

**March 12, 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 8:01 a.m.

**Board Members Present:**

Budig, Otto	Dunn, Marty
Jacobs-Horton, Lydia	Wright, Shane
Greiwe, Rick	Jackson, Ed
Robertson, Scott	Smith, David
Williams, Tom	

**Staff Present:**

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

**Guests:**

Barrett, Maria – Port Financial Consultant	Stephens, Sam – City of Cincinnati
Tweh, Bowdeya – Cincinnati Enquirer	Wallace, Jeff – Parsons Brinkerhoff
Richard Hatton – First SouthWest	Schulte, Skip – private citizen

**2. WELCOME AND INTRODUCTIONS**

Otto Budig, Jr. welcomed and introduced guests.

**3. APPROVAL OF MINUTES – February 19**

Otto Budig, Jr. asked Board members if there were any additions or modifications to the February 19, 2014 Board of Directors meeting minutes. Hearing none, he asked for a motion to adopt the meeting minutes.

**Motion:** David Smith moved to adopt the minutes of the February 19, 2014 Board of Directors meeting. The motion was seconded by Shane Wright and was approved unanimously.

**4. PRESIDENTS REPORT**

*Laura Brunner*

Ms. Brunner called attention to the Strategic Scorecard and two major items that were to be discussed; TechSolve II & Public Finance. Ms. Brunner called attention to the Public Finance area of the document and pointed out how it fits into two different categories and objectives. One of which is to update the financing and develop new financing tools to use with third party developers, which will result in increased fees and revenue for the Port Authority. It also fits into

Mr. Budig, Jr. asked about the decrease in current assets in \$3,000,000.

Ms. Barrett replied and called attention to the change column and the money market funds held by the trustee for the Kenwood project. The trust activity is only booked once a year. Money was used from that account in order to pay the subcontractor's claims. Most of the \$3,000,000 going down to property and equipment category, which went into the Kenwood project; to increase that asset.

Mr. Budig, Jr. clarified that the funds have been released to pay the subcontractors. Ms. Barrett confirmed that they were paid.

Mr. Budig, Jr. asked why capital contributions were not on the balance sheet, but were on the income statement.

Ms. Barrett replied this is a government accounting rule, it's a GASB, not a FASB. Capital contributions are really a type of revenue, however GASB says that's not really revenue, it's a capital contribution that goes down below the line; you don't count it as operating revenue at all.

Ms. Barrett stated that these capital contributions were being used/invested in the Go-Cincinnati areas, primarily Bond Hill.

## **6. Public Finance**

*Shane Wright, Susan Thomas*

Mr. Wright stated the Down Payment Assistance Home Ownership program was presented at the previous month's board meeting. Discussions had taken place since then to dig deeper into the information, which would be presented by Ms. Thomas.

Ms. Thomas called attention to slides on display at the meeting. Ms. Thomas stated the Public Finance team had been looking at this particular program and felt it fits in and supports the Real Estate and Community Revitalization efforts. It's consistent with the Port's mission and vision and policy interests. It also utilizes the Port's financing powers to support private development and redevelopment.

Ms. Thomas reminded the board the Port Authority was approached by First SouthWest to serve as the initiator of this program. This is First SouthWest proprietary program that has been rolled out in multiple locations across the country. First SouthWest has been looking for a public sector partner in Ohio, and approached the Port Authority, and it is believed there is revenue potential for the Port Authority.

Ms. Thomas stated the City of Cincinnati home ownership rate is a little over 40%, making Cincinnati well below the State of Ohio level of 68%. Also included in the slides were home ownership rates in some of the target neighborhoods within the City of Cincinnati and Hamilton County. A significant number of the neighborhoods the Port Authority is working with have exceedingly low home ownership rates.



Authority operations or other projects. As discussed earlier, it is thought there is significant revenue potential in this process.

Mr. Smith asked if these funds would be unrestricted. Ms. Thomas replied, yes, they were completely unrestricted.

Mr. Dunn stated he participated with Ms. Thomas in the vetting process. Mr. Dunn stated the Port Authority is not closing loans. This is conduit financing with financial institutions that have very strong reputations. The Port Authority is indemnified by the parties involved. While the Port Authority would do this with a forecast of annual participation, there is an out and the Port Authority can get out of the program with 30 days' notice.

Mr. Dunn stated this would be participation in a new program but in many ways it would be a protection of investments made in target neighborhoods already. This would allow the Port Authority to continue raise the economic profile of these neighborhoods; both from a retail standpoint of business coming in but also with home ownership.

Mr. Dunn stated this issue had been vetted, there would be some risk, but this risk would be moderated because of the caliber of people we are doing business with.

Mr. Dunn stated he had learned through other sources and other transactions that the FHA is a new FHA. Some of the things that may have happened five or more years ago have changed. The requirements are stricter, and the people involved are more qualified.

Mr. Budig, Jr. asked Ms. Thomas about financial difficulties or problems to the Port Authority, while engaged in this project. Would the Port Authority be front loading any money and would there be reserves that have to be considered?

Ms. Thomas responded the Port Authority's window of risk is from when the loan is initiated and its product is picked until First SouthWest purchases the security and all of the proceeds are paid out. The window would be about 90 days. If the Port Authority chooses to get out of the program, it could provide 30 days' notice. The Port Authority would essentially be out at closing.

Ms. Thomas stated legally the Port Authority would be agreeing to pay the down payment assistance at 3.5 percent or similar percentage that would be agreed upon. From a cash flow perspective, the Port Authority would agree to do this, but only when someone picked this particular program. The economics of the program work such that the Port Authority would get the money it needed in order to make that commitment. The Port Authority would not need to advance the funds because it would be deducted from the payment received. In essence the Port Authority would be receiving money and then paying out of the sum received on the same day as part of the same transaction.

