

UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION – DETROIT

In the matter of:

CITY OF DETROIT, MICHIGAN

Case No. 13-53846

Chapter 9

Debtor in Possession\_/

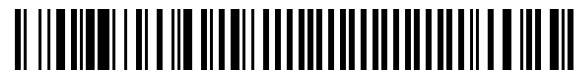
Hon. STEVEN W. RHODES

CORRECTED OBJECTION TO AMENDED DISCLOSURE STATEMENT  
BY THE HOUSING IS A HUMAN RIGHTS COALITION

Note: filed on 4/1/2014 but stricken  
and promptly refiled under the correct event.

The Housing is a Human Rights Coalition submits to the Court:

1. Housing is a Human Rights Coalition (henceforth “HHRC” is interested in this matter as an independent coalition of realtors, lawyers, community activists, and low-income Detroit citizens which grew out of the Michigan Welfare Rights Organization following the Occupy Detroit movement in the summer of 2011.
2. HHRC delivered its request for input into the Disclosure Statement to the offices of Debtor’s counsel:
  - A. A copy of the Comments by HHRC are attached (Exhibit “1”)
  - B. A copy of the Response by Counsel for the Debtor-in-Possession is attached. (Exhibit “2”)
3. HHRC objects because of the failure of the Debtor in Possession to indicate the existence of the Nuisance Abatement Ordinance, Sections 37-2-1 to 37-2-9 of the City Charter (attached as Exhibit “3”), which is important to full and adequate disclosure under 11 USC § 1125(b).
4. HHRC objects because the Debtor in Possession fails to indicate it is not implementing the statute, allegedly for financial reasons. 11 USC § 1125(b).
5. HHRC objects because the Debtor in Possession fails to indicate all relevant pre-petition litigation which may bear on the success or failure of the plan. **In re Malek**, 35 B.R. 443 (Bank., E.D. Mich 1983) In this case the relevant litigation would be **Moore v. City of Detroit**, 159 Mich App 199, 406 NW 2<sup>nd</sup> 488 (1987), which requires the City to implement the Nuisance Abatement Ordinance.



6. HHRC objects to the Amended Disclosure Statement because it fails to give adequate information as to the likely success or failure of the plan in that it fails to reference or address the "People's Plan", adopted at a citizens' meeting. (Exhibit "4". While this is a political document, it proposes legislative and other actions which could improve the City's prospects of reorganization. And while the Court is neutral, Chapter 9 is inherently political and the various constituencies and classes of claimants have a right to act politically.

Wherefore HHRC prays the Court will deny approval of the Amended Disclosure Statement until the omissions are addressed.

FOR HOUSING IS A HUMAN RIGHT  
COALITION:

By: /s/ kurt thornbladh  
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Dated: April 2, 2014

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March 10, 2014

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VIA E-MAIL

Subject: In City of Detroit, Michigan  
Chapter 9/ Case No. 13-53846

**COMMENTS ON PROPOSED DISCLOSURE STATEMENT**  
**BY Housing is a Human Right Coalition (HHRC)**

Dear colleagues:

The Housing is a Human Right Coalition (HHRC) is an independent coalition of realtors, lawyers, community activists and low-income Detroit citizens which grew out of the Michigan Welfare Rights Organization following the Occupy Detroit movement in the summer of 2011. Since that time the Coalition has explored legal options to turn over available, unoccupied housing to low-income single parent families and disabled veterans. HHRC has worked with other groups to this end.

Specific Objections to the Disclosure Statement are as follows: Without adequate disclosure of the following facts, the disclosure statement is not adequate information under 11 U.S.C. § 1125(a).

Page ##	Current disclosure states/ or fails to state	Disclosure Statement should state:
None	No disclosure of current relevant information as required by the Court.	The City is subject to an Order of Mandamus which has been endorsed by the City Counsel to implement an “urban homesteading” style nuisance abatement program. Moore v. City of Detroit, 159 Mich App 199, 406 NW 2 <sup>nd</sup> 488 (1987).
48	The disclosure statement provides for a scheme of “ADR” or alternative dispute resolution.	The City is a government entity, and under the Due Process of Law clauses of the Michigan and U.S. Constitutions, there is no guarantee that the proposed ADR would meet the standards of Due Process of Law. Only a court or an administrative agency subject to judicial review can meet this standard.
19 to 59	The Disclosure Statement fails to disclose the Nuisance Abatement Ordinance, Detroit, Michigan Code of Ordinances, Sections 37-2-1 to 37-2-9 and the city's failure to fund or implement the program.	The Nuisance Abatement Ordinance is an anti-blight measure which costs the City very little, involves citizens directly, and the City is under an order by the Court of Appeals to implement the program. There are believed to be persons who have occupancy of houses under the program, but have a “cloud on title” because of failure of the City to implement. The Order Confirming Plan could create a mechanism to give them clear title.
Serialtim	The Disclosure fails to reveal the “People's Plan”.	The “People's Plan” was adopted at a mass meeting of Detroit citizens held at Central United Methodist Church on March 2, 2014. No plan of reorganization will be effective without direct involvement of the citizens. Preliminary approval of the disclosure statement must include a summary of the People's Plan and directions how to find it on the internet.

Thank you for your consideration. The Housing is a Human Rights Coalition welcomes the opportunity to work for a reborn Detroit.

Sincerely yours,

KURT THORNBLADH

March 28, 2014

258183-609021

VIA E-MAIL

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Re: In re City of Detroit, Michigan, No. 13-53846 (Bankr. E.D. Mich.)  
Requested Revisions to Disclosure Statement

Dear Mr. Thornbladh,

The City of Detroit (the "City") acknowledges receipt of your letters (together, the "Disclosure Statement Comment") on behalf of the Housing is a Human Right Coalition requesting certain revisions to the Disclosure Statement with Respect to Plan for the Adjustment of Debts of the City of Detroit (Docket No. 2709) (as it may be amended or modified from time to time, the "Disclosure Statement"),<sup>1</sup> filed by the City in the above-referenced chapter 9 case on February 21, 2014.

