



January 8, 2014 Board of Directors Meeting

The Taft Center at Fountain Square, 425 Walnut Street, Cincinnati, OH 45202

1. CALL TO ORDER

Otto Budig, Jr. called the Port of Greater Cincinnati Development Authority Board of Directors meeting to order at 8:00 a.m.

Board Members Present:

Budig, Otto
Marmer, Lynn
Greiwe, Rick
Robertson, Scott
Williams, Tom
Dunn, Marty
Jacobs-Horton, Lydia
Jackson, Ed

Staff Present:

Brunner, Laura
Johnson, Melissa
Robb, Deborah
Boggs Muething, Paula
Hall, Darin
Paul, Gail
Thomas, Susan
Recht, Chris
Alison Sampson

Guests:

Barrett, Maria – Port Financial Consultant
Williams, Jason – Cincinnati Enquirer
Kane, Scott – Squire Sanders Dempsey
Schulte, Skip – private citizen
Wallace, Jeff – Parsons Brinkerhoff
Stephens, Sam – City of Cincinnati
Connie Laug – Office of Rob Portman

2. WELCOME AND INTRODUCTIONS

Otto Budig, Jr.. welcomed and introduced guests.

3. APPROVAL OF MINUTES – December 11th

Otto Budig, Jr.. asked Board members if there were any additions or modifications to the December 11, 2013 Board of Directors meeting minutes. Hearing none, he asked for a motion to adopt the meeting minutes.

Motion: Ed Jackson moved to adopt the minutes of the December 11, 2013 Board of Directors meeting. The motion was seconded by Lynn Marmer and was approved unanimously.

4. FINANCIAL REPORT

Maria Barrett, Financial Consultant, Shane Wright

November Financial Statements

- For the month of November, Operating expenses exceeded operating revenues by \$126,000. Year-to-date operating income for the eleven months was \$545,727.
- Unrestricted cash totaled \$1,906,707 at November 30. At the end of the month, the Port Authority received the third reimbursement from the city for capital funding for Jordan (MidPointe) Crossing, of which \$1,626,000 is restricted for future payments under the O'Rourke demolition contract. The total amount of development in progress, all in Bond Hill, was \$5,267,702.

Budget Update

Ms. Barrett stated it being the second week of January, the accounting team was very busy closing the books for the Port Authority and the Landbank, in addition to working on budgets for both entities. Ms. Barrett and Laura Brunner will be meeting with Shane Wright in the next few weeks to review the budget, and the full finance working group will meet the first week of February.

Rick Hudson, the new Director of Accounting, will be starting on January 21st. Ms. Barrett asked if there are any questions on the Financial report.

Mr. Budig asked why we are comparing the month with the quarter. Ms. Barrett responded that this was something Mr. Wright had suggested for the balance sheet. Previously there was no comparison; we thought it would be good to compare with the previous quarter's end to see what changes took place.

Mr. Budig stated that he would like to talk about the balance sheet and the checking/restricted PNC account. Ms. Barrett explained that as work is done in Bond Hill, the Port is preparing refurbishment request for the city. When that money comes in, it goes into this restricted real estate account. Ms. Barrett stated at the end of November the Port received a large sum of money from the city that is in the account

Ms. Brunner stated that the billing agreement with the city is once the Port signs a contract it can bill the city, so the Port may have received the funds before it actually expends them.

Ms. Barrett pointed out that this process will happen again as Darin Hall worked very hard to get a lot of contracts related to Seymour Plaza signed before the end of the year. This will result in another reimbursement package, to be completed in the next few weeks.

Mr. Budig asked if there are further questions on the Financial Report. Hearing none, he moved to the next topic.

5. *Community Revitalization*

Rick Greiwe, Paula Boggs Muething

Ms. Boggs Muething stated that in 2013 the Port did a lot of work in communities with its partners in building relationships, doing work identifying community goals for housing and

redevelopment. Now the Port is prepared for Phase II of its Focus Neighborhood Strategies. The two focus communities this year will be Evanston and St. Bernard.

For St. Bernard the community goal is to identify a public space. Currently they do not have a public square or anything like one. The Port will assist them with a redevelopment project that will include a public space.

In Evanston the focus will be several rehabilitations, improving the housing stock around Walnut Hills and Five Points.

Mr. Greiwe stated, because of our public resources and other factors, Ms. Boggs Muething and her team are targeting areas that already have other partners involved. In Evanston there is Xavier University making huge improvements. There is also the Walnut Hills expansion, with DeSales quarter coming around. The team is focusing time and energy on trying to create a market for housing there, like 3CDC has done in Over-the-Rhine. It's very strategic; they are the master developers. They are going to have access to funds to get developers to develop these houses. It's hard work, doing infill work.

