

PORT OF GREATER CINCINNATI DEVELOPMENT AUTHORITY
BOARD MEETING MINUTES
Friday, February 12, 2010
7:30 AM, 3CDC Conference Room, 1014 Vine Street, Suite 1420, Cincinnati, OH

I. CALL TO ORDER

Otto Budig called the Port of Greater Cincinnati Development Authority Board of Directors meeting to order at 7:32 AM.

BOARD MEMBERS PRESENT:

Budig, Jr., Otto
Dunn, Marty
Greive, Rick
Jacobs-Horton, Lydia
Marmer, Lynn
Wright, Shane
Zimmer, Joe

EXCUSED:

Handy, Clark
Williams, Tom

STAFF:

Karimi, Marjorie
Robb, Deborah
Russell, Christine
Satzger, Kim
Schafer, Ray
Thomas, Susan

GUESTS:

Engel, Mark – Bricker & Eckler, LLP
Kreutzjans, Jr., Bill – Ashley Commercial Group
Norman, Mark – Vorys, Sater, Seymour & Pease LLP
Waidner, Susan – Hamilton County Board of Commissioners

II. APPROVAL OF MINUTES

Motion: Lynn Marmer moved to adopt the minutes of the January 8, 2010 Board meeting. The motion was seconded by Joe Zimmer, and was approved unanimously.

III. BROWNFIELD PROJECTS UPDATE

Christine Russell provided the Board with the following brownfield projects update.

5025 Carthage Avenue, Norwood, OH (Linden Pointe) – All comments on the No Further Action (NFA) Letter, and the Operations and Maintenance (O&M) Plan have been resolved. The Port Authority is beginning the process of working with the Ohio EPA to complete the Covenant Not to Sue (CNS).

Rick Greiwe asked if this was the second phase.

Ms. Russell responded no, it is the original site. The site had an existing CNS which enabled the developer to start building on one part of the site, while cleanup occurred on another part of the site.

320 South Anthony Wayne Avenue, Lockland, OH (Hamilton County Regional Business Park) – Remediation of this site is complete and the No Further Action Letter was submitted to Ohio EPA on February 26, 2009. Although Ohio EPA notified us in the fall of 2009 that a subsequent NFA Addendum resolved all of its comments, we recently received some minor changes that they are requesting prior to issuing the Covenant Not to Sue. We are in the process of incorporating those comments and will send a revised document to Ohio EPA.

4101 Spring Grove Avenue, Cincinnati, OH (American Can Building) – The property owner continues to pursue two sources of financing – New Markets Tax Credits with a conventional bank loan and a HUD-insured loan. They are making progress on the HUD loan and plan to submit a full application to HUD in the next month. The owner also signed the contract for the \$1.6 million in Federal stimulus money, and will begin exterior improvements using this funding in late March or early April.

3241 Spring Grove Avenue, Cincinnati, OH (Former Kahn's/Sara Lee Site) – The Clean Ohio Revitalization Fund (CORF) Grant application was completed and placed in the public library on January 15, 2010. Hamilton County was the lead applicant and the Port Authority was a co-applicant. A public meeting is scheduled for March 8, 2010 at the Camp Washington Recreation Center. Following the public meeting, the application will be updated with the details of the public notification process and will be submitted to the District 2 Public Works Integrating Committee. The Integrating Committee will review the applications from our district, rank the applications, and send its recommendations to the Ohio Department of Development and the Clean Ohio Council. The Clean Ohio Council will make its final decisions at a meeting on May 21, 2010.

Mr. Budig asked how this will impact, if at all, the Port Authority as the “co-entity.”

Ms. Russell replied that the Port Authority will be in a supporting role to the County. The County is the lead applicant; and therefore, the County will execute the grant agreement with the State of Ohio.

Mr. Budig asked if the Port Authority was effectively in competition with the County.

Kim Satzger stated that, in this case, the Port Authority is not in competition with the County. The Port Authority has teamed with and is supporting the County with this application.

Ms. Satzger stated that there have been times in the past when the Port Authority submitted an application, and the City of Cincinnati submitted an application. Projects compete on a state-wide basis for these funds.