The City believes that the Disclosure Statement contains all information necessary to provide adequate information with respect to the subject matter of the requests in the Disclosure Statement Comment. Nevertheless, in the coming days, the City intends to file an amended form of (a) the Disclosure Statement and (b) the Plan for the Adjustment of Debts of the City of Detroit (as it may be amended or modified from time to time, the "Plan"). The City may make further additions to the Plan and Disclosure Statement as information becomes available. In addition, the City also intends to upload additional information to the data room established by the City for use by parties in interest in this chapter 9 case. Certain of this information may provide additional information with respect to the subject matter of your requests.

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<sup>1</sup> Capitalized terms not otherwise defined herein have the meanings given to them in the Disclosure Statement.

March 28, 2014  
Page 2

Sincerely,

Bruce Bennett

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**Detroit, Michigan, Code of Ordinances >> Part III - CITY CODE >> Chapter 37 - NUISANCES >> ARTICLE II. VACANT BUILDINGS >>**

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**ARTICLE II. VACANT BUILDINGS <sup>[2]</sup>**

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[Sec. 37-2-1. Legislative findings.](#)

[Sec. 37-2-2. Definitions.](#)

[Sec. 37-2-3. Application complaint procedures.](#)

[Sec. 37-2-4. Notice to the owner.](#)

[Sec. 37-2-5. The nuisance abatement contract.](#)

[Sec. 37-2-6. Quiet title.](#)

[Sec. 37-2-7. Redemption.](#)

[Sec. 37-2-8. Appeals.](#)

[Sec. 37-2-9. Savings clauses.](#)

**Sec. 37-2-1. Legislative findings.**

The council finds that:

- (a) Scattered throughout the city are a large number of unoccupied dwellings which are constantly broken into, vandalized, used for unsanitary or immoral purposes and are potential fire hazards.
- (b) There are many unoccupied dwellings in the city which, because of their vacant status, constitute hazards to the health, safety, and welfare of the public.
- (c) Certain vacant dwellings have reached a state of disrepair and deterioration which create a public nuisance or exert a downgrading or blighting influence on the surrounding neighborhood, resulting in discouraging neighbors from making improvements to properties and thus adversely affecting the tax revenue of the city.
- (d) Throughout the city, the number of vacant and deteriorated dwellings constituting public nuisances has become so high that traditional means of abating such nuisances have been ineffectual, and blight and deterioration of emergency proportions have resulted.
- (e) Currently, tax delinquent abandoned dwellings revert to the state and are then deeded to the city through the state tax reversion process. However, this process takes several years, during which time many dwellings are lost through vandalism and deterioration.
- (f) Permitting families and community groups to repair and occupy abandoned homes within the city will preserve the residential housing stock of the city, increase neighborhood stability, and provide needed homes for Detroit families.

(Ord. No. 23-90, § 1(12-11-46.1), 11-21-90)

**Sec. 37-2-2. Definitions.**

- (a) *Dwelling* means a single family, two family, or multiple family property.
- (b) For the purpose of this program, a dwelling shall be considered abandoned if:
  - (1) That dwelling is vacant, dilapidated and open at the door or window, leaving the interior of the building exposed to the elements or accessible to entrance by trespassers; and
  - (2) There are outstanding state, county, or municipal property taxes due on the dwelling.
- (c) For the purposes of the program, an abandoned dwelling shall be considered a nuisance if that



dwelling is a dangerous building, as that term is defined in Ordinance Chapter 12-11-28.2 of the 1964 City Code.

- (d) (1) A nuisance abatement contractor is an individual who, under contract with the city enters and resides in an abandoned single family dwelling to abate a nuisance in that building, or is a community group which agrees to repair an abandoned dwelling to abate a nuisance and meets the following criteria:
  - a. It is a nonprofit organization under federal tax law Section 501(c)(3);
  - b. Has an established track record in or a demonstrable capability for home rehabilitation;
  - c. Has distinct geographical boundaries;
  - d. Has a community-based board with at least fifty-one (51) per cent of its membership residing within said geographical boundaries; and
  - e. Has open meetings and maintains records of such meetings and prepares financial reports.
  - f. Has been certified as meeting the requirements of subsections (d)(1)a. through e. of this section by the city planning commission.
- (2) An applicant for a nuisance abatement contract shall, if the applicant is an individual, agree to reside in the contract property as his or her sole residence for a thirty-six-month period; or, if the applicant is a community group, agree to maintain the property for sale or rental pursuant to the terms of this article.
- (3) A person who is delinquent in taxes to the City of Detroit shall be required to enter into a tax repayment plan with the city before signing a nuisance abatement contract.
- (4) An applicant who, without good cause, has breached or failed to perform a nuisance abatement contract within the past five (5) years shall not be eligible to enter into a nuisance abatement contract.
- (5) A nuisance abatement contractor shall apply to enter a nuisance abatement contract with the city by submitting an application in writing to the department of buildings and safety engineering identifying the dwelling which is sought to be repaired and, if the applicant is a community group, whether the groups intend to maintain the property for sale or rental.
- (6) If more than one applicant applies for a contract to abate a nuisance in the same abandoned dwelling, then the applicant who first applies in writing to the department of buildings and safety engineering for a contract shall be given the first opportunity to enter into a contract for that dwelling. If for any reason a contract is not entered into or is terminated with that applicant, the next applicant who identified that dwelling to the department of buildings and safety engineering shall be given an opportunity to enter into a contract for the dwelling.
- (7)
  - a. No individual applicant may have more than one application pending with the department of buildings and safety engineering at any time; however, if the dwelling identified in an individual's application is not available for a nuisance abatement contract because it is not eligible under this article or because it is the subject of an earlier filed application which has not been rejected, the applicant shall be permitted to file a new application, identifying a different dwelling, and such second or subsequent application shall be processed by the department of buildings and safety engineering on the priority basis of the filing date of the applicant's original application.
  - b. No community group applicant may have more than five applications pending approval with the department of buildings and safety engineering at any time; however, once a property identified in a community group's application has been determined to be eligible or ineligible for a nuisance abatement contract, the community group shall be permitted to file an application for another property, up to the maximum of five. The combined total of applications, nuisance abatement contracts and properties owned by any one community group shall not exceed its demonstrable capability for home

rehabilitation and property management.

