BEYOND BANKRUPTCY
BUILDING POWER AND RESILIENCE

PROJECT LAUNCH
Beyond Bankruptcy: Building Power and Resilience

&

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. 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?
• What are some of the key decisions to be made now?
The conference generated answers to these questions attempting to situate the discussion of municipal bankruptcy and financial distress in historical terms, examining trends of deindustrialization, discrimination, white flight, and regional isolation. This effort is urgently needed in order for cities to emerge from their current challenges with equity and greater resilience. Current narratives address effects rather than causes, inhibiting durable solutions for cities and misplacing responsibility.

CONFERENCE REPORT
See page 10 for a full list of speakers and their affiliations.

DAY ONE: GEARING UP TO MEET CHALLENGES
The Detroit Bankruptcy & Beyond Conference began by welcoming over 200 people in its evening opening at Wayne State University’s Damon J. Keith Center for Civil Rights.

Thomas Sugrue, history professor from University of Pennsylvania, opened the conference with an address highlighting a number of historical facts situating Detroit’s current problems. These included the history of Detroit’s relative decline in regional power, racialized discrimination in multiple contexts including housing and employment, and government subsidized white flight. He argued that the factors leading to Detroit’s present situation must inform current strategies.

Speaking next, Rip Rapson, CEO of the Kresge Foundation, described the unprecedented response of the philanthropic community to Detroit’s situation. This response includes a $300 million dollar pledge from a number of foundations that attempt to counter cutbacks in Detroit’s assets and infrastructure.

The evening culminated with John a. powell, Director of the Haas Institute for a Fair and Inclusive Society at UC Berkeley, who noted that proposals to address cities’ financial situations are not judged according to tactical correctness or efficacy. powell noted, referencing Policy Link CEO Angela

On the first evening of the conference participants were asked which questions and issues they would most like to discuss. The following responses were generated, noted with decreasing order of support.

Accountability: Needed policies, responding to disenfranchisement
Public Services: Advocacy opportunities, funding problems
Economic and Job Growth: How to boost growth in neighborhoods
Demolitions and Blight: Strategies and solutions on how to combat them
Racial Divisions and Discomfort: Ideas for productively addressing underlying racial divisions and anxiety
Fostering Ally Collaboration: Foundations, schools, anchors, CDC
DETROIT CONFERENCE SNAPSHOTs


**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.

**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. 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
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)
6 The Yale Law Journal, Michelle Wilde Anderson, “The New Minimal Cities” 1118-1227
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 Curementon**
Mayflower Congregational United Chruch 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

**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

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

Complex and risky financing burdened detroit's cash flow. beyondbankruptcymedia.wayne.edu/.../conference..... from Detroit, MI

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

"Detroit will never be a great city, so long as its schools are under-funded" beyondbankruptcy @wusu

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

 Angola Glover Blackwell @policylink: Your address determines how long u live, its outrageous. Need placebased initiatives beyondbankruptcy

Transit Riders (TRU) @DetroitTransit Apr 8
Detroit isn’t alone in financial challenges yet responses differ depending on residents, elected leaders. REJ beyondbankruptcy @mosses_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.