THE SPARK

Destruction of the Cities Detroit First, You Next

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"Just over 700,000 people live in a city originally designed for two million people" – this assertion runs like a refrain all through a new plan for "remaking" Detroit, **"The Strategic Framework Plan."**

Who is behind the "strategic plan"? Not at all clear. **The city's mayor, former businessman Dave Bing, appointed a steering committee of 14 "civic leaders" to take the heat for this plan**. No wonder! Nearly two years ago, he proposed to "shrink Detroit," making some of the same short-term proposals found in the new plan – and got his political fingers burned for it. In any case, the "Executive Summary" of the plan credits the Detroit Economic Growth Corporation with "managing the initiative [and] overseeing the work of the planning team." **The DEGC is one of those amorphous semi-public, semi-private "non-profit" corporations whose main purpose is to give an aura of public interest to decisions** *that serve essentially only the upper levels of the capitalist class and their bankers.* The funding for the supposed two years of work on the plan apparently came from the **Kellogg Foundation**, the **Kresge Foundation** and the **Skillman Foundation** – three foundations that, among other things, *have been behind the push to "remake" public school systems into **privately run charter schools.***

This "strategic plan" explains that because the population is no longer nearly as "dense" as it once was, the "centralized infrastructure systems" – public transit, water, sewage and public lighting – run very inefficiently. It concludes that the city must find a way to "create density."

The point of all this garbage is to reinforce the mayor's earlier proposal that some people should be "encouraged" to move to other areas – and that the city's infrastructure in some areas should be minimized, encouraging people to leave!

These areas that the plan and the mayor want to vacate have already been targeted for certain kinds of development: a large block of land on the east side, *including the municipal airport*, devoted to "international trade/manufacturing" – a kind of *free-trade zone; a similar "international trade" zone along the river on the near west side; two large areas on the east side to be devoted to industrial agriculture; finally a large corridor running up from the river and another one*

on the city's northern border, filled with <u>upscale housing</u> for a wealthy middle class, <u>as well as one along the river to the east with upscale housing</u>.

<u>The city's vast number of speculators have clearly already positioned themselves to turn a tidy profit on the turnover in land, having gobbled up a lot of what the city has plans for.</u>

Behind all its veneer of modern city planning, ***<u>the "strategic plan" is little more than a justification for further degrading, eliminating and privatizing large amounts of public services in poor and working class areas of the city.</u>*** That is not a new plan – just a continuation of the decades-long stripping of the working class city of Detroit for the benefit of capital, *<u>using the city's purse to further enrich the bourgeoisie and the banks</u>*.

A City Bursting at the Seams

The historical absurdity about the city being "designed for two million people" hides the whole question of how the city of Detroit got into the terrible situation it's in today.

In the first place, the city of Detroit was certainly not designed. Like almost all cities, Detroit grew in a completely unplanned, undesigned fashion, expanding outward, incorporating former little villages on its edges. By 1927, the city had effectively reached its current physical size. More to the point, almost every bit of the city's infrastructure had already been put in place by that year: not only the two conflicting road systems, intersecting at a 25 degree angle, but also the water lines, a closed sewage system, a public lighting system, and a public transport system. In fact, most of that infrastructure had been put in place in the 1800s, when the population was much smaller. To the extent the water and sewage system expanded since then, it was essentially only in laying lines and providing service much further out into suburban areas. The public lighting system put in place the last major part of its electrical generating capacity in 1927, with much of the rest of it having been in place before 1900.

By 1927, with the city having expanded willy-nilly into its current land size, the population had reached about 1.4 million people. In only seventeen years, the population had tripled in size, and it was already straining the infrastructure systems. The population reached its peak size at the end of World War II, as booming war production pulled in people from the South, week after week all through the war. The city held 1.8 million people. With its infrastructure already bypassed, and without enough housing, it was bursting at the seams. Park land was gobbled up for war-time bungalows. Public transportation was inadequate, water and electricity delivery was often sporadic. ***In fact, the federal investigation into causes of the World War II race riot cited <u>the much too crowded situation in the city</u> as one of the major causes for the horrible interracial street fighting that took the lives of 34 people in 1943.***

No, the city was not "designed" for two million people – not as a livable city, anyway.

Creating an Industrial Wasteland

It's true, the city today is filled with thousands upon thousands of acres of vacant land – altogether, 20 square miles of vacant land, according to the plan. Based on that estimate, the city, with its 139 total square miles of land, is 14% vacant. <u>*So what? Rome, for example, has much more "vacant land," that is, open space, and even brags about it – 40%! But Rome's open space is devoted to parks, monuments, piazzas, etc.*</u>

Detroit's vacant land is the result of <u>intentional abandonment</u>, a casualty of the same kind of capitalist "planning," i.e., plunder, that runs all through the current "strategic plan." Much of Detroit's vacant land is the result of a many-decades-long move by the biggest auto companies and their suppliers to move production from one plant into newer, more modern ones – leaving behind abandoned structures, highly polluted land, a kind of contaminated wasteland. A survey done last year by the Detroit Data Collaborative exposed the fact that <u>*a very large majority of that vacant land is not vacant residential parcels*</u>, but industrial and commercial ones.

