

May 14, 2014 Board of Directors Meeting

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

1. CALL TO ORDER

Lynn Marmer called the Port of Greater Cincinnati Development Authority Board of Directors meeting to order at 8:00 a.m.

Board Members Present:

Lynn Marmer	Smith, David
Budig, Otto	Dunn, Marty
Jacobs-Horton, Lydia	Wright, Shane
Greiwe, Rick	Jackson, Ed

Staff Present:

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

Guests:

Wallace, Jeff – Parsons Brinkerhoff	Hartke, Jim – Attorney/citizen
Schulte, Skip – private citizen	Alpern, Rob – Eagle Realty
Williams, Jason – Cincinnati Enquirer	Stapleton, Tom – Eagle Realty
Stephens, Sam – City of Cincinnati	Kane, Scott – Squire Sanders
Barrett, Maria – Port Financial Consultant	

2. WELCOME AND INTRODUCTIONS

Lynn Marmer welcomed and introduced guests.

3. APPROVAL OF MINUTES – April 9

Lynn Marmer asked Board members if there were any additions or modifications to the April 9, 2014 Board of Directors meeting minutes. Hearing none, she asked for a motion to adopt the meeting minutes.

Motion: Otto Budig, Jr. moved to adopt the minutes of the April 9, 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 gave an overview for the meeting. Ms. Brunner stated the main topic for discussion in the meeting would be Public Finance, in support of using financial powers to support private development. To be discussed would be a public finance tool the Port Authority has been working on for the last two years.

Ms. Brunner stated there would be shorter reports for Real Estate Development and Community Revitalization. Shared within the Port Authority board packet is the report from the HCLRC's previous board meeting. In the future, these will be shared once a quarter with the Port Authority Board.

Ms. Brunner congratulated Deborah Robb for her receipt of the Merlin Pope award. Ms. Brunner stated she was particularly pleased about this award, as Ms. Robb has received many awards in the past, and this award recognizes her body of work and her personal commitment.

Ms. Brunner called attention to a previously approved motion giving her the ability to amend the new office lease to expand the working space. Ms. Brunner informed the board this will be amended to proceed with the expansion and save on future cost, and to allow the Port Authority to share its café area with the REDI group.

Finally, Ms. Brunner shared that she had been part of a large contingent from Cincinnati that went to New York City the previous week. She stated it was a success on many fronts and the city will benefit from it in many ways. Ms. Brunner went as an individual who's been committed to inclusion for a long time. Her role was to talk about some of the unique things Cincinnati has done in the area of inclusion, and how Cincinnati can be a role model for other cities as they redevelop their urban cores.

5. FINANCIAL REPORT

Shane Wright & Rick Hudson

March Financial Statements

- Operating revenues were under operating expenses by \$149,000. Unrestricted cash totaled \$1,800,000, representing over 8 months of operating expenses.

Budget Update

Mr. Wright stated the financials were included in the packet. Unrestricted cash totaled \$1,800,000, representing over 8 months of operating expenses. Receivables were way up which largely represents a receivable from the City of Cincinnati that has since been paid. Real Estate development represents the redevelopment work at TechSolve and MidPointe. Payables were down due to timing.

Mr. Wright pointed out an increase in the reserve to the city. This is for grant funds the city gives the Port Authority. Once a property is sold, the Port Authority is required to give 20% back to the city.

Ms. Jacobs Horton asked how the 20% is determined; what is it based on.

Ms. Barrett replied at this point it is not based on estimating gains or losses. It's currently based on cost incurred.

Ms. Jacobs Horton asked if it's assumed all costs will be recovered. Ms. Barrett confirmed.

6. PUBLIC FINANCE

Shane Wright & Susan Thomas

Ms. Thomas called attention to Resolution 2014-07 in the board packet. Ms. Thomas reminded the board the Port Authority owns the Great American Tower and Queen City Square and leases it too Western & Southern affiliate under a master lease agreement. Under the master lease agreement the master lessee needs the consent of the Port Authority to take certain actions, with respect to the project, prior to October 1, 2015. One of these actions would be any sort of divestment or additional investors in the building.

Ms. Thomas called attention to recent news of Western & Southern talking with investors about the building and may be interested in engaging in transactions prior to the 2015 date.

