David Whitaker, Esq.
Director
Irvin Corley, Jr.
Executive Policy Manager
Marcell R. Todd, Jr.
Senior City Planner
Janese Chapman
Deputy Director

LaKisha Barclift, Esq.
M. Rory Bolger, Ph.D., AICP
Elizabeth Cabot, Esq.
Tasha Cowen
Richard Drumb
George Etheridge
Deborah Goldstein

City of Detroit
CITY COUNCIL

LEGISLATIVE POLICY DIVISION
208 Coleman A. Young Municipal Center
Detroit, Michigan 48226
Phone: (313) 224-4946 Fax: (313) 224-4336

Christopher Gulock, AICP
Derrick Headd
Marcel Hurt, Esq.
Kimani Jeffrey
Anne Marie Langan
Jamie Murphy
Kim Newby
Analine Powers, Ph.D.
Jennifer Reinhardt
Sabrina Shockley
Thomas Stephens, Esq.
David Teeter
Theresa Thomas
Kathryn Lynch Underwood

TO: Honorable Detroit City Council

FROM: David Whitaker, Director
Legislative Policy Division Staff

DATE: November 6, 2018

RE: Resolution Authorizing Notice of Intent and Issuance of Bond for Joe Louis Arena Demolition

Introduction

The Office of the Chief Financial Officer (OCFO) proposes an issuance of a limited tax general obligation capital improvement bond[1] pursuant to Public Act 34 of 2001, the Revised Municipal Finance Act, to support a not to exceed $12 million loan from the Michigan Strategic Fund (MSF) for the purpose of demolishing Joe Louis Arena (JLA) and related activities. Attachment I represents the authorizing resolution for this transaction.

The Legislative Policy Division (LPD) submitted a number of questions regarding the aforementioned issuance of a bond. Attachment II represents our list of questions with responses. We are extremely appreciative receiving these responses to our questions from the OCFO. Where appropriate, LPD will reiterate or speak to responses throughout this report.

Rationale for this type of bond transaction

Ultimately, the City of Detroit would borrow up to $12 million from the MSF to provide funding for the JLA demolition, in accordance with the bankruptcy settlement with the Financial Guaranty

---

[1] Limited tax general obligation (LTGO) bonds are non-voter bonds and paid for out of the general fund and are not paid for out of property taxes based on the property tax debt millage. LTGO bonds are generally supported by the full faith and credit of the City. However, to make the City's LTGO bonds more attractive to bond investors, the City has pledged revenue streams such as distributable state aid (DSA) (i.e., state revenue sharing) and income taxes as added security to certain LTGO bonds. For this up to $12 million bond transaction, a specific revenue stream will not be pledged.

Insurance Company (FGIC). LPD questioned the need for this type of capital improvement bond transaction instead of entering directly into a loan transaction with the MSF. Miller Canfield, bond counsel for the OCFO, responded accordingly:

> Any municipality in Michigan can only borrow money in ways that are statutorily authorized. Cities have no legal authority to simply take out a loan—from a bank or from any other lender, including the State. The delivery of a capital improvement bond in exchange for a loan is by far the most common, straightforward form of borrowing that municipalities undertake in Michigan. It enables a municipality such as the City to make a *limited tax general obligation* pledge for repayment of the obligation. That simply means the debt can be paid back out of any lawfully available funds, and that the City has no authority to raise new taxes for repayment. Since it cannot raise taxes and can only repay this obligation out of existing sources, it does not require voter approval. However, as with many non-voter-approved forms of borrowing, the law requires a notice of intent and referendum period in connection with all proposed capital improvement bonds.

The third page of Attachment I represents a copy of the notice of intent with the 45-day referendum period. Attachment III represents Section 517 of PA 34 of 2001 requiring a 45-day notice of intent and referendum period for this type of capital bond transaction.

MSF up to $12 million loan transaction

The OCFO seeks an up to $12 million loan from the MSF for a term of 20 years. The City would pay interest only for the first two years (FY 2020 and FY 2021) and make principal and interest payments for the remaining eighteen years (starting in FY 2022). The MSF loan would charge a 1% interest rate for the first two years and a 2% interest rate for the remaining eighteen years. Attachment IV provides more detail on the MSF loan transaction and also provides the JLA demolition timeline.

It is important to note that the City is currently negotiating an up to $12 million loan from the MSF for the JLA demolition. The MSF has recently indicated that it may loan the City just up to $10 million. If the City is unable to borrow $12 million from the MSF, the OCFO is committed to identify where the $2 million would come from and seek Council's approval for the $2 million. At this point, the DEGC and OCFO feel up to $12 million is needed to demolish the JLA and appropriately clean up that site in accordance with the FGIC bankruptcy settlement. For Council's edification, Attachment V provides a copy of the MSF loan term sheets for an up to $12 million MSF loan and an up to $10 million loan. The terms are identical in both term sheets with the exception of the different loan amounts.

Exhibit A of the bond resolution (seventh page of Attachment I) essentially says that the bonds, if approved by Council, would be repaid based on the terms of the Michigan Strategic Fund (MSF) loan agreement. LPD asked if Council approves the bond resolution, would the bond document essentially replace the MSF loan agreement, and therefore, Council wouldn't need to approve the MSF loan agreement. The following is the OCFO's response:

> The City will be delivering the bond to the MSF, but will also execute the required MSF loan documentation. From the City's end of the transaction, the bond is its evidence of

indebtedness, while from the MSF's end, the loan documentation will likely be necessary for its own administrative purposes. So the bond does not replace any MSF loan agreement, however section 12 (of the bond authorization resolution: Attachment I) delegates to the authorized officers the authority to take any actions necessary to issue the bond in accordance with the loan documents ***and to receive the loan***, which would include the execution of any MSF loan agreement. Therefore, no additional City Council action is needed.