In some cases, as with General Motors and Chrysler, their plants were moved from one part of Detroit into another. In the midst of the severe downturn at the end of the 1970s and early 1980s, GM set out to replace production carried out in two plants on Detroit's southwest side, Fleetwood and Cadillac, combining them into one modern plant built in an entirely different area of Detroit, as well as Hamtramck.

In other cases, the companies moved production into new or made-over plants in the suburbs or even into other states, as Chrysler did when it closed production at its Lynch Road Assembly, often setting in motion "bidding wars" between the various cities hoping to get a new plant or keep an old one.

The continual push for greater productivity reduced the number of plants that any of the companies needed – Chrysler, for example, progressively eliminated production in its Detroit stamping plants, combining all of it finally into one plant in Warren, Michigan.

Left behind were the vacant hulks of those abandoned plants, surrounded by empty, polluted land.

And the ususal gobbling up endemic to capitalism, as one company took over the market of another, absorbing its productive facilities or closing them down, resulted in still more empty plants. The Packard plant – closed in 1958 after a merger with Studebaker pushed the company into bankruptcy – still sits, a vacant, decrepit shell in the middle of what once had been a thriving neighborhood. Various attempts were made, with little success, to turn it into a cut-rate retail outlet store or an industrial park. The desolation caused by the abandonment of that plant helped turn its east side neighborhood into a ghost town.

People Didn't Leave – They Were Pushed Out

The land that big companies moved into often had been occupied. Part of the 465 acres on which GM's new Poletown plant now sits was occupied by a plant that Chrysler had deserted. But most of the land had been occupied by people and their homes, restaurants, neighborhood clubs, churches, stores, laundries. There were also a farmers' market, small plants and tool shops, and a hospital, all ripped out by the city's bulldozers for GM. The city, using its powers of "eminent domain," declaring it a "public purpose" to help GM build its new plant, destroyed that neighborhood, which had been the very heart of Detroit and Hamtramck's Polish community, driving out nearly 5,000 people from the immediate area. Many more nearby, who had depended on the destroyed shopping area, felt they had no choice but to leave.

The city, state and federal government had conspired to do something similar in the early 1950s, when they ripped out the very heart of the black community: Black Bottom, Paradise Valley and Hastings Street – Detroit's equivalent to Harlem's 125th Street. Black Bottom had been the place where many well-known jazz musicians got their start. Generations of black activists, trade unionists, and communist militants came from there. The Nation of Islam was born there; the earlier Garvey movement flourished there; the Communist Party spread its roots there, out from Maben's, a well-known barbershop on Hastings. The UAW found many of its militants there. <u>The city's first black mayor, Coleman Young</u> – CP activist, trade-union organizer, civil rights activist – grew up there.

In place of Hastings Street – with its neighborhood clubs, barbershops, jazz spots, stores, churches – ***<u>the authorities built an expressway out into the suburbs</u>***, designed to serve the interests of the auto companies, which wanted to construct new plants further away from the city. There was no necessary physical reason for plotting the expressway right down Hastings Street. But it certainly served to break up and destroy Black Bottom. ***<u>The banks</u>***

wanted the land where Black Bottom sat in order to expand the downtown area. And real estate interests wanted the poor working class black people who lived there moved out –

in order to put up housing for an expanding middle class. It was one of the first versions of what authorities called "urban renewal," and what many in the black population called "black removal." It would not be the last.

Forty years later, the city was still gobbling up land in the interests of big business. In the 1990s, the city took thousands of acres of occupied land on the edges of the downtown area, clearing it of the people, stores, offices, little shops, repair shops, neighborhood bars. In their place were put three gambling casinos, two sports stadiums and an "entertainment district." The city took public housing the poor had occupied not far from the downtown area, "urban removing" the poor so more middle class condominiums could be built. The city closed down a number of high-rise public housing units – buildings in relatively good repair – and then handed them over to real estate interests. On the west side, they were transformed into a hotel associated with one of the casinos and upscale housing, with one of the towers devoted to "senior housing," giving an aura of social "conscience" to the whole Robin-Hood-in-Reverse deal. The former project towers on the east of downtown still stand vacant, now owned by a real-estate speculator, who threatens to tear them down – probably in a fight with the city over how much he will be paid for giving the city's land and buildings back to the city.

In parts of the corridor running north from the new upscale housing developments near downtown, the city took land, pushing poor people out, holding the land in reserve as a kind of empty buffer to protect the newly developed areas from the poor who once had lived there. *In other areas, the city didn't take the land, but it simply less and less provided services to it, de facto giving people little choice but to move.*

Then came the sub-prime mortgage scam, which affected not only many poor neighborhoods, but also ones that used to be called "stable working class neighborhoods." Starting toward the end of the 1990s, the bankers rushed through whole neighborhoods, pushing some people into refinancing their mortgages on a sub-prime basis with promises to "lower your interest rates," pushing others to take out a mortgage on a house they had owned free and clear, with talk of "consolidating your bills" or "upgrading your home." In fact, people were being lured into mortgages that would quickly explode on them. Almost 100,000 people – whole families, older retired people – were "removed" from their homes in this way, the casualties of the banks.

