

THE PORT OF GREATER CINCINNATI DEVELOPMENT AUTHORITY
BOARD MEETING MINUTES
Thursday, June 10, 2004
7:30 AM at the Port Authority Offices

I. CALL TO ORDER

Steve Love stated that he will chair the meeting of the Board of Directors today as Jack Rouse is out of town. He said that Jack Rouse sends his regards. Steve Love called the June meeting of the Port of Greater Cincinnati Development Authority Board of Directors to order at 7:50 A.M.

II. BOARD MEMBERS PRESENT

Bailey, Clifford
Budig, Otto
Hale, Joe
Humes, Tom
JioDucci, JJ Johnson
Kearney, Eric
Kull, Ron
Love, Steve
Muller, Paul
Siebenburgen, David
Zimmer, Joe

EXCUSED:

George, Louis
Hull, Betty
Otto, Charlotte
Reid, Janet
Rouse, Jack
Vehr, Nick

STAFF:

Cheney, Mike
Satzger, Kim

GUESTS:

Altucker, Ken	Enquirer
Cundiff, Jim	Hamilton County
Hine, Doug	Miller-Valentine Group
Jones, Bruce	Squire, Sanders & Dempsey
Phillips, Bonnie	City of Cincinnati
Stapleton, Tom	Eagle Realty Group
Williams, John J.	Gonzalez, Saggio & Harlan

III. APPROVAL OF MINUTES

Kim Satzger stated that she noticed that there was an oversight in the minutes from May. She said that the minutes need to be amended to reflect the announcement that John Fonner resigned from the Board of Directors.

MOTION: Eric Kearney moved that the minutes of Thursday, May 13, 2004 board meeting be approved. Ron Kull seconded the motion. The motion was passed unanimously.

IV. BROWNFIELD PROJECTS UPDATE

Kim Satzger indicated that she would be presenting agreements in support of two brownfield projects, the 4000 Red Bank Road project and the 400 Pike Street project.

4000 Red Bank Road Project (former Fairfax Ford Plant):

In December, the Port Authority was awarded \$3 million in Clean Ohio Revitalization Funds for the remediation and demolition activities to take place at 4000 Red Bank Road. In order to facilitate the implementation of the environmental remediation activities, and at the property owner's request (Red Bank Road LLC), the Port Authority entered into an agreement with Hull & Associates, at a cost of \$15,000, on April 29, 2004 to perform additional activities related to the environmental remediation of the Property. These services are outside of the scope of the Clean Ohio Fund funded activities. Additional investigations and scoping activities are required at the property. As Hull & Associates was already selected by the Port Authority as the Environmental Engineering (Certified Professional) firm to perform the work, and due to the complexity of the environmental issues at the property, it makes sense to approach the remediation of the property in a coordinated fashion. As such, the property owner asked the Port Authority if it would contract with Hull & Associates to perform work on behalf of Red Bank Road LLC as it is important that one firm orchestrate all work to be undertaken at the site both on behalf of the Port Authority and on behalf of the property owner. The funds in support of this agreement will be provided by Red Bank Road LLC through the Reimbursement Agreement that was approved at the March Board meeting of the Port Authority. That agreement stipulated that expenditures of more than \$4,000 in a two month period require the written approval of Red Bank Road LLC. The written authorization from Red Bank Road LLC is attached.

Kim Satzger introduced Mark Norman of Vorys, Sater, Seymour and Pease. He is the Port Authority's environmental counsel on its Clean Ohio Fund projects.

Mr. Norman stated that the original \$15,000 contract was for Hull & Associates to determine the additional scope of work given the expanded level of environmental contamination found at the site. Instead of negotiating a new agreement, Red Bank Road LLC asked that we amend the existing \$15,000 agreement to now cover the additional environmental remediation that is required. Red Bank Road LLC will cover the cost of the additional remediation work.

