The Connections between Evictions and Foreclosures in Richmond

Woody Rogers
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RVA Eviction Lab

INTRODUCTION

Previous research has illustrated the severity of the eviction problem in Virginia and the City of Richmond more specifically (Badger & Bui, 2018; Eviction Lab, 2018). However, we currently know little about how previous housing instability, such as from foreclosures from the subprime mortgage crisis, has affected eviction rates. Like many places across the country, Richmond suffered from the collapse of the housing market in the middle of 2007, as the foreclosure rate in the region climbed to 1.76% at the peak of the crisis compared to the 0.21% pre-crisis rate (Koziol 2012). These foreclosures - much like the current eviction rates - disproportionally impacted communities of color with lenders targeting minority homeowners to issue subprime mortgages (Goldstein et al., 2018; Teresa, 2018)

This study examines the relationship between foreclosure and high eviction. In Richmond, where evictions occur at higher rates than almost any other large city in the country, identifying a connection between foreclosures and evictions could indicate why the eviction rate is so high in the region and help stabilize communities experiencing serial displacement. Through geographic analysis of the two forms of housing instability, this study seeks to understand the spatial relationship between foreclosure and eviction in the City of Richmond, as well as understanding the role of large-scale ownership in displacement.

This study finds that the areas of Richmond with high eviction rates - south, east, and northeastern neighborhoods - also experience high rates of foreclosures. Additionally, neighborhoods with the most extreme concentrations of evictions also have some of the highest foreclosure rates in the city. Finally, identification of the five largest landlords of previously foreclosed homes across the city and their eviction records indicate that such owners evict at high rates, more than 7% above the city average. These findings indicate the interconnectedness of the two forms of housing instability, eviction and foreclosure.

CONNECTING EVICTION AND FORECLOSURE

Identifying connections between foreclosures and evictions is a critical step in identifying areas of serial displacement. Concentrations of housing displacement leads to disastrous effects on a community, negatively impacting social, health, and safety outcomes for residents (Fullilove, 2011). However, research related to housing instability tends to focus on either foreclosure or eviction alone without addressing the two types of displacement together.

Rising eviction rates stem from rising rent prices in metropolitan areas across the country, exploitation by landlords, and a general lack of legal protections and assistance for tenants facing eviction (Desmond, 2016). Eviction can lead to negative social and physical health outcomes including lower educational performance for children, increased health risks for families, and can significantly harm individual employment and wealth-building opportunities (Desmond & Kimbro, 2015). Meanwhile, much research has focused on foreclosures stemming from the subprime mortgage crisis. High-risk lending activity within certain areas determined high concentrations of foreclosures in those same areas during the crisis (Immergluck, 2010). Subprime mortgages were targeted to owners in minority neighborhoods, which in turn has resulted in more prolonged effects of foreclosures and depressed housing values in these areas (Goldstein et al., 2008; Darden & Wyly, 2013; Raymond et al., 2015).

While the majority of scholarship addresses eviction and foreclosure separately, some have attempted to connect the two forms of housing instability. Many places experiencing high rates of both foreclosure and eviction were located

in inner-ring suburbs rather than in central urban areas experiencing gentrification (Shelton, 2018). Additionally, the increasing presence of investor landlords in cities following the foreclosure crisis is linked to higher eviction rates, suggesting that investor landlords have utilized foreclosed properties to increase holdings in urban areas and that investor ownership of single-family rental homes yields higher eviction rates (Herbert et al, 2013; Raymond et al, 2016; Akers & Seymour, 2018).

The Spatial Connection between Eviction and Foreclosure

The first part of this study involved identifying where foreclosures occurred in relation to areas of concentrated evictions. Using data collected by the Eviction Lab, the citywide average eviction rate by Census Tract from 2000 to 2016 was found to be 11.5%[1]. Additionally, the average foreclosure rate by Census Tract, identified using the Assessor's Office foreclosure data and tenure data from the 2017 American Community Survey was 11.4% with 6,249 unique instances of foreclosure of 1 to 4 unit buildings occurring from 2007 – 2017. Figures I and II illustrate the spatial connection between the two, with high rates of foreclosures largely found in areas with eviction rates higher than the city average (11.5%). Trends show that both eviction and foreclosure are concentrated in the south, east and northeast parts of Richmond. Concurrently, areas in the western parts of the city display eviction and foreclosure rates less than half the city average

