Communities of Color Organize against Urban Land Grabs

By Darwin Bond-Graham and Yvonne Yen Liu

The foreclosure crisis has disproportionately impacted communities of color because people of color were sold adjustable-rate mortgages at a higher rate than whites, even where income levels and financial risk were on par. The upshot of this predatory lending practice has been a massive dislocation of workers and families (most of whom considered their homes their only economic asset) side by side with an unprecedented transfer of wealth to financial institutions and the private sphere.

Advocates abroad call this type of activity by a name more familiar to the third world—a land grab. Multinational corporations have acquired 15 to 20 million hectares of land in wholesale purchases in the global south to establish large-scale industrial farms for food and biofuels.

Closer to home, in the Detroit area, speculator John Hantz is trying to purchase 200 acres to create a large corporate farm. Indeed, land grabs have been afoot for some time within postindustrial landscapes from where capital has fled in search of cheaper labor. What makes the current land grabs especially troubling is the opportunistic use of the tsunami of foreclosures by banks to seize properties. Their willful enablers in this transfer of assets have been the states and their housing policies, ostensibly created to reduce the number of vacant bank-owned properties by converting them into rental units.

Foreclosures: Excellent Investment for Some

A handful of fast-growing real estate management corporations are now stepping into the foreclosure crisis. Backed by billions of dollars in private equity, property management companies are viewing the crisis as a rare opportunity to amass tens of thousands of single-family homes and convert them into rentals—i.e. long-term high-yield investments. Beyond the stresses on families in neighborhoods experiencing the land grab, this nascent industry—promoted by federal policies—will in all likelihood facilitate the transfer of tens of billions in wealth from distressed homeowners—largely Black and Latino—to a few wealthy private equity firms.

The Bay Area has rapidly emerged as the headquarters for many of the most aggressive companies and largest investors in the land grab. Oakland-based Waypoint Homes, founded in 2008, has led the way in developing the technology and business model necessary to take advantage of the situation. Waypoint is the partnership of two wealthy entrepreneurs who struck up a conversation at an investment conference in San Francisco in 2008. Observing trends in the East Bay, especially in the suburban cities, such as Antioch and Concord where foreclosure rates have been phenomenally high and home values have plummeted in half, Doug Brien and Colin Wiel agreed to pool their money to buy as many distressed properties as possible. By the end of 2011, Waypoint reportedly had accumulated about 1,000 foreclosed homes, mostly in Contra Costa and Alameda Counties.

In an effort to “scale up” their operation, the firm’s founders welcomed a $400 million investment from GI Partners of Menlo Park, a politically connected private eq-
A private equity group that handles hundreds of millions of CalPERS funds. Executives with GI Partners have said that they intend to back Waypoint’s foreclosure-to-rental mill up to $1 billion. Waypoint has indicated that the focus of its purchases will be in the Bay Area and southern California.

It is worth noting that many among Waypoint’s senior staff were previously with companies that caused the foreclosure crisis or were poised to reap rewards from it. Waypoint’s chief operating officer, for instance, was a vice president at Wells Fargo for 11 years and head of its home finance group. The chief financial officer used to work at Kenwood Investments, Darius Anderson’s politically connected development firm. And until recently, the vice president of acquisitions was employed by Ridgeback Partners—a “real estate investment and development firm formed in 2007 to take advantage of compelling opportunities in the distressed residential and land sectors in the U.S. market.” Cofounder Wiel is also involved in a Panamanian land grab as founder of Rainforest Capital Management, which has purchased 10,000 acres in Panama’s Mamoní Valley with the intention of developing an “eco” hotel called Junglewood, and is also developing multiple energy projects, selling carbon credits, and logging timber for sale in international markets.

Land grabs in places like Panama and in Africa have occurred as a form of arbitrage. Wealthy private equity funds and corporations purchase land at prices far below the actual value and derive immense profits from developing, farming, mining, or leasing—activities not very different from the Bay Area’s foreclosure-to-rental mill. A recent Bloomberg Report story about Waypoint’s arbitrage operation began as follows:

“Ken Major climbs the steps of a county courthouse in a San Francisco suburb with $500,000 in cashier’s checks in one hand and a list of addresses in the other. Major is a buyer for Waypoint Real Estate Group LLC, an Oakland-based investment firm that’s scooping up foreclosed homes in California. On this December afternoon, he joins a dozen house flippers as an auctioneer starts hawking the latest batch of defaulted properties to hit the market. Major bids on a three-bedroom house in Antioch, and after other buyers counter, he wins at $147,600.”

