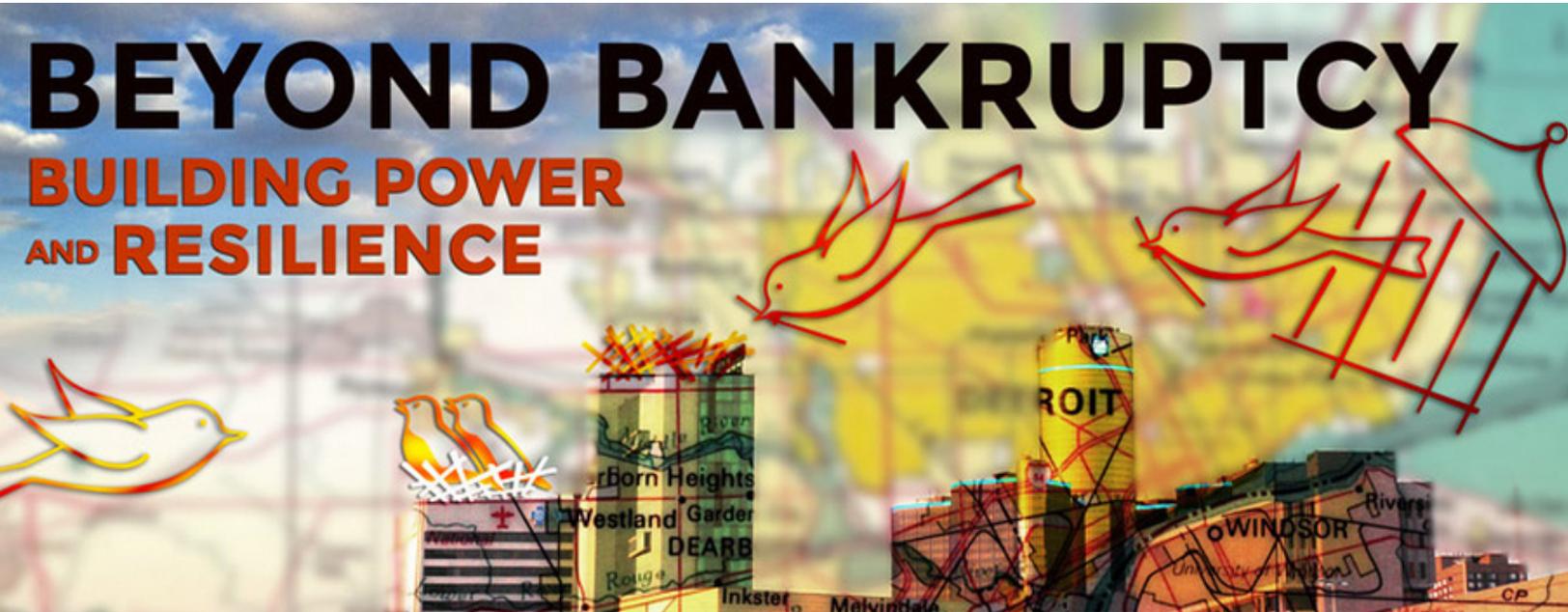


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BEYOND BANKRUPTCY

BUILDING POWER AND RESILIENCE

PROJECT LAUNCH

Beyond Bankruptcy:
Building Power and Resilience

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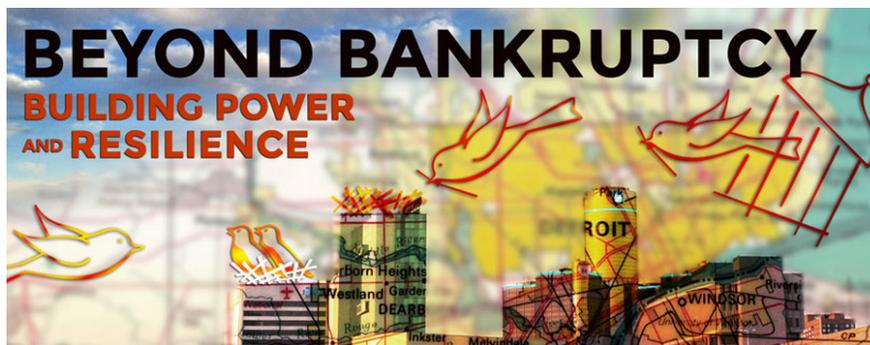
CONFERENCE REPORT

