You didn’t need a tour to get Orr’s message

The bankers blinked and waved off Detroit emergency manager Kevyn Orr's plan to have them tour some of the city's most blighted areas.

It's an optic win, if not a substantive one, for Orr, who is trying to convince many of the city's creditors to take just a fraction of the $11.4 billion they're owed to help the city avoid municipal bankruptcy. If Orr can get the bankers to keep blinking, he might just pull it all off.

To me, the message that Orr was trying to send the bankers with the tour was clear: Here are the assets against which you've lent billions. City buses with no air-conditioning. Mile after mile of urban devastation - abandoned homes, burned-out structures, deterioration and desertion on a scale unmatched in other American cities.

Orr has to convince the banks, particularly the ones he is treating more harshly than bankruptcy rules might, that his offer is the best they'll ever get. There's nothing left here to give. Their money, for better or worse, is gone. Bankruptcy will be a long, expensive journey that would net creditors not much more than what's being offered.

That the bankers didn't want to see up close, or feared a news media spectacle while they were touring, is frustrating. But it also suggests the other prong of Orr's tour - essentially a play for empathy with city residents whose suffering will be enhanced by a prolonged fight over the pennies left to divvy up - had some legs.

Orr will need to keep pressing that case, in as many ways as possible, over the next few weeks. For the record, it's worth noting that Orr's tough stance on
paying back the city's creditors effectively lays waste to the criticism that he was sent here only to take care of the banks' interests.

The municipal lending community is screaming bloody murder over Orr's reordering of long-held notions of secure debt, and a showdown, either in or outside of bankruptcy court, now seems inevitable. Creditors want their money, but also know their future ability to make money through lending depends on keeping a strong relationship with cities like Detroit.

Orr knows that Detroit has no reasonable way to pay back what it has borrowed, but also must preserve the city's ability to operate and rebuild in the future.

The negotiations between the two sides could set important precedents nationwide for the way big, debt-laden urban communities try to restructure their finances.

Already, Orr has run into opposition from one creditor, Ambac Financial Group, which is challenging Orr's decision to treat the general obligation bonds that company backs as unsecured and worth just pennies on the dollar. Ambac says the move would threaten future lending to Detroit and other municipalities; if there is no security for the debt they're issuing, they might not do it. Bonds for capital projects and infrastructure could become unattainable.

But Orr says general obligation bonds are secured by only tax revenues, which in Michigan have legal limits, and in Detroit have reached a practical limit.

Orr is also now suing Syncora Guarantee, a backer of lending that helped the city refinance its pension obligations, to stop it from withholding casino revenues (which were offered up as security when the city's deteriorating finances jeopardized the deal) from the city.

Again, Orr's position boils down to the idea that banks have made all there is to make off Detroiters; it's now time to refocus money on residents through services.

The tour could have been a key data point for creditors to consider; even if it made little difference in their overall calculations, it would have painted them a sobering picture of what their investments look like, and what life is like for those who live here.

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But I think the point was made. Advantage: Orr - and by extension, Detroiters who need a resolution to this debate that leaves the possibility for a better-functioning city on the back end.