- (e)
  - (1) A nuisance abatement contract is a contract between a nuisance abatement contractor and the City of Detroit through which the contractor enters and repairs an abandoned dwelling that is a nuisance. The procedures relating to the nuisance abatement contractor are more fully set out in [section 37-2-5](#)
  - (2) The contract shall constitute a temporary occupancy permit allowing an individual contractor and his or her family to occupy the subject property as a residence. No portion of any dwelling subject to a contract shall be occupied by a tenant of a contractor until the portion to be rented is completed and is registered with the city under its rental registration program.
  - (3) The contract shall constitute a building permit under 12-11-70.0 of the 1964 City Code and shall be deemed to satisfy the building registration requirements of 12-11-30.0 of the 1964 Code.
  - (4) Until title in the dwelling passes to the nuisance abatement contractor, all rents collected from the tenant of a dwelling shall be deposited in an interest bearing escrow account. The escrow account shall be maintained by the City of Detroit. Once title passes to the nuisance abatement contractor, all monies and interest in the escrow account shall be paid out to the nuisance abatement contractor, except one (1) per cent of the account which may be used to defray the cost of quieting title of properties under this article.
- (f) The city council may waive any provision of this section upon request of the contractor or the department of buildings and safety engineering when, in the opinion of the council, the waiver will further the purposes of this article.

(Ord. No. 23-90, § 1(12-11-46.2), 11-21-90)

### **Sec. 37-2-3. Application complaint procedures.**

- (a) It shall be unlawful for any owner or agent thereof to keep or maintain any dwelling which shall be (1) vacant and open to trespass and (2) dilapidated or deteriorated or in a dangerous condition.
- (b) If an individual or a community group identifies a dwelling believed to be vacant and a nuisance, that individual or group may apply to the department of buildings and safety engineering for a contract to abate that nuisance. The department of buildings and safety engineering is authorized to process a proposed contract to abate a nuisance in an abandoned dwelling with the first eligible applicant. The contract shall be to correct the conditions resulting in a public nuisance. The cost of correcting the nuisance shall be charged to the owner of the abandoned property and collected by lien.
- (c) Upon receiving an application for a nuisance abatement contract for a dwelling, the department of buildings and safety engineering shall, within twenty (20) days, inspect the dwelling to determine:
  - (1) Whether the building is vacant and dangerous;
  - (2) Whether the building is feasible of rehabilitation;
  - (3) The assessed or current market value of the property, whichever is lower, in an unrepaired, "as is" condition;
  - (4) Those repairs which must be undertaken to abate the nuisance on the premises, and an estimate of the value of each of those repairs, including both materials and labor.
- (d) A dwelling shall be considered capable of rehabilitation unless significant structural defects are found which would preclude successful rehabilitation.
- (e) If the department of buildings and safety engineering determines that the dwelling is not vacant or is not a nuisance, the department shall so notify the owner through the procedures set out in [section 37-2-4](#) and the applicant by first class mail.
- (f) If the department of buildings and safety engineering determines that the dwelling is abandoned and is a nuisance, the department shall issue a notice specifying the time and place of a hearing on the condition of such dwelling and directing the owner or owners of record to appear at such a hearing before a hearing officer who shall be appointed by the department and show cause why the nuisance

shall not be abated or the dwelling demolished. A copy of this notice shall be mailed to the applicant. This hearing shall be held within thirty (30) days of the date of inspection.

- (g) At this hearing, the hearing officer shall take the testimony of the building inspector, the city appraiser, the owner, the applicant and any interested party. The hearing officer shall then render his decision either closing the proceedings, recommending the nuisance to be abated by contract or otherwise, or recommending that the dwelling be demolished. A copy of the findings and recommendation shall be served on the owner in the manner prescribed in [section 37-2-4](#) and on the applicant by first class mail.
- (h) When it is determined that at the hearing that the dwelling is a nuisance which should be abated through contract or through demolition of the dwelling, and the owner has failed to appear, or thereafter neglects or refuses to act within twenty (20) days of the date of hearing, the hearing officer shall forthwith file a report of his findings with city council and recommend that the dwelling be the subject of a nuisance abatement contract or that it be demolished.
- (i) Within thirty (30) days of receipt of the hearing officer's recommendation, the city council shall hold a hearing where it will either approve, disapprove, or modify the recommendation for a contract or for demolition. In reaching its decision, the city council shall consider any evidence of the historic significance of the dwelling and its qualification for designation as an historic landmark or for inclusion in an historic district, as provided in [Chapter 25](#), Article II of the City Code. The owners of record shall be notified, as provided in [section 37-2-4](#), of the date and place of the hearing before city council where they shall be given the opportunity to show cause why their dwelling should not be the subject of a nuisance abatement contract or demolished.
- (j) When it is determined at the hearing before city council that the dwelling should be the subject of a nuisance abatement contract or should be demolished, and the owner fails to appear or has refused to act within the time specified, a nuisance abatement contract may be entered into with the applicant or the dwelling may be demolished by the city. A copy of the city council's order to enter into a nuisance abatement contract concerning a dwelling or to demolish a dwelling shall be served on the owner and the applicant as provided in [section 37-2-4](#). The city shall not enter into a nuisance abatement contract or demolish a dwelling until twenty (20) days after the city council's order. However, the city shall enter into a contract with a nuisance abatement contract applicant as soon as possible after that twenty (20) day period has run.
- (k) The cost of demolition, administrative costs, and/or the value of the materials and labor for tasks performed under the nuisance abatement contract shall be charged to the owner as liens against the real property and shall be reported to the board of assessors who shall assess the costs against the property in question. The lien shall be enforced in the manner prescribed in the Charter or City Code for the enforcement of special assessment liens or tax liens.