Detroit Bankruptcy & Beyond:
Organizing For Change in Distressed Cities

April 7-8, 2014

PROJECT PARTNERS

Haas Institute for a Fair and Inclusive Society
Damon J. Keith Center for Civil Rights at Wayne State University Law School
Metropolitan Organizing Strategy Enabling Strength (Moses)



PROJECT BACKGROUND

Seven years into the financial crisis the stock market has recovered, but millions of homeowners and scores of municipalities are struggling. Over ten million families have been foreclosed upon since 2007, and millions more are under threat of foreclosure.¹

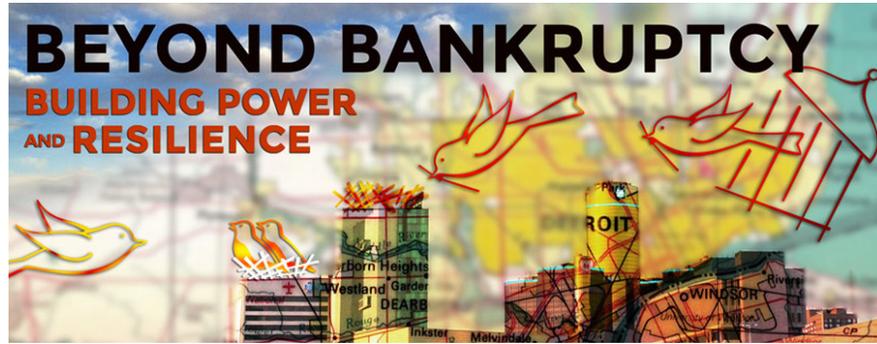
Even as the subprime housing crisis begins to fade, we are witnessing a growing crisis in municipal finance. Nationwide, states slashed funding for local communities and municipalities to balance budgets. And although much attention is focused on cities such as Detroit, there are at least 27 cities that have entered formal bankruptcy or receivership since 2008 and over one hundred counties, cities and towns are facing insolvency.² Virtually all these cities deal with concentrated poverty and in a majority of the cities people of color constitute a majority population.

The quietly growing phenomena of municipal fiscal distress is not limited to merely the most impoverished communities, but is in reality a nationwide problem. The stakes are high. The future of vital public pensions, services, benefits, wages and unions are being debated and revisited.

While municipal financial distress threatens many urban areas, the first wave of the crisis, just as in the subprime crisis, is concentrated on communities of color. In some ways this is not surprising. While the foundations of municipal distress were laid decades ago, the distress is amplified by the great recession that impacted the entire country, but particularly devastated low-income communities of color. The collapse of the property tax base, decline in the general economy, rise in unemployment and poverty, reduced state funding to certain cities, population flight, and increase in policing and fire costs for vacant properties has put a tremendous strain on municipal finances.³

The dominant narrative coming out of these municipal bankruptcies has focused on the cost of pension benefits, pension management, and long term debt. This focus situates the conversation on city governments' financial management decisions. However, a conversation responsive to the full scope of the problem should focus on systemic problems driving municipal distress as well as more immediate term cash flow issues. These immediate issues are tied to recent credit deals with financial markets that are at best questionable. Hon. Harold Baer Jr. connects Detroit's bankruptcy to "predatory lending and the foreclosures that inevitably result." This statement was made in the denial of the motion to dismiss the suit against Morgan Stanley which targets incentives from the secondary market to advance questionable credit in the black community.⁴

While a number of municipalities are experiencing extreme forms of economic distress, as epitomized by Detroit, the issue of municipal fiscal distress is a nationwide phenomena affecting a majority of communities.



