A tale of two tax breaks

Detroit billionaire Dan Gilbert and Ford Motor Co. in line again for public handouts

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Amid a continuing public outcry, the Detroit City Council voted this week to again postpone a vote on a proposed $60 million tax break for billionaire Dan Gilbert's enormous downtown Detroit development project. One day later on June 28, Gilbert's real estate firm Bedrock agreed to temporarily withdraw its request. The same week, the Michigan legislature moved forward on a $100 million tax-funded "incentive" for Ford auto plants in the greater Detroit area.

The handing out of more corporate tax breaks provoked outrage from Detroit residents, who pointed to the lack of funding for basic city services for the city's financially struggling residents and the pending end to a moratorium of water shutoffs. More than 60,000 city households have past due water bills — an estimated 27 percent of Detroit's 220,000 residential customers — reports the Detroit Water and Sewerage Department, with the average household debt at around $700.

In 2018, Ford got a $239 million tax break, with $104 million from the city of Detroit, for the auto company to redevelop the old Michigan Central train station as part of a new mobility technology campus.

In a related development, the Michigan Supreme Court ruled June 29 that the state must reveal the full value of tax credits it gave to auto companies under the Michigan Economic Growth Authority (MEGA) program. A state agency estimated that as of the fall of 2021, outstanding credits could still cost Michigan taxpayers nearly $5.6 billion through 2030.

Gilbert is the focus of particular anger. The founder and CEO of predatory mortgage lending company Quicken Loans, at one point during the pandemic he saw his net wealth soar to over $50 billion. Worried press reports referenced the clear conflict of interest involved in the vote by council members. Last year, Rock Holdings PAC, a political investment fund controlled by Gilbert, donated a total of $68,500 to seven of the nine current members of the Detroit City Council. Detroit Mayor Mike Duggan, who must sign off on the deal, got $2,500. In addition, Gilbert personally donated another $7,000 to Duggan's re-election campaign.

One resident posted on Facebook, "Detroit has been much nicer to Dan Gilbert than Dan Gilbert has been to Detroit… don't believe the hype…This is about ending corporate welfare for those not in need and supporting the residents of Detroit."

Another resident responded to a post defending the tax cuts for Gilbert… "In this capitalist society shouldn't the billionaire business owner have the means to fund their own business? Why should they be asking for handouts as a form of corporate socialism? Won't that create a wasteland like you said? I guess you are for socialism for the corporations but not for people."

Gilbert's development project is at the historic site of the former JL Hudson department store, the first and flagship store of the Hudson's chain which was demolished in 1998. Gilbert "bought" the property for $1 after Detroit completed its bankruptcy court proceedings in 2014. The old Hudson site is one of the most valuable real estate properties in the city. At the time of the sale, Detroit city officials justified this decision by noting Gilbert's grandiose plans for the site, which will supposedly bring 1,950 jobs into the city upon completion, although few of those jobs have yet materialized.

The blueprints for the project include a 49-story skyscraper – the second tallest building in Detroit – which will consist of a 225-room luxury hotel, 100 condominiums, and a 12-story office building and event center. Construction costs have been reassessed by Bedrock in recent weeks and projected at $1.4 billion. The project was supposed to be complete in 2020. A completion date has now been set for late 2024.

Gilbert can be rightfully called a pandemic profiteer. At the start of the pandemic in March of 2020, Gilbert controlled a fortune of $7 billion. By the beginning of December 2020 Gilbert's fortune had ballooned to $49 billion. His wealth peaked at $51.9 billion at one point in 2021, making him number 23 on Forbes list of wealthiest billionaires.

While Gilbert was amassing his great fortune, the pandemic continues to be a period of death, suffering and economic devastation for the working class, including now rampaging inflation. In Wayne County, Michigan where Detroit is the biggest city, COVID-19 has claimed more than 8,100 lives over the past two years.

The $60 million Gilbert is asking is an insignificant fraction of his wealth, less than 0.5 percent, little more than pocket change. But for the working class, this amount could go a long way. For example, roughly 20,000 households in Detroit collectively owe $42 million in delinquent water bills.

The Detroit mega billionaire is no stranger to the corporate welfare system. In 2017, Gilbert got a $1 billion package from the Michigan legislature, dubbed the "Gilbert Bills." The passage of the bills was preceded by lavish contributions from Quicken Loans to Michigan legislators. The tax handout carried the unique provision that taxpayers would essentially send their payments directly to Gilbert, bypassing the state tax collection agency.

Virtually all of Gilbert's properties, and those of other Detroit billionaires and multi millionaires, fall inside so called "opportunity zones," areas eligible for massive taxpayer-funded credits. These zones were created in 2017 as a product of the federal Tax Cuts and Jobs Act (TCJA), a national program ostensibly intended to increase long-term investments in low-income communities.

However, the reality is that the vast majority of working class residents in Detroit, living in areas excluded from these zones, are forced to navigate life in neglected and often dangerous neighborhoods. Large parts of the city are deprived of access to even the most essential goods and services and recreational opportunities, and are sometimes called "food deserts" because the nearest grocery store which provides fresh produce is miles away, often in the suburbs.

For their part, city officials from Detroit have claimed that they will prevent service denials for low-income households who enroll in a water payment assistance program subsidized by the state government, while admitting that funding to support the program isn't guaranteed to continue. The Detroit water department received a one-year federal payment of $10 million for low-income households with past due water bills, a small fraction of outstanding bills. There's another $5 million in funding for the city's water assistance, with another $5 million expected in July.

Detroit water bills are some of the most expensive in the US. Bills average of $45 a month, far more than many low-income residents can afford. The various "assistance" schemes offered by the city do little to relieve the burden, with back balances added to future water bills spread over 24 months, forcing residents into a never-ending fight to scrape together money to keep their water running.