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# Convention District Financing Plan

Update to the Board of Commissioners  
March 7, 2023



# Background

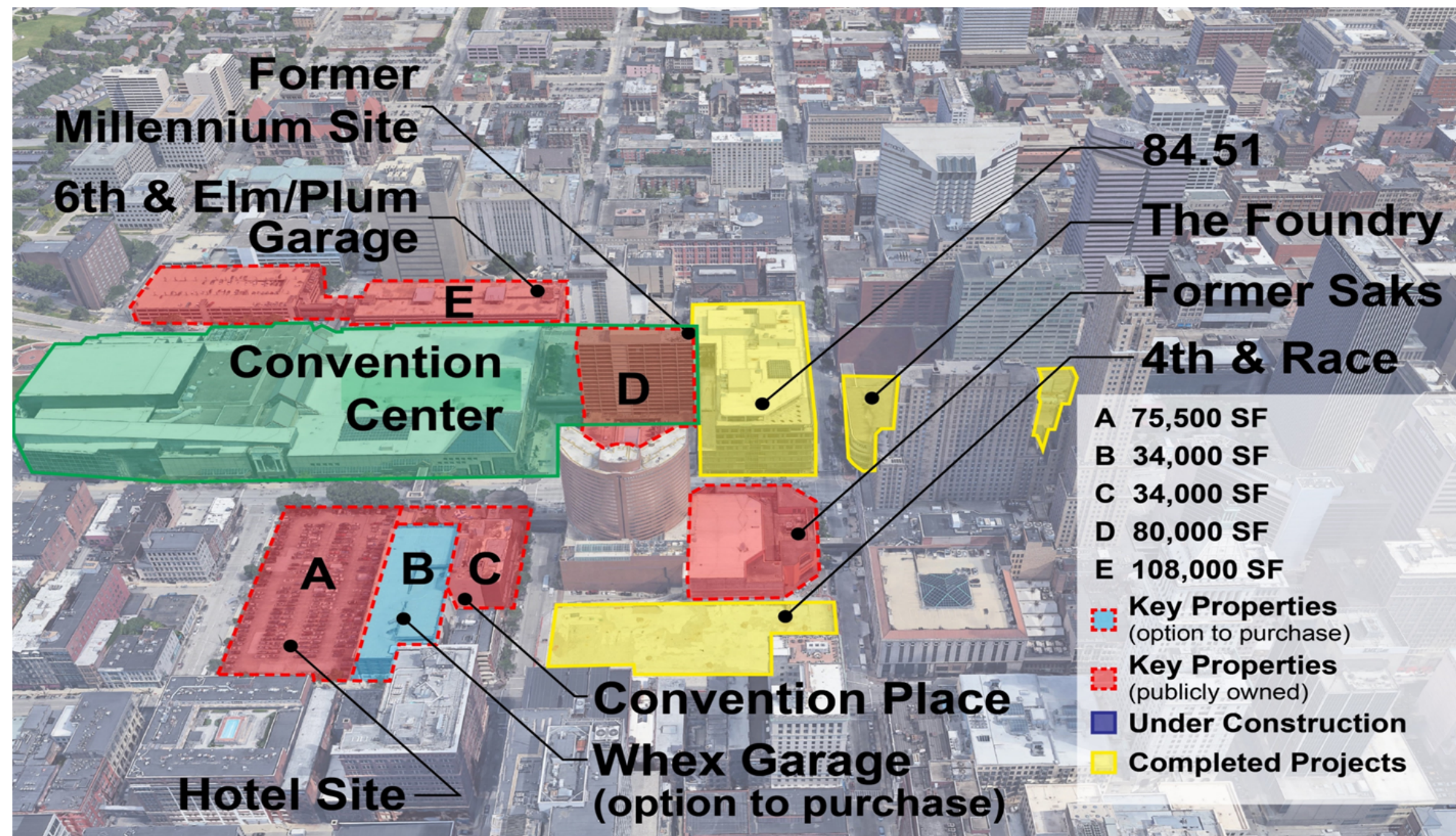
- County and City have partnered on Convention District for decades
- District currently faces numerous challenges to retain and enhance convention bookings into future:
  - Need for a headquarter hotel
  - Need for updated / refreshed Convention Center