The proposed resolution that is being presented to the Board supports an amendment to the April 29, 2004 Environmental Consultant Contract in order to enable Hull & Associates to perform an expanded scope of environmental work at the property. The expanded scope of work covers the environmental remediation items that are outside the Clean Ohio Revitalization Fund funded activities. The expanded scope of work will be funded through "matching funds" for the grant. The matching funds will be provided by Red Bank Road LLC or the Ford Motor Company in an amount not to exceed the guaranteed maximum of two million two hundred forty-nine thousand, eight hundred seventy nine dollars (\$2,249,879).

Eric Kearney asked if the insurance limits and indemnity needed to be added to the contracts. Mr. Kearney asked whether the Port Authority's agreement needed to increase the amount of insurance coverage when the agreement has been increased from \$15,000 to \$2.2 million.

Mark Norman said that the insurance stipulated in the original \$15,000 agreement was too much insurance as this is the Port Authority's standard form of environmental service agreement and the Port Authority typically contracts for environmental services in larger amounts than \$15,000. Mark Norman said that there is no need for additional insurance as the amount is sufficient for this type and level of remedial activity.

Clifford Bailey said that he wanted particular detail paid the economic inclusion on this project.

Steve Love said that on a contract that has gone from \$15,000 to over \$2 million, and with the newly amended Clean Ohio Fund agreement language regarding method of securing bids, the Port Authority has the ability to work with the lead contractor to provide significant economic inclusion opportunities.

Mark Norman said that the \$2.2 million amendment would be work that would be completed under the Port Authority's economic inclusion policy as this policy is reflected in the standard form for environmental services.

Kim Satzger asked Mark Norman to review the change in Clean Ohio Fund agreement language with the Board.

Mark Norman said that the Port Authority received a \$3 million grant from the State of Ohio for the environmental remediation and demolition of the Red Bank Road property. The Port Authority received the grant agreement from the Ohio Department of Development. The Port Authority noticed that new language had been inserted into the agreement. The agreement now stated that the grantee must bid the work and that the lowest bidder must be awarded the contract. This new contract language would prove to be incompatible with the Port Authority's economic inclusion policy. Therefore, Mr. Norman and Kim Satzger called the director of the Clean Ohio Fund program to suggest that this section of the agreement be amended. He asked the Port Authority to send suggested language for the bidding process. The Port Authority provided draft language which states that the grantee has three options for selecting contractors, one of which is the lowest bidder language that the state had included in the agreement, two options provided that the grantee could conduct a modified selection process in which the grantee conduct an invitation to bid. The State accepted this language and now the State's agreement includes this language. This means that, currently, all Clean Ohio Fund agreements will have this language.

Clifford Bailey said that he would like to see that all of our developers demonstrate, in writing, that they have a plan to address the Port Authority's Economic Inclusion Policy. He wants to see the detailed plan before the project is approved. As the Port Authority has the policy, staff has the responsibility to track the status of the Port Authority's projects with regard to this policy.

Tom Humes said that he moves that the resolution be adopted. However, he would recommend that the Port Authority get a letter from W.P. Carey which states that they acknowledge and support the Port Authority's economic inclusion policy. He further recommends that the Board form a working group to see how the Port Authority can work proactively with regard to its economic inclusion initiative.

MOTION: Tom Humes moved to adopt the Resolution in support of the first amendment to the Environmental Consultant Contract between the Port of Greater Cincinnati Development Authority and Red Bank Road LLC. Ron Kull seconded the motion. The motion was passed unanimously.

400 Pike Street Project ("Polk Building")

Kim Satzger reviewed the 400 Pike Street project. The 400 Pike Street project or "Polk Building" is located on the eastern edge of the Central Business District, adjacent to the headquarters of the Procter & Gamble Company and the Western Southern Life Insurance Company. The building is bordered to the north by Columbia Parkway, to the south by the Taft Museum, to the east by Butler Street, and to the west by Pike Street. Miller-Valentine Group has purchased the building and intends to convert the 370,000 square foot Polk Building to a mixed-use project with 40,000 square feet of commercial space, an 80,000 square foot parking garage and approximately

250,000 square feet of residential space. The Polk Building will include 114 units of for-sale urban housing.