(Ord. No. 23-90, § 1(12-11-46.3), 11-21-90)

### **Sec. 37-2-4. Notice to the owner.**

- (a) The record owner or owners of any dwelling which is the subject of a complaint under this chapter shall receive written notice:
  - (1) That a complaint/applicant(s) has been filed.
  - (2) That the dwelling has been determined, through an inspection, abandoned and a public nuisance, and that a hearing shall be held concerning the dwelling.
  - (3) That a demolition or nuisance abatement order has been issued concerning the dwelling.
  - (4) That the department of buildings and safety engineering has requested an order from city council to abate the nuisance or demolish the dwelling and that a hearing shall be held concerning the request.
  - (5) That the city council has entered a demolition or abatement order concerning the dwelling. If the city enters into a nuisance abatement contract, a copy of that contract shall be provided to the owner.

- (b) Each notice sent to the owner shall contain:
  - (1) Notice that, if the city determines that the subject property constitutes a nuisance, the city may take appropriate action to abate the nuisance, including demolishing the dwelling or contracting to have one or more persons reside in and repair the dwelling.
  - (2) Notice of the city's gift property program. For any property deeded to the city under the procedures set forth in this section, it will be conclusively presumed that the grantee intended the city to abate any nuisance at the property through the nuisance abatement contractor program.
  - (3) Notice that the city may seize the title to any abandoned nuisance dwelling through a quiet title action.
- (c) Notices required by this article shall be served on the owner by:
  - (1) Handing the notice personally to the owner, to the owner's authorized agent, to an adult member of the owner's family at the owner's home or to an adult in charge of the owner's place of business within the city; or
  - (2) Registered or certified mail, return receipt requested, and first class mail to the owner's home or place of business.
  - (3) If the whereabouts of the owner is unknown, the notice shall be sent by registered or certified mail and by first class mail to the last known address of the owner.
  - (4) In addition to the personal or mail service set forth in [section 37-2-4\(c\)\(1\)–\(3\)](#), a copy of the notice shall be posted on the premises in violation.
  - (5) The failure of an owner to receive notice properly served under this section shall not affect, in any manner, the validity of any proceedings against the property under this article.

(Ord. No. 23-90, § 1(12-11-46.4), 11-21-90)

### **Sec. 37-2-5. The nuisance abatement contract.**

- (a) If the city council approves a contract with any applicant to abate a nuisance in a dwelling, the applicant shall enter and legally occupy an abandoned dwelling for the purpose of abating the public nuisance in accordance with the terms of an abatement contract between the city and the applicant.
- (b) The nuisance abatement contract shall include: A statement of the assessed value or the agreed current market value of the subject premises in its unrepaired, "as is" condition, whichever is lower; a statement of the nature and extent of repairs necessary to abate the public nuisance resulting from the conditions on the subject premises; if the building is a multiple family dwelling, a statement of the agreement between the department of buildings and safety engineering and the contractor as to whether it shall be maintained as the same number of units or converted to a lesser or greater number of units; an estimate of the reasonable monetary value of the labor of the applicant and his or her agents which will be required to carry out the abatement plan and of the materials and services which will be required to carry out the abatement plan; a reasonable timetable for completing the abatement plan; a statement that the contractor shall abate any dangerous conditions in the dwelling before occupying the property under the contract, however, this provision shall not prevent the contractor from occupying the property to secure the property or prevent vandalism; a statement that the contractor shall, as a condition of the contract, occupy the premises as soon as it is practicable after the contract is signed and essential preoccupancy repairs are completed and, if the contractor is a natural person, maintain the premises as his or her residence during the term of the contract; a stipulation to hold the City of Detroit harmless for any injuries to person or to property that may be suffered by the contractor, his or her family, or their guests associated with the premises; a provision that the contractor agrees to secure liability insurance for damages arising from the repair and occupancy of the premises, up to a premium amount of one hundred dollars (\$100.00) per year; if the contractor is a community group, it shall obtain minimum available liability insurance for the contract period. If the contractor is a community group which agrees to repair the nuisance abatement dwelling for rental, a statement that the community group shall lease the

property for residential purposes only, and shall make available not fewer than fifty (50) per cent of the units it rehabilitates under this article at rents charged to the lessee which do not exceed the maximum shelter allowance permitted by the Michigan Department of Social Services for the family size occupying the property with the amenities offered by the community group; no portion of any dwelling subject to a contract shall be occupied by a tenant of a contractor until the portion to be rented is completed and is registered with the city under its rental registration program. If the contractor is a community group which agrees to repair the nuisance abatement dwelling for sale, a provision that the dwelling shall be sold in accordance with all city and state laws, including but not limited to section 26-3-1, et seq., of the Detroit City Code, and a statement that the dwelling shall be sold for the amount of the purchase price from the city plus the amount of the liens for repairs under the contract, the reasonable cost of other repairs, and an allowance for reasonable overhead for tasks performed under the contract.

