Detroit's quick and remarkably smooth emergence from bankruptcy should not be considered a typical experience. Other communities that filed for Chapter 9 protection, including Stockton and San Bernardino County, California, were locked in litigation for years, at great expense and disruption for taxpayers and residents.

Detroit navigated the largest municipal bankruptcy to date and came out on the other side stronger and more stable than it's been in decades thanks to the extraordinary skills and commitment of a great number of people, including some who rarely had their names mentioned publicly.

They are the heroes of this bankruptcy.

First among them is Gov. Rick Snyder. Almost as soon as he took office four years ago, the governor turned his focus to Detroit. The state's largest city was hurtling toward financial ruin, but the certified public accountant and CEO believed it could be saved with fiscal discipline and sound management.

Snyder's raw determination, political courage and faith that Detroit could do better drove the turnaround. He saw the bankruptcy not as a tragedy, but rather as an opportunity for Detroit to rebuild and grow. His overriding goal always was to make Detroit a more liveable city.

Previously on Detroit Rises: From bankruptcy, Detroit emerges buoyant (/story/opinion/editorials/2014/11/08/detroit-emerges-buoyant-bankruptcy/18667715/)

Though his conservative Republican base was wary of yet another expensive state intervention in the Motor City, Snyder set aside political risk and plunged in.

With the help of an able team, most notably chief of staff Dennis Muchmore and special adviser Rich Baird, Snyder drew a detailed blueprint for swiftly getting Detroit into bankruptcy court and out again.

And then he went looking for the right quarterback to execute his game plan.
He found him in Kevyn Orr, a premier bankruptcy attorney with the Jones Day law firm. Orr, whom we write about in Tuesday's editorial, displayed a spectacular intellect and the right mix of charm and grit. Just as important, he was intimate with the mechanics of bankruptcy and proved to be a keen student of local interests.

The emergency manager law gave him the ultimate hammer for doing what he wanted, but he rarely used it, choosing instead to collaborate with the community and its elected officials whenever possible.

He and the governor pulled together some of the nation's top bankruptcy lawyers and consultants from Jones Day, the Miller Buckfire firm out of New York City and Conway MacKenzie from Birmingham.

Together, they methodically knocked down barriers to settlements until the final one fell. Orr's mission was to complete the bankruptcy before his 18-month term expired, and he did so, with just a short extension.

Orr and team benefited from the good fortune of having the case assigned to the federal district court in Detroit (it could have gone anywhere in the 6th Circuit).

Chief Judge Gerald Rosen seemed destined for this mission. His contributions were extensive and often ingenious.

Perhaps his best decision was selecting Judge Steven Rhodes to hear the case.

Rhodes, who was headed into retirement before he was tapped for this case, turned out to be a fierce advocate for the people of Detroit. Fully understanding that the primary objective of a Chapter 9 filing is to protect the community and not enrich its creditors, Rhodes set an aggressive schedule centered on achieving deals that were most favorable to the city.

He kept the lawyers focused on reaching settlements, and many times sent them back to the table to redo their work, carefully pointing out the deficiencies of a proposed bargain.

Meanwhile, outside the courtroom, Rosen concentrated on mediating those settlements and on searching for an innovative path to meeting the twin challenges of saving the collections of the Detroit Institute of Arts and sparing pensioners from deep benefit cuts.

The judge understood that either issue, if not resolved, could tie up the bankruptcy in litigation for years.

On an out-of-town trip, Rosen started doodling on a notepad, brainstorming. At one point, he jotted down the words "Art Trust." And the Grand Bargain was born.
Knowing it was a long shot, Rosen roughed out a plan to recruit Detroit's charitable foundations to purchase the art institute from the city and use the proceeds to ease pension cuts.

He ran into Marian Noland, longtime head of the Community Foundation and a person with deep love for Detroit, at a downtown deli and made his pitch. She bought in and enlisted her peers, most notably Rip Rapson of the Kresge Foundation, Alberto Ibarguen of the Knight Foundation and Darren Walker of the Ford Foundation. Eventually, a team of philanthropic organizations both local and national in scope committed $365 million.