According to representatives of the Detroit Economic Growth Corporation (DEGC), the brownfield plan for the JLA demolition will be amended in order to accommodate a larger estimate for demolition costs, from approximately $6 million to approximately $12 million, mainly due to an increase in the estimated costs for asbestos removal. According to the DEGC, a larger development cost can be used based on a FGIC development analysis to amend the brownfield plan to generate enough cash flow to accommodate the repayment of the larger demolition cost of $12 million. The amended brownfield plan is the document authorizing the City to get repaid for any general fund dollars it spends to pay debt service associated with a MSF loan to do the demolition until the amended brownfield plan starts in year four, or around FY 2024.

Initially, the City would pay the debt service on the MSF loan for the first four years, FY 2020 through 2023. Attachment VI represents OCFO's fiscal impact statement describing how the City's general fund will pay the MSF loan debt service (principal and interest) payments associated with the MSF loan. The OCFO's fiscal impact statement indicates in essence monies will be freed up in the general fund because payments to the State for City income tax processing (budgeted under Non-departmental) are below the current budgeted level by approximately $991,000. Thus, there is no impact on the City's Four-Year Financial Plan for FY 2019 through FY 2022. In addition, the demolition may allow the City to save up to $100,000 in budgeted carrying costs to maintain and secure the JLA site in FY 2019 (depending on the final demolition timeline). The City will also avoid unbudgeted annual carrying costs beyond FY 2019 (up to $444,500 annually). LPD finds this explanation to be reasonable.

Timeline of the amended brownfield plan for the JLA demolition

LPD asked why Council should approve the bond resolution before approving the amended brownfield plan. The 45-day referendum period associated with the bond resolution elapses around the second week of December. LPD additionally asked is the Administration looking for Council to consider approving the amended brownfield plan before Council goes on its winter recess in order to have the amended brownfield plan in place. LPD also asked why can't the Administration wait to present the bond resolution to Council for approval until after the amend brownfield plan is approved by Council. The following is the response from the DEGC:

> The amended brownfield plan is going through the approval process right now, starting with the Detroit Brownfield Redevelopment Authority (DBRA). After the DBRA process, it will come to the City Council's Planning and Economic Development Committee on November 15, 2018 and, if approved, the full City Council vote will occur on November 20, 2018. If the bond resolution was reviewed by City Council at this same time instead, the 45-day referendum period would extend into calendar year 2019 because the Administration is asking City Council to consider the resolution prior to the brownfield plan to facilitate securing the MSF loan prior to the end of the calendar year

2018. This will allow the City to secure the loan and stay on schedule for the JLA demolition.

LPD finds this explanation reasonable. The City wants to start the JLA demolition process as soon as possible in calendar year 2019 in order to best accommodate FGIC's development proposal deadline, which is by January 15, 2020. Attachment VII represents a copy of FGIC development agreement timetable. If FGIC is unable to meet the development timeline, the City would seek another developer to develop the JLA site after the JLA is demolished.

Recommendation

Based on the above analysis, LPD recommends approval of the not to exceed $12 million limited tax general obligation capital improvement bond to support a MSF loan for the purpose of demolishing the JLA in accordance with the FGIC bankruptcy settlement.

Please let us know if we could be of any more assistance.

Attachments

cc: John Hill, Chief Financial Officer
John Naglick, Chief Deputy CFO Finance Director
John Hageman, Chief of Staff-OCFO
Tanya Stoudemire, OCFO-Deputy CFO, Budget Director
Sarah Pavelko, Director of Real Estate and Financial Services, DEGC
Stephanie Washington, Mayor's Office

Attachment I

Resolution Authorizing Notice of Intent and Issuance of Bond for Joe Louis Arena Demolition

2 Woodward Ave., Suite 1106
Detroit, Michigan 48226
Phone: 313-224-1219
Fax: 313-224-2135
www.DetroitMI.Gov

14

City of Detroit
Office of the Chief Financial Officer

October 19, 2018

The Honorable Detroit City Council
Coleman A. Young Municipal Complex
2 Woodward Avenue
Detroit, MI 48226

Re: Resolution Authorizing Notice of Intent and Issuance of Bond for Joe Louis Arena Demolition

Dear Honorable Detroit City Council Members:

The CFO office submits the proposed Resolution Authorizing Notice of Intent and Issuance of Bond for Joe Louis Arena Demolition. The Michigan Strategic Fund has offered a loan to the City in an amount not to exceed $12 million for the purpose of demolishing Joe Louis Arena and related activities. In order to accept the loan, the City must undertake a statutorily authorized method of borrowing money. In this case, the appropriate form of borrowing is the issuance of a general obligation capital improvement bond, which would be delivered to the MSF in exchange for the loan. The resolution authorizes the issuance of the bond under terms that reflect the terms of the MSF loan. The resolution also authorizes the publication of a notice of intent to issue the bond, which triggers a 45-day referendum period required by state law. The issuance of the bond (and therefore the closing of the MSF loan) will proceed only after that 45-day period has expired without the filing of a referendum petition signed by 15,000 registered City electors.

Should you have any questions, please do not hesitate to contact me or my offices.

Best regards,

John Naglick, Jr.
Deputy Chief Financial Officer

Att: Resolution Authorizing Notice of Intent and Issuance of Bond for Joe Louis Arena Demolition

Cc: Mayor Michael E. Duggan
David P. Massaron, Chief Operating Officer and Senior Counsel to the Mayor
Katie Hammer, Deputy Chief Operating Officer
John Hill, Chief Financial Officer
John H. Hageman, Chief of Staff to the Chief Financial Officer
Tanya Stoudemire, Deputy CFO/Budget Director
Christa McLellan, Deput CFO/Treasurer
Stephanie Washington, City Council Liaison

RESOLUTION AUTHORIZING NOTICE OF INTENT AND ISSUANCE OF BOND FOR JOE LOUIS ARENA DEMOLITION

City of Detroit
County of Wayne, State of Michigan

WHEREAS, the City Council of the City of Detroit (the "City") does hereby determine that it is necessary to pay all or part of the cost of capital improvement items in the City, consisting of the demolition of Joe Louis Arena and related structures and facilities within the City and related improvements (the "Project"); and