# Background

- County and City requested 3CDC to oversee development of a plan and financing recommendations to:
  - i. Recruit for the development of a headquarter hotel
  - ii. Assess and make recommendations on the renovation needs of the Duke Energy Convention Center
- County staff has been working to assess plan and potential County participation



# Properties Under Public Control





# Current Status – Headquarter Hotel

- 3CDC issued a Request for Interest to a large list of national hotel developers in June
- 3CDC issued an RFP to 4 selected development teams on August 29
  - Portman Holdings
  - Matthews Southwest
  - Inland Pacific
  - Newcrest Image
- RFP responses were received on October 24
- Local representatives (including County) interviewed the 4 RFP development teams in Nov.
- Portman Holdings was selected to begin negotiations



# Convention Hotel

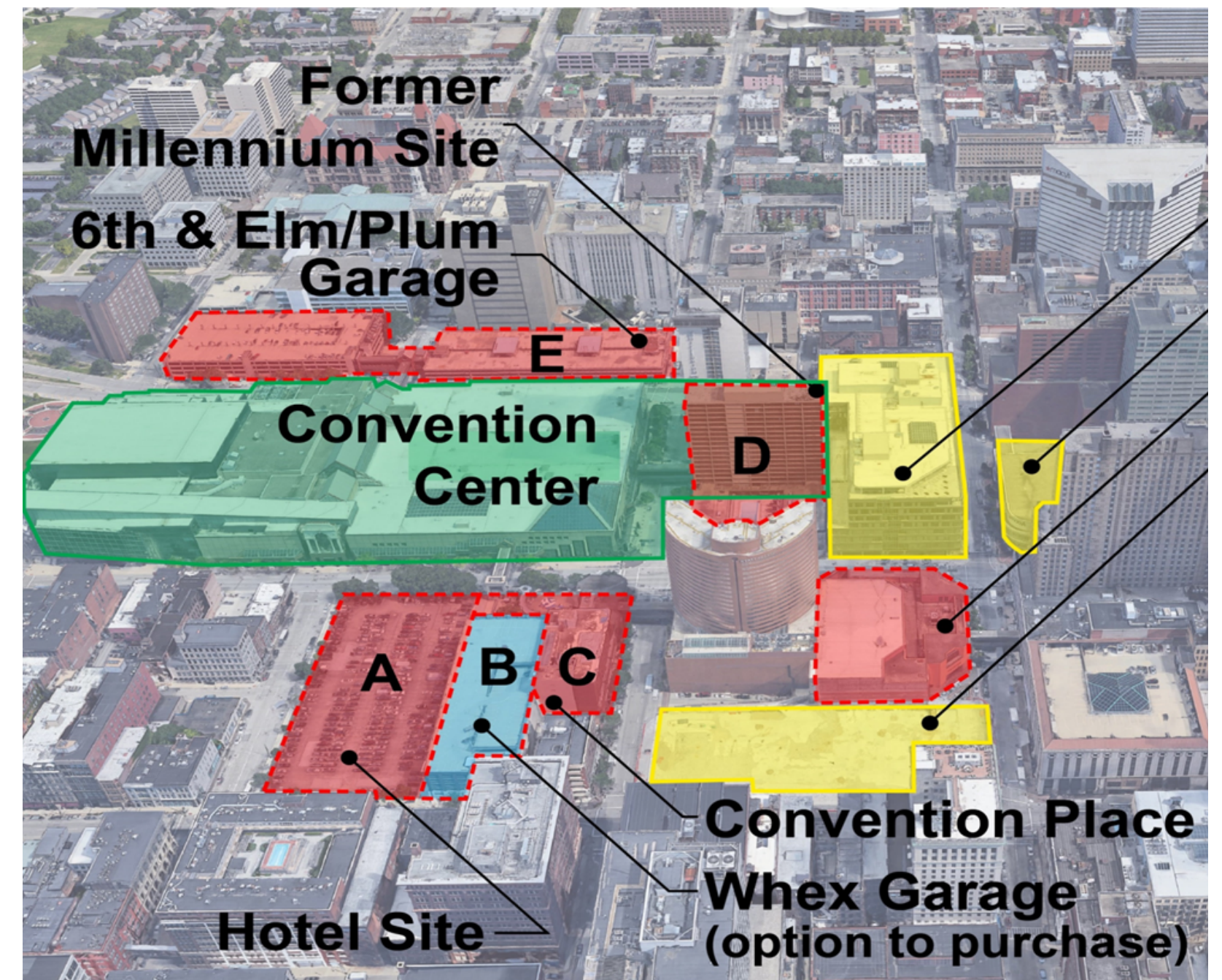
Portman Holdings – Initial Proposed Design





