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## Cobo board gets funding for renovation

By [Nancy Kaffer](#)

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The board that governs **Cobo Center** has secured short-term financing for the upcoming \$279 million renovation of the convention center.

The banks involved are **Wells Fargo Bank**, **PNC Bank** and **J.P. Morgan Chase**, according to the statement. The three-year bonds are Convention Facility Special Tax Revenue and Revenue Refunding Bonds. The authority and the banks signed final papers last Thursday.

The state Legislature had previously approved the bond sale, according to a statement issued today by the **Detroit Regional Convention Facility Authority**.

The financing is to go toward the third phase of the center's renovation. This phase will see Cobo Arena converted to meeting space with a 40,000-square-foot ballroom over an open-air terrace and overlooking Hart Plaza. Space to the south will look out over the Detroit River.

Plans also call for the creation of a three-story atrium that will also have a view of the river. The building's main façade will have an overhang, glass walls and a digital signboard added.

Because of the wording of the legislation that created the authority, short-term financing was necessary, according to the statement.

The legislation says the tri-county hotel and liquor tax and a distribution from the state health and safety fund that currently fund the authority are obligated to service existing facility debt and an annual operating subsidy that closes the gap between Cobo's revenue and operating costs.

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The existing debt was incurred by the city of Detroit when it controlled the civic center.

The liquor and hotel tax and state distribution can't be used to secure new debt until the end of fiscal 2015. If the authority had issued long-term debt, it would have cost an additional \$100 million, authority CEO Patrick Bero said.

The bonds issued last week mature Sept. 30, 2015. At that time, the authority plans to issue new bonds and use the proceeds from that sale to retire the short-term bonds.

The deal includes a seven-year "take-out" period to allow the authority to extend the bond agreement if the authority isn't able to secure long-term bonds in 2015. Interest rates, currently 1.67 percent on the short-term bonds, would increase to 7 percent if the authority is unable to issue long-term debt in 2015.

Bero said the increase is the authority's incentive to obtain long-term financing.

Work on the center began in 2009. The first phase cost about \$3 million and consisted of upgrades to the center's aging electrical infrastructure and elimination of leaks.

The second phase, which cost about \$57 million, included enclosing the loading docks, additional electrical improvement, created 400 new parking spaces, partially re-roofed the building and added 25,000 square feet of exhibition space to Wayne Hall. This phase will be complete before next year's North American International Auto Show.

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