WHEREAS, to finance the cost of the Project, the Michigan Strategic Fund (the "MSF") has offered a loan to the City (the "Loan") according to terms approved by the MSF and presented to the City; and

WHEREAS, in exchange for the Loan, the City Council deems it necessary to issue and deliver to the MSF a bond in an amount of not to exceed Twelve Million Dollars ($12,000,000) pursuant to Act 34, Public Acts of Michigan, 2001, as amended ("Act 34"); and

WHEREAS, a notice of intent to issue a bond must be published before the issuance of the aforesaid bond in order to comply with the requirements of Section 517 of Act 34, Public Acts of Michigan, 2001, as amended, and said bond may be issued without a vote of the electors of the City unless a proper petition for an election on the question of the issuance of the bond is filed with the City Clerk within a period of forty-five (45) days from the date of the notice of publication.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. Notice of Intent; Publication. The City Clerk is hereby authorized and directed to publish a notice of intent to issue a bond in a newspaper of general circulation in the City.

2. Notice of Intent; Form. Said notice of intent shall be published as a one-quarter (¼) page display advertisement in substantially the following form:

NOTICE TO ELECTORS
OF THE CITY OF DETROIT
OF INTENT TO ISSUE A BOND SECURED BY THE TAXING
POWER OF THE CITY AND RIGHT OF REFERENDUM THEREON

PLEASE TAKE NOTICE that City of Detroit, Michigan (the "City"), intends to issue a bond, pursuant to Act 34, Public Acts of Michigan, 2001, as amended, in an amount not to exceed Twelve Million Dollars ($12,000,000) for the purpose of paying all or part of the cost of capital improvement items in the City, consisting of the demolition of Joe Louis Arena and related structures and facilities within the City and related improvements. The City expects said bond will be delivered to the Michigan Strategic Fund (the "MSF") in exchange for a loan from the MSF.

SAID BOND will be payable in annual installments not to exceed twenty (20) in number and will bear interest at the rate or rates to be determined at a public or private sale but in no event to exceed the maximum rate permitted by law on the balance of the bonds from time to time remaining unpaid.

SOURCE OF PAYMENT OF BOND

THE PRINCIPAL OF AND INTEREST ON SAID BOND SHALL BE PAYABLE from the general funds of the City lawfully available for such purposes including property taxes levied within applicable constitutional, statutory and charter tax rate limitations.

RIGHT OF REFERENDUM

THE BOND WILL BE ISSUED WITHOUT A VOTE OF THE ELECTORS UNLESS A PETITION REQUESTING SUCH A VOTE SIGNED BY NOT LESS THAN 10% OR 15,000 OF THE REGISTERED ELECTORS OF THE CITY, WHICHEVER IS LESS, IS FILED WITH THE CITY CLERK WITHIN FORTY-FIVE (45) DAYS AFTER PUBLICATION OF THIS NOTICE. IF SUCH PETITION IS FILED, THE BOND MAY NOT BE ISSUED WITHOUT AN APPROVING VOTE OF A MAJORITY OF THE QUALIFIED ELECTORS OF THE CITY VOTING THEREON.

THIS NOTICE is given pursuant to the requirements of Section 517, Act 34, Public Acts of Michigan, 2001, as amended.

Janice M. Winfrey
City Clerk

3. Authorization of Bond; Bond Terms. Subject to the expiration of the referendum period set forth in the foregoing notice of intent, a bond of the City designated 2018 CAPITAL IMPROVEMENT BOND (the "Bond") is authorized to be issued in the aggregate principal sum of not to exceed Twelve Million Dollars ($12,000,000), at an interest rate not to exceed two percent (2%) per annum, for the purpose of paying all or part of the cost of the Project, including the costs incidental to the issuance, sale and delivery of the Bond.

The Bond shall be in the form of a single instrument bond, payable in principal installments on such dates as determined by the Mayor, Chief Financial Officer or Chief Deputy CFO/Finance Director (each, an "Authorized Officer") and provided in the Bond as executed and delivered to the MSF. The Bond may be subject to prepayment prior to maturity as determined by an Authorized Officer in cooperation with the MSF and as may be set forth in the documents evidencing the Loan (the "Loan Documents").

4. Notice of Intent; Determinations. The City Council does hereby determine that the foregoing form of notice of intent to issue the Bond and the manner of publication directed is the method best calculated to give notice to the City taxpayers and electors of this City Council's intent to issue the Bond, the purpose of the Bond, the security for the Bond, and the right of referendum relating thereto, and is hereby determined to reach the largest number of persons to whom the notice is directed.

5. Execution of Bond. The Bond shall be executed in the name of the City with the manual or facsimile signatures of the Mayor and Finance Director and shall have the seal of the City, or a facsimile thereof, printed or impressed on the Bond.

6. Transfer of Bond. The Bond may be transferable as provided in the Bond or the Loan Documents.

7. Limited Tax Pledge; Debt Retirement Fund. The City hereby pledges its limited tax full faith and credit for the prompt payment of the Bond. The City shall, each year budget the amount of the debt service coming due in the next fiscal year on the principal of and interest on the Bond and shall advance as a first budget obligation from its general funds available therefor, or, if necessary, levy taxes upon all taxable property in the City subject to applicable constitutional, statutory and charter tax rate limitations, such sums as may be necessary to pay such debt service in said fiscal year.

The Treasurer is authorized to open a depositary account with a bank or trust company, to be designated 2018 CAPITAL IMPROVEMENT BOND DEBT RETIREMENT FUND (the "Debt Retirement Fund"), the moneys to be deposited into the Debt Retirement Fund to be specifically earmarked and used solely for the purpose of paying principal of and interest on the Bond as they become due.

