

## MINUTES

### CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY BOARD OF DIRECTORS MEETING Thursday, July 14, 2022

The Meeting of the Cleveland-Cuyahoga County Port Authority Board of Directors was held at the Port Offices (1100 W. 9<sup>th</sup> Street) on Thursday, July 14, 2022 with notice of the meeting information provided to the public in advance. The meeting was called to order by Director Zone Fisher at 8:36 a.m.

Having given notice at least two days prior to the meeting and not having previously attended remotely more than 3 times during the past 12 months, Chairman Holmes attended the meeting remotely by teleconference and each gave the proper password. Prior to the meeting, Chairman Holmes was provided with all meeting-related materials. Chairman Holmes confirmed that he was more than 1/4 mile from the primary meeting location at 1100 West Ninth Street, Cleveland, OH and that he had internet access to receive any material distributed at the meeting, then verified that all Board members could hear and be heard by all other members in attendance. Attendance by roll call showed the following:

#### PRESENT

J. Stefan Holmes (via telephone)  
Darrell McNair  
Andrew Jackson  
Margot Copeland  
Peggy Zone Fisher  
Teleangé Thomas  
Daniel O'Malley  
David Wondolowski

#### ABSENT & EXCUSED

#### ALSO PRESENT

W. Friedman, President & Chief Executive Officer  
D. Gutheil, Chief Commercial Officer  
C. Naso, Chief Financial Officer  
M. Freilino, Manager  
L. Sternheimer, Director, Urban Planning & Engagement  
J. Davis, Vice President, External Affairs  
R. Winslow, Finance Director (via telephone)  
G. Woodson, Director, Development Finance & Inclusion  
C. Beck, GIS/Environmental Specialist  
J. Baker, ILA  
R. Terrano, Terra Real Estate Capital, LLC  
L. Osborne, Terra Real Estate Capital, LLC  
T. Coyne, MansourGavin LPA  
R. Kaplan, DiPerna Advisors  
M. Novakov, DiPerna Advisors  
J. Maus, DiPerna Advisors  
M. King, Cuyahoga County Council  
D. Wilcox, Climaco, Wilcox, Peca, & Garofoli Co., L.P.A (via telephone)  
S. Simpkins, Climaco, Wilcox, Peca, & Garofoli Co., L.P.A

### **APPROVAL OF MINUTES**

The minutes of the Board of Directors meetings of June 9, 2022 were presented for approval by the Board, copies having been delivered in advance to all Directors. On motion by Director McNair, seconded by Director Thomas, with Director Wondolowski abstaining from the vote, and unanimously carried by roll call vote, the Minutes of June 9, 2022 were approved.

### **PUBLIC COMMENT PERIOD/CHAIR & PRESIDENT COMMENTS**

There being no public comment, and no comment from Chairman Holmes, Director Zone Fisher requested that Mr. Will Friedman present his comments. Mr. Friedman addressed the Board and thanked Mr. Carl Naso, Ms. Margaret Rivalsky, Ms. Renee Snipes, Ms. Justina Dugan and the entire Finance Team for their work on the audit. It was clean and without comment for the third year in a row.

Mr. Friedman noted that strategic planning will begin later this year. It's the most important thing we do, and allows an opportunity for the Board and Staff to take a deep dive into every aspect of the Port. It will allow us to question what we've been doing, to seek out new opportunities, set the direction for the next five years. The process will take approximately 8-10 months and the community, stakeholders and partners will be called upon for their feedback. Mr. Jerry Bridges, a very experienced port professional, has been hired to lead the technical work. During his career he ran the Port of Oakland, the Virginia Port Authority and has experience with logistics in the private sector. Martin & Associates will also be working with the Port. Mr. John Martin is a leading port and maritime transportation economist – he's the best and the best value. Mr. Friedman stated he's confident that both consultants will provide excellent deliverables. Director Zone Fisher stated this is great timing especially with so many new Board Members.

### **BUDGET & ADMINISTRATION COMMITTEE**

#### ***Agenda Item 4(C)(1)(a) – Levy Renewal***

Mr. Naso addressed the Board and referred to pages 6-11 of the Agenda. Mr. Friedman noted that the campaign exists outside the Port and is being managed and led by R Strategy Group. The Board's only formal role is to place the levy on the ballot.

