

Judge Speeds Up Detroit's Eligibility Hearing

by Joel R. Glucksman on September 10, 2013

Legal commentators have noted that they expect the Detroit Chapter 9 bankruptcy case to be a tedious and time-consuming process. This projection has been supported by the large number of creditors filing objections seeking to prove that the city is not eligible to seek out bankruptcy protection. However, the bankruptcy judge who is overseeing the case appears to be attempting to speed up the process.

U.S. Bankruptcy Judge Steven Rhodes has announced that he will begin hearing legal arguments on September 18 about whether the city is eligible to file its unprecedented \$18 billion-dollar bankruptcy case. This is well ahead of the October 23 date that Rhodes originally set to begin hearing oral arguments. Rhodes noted that given the number of creditors opposing the bankruptcy filing, it would be prudent to hear arguments earlier rather than later. Currently, 109 creditors are challenging the constitutionality of Detroit's bankruptcy filing.

"The court ... concludes that a prompt oral argument on these legal issues will promote just, speedy, and efficient determination of the city's eligibility," Rhodes wrote.

The judge also noted that he will not consider objections relating to potential cuts to city-worker pensions until a later date. In his order, Rhodes wrote that, while he "appreciates the extraordinary importance of the pension rights," he will delay considerations about this issue until he makes a determination about Detroit's eligibility. At present, unions and city workers are seeking to prove that pension rights are protected under Michigan's state constitution.

Creditors, unions, and pension groups are expected to argue several factors that call into question the city's ability to seek bankruptcy protection, including whether Detroit is insolvent, whether it negotiated with creditors in good faith to reach a resolution, and whether the large number of creditors made negotiations feasible, the Economic Times reports. Rhodes wrote that he will be focusing primarily on whether Detroit's emergency manager Kevyn Orr can prove that the city is truly insolvent.