

Board Minutes



June 12, 2013 Board of Directors Meeting

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

1. **CALL TO ORDER**

Mr. Budig called the Port of Greater Cincinnati Development Authority Board of Directors meeting to order at 8:01 a.m.

Board Members Present:

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| Budig, Otto | Dunn, Marty |
| Greiwe, Rick | Jacobs-Horton, Lydia |
| Robertson, Scott | Smith, David |

Board Members Excused:

| | |
|---------------|---------------|
| Jackson, Ed | Marmer, Lynn |
| Williams, Tom | Wright, Shane |

Staff Present:

| | |
|------------------|------------------|
| Banner, Julie | Brunner, Laura |
| Cargile, Kim | Hall, Darin |
| Johnson, Melissa | Karimi, Marjorie |
| Paul, Gail | Robb, Deborah |
| Thomas, Susan | |

Guests:

| | |
|--------------------------------------------|------------------------------------------------|
| Barrett, Maria – Port Financial Consultant | Boyd, Steve – private citizen |
| Glynn, Meghan – Calfee Strategic Solutions | Herzner, Ann – City of Cincinnati (Quinlivan) |
| Kane, Scott – Squire Sanders Dempsey | Lavigne, Greg – Frost Brown Todd |
| Schulte, Skip – private citizen | Stephens, Samuel – City of Cincinnati |
| Wallace, Jeff – Parsons Brinkerhoff | Wetterich, Chris – Cincinnati Business Courier |

2. **WELCOME AND INTRODUCTIONS**

Mr. Budig welcomed and introduced guests.

3. **APPROVAL OF MINUTES**

Mr. Budig asked Board members if there were any additions or modifications to the May 8, 2013 Board of Directors meeting minutes. Hearing none, he asked for a motion to adopt the meeting minutes.

Motion: Scott Robertson moved to adopt the minutes of the May 8, 2013 Board of Directors meeting. The motion was seconded by Rick Greiwe and was approved unanimously.

4. **FINANCIAL REPORT**

Maria Barrett, Financial Consultant

April Financial Statements

- **Operating Revenue**

Operating grants are \$350,000 lower than last year at this time due to a change in the City's fiscal year. The Port Authority expects to receive additional City funding in the second half of the year.

Financing fees are running ahead of last year through April due to recording of Cincinnati Mall, Kenwood and Oakley Station annual fees earlier this year. Brownfield grants and related pass-through expenses are lower this year as those projects continue to wind down.

- **Operating Expenses**

Operating expenses for the month of April were approximately \$225,000, compared to the total appropriations budget of \$2,719,000, which is an average of approximately \$226,500 per month. A detailed review of expenses through April has been completed. Based on our projection of annualized expenses, no amendment to the original appropriations resolution is necessary at this time.

- **Balance Sheet**

Unrestricted cash totaled \$1,834,000 at the end of the month, compared to \$1,366,000 at the end of March, an increase of \$468,000. Accounts receivable decreased by \$700,000 during the month due to collection of the County's operating grant.

Audit Update

The Port Authority met with Plante & Moran on June 6 to review the draft 2012 audit report. There will be some changes in presentation due to implementing new accounting standards related to governmental units. The final report will be shared with the Finance Working Group later this month and mailed to the other board members.

The Port Authority is also working with the state auditor on the Landbank RFP in order to get the audit posted to the auditor's open bid list in June or July. The audit contract would be for the period 2013-2017.

5. **PUBLIC FINANCE**

Susan Thomas, VP of Public Finance

City of Cincinnati Parking Lease

A decision from the appellate court is expected today regarding the outcome of the appeal.

Kenwood Towne Place Update

All litigation involving the Port Authority and the Kenwood Towne Place project has been resolved. A settlement agreement with sub-contractors was reached that included the sub-contractors voluntarily dismissing all of their claims before the court. The financial piece

regarding payment to sub-contractors was resolved in early 2013 when all trust proceeds were distributed. As part of that, the Port Authority received \$1.25 million which was its allocation to help with the costs related to the completion of the public garage. Of the \$1.25 million the Port Authority received, paid \$50,000 to the sub-contractors, which was less than the cost to fight the appeal; \$40,000 was paid to cover costs related to the construction and completion of the public garage. Remaining monies were paid to cover miscellaneous expenses.