Ms. Thomas stated the resolution before the board would authorize Laura Brunner, as President and CEO, to enter into an agreement to modify the existing master lease, subject to understanding the form of proposed transactions and understanding the profile of any additional parties.

Ms. Jacobs Horton asked if this was to facilitate any transactions, being set up open ended.

Ms. Thomas responded that part of the issue, for a potential investor, a diligence checklist would ask what kinds of consents are required. Western & Southern has asked that official action be taken and put in place a process to explain to potential investors.

Ms. Brunner stated this process was a suggestion of the Finance working group.

Formal Action Requested – Before the Board today is proposed resolution 2014-07 entitled:

A RESOLUTION AUTHORIZING AND APPROVING MATTERS PERTAINING TO OUTSTANDING PORT AUTHORITY REVENUE BONDS, THE PROJECT FINANCED OR REFINANCED WITH PROCEEDS OF THOSE BONDS, AND RELATED INSTRUMENTS AND AGREEMENTS, INCLUDING EXECUTION AND DELIVERY OF AN AGREEMENT AND RELATED DOCUMENTS AND THE TAKING OF ALL RELATED ACTIONS.

Motion: Shane Wright moved to approve Resolution No. 2014-07. The motion was seconded by Rick Greiwe and was approved.

Ms. Thomas stated the EB-5 program is one of the Economic Development tools the Port Authority has been exploring over the last couple of years, and is looking to add to its regional discussions about economic development, and to consider whether or not it could be part of the Port Authority financial tool kit.

Ms. Thomas stated EB-5 is an immigration program, created under the immigration act of 1990. The way it works is that international investors make an investment in a company in the United States; if that company then creates jobs then as the investor they can get a green card. This

program is capped at ten thousand green cards per year. It was created in 1990 and essentially unused for two decades, with fewer than one thousand a few issued. In the last three to five years, there has been a transformation in the program. A number of things have driven that; during the recession economic development professionals started looking for other sources of capital. This program has gone from obscurity to significant percentage of major deals around the country.

Ms. Thomas stated the program has also been formalized. There are now partnerships with economic development agencies, the Council of Development Finance Agencies, which the Port Authority is a part of. There are comparable programs in other countries around the world, making it a global competition for capital as well. This is a program that has had increasing prominence in the United States and in Ohio.

Ms. Thomas stated the idea behind EB-5 is to bring capital to projects, real estate projects being particularly well-suited to the program. This is in part because real estate projects are used to having investors. There are two ways to set up the program, one being direct investment and the other is to go through a regional center.

The regional center model is a regional center set up to pool projects. With this you get diversity of investors all contributing into a larger project. This fits within a defined geographic region that must be contiguous, however there is no exclusivity. At this point and time, almost all projects go through a regional center. Regional centers have a number of advantages, most important being demonstrating jobs through an economic model, decreasing risk, and they are able to count indirect jobs as well as direct jobs. This increases the number of jobs any project is creating, therefore increasing the amount you can invest.

EB-5 can fit a number of places in the capital structure, depending on the development project and the level of comfort with the regional center.

Ms. Thomas called attention to two large and well known projects where EB-5 has been successful.

The Flats East Bank Project is a high density, mixed-use project on Cleveland's downtown waterfront. \$275 million Project with 18-story tower, 450,000 square feet of Class A office space and attached A-loft hotel with 150 beds. Having broken ground in 2010, tenants began moving in in 2013. A complex project with over 30 sources in the capital stack, provided \$45 million, from a total of \$117 million, in first mortgage debt. addressed a critical gap in the capital market; the hotel had no other lenders at that time and the office was expanded to first mortgage capacity.

Philadelphia's Navy Yard is a 1,200-acre mixed-use property located on the site of the former Philadelphia Naval Shipyard Complex. Philadelphia Industrial Development Corporation (PIDC) is the owner and master-developer of the site. The site currently includes more than 6.5 million square feet of occupied space, which incorporates over 11,000 employees and 115 private businesses. The Navy Yard complex has a capacity for more than 12 million square feet of development. Multiple developments on the site have used financing, totaling \$18.5 million of loans. PIDC has its own Regional Center, so it is able to provide access to capital to stimulate development at its site.

Ms. Thomas stated the Port Authority has been looking at this tool for a number a years and is trying to figure out the best way to use it in Cincinnati, as well as figure out what the Port Authority's role would be in that. Options explored were buying a regional center, creating a new one, and partnering with an existing regional center.

