

Statement of the Honorable Kwame Kilpatrick
Mayor
City of Detroit, Michigan
February 6, 2008
Before the House Natural Resources Committee
'Full Committee Legislative Hearing: H.R. 2176 And H.R. 4115'

Chairman Rahall, Ranking Member Young and other distinguished members of the Resources Committee, I am Kwame Kilpatrick, the Mayor of Detroit, Michigan. Detroit is a great American city of industry that also has a rich cultural, educational, sports and entertainment heritage. We are a City of communities and hard working families that collectively have withstood tremendous economic challenges, and yet our city is experiencing a revolutionary transformation of its downtown and neighborhoods. Thank you for convening this important hearing on H.R. 2176 and H.R. 4115. These legislative proposals address the settlement of certain land claims of the Bay Hills Indian Community and of the Sault Ste. Marie Tribe of Chippewa Indians and have very significant implications for Detroit and an important component of our community's revitalization strategy. Essentially the two bills would authorize and permit these tribes to open and operate casino gaming facilities in close proximity to casinos that are located in the City of Detroit--far away from their tribal lands in the Upper Peninsula of Michigan. As further discussed herein, the two legislative proposals will be very detrimental to the City and for that reason, the City of Detroit, the Detroit City Council and numerous Detroit elected officials and community leaders strongly oppose their enactment.

Mr. Chairman, the position that I must strongly advocate for today is unfortunately at odds with some of my friends from the Michigan Congressional Delegation. However, it is imperative that I speak on behalf of the future health and vitality of the Next Detroit, and how these bills before the committee today may severely harm this positive trend. Also, I ask you to take note that there are other key leaders of Michigan's congressional delegation who share the concerns of Detroit in this matter.

Mr. Chairman, while I believe that there are significant issues pertaining to Indian land claims settlement policy and to the Indian Gaming Regulatory Act (IGRA) involved in the proceedings today, my testimony does not focus on these matters. Rather I would like to share with you critical information regarding the revitalization occurring in our community and how we believe sanctioning the construction and operation of additional casino operations outside of the City will establish a dangerous precedent greatly and negatively impacting the progress being achieved.

First of all, I want to give you some insights into recent progress my Administration, business and civic leaders and Detroit citizens have made to improve the quality of life in our city. There is real optimism about the future of our city. There are signs of growth and recovery throughout Detroit. We have developed more than 75 buildings downtown large and small. We have built seven new hotels, including the deal

for the \$180 million renovation of the historic Book-Cadillac hotel. This historic facility will house a four star Westin hotel with 455 rooms and have 67 condos on its upper floors, with at least two of them going for more than \$1 million. Imagine that – people paying over a million dollars to own a condo in downtown Detroit. In addition, a development team has bought the air rights of the parking deck being built next to the Book. They are going to build 80 upscale condominiums on top of that garage. The whole concept of buying air rights is common in cities like New York and Chicago, but it has never been heard of in Detroit until now. We have several new housing projects in motion including an 88 acre development on the east side providing 300 new single family homes to our City's residents. Our Detroit Brownfield Development Authority completed 21 projects in 2006 alone, mostly in neighborhoods. Last year we broke ground on the east riverfront on two developments that will create 600 new housing units along with retail and restaurants. We have built 3 new recreation centers in neighborhoods that had not seen rec centers in 20 years. We have instituted historic property tax cuts in neighborhoods. We have opened two new employment training centers, which have enjoyed successful retraining and job placement rates. We have enticed major regional employers to move their headquarters downtown, most recently Quicken Loans, the nation's largest online mortgage lender with its 4,000 jobs. We received national recognition for our success hosting the Major League Baseball All Star Game in 2005 and the Superbowl in 2006. We have built two new sports stadiums downtown and many sports pundits tag our Detroit Tigers as the team to beat in 2008.

These dramatic improvements to the City of Detroit are not just happenstance. A very prominent economic driver to these accomplishments has been the establishment of three casinos within the City's boundaries. These three casinos, approved by a statewide ballot initiative in 1996, have provided over \$1 billion to date in wagering taxes and percentage payments, and the city received another \$100 million in Municipal Service fees. That does not include investments held within the City's limit to construct the new casinos. For instance, the \$800 million MGM Grand Detroit Casino & Hotel was one of the largest construction projects in the State of Michigan when it was being built. The \$400 million MotorCity Casino & Hotel preserved a major Detroit landmark by expanding on its current site to provide a uniquely Detroit experience. These three casinos in Detroit employ over 7,100 hardworking Detroit residents all of whom pay taxes, purchase goods, make rent and mortgage payments and contribute to the overall economic and social well being of our city.

