

February 19, 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 8:02 a.m.

Board Members Present:

Budig, Otto	Dunn, Marty
Marmer, Lynn	Wright, Shane
Greiwe, Rick	Jackson, Ed
Robertson, Scott	Smith, David

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	
Williams, Jason – Cincinnati Enquirer	Stephens, Sam – City of Cincinnati
Kane, Scott – Squire Sanders Dempsey	Richard Hatton – First Southwest
Schulte, Skip – private citizen	Charles Hatton - BHRD
Wallace, Jeff – Parsons Brinkerhoff	

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 January 8, 2014 Board of Directors meeting minutes. Hearing none, he asked for a motion to adopt the meeting minutes.

Motion: Lynn Marmer moved to adopt the minutes of the January 8th, 2014 Board of Directors meeting. The motion was seconded by David Smith and was approved unanimously.

4. FINANCIAL REPORT

Maria Barrett, Financial Consultant, Shane Wright

December Financial Statements

- For the month of December, Operating expenses exceeded operating revenues by \$68,775. Year-to-date operating income for the eleven months was \$359,111.
- Unrestricted cash totaled \$1,737,823 at December 31. The total amount of development in progress, all in Bond Hill, was \$5,802,000.

Budget Update

Mr. Wright called everyone's attention to the unaudited December financial statements. Mr. Wright stated that these would be discussed further when the audit is done for 2013.

Mr. Wright stated there would be two financial audits this year. He confirmed that one audit will be for the Port Authority and the other will be for the Landbank. The Port Authority audit will be done by Plante Moran; the Landbank audit will be done by BKD.

Ms. Barrett stated a planning meeting with Plante Moran would take place in the next few weeks. A planning meeting with BKD had already taken place.

Mr. Wright stated, as discussed in previous meetings, the financial accounting software, Blackbaud had converted the old data into the new system, enabling for a cutover on April 1, 2014.

Mr. Wright called attention to Exhibit A, the proposed budget for 2014. Mr. Wright pointed out there were key differences between the first half and second half. On the operating revenue side, operating grants were \$1.4 million for the year. This is the standard \$750,000 from the city and \$750,000 from the county. Because of the fiscal year change for the City of Cincinnati, there is a difference between 2013 and 2014 because of the permanent timing difference.

Operating grants showed the grant received from Duke Energy in January of 2014. Financing fees show no real variance year over year. The first half, second half difference is attributable to annual payments in the first half of 2014 for bonds that have been issued previously.

Real Estate Services were up 26 percent year over year due to developer fees.

As to management fees, the change reflects an increase in the amount that will be paid by the HCLRC for the Port Authority for 2014. This change had been approved by the HCLRC board.

Mr. Wright stated the total revenue projected about \$2.7 million.

Mr. Wright called attention to the operating expenses. This is reflective of a full year of staff, versus 2013 when some staff were employed for a partial year. This is also representative of the hiring of Rick Hudson, Director of Accounting and Financial Management. There are no plans to add any incremental staff in 2014, making the Port Authority fully staffed.

Professional fees were down 12% year over year, largely attributable to the 2013 Martin & Associates Port Study that was completed. Mr. Wright noted \$15,000 in net income versus revenue.

Mr. Wright called attention to the Capital Accounts. The first half includes the \$400,000 from Duke and \$2 million from the City of Cincinnati for the remaining Mid Pointe Crossing and Tech Solve II development fees. The second half assumes \$6 million from the City of Cincinnati for Queensgate. The Port Authority assumed under the sale of developed real estate a second half sale of Tech Solve II building lot. \$30,000 is reflective of furniture and equipment which is related to the potential office move in the later part of the year.

Mr. Wright called attention to Board Resolution 2014-01 which approves the expense portion of the budget. Mr. Wright opened the floor for any questions before a motion was made to approve.

