People's Plan for Restructuring Toward a Sustainable Detroit

This is an organic, growing document facilitated by a city-wide coalition of organizations and individuals. The People's Plan will change and grow as our community responds to the political and social conditions of Detroit. Please participate in its development by visiting www.d-rem.org or by attending an upcoming community input session to share feedback and suggestions.

prepared by DETROITERS RESISTING EMERGENCY MANAGEMENT

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People's Plan for Restructuring Toward a Sustainable Detroit

Version ONE
Published
February 24, 2014

List of D-REM Member Organizations:

Building Movement Detroit
Central United Methodist Church,
Rev. Edwin Rowe
Change Agent Consortium
Cities of Peace
Citizens For Highland Park Public Schools
Cooperative Economics
Critical Moment
Detroit Communicator
Detroit Green Party
Detroit Eviction Defense
Detroit People's Platform
DPS Education Task Force; Library Committee
Free Detroit / No Consent
Feedom Freedom Growers, Creative
Hood Research
International Socialist Organization
James and Grace Lee Boggs Center
to Nurture Community Leadership
Keep Growing Detroit
Michigan Citizen
Michigan Forward
Michigan Welfare Rights Organization
Moratorium Now!
National Action Network, Michigan Chapter
National Lawyers Guild
Project Save Detroit
Raiz Up
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St. Peter's Episcopal Church Detroit,
Pastor Bill Wylie-Kellerman
Sugar Law Center; Team for Justice
Uprooting Racism Planting Justice
We The People of Detroit

People's Plan for Restructuring Toward a Sustainable Detroit

The restructuring and rebirth of Detroit will not be delivered by a state-imposed emergency manager, nor through Chapter 9 bankruptcy proceedings, foundation contributions, closed door deals, or other devious and misleading corporate schemes. Detroit's rebirth will be the result of the people's unrelenting demand for democratic self-governance, equal access to and management of the natural and economic resources of the city.

Currently, Emergency Managers in several Michigan cities have dictatorial powers to advance the interests of banks and private corporations over the public good. They have failed to bring about financial security. Rather, in one city and school district after another, they have dismantled the public school systems, sold off public resources, and eliminated essential civil services, while enriching a small group of cronies and contractors.

In one of the most ruthlessly racist maneuvers in U.S. contemporary politics, Governor Snyder has disenfranchised 55% of African American voters in Michigan, imposing emergency managers over the democratically elected leadership in several majority-Black cities. African Americans are, therefore, disproportionately exploited by Snyder's emergency managers, while continuing to endure high poverty and hunger levels, a deteriorated city school system, inadequate social services, and wide scale unemployment. In addition, thousands of African Americans and other Detroiters have been driven from their homes by the banks' predatory lending policies and resulting wide scale home foreclosures.

To secure the ends of our city charter and to ensure a vibrant, sustainable city reflecting the needs and the will of the people, we propose a set of alternatives. The people's alternatives are rooted in the certainty of our capacity to envision and create a city culture in which human rights are protected and citizens enjoy a higher quality of life.   In the second half of this document, we outline a people's analysis of Detroit's financial crisis which points out the deceit, misrepresentations and lawlessness of the emergency management measures carried out by Kevyn Orr and Governor Snyder.

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Part I: People's Alternatives

Financial Security

• The Michigan Legislature should immediately require automatic payroll deduction and mandatory withholding for all people working in the 22 cities where there is local income tax. Detroit currently loses between $40-50 million in revenue per year for lack of this elementary measure.

• The State must restore fully funded state revenue sharing to all cities, and act as an equitable and progressive partner in a process of urban development that serves neighborhoods and human rights, rather than destroying democracy and civic capital. Since 1998, due to actions of the State Legislature, Detroit has lost $220 million in revenue sharing, as well as several hundred million dollars in foregone income taxes. Direct state cuts in revenue sharing accounted for nearly one third of the city's revenue losses between 2011 and 2013.

