

PORT OF GREATER CINCINNATI DEVELOPMENT AUTHORITY
April 17, 2008
7:30 am at 3CDC Conference Room, Suite 1440

I. CALL TO ORDER

Mr. Rouse called the Port of Greater Cincinnati Development Authority Board of Directors meeting to order at 7:35 a.m.

BOARD MEMBERS PRESENT:

Budig, Otto
George, Louis
Hull, Betty
Johnson JioDucci, J. J.
Love, Steve
Muller, Paul
Rouse, Jack
Siebenburgen, David
Zimmer, Joe

EXCUSED:

Bailey, Clifford
Otto, Charlotte

STAFF:

Richardson, Connie
Robb, Deborah
Russell, Christine
Satzger, Kim
Schafer, Ray
Thomas, Susan

GUESTS:

Engel, Mark – Bricker & Eckler, LLP
Vredeveld, George – U. C. Economics Center for Education & Research

II. APPROVAL OF MINUTES

Motion: Mr. Budig made a motion to adopt the minutes of the March 20, 2008 Board meeting. The motion was seconded by Mr. Siebenburgen. The motion was approved unanimously.

III. BROWNFIELD PROJECTS UPDATE

Ms. Russell provided the following brownfield project updates to the Board.

5025 Carthage Avenue, Norwood, OH (Linden Pointe) – Remediation of this site was completed in August 2007. The environmental consultant is resolving final comments from Al. Neyer, Inc.'s legal counsel on the No Further Action Letter and will be submitting it shortly to Ohio Environmental Protection Agency (EPA).

320 South Anthony Wayne Avenue, Lockland, OH (Hamilton County Regional Business Park) – The NFA Letter and the associated documentation is currently being drafted. Planning for final infrastructure improvements that will be included under the grant are in progress and include roads and storm water drainage. The Request for Proposal (RFP) is being drafted and will be sent to potential bidders shortly.

4101 Spring Grove Avenue, Cincinnati, OH (American Can Building) – It was reported at last month's Board meeting that the Port Authority and American Can Building, LLC met with the Ohio Environmental Protection Agency (OEPA) to go over the cleanup plan for this project. The Port Authority and American Can Building, LLC will be meeting with United States Environmental Protection Agency (U.S. EPA) in Chicago, Illinois on Thursday, April 24, 2008. The group will meet with a representative from U.S. EPA Region 5 Toxic Substances Control Act (TSCA) office, which is the office that deals specifically with polychlorinated biphenyl (PCB) regulation. Discussion of proposed cleanup plans will be reviewed and feedback will be gathered.

Mr. Budig asked if a trip to Chicago was necessary.

Ms. Russell replied that, as discussed at the previous Board meeting, there are two tracks that can be taken with regard to PCB cleanup. One track is called "self implementing," for which the U.S. EPA has laid out very clearly what is required in the regulations. If electing to do something different than the self-implementing requirements, the alternate plan has to be negotiated with U.S. EPA. The original thought process for the American Can Building was to pursue the self implementing plan; however, it was discovered that this plan works better when the cleanup deals with localized contamination such as a transformer spill. The PCB contamination at the American Can Building is spread out over five floors; thus it was decided that site-specific, risk-based PCB cleanup was a better choice for this project. This choice requires the visit to Chicago to negotiate the risk-based cleanup with U.S. EPA.

Mr. Budig asked if the developers on this project had the resources to sustain this type of delay to schedule.

Ms. Russell replied that American Can Building, LLC remains very committed.

Mr. Siebenburgen asked if the developers had done this type of work before.

Ms. Russell replied that the developer had rehabilitated some buildings in the past; namely, the Fisher Design Building. Ms. Russell added that the developer did have some experience rehabilitating old buildings for office use but the American Can Building is the first foray into environmental contamination for the developer.