Mr. Budig, Jr. referenced a conversation with Laura Brunner about the \$6 million from the City of Cincinnati. Mr. Budig, Jr. further referenced conversations with the City Manager as well as the Mayor; recognizing that the Port Authority does indeed have a signed agreement in 2011 relative to this matter. Mr. Budig, Jr. stated it is hoped and anticipated that the capital budgets will be concluded by the end of the month.

Formal Action Requested – Before the Board today is proposed resolution 2014-01 entitled:

APPROPRIATIONS RESOLUTION OF THE BOARD OF DIRECTORS OF THE PORT OF GREATER CINCINNATI DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR 2014.

After discussion on this matter, Mr. Budig, Jr. asked for a motion to approve Resolution No. 2014-01.

Motion: Marty Dunn moved to approve Resolution No. 2014-01 authorizing appropriations of the board of directors of the Port of Greater Cincinnati Development Authority for the fiscal year 2014. The motion was seconded by Shane Wright and was approved.

5. Public Finance

Shane Wright, Susan Thomas

Mr. Wright stated the Port Authority's use of Public Finance tools has always been a part of the Port's mission. Over the years the Port has issued over half a million dollars in taxable and tax exempt bonds for a wide range of projects including St. Ursula Villa and the Queen City Square Tower.

As part of the Strategic goals for 2014, the Port is committed to expanding the tools and to more effectively market them. It is committed to developing tools that will complement the work being done in commercial development, and support Go Cincinnati. Mr. Wright stated the Port wanted to dedicate more time with private developers, financial institutions, law firms, and municipalities to determine how and where we can aid in development.

Ms. Thomas confirmed the Port has entered into a partnership with the Energy Alliance regarding energy efficiency financing. This initiative is getting some legs and visibility. Ms. Thomas anticipated being able to file to create the ESID (Energy Special Improvement District) in

the City of Cincinnati, possibly as early as the same week. This project is moving forward very nicely.

Ms. Thomas called attention to the bond fund. The bond fund was a much talked about initiative several years ago among the board. The project was stalled, and for a number of reasons, this is felt to be the right time to reengage on the strategy for bond fund.

Ms. Thomas called attention to the board report, where discussed the fact Hamilton County through HCDC has developed a comprehensive economic development strategy for the County. The Port Authority is mentioned throughout this report; however the report specifically calls for the County to support providing some financing sources for the creation for a bond fund. The County has deemed the bond fund to be a priority and one of the options commissioners will examine. Ms. Thomas stated there had been conversations with the County that left the Port optimistic.

Ms. Thomas took a few minutes to explain why she thought it was a good time to re-engage in this work. Ms. Thomas stated that this is a vital tool as the Port looked particularly at the Tech Solve II development in Bond Hill as well as some of the Mill Creek Corridor. One of the questions often asked is what are the incentives to locate a business here and what does that look like and the opportunity to provide financing with a long term fixed rate and investment grade pricing is one of those options.

Ms. Thomas stated some of the things that have historically made this program not attractive, like prevailing wage, have been lifted by the state. This makes the financing tool more competitive. We continue to explore a number of different initiatives and possibilities, including going alone, or merging with one of the existing funds to create a combined fund. This would allow the ability to start the fund more quickly, because the Port would be attached to someone who had more deals and less ramp up time, which would allow the Port to start immediately. This is one of the alternatives that is being explored.

Mr. Budig, Jr. asked, as listed in the board report, the Port Authority can issue up to \$50 million in bonds proceeds to finance the high impact items being discussed.; who pays the bond holder?

Ms. Thomas stated the company that is taking advantage of the financing

Mr. Budig, Jr. responded that it was the Port's responsibility to ensure that the company was capable of making those payments.

Ms. Thomas agreed and pointed out that all of the bond funds within the state would have a third-party financial advisor, who would assist in the process and assist in managing the rating agencies; the Port's fund would be no different from that.

