

MINUTES

CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY BOARD OF DIRECTORS MEETING

Thursday, April 13, 2017

The regular Meeting of the Cleveland-Cuyahoga County Port Authority Board of Directors was held at the Aloft Hotel located at 1111 West 10th Street, Cleveland, Ohio on Thursday, April 13, 2017. The meeting was called to order by Director Ronayne at 8:36 a.m. Attendance by roll call showed the following:

PRESENT

Darrell McNair, Chair
Jan Roller, Vice-Chair
Patricia Ramsey, Secretary
Harriett Applegate
Paul Hoogenboom
Anthony Moore
Chris Ronayne
Robert Smith

ABSENT AND EXCUSED

ALSO PRESENT

W. Friedman, President & CEO
D. Gutheil, VP, Maritime & Logistics
M. Freilino, Office Manager & Exec. Asst. to CEO
R. Bever, Director of Finance
G. Woodson, Director, Development Finance & Inclusion
M. Rivalsky, Controller
R. Snipes, Senior Accountant
L. Sternheimer, Director, Urban Planning & Engagement
J. White, Director, Sustainable Infrastructure Program
L. Bohinc, Finance Coordinator
J. McJunkin, FMT
P. Angelo, Huntington
B. Eckert, Zions Bank
I. MacDougall, Walter Haverfield
S. Glowacki, Spliethoff
M. Panzica, Hemingway Development
C. Bell, Bricker & Eckler
J. Roth, Tucker Ellis
D. Wilcox, Climaco, Wilcox, Peca, & Garofoli Co., L.P.A

APPROVAL OF MINUTES

The minutes of the Board of Directors meeting of Thursday, March 9, 2017 were presented for approval by the Board, copies having been delivered in advance to all Directors. On motion by Director Roller, seconded by Director Smith and unanimously carried, the Board minutes of March 9, 2017 were approved.

PUBLIC COMMENT PERIOD

There being no public comment on the agenda items, Director Ronayne proceeded with the Chair's Comments.

CHAIR'S COMMENTS

Director Ronayne congratulated the new Board Officers on their election at the March 9, 2017 meeting. He referred to a presentation attached hereto as "**Exhibit A**". He then transitioned the gavel to Chairman McNair.

Chairman McNair thanked Director Ronayne. Chairman McNair stated he's honored to serve as Chair and looks forward to advancing the agenda of the Port and growing its presence in Northeast Ohio. He added that the three basic committee chairs will continue to serve in the same roles moving forward.

PRESIDENT'S COMMENTS

Mr. William Friedman addressed the Board and thanked Director Ronayne for his leadership.

Chairman McNair proceeded to the committee reports.

REAL ESTATE & DEVELOPMENT FINANCE COMMITTEE***Agenda Item 4(C)(1)(a) – Exploratory/IBM Project – Lease Revenue Bonds***

Director Roller addressed the Board and welcomed Mr. Michael Panzica, Principal for Hemingway Development. Ms. Rhonda Bever addressed the Board and referred to a presentation attached hereto as "**Exhibit B**." Director Roller asked for clarification as to whether the City decided to put its investment elsewhere. Mr. Panzica replied that the developer approached the City to reallocate dollars to another project proposed by the developer.

On motion by Director Smith, seconded by Director Ramsey, and unanimously carried,

RESOLUTION NO. 2017-12

A RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE AND SALE OF CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY TAXABLE LEASE REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF \$8,390,000 FOR THE PURPOSE OF FINANCING "PORT AUTHORITY FACILITIES" WITHIN THE MEANING OF SECTION 4582.01, OHIO REVISED CODE, INCLUDING PAYING OR REIMBURSING THE COSTS OF ACQUIRING, CONSTRUCTING, RECONSTRUCTING, INSTALLING, EQUIPPING AND IMPROVING AN OFFICE BUILDING, RELATED PARKING FACILITIES AND SITE IMPROVEMENTS (THE "PROJECT FACILITIES"), LOCATED IN THE CITY OF CLEVELAND, OHIO; AUTHORIZING THE ACQUISITION OF A LEASEHOLD INTEREST IN THE PROJECT SITE (THE "PROJECT SITE"); AUTHORIZING A LEASE TO PROVIDE FOR THE LEASING OF THE PROJECT FACILITIES AND THE PROJECT SITE BY THE ISSUER TO PROVIDE FOR THE PAYMENT OF BOND SERVICE CHARGES ON THE SERIES 2017 BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A TRUST INDENTURE TO SECURE THE SERIES 2017 BONDS, MORTGAGE, ASSIGNMENT OF LEASE, DISBURSING AGREEMENT, CONSTRUCTION MANAGER AGREEMENT, INTERCREDITOR AGREEMENT AND OTHER INSTRUMENTS, STATEMENTS AND DOCUMENTS NECESSARY IN CONNECTION WITH THE ISSUANCE AND SECURING OF THE SERIES 2017 BONDS; REPEALING RESOLUTION NO. 2017-05; AND AUTHORIZING AND APPROVING RELATED MATTERS.

was approved. The resolution in its full text is incorporated into the Resolution Journal of the Port Authority.