Through this process came the recommendation to form a partnership with the Cleveland International Fund (CIF), a regional center based in Cleveland. CIF is the most active center in the region, with 7 different projects totaling \$247 million in EB-5 financing since 2010. CIF has a very good reputation internationally, with significant deal flow and good reputation for bringing good deals and executing them. CIF almost exclusively deals in the first mortgage part of EB-5. The President of this center is a public finance professional, a former finance director for the City of Cleveland. CIF is looking to expand its area; it needs to continue to produce pipeline in order to stay in the good graces of the brokers on the immigration side.

CIF is very receptive to forming a partnership with the Port Authority where the Port Authority would take on the marketing and education role here in Cincinnati, making CIF the center for execution.

Ms. Thomas stated there was not an agreement before the board, the intent being to educate that day and take questions and to present an agreement at the next meeting

Mr. Budig, Jr. asked what were the financial aspects and benefits of this process.

Ms. Thomas replied that on the cost side, the Port Authority would pay up to one third of the legal work and documentation, capped at \$25 thousand. Additional cost would be time, effort and energy. On the benefit side, the Port Authority would get a percentage of deal. The other possibility would be the mortgage piece of EB-5 as a nice complement to some of the existing Port Authority tools, an example being the lease bond structure. In some of the deals, the Port Authority may be issuing debt, which would allow the Port Authority to charge its full negotiated fees on the debt portion of the project.

Mr. Budig, Jr. asked if by participating in this fund the Port Authority would lose its identity.

Ms. Thomas replied she did not think so because it would be branded locally as a Port Authority project. With the geographical distance, CIF is comfortable with this being a Port Authority branded project. The Port Authority will do all the initial discussions and screenings and then bring in CIF.

Ms. Thomas also stated there have been several recent conversations where people are looking for information about EB-5, and have reached out to the Port Authority to inquire if it's a good fit for them.

Mr. Wright asked if there were other countries besides the US using this sort of project.

Ms. Thomas replied that there are active programs in Canada and multiple countries in Europe. Countries are using it as a way to create additional capital into their countries and for US exposure.

Mr. Greiwe asked if CIF had enough attention internationally to be the right partner.

Ms. Thomas replied this was a key thing with the due diligence. CIF is not the largest of these centers, it is very well respected and well regarded, but it needs to continue to pipeline. CIF is well regarded by the international brokers in the sense that their deals are good deals and large deals. CIF has an amazing internal infrastructure with offices in four different countries around the world, with multiple native-language speakers allowing them to do the deals in-house.

Ms. Thomas stated there were other regional centers where the Port Authority could have bought access to; however with CIF, the Port Authority will be paid to provide a service.

Mr. Greiwe asked to confirm that this program had long-term life and was not just a fad.

Ms. Thomas replied this program was consistently subject to re-approval by Congress; its current authorization expires at the end of 2015. The Port Authority is keeping its initial costs low in case the program is not renewed; however there are no indications that will not be.

Ms. Brunner stated the Port Authority staff would not have to be changed for this program as Jason Chamlee has been working with Susan Thomas on this project, and it will fit in well with the rest of the tools for the Port Authority.

Mr. Wright asked if there were any target projects where this might apply.

Ms. Thomas replied there was a short list of projects where this would be appropriate.

Ms. Jacobs-Horton asked if the investor can be a passive investor.

Ms. Thomas replied yes, they are almost all passive investors.

Ms. Marmer stated this is a great tool and good opportunity to partner with someone with whom it mutually benefits.

Ms. Jacobs-Horton asked about who performs the due diligence on the investor.

Ms. Thomas replied the CIF is the fund that makes the investment. There is an internationally established series of brokers that go out and find the investors, diligence them and bring them to the market. Homeland security is also part of the process. There are protections on a federal level because of the involvement of immigration and homeland security.

7. Real Estate Development

Ed Jackson, Darin Hall

Mr. Jackson thanked Ms. Brunner, Mr. Hall and the staff for the handling of the recent real estate deals. The staff has been periodically using CORE to support the work and offer a level of expertise that's needed. In Bond Hill things are moving extremely well; Cassidy Turley & CBRE are making things happen and attracting potential users.

Mr. Jackson stated the Army Corps has positioned the Port Authority as the number one candidate, and will receive instructions on how to move ahead with the project.