<u>Speculators moved in to grab tracts of land</u>, holding it for a future payoff, doing no upkeep, not even protecting the buildings from vandalism. Petty "entrepreneurs" moved in to harvest the copper wires and pipes, aluminum siding, gutters, even the doors and the windows. ***Almost overnight, whole neighborhoods, not so long ago well kept and populated, came to resemble bombed out cities***.

Where did all these displaced people go? Some went to the suburbs. Some doubled up with relatives or live on the streets or in shelters. But some unknown number today squat in the vacated buildings. <u>DTE, the privately owned utility that provides electrical and gas service to homes in Detroit, not so long ago claimed that perhaps as much as 10% of all electricity hook-ups in the city are "pirated," that is, hooked up by people who don't appear anywhere on its books. Undoubtedly, it was an exaggeration, a justification for the rate increase it was petitioning the state to accept. And certainly not only the squatters made their own electrical hook-ups, outside the utility's billing system.</u> But it nonetheless gives an idea of the desperation the population has been driven to. The city itself hinted at the number of squatters when it took possession this January of 7900 houses that failed to sell at auction in 2012. According to Wayne County, which had held the deeds, 2000 of those properties, over a quarter of the batch, were occupied either by former owners who had lost their homes in foreclosures, by tenants who refused to move when the property went over to the county, or by other squatters. If anything like that proportion holds for the rest of the city's 150,000 vacant parcels, 30 to 40 thousand of them could be occupied – by how many people, no one has any idea. They certainly don't appear in census reports.

Whatever the number of homeless people squatting – 25,000, 50,000 – the mayor, who laments that the city has too few people, clearly has no intention of inviting "those people" to stay. In fact, the columnist for the *Detroit News* who reported on the issue commented: *"The situation is inherently combustible. There will be title issues, evictions and controversy."* You bet! She also quoted the man responsible for the Detroit land bank that holds many of the city's "vacant" properties that *"we are a tool for land development."* He added, *"I think of us as the special forces team."* ***<u>Clearing out the squatters with an M-16, no doubt!</u>***

The State and City Governments Crucify the City

For three decades, the city itself vacated land and buildings. It closed not only public housing units, but also recreation centers, parks, swimming pools, neighborhood city halls, police precincts, fire stations, libraries and public health clinics, a big number of which stand vacant today. Herman Kiefer, the city contagious disease hospital, in which resided the public health department, was progressively closed down as people were pushed toward private hospitals. Today, almost all of that seven-story hospital is empty. What remains are only a few offices of the public health department, which may soon be vacated themselves, given that the city is in the process of turning their work – and records – over to a private company to administer!

In 1980, there were 39 neighborhood recreation centers in the city; today, only 14. In 1980, 11 neighborhood city halls made it easier for people to get information or file necessary paperwork with the city; in 2011, only five; in 2013, those five were closed. In 1980, there were 16 police precincts and 49 mini-stations – where people could go, for example, to get the papers they needed to file an insurance claim. Today, there are four police "divisions," no precincts, no mini-stations. All of this added to the stock of empty buildings, vacant land.

The state added to the disaster. It closed public health psychiatric clinics, welfare offices, unemployment offices. Today, there is only one unemployment office for the whole city. You must report by internet or phone. The state closed Secretary of State offices, which disburse driver's licenses, car registration and licenses; which clear people's records so they can get a license; and which register people to vote. Only six remain. It closed human services offices. In the early 1990s, there were at least 21 such offices in the city, where people could walk in to apply for Medicaid, or food stamps, or emergency assistance. Today, there are only seven.

The closing of social service offices – welfare, unemployment, disability – means long lines, all day waits with people told at the end of the day, "come back tomorrow." It is no surprise that the number of violent attacks on workers is on the increase. Workers in the shrinking number of offices take the brunt of people's anger against a city and state that so despise them.

In the push to create charter schools, the city school board and then the state's *Emergency Financial Manager closed neighborhood schools*, with the aim of *forcing parents to send their children to the charter schools that pop up in the same area.* In just five years, between 2006 and 2011, 124 Detroit public schools were closed, with several dozen more closed in 2012. Some of those closed neighborhood schools were immediately re-occupied by charter schools; some were grabbed by small businesses, even churches. But a part still sit vacant, many covered with graffiti, the kids' way of thumbing their nose at a city that long ago wrote them off.

Behind the Vacated Land and Buildings Are Failing City Services and Lost Jobs

These empty government buildings represent failing city services. Neighborhood libraries are practically a thing of the past – those that remain are closed two to four days a week. *Public health services have disappeared, replaced, so authorities say, by privately run clinics and hospitals*. Most neighborhood parks are now officially considered "closed." According to the mayor's fiscal 2013 budget, closed parks will be mowed and otherwise maintained only once a year; small parks that are used, mowed only twice; and heavily used parks three to four times a year! Among the 25 largest U.S. cities, Detroit ranks dead last in the acres of park land per resident. And recently, the mayor and the state's governor bandied about proposals to turn Belle Isle, the big park in the middle of the Detroit River, over to the state to run. If the state gets it, it would charge an $11 admission fee, undoubtedly aimed at keeping poor young black Detroiters from enjoying one of the few spaces left to them.

