While one in six homes have no running water

Billionaire real estate mogul Dan Gilbert cashing in on corporate welfare in Detroit

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Billionaire real estate developer Dan Gilbert, CEO of Quicken Loans and Rock Ventures, often hailed as one of the main pioneers of the Detroit “comeback,” is making headlines for his many redevelopment projects in the city’s downtown area.

In the two and half years since the city emerged from the largest municipal bankruptcy in the history of the US, wealthy investors have moved in at the expense of the city’s poor and working class residents to make vast profits on cheap land deals through financial maneuvers and arrangements made with city and state officials.

Gilbert, net worth $5.8 billion, made his fortune as a predatory lender. He founded Rock Financial in 1985 and amassed his fortune selling bad mortgages to people who could not afford them. Quicken Loans is still in the middle of a years-long lawsuit with the Federal Housing Authority (FHA), which alleges that the company sold mortgages to borrowers it knew would default in order to collect insurance money from the FHA, which backs the loans.

Gilbert and his team have denied this allegation and continue to reap the benefits of mortgage sales as well as through investing in rising property values downtown Detroit.

Detroit is not the only pot Gilbert has his hands in. He is the owner of the NBA professional basketball team Cleveland Cavaliers, and the city of Cleveland has been a smaller-scale Detroit operation for the billionaire. In April, the Cleveland City Council signed a deal to allow for $88 million in funds allotted to revamping the Quicken Loans Arena, known as “The Q,” where Gilbert’s team plays home games. Tens of millions of dollars in public funds are available to revamp an entertainment complex in a city that foreclosed on over 8,000 residents in 2016 for failure to make arrears on water bill debts.

While Gilbert has extracted millions of dollars from Cleveland, the prime target is Detroit. Quicken Loans employs over 14,000 staff at its Detroit headquarters.

One of Gilbert’s most recent vanity projects is the QLine, formerly known as the M-1 Rail, which finally began operating in May. Gilbert paid $5 million for the naming rights to the new light rail system, which runs along Woodward Avenue for only 3.3 miles from Downtown to the up and coming New Center neighborhood. The project was built with $25 million in federal grants delivered in 2013, and then another $12.2 million to complete it after going over budget and time restrictions.

The QLine is known primarily for its uselessness to the vast majority of the city’s residents, with many finding that they can walk faster to their destinations than taking the train. It does not reach the suburbs or in the poorer and working-class districts of Detroit, a city known for its practically nonexistent and perpetually late and unreliable public transit. Coupled with the highest car insurance rates and worst roads in the US, transportation is a major problem for workers in the city and the surrounding metro area.

Gilbert has also taken an interest in another one of Detroit’s more infamous debacles, the incomplete Wayne County Jail project, sitting abandoned in Midtown. Rock Ventures offered the city $420 million to purchase and complete the new “justice complex,” and is now stalling the project on the basis that they ought to get a discount for saving the county money in the future by making it a “super-efficient” jail.

One of Gilbert’s largest upcoming projects is the redevelopment of the former site of the flagship Hudson’s department store downtown, vacant since 1998. The

734-foot skyscraper will be the tallest building in Detroit and will cost $775 million to rebuild.

The initiative is so big that the state legislature even wrote legislation designed exclusively to funnel more money to Gilbert and make it easier for him to further monopolize the downtown real estate game.

Also known as “Gilbert bills,” since Gilbert had a hand in crafting the law from which he will benefit, the new legislation passed the Michigan House and Senate in May and is expected to be signed by Governor Rick Snyder soon.

Detroit Democratic Mayor Mike Duggan announced at the Mackinac Policy Conference last weekend how shocked he was that the bills got through the state to the governor before Memorial Day. Even the ostensible opponents in the legislature did not put up the pretense of a fight.

According to the new bill, an investor will be given $40 million in income taxes over 20 years, an allotment of property tax collections and a cut of the sales tax of any business operating on a “brownfield.”

While the bill was crafted in neutral language without reference to any specific individuals, there is an unstated criterion that must be met to qualify for such outrageous welfare at the taxpayers’ expense: the investor must be Dan Gilbert!

Firstly the developer must be renovating and building on a “brownfield,” which is property deemed less profitable due to toxins or environmental damage from previous owners. The developer must also have invested $500 million “out-of-pocket” in a city with a population of 600,000 or more. Finally, the developer is only eligible for the tax money if they are committed to “mixed use” commercial-residential structures. The only project which could meet these benchmarks is Gilbert’s Hudson project.

The implications of such policy changes are huge. When signed by Snyder, the state of Michigan’s tax code is going to be adjusted to give millions of dollars to an individual billionaire. It was quite literally written to boost the profits of Gilbert, and since other investors will not meet the criteria, he will not have to worry about any others getting a piece of the downtown pie.

Other developments being headed up by Gilbert & Co. include the renovation of the Book Tower, the original *Detroit Free Press* building, the David Stott building, and a new upscale housing development in Brush Park. In addition to the tax subsidies and personally customized legislation, Gilbert, like other billionaires, has notoriously cashed in on ultra-cheap land grabs, purchasing lots and development sites for just $1. Gilbert owns the majority of Detroit’s downtown area, totaling over 80 properties.

Even as corporate giants such as Meridian, Blue Cross Blue Shield, Bedrock and Quicken Loans relocate within the 7.2 square miles of the downtown area—receiving millions of dollars in tax breaks to facilitate the process—and the media endlessly celebrates Detroit’s “re-birth,” many longtime residents of the city are being pushed out. One in six homes throughout the city, spread across a total land area of 143 square miles, do not have running water due to an increase in rates, and many more are faced with shutoffs and foreclosures as a result.

Many workers cannot even afford to live in parts of the city near their job. In fact, average apartment rent rates in Detroit rose by almost six percent year over year in 2016. The vacancy rates in the city are just below four percent with many homes abandoned and condemned as unfit for residence due to years of neglect.

At the Mackinac Policy Conference, Mayor Duggan announced plans to board up upwards of 11,000 vacant homes and demolish another 9,000 homes in the city over the course of the next two years. The Detroit Blight Task Force, on whose board Gilbert sits, has been largely responsible for the removal of thousands of such homes.

Duggan also announced a bogus eight-point principled strategy outline for the city’s “redevelopment” in an effort to boost his 2017 reelection campaign. The biggest lie of them all was that the city “won’t support development if it displaces current Detroit residents.” The mayor, in alignment with Democratic controlled city council and both parties in the state government, has bent over backwards to accommodate wealthy investors at the expense of the people who have been squeezed out.

While there is no room in the city or state budget to give back to workers what was unlawfully taken from them during the bankruptcy and there is certainly no money to be found to help workers pay for their skyrocketing and unaffordable water bills, there is plenty of money to be found to subsidize the further restructuring of the city in the interest of the rich.