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TO: Detroit City Council

FROM: David Whitaker, Director
Legislative Policy Division

DATE: July 20, 2020

RE: Report on Neighborhood Improvement Bond

The Legislative Policy Division (LPD) has been requested to provide a report regarding the proposed Neighborhood Improvement Bond (NIB). LPD has highlighted the policy proposals associated with the bond. In addition, this report provides a detailed fiscal analysis regarding the proposed bond initiative. Attachment I provides a summary of the NIB program.

POLICY PROPOSED

The Administration has indicated the NIB proceeds will be utilized to accomplish eight (8) goals. According to the materials LPD received, the bond proceeds will be used over a five-year period to accomplish eight (8) different goals.

Goal 1: Save every house possible from demolition by prioritizing the rehab of vacant homes

The Detroit Land Bank Authority (DLBA) on behalf of the Administration estimates there are 8,000 vacant houses that can still be rehabbed and saved and 14,000 houses requiring demolition, equating to 22,000 abandoned houses remaining. Attachment II represents the methodology used by the DLBA to determine the 22,000 remaining abandoned houses total.

The Administration indicates that the NIB program intends to (1) secure for rehabilitation 8,000 properties that will be identified as salvageable for rehabilitation; (2) to demolish 8,000 properties of the 14,000 that are deemed unsalvageable. The remaining 6,000 that need demolition will have to be funded with alternative funding sources, including HUD Funds of various kinds, Detroit General Fund blight funding from surplus dollars if available, philanthropy, and others.

Rehabilitation: The proposed 8,000 salvageable properties are to be preserved for rehab and are estimated to require approximately $90 million of the $250 million NIB proceeds. The $90 million in NIB funds dedicated for physically securing public owned properties are not intended to rehabilitate the property to occupancy status. It is intended to secure the property from further deterioration until a buyer is obtained to bring the property up to code and fully rehabilitate the property for occupancy. LPD notes that the majority of vacant properties require much more than the approximately $15,000[1] per property from the bond proceeds designated for rehabilitation. The NIB rehabilitation funds according to the Administration; will be used to clear out all debris; secure the roofing from leakage; and secure the windows and doors with metal, Clearview, or comparable materials. It is anticipated that 2,000 properties will be secured and sold in the first year and the remaining 6,000 to be secured for future sale over the next four years.

Demolition: The bond proceeds not used for rehabilitation in the amount $160 million will be designated to the 8,000 properties that are deemed unsalvageable and require demolition. The NIB demolition proceeds, while not deemed the exclusive source for demolition funding, equates to $20,000 per property.

Goal 2: Implement a program that gives the maximum legally allowable preferences and opportunities to Detroit companies with a goal to have more than 50% of all work performed be done by Detroit certified companies under the Neighborhood Improvement Plan.

Contracting: The Administration seeks to utilize the City of Detroit (City) procurement ordinance and a seven (7) point Rehabilitation/Demolition procurement inclusion plan intended to stimulate economic growth and employment for Detroit companies. The 7 procurement goals include but are not limited to, use of the City's equalization factors for Detroit Headquartered, Detroit Based, and Detroit businesses that employ 51% Detroit residents; a 30% set aside of all related demolition/rehabilitation contracts for Detroit Small Businesses and Detroit Based Micro Businesses; and utilization of extensive outreach to Detroit businesses to participate in the NIB program.

LPD notes that the implementation of the seven (7) procurement goals are commendable and will require substantial follow up. City Council may wish to confirm how the Administration intends to monitor compliance and report to insure the goals set are being achieved.[2] In addition, the Administration seeks to reduce bonding requirements of contractors. Understanding the impediment that bonding and insurance requirements have on smaller business entities, LPD notes, any reduction of the requirements would need to meet the State law requirements and those set forth in the City Code as currently composed.

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[1] The Administration indicates 8,000 properties to be saved using $90 million dollars which would be $11,250.00. LPD approximated the amount at $15,000 per property. $90 million dollars divided by the 6,000 properties to be secured over the next years does equate to $15,000 per property, however.

[2] Most contractual and certification compliance matters have been assigned to the Civil Rights and Inclusion Office (CRIO). If CRIO is being assigned the task of monitoring the 7 goals under this program, it would be in addition to assignments included in currently proposed ordinances regarding Inclusionary Housing tax abatements and Publicly Funded Construction Projects. Undoubtedly, CRIO will need more staff to perform this additional level of monitoring.

Goal 3: Give preference to companies who commit to train and employee Detroiters with a goal of getting these companies to employ at least 51% Detroit residents

Employment Incentives: The Administration seeks to enhance employment opportunities for Detroit residents by giving employment incentives to companies.

A. Contractors under the program would be required to select one of two options:

   (1) Follow Executive Order 2016-1 requiring 51% of the hours worked on the project to be performed by Detroit residents; or

   (2) Follow the FCA agreement provisions to interview Detroit candidates screened for the job qualifications by Detroit at Work before interviewing non-Detroiters.

B. Detroit at Work will work with the industry to design and deliver job readiness, screening, and training programs to build a skilled Detroit workforce in construction related jobs in demand under this program.

LPD notes that the contractor's ability to select either to following Executive Order 2016-1 requiring 51% of hours worked be performed by Detroit residents or interview Detroit candidates screened for job qualifications could result in many job interviews but no actual employment. The City Council may wish to request the Administration to consider that both subsections 1 and 2 be required with the potential to waive the requirement if Detroit at Work cannot provide qualified applicants. In addition, City Council may wish to request that the Administration provide a plan detailing how they will reach unemployed Detroit residents within their neighborhoods.

Goal 4: Partner with Detroit Community Development Organizations (CDO's) and other qualified groups to rehab homes and redevelop property in the neighborhoods.

The Administration seeks to partner with Community Development Organizations (CDO)[3]. Utilizing at least three types of partnerships: (1) CDO's acquire a group of homes, fully rehab them and sale them to owners who move in; (2) CDO's acquire the homes, rehab them and lease them out; (3) CDO's with neighborhood create a broader plan for both houses and vacant lots.

LPD notes that the majority of the vacant houses are owned by the Detroit Land Bank Authority (DLBA). Under the DLBA agreement with the City, any entity that acquires 10 or more properties within a rolling 12-month period must obtain City Council approval. The City Council may wish to request the Administration require that CDO's acquire a minimum of 10 homes at

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[3] CDO's are organizations located throughout the city of Detroit neighborhoods that engage in the community to give residents a voice. Some of the organizations are the community development organizations receiving the grants, including: Bridging Communities, Central Detroit Christian CDC, Cody Rouge Community Action Alliance CDC, Congress of Communities, Detroit Catholic Pastoral Alliance, Detroit Hispanic Development Corporation, Eastside Community Network, Focus: HOPE, GenesisHOPE CDC, Grandmont Rosedale Development Corporation, Joy-Southfield CDC, LifeBUILDERS, Mack Avenue Community Church CDC, Osborn Neighborhood Alliance, Southwest Detroit Business Association Inc., Southwest Housing Solutions, The Brightmoor Alliance, The Villages of Detroit, U SNAP BAC, Urban Neighborhood Initiatives Inc., Woodbridge Neighborhood Development Corporation.

any particular time from the DLBA. This would provide the City oversite and the ability to be able to know what CDO's are doing prior to approval.

Goal 5: Give preference to Detroit residents to acquire and reuse the properties in their neighborhoods.

The Administration is seeking to provide a preference to Detroit residents in acquiring properties through a continuing DLBA land acquisition policy promoting vacant land sales and stewardship to local residents. Also promoted is a Rehab Academy executed by the Housing Redevelopment Department, Bridging Neighborhoods Project and the DLBA where Detroiters can receive a series of 8 classes which includes but is not limited to how to bid and contract out the work, plans and access on how to complete renovations. The Planning and Development Department, Department of Neighborhoods and DLBA will engage residents on broad rehab strategies for single family structures, commercial corridors and land stewardship in 3-4 areas of the City per year.

Goal 6: Combine the Neighborhood Improvement Bonds with other funding sources for broader neighborhood redevelopment.

The Administration acknowledges that the $250 million in bond funds will not be enough to complete the job of rebuilding neighborhoods. It is intended that additional funding from three sources will be utilized including: $20 plus million of affordable housing and community development resources in preservation and rehabs of multi-family affordable housing units for existing residents; $42 million in Solid Waste funds[4] allocated over 4 years to clean alleys; art fund resources to be leverage for public art in neighborhoods.

Goal 7: Bring Accountability for the Demolition back under the oversight of City Government.

The Administration indicates that unlike the Federal Hardest Hit Funds (HHF) which were required to be administered outside of City government[5], the Bond funds will have traditional City oversight. This oversight will consist of the following:

(1) The Demolition Department will handle the management of all demolitions and will be expanded to the Vacant House Management Department to extend its responsibility for installing long-term exterior security improvements on the salvageable houses.
(2) City Council will receive quarterly reports from the Vacant House Management Department on progress being made and recommendations for changes.

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[4] According to the 2019 CAFR (Comprehensive Annual Financial Report), the Solid Waste Fund had a fund balance of $67.4 million. It is questionable whether the City could use $42 million from the Solid Waste Fund's restricted fund balance of $67.4 million for rubbish collection and disposal. LPD is awaiting for a response from the Office of Chief Finacial Officer regarding this issue.

[5] The U.S. Treasurer required the HHF funds be distributed by States to specific partners selected by the State. The State of Michigan required the HHF for Detroit be administered through the DLBA under the guidelines set by the State. Although the City bore the responsibility for any misuse of HHF funds traditional City oversight including oversight by City Council was not applicable. The Neighborhood Improvement Bonds will be Detroit dollars to be administered and overseen by the City of Detroit. In doing so, City Council must ensure that its traditional oversight role is preserved in review and approval of all contracts relative to the program, in addition to monitoring receipt and review of all pertinent reports associated with the program.

(3) All contracts will go through OCP, governed by city procurement ordinances and subject to review and approval by City Council.
(4) All funding will go through the city appropriations process administered by the CFO and approved by City Council.
(5) Mayor and Council will create a joint Neighborhood Improvement Plan Advisory Board made up of three members appointed by the Mayor, three members appointed by City Council, and one jointly appointed member. The Board will review and monitor the goals of the final resolution, review the Quarterly Reports from the Vacant House Management Department and provide recommendations to the Administration and City Council.

Goal 8: Keep the property tax rate at current levels while supporting a $250 million reinvestment in the neighborhoods.

The Administration indicates the City of Detroit could sell up to $250 million in Neighborhood Improvement Bonds without increasing the annual property tax levies from current levels, based on analysis from the City's financial advisors. This is due to the fact that the City has repaid some prior bonds which allows for the proposed bonds to be issued without increasing tax levies. LPD notes that although there will be no increase in tax levies, if no new bonds are issued tax payers levies would be reduced.

FISCAL ANALYSIS

The Office of the Chief Financial Officer (OCFO) proposes issuing up to $250 million in Unlimited Tax General Obligation (UTGO) bonds[6] to finance the cost of neighborhood improvements in the City of Detroit through property rehabilitation, demolition and other blight remediation activities, including the securing of 8,000 homes for future rehabilitation and the demolition of 8,000 unsalvageable homes over the next 5 to 6 years. In addition, the OCFO proposes placing this bond issue on the November 2020 Presidential Ballot for voter approval. The up to $250 million in UTGO Neighborhood Improvement Bonds (NIBs), if approved by City Council and the citizens of Detroit, would be paid off from property taxes based on the City of Detroit's propert tax debt millage[7].

When the Administration proposed up to $250 million in UTGO blight bonds in the fall of 2019, it desired to complement the bonds with $250 million in general fund surplus dollars over the course of five years for a desired total of $500 million for a blight elimination/demolition program[8]. Unfortunately, due to the impact of the COVID-19 pandemic on the City of Detroit's

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[6] Unlimited tax general obligation (UTGO) bonds are voter-authorized bonds paid off from property taxes based on the City of Detroit's property tax debt millage. In contrast, limited tax general obligation (LTGO) bonds are non-voter bonds and paid for out of the City's general fund and are <u>not</u> paid for out of property taxes based on the property tax debt millage.

[7] In November 2019, the Auditor General issued an interim audit report that cited major deficiencies in the City's demolition program. Council should hear from the Auditor General to determine if the major audit findings in this report has been or will be addressed within a reasonable time period prior to your vote on the NIBs.

[8] LPD wrote an extensive report entitled "Resolution Submitting Bond Proposal and Authorizing the Issuance of Not to Exceed $250,000,000 in Unlimited Tax General Obligation Bonds, Series 2020 for the Purpose of Paying the Cost of Eliminating Blight in the City of Detroit through Demolition and Other Blight Remediation Activities" dated October 14, 2019. This report, which can be found on LPD's website under the City of Detroit's website, provides

operations[9], the City had to use general fund surplus dollars originally slated for demolition to help address a revenue shortfall. It is also unlikely that the City will be able to generate $50 million a year in general fund surplus dollars for demolition and other blight remediation purposes moving forward as the City recovers from the pandemic and has to address other budgetary challenges regarding future pension and bond debt costs covered by the general fund.

Fortunately, the debt service (principal and interest) requirements associated with the NIBs, if approved by City Council and the voters, do <u>not</u> impact the City's general fund since this debt service is paid by the property tax millage[10].

Attachment III represents responses to LPD's initial questions on the NIBs. 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.