On motion by Director Wondolowski, seconded by Director McNair, and unanimously carried by roll call vote,

#### **RESOLUTION NO. 2022-18**

**A RESOLUTION AUTHORIZING REQUEST FOR RENEWAL OF A 0.13 MILL EXISTING TAX LEVY TO CONSTITUTE A TAX FOR ALL PURPOSES OF THE CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY**

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

**REAL ESTATE & DEVELOPMENT FINANCE COMMITTEE**

***Agenda Item 4(C)(2)(a) – Hilliard Apartments Project Taxable Conduit Lease Revenue Bonds***

Ms. Winslow addressed the Board and introduced members of Terra Real Estate Capital – Mr. Lance Osborne, President & CEO and Mr. Ryan Terrano, Principal. Mr. Terrano addressed the Board and referred to a presentation attached hereto as “**Exhibit A**”. Director Wondolowski asked who the construction manager or general contractor will be for the project. Mr. Terrano stated there will be a competitive bid process. Director Zone Fisher asked whether opportunities will be ensured for MBE’s and FBE’s. Mr. Terrano replied yes it will be part of the package. Many projects we’ve done have had MBE/FBE requirements whether they’ve been financed by the Port or not.

Director Copeland asked about the affordability of the apartments. Ms. Winslow stated that the market rate tends to be higher in the suburbs and the project is market rate given the location and demand. These are the first high end apartments being constructed in Rocky River since the 1980’s. Director Wondolowski stated that low-income housing does exist in Rocky River and the Building Trades own a low-income senior housing complex in the suburb. Director O’Malley stated there seems to be a specific demand for new construction since many apartment complexes in the surrounding areas are significantly old. Is there any public funding available? Mr. Terrano replied no. Director O’Malley stated the project is heavy with one- and two-bedroom units and asked if there’s a reason it was constructed that way. Mr. Terrano replied yes partly due to the City of Rocky River, and the secondary reason is there seems to be more demand for one-bedrooms.

Director O’Malley agreed there is a need and then stated he’s uneasy that a contractor hasn’t been selected and it could be a significant factor in the objectives the Port is trying to meet. Mr. Terrano stated all three contractors have worked with the Port and will not move forward unless they are compliant. Mr. Friedman stated that the Port is a pass-through entity and does not include any role for the Port in selection of a General Contractor. Ms. Winslow added there is strict legal language in the construction management agreement that general contractors will adhere to the Port’s policies. Director Wondolowski stated it would be helpful to know the names of the three contractors being considered before a vote is considered. Mr. Terrano replied that they are Pride One Construction, Osbourne and Geis. Director Wondolowski mentioned that two of the three have a poor history of using prevailing wage or MBE/FBE firms. Director Copeland asked for a point of order in defining the Board’s role and responsibility as it stands today as the obligation stands regarding the three contractors. Mr. Scott Simpkins stated that the Port has policies in place regarding diversity, inclusion and prevailing wage which are included in the scope of the contract and would therefore be required as part of the construction management agreement.

Director McNair stated that the policies are in place. The project needs to be monitored closely by the Port to hold the contractor(s) accountable and ensure the obligations are being met. Director Jackson asked who from the Port will be assigned to ensuring the obligations are being met. Mr. Friedman replied to look to him first. Mr. Garth Woodson is responsible for requesting, monitoring, and tracking payroll on Port projects. The Port is not able to investigate fraud. If there’s a suspicion of fraud, it would be turned over to the appropriate agency.

Ms. Winslow addressed the Board and referred to a presentation attached hereto as “**Exhibit B**”.

