

**DETROIT FINANCIAL REVIEW COMMISSION**  
**RESOLUTION 2023-03**  
**APPROVING THE CITY'S REQUEST**  
**TO ISSUE \$25 MILLION IN UTGO BONDS**

WHEREAS, Public Act 181 of 2014, as amended, the Michigan Financial Review Commission Act (the "Act") created the Detroit Financial Review Commission (the "Commission") to provide specified supervision of certain activities and actions of the City of Detroit (the "City") beginning on December 10, 2014; and

WHEREAS, the Act charges the Commission with, among other things, (a) ensuring that the City is meeting certain statutory requirements, (b) reviewing and approving the City's budgets and certain contracts, and (c) establishing processes to ensure effective prudent fiscal management; and

WHEREAS, the Commission granted a waiver to the City pursuant to Section 8 of the Act on April 30, 2018 in Resolution 2018-13, which waiver was most recently continued by the FRC on June 26, 2023, in Resolution 2023-02, and therefore the Commission is currently in a period of decreased oversight; and

WHEREAS, both the Act and the conditions of waiver approved by the Commission in Resolution 2018-13 and Resolution 2023-02 contemplate continued monitoring of the City's financial status, even though the Commission is no longer providing day to day oversight of the City's finances; and

WHEREAS, at the Commission meeting on June 26, 2023, the City presented its plan to issue \$25 million in unlimited tax general obligation bonds for transportation and recreation capital projects (the "2023 UTGO Bonds"); and

WHEREAS, the City has advised the Commission that the proposed sale would fit within the City's strengthened debt policy and within the projected debt millage, while still allowing for future borrowing, and the City has developed processes to manage bond proceeds, ensuring they are spent timely and in tax compliance;

NOW THEREFORE, be it RESOLVED by the Commission as follows:

1. That the City's request to issue the 2023 UTGO Bonds, as presented to the Commission on June 26, 2023, is hereby approved.
2. That the minutes of the Commission meeting at which this Resolution is adopted take notice of the adoption of this Resolution.
3. This Resolution shall have immediate effect.



**Planned Sale of \$100M UTGO Bonds:  
\$75M Neighborhood Improvement Program  
\$25M Capital Projects**

**Presentation to the Financial Review  
Commission June 26, 2023**

# Overview

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- Detroit voters approved Proposal N for Neighborhoods, a \$250M comprehensive plan to address vacant houses in Detroit through rehabilitation or demolition
  - \$175M issued in 2021; this issuance will cover the remaining \$75M
- Previously voter approved \$25M for Capital – \$13M Transportation and \$12M Recreation
- These investments are affordable under the City's strengthened debt policy
- The City has developed processes to spend and document bond proceeds to ensure tax compliance

# Neighborhood Improvement Plan Bonds



# We've Combatted Blight Faster than Anyone Imagined, and are Close to Finished...

## Land Bank-Owned Vacant Houses & Other Houses with Orders to Demolish:

In 2014 47,000

Demolished 24,000

Sold/Rehabbed 16,000

In 2023 7,000 left

*Prop N Bonds will fund another 2,500 and General Fund will finish the job!*

### Detroit rehabbed more homes than it demolished in 2022

ARIELLE KASS

CRAIN'S  
DETROIT BUSINESS

EMAIL SHARE TWEET IN SHARE



ARPA



**Blight Remediation**

**\$95 Million**

Commercial demolition and rehab

# Neighborhood Improvement Plan Goals

## 2020 Improvement Pan

- **Preserve 6,000 vacant houses** through stabilization and sales, 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 ← ***nearly 6,000 completed or contracted with 2021 bonds***
- **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
- **Improve Demolition Program Accountability** by returning operations to City government

## Continuing Improvement Pan

- **Demolish remaining 2,500 vacant houses** in the program, further reducing dangerous residential blight and raising property values for neighbors
- **Tax relief for Detroit residents**, through revitalization efforts that helped increase property value across the city, announced a reduction from 9 to 8 mills in FY24 and anticipate a reduction to 7 mills in FY25
- **Maintain Compliance Measures** with the Land Bank to ensure efficient sales of houses and properties into the community while meeting compliance requirements

# **Transportation and Recreation Capital Projects**



# Transportation – Transit Center



**In November 2021**, City Council approved \$18.6 million to fund a new Transit Center at the State Fair Grounds, consisting of:

- \$3.0 million 2018 UTGO Bonds
- \$10.4 million 2020 UTGO Bonds
- \$4.2 million General Fund Cash Capital

**In March 2023**, City Council approved an \$13 million increase in budget to \$31.6 million due to rising construction costs and changes in scope for additional preservation activity. Originally, the increase was intended to be funded by the General Fund.