The recreation centers still left barely function. In 2001, the city had 665 people working for the recreation department. It has 87 today. In the late afternoon or early evening, there is often only one worker for a whole building, functioning as basketball coach, janitor, building maintenance, and security – all at the same time. Having already given a number of its centers to churches to run, the city is proposing to turn all remaining centers over to private interests next year.

(All of the figures on personnel are from "Detroit City Budget: Management's Discussion and Analysis," 2009 and 2012.)

Closed fire stations are catastrophes waiting to happen. Three years ago, for example, a fire that may have begun in a vacant building destroyed four full city blocks, gutting 81 homes, most occupied, along with other vacant buildings. It's true that winds were high, but those winds only exacerbated the tornado of destruction the city had visited on its emergency services. Every fire company in the city's east side was already occupied the night that fire broke out. And this disaster happened before the severe cutbacks of 2010, '11 and '12. In 1999, there were 1,742 fire personnel. In 2012, only 1,257. That includes emergency medical technicians. Today, there are only 78 vehicles for the whole fire department, down from 238 in 2004.

Public street lighting is sporadic. The "strategic plan" says only 40% of the city's lights are working. Could be correct – but that's only on the good days. Whole tracts, even where lights do work, go without any light for many days in a row. It used to be for a week or two; now it can be for some months. And certain areas, especially on the lower east side once out of the downtown area, effectively go without light. The number of workers in the department has decreased from 331 in 1999 down to 103 in 2012.

Bus service is now so sporadic that the mayor recently thought it important to brag that buses would henceforth arrive every 15 minutes – on the four busiest routes ... during the day time hours. Of course, as usual, with such promises, 15 has often turned in to 30 or even 60 minutes apart. And that's only on those four routes. Over the last three decades, almost every year has seen a new announcement of route eliminations or service cuts. The number of workers for the system – including drivers and mechanics – has decreased from 1,815 in 1999, down to 1,131 in 2012, down to 916 today.

Garbage is collected only once a week – except when the trucks miss because they are plowing snow are otherwise occupied. And bulk trash is collected only twice a year! Employee numbers in the department of public works, which also takes care of clearing snow in the winter and repairing streets in the summer, went from 1,373 in 1999 to 625 in 2012.

<u>The city's water and sewage system has been under a court order since 1977</u> because the city has never solved the problem of its sewer lines evacuating into parts of the river near water intake lines. Moreover, the regularly recurring water line breaks introduce unacceptably high levels of microbes into the drinking water system, the result of an antiquated water system, inadequately maintained for years. In 1999, there were 2,944 people working for the water and sewage department. Today, there are only 1,978.

The reduction in the number of workers, department after department, is an accurate indicator of the cuts that have afflicted Detroit's population. Overall, the city's workforce dropped from just over 17,000 in 1999, to 10,500 in 2012. But that's not the end of it. The mayor promises to cut 2,000 more workers during this year.

The Jobs Didn't Just Disappear, They Were Ground Up

Trying to explain the city's long-term neglect of public services, mayor after mayor cited a burgeoning "fiscal crisis," larger deficits and growing debt. And every one of them pointed to the reduction in personal city income tax, resulting from the elimination of good paying jobs in the city – treating that as though it were a kind of natural catastrophe, totally unpredictable and outside of any human agency to control.

It's obvious there has been a catastrophic loss of jobs in the city. Detroit now has only one job for every four working-age city residents – and half of them occupied by people who reside in the suburbs. The city's median family income is $27,000 a year, not enough to get a family of five above the official poverty level, and 19% of those with a job make less than $10,000 a year. Over half the adult population does not have a job. This, in the city that had been, as recently as the late 1970s, the most industrial city in the country, its factories providing the better paying jobs on which the city's population depended – along with what many people believed was dependable, stable employment with the city or the state. Auto jobs may not have provided the "middle-class" income about which the unions bragged – but auto workers and public sector workers certainly did not live on the edge of destitution, as do many of the city's employed today.

The catastrophic loss of jobs wasn't some natural event. The lost auto jobs – in Detroit and all through the country – were ground up by the normal mechanisms of capitalism in search of ever greater profit, with the process sped up as the long term financial crisis weighed on the whole economy.

The enormous reduction in public sector jobs reflected nothing but the willingness of the political establishment to reduce all "non-essential" spending, that is, everything that did not provide direct support for the biggest corporations and the banks that stood behind them.

Detroit Mayors: Santa Claus to the Capitalist Class

In fact, the biggest cause of the city's current "fiscal crisis" is the long term use of its taxing and budgetary powers to give larger and larger subsidies and tax breaks to some of the biggest capitalist concerns in the world, starting with the auto companies.