Property Assessed Clean Energy Program (PACE)

The Port Authority has been actively involved in discussions regarding the creation of a PACE program in the City of Cincinnati with the ability to replicate the program in other communities in Hamilton County. The PACE program will be an essential part of the economic development toolbox to help the community convert older commercial industrial spaces into 21st century facilities.

PACE is a new economic development financing tool – the enabling legislation was passed by the state approximately 2.5 years ago. It helps commercial and industrial property owners finance energy efficiency improvements and renewable energy installations on attractive terms with no net out-of-pocket expenses.

PACE allows participating property owners to place a *voluntary* assessment on their property tax bill. This assessment is used to pay debt service on a bond or a loan. The proceeds of the bonds or loan are used to finance up to 100% of the cost of the improvements. The assessment is equal to or less than the savings achieved by the reduced energy costs and can be for up to 30 years depending upon the useful life of the improvements. This is an especially attractive part of the program as the obligation aligns with the benefits or savings.

The assessment burdens the property and not the owner and the repayment obligation transfers automatically to the next owner if the property is sold.

The Toledo Port Authority runs a PACE program. They have found it to be especially helpful to local industrial companies that have equipment nearing the end of its useful life. By financing the replacement of this equipment through the PACE program, the business is able to both improve its operating performance (since the assessment is equal to or less than the saving from the more efficient equipment) and then use its limited capital dollars for other investments.

The Port Authority would partner with the Greater Cincinnati Energy Alliance to manage the program. The Energy Alliance would manage the energy audit, verify the savings, and oversee the performance of the work. The Port Authority would issue the bonds backed by the assessments to finance the improvements and manage the post-issuance work with the municipalities and the county offices.

The City of Cincinnati is seeking to be the first Hamilton County jurisdiction to adopt the program. The city's Director of Environmental Quality provided a report to City council this week in response to a motion by the Vice Mayor which proposed this partnership with the Energy Alliance and the Port Authority. The Port Authority is interested in the financial piece of this program. The next steps are to work out programmatic details and identify eligible and interested property owners.

The Board engaged in in-depth discussion of the PACE program and how the Port Authority would move forward.

6. **BENCHMARKING SUMMARY**

Susan Thomas, VP of Public Finance

The Port Authority of New York and New Jersey (PANYNJ)

Mission Statement: To identify and meet the critical transportation infrastructure needs of the bi-state region's business, residents, and visitors: providing the highest quality, most efficient transportation and port commerce facilities, and services that move people and goods within the region, providing access to the rest of the nation and to the world, while strengthening the economic competitiveness of the New York – New Jersey metropolitan region.

Portfolio of Facilities: The Port Authority is responsible for planning, developing, and operating terminals and other facilities of transportation, economic development, and world trade that contribute to protecting and promoting commerce in the Port District.

Overview: Founded in 1921, the Port Authority of New York and New Jersey builds, operates, and maintains many of the most important transportation and trade infrastructure assets in the country. The agency's network of aviation, ground, rail, and seaport facilities is among the busiest in the country, supports more than 550,000 regional jobs, and generates more than \$23 billion in annual wages and \$80 billion in annual economic activity. The Port Authority also owns and manages the 16-acre World Trade Center site, where construction crews are building the iconic One World Trade Center, which is now the tallest skyscraper in New York.

The Port Authority receives no tax revenue from either the state of New York or New Jersey or from the City of New York. The agency relies on revenues generated by facility users, tolls, fees and rents as well as loans, bond financing, and federal grants to fund its operations.

Over the years the mandate of the agency has developed to promote and protect the commerce of the bi-state port and to undertake port and regional improvements not likely to be financed by private enterprise or to be attempted by either state alone: modern wharfage for the harbor, tunnel and bridge connections between the states, terminals and transportation facilities, and, in general, trade and transportation projects that promote the region's economic well-being.

History:

Early 1900s Hudson and East Rivers were bustling with maritime activity. There was very little harmony and cooperation between New York and New Jersey.

1921 The Port of New York Authority **created via a compact between the two states** – the first interstate compact in the country. The agency was given a broad mandate to develop and modernize the entire 1,500 square mile port district.