• Detroit requires an efficient, effective federal grants management officer to fully implement and take advantage of existing federal programs. Currently Detroit returns millions of dollars to federal agencies that it has been unable to spend. Nearly $60 million dollars of accumulated or unspent federal dollars are included in the recent pledge by the Obama administration to provide $300 million in targeted programs.

• Detroit must establish means to collect all outstanding property taxes. In 2011 Wayne country had to write off $170 million in uncollected taxes on Detroit properties. The highest priority should be to ensure that no current homeowners are foreclosed on or evicted in the effort to collect taxes. Over 50,000 homes are in tax foreclosure this year alone, according to the Wayne County Treasurer. In Detroit, when these homes are vacated because of foreclosure, they are stripped and add to the dynamic of neighborhood blight and diminished property tax revenue.

• All businesses operating within the city of Detroit, or providing services to it, must commit to hiring local people and using local goods and services. By 2020, 70% of goods and services should be secured from local sources.

• Bank of America, UBS and any other Wall Street firms must immediately terminate the toxic interest rate swaps without penalties or further payment. Bank of America and UBS should repay Detroit the estimated $250 million they collected based on the illegal interest rate swaps, as well as the hundreds of millions of dollars paid by the Detroit Water and Sewerage Department in swaps termination fees.

• Detroit's predatory Wall Street-related financial expenses should be fully discharged in bankruptcy, without further cost to the City. The City budget reflects financial expenses that increased by $38.5 million between 2008 and 2013, accounting for 60% of the total increase in legacy costs. Legacy expenses are the cash flow consequences of "legacy liabilities." Unlike those underlying liabilities themselves, they are pertinent to remedying the cash flow crises. They include principal and interest payments on bonds issued by the city, payments in respect of derivatives, and future liabilities to pay pension and healthcare benefits for employees. In contrast with the city's operating expenses, which have been slashed by layoffs, cutbacks and labor concessions/impositions, these amounts 'owed' to the banks have increased rather than declined since the onset of the Great Recession. This is unsustainable, and only benefits Wall Street predators, not Detroiters.

• All vacant properties owned by banks should be assessed a $1000 annual fee for maintenance and civil services.

• Budget concerns must emphasize eliminating the budget shortfall of $198 million rather than continually targeting the questionable figures relied on by the emergency manager to justify his actions based on inflated long term debt.

• Pensioners should be held harmless, with no cuts at all and medical benefits restored, as an act of faith toward citizens who deserve all what little they are receiving, in equity.

Community Life

The Detroit City Council must enact legislation to:

• Support urban homesteading, enabling people to legally move into abandoned structures and restore them. Utilization of the existing nuisance abatement act and other legislation, adequately staffed and properly implemented, would benefit Detroiters far more than throwing massive resources into blight removal, without adequate plans for community-based economic redevelopment.

• Restore the dollar-a-lot program, enabling home owners to purchase adjacent vacant lots.

• Establish rent control to protect current residents.

• Establish land trusts as equitable development alternatives for citizens, at comparable scale to public land given at bargain prices to ultra-high net worth individuals such as John Hantz, Dan Gilbert and Mike Ilitch for private exploitation.

• Introduce place-based education for children, adults and elders coming together to revitalize Detroit.

• Adopt community-based and transit-oriented economic development policies, projects and criteria for public investment and improved quality of life in Detroit's neighborhoods.

• Increase quality and quantity of bus service.

• Stop and roll back privatization of essential government services that enrich corporate cronies without improving performance.

Restoration of Democracy and Self-Government in Detroit

• Fulfill the obligation of the City Charter to establish Citizens Advisory Councils.

• Return the Detroit Public Schools and the seized EAA schools to the control of the democratically elected School Board.

• Guarantee transparent, public, and open decision-making.

• Require enforceable Community Benefit Agreements that are accountable to those most affected by all corporate economic development.

• Establish participatory budgeting within communities, neighborhoods and block clubs.

• Establish a public interest bank to secure finances.

• Subject tax-free philanthropic special interests to democratic control and community accountability.

Development and Welfare of Our Youth

• Restore art, music, and the full range of creative and recreational activities within our public schools.

• Open 24-hour recreation centers for youth.