This concern of public authorities for the well-being of capital has, of course, always been an important aspect of the capitalist economy. But, with the economic crisis that broke out in the early 1970s and really sped up starting in the 1980s, the public authorities actively sought to empty the public purse in the service of the bourgeoisie, not only in Detroit, but everywhere.

In Detroit the process of destruction in the service of the bourgeoisie may have gone much further than in most cities. But that simply means that Detroit points out the future for the working class population of every city in the country.

GM, with its Poletown plant was not the first to feed at the public larder, but Poletown is really the perfect example of what has been going on now for nearly forty years. In 1980 and '81, the city paid at least a quarter of a billion dollars to take the land, clear it, and reroute and rebuild roads. The city also put in the train lines, sewer lines and water lines GM wanted. In 1981, the city and the state finalized a huge tax break for GM – eliminating 50 per cent of what GM would owe for 12 years. And the city, not GM and not Chrysler, paid to tear down Chrysler's 6-story Dodge Main plant which Chrysler had vacated.

But the city didn't have the money to fund these enormous gifts – it went into debt to do it, taking out a six-year, 100-million-dollar loan in order to pay for its compulsive gift-giving. And, as it handed out more and more gifts to ever more companies, it didn't have the revenue to repay even that six-year loan. It refinanced the 100 million, transforming it into a 154-million-dollar loan for ten years – not counting interest payments.

But with this enormous gift to GM, and with the recession continuing, the city found itself deeper in deficit. So it drastically increased the income tax rates that workers would pay. They went up from 2 to 3% on residents and from half a percent to one and a half per cent on non-residents working in the city. With that increase, Detroit's income tax rate soared higher than that of any other city in the state of Michigan. Even with a later reduction to 2.5% in 2007, Detroit's tax is still so high and so regressive, imposed on practically every cent of income, that its poorer residents today often pay hundreds of dollars in city income tax, while their low income exempts them from federal or state taxes.

With new tax money in hand, the city continued to shower gifts on the wealthy. In 1982, the city arranged to turn over a number of its federal government grants to real estate magnates Max Fisher and Al Taubman, who wanted to build new luxury apartments along the river. Fisher and Taubman got grants scheduled to go to Detroit for "urban renewal," for example, or for "urban mass transit"! The city also allowed the project to issue 50 million dollars in tax-exempt bonds under the city's fiscal authority, burdening the city's bond-issuing capacity. And the two new towers were given a 100% abatement for 12 years on city real estate taxes, totaling more than four million dollars. When a third tower went up several years later, it too got an abatement – the total for all three towers removed $700,000 annually from the city's tax rolls.

In the early 1970s, Chrysler had already been given real estate tax breaks on its Mack Avenue Stamping plant. By 1980, Chrysler was using the plant only as a warehouse with a skeleton crew – not the manufacturing facility employing 4,000 people Chrysler had claimed on its petition for the tax breaks. It kept the former plant open until the tax breaks were used up – gobbling up every penny the city had offered.

In 1982, the city bought the plant and its land from Chrysler, holding it until Chrysler took it back in 1995, turning the shell of the old plant into the Viper Assembly plant. Not only did the city hand the land back to Chrysler, it gave it a tax break along with it!

In the mid-1980s, the city purchased, took and cleared land for Chrysler to build a new assembly plant, replacing its old Jefferson Avenue plant. It also gave Chrysler a 12-year tax abatement on this deal.

In the early 1980s, Chrysler got the first of several tax breaks on its McGraw Avenue Glass plant, supposedly because it was “rebuilding and modernizing” the plant in order to keep it producing into the 21st century. (Chrysler closed McGraw in 2003, just eking out the last of those tax breaks.) Starting in the early 1980s, the city progressively helped the different hospitals that were to merge into the **Detroit Medical Center** so they could expand their facilities into a single complex. The city acquired and sold land to the DMC for one-quarter of what the city had paid to buy it. Over the course of 15 years, four hospitals were closed in other parts of the city, their patients effectively directed down into the expanding DMC. And the city recognized DMC’s claim to be a non-profit institution, thus keeping 110 acres of the city’s most valuable land from city tax rolls. Eventually in 2010, DMC, put together with the city’s help, was sold to *Vanguard Health Systems*, owned by the private equity *Blackstone Group*.

During the later 1980s and early 1990s, the city began to take over acres upon acres of riverside land on the near east side where little factories and job shops had provided work. Some of the land eventually was devoted to a series of riverside parks, upgrading the area, but the rest was given to real estate developers, who put in expensive housing, with a shopping area included in the housing complex. With pollution ingrained from previous industrial use, the city provided the millions needed to clean it up.

A similar operation was carried out in the same period on the west side along the river, but in that case, the city took and cleared the land – of houses, businesses, job shops and little factories – giving the cleared land to large shipping interests to use as a warehouse area along the river. The central part of this deal involved the city, in 1994, paying to tear down GM’s old Fleetwood plant, which had stood vacant ever since GM moved production to Poletown. Once again, city and state tax breaks were attached to this project.