# Hotel Financing

- Projected Cost Per Key: \$602,961
- Total Projected Costs: \$482M
- Projected Gap: 34% (\$163M)
  - Gap closing options:
    - TOT Abatement
    - Real Estate Abatement
    - State Tax Credit Programs
    - Local District Assessment Options
- Whex Parking Garage Acquisition
  - Avoids additional financing gap
  - County/City Credit Support





# Headquarter Hotel – Next Steps

3CDC and Portman are negotiating a Memorandum of Understanding

- Define the commercially reasonable financial gap based on:
  - The hotel market conditions
  - Financial interest rate market
  - Construction costs
- Identify recommendations for funding sources to fill such financial gap
- Continue work on DECC assessment/renovation. All respondents indicated importance of renovated convention center to hotel project viability.



# Duke Energy Center Renovation – Finance Plan

- 3CDC is anticipating a finance need of approximately \$200MM for the cost of the renovation to the existing convention center and capital improvements on the former Millennium Hotel Site
- Enter a common plan of financing which creates no distinction between the City and County TOT distributions.
- Generate borrowing capacity for the renovation of the existing Convention Center and improvements to the previous Millennium Hotel site
  1. Refinance and extend existing debt
  2. Reallocate revenue within the TOT
  3. Pursue other revenue and capital sources

# DECC Renovation Program (Preliminary)

- Exterior skin overhaul
- Improvement to entrances and circulation
- Creation of quality outdoor space at the former Millennium site
- Extending exhibit hall space
- Upgrading meeting rooms
- Enhancing ballrooms
- Addressing efficiency issues at loading dock
- Improving building systems and technology with a focus on net zero emissions



# DECC Renovation Concept





# DECC Renovation Concept





# DECC Renovation Concept





# DECC Renovation Concept





# DECC Renovation Concept



Former Millennium Hotel space (right of slide) to be owned by County and leased to City for convention purposes.



# Finance Strategy

1. Refinance the existing Duke Energy Convention Center bonds
  - Approximately \$50 million in outstanding bonds
  - Bonds callable 4th quarter of 2023
2. Refinance the Millennium Bonds into a new issuance
  - Approximately \$53 million in outstanding bonds callable at any time
  - New term – 40 years
3. Potential increase of the Visit Cincy TOT by 1% to be allocated to capital costs
  - Generates approximately \$2.8 million
  - State enabling legislation is required
4. Refinance existing FC Bonds



# Finance Strategy (continued)

## 5. Stakeholder Contributions

- City of Cincinnati
  - Contribute \$30MM as equity
  - Pledge up to \$650M in annual appropriation
  - Residual TOT further subordinated
- Hamilton County
  - Contribute \$10MM as equity
  - Pledge up to \$650K in annual appropriation
  - Residual TOT further subordinated
- Visit Cincy
  - Contribute \$3M of existing TOT allocation
  - Contribute proceeds from 1% TOT increase
  - Residual TOT further subordinated
- Debt Service and Sharonville commitments explicitly protected under this plan.