105 West Fourth Street, Cincinnati, OH (Former Federal Reserve Building) – The Port Authority has been asked to submit a Clean Ohio Assistance Fund application to assist in the cleanup of the Former Federal Reserve Building at the corner of Fourth and Main. This mostly vacant office building will be converted into residential apartments, while the basements and first three floors will remain commercial space.

Ms. Russell introduced Bill Kreutzjans, Jr. of Ashley Commercial Group to provide a brief overview of the project.

Mr. Kreutzjans summarized that the project is the renovation of a 15-story building at the corner of Race and Fourth Street, with the bottom five floors remaining mixed-use office and the upper 11 floors being converted to high-end residential apartments. The developer will utilize state and federal tax-credits on the project, as well as LEED-certified tax abatement from the City of Cincinnati. They will also utilize a FHA loan for the project. Renovations will include mechanical systems; the office space will basically be maintained as it currently is. For the residential portion, there will be a complete interior renovation of the building.

Mr. Kreutzjans stated that the Clean Ohio Assistance Fund application is for asbestos abatement.

Mr. Budig asked if they anticipated any problems.

Mr. Kreutzjans said they have had the asbestos and environmental reports completed. Fortunately, the building is in good shape with regard to these types of issues. The asbestos remediation would include the removal of floor tile and insulation on the pipes.

Mr. Kreutzjans stated that Ashley Commercial Group appreciates the Port Authority's consideration and partnership.

Mr. Greiwe inquired about parking and rents they hope to collect.

Mr. Kreutzjans said there is an adjacent garage and they have secured a 42-year lease on 114 spaces. Rents will be \$1.05 - \$1.13/per square foot based on market studies.

Mr. Greiwe asked how many units there would be.

Mr. Kreutzjans said there would be 87 units and one unit is to be used for overnight guests.

Mr. Budig asked if there were tenants in the office space at this time.

Mr. Kreutzjans responded that the sub-basement and basement are currently leased; the first and second floors are full as well. The third floor will be renovated and will be office space. Tenants currently above the third floor will be moved to the third floor upon completion of renovation.

Mr. Budig asked what the anticipated length of the project.

Mr. Kreutzjans replied the project start date is anticipated to be summer 2010, with approximately one year for project completion.

Ms. Russell commented that when asbestos is the only contaminant, the project tends to progress quickly. The closest example to this project is the Polk Building, which is now Park Place at Lytle. This project took 3 to 4 months to complete the cleanup.

Formal Action Requested – Before the Board today is a proposed resolution authorizing the Port Authority to submit the Clean Ohio Assistance Fund application and to enter into multiple agreements with the development partner.

Motion: Rick Greiwe made a motion to approve Resolution 2010-03 authorizing the Port Authority to prepare and submit an application for a Clean Ohio Assistance Fund Grant and to enter into multiple agreements related to the revitalization of the former Federal Reserve Building. The motion was seconded by Lynn Marmer. The motion was approved unanimously.

IV. FINANCING PROJECTS UPDATE

Susan Thomas provided the Board with the following financing projects update.

Cincinnati Mills Mall, Forest Park and Fairfield, OH – In February 2004, the Port Authority issued \$18 million in Tax Increment Financing (TIF) and Special Assessment backed revenue bonds to acquire and make public infrastructure improvements at the Cincinnati Mills Mall. The facilities owned by the Port Authority include a public parking garage, a public parking lot, a public ring road, and two detention ponds.

The Cities began collecting TIF service payments resulting from increases in the assessed valuation of the Mall in 2006. However, because the incremental value did not fully support the payments on the Bonds, the Cities have also certified special assessments for collection by the Counties in each of the last four years. The special assessments carry a tax lien and generally cannot be “primed” by a mortgage lender. The TIF service payments and special assessments through tax year 2007 (collection year 2008) were paid.

As previously discussed, the amount of TIF service payments due in 2009 and 2010 has been virtually eliminated as a result of the property owner’s challenges to valuation. The special assessments certified, if paid, should be sufficient to support required payments on the Bond.

