic growth if they are to pay for welfare services. In public choice theory, residents vote with their feet and will move to communities that meet their service needs at the lowest cost.

Public choice theory, like the Marxist and regulationists, rests on the argument that private actors, be they employers or residents, and market mechanisms will have far more influence on the condition of their cities than do urban government coalitions. Yet local decision makers in Detroit and Baltimore, both subject to deindustrialization and disinvestment, adopted unique and different policy strategies and governing agendas, which arguably have yielded different mortgage foreclosure rates. Furthermore, while the public choice approach may explain why better-off people left Baltimore and Detroit as these cities proved less able to provide their desired services, it does not clarify why poor residents remained behind in both places despite lower quality of life and higher taxes and costs of living.

A third and potentially more helpful political perspective is provided by non-Marxist political economists who argue that the actors who make up urban governing coalitions have a large impact on the decisions and policies of urban governments (Ferman 1996, DiGaetano and Klemanski 1999, DiGaetano and Strom 2003, Jones-Correa 2001, Mollenkopf 1983, Pierre 1999, Sonenshein 2003, Stone 1989, 2005). A body of stakeholder's forms alliances with elected city leadership to comprise a governing coalition that adopts policies around specific issue areas. This idea differs from traditional pluralist approaches that might see governing coalitions as an arena where different stakeholders negotiate policies based on competing interests (Dahl 1961, Judge, Stoker, and Wolman 21995). Stakeholders can include business elites, unions, civic groups, educational and health institutions, philanthropic and charitable sectors, ethnic associations, nonprofit community-based organizations, and political party organizations. This theory contends that varying alliances result in different kinds of short-term policy orientations and therefore different economic, social, and geographic outcomes, with markets playing mainly a background role in local urban governance. My comparison of the development and impact of foreclosures responses in Baltimore and Detroit will contribute to the development of this strain of theory.

Theorists of governing coalitions have argued that the makeup of the urban leadership alliance determines the policy choices sought. They have identified a range of governing formats, including urban regimes, progrowth coalitions, growth management coalitions, and social reform alliances. Regimes are partnerships among business, social, and political interests whose jointly negotiated program or agenda persists through multiple mayoral administrations (Stone 1989). Because private sector elites are a core partner, urban regimes tend to prioritize growth and economic development. Yet governing coalitions may also include interest groups working to preserve environmental sustainability in the metropolitan region, thus yielding a green form of growth management, or when community-based organizations and activist groups have greater involvement in forming the coalition, decision-making may prioritize social reform policies to support public welfare, affordable housing, and anti-poverty measures (Mossberger and Stoker 2001).

The role of nonprofit and/or community-based organizations in shaping governing coalitions and agendas is important to highlight. Over the past few decades, nonprofit and community-based organizations have played a steadily increasing role as service providers and constituents of urban governance structures (Ferris 1998, Jackson 1995, DiGaetano and Klemanski 1999, Salamon 2002). Hula, Jackson, and Orr go so far as to argue that nonprofits can "restructure local political agendas" because of their growing "number of roles and responsibilities traditionally identified with formal governmental authorities, including the identification of citizen preferences, program design, securing public resources, and marshaling public opinion" (1997, p. 478). Salamon also argues that nonprofits and other third-party contractors have become an integral part of urban governance, in part due to their growing role in service delivery structures (1987). Because this service delivery role occurs independent of government activity, and in many places, at the neighborhood level, some contend that nonprofits have greater capacity than government agencies to respond to crises and be problem solvers (Clarke 2001). Taking it a step further, Nichole Marwell found that community organizations engender their own relationships with economic and political institutions and are not just the recipients of urban governance, but can also drive it (2007). On the other hand, DeFilippis, Fisher, and Shragge argue that the focus of nonprofits and community organizations to deliver services has made them apolitical moderators between citizens and local government, decreasing their ability to substantially address economic and social justice (2010). The role and influence of community organizations in urban governance varies across cities, and may depend on whether urban governments are more or less open to "more conventional means of making claims," (Meyer and Minkoff 2004, p. 1459). All of these factors may affect how policies are formulated, funded, adopted, and implemented, evaluated and changed.

How and how well local stakeholders respond to crisis is a central theme in this dissertation. Increased foreclosures created severe declines in the economic wellbeing of many homeowners as well as the overall condition of many neighborhoods, which challenged the tax base and quality of life of the cities that contained them. This study will use the lens of regional resiliency to analyze local responses in Baltimore and Detroit. Described by Swanstrom, Chapple, and Immergluck (2009) and Foster (2006), resiliency speaks to the ability of local stakeholders to assess a problem; to plan and implement a response; and ultimately to recover from some form of disturbance. This literature views resilience as a function of institutional capacities to undertake these activities. Thus, my dissertation will examine whether and how local institutions came together to address increased mortgage foreclosures and their impact on these cities.

Kathryn Foster (2006) provides a framework for understanding and measuring resilience. A region's ability to withstand great challenges, whether slow and chronic or sudden and traumatic, can be evaluated in two parts, according to Foster. First, "preparation resilience" occurs when regions have "assessed" possible challenges and created strategies to develop a "readiness" for when those challenges occur (Foster 2006). Second, "performance resilience" is present when regions have a solid and organized "response" to crises and undergo "recovery" (Foster 2006). Foster developed a Resilience Capacity Index (RCI), which creates a score for each city based on three capacities (Regional Economic Capacity, Socio-Demographic Capacity, and Community Connectivity Capacity) each made up of four weighted factors including education attainment, income inequality, homeownership, voter turnout, and others (Foster 2012). Compared with other cities in the United States, Baltimore ranks 30$^{th}$ and Detroit 159$^{th}$ in terms of their RCI score (Building Regional Resiliency 2015).

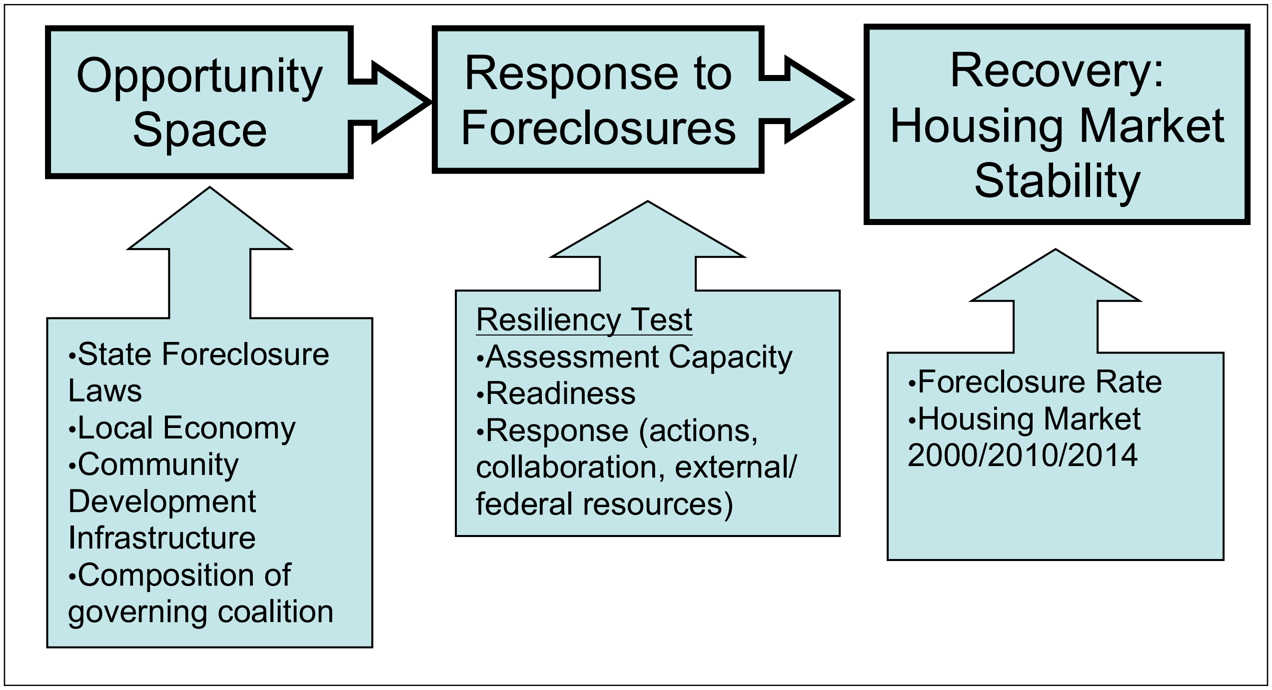
According to Foster's RCI calculations, Baltimore ranks higher than Detroit in Regional Economic Capacity and Socio-Demographic Capacity. Regional Economic Capacity includes income equality; the diversification of industries; affordability in the region; and the extent to which the business environment is considered dynamic measured by a high number of small businesses, the degree of internet connectivity, and other factors. Socio-Demographic Capacity factors include the degree to which populations are educated, not in poverty, not disabled, and covered by health insurance. Detroit, however, ranked higher than Baltimore in Community Connectivity, which measures the extent to which residents have stayed in the region, the homeowner and voter participation rate, and the per capita concentration of civic organizations (including social and service organizations, labor unions, and advocacy organizations). The findings from the RCI are instructive to the contexts in which local stakeholders were responding to the foreclosure crisis and more of this will be explored throughout this dissertation. The finding about community connectivity is particularly interesting since my dissertation argues that Baltimore's network of organizations and funders is more connected than in Detroit.

*Argument: Strong Community Development Networks Matter*

As described above, my dissertation will use the resiliency framework and the theory that urban governments prioritize policies based on the makeup of the governing coalition in order to address the question of whether local policies and governing arrangements have a clear impact on the dynamics of the foreclosure crisis. Specifically, it will explore how local stakeholders worked to respond to the foreclosure crisis in Baltimore and Detroit and examine how the community development infrastructure differentially shaped those responses in each city. With Detroit's foreclosure rate being significantly higher than Baltimore's, with severe negative neighborhood consequences, and given that Baltimore and Detroit are both weak market cities that have suffered from significant declines in population and housing occupancy, my hypothesis is that market forces alone cannot explain this diversity of outcomes. With regard to the foreclosure crisis, my hypothesis is that Baltimore has a governing coalition comprised of a broad and deep network of organizations that engage in and support community development, giving it comparatively greater resilience against the rate of foreclosures and its impact on neighborhoods. Though mortgage foreclosures hit both cities, preexisting relationships between its community development organizations and foundations, along with a supportive city government, better prepared Baltimore's governing coalition, enabling it to show greater resiliency to the crisis. In Foster's terms, preparatory resilience generated performance resilience.

Inspired by the resilience framework, the outline for my argument is explained in Figure 1.1 below. Starting from the outcomes, "Housing Market Stability" will be described by measuring foreclosure rates and any changes in the housing market in both cities. The measure compares the citywide rate of foreclosure starts annually between 2007-2010. The methodology is described in greater detail below. The argument hypothesizes that overall housing market stability depends a great deal on how local actors developed an initial "Response to Foreclosures." This includes how local actors utilized data to assess the problem and develop readiness and what strategies they deployed to assist homeowners undergoing foreclosure as well as remediate negative neighborhood effects from vacant, foreclosed homes. How local actors respond to the foreclosures depends, however, on the local "Opportunity Space:" the legal, economic, and institutional context in each city, including local community development stakeholders and their roles, such as government agencies, city leadership, foundations, and nonprofits; as well as the composition of the governing coalitions. There were limitations in the degree that my dissertation could evaluate the recovery of each city. Given the timeframe of my research, from 2007-2010, the outcomes of the strategies deployed in each city could not be measured. For both cities, the programs and initiatives developed to respond were still nascent. As such, my dissertation focuses more on the assessment, readiness and response, than on the recovery.

**Figure 1.1 Urban Resiliency Framework**




My dissertation will argue that the differences in the formation of community development infrastructures of Baltimore and Detroit strongly shaped how local stakeholders responded to the mortgage foreclosure crisis. It hypothesizes that where the local governments, foundations, and nonprofit organizations had a history of supporting and engaging in such a community development infrastructure, such as in Baltimore, stakeholders were quicker and more effective at recognizing the problem, addressing neighborhood needs, and ultimately stemming greater loss of homes. When mortgage foreclosures began to rise in 2007, these stakeholders had systems in place that equipped them to respond. In turn, this response helped prevent the mortgage foreclosure crisis from growing larger. This hypothesis will be tested by comparing the opportunity spaces, responses to foreclosures, and housing market stability outcomes across the cities.

**Methodology**

My dissertation is a comparative analysis of the case-oriented type and follows a process-tracing framework. The comparative method is described by Della Porta (2008) as one of three approaches to comparative analysis, along with experimental method and the statistical method. The experimental method creates data by controlling for the effect of changes on a dependent variable by keeping other independent variables constant. In the social sciences, there is rarely an opportunity to create situations where an experiment such as this can be conducted as researchers primarily study phenomena after it occurs. The statistical method uses large sample sizes or *n*, Della Porta explains, to compare empirical evidence through "mathematical elaboration" (2008, p. 201). There are limitations to such studies, however, according to King, Keohane, and Verba (1994). Large *n* studies rely on each case as on independent observation, without considering the context in which that observation took place. In addition "Large-scale studies may depend upon numbers that are not well understood by the naïve researcher working on a data base…the researcher working closely with the materials and understanding their origin may be able to make the necessary corrections," (King, Keohane, and Verba 1994, p. 69).

Unlike these two methods, using the comparative method with small samples (anywhere from two to twenty cases) is appropriate for studying complex historical phenomena. The comparative method uses a "systemic comparative illustration" to hypothesize relationships between variables (Smelser 1976, p. 158). This systemic process includes a careful selection of cases that is both representative of the phenomenon being studied and that evaluates similarities and difference between the cases (King, Keohane, and Verba 1994; Safford 2004).

My methodology is also inspired by Charles Ragin's *qualitative comparative analysis*, which argues for small to medium size *n* studies that systematically analyze similarities and differences in order to discover factors or combinations of factors that, when occurring or not occurring, appear to lead to certain outcomes (2004). In these comparisons, small *n* studies benefit from choosing cases that are similar, except for the particular outcome of interest. In the case of my dissertation, Baltimore and Detroit are two weak market cities with similar demographic and socioeconomic characteristics, but whose housing markets and resulting mortgage foreclosure rates diverged. According to Della Porta, the comparative method is common and preferred among social and political scientists in order to study institutions or macropolitical dynamics (2008). It allows for a deeper understanding of historical processes as well as individual and institutional actions because it can go beyond statistical descriptions of phenomena.

Comparing processes and actions in two cities enables researchers to be able to identify factors that make one city more resilient than other, particularly by examining what is different and what is the same. Comparative analyses are useful as a way to unearth potential explanatory variables by examining whether processes occurring in one case also occur in another. The analysis finds the processes that do not exist in both cases as a way to determine what factors may explain disparate outcomes. In other words, if an outcome exists in one case, the explanation may not be apparent until comparing it to a case where a difference in the process led to a different outcome. Without comparing the two cases in such a detailed manner, the potential explanatory variable may not have been discovered because it did not exist in the first case. This was particularly salient to bringing Detroit and Baltimore together in this study. Adhering to a systemic analysis, my research focused on comparing standardized pieces of data and elements across both cities, both in the primary and secondary data collection processes.

The comparative method in this instance is case-oriented, described by Della Porta (2008, p. 204):

> The case-oriented strategy focuses upon a relatively small number of cases, analyzed with attention to each case as an interpretable whole, seeking to understand a complex unity rather than establish relationships between variables…with a large number of characteristics being taken into account, often together with their interaction within long-lasting processes.

This method is ideal for my study of the complex institutional and organizational relationships within two cases. In both cities, the research identifies several different characteristics including political history, governing coalitions, demographic and socioeconomic data, housing market indicators, philanthropic and public funding, role of non-profits, types of foreclosure mitigation, and neighborhood revitalization strategies that have helped define resilience in the environment of economic crisis.

The final piece of my methodological framework is to use a process tracing approach to bring the data together to form a "causal mechanism" that can highlight relationships between independent and dependent variables (Vennesson 2008). Process tracing allows for in-depth investigations into what happened, as well as how and why it happened. It often takes a qualitative research approach incorporating interviews, observations, and review of historical or programmatic documentation to create a detailed narrative that develops analytical explanations and a causal route to specific findings about the occurrence in question. Process tracing frames my approach to data collection and analysis in the case of studying local responses to the foreclosure crisis. Using interview data and historical research, in particular, enabled me to study the institutional context in which local responses occurred. This, combined with the primary and secondary data, creates an analytical narrative about how local stakeholders took action and what influenced those practices.

*Data Collection: Mixed Methods Approach*

My research and data collection focused on the years 2007-2010, beginning with the start of the Great Recession in December 2007, as well as adoption of major federal initiatives to address the foreclosure crisis, namely the three rounds of the National Stabilization Program approved through Congress in 2008, 2009, and 2010. The majority of my data collection, discussed below, was focused on that period of time. However, some attention is given to the early stage foreclosure crisis, in particular, as early as 2005, because important events occurred in each city that influenced the way stakeholders responded to the crisis. To follow up on longer-term outcomes, foreclosure and housing market data between 2010 to 2014 was also collected.

My research collected both primary and secondary data. In each city, in-depth interviews were conducted with stakeholders in the community development sector, including staff at city or state government agencies, nonprofit organizations who worked at a city or state-wide level, community nonprofits that focused on specific neighborhood geographies, and foundations, which were active in their city's response to the foreclosure crisis. Table 1.1. reports the number of respondents in each of those categories in both cities.

**Table 1.1. Interview Respondents**

| City | Gov. Agencies | Nonprofits | Community Orgs. | Foundations | Total |
|---|---|---|---|---|---|
| Baltimore | 3 | 8 | 4 | 3 | 18 |
| Detroit | 1 | 11 | 3 | 3 | 18 |
| | | | | TOTAL | 36 |

Each interview was sixty to ninety minutes long. The majority of the conversations were conducted in person over two visits each to Baltimore and Detroit. A few interviews were done over the phone. The interviews included the following questions:

- Please first tell me about your background and what your organization/agency does?
- How did you or your organization first hear about mortgage foreclosures?
- How did your organization choose to respond? Please tell me about how you came to that decision and strategy?
- What were your biggest challenges?
- Who were your biggest partners?
- To what degree did you work with government agencies, state or local?
- What other organizations and entities did you work with? Foundations? Banks?
- Looking back, is there anything you would have done differently?
- What would you have done more of if you had the resources?
- What would you say are the City's biggest community development priorities?
- Who would you say are the stronger community development actors in this city? Who has influence over developing and implementing community development strategies?

My initial list of potential interview subjects was developed through document analysis, initial conversations with academic and professional contacts, and an Internet search. Many of the foundation plans, white papers, and community development websites listed individuals who were either the executive director or responsible for planning and implementing community development or foreclosure-related initiatives. In a snowball sampling technique, each of these individuals provided recommendations for additional participants.

While my interviews did not exhaust the community development field in either city, my sample of informants is representative of the organizations involved in foreclosure response activities undertaken between 2007-2010. Interviews were conducted with people from a wide variety of organizations that work on community development to better understand how the organizations worked together. As more interviews were conducted, they mentioned the same names and activities over and over, and the information from informants largely corresponded with written reports on foreclosure response activities. Where possible, written reports provided background information for understanding the community development context and, for periods that were not covered by written reports, or covered sparsely, the interviews informed my understanding of the local foreclosure response strategies. The majority of the subjects were willing and able to meet with me; two government officials (one in each city) did not respond to repeated requests for an interview. No current representatives from Detroit city government departments were willing to be interviewed, though three respondents were former members of city government; a former councilperson who had been in office for sixteen years, including during the foreclosure crisis; a researcher who worked in the City's budget office for over a decade; and two practitioners were a part of the staff of two former mayors. All of the participants gave informed consent to participate in the study as confidential subjects (this study was approved under IRB #09-03-1712).

To provide further background, my document review included academic papers; foundation data and organizational reports; city, state, and federal documents; and newspaper articles from local and national newspapers, related to foreclosure responses activities. Finally, my comparison of Baltimore and Detroit drew on population, demographic, economic, and housing market data sourced primarily from the U.S. Census and American Community Survey.

Foreclosure data were obtained from local government agencies and data clearinghouses such as Baltimore Housing and Data Driven Detroit. The next section sets the stage for this dissertation by outlining overall historical data and the results from the analysis of secondary data.

### The Case Study Cities

In 1950, Detroit and Baltimore were the 5th and 6th largest cities in the United States. Tables 1.2 and 1.3 below document general population and socioeconomic data for the two cities and their surrounding metropolitan regions.

**Table 1.2. Population Change 1950-2010***

| | Baltimore City | Metro Without Baltimore | Detroit City | Metro Without Detroit |
|---|---|---|---|---|
| Population 1950 | 949,708 | 387,665 | 1,849,508 | 1,166,689 |
| Population 2010 | 620,961 | 2,089,528 | 713,777 | 3,582,473 |
| % Change | -35% | 439% | -61% | 207% |

*Source: U.S. Census, 1950, 2010.

Both cities of Baltimore and Detroit have declined in population, while their metropolitan regions have grown. Detroit's population decreased by a much greater percentage than Baltimore, and Metropolitan Baltimore's population also grew at a greater percentage than Detroit's.

**Table 1.3. Population Race and Ethnicity***

| | Baltimore City | Detroit City |
|---|---|---|
| Race/Ethnicity 1950 | | |
| Non-Hispanic Black/African American | 23.2% | 15.9% |
| Hispanic | 0.5% | 0.7% |
| Non-Hispanic White | 76.1% | 83.2% |
| Non-Hispanic Asian | 0.01% | 0.0% |
| Non-Hispanic Other | 0.0% | 0.0% |
| | | |
| Race/Ethnicity 2010 | | |
| Non-Hispanic Black/African American | 63.7% | 82.7% |
| Hispanic | 4.1% | 6.8% |
| Non-Hispanic White | 29.6% | 7.8% |
| Non-Hispanic Asian | 2.3% | 1.1% |
| Other | 2.2% | 3.4% |

*U.S. Census, 1950, 2010.

Between 1950 and 2010, the White and Black/African American populations inverted in both cities. In Baltimore, Whites were the majority in 1950, making up 76.1% of the population. In 2010, Black/African Americans made up the majority at 63.7%. Similarly, in Detroit, 83.2% of the population was White in 1950, and in 2010, 82.7% was Black/African American. While both cities are majority people of color and minority White, in Baltimore, the Black/African American population is 23% less of the population than Detroit's. Conversely, Detroit's White population is only about a 1/3 of Baltimore's share of the White population. Table 1.4 presents resident economic data for both cities.

**Table 1.4. Employment & Income**

| | **Baltimore City** | **Detroit City** |
|---|---|---|
| Median Household Income | | |
| 2000[1] | $31,767 | $29,526 |
| 2009-2013[2] | $41,385 | $26,325 |
| Unemployment Rate[3] | | |
| 2000 | 10.7% | 13.8% |
| 2010 | 11.2% | 24.8% |
| % Employment in Manufacturing | | |
| 1950[4] | 29.0% | 46.0% |
| 2000[1] | 7.8% | 18.8% |
| % Change | -73.1% | -59.1% |
| Poverty Rate | | |
| 2000[1] | 22.9% | 26.1% |
| 2009-2013[2] | 23.8% | 39.3% |

[1]Source: U.S. Census Bureau, 2000

[2]Source: American Community Survey, 2009-2013
[3]Source: U.S. Bureau of Labor Statistics
[4]Source: U.S. Census Bureau, 1950

Differences begin to emerge between Detroit and Baltimore in the economic indicators, particularly between 2000 and 2013. The median household income (MHI) in both cities was right around $30,000 in 2000, but by 2009, Baltimore's increased to $41,385, about $15,000 more than the MHI in Detroit, and Detroit's MHI actually decreased between 2000-2009 to $26,325. The change in unemployment and poverty rates followed a similar pattern. Detroit had a higher unemployment rate in 2000, 13.8% compared to 10.7% in Baltimore. Yet, in 2010, Baltimore had increased only slightly to 11.2%, while Detroit's unemployment rate almost doubled.

The manufacturing share of employment is one way to explore how industry has changed in each city and to observe the diversity of the employment market. Employment in manufacturing declined significantly in both cities. Baltimore decreased by 73% and Detroit by 59%. By 2000, manufacturing only made up 7.8% of the job market in Baltimore, compared to 18.8% in Detroit. Detroit's poverty rate was higher than Baltimore's in 2000, then it increased by about 13 percentage points by 2009, compared to Baltimore, which only increased by 1 percentage point. To measure and compare the housing market in both cities, data was collected on a number of housing indicators, shown in Table 1.5.

**Table 1.5. Housing Market in Baltimore and Detroit**

| | Baltimore City | Detroit City |
|---|---|---|
| Homeownership Rate[1] | | |
| 2000 | 50.3% | 54.9% |
| 2010 | 48.3% | 51.9% |
| Median Housing Value[1] | | |
| 2000 | $69,100 | $63,600 |
| 2010 | $157,900 | $50,400 |
| Vacancy Rate[1] | | |
| 2000 | 5.6% | 4.7% |
| 2010 | 7.7% | 11.3% |
| Mortgage Foreclosure Rate (Foreclosure | | |

| | | |
|---|---|---|
| Filings/% of Housing Units)[2] | | |
| 2007 | 1.29% | 3.41% |
| 2008 | 1.22% | 3.85% |
| 2009 | 2.00% | 3.18% |
| 2010 | 1.47% | 3.36% |

[1]Source: U.S. Census, 2000, 2010
[2]Source: Baltimore Housing, 2010; Data Driven Detroit, 2010

Both cities have been challenged by significant population losses, leading to weak housing markets and oversized footprints. The rate of home ownership in both decreased slightly from 2000 to 2010. The median housing value, however, changed dramatically in each city from 2000 to 2010. During those years, Baltimore's median housing value almost doubled, while Detroit's decreased by 21%. The vacancy rate increased in both cities, but only by about 2 percentage points in Baltimore compared to almost two and a half times in Detroit.

When the mortgage foreclosure crisis really started to hit cities across the country, Detroit was in the top 5 major cities with the highest foreclosure rates. In 2007, the Detroit metropolitan region ranked first in the nation for foreclosure rates, while the Baltimore metropolitan region was number 66 in the top 100 metro regions (Realty Trac 2008). From 2007-2010, Detroit's foreclosure rate remained high, never dipping below 3% of all housing units. Baltimore started out very low, at 1.29% of housing units in mortgage foreclosure, peaked in 2009 at 2%, then decreased back down to 1.47%. At Baltimore's highest mortgage foreclosure rate in 2009, the metro region ranked 108th and Detroit ranked 35th across the nation, as more cities began to feel the repercussions of the economic recession (Realty Trac 2010).

My research collected data on funding related to local responses to the mortgage foreclosure. Such funds came from two sources in both cities, philanthropy and the federal government including Neighborhood Stabilization Program (NSP), the National Foreclosure Mitigation Counseling (NFMC) program, Home Affordable Modification Program (HAMP), Home Affordable Refinance Program (HARP), and Home Affordable Foreclosure Alternatives (HAFA). NSP provided resources for localities to acquire and redevelop foreclosed properties. HAMP funded incentives for lenders and servicers who voluntarily modified the loan terms of mortgage in order to lower loan payments for homeowners. More about HAMP and how it was used in Baltimore and Detroit is discussed in Chapter 4. HARP offered refinancing for homeowners with mortgages backed by Freddie Mac or Fannie Mae and whose home value had fallen below the value of their mortgage. Finally, HAFA allows qualifying homeowners to undergo either a short-sale where the home is sold at below the value of the mortgage, but the lender forgives the remaining mortgage amount; or a Deed-in-Lieu of foreclosure, which returns the title for the home and the ownership back to the lender without consequence. Funding data is not available for HAMP, HARP, and HAFA, but Table 1.6., below, reports the amount of NSP funding allocated for each city, as well as how NSP funds were used. In Baltimore, NSP funds were used to acquire and rehab foreclosed properties, as well as assistance to new homeowners for financing and purchase incentives. In Detroit, funds were used for this as well as demolition, new construction to replace demolished properties, and a very small amount for housing counseling. These data were obtained by the U.S. Housing and Urban Development from the action plans developed by the local applicants. In total, Baltimore was allocated $31.8 million dollars and Detroit was allocated $109.9 million dollars, almost 3 and a half times as much as Baltimore.

**Table 1.6. Neighborhood Stabilization Program Funding***

| City | Round | Allocation | Organization | Purpose | Amount | % |
|---|---|---|---|---|---|---|
| Baltimore | NSP1 2009 | $4,112,239 | City of Baltimore | Acquisition | $2,500,239 | 60.8% |
| | | | | Rehab | $1,412,000 | 34.3% |
| | | | | Admin | $200,000 | 4.9% |
| | NSP2 2010 | $26,092,880 | Healthy Neighborhoods, Inc. | Admin | $2,609,288 | 10.0% |
| | | | | Acquisition/ Rehab | $22,933,000 | 87.9% |
| | | | | Homeowner Financing | $75,000 | 0.3% |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | Direct Purchase by Homeowners | $950,000 | 3.6% |
| | NSP3 2011 | $1,600,000 | State of MD-East Baltimore Dev. Inc. | Acquisition/ Rehab | $1,600,000 | N/A |
| | **Total** | **$31,805,119** | | | | |
| Detroit | NSP1 2009 | $47,137,690 | City of Detroit | Acquisition | $4,000,000 | 8.5% |
| | | | | Admin | $4,713,769 | 10.0% |
| | | | | Demolition | $14,000,000 | 29.7% |
| | | | | Disposition | $4,200,000 | 8.9% |
| | | | | Housing Counseling | $500,000 | 1.1% |
| | | | | New Construct | $4,000,000 | 8.5% |
| | | | | Public Improvements | $2,000,000 | 4.2% |
| | | | | Rehab | $13,723,921 | 29.1% |
| | NSP2 2010 | $40,799,351 | State of MI- City of Detroit | Demo/Acquisition/ Rehab | $40,799,351 | N/A |
| | NSP3 2011 | $21,922,710 | City of Detroit | Planning/ Admin | $2,192,271 | 10.0% |
| | | | | Acquisition/Rehab | $13,538,168 | 61.8% |
| | | | | Financing Assistance | $3,500,000 | 16.0% |
| | | | | Demolition | $1,192,271 | 5.4% |
| | | | | Redevelop | $1,500,000 | 6.8% |
| | **Total** | **$109,859,751** | | | | |

*HUD Exchange. About Grantees: Detroit & Baltimore. Accessed August 30, 2015. https://www.hudexchange.info/grantees/

Financial support for local responses to foreclosures was also provided by private philanthropy in each city. In Baltimore, seven (7) foundations provided a total of $2.7 million dollars to eleven (11) nonprofit organizations from 2005-2010. Table 1.7. provides more detail on these data. In both the tables for Baltimore and Detroit (Table 1.8), "foreclosure prevention" strategies primarily included counseling for homeowners facing foreclosure. "Neighborhood revitalization" refers to redevelopment activities for foreclosed properties. In addition, there were related activities, such as research on mortgage foreclosure activity that was is also included below.