Attachment IV represents the bond resolution for the authorization of the up to $250 million UTGO NIB sale and the ballot language seeking voter approval of the bond authorization supporting the bond sale that would be put on the November 2020 ballot, if approved Council. Major points regarding the bond resolution are as follows:

- The second and fifth whereas clauses located on page 1 of the bond resolution includes the State of Michigan public acts supporting the legality of issuing the NIBs for the purpose of paying the cost of property rehabilitation, demolition and other blight remediation throughout the City of Detroit ("project cost").

- Section 11, second paragraph on page 5 of the bond resolution indicates that the proceeds of the NIBs would be appropriated, upon receipt, to appropriation 21003 UTGO Blight Bonds for the purpose of paying all or part of the cost of the project cost capitalized interest, if any, and the costs of issuance of the bonds. Council should be reminded that the bond proceeds from the 2018 UTGO bond sale for capital improvement projects were appropriated based on the bond resolution.

- For Council's edification, according to the OCFO bond issuance costs typically run approximately 2% on a large bond issue. These costs encompass the underwriters, rating

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much detail on the UTGO bond sale and ballot language. Since the proposed NIB sale is very similar, we will not repeat much of the information that was included in the October 2019 report in this report. It is also important to note that LPD issued other reports in October and November 2019 regarding the UTGO blight bonds, which include responses from the Administration to numerous City Council Member questions and LPD questions, and are also located on the OCFO/LPD websites under the City of Detroit website.

[9] The Mayor and City Council has agreed to budget amendments, which included the use of general fund surplus dollars for demolition and capital improvements, use of budget reserve dollars, workforce savings measures, use of federal stimulus (CARES) funds, and other cost cutting measures to address an estimated revenue shortfall of $348 million impacting FY 2020 and FY 2021 caused by the impact of the COVID-19 pandemic.

[10] The City of Detroit's current FY 2020 property tax debt millage is 9 mills. If the NIBs are approved and issued in FY 2020, the FY 2021 property tax debt millage will remain at 9 mills since other outstanding UTGO debt will be paid off. If the NIBs are not issued, the FY 2021 property tax debt millage will reduce to 6 mills. To go from 6 mills back up to 9 mills could be considered a tax "increase" to some. The average taxable value for residential property in Detroit is $19,100 which at 9 mills is $172 in property taxes per year. The amount is $115 in property taxes per year based on 6 mills, a difference of $57. However, 8,000 homes could be demolished over 5 to 6 years if the NIBs were issued. It would take much longer to demolish 8,000 homes if the City is solely reliant on scare resources such as general fund surpluses.

agencies, legal and financial advisors fees. These fees are all contingent on the bond sale closing and are paid out of bond proceeds.

Attachment V represents the bond sizing scenario for the proposed NIBs. The following are pertinent points regarding this bond sizing scenario:

- For modeling, the OCFO assumes a 64% tax-exempt/ 36% taxable composition for the bonds. The debt capacity analysis prepared by PRAG, the City's financial advisor, assumes $175 million of issuance in 2021 and $50 million of issuance in 2023 (attached). The total of $225 million that was modeled is less than the $250 million in the resolution to provide room to issue additional bonds if market conditions at the time of issuance permit. The City is able to issue the $225 million in blight bonds in fiscal years 2021 to 2023 and remain within the City's existing 9 mills while also preserving debt capacity for future capital projects. LPD feels this is reasonable.

- The interest rates on the bonds would of course depend on market conditions at the time the bonds are priced and issued. The City's financial advisor conservatively projects that the tax-exempt bonds to be issued in 2021 would have an interest rate of 3.64%-5.33%, based on the individual maturities. The taxable bonds to be issued in 2021 are projected to have an interest rate of 4.62%-6.18% based on the individual maturities. The tax-exempt bonds to be issued in 2023 are projected to have an interest rate of 4.04%-5.73% based on the individual maturities. The taxable bonds to be issued in 2023 are projected to have an interest rate of 5.02%-6.58% based on the individual maturities. LPD feels this is reasonable.

- Regarding the receptivity in the current bond market regarding the proposed NIBs, the OCFO feels with respect to current market conditions for bond issuance, the primary market has continued to rebound following the COVID-19 related market disruption in March 2020. The municipal market has now seen ten consecutive weeks of normalization and improvement, where it continues to evolve into one of the healthiest post-COVID-19 positions; having successfully priced elevated supply levels that were above initial estimates over the past several weeks. Investors continue to digest a variety of transactions across size, complexity and credit quality, further affirming the market's normalization and consistency. Of importance for the City's UTGO Bonds, high yield/lower rated bonds saw continued strong performance and demand in June with investors seeking lower-rated transactions to pick up additional yield. Favorable supply/demand dynamics that ushered in June are setting the table for a summer that is shaping up to experience above average supply from transactions that were side-lined during the height of COVID-19 volatility; including the return of taxable advance refundings on low absolute rates. LPD feels this reasonable.

- Regarding what rating agencies may feel about the NIBs, the OCFO indicated that the rating agencies would provide a rating on the UTGO bonds at the time of issuance, but do not determine the possibility for the bonds. The market ultimately determines the demand for bonds and pricing at the time they are offered in the market. The projected bond pricing and debt service figures and related debt capacity analysis is based on conservative interest rates based on the City's current bond rating which is three steps below investment grade by both Moody's and S&P. As part of the process of rating bonds, the rating agencies consider a variety of factors including the City's overall debt load and "debt capacity." OCFO recognizes this and has prioritized working with the City's financial advisor to structure the blight bonds within the City's 9 mills and to amortize the bonds in years where the City's existing debt is maturing to achieve an overall level to declining annual debt repayment structure. LPD feels this is reasonable.

- Regarding promises made to bond investors that the bonds will be properly monitored to avoid jeopardizing tax exempt status, the OCFO indicated that it administers all outstanding bond issues to ensure that all compliance with the terms of the bonds are met. The spending of tax exempt bond proceeds are closely monitored to make sure that the tax exempt status of the bonds is not jeopardized. Last fall, the OCFO provided LPD with a memorandum dated October 15, 2019, regarding the Plan to Monitor Use of Demolition Bond Proceeds for Compliance with Federal Tax Laws. Since then, the Demolition Department has been created within the City. While the City still plans to track the required information in the Salesforce database as specified in the memorandum, the plan will no longer rely on HRD and DBA to enter the expenditure date for each demolition into the database. Rather, this responsibility will fall to the Demolition Department. Standard Operating Procedures to monitor the post issuance-compliance requirements related to the blight remediation bonds will be developed and implemented by the OCFO. LPD feels this is reasonable.

Regarding the implementation of the Neighborhood Improvement program that would be supported by the NIBs, if approved by Council and the citizens, it is important to note the following:

- The newly created Demolition Department would run the demolition program if supported by bonds, if approved by Council and the voters. The new Demolition Department would require additional staff to support the bond program but the policies, procedures and oversight would be the same.

- If the bonds are approved by Council and the voters, the Administration would come back to Council with a budget amendment to beef up the Demolition Department to appropriately run the demolition program augmented by the bonds. The current Demolition Department is staffed/budgeted to manage the execution of approximately 300 Emergency Demolitions only. Operations to manage the oversight of approximately 1,600 additional demolitions per year, would require a significant increase to staff and demolition supportive services and a budget amendment would be required. LPD feels this is reasonable.

- Under the previous UTGO blight bond proposal, it was assumed that DLBA would use the Salesforce software to run the demolition program to help run the demolition program. The Demolition Department will assume the responsibility of managing the demolition information entered and maintained into Salesforce. Demolition will continue with build out plans for Salesforce with the intent of providing the most centralized data management system possible for this program. LPD feels this is reasonable.

Please let us know if we can provide any more information.
Attachments
cc: Arthur Jemison, Group Executive-Planning, Housing & Development
LaJuan Counts, Director Demolition Department
David Massaron, Chief Financial Officer
John Naglick, Chief Deputy CFO/Finance Director
Tanya Stoudemire, Deputy CFO/Budget Director
Avery Peoples, Mayor's Office

Attachment I

Overview of the Neighborhood Improvement Bond Program

Proposal "N" for Neighborhoods

A plan to save and renovate every vacant house possible, to eliminate the blight from those that can't be saved, and to stimulate the growth of Detroit companies employing Detroit residents in the construction-related industry.

The City of Detroit could sell up to $250 million in Neighborhood Improvement Bonds without increasing the annual property tax levies from current levels to support:

8,000 vacant houses rehabbed and saved
+ 8,000 vacant houses requiring demolition
16,000 blighted houses addressed

Because the City would no longer be under the restrictions on federal funding, the Neighborhood Improvement Bonds can prioritize seven goals that were not allowable under the federal HHF program:

1. Save every house possible from demolition by prioritizing the rehab of vacant homes.
2. Give preference to Detroit companies in all rehabilitation and demolition related contracts with a goal of 50%+ work performed by Detroit contractors.
3. Give preference to companies who commit to train and employee Detroiters with a goal of getting these companies to employ at least 51% Detroit residents.
4. Partner with Detroit Community Development Organizations (CDO's) and other qualified groups to rehab homes and redevelop property in the neighborhoods.
5. Give preference to Detroit residents to acquire and reuse the vacant land in their neighborhoods.
6. Combine the Neighborhood Improvement Bonds with other funding sources for broader neighborhood redevelopment.
7. Bring Accountability for the Demolition back under the oversight of City Government.
8. Keep the property tax rate at current levels while supporting a $250 million reinvestment in the neighborhoods.

How to Support Neighborhood Improvement Bonds without a Tax Increase

The City of Detroit is proposing to borrow up to $250 million in Neighborhood Improvement Bonds to support preservation and rehabilitation of as many vacant houses as possible and the demolition of abandoned houses that cannot be saved.

How can the City borrow up to $250 million without raising taxes?
Since 2014, the City paid 45% of its UTGO debt off, so it has room to borrow more without raising taxes. This is like if a homeowner refinances their home after 10 years to keep the payment the same, but borrow more to build a garage or kitchen.

How will taking on this debt impact City services, given COVID-19 related revenue shortfalls?
When Detroiters look at their property tax bills, there are two lines that support the City of Detroit:

- City of Detroit Operating at about 20 mills
- City of Detroit Debt at about 9 mills

The City of Detroit Operating Millage goes into the General Fund and supports City services like fire and recreation. Other revenues that go into the General Fund, such as casino revenue and income tax revenue, are falling short due to COVID-19 related shutdowns.

The City of Detroit Debt Millage does not go into the General Fund and can solely be used to repay loans (which we call "bonds") in support of long-term improvements. The debt millage cannot be used for operating services.

Can the City's borrowing (called bonds) be used to fund loans or make grants to Detroit residents for programs like Senior Home Repair? How can bonds be used?
No, the City's lawyer has said, "The 1963 Michigan Constitution likely prohibits such expenditures" for a private purpose. That said, through the federal CARES Act, the City expects new federal funding to pay for an expansion of single family rehab programs (like Senior Home Repair) this year.

City bonds can generally be used for a public purpose to build new or make improvements to existing public buildings, technology, vehicles, roads, public transportation, land and other "assets" of the City. Because the City, through the Land Bank, owns thousands of residential parcels with vacant, blighted buildings on them, the City can use bonds to renovate those houses or demolish the houses to improve the land.

What would happen if we didn't approve the City to borrow up to $250 million for Neighborhood Improvement?
If voters do not approve the $250 million debt millage, the City would not have much money to improve neighborhoods through renovation and demolition. Most of the funds the City previously had for demolition are no longer available:

- Detroit has spent the $267 million of federal HHF funding dedicated to demolition. Thanks to that federal funding, the City has demolished almost 21,000 properties.
- With recent COVID-19 related revenue shortfalls (such as no casino revenue while the casinos are closed), Detroit no longer has City operating money (from the "General Fund") available for demolition, except for emergencies.

If Detroiters decide not to approve the Neighborhood Improvement Plan, the average residential property could see their taxes reduce by about $29 per year as their debt millage eventually drops from 9 mills to about 7 mills.

[illegible] Schools / [illegible] Neighborhood [illegible]

The City [illegible] neighborhood improvement [illegible]

How can the City [illegible] million [illegible]?
Since 2015, the [illegible]

How will [illegible] COVID [illegible]
- City of Detroit [illegible]
- City of Detroit [illegible]

The City [illegible] income tax [illegible]

The Detroit [illegible]

Can the City [illegible]? How [illegible] be used?
No, the [illegible] The 2023 [illegible]

Why [illegible]

What would happen [illegible] $250 million [illegible] neighborhood improvements?
[illegible]
- Detroit has spent the $827 million of [illegible] funding, the City [illegible]
- While the COVID [illegible]

If [illegible]

Proposal "N": Neighborhood Improvement Bonds

Eliminating Residential Blight in Detroit

Overview

CITY OF DETROIT

Historic struggle: For nearly 50 years, Detroit's elected officials have not been able to deliver a blight-free city to our residents

CITY OF DETROIT

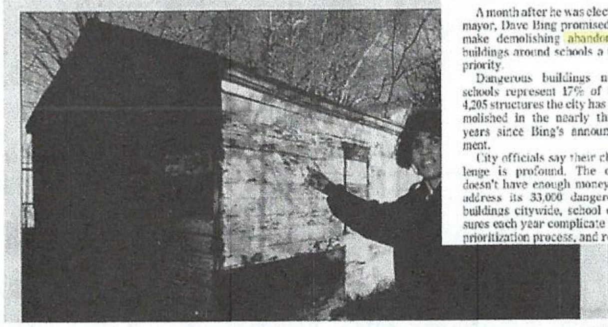
DETROIT'S DEMOLITION DILEMMA

➤ ABANDONED BUILDINGS TORN DOWN: 5,000 since

➤ STILL STANDING: At least 6,000

➤ ON BACKLOG AWAITING DEMOLITION: 1,1

Vacant buildi[ngs] survive prom[ises]



12A WWW.FREEP.COM SUNDAY, APRIL 15, 2012

COVER STORY DANGER ZONE

Too much blight, not enough cash

City needs millions to raze dangerous places near schools

By Chastity Pratt Dawsey and Kristi Tanner
Free Press Staff Writers

A month after he was elected mayor, Dave Bing promised to make demolishing abandoned buildings around schools a top priority.