Status

Special Assessment Delinquencies: To the knowledge of Port Authority staff, as of February 8, 2010, the property owner was delinquent on its taxes, TIF service payments, and special assessments due in 2009 and the first half of 2010, including amounts owed as manager on behalf of the Port Authority. Because of the 2009 delinquencies, the Trustee for the Bonds partially drew the reserve fund in order to pay the interest payment that was due on August 15, 2009.

Debt Service Payments and the Reserve Fund: There is a principal and interest payment due on the Bonds on February 15, 2010. The reserve fund contains enough money to make this payment. If this payment is made, there will not be enough money remaining in the debt service reserve fund to make the August 15, 2010 interest payment in full.

Administrative Expenses: There are currently no monies in the trust available to pay administrative expenses. As a result, the Port Authority did not receive its annual fee when due on February 1, 2010. The Port Authority has also received other administrative expense payment requests which it has not approved for payment or forwarded to the Trustee due to the lack of available funds in the trust.

The Port Authority is actively working with its partners, including the cities of Forest Park and Fairfield, the Trustee, and the Administrator for the Bonds, to determine next steps. These will likely include enforcement actions, but those steps and how to pay related costs are still under discussion.

Ms. Jacobs-Horton asked if current monies available can be used for enforcement actions.

Ms. Thomas replied that the Port Authority is not in a position to authorize the use of the monies in the reserve fund for enforcement actions. The Port Authority does not have the unilateral authority to hire its own legal counsel and use the funds in the reserve fund to bring litigation.

The Trustee may move the management of the account into its default group. If they do this, they may choose to follow a conservation of capital strategy which means they may decide to make interest payments, but not principal payments to the bondholders. The Trustee is also enabled to take action to defend the bonds and the bondholders. The Trustee may be able to use some funds in the trust to cover the costs of these actions. Whether or not the Trustee will do this, and if so when, is currently unknown.

Mr. Budig asked who engineers the next step and the composition of the default group.

Ms. Thomas responded that the default group is composed of individuals within U.S. Bank who specialize in these types of work-out situations. The group also typically hires outside legal counsel with expertise in this area.

Ms. Thomas stated that the Port Authority has no obligation to take any action unless it is specifically asked by, and indemnified by, the bondholders. The bondholders have not made any such request; and, the Port Authority has not taken any significant action.

Ms. Thomas continued that it is not clear that the Port Authority would be the best entity to take action. Based on the bond structure, the Counties and the Cities may be in a much better position to take action.

Ms. Thomas stated that it is the position of the Port Authority that all of the public sector partners, and the Trustee and the Administrator should work together as true partners. She hopes that these entities will work together to develop a solution as to the right course of action and permit the best entity to take that the appropriate action. The Port Authority has offered to coordinate this process; however, the Port Authority has been clear that it does not have the resources to pay expenses for undertaking such actions. The Port Authority has stated that it would be willing to coordinate if everyone was on board with the Port Authority taking the lead role and the expenses were covered. This has not happened at this point.

Shane Wright asked what will happen on February 15 as it pertains to the debt service payments.

Ms. Thomas stated her understanding that the Trustee has sent a notice to bondholders telling them that the Trustee intends to pay interest, but not principal on February 16, 2009 (February 15 being a banking holiday).

V. ECONOMIC INCLUSION UPDATE

Deborah Robb provided the Board with the following economic inclusion update.

Queen City Square Tower, Cincinnati, OH: The project will be approximately 65% complete by the end of February. All concrete work on the project is complete with the exception of slabs on metal deck on levels 40, 41, and 42, and miscellaneous curbs and site walls. The structural steel was topped out on January 19, 2010, in the office tower. The steel for the Rotunda and Promenade is underway and will be complete by the end of February. The tiara fabrication is currently 50% complete. The erection of the tiara is scheduled to begin April 19, 2010, and will continue through July.

The enclosure of the building should be complete by the end of May from level five up. Enclosure of the lower five floors with stone and glass will continue through September 2010. Stone has currently been

completed on the Third and Sycamore Streets side of the office tower and is moving north on Sycamore to enclose the Promenade and Rotunda. The glass enclosure on the lower five floors is scheduled to begin in March.

