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Detroit Judge Delays Lighting Proposal Over Law Firm.

Detroit's bankruptcy judge put off ruling on a proposal to spend as much as \$12.5 million annually on street lighting until a law firm explains why it represents both the city and a public lighting district the city created.

U.S. Bankruptcy Court Judge Steven Rhodes initially appeared set to overrule objections to the proposal, telling creditors at a hearing today "the dark you're in doesn't compare to the dark" faced by residents.

When he learned that law firm Miller, Canfield, Paddock & Stone PLC represented both Detroit and the Public Lighting Authority, a separate legal entity, Rhodes put the proposal on hold. He said that having one firm on both sides of the transaction gave the appearance of a conflict of interest, even though Detroit set up the lighting authority and would be funding it with city taxes.

"It is most unfortunate that this issue came to the court in the way that it did," Rhodes said. He asked the city and objectors to file briefs about the law firm's work by Dec. 4.

Thousands of streetlights in Detroit don't work, creating a public safety hazard, officials have said. The city is seeking court permission to divert \$12.5 million in taxes to the Public Lighting Authority, which would use the money to repay what it intends to borrow so it can add streetlights, according to court papers.

The authority would borrow about \$60 million in the form of a bridge loan and issue as much as \$153 million in bonds with the help of the state of Michigan.

Creditor Opposition

Creditors including Syncora Guarantee Inc. opposed the lighting proposal, saying they didn't have enough information.

Marc N. Swanson, a Miller Canfield lawyer, didn't immediately return a call seeking comment on today's hearing.

Detroit filed for bankruptcy in July saying decades of economic decline had left it without enough money to pay creditors owed \$18 billion and still provide basic services to about 685,000 residents. Rhodes set a hearing for Dec. 3 to announce whether Detroit is eligible to remain under bankruptcy court protection.

The case is City of Detroit, 13-bk-53846, U.S. Bankruptcy Court, Eastern District of Michigan (Detroit).

By Steven Church & Steven Raphael - Nov 27, 2013 11:29 AM PT