8. Project Fund. The Treasurer is authorized and directed to open a depositary account with a bank or trust company, to be designated 2018 CAPITAL IMPROVEMENT BOND PROJECT FUND (the "Project Fund") and deposit into said Project Fund the proceeds of the Bond less accrued interest, if any, which shall be deposited into the Debt Retirement Fund. The moneys in the Project Fund shall be used solely to pay the costs of the Project and the costs of issuance of the Bond.

9. Bond Form. The Bond shall be in substantially the form attached hereto as Exhibit A, with such adjustments as may be necessary to conform to the terms of the Loan and the Loan Documents in the discretion of the appropriate Authorized Officer within the parameters of this Resolution:

10. Useful Life of Project. The estimated period of usefulness of the Project is hereby

declared to be not less than twenty (20) years.

11. Negotiated Sale. The City hereby declares that it has pursued a negotiated sale with the MSF because terms of the Bond are expected to best achieve the most advantageous interest rate and lowest overall cost to the City.

12. Approval of Loan and Delivery of Bond to MSF; Other Actions. Each Authorized Officer is hereby authorized to deliver the Bond to the MSF and take all other necessary actions required to receive the Loan from the MSF and effectuate the sale, issuance and delivery of the Bond, subject to the parameters set forth in this Resolution. The Authorized Officers, and such other officials, agents and employees of the City are authorized and directed to take all other actions necessary or advisable, to enter into all necessary agreements with the MSF and other necessary parties, to file one or more applications with the Michigan Department of Treasury (the "Department") for prior approval to issue the Bonds and for a waiver of the requirement under Act 34 for a municipal security to be rated, and to make such other filings with the Department or with other parties, to enable the acceptance of the Loan and the issuance, sale and delivery of the Bond as contemplated herein.

13. Adjustment of Bond Terms. Each Authorized Officer is hereby authorized to adjust the final Bond details to the extent necessary or convenient to complete the transaction authorized in this Resolution, and in pursuance of the foregoing are each authorized to exercise the authority and make the determinations authorized pursuant to Section 315(1)(d) of Act 34, including but not limited to, determinations regarding interest rates, prices, discounts, maturities, principal amounts, denominations, dates of issuance, interest payment dates, prepayment rights, the place of delivery and payment, designation of series, and other matters, all subject to the parameters established in this Resolution.

14. Bond Counsel. Miller, Canfield, Paddock and Stone, P.L.C. is hereby confirmed as bond counsel for the Bond, notwithstanding periodic representation in unrelated matters of the MSF.

15. Rescission. All resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution be and the same hereby are rescinded.

AYES: Members ____________________________________

____

NAYS: Members ____________________________________

RESOLUTION DECLARED ADOPTED.

____

City Clerk

I hereby certify that the foregoing is a true and complete copy of a resolution adopted by the City Council of the City of Detroit, County of Wayne, State of Michigan, at a regular meeting held on October 30, 2018, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, and that the minutes of said meeting were kept and will be or have been made available as required by said Act.

____
City Clerk

EXHIBIT A
FORM OF BOND

CITY OF DETROIT
CAPITAL IMPROVEMENT BOND, SERIES 2018
(LIMITED TAX GENERAL OBLIGATION)

Interest Rate	Maturity Date	Date of Original Issue

Owner: Michigan Strategic Fund

Principal Amount: Dollars

The City of Detroit, County of Wayne, State of Michigan (the "City"), acknowledges itself to owe and for value received hereby promises to pay to the Owner specified above, or registered assigns, the Principal Amount specified above, in lawful money of the United States of America, on the dates and in the amounts as set forth in the documents evidencing a loan from the Michigan Strategic Fund (the "MSF") to the City (the "Loan Documents").

This principal of this bond shall be outstanding in the amounts from time to time delivered to the City in accordance to the Loan Documents.

This bond is issued pursuant to Act 34, Public Acts of Michigan, 2001, as amended, and a resolution duly adopted by the City Council of the City for the purpose of paying all or part of the cost of the demolition of Joe Louis Arena.

This bond, including the interest thereon, is payable as a first budget obligation from the general funds of the City, and the City is required, if necessary, to levy ad valorem taxes on all taxable property in the City for the payment thereof, subject to applicable constitutional, statutory and charter tax rate limitations.

It is hereby certified and recited that all acts, conditions and things required by law precedent to and in the issuance of this bond have been done, exist and have happened in regular and due time and form as required by law, and that the total indebtedness of the City, including this bond, does not exceed any constitutional or statutory debt limitation.

IN WITNESS WHEREOF the City, by its City Council, has caused this bond to be executed with the manual signatures of its Mayor and its Finance Director and its corporate seal or a facsimile thereof to be [impressed/printed] hereon, all as of the Date of Original Issue.

CITY OF DETROIT
County of Wayne
State of Michigan

By: ______________________
Its: Mayor

(SEAL)

By: ______________________
Its: Finance Director

31994891.9\022765-10017

Attachment II

LPD questions on the not to exceed $12 million bond with responses from the OCFO

City of Detroit
Office of the Chief Financial Officer

Coleman A. Young Municipal Center
2 Woodward Ave., Suite 1100
Detroit, Michigan 48226
Phone: 313-628-2535
Fax: 313-224-2135
www.DetroitMI.Gov

TO: Irvin Corley, Jr., Executive Policy Manager, Legislative Policy Division
FROM: John Naglick, Chief Deputy CFO / Finance Director
SUBJECT: Response to Questions on Bond Authorizing Resolution for Joe Louis Arena Demolition sent 10/24/2018
DATE: October 24, 2018

In your request dated October 24, 2018, you requested the Office of the Chief Financial Officer (OCFO) respond to the following questions related to the proposed bond authorizing resolution for the Joe Louis Arena (JLA) demolition. Please see the response below.