Figure I. **Eviction Rates by Tract**

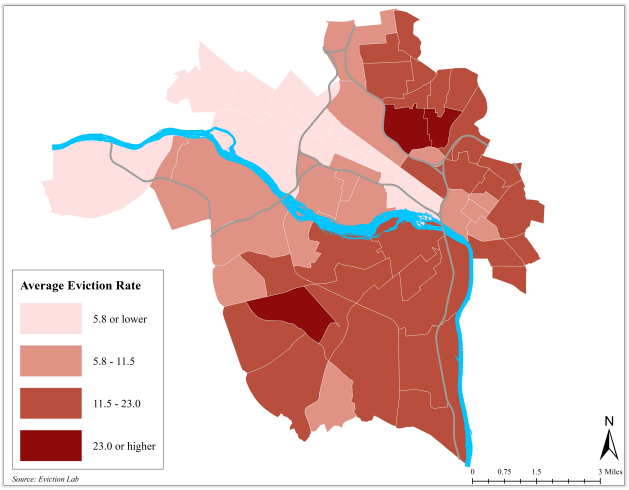
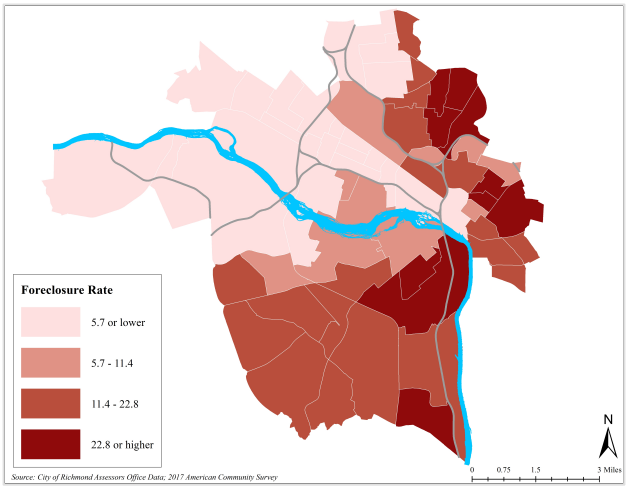


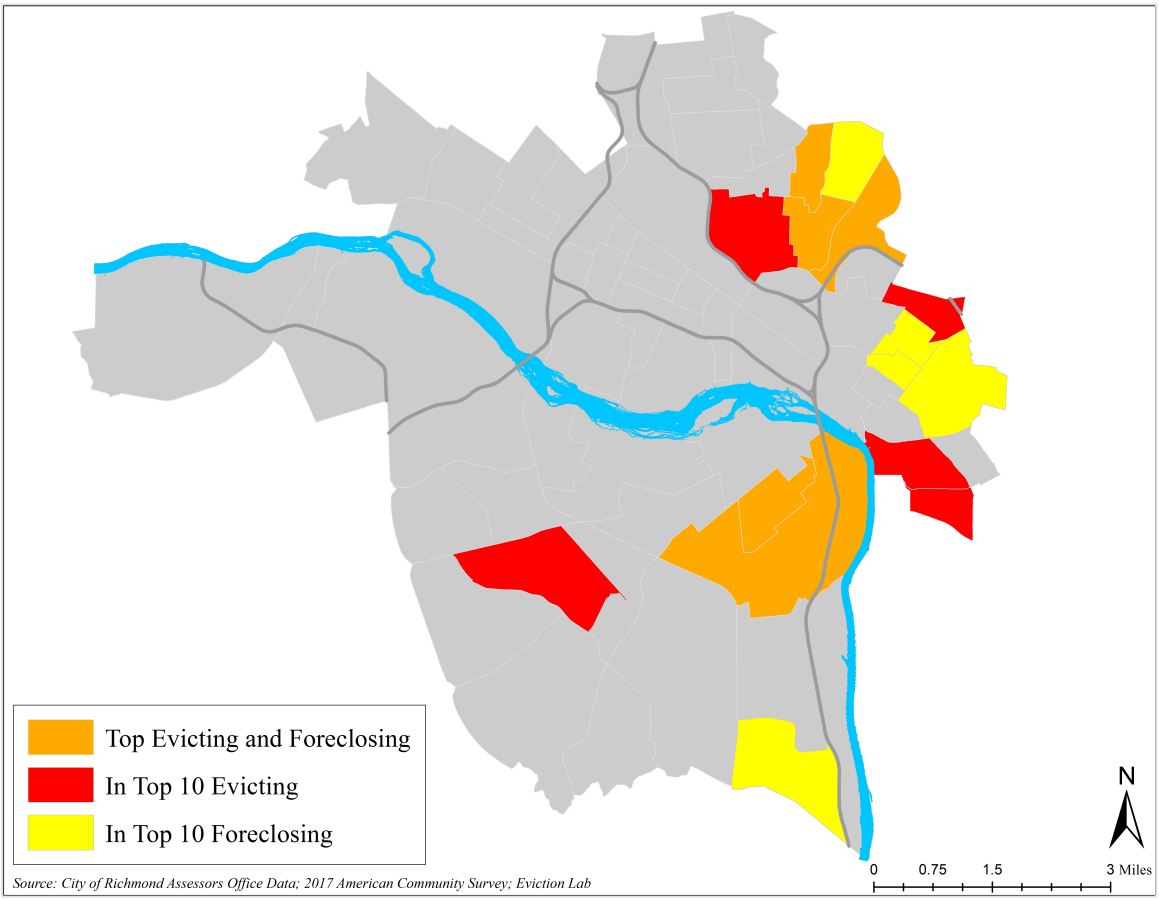
Figure II. **Foreclosure Rates by Tract**