Permanent electrical power is being installed by Duke Energy and should be operational April 1, 2010. Elevator construction continues on all elevators except executive cars two and three, which cannot begin until the interior hoist is removed. The interior hoist is scheduled to be removed by the end of March. The first permanent service elevator should be operational by August, at which time the temporary exterior two cars will be removed. The tower crane should be gone from the jobsite by the end of August.

The contract for stone for the interior lobby of the building has been awarded, and shop drawings are being prepared. The balance of the interior lobby work is currently out to bid with bids due on February 18, 2010.

The Project Team (Eagle Realty, Ellington Management Service, Turner Construction, and the Port Authority) continue to meet on a monthly basis to receive project updates, and to insure that companies are following the contracting guidelines that were established by the team.

Progress on the project may be viewed at: www.queencitysquare.com/construction.htm. There is a webcam at the site that captures photos of the site on a daily basis.

Ms. Robb directed the Board to the Economic Inclusion Reports, with Projects Completed through 2009. This report will not change from month to month. Regarding the Current Projects in Process Report, there has been an increase in Minority Business Enterprise (MBE) inclusion from last month of approximately \$583,000; for Women Business Enterprise (WBE), the increase is approximately \$323,000; and, for Small Business Enterprise (SBE) the increase is approximately \$556,000.

Ms. Marmer commended the Port Authority on its efforts, and asked what process the Port Authority uses to document that the firms which participate are MWSBE firms.

Ms. Robb stated that the Port Authority utilizes third party certified vendors, and verifies that every contractor on the site is a certified-MBE, WBE or SBE vendor or supplier.

Mr. Greiwe inquired whether or not the Port Authority has taken a step towards a news story touting the successes of the Port Authority projects.

Ms. Robb stated that this is part of the communication plan on the Queen City Square project.

VI. CHAIRMAN'S REPORT

Mr. Budig informed the Board members that Ms. Karen McShea has tendered her Board resignation due to her permanent relocation to Boston, Massachusetts. As she was appointed by the Board of County Commissioners, they will be contacted to request that an appointment be made to serve out her term.

Mr. Budig also informed the Board of his and Ms. Satzger's meetings with various County and City leaders regarding the Port Authority's progress and the Port Authority's current financial situation.

Ray Schafer informed the Board that the Port Authority had recently received the 2010 \$350,000 funding from the City.

Mr. Budig said that the Port Authority staff and a couple of advisors have been working diligently on a draft of the Port Authority's strategic plan which anticipates moving forward under the assumption of being provided a baseline of revenues, bond fund, etc. that will allow the Port Authority to do what it has been asked by the City and County to do. The objective of these discussions is to move in partnership with the City and County to ensure there are not three separate agendas. There appears a willingness to move in that direction from both the City and County.

Mr. Budig asked if there were any questions and hearing there were none, stated the Board would go into Executive Session.

Motion: Ms. Jacobs-Horton made a motion pursuant to Ohio Revised Code Section 121.22 (G)(2) 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 considering the acquisition of property for public purposes by the Port of Greater Cincinnati Development Authority. Upon conclusion of the executive session, the Board will reconvene its meeting of the Board of Directors. The motion was approved unanimously by roll call vote.

The Board adjourned into executive session at 8:13 AM. The Board came out of executive session and reconvened its Board of Directors meeting at 8:25 AM.

VII. PRESIDENT'S REPORT

Mr. Schafer provided the Board with the following financial report update.

Mr. Schafer reported that earlier in the week the County advised the Port Authority that its \$350,000 invoice for 2010 grant funds was being processed.

Financial Report – The balance sheet reflects \$785,000 in cash at the end of January; adding the anticipated \$350,000 from the County, the balance would be \$1.135 million. Revenues and expenses are in line with the budget for January.

Mr. Budig stated that he is preparing a letter to the Board of Commissioners' President, David Pepper, requesting that the County's 2009 operational support in the amount of \$350,000 be forwarded to the Port Authority.

VIII. ADJOURNMENT

Mr. Budig asked for a motion to adjourn the meeting.

Motion: Lydia Jacobs-Horton made a motion to adjourn the meeting of the Board meeting at 8:37 AM. The motion was seconded by Joe Zimmer. The motion was approved unanimously.

Respectfully,

Kimberly Satzger
Secretary