PRESS RELEASE

MAYOR'S OFFICE • Mike Duggan, Mayor

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Proposal N neighborhood improvement project gets final green light with sale of first $175 million in bonds

- **Investor interest in Detroit bonds so strong they could have been sold 20x over**
- **City leverages intense interest to achieve low 3.36% interest rate**
- **Sale comes on the heels of S&P boosting Detroit's rating outlook to "Stable"**

The City of Detroit's ambitious project to rehab 8,000 vacant homes and demolish another 8,000 got its first infusion of funds today as the City of Detroit sold the first $175 million in bonds of a planned $250 million neighborhood improvement effort. In November, more than 70% of Detroit voters approved letting the city sell the bonds.

The bond funds will allow the city to begin the process of stabilizing and securing thousands of vacant Land Bank properties until they can be sold for rehab and demolishing houses that can't be saved. The city plans to go to the market again next year to sell additional Prop N bonds.

Interest among investors was so strong in this series of Detroit Prop N bonds that they could have been sold 20 times over. Specifically, for this $175 million bond sale, there were over $3.4 billion in orders.

"The incredibly strong interest in these bonds is a direct reflection of investor's confidence in Detroit's strong financial management and that starts with our Office of Chief Financial Officer," said Mayor Mike Duggan. "CFO Jay Rising, Chief Deputy CFOs Tanya Stoudemire and John Naglick, and their entire team have done a tremendous job managing the city's finances to put us in a strong position, now and for the future."

Currently, contracts for the first 1,380 demolition properties are before City Council awaiting approval. All seven companies selected through the city's procurement process to perform the work are Detroit headquartered and five of those companies are black owned. More than 51% of the employees doing the demolition work for all seven companies will be verified residents of the city of Detroit.

Strong demand means lower interest rate

The City issued a mix of taxable and tax-exempt bonds that will be immediately spent as the first installment on Proposal N programs. More than 60 institutional investors placed orders on the bonds on Thursday, many of which were repeat investors that purchased the City's 2020 and 2018 bonds demonstrating their continued support and interest in the City, according to CFO Rising.

That overwhelming level of interest allowed the City to achieve a much lower interest rate than it had initially expected and will translate to much lower repayment costs over time for Detroit taxpayers.

“Investors took notice of Detroit’s steady progress in building financial strength and swiftly responding to the pandemic driven revenue shortfalls. They saw that while the COVID-19 crisis may have slowed this positive trend, it did not reverse it,” said Rising.

The strong market and demand for Detroit bonds allowed the City to secure a 3.36% interest rate, significantly less than city officials had initially anticipated and 1.28 percentage points less than the interest rate received by the City on its last general obligation bond issue in October, 2020. Detroit marketed these bonds with the “Social Bond” designation to attract Environmental, Social, and Governance (ESG) focused investors that are interested in financing socially beneficial projects.

Recent S&P Upgrade set the stage

In bringing Detroit’s outlook to “Stable” two weeks ago, Standard & Poors referenced the City’s strong fiscal management and the vision behind Proposal N: “We view the passage [of the $250 million Proposal N] as significant in that it will further a key component of the administration's long-term vision for strengthening the tax base and do so with a dedicated debt millage as opposed to funding through reserves or the operating budget.”

This is the third time since 2018 that Detroit sold municipal bonds backed solely on the City’s ability to repay. During the prior 20 years, the City could only sell bonds that were either backed by the state of Michigan or with insurance to the bondholder, which greatly added to the cost for the City.