The predatory lending practices implemented by major banks and demanded by the secondary mortgage market has devastated state and local finance. Property taxes are the largest source of revenue for local governments, and tax valuation is used to qualify cities for loans to borrow funds. At the same time, state budgets have been slashed. Schools have lost revenue and additional important public services across the country have been cut back. The housing market's slow recovery has not improved many of the hardest hit cities' revenue streams, as tax assessment schedules lag behind changes in property valuation. Additionally, population flight is left unaddressed. The foreclosure epidemic has also increased the demand and strain on municipal services. In a suit filed in Baltimore against Wells Fargo, the total estimated foreclosure costs for the city are about \$34,199 per foreclosure.⁵

While there is a strong racial subtext in the discussion of Detroit, Flint, and many other cities dealing with bankruptcy, missing is a deliberate and responsible contextualization including the racial history dating back to the '40s and '50s and a consideration of how communities of color have been a target for faulty financial instruments providing credit and housing.

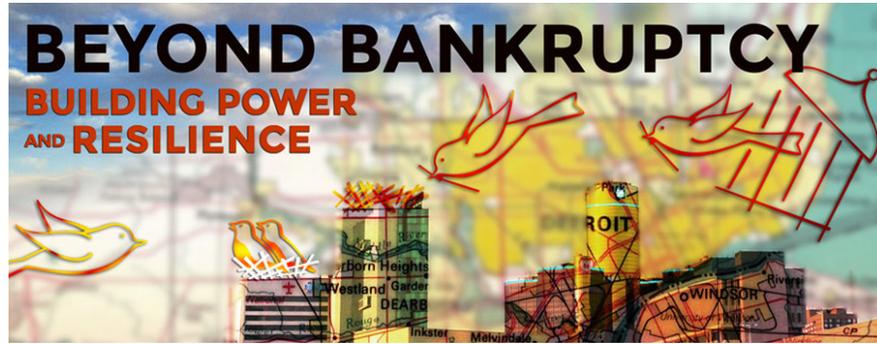
Researchers, community organizers, scholars, and practitioners have formed a collaborative project responsibly addressing the full host of drivers of municipal distress. The project, entitled **BEYOND BANKRUPTCY**, is constructed according to the following vision:

Reframing the narrative of municipal distress is urgent. The mainstream discussion should reflect the reality of connections between the status of distressed cities and the housing crisis, the culpability of investment actors, and the associated consequences on municipal budgets, metropolitan regions' concentrated poverty and racial dynamics. As municipalities deal with financial distress, concrete practicable strategies must be created that address the host of relevant issues while building community power and resilience.

PLANNING THE FIRST CONVENING: DETROIT

There was great enthusiasm for a convening to bring together organizers, policy makers, community members, and researchers to discuss the issue of municipal distress. The convening would launch the long-term **BEYOND BANKRUPTCY** project.

Detroit's financial struggles have become a touchstone, drawing attention to municipal distress in cities



across the United States. This city became the site of the project's launch bringing together organizations, community members and advocates. Two of the project's founders, MOSES and the Damon J. Keith Center for Civil Rights at Wayne State University Law School, are based in Detroit.

Detroit was the twenty-sixth city to declare a municipal bankruptcy or receivership between the period of 2008 and 2013.⁶ While Detroit is the largest city to declare bankruptcy, it is not alone. The **BEYOND BANKRUPTCY** project gleans insight into municipal distress by looking at these cities as a group; describing trends in urban finance structures; and considering the similarities and differences across these cities.