Once average eviction rate and foreclosure rates were calculated for every Census Tract in the city, the highest evicting and highest foreclosing tracts as well as the lowest evicting and lowest foreclosing tracts were compared. High rates of displacement occurred in the same areas of the city when comparing those Census Tracts with the highest eviction and foreclosure rates. Five tracts were found in both top ten lists (Figure III). Areas with high rates of both foreclosure and eviction were clustered in the city's northeastern and southeastern areas. This spatial relationship was even more pronounced in areas with stable housing, with six of the same tracts among the lowest ten evicting and foreclosing tracts. Tracts with low rates of both eviction and foreclosure were found all in the western sections of the city. Similarities amongst tracts in terms of their relative rates of displacement illustrate how the geography of Richmond plays a key role in determinants of success. Like so many other outcomes, neighborhood location impacts how likely a household is to face threats of displacement through eviction or foreclosure.

[1] Evictions = Unlawful detainers decided in favor of the plaintiff (landlord).

***Figure III*. Top Foreclosing and Evicting Tracts**



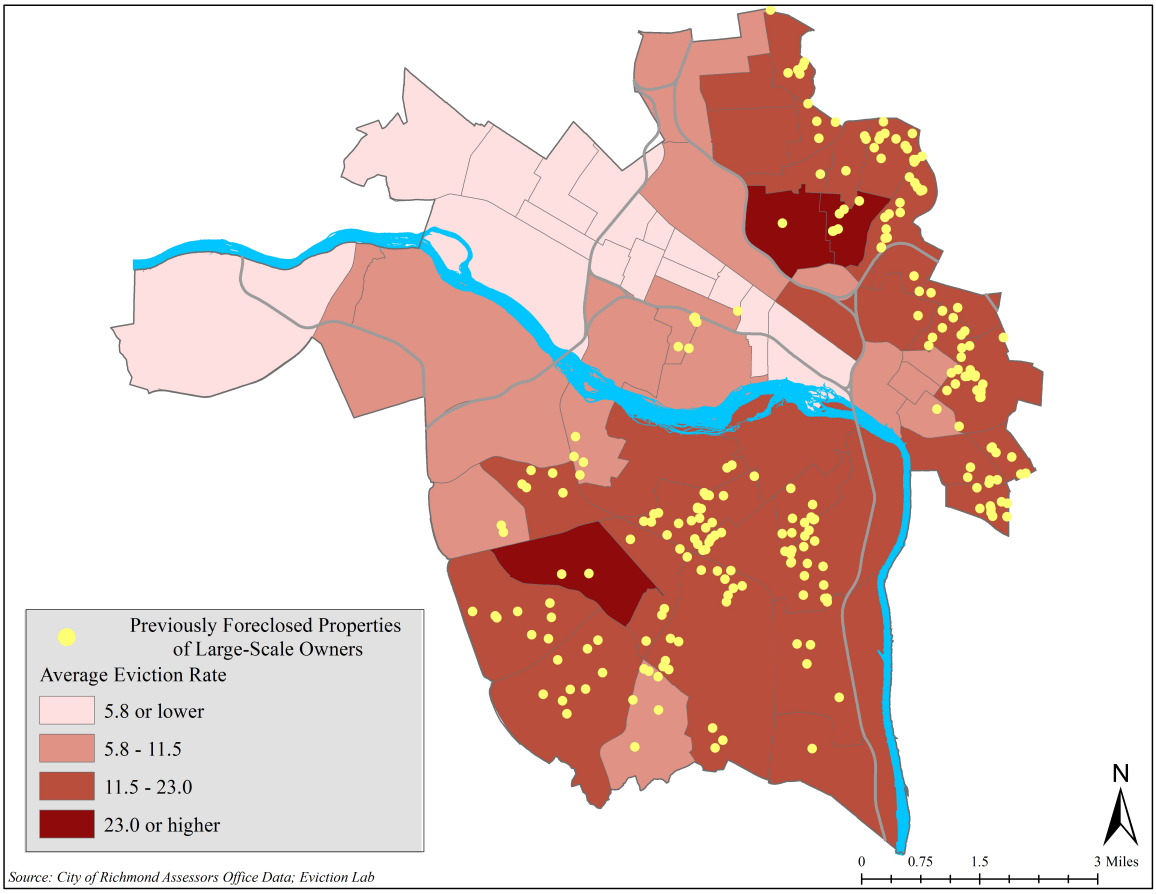
LARGE-SCALE OWNERS OF FORECLOSED HOMES AND HIGH EVICTION RATES

An analysis of large-scale owners of previously foreclosed properties (30 or more formerly foreclosed homes) showed that these owners evict at rates higher than the city average.[2] According to Richmond District Civil Court records, evictions carried out by the five largest owners of previously foreclosed homes won 748 writs of possession since 2009.[3] Including their non-foreclosed properties, these five owners evicted at a rate of 18.8%, 7% higher than the city average. Figure IV shows the locations of properties held by the five largest owners of previously foreclosed homes in relationship to areas with high eviction rates.

While this study focuses only on 1 to 4 unit buildings and therefore does not account for the many evictions in Richmond occurring in multifamily rentals, these previously foreclosed properties owned by large-scale owners are located almost exclusively in areas with eviction rates above the citywide average.

[2] Large-scale owners of previously foreclosed properties in this study are defined as property owners of 30 or more parcels that have previously experienced foreclosures. These are the owners that buy up foreclosed properties at the highest rate in Richmond.
[3] Same definition of eviction used for average eviction rates for Census Tracts

***Figure IV*. Large-scale owners of previously foreclosed homes and Eviction Rates**



WHY DOES THE CONNECTION BETWEEN EVICTION AND FORECLOSURE MATTER?