- (c) A contractor under this program shall be eligible to apply for assistance under any loan or grant program that is or may be administered or funded by the city. The monies set aside for homesteading rehabilitation shall be made available to contractors under this program.
- (d) The department of buildings and safety engineering shall periodically inspect, according to procedures set forth by the department, the dwelling to assure compliance with the contract and completion of the listed repairs. As repairs are completed by the contractor the value of the repairs as stated in the contract or modified by agreement of the city and the contractor and verified by inspections by the city shall be assessed as a lien against the property. The contractor may request an inspection at any time to verify the completion of repairs.
- (e) The department of buildings and safety engineering shall designate nuisance abatement contract inspectors who shall have the authority to conduct the assessments, estimates, and inspections required by this section.
- (f) The city shall, directly or through a services contract, provide technical assistance to nuisance abatement contractors in effecting safe and low cost repairs on the contract premises.
- (g) In consideration for the services of the nuisance abatement contractor, the city shall:
  - (1) Upon completion of the abatement contract, deliver the deed to the contractor when the city has the capacity to transfer fee simple title, if the city obtains title. The city shall deed title to the contractor for a sum of money equal to the agreed value of the property at the time the contract is signed less the value of all liens on the property resulting from the repair work under the contract, however, under no circumstances shall the sales price of the property be reduced below one dollar. The city shall credit the contractor with the value of non-lien repairs where those repairs remedy code violations and may credit the contractor with the value of other non-lien repairs which otherwise upgrade the value of the property.
  - (2) Compensate the contractor in the amount determined due by lien under the contract for all completed contract repairs, if the city does not obtain title, or if the owner of the abandoned property exercises the right to redeem it within statutory time limits. The monies paid by the city to the contractor shall be paid for the redemption monies paid by the owner or owners to redeem the property. The city shall require full payment of all contractor liens before permitting an owner to redeem his property.
- (h) The normal term of the contract shall be thirty-six (36) months from the signing of the contract to conveyance by the city. If the city obtains title before thirty-six (36) months have passed, the city shall conditionally convey title to the contractor pending completion of the contract repairs. Full title shall then be conveyed upon completion of the contract period, unless the contractor, breaches the contract by abandoning the property. If the city obtains title later than thirty-six (36) months after the contract is signed, the conveyance shall be effected as soon as possible after the city obtains title. All abatement shall be completed before title passes.
- (i) No taxes shall be due on the property from the contractor during the thirty-six-month contract period. At the beginning of the thirty-seventh (37th) month after the contract is signed, if the contract is completed and the city is able to convey the property to the contractor, then the city shall convey to

the contractor and the contractor shall be responsible for future taxes. If, at the beginning of the thirty-seventh (37th) month after contract is signed, the city is unable to convey the property, the contractor shall begin to make payments in the amount of fifty dollars (\$50.00) per month per unit to the city for administrative costs connected with the contractor's continued use of the property.

- (j) The city shall institute foreclosure proceedings against any tax delinquent property which is the subject of an abatement contract wherever the institution of the foreclosure process by the city will be expected to shorten the time necessary to secure title in the city without increasing costs to the city.
- (k)
  - (1) The city may terminate a nuisance abatement contract if:
    - a. There is a willful, material breach of the contract by the contractor.
    - b. There is a failure to commence work to abate the nuisance within 60 days after occupancy; or
    - c. The record owner of the property redeems the property.
  - (2) Before terminating a contract under this section, the city shall provide the contractor ten (10) days written notice of what actions may be taken to cure the breach.
  - (3) If a contract is terminated after liens have attached, those liens remain in effect against the property and in favor of the contractor until the title to the property reverts to the city.

(Ord. No. 23-90, § 1(12-11-46.5), 11-21-90)

### **Sec. 37-2-6. Quiet title.**

- (a) The title to any dwelling which is vacant and dangerous may be seized by the city through an action in circuit court to quiet title. If an owner leaves his or her property in a vacant and dangerous condition and is delinquent in taxes on that property, it shall be presumed that the owner intended that the title to the property revert to the city.
- (b) The city shall seek title to any abandoned dwelling subject to this section whenever it is determined that the quiet title action will expedite the acquisition of title by the city.
- (c) If the department of buildings and safety engineering and city council determine that an action to quiet title is appropriate, council shall so order and corporation counsel shall institute the action.
- (d) Whenever title is obtained by the city pursuant to this section, conditional title shall be passed to the nuisance abatement contractor. This title shall be conditioned on full performance of the contract. After the nuisance abatement contractor is granted conditional title, the contractor shall be required to obtain insurance on the contract property.
- (e) Nuisance abatement contractors also may seek title to any abandoned dwelling subject to this article by an action to quiet title.

(Ord. No. 23-90, § 1(12-11-46.6), 11-21-90)

### **Sec. 37-2-7. Redemption.**

- (a) The record owner may redeem his or her property at any time before title vests in the city upon payment of all liens against the property, including taxes, special assessments, and the contractor liens.
- (b) If a record owner comes forward and expresses an intent to redeem his or her property, the city shall inform the nuisance abatement contractor of the owner's interest in the property within five (5) days of the owner's contact with the city.
- (c) Before the record owner may redeem the property:
  - (1) The city shall perform a closeout inspection of the property to affix the value of all repairs under the contract.
  - (2) The owner shall deposit a sum sufficient to pay the liens, assessments, and taxes with the city. The city shall require, at a minimum, a deposit of all nuisance abatement liens before

- permitting redemption.
- (3) The city shall pay to the contractor from monies deposited by the owner an amount equal to the value of all nuisance abatement liens, and shall give the contractor notice that the contract is being terminated.
- (d) If an owner redeems the property before the nuisance conditions have been abated at that property, any prior order to secure the property or to abate the dangerous condition at the property remains in effect.

(Ord. No. 23-90, § 1(12-11-46.7), 11-21-90)

### Sec. 37-2-8. Appeals.

Any person aggrieved by a decision of any city agency as pertains to this article may request a hearing with the director of that agency of his or her designee; the agency receiving such a request shall conduct a hearing and issue a written report and decision on any matter to be heard.

(Ord. No. 23-90, § 1(12-11-46.8), 11-21-90)

### Sec. 37-2-9. Savings clauses.

- (a) This act shall not be deemed to limit in any way the city's right under any existing law or ordinance to correct any public nuisance, to correct any dangerous condition in any building, or to permit or encourage occupancy of abandoned buildings.
- (b) This act shall not be deemed to limit a contractor's right to undertake repairs or improvements to a dwelling beyond those nuisance abatement repairs listed in the contract, or to seek equitable compensation for those repairs from a dwelling owner.
- (c) The provisions of this act shall be deemed severable, and, if any part of this ordinance is to be held to contravene any statutory or constitutional provision, the rest of the act shall remain in force and effect.