As of June 2023, the City now intends to fund with **\$13 million of the 2023 Bond Issuance**



# Park and Recreation Improvements

The City intends to use **\$12 million of the 2023 bond issuance** to fund the FY24 phase of the City's **Parks & Recreation Improvement plan**. This will include enhancements to parks in every Council district, as well as improvements and expansions to City recreation centers.

- The City currently owns 17 Recreation Centers with plans to open 3 New Centers in the near future: Chandler, Lenox, and Dexter-Elmhurst
- The Improvement Plan targets improving 100 parks throughout the City



# Borrowings within Affordability Caps

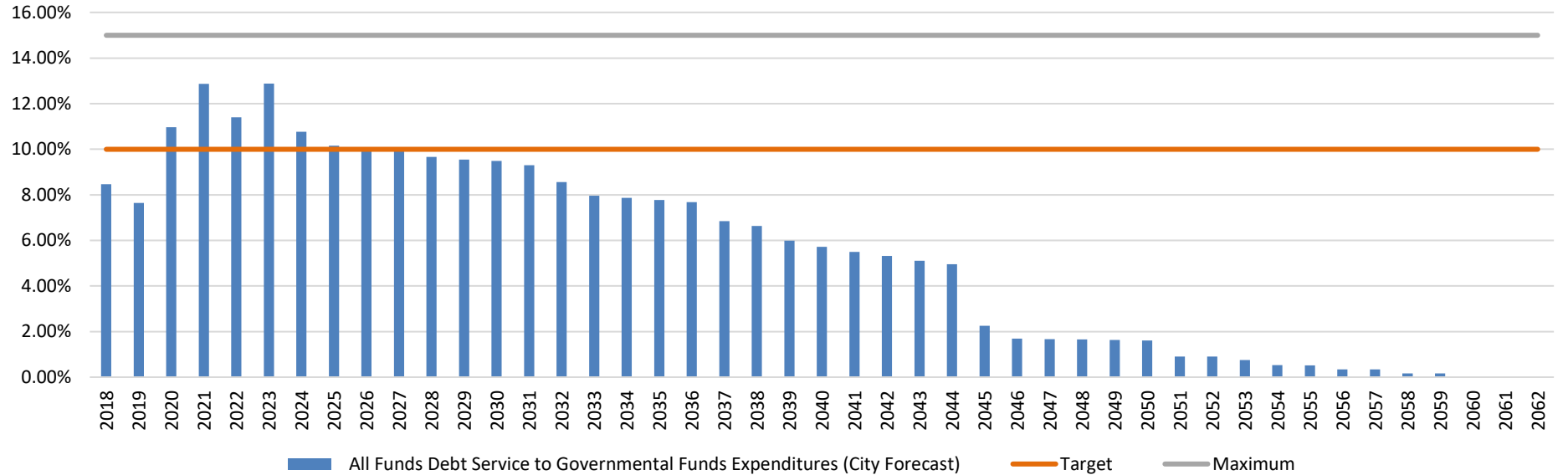
	As of June 30, 2022 <i>(Audited Financials)</i>	As of June 30, 2023 <i>(Unaudited Financials)</i>	As of June 30, 2024 <i>Forecasted (Current Debt Service)</i>	As of June 30, 2024 <i>Forecasted (Anticipated Debt Service)</i>
<b>DETROIT DEBT POLICY: DEBT AFFORDABILITY LIMITS</b>				
<b>General Fund Debt Service as % of to General Fund Expenditures</b> (Maximum Cap: 10%. Target: 8% or less)	8.46%	8.52%	7.07%	8.41%
<b>All Funds Debt Service to Governmental Funds Expenditures</b> (Maximum Cap: 15%. Target: 10% or less)	11.40%	11.70%	10.10%	11.14%
<b>TRACKING OF DEBT METRICS</b>				
<b>Debt as a % of Full Value</b> (Target: 10% or less)	8.56%	6.73%	5.73%	6.07%
<b>Overall Debt as a % of Governmental Funds Revenue</b> (Target: 120% or less)	110.10%	112.52%	105.06%	111.27%