1. LPD understands the brownfield plan for the JLA demolition will be amended in order to accommodate a larger estimate for demolition costs, from approximately $6 million to approximately $12 million, mainly due to an increase in the estimated costs for asbestos removal. According to the DEGC, a larger development cost can be used based on a FGIC development analysis to amend the brownfield plan to generate enough cash flow to accommodate the repayment of the larger demolition cost of $12 million. The amended brownfield plan is the document authorizing the City to get repaid for any general fund dollars it spends to pay debt service associated with a MSF loan to do the demolition until the amended brownfield plan kicks in around 2024. Why should Council approve the bond resolution before approving the amended brownfield plan? The 45 day referendum period associated with the bond resolution elapses around the second week of December. Is the Administration looking for Council to consider approving the amended brownfield plan before Council goes on its winter recess in order to have the amended brownfield plan in place?

   Response: The amended brownfield plan is going through the approval process right now, starting with the Detroit Brownfield Redevelopment Authority (DBRA). After the DBRA process, it will come to City Council on November 15. The Administration is asking City Council to consider the bond resolution now so that the 45-day referendum period will be completed prior to the end of the calendar year. This will allow the City to secure the loan and stay on schedule for the JLA demolition.

2. Why can't the Administration wait to present the bond resolution to Council for approval until after the amend brownfield plan is approved by Council?

   Response: The Brownfield Plan will come to the City Council's Planning and Economic Development Committee on November 15 and, if approved, the full City Council vote will occur on November 20. If the bond resolution was reviewed by City Council at this same time instead, the 45-day referendum period would extend into calendar year 2019 because the Administration could not issue the public notification until November 20. The Administration is asking City Council to consider the resolution prior to the Brownfield Plan to facilitate securing the loan prior to the end of the calendar year.

City of Detroit
Office of the Chief Financial Officer

Coleman A. Young Municipal Center
2 Woodward Ave., Suite 1100
Detroit, Michigan 48226
Phone: 313-628-2535
Fax: 313-224-2135
www.DetroitMI.Gov

3. Exhibit A of the bond resolution essentially says that the bonds, if approved by Council, would be repaid based on the terms of the Michigan Strategic Fund (MSF) loan agreement. So if Council approves the bond resolution, would the bond document essentially replace the MSF loan agreement, and therefore, Council wouldn't need to approve the MSF loan agreement?

   Response: The City will be delivering the bond to the MSF, but will also execute the required MSF loan documentation. From the City's end of the transaction, the bond is its evidence of indebtedness, while from the MSF's end, the loan documentation will likely be necessary for its own administrative purposes. So the bond does not replace any MSF loan agreement, however section 12 delegates to the authorized officers the authority to take any actions necessary to issue the bond in accordance with the loan documents ***and to receive the loan***, which would include the execution of any MSF loan agreement. Therefore, no additional City Council action is needed.

4. Is the Administration confident that the official MSF loan agreement the bond would replace contains the same loan terms that are spelled out in the MSF-Other Performance Based Loan Summary of Terms-Draft? Would the Administration present the official MSF loan agreement to Council for its information?

   Response: As stated above, the bond does not replace the loan—rather it is an instrument delivered to the MSF in exchange for the loan. This form of borrowing is required by state law, but does not change the terms of the loan. The Administration is confident the term sheet will be the final terms. On behalf of the MSF Board, the Michigan Economic Development Corporation (MEDC) has provided the term sheet that will be submitted to the Board. The final terms approved by the MSF Board can be submitted to LPD.

5. Out of what general fund appropriation will the City use to pay the debt service on the bond/MSF loan agreement until the amended brownfield kicks in around 2024? Will the OCFO present to Council a fiscal impact statement before the Body takes its vote on the bond resolution?

   Response: Yes, the fiscal impact statement is forthcoming and will identify sufficient budgetary offsets to support the new debt service.

6. Is the City able to apply the $490,226 received from the proceeds from the JLA seat sales, and any future proceeds, towards demolition?

   Response: No. While the proceeds from the seat sales are a revenue gain not included in the adopted budget, they will accrue as additional one-time revenue in FY 2019 prior to the new recurring debt service expenses beginning in FY 2020. The new recurring

City of Detroit
Office of the Chief Financial Officer

Coleman A. Young Municipal Center
2 Woodward Ave., Suite 1100
Detroit, Michigan 48226
Phone: 313-628-2535
Fax: 313-224-2135
www.DetroitMI.Gov

debt service must be offset by recurring resources per City policy, which will be reflected in the forthcoming fiscal impact statement and later integrated into the proposed FY 2020-2023 Four-Year Financial Plan.

7. Can the OCFO provide a debt service schedule on the proposed $12 million loan? Thanks for indicating that the City plans to budget the debt service on the loan in the FY 2020-2023 four-year plan.

   Response: The debt service schedule is attached.

Att: Community Revitalization Program Loan - Debt Service schedule

Cc: Honorable Detroit City Council
David P. Massaron, Chief Operating Officer and Senior Counsel to the Mayor
Katie Hammer, Deputy Chief Operating Officer
Stephanie Washington, City Council Liaison
John W. Hill, Chief Financial Officer
Christa McLellan, Deputy CFO / Treasurer
Tanya Stoudemire, Deputy CFO / Budget Director

Attachment III

Section 517 of PA 34 of 2001 requiring a 45-day notice of intent and referendum period

REVISED MUNICIPAL FINANCE ACT (EXCERPT)
Act 34 of 2001

141.2517 Capital improvement items; issuance of municipal security to pay cost; notice of intent; petition; referendum; special election; limitation on amount.

Sec. 517. (1) A county, city, village, or township may by resolution of its governing body, and without a vote of its electors, issue a municipal security under this section to pay the cost of any capital improvement items, provided that the amount of taxes necessary to pay the principal and interest on that municipal security, together with the taxes levied for the same year, shall not exceed the limit authorized by law.

