

CFA Meeting Minutes of November 17, 2023

Members Present: Lee Czerwonka, Kevin Hardman, Joe Mallory, Dan Unger, Donna Jones Baker, Bimal Patel, Nidhi Bambino Bedi, Kathleen Eagen, and Ashley Bryant-Bailey.

Members Absent: Lawrence Hawkins III and Keizayla Fambro

Others Present: Jeff Aluotto, John Bruggen, Holly Christmann, Roger Friedmann, Monica Morton, Marion Haynes, Andrew Dudas, Billy Weber, Brad Ruwe, Ric Booth, Jim Downton, Julie Calvert, Andrew Garth, Anson Turley, Marc Von Allmen, Steve Leeper, Nick Swartell, and Lisa Anderson

Call to Order, Chair Lee Czerwonka

Chair Czerwonka called the meeting of the Hamilton County Convention Facilities Authority to order at approximately 12:20 p.m.

Approval of the September 15, 2023, minutes

Chair Czerwonka accepted a motion to approve minutes from Kevin Hardmann, seconded by Ms. Bambino Bedi and Mr. Mallory. The minutes were approved by all board members present at that time.

Convention Districts Update (Convention Center and Hotel) – 3CDC

Mr. Leeper with 3CDC presented an update on the renovation of the Duke Energy Convention Center and the new hotel. The renovation budget is \$200 million, the architect is Moody Nolan, TVS and the construction management team is Messer, Jostin and TriVersity. Construction of the Duke Energy Convention Center would start on July 1, 2024. Other topics that were discussed were the finance strategy, authorization of 1% increase to the County's transient occupancy tax rate effective December 2023, refinancing the DECC bonds and the Millennium bonds, the \$30M City and \$15M County capital contributions to the renovations of DECC, including their annual \$650K coverage pledges, as well as Visit Cincy contribution. He also discussed refinancing existing bonds and keeping Sharonville's bond in place and future bonds for the upcoming renovation. Through September transient occupancy tax collection is trending higher than it has before. Additional items covered during this discussion were the creation of the financing team, investment banking team, request for proposal, and briefly highlighted the bond process.

Mr. Leeper indicated that they are working with Portman Holdings in Atlanta on the development of the convention headquarter hotel, and that 3CDC and Portman are negotiating a Memorandum of Understanding. He showed renderings of the initial proposed design of the convention center hotel which would be located between 5th and Plum Street. The biggest challenge they are facing is defining the financial gap which is \$160M (or 33%). Mr. Leeper discussed how the gap was defined, which consisted of the hotel market conditions, financial interest rate market and construction costs. Mr. Leeper discussed these three components and in general how they could impact the financial gap.

3CDC is in the process of identifying recommendations for funding sources for filling the gap.

The hotel is slightly behind the construction of the convention center simply due to the timing of the State funding and obligations. Whereas 3CDC thinks the construction of the convention will start in July, they believe the construction of the convention center hotel will be four months behind. The hotel will take approximately 24 months to complete, whereas the convention center will take about 18 months to

complete. The TMUD application includes 650 rooms, because they want to protect themselves and max out on the amount of credit, instead of being penalized if they apply for 800 rooms and do slightly less. Which would result in receiving less funding in the state grant. Mr. Leeper concluded his presentation and asked the board if there were any questions.

The members discussed several items with Mr. Leeper. Ms. Jones Baker mentioned that these were huge projects, are there or is there any that keeps him up at night? The two biggest things that worry 3CDC are the lending environment/rates at which they are lending and the hospitality community while it is recovering it is not fully recovered. Business travel is not consistent, but leisure travel has increased. Interest rates and terms are a concern more on the hotel side than on the convention side. Construction costs and being able to meet obligations were other concerns Mr. Leeper discussed. He did not want to reduce the quality of the product once the bids come due to higher construction costs. Ms. Jones Baker also asked is there anything that you wish this board would do that it is not doing or conversely? He thought what the board did was to make sure everything was done in a fair and equitable way. The City, the County and the Convention and Visitor Bureau worked well together and were transparent.