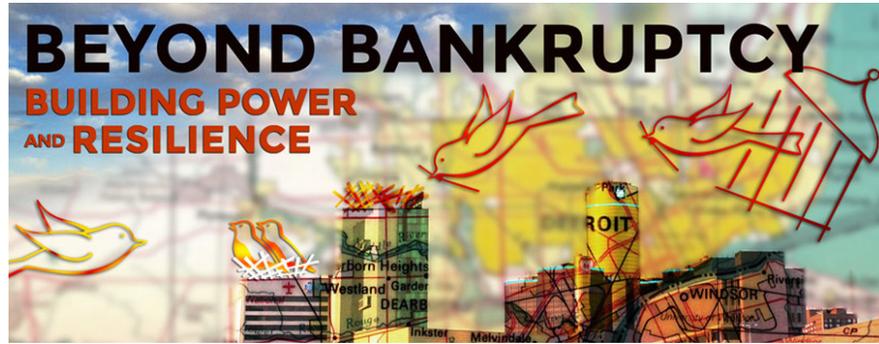
This first **BEYOND BANKRUPTCY** gathering intended to enhance the process of designing and reviewing alternative solutions and strategies to address municipal distress. These strategies should simultaneously build community power and its capacity to make demands within the process.

The conference organizing committee considered not only Detroit, but other cities facing similar situations. In order to move forward while realizing community power and racial equity, the conference also considered ways in which solutions should be informed by the effects of historic challenges.

TOPICS FOR DISCUSSION AT THE CONFERENCE

- What is municipal bankruptcy?
- How did Detroit and other cities get here?
- What are options and points for intervention for cities facing bankruptcy and fiscal crisis?
- What are the racial equity effects of cities facing bankruptcy? How should racial dynamics inform strategies and alternatives?
- How should these effects influence paths forward and visions for our cities?
- How has the housing and foreclosure crisis contributed to bankruptcy?
- What are some of the key decisions to be made now?
- What are options for cities, pensioners and the public going forward?
- What are the strategies for communities moving forward?
- How may community power be built in places experiencing fiscal crisis or bankruptcy?

In order to move forward while realizing community power and racial equity, the conference would consider ways in which solutions should be informed by historic challenges.

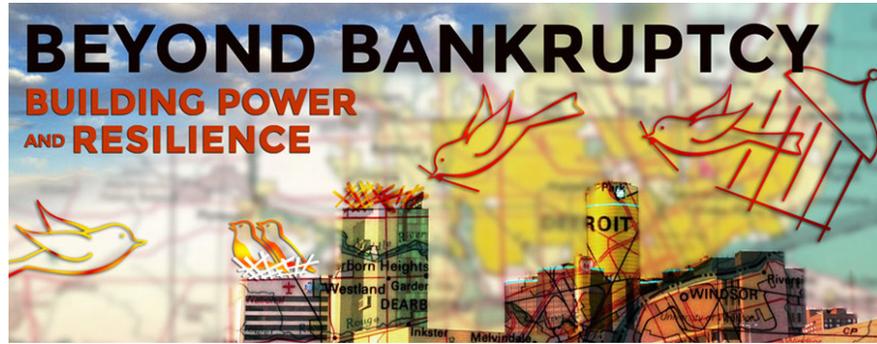


DETROIT CONFERENCE SNAPSHOTS [More photos online courtesy of Wayne State Law](#)



1. Freda Sampson 2. June Manning Thomas 3. Ponsella Hardaway 4. Debra Taylor 5. from left: Heaster Wheeler, Peter Hammer, Ponsella Hardaway, Lori Villarosa, John A. Powell 6. Angela Glover Blackwell 7. Carol O'Cleireacain 8. Rip Raspon and a conference attendee 9. Michelle Wilde Anderson 10-12. Audience and attendees