Ms. Thomas stated that what makes the bond fund work and how it is that midsize manufacturing company is able to issue debt at such attractive rates, is that there is a whole series of reserves that sit behind the process. If you go borrow money from a bank, it's your credit alone, which is what the bank uses to determine your interest rate. In this case, as the borrower, you put up a ten percent reserve, but the bond holder also gets access to money that we raised and put in, as well as money from the county, money from the rest of the reserves in the system which typically come from cash or a letter of credit, and also the ten percent reserve

from all the other deals in the bond fund. All of that together makes any individual bond issue, an investment grade rated issue.

Mr. Budig, Jr. stated the implication is that there may be a large need for Bond Funds. How do we, as the Port Authority, advertise that this is available to the manufacturers and other worthy entities?

Ms. Thomas responded there were a couple of ways to accomplish this. The first being to get the fund established and get some direction on the fund. Secondly, taking a multi-pronged approach, most of the bond council firms in Ohio are familiar with this because there is a bond fund in the other five major cities. There would be a significant period of education for the commercial lending franchises of local commercial banks. Also, the Port would outreach and partner through the actual manufacturing communities' business associations to market it.

Ms. Brunner stated that the Port looks to HCDC which is currently a resource for funding for that community. The Port will go to the people that they typically approach to find out what options are.

Mr. Smith asked if there would be a local review from staff and then by a loan committee assembled from expertise on the board and outside expertise.

Ms. Thomas responded yes, it would depend on whether the Port goes it alone or partners with another fund. It would be a parallel process between a staff review and a third party consultant review. Obviously anything that gets issued out of the bond fund needs to go before the board for consideration.

Ms. Marmer asked to clarify that these funds already exist, and that there are five other funds in the state.

Ms. Thomas replied yes, there is one in Dayton, Columbus, Akron, Toledo and Cleveland.

Ms. Marmer stated that Cincinnati is now getting what other regions of that state have had for a while, which is good. Part of having an active Port Authority in this part of the state is valuable for the whole region, and now we can have one of those funds that exist in other places but hasn't existed here.

Ms. Marmer asked if it was felt there was a demand for bond funds.

Ms. Thomas responded one of the issues dealt with the last time this was discussed, the Port Authority, as an entity, was very far removed from business lending. The port did not know what the demand was. As the Port has moved into the real estate space and the Port has parcels and is much closer to those companies, and that enables the Port to say yes, there is confidence in the demand for this. The Port is being asked questions about the availability of these kinds of tools.

Ms. Brunner stated as the Port is working more closely with the partnership and HCDC, with joint marketing it is tighter. One of the reasons we're reviewing this portfolio of tools that we have, as we go out and talk to financial institutions, doing marketing and presentations, the more tools you have the more likely you are to have something for everyone.

Mr. Wright asked as a point of reference, if you look at Toledo or Cleveland, what's the size of their funds?

Ms. Thomas replied that Columbus and Dayton, their reserve included with their letter of credit is about \$10 million, which gives them \$50 to \$60 million of capacity for bond issuance. Neither one has issued that many bonds out of it. The North Eastern bond funds are significantly larger.

Mr. Robertson asked if the North Eastern funds were being used to their full capacity.

Ms. Thomas replied that she did not believe any of them were at full capacity right now; part of that is because the most successful funds have chosen to continue to invest in the fund to grow the capacity. There are earned fees from doing this, and some of them have chosen to make contributions to their bond funds in order to grow the reserves that will allow more debt to be issued.

Mr. Greiwe asked if this was restricted to manufacturing companies or whether it could be used to attract service or professional businesses to Cincinnati.

Ms. Thomas replied that it's not restricted by any statute, what it may be restricted by is by a desire to have the program work. It could be used to recruit a services company.

Mr. Greiwe asked if this could be used for improvements on equipment.

Ms. Thomas replied that it's a capital improvement program. Equipment is not a problem, tenant improvements are probably more questionable, as what is being bought and owned is part of the security.