**Table 1.7. Baltimore Philanthropic Support for Foreclosure Response[1]**

| Year | Foundation | Grantee | Amount | Purpose |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| 2005 | Goldseker Foundation | Community Law Center | $50,000 | Foreclosure Prevention |
| | Goldseker Foundation | Bel-Air Edison Neighborhoods Inc. | $55,000 | Foreclosure Prevention, Neighborhood Revitalization |
| | Abell Foundation | St. Ambrose Housing Aid Center | $100,000 | Foreclosure Prevention |
| 2006 | Goldseker Foundation | Baltimore Neighborhood Collaborative | $60,000 | Neighborhood Revitalization |
| | | Baltimore Homeownership Preservation Coalition | $5,000 | Foreclosure Prevention |
| | | Bel-Air Edison Neighborhoods Inc. | $55,000 | Neighborhood Revitalization, Foreclosure Prevention |
| | | Southeast Community Development Corporation | $50,000 | Neighborhood Revitalization |
| 2007 | Goldseker Foundation | Southeast Community Development Corporation | $50,000 | Neighborhood Revitalization |
| | | Baltimore Neighborhood Collaborative | $35,000 | Neighborhood Revitalization |
| | | Baltimore Efficiency & Economy Foundation, Inc | $12,500 | Lending and Mortgage Foreclosure Research Project |
| | | St. Ambrose Housing Aid Center | $100,000 | Foreclosure Prevention |
| | Abell Foundation | Bel-Air Edison Neighborhoods Inc. | $35,000 | Foreclosure Prevention |
| | The Baltimore Community Foundation | Bel-Air Edison Neighborhoods Inc. | $20,000 | Foreclosure Prevention |
| 2008 | Goldseker Foundation | Baltimore Neighborhood Collaborative | $50,000 | Neighborhood Revitalization |
| | Abell Foundation | Baltimore Neighborhood Collaborative | $50,000 | Foreclosure Prevention |
| | | Bel-Air Edison Neighborhoods Inc. | $35,000 | Foreclosure Prevention |
| | | Maryland ACORN | $35,000 | Foreclosure Prevention |
| 2008 cont… | Annie E Casey Foundation | St. Ambrose Housing Aid Center | $20,000 | Foreclosure Prevention |
| | | Civil Justice, Inc. | $40,000 | Foreclosure Prevention |
| | Open Society Institute | Baltimore Homeownership Preservation Coalition | $230,000 | Foreclosure Prevention |
| | | Civil Justice, Inc. | $250,000 | Foreclosure Prevention |
| | Citi Foundation | St. Ambrose Housing Aid Center | $45,000 | Foreclosure Prevention |
| 2009 | Goldseker Foundation | Baltimore Neighborhood Collaborative | $50,000 | Neighborhood Revitalization |
| | Abell Foundation | Civil Justice, Inc. | $90,000 | Foreclosure Prevention |
| | Open Society Institute | Baltimore Homeownership Preservation Coalition | $120,000 | Foreclosure Prevention |
| | Citi Foundation | Community Law Center | $25,000 | Foreclosure Prevention |

| | | | | |
|---|---|---|---|---|
| 2010 | Goldseker Foundation | Bel-Air Edison Neighborhoods Inc. | $20,000 | Foreclosure Prevention |
| | | Baltimore Homeownership Preservation Coalition | $20,000 | Foreclosure Prevention |
| | | Baltimore Neighborhood Collaborative | $50,000 | Foreclosure Prevention |
| | Abell Foundation | Baltimore Neighborhood Collaborative | $50,000 | Foreclosure Prevention |
| | | Bel-Air Edison Neighborhoods Inc. | $35,000 | Foreclosure Prevention |
| | | St. Ambrose Housing Aid Center | $50,000 | Foreclosure Prevention |
| | Open Society Institute | Baltimore Homeownership Preservation Coalition | $400,000 | Foreclosure Prevention |
| | | Public Justice Center | $200,000 | Foreclosure Prevention |
| | | Baltimore Homeownership Preservation Coalition | $110,000 | Foreclosure Prevention |
| | Harry and Jeannette Weinberg Foundation | Bel-Air Edison Neighborhoods Inc. | $40,000 | Foreclosure Prevention |
| | | Neighborhood Housing Services of Baltimore | $25,000 | Foreclosure Prevention |
| | | Total | $2,667,500 | |

[1]"Foundation Maps" The Foundation Center. Accessed August 30, 2015. http://maps.foundationcenter.org/home

The philanthropic sector in Detroit also contributed grant funds to support local responses to the foreclosure crisis. Between 2007-2010, seven foundations contributed a total of $8.0 million to 5 nonprofit organizations to support foreclosure response strategies, which included homeowner counseling and mitigation activities, as well as rehabilitation of real estate owned (REO) properties. The same number of foundations in Detroit provided almost three times as much in grant funding to less than half of the number of grantees in less time than in Baltimore. Table 1.8 details each grant.

**Table 1.8. Detroit Philanthropic Support for Foreclosure Response**[1]

| | | | | |
|---|---|---|---|---|
| 2007 | JP Morgan Chase Foundation | Southwest Housing Solutions | $20,000 | Foreclosure Prevention |
| | Kresge Foundation | Southwest Housing Solutions | $500,000 | Foreclosure Prevention |
| 2008 | Bank of America Charitable Foundation | Southwest Housing Solutions | $100,000 | Foreclosure Prevention |
| | Community Foundation for Southeast Michigan | DEGC-Office of Foreclosure Prevention & Response (OFPR) | $25,000 | Foreclosure Prevention |
| | Ford Foundation | DEGC-OFPR | $2,000,000 | Foreclosure Prevention |

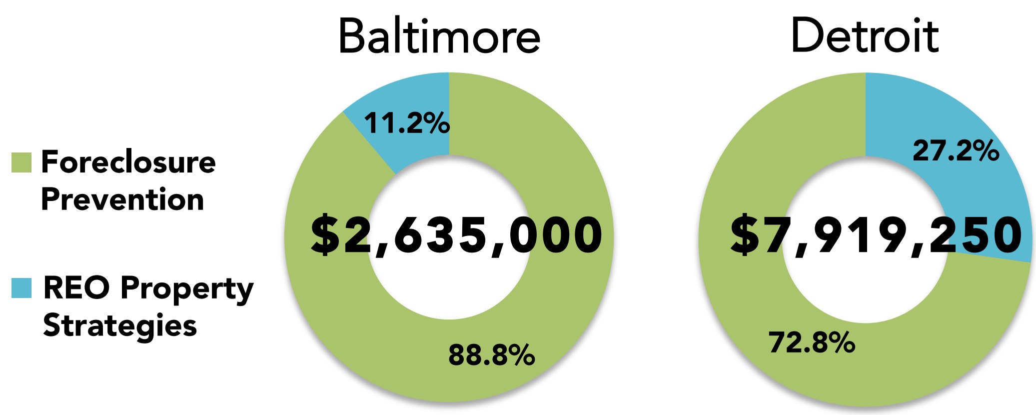
| | | | | |
|---|---|---|---|---|
| | | Shorebank Enterprise Detroit | $2,000,000 | Neighborhood Revitalization |
| | Hudson Webber Foundation | DEGC-OFPR | $50,000 | Foreclosure Prevention |
| | JP Morgan Chase Foundation | Southwest Housing Solutions | $79,000 | Foreclosure Prevention |
| | Kresge Foundation | DEGC-OFPR | $750,000 | Foreclosure Prevention |
| | | Michigan Community Resources | $155,250 | Neighborhood Revitalization |
| | Living Cities, Inc. | DEGC-OFPR | $500,000 | Foreclosure Prevention |
| | The Skillman Foundation | Community Dev. Advocates of Detroit | $210,000 | Foreclosure Prevention |
| | | DEGC-OFPR | $175,000 | Foreclosure Prevention |
| | | Southwest Housing Solutions | $250,000 | Foreclosure Prevention |
| 2009 | Bank of America Charitable Foundation | Southwest Housing Solutions | $100,000 | Foreclosure Prevention |
| | Community Foundation for Southeast Michigan | DEGC-OFPR | $25,000 | Foreclosure Prevention |
| | Hudson Webber Foundation | DEGC-OFPR | $50,000 | Foreclosure Prevention |
| | JP Morgan Chase Foundation | Southwest Housing Solutions | $100,000 | Foreclosure Prevention |
| | The Skillman Foundation | DEGC-OFPR | $100,000 | Foreclosure Prevention |
| 2010 | Bank of America Charitable Foundation | Southwest Housing Solutions | $50,000 | Foreclosure Prevention |
| | Ford Foundation | DEGC-OFPR | $500,000 | Foreclosure Prevention |
| | Hudson Webber Foundation | DEGC-OFPR | $50,000 | Foreclosure Prevention |
| | JP Morgan Chase Foundation | Southwest Housing Solutions | $230,000 | Foreclosure Prevention |
| | | Total | $8,019,250 | |

[1] "Foundation Maps" The Foundation Center. Accessed August 30, 2015. http://maps.foundationcenter.org/home

More details on the response activities in both cities are discussed in Chapter 4. The tables above only present a summary. Figure 1.2 demonstrates the fraction of philanthropic funding that was contributed to foreclosure prevention compared to rehabilitation of foreclosed and REO properties. More than twice the funds were used for demolition in Detroit than in Baltimore. Because Baltimore has more attached row houses, demolition there is more difficult, so fewer funds are used for demolition. In Detroit, more homes are single-family detached structures.

**Figure 1.2. Philanthropic Investments in Foreclosure Response Activities, 2005-2009***

*




"Foundation Maps," The Foundation Center. Accessed August 30, 2015. http://maps.foundationcenter.org/home

The secondary data presented here indicate the two cities had quite similar past trajectories in terms of their local economies and the impact of a declining population base. Differences in their housing markets over the last decade, however, offer an opportunity to explore differences in housing and community development strategies. The primary data collection, described here, will provide the foundation for that exploration. Thus the next chapter will present evidence, within the context provided in the previous chapters, which suggest what those factors may be.

**Summary of Dissertation Findings**

Baltimore and Detroit both had strengths and weakness with regard to how well they were able to respond to the mortgage foreclosure crisis. While this researched aimed to determine whether the local response to the foreclosure crisis influence housing market outcomes in each city, it found that the opportunity space seemed more important than the specific foreclosure response strategies deployed. More specifically, the preexisting strength or weakness of the community development sector was a contributing factor to outcomes in the housing market, rather than how local stakeholders responded to mortgage foreclosures. In addition, in both cities, practitioners were working against an increasingly struggling economy, so preventing mortgage foreclosures and addressing affected properties was, and continues to be, an almost unattainable goal. Despite this, local stakeholders in each city ramped up their efforts to help homeowners and revitalize neighborhoods.

The opportunity space, meaning the context of policies and organizational infrastructure, in Baltimore was stronger in supporting the community development sector in the following ways. There were deep connections between community development organizations, funders, and policymakers, particularly on the state level. This prepared Baltimore to be able to put strategies in place to respond to the crisis and those strategies were well informed by research and data. However, in an attempt to use the power of state laws to help homeowners, policy changes made by the State of Maryland to extend and delay foreclosures may have inadvertently increased the foreclosure rate in the later years, and put more pressure on practitioners on the ground.

Prior to the foreclosure crisis, Detroit had a weaker and narrower opportunity space than Baltimore. There were few collaborative relationships between organizations, funders, and city government, nor did those entities work together within those groups. This translated into a longer ramp up time for responses to the foreclosure crisis to occur and to more fragmentation of those responses. Many organizations were responding in different ways, but those activities were not always coordinated or connected in ways that could have increased the impact. The City of Detroit's applications for National Stabilization Program (NSP) grants is an example of this. The areas targeted for NSP activities were not coordinated with existing priorities of community organizations or funders and led to activities that were too dispersed, with less chance of impact in the city. The foreclosure crisis, however, galvanized the community development sector in new ways. Funders became more organized amongst each other, as did community development organizations, into separate coalitions. These structures have grown and outlived the major responses to the foreclosure crisis. In many ways, the foreclosure crisis helped strengthen the community development sector in Detroit.

## Outline of Dissertation

This chapter has introduced the research questions and hypotheses framing my study. It outlined the literature that influenced my research, the methodology, and my data collection activities and quantitative results from both cities, as well as a summary of overall findings. Chapter 2 introduces the two case cities in greater detail, interweaving extensive political and organizational histories that provide a foundation for exploring how the foreclosure crisis occurred and manifested in each city. In particular, this chapter describes the origins and development of the community development sector in each city and its relationship with other stakeholders in the city, namely mayoral administrations and the rising philanthropic sector. Chapter three outlines the source of the mortgage foreclosure crisis on the national level and how the crisis unfolded in Baltimore in Detroit. It then provides a rich description of the timeline of each city's response to the foreclosure crisis through the different players: the organizations, funders, city and (where applicable) state governments. Chapter four interprets these dynamics within the resiliency framework described above analyzing the responses in terms of opportunity space, policy responses, and housing market stability. Finally, chapter five provides a brief update on how each city has developed since 2010, and presents my dissertation's overall conclusions.  It also describes the limitations of my research, as well as lessons learned from the foreclosure crisis that can inform community development stakeholders moving forward.

# Chapter 2: Introduction to the Cases

## Introduction

By exploring how local stakeholders responded to the mortgage foreclosure crisis in Baltimore and Detroit, this research sheds light on how these cities express resilience and take action in the face of difficult circumstances. However, understanding the context of governance and local organizational infrastructure matters before seeking to understand how stakeholders responded. Thus, this chapter provides a historical overview and comparison of the local economies, mayoral politics and the housing and community development sectors in Baltimore and Detroit prior to the foreclosure crisis.

As outlined in the previous chapter, both are old industrial cities that have suffered decades of economic decline, racial change, and depopulation. Both experienced high rates of poverty and unemployment concentrated in African-American communities as blacks comprise the great majority of their populations. In 1950, both cities were bustling manufacturing and business centers, but now, through deindustrialization, hospitals and universities are the largest employment sectors. Though many similarities will surface in this comparison, this chapter will also identify significant differences between the contexts in which community development actors are situated.

## Local Economy

As post-industrial, weak market cities, Baltimore and Detroit shared a history of declining economic status over the last fifty years. Their experience was also common to other rustbelt cities of the Midwest and post-industrial towns and cities in Northeastern United States. Throughout the nation, post-World War II affluence meant the growth of suburbs as industry moved out of central cities in favor for more land, and national subsidies and discriminatory housing practices paved the way for white flight, and suburban highway and housing development (Pietera 2010; Manning Thomas 1997; Drier, Mollenkopf, Swanstrom 2001). As jobs moved out of the city limits of Baltimore and Detroit, so did many middle- and upper-income white and African American households, leaving many cities with low-income, African American populations.

Baltimore was a large steel manufacturing town and an active port that provided high-earning union jobs for residents for decades (Olsen 1997). Bethlehem Steel, Smith and Westinghouse, American Can Company and other smaller manufacturers made their home in the city. After the 1960s, however, federal contracts and incentives drove manufacturing out of the downtown and over the years that followed, the majority of low-skill jobs grew in the service industries, including education and health care, which tended to have lower wages and less security. Over subsequent decades, this led to an overall decline in population in the city that resulted in empty houses, as well as communities where poverty increased because stable economic opportunities were harder to find. As will be described later, mayors and other local stakeholders made attempts to improve conditions in these communities, using local and federal resources. However, so many of the challenges brought by poverty are complex and entrenched and, without a robust economy with good, stable employment, those strategies did not eliminate the root causes of poverty.

Detroit fared similarly. The city and region developed as the center of automobile manufacturing, being the home of the three largest car companies in the United States: Ford Motor Company, General Motors, and Chrysler. Starting in the 1960s, many manufacturing facilities relocated outside of downtown and into surrounding suburbs, as auto-manufacturing changed from Henry Ford's vertical warehouse to being spread out in factories that covered acres of land (Manning Thomas 1997). Jobs left the city and in their wake, the remaining Detroiters struggled with fewer opportunities, poor quality schools, and vacant properties contributing to the declining condition of their neighborhoods, among other challenges faced by many urban communities. During the mid-2000s, the automakers started declining as long term pension and retirement costs increased while sales decreased as a result of weaknesses in the national economy. General Motors and Chrysler faced bankruptcy. Those companies were eventually provided loans through TARP to prevent their collapse (U.S. Treasury 2015), but the entire Detroit region suffered huge job losses because of this downturn.

At the same time, the City of Detroit's budget deficit and debt levels were growing and beginning to cripple the City's ability to provide basic services. After decades of depopulation, which left parts of the city almost empty, the City was struggling to provide even rudimentary services for its 139 square miles. Saddled with a shrinking tax base, high pension and retiree costs, declining state revenue sharing, and a legacy of corruption and poor financial management, the City began taking on debt in order to function at the most basic level, debt totaled over $18 billion when the city filed for bankruptcy in 2013 (Diehm 2013, Turbeville 2013).

When the national economy began taking a downturn in the mid-2000s, both Baltimore and Detroit were already in a weak position. As described in Chapter Three, when the housing bubble burst and the recession began, jobs began to vanish and more homeowners struggled to make their mortgage payments. For these cities, which were already facing high unemployment and poverty rates, and tens of thousands of vacant properties due to population declines and tax foreclosures, the future looked dire.

**Shared Histories of Discrimination**

One important contextual factor in both cities is the legacy of racism and uneven development in urban planning and housing development. While many American cities share this history, Baltimore and Detroit may be extreme cases. Discriminatory policies and practices shaped neighborhood development patterns as well as the trajectory of the mortgage foreclosure crisis in both cities. In many ways, discrimination determined the causes and responses to the foreclosure crisis, so understanding how the foundation of these practices is important. The following section describes and interweaves how these policies and practices manifested in both cities.

According to Antero Pietila (2010, p. 22), Baltimore was a national leader in residential segregationist practices and took part in overtly discriminatory practices "more than any other place in the county." In 1910, the Baltimore City Council passed a local law that prohibited blacks from moving to white residential blocks and whites from moving to black residential blocks (Pietila 2010). The city council claimed they passed the ordinance, "for preserving order, securing property values and promoting the greater interests and insuring the good government of Baltimore City" (Pietila 2010, p. 22). A few decades later, Detroit instituted its own segregationist policy related to the development of public housing. In 1943, the Detroit local housing authority determined that public housing projects built in black neighborhoods could only house blacks and those in white neighborhoods would only house whites, so that, "No housing project shall change the racial characteristic of a neighborhood" (Manning Thomas 1997, p. 25).

As in many other cities, speculative real estate practices contributed to racial segregation in Baltimore, including blockbusting practices. Real estate agents used the fear of black integration to get white homeowners to sell their homes below value, while raising the prices on black homeowners who purchased them (Pietila 2010). Developers and real estate agents also engaged in land installment payment programs and rent-to-own agreements with black homeowners that involved exorbitant interest rates, making housing costs much higher for blacks than whites.

Urban renewal projects funded as a result of the Federal Housing Act of 1949 occurred between the 1940s and 1970s in Baltimore and Detroit and provided resources to municipal governments for slum clearance. In both cities, such projects were concentrated in or near downtown, low-income African American communities, and resulted in the massive displacements of low-income black residents. In Detroit, a 78-acre portion of the neighborhood known as Black Bottom, originally named for the dark soil French settlers found there, then later for its majority African American residents, was declared a slum by city planners and the City completely razed it in order to build mixed-income townhomes and high-rise apartment buildings famously designed by Ludwig Mies van der Rohe (Manning Thomas 1997).

In Detroit, civil rights organizations, such as the Urban League and a coalition of African-American ministers known as the Detroit Fellowship for Urban Renewal Churches, brought suit against public and private entities aimed at redeveloping the medical center district, another urban renewal development (Darden et al 1990). Their efforts brought important concessions, namely land set-asides for the churches to build affordable housing as well as an institutionalized process for citizen approval of future urban renewal redevelopment projects. This citizen approval process was later required for redevelopment efforts part of the federal Empowerment Zone implementation in Detroit.

In Baltimore, city planners used urban renewal funds to redevelop the distressed downtown harbor and waterfront district into mega office buildings and a retail marketplace, displacing long-standing, low- to moderate-income neighborhoods nearby. In the 1940s, Baltimore even hired Robert Moses to propose improvements to the highway system. He proposed a new highway to cut through 200 blocks in the middle of downtown, where 19,000 mostly African American residents lived. Moses commented that, "Nothing which we propose to remove will constitute any loss to Baltimore" (Pietila 2010, p. 219). Ultimately, residents and neighborhood organizations formed MAD (Movement Against Destruction) and successfully pushed back against the highway, but this example speaks to how city planners and officials valued communities of color in the city.

Officials and planners in both cities relocated many of the residents pushed out of urban renewal neighborhoods into public housing developments that were built in existing low-income, African American communities, furthering racial segregation and concentrated poverty. The economic and physical distress experienced in these communities has been at the center of any neighborhood redevelopment policies and practices through shifting political priorities in the late $20^{th}$ and early $21^{st}$ centuries. As the foreclosure crisis is described in both cities in the next chapter, we will see how discrimination, again, played a role, and how this impacted these two, largely African American cities.

**Neighborhoods and Municipal Politics in Baltimore**

Baltimore's governing coalition during the foreclosure crisis was influenced by changes in mayoral politics as well as new actors that came into the fold in more recent years, namely foundations and community organizations. This section will outline how these changes created the roster of actors who were involved in the foreclosure response of the mid-2000s.

*Organizing and Mayoral Priorities*

Neighborhood organizing and resistance against racist practices grew in both cities during the urban renewal and redevelopment projects described above. In Baltimore, MAD was a multiracial group of neighborhood activists that organized against Moses' proposed highway plan (Stoker, Stone, and Worgs 2015). They were active in the 1960s and 1970s. In the early 1980s, Baltimore's Industrial Areas Foundation affiliate, called Baltimoreans United in Leadership Development (BUILD) started organizing campaigns against the city's then mayor, William Schaefer, who was in office from 1971-1986. Founded as a community-based organization whose power came primarily from the city's major African American churches, BUILD led a movement against discriminatory practices such as redlining (Orr 2000).

Mayor Schaefer, on the other hand, was well known for his alliance with the Greater Baltimore Committee (GBC), an association of the major players in the business committee that was very influential in the city up until the 1990s. Together with the GBC, Schaefer devoted federal and local government funding to redevelop Baltimore's downtown and Inner Harbor (Stoker, Stone, and Worgs 2015). With regard to neighborhood groups, Schaefer selectively used employment posts and small pots of public funding to gain allegiance from community organizations. However, he provided this patronage primarily to white ethnic neighborhoods and their leaders, which helped to dissipate such efforts as MAD and segregate future neighborhood organizing efforts in Baltimore (Stoker, Stone, and Worgs 2015).

BUILD continued to organize against Mayor Schaefer's pro-downtown development policies until he was elected Governor of Maryland in 1986. Baltimore elected its first African American mayor, Kurt Schmoke, in 1987. Schmoke's priorities aligned with those of the long-neglected African American neighborhoods in Baltimore and he quickly shifted the City's attention to addressing community redevelopment. Partnering with BUILD and the Enterprise Foundation (a national community development intermediary now known as Enterprise Community Partners), Mayor Schmoke funneled city dollars towards a comprehensive initiative to address housing, job training, economic development, community policing, and civic pride in Baltimore's Sandtown-Winchester community (Stoker, Stone, and Worgs 2015). Though not without significant challenges in maintaining community engagement, the Sandtown project was seen as a national model for community redevelopment at the time and helped Schmoke to win $100 million in Empowerment Zone (EZ) resources for Baltimore in 1994. The EZ initiatives tackled job creation, workforce development and housing, and attracted neighborhood, philanthropic, government, and corporate stakeholders to collaborate on defining local priorities and programs. Each EZ community had an advisory committee and nonprofit community center that managed its projects.

Mayor Schmoke also launched a neighborhood development plan for the city. He divided the city into four classifications from high homeownership and high stability to the lowest classification requiring major redevelopment and two neighborhood categories in between that either tipped toward stability or distress (Stoker, Stone, and Worgs 2015). Mayor Schmoke's intention was to tailor public and private investments in each neighborhood based on these classifications. However Schmoke decided not to run for mayor again and when Martin

O'Malley was elected in 1999, he summarily dismantled Schmoke's gains in neighborhood development.

O'Malley disregarded all of the planning that Schmoke undertook to invest in neighborhoods based on their classification and did not pursue any activities related to building neighborhood capacity. O'Malley established an office of neighborhoods, but it focused solely on constituent services, not neighborhood planning and development. He also shifted Schmoke's safety efforts from community policing in favor of more Giuliani-style policing with harsh tactics targeted toward low-level crimes primarily in communities of color (Stoker, Stone, Worgs 2015). Several interviewees from community development organizations, foundations, and even the public sector described Mayor O'Malley's approach to neighborhood development as more responsive then strategic and his administration's actions were characterized more as staying out of the way rather than leading any neighborhood efforts (Personal Interviews).

Mayor O'Malley was elected as governor of the state of Maryland in 2006 and was replaced by City Council President Sheila Dixon, who then won the 2007 general election for Mayor. She was Baltimore's first female mayor. Mayor Dixon reinstituted a priority on neighborhood development, exemplified by the hire of Jacqueline Cornish as Deputy Commissioner of Baltimore Housing to oversee the Office of Neighborhood Investment. For the previous 20 years, Cornish had been the Executive Director of Druid Heights CDC, and a well-respected leader in the community development sector. This move to Baltimore Housing signaled that Mayor Dixon's administration placed a renewed value on neighborhood redevelopment.

However, progress in this regard was stalled because in 2008, Mayor Dixon was investigated for fraud and misappropriation of public funds. In, 2009, she was found guilty on one misdemeanor embezzlement charge related to her use of over $600 worth of retail store gift cards that were intended for needy families. Mayor Dixon resigned in early 2010 as part of a plea deal, and was replaced by Stephanie Rawlings-Blake, who had succeeded Dixon as President of Baltimore City Council (WBAL 2010).

*Foundations Invest in Neighborhoods*

In 1999, as Schmoke transitioned out and O'Malley transitioned in, local foundations began showing greater interest in neighborhood development. The Annie E. Casey Foundation, the Abell Foundation, Goldseker Foundation and the Baltimore Community Foundation all began expressing concern about the direction many neighborhoods were heading and recognized the attention that Schmoke had paid to low-income communities. In the mid 1990s, these foundations had formed the Baltimore Neighborhood Collaborative (BNC), an entity that sought to coordinate and streamline neighborhood development efforts and investment (Thomson 2013). In 1999, the local Goldseker Foundation released a report finding that the focus on development and funding in Baltimore's central business district had led to distress and neglect in its neighborhoods. The report quoted an unnamed civic leader as calling the situation, "rot beneath the glitter," (Smith 1999, p. 262).

An alliance between the BNC and the Citizens Housing and Planning Association (CHPA), a long-standing neighborhood planning and advocacy organization, promoted a focus on improving the quality of life and the market value of Baltimore's middle income neighborhoods. They defined these as not severely distressed, with potential for stable homeownership and attracting new middle-income households to Baltimore, which could help stabilize the tax base of the city. Called the Healthy Neighborhoods Initiative (HNI), it piloted the program in six neighborhoods. In 2004, HNI was incorporated as a nonprofit organization, which served as an intermediary for philanthropic and government funding as well as a technical assistance provider. By 2008, HNI rolled out its strategy in 37 neighborhoods (Thomson 2013).

Mayor O'Malley publicly supported HNI and the City directed anywhere from $400,000 to $1,500,000 in city funding starting in 2000, primarily for street improvements and a matching program for residents who received home purchase or improvement loans from HNI (Thomson 2013). However, as one local practitioner observed, "O'Malley didn't totally understand HNI or asset-based community development. And the head of Baltimore Housing had more of a public housing focus" (Personal Interview). The funding for HNI was more the result of support from city council members, namely Stephanie Rawlings-Blake, who would later become Council President, and eventually Mayor of Baltimore (Thomson 2013).

In the early 2000s, the President of Johns Hopkins University came to Mayor O'Malley with an idea for promoting science-based community development in the distressed neighborhoods surrounding its medical campus, known as the Middle East neighborhood. The Middle East neighborhood had been in decline for many years, with large numbers of vacant and distressed properties, as well as vacant land. The University sought to redevelop the area with businesses and institutions focused on science and medicine, which would then support the development of housing, schools, and other community amenities. O'Malley liked the idea and supported the formation of a quasi-governmental organization, East Baltimore Development Incorporated (EBDI).

EBDI used a mix of Tax-Increment Finance (TIF) dollars (where tax revenues are devoted to specific uses within a designated geographic district), foundation investments (primarily from the Annie E. Casey Foundation), and Federal Low Income Housing Tax Credits

(Personal Interview). In partnership with Johns Hopkins University, EBDI's plan was to purchase and demolish distressed and vacant structures and rebuild the neighborhood through housing and commercial development, attracting science and medicine industries that would employ residents, and building early education and elementary schools to serve existing and new families. With an aim to be a model for equitable land clearance and acquisition, and with significant backing and involvement from the Annie E. Casey Foundation, EBDI helped existing residents to either temporarily or permanently relocate into improved housing in other neighborhoods and gave residents the first opportunity to live in new housing rebuilt in the target area (Personal Interview). Overall, EBDI was supported primarily by Johns Hopkins and the Annie E. Casey Foundation, as well as additional foundation partners. According to a practitioner involved in the project, the O'Malley administration had very little involvement besides expressing support and processing land dispositions (Personal Interview).

*Baltimore's Community Development Intermediaries, Organizations, and Advocates*

The formation of the Baltimore Neighborhood Collaborative in 1996 was the first time in Baltimore's history that several local foundations came together specifically to support neighborhood development. The purpose of the BNC was to raise private and corporate support for community development. The BNC institutionalized a strong and broad network of community development organizations, helped to build their capacity, and increase understanding within local stakeholders of community development strategies. Functionally, it became a community development intermediary. The BNC facilitated collaboration between practitioners and funders and aggregated resources to then provide grants to community development organizations based on collectively defined strategies.

Besides engaging in the targeted community development initiatives and the Empowerment Zone-related efforts during Mayor Schmoke's administration, the nonprofit community development sector in Baltimore was characterized by many practitioners as small, even "anemic in terms of the number of units produced and the number of organizations who do it" (Personal Interview). If nonprofit community development organizations developed housing, it was primarily for special needs populations such as senior citizens, veterans, and women with children. Nonprofit developers were more engaged in housing development that was paired closely with social services provided by the developers. A small number of organizations produced and managed such multifamily developments, but small, private developers were the primary producers of both subsidized and market rate housing.

Another common theme among community development organizations in Baltimore was that many had been formed out of community activism and organizing. Besides BUILD, there were several other organizations whose roots were in community organizing, including the South East Community Organization (SECO), North East Community Organization, Patterson Park Community Development Organization and Druid Heights Community Development Corporation. Residents started these groups to advocate for better services or attention towards blight, then institutionalized to form nonprofit organizations and community development corporations whose purpose shifted toward nonprofit real estate development, primarily to develop housing through Low Income Housing Tax Credits (Davidoff 2015).

Many cities have at least one financial intermediary who is very active and engaged in the local community development real estate industry. National organizations like Enterprise Community Partners, Local Initiatives Support Corporation (LISC), The Reinvestment Fund, or other community development financial intermediaries (CDFI) function as national funders, lenders, and technical assistance providers to community nonprofit housing developers. Despite Enterprise having roots in Baltimore (it was started by the Baltimore business leader and private developer James Rouse), and being headquartered in Columbia, Maryland, it did not have a significant presence in Baltimore's community development sector. Enterprise was deeply involved in the Sandtown-Winchester initiative with Mayor Schmoke and provided other project-based support to nonprofits in the city, but Enterprise did not participate in the BNC, and practitioners did not identify it as a major stakeholder locally (Personal Interview).

During late 1990s, Baltimore experienced increased predatory lending and flipping, like many other cities across the United States, primarily in its low-income communities and communities of color. Representatives from city and state agencies, along with community development practitioners, housing activists, and funders formed the Baltimore City Property Flipping Task Force, which met to develop strategies to prevent and mitigate the effects of predatory lending in the City. After meeting and conducting research for 2 years, the Task Force presented its recommendations to U.S. Senators Barbara Mikulski and Paul Sarbanes, who represented Maryland, which included proposed changes in policies for HUD and state and local housing agencies, as well as funding to help homeowners stuck in overvalued mortgages (Sabar 2002).

After and out of the Task Force, members of the BNC formed the Baltimore Housing Preservation Coalition (BHPC). A leader in this effort described the BHPC as an effort to get community development organizations, lenders, funders, and representatives from city government enforcement agencies around a table to network and share information about trends and best practices to address predatory lending and flipping in Baltimore neighborhoods (Personal Interview). BHPC met regularly for a number of years before the mortgage foreclosure crisis hit Baltimore. In the beginning, BHPC included a representative from Baltimore Housing, the City's public housing and community development agency: "Initially there was a staff person, [named Jennifer Mielke], from Baltimore Housing who was co-chair of BHPC, who was really involved. In 2007, she changed jobs [to a different department in Baltimore Housing] and left her role with BHPC, and we had trouble reengaging the city on this issue. That was frustrating. [City officials] didn't think it was a strong factor affecting neighborhoods" (Personal Interview). Staff from many entities participated in BHPC meetings including the Abell Foundation, Goldseker Foundation, and Healthy Neighborhoods, as well as longstanding community development organizations including St. Ambrose Housing Aid Center, Neighborhood Services Organization, Druid Heights Community Development Corporation (Druid Heights CDC), and others. The collaborative continued to meet and implement homeowner preservation and foreclosure prevention activities through Baltimore's several subsequent mayoral transitions.