Although generally praising Waypoint’s entrepreneurship and innovation, the story does hint at the social costs exacted by this massive transfer of homes into the hands of wealthy investors, noting that upwards of three-quarters of residents whose homes are bought out from under them by Waypoint end up displaced.

“Most of the time, occupants have to leave within 15 days of Waypoint’s purchase because they can’t afford the rent or choose to go. Gordon returns to one residence where a family has refused to move out for six months as they pursue a legal claim that they’re the victims of mortgage fraud. No one’s home, but two brand new radio-controlled toy cars sit under the Christmas tree and family pictures line the mantle. Gordon sighs. It’s going to take more time before Waypoint earns a return on this property.”

According to news reports, Waypoint earned as much as a nine percent return on its foreclosure-to-rental investments in the last quarter of 2011.

Replicating the Model
Numerous other real estate management companies, backed by major investors, are seeking to copy the Waypoint-GI Partners model in the U.S. where little has been done to prevent or repair the massive foreclosure rates of major banks—even where they are in violation of state and federal laws and regulations.

San Francisco headquartered Landsmith, LP is targeting homes in Arizona, where the foreclosure process is faster and homeowners have fewer protections owing to weaker state laws. According to press reports, Landsmith purchased 225 foreclosed single-family homes in Phoenix in 2011 and is converting them into rentals, hoping to earn a yield of 14 percent. Also seeking to scoop up foreclosed homes in hard-hit Arizona is American Residential Properties, which reportedly bought 800 homes in the Phoenix suburbs in 2011. For expansion, the company is reportedly seeking funds from the New York-based Ranieri Partners, whose founder describes himself as the “father” of the securitized mortgage market.
McKinley Capital Partners is another Bay Area firm that has been rapidly purchasing foreclosed homes. According to McKinley’s website, the company has invested over $100 million through three funds to purchase nearly 400 “distressed single-family homes” in California. McKinley is backed by New York’s Och-Ziff Capital Management, one of the world’s largest hedge funds, entrusted with money from private investors, as well as public pension systems like CalPERS.

Foreclosure hot spots like California, Arizona, and Florida are also investment hot spots for opportunistic private equity groups and hedge funds. Now thanks to policies developed by the Obama administration (in close cooperation with private equity and corporate real estate managers), the federal government is poised to hand over tens of thousands of homes currently owned by the government-sponsored housing enterprises (GSE) and millions of foreclosed homes owned by banks, to private equity.

**Policies Promote Major Housing Grab**

The administration’s intentions to feed distressed U.S. housing stock to private equity investors was officially announced on August 10, 2011, when the Federal Housing Finance Agency (FHFA) put out a request for information “to solicit ideas for sales, joint ventures, or other strategies to augment and enhance Real Estate-Owned (REO) asset disposition programs of Fannie Mae and Freddie Mac (the Enterprises) and the Federal Housing Administration (FHA).” The government’s bias towards the private equity-funded model of Waypoint and GI Partners was clear in statements, such as these: “FHFA, Treasury and HUD anticipate respondents may best address these objectives through REO to rental structures.” The FHFA reportedly received 4,000 comments, many of them from the very corporations and investment firms that hope to earn billions of dollars from government-owned “distressed” homes.

On February 1, 2012, the FHA finalized plans and invited interested investors to pre-qualify for a pilot “REO disposition initiative.” At stake are roughly 83,000 foreclosed homes from the government-sponsored enterprises inventory. While this figure might seem small in comparison to the 1.17 million home foreclosures that occurred nationwide in the first half of 2011, the government’s plans for federally-owned housing poses serious problems in terms of racial justice. The inventory of Fannie, Freddie, and FHA foreclosures are disproportionately owned by non-whites and low-income families, and located in urban minority-majority communities, such as Oakland and Los Angeles.

The government’s pilot program, unveiled on February 27, 2012, targets federally-owned homes in Atlanta, Chicago, Las Vegas, Los Angeles, Phoenix, and Florida because these metropolitan areas contain the largest stocks of geographically concentrated REO single-family housing. Foreclosed homes held by Fannie, Freddie, and the FSA are especially valuable to private equity because they can be sold in large blocks in single metropolitan regions, allowing companies like Waypoint to profit from economies of scale. Such transactions essentially transform traditional single-family homes into massive multi-family apartment housing.

Federal policymakers see this pilot program as the start of a larger effort to sell off GSE-owned foreclosed homes across the U.S. The full program will surely include the San Francisco Bay Area and Sacramento regions, which accounted for 1,546 Fannie, Freddie, and FSA-foreclosed units in December, 2011. As of March, 2012, there were over 18,000 foreclosed homes in Alameda and Contra Costa Counties alone.