The other place where it's potentially very valuable is in the tax increment financing world which is an important economic tool; a deal that is just TIF is not really marketable today. This gives two advantages to doing a bond fund. You could do a smaller deal because it would make sense economically. Because you have standard documentation you would not have to cut the issuance cost. It would also provide credit enhancement for those deals. These are riskier deals because they are speculative on the development side frequently, but that is another way it is been used in communities. This would add a lot of value.

Ms. Marmer asked if an executive summary of the Hamilton County plan could be done for the board.

Ms. Brunner replied that yes, an executive summary will be done for the board.

Ms. Thomas called attention to the Port Authority lease bond powers and associated items. Ms. Thomas stated, in her view, this is the best and most underutilized tool. Ms. Thomas explained, if the Port Authority owns a piece of property, even if the property is leased to an entity for economic development purposes, the Port does not have to pay sales tax on the construction materials. For a larger development project, that can be significant.

The way the Port Authority demonstrates its ownership and vested interest can vary from project to project. The typical way to do this is through a lease bond. One of the things being

worked on is driving down issuance cost. Once again, in the past this would have tripped prevailing wage, thus rendering it less useful in this market, but at this point in time it would not. This, along with bond fund discussions, make two very nice pieces to go out and begin educating and re-educating people on our powers there.

Ms. Marmer asked if this is one of the sources of income that has been suggested to fund the Port Authority development side. Is this one of those things we've done little of, but opportunistically we could do more of?

Ms. Thomas replied yes.

Ms. Thomas stated there have been some discussions with the City of Cincinnati about making sure this gets included in their list of standard incentives; it makes a lot of sense to have this included as part of the area's economic development and incentive package.

Ms. Marmer asked if this was being used in other parts of the state more aggressively than here. Ms. Thomas replied yes. Ms. Marmer stated what we are doing is bringing things to this part of the state that are being done in other parts of the state successfully, in order for us to have more tools in our tool box as the port and as a region.

Ms. Brunner stated there had been discussions with four companies in the last year. There have been conversations about this, but one point Ms. Thomas is making is that we are working to reduce the cost so it's more attractive to market it.

Ms. Thomas presented one of the newest initiatives, Single-Family Residential Mortgage and Down-Payment Assistance Program. Ms. Thomas introduced Richard Hatton with the First Southwest Company. Mr. Hatton approached the Port Authority and would be its partner in this initiative.

Ms. Thomas discussed the Port Authority entering into a residential mortgage program. Because of some benefits in federal law, the Port Authority has the ability as a governmental entity to provide down-payment assistance as well. First Southwest has approached the Port to be First Southwest's governmental partner on this. First Southwest runs this program in eight states currently, and is looking to move into the Ohio market. Because of the economies of scale associated with this they want one partner in the state. It is thought that this fits nicely and makes a lot of sense with the Port's community revitalization efforts. One of the things about controlling the program, and being the Ohio partner, is that this does not have to be uniform. The port could create special incentive programs for target areas and neighborhoods, affording more control of the program and the benefits of it.

Ms. Thomas stated this program is presented here today for consideration, Resolution 2014-02. This would give the Port Authority the ability to establish the program, hire First Southwest as the administrator, and employ a servicer to do the back end work. Arrangements have been made with First Southwest on protecting us on downside risk.

Ms. Thomas stated this is a large market. The Ohio Housing Finance Agency has a similar program that does \$600 million a year. Even if the port did 20% of that, there would be significant revenue potential to the Port Authority. This is an ongoing revenue opportunity for the Port Authority with its public finance franchise where it would be engaged with good

partners, and it's consistent with the Port's community revitalization efforts. It is felt that the risks have been well addressed. Squire Sanders has been engaged to review the documents and is comfortable with the Port's statutory and legal authority to do this, as well as the structure and production.

Mr. Greiwe asked how First Southwest promotes the program.

