



CITY OF DETROIT
MAYOR'S OFFICE

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March 4, 2009

Detroit City Council
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Municipal Center
Detroit, Michigan

RE: *Veto of Resolution to Reject the Transfer of Cobo Convention Center to an Authority*

Honorable City Council:

The City Clerk has forwarded to me for my approval, or veto, a *Resolution to Reject the Transfer of Cobo Convention Center to an Authority* (hereinafter referred to as "Resolution") that was adopted by your Honorable Body on February 24, 2009 by a vote of 5-3. For the reasons stated below, I hereby veto the Resolution.

As we all know, Cobo Convention Center was built by the City of Detroit, which has operated the facility for over 50 years. Currently, the City of Detroit General Fund subsidizes Cobo Center in the amount of approximately \$15 million each fiscal year. By transferring the facility to the Authority, the City's cost will be reduced by approximately \$15 million each fiscal year. This will assist in the elimination of the City's deficit, and make available additional funds devoted to our core mission—delivery of services to the people of Detroit or to avoid additional city employee layoffs. In the same vein, the City of Detroit will not be responsible for the estimated \$200 million in repairs that Cobo Center desperately needs.

On February 10, 2009, Your Honorable Body's Fiscal Analyst issued a report titled "*Recommend [T]hat City Council Not Disapprove the Transfer of the Cobo Hall Convention Center to the Regional Convention Facility Authority*". When recommending that the Council choose not to disapprove the transfer, he aptly summarized the financial consequences resulting for the City of Detroit if Cobo Convention Center is or is not transferred:

"I agree with George Jackson, President of the Detroit Economic Growth Corporation, that if [Y]our Honorable Body elects not to disapprove the transfer of Cobo Hall Convention Center to the newly established Regional Convention Facility Authority, the City of Detroit would

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enjoy approximately \$500 million in "savings" between now and 2015 when the hotel and liquor tax would otherwise expire.

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Looking at the reverse direction, if the transfer does not take place, the City would be owning a major asset requiring substantial renovation (currently \$200 million), not [be] able to meet the needs of its biggest tenant (the Auto Show) and possess no revenue stream to pay for capital upgrades for the Cobo Hall facility (expired hotel / liquor tax), leading to a greater annual operating subsidy from the City of Detroit general fund." pp 8-9.

Based upon the report of your Fiscal Analyst, the transfer will result in saving the City of Detroit up to \$500 million between now and 2015 and a failure to transfer will result in, at best, renovation costs in the amount of \$200 million. In addition, the City's annual fiscal year subsidy of \$15 million must be added to this cost. As Chief Executive for the City of Detroit, I cannot, in good conscience, saddle the residents and businesses of this City with an added fiscal burden when a reasonable and long-term solution is at hand.

As Mayor of the City of Detroit, I will not allow Cobo Convention Center to lose its current prominence as a dominant magnet convention center for our city, our region, and our state. Recently, other cities have made noises about attracting conventions and shows, especially the North American International Auto Show, away from our facility. I will simply not let this happen on my watch.

In recent years, City elected officials have made wise decisions, to assure the continued vitality of our city. One example is the agreement entered into with the Founders' Society to operate the Detroit Institute of Arts. Another example is the building of Joe Louis Arena, after the Detroit Lions and Pistons had relocated outside the City limits, to keep the Detroit Red Wings in the City. A third example is the decision to acquire land and build Comerica Park and Ford Field, which allowed the City to retain the Detroit Tigers and for the Detroit Lions to return to their home City of Detroit. We must ensure that the Cobo Convention Center receives an infusion of capital for upgrading and enlargement so that it will not lose its dominance as a convention venue.

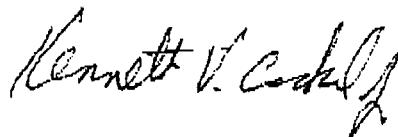
The deal that was negotiated among the City of Detroit, the Counties of Wayne, Macomb and Oakland, and the State of Michigan marks a new era in the relationships of our communities and this state. Importantly, pursuant to the negotiated legislation Cobo Convention Center, of course, will remain in the City of Detroit, and achieve both a

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shedding of costs to the city and the continued generation of jobs and economic development in our hospitality industry. We must do this not only for the City's fiscal well-being, but also for the futures of our children, our grandchildren, and our grandchildren's children.

For all of these reasons, I must veto the Resolution.

Respectfully,



Kenneth V. Cockrel, Jr.
Mayor