Dangerous buildings near schools represent 17% of the 4,205 structures the city has demolished in the nearly three years since Bing's announcement.

City officials say their challenge is profound. The city doesn't have enough money to address its 33,000 dangerous buildings citywide, school closures each year complicate the prioritization process, and resi-

ANDRE J. JACKSON/DETROIT FREE PRESS

ONE THREAT OF MANY: Students walking to Cody high have to pass this building. It is among hundreds of such structures near the school.

priority.

Last fall, the city ran out of ... partment to divert $15 million from a second round of Neigh- ... sources to go out here and do what we can with the money that ... funds to demolish the 4,205 structures citywide. About

Roy Roberts, emergency manager for Detroit Public Schools, empathizes with Bing's problem.

DPS has 85 vacant school buildings, compared with 120 occupied ones. Some are dangerous and unsecured because DPS doesn't have the money for upkeep or the $40 million needed to demolish them, Roberts said.

"Kids shouldn't have to worry about personal well-being going to and from school," Roberts said. "That's easy to say and tougher to make happen."

Roderick Grimes, the DPS police chief, said there have been no reports of students being attacked in abandoned homes this year, as there have in the past. But the threat remains real. Grimes noted that in October, a man grabbed an elementary school girl near Marcus Garvey Academy on the east side. The girl got away, but the

DEMOLITION SLOWDOWN

[D]ilapidated buildings [s]tanding tall in Detroit

[Ma]yor's goal [u]net; cash is withheld

By M.L. ELRICK
Free Press Staff Writer

...it Mayor Kwame Kilpat... ...o once boasted that he ...nock down 5,000 aban... ...uildings in eight months, ...r set a 20-year low for dilapi... struc... the city. In an... slow to ...'s effort ...tself of ...philan... ...who $10 mil...

Money restrictions blamed for city being slow to erase blight

By Joe Guillen
Free Press Staff Writer

Limited funds, bureaucratic red tape and a constantly changing landscape of abandoned and burned-out properties are among the obstacles Detroit officials face as they try to erase the city's blight.

First and foremost, money drives the decisions about which houses to demolish, officials said.

"It's always been tied to funding," said Karla Henderson, Detroit's group executive for facilities and planning.

On Wednesday, during his State of the City address, Mayor Dave Bing renewed his pledge to tear down 10,000 vacant properties within his first term. He said the city was already at 6,700 demolitions. That means the city will have to tear down an average of more than 300 structures a month through December.

A new Detroit Blight Authority, a private nonprofit, has joined the effort and launched a pilot project that could provide new solutions for speeding up the demolition and clearing of abandoned homes.

The city relies entirely on federal funding to raze abandoned properties, and those funds are usually allocated for specific geographic areas. The city identifies blighted areas in its federal grant applications, and then must work in those areas if the money is approved, Henderson said.

The city has received about $110 million in federal grants under Bing for demolition, property acquisition or renovation of properties. About $35 million of it has gone toward demolition, Henderson said. It typically costs $7,500-$8,000 to tear down a structure, she said.

The city was criticized by some City Council members in March for not using federal money fast enough, thus putting Detroit at risk of having to return the funds.

Because demand for demolition is so high across Detroit, city officials must prioritize which properties to raze. Houses that pose an immediate threat to the public, such as those on the verge of collapse and blighted properties near schools, are usually the highest priority, Henderson said.

But even homes targeted for demolition can remain standing for a long time while the city tracks down the property owner, who must be given notice. The city must work with utility companies, check for asbestos and, if necessary, obtain the approval of City Council.

"It's a pretty lengthy process, particularly when we use the (federal) HUD funds," Henderson said.

After the city bulldozes a property, leftover debris can remain for days. That's because landfills where the debris is dumped typically are 30-40 miles outside the city, and contractors wait until they have a full load before making the trip, Henderson said.

The new Blight Authority's pilot project involves a potential solution for clearing debris faster. The pilot project revealed that the majority of housing debris is recyclable. So the city is considering setting up a local site where demolition contractors can dump the de-

TO HIT THE MAYOR'S GOAL, THE CITY MUST RAZE 300 BUILDINGS A MONTH.

GRANT: Detroit, other cities have trouble spending $224M in aid

FROM PAGE 1A

funding has overwhelmed the capacity of recipients to overcome bureaucratic and legal hurdles, and likened it to "trying to drink out of a fire hose."

Nowhere is the problem more acute than in Detroit, which as of

asked HUD for permission to move more of the money — $10 million — into demolition across greater swaths of the city as part of its plans to tear down 10,000 structures by the end of next year. It has done about 4,400 to date.

By increasing its demolition

ANDRE J. JACKSON/DETROIT FREE PRESS

REGINA H. BOONE/DETROIT FREE PRESS

ANDRE J. JACKSON/DETROIT [FREE PRESS]

Detroit plans to tear down 10,000 structures by the end of 2013. Scores of blocks on the east side

We are making progress: 21,000 buildings demolished since 2014, in the most aggressive demolition effort in national history

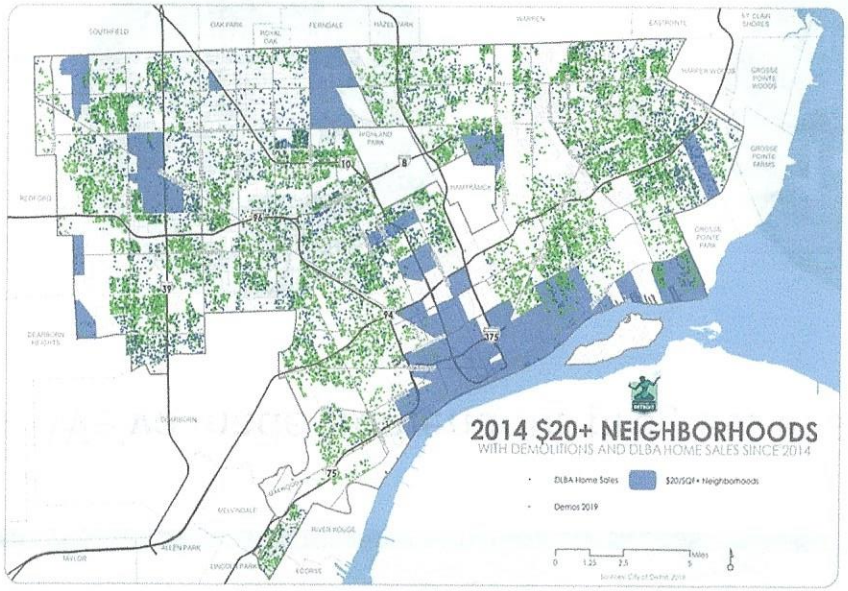
We are making progress: 29,000 fewer vacant structures in Detroit neighborhoods

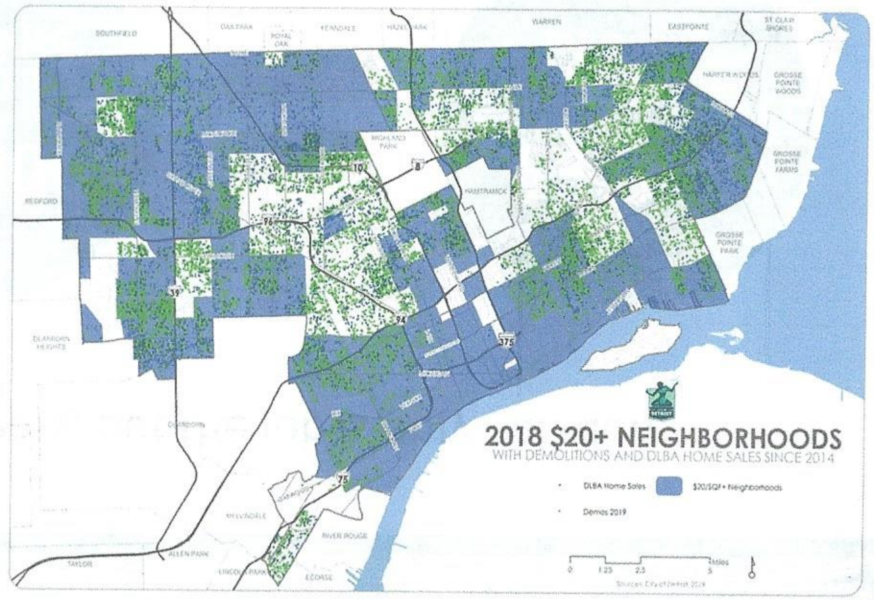
- **21,000 structures demolished** through combination of the Hardest Hit Fund (HHF) and City funding
- **8,000 vacant homes saved** with renovation underway or completed through DLBA sales programs

We are making progress: Current demo and rehab programs have huge impact on Detroit

90% average increase in Detroit property values

Source: Zillow 2013-2018





The areas of the city that now have an MLS average over $20 s/f has increased significantly since 2014. As property values in neighborhoods increase beyond $20 per square foot, it becomes more economically viable to renovate houses in the private market.

More work must be done: 22,000 vacant homes remain

CITY OF DETROIT

- We've made tremendous progress in six years, but the job is only half done.

8,000
Can be saved through rehab

+

14,000
Must be demolished

=

22,000
Vacant houses remaining

Keep the progress going: Neighborhood Improvement Bond Plan

- **Prioritize houses that can be saved** giving new life to existing housing stock instead of tearing it down

8,000 Saved through rehab + **8,000** Demolished = **16,000** Vacant houses addressed

- *Prioritizing rehab over demolition will require the City to seek alternative funding sources for the estimated 6,000 remaining houses that need to be demolished*

Keep the progress going: Neighborhood Improvement Bond Plan

$250 M Proposal N bond on November ballot

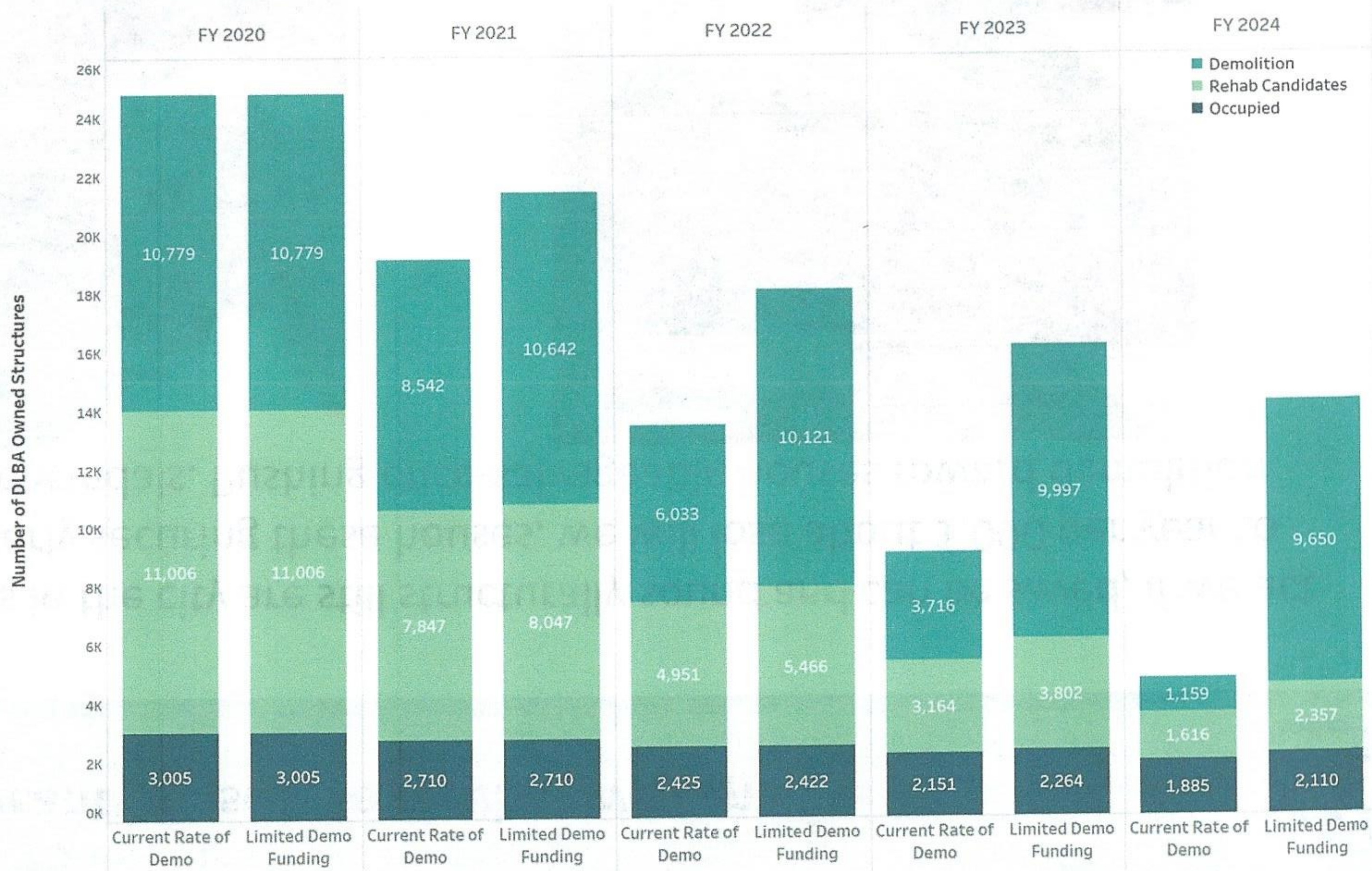
- **Transform 8,000 vacant houses** into livable homes through rehab, creating affordable housing opportunities and jobs for Detroit residents and businesses
- **Demolish 8,000 vacant houses,** further reducing dangerous residential blight and raising property values for neighbors
- **Stimulate growth of Detroit-based companies** employing Detroiters in construction-related industries
- **Avoid raising taxes** for Detroit residents, while delivering revitalization effort to a broader range of neighborhoods