(2) If a county, city, village, or township issues a municipal security under this section, before issuance, the county, city, village, or township shall publish a notice of intent to issue the municipal security. The notice of intent shall be directed to the electors of the county, city, village, or township, shall be published in a newspaper that has general circulation in the county, city, village, or township, and shall state the maximum amount of municipal securities to be issued, the purpose of the municipal securities, the source of payment, the right of referendum on the issuance of the municipal securities, and any other information the county, city, village, or township determines necessary to adequately inform the electors of the nature of the issue. The notice of intent shall not be less than 1/4 page in size in the newspaper. If, within 45 days after the publication of the notice of intent, a petition, signed by not less than 10% or 15,000 of the registered electors, whichever is less, residing within the county, city, village, or township, is filed with the governing body of the county, city, village, or township, requesting a referendum upon the question of the issuance of the municipal securities, then the municipality shall not issue the municipal securities until authorized by the vote of a majority of the electors of the county, city, village, or township qualified to vote and voting on the question at a general or special election. A special election called for this purpose shall not be included in a statutory or charter limitation as to the number of special elections to be called within a period of time. Signatures on the petition shall be verified by a person under oath as the actual signatures of the persons whose names are signed to the petition, and the governing body of the county, city, village, or township shall have the same power to reject signatures and petitions as city clerks under section 25 of the home rule city act, 1909 PA 279, MCL 117.25. The number of registered electors in the county, city, village, or township shall be determined by the governing body of the county, city, village, or township.

(3) Municipal securities issued under subsection (1) by a county, city, village, or township shall not exceed 5% of the state equalized valuation of the property assessed in that county, city, village, or township.

History: 2001, Act 34, Eff. Mar. 1, 2002;—Am. 2002, Act 541, Imd. Eff. July 26, 2002.

Attachment IV

JLA MSF loan overview and JLA demolition overview

Joe Louis Arena | Demolition Overview

PURPOSE: Facilitate demolition of JLA & ensure compliance with FGIC Development Agreement
JLA Demolition Loan Terms

- Financial Assistance award from MEDC
- *Amount:* Up to $12 M
- *Term: 20* years
- *Special Considerations:* 2 years interest only. 18 years P & I
  - *3rd year payment: $885,747*
- *Interest Rate:* 1% annual interest for 2 years. 2% for 18 years.
- *Disbursements:*
  - 1st Disbursement: up to $850,000 for survey, due diligence, design and administrative costs.
  - 2nd Disbursement: $3 million of demolition costs
  - 3rd Disbursement: Remaining cost of demolition
- *Loan Repayment:* Payment from general fund.
- *Reimbursement to City:* Brownfield Plan being approved to reimburse City for costs/loan payments

Demolition Budget

Eligible Activity	Cost
ALTA Survey	$ 18,200
Environmental Testing and Report	$ 375,000
Due Care Dermal Barrier & Response Activities	$ 220,000
Demolition	$ 4,870,156
Abatement	$ 4,800,000
Contingency (15%)	$ 1,542,503
Brownfield Plan Prep & Implementation	$ 60,000
Overall Project Total	**$ 11,825,859**

Demolition Timeline

Task Name	Date
Due Diligence & Engineering	October 2018
Brownfield Plan Amendment – DBRA	Oct 24 & Nov 7
Brownfield Plan Amendment - Council	Nov 15 (PED) & Nov 20
Loan approval by City Council	Oct 24 (Budget) & Oct 30
45 Bond Notification	Oct 31 – Dec 14 2018
MSF Approval of Brownfield Plan and Loan	December 18 2018
Finalize and execute loan documents	December 21 2018
Procure Demolition Contractor	December 2018
Demolition	Jan – Dec 2019

Attachment V

MSF term sheets for either an up to $12 million MSF loan or an up to $10 million MSF loan

MSF-Other Performance Based Loan
Summary of Terms - Draft

The following is a summary of the highlights of the agreement and basic terms for which the City of Detroit desires incentive support from the Michigan Strategic Fund ("MSF"). ***The following proposal should not be considered a commitment to lend and does not contain all of the final lending parameters. Any proposal must be reviewed and approved by the MSF Board.***

Date: September 24, 2018

1. **Applicant Name ("Applicant" or "City"):** City of Detroit
2. **Contact Person and Address:** John Naglick, Chief Deputy CFO/Finance Director, 2 Woodward Avenue, Detroit, MI 48226
3. **Project Address and Description ("Project"):** Demolition and site preparation of approximately 5.9 acres of property located at 600 Civic Center Drive, Detroit, Michigan and more commonly known as "Joe Louis Arena."
4. **Incentive Type:** Performance Based Direct Loan
5. **Maximum Amount of Award:** Up to $12,000,000
6. **Loan Security:** The loan is secured by the full faith and credit of the City of Detroit and first position on future tax increment revenue from the Project.
7. **Future Investment:** The City anticipates that there will be a minimum of $24 million in private investment made on the Project site in the future.
8. **MSF Fees:** One-time fee equal to one percent of the MSF award
9. **Interest Rate and Repayment Term:** Annual interest only payments with an interest rate of 1.00% for years one and two followed by 18 equal payments of principle and Interest with interest rate of 2% for years three through 20.
10. **Milestones & Disbursement:** The final terms and conditions of each of the Progress Milestones shall be included in the final Agreement, which may include but not limited to:
    - The first disbursement of up to $850,000 will be made upon execution of agreement.
    - Second disbursement of $3,000,000 will be made upon request from applicant and demonstration of acceptance of a guaranteed maximum price contract.
    - Third disbursement of amount necessary to cover the cost of the demolition activities up to $2,150,000 will be made as a reimbursement to the City upon completion of project and demonstration that all milestones have been met.
    - A second and final disbursement will be made upon completion of demolition of structures and restoration of the site, subject to MSF approved site restoration specifications, MSF certification of costs and MSF verification of all necessary lien waivers. Before final disbursement, the City must demonstrate timely completion of all

Milestones, as required, and otherwise be in full compliance with all terms and conditions of the final Agreement.

