

DIA pledges to raise \$100M for artwork as Detroit creditors get first look at debt plan

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Detroit— The Detroit Institute of Arts vowed Wednesday to raise \$100 million to help save masterpieces from being sold in bankruptcy while creditors got their first look at the city's confidential debt-cutting plan.

The twin developments marked key progress in the city's push to exit bankruptcy court by early fall without a prolonged fight over the fate of city-owned art and cuts to retiree pensions.

In the DIA's case, the \$100 million pledge also was a stark reversal from earlier this month, when a museum leader said a \$100 million contribution was "not doable" — a comment that led Gov. Rick Snyder to pressure museum officials to contribute to a \$720 million pot of money that would safeguard artwork and bolster the city's pension funds.

In exchange for the money, the DIA would get clear legal title to the museum's art collection and building.

Meanwhile, The News learned Wednesday that the city has shared with creditors a preliminary confidential plan to slash more than \$18 billion in debt, including retiree pensions. The deadline to submit the plan to U.S. Bankruptcy Judge Steven Rhodes is March 1.

The museum said it would raise \$100 million from corporate and individual donors and add it to a pool of approximately \$720 million pledged by private foundations and the state of Michigan.

"I believe the unprecedented support we are seeing from our partners shows all those eyes (of the nation) that Michiganders — and Detroiters in particular — are a proud and resilient people who can work together to find solutions in difficult times," Snyder said in a statement.

The DIA's \$100 million pledge could pressure the city's pension funds to take the \$820 million proposed settlement and quickly end the largest Chapter 9 case in U.S. history, said John Pottow, a bankruptcy law professor at the University of Michigan.

"The idea is to sort of get them to agree not to litigate the saleability of the Detroit artwork," Pottow said.

Pottow said the city and state still face a legal hurdle in convincing Rhodes to give pensioners special treatment in the bankruptcy over other unsecured creditors, such as bondholders and insurers of general and pension debt.

"I think they're going to have a problem with the bondholders," Pottow said.

The debt-cutting plan shared by Detroit Emergency Manager Kevyn Orr on Wednesday outlines the treatment of various classes of city creditors. It could be modified after the city receives feedback from creditors and filed in about two weeks in bankruptcy court, Orr said.

"Time is of the essence — the longer we remain entrenched in our positions and fail to reach an agreement, the worse life gets for Detroit's 700,000 residents and the greater our collective challenges become," Orr said in a statement.

Orr is hoping the draft debt-cutting plan leads to agreements with creditors that could smooth Detroit's path out of bankruptcy, Bingham Farms financial consultant Jim McTevia said.

Orr needs creditor support and to prove the debt-cutting plan can be accomplished within a few years, McTevia said.

"Otherwise, they'll be back in bankruptcy court," he said.

The team of federal mediators that is helping organize an effort involving private foundations and the state of Michigan on Wednesday said the DIA commitment will "turn a new page" in the goal of revitalizing Detroit.

"The DIA is making this commitment not only to assist Detroit's retirees, preserve its art collection and help Detroit achieve a prompt and successful exit from the bankruptcy, but also to help the people of Detroit, this region and our state turn a new page toward the goal everyone shares of a revitalized and renewed metropolitan area with a vibrant and enriching cultural life and heritage," the mediators said in a statement Wednesday.

Ten private foundations have pledged \$370 million and Snyder wants the Legislature to contribute \$350 million toward the effort.

DIA leaders have resisted calls to resume charging museum admission to residents in Macomb, Oakland and Wayne counties. The DIA made free admission part of a campaign pledge to voters in 2012 when they approved 0.2-mill property tax to support the museum's operations, generating \$22 million annually.

The museum raises about \$12 million annually from corporate, foundation and individual donors to fund its operations along with the property tax revenue.

"We are hopeful this agreement will allow Detroit's bankruptcy to move forward smoothly as we all work toward a brighter and better future for Detroit," said Eugene A. Gargaro Jr., chairman of the DIA Board of Directors.

The \$100 million will not directly aid the museum. The money will go to an unnamed third party and will be spent on pension payments.

Along with raising money, the DIA has pledge to stage exhibitions and hold educational programs across the state.

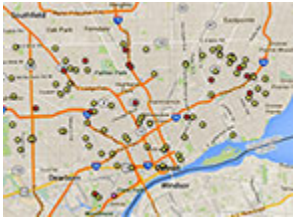


The Detroit Institute of Arts.

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