Transform 8,000 vacant houses: Save what we can

- About 8,000 houses in the city are still structurally sound and can be saved, if we act now. Without properly securing these houses, we will lose about 1,000 per year to weather, arson, and vandals. Pushing once-salvageable houses toward demolition

Transform 8,000 vacant houses: Save what we can

- **Without bond funding**, the number of rehab candidates will shrink and the **number of houses requiring demolition will grow**



Transform 8,000 vacant houses: Save what we can

Goal: Save every house possible by prioritizing rehab over demolition

- The Neighborhood Improvement Bonds will give the City the ability to:

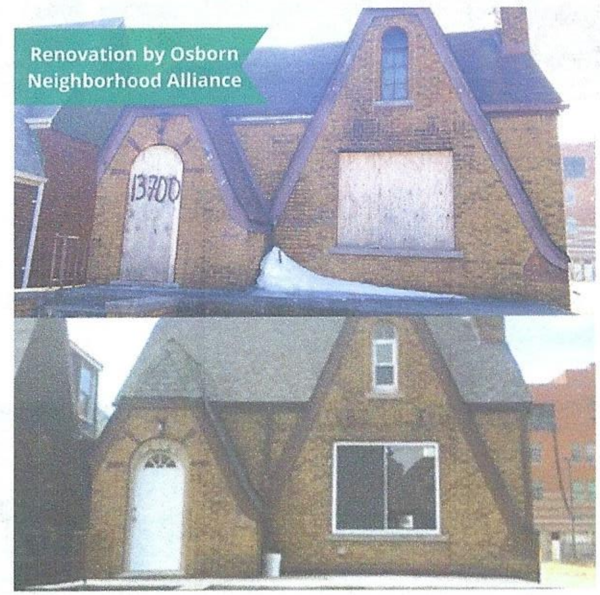
Transform 8,000 vacant houses: Renovate and reactivate

Goal: Partner with Detroit Community Development Organizations (CDOs), neighborhood groups, the DLBA, and HRD

- Neighborhood Revitalization Plan provides opportunities for CDOs and other neighborhood groups to actively participate in the rehab process

Three types of partnerships

- CDOs acquire a group of houses to rehab and sell to new owner-occupants
- CDOs acquire and rehab houses to lease to qualified tenants
- CDOs engage in broader plan that encompasses both vacant houses and vacant land



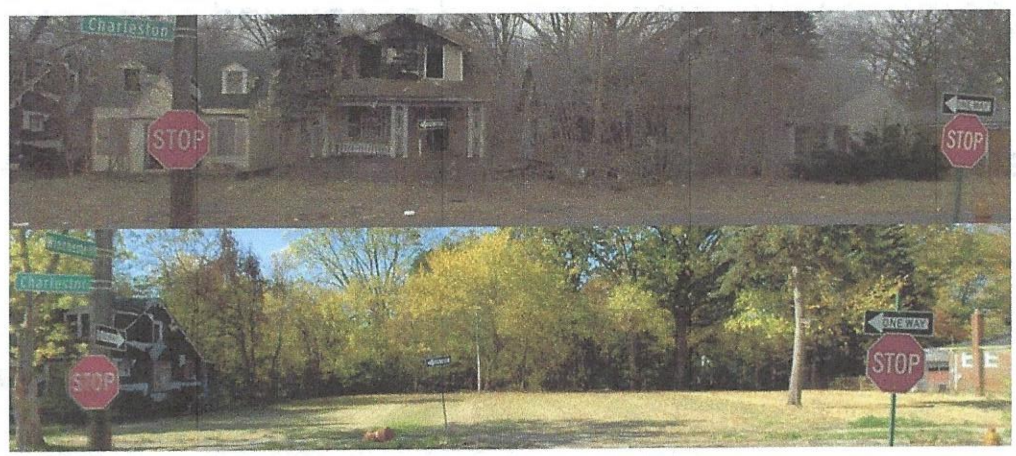
Transform 8,000 vacant houses: Renovate and reactivate property

Goal: Give preference to current Detroit residents to acquire and activate properties in their neighborhoods

- Leverage **new DLBA Vacant Land sales policies** to promote sale and stewardship of vacant land to neighbors at affordable prices
- **Rehab Academy** to prepare Detroiters for renovation success. Created and run by HRD, DLBA, and the Bridging Neighborhoods Program
- DLBA, PDD, and DON **engage residents** on broad rehab strategies for single-family houses, commercial corridors, and land stewardship in 3 to 4 areas of the City per year

Demolish 8,000 vacant houses: Remove structures unfit for rehab

- An estimated **14,000** houses require demolition
- **Proposal N will help the City demolish about 8,000 houses over the next three years**
- The City will continue to **seek other funding sources for the remaining demolitions** in 2023 and 2024.
- By saving the estimated 8,000 houses that are currently salvageable, we **reduce the number of demolitions**



Demolish 8,000 vacant houses: Streamline demo program

Goal: Bring accountability for demolition back under City Government oversight

- Administered by Detroit Demolition Department. Department will expand to Vacant House Management Department to extend responsibility for installing long-term exterior security improvements on salvageable houses
- Quarterly reports to City Council on department progress and recommendations for changes
- All contracts go through Office of Contracting & Procurement (OCP)
- All funding will go through City appropriations process administered by the OCFO and approved by City Council
- Mayor and City Council will create a joint Neighborhood Improvement Plan Advisory Board

Stimulate growth: Jobs for Detroiters and Detroit businesses

Goal: more than 50% of all Neighborhood Improvement Plan work done by Detroit certified companies

- Use the City ordinance to apply equalization factors for Detroit businesses
- Target demolition bid packages to maximize participation of small and growing companies
- Expand Detroit contractor capacity for rehabbing houses by using best-practices of Bridging Neighborhoods Program
- Set aside 30% of contracts for Detroit Small Businesses and Detroit-Based Micro Businesses to maximize growth in construction-related industries
- Run extensive outreach efforts to recruit Detroit businesses to participate in all aspects of rehab and demolition
- Implement a prompt payment process to contractors to avoid undue burden on small and growing companies
- Reduce bonding and other legal impediments to the minimum amount necessary to minimize barriers to small and growing companies

Stimulate growth: Jobs for Detroiters and Detroit businesses

Goal: Get participating companies to employ at least 51% Detroit residents.

- Give preference to companies that commit to train and employ Detroiters
- The Neighborhood Improvement Plan requires contractors to choose to:

  1. Follow Executive Order 2016-1, **requiring 51% of the hours worked on the project to be performed by Detroit residents**

  -OR-

  1. Follow the FCA agreement provisions to **interview Detroit candidates screened for the job qualifications by Detroit at Work before interviewing non-Detroiters**

- Detroit at Work will work with the industry to design and deliver job readiness, screening, and training programs to build a Detroit workforce that's skilled in construction-related, in-demand program jobs

Avoid raising taxes: Cost breakdown

Target Budget Estimate

Estimated cost of rehabilitating 8,000 vacant houses	$90 million
Estimated cost of 8,000 demolitions	$160 million
Total	**$250 million**

- Bond funds are not the exclusive funding source for the Neighborhood Improvement Plan. Other sources include HUD, Detroit General Fund blight dollars, philanthropy, etc. Allocation of bond fund proceeds will be approved by City Council, based on these other sources.

Avoid raising taxes: Projections

- Detroit has had 6 bond rating upgrades since exiting bankruptcy in 2014

- S&P praised the City's "proactive management that has acted quickly" in response to recent Covid-related financial challenges

- The Office of the Chief Financial Officer is monitoring the market: Municipal bond transactions are currently closing, and our financial advisors find that demand for these bonds is growing

- Because other UTGO debt is being paid down, the new bonds can be sold at no tax increase over current levels. The City has paid down over $180 million in principal on UTGO debt that was outstanding at bankruptcy exit, reducing the outstanding principal balance or over 45%. (We did add $135 million of new UTGO debt in December, 2018).

What we are doing for residents: CARES Act funding & Housing Stability

Keeping Detroiters in their homes: COVID-19 Housing Stability Plan

- Since March we've focused significant resources on the **health and safety of vulnerable Detroiters**
- HRD will invest **$31 Million** to help Detroiters facing housing instability through federal **CARES Act funding**

Eviction Prevention & Legal Services: Provide legal counsel, funding for rental arrears, and relocation services for Detroiters facing eviction	**$5,000,000**
Emergency Rental Assistance: Short-term rental assistance for Detroiters dealing with recent changes in household income due to COVID-19	**$1,000,000**

What we are doing for residents: CARES Act funding & Housing Stability

Keeping Detroiters in their homes: COVID-19 Housing Stability Plan

- Additional program highlights:

Affordable Housing Development: Fund the development of permanent supportive housing projects for people experiencing homelessness	$4,000,000
Homelessness Emergency Shelters and Outreach: Improve homelessness shelters to eliminate congregate living arrangements and conduct street outreach to people living in places unfit for human habitation	$3,812,354
Long-Term Rapid Re-Housing for People Experiencing Homelessness: divert households who are newly experiencing homelessness into housing and services to regain self-sufficiency	$3,650,000
COVID-Related Assistance for Affordable Housing Developments: Provide funding to existing developments or those that are under construction to defray additional costs or declining rent payments brought on by COVID-19	$2,806,895
Senior Emergency Home Repair: Resources to provide housing repairs to seniors who own their home that are on the City's existing waiting list	$2,500,000

What we are doing for residents: CARES Act funding & Housing Stability

Keeping Detroiters in their homes: COVID-19 Housing Stability Plan

- Additional program highlights (continued):

Rental Repair Program: Pilot program to incentivize private investment in rental homes to improve condition and maintain affordable rents	$2,000,000
Senior Healthy Housing Assistance: Pilot program to provide food and prescription delivery and wellness checks to seniors experiencing COVID-19	$1,500,000
Financial & Housing Counseling: Expansion of Financial Empowerment Centers and Housing Resource Center programs to help households achieve stability	$1,500,000
Homelessness Prevention: Funding for organizations to provide direct services to prevent households from entering the homelessness system	$750,000
Tax Filing Preparation Assistance: Assistance with filing taxes so that households are eligible to receive CARES Act stimulus payments and EITC benefits	$250,000

We must act now: Reach as many Detroit voters as possible

This November's Presidential race will draw the maximum amount of registered Detroit voters to cast their ballots

- This means **as many Detroiters as possible will have a say in Proposal N**
- The administration and City Council **will work together** ahead of Election Day **to educate Detroiters** about the Neighborhood Improvement Bond Plan

We must act now: Progress is at risk & Detroiters need access

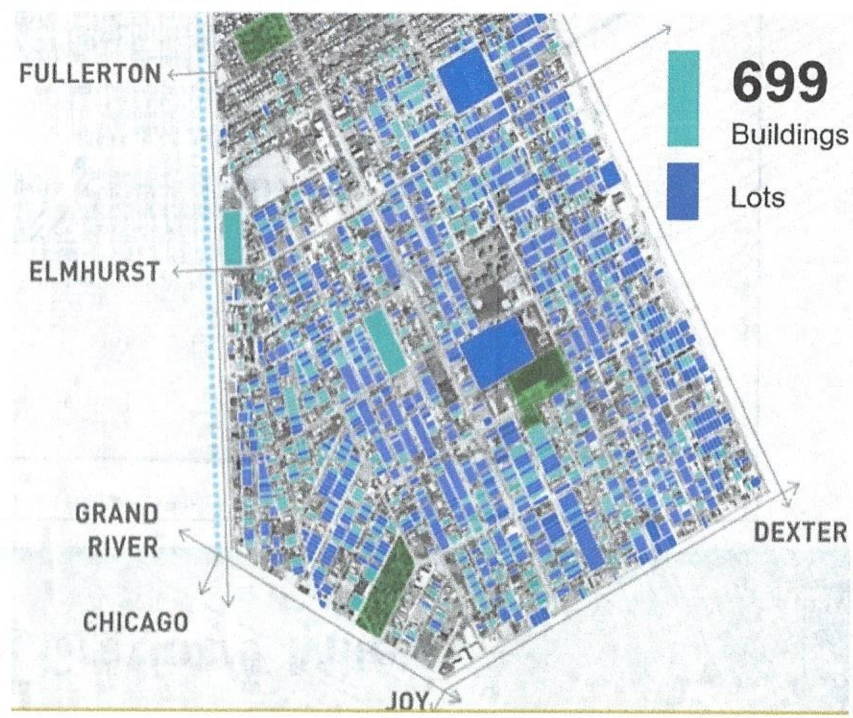
So far, our existing rehab and demolition efforts have addressed 29,000 blighted houses