11. **Repayment Provisions:**
    The repayment and penalty terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement.
12. **Reporting Requirements:**
    Periodic reporting will be required with this award.
13. **Public Announcements:**
    The Applicant shall not make, or cause, any announcement of the proposed award parameters outlined in this letter before the date of approval by the MSF, unless authorized and coordinated in advance with the MEDC.

This Summary of Terms is an outline of the structure of the proposed MSF Award and does not purport to summarize all of the conditions, terms, covenants, representations, warranties and other provisions, which would be contained in definitive legal documentation for the MSF Award contemplated hereby. It should not in any way be viewed as a commitment by or an obligation of the MEDC, the MSF or any other entity to extend financial accommodations to the Applicant and is subject to, among other things, the approval of the request under MEDC's internal approval process and by the MSF Board. Any final MSF Award or advances under the Award is contingent upon several factors, including: (i) submission by the Applicant of all documentation required by MEDC staff; (ii) available MSF funding; (iii) completion of MEDC staff review, and other business and legal review and due diligence, as required, the results of which must be satisfactory to the MEDC, the MSF, and as applicable, the Chief Compliance Officer; (v) approval of an award/advance by the MSF; and (vi) execution of final Agreements containing the established milestones, repayment terms, reporting requirements, and all other detailed terms and conditions, required by the MSF.

The Applicant cannot assign this Summary of Terms without the prior written consent of the MEDC. If the City is interested in the MEDC pursuing a recommendation to the MSF for a possible MSF Award for the City along the above parameters, please sign and date this Summary of Terms and return to the Director, Community Development Incentives by ___________________2018.

City of Detroit

By: ___________________________

Its: ___________________________

Dated: ___________________________

MSF-Other Performance Based Loan
Summary of Terms - Draft

The following is a summary of the highlights of the agreement and basic terms for which the City of Detroit desires incentive support from the Michigan Strategic Fund ("MSF"). ***The following proposal should not be considered a commitment to lend and does not contain all of the final lending parameters. Any proposal must be reviewed and approved by the MSF Board.***

Date: September 24, 2018

1. **Applicant Name ("Applicant" or "City"):** City of Detroit
2. **Contact Person and Address:** John Naglick, Chief Deputy CFO/Finance Director, 2 Woodward Avenue, Detroit, MI 48226
3. **Project Address and Description ("Project"):** Demolition and site preparation of approximately 5.9 acres of property located at 600 Civic Center Drive, Detroit, Michigan and more commonly known as "Joe Louis Arena."
4. **Incentive Type:** Performance Based Direct Loan
5. **Maximum Amount of Award:** Up to $12,000,000
6. **Loan Security:** The loan is secured by the full faith and credit of the City of Detroit and first position on future tax increment revenue from the Project.
7. **Future Investment:** The City anticipates that there will be a minimum of $24 million in private investment made on the Project site in the future.
8. **MSF Fees:** One-time fee equal to one percent of the MSF award
9. **Interest Rate and Repayment Term**: Annual interest only payments with an interest rate of 1.00% for years one and two followed by 18 equal payments of principle and Interest with interest rate of 2% for years three through 20.
10. **Milestones & Disbursement:** The final terms and conditions of each of the Progress Milestones shall be included in the final Agreement, which may include but not limited to:
    - The first disbursement of up to $850,000 will be made upon execution of agreement.
    - Second disbursement of $3,000,000 will be made upon request from applicant and demonstration of acceptance of a guaranteed maximum price contract.
    - Third disbursement of amount necessary to cover the cost of the demolition activities up to $2,150,000 will be made as a reimbursement to the City upon completion of project and demonstration that all milestones have been met.
    - A second and final disbursement will be made upon completion of demolition of structures and restoration of the site, subject to MSF approved site restoration specifications, MSF certification of costs and MSF verification of all necessary lien waivers. Before final disbursement, the City must demonstrate timely completion of all

MSF-Other Performance Based Loan
Summary of Terms - Draft

The following is a summary of the highlights of the agreement and basic terms for which the City of Detroit desires incentive support from the Michigan Strategic Fund ("MSF"). ***The following proposal should not be considered a commitment to lend and does not contain all of the final lending parameters. Any proposal must be reviewed and approved by the MSF Board.***

Date: September 24, 2018

1. **Applicant Name ("Applicant" or "City"):** City of Detroit
2. **Contact Person and Address:** John Naglick, Chief Deputy CFO/Finance Director, 2 Woodward Avenue, Detroit, MI 48226
3. **Project Address and Description ("Project"):** Demolition and site preparation of approximately 5.9 acres of property located at 600 Civic Center Drive, Detroit, Michigan and more commonly known as "Joe Louis Arena."
4. **Incentive Type:** Performance Based Direct Loan
5. **Maximum Amount of Award:** Up to $10,000,000
6. **Loan Security:** The loan is secured by the full faith and credit of the City of Detroit and first position on future tax increment revenue from the Project.
7. **Future Investment:** The City anticipates that there will be a minimum of $24 million in private investment made on the Project site in the future.
8. **MSF Fees:** One-time fee equal to one percent of the MSF award
9. **Interest Rate and Repayment Term**: Annual interest only payments with an interest rate of 1.00% for years one and two followed by 18 equal payments of principle and Interest with interest rate of 2% for years three through 20.
10. **Milestones & Disbursement:** The final terms and conditions of each of the Progress Milestones shall be included in the final Agreement, which may include but not limited to:
    - The first disbursement of up to $850,000 will be made upon execution of agreement.
    - Second disbursement of $3,000,000 will be made upon request from applicant and demonstration of acceptance of a guaranteed maximum price contract.
    - Third disbursement of amount necessary to cover the cost of the demolition activities up to $2,150,000 will be made as a reimbursement to the City upon completion of project and demonstration that all milestones have been met.
    - A second and final disbursement will be made upon completion of demolition of structures and restoration of the site, subject to MSF approved site restoration specifications, MSF certification of costs and MSF verification of all necessary lien waivers. Before final disbursement, the City must demonstrate timely completion of all