*Valuing Community Development Practitioners*

Though Dixon resigned, her appreciation for neighborhood development was evidenced by the hiring of the former Druid Heights CDC director. This was just one example of practitioners who moved in and around different parts of the community development sector. Another such example is Kenneth Strong, who served in various capacities in the public sector, but was also the Executive Director of South East Community Organization (SECO) (Baltimore Housing 2015a). Around since the 1970s, SECO was an umbrella organization founded by community activists that engaged residents and other stakeholders around issues to improve quality of life (Southeast CDC 2015). He was also president of SECO's development arm, Southeast Development, Inc., which acted as a more traditional community development corporation, redeveloping distressed residential and commercial real estate to revitalize the neighborhood that SECO served. When Strong became Deputy Commissioner at Baltimore Housing in 2010, he also became the city's representative at BHPC meetings. According to a member of the BHPC, this again strengthened the coalition's relationship with the City (Personal Interview).

Carol Gilbert is also an example of a community development advocate who moved around the sector. With a background in neighborhood design, Gilbert was a program officer with the Goldseker Foundation and, while there, founded BHPC, serving as its co-chair for many years. In 2007, she was offered the opportunity to lead community development initiatives at the state level as Assistant Secretary for the Division of Neighborhood Revitalization. As will be discussed in the next chapter, from this position, Gilbert used her background in community development and mortgage foreclosure prevention to lead the State's response to the housing crisis across the state, as well as local responses, particularly in Baltimore. According to other members of the BHPC, her commitment to Baltimore's community development sector followed her from philanthropy to state government, and benefited Baltimore for years to come (Personal Interview).

Finally, Anne Norton was the Director of Foreclosure Prevention at St. Ambrose Housing Aid Center until July 2010, when she was appointed as Assistant Commissioner for Non-Depository Institutions with the State of Maryland's Commissioner of Financial Regulation at the Department of Labor, Licensing and Registration (Maryland Department of Labor, Licensing and Regulation 2010). St. Ambrose was her first role in community development. Prior to her position there, she was general counsel with a national mortgage lender with responsibility over origination and compliance of secondary market and state licensing related to lending. While at St. Ambrose, Norton had served on O'Malley's statewide mortgage task force, which helped solidify relationships between local practitioners and state agencies. Including Cornish, these four examples contribute to the notion that community development work is valuable experience that can contribute to the public sector.

Thus, prior to the foreclosure crisis, Baltimore moved from a political machine-like governing coalition with Schaefer, which helped foment community organizing and resistance that built the foundation for the community development sector. Mayor Schmoke's focus on low-income communities and neighborhood development triggered greater interest in these issues from local foundations organized as the Baltimore Neighborhood Collaborative (BNC). The BNC helped develop a community development infrastructure whereby organizations and foundations strategically identified and implemented community development projects such as Healthy Neighborhoods and the East Baltimore development initiative. This infrastructure grew amidst O'Malley's lackluster engagement in neighborhood development (Personal Interviews). Within local and state government, community development experience was valued evidenced by the individuals who moved to different roles within the sector. By the time the foreclosure crisis was springing up in Baltimore, the governing coalition included organized philanthropy who was engaged in neighborhood development, community organizations who had a voice at the table, and a minimalist public sector which didn't get in the way. When Rawlings-Blake became Mayor in 2010, this neighborhood-focused governing coalition had even greater support.

## Mayoral Politics and Development in Detroit

The governing coalition in Detroit shifted in composition and focus from the 1970s to the present day. As this section will describe, the foreclosure crisis was a time during which a new arrangement of power brokers was being formed. How and why Detroit arrived there, and the degree of involvement from and impact on the community development sector will be explored in the following section.

### *A Focus on Downtown*

Like Baltimore, Detroit had its own large share of downtown redevelopment efforts, patronage, and mayoral alliances with the business community. Coleman A. Young was mayor of Detroit from 1974-1994, and his governing methods were consistent with urban progrowth partnerships between mayors and business leaders that were common during this era (DiGaetano and Lawless 1999, Levine 1989). Young was the city's first African American Mayor during a period in which Detroit was still recovering from widespread riots in 1967 spurred because of racial tensions. He was well known for making great strides to reverse racial discrimination in Detroit, particularly in public sector employment, and for being publicly defiant against racist sentiments from suburban residents and politicians (DiGaetano and Lawless 1999).

At the same, he built strong alliances with business leaders who, in the 1970s, formed a powerful civic association known as Detroit Renaissance (DiGaetano and Lawless 1999, Waters and Brown 1985). Created as a roundtable of corporate executives in the city, Detroit Renaissance implemented downtown development strategies, advocated for public policies favorable to downtown business development, and coordinated investment opportunities in the city with a mission to expand economic development (Business Leaders for Michigan 2015.)

Members of Detroit Renaissance, in partnership with Mayor Young, were instrumental in investing in and producing much of the office, commercial, and residential development in the downtown and riverfront areas during a time when the city was undergoing white and middle class flight from the city to the suburbs. In 2009, Detroit Renaissance became Business Leaders for Michigan, as its members decided to turn its economic development focus to the entire state, instead of just the Detroit metropolitan region.

Besides his partnership with Detroit Renaissance, Mayor Young solidified government partnerships with business leaders by forming quasi-governmental and public-private partnership agencies that exist to this day, including the Detroit Economic Growth Corporation (DEGC) and the Downtown Development Authority (DDA). The governing boards of these entities included some of the city and region's biggest corporations and financial institutions, as well as Detroit public officials, and who acted as the centers for coordinating the city's economic redevelopment agenda. Mayor Young devoted the City's major redevelopment resources from the city's budget into projects aimed at rebuilding downtown and the east riverfront. These areas were primarily redeveloped with housing and amenities aimed at middle and high-income neighborhoods. He utilized federal Community Development Block Grant (CDBG) funds to leverage private investment from developers and corporations for building downtown skyscrapers, retail and entertainment locations, and luxury housing (Darden, Hill and Thomas 1990).

*Neighborhood Resistance and Fragmentation*

Two groups challenged Mayor Young's CDBG funding decisions. One was the Michigan Avenue Community Organization (MACO), a multiracial, Saul Alinsky-inspired organization based in a Corktown, a neighborhood just west of downtown. Using aggressive and media-friendly tactics, they brought attention to discriminatory development practices, subpar public services, the proliferation and dangers of vacant lots, and HUD foreclosures occurring in their community (Shaw 2003). In addition, a "majority white but progressive alliance" of community development leaders known as the Savor Our Spirit (SOS) coalition challenged Mayor Young's CDBG funding decisions between 1985-1993 (Shaw and Spence 2004). To SOS, not enough funding was being directed to Detroit's neighborhoods, which were rapidly declining in quality and population.

In response to SOS, to solidify more of their own power, and to focus more attention and resources on neighborhood organizations serving low-income residents and community redevelopment efforts, the Detroit City Council formed the Neighborhood Opportunities Fund (NOF) in the late 1980s to funnel CDBG funds to neighborhood and community development organizations. While SOS began as a challenger to how NOF funding decisions were made, eventually it became an informal advisory body to the City Council. During every funding cycle, SOS conducted analyses on NOF grants and applications, and provided recommendations for recipients of CDBG funding (Shaw and Spence 2004). Despite this, the CDBG system was still considered ineffective. One former government representative with deep involvement in the CDBG process characterized its impact in Detroit as (Personal Interview):

> CDBG funds have generally been fifteen percent public service, eighty-five bricks and mortar. It built a scattered, unstrategic, and ineffective system of affordable housing construction that has really suffered in the crisis. CDBG is distributed, though, without much rhyme or reason. It's the culture of the system. There are a lot of good people doing good things, but there's no vision. Community groups are generally divided and it just replicates a process of dysfunction in the city.

Much like Mayor Schaefer in Baltimore, Mayor Young also used CDBG funds to try to quiet challenges to his redevelopment efforts. For example, MACO, once a strong source of protest in the city, ended up receiving NOF funds to focus some of their efforts on housing development and neighborhood revitalization in their community (Shaw and Spence 2004). Ultimately, strong neighborhood organizing dissipated in Detroit as many community development organizations focused less on community engagement and more on affordable housing development or provision of social services.

Despite the focus on neighborhood development through NOF, the city government's community development functions were otherwise disjointed and neighborhood organizations were, structurally, kept out of policymaking. The City of Detroit has two agencies charged with planning activities. The City Planning and Development Department (PDD) is a mayoral agency and primarily deals with zoning and the rare occurrence of mayor-led master planning. A longtime researcher and planner in Detroit who has worked with Detroit city agencies described the PDD as a reactive agency, primarily responding to development proposals from community development organizations and private developers (Personal Interview). The City of Detroit also had a Housing Department from the 1970s and through the foreclosure crisis, but its role was limited to managing public housing.

Departing from normal practice, the Detroit City Council, however, had its own planning agency, called the City Planning Commission (CPC) (Manning Thomas 1997). The CPC was staffed by lawyers and administrators who managed the distribution and monitoring of CDBG funds. As one respondent commented, "CPC doesn't do as much as you'd think given how many people they [have on] staff," (Personal Interview). The City Council claimed to be guided by neighborhood organizations, but neighborhood advocates were not formally integrated into CPC. At one time, the Executive Directors of the Southwest Business Development Association, an economic development organization based in Southwest Detroit; and USNAPBAC, a community development corporation on the eastside of Detroit, sat on the CPC's advisory body. However, because both organizations received CDBG funds, they were both removed for fear of a conflict of interest (Personal Interview).

*New Attempts at Neighborhood Development*

Mayor Coleman's successor, Dennis Archer tried to reinvigorate a focus on neighborhoods by securing federal Empowerment Zone funds. Elected in 1994, he promoted a consensus with both neighborhood organizations and business leaders to strengthen Detroit as a recipient for EZ funds, as well as to differentiate his priorities from his predecessor (Manning Thomas 1997). During his two terms, Mayor Archer tried to enhance neighborhood development while continuing Young's progress on downtown redevelopment. He created the Greater Downtown Partnership comprised of business, civic, and philanthropic leaders, which helped coordinate and lead investment and redevelopment efforts in downtown and the surrounding neighborhoods (DiGaetano and Lawless 1999). A former staffer of Mayor Archer reported that he engaged the city in a broad community planning effort, asking residents from all over the city to envision what they wanted in their neighborhoods (Personal Interview). This effort, called the Community Revitalization Strategy (CRS), guided community development efforts, but it was limited in a couple of ways. First, it did not commit funds to implement the resulting plans, so many neighborhood projects remained just ideas. Second, it was centered primarily on land use decisions, rather than comprehensive revitalization initiatives. For instance, CRS did not address such challenges as jobs development or improving education and health. It did, however, fill a strategic gap in planning activities in the city, and many thus saw it as a logical start to redevelopment efforts in Detroit (Personal Interview).

Kwame Kilpatrick became mayor of Detroit in 2001 and, at the age of 31, was the youngest mayor in that city's history. Despite a first term that was marred with mismanagement of city funds for personal use, growing budget deficit, rumors of violent parties at the Mayor's mansion, and being called one of the worst mayors in the country by TIME magazine, Kilpatrick masterfully ran a media-friendly, community-level campaign and was reelected in 2005 (Thottam 2005)[2]. In 2006, Kilpatrick launched a targeted community development effort called the Next Detroit Neighborhood Initiative (NDNI) that would concentrate public and private investment into 6 neighborhoods (Thomson 2013). A former member of Kilpatrick's administration reported that in order to get approval for public funding for NDNI, City Council members required that Mayor Kilpatrick choose two poor, two middle class, and two upper income neighborhoods to be included in the initiative (Personal Interview). NDNI's aim was to improve the quality of life in those communities through neighborhood revitalization and strategic coordination and targeting of city services. Mayor Kilpatrick and his well-respected Director of Philanthropic Affairs, Anika Goss Foster, brought many of the city's philanthropic entities together for the first time to try and garner support for this initiative. Goss was previously the Executive Director of the Detroit Local Initiatives Support Corporation office and a longstanding leader in community development (Personal Interview). Her move to work for the City is also a rare example of a more common occurrence in Baltimore, that community development practitioners join government efforts. Initially, several local foundations supported NDNI and, in its first year and half of operations, NDNI raised upwards of $9 million from foundations, corporate donors, and state grants (Begin 2008). In early 2008, Goss Foster helped

[2] Conversely, Mayor Martin O'Malley was named one of TIME magazine's "Top 5 Big City Mayors" in 2005 (Thompson, 2005).

NDNI to spin off into its own nonprofit organization until she left the Kilpatrick administration later that year to join the national office of LISC as a Vice President.

Then, two events occurred which changed the balance of power and the community development sector in Detroit. First, the mortgage foreclosure crisis had begun to devastate Detroit. In 2007, the Detroit metropolitan region had the highest foreclosure rate in the country (Realty Trac 2008), and city stakeholders began trying to focus on how to address challenges brought on by foreclosures' accelerated impact on Detroit's neighborhoods. Second, despite a slightly more productive second term, Mayor Kilpatrick continued to face scandals in his administration. Text messages subpoenaed during a whistle blower trial brought to light his affair with his chief of staff, which he had denied under oath. In addition, accusations and evidence of deep, broad corruption and mismanagement continued against his administration. Finally, in September of 2008, Kilpatrick resigned after pleading guilty to felony perjury charges and City Council President Kenneth Cockrel, Jr., temporarily took his place (Schaeffer et al 2008). Kilpatrick's resignation couldn't have happened at a worse time, as it contributed to a vacuum in leadership during a major economic crisis.

*Foundations Fill the Leadership Void*

Some of Kilpatrick's initiatives survived his resignation. NDNI continued under Mayor Cockrel's administration, though it was not a major priority during this time. During Mayor Cockrel's tenure, the DEGC, who had fiscal responsibility for NDNI before it became an independent nonprofit, hired new leadership for the effort. During late 2008 and into 2009, NDNI worked, "almost underground," to do research and collect data in order to deepen and expand the NDNI strategy (Personal Interview). In May of 2009, Dave Bing was elected as

Mayor of Detroit during a special election to replace Kilpatrick permanently. A former developer (and Piston's basketball player), Mayor Bing had been on NDNI's advisory board. He understood the strategy and supported it. A former NDNI staffer recalled, "Bing was elected in May, and I was in his office in July laying out the plans to roll out the program," (Personal Interview).

However, during the time between when Kilpatrick had first brought the foundations together and Bing was elected, Detroit's philanthropic community had changed their approach to NDNI. Several foundations led by the Kresge Foundation, and including the Knight Foundation, Hudson-Webber Foundation, W.K. Kellogg Foundation, and others had continued to meet together regularly under the auspices of the newly created Detroit Neighborhood Forum (DNF). At first, the purpose of the DNF was to keep supporting NDNI, but during that year, foundation stakeholders began inviting other players to the table, including local intermediaries, community development nonprofits, and representatives from city agencies and departments. A foundation officer indicated that through these discussions, the foundations began developing their own self-financed strategies to address broader community development challenges in Detroit, including the mortgage foreclosure crises (Personal Interview). Developing a coordinated response to the mortgage foreclosure crisis became the first order of business for the Detroit Neighborhood Forum, which will be discussed further in the next chapter.

Beyond the foreclosure crisis, however members of the Forum also became engaged in much larger planning efforts. The Kresge Foundation spearheaded a citywide planning process, called the Detroit Works Project (DWP). Though it was administered out of Mayor Bing's office, it was actualized almost exclusively with over a million dollars of foundation funding, primarily from Kresge, but others as well. The Kresge Foundation commissioned a nationally recognized planning consultant, Toni Griffin, out of Boston, Massachusetts, to implement Detroit Works Project. The first round of results from the DWP devised a plan for the city that would shrink some neighborhoods while growing others. When this plan was presented to the public, citizens responded with skepticism and resistance: "People were standing on chairs and shouting at the public meetings," (Personal Interview). Detroiters and community development practitioners expressed criticisms towards Kresge and Mayor Bing, who criticized each other, for a process that brought in outside expertise, but kept major local stakeholders out of the planning process (Dolan 2011, Oosting 2011, Patterson and Silverman, 2013). Additionally, long-time residents were unhappy with the notion that some neighborhoods would not exist, or that they would be forced to move to more populated areas. Over the course of the next 3 years, the University of Detroit's Detroit Collaborative Design Center took over the strategic planning process with backing by Kresge and other funders. Planners there engaged thousands of residents about their needs, wants, and vision, and the plan was rebranded as Detroit Future City. In this, there was no mention of shrinkage, but rather, that every neighborhood had different characteristics that would lend themselves to specific plans for development. For instance, neighborhoods with significant and even majority of vacant land would become prairie-type neighborhoods with large swaths of managed green space, whereas other neighborhoods would grow as manufacturing hubs, and yet others as traditional residential neighborhoods (Detroit Future City 2013). The DWP began what would be a growing alignment of philanthropy, which created a new shift in the City's agenda towards neighborhood redevelopment during the foreclosure crisis.

*Detroit's Community Development Intermediaries and Advocates*

While some considered the community development sector in Baltimore as anemic, in Detroit by comparison, the sector there may have been characterized as bloated. There were many, some would say too many, community development corporations in the city that focused more on affordable housing than neighborhood revitalization. Many funders and community development practitioners characterized the city's CDCs as small, low-capacity, dispersed, and unorganized, and that the city contained upwards of a hundred CDCs (Personal Interviews).

A local office and program of the Local Initiatives Support Corporation (LISC) was brought to Detroit by local funders and practitioners in 1990. As it does in all of the cities where it works, LISC is governed by a local advisory board comprised of private and corporate funders, as well as representatives from city government and the nonprofit community development sector. LISC's local activities are shaped by needs defined by these and other local stakeholders. LISC Detroit helped direct national funding and technical assistance resources to build the capacity of the community development sector, primarily through grants and loans provided to affordable housing development projects and their sponsoring community development corporations (CDC).

The CDC sector grew prolifically in the 1980s and 1990s, and its primary function was the production of affordable housing throughout the city using federal subsidies such as Low Income Housing Tax Credits (LIHTC) and HOME Investment Partnerships Program (HOME). As part of the Tax Reform Act of 1986, the LIHTC provides tax credits to investors who develop low-income rental housing (Schwartz 2006). Rules governing how the LIHTC is used require that tenants have restricted incomes, the amount of which depends on the project. The HOME program provides annual formula grants to states and localities to support development of low-income rental or ownership housing. In Detroit, between 1987 and 2013, a total of 13,909 units were produced with LIHTCs (HUD 2015). According to Lan Deng who studied the amount and geographic locations of LIHTC projects in Detroit, LIHTC units made up about half of all new housing construction activity in the city between 1990-2007 (2013). During this time, private, for profit developers made up the majority of LIHTC producers. Low-income housing was seen by many as a stronger investment in the city than market rate housing, which speaks to the weak nature of Detroit's housing market as well as the nature of the market demand.

Deng's research identified that about half of LIHTC projects between 1987 and 2013 were located in the greater downtown or riverfront districts, consistent with development priorities of several mayoral administrations during this time period (2013). The other half of LIHTC developments was widely dispersed in neighborhoods throughout the city. Many of these neighborhoods, however, were declining not only in population, but also in socioeconomic stability (Deng 2013). One private developer turned nonprofit community developer indicated that neighborhood developments were more likely to be developed and managed by local entrepreneurs who started CDCs as a vehicle for real estate development, or neighborhood improvement CDCs who viewed housing as one of the primary solutions to the decline of many neighborhoods in Detroit (Personal Interview).

When LISC was established in Detroit in 1990, the nonprofit community development sector had been uncoordinated and unorganized. There was little to no strategic direction to where housing developments were placed. For its first several years, LISC used its funding and technical support to try and build the capacity of neighborhood-based CDCs. In the late 1990s and early 2000s, LISC underwent a strategic planning process to identify a small number of neighborhoods where it could target its investments, called Strategic Investment Areas. The planning process was based on knowledge gained during LISC's years of community development work, as well as feedback from its community partners and local advisory board (Personal Interview).

LISC's Strategic Investment Areas work helped start a conversation among other local stakeholders about a greater need for more targeted and strategic focus to funding, development, and planning, particularly in the neighborhoods outside of downtown. Prior to this, foundations were not as involved in neighborhood development. Up until the mid-2000s, foundations did not even have a major role in the city. The Kresge Foundation, W.K. Kellogg Foundation, Hudson-Webber Foundation, and others provided significant charitable contributions to organizations serving residents or to capital projects that funded major institutions such as the city's hospitals, universities, and museums. However, one funder admitted that, during that time, each foundation had its own mission, goals, and priorities, and did not share their work or strategies (Personal Interview). In a city with 140 square miles of land, which was increasingly becoming vacant and abandoned as the population declined and the housing crisis took hold, trying to make an impact in the city as a whole would be impossible. Many funders and other stakeholders realized that it was going to be necessary to have a more targeted approach if they were going to be able to make an impact. As one respondent former city staffer and researcher commented, "the strategic investment focus helped everyone look at the city as a whole for rational strategic development. Here it was, after almost 20 years of struggle, people with private money were finally beginning to agree that we had to focus" (Personal interview). So, when Mayor Kilpatrick had first reached out to the city's major foundations about the Next Detroit Neighborhood Initiative in the mid-2000s, LISC's efforts to target funding and community development activity helped create a greater appreciation for strategic planning. Thus, funders were ripe for an effort to establish consensus on strategic community development.

Looking back to Coleman Young's administration, Detroit created a progrowth governing coalition almost solely, though not strategically, focused on downtown development. Despite some efforts by the City Council and organizations to incorporate community needs into decision-making, Mayor Young and City Council ultimately and systematically excluded neighborhood stakeholders. The community development sector then grew within this environment into a disparate group of organizations focusing primarily on affordable housing with incremental impact in declining neighborhoods.

As Detroit faced continued economic problems and rising mortgage foreclosures, it also suffered another blow from corruption and then transitions in the mayor's office. These events created a void in public sector leadership that was replaced by the growing strength of the philanthropic sector, which decided to become ever more involved in and directive of neighborhood development efforts in the city. Thus, when it was time to take action against the foreclosure crisis, a new governing coalition, arguably led by foundations, was already practicing significant leadership of community development activities.

**The Long-Standing Problem of Vacant Properties**

In Baltimore and Detroit, the mortgage foreclosure crisis was merely the tip of the iceberg with regards to the larger problem of abandoned and vacant properties. For decades prior to the foreclosure crisis of 2007-2010, depopulation, abandonment, property flipping, and tax foreclosures had left huge numbers of homes and properties vacant. As one practitioner commented, (Personal Interview):

> So, when you are talking about bank foreclosures, it's an added layer on already desperate situation. There was a ton of surplus land that was once in use for residential, commercial, industrial use, but now hasn't been in use for a long time. Abandonment had been happening for a long time, so the bank issue just adds to it. We'd been creating blight and declining property values for owners and investors. It is exacerbating an already desperate situation.

For community development practitioners in both cities, dealing with vacant properties was a major challenge and neighborhood development could not be separated from this problem. This section outlines the ways in which actors tried to address vacant properties, as well as what these practices say about the priorities and capacity of the community development sectors.

In Detroit, that number of vacant properties is currently at about 84,000 according to the Detroit Blight Task Force, a public-private effort that inventoried every property in the city in 2014 (Detroit Blight Task Force 2014). Baltimore Housing, the city's public housing and community development agency, documented 30,000 vacant properties as of 2015, including homes and lots (Baltimore Housing 2015b). To some, the foreclosure issue took attention away from the cities' bigger problems. A member of Baltimore city government expressed concern that, "The sexy thing is foreclosure work, but for the city of Baltimore, that is d-u-m-b, *dumb*. For a city like Baltimore, it is not where our needs are. For this city, the problem is vacant property, not foreclosure" (Personal Interview). Despite the breadth of the vacant property problem in both cities, there was not been the same kind of attention from the media, funders, or federal government to address this issue.

Mayor O'Malley tried to tackle the vacant property problem in Baltimore by initiating what he called Project 5000. The purpose of this program was to use streamlined acquisition and disposition processes to get vacant properties back into private ownership and productive use. During O'Malley's administration, about 6,000 properties were acquired and half of those put back into productive use through homeownership or other designated uses (U.S. Conference of

Mayors 2015). During the height of the foreclosure crisis, Mayor Rawlings-Blake's administration launched a new program, called Vacants-to-Value. This initiative aimed to strategically identify blocks with potential for redevelopment, then use code enforcement, acquisition, and disposition, and primarily, but not solely, worked with private developers, to redevelop vacant properties (Personal Interview). These initiatives are examples of the way the City has tried to take on this seemingly intractable problem especially because Baltimore's housing stock consisted primarily of row housing, which made demolitions more difficult.

Before the mortgage foreclosure crisis, advocates and practitioners in Detroit had been trying to garner support from the City for solutions to address the growing vacant property problem there. There was an increasing recognition of the risks and dangers that vacant properties posed to communities throughout the city, especially among neighborhood-based CDCs, and organizational intermediaries like LISC Detroit and Community Legal Resources (CLR) (Note: CLR later changed its name to Michigan Community Resources); the latter, which provides legal, research, and planning resources to Detroit's community development sector. For several years, CDCs had come to CLR seeking assistance around how to address increasing numbers of vacant properties in their communities. CDCs were struggling to find the owners and either acquire the properties themselves or help neighbors acquire them as side-lots in order to prevent blight and get properties back to productive use.

Many CDCs started sharing information about strategies to address the vacant properties in their communities through the local trade association, Community Development Advocates of Detroit (CDAD). Started around the year 2000, CDAD was formed as a membership organization that would help support the sector by strengthening the networks between community organizations, building their capacity, and advocating on behalf of policies and practices that support CDCs and the communities that they serve.

A practitioner who was involved in this effort reported that as CDAD, CLR, and LISC Detroit learned about increasing challenges with vacant properties, they tried approaching the City of Detroit Department of Planning and Development about what could be done (Personal Interview). In doing so, these organizations would learn that the City of Detroit did not keep track of these properties. There was little to no enforcement of code violations due to lack of resources and the City had incomplete property ownership information. After properties went into tax foreclosure with the county, they were sold at an auction by the County Treasurer. Before properties were auctioned, however, the City of Detroit had right of first refusal to acquire these properties. However, such land dispositions were often haphazard and uninformed, and this lack of attention to the process helped speculators and property flippers to purchase hundreds of properties in the city (Personal Interview). One advocate said, “On the city level, we did try, on the tax foreclosure issue, to get into Planning and Development, who was turning down [foreclosed properties from the county treasurer]. We asked if they understood what was happening. Some bureaucrat was somewhere signing a form, but they didn’t really understand what was happening,” (Personal Interview). For many Detroit neighborhoods, this resulted in more and more properties that continued to be vacant and blighted.

Realizing that the City of Detroit was not going to be able to be of much assistance to CDCs and residents dealing with vacant properties, CLR, CDAD, and LISC Detroit decided to form the Detroit Vacant Property Campaign (DVPC) to formalize strategies and initiatives around this issue. LISC Detroit provided a grant to CLR and CDAD in December of 2007 to work closely with CDCs to research the vacant property problem and develop tools to address the issues in the communities. Described by a local practitioner, CLR and CDAD wanted to incorporate advocacy in the work in order to try and influence elected officials for more permanent and systematic solutions, such as the creation of a land bank, however, LISC Detroit wanted more focus on providing direct assistance to CDCs (Personal Interview).

The first thing that the DVPC wanted to do was to research the extent of the problem and create better data on vacant properties in the city. One respondent commented that, “In many other places, you would call the city for that information, but at this time, the city was incapable of providing that, so we had to step in, in their place,” (Personal Interview). The DVPC worked with Data Driven Detroit (D3), a nonprofit data center created and funded by foundations in the Detroit Neighborhood Forum in 2008. D3 was tasked to create a depository for information on tax foreclosures, property owners, and eventually, mortgage foreclosures, as well (Personal Interview). To address vacant properties directly, DVPC created a menu of services for nonprofits. It would help CDCs to identify property owners and navigate foreclosure and acquisition processes to get the properties back into use. For vacant lots, DVPC helped CDCs and residents through the process of acquiring and cleaning them to be able to then create new assets in the neighborhood, such as community gardens and pocket parks (Personal Interview). It was shortly after the DVPC was formed that the magnitude of the mortgage foreclosure was beginning to be understood. It was then also, that local funders, especially participants in the Detroit Neighborhood Forum, began to put a laser-like focus on addressing this problem.

The problem of vacant properties was another common element between Baltimore and Detroit, though, as seen here, it was addressed in different ways in each city. In Baltimore, the City spearheaded efforts to lessen the negative impact of vacant properties in its neighborhoods. In Detroit, community development practitioners and nonprofits eventually led this effort because of the City's inattention and inability to even provide basic property information. Though vacant properties were a massive problem in both cities, the actions taken demonstrate that city government and community development organizations in Baltimore had a greater capacity to deal with this issue than in Detroit. Nonprofit organizations were forced to take on this problem in Detroit. Despite their strong capacity and progress they may have been able to make in neighborhoods, the lack of a public sector partner limited their activities to providing data and assisting nonprofit groups, rather than any widespread property demolition or clearance, which would have to be done with government tools.

**Conclusion: Community Development Culture**

This chapter has identified the many ways in which the histories of Baltimore and Detroit are similar as well as where they diverge. The cities share many aspects of their historical paths including their transitions out of manufacturing economies, discriminatory planning and housing practices, corporate-public partnerships that focused redevelopment on the cities' downtown at the neglect of neighborhoods, and the rising power of the philanthropic sectors. They even share the element of political scandal and, during the foreclosure crisis, both had the same experience of having three mayors within three years.

They diverge in terms of the origins of their community development sectors. Baltimore's community development organizations were spawned decades ago out of organizing and activist origins, whereas the growth of the community development sector in Detroit was based primarily in affordable housing production by nonprofit real estate developers and service providers. Community organizing played a much more diminished and short-lived role in Detroit's neighborhoods. In Baltimore, there was a stronger flow of community advocates who moved throughout the local and state neighborhood development sector, bringing Baltimore's community development priorities with them to increasingly higher levels of decision-making and resources.

In addition, the philanthropic sector in Baltimore was highly organized around neighborhood development priorities in partnership with community development organizations, beginning about 10 years before foundations began collaborating, or even sharing information, in Detroit. In Detroit, a political leadership void combined with the housing crisis galvanized the foundations to both be more strategic and to work together, and to set a community development agenda themselves. In Baltimore, the flow of information about neighborhood priorities was more bottom-up because the infrastructure was developed as more of collaboration between community organizations, foundations, and city administrators. As a result, and as will be discussed further in the next chapter, the formation of BHPC proved pivotal to the ability of Baltimore stakeholders to rally around and implement a response to the mortgage foreclosure crises.

## Chapter 3: The Foreclosure Crisis and Responses in Baltimore and Detroit

### Introduction

The mortgage foreclosure crisis that occurred in the United States between 2007-2010 triggered what has become known as the Great Recession, the longest economic downturn in this country since the World War II (National Bureau of Economic Research, 2010). Despite great efforts to mitigate the effects of the crisis, the impacts are still felt among individuals whose homes were foreclosed, the neighborhoods where foreclosures occurred and were concentrated, organizations that served those communities, and the cities where all this took place. This chapter will provide background on the origins of the foreclosure crisis on the national level and detail how it affected Baltimore and Detroit.

The federal government responded to the crisis with major initiatives to support mortgage lenders, homeowners and the communities affected by mortgage foreclosures. Those programs will also be described. In order to understand the nature of the strengths and weaknesses of the community development sectors in both cities, this chapter will then outline local responses to foreclosures, built upon earlier discussions of these sectors. First, it will summarize the timeline of activities that stakeholders in each city undertook, then it will detail the local responses through the actions taken by neighborhood and nonprofit organizations, foundations, city agencies, and elected bodies.

### Homeownership, Financialization, and Foreclosures

In the early 2000s, policymakers expressed a renewed focus on homeownership across the country. The federal administration established a national priority on homeownership to increase the number of families, particularly low and middle-income African American and Hispanic families, who could own homes and to build assets. In 2002, then President George W. Bush articulated this goal (The White House Office of the Press Secretary 2002):

> There is a homeownership gap in America. The difference between Anglo-American and African-American and Hispanic homeownership is too big. And we've got to focus the attention of this nation to address this. And it starts with setting a goal. And so by the year 2010, we must increase minority homeowners by at least 5.5 million.