- Now with a lack of demolition funding and the impact of COVID-19, **we risk going in the opposite direction**, with worsening conditions of existing vacant houses and an increasing number of homes falling into vacancy
- Detroiters need quality jobs and affordable housing now more than ever. We are no longer restricted by the rules of the HHF program. With bond funds **we can prioritize Detroit residents and Detroit companies** in our rehab and demolition plans

We must act now: Neighbors are waiting Russell Woods/Nardin Park

Without bond funding, residents in areas with completed Neighborhood Framework plans, like Russell Woods/Nardin Park, won't see their vision realized

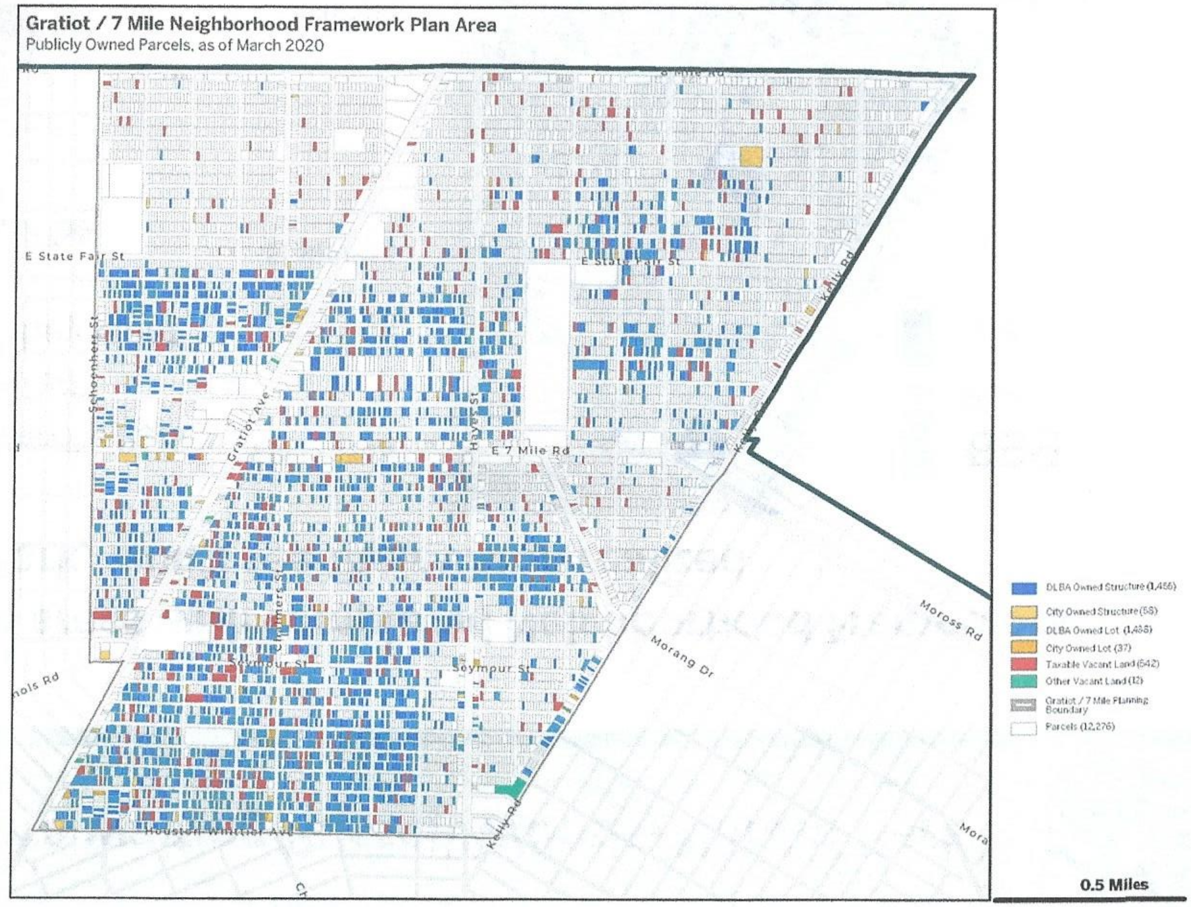
- Vacant buildings are a major issue in Nardin Park
- **Over 300 board ups** have been completed
- Residents have a voice in which areas they want to see targeted first with demolition
- **Effort to stabilize residential blocks will be stagnant without funding source**



We must act now: Neighbors are waiting Gratiot/7 Mile

Without bond funding for revitalization, areas with high vacancy rates, like Gratiot/7 Mile, will be left behind

- Despite having over **1,500 vacant public-owned structures**, G7 was excluded from the City's Hardest Hit Fund program, that provided resources for demolition
- This poses a **significant barrier to achieving meaningful transformation** in this planning area



Summary: Neighborhood Improvement Bond goals

1. **Save every house possible** from demolition by prioritizing rehab
2. Give preference to Detroit companies in all rehab and demo contracts with a target of **50% of work performed by Detroit contractors**
3. Give preference to companies who commit to train and employ Detroiters with target of getting companies to **employ at least 51% Detroiters**
4. **Partner with CDOs** and qualified groups to rehab and redevelop houses and lots
5. **Give preference to Detroiters** to acquire and reactivate vacant land in their neighborhoods
6. Combine Neighborhood Improvement Bonds with **other funding sources**
7. Bring accountability for demolition back under **City Government oversight**
8. **Keep property tax rate at current levels** while supporting a $250 M neighborhood reinvestment

Proposal "N": Neighborhood Improvement Bonds

Eliminating Residential Blight in Detroit

Questions & Answers

CITY OF DETROIT

Attachment II

Methodology used by the Administration (Detroit Land Bank Authority) to estimate the remaining number of homes in need of rehabilitation or demolition

MEMORANDUM

TO: LaJuan Counts, Director, Demolition Department
FROM: Robert Linn, Inventory Director, Detroit Land Bank Authority
DATE: July 13, 2020
RE: Quantifying the number of homes in need of demolition or securement

INTRODUCTION

This memo outlines the process and findings or recent analysis aimed at quantifying the number of vacant and blighted residential structures in Detroit likely to require securement or demolition. The methodology finds that more than 22,000 vacant homes likely require intervention.

THE IMPACT OF BOARDING

To assess the net degradation rate of vacant structures, we continually analyze the change among properties between the demolition and sales pipelines in the land bank's inventory. As the DLBA receives re-inspection results, we have typically found that many saleable homes deteriorate to unsalvageable condition due to the impact of vandalism, scrapping, fire, squatters, or weather. The longer an abandoned house sits, the more likely it is to become unsalable. In 2019, following extensive board-up of vacant homes across the city, we analyzed the rate of deterioration of the boarded houses vs. the unboarded houses during the year.

We were pleased to discover that the saleable boarded homes deteriorated to unsalvageable status at only an 8% net rate, compared to a nearly 16% net rate for unboarded homes In short, boarding the homes with plywood cut the number of required new demolitions in half. More extensive securing of the properties has the potential to prevent far more demolitions and preserve more homes in the neighborhoods.

Boarding Status	Homes	12-Month Net Loss Rate to Demo
Secured	2,607	8.10%
Unsecured	6,750	15.82%

SETTING A BASELINE FOR THE NUMBER OF VACANT HOMES IN NEED OF INTERVENTION

To assess the needs of land bank structures, we generalized the pipeline data for every residential structure in the land bank's inventory into three categories: Occupied, Sale/Rehab, or Demolition.

Pipeline	Structures
Demolition	8,614
Occupied	3,091
Sale/Rehab	7,991
Grand Total	**19,696**

Recognizing that the land bank holds a significant portion – but far from all – vacant, blighted homes in the city, staff also analyzed markers for non-DLBA-owned abandoned homes. To quantify this universe, we included homes that were identified as vacant by the U.S. Postal Service and either held by other public agencies, recorded as dangerous by the Buildings, Safety Engineering, and Environmental Department, or had recently been boarded by the General Services Department. We conducted a small randomized sample (n = 60) and extrapolated the results to the population, to determine the number of properties that could be salvaged and consequently would need to be secured, and the number that likely required demolition.

Projected Outcome	Structures
Requiring Securement	1,113
Requiring Demolition	3,799
Grand Total	**4,712**

To account for field observations beyond the three-factor universe, the table above includes an additional 500 demolition properties.

ANTICIPATING CHANGE IN CONDITION

To estimate changes in this universe over the next 36 months, we analyzed an array of data on fire, foreclosures, market trends, and past condition change data. We anticipate the universe of salable/rehabilitation-worthy structures declining slightly and the universe of demolition structures increasing.

Anticipated Change to DLBA Inventory	Salable Structures	Demolition Structures
Future Tax Foreclosures	250	250
DLBA to Consolidate Pubic Ownership	275	150
Net Degradation of Salable Structures	-1,200	1,200
Grand Total	**-675**	**1,600**

We anticipate similar changes occurring among non-DLBA structures, including many transitioning into the DLBA inventory, as reflected above.

CONCLUSION

Given these baseline figures and anticipated changes, we believe the city is likely to need to fund interventions on approximately 22,015 structures.

Ownership	Requiring Demolition	Requiring Securing	Total
DLBA	10,214	7,316	17,530
Non-DLBA	4,007	478	4,485
Total	**14,221**	**7,794**	**22,015**

The evolving nature of housing conditions, the limited pool of available data, and the market only allow us to estimate the relative need for demolition vs. rehabilitation in the coming years. If property values rise, more people will invest in extensive rehab. If they fall, we will have fewer rehabs. If we act to fully secure all the saleable houses, we will have fewer demolitions and more rehabs. Given our historic data and current market conditions, 14,000 demolitions and 8.000 rehabs is our best estimate of what would be required to eliminate the abandoned house problem across the City of Detroit.

Attachment III

Responses to LPD questions on the proposed Neighborhood Improvement Bonds

CITY OF DETROIT
DEMOLITION DEPARTMENT

1301 THIRD AVENUE
DETROIT, MICHIGAN 48226
PHONE 313 • 224.4737

TO: Irvin Corley, Executive Policy Manager
Detroit City Council Legislative Policy Division

FROM: Arthur Jemison, Group Executive
Planning, Housing & Development

LaJuan Counts, Director
Demolition Department

DATE: July 14, 2020

RE: **Neighborhood Improvement Bond Meeting Questions**

Please find the following responses to questions/issues presented in your July 13, 2020 email:

1. Has the Administration addressed the AG's audit findings regarding demolition?
The Demolition Department has incorporated the Auditor General's findings into the policies and procedures across the department's operations.

Finding No. 1- Did Not Meet Contract Performance and Timeline Requirements - The Demolition Department revised the Scope of Services to include a defined contractor expectations, revised project timeframes and a revised Discipline Policy for enforcement. Improvements to the operation of the Compliance Division were completed to ensure the oversight of the contractor compliance.

Finding No. 2 - Did Not Comply With City Policies and Procedures, and State, Local, and Other Requirements Related to City-funded Residential Demolitions and their Contracts - The Demolition Department has established a network of contacts with each of the agencies involved and reviewed the policies and procedures to ensure our consistent standards and practices. Enforcement of health and safety protocols continue to be a top priority for the Demolition Department and have reinforced that priority by revising the Discipline Policy, improving the process procedures for the Compliance Divisions, requiring visual inspections at various stages throughout the demolitions.

Finding No. 3 - Lack of Documentation to Support Authorization of Payment - All supporting documentation for the authorization of contractor payments is now accessible via Salesforce. Revisions to the contractor invoice submittal process have been implemented to ensure the required department review and approvals take place prior to the contractor uploading to Oracle. In addition to invoices and supporting documentation being available in Salesforce, this information is also available in the OCFO's Oracle Cloud ERP system.

Finding No. 4 - Contract Files are not centralized and Data Related to Demolitions is Inconsistent and Unreliable - Due to the volume of information generated and with the number of demolitions performed, it is necessary to have an electronic data management system to house all of this information. The Demolition Department has committed to ensuring that all of the demolition activity information is entered into Salesforce. Process changes have been implemented over the last four months to ensure that the information is being entered.

Finding No. 5 - Demolition cost were not recovered from Property Owners - The authority to recover demolition cost from the property owners is the responsibility of the Law Department. The Demolition Department has made process improvements in regards to documentation retention to support the Law Department in their efforts to recover demolition cost as they deem feasible.

Finding No. 6 - DBA did not fullfill its duties as the Program Manager over City-funded demolitions - To address this shortfall, the Administration consolidated the demolition program under a single department

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DEMOLITION DEPARTMENT

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with City oversight and management. The restructure of the process and policies, increased monitoring of field operations and improved compliance efforts were all implemented to ensure the proper management of the program and City-funds.

2. Is the Administration still committed to promises outlined in the supplemental reso regarding the demolition bond program?

Yes. In fact, the City has worked on all the items in the list in the pre-Covid-19 budget would have allowed us to substantially complete all the items on the list. The new post Covid budget means that we cannot fund performance of a small number of specific items such as: a program to address private trees that threaten private houses; or a fifth annual cut of grass around the City. We could not continue some of these because they came from the general fund and could not be funded by bonds or CDBG.

We are prepared to complete a new resolution formalizing the elements of the plan we prepared and other items when the resolution is ready for passage.

3. Would the newly created Demolition Department run the demolition program supported by bonds, if approved by Council and the voters?

Yes. The new Demolition Department would require additional staff to support the bond program but the policies, procedures and oversight would be the same.

4. If so, if the bonds are approved by Council and the voters, would the Administration come back to Council with a budget amendment to beef up the Demolition Department to appropriately run the demolition program augmented by the bonds?

Yes. The current Demolition Department is staffed/budgeted to manage the execution of approximately 300 Emergency Demolitions only. Operations to manage the oversight of approximately 1,600 additional demolitions per year, would require a significant increase to staff and demolition supportive services and a budget amendment would be required.

5. Will the Detroit Land Bank Authority (DLBA) still mainly use Salesforce software to run the demolition program?

The Demolition Department will assume the responsibility of managing the demolition information entered and maintained into Salesforce. Demolition will continue with build out plans for Salesforce with the intent of providing the most centralized data management system possible for this program.

6. Promises made to bond investors that the bonds will be properly monitored to avoid jeopardizing tax exempt status.

The OCFO administers all outstanding bond issues to ensure that all compliance with the terms of the bonds are met. The spending of tax exempt bond proceeds are closely monitored to make sure that the tax exempt status of the bonds is not jeopardized.

Last fall, the OCFO provided LPD with a memorandum dated October 15, 2019, regarding the Plan to Monitor Use of Demolition Bond Proceeds for Compliance with Federal Tax Laws. Since then, the Demolition Department has been created within the City. While the City still plans to track the required information in the Salesforce database as specified in the memorandum, the plan will no longer rely on HRD and DBA to enter the expenditure date for each demolition into the database. Rather, this responsibility will fall to the Demolition Department.

Standard Operating Procedures to monitor the post issuance-compliance requirements related to the blight remediation bonds will be developed and implemented by the OCFO.

CITY OF DETROIT
DEMOLITION DEPARTMENT

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New Issues

1. How receptive is current bond market and investors for these bonds? Is there an appetite for these bonds?

With respect to current market conditions for bond issuance, the primary market has continued to rebound following the COVID-19 related market disruption in March 2020. The municipal market has now seen ten consecutive weeks of normalization and improvement, where it continues to evolve into one of the healthiest post-COVID-19 positions; having successfully priced elevated supply levels that were above initial estimates over the past several weeks. Investors continue to digest a variety of transactions across size, complexity and credit quality, further affirming the market's normalization and consistency. Of importance for the City's UTGO Bonds, high yield/lower rated bonds saw continued strong performance and demand in June with investors seeking lower-rated transactions to pick up additional yield. Favorable supply/demand dynamics that ushered in June are setting the table for a summer that is shaping up to experience above average supply from transactions that were side-lined during the height of COVID-19 volatility; including the return of taxable advance refundings on low absolute rates.

2. Is the composition of the bonds still 75% tax-exempt and 25% taxable? Please send updated bond scenario per your bond advisor/OCFO.

For modeling, we are assuming a 64% tax-exempt/ 36% taxable composition for the bonds. The debt capacity analysis prepared by PRAG, the City's financial advisor, assumes $175 million of issuance in 2021 and $50 million of issuance in 2023 (attached). The total of $225 million that was modeled is less than the $250 million in the resolution to provide room to issue additional bonds if market conditions at the time of issuance permit. The City is able to issue the $225 million in blight bonds in fiscal years 2021 to 2023 and remain within the City's existing 9 mills while also preserving debt capacity for future capital projects.

3. What's the likely interest rates associated with tax-exempt and taxable unlimited tax general obligation bonds?

The interest rates on the bonds would of course depend on market conditions at the time the bonds are priced and issued. The debt capacity analysis prepared by PRAG assumed that the bonds would have varying interest rates based on the maturity of the bonds. We anticipate issuing 30-year serial bonds, so the interest rates on the earlier maturities would be lower than the later maturities. Based on the City's bond rating, we would expect the bonds to price at a spread above the rates for investment grade securities. Given that interest rates on the bonds will not be locked in until the City issues the bonds, the debt capacity analysis includes projected interest rates with cushion above existing market rates to account for market volatility between now and when the bonds are expected to price. The City's financial advisor conservatively projects that the tax-exempt bonds to be issued in 2021 would have an interest rate of 3.64%-5.33%, based on the individual maturities. The taxable bonds to be issued in 2021 are projected to have an interest rate of 4.62%-6.18% based on the individual maturities. The tax-exempt bonds to be issued in 2023 are projected to have an interest rate of 4.04%-5.73% based on the individual maturities. The taxable bonds to be issued in 2023 are projected to have an interest rate of 5.02%-6.58% based on the individual maturities.

4. What's the rating agencies now saying about the possibility of these bonds?

The rating agencies would provide a rating on the UTGO bonds at the time of issuance, but do not determine the possibility for the bonds. The market ultimately determines the demand for bonds and pricing at the time they are offered in the market. The projected bond pricing and debt service figures and related debt capacity analysis is based on conservative interest rates based on the City's current bond rating which is three steps below investment grade by both Moody's and S&P. As part of the process of rating bonds, the rating agencies consider a variety of factors including the City's overall debt load and "debt capacity." OCFO recognizes this and has prioritized working with the City's financial advisor to structure the blight bonds within the City's 9 mills and to amortize the bonds in years where the City's existing debt is maturing to achieve an overall level to declining annual debt repayment structure.

cc:

David Massaron - OCFO
Katherine Hammer - OCFO
Brad Dick - GSD
Avery Peoples– Legislative Liaisons

$225 million in Neighborhood Improvement Bonds (64% Tax Exempt/36% Taxable)

Fiscal Year $'s in thousands	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total (20-29)[1]
Blight UTGO Bonds	$-	$175,000	$-	$50,000	$-	$-	$-	$-	$-	$-	$225,000
Future Capital UTGO Bonds	-	80,000	40,000	40,000	-	70,500	-	70,500	-	70,500	371,500
Total	$-	$255,000	$40,000	$90,000	$-	$70,500	$-	$70,500	$-	$70,500	$596,500
Existing UTGO Debt Service	$64,466	$62,657	$47,816	$43,991	$39,248	$30,927	$25,680	$25,676	$25,670	$20,049	$386,180
Blight UTGO DS		0	16,041	14,822	14,751	19,987	15,459	15,462	15,458	15,456	127,436
Future Capital UTGO DS		11,001	4,496	7,201	9,414	9,415	19,564	19,855	20,338	26,226	127,510
Aggregate Debt Service	$64,466	$73,659	$68,353	$66,013	$63,413	$60,329	$60,703	$60,993	$61,466	$61,731	$641,126
Actual and Projected Property Tax Collections	$53,473	$54,660	$54,461	$54,060	$54,956	$54,765	$55,511	$56,269	$57,038	$57,819	$553,013
Federal Rebates (BABS)	3,071	2,990	2,903	2,809	2,699	2,571	2,432	2,281	2,117	1,938	25,811
PPT Reimbursement	3,500	3,500	3,500	3,150	2,835	2,552	2,296	2,067	1,860	1,674	26,934
Interest earnings	790	630	600	600	600	600	600	600	600	600	6,220
Projected Draw from Trustee Account	3,632	11,879	6,890	5,394	2,323	(158)	(137)	(224)	(149)	(301)	29,148
Total Sources	$64,466	$73,659	$68,353	$66,013	$63,413	$60,329	$60,703	$60,993	$61,466	$61,731	$641,126

Attachment IV

Bond Resolution for up to $250 M NIBs and Ballot Language

RESOLUTION SUBMITTING BOND PROPOSAL
AND
AUTHORIZING NEIGHBORHOOD IMPROVEMENT BONDS

CITY OF DETROIT
COUNTY OF WAYNE, STATE OF MICHIGAN

WHEREAS, the City Council (the "City Council") of the City of Detroit (the "City") has determined that it is necessary to secure additional resources to continue to pay the cost of neighborhood improvements in the City through property rehabilitation, demolition and other blight remediation activities (the "Project"); and

WHEREAS, pursuant to the Housing Law of Michigan, Act 167, Public Acts of Michigan, 1917, as amended, and the City's police powers, the City has the authority to conduct all of the activities that comprise the Project, and pursuant to the Home Rule City Act, Act 279, Public Acts of Michigan, 1909, as amended ("Act 279"), the City has the authority to issue bonds for any purpose within the scope of its powers; and

WHEREAS, the City Council has determined that a proposal to approve unlimited tax general obligation bonds for the Project in the principal amount of not to exceed Two Hundred Fifty Million Dollars ($250,000,000) (the "Bond Proposal") shall be submitted to the qualified electors of the City at the primary election to be held in the City on Tuesday, November 3, 2020 (the "Election Date"); and

WHEREAS, in order for the Bond Proposal to be submitted to the qualified electors, it is necessary for the City Council to certify the ballot wording of the Bond Proposal to the City Clerk and to the County Clerk of the Charter County of Wayne (the "County Clerk"), as required by Act 116, Public Acts of Michigan, 1954, as amended (the "Michigan Election Law"); and

WHEREAS, it is the determination of the City Council that, in the event a majority of the qualified electors of the City voting approve the Bond Proposal, unlimited tax general obligation bonds in the principal amount of not to exceed Two Hundred Fifty Million Dollars ($250,000,000) shall be issued pursuant to the City Charter, Act 279, and Act 34, Public Acts of Michigan, 2001, as amended ("Act 34"), and pursuant to this Resolution for the purpose of paying all or part of the costs of the Project; and

WHEREAS, the City desires to negotiate the sale of said bonds to one or more underwriters or purchasers within the parameters established by this Resolution.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. Approval of Bond Proposal. The Bond Proposal attached hereto as Exhibit A is hereby approved and shall be submitted to a vote of the qualified electors of the City on the Election Date.

2. Certification of Bond Proposal; Submission to County Clerk. The ballot wording of the Bond Proposal is hereby certified to the City Clerk and the County Clerk for submission to the City's electors on the Election Date. The City Clerk is hereby authorized and directed to file this Resolution and/or complete any such forms, certificates or documents as may be required by the County Clerk to evidence the foregoing certification and/or submission by no later than 4:00 p.m. on Tuesday, August 11, 2020.

3. Publication of Notice; Preparation of Ballots. The City Clerk and the County Clerk are hereby directed to (a) post and publish notice of last day of registration and notice of election as required by the Michigan Election Law; and (b) have prepared and printed, as provided by the Michigan Election Law, ballots for submitting the Bond Proposal at the election, which ballots shall contain the Bond Proposal, or the proposition shall be stated as a proposal on the voting machines, which ballots may include other matters presented to the electorate on the same date.

4. Estimated Millage. The estimated millage rate in the first year and simple average annual millage rate set forth in the Bond Proposal, which have been prepared for the City by Public Resources Advisory Group, Inc., municipal financial advisors to the City, are reasonable estimates of such millage rates based on current assumptions.

5. Reimbursement Declarations. The City makes the following declarations for the purpose of complying with the reimbursement rules of Treas. Reg. § 1.150-2 pursuant to the Internal Revenue Code of 1986, as amended (the "Code"):

(a) If the Bond Proposal is approved by the electors, the City reasonably expects to reimburse itself with proceeds of bonds for certain costs of the Project which were paid or will be paid from the general funds of the City subsequent to sixty (60) days prior to today.

(b) The maximum principal amount of debt expected to be issued for the Project, including issuance costs, is $250,000,000.

(c) A reimbursement allocation of the capital expenditures described above with the proceeds of the Bonds will occur not later than 18 months after the later of (i) the date on which the expenditure is paid, or (ii) the date the Project is placed in service or abandoned, but in no event more than three (3) years after the original expenditure is paid. A reimbursement allocation is an allocation in writing that evidences the City's use of the proceeds of the Bonds to reimburse the City for a capital expenditure made pursuant to this resolution.

6. Authorization of Bonds; Bond Terms. Pending the approval of the Bond Proposal by more than the required majority of qualified electors of the City voting thereon, bonds of the City designated **Unlimited Tax General Obligation Bonds** (the "Bonds") are authorized to be issued, in one or more series, in the aggregate principal sum of not to exceed Two Hundred Fifty Million Dollars ($250,000,000), for the purpose of paying part of the cost of the Project, including the costs incidental to the issuance, sale and delivery of the Bonds. For each series of the Bonds, the above designation will be modified to indicate the year of issuance of such series

and such additional information as may be necessary to designate multiple series or sub-series within a single year, and in the case of delivery of any series of the Bonds delivered pursuant to a HUD Program (as defined herein), such designation may be modified to conform to HUD Program requirements (including but not limited to a designation of such series of Bonds as "notes"). Each issue shall consist of bonds in fully-registered form of the denomination of $5,000, or multiples thereof not exceeding for each maturity the maximum principal amount of that maturity, numbered consecutively in order of registration, dated as of the date of delivery.

The Bonds will mature on the dates in the years and amounts determined by the Chief Financial Officer or the Chief Financial Officer's designee (the "Authorized Officer") at the time of sale, and be subject to redemption prior to maturity in the manner and at the times and prices as determined by the Authorized Officer at the time of sale.

The Bonds shall bear interest at a rate or rates on a fixed and tax-exempt or taxable basis to be determined upon negotiated sale thereof. Interest on the Bonds shall be payable on the dates and in the years as determined by the Authorized Officer at the time of sale. The record date of determination of registered owner for purposes of payment of interest as provided in this paragraph may be changed by the City to conform to market practice in the future. Interest shall be payable to the registered owner of record as of the 15th day of the month preceding the payment date for each interest payment. The principal of the Bonds shall be payable at the corporate trust office of such bank or trust company as may be selected by the Authorized Officer at the time of sale of the Bonds to serve as transfer agent therefor (the "Transfer Agent"); provided, that in connection with Bonds delivered pursuant to a HUD Program, the Transfer Agent may be an entity designated as fiscal agent, trustee or the equivalent under the applicable HUD Program, subject to the laws of the State of Michigan (the "State").

The Bonds may be issued in book-entry only form through The Depository Trust Company in New York, New York ("DTC") and the Authorized Officer is authorized to execute such custodial or other agreement with DTC as may be necessary to accomplish the issuance of the Bonds in book-entry only form and to make such changes in the Bond form within the parameters of this resolution as may be required to accomplish the foregoing.

7. Tax Exempt Bonds; Taxable Bonds. The Authorized Officer is hereby authorized and directed to determine whether all or any portion of the Bonds shall be sold as: (i) bonds the interest on which is excluded from gross income for federal income tax purposes ("Tax-Exempt Bonds"), or (ii) bonds the interest on which is included in gross income for federal income tax purposes under the Code, or any combination thereof.

8. Execution of Bonds. The Bonds of this issue 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 Bonds. No Bond shall be valid until authenticated by an authorized officer or representative of the Transfer Agent. The Bonds shall be delivered to the Transfer Agent for authentication and be delivered by the Transfer Agent to the purchaser or other person in accordance with instructions from the Finance Director upon payment of the purchase price for the Bonds in accordance with the bid therefor when accepted.

9. Transfer of Bonds. The Transfer Agent shall keep the books of registration for this issue on behalf of the City. Any Bond may be transferred upon such registration books by the registered owner of record, in person or by the registered owner's duly authorized attorney, upon surrender of the Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Transfer Agent. Whenever any Bond or Bonds shall be surrendered for transfer, the City shall execute and the Transfer Agent shall authenticate and deliver a new Bond or Bonds for like aggregate principal amount. The Transfer Agent shall require the payment by the bondholder requesting the transfer of any tax or other governmental charge required to be paid with respect to the transfer. For any series of Bonds issued pursuant to a HUD Program, transfer of such Bonds shall be made in accordance with HUD Program requirements, subject to the laws of the State.

10. Debt Retirement Fund; Unlimited Tax Pledge; Defeasance of Bonds; Early Optional Redemption. For each series of Bonds, the City Treasurer is authorized and directed to open a depositary account with a bank or trust company designated by the Authorized Officer, to be designated [YEAR OF ISSUE] UNLIMITED TAX GENERAL OBLIGATION BONDS 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 Bonds as they mature. The City hereby pledges its unlimited tax full faith and credit for the prompt payment of the Bonds. All proceeds from taxes levied for deposit into the Debt Retirement Fund shall be deposited as collected. Commencing with the year 2021 (or such other year as shall be necessary to first levy taxes to pay debt service on the Bonds), there shall be levied upon the tax rolls of the City for the purpose of the Debt Retirement Fund each year, in the manner required by the provisions of Act 34, an amount sufficient so that the estimated collection therefrom will be sufficient to promptly pay, when due, the principal of and interest on the Bonds becoming due prior to the next annual tax levy; provided, however, that if at the time of making any such annual tax levy there shall be other funds available or surplus moneys on hand in the Debt Retirement Fund for the payment of principal of and interest on the Bonds, then credit for all or a portion thereof may be taken against such annual levy for the Debt Retirement Fund.

In the event cash or direct obligations of the United States or obligations the principal of and interest on which are guaranteed by the United States, or a combination thereof, the principal of and interest on which, without reinvestment, come due at times and in amounts sufficient to pay at maturity or irrevocable call for earlier optional redemption, the principal of, premium, if any, and interest on the Bonds, shall be deposited in trust, this resolution shall be defeased and the owners of the Bonds shall have no further rights under this resolution except to receive payment of the principal of, premium, if any, and interest on the Bonds from the cash or securities deposited in trust and the interest and gains thereon and to transfer and exchange Bonds as provided herein.

Unless waived by any registered owner of Bonds to be redeemed, official notice of redemption shall be given by the Transfer Agent on behalf of the City. Such notice shall be dated and shall contain at a minimum the following information: original issue date; maturity dates; interest rates; CUSIP numbers, if any; the place where the Bonds called for redemption are to be surrendered for payment; and that interest on the Bonds or portions thereof called for redemption shall cease to accrue from and after the redemption date. Any notice of optional redemption may provide that such redemption is conditioned upon the occurrence of any event specified in the notice of redemption. If such conditional notice of redemption has been given, and on the scheduled redemption date the event specified in the notice of redemption as a condition to the redemption has not occurred, then Bonds for which conditional notice of redemption was given shall not be redeemed on the scheduled redemption date and shall remain outstanding for all purposes of this resolution.

In addition, further notice shall be given by the Transfer Agent in such manner as may be required or suggested by regulations or market practice at the applicable time, but no defect in such further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed herein.

11. Project Fund; Proceeds of Bond Sale; Appropriation. The City Treasurer is authorized and directed to open a separate depositary account with a bank or trust company designated by the City Council, to be designated UNLIMITED TAX GENERAL OBLIGATION BONDS PROJECT FUND (the "Project Fund") and deposit into said Project Fund the proceeds of the Bonds 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, capitalized interest, if any, and the costs of issuance of the Bonds.

The proceeds of the Bonds are hereby appropriated, upon receipt, to appropriation 21003 UTGO Blight Bonds for the purpose of paying all or part of the cost of the Project, capitalized interest, if any, and the costs of issuance of the Bonds.

The City Treasurer is further authorized to open such account or accounts as may be required for the deposit or transfer of proceeds in connection with the issuance of any Series of Bonds issued pursuant to a HUD Program, provided such accounts and any deposits made therein are consistent with the laws of the State and this resolution.

12. Bond Form. Any Bonds not delivered pursuant to a HUD Program shall be in substantially the following form. Any series of Bonds delivered pursuant to a HUD Program shall be in such form as shall be necessary to conform to HUD Program requirements, subject to the laws of the State.

UNITED STATES OF AMERICA
STATE OF MICHIGAN
COUNTY OF WAYNE

CITY OF DETROIT

UNLIMITED TAX GENERAL OBLIGATION BOND, SERIES 20__

Interest Rate	Maturity Date	Date of Original Issue	CUSIP
	[____] 1, ____	________, 20__	

Registered Owner:

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 Registered Owner specified above, or registered assigns, the Principal Amount specified above, in lawful money of the United States of America, on the Maturity Date specified above, unless prepaid prior thereto as hereinafter provided, with interest thereon (computed on the basis of a 360-day year consisting of twelve 30-day months) from the Date of Original Issue specified above or such later date to which interest has been paid, until paid, at the Interest Rate per annum specified above, first payable on _________ 1, 20__ and semiannually thereafter. Principal of this bond is payable at the corporate trust office of ____________________, ___________, _______________, or such other transfer agent as the City may hereafter designate by notice mailed to the registered owner not less than sixty (60) days prior to any interest payment date (the "Transfer Agent"). Interest on this bond is payable to the registered owner of record as of the fifteenth (15th) day of the month preceding the interest payment date as shown on the registration books of the City kept by the Transfer Agent by check or draft mailed to the registered owner of record at the registered address. For prompt payment of this bond, both principal and interest, the full faith, credit and resources of the City are hereby irrevocably pledged.

This bond is one of a series of bonds aggregating the principal sum of $_____________, constituting the ___ series of bonds of a total authorization of $___________ issued for the purpose of paying the cost of neighborhood improvements in the City through property rehabilitation, demolition and other blight remediation activities[, paying capitalized interest] and paying costs incidental to the issuance of the bonds in pursuance of a vote of the qualified electors of the City voting thereon at a certain election duly held on November 3, 2020.

Bonds of this issue maturing in the years 20__ to 20__, inclusive, shall not be subject to redemption prior to maturity. Bonds or portions of bonds of this issue in multiples of $5,000 maturing in the year ______ and thereafter shall be subject to redemption prior to maturity, at the option of the City, in any order of maturity and by lot within any maturity, on any date on or after ________ 1, _______, at par and accrued interest to the date fixed for redemption.

[Insert any mandatory sinking fund redemption/term bond provisions, if applicable]

In case less than the full amount of an outstanding bond is called for redemption, the Transfer Agent, upon presentation of the bond called in part for redemption, shall register, authenticate and deliver to the registered owner of record a new bond in the principal amount of the portion of the original bond not called for redemption.

Notice of redemption shall be given to the registered owner of any bond or portion thereof called for redemption by mailing of such notice not less than thirty (30) days prior to the date fixed for redemption to the registered address of the registered owner of record. A bond or portion thereof so called for redemption shall not bear interest after the date fixed for redemption provided funds are on hand with the Transfer Agent to redeem said bond or portion thereof.

This bond is transferable only upon the registration books of the City kept by the Transfer Agent by the registered owner of record in person, or by the registered owner's attorney duly authorized in writing, upon the surrender of this bond together with a written instrument of transfer satisfactory to the Transfer Agent duly executed by the registered owner or the registered owner's attorney duly authorized in writing, and thereupon a new registered bond or bonds in the same aggregate principal amount and of the same maturity shall be issued to the transferee in exchange therefor as provided in the resolution authorizing this bond and upon the payment of the charges, if any, therein prescribed. Neither the City nor the Transfer Agent shall be required to transfer or exchange this bond during the period fifteen (15) days immediately preceding the date of mailing any notice of redemption or (except as to the unredeemed portion, if any, of this bond) after this bond or any portion of this bond has been selected for redemption.

This bond, including the interest thereon, is payable out of the City's Debt Retirement Fund for this issue and the City is required to levy ad valorem taxes on all taxable property in the City for the payment thereof, without limitation as to rate or amount.

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

This bond is not valid or obligatory for any purpose until the Transfer Agent's Certificate of Authentication on this bond has been executed by the Transfer Agent.

IN WITNESS WHEREOF, the City of Detroit by authority of its City Council, has caused this bond to be signed for and on its behalf and in its name by the manual or facsimile signature of the Mayor of the City and the manual or facsimile signature of its Finance Director and the official seal of the City to be impressed 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

Certificate of Authentication

This bond is one of the bonds described in the within-mentioned resolution.

____
__________________, Michigan
Transfer Agent

By____
Its: Authorized Signature

Date of Authentication: __________________, 20__

13. Useful Life of Project. The estimated period of usefulness of the Project is hereby declared to be not less than thirty (30) years.

14. Negotiated Sale. The City Council has considered the option of selling the Bonds through a competitive sale and a negotiated sale and, pursuant to the requirements of Act 34, based on the advice it its financial advisor, determines that a negotiated sale of the Bonds will result in the most efficient and expeditious means of selling the Bonds to best achieve the most advantageous interest rates and costs to the City and will provide the City with greater flexibility in structuring bond maturities and adjusting terms for the Bonds.

15. Tax Covenant. The City shall, to the extent permitted by law, take all actions within its control necessary to maintain the exclusion of the interest on the Bonds issued as Tax-Exempt Bonds from gross income for federal income tax purposes under the Code, including, but not limited to, actions relating to any required rebate of arbitrage earnings and the expenditures and investment of Bond proceeds and moneys deemed to be Bond proceeds.

16. Sale of Bonds; Bond Purchase Agreement; Sale Order; Adjustment of Bond Details. The Authorized Officer is hereby authorized to (a) select one or more financial institutions to (*i*) serve as underwriter or underwriters for any series of Bonds or (*ii*) purchase any series of Bonds directly or (b) take all actions necessary to participate in a financing program under the authority of the United States Department of Housing and Urban Development ("HUD"; such program being a "HUD Program"), in connection with which one or more series of Bonds may be delivered. The Authorized Officer is, subject to the parameters set forth in this Resolution, further authorized to approve the sale of any series of the Bonds to (a) an underwriter pursuant to a bond purchase agreement, (b) a direct purchaser pursuant to a direct purchase agreement or the equivalent thereof or (c) HUD or a registered holder, agent or trustee designated to purchase or take delivery of Bonds delivered in connection with a HUD Program.

The Authorized Officer is authorized to execute a sale order approving the final terms of each series of the Bonds (the "Sale Order"), adjust the final bond details set forth herein to the extent necessary or convenient to complete the transactions authorized herein, and in pursuance of the foregoing is 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, redemption rights, the place of delivery and payment, designation of series and other matters; *provided*, that the interest rate on each series of the Bonds shall not exceed the maximum rate of interest permitted by law; the final maturity of each series of Bonds shall be not later than thirty (30) years from the date of delivery thereof; each series of the Bonds shall be sold at a price not less than 100% of the par amount thereof; and the underwriter's discount on the Bonds shall not exceed 0.75% of the principal amount of that series of the Bonds.