• Enact legislation providing free access to Belle Isle for Detroit residents under 25.

• Ensure per pupil funding for Detroit students equal to that of the wealthier school districts.

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Part II: Analysis of Current Financial Crisis

Causes and Consequences of Detroit's Bankruptcy [1]

The City of Detroit's bankruptcy was driven by a severe decline in revenues and – importantly -- not by an increase in obligations to fund pensions. To return Detroit to long-term fiscal health, the City must increase revenue and extract itself from the financial transactions that threaten to drain its budget even further.

Emergency Manager Orr asserts that the City is bankrupt because it has $18 billion in long-term debt. However, that figure is highly inflated, inaccurate, and irrelevant to analysis of Detroit's insolvency and bankruptcy filing. In reality, the City needs to address its cash flow shortfall, which the emergency manager pegs at only $198 million, although that number too may be inflated because it is based on extraordinarily aggressive assumptions concerning the contributions the city needs to make to its pension funds.

Municipal bankruptcies are about cash flow—a city's ability to match revenue against expenses so that it can pay its bills. Under Chapter 9 of the United States Bankruptcy Code, a municipality is eligible to file bankruptcy when it is unable to pay its debts as they come due.

This means that Detroit is bankrupt not because of its outstanding debt, but because it is no longer bringing in enough revenue to cover its immediate expenses. According to the city's bankruptcy filing, the emergency manager projects a $198 million annual cash flow shortfall for fiscal year 2014. To get out of bankruptcy, the City needs to address this annual shortfall—whether it is $198 million or a smaller number—not its total outstanding long-term debt.

Detroit's revenues have decreased by more than 20 percent since FY 2008, declining by $257.7 million.

Because of the Great Recession, this gradual decline in revenue became a massive leak. Detroit was hit particularly hard by both the foreclosure and unemployment crises. The number of employed Detroit residents fell by 53 percent from 2000 through 2012, but half of that decline occurred in a single year, 2008, as the recession took hold.

During the recession, property values declined substantially, eating into the City's property tax base. The recession has cut deeply into key property and income tax revenue and fee revenue from utilities owned and operated by the City.

The State of Michigan has exacerbated Detroit's revenue crisis by slashing $67 million in state revenue sharing with the city. By cutting revenue sharing with the City, the State effectively reduced its own budget challenges on the backs of the taxpayers of Detroit (and other cities). These cuts account for nearly a third of the city's revenue losses between FY 2011 and FY 2013, coming on the heels of the revenue losses from the Great Recession and tipping the city into the cash flow crisis that it is now experiencing. Furthermore, the Legislature placed strict limits on the City's ability to raise revenue itself to offset these losses.

The City has provided significant tax subsidies to a large number of enterprises as incentives to engage in development projects in downtown Detroit. In some years, the City handed out as much as $20 million to private interests. To the extent that the development would have occurred without these tax subsidies, or with fewer subsidies, the program was a burden on City revenues at a time when it was particularly damaging.

Detroit's bankruptcy is, at its core, a cash flow problem caused by its inability to bring in enough revenue to pay its bills. The emergency manager has focused on cutting retiree benefits and reducing the city's long-term liabilities to address the crisis. But analysis of the city's finances reveals that his efforts are inappropriate and, in important ways, not rooted in fact.

Detroit's bankruptcy was primarily caused by a severe decline in revenue and exacerbated by complicated Wall Street deals that put its ability to pay its expenses at greater risk. To address the city's cash flow shortfall and get it out of bankruptcy, the emergency manager should focus on increasing revenue and extricating the city from these toxic financial deals. Here are some recommendations for doing that:

The emergency manager, ideally in collaboration with the State, needs to increase revenue by $198 million annually to bridge Detroit's budget gap until structural programs can be put in place and the City can benefit from increased general economic improvement.

The emergency manager should drop his proposal to move city workers to a defined contribution pension plan and abrogate vested pension benefits. The city's pension fund contributions did not cause the crisis. Reducing benefits runs counter to the long-term goal of structurally improving city services.