Brownfields 2008 – This year's National Brownfield Conference, which is hosted by U.S. EPA, will be held in Detroit, Michigan at the beginning of May 2008. Ms. Russell will be speaking on a

panel at this conference entitled “You can’t Spell Brownfield Redevelopment without Economic Development.”

Ms. Satzger asked Ms. Russell to speak to the Board about the U.S. EPA Assessment Grants for Hazardous Substances and Petroleum that the Port Authority had applied for last fall.

Ms. Russell reported that the Port Authority was not awarded one of those grants but that the Port Authority will take advantage of a U.S. EPA debriefing opportunity to find out how to make the next application better.

Economic Impact Study – Mr. Rouse indicated that the Board meeting would be deviating slightly from the agenda, as the presentation on the Economic Impact Study would be moved up from the President’s Report to this portion of the meeting to accommodate Dr. Vredevelde’s schedule. Mr. Rouse then introduced Dr. George Vredevelde, President of the Economics Center for Education & Research at the University of Cincinnati, to review the recently completed Economic Impact Study, which studied the projects on which the Port Authority has worked.

Ms. Satzger stated that the Economic Impact Study was provided to the Board and briefly highlighted at the last Board meeting; however, Dr. Vredevelde was not available to attend the last meeting. Therefore, he is here today to review the findings, in detail, and respond to Board questions.

Dr. Vredevelde distributed copies of the executive summary from the Economic Impact Study and thanked the Board for the opportunity to work on the Economic Impact Study. Dr. Vredevelde explained that when preparing economic impact studies there are two things that are looked at; one-time effects, which occur with construction projects, and the continuing annual effects. The continuing effect is more important because the results are more long lasting. In this case, the Economics Center for Education & Research looked at the one-time effect, then looked at the jobs created, the secondary effects, the total economic impact, and then looked at the impact it had on local government revenues. Dr. Vredevelde summarized that the one-time effect since 2001 is \$608 million spent on construction, which equates to \$1.4 billion overall, and 12,000 jobs created. This includes direct and indirect jobs. The estimate on an annual basis is a \$6.7 million increase in local tax revenues. In looking at the on-going effect, the total annual economic impact is \$2.1 billion with almost 22,000 jobs creating almost \$30 million in additional tax revenues.

Mr. Muller asked what time frame this activity encompassed.

Dr. Vredevelde replied that the time frame was seven years, but the tax revenues were annual numbers as were the jobs. Dr. Vredevelde added that the ratio of local governmental support is seven to one. Every dollar the Port Authority receives from City of Cincinnati and Hamilton County returns seven dollars to local government and school districts in annual tax revenues.

Mr. George asked if the ratio could be considered a large one.

Dr. Vredevelde replied that he thought the ratio was huge. Dr. Vredevelde went on to say that regarding the seven to one ratio, it should not be assumed that every dollar of support to the Port Authority automatically guarantees a seven dollar return; however, when looking at brownfields and financings, all the economic activity the Port Authority has assisted, facilitated, and, in some cases, enabled in regards to these projects consistently reflects the seven to one ration. In fact, in some cases, had the Port Authority not be involved, these projects might not have happened or at least not happened in Hamilton County.

Mr. Budig asked for clarification of the economic and fiscal impact over fifteen counties.

Dr. Vredeveld replied that it is much easier to measure economic impact in viewing metropolitan areas.

Mr. Budig asked if Dr. Vredeveld was referring to Metropolitan Statistical Area (MSA).

Dr. Vredeveld replied that Mr. Budig was correct and added that the MSA used for this study encompasses fifteen counties therefore all fifteen counties were mentioned in the study.

Mr. Budig then said that the Port Authority does not do business in 14 of those counties.

Dr. Vredeveld agreed and went on to explain the economic impact of doing business in Hamilton County was not limited to only Hamilton County but spreads out over the entire metropolitan area.

Mr. Siebenburgen asked if economic impact studies were done for other entities.

Dr. Vredeveld replied that several had been done.

Mr. Siebenburgen then asked how the Port Authority measured up against the other economic impact studies done for other organizations.