REAL ESTATE AND DEVELOPMENT FINANCE COMMITTEE

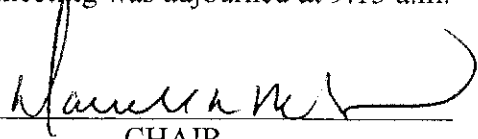
Agenda Item 4(C)(1)(b) – Property Assessed Clean Energy (PACE) Financing

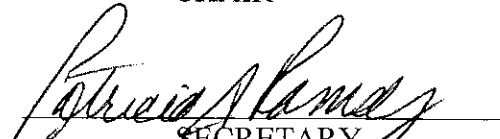
Ms. Bever introduced Mr. Caleb Bell, of Bricker & Eckler. Mr. Bell referred to a presentation attached hereto as “Exhibit C.”

PUBLIC COMMENT PERIOD

Chairman McNair then opened the floor for public comment related to non-agenda items.

There being no public comment, Chairman McNair made a motion to adjourn. Seconded by Director Smith, and approved unanimously by the Board, the meeting was adjourned at 9:13 a.m.


CHAIR

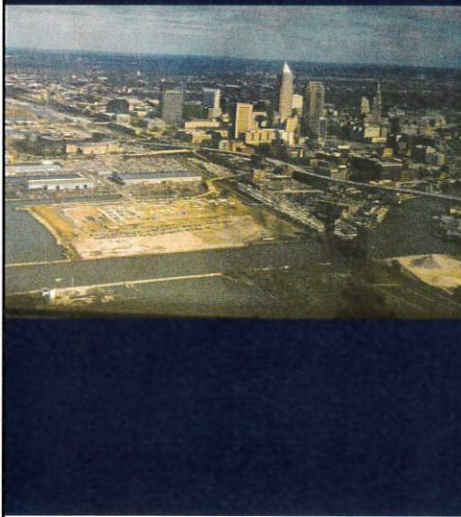

SECRETARY

Cuyahoga River Then & Now




PORT OF
CLEVELAND
Cleveland • Cuyahoga County Port Authority

Port Then & Now



PORT OF
CLEVELAND
Cleveland • Cuyahoga County Port Authority



Global Reach. Local Benefit.

Explorys/IBM Project
Taxable Lease Revenue Bonds

APRIL 13, 2017

Explorys/IBM – Development (Cont.)




- Headquarters building
 - 2-story - 43,000 square feet
 - Located in Cleveland's Opportunity Corridor
 - Cedar Avenue & East 105th Street



PORT CLEVELAND Explorys/IBM Project APRIL 13, 2017

Explorys/IBM – Background

- 105th Cedar Partners, LLC
 - Developer – Ohio limited liability company
 - Headquarters building for Explorys
- Project Partners
 - James Doyle Sr. and Alfred Geis
 - Guarantors
 - Hemingway Development
 - Michael Panzica - Principal


PORT CLEVELAND Explorys/IBM Project APRIL 13, 2017

Explorys/IBM – Sources & Uses

- Port Authority will issue up to \$9M – Taxable Lease Revenue Bonds
- Private Placement with Home Savings and Loan Bank

Sources	
First Mortgage / Port Bonds	\$ 8,725,000
County Loan	2,000,000
Developer Equity	478,830
Total Sources	\$11,203,830

Uses	
Core/Shell	\$ 8,098,100
Tenant Improvements	2,724,480
Soft Costs	1,422,518
Site Work/Soil	600,000
Leasing Commissions	358,670
Total Uses	\$11,203,830



PORT CLEVELAND Explorys/IBM Project APRIL 13, 2017

Explorys/IBM – Development


- Headquarters building for Explorys
- Explorys was a spin-off from Cleveland Clinic in 2009
 - Developed Enterprise Performance Management System
 - One of the largest healthcare databases
 - Healthcare partners include:



PORT CLEVELAND Explorys/IBM Project APRIL 13, 2017

Explorys/IBM – Terms and Security

- Port lease Project Site and Project
 - 11-year ground lease
 - Bondable capital lease
 - Construction Management Agreement
 - Lessee pay all costs and expenses
 - Payments to mirror debt service
 - \$1.00 transfer and costs at lease end
- Bond security
 - Source of repayment
 - Lease rental payments
 - 1st and best lien/mortgage
 - Assignment of rents, leases
 - Personal property, fixtures
 - Non-recourse to Port



PORT CLEVELAND Explorys/IBM Project APRIL 13, 2017

Explorys/IBM– Inclusion

- Developer agrees to Port inclusion policy
- Port financing sign during construction
- Port to receive \$40,000 closing fee

PROJECT FINANCING BY



PORT
CLEVELAND

Explorys/IBM Project

APRIL 13, 2017


Explorys/IBM – Recommendation

The Board of Directors is being requested to approve Resolution No. 2017-12 authorizing the issuance and sale of Taxable Lease Revenue Bonds, Series 2017, Explorys/IBM Project, totaling an amount up to \$9 million for the purpose of funding a portion of the costs associated with the construction of the Project and authorizing the execution of all other associated financing documents necessary in relation thereto.