KEY TAKEAWAYS FROM THE DETROIT CONFERENCE

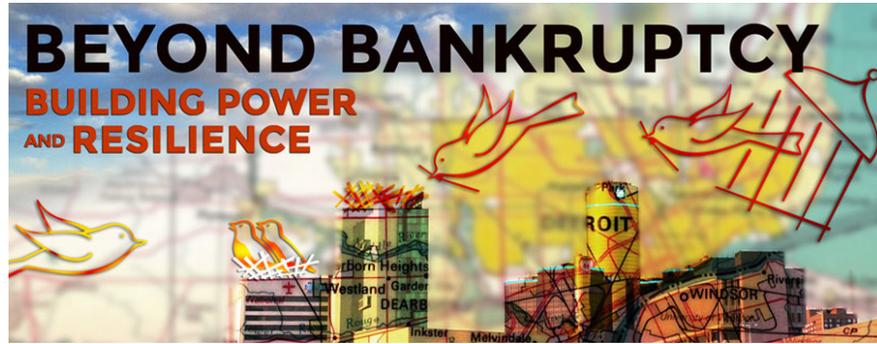
- Alternative strategies are needed to address fundamental causes of municipal distress and build community power in the process.
- Current narratives address effects rather than causes, inhibiting durable solutions for cities and misplacing responsibility.
- Reframing discussions on municipal bankruptcy and financial distress must be more responsible. These discussions must include the impacts of historic patterns including deindustrialization, racial discrimination particularly in employment and housing, which have organized the current landscape of cities. Such responsible discussions are vital for cities to emerge from current challenges with equity and greater resilience.
- A system generating and supporting racial inequality inhibits economic growth and activity. Public systems to support city services and pensions stimulate the economy.
- Community-building power must be harnessed to ensure the most equitable outcomes.

Glover Blackwell, that proposals become solutions when they equitably respond to three critical questions: 1) Who decides? 2) Who pays? and 3) Who benefits? powell cautioned that Michigan's appointment of emergency managers undermines democratic rule and places the majority of black people in the state living under appointed governance.

DAY TWO: NATIONAL TRENDS AND MICRO-ECONOMICS

Tuesday morning's session began by featuring two experts in municipal finance. The many important messages offered by keynote speaker **Carol O'Cleireacain** (Brookings Institution) included noting that difficulties of municipal budgets must be understood as a reflection of an unsustainable federal government budget. She added that government budget cuts and stress "runs downhill," reverberating from the federal to state and municipal levels.

Wallace Turbeville, of DEMOS, discussed a number of deliberate decisions occurring outside of Detroit that led to extreme stresses on the city's budget. Furthermore, he described why the decision to proceed



with bankruptcy was not inevitable, but rather one of among many paths deliberately selected by Michigan leaders. He drew attention to the debt service in Detroit, stating that it was manageable without pursuing bankruptcy. This debt service is made even more manageable if one rescinds controversial credit swaps.

After the morning keynote the audience was polled on their sense of national trends they felt were most responsible for Detroit's financial difficulties. The leading answers are summarized below:

- National and global trends towards deindustrialization of northern cities
- White flight out of the city
- Black flight of out of the city
- Poor public officials, especially mayors
- Lack of sufficient resident involvement in city affairs
- Obstructionist conduct by outlying counties
- National trends towards suburbanization
- Behavior of financial institutions
- Long-term decline of public school system
- Something else/other

The group was also asked which of these factors are discussed least responsibly. The behavior of financial institutions was cited most frequently (29%).

The morning panel explored some of the roots and current effects of Detroit's fiscal distress. **Michele Wilde Anderson**, Professor of Law at UC Berkeley, discussed the fact that municipalities all over the country are in bankruptcy. This pervasive phenomenon reflects causes that lay far beyond the posited mismanagement of a few local Detroit leaders. Further, many cities and towns in financial distress were bailed out by a state leadership committed to functioning state-municipal partnerships.

Greg Eason, former city administrator for Flint, MI, implored the audience to organize against the political disenfranchisement represented by the appointment of Emergency Managers in Michigan. In a similar call for greater activism, **Debra Taylor** emphasized the importance of efforts to recast the narrative about Detroit to audiences in the region and around the country. The potential for accurate narratives of financial distress and its impacts to build bridges of empathy was also reinforced by **June Manning Thomas** (University of Michigan) and panel discussant Freda Sampson (Michigan Roundtable for Diversity and Inclusion).



PolicyLink CEO **Angela Glover Blackwell** delivered an inspiring lunchtime keynote. Building on the importance of conscious efforts to build empathy and reach out to other allies, she reminded the conference that investing in children of color and their success is not only a fair path, but a smart policy given the country's racial demographics. Simultaneously, she added that demographics alone do not predict equitable outcomes. Rather, realizing an inclusive and equitable future will require intentional change, concerted action, and strategic foresight. She brought attention to the fact that pervasive inequity leads to lower economic growth, noted most recently by the IMF.⁷ She encouraged conference attendees to see equity and growth as mutually dependent outcomes.