But it was contingent on getting the state to do the same. It is counterintuitive to think a Republican-controlled Legislature would sign off on a $350 million bailout of a city run by Democrats. But that's what they did.

Thank the leadership of Senate Majority Leader Randy Richardville, House Speaker Jase Bolger and appropriations member John Walsh, along with Democratic leaders Gretchen Whitmer in the Senate and Tim Greimel in the House. They forged a rare bipartisan alliance to get the votes for the rescue.

The third leg of the Grand Bargain was the DIA itself, challenged with meeting a demand to raise $100 million from its already over-extended donor base. Though at first skeptical, DIA chair Gene Gargaro and the museum's attorney, Alan Schwartz, stepped up. So did art patrons, including Paul Schapp, a chemist from Grosse Pointe who said he just wanted to help. He did so with a $5 million personal check.

The Grand Bargain was the lubricant for all the settlements to come. Those deals were wrangled by the able outside attorneys hired by Snyder and Orr. They were pricey — fees are already at $141 million — but they were worth it. Detroit erased $7 billion of debt and will have $140 million a year in extra cash for services because of their skilled efforts.

A bargaining table has two sides. And while the creditors and retirees were often portrayed as obstacles to resolving the bankruptcy, in the end their representatives swallowed hard and made the best deals they could for their constituents and clients.

Give particular credit to Steve Kreisberg of the national AFSCME union, who helped coax local leaders and members to accept the reality of the bankruptcy. Mark Diaz of the Detroit Police Officers Association and Jeffrey Pegg of the firefighters union did the same. Shirley Lightsey, president of the city retirees association, rallied her peers to approve the "grand bargain."

The creditors, most notably Syncora and the Federal Guaranty Insurance Co., began the process wearing black hats, but by the end had switched to white ones. Both agreed to settlement deals that will turn them into major investors in the city.

Finally, Detroit's political leaders, who have so seldom been part of the solution, rose to this task. The Detroit City Council, the target of much deserved criticism in the past, cast the right votes when needed, under the leadership of president Brenda Jones.
It was Mayor Mike Duggan who set the example. Duggan easily could have come into office in January fighting Orr's oversight and continuing the city's stubborn resistance to emergency management.

Instead, he accepted the reality of his situation and became a partner to Orr. Eventually, they developed enough trust that Orr turned over to Duggan much of the management of the city.

Duggan also projected confidence and optimism to a citizenry desperate for both. His collaboration with Orr and Snyder should make the transition from emergency management to representative government much smoother.

When Detroit needed heroes, these were the ones who stood up.

The second in a five-part series. Read the previous installment:

DETROIT NEWS

Detroit Rises: An overview of emergence from bankruptcy

(http://www.detroitnews.com/story/opinion/editorials/2014/11/08/detroit-emerges-buoyant-bankruptcy/18667715/)

Mediators were the key

It takes a village to sort through and resolve the competing claims of a bankruptcy filing. And Gerald Rosen, chief judge of the Detroit federal district court, assembled a deft team of mediators who became the key players in crafting the deals that led to settlement of Detroit's Chapter 9 case.

The judge relied most heavily on Eugene Driker, a veteran attorney and outgoing trustee of Wayne State University. Driker was at his side during most of the negotiating, but most effectively in getting sign off for the Grand Bargain.

Also taking on key assignments were federal judges Sean Cox, who refereed the regional water authority, Victoria Roberts, who handled talks with the unions, and David Lawson.

Rosen also tapped Wiley Daniel, chief of the U.S. District Court in Colorado, to help out, along with others in specific situations.

Deals were done over dinner — and in barber shops. In an incident dubbed the "haircut haircut," Rosen had to break off a session to get a much-needed trim. He was followed by a mediator and a representative of the Unlimited-Tax General Obligation bondholders, who joined him in the barber chairs.
By the time the coiffing was done, a deal had been struck for the bondholders to accept 74 percent of what they were owed, saving $56 million that was applied to mitigate pension cuts.

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