In 1996, the city helped arrange a three way deal, win-win for two of the parties, involving the Ford-owned Renaissance Center, GM headquarters and the State of Michigan central offices in Detroit. The RenCen had never made a profit, and Ford Motor Credit and Ford Land had been forced to assume a majority stake ownership after the RenCen’s owners defaulted twice on their loans. GM was in an old building that had not been upgraded for years, if ever. There was no such thing, for example, as central air conditioning. Each office was provided with a small air conditioner installed in a window. The State of Michigan offices were actually quite comfortable where they were, in a building the state owned, with adequate parking provided for all employees.

But Ford wanted out of its losses. GM wanted out of its old headquarters. And the State of Michigan obliged them both.

GM was paid 126 million dollars for its old building, which was handed over to a development company to manage. The State then leased it from the development company. State employees were moved into an outdated building, with no free parking. *GM moved into the RenCen, buying it for 73 million dollars*, much less than what GM got for its own old building. And *GM got tax breaks for its move into the RenCen – and then got another tax break worth 221 million dollars from the city and the state in 2010, for keeping 2,000 employees at the building.*

At the end of the 1990s, the city paid 50 million dollars to acquire the land and buildings on which three gaming companies erected their temporary casinos. In 2010, after the three gaming corporations had built their permanent casinos, the city bought back one of the temporary buildings for six million dollars, transforming it into a Public Safety Headquarters, for Police, Fire and EMS.

In 1998, the city paid to demolish the massive 25-story department store Hudsons had deserted 15 years before. In 2002, Dan Gilbert, owner of Quicken Loans, was given development rights by the city to that land, which today sits over an underground parking garage. He also was given a Renaissance Zone designation for the site through 2017 *– a designation potentially worth millions in tax breaks in the quickly expanding downtown area.*

In 1999, the city gave Compuware the land its headquarters sits on for $1 – land the city had cleared and held title to for decades. Compuware also got 70 million dollars in property tax breaks on that deal.

In 2000, the city paid 189 million dollars to help get the land, clear it and provide infrastructure for the new Comerica Park, which the Ilitch family wanted for its baseball team. Sixty-three per cent of the financing for that park was backed by the "full faith and credit" of Detroit's ability to raise tax revenues. The city also increased taxes on car rentals and hotel tax in the city to help pay for the new park. Much earlier, in the late 1970s, when the same Ilitch family threatened to move its hockey team to the suburbs, Detroit had built a new hockey arena for the team, Joe Louis Arena, costing 57 million dollars.

In 2001, American Axle was given over half a million dollars a year in annual tax abatements, good for 12 years, on its new headquarters.

In 2002, the city paid 215 million toward the construction of Ford Field, a new stadium for the football team owned by the Ford family.

In 2002, the Detroit School Board moved its headquarters into the Fisher building, a building that had been losing tenants after GM's move. The Detroit Schools paid 24 million dollars for four floors of the Fisher Building. *That was more than the **building's new owner** had paid just one year earlier to buy the whole 29-story building.*

By 2003, the city's debt had reached 4.89 billion dollars – not counting interest, which for many of the ordinary bonds the city issued doubled what the city would have to pay back.

In the 14 years between 1998 until 2012, the real estate empire run by Dan Gilbert bought up 15 downtown buildings, receiving, under one form or another, tax breaks or incentives on every building. One of them, the Dime building, was transformed into Chrysler House, where a pleased Chrysler had moved part of its headquarters staff from the suburbs into the city.

In 2008, the city extended Chrysler a second tax break on its Jefferson Avenue Assembly plant worth 22 million dollars when Chrysler said it needed to update its facilities.

By 2009, the city's long-term debt stood at 8.6 billion dollars, not counting interest.

In 2010, Blue Cross Blue Shield of Michigan received 35 million in incentives from the city for moving its offices from Southfield down to the RenCen.

As of January 2012, the city's debt had grown to 12.6 billion dollars, 17 billion with interest – not counting, fees, special charges, etc.

At the very end of 2012, even as rumors spread that the city would declare bankruptcy, the Ilitch family was given incentives for locating its new hockey arena in the city, money to be taken from a fund that earlier had been used to retire some of the bonds issued for the Detroit schools. This deal was announced just as the media broke the story that the Ilitch family owed the city as much as 70 million dollars in unpaid lease payments for its current hockey arena.

These are only some of the better known deals. There are many more. *From 2002 to 2011*, as it was going deeper in debt, the city gave out one billion dollars in new tax breaks, not counting those already on the books, according to the *Detroit News*. These may be only the highlights, but they show exactly where ***the city's money has gone – to bail out every corporation, every so-called "developer" that came calling***.

Even while the city was removing this enormous amount of very profitable property from its tax rolls, the state was offering similar deals to some of the biggest capitalists in the world. According to the Center for Automotive Research, GM alone got 3.3 billion dollars in state tax breaks from 1985 up to 2011, half of that in Michigan alone. All told, the number of various tax breaks and incentives given by the State of Michigan to business totals 6.65 billion dollars a year, billions not available to cities and counties, billions not available to the schools. Those tax breaks given by the state mean less revenue for the city. **Today, Detroit is getting only 200 and some million from the state, less than one-third of what it got in the 1980s**. Something similar happened with revenue sharing from the federal government. By 1992, the city was getting only 160 million a year from the federal government, down from 400 million a year in 1980.