Dr. Vredeveld said that, as an example, the Greater Cincinnati/Northern Kentucky International Airport has the largest economic impact of all the groups studied with an annual economic impact of approximately \$4 billion. The Port Authority is half of that.

Mr. George asked how the Port Authority measured up next to an organization such as Children's Hospital or the Cincinnati Zoo.

Dr. Vredeveld replied that the Port Authority measured up very well in comparison to Children's Hospital and the Cincinnati Zoo. Dr. Vredeveld said that in looking at other economic impact studies, the item to focus on is the multiplier. If the multiplier is around two, then there was some comfort using the study for comparison. If the multiplier used was closer to eight, then it is felt the numbers might be inflated and therefore not a reliable source for comparison. The Economics Center for Education & Research consistently uses the RIMS II model from the U. S Department of Commerce. There is another model that is used from time to time called INPLAN, which is also a good model.

Mr. Love asked Dr. Vredeveld about the difference in the next to last paragraph which says that each dollar that the City of Cincinnati and Hamilton County have committed has leveraged an additional \$135 in brownfield and financing investment. That is different from the last paragraph which in essence says that the \$4.5 million commitment from the City of Cincinnati and Hamilton County (since the Port Authority's 2001 inception) has resulted in a \$29.7 million impact on annual tax revenues.

Dr. Vredeveld replied that the amount of money that has been committed by the City of Cincinnati and Hamilton County through 2007 is \$4.5 million. The economic impact is measured in multiple ways. One deals with the one-time investment made by other parties and the second deals with the impact on annual tax revenues. The \$4.5 million leveraged \$135 of one-time development

impact for each dollar committed. Further, the \$4.5 million yielded an annual impact on tax revenues of approximately \$7.00 for each dollar committed.

Mr. Rouse asked if there were any other questions for Dr. Vredeveld and thanked him for coming to the Board meeting and explaining the Economic Impact Study.

Dr. Vredeveld thanked the Board for the opportunity.

IV. FINANCING PROJECTS UPDATE

Ms. Thomas provided the following financing project update to the Board.

3000 Disney Avenue, North Oakley, Cincinnati, OH (Millworks Town Center) – The developer is continuing to work on locking in financing and acquiring the property.

Ms. Johnson JioDucci asked if the Millworks project was still going to go forward since Bear Creek Capital had pulled out.

Ms. Thomas replied that Bear Creek Capital left the project some time ago and the current development agreement is between the City of Cincinnati and the original developer, Vision Land Development.

Mr. Muller asked if the project included the Milacron buildings.

Ms. Thomas replied that it did.

Mr. Muller then asked if the buildings would be retained or demolished.

Ms. Thomas replied that, per the current plan, all the buildings except one would be demolished.

V. ECONOMIC INCLUSION UPDATE

Mr. Rouse reported to the Board that a new format for the economic impact report was sent to all the Board members.

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

4000 Red Bank Road, Fairfax, OH (Red Bank Village) – The developer is currently bidding out the police sub-station on this project. The pre-bid meeting was held April 16, 2008. There were thirty-two construction companies that attended. Approximately one-third of the thirty-two attendees were inclusion companies. What was done differently this time was to include the bid information on the Greater Cincinnati Northern Kentucky African American Chamber of Commerce website, as well as the website for the South Central Ohio Minority Business Council. The bid information was also sent out to companies listed on the Port Authority's Small, Minority and Women Business Entities (SMWBE) database. The award of the contract will take place on April 23, 2008 with mobilization scheduled for June 2, 2008, and completion scheduled for August 5, 2008.