The Port Authority submitted a grant application requesting Clean Ohio Assistance Funds in support of this project. The grant was recently approved in the amount of \$845,500. The grant funded activities include the removal of asbestos-containing Thermal System Insulation (TSI) from the existing piping located inside the building; selective interior demolition to access concealed asbestos-containing TSI; floor tile/mastics will be abated within regulated areas utilizing manual/mechanical or infrared removal methods; and PCB ballasts and fluorescent bulbs will be removed within designated areas. The remediation and interior demolition related to the removal of hazardous materials will take approximately four (4) months to complete at a total project cost of \$1,329,078.

The Port Authority has reviewed the 400 Pike Street project implementation process with both Park Place at Lytle LLC (Miller-Valentine) and URS Consultants. The implementation expectations of the Port Authority were conveyed to Park Place at Lytle LLC (Miller-Valentine) in writing in the form of a Letter of Intent. A copy of the Letter of Intent is included in the Board packets. Further, similar to the structure of the 4000 Red Bank Road project, the work to be performed under this grant will require the Port Authority to enter into three agreements. A resolution has been prepared that enables the Port Authority to enter into the three agreements described below.

Kim Satzger asked Mark Norman to review the agreements with the Board.

Mark Norman said that he will review three agreements with the Board:

Contract for Clean Ohio Assistance Fund Environmental Services between the Port Authority and Park Place at Lytle, Ltd. This agreement is for the demolition, asbestos abatement and remediation work to be performed at 400 Pike Street. The contract amount is \$759,729.00 and will be paid out of the grant funds.

Reimbursement Agreement between the Port Authority and Park Place at Lytle, Ltd. Beginning June 1, 2004, for a period of five months, the Port Authority will receive \$2,500 per month for expenses relating to this project.

Contract for Clean Ohio Assistance Fund Environmental Services between the Port Authority and URS Corporation: On behalf of the Port Authority, the Ohio VAP Certified Professional at URS will provide remediation oversight for the asbestos abatement and demolition activities to make certain these activities are conducted per applicable regulations. The contract amount is \$85,771.00 and will be paid out of the grant funds.

He said that these agreements, similar to the Hull & Associates agreement that was just adopted, have provisions for insurance, the Clean Ohio Fund requirements, and includes the economic inclusion policy. These agreements also include a guarantee by Miller Valentine in support of the contracting entity, Park Place at Lytle, Ltd.

Kim introduced Doug Hine, President, Miller Valentine Group. Mr. Hine said that these agreements enable the Port Authority and Park Place at Lytle (Miller Valentine) to move forward with the project. The grant funds are critical to the economic viability of the project. Mr. Hine said that the building will be converted to residential condominiums. There will be 114 units. They will have one commercial tenant that will remain in the building.

Clifford Bailey asked Mr. Hine if he would provide the Port Authority with a letter which states Miller Valentine's plan for economic inclusion.

Mr. Hine stated that Kim Satzger had communicated the Port Authority's economic inclusion from the outset of the project. He said that he supports the Port Authority's policy and will provide the letter.

Eric Kearney said that as he looks at our agreement, the economic inclusion language does not have its own separate section. He recommends that it be pulled out into its own section.

Steve Love and Clifford Bailey concur.

Steve Love said that it is important that this language is more visible.

MOTION: Tom Humes moved to adopt the Resolution in support of the agreements for the 400 Pike Street project. Steve Love seconded the motion. The motion was passed unanimously.

V. THE BANKS PROJECT UPDATE

303 Broadway at Queen City Square

Kim Satzger described the project as an eight-story, approximately 200,000 square foot, office building to be constructed on top of an eight-level parking facility (688 parking spaces) to be located at the intersection of Broadway and Third Streets in the proposed Queen City Square development within the Central Riverfront area of the City of Cincinnati (The Banks).