In the second area, Walnut Hills, the Port has a very active development corporation already there. They are helping the Port partner with an existing group. St. Bernard is a much different initiative. They needed help with someone to do some masterminding for their commercial center and redefine their commercial district.

In the new year, Colerain township has invited the Port to come in, help them look at what they need to do with capacity building. They have development corporations that could be formed, but no staff for them.

This presents three different kinds of roles. Master developer, partner with existing corporations, and capacity building consultation.

Mr. Greiwe stated he will be taking a tour so he can see exactly where these areas are and take a look at some future areas. With proper funding, this can be done throughout Hamilton County. Mr. Greiwe complimented the team.

Mr. Budig asked when the funding will be available. Ms. Boggs Muething answered that the Landbank board has allocated funding for the work in Evanston, St. Bernard and Walnut Hills. Altogether it's \$2.5 million for all three neighborhoods. She stated that she and Susan Thomas have been talking with LISC and the Cincinnati Development fund about a line of credit. These are the sources being worked off of right now. She also stated that Deborah Robb will be leading the Evanston Rehabilitation project.

Mr. Budig stated that these are no doubt important project, but there are other projects throughout the city. Asked how were these projects prioritized.

Ms. Boggs Muething stated that Evanston and St. Bernard are where the Port is doing the push. They are part of our focus neighborhoods and ready to go. Out of the 14 neighborhoods, these two communities are the furthest along. She mentioned Walnut Hills is not far behind Evanston, but Evanston has been working with Xavier and the City of Cincinnati for a very long time putting

together their housing strategy. Now that they have a private partner in Model Group to help with commercial Acquisitions and; the Landbank can step in and do some of the assemblage for them.

Mr. Budig asked whether it is the Port's objective to assist these other communities in moving forward to a point where this kind of activity can occur there, or is that someone else's responsibility.

Ms. Boggs Muething stated that the Port's goal is to assist the community in realizing the self-identified goals, in small priority areas. In both communities, the community has identified these as their priority areas. This is why the Port is working there.

Ms. Brunner pointed out that this goes back to the strategy two years ago when the Port Authority assumed management of the newly formed Landbank. Prior to that you were not talking to the Port Authority about community work, but it was a brilliant strategy to have the Port Authority and the Landbank to come together. It's another funding source to have the Landbank, managed by the Port Authority, so we can have a strategy that sits on top overall. It adds Community Revitalization as one of the major legs of our stool.

Mr. Greiwe stated the Port's role this year should be finding out what the financial model is for neighborhood revitalization. Mentioned there is a big gap in all the neighborhoods. As a developer, Mr. Greiwe is approached all the time about doing projects in other neighborhoods similar to what he is doing in Mariemont. He mentioned the cost differences of home rehabs versus building new condos or apartments. The towns want nice centers that will look good fifty years from now, but have no clue how to achieve that, presenting a huge gap in financing to reach these community goals. The expectations are very high.

Mr. Greiwe mentioned it's going to take time to finance it, but making the example of Evanston and showing the county and city is what we should be about.

This approach was advised by Steve Leeper. He suggested the Port should have a strategy to bring a group of homes to the market all at once to reestablish the market. We are currently working on the financing gap for the sale of those homes. The Port is redeveloping and renovating homes in the inner-city where there are well built homes that are in significant disrepair with a big financing gap.

Ms. Marmer asked where the financing comes from. Ms. Brunner responded that the Landbank financing is about \$2.5 million a year that comes from the delinquent tax collections.

Mr. Greiwe compared \$100 million spent in Over-the-Rhine to \$2 million spent in the rest of Hamilton County neighborhoods. It's agreed that the point is to get a model, a model that actually works within the neighborhoods with an entry level price point for single family homes.

Ms. Brunner stated this goes back to 18 months ago when the board was presented with 14 focus neighborhoods that were determined: eight short-term and six long-term. The eight short-term were narrowed down to two, for one year. We are focusing resources very narrowly, because the resources are scarce. The conversation was concluded.

Mr. Budig welcomed and introduced additional guests.

6. *Return on Real Estate Investment*

Lynn Marmer, Laura Brunner

Ms. Marmer stated that the most important piece of this is that the Port has to have a portfolio of properties, some of which it will own for a short period of time. Some of the Port will sell at a profit, some will be sold at cost and some that will not even be sold at cost. This is typical of a non-commercially driven development scenario that says you need a portfolio approach to property, acquisition, and disposition. The point of this is to make sure The Port calibrates everyone's expectations.

Ms. Brunner stated it starts with the Board's expectations. Now that the Port has MidPointe and Techsolve demolished, the Port has an inventory of land almost ready for sale. As the staff starts to market property it will be bringing forth sales of property. The staff wants to make sure the Board's expectation isn't to achieve a 20% return. The Port is the public money that's filling that gap, it's the same concept at the commercial level as at the residential level. The public money is being put in first.