The late afternoon keynote delivered by **Ron Sims**, former Deputy Secretary of HUD and former King County Executive, was a call to have great expectations and visions for our communities and discussed his experience advancing municipal action to support realization of these expectations. He described actions taken by King County to improve the county's position through supporting expectations of fairness and equity for county residents. This call to a vision of thriving, inclusive and economically vibrant communities supported by municipal strategies positively framed a basis for alternative strategies.

The closing panel also discussed the next steps to continue the work begun at the convening. The next steps were based upon the maintenance and development of a network of researchers, organizers, and practitioners. This work will be accomplished by bringing more cities and their situations into the conversation and work. The project will continue to develop strategies proposed at the conference through collaborative meetings.

FURTHER INFORMATION

Documents produced through these efforts will be shared through newsletter announcements and website updates. Visit WWW.BEYONDBANKRUPTCY.INFO to subscribe to the project newsletter and find project contact information. The project will also advance concerted media and decision maker audiences with alternative strategies.

ENDNOTES

1 Gottesdiener, Laura. *A Dream Foreclosed: Black America and the Fight for a Place to Call Home*. Zucotti Park Press (2013) Westfield, NJ.

2 *The Yale Law Journal*, Michelle Wilde Anderson, "The New Minimal Cities" 1118-1227

3 This estimate includes the costs of policing, fire, and foreclosure processes.

4 Hon. Harold Baer, Jr. District Judge Adkins v Morgan Stanley, Denial of Motion to Dismiss (2013)

5 *New York Times*, Gretchen Morgenson "Baltimore Is Suing Bank Over Foreclosure Crisis," Jan. 8, 2008, http://www.nytimes.com/2008/01/08/us/08baltimore.html?_r=0

6 *The Yale Law Journal*, Michelle Wilde Anderson, "The New Minimal Cities" 1118-1227

7 See the full IMF report at <http://www.imf.org/external/pubs/ft/sdn/2014/sdn1402.pdf>.

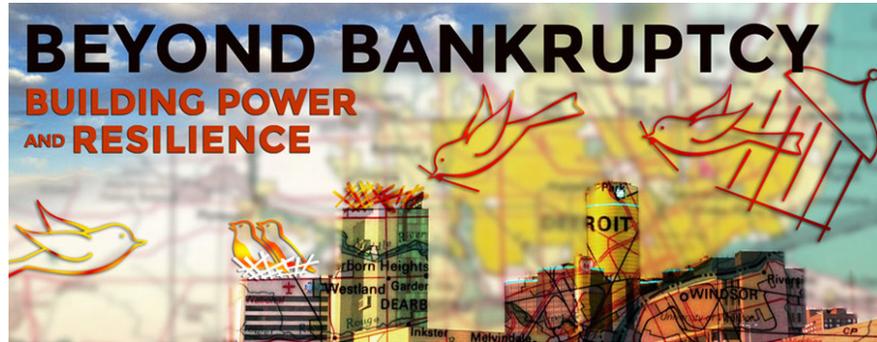
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*Damon J. Keith
Center for Civil
Rights at Wayne
State University
Law School*

*Metropolitan
Organizing
Strategy Enabling
Strength (MOSES)*

*Detroit Wayne
County Health
Authority*



DETROIT CONFERENCE SPEAKERS

[Michelle Wilde Anderson](#)

Assistant Professor of Law;
Executive Committee, Thelton E.
Henderson Center for Social Justice,
UC Berkeley School
of Law

[Saqib Bhatti](#)

Fellow, Nathan Cummings
Foundation Fellow

[Jocelyn Benson](#)

Dean, Wayne State Law School

[Angela Glover Blackwell](#)

CEO, PolicyLink

[Jim Carr](#)

Senior Fellow, Center for American
Progress

[Rev. James Michael Curenton](#)