Galbraith Road at I-71, Sycamore Township, OH (Kenwood Towne Place) – The project continues to remain on schedule despite weather conditions. The garage portion is nearing completion, and construction on the retail portion has begun. The Port Authority continues to attend weekly construction team meetings. The Port Authority has continued to meet with the Bear Creek Construction team members in order to keep inclusion as a focus. The next portion of work to be contracted includes the finishes. The Port Authority is working with the project team members to identify inclusion companies that can perform these services to insure that they are included in the bidding process. The Port Authority has also contacted the project manager for the Kroger's store that is going in at the site and has offered to assist him in his inclusion efforts.

National City Bank – The Port Authority has been working with National City Bank in order to provide a program for gap financing for MBE, WBE, and SBE companies on the brownfield projects. The Port Authority has issued a Memorandum of Understanding with National City Bank which has been modified based on comments received from Board members at the March board meeting. These modifications have been reviewed and approved by the Finance Working Group.

Ms. Satzger said that the Port Authority is now prepared to move forward and may have the opportunity to utilize the gap financing on upcoming work.

Ms. Robb told the Board that Hamilton County Regional Business Park will be sending requests for proposals for infrastructure improvements soon.

Ms. Hull asked if the approval of the gap financing had been publicized.

Ms. Satzger replied that a press release will be going out after the Board meeting today. Ms. Satzger then thanked Ms. Robb for leading the initiative and working on the gap financing project.

Ms. Robb said that new economic inclusion reporting format is broken down into three separate reports. The first report is entitled Projects in Progress with Kenwood Towne Place numbers included. Total projects' inclusion is 6% Minority Business Entity (MBE), 3% Women Business Entity (WBE), and 16% Small Business Entity (SBE). The second report is entitled Projects in Progress without Kenwood Towne Place. The total projects' inclusion is significantly different at 24% MBE, 15% WBE, and 68% SBE.

Mr. Love said that congratulations should be given to the team for reporting the numbers in this format. It goes to show that just one project can have a huge affect on the economic inclusion numbers.

Ms. Robb then reported to the Board that the last page reflects the Port Authority's Completed Projects from January 2001 through December 2007.

Mr. Rouse said that he liked the new format of the economic inclusion report.

VI. CHAIRMAN'S REPORT

Mr. Rouse asked the Board to turn to the Chairman's Report tab which includes copies of the motions passed by the Hamilton County Commissioners and the City of Cincinnati for re-forming the Port Authority. In 2002, the Port Authority and Bruce Jones of Squire, Sanders & Dempsey created a rather substantial document entitled "Realizing the Full Potential of the Port" which was shared with the City of Cincinnati and Hamilton County. This document included a review of port authorities across the state, as well as recommendations for the reformation of the Port Authority.

In 2005, the Port Authority formally submitted to the City and County its request that the Port Authority be reformed, including the required draft legislation and a draft amended and restated formative agreement for the Port Authority. The Port Authority is optimistic that the reformation will happen soon.

Mr. Siebenburgen asked if the reformation had been approved.

Ms. Satzger replied that Hamilton County had approved a motion to work with the City of Cincinnati towards reformation of the Port Authority. The City of Cincinnati has approved their resolution and is working with Hamilton County towards this goal.

Mr. Love asked if the requirements included in the Hamilton County resolution were the same as those included in the City of Cincinnati resolution.

Ms. Satzger replied that both Hamilton County and the City of Cincinnati are talking about the same types of reforms, including the reduction of the Board size as well as the removal of the limitations to mission.

Ms. Hull asked who was actually leading the reformation initiative.

Ms. Satzger replied that Commissioner Todd Portune and Councilman Chris Bortz were the two leading the reformation initiative.

Mr. Siebenburgen asked if Hamilton County interests included the establishment of a reserve bond fund.

Ms. Satzger replied that both Hamilton County and the City of Cincinnati are actively talking about the Port Authority establishing a bond fund.

Mr. Siebenburgen asked if Ms. Satzger was satisfied with the language of the reformation.

Ms. Satzger replied that she was satisfied with the spirit of the reformation. Hamilton County and the City of Cincinnati are jointly having discussions about reforming the Port Authority, including reducing the Board size, lifting the current restrictions to mission, and the Port Authority playing a leadership role in things like commercial land banking. There are favorable conversations taking place, and the Port Authority is being invited into those conversations.