Mr. Jackson stated the closing of the Hudepohl site would happen that day.

Mr. Hall shared marketing materials for current sites. Cassidy Turley developed the brochure for MidPointe. The brokers felt that one of the key factors in being able to successfully market this site was to combine all of the learned information into a brochure that the market could digest. Mr. Hall describes what information is on the brochure and why it was included.

Mr. Hall stated the Port Authority would get weekly reports from the brokers for both sites.

Mr. Hall called attention to the next brochure for TechSolve II, developed by CBRE. Highlighted in this brochure is the 1682 site which has begun transformation. Permits have been obtained, materials ordered and interior work has begun. The changes to the building will help show the momentum to the changes in the corridor. The broker's activity report for this site shows strong interest in the market, including four site visits.

Mr. Hall stated the Port Authority is looking to expand its relationship with CORE Resources. CORE has provided significant market perspective over the last year into the real estate, thinking into what we are able to do. The Port Authority thinks CORE is the right partner for marketing the sites with their experience and the ability to have all things in-house. This will allow for quicker response to brokers. CORE also has the needed relationships with the brokers on existing projects.

Mr. Hall called attention to the Queensgate properties. The property immediately to the west of the Hudepohl site has been acquired. The Port Authority has met with the building department at the City and the fire department to understand all the risk associated with the sites. Budgets are being developed for the site.

Mr. Greiwe asked if there was state money to use to clean up the site.

Mr. Hall replied that is being worked on and in the meantime the buildings are being secured to keep people out and that this City is comfortable with that in the short term.

Mr. Greiwe asked if the MidPointe site was evolving; is there any chance of achieving the aspirational goals on it.

Mr. Hall responded from the beginning the plan was to be flexible. The market is telling us there is a demand for retail and for office space and there is support for having some shared green space.

8. *Transportation Advocacy*
Melissa Johnson

Ms. Johnson stated since the last meeting the Port Authority has formally submitted the petition to the Army Corps of Engineers to re-designate the Port of Cincinnati from 26 miles to 227 miles,

making the project relatively complete. The project is now under review of the Louisville district of the Army Corps and the Port expects a response in the fall for the re-designation to be approved.

Ms. Johnson stated as part of the process and collaborative thinking, a new brand was created and coordinated with Northern Kentucky Port Authority and the Central Ohio River Business Association (CORBA), the product being the Ports of Cincinnati and Northern Kentucky.

Ms. Johnson called attention to the current port ranking of 12 million tons is the 51st ranked port in the United States. The new estimate with the Port re-designation will be at about 48 million tons, bringing the ranking to 15.

Mr. Greiwe asked to confirm that Indiana is not participating.

Ms. Johnson confirmed that they are not participating.

Ms. Brunner stated this process started at the request of CORBA and Todd Portune, as a result of the OKI freight study. Both parties were advocating for the Port Authority to take a leadership role in the transportation area.

Ms. Jacobs Horton asked if this could be considered to be a stepping stone for the development South Mill Creek corridor. Ms. Johnson and Ms. Brunner confirmed yes, there is a positive link between the two projects.

9. Community Revitalization

Rick Greiwe, Paula Boggs Muething

Ms. Boggs Muething called attention to the Landbank board meeting materials in the board packet, and the financial summary and cash flow for the Landbank, which had not been included previously. Also included was the property acquisition and disposition update. Listed are a number of communities throughout the County with whom the Landbank is working to assist in the acquisition of properties, working closely with the CDC's.

Ms. Boggs Muething stated on the ULI regional tour, Evanston was highlighted, as well as the Walnut Hills area.

Executive Session

Lynn Marmer stated that the Board would go into Executive Session.

Motion: Marty Dunn 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 and to go into executive session for the sole purpose of discussing information related to the relocation of an employer.

The motion was approved unanimously by roll call vote.

The Board adjourned into executive session at 9:03 a.m. The Board exited executive session and reconvened its Board of Directors meeting at 9:30 a.m.

10. ADJOURNMENT

The May 14, 2014 Board of Directors meeting adjourned at 9:31 a.m.

Respectfully,

A handwritten signature in black ink, appearing to read "Laura N. Brunner". The signature is written in a cursive style with a large, sweeping initial "L".

Laura N. Brunner
Secretary