1928 Both the **Goethals Bridge** and the **Outerbridge Crossing** opened on June 29, marking the successful completion of the Port Authority's first bi-state development projects.

- 1930** The Port Authority assumed control of the **Holland Tunnel**. The tunnel was built by a joint commission of NY and NJ and had opened to traffic in 1927. It was the first Hudson River crossing in New York City.
- 1931** The **George Washington Bridge** (connecting Manhattan to New Jersey) and the **Bayonne Bridge** (connecting Staten Island, New York to New Jersey) were completed by the Port Authority.
- 1937** The first of the three tubes of the **Lincoln Tunnel**, all built and operated by the Port Authority, opened to traffic; the final tube opened in 1957.
- Late 1940s** Port Authority takes responsibility (via lease) for the region's three largest airports—**Newark, LaGuardia, and New York International (now JFK)** at the request of the City of Newark and the City of New York.
- 1948** Port Authority assumed responsibility to **operate Port Newark** (via lease from the City of Newark) and significantly expanded its operations.
- 1949** Port Authority purchased **Teterboro** Airport in NJ.
- 1950** The **Port Authority Bus Terminal** (PABT) opened in Manhattan
- 1962** Port Authority opened the **world's first container port**, Elizabeth-Port Authority Marine Terminal.
- 1962** In operation since 1907, the H&M (now the **PATH train**) fell into bankruptcy in the 1950. As part of the planning of the World Trade Center, the Port Authority agreed to purchase and maintain the tubes in return for the rights to build the World Trade Center on the land occupied by H&M's Hudson Terminal.
- 1963** **George Washington Bridge Bus Station** (GWBBS) opened to the public.
- 1974** The **Journal Square Transportation Center** (JSTC) was finished. The combination of the bus terminal, PATH system and a ten-story office building made JSTC a multifunctional space serving the needs of both commuters and residents via a mix of commercial and retail spaces.
- Early 1970s** Port Authority completes construction of **World Trade Center**.
- Since 2000** Port Authority has invested **\$2 billion in the port** for future growth.

MAIN PORT AUTHORITY BUSINESS LINES

Transporting Cargo

The Port of New York and New Jersey is the third largest port in the nation and the largest on the east coast. The Port Authority manages multiple terminals and leases most of its terminal

space to private terminal operators, which manage the daily loading and unloading of container ships. The Port Authority also maintains and operates public berths, at which shippers can arrange to load and unload cargo. Most of the vehicles coming into and out of the Port use public berths, as does most of the bulk and breakbulk cargo.

The Port Authority builds, improves, and maintains most of the terminals' facilities and underlying infrastructure. This includes much of the Port's transportation connections, including ExpressRail and road connections to the surrounding highways, interstates, and the New Jersey Turnpike.

Commuting and Traveling

The Port Authority owns and/or manages wide variety of passenger transportation infrastructure including 5 airports, 3 bus terminals, 6 bridges or tunnels between NY and NJ, and the PATH train which runs between NY and NJ.

Building the Region

The Port Authority manages a real estate portfolio including more than 12,000 acres of land and 45 million square feet of office, industrial, retail, and technical space to support its trade, transportation and economic development mission. This portfolio includes the World Trade Center site.

The real estate and development programs create leasing, marketing, and development opportunities for businesses that wish to reach travelers and other consumers throughout the region. They also foster regional economic growth by assisting local businesses and communities, addressing environmental concerns, supporting waterfront and industrial projects that generate new jobs and business activity and promoting regional ferry service.

Key Takeaways

Financial Independence – the Port Authority relies on revenues generated by facility users, tolls, fees and rents as well as loans, bond financing, and federal grants to fund its operations.

The Port Authority issues debt to fund activities at the Port Authority level and pools revenues from all facilities across all its business lines to service the debt. Of the \$20.3 billion in total debt outstanding, \$18.2 billion is consolidated bonds and notes. The Port Authority issues a limited amount of project specific debt, usually only when required to take advantage of a specific program.

The Port Authority grew over time, adding a new capital project or taking on a major lease arrangement every few years over decades. As local and state governments looked at what to do with various existing or planned transportation assets, they often considered establishing a new, separate entity, but instead decided to work with the existing Port Authority. This allowed the Port Authority to diversify its revenue sources and grow its portfolio.