(Ord. No. 23-90, § 1(12-11-46.9), 11-21-90)

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#### FOOTNOTE(S):

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**Editor's note**— Ord. No. 23-90, § 1, adopted Nov. 21, 1990, amended the 1964 Code by the addition of §§ 12-11-46.1—12-11-46.9, which have been included herein at the discretion of the editor as Art. II, §§ 37-2-1—37-2-9. ([Back](#))

**Cross reference**— Trespassing in vacant buildings, § 38-4-1; signs on vacant buildings, § 38-4-8. ([Back](#))

# People's Plan for Restructuring Toward a Sustainable Detroit

This is an organic, growing document facilitated by a city-wide coalition of organizations and individuals. The People's Plan will change and grow as our community responds to the political and social conditions of Detroit.

Please participate in its development by visiting [www.d-rem.org](http://www.d-rem.org) or by attending an upcoming community input session to share feedback and suggestions.

prepared by **DETROITERS  
RESISTING  
EMERGENCY  
MANAGEMENT**



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# **People's Plan for Restructuring Toward a Sustainable Detroit**

**Version ONE  
Published  
February 24, 2014**

## **List of D-REM Member Organizations:**

Building Movement Detroit  
Central United Methodist Church,  
Rev. Edwin Rowe  
Change Agent Consortium  
Cities of Peace  
Citizens For Highland Park Public Schools  
Cooperative Economics  
Critical Moment  
Detroit Communicator  
Detroit Green Party  
Detroit Eviction Defense  
Detroit People's Platform  
DPS Education Task Force; Library Committee  
Free Detroit / No Consent  
Feedom Freedom Growers, Creative  
Hood Research  
International Socialist Organization  
James and Grace Lee Boggs Center  
to Nurture Community Leadership  
Keep Growing Detroit

Michigan Citizen  
Michigan Forward  
Michigan Welfare Rights Organization  
Moratorium Now!  
National Action Network, Michigan Chapter  
National Lawyers Guild  
Project Save Detroit  
Raiz Up  
Rosa and Raymond Parks Institute  
for Self Development  
Sacred Heart Church, Father Norman P. Thomas  
Simmons' Hush House  
Slowdown  
First Unitarian Universalist Church of Detroit,  
Lee Gaddies, Social Justice Chair  
St. Peter's Episcopal Church Detroit,  
Pastor Bill Wylie-Kellerman  
Sugar Law Center; Team for Justice  
Uprooting Racism Planting Justice  
We The People of Detroit



# People's Plan for Restructuring Toward a Sustainable Detroit



The restructuring and rebirth of Detroit will not be delivered by a state-imposed emergency manager, nor through Chapter 9 bankruptcy proceedings, foundation contributions, closed door deals, or other devious and misleading corporate schemes. Detroit's rebirth will be the result of the people's unrelenting demand for democratic self-governance, equal access to and management of the natural and economic resources of the city.

Currently, Emergency Managers in several Michigan cities have dictatorial powers to advance the interests of banks and private corporations over the public good. They have failed to bring about financial security. Rather, in one city and school district after another, they have dismantled the public school systems, sold off public resources, and eliminated essential civil services, while enriching a small group of cronies and contractors.

In one of the most ruthlessly racist maneuvers in U.S. contemporary politics, Governor Snyder has disenfranchised 55% of African American voters in Michigan, imposing emergency managers over the democratically elected leadership in several majority-Black cities. African Americans are, therefore, disproportionately exploited by Snyder's emergency managers, while continuing to endure high poverty and hunger levels, a deteriorated city school system, inadequate social services, and wide scale unemployment. In addition, thousands of African Americans and other Detroiters have been driven from their homes by the banks' predatory lending policies and resulting wide scale home foreclosures.

To secure the ends of our city charter and to ensure a vibrant, sustainable city reflecting the needs and the will of the people, we propose a set of alternatives. The people's alternatives are rooted in the certainty of our capacity to envision and create a city culture in which human rights are protected and citizens enjoy a higher quality of life. In the second half of this document, we outline a people's analysis of Detroit's financial crisis which points out the deceit, misrepresentations and lawlessness of the emergency management measures carried out by Kevyn Orr and Governor Snyder.