My administration worked hard to seal the permanent casino deals for the city. Included in the deal, the city receives a lump sum of \$4 million when a casino obtains \$400 million in adjusted gross receipts; in addition, the city receives another 1% payment during this period. The city also receives 1.25% of adjusted gross receipts for municipal services supplied to the casinos. As an example of the impact this funding has, the city currently receives approximately \$470,000 in casino revenues daily or approximately \$13,500,000 monthly. These revenues from the casinos are a significant source for the city. For instance, collected casino revenues nearly cover the fire services for the entire city of Detroit, and approximately one-half of what the City expends for police services.

Over this time period, revenues from income taxes decreased over \$100 million annually (from a high of \$378 million in FY1999-2000 to \$277 million in FY2006-07). In addition, annual cuts to State Revenue Sharing to the City amounted to \$61 million annually (from \$333.9 million to \$272.7 million). Clearly, the revenue from casinos listed above is critical to the daily budget and maintenance of the City.

I also want to highlight some very profound findings from a recently released report from the University of Michigan, which I would like to submit in its entirety for the record. And I quote:

- ❑ the three Detroit casinos can be viewed as the spearhead of growth in the Detroit region's hospitality sector. The casinos have grown consistently over the past seven years while most of the rest of the state economy has languished.
- ❑ the three casinos combined to contribute close to \$450 million in direct taxes, fees and assessments to the state and local government treasuries in 2007, while at the same time paying out over \$200 million in wages to their employees and investing almost \$650 million in construction projects. These construction projects include some of the historic development initiatives I just mentioned.
- ❑ direct employment for the three Detroit casinos...is projected to grow to 10,800 workers in 2009" and "the total number of jobs contributed in Michigan by the Detroit casinos up to...30,000 in 2007." That is 30,000 jobs in a region that is facing unparalleled manufacturing job losses.
- ❑ The results of this initial study do confirm, though, that the health of the Detroit casinos is very important to the overall health of the Detroit region, and to the state of Michigan.

These facts presented by the renowned independent views of the University of Michigan directly point to the fact that the City of Detroit's three casinos are a significant driver in the generation of the Next Detroit. These revenues assist the City to improve its neighborhoods, infrastructure and services provided to its residents. A Mapquest of the region shows that Romulus is just 20 miles away from the City and Port Huron is a mere 60. It is not hard to determine that opening congressional mandated off reservation casinos within such a short distance from the City of Detroit would significantly inhibit our ability to continue to revitalize and invest in our city.

The second part of my statement is to address the unprecedented approach these pieces of legislation take on establishing casinos. As many of you know, the three casinos currently operating in Detroit were approved by a majority of Michigan voters in 1996 by ballot initiative. Again, these were not just Detroit voters, they were Michigan voters from across the state who voted in a state wide election to establish three casinos within the City's boundaries. The City took this mandate very seriously and worked very hard to select the casino developers, establish a meaningful partnership between the casinos and the City, participated in the site selection and proved the critical design elements of the

casinos and assured itself of their financial integrity. In my very strong view, we brought these casinos to the City of Detroit in a straightforward, lawful and deliberate manor.

HR 2176 and HR seek to circumvent the proceedings long set by the Indian Regulatory Gaming Act established in 1988. In fact, these specific land claims have been denied at various levels of the judicial system, most recently the U.S. Supreme Court. They set an unprecedented congressional mandate for casinos. I want to stress that Congress has never mandated a casino placement in U.S. history. In fact, a cofounder of the Native American Caucus stated before this Committee in 2004 that the “unintended consequences will be to set dangerous precedents that would cease to undermine the IRGA and would promote bad public policy regarding Indian Land Claims Settlements.”

In closing, clearly, this legislation would severely harm our City’s ability to rebuild and revitalize. We have made great strides and will continue to do so. The investments and the revenues from our three hard fought after casinos are paramount to these efforts. However, as a former state legislator and majority leader of the Michigan House of Representatives, I caution you against creating unprecedented congressionally mandated casinos by enacting these pieces of legislation. By doing so, I fear you will be endorsing an infinite number of land claims that will inevitably come before your Committee in years to come.

Thank you for your attention on this important issue.