Ms. Thomas stated one of the key pieces of the arrangement and the protocol that is set up with First SouthWest is the economics of deal that the Port Authority would always have enough money to pay the down payment assistance.

Ms. Brunner stated at the date the home owner closes, the Port Authority has a contingent receivable for the Port Authority's fee. The Port Authority has a contingent payable for the down

down payment but to also then save the money it takes to run and maintain a home. Part of what this does is allow for people to keep their cash, to provide for contingencies. In some cases this will lower their monthly payment.

Ms. Thomas stated there are many down payment assistance and home ownership type programs. Some are comparable; it is believed the Port Authorities would be competitive. For some people this will be the right product

Ms. Thomas stated the master servicer is a very important piece to this puzzle and there are many options, the most likely being US Bank, who is currently active in this market. There would be a number of national options.

Ms. Thomas stated there would be a little bit of a trade off as the Port Authority's fees feed into the amount of assistance that it can offer or the interest rate, it may be decided to offer several variations. Ms. Thomas called attention to a slide on display that offered different scenarios showing possible fees and outcomes.

Mr. Greiwe asked if the staff fees would be paid out of this.

Ms. Brunner stated there will be no staff costs for this program. This would be something that would be offered by the banks and FirstSouth West would be principally responsible for marketing it.

David Smith asked if FirstSouth West as program administrator would be providing periodic reports to ensure that the Port Authority is fulfilling its duty.

Ms. Thomas responded yes and that the steps would be reported to the board on a regular basis.

Ms. Brunner stated the staff would quantify the activity and share it with the board on a regular basis. It will be important to once a year have more thorough analysis of the whole program and the impact it is making. Ms. Brunner stated for context, the Ohio Finance Authority has been doing approximately \$600 million a year of mortgages. That program has a lower down payment percentage that is being offered, which is one of the reasons the Port Authority's would be more competitive.

**Formal Action Requested** – Before the Board today is proposed resolution 2014-02 entitled:

**RESOLUTION AUTHORIZING THE PORT OF GREATER CINCINNATI DEVELOPMENT AUTHORITY TO ESTABLISH A SINGLE-FAMILY RESIDENTIAL MARKET-RATE MORTGAGE AND DOWNPAYMENT ASSISTANCE PROGRAM IN COOPERATION WITH FIRST SOUTHWEST COMPANY, AS PROGRAM ADMINISTRATOR; AND AUTHORIZING AND APPROVING RELATED MATTERS.**

After discussion on this matter, Mr. Budig, Jr. asked for a motion to approve Resolution No. 2014-02.



Mr. Hall called attention to a slide showing the 1682 Seymour building. The building was constructed in 2001. The inside is completely open with concrete floors, high ceilings; power and water are still on for the building. The plan for this building is to retrofit the exterior of the building in a way that makes it attractive, and white box the inside to make it flexible for any users that may be interested. The Port Authority had worked with the site selection company, assessing what made sense for the property. He noted this building had been deemed an asset to strengthen the tie to TechSolve I Business Park, which is 300 yards to the west of this building. It was suggested to make this building resemble one of the buildings in the existing TechSolve I Business Park, using the EuroStampa building as an example. It will be refaced and windows added, this work has been released and expected to be ready in the summer for rent.

Mr. Hall stated the Port Authority was being sure not to be hasty in moving forward into an awkward situation with the TechSolve licensing agreement. The Port Authority talked to Gary Conley at TechSolve to show him the renderings. The renderings were well received and given the go ahead to move forward.

Mr. Hall referenced the previous slide that showed the Port Authority's assemblage of approximately 37 acres between properties in Bond Hill and the Seymour Avenue corridor. It is critical to transforming the neighborhood and the rest of the city. It is believed the key to doing this is to overcome the negative perception of neighborhood that some people have. The Port Authority plans to do this by using the results of the market studies to show the real data versus the perception that some have from a decade ago. Every time something positive happens in the neighborhood, it serves to validate the market.

Mr. Hall gave an example of the Reds facility that is coming to the area this year. There have also been discussions about a health care system moving to Bond Hill.

Mr. Hall stated it is being planned to give the brokers everything they need to be able to sell. To that end, the Port Authority met with Commander of District 4 Police that accommodates Bond Hill. It was confirmed that the neighborhood is safe and two things were mentioned that are critical to making neighborhoods turn around. First being the need for a truancy strategy. Most of the burglaries and daytime crimes are a result of children not being in school. A strategy that addresses that would greatly reduce crime. Secondly, once trouble spots are identified there needs to be an aggressive move to close them and if possible to tear them down.

Mr. Hall stated both strategies are underway in Bond Hill and the Port Authority will have new data to give to the brokers rather than data that is two and three years old.

Mr. Hall stated the most active segments of the market are the buildings that are 80,000 square feet and greater, or buildings that are under 30,000 square feet. This is why the buildings have been sized the way they are, for the robust interest in the market.

Mr. Greiwe suggested Ms. Paul meet with media to discuss news worthy stories and address the image issues to create a positive buzz with the media.

Ms. Brunner replied that the Port Authority is interviewing a PR agency to help. This happened specifically at the request of the brokers for MidPointe Crossing.

The Board adjourned into executive session at 8:57 a.m. The Board exited executive session and reconvened its Board of Directors meeting at 9:15 a.m.

**8. ADJOURNMENT**

The March 12, 2014 Board of Directors meeting adjourned at 9:16 a.m.

Respectfully,

A handwritten signature in blue ink, appearing to read "Laura N. Brunner". The signature is written in a cursive, flowing style.

Laura N. Brunner  
Secretary