VII. PRESIDENT'S REPORT

Mr. Schafer reported the following financial information to the Board.

Financial Report – Cash for March is approximately \$1 million. With regard to revenues and expenditures, the Port Authority and City of Cincinnati are discussing what is required to receive the 2008 funding from the City. Expenditures are as expected and in line with the budget.

Bond Fund – Ms. Satzger added that Mr. Michael DiPerna, from Robert W. Baird & Co., Inc. will be attending the next Board meeting to walk through how a bond fund works in practice at other port authorities around the State of Ohio. Mr. DiPerna advises the State of Ohio and several port authorities in Ohio on their bond funds.

Ms. Satzger then asked Ms. Thomas to walk the Board through the steps for the creation of a bond fund program. Ms. Thomas will review the steps that were summarized in a document that was provided by the Port Authority to the Hamilton County Commissioners.

Ms. Thomas said that the bond fund would allow businesses in Hamilton County to fund primarily expansion or new projects by issuing investment grade (BBB+) bonds instead of utilizing other funding sources. In other words, these businesses would be able to have long-term fixed-rate debt at attractive interest rates. This would be possible because the bonds that the Port Authority would issue would be backed by a system of reserves. That system of reserves, which are estimated to be a minimum of \$10 million, would come from a variety of sources.

Mr. George asked if any of the reserve would be funded by the borrower.

Ms. Thomas replied that, in addition to the reserve fund, each of the borrowers as part of their bond would also provide additional structural support. The amount and nature of that credit support will be made on a case-by-case basis and could take the form of a Letter of Credit or some type of reserve.

Mr. George asked if the reserve fund would be pre-funded prior to a project being identified.

Ms. Thomas replied yes. There will be a common \$10 million reserve that will sit until the first project is obtained. A \$10 million reserve could roughly back \$50 million in bonds at any given time while maintaining the credit rating. To get a good diverse pool, limiting the principal amount of individual bonds to approximately \$5 million would be in the Port Authority's best interest.

Mr. George said that from an investor stand-point, that limitation puts more pressure on the types of bonds that the Port Authority decides to participate in because of negative leverage that results if one borrower defaults on their bond, it could affect other borrowers who otherwise would have been fine. The criteria for through-put are going to be much tighter.

Ms. Thomas replied that the reserve bonds are very different from the type of bonds that the Port Authority has done in the past. Everything the Port Authority has worked on to date, with the exception of the lease bonds that were issued for Queen City Square, has been primarily backed by tax increment financing. The reserve bonds are not generally backed by tax increment financing; these bonds are more similar to conduit bonds in that the bonds are backed by the faith and credit of the corporation that is issuing the bond.

Mr. George said that in regard to a pooled vehicle, there are implications over and above the project and that is why the criteria should be much more stringent.

Mr. Siebenburgen added that there was no doubt that the whole due diligence process would be much more stringent.

Ms. Satzger replied that the Port Authority had obtained a copy of the packet that the Franklin County Finance Authority submitted to the State of Ohio for approval for establishing their reserve bond fund and the standards by which the application, the process, and how processes will be performed are included in the packet.

Mr. George asked if a project were not selected for use of the reserve bond fund did the Port Authority still maintain the flexibility to offer a conduit bond instead.

Ms. Thomas replied that the reserve bond fund is an entirely new sub-set of financing tools that would allow the Port Authority to move the financing capabilities from just working with municipalities in a tax increment financing structure or working with a few large companies in a lease bond context to having a very attractive product for small, medium, and even some large businesses. This allows the Port Authority to be part of the discussion when it comes to expansion and retention; enabling the Port Authority to reach a new population of businesses by being able to offer more than just one financing option.

Mr. Rouse thanked the Port Authority staff for the research involved and for the potential to increase the opportunities that can be offered by the Port Authority to the community.