Ms. Thomas replied that First Southwest promotes the program by reaching out to a long list of participating lenders in Ohio. Ms. Thomas explained that for some borrowers, the trade-off is a slightly higher interest rate in exchange for more significant down-payment assistance than you can get somewhere else. For some borrowers this will be the right arrangement, not so for others. This is promoted through local banks as financial institutions.

Ms. Marmer asked, on a simplistic level, how this is different from the kind of lending practices that created the housing bubble/burst and the economy crash.

Ms. Thomas replied this is within the Federal Housing Administration guidelines. These are the kinds of things private entities would offer if they had the legal ability to do so. There are rules within the FHA that as the lender you can not contribute to the down-payment. But as a public entity we have that ability.

Ms. Marmer stated this is the first time the board has heard of this. It's complicated and is something that deals with individual home mortgage, which makes some red flags appropriate. She asked about underwriting of these loans would be to make sure this is being utilized by people who are able to pay back.

Mr. Hatton responded this program would not be any different from the average loan. Each lender has to be qualified under the FHA program.

Mr. Budig, Jr. asked how many protective shields there are between the work the Port would be doing with First Southwest and our ability to retain fiscal integrity and the integrity of the port.

Ms. Thomas replied the default issue is not the Port's risk. The risk to the Port Authority sits in the space between when someone wants to enter into the loan and when they actually close. In that case, our partner, First Southwest, would step in and manage that risk, indemnifying the Port against that risk. First Southwest is new to Ohio, but they are the leading municipal/public finance underwriter in the country.

Ms. Brunner suggested having Jeff Bomberger come to the next board meeting to answer any questions in regards to the documents pertaining to this resolution.

Ms. Marmer suggested a work group, comprised of volunteers, dig into the subject. Then the board will have done its job to vet these things.

Mr. Budig, Jr. stated there appeared to be a consensus to table this subject until the next month's meeting so a few people can take a deeper look into this. Mr. Budig, Jr. paid respect to First Southwest, stating this is an important issue to the future of the Port Authority. Mr. Budig, Jr. stated this did not mean the board was negatively inclined, but would like to be absolutely certain.

Mr. Greiwe stated this program would be very complimentary to the Community Revitalization program. Once the due diligence is preformed it will be an important tool.

Ms. Brunner stated that this fits into many places within the Port. This is a chance for the Port to be leading, and to have more substantial fees than in the other areas that have been discussed.

Mr. Budig, Jr. stated a vote was not needed, but the subject will be tabled until the next board meeting.

Ms. Thomas reassured the board that the Public Finance business line is spending a significant amount of time with the Community Revitalization and Real Estate groups, and the relationships with banks and law firms are being continued. Several banks new to Cincinnati have made contact with the Port to establish relationships and begin conversations.

6. Community Revitalization

Rick Greiwe, Paula Boggs Muething

Mr. Greiwe stated he would like to give more information about the Evanston initiative. To book end economic development initiatives in Walnut Hills and Xavier University's mixed use project, and the work that the Model Group is doing; the Land Bank will work on a target area of about one hundred homes. The big-picture plan would be to try to get two or three blocks totally renovated and attract a developer to fill the empty lots with new houses. Once this is completed we would have a big Home-a-Rama. Mr. Greiwe stated it will be a model for other neighborhoods.

Ms. Marmer asked how Evanston was picked.

Ms. Boggs Muething stated that Evanston has been working with the Community Building Institute for years to develop a housing strategy; it is really invested in what the community goals are. Evanston is the furthest along among the communities, and the Port has worked with them to refine the strategy and identify what the priority areas were and identify some commercial redevelopment priorities.

Mr. Dunn asked how are we able to use the best practices in Evanston to facilitate other communities being served through the Landbank.

Ms. Boggs Muething replied there is a plan to take the REACH (Rehab Across Cincinnati and Hamilton County) program to other communities that are being prepared. As far along as Evanston is, a lot of the other jurisdictions in the county are very far behind. Work is being done for some capacity building in Colerain Township and Norwood to get them prepared to be where the Evanston community is now. The Landbank is also priming Walnut Hills and Price Hill because they do have strong community organizations of private and public partners to be the next neighborhoods.