On motion by Director McNair, seconded by Director Thomas, and unanimously approved by roll call vote,

RESOLUTION NO. 2022-19

A RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A MAXIMUM AGGREGATE PRINCIPAL AMOUNT OF \$22,000,000 OF LEASE REVENUE BONDS OF THE CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY FOR THE PURPOSE OF FINANCING COSTS OF “PORT AUTHORITY FACILITIES” WITHIN THE MEANING OF SECTION 4582.01, OHIO REVISED CODE, FOR THE BENEFIT OF RR HILLIARD PARTNERS II, LLC; AUTHORIZING A BOND PURCHASE AGREEMENT; AUTHORIZING A GROUND LEASE; AUTHORIZING A LEASE; AUTHORIZING AN INDENTURE; AUTHORIZING AN OPEN-END MORTGAGE (FEE AND LEASEHOLD INTERESTS), ASSIGNMENT OF LEASES AND RENTS, AND SECURITY AGREEMENT; AUTHORIZING A CONSTRUCTION MANAGER AT-RISK AGREEMENT; AUTHORIZING OTHER COLLATERAL DOCUMENTS; APPROVING A TERM SHEET; AND AUTHORIZING AND APPROVING RELATED MATTERS

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

**REAL ESTATE & DEVELOPMENT FINANCE COMMITTEE**

***Agenda Item 4(C)(2)(b) – Hilliard Apartments Project Taxable Bond Fund PACE Revenue Bonds***

Ms. Winslow addressed the Board and referred to a presentation attached hereto as “**Exhibit C**”.

On motion by Director O’Malley, seconded by Director McNair, and unanimously approved by roll call vote,

RESOLUTION NO. 2022-20

A RESOLUTION AUTHORIZING THE ISSUANCE OF PORT AUTHORITY REVENUE OBLIGATIONS IN THE MAXIMUM AGGREGATE OF PRINCIPAL AMOUNT OF \$7,500,000, TO FINANCE COSTS OF “PORT AUTHORITY FACILITIES” WITHIN THE MEANING OF OHIO REVISED CODE SECTION 4582.01, CONSISTING OF SPECIAL ENERGY IMPROVEMENT PROJECTS; AUTHORIZING THE EXECUTION OF A COOPERATIVE AGREEMENT, A SUPPLEMENTAL TRUST INDENTURE, A BOND PURCHASE AGREEMENT, A CONSTRUCTION MANAGER AT-RISK AGREEMENT, A SPECIAL ASSESSMENT AGREEMENT, AND CERTAIN OTHER AGREEMENTS AND DOCUMENTS IN CONNECTION WITH THE FOREGOING; AUTHORIZING THE USE AND DISTRIBUTION OF A DISCLOSURE STATEMENT IN CONNECTION WITH THE SALE OF THOSE REVENUE OBLIGATIONS; AND AUTHORIZING AND APPROVING RELATED MATTERS

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

**MARITIME COMMITTEE**

***Agenda Item 4(C)(3)(a) – Maritime Update***

Mr. Gutheil addressed the Board and referred to a presentation attached hereto as “**Exhibit D**”.

**PUBLIC COMMENT PERIOD – Non-Agenda Items**

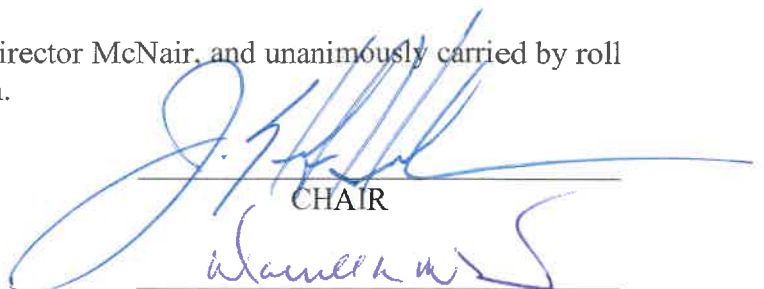
No public comment regarding non-agenda items.

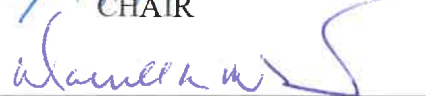
**EXECUTIVE SESSION**

Director Zone Fisher stated the Board would be entering Executive Session for the purposes of: (1) to consider the purchase of property for a public purpose pursuant to R.C. 121.22(G)(2); and (2) to confer with the Port Authority’s attorneys to discuss pending court action pursuant to R.C. 121.22(G)(3). On motion by Director McNair, seconded by Director Jackson, and unanimously carried by roll call vote, the Board entered into Executive Session at 10:03 a.m.

The Board exited Executive Session at 11:05 a.m. and reconvened the meeting.

On motion by Director Copeland, seconded by Director McNair, and unanimously carried by roll call vote, the meeting was adjourned at 11:08 a.m.