**Occupy to Liberate the Land**

Clearly, this is a story of Goliath swallowing up David. But, in communities of color around the country, people are organizing—often in conjunction with the Occupy movement—to sling rocks at the ravenous monster. The first volley included defending the right of families to stay in their homes while undergoing foreclosure.

More recently, the organizing has been on the offen-
sive, rather than the defensive. On December 6, 2011, Occupy Our Homes launched its “Go out of the streets and into the homes” campaign to expropriate empty buildings and convert them into residences for the homeless and families who have lost their homes to foreclosure.16 In East New York, organizers converged to help a family squat a vacant home.

The movement’s next offensive move—perhaps its most radical challenge to capital—was to occupy buildings for collective use. The first salvo in this campaign was fired on November 2, 2011, the day of the general strike in Oakland. Euphoric from a triumphant day, in which tens of thousands had turned out to shut down the Port of Oakland—the fifth largest in the nation—a small group attempted to reclaim a former homeless services building that had been closed following austerity measures.17 Oakland police responded immediately with bean bag projectiles, tear gas, and flashbang grenades—a troika of weaponry that has sadly become the signature of the OPD—and the occupation ended quickly but the spirit was irrepressible. Three months later, Occupy Oakland attempted to set up a community center in an unused building. Dubbed the “Move-In Festival,” organizers were “armed” with peace sign shields, armchairs and furnishings for the occupied space. That attempt also ended in violence—perpetrated by Oakland police.

But the notion of liberating land for collective use resonates with the Occupy movement, which has adopted the slogan: “You can’t evict an idea whose time has come!” Max Rameau, founder of Take Back the Land, Florida, issued a call for a spring offensive, in which the Occupy and Liberation movements—the latter made up of low-income people of color displaced from their homes and land—join forces to wrest control of the land away from the 1 percent. An example of a possible outcome of this offensive may be seen in the Landless Workers Movement of Brazil, Movimento dos Trabalhadores Rurais Sem Terra (MST), where 350,000 families now occupy 20 million acres of land, challenging global capital, which has set up white picket fences around the commons of the world. MST’s flag, showing a couple holding aloft a machete, celebrates the industry of landless workers and their willingness to fight—and shed blood if necessary—for land reform.18

The flag accompanied MST leader Janaina Stronzake when she visited the Occupy Wall Street encampment at Zuccotti Park last November.19 “Occupy is a time to grow,” she told the assembly. “To grow education, empowerment, and food community.” The crowd roared back: “Occupy, Resist, and Grow!”

Endnotes
3. Laura Berman, Urban farming idea slowly sprouts in Detroit, Detroit News <detroitnews.com/article/201320/OPINION03/2013200352>
4. <ridgeback-partners.com/about.html>
5. <rainforestcap.net/news/project/>
10. <mckinleyp.com/about-us/company-overview> <mckinleyp.com/investments/distressed-housing>
15. <realtytrac.com/trendcenter/ca-trend.html>
18. <mstbrazil.org/about-mst/mst-flag>
Race, Poverty and the Environment (RP&E) is Urban Habitat’s national journal of social and environmental justice, founded in 1990.

For over two decades we have covered how low-income people and communities of color are organizing to win equality and justice. Multiracial, multi-issue organizations capable of uniting constituencies for social justice action have never been more critical. RP&E is a longtime and crucial connection point for advocacy groups, regionally and nationally.

Visit urbanhabitat.org/rpe to subscribe, order back issues, read from our archives, sign up for our quarterly newsletter, and catch up on the latest research and news in environmental, economic and transportation justice.

In 2010, RP&E forged print-web-radio collaborations with local and national radio outlets with production facilities in the Bay Area. Radio RP&E features in depth interviews and speeches from the movement for racial, economic, and gender justice.

Annual Subscriptions: $20/individual, $40/institution. Back Issues: $10/issue. The complete archive collection, which includes over 60 issues from 1990 to present, is also available for $250.

urbanhabitat.org/subscribe

Race, Poverty & the Environment
A Project of Urban Habitat

1212 Broadway, Suite 500
Oakland, CA 94612
(510) 839-9609
urbanhabitat.org/rpe

Race, Poverty and the Environment is a member of The Media Consortium, a network of leading independent journalism organizations in the U.S. working together to strengthen the role of media in creating a democratic society.

Our online archives are available at urbanhabitat.org/rpe. In addition, back issues of the journal will be available via the comprehensive online academic journal archive JSTOR beginning in 2013.