

Joe Louis Arena facing closure, demolition as part of stadium deal with Ilitch

Thomas Gaist
19 March 2014

Detroit City Council will soon vote on a new deal to lease Joe Louis Arena to billionaire Mike Ilitch's firm Olympia Entertainment. The lease is part of a package deal involving the city, the state and Olympia, which rents 39 parcels of public land to Ilitch to build a new stadium, essentially for free.

The agreement requires that once the Red Wings and Olympia move to the new venue, Joe Louis Arena is to be "promptly demolished" at state expense. The demolition cost of \$6 million is tentatively set to be paid by the state-level Michigan Strategic Fund.

If approved, the partially retroactive deal would lease the stadium to Olympia for the years 2010 to 2015. Ilitch's Red Wings have continued to occupy the stadium as a "holdover tenant" since 2010, when the previous lease expired. During this period, the Red Wings have played in Joe Louis without paying rent or property taxes.

In an article published Tuesday, "Red Wing owners pledge \$12.2 million to clear up Joe Louis Arena issues," the *Detroit News* wrote, "City government finance staffers prepared documents two years ago suggesting Olympia Entertainment—part of the Mike and Marian Ilitch business empire that owns the Red Wings, Detroit Tigers and Little Caesars Pizza—owed \$70 million in an unpaid share of cable television revenues for live events as well as back taxes stemming from the lease's expiration."

Instead of paying the city \$70 million, however, Olympia has agreed to pay \$12.2 million in restitution over the next three years, though specifying that the payment is made "without admission of fault or liability."

The stadium agreements include massive handouts to one of the wealthiest men in the world. Whereas a previous lease deal demanded that the Red Wings pay

10 percent of ticket sales, 10 percent of food and beverage sales, 7 percent of suite sales and 5 percent from other revenues to the city, the new deal terminates this arrangement, allowing Ilitch to retain all revenues from future hockey events.

In its article, "Ilitches to get all revenues from new Red Wings arena," the *Lansing State Journal* indicated that Ilitch will reap additional millions from the naming rights to the stadium, which is funded largely at public expense. "In addition, any future proceeds from the selling of naming rights to the new 18,000-seat arena would also go to Olympia Development. Other NHL teams have snagged corporate naming rights deals worth millions a year or more," the *State Journal* wrote.

The *State Journal* detailed the very generous terms being offered to Olympia Development under the stadium deal, writing, "Olympia Development will pick up 42 percent of the arena's construction cost. The other 58 percent—the public's share—will come from a complex financing arrangement that uses school and local property tax revenue collected by Detroit's Downtown Development Authority to pay off state-issued bonds.

"The authority will own the arena and lease it—rent free—to the Red Wings for up to 95 years," the *State Journal* added.

Stadium projects have historically provided the occasion for large wealth transfers from city and state governments to the owners. Construction on Joe Louis Arena, which was completed in 1979, cost Detroit \$57 million. The city covered the entire cost of construction and gave the Red Wings a discounted rent rate after the owner threatened to move the team to Pontiac.

Watch David North's remarks commemorating 25 years of the *World Socialist Web Site* and donate today.

Ilitch's construction costs for the new stadium, which will include a large entertainment district in the surrounding area, will similarly be offset by more than \$250 million in public money. Additionally, some \$12-15 million in city property tax revenues will also be diverted to fund the project.

The stadium deal is part of the ongoing "restructuring" of Detroit in the interests of the rich. Next to Ilitch, Dan Gilbert, founder of Quicken Loans with a net worth of \$3.9 billion, best personifies this process.

Gilbert has been systematically buying up properties in the downtown area at rock-bottom prices, and has exerted his influence to ensure that the city's M1 rail project will primarily service areas of the city that are already dominated by his business empire. Gilbert has quadrupled his fortune since the onset of the economic crisis in 2008.

While monopolizing the choicest pieces of real estate, Gilbert is simultaneously spearheading the Detroit Blight Task Force (DBTF), which plans to demolish nearly 80,000 structures across the city. The proposed demolition would wipe out entire neighborhoods labelled as "unviable." At a December meeting of the task force, Gilbert enthused, "For probably the first time in Western civilization in a major metro area, you're going to have large parcels of vacant pristine land that have paved streets, utilities of all sorts, cable, phone, water, sewer—everything at affordable prices."

Even as historic cuts to Detroit retiree pensions are being rammed through in direct violation of the state constitution, assets built at enormous public expense are handed over to the predatory capitalist tycoons for a song. As the stadium deals show, Detroit is run as a dictatorship of the super-rich, with the city's resources placed fully at the disposal of parasites like Ilitch and Gilbert, whose fortunes have been built on the backs of Detroit workers.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact