Bond Case Briefs

Municipal Finance Law Since 1971

Michigan Board OKs \$450 Million Detroit Hockey Arena Bonds.

(Reuters) – The Michigan Strategic Fund board gave final approval on Wednesday for the sale of up to \$450 million of 30-year revenue bonds for a downtown Detroit arena that will be home to the National Hockey League's Detroit Red Wings.

The financing plan calls for \$250 million of tax-exempt bonds backed by increases in tax collections on real estate and personal property from the development. The bonds will be priced through underwriter Merrill Lynch.

Another \$200 million of variable-rate taxable bonds backed by arena concession fee payments will be privately placed with Comerica Bank.

The Detroit Downtown Development Authority, which will own the arena, will hedge interest rate risk on the bonds through a swap agreement with a yet-to-be named counterparty. According to a briefing memo on the deal, the authority will follow federal financial reform regulations known as Dodd-Frank and engage an independent representative to conduct negotiations.

Interest-rate swaps ensuared many municipalities during the last financial crisis. Swaps associated with Detroit's pension debt soured when interest rates and the city's credit ratings dropped. The money Detroit subsequently owed to the swap counterparties helped push it to file the biggest-ever municipal bankruptcy in July 2013.

The Detroit Downtown Development Authority approved the financing on Tuesday.

The authority has been working more than a year on a "new multipurpose events center" of at least 650,000 square feet that will have 18,000 seats and retail space. It expects it to open in 2017.

A U.S. Bankruptcy Court judge is currently evaluating Detroit's plan for restructuring its \$18 billion of debt and obligations to exit bankruptcy. Anticipating the plan will win the judge's approval soon, city leaders are talking about a revitalized city with less blight and more economic development.

In a briefing memo, Mark Morante, senior advisor at the Michigan Economic Development Corporation, described the arena as an "innovative facility that will act as a powerful generator of economic activity and be a good urban neighbor."

He added that private parties will develop the area around the arena, making an "aggregate capital investment of at least \$200,000,000 in projects."

That development will occur concurrently with the arena work "to more rapidly generate jobs, positive economic impact and transformation of the district," Morante wrote.

Wed Sep 17, 2014 6:36pm EDT

(Reporting by Lisa Lambert in Detroit and Karen Pierog in Chicago; Editing by James Dalgleish and Andre Grenon)

Copyright © 2025 Bond Case Briefs | bondcasebriefs.com