17. Official Statement; Qualification for Insurance; Ratings. The Authorized Officer is hereby authorized and directed to (a) if and as applicable to a series of the Bonds, approve the circulation of a preliminary official statement describing that series of the Bonds and to deem the preliminary official statement "final" for purposes of Rule 15c2-12 of the SEC (the "Rule"); (b) solicit bids for and approve the purchase of a municipal bond insurance policy for any series of

the Bonds, if deemed economically advantageous to the City; (c) apply for ratings on any series of the Bonds; and, (d) do all other acts and take all other necessary procedures required to effectuate the sale, issuance and delivery of each series of the Bonds.

18. Approval of Other Documents and Actions; Treasury Approval. The Authorized Officer and any other officers, agents or employees of the City are hereby authorized and directed on behalf of the City to take any and all other actions, perform any and all acts and execute any and all documents that shall be required, necessary or desirable to implement this Resolution.

The Authorized Officer is hereby authorized to file applications with and to pay the related fees, if any, to the Michigan Department of Treasury under Act 34 for an order or orders of approval, or qualifying statements necessary to issue all or a portion of the Bonds, to enter into any supplement to or amendment of that certain Debt Millage Deposit Escrow Agreement between itself and U.S. Bank National Association, as escrow trustee, dated August 11, 2016, as amended, and to enter into one or more remarketing agreements, indentures, letters of credit and reimbursement agreements, and such waivers, including, specifically an application to waive the investment grade rating requirement, or other Treasury approvals as necessary to implement the sale, delivery and security for the Bonds, and as required by the Michigan Department of Treasury and Act 34. The Authorized Officer is hereby authorized and directed to pay any post closing filing fees required by Act 34 to the Michigan Department of Treasury or other specified agency, as a cost of issuance or from other legally available funds.

19. Continuing Disclosure. The City shall enter into a continuing disclosure undertaking pursuant to the Rule for the benefit of the holders and beneficial owners of any series Bonds as to which the Rule is applicable, as more specifically set forth in Exhibit B hereto (the "Undertaking"); provided, however, that the terms of the Undertaking are subject to completion and modification prior to delivery of the Bonds to such extent as the Authorized Officer shall deem necessary to comply with law or market requirements of an underwriter of the Bonds. The Authorized Officer is hereby authorized to execute and deliver the Undertaking after completion and modification as provided in this Resolution and the Sale Order.

20. Appointment of Bond Counsel; Engagement of Other Parties. The appointment of the law firm of Miller, Canfield, Paddock and Stone, P.L.C. of Detroit, Michigan, as initial Bond Counsel for the Bonds is hereby ratified and confirmed, notwithstanding the periodic representation by Miller, Canfield, Paddock and Stone, P.L.C., in unrelated matters of other parties and potential parties to the issuance of the Bonds. The fees and expenses of Miller, Canfield, Paddock and Stone, P.L.C. as Bond Counsel and other accumulated bond related fees and expenses shall be payable as a cost of issuance from proceeds of the Bonds or other available funds in accordance with the letter of such firm on file with the City.

The Authorized Officer is hereby authorized to engage other consultants, financial advisors, or other parties as he or she deems necessary and appropriate in connection with the sale, issuance and delivery of the Bonds and to pay the fees and expenses thereof from the proceeds of the Bonds or other available funds.

21. Financial Advisor. The City hereby appoints Public Resources Advisory

Group, Inc. as initial financial adviser with respect to the Bonds.

22. No Recourse Under Resolution. All covenants, agreements and obligations of the City contained in this Resolution shall be deemed to be the covenants, agreements and obligations of the City and not of any councilperson, member, officer or employee of the City in his or her individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on this Resolution against any councilperson, member, officer or employee of the City or any person executing the Bonds in his or her official individual capacity.

23. Effective Date. This Resolution shall take effect immediately upon its adoption by the Council.

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

Exhibit A

Proposal N

NEIGHBORHOOD IMPROVEMENT <u>BOND PROPOSAL</u>

Shall the City of Detroit issue bonds in an amount of not more than $250,000,000 for the purpose of paying the cost of neighborhood improvements in the City through property rehabilitation, demolition and other blight remediation activities? The bonds will be payable from taxes the City is allowed to levy in addition to state statutory and City Charter limits.

Yes ☐

No ☐

The total debt millage required to retire this proposed bond issue and all voted bonds of the City is estimated to remain at or below the debt millage levied by the City in 2020. If approved, the estimated millage to be levied in 2021 for the proposed bonds is 3.114 mills ($3.114 per $1,000 of taxable value) and the estimated simple average annual millage rate required to retire the proposed bonds is 2.665 mills ($2.665 per $1,000 of taxable value). Each series of the bonds shall be payable in not more than 30 years from its date of issuance.

currently 9 mills

Exhibit B

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by the City of Detroit, County of Wayne, State of Michigan (the "City") in connection with the issuance of its Unlimited Tax General Obligation Bonds, Series 20__ (the "Bonds"). The City covenants and agrees for the benefit of the Bondholders, as hereinafter defined, as follows:

(a) *Definitions*. The following terms used herein shall have the following meanings:

"Audited Financial Statements" means the City's audited financial statements prepared by an individual or firm of independent certified public accountants as required by Act 2, Public Acts of Michigan, 1968, as amended, which presently requires preparation in accordance with generally accepted accounting principles.

"Bondholders" shall mean the registered owner of any Bond or any person (a) with the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including any person holding a Bond through a nominee, depository or other intermediary) or (b) treated as the owner of any Bond for federal income tax purposes.

"City" means the City of Detroit, County of Wayne, State of Michigan.

"Disclosure Representative" means the CFO of the City or his designee, or such other officer, employee, or agent as the City shall designate from time to time in writing.

"EMMA" shall mean the MSRB's Electronic Municipal Market Access System.

"Financial Obligation" means "financial obligation" as such term is defined in the Rule. "MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended, as in effect on the date of this undertaking, including any officiation interpretations thereof issued either before or after the date of this undertaking which are applicable to this undertaking.

"SEC" means the United States Securities and Exchange Commission.

"Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited by an individual or firm of independent certified public accountants.

(b) *Continuing Disclosure.* The City hereby agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to the MSRB through EMMA, on or before the last day of the ninth (9th) month following the end of the fiscal year of the City, commencing with the fiscal year ended June 30, 2020, in an electronic format as prescribed by the MSRB:

(1) Certain annual financial information and operating data reasonably available to the City in form and substance similar to the information appearing in the sections or tables in Appendix A of the Official Statement relating to the Bonds as described below:

a. Revenues and Expenditures of the General Fund;
b. Municipal Income Tax Revenues;
c. Property Tax Revenues;
d. Distributable State Aid (State Revenue Sharing);
e. Annual City Contributions to the Retirement Systems;
f. City of Detroit State Equalized Valuations and Taxable Valuations;
g. Tax Rates;
h. Tax Levies and Collections;
i. Ten Largest Property Taxpayers;
j. Legal Debt Margins Subject to State Limitations;
k. Statement of Direct Tax-Supported and Revenue Indebtedness; and
l. Direct and Overlapping Debt.

(2) The Audited Financial Statements. Provided, however, that if the Audited Financial Statements are not available by the date specified above, they shall be provided when available and unaudited financial statements will be filed by such date and the Audited Financial Statements will be filed as soon as available.

(3) Such additional financial information or operating data as may be determined by the City and its advisors as desirable or necessary to comply with the Rule.

Such annual financial information and operating data described above are expected to be provided directly by the City or by specific reference to other documents available to the public through EMMA or filed with the SEC, including official statements of debt issues of the City or related public entities.

If the fiscal year of the City is changed, the City shall send notice of such change to the MSRB through EMMA prior to the earlier of the ending date of the fiscal year prior to such change or the ending date of the fiscal year as changed.

(c) *Notice of Failure to Disclose*. The City agrees to provide or cause to be provided, in a timely manner, to the MSRB through EMMA, notice of a failure by the City to provide the Annual Financial Information with respect to the City described in subsection (b) above on or prior to the dates set forth in subsection (b) above.

(d) *Occurrence of Events*. The City agrees to provide or cause to be provided to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events listed in paragraph (b)(5)(i)(C) of the Rule with respect to the Bonds (each a "Material Event"):

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
(7) modifications to rights of holders of the Bonds;
(8) Bond calls;
(9) defeasances;
(10) release, substitution, or sale of property securing repayment of the Bonds;
(11) rating changes;
(12) bankruptcy, insolvency, receivership or similar event of the Issuer, which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;
(13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
(14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
(15) incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; or
(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(e) Materiality Determined Under Federal Securities Laws. The City agrees that its determination of whether any event listed in subsection (d) is material shall be made in accordance with federal securities laws.

(f) Termination of Reporting Obligation. The obligation of the City to provide Annual Financial Information and notices of Material Events, as set forth above, shall be terminated if and when the City no longer remains an "obligated person" with respect to the Bonds within the meaning of the Rule, including upon legal defeasance of all Bonds.

(g) *Identifying Information.* All documents provided to the MSRB through EMMA shall be accompanied by the identifying information prescribed by the MSRB.

(h) *Benefit of Bondholders.* The City agrees that its undertaking pursuant to the Rule set forth in this Section is intended to be for the benefit of the Bondholders and shall be enforceable by any Bondholder; provided that, the right to enforce the provisions of this Undertaking shall be limited to a right to obtain specific enforcement of the City's obligations hereunder and any failure by the City to comply with the provisions of this Undertaking shall not constitute a default or an event of default with respect to the Bonds or under the Resolution.

(i) *Amendments to the Undertaking.* Amendments may be made in the specific types of information provided or the format of the presentation of such information to the extent deemed necessary or appropriate in the judgment of the Disclosure Representative on behalf of the City, provided that the City agrees that any such amendment will be adopted procedurally and substantively in a manner consistent with the Rule, including, any interpretations thereof by the SEC, which, to the extent applicable, are incorporated herein by reference. Such interpretations currently include the requirements that (a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City or the type of activities conducted thereby, (b) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) the amendment does not materially impair the interests of Bondholders, as determined by parties unaffiliated with the City (such as independent legal counsel), but such interpretations may be changed in the future. If the accounting principles to be followed by the City in preparing the Audited Financial Statements are modified, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements as prepared on the prior basis and the statements as prepared on the new basis, and otherwise shall comply with the requirements of the Rule, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. A notice of the change in accounting principles shall be sent to the MSRB through EMMA.

(j) *Additional Information.* Nothing in this Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of a Material Event, in addition to that which is required by this Undertaking.

(k) *Governing Law.* This Undertaking shall be construed and interpreted in accordance with the laws of the State of Michigan (the "State"), and any suits and actions arising out of this Undertaking shall be instituted in a court of competent jurisdiction in the State; *provided*, that to the extent this Undertaking addresses matters of federal securities laws, including the Rule, this Undertaking shall be construed in accordance with such federal securities laws and official interpretations thereof.

IN WITNESS WHEREOF, the City has caused this Undertaking to be executed by its authorized officer.

CITY OF DETROIT
County of Wayne
State of Michigan

By______________________________________

____

Its ___________________________

Dated: ___________, 20__

34048327.18\022765-00234

Attachment V

Neighborhood Improvement Bond Sizing Scenario

$225 million in Neighborhood Improvement Bonds (64% Tax Exempt/36% Taxable)

Fiscal Year **$'s in thousands**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**Total (20-29)[1]**
Blight UTGO Bonds	$-	$175,000	$-	$50,000	$-	$-	$-	$-	$-	$-	$225,000
Future Capital UTGO Bonds	-	80,000	40,000	40,000	-	70,500	-	70,500	-	70,500	371,500
Total	$-	$255,000	$40,000	$90,000	$-	$70,500	$-	$70,500	$-	$70,500	$596,500
Existing UTGO Debt Service	$64,466	$62,657	$47,816	$43,991	$39,248	$30,927	$25,680	$25,676	$25,670	$20,049	$386,180
Blight UTGO DS		0	16,041	14,822	14,751	19,987	15,459	15,462	15,458	15,456	127,436
Future Capital UTGO DS		11,001	4,496	7,201	9,414	9,415	19,564	19,855	20,338	26,226	127,510
Aggregate Debt Service	$64,466	$73,659	$68,353	$66,013	$63,413	$60,329	$60,703	$60,993	$61,466	$61,731	$641,126
Actual and Projected Property Tax Collections	$53,473	$54,660	$54,461	$54,060	$54,956	$54,765	$55,511	$56,269	$57,038	$57,819	$553,013
Federal Rebates (BABS)	3,071	2,990	2,903	2,809	2,699	2,571	2,432	2,281	2,117	1,938	25,811
PPT Reimbursement	3,500	3,500	3,500	3,150	2,835	2,552	2,296	2,067	1,860	1,674	26,934
Interest earnings	790	630	600	600	600	600	600	600	600	600	6,220
Projected Draw from Trustee Account	3,632	11,879	6,890	5,394	2,323	(158)	(137)	(224)	(149)	(301)	29,148
Total Sources	$64,466	$73,659	$68,353	$66,013	$63,413	$60,329	$60,703	$60,993	$61,466	$61,731	$641,126