Ms. Satzger stated that the Board of Directors of the Port of Greater Cincinnati Development Authority, by resolution at its November 25, 2003 meeting, issued a Declaration of Intent to exercise best efforts to authorize and issue bonds estimated at an aggregate amount of \$50,000,000 for the construction of an office building and related parking garage in conjunction with Eagle Realty Group, LLC and its related affiliates. Additionally, a ground lease was executed between the parties to further facilitate the project. The Port Authority, Eagle Realty, and the City of Cincinnati have completed the details of the transaction. The taxable revenue bonds under consideration by the Board include:

(1) "Lease Bonds" secured by lease rentals, the Port Authority will issue the bond required to finance a portion of the costs of the office building project. The Port will issue \$35,000,000 in lease bonds. The bonds are secured by lease payments made by the lessee.

and

(2) TIF Bonds, to be issued, in cooperation with the City, and secured by service payments in lieu of taxes. The Bonds are expected to be purchased by Western & Southern Life Insurance Company for investment in its portfolio and not with the intent to resell or redistribute any portion of the Bonds. The Port Authority will issue \$10,000,000 in tax increment financing bonds ("TIF) associated with the improvements to the 8-floor, 688 space garage facility. The bonds are secured by TIF revenues.

Ms. Satzger further stated that, in addition to the resolutions, the following items had been included in the board packets for review by the Board of Directors: project summary, cooperative agreement, and lease agreement.

Ms. Satzger indicated that the Port Authority's bond counsel, Bruce Jones of Squire, Sanders, & Dempsey is in attendance at the meeting to respond to questions.

Bruce Jones explained that the Bonds relating to this project are comprised of two concurrent revenue bonds to be issued by the Port Authority and the construction of a single project

consisting of an office building and related garage to be undertaken by or on behalf of the Port Authority, in cooperation with the City of Cincinnati, and to be financed by Bonds. Construction of the Project is to be undertaken on behalf of the Port Authority by the Developer, as construction agent. The Port Authority will own the structure developed by Eagle Realty's legal structure replacement, Queen City Square Development I, LLC. The Port Authority will outsource management of the garage facility. The project will be leased by the Port Authority to Eagle Realty Investments, Inc., as lessee under a triple-net capital lease. A construction guarantee will be provided by Western & Southern Life Insurance Company.

Mr. Jones further explained that the financing, ownership, construction, development, management, operation and maintenance of the project, as well as the Port Authority's and the City's participation in the project, will be implemented by or pursuant to a Development Agreement, a Cooperative Agreement and the Lease.

- The Developer and the City will enter into the Development Agreement with respect to the City's participation in the project, including its participation necessary to the issuance of the TIF Bonds.
- In accordance with the Project Revenue Bond Agreement, the Port Authority will lease the project site to Western Southern Life Insurance Company and will enter into the Construction Agency Agreement with the Developer, as construction agent.
- The City will make an assignment of service payments to the Port Authority pursuant to the Cooperative Agreement and the payment of certain costs related to or included in the development of the project.
- The owner of the project site will agree, as a covenant running with the land, to make service payments in lieu of taxes in amounts equal to the real estate taxes exempted. The Service Payments and any special assessments petitioned for and levied are anticipated to be in amounts sufficient to pay annual debt service charges on the TIF Bonds.
- Under the lease, the lessee will agree to pay, among other things, rents sufficient to pay annual debt service charges with respect to identified bonds and to insure the project and pay all real estate taxes (and payments in lieu of taxes and assessments).

Mr. Jones stated that the City of Cincinnati approved the project yesterday at its Council meeting. The approval of the project by the Board of the Port Authority is the final approval required before the bonds can be issued.

Kim Satzger introduced Tom Stapleton of Eagle Realty Group. Mr. Stapleton thanked the Port Authority for its support of this project and stated the commitment of Eagle Realty Group to the success of the project. Eagle Realty Group and Western Southern Life Insurance Company are financing the 303 Broadway at Queen City Square project. The constructed improvements will result in a \$62 million Class-A office building in Cincinnati's Central Business District. The City of Cincinnati is providing \$10 million in Tax Increment Financing revenues in support of the project. Mr. Stapleton stated that the Port Authority acted as a conduit to facilitate this project.

Eric Kearney asked if the Port Authority was making fees on the financing.

Kim Satzger stated that the Port Authority will receive approximately \$200,000 between the two bond offerings and 25 basis points on the outstanding balance of the TIF bond for the term of the financing.

