STANDARD & POOR'S

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Summary:
Detroit, Michigan; Miscellaneous Tax

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Table Of Contents

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Credit Profile		
Detroit conv fac spl tax rev & rev rfdg bnds (Cobo Hall Proj) ser 2003 dtd 10/07/2003 due 9/1/2004 2008-2013 cap apprec bnds due 9/1/2009-2010 2014-20		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Detroit conv fac ltd tax rev rfdg bnds (Cobo Hall Expansion Proj) ser 1993 dtd 06/01/1993 due 09/30/2004 2005 2007 2012 (CUSIP #251131BQ0 BR8 BS6 BP2)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services has affirmed its 'A' rating on Detroit, Mich.'s convention facility special tax revenue and revenue refunding bonds, Cobo Hall project, issued in 1993 and 2003. The rating reflects the following characteristics:

- Pledged revenues derived from statewide liquor taxes and accommodation taxes from a large three-county area encompassing a population of four million,
- Debt service coverage from an established revenue stream that we consider strong, and
- No additional debt service planned through maturity on these bonds.

Offsetting factors include:

- A weak additional bonds test;
- The potential volatility of the pledged revenue stream; and
- The planned additional debt of up to $299 million, but with an anticipated debt service schedule that begins after maturity on these bonds.

The bonds are secured by a statewide 4% wine and liquor tax and a pledge of hotel occupancy taxes levied in Wayne, Oakland, and Macomb counties. Although revenues are subject to variability in liquor sales and hotel occupancy, aggregate revenues have increased or remained flat in the past in all but four of the 19 years taxes have been collected for this purpose. Given the nature of the revenue stream, and the current economic downturn that is affecting Michigan, we believe the pledged revenues could continue to decline. Although given the strong coverage levels, revenues could experience a considerable reduction and still provide strong debt service coverage, in our opinion.

Available revenues have historically provided strong coverage of maximum annual debt service (MADS) at more than 3x. Coverage of debt service in 2009 was a strong 3.3x using actual fiscal 2009 revenues. Revenues used to pay debt service on the bonds are the first priority and are transmitted by the state directly to the trustee. Distribution of the hotel and liquor tax is subject to annual appropriation by the Michigan legislature. Additional revenues not used for debt service are distributed by the state to the rest of the counties in Michigan.

The additional bonds test calls historical revenues to be equal to at least 1.1x of pro forma MADS and 1.5x MADS coverage in future years; under the test, both historical and future tax collections can be adjusted for rate increases. A debt service reserve has also been funded at MADS.

Additional bonds secured by the same revenue stream could be issued in 2010 in order to acquire the Cobo Arena and parking facility from the city of Detroit, as well as for renovation and facility enhancements. We believe that debt service coverage on the currently rated bonds will not be diluted substantially, even with the issue of these additional bonds, since we expect that additional bonds will likely be layered in after maturity of these existing bonds.

Outlook

The stable outlook reflects Standard & Poor's Ratings Services' expectation of strong coverage levels through maturity, and that no substantial dilution of coverage will occur as additional debt is issued.

Related Criteria And Research

USPF Criteria: Special Tax Bonds, June 13, 2007

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