

CULTURAL FACILITIES TASK FORCE

Robert McDonald, Chair

Report & Recommendations to
Hamilton County Commissioners
June 23, 2014



Introduction

John Silverman

Midland Atlantic Development, Managing Principal

Cultural Facilities Task Force, Member

Tax Levy Review Committee, Member

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Cultural Facilities Task Force

- ◆ Task Force created December 2013
 - Called for by Hamilton County Tax Levy Review Committee
 - Convened & funded by Greater Cincinnati Foundation & Haile/U.S. Bank Foundation
- ◆ Bob McDonald, named chair
 - Recruited top civic & business leaders
 - Hired leading industry experts in the field

Civic Task Force Members

Robert A. McDonald – Procter & Gamble, Retired Chairman, President & CEO

J. Wickliffe Ach – Hixson Architects, President & CEO

Hon. Theodore N. Berry Esq. – Hamilton County Municipal Court, Judge

James E. Evans – American Financial Group, Director

Scott D. Farmer – Cintas Corporation, CEO

William Froehle – Plumbers, Pipefitters & M.E.S. Local 392, Business Agent

Father Michael J. Graham, S.J. – Xavier University, President

Thomas L. Guidugli, Jr. – International Alliance of Theatrical Stage Employees Local No. 5 (IATSE), Business Agent

Robert Killins – The Greater Cincinnati Foundation, Community Investment Program Officer

S. Craig Lindner – American Financial Group, Co-Chief Executive Officer/Co-President & Director

Timothy J. Maloney – The Carol Ann & Ralph V. Haile, Jr./U.S. Bank Foundation, President & CEO

W. Rodney McMullen – Kroger, CEO

Kathryn E. Merchant – The Greater Cincinnati Foundation, President & CEO

Keith A. Oliver – Kroger, VP-Facility Engineering

Mario San Marco – Eagle Realty Group LLC, President

Robert Sheeran – Xavier University, VP for Facilities

John I. Silverman – Midl& Atlantic Development, Managing Principal; Representative, Tax Levy Review Committee

Murray Sinclair, Jr. – Ross, Sinclair & Associates, LLC, President & CEO

Liza Smitherman – Jostin Construction, VP Professional Development

Shiloh Turner – The Greater Cincinnati Foundation, Vice President for Community Investment

Kathy Wade – Learning Through Art, CEO

Bernadette Watson – Community/Government Affairs, Consultant

Industry Experts

- ◆ Over 5,000 professional hours invested in analyzing construction & design process
- ◆ CFTF Value Engineering Team
 - Langan Engineering
 - Turner Construction
 - Messer Construction
 - 3CDC
 - GBBN Architects
 - Heapy Engineering
 - THP Limited
- ◆ Project architects & engineers not listed

Project Evaluation – Union Terminal

- ◆ Performed Value Engineering Process
 - Value engineering by Langan, GBBN, Turner Construction & Messer Construction
 - \$14 million in savings were identified
- ◆ Studied alternatives for museums
 - \$353 million to demolish Union Terminal & build a new building on site
 - \$260 million to relocate museums to central business district
 - \$187 million to repair/renovate Union Terminal

Construction Scope – Union Terminal

- ◆ \$187.7 million to repair & renovate Union Terminal
- ◆ Scope of renovations will include:
 - Building envelope repair to prevent continued water damage
 - Exterior restoration & renovation
 - Replacing aging mechanical & electrical systems
 - Dalton Street Bridge & Tunnel
 - Rotunda restoration
 - New exhibit space for future

Project Evaluation—Music Hall

- ◆ 3CDC & GBBN value engineered the original \$165 million scope
- ◆ Reduced to \$109.5 million
- ◆ Scope of construction will include:
 - New mechanical & HVAC systems
 - Significant historic façade restoration
 - Accessibility & other patron improvements
 - Public event space upgrades
 - Complete interior refresh

Construction Scope – Music Hall

- ◆ \$109.5 million to renovate building for continued use of resident performing arts organizations
- ◆ Scope of construction will include:
 - New mechanical & HVAC systems
 - Significant historic façade restoration
 - Accessibility & other patron improvements
 - Public event space upgrades
 - Complete interior refresh

Philanthropic Funding & Finance

Tim Maloney Chair

- ◆ Assessed private sector philanthropic capacity
- ◆ Set \$40 million goal
- ◆ \$36 million in *contingent pledges* raised to date

10M+ Lead Donor

The Carol Ann & Ralph V. Haile/U.S. Bank
Foundation

Kroger

Macy's

Otto M. Budig Family Foundation

Select \$1M+ Donors:

American Financial Group/Lindner Family
Foundation

Joe & Sue Pichler

Procter & Gamble

Farmer Family Foundation

Dudley Taft

Harry & Linda Fath

G. Schmidlapp Trust

Greater Cincinnati Foundation

Public Funding & Finance

Murray Sinclair, Chair

- ◆ Evaluated all potential public funding options
- ◆ Options are funding via a sales tax or property tax
- ◆ Assessed viability of historic, new market & energy tax credits
- ◆ Reviewed legal issues
- ◆ Pursued state & other local funding

Non-County Funding

Donations	\$	40,000,000
Historic Tax Credits-Federal & State	\$	46,250,000
City of Cincinnati	\$	10,000,000
State of Ohio	\$	10,000,000
Total Non County Funds	\$	106,250,000

Sources of Capital

Grants

City of Cincinnati	10,000,000
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State of Ohio	10,000,000
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Total Grants	<hr/> 20,000,000
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Historic Tax Credits (HTC)	46,250,000
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Philanthropy	40,000,000
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Net Public Funds	<hr/> 225,462,000
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Total	331,712,000
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Public Funding Options

Security	Property Tax	Sales Tax (0.25%)	Sales Tax (0.50%)
Annual Tax Revenue	14,290,000	35,250,000	70,500,000
Bond Term	30 years	14 years	7 years
Projected Payoff	30 years	9 years	4 years
Total Interest Cost	200,900,000	79,850,000	20,840,000
Average Annual Debt Service	14,290,000	22,850,000	42,180,000