Bruce Jones stated that it is important that Western Southern is acting as lessee but is actually buying the bonds. Further, Western Southern is providing a guarantee to the Port Authority.

Therefore, Western Southern is guarantor, lender, and borrower. This means that Western Southern is taking the risk of its own credit.

Ron Kull asked how the building fit aesthetically with The Banks project.

Tom Stapleton said that the building design went through the City of Cincinnati's Urban Design Review Board review process and the building design was adjusted per the Urban Design Review Board's comments so that the building would fit with its location in its quadrant of downtown Cincinnati.

Ron Kull said that he thinks that this structure seems to overpower the area. He wants to make sure that the architectural integrity of The Banks project is preserved and wondered how this building related to both The Banks and downtown Cincinnati.

Paul Muller said that he is a member of the Urban Design Review Board. He said that they did review the project. He said that this is the first phase of the development. There will be a second phase. The Urban Design Review Board was not in a position to review the second phase as it will be constructed at some point in the future.

Bruce Jones offered that the building helps The Banks development as it provides an 11-story (688 space) parking garage. This has a significant implication for The Banks development.

Tom Stapleton said that the TIF will fund that garage improvements.

Tom Humes said that Mr. Kull's comments are understandable and that the integration of the Queen City Square project with The Banks is important.

Tom Stapleton said that, prior to the comments of the Board today, he had not heard that the Port Authority had design standards for buildings in this area.

Tom Humes said that the Port Authority does not have designated approvals but that we do want to make sure that buildings in and adjacent to The Banks area are integrated and complementary with the design standards of The Banks project.

MOTION: Steve Love made a motion to approve the \$35 million lease bond resolution. Eric Kearney seconded the motion. The motion carried unanimously.

MOTION: Dave Siebenburgen made a motion to approve the \$10 million TIF bond resolution.

Clifford Bailey asked if the Port Authority's Economic Inclusion Policy was included in the agreements for the 303 Broadway project. He asked if there was a separate agreement with regard to the policy.

Bruce Jones stated that there could be a separate agreement to reflect the Economic Inclusion Policy pursuant to the resolution. The resolution must be adopted in the form in which it is presented today.

Clifford Bailey said that it was acceptable.

Otto Budig seconded the motion. The motion carried unanimously.

VI. OTHER PROJECTS

No other projects were presented for discussion.

VII. CHAIRMAN’S REPORT

No report as the Chairman was not in attendance.

VIII. PRESIDENT’S REPORT

Kim Satzger indicated that over the summer Mike Cheney will be working with the Port Authority’s accountant to bring the accounting function in house. The Port Authority’s operations and financial commitments (receipt of grant funds) warrant bringing this function in house.

Kim Satzger said that there is a resolution before the Board which, if adopted by the Board, will appoint Kim Satzger as the Secretary of the Port Authority in accordance with Section 8 of the Bylaws of the Port Authority and appoints Mike Cheney to serve as the Assistant Secretary of the Port Authority in accordance with Section 9 of the Bylaws.

MOTION: Otto Budig made a motion to adopt the resolution appointing the Secretary and Assistant Secretary for the Port Authority. Tom Humes seconded the motion. The motion carried unanimously.

IX. EXECUTIVE SESSION

Eric Kearney made a motion to move into executive session. “Motion Pursuant to O.R.C. 121.22 G(1) to adjourn the meeting of the Board of Directors of the Port of Greater Cincinnati Development Authority and go into executive session to discuss personnel matters relating to the employment and compensation of public employees. Upon conclusion of the executive session, the Board will reconvene its meeting of the Board of Directors.” The motion was seconded by Steve Love. The motion was carried by a roll call vote.

The Board moved into executive session at 9:10 a.m.

The Board came out of executive session at 9:40 a.m.

X. ADJOURNMENT

MOTION: Clifford Bailey made a motion to adjourn the meeting at 9:41 A.M. Eric Kearney seconded the motion. The motion carried unanimously.

Respectfully,

Kim Satzger
Secretary