Ms. Brunner stated MidPointe is a great example. When you look at the 25 or so acres there, we have talked before about this balancing act, with selling it all off to a truck depot as an example. There is the balance between the great location and those who would love to have the property versus the wonderful, beautiful mixed used development that we have planned. This would have high density, a lot of employment, and amenities for the neighborhood.

Ms. Brunner states what the Port has to do is balance these and not be so impatient that the Port sells off quickly for something that does not deliver on the expectations for the Port on jobs and property values and helping the neighborhood. But also to not be so unrealistic that the Port hold out for something that's never going to happen.

Ms. Brunner mentions part of the balancing act is going to be to have incentives to sell the property to get this kind of development, which means cheap land. Recognizing within those 25 acres, some parcels are going to be worth more than others. To get a major office user with 100,000/200,000 square feet, the Port will do everything it can to incentivize them. The port will work closely with the city's combination of the city's incentives and our incentives are going to make that very attractive.

Ms. Brunner states that on the other hand there may be an out-parcel as part of this for a coffee shop or a restaurant that is commercially viable, and made more attractive by an office that would drive more traffic there. The Port could sell this at a profit. Collectively the Port is going to be very mindful of the return on our investment, but recognize that on a parcel by parcel basis, it's not always going to be return.

Ms. Brunner states the more this is discussed when it's in concept, it's going to make it easier when the Port actually has a real opportunity before it to understand that the Port may be coming to the Board first with the ones that are subsidy because that's what's going to drive the later, higher profit sales.

Ms. Brunner stated that TechSolve II is going to be a different scenario because the Port will have one portfolio that's MidPointe and that's 25 acres. When you step up a level our portfolio includes in Bond Hill, both intersections, and TechSolve II is going to be more commercially viable. The Port will have higher expectations for return there than at MidPointe.

Ms. Marmer stated the point of this is a calibration; the Port's mission is to do the things that the commercial market for one reason or another hasn't done, or can't do. Or the situation is one where it's not ready yet. Mentions everyone points to 3CDC, but everyone seems to forget that's taken ten years. It takes a long time for these things to come to fruition, and even today there are still subsidies that are needed for shining star, really visible projects.

Mr. Hall stated there is a strong demand in our TechSolve business park right now. With respect to 1682, the blue building at the front, the Port is thinking about beginning that and having it done by the first quarter this year, "done" meaning re-skinned on the outside and white boxed in the inside. The idea is to have someone in the building by the fall.

Mr. Hall stated the Port is working with a broker to actually finalize the strategy on how we market the building and the park. The Port is excited about what the broker said, that this is the best market that has been seen in a while. The market is particularly active at under 30 thousand square feet or above 80 thousand square feet. The site has a good location; the Port will make the development cost very low in terms of delivering the land and utilities will be there already. With the rest of the momentum that's happening in the area, it's a very good site. The idea is to get it out the market and let people know it does exist.

Ms. Brunner stated that the Port has acquired the last property that the Port has been working on, located on Seymour that provides the entrance back into TechSolve.

Mr. Hall stated the Port has what it needs and is excited to keep moving.

Mr. Budig asked if there is anything further for property issues for review. Hearing none, he moved to the President's report.

7. PRESIDENTS REPORT

Laura Brunner

Ms. Brunner introduced Alison Sampson, new Communications Manager. Alison has been with the Port for a few months. Ms. Brunner called attention to the fact that a position has been changed; instead of replacing the Office Manager, the Port created the Communications Manager role instead.

Ms. Brunner called attention to the Strategic Scorecard. This is a tool that's going to keep us (the Port) focused, and we will be able to tweak it and improve it. This will keep the Port internally focused, and will help the Port draw attention to the Board in our board reports and meetings to the different activities we are talking about and how they fit into the overall strategy.

Ms. Brunner pointed out that across the top of the chart, yellow columns, three major functions have been identified that we are providing to the community. One of the Port's goals and

functions is to assure proper planning, to be risk managers and to be careful and diligent in the planning that it does. That's at the macro level in choosing where the Port does work, and then a project-by-project level at every phase: how the Port demolishes; how it site plans; how it communicates with the public; how it markets. A great deal of the Port's work goes into the Ensure Proper Planning column.

The next column is to invest public funds. To Mr. Williams point, that first the Port has public funds. It's about raising the funds that the Port needs and then investing them, and being very good stewards of the funds that the Port has. Ms. Brunner suggested that you can think of the first columns as partly risk management and partly de-risking for the public or private sector. The role the Port is playing is to get in first and de-risk so it can accomplish the third column which is to catalyze private investment.