# People's Plan for Restructuring Toward a Sustainable Detroit



## Part I: People's Alternatives

### Financial Security

- The Michigan Legislature should immediately require automatic payroll deduction and mandatory withholding for all people working in the 22 cities where there is local income tax. Detroit currently loses between \$40-50 million in revenue per year for lack of this elementary measure.
- The State must restore fully funded state revenue sharing to all cities, and act as an equitable and progressive partner in a process of urban development that serves neighborhoods and human rights, rather than destroying democracy and civic capital. Since 1998, due to actions of the State Legislature, Detroit has lost \$220 million in revenue sharing, as well as several hundred million dollars in foregone income taxes. Direct state cuts in revenue sharing accounted for nearly one third of the city's revenue losses between 2011 and 2013.
- Detroit requires an efficient, effective federal grants management officer to fully implement and take advantage of existing federal programs. Currently Detroit returns millions of dollars to federal agencies that it has been unable to spend. Nearly \$60 million dollars of accumulated or unspent federal dollars are included in the recent pledge by the Obama administration to provide \$300 million in targeted programs.
- Detroit must establish means to collect all outstanding property taxes. In 2011 Wayne county had to write off \$170 million in uncollected taxes on Detroit properties. The highest priority should be to ensure that no current homeowners are foreclosed on or evicted in the effort to collect taxes. Over 50,000 homes are in tax foreclosure this year alone, according to the Wayne County Treasurer. In Detroit, when these homes are vacated because of foreclosure, they are stripped and add to the dynamic of neighborhood blight and diminished property tax revenue.
- All businesses operating within the city of Detroit, or providing services to it, must commit to hiring local people and using local goods and services. By 2020, 70% of goods and services should be secured from local sources.
- Bank of America, UBS and any other Wall Street firms must immediately terminate the toxic interest rate swaps without penalties or further payment. Bank of America and UBS should repay Detroit the estimated \$250 million they collected based on the illegal interest rate swaps, as well as the hundreds of millions of dollars paid by the Detroit Water and Sewerage Department in swaps termination fees.
- Detroit's predatory Wall Street-related financial expenses should be fully discharged in bankruptcy, without further cost to the City. The City budget reflects financial expenses that increased by \$38.5 million between 2008 and 2013, accounting for 60% of the total increase in legacy costs. Legacy expenses are the cash flow consequences of "legacy liabilities." Unlike those underlying liabilities themselves, they are pertinent to remedying the cash flow crises. They include principal and interest payments on bonds issued by the city, payments in respect of derivatives, and future liabilities to pay pension and healthcare benefits for employees. In contrast with the city's operating expenses, which have been slashed by layoffs, cutbacks and labor concessions/impositions, these amounts 'owed' to the banks have increased rather than declined since the onset of the Great Recession. This is unsustainable, and only benefits Wall Street predators, not Detroiters.
- All vacant properties owned by banks should be assessed a \$1000 annual fee for maintenance and civil services.
- Budget concerns must emphasize eliminating the budget shortfall of \$198 million rather than continually targeting the questionable figures relied on by the emergency manager to justify his actions based on inflated long term debt.
- Pensioners should be held harmless, with no cuts at all and medical benefits restored, as an act of faith toward citizens who deserve all what little they are receiving, in equity.

# People's Plan for Restructuring Toward a Sustainable Detroit



## Community Life

The Detroit City Council must enact legislation to:

- Support urban homesteading, enabling people to legally move into abandoned structures and restore them. Utilization of the existing nuisance abatement act and other legislation, adequately staffed and properly implemented, would benefit Detroiters far more than throwing massive resources into blight removal, without adequate plans for community-based economic redevelopment.
- Restore the dollar-a-lot program, enabling home owners to purchase adjacent vacant lots.
- Establish rent control to protect current residents.
- Establish land trusts as equitable development alternatives for citizens, at comparable scale to public land given at bargain prices to ultra-high net worth individuals such as John Hantz, Dan Gilbert and Mike Ilitch for private exploitation.
- Introduce place-based education for children, adults and elders coming together to revitalize Detroit.
- Adopt community-based and transit-oriented economic development policies, projects and criteria for public investment and improved quality of life in Detroit's neighborhoods.
- Increase quality and quantity of bus service.
- Stop and roll back privatization of essential government services that enrich corporate cronies without improving performance.

## Restoration of Democracy and Self-Government in Detroit

- Fulfill the obligation of the City Charter to establish Citizens Advisory Councils.
- Return the Detroit Public Schools and the seized EAA schools to the control of the democratically elected School Board.
- Guarantee transparent, public, and open decision-making.
- Require enforceable Community Benefit Agreements that are accountable to those most affected by all corporate economic development.
- Establish participatory budgeting within communities, neighborhoods and block clubs.
- Establish a public interest bank to secure finances.
- Subject tax-free philanthropic special interests to democratic control and community accountability.

## Development and Welfare of Our Youth

- Restore art, music, and the full range of creative and recreational activities within our public schools.
- Open 24-hour recreation centers for youth.
- Enact legislation providing free access to Belle Isle for Detroit residents under 25.
- Ensure per pupil funding for Detroit students equal to that of the wealthier school districts.

# People's Plan for Restructuring Toward a Sustainable Detroit



## Part II: Analysis of Current Financial Crisis

### Causes and Consequences of Detroit's Bankruptcy [1]

The City of Detroit's bankruptcy was driven by a severe decline in revenues and – importantly -- not by an increase in obligations to fund pensions. To return Detroit to long-term fiscal health, the City must increase revenue and extract itself from the financial transactions that threaten to drain its budget even further.

Emergency Manager Orr asserts that the City is bankrupt because it has \$18 billion in long-term debt. However, that figure is highly inflated, inaccurate, and irrelevant to analysis of Detroit's insolvency and bankruptcy filing. In reality, the City needs to address its cash flow shortfall, which the emergency manager pegs at only \$198 million, although that number too may be inflated because it is based on extraordinarily aggressive assumptions concerning the contributions the city needs to make to its pension funds.

Municipal bankruptcies are about cash flow—a city's ability to match revenue against expenses so that it can pay its bills. Under Chapter 9 of the United States Bankruptcy Code, a municipality is eligible to file bankruptcy when it is unable to pay its debts as they come due.

This means that Detroit is bankrupt not because of its outstanding debt, but because it is no longer bringing in enough revenue to cover its immediate expenses. According to the city's bankruptcy filing, the emergency manager projects a \$198 million annual cash flow shortfall for fiscal year 2014. To get out of bankruptcy, the City needs to address this annual shortfall—whether it is \$198 million or a smaller number—not its total outstanding long-term debt.

Detroit's revenues have decreased by more than 20 percent since FY 2008, declining by \$257.7 million.

Because of the Great Recession, this gradual decline in revenue became a massive leak. Detroit was hit particularly hard by both the foreclosure and unemployment crises. The number of employed Detroit residents fell by 53 percent from 2000 through 2012, but half of that decline occurred in a single year, 2008, as the recession took hold.

During the recession, property values declined substantially, eating into the City's property tax base. The recession has cut deeply into key property and income tax revenue and fee revenue from utilities owned and operated by the City.