Mr. Mallory asked if the tax projection was on the Hotel. Mr. Leeper clarified that the projection was the full amount of the taxes between the City and the County, aggregated together. At the end of the year TOT collection is projected to be the highest amount that it has ever been. Mr. Mallory asked if this was the occupancy tax and is it based on rooms/all rooms in the County? He also asked if the \$35M TMUD application was from the State? Mr. Leeper indicates that yes, they applied for a credit of \$40M and after the tax investor gets its portion it nets to \$35M. He asked if there were any plans to renovate or tear down the parking lot or garages located at Plum near the backend of the DECC? Mr. Leeper indicated that is being evaluated and that the Port owns those garages. 3CDC did buy a garage, near Elm Street and Sixth Street and are evaluating what to do with that property. Mr. Mallory asked if the \$1M to \$2M that is related to New Community Authority pertains to restaurants that are going in that area. Mr. Leeper clarified that it was for existing restaurants. Mr. Mallory asked how many restaurants are black owned. Mr. Leeper estimates that there are at least two. Lastly there was a discussion about minority representation on the project and being awarded contracts. Mr. Leeper indicated that he would provide additional information on this topic at the next CFA meeting.

Ms. Bambino Bedi asked if a flagship hotel had been selected. Mr. Leeper thinks that they have a preferred hotel that they are negotiating with. There are two things that drive the selection, the quality of the product and how much the flag hotel is willing to invest in the development of the hotel. Ms. Bambino Bedi asked would the final design of the hotel be made by the next meeting. Mr. Leeper said it is the expectation, and that his colleagues and the design team are working hard to get the design right. Things they considered are constructability, durability, and does it work and function. Lee Czerwonka asked if this would be a long-term contract. Mr. Leeper indicated that he imagined that it would be around ten years.

New Cooperative Agreement Update – Brad Ruwe

Mr. Ruwe discussed that the CFA was created in 2002, to undertake the renovation, improvement, and expansion of the convention center. Bonds were issued in 2004. The expansion project was completed in June of 2006. Going back to the formation of CFA, there were two taxes that affect the CFA in 2002, the County's 3.5% TOT and the City's 1.0% TOT, by statute these TOTs are contributed and pledged to the

CFA. The CFA is a party to the 2004 Cooperative Agreement, other parties are the City and County. The CFA is also a party to the 2010 Sharonville Cooperative Agreement.

Mr. Ruwe also discussed the 2004 Bonds that were issued by the CFA, which were the \$70 M senior issue and the \$35.9 M junior subordinate issue. The \$106 M proceeds were used for pure construction purposes. A project services agreement was entered into between the CFA and the City, where the City undertook the construction of the project which included the renovation, expansion and maintenance operation. CFA was established as a credit. When we went out to the rating agencies in 2004, we received ratings of A2 from Moody's and A+ from S&P.

10 years later (2014) at the call date of the 2004 bonds, there was a refunding opportunity for savings. The CFA served again as the issuer of the bonds, which took out a portion of the senior bonds and a portion of the subordinated bonds. \$69M was issued and these bonds were rated A2 by Moody's and A by S&P. 10 years later there was some consistency and consistency with the TOT. Good news from a credit standpoint.

Mr. Ruwe discussed some of the characteristics of the transaction structure and the financing of the 2004 and 2014 Bonds, specifically around lease, facilities lease, and lease revenue bonds. These are financing leases. The City and County pledge to pay the bonds to the Trustee for the benefit of the bondholders. The Bank of New York is the Trustee.