  
\_\_\_\_\_  
CHAIR

  
\_\_\_\_\_  
SECRETARY































**Global Reach. Local Benefits.**  
**Hilliard Apartments Project**  
**Taxable Lease Revenue Bonds**

JULY 14, 2022

# Hilliard Apartments – Developer Background

- RR Hilliard Partners II , LLC - Single Asset Entity
- The Development Team
  - Terra Real Estate Capital, LLC
    - Founded in 2018
    - Boutique investment banking firm
    - Ryan J. Terrano Principal
  - Osborne Capital Group, LLC
    - Founded in 2003
    - Real estate investment firm
    - Lance Osborne, President & CEO
  - Headquarters – Cleveland, OH





# Hilliard Apartments – Project

- Hilliard Apartments
  - Located in Rocky River, OH
  - Project Site – 1.13 acres
  - Five stories – 128,000 sq. ft.
  - 72 market rate units
  - 115-space underground deck
  - 23-space garden level lot
  - Total Project cost - \$26.9M
  - Construction period – 3<sup>rd</sup> quarter 2022 complete 2<sup>nd</sup> quarter 2023





# Hilliard Apartments – Port Authority Request

- Port issue up to \$22M
  - Taxable lease revenue bonds
  - Draw down bonds
- Private Placement with construction lender
- PACE Bond Fund bonds to be presented next but is the other source in the project in addition to equity


## Sources

Senior Loan	\$ 16,472,381
PACE Bond Fund Bonds	6,525,036
Sponsor Equity	3,937,349
<b>Total Sources</b>	<b>\$ 26,934,766</b>

## Uses of Funds

Land Cost	\$ 1,950,000
Hard Costs	13,863,496
PACE Project	4,500,000
GC Contingency	765,120
Development & Soft Costs	2,272,000
Operating Reserve	150,000
Capitalized Interest Reserves	1,544,133
Closing Costs and Fees	477,126
Estimated Project Sales Tax Exemption	(765,145)
Capital Lease Closing Fee	153,000
PACE Loan (COI, Reserve, Capl)	2,025,036
<b>Total Uses</b>	<b>\$ 26,934,766</b>

# Hilliard Apartments – Lease Terms and Security

- Port to acquire Project Site via Ground Lease
    - Lease the project to the Developer via a long-term 45-year ground lease
    - Bondable Capital Lease with developer/lessee responsible for maintaining, insuring & operating project
  - Project constructed via Construction Manager Agreement between Port and Developer or its assignee
  - Lease can be terminated after 6 years
    - Port exits the structure and developer to purchase for \$100 and transfer costs
- 
- Private Placement of Bonds – source of repayment
    - Lease rental payments which will mirror the debt service on the bonds
    - Bondholder to have first leasehold mortgage & security interest
    - Lessee to pay
      - All property taxes
      - Special assessments
      - PACE special assessments
  - Bonds will be non-recourse to Port

# Hilliard Apartments – Inclusion & Fees

- Developer agrees to:
  - Port Inclusion Policy
  - Prevailing Wage Policy
  - Port Financing Sign
- Port estimated closing fee - \$92,000

PROJECT FINANCING BY



CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY



# Hilliard Apartments – Recommendation

The Board of Directors is being requested to approve Resolution No. 2022-19 authorizing the issuance and sale of Taxable Lease Revenue Bonds, Series 2022, totaling an amount up to \$22 million for the purpose of funding a portion of the costs associated with the construction of the Hilliard Apartments Project and authorizing the execution of all other associated financing documents necessary in relation thereto.





