Detroit's downtown "development" plan: A blueprint written by and for the corporate elite

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Amidst the largest municipal bankruptcy in US history, the city of Detroit is moving forward with plans to build a 45-block entertainment district, centered around a new arena for the professional Red Wings hockey team, funded by $285 million in tax dollars.

The plan, approved by the Downtown Development Authority (DDA) in June, would place the area under the private control of Olympia Development—run by billionaire Mike Ilitch, the owner of the Red Wings as well as the Detroit Tigers baseball franchise and Little Caesar's Pizza—via a 35-year "concession agreement," renewable for up to 60 more years.

Last week, the state government-controlled Michigan Strategic Fund approved the issuing of $450 million in private activity bonds (PABs) on behalf of Olympia, which will be backed by the captured tax revenue as well as future public and private revenue streams created by the project.

PABs are special bonds issued by a governmental body on behalf of a private firm, ostensibly because the project provides some inherent public good. The interest paid to the investors who buy the bonds is free from local, state and federal taxation. Essentially, the state government is acting as a middleman between Ilitch and his investors in order to provide lucrative profits to both.

Even as Kevyn Orr, the state-appointed bankruptcy lawyer who rules Detroit under Michigan's dictatorial emergency manager law, insists "there is no money" to fund the pensions and health-care obligations of some 31,000 current and retired city workers, hundreds of millions in public funds are being made available to fund the business ventures of a handful of corporate tycoons.

This is part of a blueprint worked out behind the backs of the people of Detroit to restructure a small corridor of the city—the downtown and midtown areas—for their own private profit. To make room for their plans, Ilitch and fellow billionaire Dan Gilbert, the CEO of Quicken Loans, are removing low-income residents, including seniors and the disabled, from their rent subsidized apartments. Several "Section 8" residential buildings in downtown area—including the Henry Street apartments and 1214 Griswold—are being bought up by companies connected to Ilitch and Gilbert and tenants, many who have lived there for decades, have been given eviction notices.

The plans are to gentrify the area by converting the formerly low-rent buildings into upscale housing with "market rate" rents. Tenants at the Griswold Apartments have issued an open letter calling on workers and youth in the city to "support our fight against eviction as part of a broader opposition to the 'restructuring' of Detroit in the interests of the rich. High-quality housing is a social right that must be guaranteed to all."

Abetted by the state and city government through so-called "public-private partnerships," a complex network of corporations and financial groups has developed plans to transform not just Ilitch's 45 blocks, but a grand total of 7.2 square miles of "Greater Downtown"–just 5.2 percent of the Detroit's total area of 139 square miles—into a new business, shopping and entertainment district.

Decades of similar plans by successive Democratic Party mayors—including the subsidizing of casinos and sports stadiums—have done nothing to reverse the economic decline of the city, which has been ravaged by the deindustrialization of the US economy and federal, state and municipal cuts to public education, health care, housing and antipoverty programs.

The "new" plan has nothing to do with reversing this. On the contrary, it is focused on privatizing services, selling off public assets and removing large sections of the population from the city. Orr is backing plans worked out by major corporations, including utility giant DTE Energy, to shrink the city by shutting down neighborhoods deemed too poor or underpopulated for private investment. Mayor David Bing has already threatened to force residents out these areas by discontinuing public lighting, fire protection and other essential services.

This is being touted as a "revitalization" of the city. In reality, the ruling elite is working hand-in-glove with the city government to buy up prime real estate for a song and then siphon public money to jumpstart private enterprises, all the while dodging taxes and forcing out low-income residents.

Their business plan includes luring a section of young, college-educated white-collar workers to live and work downtown. There they are to be super-exploited by Quicken Loans and other corporations, as they [”live, work and play”](http://opportunitydetroit.com/) in an upscale enclave owned virtually entirely by their wealthy employers, where they will pay sharply higher rents and living expenses.