Mr. Ruwe mentioned in conjunction with the 2004 and 2014 bonds is the 2004 Cooperative Agreement. The important things to note about the Cooperative Agreement is:

- Pledge of City 2002 1.00% TOT and City 2002 1.50% TOT
- Pledge of County 3.50% TOT up to \$4,985,000 annually over that becomes the County's residual.
- Residual Funds
 - City Residual - \$1.5M goes to FC Cincinnati
 - County Residual – \$1.3M Sharonville Convention Center and Millennium Obligations

He also discussed the 2024 Plan of Finance. What is a little bit different about this plan is that it is a pooling of the TOT. The existing credit is going to be modified and will expand the components of the TOT and the amounts of the TOT that will be put into the credit. The idea is that this is going to be a stronger credit with greater commitments. The pooling of the City's two components is ~\$4.2M. Next is the County's 3.0%, about \$3M commitment per year, which is new. In addition to that, the 3.5% from the County will be different from the standpoint that the ceiling of \$4.985 M is being removed. The entirety of the 3.5% is being pledged. In addition to these contributions there will be a capital reserve fund to take care of capital repair and maintenance repair, initially set at \$250K per year. There is also a \$15 M contribution from the County and \$30 M contribution from the City.

Mr. Ruwe discussed things that have changed from the CFA standpoint. These changes consist of

- FC Cincinnati (City) \$1.5 M and Sharonville (County) \$1.3 M commitments formerly derived from residual TOT, now prioritized, taking priority over debt service on newly issued bonds
- CFA will not be the issuer, transfer to the Port
- CFA to approve Cooperative Agreement
- Modified role of CFA
 - No longer the issuer of DECC bonds

- No leasehold interest in DECC
- No Lease Revenue Bonds
- The County 3.00% TOT has been added (after certain priorities)
- The County 3.50% TOT does not have a dollar limitation
- The County 1.00% TOT has been added
- The TOT credit will consist of more revenue and be a stronger credit
- The City and County will send respective TOT revenue to Trustee

The CFA would no longer be the issuer, no lease hold interest under the proposed structure of the bonds. Adding these components of the County's TOT to this credit roughly \$10M in revenue per year, is making it a stronger, more expansive credit. With the Cooperative Agreement between the City, the County, and the CFA, it would be amended to allow the City and the County to utilize that residual any way they choose without necessarily earmarking it in an agreement. Then they can respectively earmark their residuals in their own agreements without bringing all the public bodies together. Mr. Ruwe asked if there were any questions.

Ms. Jones Baker asked if there would be a new cooperative agreement and what would this body do, and we would have to agree to that. Mr. Ruwe indicated that the CFA would be asked to vote on the cooperative agreement. She also asked when would it be presented to the body. Mr. Ruwe indicated that the parties are working diligently on it and the framework exists. She also asked in the new Cooperative Agreement if the CFA's responsibility is lessened or expanded. Mr. Ruwe indicated that those things are being discussed with the development of the new cooperative agreement. She mentioned that currently the CFA has a voice but with the new contract we would not and asked why. Mr. Ruwe indicated that there is not a property interest, City is going to own and the City and the County are contributing money for it. He also indicated that that was one example and that there are other components to it, for example maintaining insurance, he doesn't think that will not be the case going forward since there is no longer a lease hold property interest. Mr. Czerwonka asked if they would possibly see the agreement in late January. Mr. Ruwe said absolutely, the public parties are working diligently to try to solidify terms.

Kevin Hardman asked if the waterfall, financial plans, and various distribution commitments would be included in the cooperative agreement so ultimately if changes occurred, would those changes come back to the CFA for approval. Mr. Ruwe indicated that it is intended to be in the cooperative agreement.

3rd quarter financials – Monica Morton

Ms. Morton indicated that the numbers are better than 2019 third quarter's numbers and if anyone had any questions, they could give her a call or send her an email. We are on target to meet our debt service payments for this year. Ms. Morton and Mr. Czerwonka asked if there were any questions. There were no questions.

Mr. Czerwonka opened it up to the floor if there were any questions. Dan Unger commended Brad on his presentation. He asked Ric Booth if he had anything. Mr. Booth gave an update on the DECC. Ms. Christmann indicated that we will probably be looking at CFA meeting in January so either Lisa or she would be sent out some potential dates shortly if the Cooperative Agreement is ready to be discussed again.

Mr. Mallory asked if we could frontload and provide all the documents before they come to the meeting so that they can be digested. Mr. Czerwonka said that is a good idea.

Mr. Czerwonka if there was a motion to adjourn. He received a motion, and it was second. The meeting was adjourned at 1:55.