The Port will not be as successful if all it is doing is buying property and demolishing it. The Port's real success is going to be in the redevelopment phase. The Port has to attract private investment. The planning is essential; the investment of its funds is essential in order to be able to attract the private capital development. In Bond Hill, that's what 2014 is about. The Port has been doing planning and demolition, now the Port is about marketing and sales. Now the Port's work moves to that third column.

Mr. Williams stated we have a new head of the Chamber of Commerce, and pointed out that it's a great time to work on the partnership. Ms. Brunner replied that a meeting has already been scheduled to meet with the new head of the Chamber. Ms. Brunner also stated that she and her team have met with Matt Davis and the partnership within the last month and are working very hard on the alignment with the Chamber of Commerce.

The Chamber of Commerce's principal role is attracting business. The Port has to make sure that properties that it is developing are attractive to the businesses that are being marketed.

Mr. Williams suggested the partnership should be identified within the Strategic Goals spreadsheet. Ms. Brunner agreed that there could be another layer reflecting the key relationships. Mr. Williams stated that these other entities need to know that the Port is counting on them.

Ms. Brunner called attention to the Strategic Goals spreadsheet. The three green columns on the left reflect the three major business lines: Real Estate Development; Community Revitalization; and Public Financing. The major projects for 2014 have been identified; this is where the Port's work is going to be. This is not taking the place of the long-term strategic plan.

Mr. Williams mentioned that for Cintrifuse, in establishing its vision, one of the top things for them was to collaborate first. He asked if the word collaborate should be included in the strategic goals more often. He stated that the Port cannot be arrogant; it has to work with everyone and weave them into what it is doing.

Ms. Marmer stated the Strategic Goals are great beginning and thanked the team. She stated this is a great place to start. She suggested a couple of columns, one to include collaborative partners. If the Port is just a pass-through that put in public money, then that does not fit with

the Port's mission. The Port's mission is to put in the public dollar and to create ten dollars of other investment, or jobs, or private investment, or tax roll increase.

Mr. Williams suggested talking to Kathy at LISC for guidance, as she does the same for LISC.

Ms. Brunner suggested changes to reflect that it's not the Port's budget, but rather tracking the investment.

Ms. Marmer stated that we are too rigid and modest. The reality is the Landbank money, when it gets invested and it creates that multiplier effect, that happens because the Port helped them make good decisions. While it's Landbank money, the Port ought to be taking credit in the fact that it had a role in creating the opportunity that then created the multiplier.

Ms. Brunner agreed that these are all good suggestions.

Ms. Marmer stated that the reality is the Port has a work plan, and it keeps executing against that work plan and that's what makes us successful over time. It's city focus, county focus, residential, and commercial. The Port has a great portfolio that's beginning to develop. We just have to work at moving forward.

Mr. Williams stated we also have to develop the personal relationships. Ms. Brunner responded that she is in the process of meeting with all of the City Council members. She had met with Christian Sigman yesterday, who wants to include some of our Strategic Goals into their plan. Mr. Sigman was already starting the process of indicating where they fit in and the parts that need to be in their plan as well.

Marty Dunn stated that while it's early, what's the appetite for what the Port is doing? How would you rate it? Ms. Brunner responded the appetite is high on TechSolve II. MidPointe Crossing is going to be a lot of work. The Port will have to make a lot of outbound calls until it gets some success there. The success of Techsolve II is going to help draw attention. The goal is to physically get people there for tours. The Port will be hiring brokers for MidPointe in the next few weeks, which will start the process of getting more marketing there.

Mr. Jackson asked from a competitive standpoint, what was going on with the Corinthian site. Mr. Hall responds that the Port has not heard anything. Mr. Hall periodically speaks with the broker for Corinthian, just to see if we can be helpful, to complement each other as developers, which is good for the neighborhood.

Executive Session

Otto Budig, Jr. stated that the Board would go into Executive Session.

Motion: Tom Williams made a Motion pursuant to Ohio Revised code 121.22 (G)(4) to adjourn the meeting of the Board of Directors of the Port of Greater Cincinnati Development Authority and to go into executive session for the sole purpose to consider 1) a discussion and review of the terms and conditions of employment for an employee of the agency and 2) For the sole purpose of discussing information related to relocation of employer.

Tom Williams made a Motion pursuant to Ohio Revised code 4582.58 (B) to adjourn the meeting of the Board of Directors of the Port of Greater Cincinnati Development Authority.

The motion was approved unanimously by roll call vote.

The Board adjourned into executive session at 8:50 a.m. The Board exited executive session and reconvened its Board of Directors meeting at 9:36 a.m.

8. ADJOURNMENT

The January 8, 2014 Board of Directors meeting adjourned at 9:37 a.m.

Respectfully,



Laura N. Brunner
Secretary