In the nation as a whole, according to a recent *New York Times* study, tax breaks and incentives cost states, counties and cities more than 80 billion dollars a year. And that's less than half of what is lost, since most of the breaks come through real estate tax abatements, and those deals are not reported in any systematic way by most states or cities.

The Banks Take their Share of the Loot

Detroit's growing debt was financed by some of the world's biggest banks. And they took their share right off the top of every bond the city floated. But that wasn't enough. As the city fell deeper in debt, the banks began to feed the city with exotic financial instruments – which had exactly the same boomerang effect on the city that sub-prime mortgages had on homeowners.

In 2005, for example, then mayor Kwame Kilpatrick cut a deal with UBS Financial Services, one of these complicated "swaps" deals. The city issued fixed rate bonds worth 1.6 billion dollars, supposedly to fund its pension funds. ***But it took the proceeds of the bond sale***, "investing" it into a trust that put the money into variable rate securities. Supposedly, the city would get back from the "investment trust" more than it owed on the fixed rate. Thus, the city would not only be able to pay the annual cost of its bond issue, it would also get a surplus, allowing it to help fund its 300 million dollar budget deficit. ***Supposedly! When members of the city council strongly objected to this pie-in-the-sky deal, the Fitch and S&P rating agencies, already at the meeting, threatened to lower Detroit's bond rating if the city didn't carry out the deal***. The mayor threatened to lay off 2,000 city workers. Faced with blackmail, the city council gave in, the deal went through, and the city laid off 1,400 workers anyway. Reality check: the city always got back less than it had to pay out, losing 107 million dollars a year, just on this one deal alone. ***In 2009, the deal, which had originally been for 1.6 billion dollars, had to be refinanced.***

Detroit ended up owing 2.9 billion dollars, not counting interest. And the city was forced to come up with an immediate 400 million dollar penalty when it missed a payment. The rating agencies lowered the city's bond ratings, costing the city higher rates on its subsequent borrowing.

There was an additional blow, coming from this one deal alone: when the city was unable to pay the 400-million-dollar penalty immediately, *the state, using its "emergency powers," stepped* in. It forced the city to hire US Bancorp to handle the city's financial problems. US Bancorp was set up to receive all the money the city was to get in state revenue sharing every year, and all the income from the tax the city levied on casino actions every year – all of that to pay off UBS, along with a little bit off the top for US Bancorp!

UBS, by the way, is one of those banks now under investigation for keeping the LIBOR rate artificially low. It was that rate written into the deal to determine what the city would get, instead of the usual U.S. Treasury rate.

Other cities were hit by this same LIBOR scheme. In 2010 alone, 36 cities or states lost over five billion dollars just in "termination fees," for these exotic swap agreements pushed on them by the banks. These losses were detailed in a study done by the Service Employees International Union. And, according to an article in *Rolling Stone* magazine, localities lost additional billions every year, in a bid-rigging scheme that went back as far as 2001. The banks determined among themselves which one would submit the "lowest" bid for floating a city's bonds, a bid which was, of course, not very low. The others stayed out of the bidding.
In 2011, Detroit's Water Department raised 222 million dollars in a bond issue, using it to end "interest-rate swap" agreements with several banks. In 2012, the department issued 660 million dollars in bonds, taking 300 million of the proceeds of that to immediately pay JPMorgan to end an interest-rate swap agreement it had with that bank. Between the two deals, the city paid off the banks to the tune of 536 million dollars – almost as much as what the Water Department has scheduled to pay over the next five years to upgrade the system. Today, 40% of the revenue that comes in to the Water Department immediately goes out in interest payments to the banks.

The same is true for all the so-called "revenue" producing city departments. The City's Department of Transportation had cut similar deals over a stretch of years with Citigroup, JP Morgan Chase, Loop Capital, Morgan Stanley. Those deals for funding new bus purchases cost the city 54 million a year – in addition to what it owes in payments on the original debt.

These recent “exotic investment” deals the city has been pulled into are not the only source of its debt to the banks. But it’s striking how much worse the situation of Detroit and other cities has become because of these your-money-or-your-life deals as the banks move to improve their situation in the midst of the crisis. **The banks put the Mafia, in its worst, most predatory period, to shame.**

A Perfect Storm

The city of Detroit was hit by a “perfect storm”: the inter-workings of predatory banks, greedy industrial corporations and a political apparatus of cities, states and the federal government subservient to the interests of capital.