The State of Michigan has exacerbated Detroit's revenue crisis by slashing \$67 million in state revenue sharing with the city. By cutting revenue sharing with the City, the State effectively reduced its own budget challenges on the backs of the taxpayers of Detroit (and other cities). These cuts account for nearly a third of the city's revenue losses between FY 2011 and FY 2013, coming on the heels of the revenue losses from the Great Recession and tipping the city into the cash flow crisis that it is now experiencing. Furthermore, the Legislature placed strict limits on the City's ability to raise revenue itself to offset these losses.

The City has provided significant tax subsidies to a large number of enterprises as incentives to engage in development projects in downtown Detroit. In some years, the City handed out as much as \$20 million to private interests. To the extent that the development would have occurred without these tax subsidies, or with fewer subsidies, the program was a burden on City revenues at a time when it was particularly damaging.

Detroit's bankruptcy is, at its core, a cash flow problem caused by its inability to bring in enough revenue to pay its bills. The emergency manager has focused on cutting retiree benefits and reducing the city's long-term liabilities to address the crisis. But analysis of the city's finances reveals that his efforts are inappropriate and, in important ways, not rooted in fact.

Detroit's bankruptcy was primarily caused by a severe decline in revenue and exacerbated by complicated Wall Street deals that put its ability to pay its expenses at greater risk. To address the city's cash flow shortfall and get it out of bankruptcy, the emergency manager should focus on increasing revenue and extricating the city from these toxic financial deals. Here are some recommendations for doing that:

The emergency manager, ideally in collaboration with the State, needs to increase revenue by \$198 million annually to bridge Detroit's budget gap until structural programs can be put in place and the City can benefit from increased general economic improvement.

The emergency manager should drop his proposal to move city workers to a defined contribution pension plan and abrogate vested pension benefits. The city's pension fund contributions did not cause the crisis. Reducing benefits runs counter to the long-term goal of structurally improving city services.

The emergency manager should drop any plans to privatize or otherwise monetize the Water and Sewerage Department, since the asserted benefits of such a plan are not likely to be realized and, even if they were, would have no net effect on the current cash flow crisis.

The emergency manager should reclaim tax subsidies and other expenditures to incentivize investment in the downtown area. These tax subsidies should be treated similarly to the city's other financial obligations. The residents of Detroit have already suffered as a result of the crisis, as have the public employees. The recipients of tax expenditures should share in the sacrifice as well.

Once Detroit gets through this immediate crisis, the City's elected officials, working collaboratively with the State Legislature, the governor, and other parties, including the people of Detroit, can turn their attention to post-crisis, structural programs that would grow the City's tax base and allow it to return to prosperity over time.

[1] This section is derived from the November 20, 2013 Demos Report on The Detroit Bankruptcy: <http://www.demos.org/publication/detroit-bankruptcy>



## People's Plan for Restructuring Toward a Sustainable Detroit

### Crucial Questions of Debt and Effective Representation



In the Chapter 9 bankruptcy case, the Hon. Steven Rhodes, the Detroit bankruptcy judge, has twice now from the bench properly told Emergency Manager Orr and the Jones Day lawyers taking over Detroit that they are not to sell us out by paying interest rate 'swap counter parties' Bank of America/Merrill Lynch and UBS hundreds of millions of dollars in illicit 'termination' and 'breakage' fees.

To Judge Rhodes we say that Detroiters have the basic right to competent and loyal legal representation, as well as democratically accountable local government, as we proceed through the largest municipal bankruptcy case in U.S. history.

Jones Day and Kevyn Orr are mercenaries plagued by conflicts of interest. These same bank counter parties adverse to Detroit are also their clients. Even after recently filing a massive case on January 31, 2014 against Detroit's retirement systems and fraudulent 'service corporations' created by the banks to enable their 'interest rate swap' schemes, Jones Day and Orr still refused to make formal legal or equitable claims against the banks. Then, on February 19, 2014, on the eve of filing their Plan of Adjustment, they announced that they have reached a third deal with these predators, details of which are still secret.

Jones Day and Orr have repeatedly demonstrated their lack of candor, integrity and faithfulness to our interests. They should be fired and replaced by competent professionals who are in a position to truly represent Detroit.

What does it say about these lawyers and the one-man "emergency" local government forced on us by Governor Snyder, that they have now twice been told by the bankruptcy judge they improperly tried to sell us out to their other clients for hundreds of millions of dollars? This puts Detroit in unjust legal jeopardy, from the very attorneys who are supposed to be representing our interests in court. It is completely unacceptable.

Wall Street's claims on Detroit's assets have no legitimacy whatsoever. In addition to the appointment of competent and faithful legal representation, we call for complete cancellation of the odious Wall Street debt procured by fraud and allegedly "owed" to the banks by Detroit, not merely moving it into an unsecured position.

# People's Plan for Restructuring Toward a Sustainable Detroit



## Conclusion: Detroit Lives!

The concrete alternatives we have proposed here will put Detroit on a path toward healthy, sustainable development to benefit the whole community. Some of the initiatives we propose are already emerging in grassroots organizing efforts in our City; others are being practiced in sister cities around the country.

Brought on by the outrageous irresponsibility and greed of the corporate elite and the banks, the economic and environmental crisis engulfing Detroit and other U.S. communities is very real. However, it is clear to us that the corporate restructuring, bankruptcy and emergency management 'solution' being imposed by Governor Snyder is bogus, wasteful of millions of dollars, and without foundation in the rule of law. Certainly another way is possible, and that way will emerge from the people's creative capacity to fashion new social models that ensure their well-being.

The Governor/EM's plan of adjustment is aimed at creating a whiter, wealthier city. We propose a plan that will put us on a sustainable path to enriched quality of life. Our plan calls for just relationships based on the vision of People, and for developing social and political infrastructure that will create a sustainable future. Our plan is a clear strategy for survival that will enable our city to thrive. The schemes of the governor/emergency manager and backroom bankruptcy deals reflect the unjust, racist and failed regional power dynamic that created these problems in the first place. In response, we are claiming our power to determine our own future, and transforming our relationships and our community.





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