Investments in education, jobs and workforce development may have been part of a sustainable solution to this gap as it would have better enabled families to increase their household income. However, the financial system's response to the homeownership gap was to expand access to mortgage lending for low and moderate-income borrowers based on the notion that homeownership by any means necessary would be the key to overcoming disparities and the gap between white wealth and black wealth. Until the 1980s, banks only provided mortgages to homebuyers who could provide a twenty-percent down payment on the home for a traditional 30-year mortgage. In the 1980s and 1990s, the subprime mortgage market grew and expanded, where banks and lenders provided mortgages to families with lower credit or other higher risk factors, and often led to higher interest rates, balloon payments, and adjustable rate mortgages (ARM) (Immergluck 2009). Seeing subprime loans as a potential risk to homeowners and the housing market, the U.S. Congress passed the Home Ownership and Equity Protection act (HOEPA) in 1994 and promoted consumer protection through disclosure activities, but only for very large loans with high fees. However, lenders adapted by growing the subprime market for lower loan amounts and fees just low enough to be under the radar of HOEPA (Immergluck 2009).

Other changes happened in the financial markets, as well. Traditionally, banks lent to homeowners and kept those loans on their financial books. If borrowers encountered difficulty repaying their loan, banks were very likely to assist those borrowers to get them back on track. However, the growth of securitization changed this. Securitization enables lenders to pool together and sell different types of loan debt to investors on the secondary market. In the mortgage industry, banks created mortgage-backed securities that were sold from lenders to securitizers, thereby taking debt off the books of banks and providing them with additional capital to lend (Simkovic, 2011.) The largest securitizers of home loans were Government Sponsored Enterprises (GSEs), namely the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal National Mortgage Association (FNMA or Fannie Mae).

While the intent of the GSEs was to free up more lending capital to increase loans for homeownership, securitization dis-incentivized lenders to be responsible for the loans they made. If borrowers couldn't really afford their mortgages, subprime or traditional, lenders were off the hook once those mortgages were sold on the secondary market and then securitized. As such, by the middle of the middle of the 2000s, securitization became the main tool to increase liquidity of home financing across the country (Krippner 2011). During this time, the subprime market began exploding and policies further deregulated it such that loans were allowed to have introductory low interest rates, which would then double, triple, or worse after a certain time period. In addition, many had prepayment penalties, included low or no down payments, or no longer required documentation and proof of income, (Immergluck 2009). Certain banks actually incentivized subprime loans with high and adjustable interest rates. For example, later in 2012, Wells Fargo Bank, one of the largest mortgage lenders in the country, settled a lawsuit filed by the U.S. Department of Justice (as a response to suits filed the City of Baltimore in 2008) claiming the bank steered African American and Latino homeowners to subprime loans. The suit stipulated that Wells Fargo offered larger commissions to independent mortgage brokers who enrolled homeowners in those loans even if those homeowners qualified for prime loans (Mui 2012).[3] These practices had led to significant increases in subprime loans in the market. By 2005, subprime loans made up about 20% of all mortgages (Apgar and Duda 2005).

With the national focus on spreading homeownership opportunity to African American and Hispanic households, the subprime market targeted these communities. As shown in Figure 3.1, predominantly black, low poverty areas had subprime loans at more than double the rate of predominantly white low poverty areas and predominantly Hispanic areas had almost three times the density of subprime loans. For higher poverty areas, the disparity continued between predominantly white communities and predominantly black or Hispanic communities. These findings align with many other studies that have found that African American and Hispanic borrowers receive subprime loans far greater than whites (Bybee 2011).

For example, Bocian, Ernst, and Li (2006, p. 16-17) found that black borrowers were up to 34.3 percent more likely and Latinos 44.6 percent more likely than white borrowers with comparable types of mortgage-products, credit scores, loan to value ratios, and other variables to receive subprime loans. Thus, for cities, such as Baltimore and Detroit, whose populations are majority African American, subprime loans, and mortgage foreclosure crisis that started within this sector of the housing market, hit particularly hard in many communities throughout both cities. For example, a 2015 study by the Detroit News found that 68 percent of all mortgages in Detroit in 2005 were subprime, compared to 27 percent in the state of Michigan, and 24 percent nationwide. (MacDonald and Kurth 2015a).

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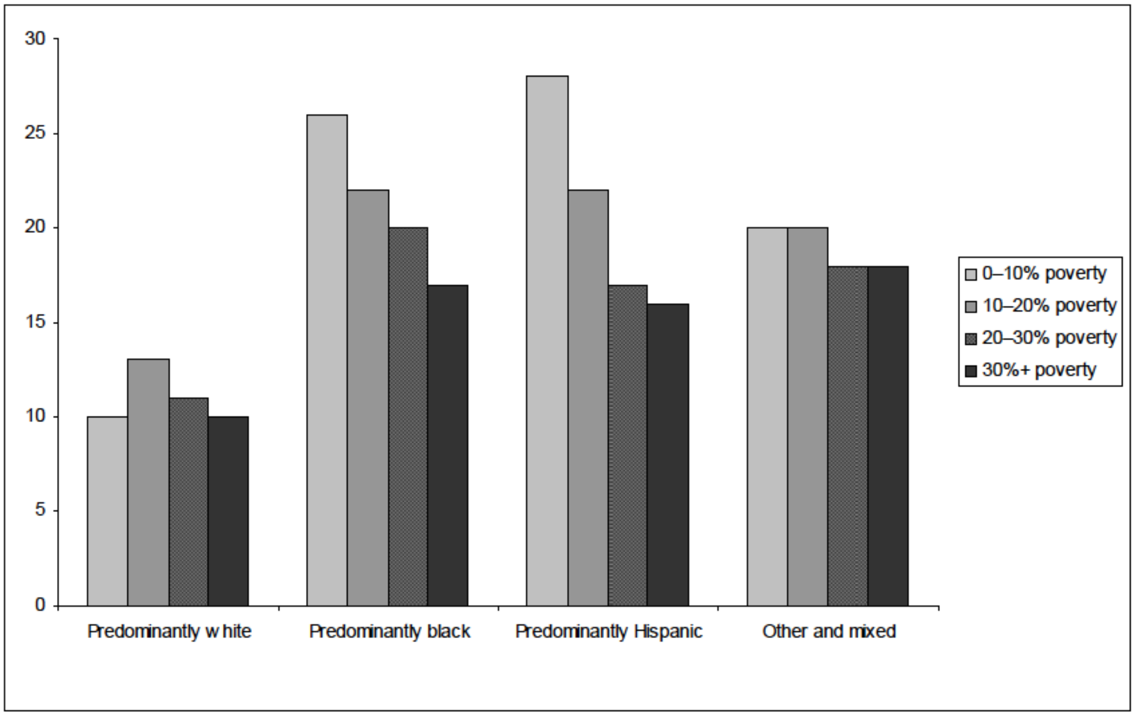
[3] Municipal governments and federal agencies brought similar lawsuits against other lenders in the years after the mortgage foreclosure crisis as well including HSBC and Bank of America (Stuart, 2014).

**Figure 3.1 Density of Subprime Loans by Predominant Race and Poverty Rate of Census Tract, 100 Largest Metro Areas. (Average no. of high cost loans per year (2004-2006) per 1,000 units in 1-4 unit structures). (Kingsley and Petit 2009)**




When policymakers and practitioners began to recognize the problem of subprime mortgages, interest rates on those mortgages were resetting at much higher levels and balloon payments started coming due. In addition, homeowners, lenders, and loan servicers began to realize that some household incomes, for which no documentation had been required at origination in many cases, could not sustain continued homeownership, especially for loans that with increasing interest rates that became more and more expensive. Subprime mortgages started going delinquent and into foreclosure in great numbers in the early to mid-2000s across the United States. Then, mortgage foreclosures spread to prime mortgages too, as the economy began going into recession in 2007. The financial markets, reeling from losses from securitized mortgage holders, were losing value, and investments in housing came to a standstill, as did housing construction. Unemployment rose as the recession spread throughout the economy.

When homeowners tried to refinance to be able to keep their mortgages, the lending industry had become much more stringent leaving few options for borrowers. As the value of homes everywhere decreased, homeowners often found themselves underwater in their mortgages; the value of the house was less than their mortgage. Many homeowners could not afford their mortgages and delinquencies and foreclosures increased in both the subprime and prime markets (Immergluck 2009). This process and the impact it had on communities was described by a practitioner in Detroit (Personal Interview):

> For people who were refinancing, the bank wanted a new appraisal, but that would come in at a lower value. So people just started walking away, and would buy another foreclosure. When banks are in control of the property, they are supposed to maintain it. But, when people leave and the bank doesn't know it, no one is maintaining the property.

In many cities, foreclosures brought housing values down in the communities of color where they were often concentrated. As described in the above quote, when homeowners vacated their properties, abandonment and blight increased as the banks of took ownership the properties did not maintain or secure them (Kingsley, Smith, and Price 2009).

In addition, crime became a greater problem as homes were subject to stripping and vandalism, and city governments were overwhelmed with providing needed safety and public services to a declining population tax base (Kingsley, Smith, and Price 2009). According to a study of the impact of mortgage foreclosures on municipal governments, one foreclosure can cost a city upwards of $34,000 including enforcement of codes and nuisance abatement, maintaining and securing properties, attending to fire and safety needs, and in losses from property taxes (Apgar and Duda 2005). Mortgage foreclosures hit all cities hard, but for cities already struggling with weak markets, the crisis deepened and expanded financial wounds that would require great human and capital resources to repair.

**State Foreclosure Laws**

Foreclosure laws are determined by each state and the process usually occurs in one of two ways: as a judicial foreclosure or non-judicial foreclosure. A judicial foreclosure requires the involvement of a court for lenders to file and finalize foreclosures. Non-judicial foreclosures involve administrative processes that notify homeowners and the public of an intent to foreclose, then the process proceeds through the sale of the property at a public auction via a third party. Judicial foreclosures offer better protections for the borrower because it requires that judges review foreclosure documents and ensure the process adheres to state law. The length of a foreclosure process and how friendly it is to homeowners depends on the laws in each state.

The general process of a foreclosure starts with a homeowner who misses a mortgage payment and goes into default after a certain number of days, determined by state law. A notice of foreclosure is sent to the homeowner, and then the bank starts the foreclosure process either through the courts or an administrative party depending on whether it happens in a judicial or non-judicial state. After another period of days determined by state laws, the home in question undergoes a foreclosure sale either through the court or at a public auction. Many states also have a redemption period, where the mortgage-holder may continue to reside in the house and try to purchase it back from the lender. During the entire foreclosure process, there are multiple points of contact between the lender and mortgage-holder. The number and methods of contact is also determined by state law, and the mortgage-holder may pay what is owed at any time to stop the foreclosure process and retain full ownership of the home.

In Maryland, foreclosures go through a judicial process or a “quasi-judicial” process (Maryland Housing Counselors Network 2014). A quasi-judicial foreclosure is similar to a non-judicial foreclosure, though in Maryland, there are certain steps that require court notification and involvement, which is different than most other non-judicial foreclosures. The majority of foreclosures in Maryland are judicial and go through court processes, and it is largely considered a judicial state (RealtyTrac 2015). Since 2008, foreclosure laws in Maryland have undergone changes to make it more friendly toward homeowners. In 2008, the laws changed that lengthened the time between when a servicer sends a notice of foreclosure to homeowners and the start of the foreclosure process by 30 days, for total of 120 days (Maryland Housing Counselors Network 2014). This allowed housing counselors more time to establish contact and work with homeowners in trouble. In 2010, as discussed in the previous chapter, the Maryland State Legislature passed new foreclosure laws that required lenders to offer and engage in mediation with homeowners at either of two stages in the foreclosure process (Williams 2010). Mediation could occur either after the notice of foreclosure and before the foreclosure process is started, or after the foreclosure process is initiated, but before the foreclosure sale. If the foreclosure sale occurs, a redemption period is determined by the courts.

Michigan is known as a non-judicial state, though both judicial and non-judicial foreclosures are allowed there. Homeowners are notified of delinquency and, if there is no attempt to pay what is owed to the lender after 120 days, the lender files a notice of foreclosure with the County Sheriff's department and the homeowner (Michigan State Housing Development Authority 2014).[4] A notice of foreclosure sale must be posted in a local paper for four weeks and directly to the homeowner within two weeks of the first publication. If the homeowner does not redeem the property during this time, the home enters a public auction, known as a Sheriff's sale, where the property is sold to the highest bidder. If there is no bidder, the home becomes the property of the lender, as real estate owned (REO) property. After this,

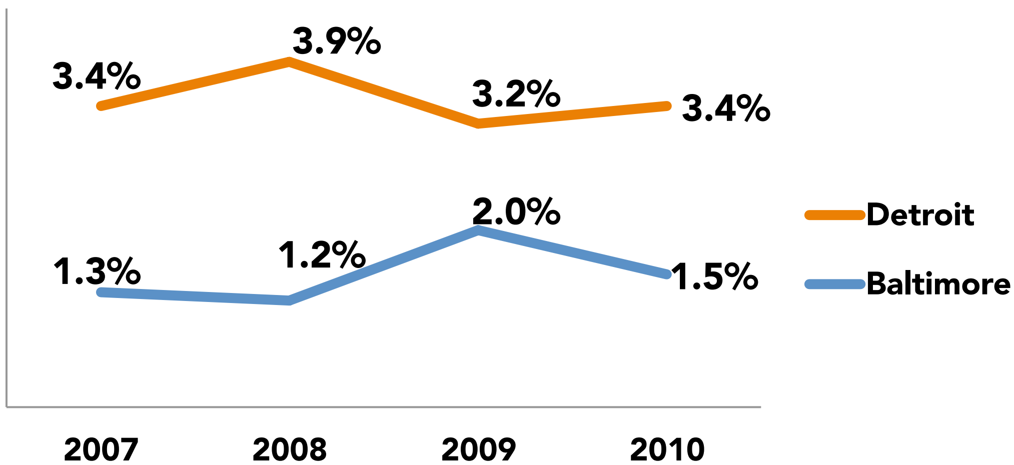
[4] In 2014, the federal Consumer Financial Protection Bureau passed laws requiring lenders to undergo a processed called loss mitigation analysis, which explored and considered alternatives to foreclosure such as loan modifications (Michigan Housing Counselor Network, 2014).

Michigan law allows for a redemption period of at least six and no more than twelve months, depending on how much of the mortgage had previously been paid by the homeowner. During this time the homeowner may stay in the home, and if desired, make an attempt to redeem the property by paying the price paid for at the Sheriff's sale.  If the former homeowner vacates the property during this time, the redemption period may be shortened to thirty days.

**How Mortgage Foreclosures Affected Baltimore and Detroit**

For most of the period between 2007-2010, Detroit and its metropolitan region had some of the highest foreclosure rates in the country. For a major city, and a weak-market city, Baltimore's rates were relatively low compared to similar cities like Detroit and Cleveland.  In 2007, metropolitan Baltimore rated 66th highest foreclosure rate compared to 1st for Detroit, and 6th for Cleveland (ReatlyTrac 2008).  In 2009, the Detroit region ranked 35th, Cleveland ranked 59th, and Baltimore ranked 108th (RealtyTrac 2010).  Figure 3.2 shows the mortgage foreclosure rates for the cities of Baltimore and Detroit.

**Figure 3.2: Mortgage Foreclosure Rates (Foreclosure Filings Per Housing Units)***




*Sources: Baltimore Housing, 2010; Data Driven Detroit, 2010.

In both Baltimore and Detroit, the effects of the foreclosure crisis described above manifested in neighborhoods and were confirmed by local practitioners. Respondents told detailed and common stories about how the mortgage foreclosure crisis unfolded in their cities and how it affected their work and the communities they served. The experiences many practitioners, policymakers, and funders faced during this time are important to highlight, and as this section shows, their voices are the best evidence. Thus, the section that follows summarizes those stories in both Baltimore and Detroit.

In the early stage of the crisis, community practitioners in Baltimore noticed a trickle of homeowners affected by subprime lending beginning to seek assistance from neighborhood organizations. One counselor described what she experienced: “In the beginning, in 2005 or 2006, it was mainly predatory lending. We heard, ‘I didn’t know I was getting an ARM loan. They told me it was fixed.’ And then, it came out that, from a marketing standpoint, there aren’t any real laws that prohibit them from saying it’s a fixed-rate loan, even if it is only fixed for two years…They didn’t know what type of loan they were getting” (Personal Interview).

The need for foreclosure counseling grew substantially over subsequent years. For many organizations in Baltimore that already provided financial counseling, they shifted their services from providing primarily homeownership to foreclosure counseling, “Starting in 2005 or ’06, I received maybe one or two calls about foreclosure. Now [in 2010] we probably get 50-60 calls a day. When I say one or two calls, I mean for the first two years, it was nothing…Now, it’s like 75% of my client base” (Personal Interview). Another organization reported that its counseling staff tripled in just two years, from one attorney and two volunteers, to three attorneys and three full-time counselors (Personal Interview).

One organization in Detroit recalled hiring its first post-purchase counselor in May of 2007, and by 2010, it had eight fulltime counselors on staff (Personal Interview). At another organization there that only started offering foreclosure counseling in late 2008, its Director had a similar experience: “We [saw] over 200 people who are in foreclosure [in 2009]. These are not homeowners who are in our housing that we built, but others who live in the neighborhood” (Personal interview). In 2009, as the economy worsened, staff at organizations saw the shift in homeowners coming to them for assistance. The numbers grew, but homeowners also changed from subprime to traditional borrowers. A practitioner in Baltimore described it, “So then, the curve kind of switched; now most of the calls are not so much the predatory loans, but the ‘I lost my job,’ ‘Both of us lost our jobs,’ It’s the unemployment thing now” (Personal Interview).

In addition to causing changes at their organizations, all of the nonprofits involved in this study recounted how foreclosures changed the communities they served. For some, they saw middle-income neighborhoods become worse off. Speaking in 2010, one Detroit community development practitioner explained, “With the foreclosures, values sometimes dropped in half. Many other families are underwater, the values of their mortgages are more then their house is worth,” (Personal Interview). Another Detroiter recalled, “It imploded for everybody in 2007…[Many] mortgages began to mature, balloon, and default. We saw in Detroit that neighborhoods that were already fragile, (not CDC neighborhoods, those were hit back in the 1980s), that were more stable to low-moderate income, with small brick housing, we saw those neighborhoods empty out. Even the upper-middle and upper income homes emptied out” (Personal Interview). The same happened in Baltimore, “The foreclosure crisis affects everything. Driving around neighborhoods, we’re now [in 2010] seeing boarded up homes; vacant homes that are much more prevalent in more stable neighborhoods” (Personal Interview).

Others saw the progress they had made in low and middle-income neighborhoods slowed to a halt and even reversed, such as in these lengthy, but rich, descriptions of the impact of high rates of foreclosures on neighborhoods in Detroit (Personal Interviews):

> Originally, in the beginning of the crisis, banks put houses up for sale for what they were owed, but the houses were sitting vacant because they were overpriced. Then the houses became safety problems; the plumbing was stolen or worse. Then the banks lowered the prices and the homes started turning over. They went from $100,000 to $20,000 within months. This further depressed prices. Plus, these buyers were primarily cash buyers, investors, so the typical homeowner was left out in the cold (Personal Interview).
>
> In Osborn, the northeast section of the city, entire blocks are empty. A strategy had initially been developed in mid-2006 to late 2007. Now we needed a new workplan because people weren't there and the condition totally changed. This was one of the original targeted neighborhoods because of the high numbers of children and the high violent crime. That neighborhood had the highest rate of violent crime in the city…To now see it, it's interesting. Now foreclosures took place, and then there were secondary foreclosures of rental properties. Now families are doubled up in already substandard housing. Even if housing prior to foreclosures was moderately poor, now it's substandard. There are twelve children in one little house with four adults.

For community development practitioners, the impact described in these quotes created an urgency to respond to try and help both homeowners and the neighborhoods impacted by mortgage foreclosures.

In Baltimore, stakeholders working within the Healthy Neighborhoods strategy realized that the progress they were making in attracting homeowners to middle income neighborhoods may have had the unintended consequence of also attracting predatory and subprime mortgages. These mortgages began to threaten the growing stability that had been created in those neighborhoods in more recent years. As one community developer in Baltimore commented, "We saw values in our neighborhoods go up consistent with or more than the region…That was really good, but it ended up creating opportunity for predatory lending and investor development so foreclosures started to come up. We probably don't really want to admit that, but that's the reality" (Personal Interview). In instances like this, community developers felt especially responsible for responding to mortgage foreclosures because they felt partly responsible for creating the problem. While HNI was encouraging growth in their target neighborhoods, they had not been able to protect homeowners from being targeted for subprime loans or mortgage foreclosures.

Seeing the potential for the devastation that the mortgage foreclosure crisis could have across the country, the federal government launched major programs to assist homeowners and to address growing vacancy and decreasing property value experienced by many communities. The next section will describe those programs and how Baltimore and Detroit captured some of those resources.

**Federal Responses to the Great Recession and Foreclosure Crisis**

Between 2008-2010, the federal government infused over $52 billion into initiatives aimed at addressing the mortgage foreclosure crisis.[5] These included funds aimed at helping homeowners stay in their homes by supporting counseling and loan modification programs. It also supported efforts by local governments to address the vacant properties left behind from foreclosures through property rehabilitation or demolition.

In the summer of 2008, the federal government established the National Stabilization Program (NSP) as part of the passage Housing and Economic Recovery Act (HERA). Under HERA, the federal government allocated $3.92 billion in funding to localities for the "emergency redevelopment of abandoned and foreclosed homes," (HudExchange 2015c). As this round of funding was working its way down from federal to local recipients, Congress approved a second round of NSP funding,

[5] NSP1: $3.2 billion, NSP2: $1.93 billion; NSP3: $1 billion; TARP: $45.6 billion; NFMC Round 1: $180 million; NFMC Round 2: $180 million; NFMC Round 3: $50 million; NFMC Round 4: $65 million.

totaling $1.93 billion, in 2009 as part of the American Recovery and Reinvestment Act (HUD Exchange 2015b). In 2010, one more round of NSP funding, an additional $1 billion, was approved as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act (HUDExchange 2015a).

Over the three years of NSP funding, Baltimore received a total of $31,805,119 and Detroit received $109,859,751. As outlined in Table 1.6 in Chapter 1, both cities used large portions of their NSP funding to acquire and rehabilitate foreclosed homes in order to resell them to new homeowners. Stabilizing the housing market by getting homes back into homeownership was a significant goal of the program. The NSP funds also allowed grantees to provide purchasing funds to new homeowners, including funds for down payment assistance or subsidies to guarantee lower interest rates on mortgages. Detroit, however, also used NSP funds to demolish vacant foreclosed homes for which it was not feasible to rehabilitate, whereas Baltimore did not use NSP funds for demolition. For the first round of NSP funds, Detroit allocated upwards of 30% of its $47 million award toward demolition. The difference here lies in the housing stock in the two cities. Detroit's homes are predominantly single-family, detached homes compared to Baltimore's traditional blocks of attached row houses. Demolition of individual homes in Baltimore did not occur primarily because of this structural challenge.

The NSP represented a massive investment in the back end of the mortgage foreclosure process, after homeowners completed the foreclosure process. However, practitioners and researchers understood that it was both more cost-effective and less destabilizing for families if homeowners were able to stay in their homes. Researchers at the Chicago Federal Reserve, for instance, found that foreclosure sales were at least 8 times more expensive for families as well as city governments than the cost of providing foreclosure counseling that could result in alternatives to foreclosure, such as short-sales or loan modifications, described below (Hatcher

2006). Thus, in terms of the federal government's response to the foreclosures crisis, the vast majority of funds, over $45 billion, were allocated towards counseling and financing assistance to help homeowners keep their homes with a more affordable mortgage payment. Or, in the worst-case scenario, homeowners would undergo a short sale. In this case, the home was sold at the then market rate, which was often far below what the homeowner owed, but the lender would write-off the difference and the homeowner would no longer owe any money to the bank.

The first of these federal programs was part of the Troubled Asset Relief Program (TARP) passed by Congress within the Emergency Economic Stabilization Act of 2008 (EESA) passed into law on October 3, 2008 (U.S. Treasury 2015). The purpose of TARP was to address the instability in the financial markets caused by the recession, to restart economic growth, and help homeowners avoid foreclosure. It included a number of programs for the auto industry, the secondary credit markets, and investments in banks and in AIG to keep them from failing. TARP also included two programs aimed directly at preventing mortgage foreclosures. The Home Affordable Modification Program (HAMP) was launched in early 2009 and provided incentives to lenders and servicers to voluntarily modify mortgages in order to lower interest rates and monthly payments for homeowners facing financial hardship. The U.S. Treasury reports the number of permanent modifications by metropolitan statistical areas (MSA). Through the end of December 2010, the Baltimore MSA completed 5,221 permanent loan modifications, and the Detroit MSA had completed 10,673 modifications (U.S. Treasury 2010). Numbers for each of the cities alone are not available. The U.S. Treasury also implemented the HARP and HAFA programs, other loan modifications described in detail in Chapter 1. Data for how many loans were modified through each of these programs was not available at the time of this writing.

The second homeowner assistance program was the Hardest Hit Funds (HHF), which was created in 2010 and provided funds to 18 states hardest hit with foreclosures to tailor assistance programs for homeowners facing foreclosure. Michigan was a recipient of HHF totaling $498.6 million and it was administered through the Michigan Homeowner Assistance Nonprofit Housing Corporation (MHA) (Michigan State Housing Development Authority 2015). The MHA was created by the Michigan State Housing Development Authority (MSHDA), the State's housing finance agency. The MHA's program, called Step Forward Michigan, provided assistance to homeowners in three main ways. First, homeowners could receive temporary monthly payments toward their mortgage if they were unemployed and receiving unemployment benefits. Second, funds could be provided to households in hardship in order to pay money owed to lenders to reinstate a delinquent mortgage, condo association fee, or property taxes. Third, funds could be used in a loan modification to help pay down a mortgage principal or toward mortgage delinquency.

The State of Michigan reported that by the end of 2010, 49 borrowers in Wayne County, which contains Detroit, had received assistance through Step Forward Michigan; by September 2015, that number was 8,763 (Michigan State Housing Development Authority 2015). In 2013, the federal government modified the HHF program to also allow funds to be used for demolition of foreclosed homes, and the Detroit Land Bank Authority (DLBA) was awarded over $52 million for such demolitions (City of Detroit 2013). Neither the City of Baltimore, nor the State of Maryland received any Hardest Hit Funds.

The last national program dedicated to mortgage foreclosure counseling and prevention is the National Foreclosure Mitigation Counseling (NFMC) program. The program was first authorized by Congress and President George W. Bush on December 27, 2007, and thought to be a one-time appropriation. However, the program has been reauthorized and funded every year, for a total of 10 rounds (NeighborWorks America 2015). The NFMC program is administered through NeighborWorks America (NWA), a national community development intermediary, which disperses NFMC funds to competitively selected state agencies and organizational grantees across the United States. The funds were targeted towards "areas of greatest need" defined as areas that experienced high rates of subprime lending, delinquent loans, and foreclosures starts (Neighborworks America 2015). Table 3.1 outlines funds received by all grantees in Michigan and Maryland.

**Table 3.1 National Foreclosure Mitigation Counseling Funds and its Direct Grantees Awarded in Maryland and Baltimore; and Michigan and Detroit.***

| NFMC Round | Maryland Award/Grantee | Michigan Award/Grantee |
|---|---|---|
| Round 1 | $901,697: MD Department of Housing and Community Development (MDHCD) | $661,916: MI State Housing Development Authority (MSHDA)<br>$315,652: Southwest Solutions |
| Round 2 | $1,391,260: MDHCD | $3,060,730: MSHDA |
| Round 3 | $85,150: MDHCD<br>$26,640: Neighborhood Housing Services of Baltimore, Inc. (NHS) | $85,150: MSHDA<br>$255,780: Southwest Solutions |
| Round 4 | $50,102: MDHCD<br>$25,020: NHS | $50,102: MDHCD<br>$25,020: Southwest Solutions |
| TOTAL | $2,479,869 | $4,454,350 |

*Source: Neighborworks America, 2015 (http://www.neighborworks.org/Homes-Finances/Foreclosure/Foreclosure-Counseling-(NFMC))

Particularly early on in the program, NFMC provided critical funds to help counseling agencies in Baltimore and Detroit to work with homeowners to prevent foreclosures. Funds could be used to build counseling capacity by hiring staff, for training counselors, and for providing legal assistance to homeowners facing foreclosure. Between 2007-2010, the State of Maryland Department of Housing and Community Development received $2,428,209 in NFMC funds. A portion of these were subgranted to counseling agencies in Baltimore, including ACORN Housing Corporation, Belair-Edison Neighborhoods, Inc., Druid Heights CDC, Eastside CDC, Inc., Neighborhood Housing Services of Baltimore, Inc., Southeast CDC, and St.

Ambrose Housing Aid Center, Inc.[6] In addition, the Neighborhood Housing Services of Baltimore (NHS) was a NeighborWorks America network member, which meant it was audited by NWA and assessed every year to ensure it is providing high quality services to residents. As a member, NHS received NMFC funds directly, totaling over $50,000 in Rounds 3 and 4.

During the same period, the Michigan State Housing Development Authority received $3,889,450 in NFMC funds. Subgrantees in Detroit included many small housing and counseling agencies such as Mission of Peace National Corporation, Michigan Neighborhood Partnership, and New Hope Community Development Nonprofit Housing Corporation. Neighborworks America also had a network member in Detroit, Southwest Solutions, which received almost $600,000 across all but one round of NFMC funding.

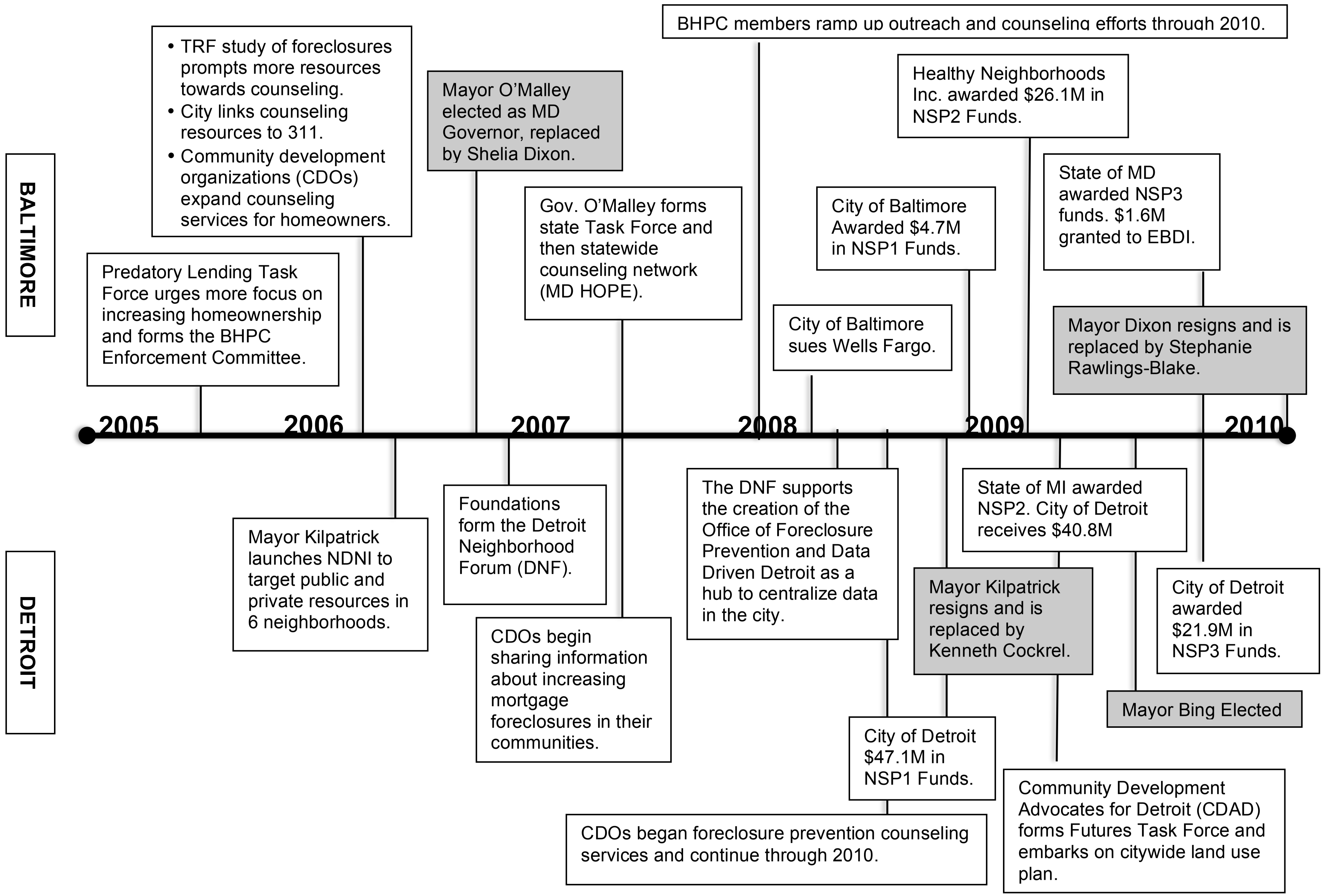
For both cities, the foreclosure crisis was an issue that needed great attention. Despite the fact that the housing crisis was a national problem, with causes that were national in scope, as well, it was the local actors that had to take action to try and stop the hemorrhaging of homeowners and the impact of foreclosed homes on their cities. The next section will outline how stakeholders in Baltimore and Detroit worked to address the challenges brought on by the massive mortgage foreclosures in their cities.