Real Estate Development – the Port Authority struggles with how “core” the real estate development business line is to its work. The current leadership has stated publically that it is serious about returning to its core transportation mission and believes there is value to be unlocked in its real estate business. It is approaching this by “handing over operations” or “operational and financial responsibility” to third parties. The discussion appears to be driven

by both rate increases on the transit side and lower profitability or even losses on certain properties during the economic downturn.

As seen in the attached descriptions of the projects, the Port Authority's real estate projects have all involved active participation from the local or state government as well as private sector entities.

Governance – The Port Authority is governed by a 12-member independent Board appointed by the Governors of New York and New Jersey (6 commissioners each) with the consent of the respective state senate. The Governors have the ability to veto the decisions of the commissioners they appoint. Depending upon the governor, the independence of the directors and the influence of the governors on the daily operations of the agency has varied.

7. REAL ESTATE DEVELOPMENT

Darin Hall, VP of Real Estate Development

Jordan Crossing

The Port Authority continues to work on the site plan for the Jordan Crossing development by meeting with brokers, developers, bankers, and investors to gain their insight. This includes meeting with First Financial Bank on May 16. On May 29, the site plan was presented to the Maketewah Business Association to explore synergies between their businesses, Maketewah Country Club, and the Port Authority's efforts in the area.

The execution of Phase I of the development includes acquisition, remediation, and demolition. Acquisitions are complete, the \$6,200,000 project budget has been approved, and funding has been received from the City of Cincinnati to execute Phase I of the development. The project budget was provided to the Board for review and discussion. The budget reflects a savings of approximately \$57,000 under acquisitions, which is largely due to the negotiated past due water bill with Cincinnati Waterworks. Additionally, there were substantial savings from the temporary relocations of former tenants in the amount of approximately \$50,000.

The demolition portion of the budget includes the environmental remediation quote from ATC Engineering, demolition of outparcels, and the hiring of Burgess and Niple who is assisting with the demolition scope of work and will be the on-ground project manager.

Site preparation contemplated mass razing of the site and bringing in fill dirt. However, based on engineering input, there is an opportunity to put parking in where fill dirt would have gone. This is a very attractive feature when marketing the site-ready pads and will also save a significant amount of money.

Maintenance and carry costs are inline; additionally, there is a \$257,000 contingency that is roughly equivalent to 5% of acquisition/remediation/demolition and site preparation cost.

Seymour Plaza

Due diligence continues on the Seymour Plaza site. Phase I has been completed with no major issues identified. Phase II has been initiated out of an abundance of caution given the past uses

identified by the Phase I on a small portion of the site. The Phase II report came in yesterday and reported that the site is clean. Barring any unforeseen issues, the closing is anticipated in the late June/early July timeframe as planned.

As previously discussed, the Port Authority will position the Seymour Plaza site as a continuation of the successful development of TechSolve, which is a quarter mile west of Seymour Plaza. The Port Authority remains in constant dialogue with Gary Conley of TechSolve to ensure there is demand for this. Industrial brokers have also stated that the TechSolve site is getting some of the highest rates for industrial rents within the City.

The Port Authority submitted the Seymour Plaza site to Duke Energy's Site Readiness Program approximately a month ago. As a result, Bayer Becker will meet with the Port Authority tomorrow to focus on site planning.

The Port Authority has targeted four properties that form the entrance to the plaza. Of those properties, the Port Authority has obtained Letters of Intent (LOI) for site control. Two of the properties are blighted; the Landbank will be able to provide funding for demolition. The other site is commercial property. The fourth property is tax delinquent, and the Landbank is using its tools to acquire the property.

For the three properties of which there are LOI's, the Port Authority has provided the following resolutions to the Board for its review and consideration.

Formal Action Requested – Before the Board today are three proposed resolutions, 2013-08, 2013-09 and 2013-10 entitled:

RESOLUTION AUTHORIZING THE PORT OF GREATER CINCINNATI DEVELOPMENT AUTHORITY TO ACQUIRE THE PROPERTY AT 1726 SEYMOUR AVENUE, LOCATED IN THE BOND HILL NEIGHBORHOOD OF CINCINNATI, OHIO.