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Hilliard Apartments PACE Project  
Taxable Bond Fund PACE Revenue Bonds**

JULY 14, 2022

# Hilliard Apartments – PACE Project

- Bond Fund Bond (Property Assessed Clean Energy “PACE”) Bonds
- PACE Overview
  - Allows property owners to finance the costs of energy efficiency and renewable energy improvements through a Special Assessment on their real estate tax bill
  - 30+ States have authorized PACE
  - Special Assessments are used to secure financing to fund improvements without requiring the property owner to take on debt
  - Energy savings from improvements often fully offset the Special Assessments
  - Property owner works with local Energy SID and Municipality to add the Special Assessment to their parcel(s)
  - **PACE is an area of KPI focus for the Port and was identified in our 2016 strategic plan as an action item to become established in this market.**



# Hilliard Apartments – Port Authority Request

- Port issue up to \$7.5M
  - Taxable Bond Fund PACE Revenue Bonds
    - Repayment of the bonds will be PACE special assessments
    - In cooperation with
      - Northeast Ohio Advanced Energy Improvement District



- Port financing term – est. to be 24 years
- Proceeds to fund qualified costs and eligible energy improvements
- Bonds to be issued through the bond fund program
  - Rated by Standard & Poor's A-
  - To also be approved by Huntington as LOC Bank

# Hilliard Apartments – Sources & Uses

## **Sources**

Par Amount of PACE Bonds	\$6,615,000
Original Issue Discount	(89,964)
<b>Total Sources</b>	<b>\$6,525,036</b>

## **Uses of Funds**

Eligible Energy Efficiency Project	\$4,500,000
PACE COI	273,163
PACE Primary Reserve	661,500
PACE Capl	1,085,389
PACE Contingency	4,984
<b>Total Uses</b>	<b>\$6,525,036</b>

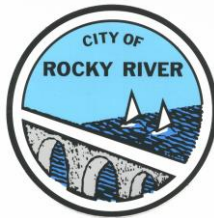


# Hilliard Apartments – Bond Terms and Security

- RR Hilliard Partners II, LLC
  - Petition – City of Rocky River
  - For annual assessment amounts to include
    - Sufficient to pay principal
    - Interest
    - Administration fees
    - Trustee fees
    - Est. annual assessment of \$550,719
  - PACE Special Assessments payments
  - Bonds are special obligations of the Port
    - Payable only from PACE Assessments or
    - Primary Reserve, equal to 10% of par or bond fund program reserves
- Senior Lender requirement
  - PACE Lender Consent Form
    - Acknowledging the Special Assessments
  - S&P Global Ratings
    - Expected “A-” rating
    - Est. interest rate 5.3%
  - Bonds term – 24 years
  - Non-recourse to Port

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**S&P Global**  
Ratings



# Hilliard Apartments – Inclusion & Fees

PROJECT FINANCING BY



- Developer agrees to:
  - Port Inclusion Policy
  - Port financing sign
- Estimated Port closing fee - \$66,150



# Hilliard Apartments – Recommendation

The Board of Directors is requested to approve Resolution No. 2022-20 authorizing the issuance and sale of Taxable Bond Fund PACE Revenue Bonds, Series 2022, totaling an amount up to \$6.6 million for the purpose of funding costs associated with energy efficiency and alternative energy improvements in connection with a PACE financing for the Hilliard Apartments Project and authorizing the execution of all other associated financing documents necessary in relation thereto.



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**Board of Directors  
Maritime**

JULY14, 2022

# 2022 Maritime Update (through June)

## Tonnage Review (metric tons)

- GC Tonnage           199,500
  - 52% increase vs. 2021 levels
- CBT                   955,858
  - 2.46 million tons in 2021 (furnace at CC mill)
- Containers (teu)   1,546 *import*/492 *export* /840 *empty*
  - Import volume tripled/0 exports in 2021
- LeHigh               43,310





# 2022 Maritime Season Update

- General Cargo
  - Steel demand still steady
  - New cargoes
    - Aluminum
    - Canadian coils
    - ISO Tanks
    - Container exports
  - Global supply chain congestion still driving alternate routings
  - Container demand high
- CBT
  - Tonnage down significantly due to furnace shut down for maintenance
  - Restart scheduled for late July
  - 2.6m tons forecast through end of 2022
- Cruise vessels
  - 42 calls scheduled for 2022
  - 12 calls through June
  - Averaging 103 passengers/call



# 2022 Maritime Season Update

- Forecast:
  - Steel
    - Steel makers projecting slowdown early 2023
    - Will affect general cargo and CBT
  - Container demand should remain strong
    - Spliethoff volume growing
    - Feeder service still in focus
- POC Container Service generating interest
  - 2022 speaking engagements
    - CMC/GLSA/OPEI/OCF/GLEF/NRF/ISCM/BACC