**A Chronological Account of Responses to the Foreclosure Crisis**

To establish a good foundation for understanding local responses, this section will first summarize the timeframe of activities in each city. Figure 3.3 diagrams this summary amidst mayoral transitions in each city. Following sections will describe the responses in more detail based on different types of activities and amongst different stakeholders.

[6] The exact amounts of subgrants are not available.

**Figure 3.3. Summary Timeline of Responses to the Mortgage Foreclosure Crisis and Mayoral Transitions in Baltimore and Detroit**



*Responses to Mortgage Foreclosures in Baltimore*

Baltimore's story begins in 2005. The Baltimore City Predatory Lending and Flipping Task Force (Task Force), established in 2001, had brought many in the community development and real estate sector together to address deceptive lending practices. In 2005, the Task Force produced a final report with recommendations that included creating a task force with more members from regulatory and enforcement agencies (Community Law Center 2005). The Baltimore Homeownership Preservation Coalition (BHPC) had been formed as the body that would bring the community development sector together among community, nonprofit, philanthropic, corporate and public stakeholders. Thus, the Task Force re-formed as the Enforcement Committee of BHPC, and it included representatives from regulatory and code enforcement agencies from the local, state, and federal levels, local nonprofits, and the community development divisions of banks.

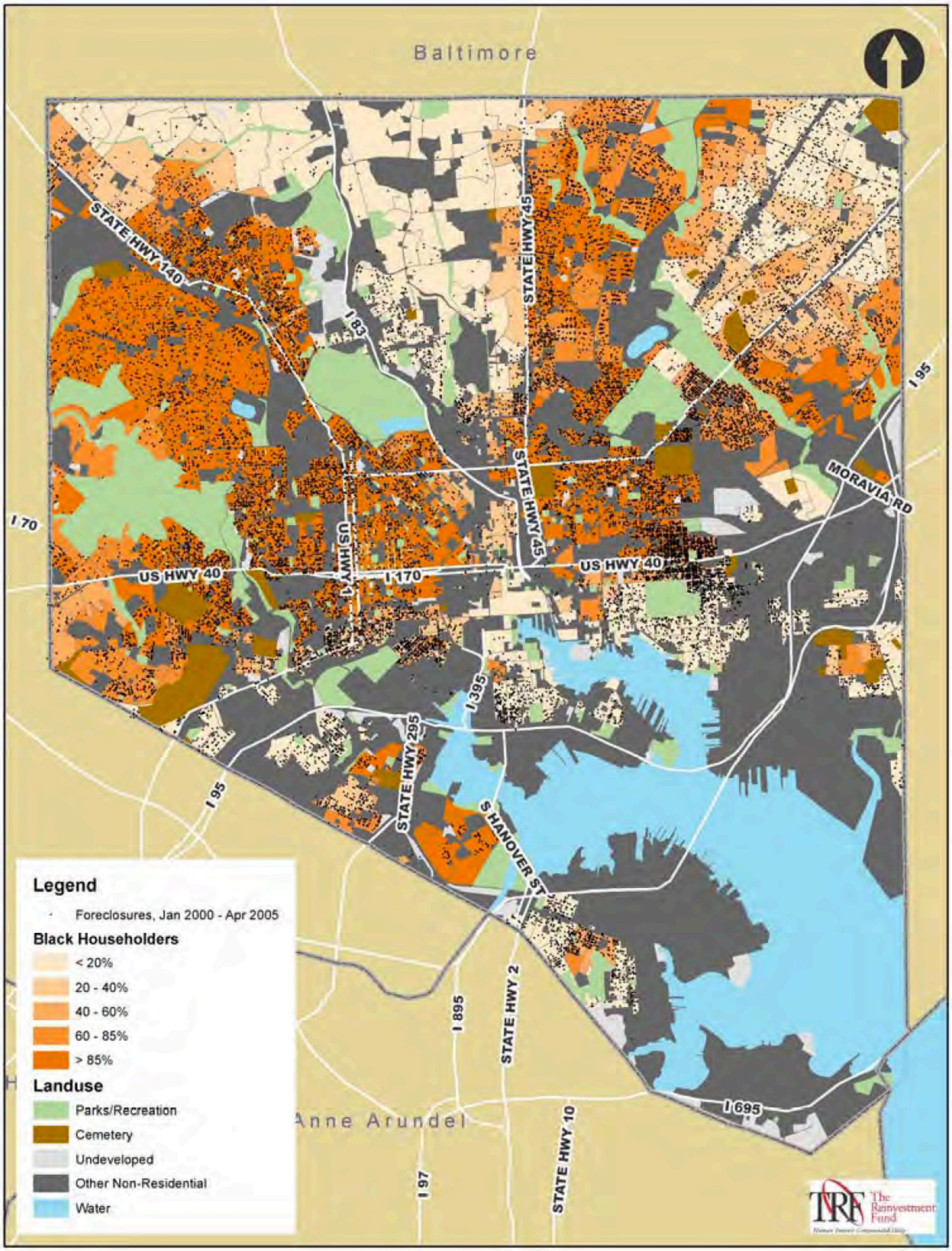
Out of the recommendations from the Predatory Lending Task Force, BHPC aimed to focus investments and activities toward increasing homeownership in Baltimore's communities. This strategy, it was thought, would help decrease opportunities for predatory lenders and investors to purchase homes without also contributing to long-term sustainability in the neighborhood (Davidoff 2015). Many community organizations, such as Belair-Edison, Inc. and Druid Heights CDC began stepping up their efforts to prepare residents to be homeowners through homeownership counseling (Personal Interview). Other nonprofits, such as Healthy Neighborhoods, Inc., and Neighborhood Housing Services provided alternative lending products to help steer residents away from predatory loans (Personal Interviews).

One funder described what happened next: "As Belair-Edison began implementing the Healthy Neighborhoods Strategy in 2005, the group started marketing to new residents, but realized they were competing with growing foreclosures in the area" (Personal Interview). Hearing about this through the BHPC, the Goldseker Foundation then funded The Reinvestment Fund, a national community development intermediary based in Philadelphia and Baltimore, to conduct research on the extent of the foreclosure problem in Baltimore. As one funder related, "The study found the incidences of foreclosure overlapped with parts of the city with high rates of minority homeownership. It was real startling at the time and pretty disturbing" (Personal Interview). The map produced by The Reinvestment Fund in the fall of 2006 is shown in Figure 3.4.

A local funder, armed with this new data, recalled, "I showed an executive director of a nonprofit more than 100 foreclosures in the neighborhood, but she was proud of the two new homeowners she had brought into the neighborhood. We realized we had to convince people that preserving homeownership was as important to creating ownership" (Personal Interview). With the findings from the TRF study, BHPC now could corral resources to address mortgage foreclosures.

In the fall of 2006, the BHPC and CHPA held community-wide meetings to share the TRF data more broadly. Members of BHPC stated that these meetings helped shift resources in the city among organizations and additional funders towards a homeownership preservation strategy (Personal Interviews). In 2007, then Governor O'Malley convened a new Maryland Homeownership Preservation Task Force (MD Task Force) comprised of counseling and regulatory stakeholders to create a statewide strategy for addressing foreclosures. Out of MD Task Force, the Maryland Housing Counseling Network was formed (later called Maryland HOPE Housing Counseling Network or MD HOPE), where housing counselors could be trained

**Figure 3.4 Mortgage Foreclosures in Baltimore Between 2000-2005***




*Source: (The Reinvestment Fund, 2006)

to serve homeowners in foreclosure, as well as network and share information about what they were seeing in the communities (Personal Interviews). The MD HOPE network was coordinated out of the Maryland Department of Housing and Community Development, where Carol Gilbert, former Program Officer for the Goldseker Foundation had recently moved.

Also in 2007, BHPC received CDBG funds from the City of Baltimore for foreclosure response activities and immediately started several publicity campaigns. They utilized billboards, radio advertisements, and bus placards to spread information with a campaign, “Mortgage Late? Don’t Wait!” Practitioners described the purpose of the media campaign to get homeowners at risk of foreclosure to seek help from counselors as early as possible to increase the chances of keeping them in their homes (Personal Interview). With support from Baltimore Housing, the local utility company agreed to include information on the campaign in utility bills and the City included a link in its 311-information phone hotline to statewide counseling efforts (Personal Interview).

During this time, between 2007-2010, nonprofit and community organizations worked to bolster their foreclosure counseling services, funded by local foundations such as Abell Foundation, Goldseker Foundation, Annie E. Casey Foundation, and Baltimore Community Foundation. In total, foundations contributed $2,297,500 between 2005-2010 to foreclosure prevention counseling during this period (The Foundation Center 2015). The MD HOPE network and BHPC provided networking and training opportunities for counselors on the state and citywide levels. More detail on the BHPC’s role is provided later in this chapter, but the focus on counseling at the local and state level indicates a high level of alignment and coordination among stakeholders.

In January of 2008, the City of Baltimore made national headlines with a lawsuit against Wells Fargo Bank, alleging predatory and racially discriminatory lending practices (Morgenson 2008). Those practices, the suit claimed, contributed to the high numbers of foreclosures in Baltimore, which led to costs incurred by the city in terms of lost tax base as well as increased expenditures related to social services and community stabilization. Housing advocates saw this as a bold move for the City and supported it, though several interview respondents collectively agreed that this strategy was done without consulting them (Personal Interviews). Many of the stakeholders who had already been involved in the anti-predatory lending and foreclosure crisis work reported that they would have suggested different targets for the lawsuit and/or been able to provide evidence from their research and data collection, which may have strengthened the City's case (Personal interviews).

Several other cities followed Baltimore's lead in suing Wells Fargo, including: Oakland, California; Miami, Florida; Memphis, Tennessee; and Chicago's Cook County in Illinois (Stuart 2014). Eventually, the United States Department of Justice launched its own investigation into Wells Fargo. In 2012, the bank agreed to a $175 million settlement for damages to borrowers in six metropolitan areas who had been steered towards subprime mortgages, as well as an additional $3 million in homeowner assistance and $125 million in prime loans to low and moderate income borrowers in Baltimore (Mui 2012).

The lawsuit against Wells Fargo was not the only way that stakeholders in Baltimore tried to hold lenders and services more accountable for the mortgage foreclosure crisis. Respondents in both Baltimore and Detroit complained about the lack of responsiveness from lenders and servicers. It was common to the point of normal practice for counselors to have to send the same documents to servicers multiple times, and that the servicers would change their assigned representatives to homeowners, which would require starting the process over again (Personal Interview). Some respondents were somewhat sympathetic to the banks. For instance, a counselor commented, “This wasn’t something we dealt with all the time, the lenders included. So now coming forward, they’re hiring people because of the volume [of foreclosures], but at the same time those hires they don’t know what’s going on. This whole thing was new to everyone,” (Personal Interview). Others felt differently: “There was a lot of frustration within the city and state with lender response, or lack thereof. [The banks] said they were trying hard and ramping up modifications, but weren’t doing enough. It should be criminal how inefficient they are,” and “In the media, servicers are saying that the HAMP program is not successful because homeowners are not responding. There’s not reason. The process takes so long because the banks aren’t getting back to us and getting it right,” (Personal Interviews).

Starting in 2008, U.S. Representative Elijah Cummings, who represents Baltimore, began holding citywide “Foreclosure Prevention Workshops” in the city (Personal Interview). He held nine of these workshops by 2013 (Citizens Planning and Housing Association 2013). These sessions provided overall education about the foreclosure process, but Cummings also invited representatives from the lenders and services to meet directly with homeowners facing foreclosure. In a fair-like atmosphere, homeowners could speak face to face with their lenders, who were there with their computers and files and could provide homeowners with answers on the process of their foreclosure or modification. While it is unclear how many homeowners were assisted at these workshops, practitioners indicated they made a difference for those that attended: “I’ve seen people walk out [of those workshops] with modifications or with answers. It may be that they had the modification before they got there, but they didn’t know it because they couldn't get anybody on the phone [at the bank] or the paperwork never reached their house or whatever," (Personal Interview).

In addition, in 2009, according to a state official, Governor O'Malley convened a meeting of the major lenders and servicers impressing upon them the importance of being responsive to homeowners and cooperative with counselors and other stakeholders to prevent widespread foreclosures (Personal Interview). Many of lenders used the meeting as an opportunity to present their perceived accomplishments related to assisting homeowners, so some practitioners thought the meeting was not very useful since the Governor did not have any proper mechanism for holding the lenders accountable. However, according to the state official, it was a start: "It let lenders know we are not going to sit and let this happen and it did lead to some more willing lenders' participation in events," (Personal Interview). Whether or not this meeting or Representative Cummings' events led to real or limited change, it demonstrated significant leadership on the part of elected leaders to address the foreclosure crisis.

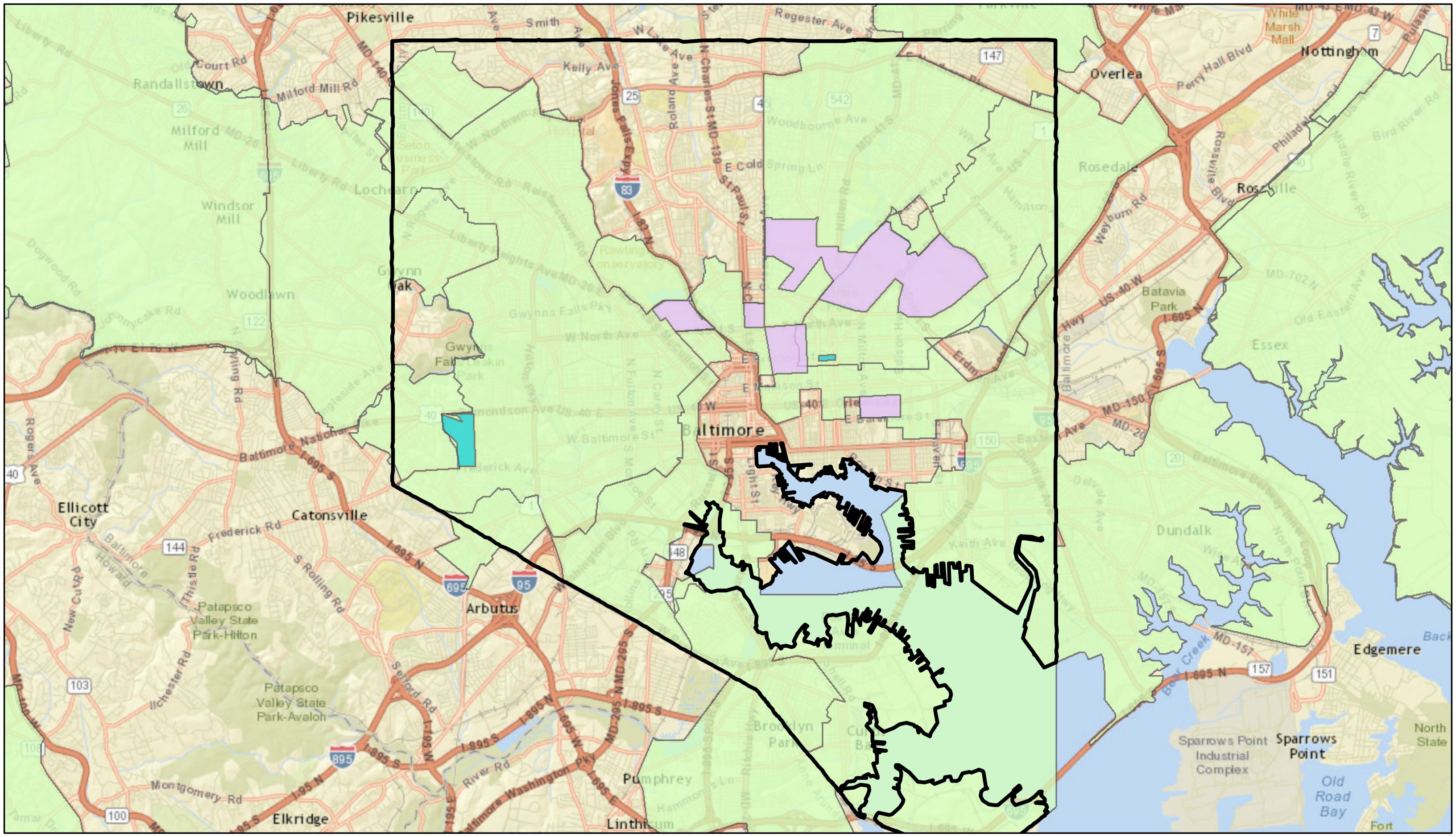
While the focus of many local community development practitioners and funders was on foreclosure prevention and keeping people in their homes as an appropriate strategy for targeting scarce resources, stakeholders also saw a need for addressing the increase in real estate owned properties (REO) left behind when families lost their homes. Baltimore Housing, the City's housing and community development agency, received $4.1 million of funding through NSP1 in 2008 and administered funds through four partners who would redevelop foreclosed properties including St. Ambrose Housing Aid Center, Healthy Neighborhoods, Inc., the local Habitat for Humanity affiliate, and the Greater Baltimore Housing Consortium, a coalition of three nonprofit special needs housing developers (Baltimore Housing 2009).

As part of NSP1, Baltimore became one of the early sites of a national initiative to address foreclosed, real estate-owned (REO) properties. After homeowners underwent foreclosure and vacated the homes, servicers and lenders became the owners of the homes, and the properties become classified as REO. The National Community Stabilization Trust (NCST) was an national intermediary established in 2009 by Enterprise Community Partners, LISC, Neighborworks America, the National Urban League and National Council of La Raza, as a way to simplify the transfer of REO properties to nonprofit housing organizations such that those entities could work to return the properties back to homeownership (National Community Stabilization Trust 2015). The NCST received lists of REO properties directly from lenders and servicers, then shared those lists with community nonprofit housing developers. If a property was located in an organization's target area, it could purchase the property at a discount directly from the lender before it was listed on the market. In Baltimore, St. Ambrose Housing Aid Center and Habitat for Humanity participated in this initiative (Smith Hopkins 2009). The NCST continued the program throughout the NSP1 round of funding.

The City of Baltimore did not intend to apply for NSP2 funding, so Healthy Neighborhoods, Inc., applied and received over $26 million to acquire, rehabilitate and sell a proposed 349 foreclosed homes (Healthy Neighborhoods, Inc. 2010). This was more than six times the amount received by Baltimore Housing the year before. HNI worked in partnership with developers (3 nonprofit and 1 for profit) in seven neighborhoods, providing rehabilitated homes for sale for households with incomes up to 120% area median income.

The State of Maryland received the allocation for NSP3, and $1.6 million was directed towards East Baltimore Development, Inc., (EBDI). The federal government changed the regulations for NSP3 funding that allowed entities to use funds for the rehabilitation of any

Figure 3.5.  NSP 1, 2, and 3 Target Areas in Baltimore, Maryland -




December 19, 2015

Override 1

NSP1 Target Area

NSP3 Target Area

NSP2 Target Area

1:158,799

0 1.25 2.5 5 mi

0 2 4 8 km

Sources: Esri, HERE, DeLorme, USGS, Intermap, increment P Corp., NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand), MapmyIndia, © OpenStreetMap contributors, and the GIS User Community vacant or demolished property, not just foreclosed properties. Since EBDI's focus was primarily on redeveloping the distressed and vacant land in its target area, it was able to utilize NSP3 funding, something that would not have been allowed in previous rounds. Figure 3.5 shows the target areas for all three NSP rounds.

Also in 2010, the Maryland State Legislature made changes to regulatory laws governing the mortgage foreclosure process (Williams 2010). The new law required servicers to provide an option for mediation with homeowners facing foreclosure. This was intended to force servicers to be more responsive to homeowners who were trying to keep their homes through loan modifications or refinancing. In addition, the changes also required servicers to pay a fee of $350 per foreclosure. These fees were used by the State of Maryland to fund MD Hope and other foreclosure prevention counseling efforts.

*Responses to Mortgage Foreclosures in Detroit*

While predatory lending and property flipping had also occurred in Detroit in the early to mid-2000s, the City government did not, nor did advocates, devote the same attention to it as in Baltimore. The Detroit LISC office had participated in an initiative started by the Congressional Black Caucus called With Ownership Wealth (WOW). WOW operated in several other cities across the country. LISC provided small grants to groups providing homeownership counseling and financial assistance to steer new homeowners away from predatory and subprime loan products (Personal Interview). Many major financial institutions were involved, including J.P. Morgan Chase, Fifth Third Bank, National City, in addition to the Detroit Realtors Association. However, after 2006, there isn't any evidence that WOW continued.

In 2006 and 2007, community development practitioners who were members of the Community Development Advocates of Detroit (CDAD) began sounding the alarm about mortgage foreclosures in their neighborhoods. Out of a meeting between CDAD members, Southwest Solutions and USNAP BAC, and the state community development trade association, the Community Economic Development Association of Michigan, these organizations decided to form the Michigan Foreclosure Task Force (MFTF) (Personal Interview). The MFTF was a statewide entity that coordinated training for foreclosure counselors, advocated on behalf of stronger foreclosure process policies to protect homeowners, and provided information and best practices to practitioners related to buying foreclosed properties, protecting tenants and homeowners in foreclosed properties, and addressing vacant properties (Michigan Foreclosure Task Force 2015).

Around the same time, community organizations had started to share news about the proliferation of mortgage foreclosures with funders at the Detroit Neighborhood Forum (DNF), who had been meeting since 2006. In mid-late 2007, foundation members of the DNF, including the Kresge Foundation, Skillman Foundation, McGregor Fund, Hudson Webber Foundation, and the Community Foundation for Southeast Michigan began strategizing about how they could support efforts to address the mortgage foreclosure crisis (Personal Interview). The collaborative responded in two major ways. First, the DNF created the Office of Foreclosure Prevention and Response (OFPR), which was intended to conduct research on all aspects of the mortgage foreclosure problem, and help bring advocates, community practitioners, and even financial institutions together to centralize information and coordinate solutions to the crisis.

The first challenge with creating the OFPR was deciding where it would be housed. Many of the funders wanted the initiative to be situated within the Mayor's office. In 2008, Mayor Kilpatrick had publicly made the mortgage foreclosure crisis a priority for his office and had begun to strategize about how to respond (Personal Interview). However, that same year, his growing scandals were threatening the legitimacy of his office and the DNF foundations did not want to invest their funds in an administration that was unstable. As one DNF funder related: "If we hadn't been in the moment of crisis, the office would have logically been in the Mayor's Office, but the Mayor's Office was going through indictments, and the foundation community didn't have any confidence in the City" (Personal Interview). Still wanting the OFPR to be associated with city government, the Hudson Webber foundation approached the Detroit Economic Growth Corporation (DEGC) about housing it within that agency (Personal Interview). As a quasi-governmental body, DEGC is an arm of city government, while maintaining independent oversight and a nonprofit 501(c)(3) status. The DEGC, however, was not active in any housing activities, and the foundations knew it wasn't perfect (Personal Interview):

> It wasn't particularly natural to put it with DEGC, but foundations had a reluctance to create a new nonprofit. While it could last forever, the likelihood was that it would be 2-3 years in operation then the things of value would filter out into existing institutions…We wanted to find a home, and DEGC was amenable. [The person who oversaw it], thank God she had a community development background. But her title is Vice President of Business Development, so it wasn't totally a great fit for her.

The choice to establish the OFPR with the DEGC indicates that there was no existing infrastructure for such a coordinating agency. The DNF had to try and pull something together from the existing infrastructure.

The second major response led by the DNF was to support expanded post-purchase and foreclosure prevention counseling. This was primarily done through Southwest Housing Solutions, an organization with existing homeownership counseling. Between 2007-2010, Southwest Housing Solutions received over $1.2 million in funding from local foundations and banks in order to build their post-purchase counseling capacity (Foundation Center 2015). Though Southwest Housing Solutions is a community organization that has focused development efforts solely in Southwest Detroit, it expanded its counseling to homeowners citywide and even outside of Detroit, assisting homeowners who lived in surrounding suburbs. For some homeowners facing foreclosure, they preferred going outside of their community to receive counseling to avoid public embarrassment or stigma. To meet all of the needs for foreclosure counseling, Southwest Housing Solutions went from one part-time post-purchase counselor in 2007 to seven to eight fulltime foreclosure prevention counselors by 2010 (Personal Interview).

In June of 2008, the Office of Foreclosure and Prevention (OFPR) was operational. Program and deputy staff had been hired, though it took longer to hire a director. The OFPR's first order of business was to research the nature and magnitude of mortgage foreclosures: "We researched the biggest challenges related to foreclosures, and went to meet partners we didn't know. Then we did a SWOT [Strengths Weaknesses Opportunities Threats] analysis on several topics we should focus on" (Personal Interview). The OFPR had an advisory committee that included a small number of foundation representatives, the community development arms of banks, county and city agency representatives, as well as representatives from CDAD, Community Legal Resources (CLR), and the State's community development trade association, Community Economic Development Association of Michigan (CEDAM). The committee met a few times a year to help inform OFPR's strategies. With such a diverse advisory body, OFPR aimed to establish itself as a neutral body relative to the causes and solutions to the foreclosure crisis. It did not advocate on behalf of borrowers, lenders, or neighborhoods, but tried to stay "in the middle" (Personal Interview).

Because there were other stakeholders conducting foreclosure response activities in the city, OFPR did not provide direct services. It saw its role as a connector and convener, and a source of data, information, and best practices to help inform and build the capacity of organizations providing services. OFPR realized there was a gap in information about the Detroit housing market overall, including the impact of the foreclosure crisis. In the middle of 2008, OFPR started working with the Next Detroit Neighborhood Initiative (NDNI), who had been working with Social Compact on creating better data on what was happening in the city. Social Compact is a national nonprofit organization that advocates for greater business investment in "inner-cities" by using data to unearth evidence of market strength and buying power in cities (Social Compact 2015). The NDNI had been working with Social Compact to establish a centralized data center in Detroit to collect, house, and share information on trends in Detroit's population and housing market. Supported by additional foundation funding from the Ford Foundation and W.K. Kellogg Foundation, this is also when the OFPR and NDNI helped start the Detroit Area Community Information System, which eventually became known as Data Driven Detroit (D3) (Data Driven Detroit 2015).

Subsequently, one of the first big data collection projects undertaken by D3 was a parcel survey pilot study in three neighborhoods, which documented vacant and abandoned properties, and when combined with foreclosure data, provided critical information about the extent of mortgage foreclosures in these communities. In 2009, D3 worked closely with Community Legal Resources to expand the pilot study to survey parcels citywide. This information became critical when the City pursued federal funding to address mortgage foreclosures in Detroit.

In 2009, the Michigan Foreclosure Task Force (MFTF) worked with legislatures to successfully change Michigan's foreclosure law to add what was called the 90-day Pre-

Foreclosure Negotiation Law. This amendment allowed homeowners to request an opportunity for their mortgage to undergo consideration for a workout, such as a loan modification or short-sale, that would prevent a foreclosure (Coffman 2013). This provision was intended to only be temporary with a sunset provision for 2011. Unlike the law in Maryland, the provision was not self-funded, nor included any fees to contribute to foreclosure prevention counseling.

In 2009, the City of Detroit Planning and Development Department (PDD) had received its allocation of NSP1 funds, totaling $47.1 million. As mentioned above, about 30% of the funds were allocated for demolition of vacant foreclosed properties beyond repair. Another 30% was for rehabilitation costs in order to try and resell homes in order to get them back into productive use. The PDD had met with CDAD, LISC, NDNI and the OFPR to devise strategies and target areas. Ultimately, PDD chose eight target neighborhoods. Six of those overlapped with NDNI's target neighborhoods, and four overlapped with LISC's target neighborhoods, but none of the target areas were completely aligned.

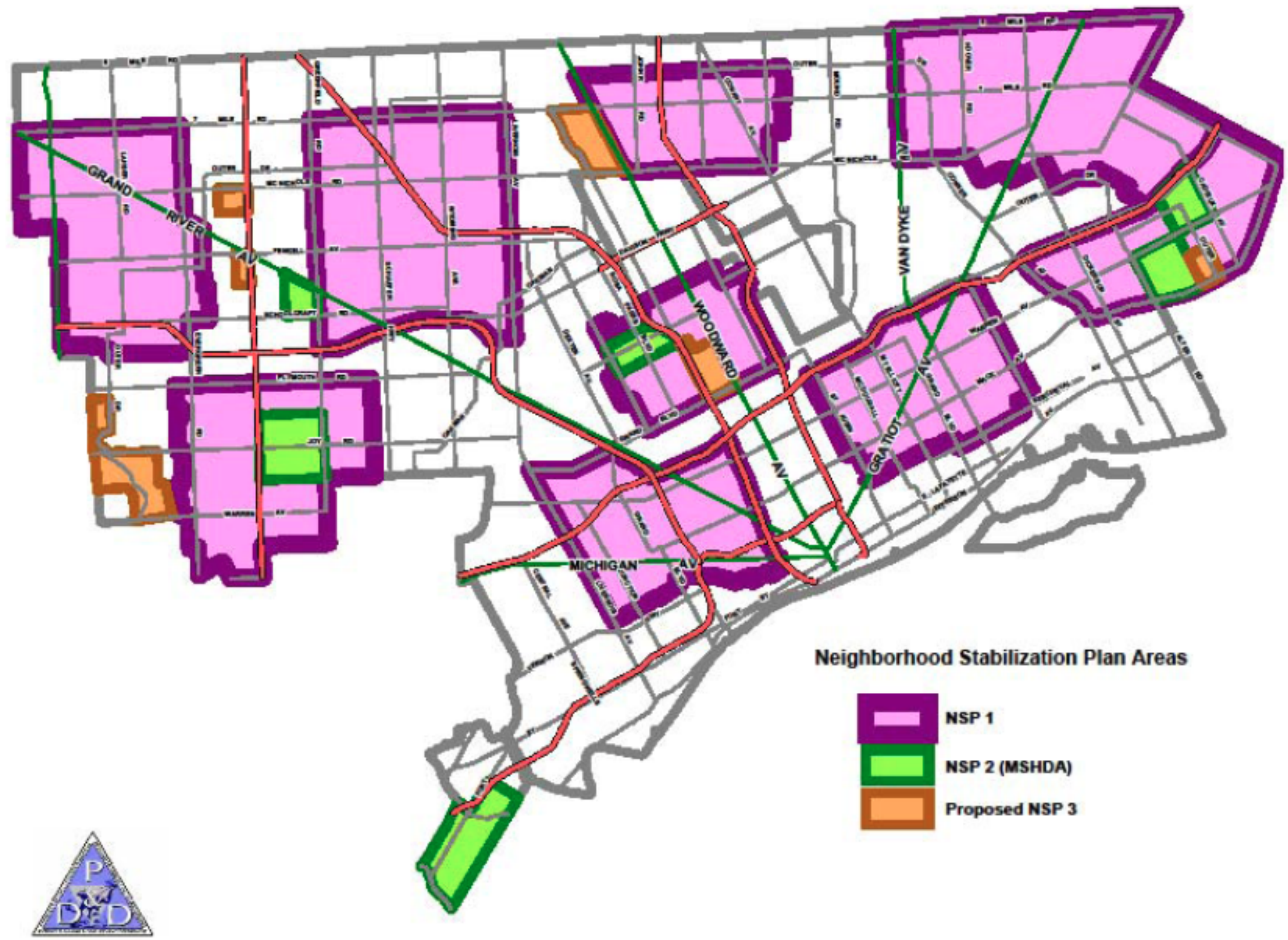
With this infusion of funding from NSP dollars, the City was able to start the Detroit Land Bank Authority (DLBA), which would be the main entity administering and implementing NSP funds (City of Detroit 2009). Despite years of advocacy from community organizations, the Detroit City Council had previously resisted approving the establishment of a land bank. However, with the growing number of vacant properties due to mortgage foreclosures and the millions of dollars now flowing through the City for foreclosures, the City needed an entity that could manage real estate and property acquisitions, demolition, and rehabilitation, and there was no other city department that had this capacity.