Ms. Thomas reported that the main steps in acquiring a reserve bond fund require the help of the City of Cincinnati and Hamilton County to assist in raising the initial seed money. A financial underwriter should be engaged to assist in establishing the bond fund. That person will be difficult to engage prior to having some sense from the City of Cincinnati and Hamilton County that the Port Authority is actually going to have a bond fund. Firm commitments from the City of Cincinnati and Hamilton County will then be required prior to talking with the Ohio Department of Development (ODOD). Other municipalities have structured funds from the State of Ohio as matching funds. The Port Authority would ideally want to have local money lined up and then go to ODOD about matching funds.

Mr. Siebenburgen asked if Columbus obtained matching funds from the State of Ohio.

Ms. Thomas replied that all five of the existing port authority bond funds have had some combination of State grant or match.

Mr. Siebenburgen then asked if there was a well defined system in place to get matching funds from the State of Ohio.

Ms. Thomas replied that the request goes through the traditional State of Ohio Development Finance Advisory Council loan process. There is a lot of precedent on the port authority side.

Ms. Satzger added that State of Ohio Treasurer Richard Cordray and Ohio Department of Development Chief Economic Development Officer Mr. Mark Barbesh have indicated that they are favorably inclined to support the establishment of a reserve bond fund for the Port Authority.

Mr. Rouse said that the key is the City of Cincinnati and Hamilton County coming together on this issue.

Mr. Love asked if any conversations about the reserve bond fund had taken place with anyone at the City of Cincinnati.

Ms. Satzger replied that discussions with the City of Cincinnati staff and Council Members had taken place and all were favorable toward the idea. This is something that the City of Cincinnati talked to the State of Ohio about last year. The issue is finding the local seed money to start the reserve bond fund.

Economic Impact Study – Ms. Satzger provided the Board with the following information concerning the distribution of the 2007 Economic Impact Study.

The 2007 Economic Impact Study was initially distributed to business leaders and elected officials in Hamilton County with a mass distribution to approximately one thousand other individuals due to be mailed out today.

Ms. Satzger then said that several articles from the press were included in the Board packets covering recent news concerning the Port Authority such as the bond fund, the reformation, and the Economic Impact Study. One of the most recent articles came out this week and was from the online publication, Soapbox Cincinnati covering the Port Authority's brownfield program.

May 21st Seminar – Ms. Satzger reported that the Port Authority is having a seminar and that all Board members should have received a "Save the Date" e-mail. Ms. Satzger said that the seminar will be held May 21, 2008 and asked Ms. Russell to quickly brief the Board members about the speakers.

Ms. Russell reported that the title of the seminar is "Promoting Economic Development through Successful Public/Private Partnerships," and our goal for that day is to explore the use of public/private partnerships as we talk about brownfield redevelopment, development financing, and economic inclusion. The Port Authority has two keynote speakers; one is a gentleman named Randy Pereira who is the President of Structured Capital, LLC from Phoenix, Arizona. Mr. Pereira is nationally recognized for his innovations in structured finance architecture. The other keynote speaker is Dr. Melvin Gravely, Managing Director for the Institute for Entrepreneurial Thinking and also the Director for the Cincinnati Chamber of Commerce Minority Business Accelerator. Mr. Gravely is the author of several books, the latest of which is titled "Getting to the Next Level, Business, Race, and our Common Goal to be Competitive." Mr. Gravely will be the lead-in to a panel discussion on economic inclusion. There are many other local, regional, and national experts that will be speaking at the event.

Mr. Love asked what the theme of the inclusion panel was.

Ms. Robb replied that the theme would be focused on lessons learned.

VIII. ADJOURNMENT

Motion: Mr. Budig made a motion to adjourn the meeting. Mr. Siebenburgen seconded the motion. The motion was passed unanimously.

The meeting was adjourned at 8:43 a.m.

Respectfully,

Kimberly Satzger
Secretary