Attachment VI

OCFO's fiscal impact statement describing how the City of Detroit will pay the debt service (principal and interest) payments associated with the MSF for the first four fiscal years

CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

COLEMAN A. YOUNG MUNICIPAL CENTER
2 WOODWARD AVE., SUITE 1100
DETROIT, MICHIGAN 48226
PHONE: 313-628-2535
FAX: 313-224-2135
WWW.DETROITMI.GOV

CFO MEMORANDUM
No. 2018-101-033

TO: Michael E. Duggan, Mayor; Honorable Detroit City Council
FROM: John W. Hill, Chief Financial Officer for JW Hill 10/31/18
SUBJECT: Fiscal Impact of Loan for Joe Louis Arena Demolition
ISSUANCE DATE: October 31, 2018

1. AUTHORITY

   1.1. State of Michigan Public Act 279 of 1909, Section 4s(2)(d), as amended by Public Act 182 of 2014, states the chief financial officer shall submit in writing to the mayor and the governing body of the City his or her opinion on the effect that policy or budgetary decisions made by the mayor or the governing body of the City will have on the City's annual budget and its four-year financial plan.

   1.2. CFO Directive No. 2018-101-029 Fiscal Impact Statements states that the CFO shall issue Fiscal Impact Statements for all items requiring fiscal impact statements, as defined in that Directive, to provide financial information to the Mayor and the City Council as they consider action on proposed local policy or budgetary decision items.

2. PURPOSE

   2.1. To provide financial information to the Mayor and the Detroit City Council as they consider action on the loan (the "Loan") from the Michigan Strategic Fund (the "MSF") made to the City of Detroit (the "City") for the purpose of paying for the cost of demolition of Joe Louis Arena (the "Arena"), nearby structures and facilities, and related asbestos abatement.

3. OBJECTIVE

   3.1. This Memorandum serves as the report on the fiscal impact of the Loan for the Arena's demolition in relation to the City's FY 2019 budget and Four-Year Financial Plan for FY 2019 – FY 2022.

4. SCOPE

   4.1. This Memorandum is not intended to convey any statements nor opinions on the advisability of the Loan, nor the demolition, it is meant only to provide data on the fiscal impact on the City's FY 2019 budget and Four-Year Financial Plan for FY 2019 – FY 2022.

   4.2. The fiscal impact analysis in this Memorandum only addresses the Loan for the demolition of the Arena and asbestos abatement. It does not include the overall economic benefit and fiscal impact of redeveloping the Arena site.

5. STATEMENT

   5.1. Conclusion: The Loan and proposed offset would have no net impact on the City's FY 2019 budget and Four-Year Financial Plan for FY 2019 – FY 2022. The new debt service cost beginning in FY 2020 can be offset because payments to the State for City income tax processing are below the current budgeted level.

5.2. Background: Per the City's Plan of Adjustment and settlement with Financial Guaranty Insurance Company, the bond insurer, through its subsidiary Gotham Motown Recovery, has the option to redevelop the Arena site under the terms of the settlement agreement. To facilitate the redevelopment, the City must demolish the Arena site, which is proposed to be financed by the MSF Loan. The Loan amount would be up to $12 million for a term of 20 years, with 1% interest-only payments for the first two years and 2% interest and principal thereafter. While the debt service on the Loan would be paid by the City's General Fund, the proposal also includes the creation of brownfield redevelopment plan to capture incremental property tax revenue from the future development to reimburse the City beginning in 2024 over a 29-year period.

5.3. Fiscal Impact: The City is estimated to incur approximately $1.1 million in debt service cost between FY 2019 – FY 2022, as shown in the table below. This assumes a loan of $11.7 million with debt service commencing in FY 2020. The new debt service cost can be offset because payments to the State for City income tax processing (budgeted under Non-departmental) are below the current budgeted level by approximately $991,000. Thus, the demolition and associated Loan would not require the identification of additional resources, and there is no net impact on the City's FY 2019 budget and Four-Year Financial Plan for FY 2019 – FY 2022. In addition, the demolition may allow the City to save up to $100,000 in budgeted carrying costs to maintain and secure the Arena site in FY 2019 (depending on the final demolition timeline). The city will also avoid unbudgeted annual carrying costs beyond FY 2019 (up to $444,500 annually).

City of Detroit
Joe Louis Arena Demolition Loan
$ in thousands

	Fiscal Year			
	2019	2020	2021	2022
Incremental debt service cost	$ -	$ (117)	$ (117)	$ (886)
Savings utilized from City income tax processing under budget	-	117	117	886
Net impact on Four-Year Financial Plan	$ -	$ -	$ -	$ -
Cost avoidance: unbudgeted carrying costs		$ 445	$ 445	$ 445

Attachment VII

City of Detroit FGIC Development Agreement Milestones (timetable)

City of Detroit FGIC Development Agreement Milestones	
	Deadlines
Development Agreement Deadlines	
Execution of Development Agreement	11/21/2014
Development Proposal Deadline *Section 1 (A) (1)*	1/15/2020
CoD Response to Development Proposal Section 1 (A) (2) & (3) (90 days from receipt of DP acceptance or rejection, Developer may provide revised Proposal)	4/14/2020
Closing on Joe Louis Arena Property	
Closing *Section 1 (B) (6)* (2 years from approval of Development Proposal)	4/14/2022
Commencement of Construction *Section 5 (A)* *(12 months after closing)*	4/14/2023
Completion Deadline *Section 5 (A)* *(36 months of commencement)*	4/13/2026

Summary of Development Terms
Minimum Development Requirements: - 300 room hotel - Other office, retail, commercial, recreation, or residential as determined by market conditions
Requirements: -Must secure a development partner or fee-based development manager.

Obligations of the City
Demolition Demolition activities must commence 90 days after expiration of the JLA lease. Staging and due diligence considered commencement of demolition.
Parking Repairs Complete repairs to the parking deck as articulated in the 2014 Desman evaluation. (attached)