Mayflower Congregational United
Church of Christ, Native Detroit
resident and activist

[Steve Dubb](#)

Research Director, The Democracy
Collaborative, University of
Maryland

[Gregory Eason](#)

Former City Administrator
for Flint, MI

[Chris Fox](#)

Fiscal Policy Analyst, American
Federation of State County &
Municipal Employees

[Brandon Jessup](#)

CEO, Michigan Forward
Urban Affairs

[Peter Hammer](#)

Professor of Law & Director
Damon J. Keith Center for Civil
Rights, Wayne State University Law
School

[Ponsella Hardaway](#)

Executive Director, MOSES
Metropolitan Organizing Strategy
Enabling Strength

[Shea Howell](#)

Co-Founder, James & Grace
Lee Boggs Center to Nurture
Community Leadership; Detroit
Community Activist; Professor of
Communication, Oakland University

[Robert Johnson](#)

President, Institute for New
Economic Thinking

[Renaye Manley](#)

International Representative
for SEIU

[Carol O'Cleireacain](#)

Non-Resident Senior Fellow,
Metropolitan Policy Program,
Brookings Institution

[john a. powell](#)

Director, Haas Institute for a Fair
and Inclusive Society, University of
California, Berkeley

[Rip Rapson](#)

President & CEO
The Kresge Foundation

[Joe Recchie](#)

Community Developer

[Freda Sampson](#)

Michigan Roundtable for Diversity
and Inclusion

[Ronald Sims](#)

Deputy Secretary for the
U.S. Department of Housing &
Urban Development 2009-2011

[Thomas J. Sugrue](#)

Professor of History & Sociology,
University of Pennsylvania

[Debra Taylor](#)

We the People of Detroit

[June Manning Thomas](#)

Centennial Professor of Urban
and Regional Planning, Taubman
College of Architecture & Urban
Planning
University of Michigan

[Wallace Turbeville](#)

Senior Fellow, DEMOS

[Stuart Rossman](#)

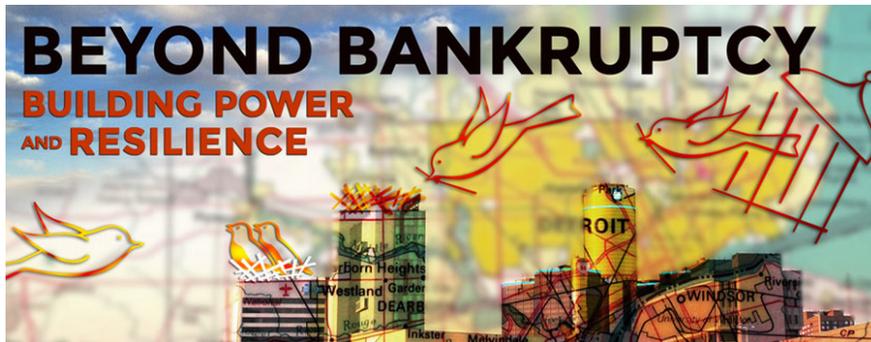
Litigation Director, National
Consumer Law Center

[Heaster Wheeler](#)

Assistant CEO
Wayne County, Michigan

[Roy Wilson](#)

President, Wayne State University



SOCIAL MEDIA COVERAGE

TWITTER #BEYONDBANKRUPTCY

- 

officialmiguelm Miguel
RT @HaasInstitute: "We can predict the lifetime earnings of children just by the zip code." Ronald Sims. #beyondbankruptcy
- 

WayneState-FrontDoor @WSUFrontDoor · Apr 8
Federal financing dating to WWII including highways & selective lending cannot be our forgotten history says panelist #BeyondBankruptcy
- 

E Fabian @enfabian · Apr 8
Complex and risky financing burdened #detroit's cash flow. #beyondbankruptcy media.wayne.edu/.../conference.....
📍 from Detroit, MI
- 

SandyDarity Sandy Darity
RT @TonyaMPhillips: Detroit has to take on Wall Street. We have to determine our own destiny. #BeyondBankruptcy
- 