And,

RESOLUTION AUTHORIZING THE PORT OF GREATER CINCINNATI DEVELOPMENT AUTHORITY TO ACQUIRE THE PROPERTY AT 1730 SEYMOUR AVENUE, LOCATED IN THE BOND HILL NEIGHBORHOOD OF CINCINNATI, OHIO.

And,

RESOLUTION AUTHORIZING THE PORT OF GREATER CINCINNATI DEVELOPMENT AUTHORITY TO ACQUIRE THE PROPERTY AT 1682 SEYMOUR AVENUE, LOCATED IN THE BOND HILL NEIGHBORHOOD OF CINCINNATI, OHIO.

After some discussion of the matter, Mr. Budig asked for a motion to approve Resolutions No. 2013-08, 2013-09 and 2013-10.

Motion: Rick Greiwe moved to approve Resolution No. 2013-08 authorizing the Port of Greater Cincinnati Development Authority to acquire the property at 1726 Seymour Avenue, located in the Bond Hill neighborhood of Cincinnati, Ohio. The motion was seconded by Scott Robertson and was approved unanimously.

Motion: David Smith moved to approve Resolution No. 2013-09 authorizing the Port of Greater Cincinnati Development Authority to acquire the property at 1730 Seymour Avenue, located in the Bond Hill neighborhood of Cincinnati, Ohio. The motion was seconded by Lydia Jacobs-Horton and was approved unanimously.

Motion: Scott Robertson moved to approve Resolution No. 2013-10 authorizing the Port of Greater Cincinnati Development Authority to acquire the property at 1682 Seymour Avenue, located in the Bond Hill neighborhood of Cincinnati, Ohio. The motion was seconded by Lydia Jacobs-Horton and was approved unanimously.

Queensgate

The Port Authority continues to explore opportunities to assemble sites that set the stage for future economic development in Queensgate. Efforts put forth in Queensgate will be determined by the Martin report that is expected to be received in the next few weeks.

8. PRESIDENT'S REPORT

Laura Brunner

Private Capital

In light of the projects in Bond Hill and Queensgate and as part of the 2014 Strategic Plan, the Port Authority will begin to tackle the issue of raising private capital to compliment the funding that is received by the City of Cincinnati for capital purchases. The Board was asked to look at 3CDC's equity fund as a model and to take time over the summer to consider this type of investment.

This introductory topic will be discussed at length when the Board convenes in the fall (September 11 Board of Directors meeting).

Transportation and Logistics

The Port Authority just received this week the final Cargo Assessment study. Additionally, the Port Authority met with the Cargo Assessment Steering committee yesterday. The Transportation Working Group is scheduled to meet next week and will discuss the final cargo assessment study.

A full report will be provided to the entire Board in September.

Pittsburgh Benchmarking Trip

Members from Public Finance, Real Estate Development and Transportation and Logistics will engage in a benchmarking trip to Pittsburgh, Pennsylvania scheduled July 30 and 31. This trip ties back to the benchmarking report provided last month. The group will meet with some of the organizations identified in the Port of Pittsburgh benchmarking report that have been active in the real estate development area.

The group will meet with three different non-profit organizations in addition to meeting with the Pittsburgh Port Commission as their transportation efforts are similar in scope.

Results from this benchmarking trip will be provided to the Board in September.

Parking Lease Decision

Scott Kane, Squire Sanders Dempsey, provided to the Board the outcome of the parking decision. The trial court's decision to halt the parking lease from going forward was reversed and remanded with instructions to enter judgment for the City of Cincinnati on all counts. There is no further opportunity for the plaintiffs to go back and raise other issues. Therefore, this transaction can move forward.

9. CHAIRMAN'S REPORT

Otto Budig

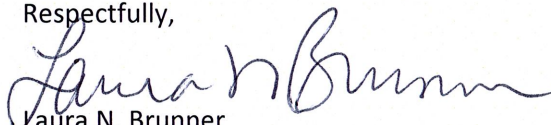
No report was provided at this time.

10. ADJOURNMENT

Motion: David Smith moved to adjourn the Port of Greater Cincinnati Development Authority June 12, 2013 Board of Directors meeting. The motion was seconded by Scott Robertson and was approved unanimously.

The June 12, 2013 Board of Directors meeting adjourned at 9:32 a.m.

Respectfully,


Laura N. Brunner
Secretary