Detroit was not the only city to be so hit by such a combination. And certainly not the first. Pittsburgh, for example, came close to bankruptcy in the late 1990s, as the result of incentives given to developers who were finding gold in the city’s “golden triangle.” It still pays out over one-fifth of its total budget toward its debt. In 2008, Vallejo, California declared bankruptcy. In 2011 Jefferson County, Alabama declared bankruptcy, as did San Bernardino, Mammoth Lakes, Compton and Stockton – all in California. In 2011 and 2012, 30 cities declared bankruptcy, using bankruptcy to cut wages, cut services, in many cases to shut down whole departments, even police and fire. Harrisburg, Pennsylvania, caught up in some of the same “exotic” bond deals as Detroit, tried to file bankruptcy in 2011, but was turned down by the courts. Apparently, Harrisburg was trying to dump some of the obligations it owed to the banks – which the bankruptcy overhaul of 2005 made it harder for cities to do!

In 2010, Maywood, California became the first city to lay off its entire workforce, outsourcing all municipal jobs. It did that without declaring bankruptcy. Other cities may not have gone quite so far as to get rid of everyone, ***but outsourcing for the benefit of private industry is endemic through the country.***

In California, almost 200 school districts borrowed billions of dollars in another “exotic” loan deal, so-called capital appreciation bonds. The banks sold these very long term bonds to the school districts based on the theory that the price of real estate will keep going up and therefore the bonds will easily be repaid – 20 years in the future! But the collapse of the housing market brought prices tumbling, calling this whole “theory” into question. In any case, by the time the bonds are paid off, they will have cost the districts 16.3 billion dollars – in repayment of loans that originally totaled only 2.8 billion dollars!

Detroit is also not the only city to clear out whole large areas of the city for the benefit of real estate developers and industrialists. New Orleans did something similar in the years following 2005 when Katrina ravaged the city. Using the pretext of storm damage, it refused to reopen public housing in the lower ninth ward, and devoted few resources to helping rebuild the city's poorest areas, the Ninth Ward and St. Bernard Parish. It transferred the whole city school system over to a private charter company to run. The number of poor people in the city declined, but the number of somewhat privileged middle class people increased – a fact celebrated by the city's political establishment. Some of the city's most important popular neighborhoods were taken over for upscale housing – out of the reach of the musicians who had once made the area their home. The city kept the main city hospital closed. And the city put in the winning bid for this year's Super Bowl, which ironically will be held in the same stadium where the poor people of New Orleans suffered so much misery in the days immediately after the hurricane hit.

The political establishment in *New Orleans used a natural catastrophe to push poor people out*. Detroit is depending on the "perfect storm" produced by the human beings who today run this capitalist system to do the same thing.

The Storm's Not Over

In the face of this unmitigated disaster, Detroit's mayor has only this to propose: more of the same. The Strategic Plan has been issued to reinforce him, as he continues the assault on the population. In fact, the "Strategic Plan" is little more than a recognition of what has already been done or prepared to be done by the city's mayors going back forty years.

Faced with a lighting system today in which only 40% of the lights work, the mayor issued a proposal to retain only 33% of the system in working order. He also wants to turn the whole system over to DTE, the private utility, to run. The city, however, will go deeper in debt to upgrade the system that DTE will profit from!

It had already done something similar with its public transit system in 2011, when it gave the management of the system over to Transpro, a private management company, issuing bonds to fund the transfer. Transpro did not, of course, improve service. But it did propose immediately to eliminate 24-hour bus service and it reduced the number of transit workers by one-third over two years time.

The mayor has also proposed effectively to privatize the city's water and sewage department. Concretely, he proposes that the current work force of just under 2,000 people be reduced to somewhat over 300 employees for the city, with another 300 and some workers for sub-contractors. Whatever the final numbers, this is little more than a proposal to hand the system over to the contractors who today have to bid for the work.

These systems up until now have provided revenue to the city. That revenue will now be transferred over to private companies – while the city retains the responsibility for the debts run up in the name of the systems, and for future investment in the systems. ***In other words, the city is still on the look-out for ways to give more of its resources to private capital***.

This is what the "<u>Strategic Plan</u>" has in mind when it declares that Detroit's "centralized systems" run inefficiently. It wants to break those systems up, giving what's still valuable in them over into private hands. That is, it wants to give that money away more "efficiently."

The other proposal on which the mayor and the "Strategic Plan" agree is that people should be uprooted and transplanted out of the areas that real estate interests or corporate interests have set their sights on. By cutting off services in certain areas of the city, the mayor intends to force people into more crowded areas than where they live now. The plan nicely says that people will not be "forced" to move, but they may find themselves in increasingly deserted areas where some services will be "sporadic"!

In fact, the mayor and the big capital behind the "<u>Strategic Plan</u>" want to keep on <u>moving poor people out of certain areas</u> – those the developers would like to turn into more upscale housing, and those <u>***that business interests***</u> want to turn into a kind of "<u>free trade/manufacturing zone</u>," and those currently slated for a kind of <u>industrial agriculture development.</u>

The traditional working class areas certainly will become more dense, if the mayor and the interests he serves have their way – and much more reduced.

These people really are vampires, trying to drain every last drop of blood they can get from the body of working class Detroit.

<u>***Their plan is not a plan for a "vibrant, living city***</u>" – to use the "Strategic Project's verbiage. <u>***It is a plan for disaster for the poor and laboring population.***</u> And that population can have no answer other than to put the match to this combustible situation.