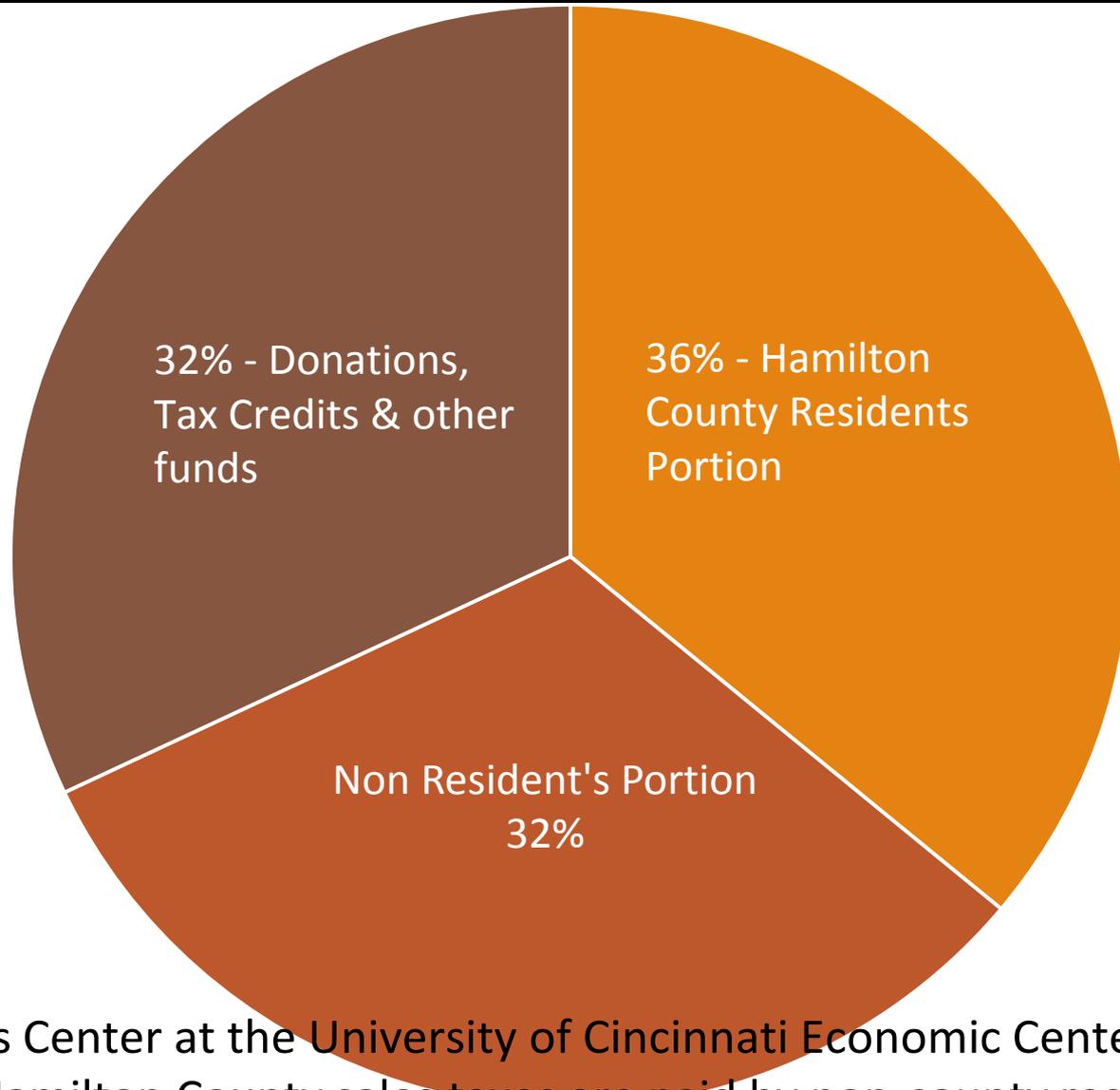
◆ Assumptions

- Sales tax revenue modeled at 0% growth rate.
- Sales tax scenarios utilize debt service coverage ratio of 1.50x
- Accumulated net tax receipts (sales tax revenues less debt service amounts) enable project payoff term to be less than the bond term
- Interest & debt service amounts reflect current market conditions, which are subject to change

Public Funding Recommendation – Sales Tax

- ◆ Bond funded via ¼% Sales Tax
 - \$120 million of savings (estimated) due to paying off bonds in 9 years vs. 30 years for property tax bond
 - 47% of Hamilton County sales tax is paid by non-county residents (*per University of Cincinnati*)
 - Hamilton County's sales tax rate is lower than 66 of Ohio's 88 counties; only 4 counties are lower
 - Current Union Terminal property tax levy expires giving county property owners relief

Hamilton County Residents pay only 36% of total cost



Economics Center at the University of Cincinnati Economic Center study; 47% of Hamilton County sales taxes are paid by non-county residents.

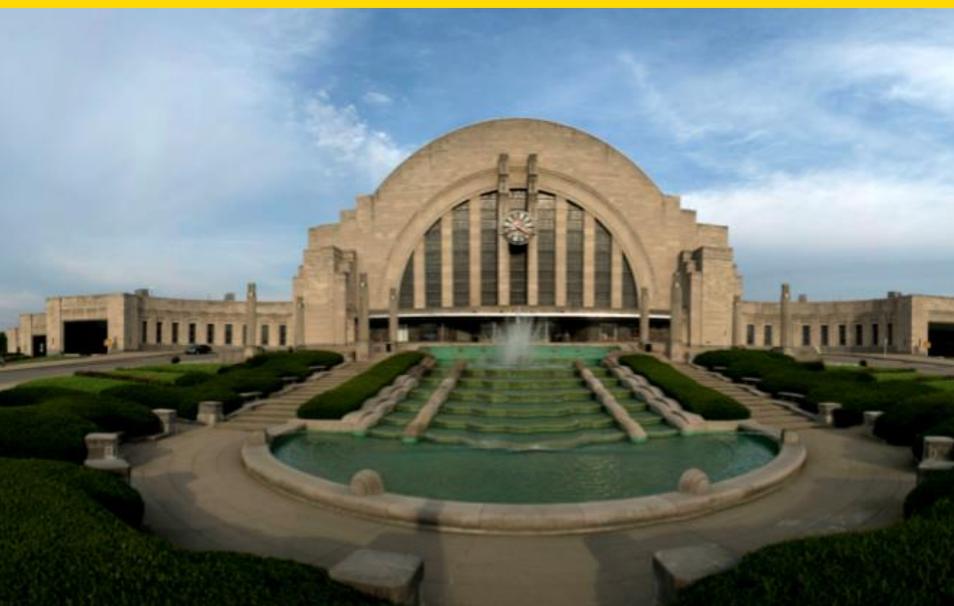
Recommendations

- ◆ Public Private Partnership
- ◆ \$106 million private donations, historic tax credits, state & local funding
- ◆ ¼% sales tax ***restricted*** to Union Terminal & Music Hall
 - Projected to end in 9 years
 - 47% to be paid by non-county residents
- ◆ Allow the citizens to decide in November 2014
 - Financial risks by delaying are substantial

Why we care...

Kathy Wade, Cultural Facilities Task Force,
member

These buildings are where our quality of life is built.





Cost of Delay – (Why now?)

Wick Ach, Value Engineering Committee Chair

- ◆ Cost is thoroughly vetted; time costs more than any potential savings
- ◆ \$15 million - Construction costs if delayed by one year
- ◆ \$12 to \$52 million - Cost of ½ to 1% increase in interest rates
- ◆ \$31 million - Private philanthropy is contingent on this plan & timing
- ◆ \$3 million - Union Terminal Operating Levy continuation
- ◆ Ignoring unprecedented civic/corporate leadership to solve community problem

THANK YOU