PORT
CLEVELAND

Explorys/IBM Project

APRIL 13, 2017



Bricker & Eckler
 ATTORNEYS AT LAW

PACE Financing

Cleveland-Cuyahoga County Port Authority

J. Caleb Bell
 614.227.2384
jbell@bricker.com


© Bricker & Eckler LLP 2017 | www.bricker.com


Bricker & Eckler
 ATTORNEYS AT LAW


Ohio's PACE Law

Energy SID – A special type of financing district created under ORC Ch. 1710 for the purpose of financing:

- Solar photovoltaic (i.e., roof-top and ground-mounted solar arrays)
- Solar thermal systems (i.e., solar heating systems)
- Geothermal
- Wind
- Biomass
- Gasification
- Energy efficiency improvements



© Bricker & Eckler LLP 2017 | www.bricker.com


Bricker & Eckler
 ATTORNEYS AT LAW


State Authorizing Legislation

PACE = "Property Assessed Clean Energy"


30+ states authorize PACE

States have several PACE laws for various reasons:

- 1) PACE is covered in more than one law
- 2) PACE laws have been passed over time to implement various aspects of PACE financing
- 3) PACE laws have been amended



© Bricker & Eckler LLP 2017 | www.bricker.com


Bricker & Eckler
 ATTORNEYS AT LAW

Ohio's PACE Law


"Energy Efficiency Improvement" is given a special statutory definition:

"...energy efficiency technologies, products, and activities that (1) reduce or support the reduction of energy consumption, (2) allow for the reduction in demand, or (3) support the production of clean, renewable energy and that are or will be permanently fixed to real property."

"Reduction In Demand" means:

"...a change in customer behavior or a change in customer-owned or operated assets that reduces or has the capability to reduce the demand for electricity as a result of price signals or other incentives."


© Bricker & Eckler LLP 2017 | www.bricker.com


Bricker & Eckler
 ATTORNEYS AT LAW

Special Assessments

Regular Assessment – Add On For Public Infrastructure

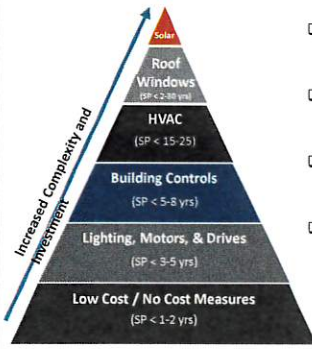
PACE Assessment – Add On For Energy Improvements



Assessments are a form of property tax. Financing using assessments is typically "off balance sheet" because assessments are operating expenses. Assessments cannot be accelerated like debt.


© Bricker & Eckler LLP 2017 | www.bricker.com

Energy Assessment – PACE Eligible Projects



Increased Complexity and Investment

- ❑ Objective is identify portfolio energy projects that are eligible for PACE program
- ❑ Example PACE projects can be represented by a pyramid of increasing cost & complexity
- ❑ The financial power of energy efficiency comes through pairing of energy conservation measures
- ❑ PACE assessments include
 - Utility Benchmarking Analysis
 - Electrical & Mechanical System Inventory & Baseline
 - Energy Conservation Measure Identification & Analysis
 - Master Menu of PACE Compliant Projects



© Bricker & Eckler LLP 2017 | www.bricker.com

Active PACE Programs

© Bricker & Eckler LLP 2017 | www.bricker.com

PACE and Private Lenders

Mortgages do not permit creation of senior liens.

A PACE assessment delinquency would establish a senior lien.

The mere process of requesting a PACE assessment is probably not a mortgage default.

© Bricker & Eckler LLP 2017 | www.bricker.com

10

PACE and Private Lenders



© Bricker & Eckler LLP 2017 | www.bricker.com

8

PACE Assessments

Complicated Projects

Urban Projects

Retrofit Projects

New Construction

PACE can replace equity requirements



© Bricker & Eckler LLP 2017 | www.bricker.com

11

PACE and Private Lenders

A PACE assessment is afforded great respect in the private credit markets.

Lender views on PACE assessments vary.

- Delinquent PACE assessments senior to delinquent mortgages
- Possibility to re-originate a loan at a senior position
- Stability in property value/rents
- Operating pro forma improves
- Balance sheet improves
- Impact on equity requirements

© Bricker & Eckler LLP 2017 | www.bricker.com

9

Local PACE Projects

Playhouse Square

- Four buildings in downtown Cleveland
- \$4.5M PACE financing
- Boiler, chiller, and building automation

Westin Hotel

- 777 St. Clair Ave., Cleveland
- \$3.6M PACE financing
- Boiler and HVAC retrofit

Briarwood Management

- Office project at 24100 Chagrin Boulevard, Beachwood
- \$1.2M PACE financing
- HVAC, building automation, lighting, and windows

© Bricker & Eckler LLP 2017 | www.bricker.com

12

Questions?



J. Caleb Bell
Partner, Bricker & Eckler LLP



100 South Third Street
Columbus, Ohio 43215

jbell@bricker.com
614.227.2384