While implementation of the NSP1 program was rolled out in Detroit, MSHDA applied for NSP2 funding representing itself as a consortium of local municipal governments throughout

Michigan. The consortium application received $224 million dollars, with the City of Detroit receiving about $43 million of that (MSHDA 2009). The Land Bank was also the administrator of NSP2 funds, for which the Planning and Development Department had chosen 5 much smaller areas to target for revitalization, three of which were smaller areas within NSP1 target areas. Despite the amount of vacant properties and the need for remediation, the Land Bank struggled to spend the NSP2 dollars in a timely fashion. Detroit was required to spend at least half of its award or risk giving it back to HUD by February of 2012. It had not even spent $6 million, only 14% of its award (Spangler 2012). Eventually, the Land Bank caught up, and was able to keep the funds.

For NSP3, once again the PPD applied on behalf of the City. This time, it reached out to organizations like LISC and NDNI to determine collaboratively which areas should be targeted. NDNI was particularly influential in urging PDD to focus on more middle-income neighborhoods. Five very small areas were targeted, which were, composed of primarily middle and upper income neighborhoods. Figure 3.6 shows the locations of NSP1, 2, and 3 target areas. The NSP3 neighborhoods had been relatively stable prior to the mortgage foreclosure crisis. However, with the onset of the crisis, these neighborhoods had suffered significant increases in vacancy or properties that were purchased by absentee investors in order to either flip them or rent them out, which had a destabilizing effect. Grandmont Rosedale Development Corporation (GRDC), a longtime and well-respected community development corporation that worked in one of those neighborhoods, had been requesting NSP1 and NSP2 funds without success. The inclusion of the Grandmont Rosedale neighborhood and similar communities in NSP3 demonstrated an acknowledgement on the part of the City of the value of investing in neighborhoods that may have a greater chance of quicker stabilization.

**Figure 3.6. Target Areas for NSP1, 2, and 3 in Detroit.**




Source: Detroit Department of Planning and Development, 2011.

Grandmont Rosedale was also the site of Detroit's participation in the National Community Stabilization Trust (NCST). In other cities, NCST worked through a local clearinghouse that centralized this process, usually a city department or a local community development intermediary. In Detroit, however, the NCST did not have a local entity that had the capacity to serve in this role. In this case, GRDC worked with NCST directly. In the first year of operating in 2010, GRDC acquired, rehabbed, and resold 10 homes through the NCST (Michigan Foreclosure Task Force 2015). In 2011, NDNI began functioning as the local clearinghouse and NCST was able to expand into other neighborhoods in Detroit.

Missing from the responses from local stakeholders in Detroit was gaining more accountability from the banks, lenders, and servicers who were at the center of the cause of the foreclosure crisis. In 2015, local investigative reporters revealed that in 2010, the corporation counsel under Mayor Bing had drafted a proposal to bring suit against Wells Fargo and Bank of America for predatory and unfair lending practices (MacDonald and Kurth 2015b). Bing contended that it was never brought to his desk and other city officials admitted that the issue was contemplated, but ultimately they decided against it because they did not feel like the City had the financial resources or political bandwidth to bring a suit when there were so many other problems in the city. Some advocates associated with MFTF and OFPR also admitted that they didn't feel like this option could be pursued because of the involvement of the lenders on their advisory boards.

**Conclusion**

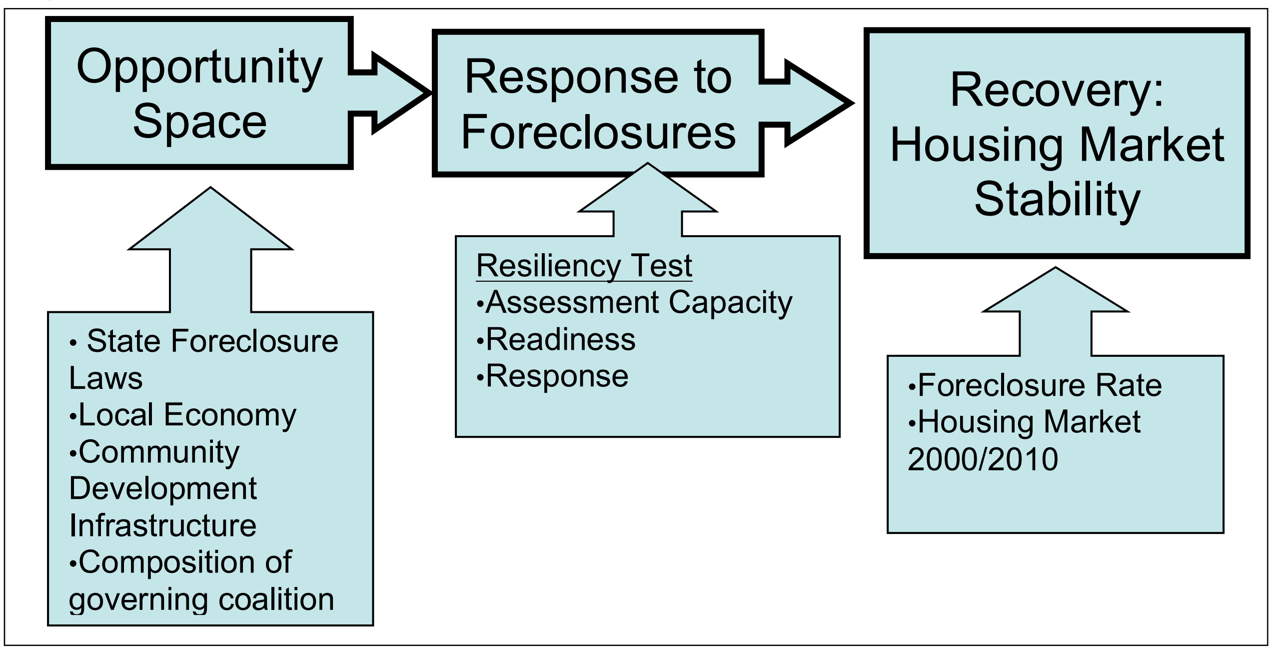
This chapter tells the story of how Baltimore and Detroit stakeholders addressed the onslaught of mortgage foreclosures in their communities. Although the problem was great in both cities, the foreclosure rate was higher in Detroit, which did not have the same kind of existing institutional infrastructure to respond as swiftly. Both cities engaged in activities at the community, citywide, and state level, and utilized federal foreclosure response programs. Both cities expanded homeowner counseling as well as initiatives to address foreclosed properties. Detroit received far greater resources from philanthropy and the federal government both for counseling and addressing distressed properties left behind from foreclosures. However, the response was not as coordinated in Detroit, particularly along the network of community development groups, local funders, city agencies, and state networks and departments. That Baltimore was able implement a response so quickly and broadly across communities with less than half of the financial resources speaks to the strength of the network of the community development sector and it connection to state government. Baltimore also had greater leadership from its state and federal elected leaders both in assisting homeowners and in making lenders more accountable. The story of the local responses in each city related here took the form of chronological account. The next chapter will analyze the activities using a resiliency framework in order to identify possible factors that helped or hindered the responses in each city.

## Chapter 4: Findings and Discussion: Assessing Urban Resilience

**Introduction**

My analysis of local responses to the mortgage foreclosure crisis is organized by a framework influenced by Kathryn Foster's work an assessing regional resilience (2006). This chapter aims to bring together all of the research presented earlier in this dissertation to understand the local responses and the context within which those responses occurred. It presents the findings from my research about what occurred in Baltimore and Detroit during the foreclosure crisis, organized by the categories Opportunity Space, Response to Foreclosure, and Housing Market Stability. As presented in Chapter One, the framework for my argument is below in Figure 4.1.

**Figure 4.1 Urban Resiliency Framework**




I argue within this framework that elements of the "Opportunity Space," including state foreclosure laws, local economy, and community development infrastructure, influence how stakeholders were able to "Respond" to the foreclosure crisis. The responses are broken down into three different capacities: the abilities to assess the problem, to create readiness through the development of organizational infrastructures and systems, and to devise and implement responses that have the ability to address the problem. The Opportunity Space and the Responses, in turn, affect the extent of "Recovery" from the foreclosure crisis. Recovery is be determined by the continued foreclosure rates and other housing market indicators. The following sections are organized by the Urban Resiliency Framework and its sub-categories outlined above.

**Opportunity Space**

*State Foreclosure Laws*

As discussed in Chapter 3, Maryland is a judicial state with a longer and slower foreclosure process that requires servicers to enter into mediation with homeowners. This may have helped prevent foreclosures by providing more opportunities for homeowners and lenders to work out alternatives to foreclosure. In Michigan, an administrative state, foreclosure laws make foreclosures more expeditious, but the redemption period is quite generous in the hopes of preventing significant abandonment in its communities. In both states, however, the most preferable outcomes of foreclosures only occur if homeowners are aware of this process and/or if they seek guidance from a counselor or attorney. Unfortunately, in both states, and across the country, many, if not most, homeowners are familiar with foreclosures. Commonly, once in foreclosure, homeowners vacate the homes and left it unmaintained to become REOs. As more properties became REOs, banks were ill equipped to become asset managers and, at best, properties fell into disrepair or, at worst, became sources of crime, decreasing housing values, and instability in many neighborhoods.

*Local Economy*

As discussed in Chapter Two, Baltimore and Detroit had similar economic histories, especially until the year 2000. From 2000-2010, however, their economic and housing outcomes diverged. The median household income (MHI) in both cities was right around $30,000 in 2000, but by 2009, Baltimore's increased to $41,385, about $15,000 more than the MHI in Detroit, and Detroit's MHI decreased between 2000-2009 to $26,325. The change in unemployment and poverty rates followed a similar pattern. Detroit had a higher unemployment rate in 2000, 13.8% compared to 10.7% in Baltimore. Yet, in 2010, Baltimore had increased only slightly to 11.2%, while Detroit's unemployment rate nearly doubled to 24.8%. With the significant declines in the auto-manufacturing industry in Detroit during this time, Detroit's economy suffered a great deal more than Baltimore's during this time.

*Community Development Infrastructure*

As has been described in previous chapters, Baltimore's network of stakeholders in the community development sector was very connected and interwoven, leading to strong collaboration among players at different levels and institutions toward shared goals and activities. Prior to the foreclosure crisis, the community development sector in Detroit was highly fragmented and unorganized. The crisis helped bring Detroit's stakeholders together in new ways, but this new arrangement was less integrated and less collaborative than in Baltimore.

The formation of the Baltimore Neighborhood Collaborative in the late 1990s was fundamental to the development of an alignment between community organizations and foundations that supported them. During that time, Mayor Schmoke also actively supported neighborhood revitalization initiatives, including Sandtown-Winchester, which became a national model for comprehensive community development. Though these priorities weren't equally shared by Mayor O'Malley, he did throw his support behind the Healthy Neighborhoods Initiative, at least publicly. Also, the City Council provided a millions of dollars of funding for this program. In addition, O'Malley's administration paid attention to and supported actions taken against predatory lending, as evidenced by the Baltimore City Property Flipping Task Force. This led to the formation of the Baltimore Housing Preservation Coalition in 2005, before the foreclosure crisis really took hold, which ultimately became the primary leadership for Baltimore's response to mortgage foreclosures.

Integration in the community development sector was also bolstered by individuals who moved from serving in different roles in community organizations and foundations to local and state government and who brought with them their knowledge and commitment to Baltimore's neighborhoods. Examples of this were described in Chapter 2 and included Jacqueline Cornish, Ken Strong, Anne Norton, and Carol Gilbert, who moved from community organizations to city or state agencies, or from philanthropy to state agencies. In addition to the transfer of knowledge that occurred among agencies when these individuals switched roles, their ability to move around also demonstrates a high degree of respect on the part of policymakers of community development and its practitioners. Community development is more a part of the culture of public service in Baltimore than in Detroit. Anika Foster moved from LISC Detroit to work for Mayor Kilpatrick, but she was the only example of this in the community development sector.

In terms of priorities, the launch of the Healthy Neighborhoods pilots in the early 2000s, and then the solidification of it as a nonprofit organization and overall city-supported strategy, speaks to Baltimore's focus on middle-income neighborhoods, building the tax base, and raising property values. As described earlier, mortgage foreclosures occurred in those target neighborhoods, but Healthy Neighborhoods organizations had relationships with residents and were connected to BHPC in order to be able to either provide foreclosures counseling services or refer them to other resources. In addition, Healthy Neighborhoods Inc. was well poised to take advantage of NSP2 dollars to address vacant properties in the neighborhoods it supported.

Prior to the foreclosure crisis, the community development sector in Detroit was primarily focused on affordable housing production or social service provision. The Community Development Advocates of Detroit (CDAD) formed in the mid-1990s as an attempt to create a trade association for community development organizations in Detroit. CDAD was developed to build the capacity of community development organizations as well as the sector as a whole and to advocate for better policies to support neighborhood revitalization. The board of directors of CDAD included executive directors from many longstanding organizations that provided leadership for CDAD's work.

During this time, local foundations did not play a significant role in Detroit's community development sector. Many foundations provided support to specific housing projects or other larger capital projects in the city. However they did not work together with other funders, share strategies, or try to align their efforts throughout the city. In 2006, Mayor Kilpatrick invited many of the foundations together to achieve better alignment as well as garner support for his neighborhood revitalization strategy, the Next Detroit Neighborhood Initiative (NDNI). Many foundations, including Kresge Foundation, Knight Foundation, and W.K. Kellogg Foundation got behind NDNI and supported it with large multi-year grants. Kilpatrick's leadership faltered as he and his administration was besieged by scandal, which provided an opening for philanthropy to play a larger role in community development in Detroit. With the formation of the Detroit Neighborhood Forum (DNF) in late 2006, foundations, primarily led by the Kresge Foundation, continued to meet together and invited other stakeholders, including community organizations and city agencies, to discuss issues pertinent to neighborhood revitalization in Detroit.

The BNC in Baltimore and DNF in Detroit are similar in that they brought foundations and other local funders together to coalesce around community development issues. There are important distinctions, however, the first one being that BNC is almost 10 years older. The BNC formed in Baltimore during a time when there was greater leadership on neighborhood development from local government as well as community organizations. This created a dynamic where community organizations and foundations were perceived as equal partners. The DNF formed in Detroit during a significant vacuum in leadership from the public sector. Because of this, some of the foundations started to take on a greater leadership role in setting the community development agenda. In addition, the Detroit city government, for decades, had not engaged community development organizations very deeply and did not view them as important, which may be why Kilpatrick brought the foundations together, rather than community development leaders, to support NDNI.

Another difference is how grants were made. The BNC pooled resources from foundations, banks, and government and jointly redeployed them toward shared community development initiatives, such as the Healthy Neighborhoods Initiative. Individual members of the DNF made some grants to the same organizations, especially as part of the response to mortgage foreclosures. However funds were not pooled and collaboratively deployed as with the BNC.

Finally, the BNC's formation of the BHPC created a regular and substantive venue for community organizations to share information with each other as well as funders about the challenges they were facing in their neighborhoods. This was how the foreclosure issue came to light, which prompted action on the part of the funders to research the extent of the problem and, with the community partners, devise strategies to respond. Within these venues, what was clear from my research was that the relationship between community development organizations and funders in Baltimore was much more collaborative than in Detroit.

In fact, most of the respondents in Detroit who represented community development or nonprofit organizations talked about the "animosity and mistrust" between them and funders (Personal Interview). Another respondent from a city nonprofit noted: "[The funders] aren't talking to folks on the ground. They aren't asking them. They are telling them what to do and then they call it engagement" (Personal Interview). A number of respondents described it as "Very top down. Those [foundations] are the ones who have the resources, so its hard for the [community based organization] to say no," (Personal Interview). In contrast, community organizations described the foundations in Baltimore as "advocates" and able to "influence the city on community issues," (Personal Interviews). Further, one respondent explained the relationship between her community development organization and foundations as follows: "We know these foundations very intimately. They will call us to ask us for what we think. They care about what we think because we're on the ground. Their foundation initiatives are based on input from us that happens in both formal and informal ways," (Personal Interview).

The difference between the relationships between community organizations and funders exemplifies the contention of this dissertation that they were a part of the governing coalition in Baltimore, but not in Detroit. Because community organizations were integrated with foundations in the governing coalition and community development sector, the connection between assessing a problem, devising a solution, and getting the resources to implement it was shorter. This contributed to Baltimore's response resiliency.

The role of local government agencies in both cities should be mentioned. In Baltimore, during Mayor O'Malley's term, his administration promoted the development of public and subsidized housing through Baltimore Housing. However, he did not prioritize community development outside of support for the Healthy Neighborhood Initiatives (HNI) and the launch of Project 5000, the initiative to address vacant properties that focused on enforcement, property transactions, and demolition. Baltimore Housing's Department of Housing and Community Development administers the local Community Development Block Grant programs. The City supported HNI through CDBG as well as direct homeowner assistance for many years, including between 2007 and 2010 (HUD Exchange 2015d). Overall, however, city government did not explicitly initiate community development strategies. O'Malley's gubernatorial administration was very active in the foreclosure response. He convened a task force that led to the statewide housing counseling network, tried to bring services to task for not being responsive to homeowners, and passed legislation that required more actions from lenders to help keep homeowners in their homes.

In Detroit, several mayoral administrations focused development efforts on the downtown and riverfront, rather than in the city's struggling neighborhoods. Mayor Archer took his administration through a citywide planning process that prioritized redevelopment of neighborhoods, but the City did not have resources to implement any major initiatives. Mayor Kilpatrick was different in that he developed NDNI with the intention of launching a neighborhood development initiative. However, it lost momentum under his involuntary successor, Mayor Cockrel, and Mayor Bing couldn't get enough foundation support to sustain it. By the time Mayor Bing threw his support behind NDNI, the foundations had moved on to other issues, namely the foreclosure crisis and the Detroit Works Project. The City's Housing Commission managed the city's public housing authority and was involved in no activity related to neighborhood development. In addition, the Planning and Development Department focused primarily on zoning and approving or denying requests for projects rather than strategically initiating any of their own. Finally, as discussed earlier, the Community Development Block Grant process in Detroit was well known for being widely dispersed to hundreds of the city's community organizations, rather than bundling funds that could be strategically targeted towards certain neighborhoods or activities. As reported to HUD, through 2010, the City of Detroit used all of its CDBG funds dedicated to housing for construction and rehabilitation and not for homeowner counseling or other assistance (HUD Exchange 2015d).

*Conclusion: Opportunity Space*

Overall, the opportunity spaces in Baltimore and Detroit were distinct in a few different ways. First, the foreclosure laws in Maryland favored keeping homeowners in their homes and preventing foreclosure with multiple opportunities for mediation to explore alternatives. The laws in Michigan may expedite the foreclosure process, but with a long redemption period after the foreclosure sale, they try to prevent eviction for homeowners as well as more vacant properties in neighborhoods. Second, during 2000-2010, the local economy in Baltimore was faring much better than in Detroit.  The 2007-2010 recession and the longer-term struggles of the Big Three automakers in Detroit were devastating to the economy of Detroit.  This was also during the time that the City was beginning to drown in debt, so the government's ability to function at a minimal level, let alone in the community development sphere was limited.  Finally, the community development sector in Baltimore was better organized and coordinated prior to the foreclosure crisis, with close and integrated relationships between community organizations, foundations, and government agencies at the local and state level. Community development stakeholders had begun to come together in Detroit, but organizations did so separately from funders and there was little to no integration between these groups and local and state government.

**Response to Foreclosures**

*Assessment Capacity*

Kathryn Foster defined assessment capacity as the ability to understand trends, utilize lessons from previous disturbances, set action priorities, and to communicate findings that enable others to take action on them, among other qualities (2006).  This assessment capacity in Baltimore and Detroit is another way that resilience in each of the cities differs; mostly due to the fact that Baltimore's community development sector had already been networked and organized toward homeownership preservation prior to the foreclosure crisis.

There are a few examples of the availability and utilization of data in Baltimore's community development sector.  In 2000, many community development nonprofits, government representatives, and funders came together with a need for better neighborhood data. Thus, the Baltimore Neighborhood Indicators Alliance (BNIA) was started, in partnership with the University of Baltimore (BNIA 2015). The BNIA provides open data on a range of neighborhood indicators in the areas of housing, employment, affordability, education, and safety, and has been a source for data on mortgage foreclosures as well. The BNIA is well integrated into the community development networks in Baltimore.

As Belair-Edison was beginning to voice its observations about mortgage foreclosures in its neighborhood, the first action taken was the commission of the 2006 study of the problem by The Reinvestment Fund, which was funded by the Goldseker Foundation (2006). This study documented foreclosure sales from 2000-2005, and investigated the types of loans that were made to Baltimore residents. It found that foreclosures were concentrated in communities of color, and were having a profound impact on vacancy and property values in many of the neighborhoods targeted by the community development sector. The TRF study is what prompted the BHPC to take further action.

The BHPC also had a strong partner in the City for data. Baltimore Housing provided data on foreclosure filings and property tax arrears for BHPC to incorporate into its strategies for addressing the crisis. Foreclosure filings are a good indicator of trouble spots and helped Baltimore practitioners target neighborhoods and households for assistance (Personal Interview). Further into Baltimore's foreclosure efforts, Belair-Edison worked with the Community Law Center (CLC), a nonprofit that provided legal services to community organizations. The CLC used data on mortgage types (such as subprime loans and adjustable rate mortgages) and properties in tax arrears as a way to identify homes that may be struggling financially to pay housings costs (Personal Interview). Belair Edison then sent letters to these homes encouraging them to seek free counseling assistance. This was an innovative way to try and prevent homes from even going into default and foreclosure.

Prior to the foreclosure crisis, there was little data available to the public or practitioners in Detroit. Some organizations had neighborhood data, such as the Center for Urban Research at Wayne State University and the local United Way of Southeast Michigan, however, it was not widely shared (Personal Interview). Practitioners knew that the City had property data, but departments did not share it and practitioners were under the impression that most departments did not know what to do with the data they had (Personal Interview).

This challenge was evidenced with the start of the Detroit Vacant Properties Campaign (DVPC). The Community Legal Resources had to access property data and analyze it on their own, and even provided their data to the City's Planning and Development Department (Personal Interview). In 2006, the Detroit Economic Growth Corporation brought the national data consulting group, Social Compact, to Detroit to create baseline data on a number of economic and housing indicators. While working with Social Compact speaks to the lack of available data in Detroit, it was also important because Social Compact is known for unearthing data that is not normally available from the U.S. Census or other traditional data sources. It's work particularly helpful in cities with high poverty, people and conditions can be undercounted and miscounted because traditional data collection techniques may not work as well in areas with a lot of vacancy and transience (Social Compact 2015).

Through its work in Detroit, Social Compact also started bringing mortgage foreclosure data to local organizations in 2007, including NDNI, the DVPC, and CLR, and the nascent Office of Foreclosure Prevention and Response (OFPR). Then, the Ford Foundation, Kresge, and W.K. Kellogg created Data Driven Detroit (D3) in late 2007, and its office was established in early 2008. With its start, D3 had a staff person dedicated solely to corralling and sharing foreclosure data with OFPR and other partners (Personal Interview). One of D3's first projects was the citywide parcel survey, which again, aimed at creating a foundation for community development data in the city.

Baltimore's assessment capacity was rather high given the existence of data centers prior to the foreclosure crisis and a practice of using neighborhood data to inform community development efforts. Detroit did not have this capacity prior to the crisis, but the crisis was the primary reason why neighborhood data began to be centralized, organized, and utilized by local stakeholders. Further, practitioners were able to establish D3 and start sharing data fairly quickly, which indicates that the capacity existed within local practitioners. The foundation support for building this capacity so quickly was critical to stakeholders' ability to respond to the foreclosure crisis.

*Readiness Capacity*

Readiness capacity is the degree to which local stakeholders had systems and practices already in place, including "effective networks and connections" that could be utilized to respond to a crisis (Foster 2006, p. 18). Related to the mortgage foreclosure crisis, readiness to respond would include strong capacity to assist individual homeowners with counseling, address vacancies caused by foreclosures through property rehabilitation or demolition, and for organizations to work together to be able to the maximize impact of their work. Stakeholders in both cities had capacity in these areas, and this section will describe how this readiness supported their local responses.

As many practitioners described it, the role of community development organizations in Baltimore was primarily to provide a multitude of programs and services to residents including community organizing, social services, youth development, housing assistance, and homeownership counseling (Personal Interviews). One practitioner described it, "[Baltimore has] a very anemic nonprofit industry in terms of number of units and the number of organizations that [produce affordable housing]. The scale of their work in the city, is that you have several one or two elderly developers, several special needs, then you have one or two, maybe, family rental developments," (Personal Interview). The sentiment was often expressed that community development organizations did not have a big role in housing development; this was a role primarily for private, for profit developers who used different housing subsidies to produce affordable and special needs housing. St. Ambrose Housing Aid Center (St. Ambrose), Druid Heights Community Development Corporation (Druid Heights CDC), and Neighborhood Housing Services (NHS) were exceptions, but even they just produced small numbers of housing units in Baltimore. These organizations also had robust homeownership counseling services.

In Detroit, however, the perception of community development organizations is that they produced affordable housing as the primary neighborhood development activity, rather than community programs for residents. As one nonprofit practitioner explained, "Many CDCs had nonexistent connections to the community or have gotten away from their core constituents and are more real estate developers and asset managers. They work for developer fees," (Personal Interview). Those organizations with historical ties to the neighborhood, such as Southwest Housing Solutions (SHS), Grandmont Rosedale Development Corporation, and USNAP BAC required and/or provided homeownership counseling for homes they sold. Southwest Housing Solutions may have been one of the only community development organizations that provided other, more comprehensive, programs in the neighborhood (Southwest Solutions 2015). Many other organizations, however, were very small in terms of staff, and primarily focused on housing production.

When the mortgage foreclosure crisis began to require great homeowner counseling, there were a number of organizations in Baltimore that had the readiness capacity to quickly expand this services. St. Ambrose, Druid Heights CDC, NHS, Belair-Edison, Southeast Community Development Corporation and others were able to expand their existing counseling services and many, as reported in the previous chapter. In total, these groups received about $2.35 million in philanthropic and National Mortgage Foreclosure Counseling (NMFC) funds between 2005-2010. In addition the connection to BHPC and the Maryland Housing Counselors Network (MD HOPE) enabled organizations to share information, best practices and resources in order to provide high-quality counseling services to homeowners.

Some community development organizations in Detroit were able to do the same, namely Southwest Housing Solutions, which, with new foundation funding, went from one part-time staff person to eight fulltime foreclosure prevention counselors within two years from early 2008 to 2010 (Personal Interview). SHS was the primary provider of foreclosure prevention services, evidenced by the almost $1.5 million in philanthropic and NMFC funding that it alone received for foreclosure counseling between 2007-2010 (Foundation Center 2015). The Michigan Mortgage Foreclosure Task Force (MFTF) started in 2007, with leadership from SHS and USNAP BAC. It was housed within the state community development trade association, the Community Economic Development Association of Michigan (CEDAM). Coordinated with the Detroit OFPR, the MFTF helped build the capacity of about a dozen small organizations in Detroit to provide foreclosure counseling through trainings and sharing best practices (Mortgage Foreclosure Task Force 2015).

Another side to responding to foreclosures was to address properties left vacant. This was primarily implemented through rounds 1, 2, and 3 of the National Stabilization Program. In

Baltimore, this capacity existed in a small number of nonprofit developers named above as well as private, for-profit developers who were, historically, the primary producers of affordable housing in the city. These developers also had experience acquiring and rehabbing mortgage and tax foreclosed homes in the past. Baltimore Housing and Healthy Neighborhoods, Inc., had previous experience working with many of these developers, so the system for establishing contracts for acquiring and rehabbing homes preexisted before the foreclosure crisis. In total, Baltimore received $32 million of NSP funding.

Developers in Detroit had capacity in this regard, too. Many nonprofit developers were capable of acquiring and rehabilitating foreclosed homes. In both cities, the scale needed for the redevelopment of the large amount of homes that were left behind foreclosures was a challenge. Detroit established the Detroit Land Bank Authority (DLBA) to centralize the process for property acquisition, disposition, and rehabilitation, though that did not occur until 2010. In total, the City of Detroit received $110 million in NSP funding, an amount that, for a city government with little community development and planning capacity, took significant time and effort to launch an effective response to foreclosed and vacant properties.

The final piece of the readiness capacity is the degree to which organizations were coordinated and networked. In Baltimore, the existing relationships between BNC, BHPC and MD HOPE at the state level helped integrate foreclosure response activities across a number of funders, organizations and government agencies on both the local and state level. While Baltimore government agencies were not major players, they were, at least indirectly, connected to and responsive to the existing community development network.

In Detroit, however, the community development sector was described as "siloed, disconnected, and competitive," (Personal Interview). The local Community Development

Advocates of Detroit (CDAD) and state-based CEDAM helped community development stakeholders share their work, though these associations did not coordinate efforts among member organizations. Local Detroit foundations had just begun to meet together in 2006 as the Detroit Neighborhood Forum (DNF), but did not establish collaborative processes among each other, either. The purpose of the DNF was primarily for sharing information, not organizing and coordinating activities. Between practitioners and funders, collaboration was not only nonexistent, but the relationship between those two groups was riven with tension. Among community organizations and city government, there was also very little collaboration. Many organizations received funding from the City through federal sources, however, the degree of partnership was low.

Overall, the extent of readiness in Baltimore was higher than in Detroit. With its robust system of housing counseling; housing development among nonprofit and for-profit developers; and integration of organizations, agencies, and funders on the local and state level, local practitioners had a stronger foundation from which to launch responses for homeowners and neighborhoods facing high foreclosures. In Detroit, nonprofit organizations had high capacity for redeveloping properties and the potential to expand homeowner counseling, but the degree of coordination and collaboration was very low. In terms of readiness, this would lead to a longer time necessary to develop and implement responses to mortgage foreclosures.

*Response Capacity*

We can assess the local responses in each city based on three elements: the appropriateness of the actions taken given the problem, the degree of collaboration in the response, and the extent to which the response could be sustained over time. The latter element relates to the ability of the responses to have a lasting impact and to contribute to future resilience. As we saw above, Baltimore had higher readiness capacity than Detroit. This section will describe how that readiness contributed to local response capacity.

The first element is whether the responses taken were appropriate to the problem. Each city is different and experienced different effects from the mortgage foreclosure crisis depending on factors such as strength of the housing market and the state laws that govern real estate practices. As such, stakeholders in different cities devised strategies appropriate to their local context (Immergluck, 2008). For both Baltimore and Detroit, major responses to the foreclosure crisis were similar because, as weak markets, the effects of the crisis were also similar. First, mortgage foreclosures caused many homeowners to lose their homes leading to financial hardship, relocation, and neighborhood instability. Second, presuming that foreclosed homes were vacant for a period of time, those properties could have damaging effects on communities, and potential to becoming sources of blight in otherwise stable, high-homeownership communities.