Rebecca Bucky Willis @Bucky313 · Apr 7
"Detroit will never be a great city, so long as its schools are under-funded" #beyondbankruptcy @wsu
- 

Welcoming Michigan @Welcoming_MI · Apr 7
john powell @HaasInstitute: To rebuild Detroit & include those here, we must address fear. Anxiety, discomfort re: race. #BeyondBankruptcy
- 

CDAD Detroit @CDADDetroit · Apr 8
Angela Glover Blackwell @policylink: Your address determines how long u live, Its outrageous. Need placebased initiatives #BeyondBankruptcy
- 

Welcoming MI Welcoming Michigan
RT @equityforall: "Remove barriers expand opportunity"-Angela Glover Blackwell #beyondbankruptcy
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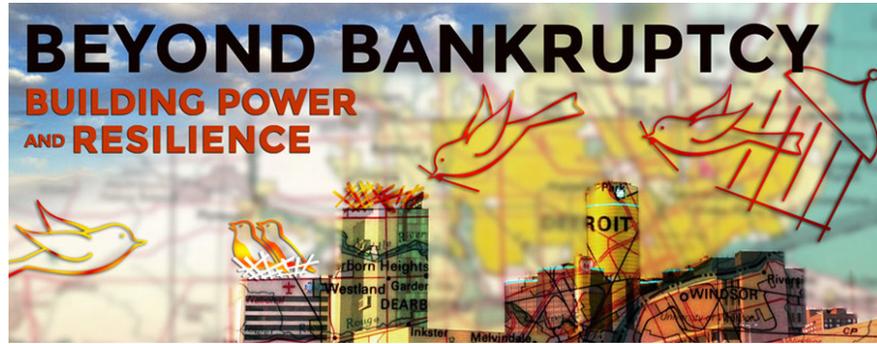
Transit Riders (TRU) @DetroitTransit · Apr 8
Detroit isn't alone in financial challenges yet responses differ depending on residents, elected leaders. REJ #BeyondBankruptcy @moses_mi
- 

Haas Institute @HaasInstitute · Apr 8
Water/sewage is \$6b potential game changer & 'crown jewel' for Detroit according to @JoeRecchie and john powell. #BeyondBankruptcy

CONFERENCE VIDEOS

<http://www.beyondbankruptcy.info/detroit-conference-videos/>





PROJECT PARTNERS

Haas Institute for a Fair and Inclusive Society

The Haas Institute for a Fair and Inclusive Society at UC Berkeley brings together researchers, community stakeholders, policymakers and communicators to identify and challenge the barriers to an inclusive, just and sustainable society and create transformative change. The Institute serves as a national hub of a vibrant network of researchers and community partners and will take a leadership role in translating, communicating and facilitating research, policy and strategic engagement. The Haas Institute advances research and policy related to marginalized people while essentially touching all who benefit from a truly diverse, fair and inclusive society. [Haas Institute online.](#)

Damon J. Keith Center for Civil Rights at Wayne State University Law School

The Honorable Damon J. Keith is a living embodiment of the principles presented in the United States Constitution—he has courageously defended the Constitution while championing the cause of civil rights. Judge Keith has sought to ensure that “equal justice under law” is a reality for people of color, women and all who have been victims of discrimination. The Damon J. Keith Center for Civil Rights memorializes the work of Judge Keith, civil rights icon and one of our country’s leading jurists. The Keith Center is also a leading source for the legal history of the Civil Rights Movement and historic accomplishments of African American lawyers and judges. The Keith Center is further dedicated to research and community outreach addressing modern challenges to civil rights and racial justice. [Keith Center online.](#)

Metropolitan Organizing Strategy Enabling Strength (MOSES)

MOSES, a group of diverse congregations, organizes communities, develops leaders and builds relationships to advocate for social justice in metro Detroit. [MOSES online.](#)

This report was prepared by the Haas Institute for a Fair and Inclusive Society in partnership with MOSES. If you have comments, corrections or additions to this report, please contact haasinstitute@gmail.com.

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