Published in February of this year, a report titled simply [“7.2 SQ MI”] (http://detroitsevenpointtwo.com/) is a ringing of the dinner bell for investors and “entrepreneurs” looking to profit from the restructuring of the city. Opportunities abound, it explains, for the exploitation of a new layer of young professionals in the city center. Its list of co-authors and the organizations they represent provides a starting point for an examination of the web of business interests collaborating on the gentrification project.

Listed first is the Hudson-Webber Foundation, which controls over $153 million in net assets. Its mission—the so-called [“15x15” initiative] (http://www.hudson-webber.org/missionvision/15x15-initiative)—is “to attract 15,000 young, talented households to Greater Downtown Detroit by 2015.” They define young and talented as less than 35 years old with a college degree. Hudson-Webber’s CEO, David Egner, is also the Executive Director of the New Economy Initiative, “a $100 million philanthropic partnership” which seeks to “promote a successful entrepreneurial ecosystem.”

Also among the report’s authors is the Detroit Economic Growth Corporation (DEGC), which plays a central role in the gentrification process. Calling itself “Your Full Service Agency for Economic Development in the City Of Detroit”, the DEGC is technically a “private, nonprofit” federation of organizations and serves as an interface between the city government and corporate interests, providing the latter with “incentives” to purchase property.

The DEGC is funded by Chrysler, Comerica Bank, Compuware, Detroit International Bridge Corporation—the company used by billionaire Matty Moroun to control America’s only privately owned border crossing, the Ambassador Bridge—DTE, General Motors, Hudson-Webber itself, JP Morgan Chase, and the Kresge Foundation.

The “incentives” include the designation of 1,200 acres across Detroit as so-called “Renaissance Zones.” Businesses located in these areas receive a 100 percent abatement on income and property taxes for up to 15 years, thereby giving nothing back to the city. The DEGC also provides millions in public funding to “Brownfield Redevelopment” projects for the renovation of blighted or contaminated properties.

The DEGC contains the Detroit Development Authority (DDA), which approved the Ilitch hockey arena project, and which exists essentially to funnel public money into private development projects. The DDA’s board of directors is headed by Detroit’s Democratic Party mayor, David Bing, a former board member at the energy giant DTE.

In addition to his pizza and sports empire, Ilitch, whose net worth is $2.5 billion, also owns the Motor City Casino, the Fox Theatre and several other companies, which employ tens of thousands of low-wage service workers throughout the city.

Gilbert (net worth $3.5 billion) owns or controls over 30 buildings in greater downtown, including the Greektown Casino and Hotel. Many of his properties were acquired through sweetheart deals with the DEGC, which include public funds for start-up and huge tax abatements. Gilbert is also CEO of Quicken Loans and Rock Ventures. According to the 7.2 SQ MI report, of the more than 10,000 jobs brought to greater downtown Detroit since 2010, Quicken and Rock account for the lion’s share at 6,430, followed by Blue Cross Blue Shield (BCBS) insurance at 3,000.

The word “gentrification” in this case needs to be qualified because the college graduates being lured by Quicken and other companies to work and live downtown hardly qualify as the “gentry.” Most are in precarious situations, burdened with high levels of student debt, and unable to find steady work at decent wages. Knowing these young people must take what they can get, Quicken requires its employees to work a minimum of 55 hours per week, with many employees regularly working 60 or more hours per week for weeks on end with entry level-positions making as little as $13 per hour. At the same time, many are inveigled into taking home loans serviced by Quicken.

Detroit is returning to the days of the early 20th century when it and other nearby industrial cities like Pontiac and Flint were “company towns,” whose economies and political establishment was controlled with an iron fist by General Motors, Ford and Chrysler—and resistance by workers was met with violent repression. Today, the emergency manager and the Democratic Party political establishment are handing over the city to one or two billionaires, who will exploit a labor force that pays them inflated rents, shops at their stores and spends leisure time at their stadiums, casinos, clubs and restaurants.

At a public appearance on June 10, the city’s financial dictator Kevyn Orr praised both Gilbert and Ilitch, comparing them to the oil and steel tycoons Carnegie and Rockefeller. “All great cities have patrons who come to their assistance in times of need.”