Mr. Dunn asked if there could be a Town Hall meeting to relay the progress information among the communities.

Ms. Brunner replied that the CDC Association is the group that brings all the communities together and the Port is a frequent presenter and speaker at these meetings. Ms. Brunner stated another example of where a community is further behind. The Bond Hill/Roselawn area did not make it into the 14 focus communities because they did not have significant community leadership. The Port wrote a grant to the Greater Cincinnati Foundation and was awarded money to enable the Port to hire Liz Blume at CBI to work with them in capacity building.

Mr. Greiwe stated the Port is trying to create a residential market. With very limited funds, and 25 parcels received from the Landbank, one fourth of the neighborhood is controlled. The Landbank money will be used to renovate the houses. Renovation money is needed for the residents who already live there. This model can be used to go to the next neighborhood.

Ms. Boggs Muething stated the City of Cincinnati has allocated \$1.15 million to Evanston for commercial property acquisitions. This money is being used in the same corridor the home rehabs are being done in. Monthly meetings are taking place with the Port, City of Cincinnati, Community Council, Redevelopment foundation, CBI and The Model Group.

7. PRESIDENTS REPORT

Laura Brunner

Ms. Brunner reminded the board that while only a couple items have been called out each month for a deeper discussion, the board packet contains reports from each group. Also included is a copy of the presentation made to Councilman Smitherman's Economic Growth Committee. Ms. Brunner thanked Mr. Jackson and Mr. Smith for joining her for that presentation. Ms. Brunner stated the week previous another presentation was made at Vice Mayor Mann's Neighborhood Committee, where Mr. Greiwe joined. Ms. Brunner noted that both presentations went very well.

Ms. Brunner noted a copy of her current speech is included in the board packet. This speech has been given twice recently, and is a speech that adds more narrative, context and texture to what the Port doing, rather than listing facts.

Ms. Brunner stated she had completed one-on-one meetings with all the council members. All meetings went very well, and she believes the Port has a great deal of support in the current council. Ms. Brunner stated that separate meetings, to occur on a regular basis, have been scheduled with the Mayor and interim City Manager along with the County Administrator. Both meetings had already started taking place.

Ms. Brunner stated the board had been kept up to date with the most recent information about parking, and is waiting to hear what City Council decides. It has been communicated with City Council that the Port is here to help with whatever plan is chosen.

Ms. Brunner called attention to the Strategic Plan scorecard. The scorecard had been updated with input from the previous meeting as well as a conversation with Ms. Jacobs-Horton. The scorecard will be updated each month. The scorecard now contains highlights of activities, but not everything being worked on. At Ms. Jacobs-Horton's suggestion only the primary stakeholders have been listed for each project, rather than a list of the many organizations tied to each project.

Ms. Brunner stated this exercise did enforce the need to meet with all of the partners to share with them the overall scorecard so they do know how much the Port relies on their assistance and how important the collaboration is important to the Port.

Ms. Marmer mentioned as an aside to Ms. Brunner's President report, Mr. Budig, Jr. is being honored as a Great Living Cincinnati on February 27th.

Mr. Budig, Jr. invited everyone's attention to couple of additional items in the board packet, including Mr. Hall's Real Estate Development report on the two signature Bond Hill projects. He also thanked Ms. Paul for the Communication Strategy Summary.

Executive Session

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

Motion: Ed Jackson made a Motion pursuant to Ohio Revised code 121.22 (G) 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) For the sole purpose of discussing information related to relocation of employer.

The motion was approved unanimously by roll call vote.

The Board adjourned into executive session at 9:04 a.m. The Board exited executive session and reconvened its Board of Directors meeting at 9:20 a.m.

8. ADJOURNMENT

The February 19, 2014 Board of Directors meeting adjourned at 9:21 a.m.

Respectfully,



Laura N. Brunner
Secretary