Higher eviction rates by owners of previously foreclosed properties connect the two forms of housing displacement. Capitalizing on depressed sale prices following foreclosure, these property owners benefit by buying low-priced homes. Through rental of these properties and subsequent evictions such large-scale purchasers of foreclosed properties compound the eviction problem in Richmond. Identifying the presence and impact of large-scale ownership of previously foreclosed properties could help our understanding of why evictions happen at such a high rate in certain parts of Richmond and begin to consider ways to combat serial housing instability. More broadly, high eviction rates from landlords of foreclosed homes demonstrate the interconnectedness of eviction and foreclosure and suggest that housing instability should be approached holistically. By failing to adequately address foreclosures in neighborhoods hard hit by the subprime crisis, post-crisis processes, such as large-scale purchase of foreclosed properties, have exacerbated eviction in those same areas.

In many ways, this analysis carries on a story that has been told many times – geographic disparities are omnipresent in the city. Housing instability has plagued areas in the south, east, and northeast in Richmond from slum clearance and redlining, while those in the western parts of the city live away from threats of displacement. Apart from the spatial similarities between foreclosure and eviction, previous literature has indicated that the rise of investor-owned properties, many of which were previously foreclosed, in urban areas has resulted in higher eviction rates. In the case of Richmond, large-scale property owners of previously foreclosed buildings have bought up significant amounts of housing and appear to evict at very high rates, 7% higher than the citywide average eviction rate. From exclusion of access to credit through redlining and sales of speculative land contracts during the 20th century, to the

recent targeting of non-white households receiving high-risk mortgages, current eviction processes continue the denial of stable housing opportunities for minority families. The connection between eviction and foreclosure through large-scale property ownership reframes and continues the legacy of wealth extraction from communities of color.

As this study focuses only at 1 to 4 unit buildings (since multi-family properties have different foreclosure processes), it does not capture the entire eviction landscape. Still, these findings, as well as further analysis of large-scale ownership of previously foreclosed properties, could help answer the question of why evictions are happening and how we can limit their prevalence. If we can directly link the high rates of foreclosure to high rates of eviction through investor ownership or any other mechanism, we can start to gain a better understanding of how to mitigate the eviction crisis.

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