# County Financial Obligation Plan

- \$10 million cash support (City - \$30 million)
- Continued contribution of annual Transient Occupancy Tax to support debt service on project
- \$275,000 in annual credit support to Whex Garage acquisition related to hotel. Mirrors City contribution.
  - Period: 7 years
  - Funds to be used only at direction of County/City
- \$650,000 one-time appropriation - DECC renovation project.
  - Mirrors City contribution
- Potential project-based, incremental occupancy tax allocation for Hotel



# Waterfall Projections

Waterfall																
		2023		2024		2025		2026		2027		2028		2029		2030
Total Projected Pledged Revenues	\$	8,515,025	\$	21,781,645	\$	22,295,321	\$	22,824,409	\$	23,369,369	\$	23,930,677	\$	24,508,826	\$	25,104,318
Debt Obligations																
Tier 1 DS		1,235,150		3,450,500		3,453,600		3,453,900		3,446,700		3,456,900		3,454,100		3,453,300
City of Sharonville		1,300,000		1,300,000		1,300,000		1,300,000		1,300,000		1,300,000		1,300,000		1,300,000
Tier 2 DS		1,602,063		5,623,875		5,628,000		5,625,000		5,625,000		5,622,625		5,623,000		5,625,875
Tier 3 DS		262,813		1,051,250		1,051,250		1,051,250		1,051,250		1,051,250		1,051,250		1,226,250
Tier 4 DS		1,190,775		4,763,100		4,763,100		4,807,500		4,859,050		4,897,300		5,051,200		4,993,200
Tier 5 DS		518,475		1,799,550		1,804,600		1,802,900		1,799,800		1,805,300		1,798,700		1,800,350
Return of Pledged Funds from Above																
Reutrn City Appropriated Funds		650,019		650,019		650,019		650,019		650,019		650,019		650,019		650,019
Reutrn County Appropriated Funds		650,019		650,019		650,019		650,019		650,019		650,019		650,019		650,019
Capital Improvement Reserve		250,000		257,500		265,225		273,182		281,377		289,819		298,513		307,468
Residual Funds		855,711		2,235,832		2,729,508		3,210,639		3,706,154		4,207,445		4,632,025		5,097,837
Total Projected Waterfall Deposits	\$	8,515,025	\$	21,781,645	\$	22,295,321	\$	22,824,409	\$	23,369,369	\$	23,930,677	\$	24,508,826	\$	25,104,318

# Residual Funds

- Conservative projections showcase significant residual funds at the bottom of the waterfall
- Ending balance to be split between Visit Cincy, City, and County in a manner yet to be determined

<u>Year</u>	<u>Residual Funds</u>
<b>2025</b>	2,729,508
<b>2026</b>	3,210,639
<b>2027</b>	3,706,154
<b>2028</b>	4,207,445
<b>2029</b>	4,632,025
<b>2030</b>	5,097,837



# County Assessment

- PFM engaged to perform peer review of financing plan
- Initial County assessment indicates viability of plan subject to risks
  - Interest rate market impact on borrowing capacity
  - Baseline year for rating agencies and potential bondholders impact on borrowing capacity
    - Will baseline include 2022 and 2023 TOT revenues?
    - How will COVID years be taken into account?
  - Final project scope and costs have not been determined
  - 1% TOT increase will need to be authorized at the State level

# Next Steps

- Continued negotiation with Portman Holdings re: Hotel
  - Exploration of gap-closing options
- Ongoing peer review of Convention Center financing plan
- 3CDC acquisition of Whex Garage – County credit support approval by BoCC and City
- Discussion with City/CVB re: residual allocation split
- Release of RFQ for Construction Management Services for Convention Center
- Development Agreement (County/City/3CDC)