Thus, the responses in both cities shared two strategies. One strategy was to prevent foreclosures by providing counseling and assistance to homeowners and the other was to employ property mitigation strategies to prevent blight by acquiring foreclosed properties. The second strategy focused on acquiring properties to either be redeveloped and resold, if the neighborhood housing market would support it, or demolished if redevelopment was not feasible. Given the effects of mortgage foreclosures in these cities, the types of response local stakeholders implemented were appropriate and matched the nature of the problem.

A second part of appropriateness, however, is whether the extent of the response matched the extent of the problem. Related to homeowner counseling, one respondent admitted that, “Over the past couple of years we’ve outreached to about 10,000 families, which has resulted in one-on-one counseling sessions with 4,200 homeowners. Out of those, we’ve been able to help 22% stay in their homes, and another 10% to solve their financial problems [by selling their home],” (Personal Interview). This counseling program was able to help about 1,000 homeowners stay in their homes when in 2009 alone, there were 69,000 foreclosure filings in Detroit and 15,000 in Baltimore (Realty Track 2010). The gap here is due to factors beyond the control of local stakeholders. First, there weren’t enough resources to reach larger numbers of homeowners, and second, many homeowners did not seek help from counselors. They may have dealt with their servicer on their own, or they just walked away from their property and suffered the consequence on their credit report.

In terms of property mitigation efforts, with the millions of dollars that each city received, the resources were intended to make a significant impact. However, again, the extent of the problem far outweighed the resources and capacity to address them. Healthy Neighborhoods, Inc. proposed to rehabilitate a minimum of 349 units in its NSP2 application (Healthy Neighborhoods Inc., 2010). Though the number of foreclosure filings does not equal the number of foreclosed and vacant homes because not all properties completed foreclosure, this number is only 2% of the number of filings mentioned above. Furthermore, according to their final NSP2 activity report, Healthy Neighborhoods Inc., through its development partners, acquired and rehabbed 117 homes and another additional 24 vacant homes were sold directly to buyers who would do rehabilitation themselves, for a total of 141 foreclosed homes acquired and/or sold (Healthy Neighborhoods, 2012). This is less than half of the 349 that they projected. According to the Baltimore Housing’s final report to HUD, its NSP partners acquired and completed rehabilitation of 70 units of foreclosed housing units, (Baltimore Housing, 2012).

As another example, Detroit's application for NSP1 funding indicated that about 65% of its 69,000 foreclosed properties are vacant, but that only 1,400 properties would be demolished, (City of Detroit, 2009). Like counseling, there are only so many resources available for property mitigation, and so there were limitations on the extent of property mitigation efforts that could be deployed. In its latest NSP1 reports, the City of Detroit reported having demolished 3,189 properties, more than twice what they had projected, and rehabbing over 170 units of homeowner or rental housing affected by mortgage foreclosures (City of Detroit 2015a).

The second element of response capacity is the extent of coordination and collaboration among actors. Much of this has also been described. The degree of prior coordination between stakeholders in Baltimore only deepened during the foreclosure crisis, especially among local community organizations, advocates, and the philanthropic sector. Collaboration was also strengthened between these Baltimore stakeholders and agencies on the state-level. The high degree of involvement from the state government had two important benefits. First, the State ensured counseling services across the state were of high quality by distributing consistent and thorough training and information to organizations working directly with homeowners. Second, the State provided opportunities for direct connections between counselors and lawyers working on the ground to State agencies and the legislature, which could use lessons learned by practitioners to change or strengthen policies, practices, and laws at the state level. There was little need for organized advocacy by stakeholders because practitioners were already working so closely with the State government entities that influenced laws governing the foreclosure process. This led to important changes in the law during the foreclosure crisis, which were intended to help homeowners either avoid foreclosure or find an alternative that would avoid significant hardship.

The Detroit OFPR helped bring many stakeholders together and coordinate different foreclosure strategies throughout the city. Among OFPR, the Detroit Vacant Properties Campaign, Detroit LISC, NDNI, D3 and community development groups, there was greater communication and shared strategy development to address mortgage foreclosures and neighborhood development, more generally. They shared mortgage foreclosure data, and devised initiatives, such as the parcel survey and intensive community outreach activities that would collectively benefit its partners as well as reach homeowners in foreclosure. This type of collaboration occurred in a way that hadn't existed before the foreclosure crisis, as described by one Detroit practitioner (Personal Interview):

> Our ability as a community to find resolve and convene around an issue is probably not much more apparent in anything than in the foreclosure crisis…To the extent that we formed advisory groups, collaborations, and collectively shared knowledge and best practice around the foreclosure crisis, I think, is pretty much unprecedented in this city.

This was definitely the case among community organizations and nonprofits in Detroit. The OFPR and partners were also connected on the state level to the MFTF, which aimed to implement this collaborative activity across the state, building capacity of counselors statewide, and serving as a vehicle for advocacy for stronger foreclosure laws. However, MFTF was not as connected to state agencies or to the Michigan Legislature as was MD HOPE in Maryland. Though the Michigan State Housing Development Authority (MSHDA) served on MFTF's Steering Committee, its participation wasn't perceived as being substantive, "There isn't a real spirit of partnership with MSHDA. It seems like they really just don't want to get in trouble, by not participating, rather than be very active with the Task Force," (Personal Interview). The MFTF was independent of state government, compared to MD HOPE, which was formed out of then Governor O'Malley's office. MFTF did not enjoy such an insider's role related to proposed changes foreclosure laws. The MFTF's was successful in advocating passage of the 90-day Pre-Foreclosure Negotiation Law in 2009, but the law was not as strong as in Maryland. The mediation law in Maryland provided more time for homeowners to respond to lenders and included fees that the lender had to pay that supported foreclosure prevention counseling.

New forms of collaboration and coordination were also evident among the philanthropic sector with the formation of the Detroit Neighborhood Forum. However, the DNF served mostly as an information sharing body, and less one of collaboration that coordinated funding strategies toward shared community development goals. In addition, because of the challenges described earlier between the philanthropic sector and community organizations in Detroit, there was a need for stronger relationships, mutual respect, shared understanding, and better coordination.

The third element in the response capacity is the degree that impacts from the responses could be sustained. Despite the ways in which Detroit's response may not have been as strong as in Baltimore, the mortgage foreclosure crisis created a unique and unexpected opportunity for stakeholders to engage in extensive citywide strategic planning. In late 2008, "In response to foundation targeting and the foreclosure crisis, members of CDAD created a Crisis Task Force…But, then we realized that focusing on the crisis wouldn't get us very far, so we changed the name to the Futures Task Force in early 2009," (Personal Interview). The Future Task Force spent eighteen months together undertaking strategic planning with numerous community development and resident groups, eventually producing a Strategic Framework for Detroit. This report divided each of Detroit's neighborhoods into one of ten neighborhood typologies. For example the Traditional Residential Typology represented dense residential neighborhoods with single-family and multi-unit housing, where as Green Venture Typology would utilize areas with vacant factories and lots for nonpolluting industry such as fisheries and hydroponic gardening

(Community Development Advocates of Detroit 2010). The Strategic Framework also laid out processes for implementing these neighborhood plans.

For all of the work that contributed to this report, there was very little acknowledgement of what it produced. It did not get much media or other attention locally outside of the community development sector. One practitioner active in producing the report commented, "It was like that axiom: no profit in your own land…At the time, it was probably one of the most important things produced in this city" (Personal Interview). It received attention from the New York Times (Saulny 2010), was included in national community development sites about best practices, and has been sited in a number of books related to community development (Patterson and Silverman 2013, Bohm et al 2014). Despite the lack of local fanfare, CDAD began implementing the plan in two neighborhoods where they created local residential advisory committees and engaged hundreds of residents in community planning sessions (Personal Interview).

In 2010, Mayor Bing launched his own strategic planning process in partnership with the Kresge Foundation. Given the City's financial challenges, Kresge provided the funds for this process and hired nationally renowned urban planner, Toni Griffin, from Boston to facilitate this process, called the Detroit Works Project. Heavily criticized for the lack of community engagement and resident input, the City later recalibrated this process into a short-term and long-term planning process. The City would be responsible for the short-term process, which was most responsible for improving city services and meeting residents' more immediate needs, while the long-term planning was undertaken externally, by the University of Detroit's Detroit Collaborative Design Center, and heavily supported by Kresge and the Ford Foundation (Patterson and Silverman 2013). The long term planning process was eventually renamed as

Detroit Future City and its report and subsequent implementation organization was launched in January 2013 (Detroit Future City 2013). Similar to, and perhaps taking inspiration from, CDAD's Strategic Framework, the Detroit Future City plan also divides up areas in the city for specific uses depending on existing infrastructure, and has received attention on a national scale.

*Conclusion: Responses to Foreclosure*

Overall, there were strengths and weaknesses to both Baltimore and Detroit's response to the mortgage foreclosure crisis. In both cities, the challenges and problems far outweighed the resources available to address them. There were not enough counselors to reach all of the homeowners, at least those homeowners who wanted to be reached. There was not enough capital to rehabilitate all of the homes that were left vacant behind displaced homeowners. Despite this, Baltimore used its existing, and Detroit built new, networks and collaborations of public, private, and philanthropic stakeholders to address mortgage foreclosures. By no means perfect, particularly in Detroit, working together through this crisis created and strengthened a more integrated community development sector in both cities. In Baltimore, community development stakeholders already had a well-established, citywide strategy in Healthy Neighborhoods, and this did not change throughout the crisis. In Detroit, however, the crisis created a new opportunity for intensive strategic planning in the community organization sector, as well as the public and philanthropic sector. These processes unfolded in Detroit, however, as separate initiatives; first among community development organizations and then within local government, supported by foundations. This further exemplifies the disconnection among these sectors.

**Recovery Capacity and Housing Market Stability**

Knowing the extent to which Baltimore and Detroit have recovered from the foreclosure crisis is the main limitation of this study. There are a number of challenges when reporting on the extent of recovery. First and foremost, the damage done to neighborhoods because of the high numbers of foreclosures takes time to ameliorate because the impact is dispersed. As described earlier, foreclosures affect individual households who experience financial hardship and displacement, in addition to the physical and economic impact experienced by the neighborhoods where foreclosures occur.

The focus of this study has been on the community development systems in both cities; how they were organized prior to as well as how they were changed by the crisis. The purpose of such community development systems is to improve the quality of life in urban neighborhoods, particularly those neighborhoods that have disparately experienced disinvestment. Thus, indicators useful for assessing the degree of recovery in each of the cities could center on changed neighborhood conditions. The challenge there, however, is that it is really too soon to make conclusions about the relationships between the initial responses to the foreclosure crisis between 2007-2010 and neighborhood conditions only five years after that. In fact, the data suggests that, in some neighborhoods, the conditions continued to get worse, even amidst recovery in other neighborhoods and in other parts of the economy. Thus, this section will include data and information that is available about such indicators, and discuss limitations to consider.

First, this section examines foreclosure rates. This requires a bit of explanation about changes in the way that foreclosure rate data has been calculated, gathered and made publicly available. The foreclosure filings data that were presented in Chapter One is no longer available for this study. Despite attempts to obtain these data from Data Driven Detroit, it was not available. Foreclosure filings are available in Baltimore up to 2013, but filings data were not available for Detroit. Furthermore, Realty Trac, a common source of foreclosure data across the country changed their own method of calculating foreclosure rates over the years. The Realty Trac data from 2007 and 2009 provide the rate of foreclosure filings per number of housing units. Now they calculate "foreclosure inventory," meaning the rate of mortgaged homes, not housing units, in any stage of foreclosure, from notice of foreclosure to foreclosure sale, (Realty Trac 2015). In addition, Realty Trac no longer makes their foreclosure rate data publicly available.

The Local Initiatives Support Corporation (LISC) devised foreclosure rates by using LPS Analytics data on foreclosures from 2010 to 2013, and shared it publicly in partnership with the Urban Institute and the Center for Housing Policy, on Foreclosure-Response.org (2015). The foreclosure rate calculated by LISC is similar to Realty Trac's newer process: the number of mortgages in any stage of the foreclosure process out of the pool of all mortgaged homes. The rate is reported for individual months, not annually, and it is reported for the metropolitan statistical area, not each individual city. The data used by LISC cannot be compared with the foreclosure rates calculated between 2007-2010 in Chapter One because the rates are calculated differently and its calculated for region instead of the city. However, they can be used to compare the regions overall, which offers a glimpse at what happened after 2010. Overall foreclosure rates year to year in September, as well as those for prime and subprime mortgages are presented in Table 4.1.

**Table 4.1 Foreclosure Rates in Metropolitan Baltimore and Detroit by Month Between 2010-2013***

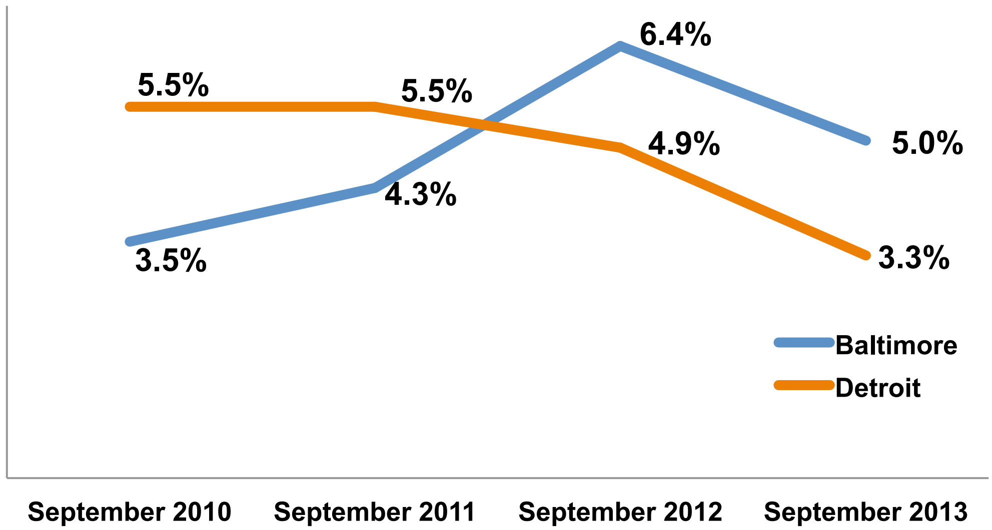
| Month/Year | Baltimore | | | Detroit | | |
|---|---|---|---|---|---|---|
| | Overall | Prime | Subprime | Overall | Prime | Subprime |
| September 2010 | 3.5% | 2.3% | 15.1% | 5.5% | 4.1% | 15.6% |

| | | | | | | |
|---|---|---|---|---|---|---|
| September 2011 | 4.3% | 2.8% | 17.1% | 5.5% | 3.7% | 17.2% |
| September 2012 | 6.4% | 4.0% | 26.2% | 4.9% | 3.2% | 14.5% |
| September 2013 | 5.0% | 3.2% | 22.3% | 3.3% | 2.3% | 10.2% |

*Source: Foreclosure-Response.Org. Metropolitan Delinquency and Foreclosure Data, 2014.

To demonstrate how the foreclosure rate changed in each metropolitan region, Figure 4.2 compares the overall foreclosure rate in both areas.

**Figure 4.2. Overall Foreclosure Rate in Metropolitan Baltimore and Detroit by Month Between 2010-2013***




*Source: Foreclosure-Response.Org. Metropolitan Delinquency and Foreclosure Data, 2014.

Over the course of these four years, metropolitan Baltimore's foreclosure rate climbed from 3.5% to 5.0% and peaked in September 2012 at 6.4%. Conversely, the rate in Detroit's metropolitan area declined from 5.5% to 3.3%. One explanation for this increase may be because of Maryland's foreclosure laws. Because of the laws that were passed there in 2010, the length of time between the notice of foreclosure and foreclosure sale was extended and there was more time built into the process with the addition of the mediation requirement. This increased the amount of time it took to complete foreclosure process. Table 4.2 presents average length of the foreclosures in both states compared to the U.S. as a whole.

**Table 4.2. Average Number of Days of Foreclosure Process During the First Quarter in Maryland and Michigan Between 2009-2014***

| Year | Maryland | Michigan | United States |
|---|---|---|---|
| 2009 | 338 | 89 | 206 |
| 2010 | 373 | 157 | 248 |
| 2011 | 463 | 235 | 298 |
| 2012 | 618 | 275 | 370 |
| 2013 | 575 | 282 | 477 |
| 2014 | 473 | 265 | 572 |

*Source: The Baltimore Sun, 2014.

Though the average number of days increased in both states, and even in the nation overall, for several of the years between 2009-2014, the length of time it took to foreclose on properties in Maryland was double that of Michigan, with a peak of 618 days in the first quarter of 2012, or almost 21 months. This, combined with the change in how foreclosure rates were calculated may contribute to higher foreclosure rates. Using the newer practice of including all mortgages in any stage of foreclosure, the number of mortgages included might be higher if the length of the foreclosure process was longer.

In Detroit, the foreclosure rates may have decreased because there were just fewer mortgages left to foreclose. Given the high numbers of foreclosures in the early years of the crisis, many of those homes were foreclosed on multiple times and eventually also underwent tax foreclosures, becoming the property of the county and the City of Detroit (MacDonald and Kurther 2015a). So, it is possible that fewer homes in the city were mortgaged. Despite these challenges, the foreclosure data is still useful for comparing foreclosure activity and recovery between the cities.

Another source of information about recovery in the housing markets is the degree to which there have been changes in other housing indicators. Chapter One presented data on median housing value, as well as rates of vacancy and homeownership in 2000 and 2010. Table

4.3 presents these data again as well as the same data estimated for 2010-2014. These latter data are shaded.

**Table 4.3. Housing Market in Baltimore and Detroit 2010-2014**

| | **Baltimore City** | **Detroit City** |
|---|---|---|
| Homeownership Rate[1] | | |
| 2000 | 50.3% | 54.9% |
| 2010 | 48.3% | 51.9% |
| 2010-2014[2] | 47.2% | 50.7% |
| Median Housing Value[1] | | |
| 2000 | \$69,100 | \$63,600 |
| 2010 | \$157,900 | \$50,400 |
| 2010-2014[2] | \$155,000 | \$45,100 |
| Vacancy Rate[1] | | |
| 2000 | 5.6% | 4.7% |
| 2010 | 7.7% | 11.3% |
| 2010-2014[2] | 18.3% | 30.0% |

[1]Source: U.S. Census, 2000, 2010
[2]Source: U.S. Census, 2010-2014 American Community Survey 5-Year Estimates

The American Community Survey Data for 2010-2014 are not exactly comparable with the decennial census data for 2000 and 2010, since ACS a five-year averaged estimate. Given that caveat, however, these data are helpful in comparing the two cities to each other and getting a broad sense of outcomes. Between 2000-2010, the housing markets diverged substantially in Baltimore and Detroit. For example, the median housing value (MHV) changed dramatically in each city during those years. Baltimore's MHV almost doubled, while Detroit's MHV decreased by 21 percent. The vacancy rate increased in both cities, but only by about 2 percentage points in Baltimore compared to almost two and a half times in Detroit. In both cities, between 2010 and 2014, the homeownership rate and the median housing value changed very little. Housing values in Detroit decreased by 10.5 percent. The vacancy rate in both cities, however, appears to have increased significantly by 2014, by 138 percent in Baltimore and 165 percent in Detroit.

Overall, regarding the outcomes in the housing market, Baltimore fared better than Detroit. Even with increases in vacancy in both cities, the impact in Detroit was far greater and the increase in vacancy in Baltimore seemed to have little effect on the median housing value. Despite this, the impact of the mortgage foreclosure crisis has been deeply felt in both cities. This is supported in local studies. In 2015, the Detroit News tracked the conditions of 65,000 mortgage foreclosures that occurred since 2005 and found that 56 percent of those properties are now blighted or abandoned (MacDonald and Kuther 2015a). Out of those 36,400 homes, 13,000 are on the list of structures that will be demolished by the Detroit Land Bank Authority. Many neighborhoods have experienced significant declines due to mortgage foreclosures over the past 10 years. In Baltimore, somewhere between 16,000 and 40,000 properties are vacant and 17,000, or about 8 percent of the city's stock of housing has been classified as inhabitable (Lewis 2015, Calvert 2015). In recent years, the City of Baltimore has demolished 1,500 houses, and plans to tear down hundreds more in the future (Calvert 2015).

**Conclusion**

This dissertation argues that the ability of urban stakeholders in Baltimore and Detroit to respond to foreclosure crisis depends on the opportunity space in each city, which contributed their capacity to assess, prepare readiness, and devise strategies to address the crisis. The opportunity space and the response, then helps determine how the city will experience a recovery. This chapter aimed to detail each of these elements in Baltimore and Detroit.

In Baltimore, the opportunity space included judicial mortgage foreclosure laws that incorporated longer periods through which homeowners could arrange to stay in their homes or make alternative arrangements, which would result in less hardship. In Detroit, foreclosures were subject to administrative procedures not overseen by a judge and left less time for a homeowner to find remediation, though a long post-foreclosure redemption period enabled residents more time to either move out of try and recapture their home after the foreclosure sale.

The local economy in Baltimore and Detroit had been weakened by decades of disinvestment, and both cities were challenged with tens of thousands of vacant properties, high unemployment and poverty, particularly until the year 2000. After this, the economy in Baltimore seemed to strengthen, especially relative to Detroit. Its housing value increased as Detroit's decreased substantially. The decline of the auto manufacturing industry in the mid-2000s had a huge impact on Detroit's economy, doubling its unemployment rate.

The community development infrastructure was deeply connected among community practitioners, nonprofit support organizations, funders, and government agencies (particularly the State), in Baltimore, starting in the early 2000s. The city government put its support behind, what became its de facto community development strategy, Healthy Neighborhoods, and this was supported by funders in the BNC and the community development sector more broadly. In Detroit, however, the community development sector only began being organized in the late 2000s. Some funders and LISC began to organize their investments in targeted neighborhoods, and Kilpatrick's administration began to do this, as well, with NDNI. Funders shared information and strategies with the formation of the DNF, and CDAD played a similar role amongst community development organizations. However, the integration that existed in Baltimore between practitioners, funders, and government, was much more siloed in Detroit. Overall, community development organizations were not perceived as particularly influential with the funders or with city government.

The response in both cities was, ultimately, the best they could do at the time and with the resources they had to work with. The problem they faced was much greater they could possible address, in many ways, and for many stakeholders, they were learning about the best approaches while they were implementing them.  Both cities responded with efforts to assess the problem bolstering the use of data to inform their practices.  Stakeholders expanded counseling services to homeowners and developed property mitigation strategies for homes left behind by foreclosures.  Baltimore's Healthy Neighborhoods strategy was strengthened through the NSP program that helped address the impact of foreclosures in its target neighborhoods.  In Detroit, the crisis actually led to new efforts to undergo strategic planning in the community development sector, however, this also occurred in a fractured manner.  CDAD developed a plan, while the Mayor and local foundations developed their own plans.

During the period of recovery, the national economy improved, with unemployment rates having fallen to pre-crisis levels and incomes slowly rising again.   Despite these gains, some cities still faced great challenges, and some neighborhoods within those cities, like those confronted with high rates of foreclosures in Baltimore in Detroit, are still not seeing great signs of recovery. In particular, between 2010 – 2014, the foreclosure rate in metropolitan Baltimore rose substantially, eventually surpassing the rate in Detroit.  However, despite this, the housing market in Baltimore was still stronger than in Detroit in terms of housing value and vacancy. Given the disparate histories of the community development sector in the two cities, the strength or weakness of this sector was a major contributing factor in their recovery.  Before the crisis, better relationships between funders, local government and community development organizations in Baltimore created a stronger and more strategic focus on housing and community development.  It was through this kind of collaboration that Baltimore's major community development agenda, Healthy Neighborhoods, was born.  Baltimore's focus on raising property values through Healthy Neighborhoods strategies, compared to the focus on building affordable housing in Detroit, was a central factor in the ability of Baltimore's overall housing market to weather the foreclosure crisis better than Detroit.

## Chapter 5: Conclusion, Findings, and Lessons

### Introduction

This research project started with an interest in how two seemingly similar cities, Baltimore, Maryland, and Detroit, Michigan, diverged so greatly with regard to rates of mortgage foreclosures during the housing crisis between 2007-2010. The foreclosure rates of Baltimore, during most of this time, were almost half of what they were in Detroit. The cities share elements of their history: economic decline with the exodus of manufacturing jobs, white and middle class flight, racial turnover leading to majority African American cities, and high poverty rates and large numbers of vacant properties. But such similarities do not explain the different outcomes in the two cities. In particular, the dissertation asks whether the community development sectors in each of the cities were different, and if that might be a factor in why the cities outcomes during the foreclosure crisis diverged.

This final chapter begins with a bit of an epilogue for each city. Since 2010, the systems and response mechanisms established during 2007-2010 have changed and developed, and so have the cities themselves. There have, most critically, been notable changes in the national sphere related to the foreclosure crisis, described in the first part of this chapter. Second, it will summarize my findings and examine whether my hypothesis was correct and what factors supported or disproved it. It returns to the theoretical framework described at the outset and relates my findings to the broader literature. It will also suggest some alternative explanations for my findings and areas for further research. It concludes by exploring suggested implications that research may have for community development on a local, state, and national level.

**Epilogue: Baltimore, Detroit, and the Nation**

Since 2010, there had been a number of changes in the institutional infrastructure that responded to the mortgage foreclosure crisis in each city. There have also been new laws and developments on the national level that attempted to both mitigate the impact of the foreclosure crisis and prevent new ones from happening in the future. This section will describe all of these changes, as well as a brief status of each city as of 2015.

*Local Foreclosure Response Activities*

The primary stakeholders in Baltimore that responded to the mortgage foreclosure crisis were the Baltimore Neighborhood Collaborative (BNC), the Baltimore Homeownership Preservation Coalition (BHPC), and the Maryland Foreclosure Counselors Network (MD HOPE). Out of those three, in 2015, only MD HOPE exists in its original form, as a state network to train foreclosure counselors across the state and as a resource for homeowners in foreclosure seeking assistance. In August 2014, the BNC ceased operations concluding 18 years of pooling national and local funding for neighborhood development in Baltimore (Association for Baltimore Area Grantmakers 2015a). Their activities were transferred to a working group within the Association for Baltimore Area Grantmakers, a thirty-year-old membership association of 140 foundations and philanthropists in the region that works to organize and inform the philanthropic community (Association for Baltimore Area Grantmakers, 2015b).

A month prior to the BNC's conclusion, the BHPC also ceased operations as had it existed during the foreclosure crisis. The BHPC's activities were transferred to a state advocacy coalition called the Maryland Consumer Rights Coalition (MCRC) (Barbour-Gillet 2014). This is a network of individuals and organizations that work to advocate for stronger protections for consumers as well as educate and inform citizens about lending and financial literacy. Related to BHPC activities, MCRC continues to convene members of the BHPC coalition to support its information sharing function (MCRC, 2015). As is the pattern in Baltimore, the former coordinating staff of the BHPC moved on to the Office of the Commissioner of Financial Regulation at the Maryland Department of Labor, Licensing and Regulation.

Many of the primary community development organizations, including Druid Heights CDC and St. Ambrose Housing Aid Center continue their programs and services including homeowner and foreclosure prevention counseling (Druid Heights CDC 2015; St. Ambrose Housing Aid Center 2015). Healthy Neighborhoods Inc. is also still very active and has continued its middle-neighborhood strategy in fourteen neighborhoods in Baltimore (Healthy Neighborhoods, Inc. 2015). It concluded its NSP2 program in November 2012, actually a few months before the federal deadlines of February 2013.

In Detroit, the major entities that convened the local response in Detroit were the Office of Foreclosure Prevention and Response (OFPR) and the Michigan Foreclosure Task Force (MFTF). In 2011, OFPR's Executive Director left his post (Panchuk 2011), and after that, much of other staff was subsumed by Community Legal Resources as part of their work on the Detroit Vacant Properties Campaign (Community Legal Resources 2012). The official OFPR operations dissolved in 2012 as funding ran out and activities became integrated in CLR's other programs. The major nonprofit organizations that provided foreclosure counseling have continued to have counselors on staff, including Southwest Housing Solutions and U-SNAP-BAC (Southwest Housing Solutions 2015; and U-SNAP-BAC 2015). Finally, as the major recipient of NSP1 and NSP3 funds, the City of Detroit reported that, as of September 2015, it was still finalizing the closeout of portions of both NSP1 and NSP3 funds (City of Detroit 2015a).

Though the crisis-like attention to mortgage foreclosures in Detroit may have subsided, advocates stated that it helped bring attention to the longer standing problem of tax foreclosures (Personal Interview). Community Legal Resources and the Detroit Vacant Property campaign had long advocated for a land bank to deal with thousands of tax-foreclosed properties. The parcel and property data collected through the OFPR was the foundation for a better understanding of just how prolific tax foreclosures were, and the strengthening of the networks that were built during in the foreclosures crisis enabled advocates to address this problem in new ways. In addition, the establishment of the Detroit Land Bank Authority provided the city with new tools to tackle management of vacant properties.

Beyond foreclosures and vacant properties, the planning process that Community Development Advocates of Detroit (CDAD) undertook as part of its Futures Task Force, helped CDAD gain greater foundation support, which led to the hiring of an Executive Director and several staff members. Over the past few years, CDAD built district committees of block group and organizational representatives in each of Detroit's city council districts and has strengthened its role, particularly as an advocate for policies and issues, including tax foreclosures and vacant property, related to neighborhood development (Community Development Advocates of Detroit 2015).

The MFTF continues to have a role in Michigan and advocated for extensions of the 90-Day Pre-Foreclosure Negotiation Law in 2010, 2011, 2012, and 2013 (Coffman 2013). In July of 2013, the Michigan Governor, Rick Synder, signed into law two amendments to the State's foreclosure statues. The first amendment authorized the final extension of the 90-Day Law to January 2014, primarily because of the institution of regulations by the newly formed Federal Consumer Financial Protection Bureau, (which will be discussed below). It also created the right of the purchaser of a foreclosed property, usually the lender at the sheriff's sale, to inspect the interior and exterior of a homeowner's property to determine whether there has been any damage to the property (Coffman 2013). If there is damage, the purchaser could shorten the redemption period and forcibly evict the previous homeowner. This law was presumably passed to prevent foreclosed properties from being vandalized, and further blight the neighborhood.

*Federal Programs*

During the foreclosure crisis, as discussed previously, the national government responded with funds, programs and initiatives that were aimed at helping homeowners and communities with more immediate problems through TARP, NSP, HAMP, HARA, HARP and the NMFC funds. The federal government also moved beyond these short-term responses to try and address the systemic failures that helped cause the tidal wave of mortgage foreclosures, the subsequent burst of the housing bubble and the recession that followed.

First, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) established the Consumer Financial Protection Bureau (CFPB) whose charge was to establish, strengthen, and enforce laws and practices that affect consumer lending (Consumer Financial Protection Bureau 2013). In 2013, the CFPB drafted stronger guidelines related to servicer responsibilities for mortgage foreclosures. These new rules lengthened the time between when homeowners are delinquent and when servicers can send notices of foreclosure homeowners from 90 to 120 days. Servicers are required to provide information on alternatives to foreclosure under "loss mitigation procedures" that allows a homeowner to apply for a loan modification or other workout options, and servicers are prevented from pursuing a foreclosure sale if the homeowner has faithfully complied with an application for a workout of modification

(Long 2014). These new CFPB rules preempted state foreclosure laws and this was the first time that state foreclosure laws were standardized in this way across the country. This is also why Michigan concluded its 90-Day Law. The rules, however, only apply to lenders and servicers who service at least 5,000 mortgages, so if a homeowner had a mortgage with a small lender or community bank, they are not be protected by all of these regulations (Consumer Financial Protection Bureau 2013).

While the CFPB, HAMP, and HARP aimed to prevent mortgage foreclosure in the future, other actors aimed to make lenders accountable for the 2007-2009 mortgage foreclosure crisis. In February of 2012, forty-nine state attorneys general along with the United States Departments of Justice, the Treasury, and Housing and Urban Development won a joint settlement against the country's five largest mortgage servicers: Ally/GMAC, Bank of America, Citi, JP Morgan Chase, and Wells Fargo. Known as the National Mortgage Settlement, this settlement was the largest of its type in history, totaling $50 billion (National Mortgage Settlement 2015). It found that these servicers participated in illegal "robo-signing" activities, which included signing documents outside of the presence of a notary public and without knowing whether the documents were correct, both of which are illegal. The settlement required these lenders to provide direct financial awards to foreclosed homeowners, write down and refinance mortgages of homeowners at risk of foreclosure that are valued for more than what houses are worth, and provide direct awards to the signing states for consumer protection and foreclosure prevention activities.