The emergency manager should drop any plans to privatize or otherwise monetize the Water and Sewerage Department, since the asserted benefits of such a plan are not likely to be realized and, even if they were, would have no net effect on the current cash flow crisis.

The emergency manager should reclaim tax subsidies and other expenditures to incentivize investment in the downtown area. These tax subsidies should be treated similarly to the city's other financial obligations. The residents of Detroit have already suffered as a result of the crisis, as have the public employees. The recipients of tax expenditures should share in the sacrifice as well.

Once Detroit gets through this immediate crisis, the City's elected officials, working collaboratively with the State Legislature, the governor, and other parties, including the people of Detroit, can turn their attention to post-crisis, structural programs that would grow the City's tax base and allow it to return to prosperity over time.

[1] This section is derived from the November 20, 2013 Demos Report on The Detroit Bankruptcy: http://www.demos.org/publication/detroit-bankruptcy

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Crucial Questions of Debt and Effective Representation

In the Chapter 9 bankruptcy case, the Hon. Steven Rhodes, the Detroit bankruptcy judge, has twice now from the bench properly told Emergency Manager Orr and the Jones Day lawyers taking over Detroit that they are not to sell us out by paying interest rate 'swap counter parties' Bank of America/Merrill Lynch and UBS hundreds of millions of dollars in illicit 'termination' and 'breakage' fees.

To Judge Rhodes we say that Detroiters have the basic right to competent and loyal legal representation, as well as democratically accountable local government, as we proceed through the largest municipal bankruptcy case in U.S. history.

Jones Day and Kevyn Orr are mercenaries plagued by conflicts of interest. These same bank counter parties adverse to Detroit are also their clients. Even after recently filing a massive case on January 31, 2014 against Detroit's retirement systems and fraudulent 'service corporations' created by the banks to enable their 'interest rate swap' schemes, Jones Day and Orr still refused to make formal legal or equitable claims against the banks. Then, on February 19, 2014, on the eve of filing their Plan of Adjustment, they announced that they have reached a third deal with these predators, details of which are still secret.

Jones Day and Orr have repeatedly demonstrated their lack of candor, integrity and faithfulness to our interests. They should be fired and replaced by competent professionals who are in a position to truly represent Detroit.

What does it say about these lawyers and the one-man "emergency" local government forced on us by Governor Snyder, that they have now twice been told by the bankruptcy judge they improperly tried to sell us out to their other clients for hundreds of millions of dollars? This puts Detroit in unjust legal jeopardy, from the very attorneys who are supposed to be representing our interests in court. It is completely unacceptable.

Wall Street's claims on Detroit's assets have no legitimacy whatsoever. In addition to the appointment of competent and faithful legal representation, we call for complete cancellation of the odious Wall Street debt procured by fraud and allegedly "owed" to the banks by Detroit, not merely moving it into an unsecured position.

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Conclusion: Detroit Lives!

The concrete alternatives we have proposed here will put Detroit on a path toward healthy, sustainable development to benefit the whole community. Some of the initiatives we propose are already emerging in grassroots organizing efforts in our City; others are being practiced in sister cities around the country.

Brought on by the outrageous irresponsibility and greed of the corporate elite and the banks, the economic and environmental crisis engulfing Detroit and other U.S. communities is very real. However, it is clear to us that the corporate restructuring, bankruptcy and emergency management 'solution' being imposed by Governor Snyder is bogus, wasteful of millions of dollars, and without foundation in the rule of law. Certainly another way is possible, and that way will emerge from the people's creative capacity to fashion new social models that ensure their well-being.

The Governor/EM's plan of adjustment is aimed at creating a whiter, wealthier city. We propose a plan that will put us on a sustainable path to enriched quality of life. Our plan calls for just relationships based on the vision of People, and for developing social and political infrastructure that will create a sustainable future. Our plan is a clear strategy for survival that will enable our city to thrive. The schemes of the governor/emergency manager and backroom bankruptcy deals reflect the unjust, racist and failed regional power dynamic that created these problems in the first place. In response, we are claiming our power to determine our own future, and transforming our relationships and our community.

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