

Creditor wants land, \$200M stake in tunnel from Detroit

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The Detroit-Windsor Tunnel is reportedly key in negotiations with city creditor Syncora Guarantee.

A holdout creditor fighting Detroit's debt-cutting plan wants the city to pay more than \$200 million cash and hand over riverfront property along with a stake in the Detroit-Windsor Tunnel to settle a bankruptcy fight, a source told The Detroit News on Thursday.

The requests offer insight into closed-door, ongoing settlement negotiations. They help explain why Detroit has not struck a deal yet with Syncora Guarantee Inc., and signal the firm is prepared to bet on downtown Detroit's revitalization. The Bermuda-based bond insurer is one of Detroit's biggest adversaries opposed to the city's plan to dump about \$7 billion in debt in the biggest municipal bankruptcy in U.S. history.

Syncora wants Detroit to float at least \$200 million in bonds with proceeds going to the firm — a request that has been resisted by the city's bankruptcy team, a source familiar with the negotiations said. The firm also is interested in the riverfront Ford Auditorium site — located between the Renaissance Center and Cobo Center — and, as first reported by The News, wants Detroit's half of the international tunnel between the U.S. and Canada.

A second source close to negotiations said a bond deal is unlikely because Detroit has not included the expense in its debt-cutting plan, which is being scrutinized in a trial that started Tuesday in bankruptcy court. Such a deal could endanger the city's plan to exit bankruptcy, which relies on a coalition of creditors — including retirees — that has accepted cuts, the sources said.

Talks between the city and Syncora, which has claims totaling about \$400 million, continue on the sidelines of the bankruptcy trial and could result in a deal, sources said.

"We've seen a dramatic turnaround with several creditors from the beginning of the case," Bloomfield Hills bankruptcy lawyer Douglas Bernstein said. "There's no reason that can't happen with Syncora."

A Syncora spokesman declined comment Thursday.

Negotiations involving real estate — including Coleman A. Young Municipal Airport — intensified late last week during private mediation sessions headed by Chief U.S. District Judge Gerald Rosen on the eve of Detroit's bankruptcy trial.

Syncora is trying to cobble together real estate along the Detroit River or nearby for a future development that would capitalize on the waterfront and tunnel, the sources told The News. The sites include vacant city-owned land near the Renaissance Center and the Ford Auditorium site, a former home to the Detroit Symphony Orchestra that was demolished in 2011 after being largely vacant for two decades.

Many of the city's most expensive and available parcels are east of the auditorium site, Renaissance Center and tunnel, according to city property records. Two sites last sold for \$9 million and several others sold for as much as \$4 million.

The tunnel is key to any development deal, the sources said.

Syncora already has a role in the tunnel linking the United States and Canada.

Ownership of the company that operates the U.S. side of the Detroit-Windsor Tunnel was transferred from an [investment](#)

company to Syncora in September in exchange for \$334 million in swap liability.

American Roads, the parent company of Detroit Windsor Tunnel LLC that operates the Detroit half of the 1-mile tunnel under a lease, makes annual rental payments to the city of about \$1 million.

Detroit pursued selling its half of the tunnel for \$75 million during former Mayor Kwame Kilpatrick's tenure, but the deal eventually fell apart.

The city of Windsor owns the Canadian side.

Selling real estate could be a wise move if it helps Detroit [secure](#)

a settlement, said Jim McTevia, a Bingham Farms corporate turnaround specialist following Detroit's bankruptcy case.

"(The parcels) aren't providing an income stream, so I have no problem settling with Syncora for those assets," McTevia said. "Maybe Syncora can find somebody to bankroll a waterfront casino. Who knows?"

Mediation talks last week included fellow bond insurer [Financial](#)

Guaranty Insurance Co. — which is on the hook for more than \$1 billion. Negotiations broke down with FGIC, however, and the bond insurer's representatives walked out of talks, sources familiar with mediation said.

Any deal would not resolve FGIC's objections but would isolate the bond insurer as arguably the last major hurdle blocking Detroit's exit from bankruptcy, one of the sources said.

Syncora and FGIC are two of the biggest opponents in the bankruptcy trial. The firms claim the city's debt-cutting plan pays them as little as 6 cents on the dollar for the \$1.4 billion in troubled pension debt they insured to help Kilpatrick prop up the city's [pension funds](#)

in 2005.

During the trial Wednesday, Syncora lawyer Marc Kieselstein said the bond insurer wanted 75 percent of what Detroit owes the firm.

Deals can be reached although the trial is underway, Bernstein said. "You never stop negotiating."

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Staff Writer Christine MacDonald contributed.



The bond insurer has been critical of the 'grand bargain,' which protects Detroit Institute of Arts pieces from a sale. Syncora argues selling artwork would net it a better settlement than what the city is offering.



Syncora's interest in the former location of the Ford Auditorium is reportedly part of its efforts to cobble together riverfront property.



Sources say Syncora is interested in Detroit real estate near the riverfront for future development. Coleman A. Young Airport and sites near the Renaissance Center reportedly are being considered.



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