The National Mortgage Settlement was in addition to the $175 million that Wells Fargo was ordered to pay to a half dozen cities, including Baltimore, as part its settlement with the Department of Justice for racial discrimination in lending (Yost 2012). Further, the country's largest mortgage servicer, Ocwen Financial Corporation, was also sued in 2014 and entered into a settlement with the federal government to write down $2 billion in mortgage principal amounts for underwater borrowers and pay $125 million to foreclosed homeowners for improper mortgage servicing activities (National Ocwen Settlement 2015). Finally, SunTrust, another large mortgage servicer was sued in 2014 for the same reason and was ordered to write down $500 million in mortgage principal amounts and provide $40 million in cash awards to foreclosed homeowners.

The National Mortgage Settlement also established national mortgage servicing standards that require servicers to establish a single point of contact for homeowners, have adequate staffing levels and training to serve homeowners effectively, provide better and consistent communication with borrowers, follow appropriate standards for executing documents in foreclosure cases, cease the practice of imposing improper fees on homeowners, and end dual-track foreclosures (meaning servicers proceed with foreclosure sales while homeowners complete applications for workouts or modifications) (National Mortgage Settlement 2015). In 2012, the CFPB created new practices to monitor subprime lending that limited the amount of risk that lenders could allow for borrowers. Applicable to bank and non-bank lenders, the monitoring ensures that lenders are following laws related to limiting risk factors in underwriting and using clear communication practices with borrowers (Hilley 2012).

Thus, even after the peak of the foreclosure crisis during the late 2000s, local organizations and stakeholders continued to respond to the needs of homeowners and communities. However, the foreclosure crisis was caused by gaps in consumer protection at the federal level, over which local stakeholders and decision-makers have no control. To respond to this problem, the federal government then evolved to try and address the more systemic changes in bank policies and practices aimed at preventing foreclosures in the future. Through the establishment of the CFPB and lawsuits against unscrupulous bank practices, the federal government set the stage to make banks more accountable for ensuring equitable lending practices.

*Baltimore and Detroit Today: Riots and Bankruptcy*

Taking office unexpectedly in early 2010 after the scandal and resignation of Sheila Dixon, Stephanie Rawlings-Blake has remained the mayor of Baltimore since. According to a recent article in the Baltimore Sun, during her administration unemployment dropped from 12.1 percent to 8.2 percent and the city's economy experienced a growth of about 12,000 jobs, she implemented a plan to raise $1 billion to build new schools, all while cutting the city's $750 million deficit in half and lowering property taxes (Wegner 2015).

Rawlings-Blake was preparing for her next mayoral election campaign when, on April 12, 2015, a twenty-five year old man named Freddie Gray was arrested by the Baltimore police, placed in the back of a transport vehicle, and within 45 minutes, suffered a severe spinal cord injury that led to his death a week later (Fenton and Rector 2015). Amid greater nationwide attention to and a growing movement against police brutality, citywide protests took place in Baltimore calling for justice for Gray's death. One protest erupted into a clash with the police that resulted in the first riots in Baltimore since 1968.

The City, at Rawlings-Blake's behest provided a $6.4 million settlement to Gray's family, and the Baltimore State's Attorney pressed charges against the officers (Wegner 2015, Fenton and Rector 2015). Both actions set Baltimore apart from the responses from other cities in the country with similar incidences where police shootings have resulted in few, if any, police held accountable for their actions (King 2015). While the trials for the police officers are still underway as of this writing, many are hopeful things will be different in Baltimore.

In West Baltimore, where Freddie Gray lived, his death unearthed longstanding issues of concern to community developers in all cities: lack of jobs and economic opportunities, severely poor housing conditions including lead-paint poisoning, violent crime and mistrust of the police (Fenton and Rector 2015). So, despite the gains that Baltimore has made in many areas and perhaps as a city as a whole, the city still faces deep challenges, particularly in its low-income neighborhoods, with poverty and racial discrimination at their roots.

Detroit also experienced a significant recent low-point, though it was more transactional in nature. At the end of Mayor Bing's administration, and facing up to $18 billion in debt, the Governor of Michigan instituted a financial emergency in Detroit in March 2013 and appointed an Emergency Manager to shore up Detroit's finances. That Emergency Manager, Kevin Orr, was a well-respected bankruptcy attorney from Washington, D.C. Not surprisingly, a half of year later, Orr filed the largest ever, municipal Chapter 9 bankruptcy on behalf of the City of Detroit on July 18, 2013 (Davey and Walsh 2013). Orr then spent the next 16 months negotiating with all of the city's creditors, from lenders to pension holders, to take cuts in payments, as well as Michigan legislators and local philanthropists to raise funds to settle the debt. Creditors ended up taking deep cuts in the debt owed to them, while pensioners took about a 10% cut in benefits. The Michigan legislature and local philanthropic entities pooled a total of about $800 million to shore up resources in order for Detroit to exit bankruptcy with the least impact on the city's assets, including artwork at the renowned Detroit Institute of Art (Kennedy 2014). The City was able to exit bankruptcy in November 2014.

During the bankruptcy proceedings, Detroit also underwent a mayoral election of another unprecedented kind. After launching an energetic campaign for mayor, Mike Duggan was deemed ineligible to run in the mayoral primary due to not having been a Detroit city resident for at least a year before filing as a candidate. Though he had a history of involvement in local politics, he lived in one of Detroit's suburbs before moving within the city limits in order to run for mayor. Despite not being on the primary ballot, Duggan won 55% of the primary election as a write-in candidate (Guillen 2013). In November 2013, he then went on to win 55% of the general election and became Detroit's first white mayor since 1974 (Helms and Guillen 2013).

A year into Duggan's tenure as Mayor, Detroit exited Chapter 9 bankruptcy and he was the first mayor in decades who was able to manage the city without a crippling budget deficit. Since elected, the city government has been on overdrive to improve city services, such as installing and repairing streetlights, improving police and ambulance response times, and address blight both through cleaning up illegal dumping and demolishing thousands of distressed structures (City of Detroit 2015b). However, the Mayor is not without difficulty, as, like in Baltimore, high poverty, unemployment, tax and mortgage foreclosures continue throughout the city. New census data released in 2015 showed that Detroit has the highest poverty rate of any major city in the country at 39.8% compared to Baltimore at 24.2% (U.S. Census 2015).

The mortgage foreclosures crisis had a profound impact not only on Baltimore and Detroit, but on the nation as well. It triggered changes in local stakeholder networks working in community development and national reforms to protect homeowners and consumers from wayward market practices. However, both cities moved on both in their successes and their challenges, and these experiences provide lessons about urban policies and practices to improve people's lives and the communities where they live.

## Summary of Findings

My research was guided by the following research questions: How did local stakeholders respond to the mortgage foreclosure crisis in Baltimore and Detroit, two weak market cities with divergent foreclosure rates? Who were the primary actors in the local responses and how were the responses influenced by the governing coalitions in each city? It hypothesized that a governing coalition comprised of a broad and deep network of organizations that engage in and support community development gave Baltimore, comparatively speaking, greater resilience against the rate of foreclosures and its impact on neighborhoods.

To answer this question, my argument broke down into three elements. First, it analyzed the opportunity space in each city, which is the context of state laws, local economy, community development infrastructure, and composition of governing coalitions that provided the foundation for stakeholders to respond to the crisis. Second, it looked at the response to foreclosures, which included the capacity to undergo assessment, develop readiness, and initiate actions to address foreclosures. Finally, it examined the recovery, and in particular examined indicators in the housing market between the two cities as a way to explore any relationships between the first two elements and the last. Table 5.1 summarizes my findings, which are then provided more detail in the following section.

### *Opportunity Space*

The research indicates that the opportunity space in Baltimore was more favorable toward creating resilience, than in Detroit. Maryland is a judicial foreclosure state and the foreclosures laws allow a significant amount of time and opportunities for the homeowner to engage with the mortgage servicer to try and negotiate away from the foreclosure process. In Michigan, the foreclosure process was administrative, not through the courts, and the process was faster and was not as friendly to the homeowner. The local economy was weak in both cities up until 2000, and then it began to improve in Baltimore.

**Table 5.1. Summary of Findings**

<table>
<tr><th colspan="2">Framework</th><th>Baltimore</th><th>Detroit</th></tr>
<tr><td rowspan="4">Opportunity Space</td><td>State Foreclosure Laws</td><td>Judicial with more time and opportunity for homeowners to negotiate with lenders.</td><td>Administrative and faster, but a long redemption period for homeowners after foreclosure.</td></tr>
<tr><td>Local Economy</td><td>Weak market but higher home values and lower unemployment and poverty rate.</td><td>Weak market with low home value, high unemployment and poverty rate.</td></tr>
<tr><td>Community Development Infrastructure</td><td>Integrated between the BNC and BHPC between community organizations and foundations with local and state government support.</td><td>Disconnected with tension between community organizations and foundations, with local government with low community development function.</td></tr>
<tr><td>Composition of Governing Coalition in order of seniority (during Foreclosure Crisis)</td><td>• Local government<br>• Foundations<br>• Community organizations<br>• Business Leaders</td><td>• Foundations<br>• Local Government<br>• Business leaders</td></tr>
<tr><td rowspan="4">Response to Foreclosures</td><td>Assessment Capacity</td><td>Pre-existing:<br>• Baltimore Neighborhood Indicators<br>• TRF Foreclosure Study</td><td>Non-existent prior to foreclosure crisis.</td></tr>
<tr><td>Readiness Capacity</td><td>Pre-existing:<br>• BNC<br>• BHPC</td><td>Non-existent prior to foreclosure crisis</td></tr>
<tr><td rowspan="2">Response Capacity</td><td>Strategies:<br>• MD State Task Force<br>• Foreclosure Workshops (By U.S. Rep Cummings)<br>• Foreclosure counseling<br>• Property rehab (NSP)<br>• City lawsuit against Wells Fargo</td><td>Strategies:<br>• Statewide Task Force<br>• Foreclosure counseling<br>• Homeowner financial assistance<br>• Property rehab and demolition (NSP)</td></tr>
<tr><td colspan="2">Overall, the number of foreclosures was too great to address in full given the resources available in either city.</td></tr>
<tr><td rowspan="2">Recovery: Housing Market</td><td>Foreclosure Rates 2010-2014</td><td colspan="2" rowspan="2">Despite higher foreclosure rates in Baltimore than in Detroit after 2010, Baltimore's housing market grew and remained stable during this time. This dissertation argues that a governing coalition that included community organizations and an opportunity space with a stronger community development network in Baltimore contributed to its better housing market outcomes compared to Detroit.</td></tr>
<tr><td>Housing Market Indictors 2010-2014</td></tr>
</table>

This was also during the time that Baltimore's community development sector was beginning to coalesce around its Healthy Neighborhoods Strategy. Local foundations, community organizations and nonprofits, and even the local government provided support for this initiative, which targeted revitalization efforts in the city's middle income neighborhoods in an attempt to raise property values as well as retain and attract middle-income residents. In Detroit, the community development sector was unorganized and did not wield much influence over city government practices toward neighborhood development. Community development organizations were generally more neighborhood focused, territorial, and engaged primarily in the development of affordable housing rather than community programs or services. While there was a community development association, it was not strong, and at the time, lacked leadership and a vision for neighborhood development in Detroit.

*Responses to Foreclosure*

Overall, Baltimore had greater assessment and readiness capacity, and its response strategies were more timely and comprehensive. Baltimore had assessment capacity before the foreclosure crisis, but both cities used foreclosure and neighborhood data as a way to assess the extent of mortgage foreclosures and its impact on the city. Existing data capacity at the City of Baltimore and with the Baltimore Neighborhood Indicators Alliance built a foundation for data driven decision-making. In Detroit, however, the City government did not have this capacity and so foundations initiated and supported the creation of a new nonprofit data center, Data Driven Detroit (D3), in 2008 that would centralize foreclosure and neighborhood data. Though D3 helped Detroit stakeholders assess the foreclosure problem, its development, after the foreclosure crisis started, was more a part of the city's response, rather than an element of their previous assessment capacity.

In terms of readiness, again, Baltimore had existing systems, namely the Baltimore Neighborhood Collaborative (BNC), which formed in the late 1990s, and one of its initiatives, the Baltimore Housing Preservation Coalition (BHPC), which started in 2005 that allowed it to launch activities in response to the foreclosure crisis. The BNC was made up of several local foundations that pooled local and national funding, which was then reallocated toward strategic community development efforts. The BHPC consisted of representatives of foundations, community organizations and nonprofits, as well as members of local and state enforcement agencies, who strategized together about what would be the best responses to the foreclosure crisis.

In Detroit, this infrastructure did not exist prior to the crisis, but it was created in similar form. The Detroit Neighborhood Forum (DNF), the new collaborative of foundations, came together in 2006 by the invitation of then Mayor Kilpatrick. Led by the Kresge Foundation, funders continued to meet together after Kilpatrick resigned from office. The DNF established the Office of Foreclosure Prevention and Response (OFPR) in 2008, housed it at the Detroit Economic Growth Corporation, and hired its leadership staff. Like D3, the OFPR was not established before the foreclosure crisis and so did not contribute to Detroit's readiness.

The response strategies were similar in both Baltimore and Detroit, though Baltimore was able to implement its activities earlier and had greater leadership from city government. Local stakeholders engaged in two major activities, foreclosure prevention counseling and property mitigation. However, both cities struggled with responding to the extent of the foreclosure problem in their cities. Neither city had the resources, even with millions of dollars of funding from private philanthropy and the federal government, to have a great enough impact on foreclosures.

In Baltimore, many community organizations focused primarily on expanding post-homeownership counseling to include foreclosure prevention counseling. Counselors worked one-on-one with homeowners facing foreclosure to navigate their lenders' processes for workouts or modifications. These local counselors were networked with each other through the Baltimore Housing Preservation Coalition (BHPC) and on the statewide level through the Michigan Department of Housing and Community Development's Michigan Housing Counseling Network (MD HOPE). These networks provided spaces for counselors to share information and best practices in order to better serve homeowner clients.

In addition to foreclosure prevention counseling, the City of Baltimore and then Healthy Neighborhoods, Inc., used NSP funds to implement property mitigation strategies by working with both nonprofit and for-profit housing developers to acquire, rehabilitate, and resell foreclosed properties where homeowners were not able to keep their homes. These strategies invested funds into neighborhoods where the City and Healthy Neighborhoods were already targeting, in an attempt to secure gains that their previous neighborhood development strategies had made. Ultimately, as discussed earlier, NSP funds were not able to address as many properties as they had proposed, but they were still able to reactivate hundreds of homes for new homeowners. Lastly, but importantly, the City of Baltimore also responded by filing a lawsuit against Wells Fargo for discriminatory lending practices that favored offering subprime loans to African American Baltimoreans, which led to higher rates of foreclosures, and therefore, a burden on the City's resources. Baltimore was the first city to sue the banks related to foreclosures, which demonstrates a willingness to take leadership on a risky move to make banks more accountable for the foreclosure crisis.

In Detroit, the city's primary response was the establishment of the Office of Foreclosure Prevention and Response (OFPR). The OFPR acted as a coordinating and convening body to provide research and data on the foreclosure problem in the city, support foreclosure counseling at community organizations through training, education, and networking; and provide information and technical support to entities, including city government agencies, engaging in property mitigation to address the problem of vacant properties left behind from foreclosures.

As in Baltimore, community organizations in Detroit started or expanded homeowner-counseling efforts to assist homeowners directly that were undergoing foreclosures. This was supported by the statewide Michigan Foreclosure Task Force (MFTF), which was instituted by the Community Economic Development Association of Michigan, a trade association for community development organizations. The MFTF also provided information, training, and education to counselors and practitioners across the state and successfully advocated for stronger protections for homeowners in Michigan's foreclosure laws. Finally, the City of Detroit used federal NSP funds to establish a land bank that would acquire, rehab, or demolish foreclosed properties. The Detroit Department of Planning and Development administered the funds and, as in Baltimore, worked with both nonprofit and for-profit developers.

For both cities, the biggest challenge was the volume of foreclosures that were occurring and the costs of assisting homeowners and remediating foreclosed properties. Organizations were able to counsel hundreds of homeowners when thousands or tens of thousands of homeowners were facing foreclosure. Similarly, developers were only able to address a small fraction of the foreclosed properties in their neighborhoods and cities. The ability of stakeholders to have an impact depended on so many variables that were beyond their control: the available resources, the willingness of homeowners to seek assistance and not just walk away from their properties, and the willingness of banks to work with homeowners and counselors or to maintain and address REO properties.

*Recovery: Housing Market Stability*

There are a number of interesting findings about the housing markets in Baltimore and Detroit, as well as some caveats. Overall, the housing market became stronger in Baltimore between 2000 and 2010, and, except for the vacancy rate, stayed fairly stable between 2010 and 2014. In Detroit, however, the housing market declined substantially in value during these periods. Between 2007 and 2010, the annual mortgage foreclosure rate in the city of Baltimore was consistently lower than in the city of Detroit. After 2010, foreclosure data are only available for the metropolitan regions. In contrast to before 2010, between 2010 and 2013, the Baltimore metropolitan region saw foreclosure rates that surpassed that of the Detroit metropolitan region through 2013. This is despite the fact that unemployment and poverty rates were substantially lower in Baltimore, and the economy, in general, may have been better there.

The caveats are that finding any causal relationship between how stakeholders responded to the foreclosure crisis and the status of the housing markets in each city was beyond the scope of my dissertation. The period of time covered by my research did not allow enough time to connect any foreclosure response strategies to housing market outcomes. However, my investigation has revealed a reasonably clear relationship between the opportunity space and housing market outcomes. More specifically, the strength of the community development sector and the focus on an aligned, strategic effort in Healthy Neighborhoods with a focus on middle income neighborhoods and raising property values may be a contributing factor to there being a stronger housing market in Baltimore.

**Contributions to the Literature**

The larger questions framing my dissertation tried to address whether governing coalitions made up of strong networks of public, private, and nonprofit actors could influence outcomes in cities relative to the influence of the market economy. My findings make a contribution to this claim, and against theories that markets have greater influence than politics over urban outcomes. Using the test of how local stakeholders responded to the foreclosure crisis in two similarly weak market cities that had divergent foreclosure rates helped make these arguments richer.

With regard to the question of markets versus politics, there are three findings from my research that contribute to the argument that politics have greater influence. First, while the economy was generally doing better overall in Baltimore than in Detroit between 2000-2014, foreclosure rates became higher in Baltimore between 2010-2014. Thus, there was not a distinct relationship between weak market cities and higher foreclosure rates; rather, the market was not the only determining factor in foreclosure rates. In Maryland, it was thought that the higher foreclosure rates occurred, at least in part, due to the judicial and homeowner-friendly foreclosure laws in that state, which resulted in longer foreclosure processes. This increased the number of properties over time that were under some phase of the foreclosure process and therefore counted in the foreclosure rate.

Second, the proactive actions taken by the local governments to sue banks and the federal government to institute systemic changes in consumer finance policy speak to the power and importance of government in regulating and stabilizing the market. Through policies that promote less risky homeownership financing practices, there is greater chance of a more secure economy for homeowners and the communities where they live. Finally, the Healthy Neighborhoods strategy helped contribute to stronger housing market outcomes in Baltimore. Although this was not a government initiative, it was the product of a governing coalition of foundations, the public sector, nonprofit and community organizations in Baltimore and helped shaped the market in that city. Thus, in contrast to public choice theorists, it was the actions of this governing coalition, not markets alone, which retained and attracted residents to Healthy Neighborhoods and which helped bolster the housing market.

This researched utilized the resiliency framework as a way to assess the strength and weaknesses of local responses to the foreclosure crisis. As this work developed and concluded, the findings revealed some challenges with this theoretical approach. For instance, in the first chapter, the Resiliency Capacity Index (RCI) was described. Using this rating system, Baltimore rated higher than Detroit, except for in Community Connectivity Capacity, which measured stability, voter participation, and the per capita rate of community organizations. This dissertation research found that the connections within the community development sector in Baltimore were stronger than in Detroit, indicating that a purely quantitative approach to measuring resilience may have flaws. Further, the elements of recovery capacity outlined by Foster were difficult to apply to the foreclosure crisis given the extent of the problem and long timeframe needed to assess the outcomes of interventions in chronic or long-term challenges. Thus, the resiliency framework may be more appropriate for short-term disasters rather than complex and protracted economic crises.

Finally, we can now assess the role of the differing compositions of the governing coalitions in each city and how they shaped community development. In Baltimore, the rise of the philanthropic sector into a governing coalition with influential community organizations and nonprofits steered stakeholders toward targeted community development strategies. The strong connections between community organizations and foundations in the BNC wielded great influence over the institutionalization of Healthy Neighborhoods, which ultimately became the city government's de facto community development strategy. In Detroit, foundations responded to Kilpatrick's messy and abrupt resignation by filling in the space left by this new leadership vacuum, and a new governing coalition formed out of the foreclosure crisis. The governing coalition there was heavily influenced by these foundations. However, those foundations did not have the same strong connections to community organizations and vice versa, so there was no aligned strategy and weak systems in the community development sector. Ultimately, community organizations were not a part of Detroit's governing coalition, to the same degree as in Baltimore. Though not addressed in this dissertation, business leaders still play a role in both cities.

Thus, this dissertation finds that the governing coalition in Baltimore consisted of the mayor and local government, foundations in partnership with community organizations, and the cities business leaders. In Detroit, the governing coalition consists of foundations and business leaders that work in partnership with (or have influence over) local government.

### The Questions Left Unanswered: Areas for Further Research

While my dissertation tried to discern relationships between different factors in each of the cities, it may have also created more questions than it answered. Throughout this study, other factors and variables inevitably bubbled to the surface, which though out of the scope of this work, certainly warrant further study. They may, in fact, suggest alternative explanations for the differences attributed here to the community development sectors in each city. These include the role of racial and multi-racial politics, why community organizations had more influence in Baltimore than in Detroit, the role of political corruption, and the impact of the foreclosure response initiatives in each of the cities.

Beyond the scope of my study were the outcomes from and impact of the foreclosure response strategies implemented in each city. My research was more focused on the networks and governing coalitions that helped shape the foreclosure response and the influence of those networks on the community development sector. However, there is certainly more research to be done on the effect of the homeownership counseling and property mitigation strategies. Questions could be asked about whether those were the right strategies given limited resources and the extent of the challenges. Were there other strategies that local stakeholders could have employed that may have been more effective at either stemming the tide of foreclosures or addressing foreclosed properties in neighborhoods? Or were local stakeholders ultimately bound and limited in scope because of the nature of the foreclosure crisis and the source of the causes, which were within national financial policies and markets? All of these questions and topics would be worth exploring further to better understand these cities and the community development sector more generally.

Another factor worthy of more research is the role of racial politics in these two cities. One of the differences between the political environments in the two cities was that Baltimore had more white mayors in recent history than Detroit. After Coleman Young was elected as Detroit's first mayor, Detroit experienced almost 40 years of African American leadership until

Mike Duggan became mayor in 2013. Baltimore, in contrast did not elect its first African American mayor until 1987, a dozen years after Detroit. Since then, mayors have been both white and African American. The reason why this may have been a factor in this research is that the white mayors, Schaefer and O'Malley, won elections in this majority African American city. One variable in their elections might have been the relationships they had with organizations in African American communities in Baltimore. To get those votes, community organizations may have wanted some influence over, or some concession from local government and this may have been the impetus for community organizations being included in and a part of the governing coalition in Baltimore.

Another reason why community organizations may have had more power in Baltimore is that more of them may have originated out of community protest and organizing than in Detroit. Other research has determined the degree to which community development organizations evolved from community organizing to more traditional and, arguably, market-driven actors of neighborhood real estate development (Davidoff, 2015), but perhaps this community organizing history is what gave organizations the power to demand a place at the governing coalition table. Community organizing did not play nearly as big a role in Detroit generally, and certainly not in community development. Thus, it is possible this is why community organizations have relatively little power and influence in Detroit.

Finally, the role of political scandal and corruption in governing coalitions, and perhaps on neighborhood development, was beyond the scope of this project, but it is something worth exploring further. Corruption has a long and rich history in politics, in cities big and small, and in cities with white and African American leadership. This dissertation treated corruption as a common variable between Baltimore and Detroit, rather than something to be explored independently. However, looking more deeply at the extent of corruption in these cities, and perhaps cities without corruption (if that exists), may shed light on the nature of governing coalitions and/or the capacity of the community development sector.

**Implications for Community Development in Baltimore and Detroit**

The central question of this study was why the foreclosure rates in Baltimore and Detroit diverged over the course of the mortgage foreclosure crisis. However, this research is situated in a larger field concerned with disinvestment in urban, low-income communities of color and strategies to equitably redevelop those communities into places where people have a good quality of life. Exploring the responses to the foreclosure crisis and the impact it had on these cities provided an entry point to understanding the systems of stakeholders working in that larger field of community development. The findings from this research also offer some lessons for practitioners, policymakers, and researchers concerned with this issue.

For community developers and the funders that support them, one big implication that came out of this work is that communities and neighborhoods need to have leadership that influences the strategies supported by foundations. When funders fundamentally value and incorporate input from their grantees that do the same thing with residents in the communities where they work, the strategies to improve neighborhoods will be more effective because they will be more likely to address the most relevant needs. Baltimore was a model for this kind of integration and partnership between community organizations and other cities are as well. This is a lesson not only for funders, but also for the public sector. Community organizations should not be seen as political tools, but rather as partners in making a real difference in neighborhoods that need resources. Furthermore, those strategies will be more effective if they are aligned with different stakeholders, from community organizations to funders, and the public sector. If different actors focus on a number of different geographic areas or issues, the impact is more likely to be diffused.

In addition to efforts being community-led and aligned, the foreclosure crisis also taught us that the promotion of homeownership may not be the most effective way to address inequity and improve people's lives. The focus on owning homes was one that has been propagated by the federal government and trickled down to neighborhood groups who both developed homes for sale and enabled residents to achieve homeownership. "If I could change anything, I would change the notion that homeownership is the only indicator of wealth. If you rent, you can still build assets" (Personal Interview). Homeownership is a process that requires assets at the onset—enough savings for a down payment, for instance. These assets are indicators of whether household finances can sustainably bear the costs associated with buying and maintaining a home. Otherwise, the home ceases to contribute to the financial stability and quality of life of a neighborhood. Many advocates stressed a need for greater promotion of financial literacy, which would encourage individuals to make better financial decisions throughout their life. Financial education should start in schools and families and continue to be supported by financial institutions and our elected leaders.

However, as many practitioners agreed, and one expressed, "The foreclosure crisis was started by lousy predatory lending practices. It wasn't *started* by people who bought homes they couldn't afford. If we don't change that mindset, when banks start lending again, the same people are going to be targeted, doing the same practices" (Personal Interview). Practices around homeownership should focus on stronger protections for homeowners going through the home buying process. One approach to this is the stricter lending rules that were developed through the Federal Consumer Finance Protection Bureau. Lenders should be accountable to homeowners and the larger financial markets, beyond making loans and simply to profit from homeownership. As the foreclosure crisis demonstrated, their role should extend beyond the mortgage to a commitment to the communities where those mortgages are made. These practices also need to include resources for enforcement of consumer protection laws. In addition, one advocate expressed the need for professional and legal assistance in the home purchase process: "We tell everyone they should get a home inspection, and force people to get an appraisal. Those cost money. Having an attorney should be another element that people do regularly so there are no surprises with the mortgage. Financial literacy is one piece, but mortgage documents are not easy to understand" (Personal Interview).

However, both cities are now better positioned to deal with crises such as these in the future. In Foster's terms, they have both strengthened their preparation resilience. Much of Baltimore's community development infrastructure that marshaled the foreclosure response has been institutionalized, and the local government has turned greater attention to vacant properties, blight and other challenges related to poverty. Detroit now has the capacity to collect and utilize neighborhood and land use data in ways that it never did before. Community development organizations work together more and philanthropy is better coordinated. Furthermore, the City of Detroit has emerged from under debilitating debt with a much stronger capacity to address the challenges it faces. Though there are ways these entities could be stronger and more supportive of each other, they are in a much different place than before, when none of them existed prior to the foreclosure crisis.

The harder challenge in both of these cities is to address the underlying causes of mortgage foreclosures. Whether foreclosures were subprime and predatory, or caused by the economic downturn, as one leader in Detroit put it, "The only real foreclosure prevention is job creation" (Personal Interview). While this dissertation has demonstrated that the state of the local economies was not the sole reason for differences in the outcomes in these two cities, decision-makers and funders could do more to promote a healthy economy and robust job market in order to help contribute to addressing issues like poverty. The economy is also connected to the broad challenge of urban education and how well people are prepared for jobs. The community development sector has a role here, as well, especially if it is willing to be more comprehensive. The sector has learned that affordable housing will not revitalize communities by itself and the foreclosure crisis only reinforced that notion.

This research examined governing coalitions and their relationship to urban resilience as an opportunity to understand what might make cities not only better and more equitable places to live, but also stronger against economic or other kinds of threats. This dissertation demonstrated what resiliency researchers described as regions that could perform well or poorly at each stage of resilience (Foster 2006). In Foster's framework for the Resilience Capacity Index, cities could perform well in preparation resilience, but achieve low performance in response resilience, and vice versa, depending on the distribution of resources and capacities in cities as well as the degree of the threat they are facing. In a perfect world, or a perfect city, the economy is strong, the government is well functioning, visionary, and strategic, the philanthropic sector is supportive, but deferential, and high-capacity community organizations work collaboratively toward goals shared by government and philanthropy.

Although Baltimore may have come closer to this level of governing capacity than Detroit, both cities have room for improvement. However, it is important to remember two things. First, both cities have faced long-term economic decline and chronic stressors that were only exacerbated by the mortgage foreclosure crisis. The challenges facing practitioners and decision-makers in each of the cities was far greater than anyone would wish on their worst enemy. Second, however, many practitioners in both of the cities have been completely committed to solving those challenges, and to taking on a lot of personal, professional, and economic risk in order to do so. It is this passion that will foster the kinds of experimentation and perseverance necessary to make a difference in these cities and to the people who live there.

Finally, the future of these and any other cities, however, is not just contained within them. It is not without conspiracy that many urban change makers in cities like Detroit and Baltimore feel like their efforts do not matter to others. A Detroit activist working with youth in the Osborn neighborhood, described earlier, shared her experience with young people there: "Kids here feel like no one cares about them, not the City, not the police, not their teachers, not even their parents, sometimes" (Personal Interview). This sentiment is not just felt by those working in low-income communities. In a 2016 radio interview with United States Congressman, Dan Kildee, who represents Flint, Michigan, expressed his frustration with and interpretation of the lack of actions taken by state and local leaders in response to recent findings that the Flint municipal water system had been contaminated by lead[7] (WDET, 2016),

> There's a tendency among some to write off cites like Flint and the people who live in them. It's almost as if, 'What difference does it make, this city isn't succeeding anyway'… If this happened in some affluent suburb and 7,000 children were poisoned, they would run out of blue ribbons for all the committees they would appoint to get to the bottom of this and fix it right away."

The foreclosure crisis was the culmination of the ways that cities like Baltimore and Detroit have been, on the one hand, "written off" and, on the other, taken advantage of. The

[7] In 2013, the City of Flint switched from sourcing water from the Detroit water system to the Flint River, which is more corrosive. The water treatment plant failed to add anti-corrosive agents to the Flint River water. For almost two years, tap water pumped into Flint homes contained levels of lead double what they should be, putting children at risk for illness and irreversible developmental damage (Kaffer, 2015).

small number of perpetrators of these practices, sometimes banks and sometimes politicians, made a profit off of a large number of people's suffering—people who are mostly poor and African American. That suffering will incur huge costs, both financial and societal, for generations to come, especially if there is not more done to alter these dynamics. While this is a moral issue, and one that is critical to living in a world where all human beings are honored, (instead of just some over others), it is also a matter of duty. As Rabbi Abraham Joshua Herschel, a leading 20$^{th}$century Jewish theologian said, "Some are guilty but all are responsible" (2001, p. 17).

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