\*Based on estimated debt service for NIP Bonds



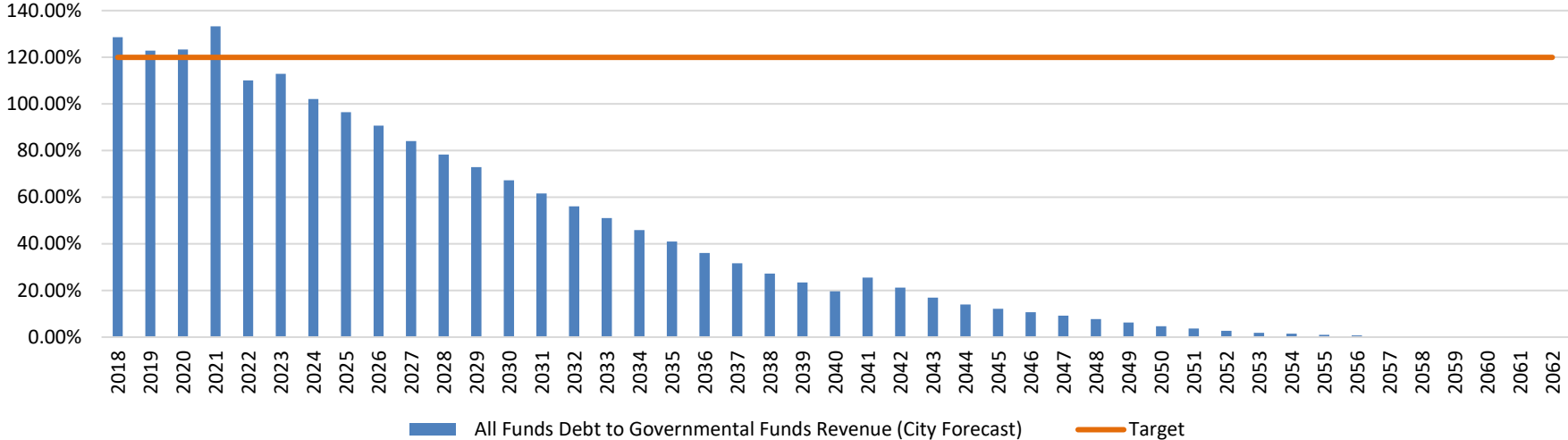
# New Debt Affordability Limits

All Funds Debt Service to Governmental Funds Expenditures



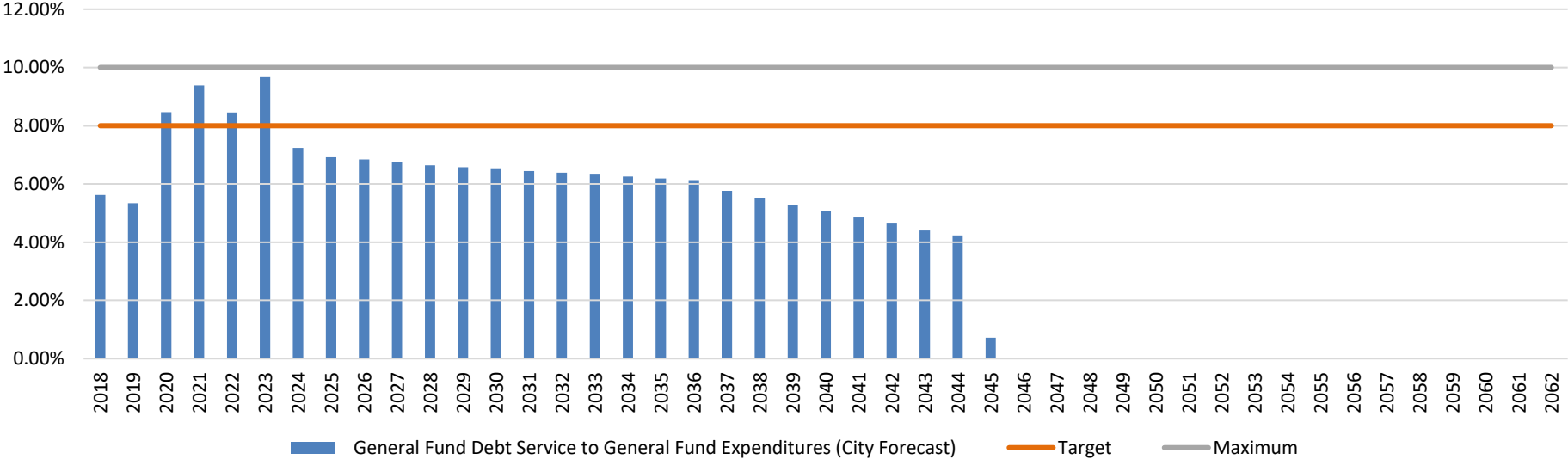
# Debt Metrics Tracking

### All Funds Debt to Governmental Funds Revenue



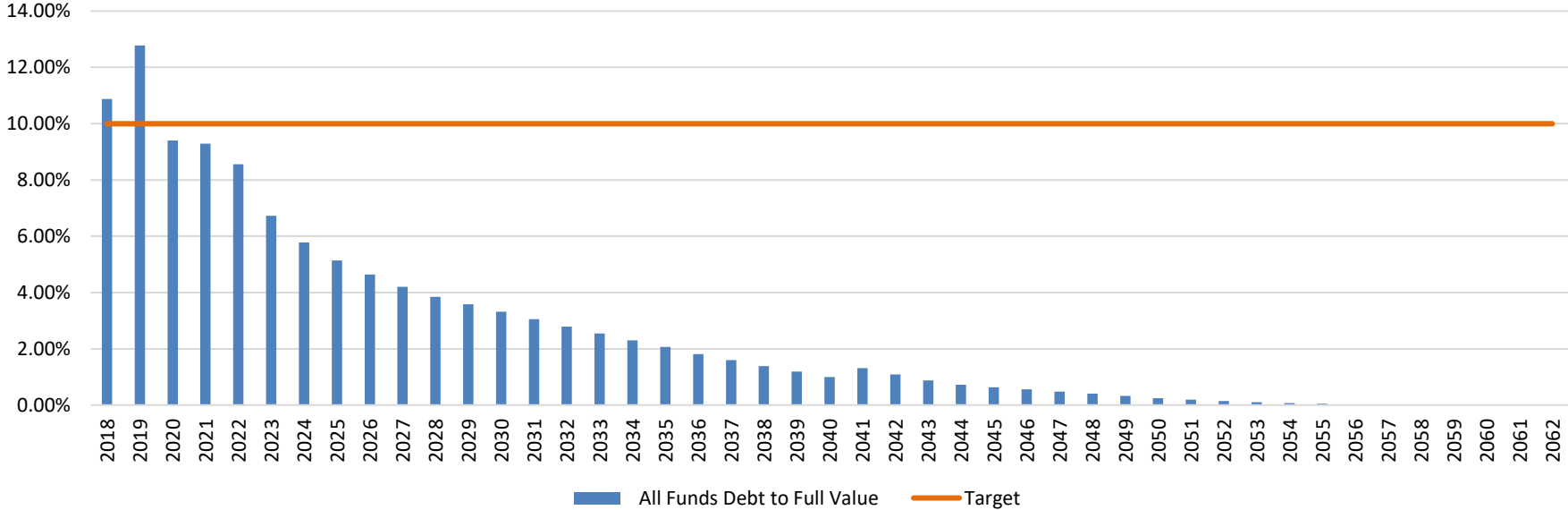
# Debt Metrics Tracking

### General Fund Debt Service to General Fund Expenditures



# Debt Metrics Tracking

All Funds Debt to Full Value



# Documentation and tax compliance

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The OCFO will issue tax exempt bonds to support demolition contracts and taxable bonds to support stabilization contracts and operating costs associated with the program

- Detroit uses Oracle as the system of record to track costs as necessary for tax compliance
  - Tax exempt Demolition contract payments are tracked by parcel ID and project number
- Through a tax compliance certificate and Management Agreement, DLBA provides land sales documentation on a quarterly basis
- OCFO Debt Management group measures total sales proceeds against the 5% percent threshold
- Detroit will recycle proceeds associated with sales of properties improved with tax exempt bonds into eligible activities