

# Detroit emergency manager threatens sale of all cultural treasures

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Detroit's emergency manager has ordered the general valuing of every public asset in the city. In line with his earlier appraisal of the value of the works at the Detroit Institute of Arts, Kevyn Orr is now determining whether the city should sell off every other public asset to pay off Detroit's estimated \$15 to \$17 billion in long-term debt.

Among the public assets being considered for sell off, beyond just the DIA, are Hart Plaza, Belle Isle, the Detroit Zoo, the River Walk, Eastern Market, the Detroit Historical Museum, the Joe Louis Arena, electrical grids, more than 100,000 vacant lots, the Detroit Water and Sewerage Department and the Coleman A. Young International Airport.

The monetary value of each asset is varied. One of the cultural jewels, Belle Isle—the largest island public park in the US—is potentially worth hundreds of millions of dollars. The Detroit Zoo sits on 125 acres of prime real estate in Oakland County so while the animals are considered of minimal value, the land has a great deal. Detroit's half of the Detroit-Windsor Tunnel to Canada is estimated to be worth \$65 million. At least three of the classic cars from the 1960s at the Detroit Historical Museum are worth up to \$1 million.

As with the DIA, even raising the issue of selling off every public asset off the city is reprehensible. It is a direct attack on the cultural, historical and social treasures of the city. Orr and those he serves are demanding that everything of public value be turned into profit for private speculators.

Orr's spokesman, Bill Nowling, attempted to justify this latest provocation. "We're looking at every function and every asset of the city to see how it provides value to the citizens of Detroit and asking the question, is there a better operational model that will allow it to provide more value through less cost or

more revenue?"

Nowling's mention of the "citizens of Detroit" is entirely cynical. He is speaking not on behalf of the working class of Detroit, but of the city's creditors, the hedge funds and banks such as Bank of America, UBS and Citigroup who own the city's bonds and who are looking to ensure that their hundreds of millions of dollars of investments in the city are not lost.

The argument that is made is that if Detroit goes into Chapter 9 bankruptcy, the city's creditors will be forced to take a "haircut," i.e., that they will lose some percentage of the money they have bound up in the city. As such, in the name of "fairness" and "distributing the pain," the city should have to sell public assets in order to make up some part of the difference, despite the fact that the losses the banks would take are generally insured.

Not only that, but the same creditors that are forcing Detroit to sell assets are the ones that will be buying said assets. They will pick up each asset for a pittance and resell it on the market for a clean profit.

Some of the major holdings of the city being considered are all the city's waterfront properties. The city's RiverWalk, for example, cost \$69 million to build when the city removed three cement companies and their respective silos. It could be sold for that much and more if a developer wishes to build riverside housing. The Joe Louis Arena faces a similar situation. Its waterfront real estate is potentially worth tens of millions of dollars.

One of the key aspects of selling city assets is revenue, which is why the Water Department looks so enticing. Other institutions such as the Detroit Zoo and Detroit Historical Museum do not bring in a great deal of revenue and have a high overhead cost. However, the Water Department generates revenue not just from

the city of Detroit, but from the surrounding areas. It is the classic long-term investment in which a buyer would lay out a payment and recoup the buying price in five or ten years.

This is similar to what was done in Chicago by then mayor Richard Daley, when he privatized parking meters in 2008. In the name of a quick cash infusion to the city, Daley sold the city's parking meter system for \$1.15 billion. The private sector won out massively. They were able to quadruple parking costs nearly overnight and the city still paid for meter enforcement.

Unlike the potential selling of the DIA's artwork, the idea of selling other public assets has raised fewer legal issues. In large part, every institution is at the whim of Kevyn Orr as to whether it will be privatized or not. Only the Detroit Zoo and Detroit Public Library have even minimal protections, and that is only because it is unclear what would have to happen to the animals and books. There is every chance they would be sold off or simply left to die or rot. Every other asset is up for grabs.

Moreover, it is being indicated that selling off public assets will only be an initial step in the restructuring of Detroit. Orr is scheduled to meet with the city's nearly 100 creditors by the end of June in order to present his plan of the restructuring of Detroit. The total privatization of every aspect of the city will be an integral part of that.

Do residents wish to go to a park? They'll have to fork over an entrance fee. Do people wish to borrow a library book? Buy a membership. Do homeowners want the fire department to respond? Make sure you've paid your levy or the fire department may come just to ensure that nearby houses are protected. Every basic social service that has been taken for granted by the populace for decades will now be subordinated to profit.

Orr is also looking at how to eliminate the city's operating debt. Much of Detroit's long-term debt has been incurred because the city's operating costs are more than its revenues. Selling off assets reduces some of this. If there are no assets to operate, then there are no operating costs, especially for those things that weren't bringing in enough revenue. Detroit will be allowed to keep just enough to have an excuse to collect taxes, pay off its debtors and nothing more.



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