



Cincinnati Fountain Square

Cincinnati Gets Pro-Active with Ohio's New TIF Legislation- Saves Almost \$200 Million in Development Funds

The City of Cincinnati created 11 Tax Increment Financing (TIF) Districts in 2002 to take advantage of a new economic development tool created by the State of Ohio earlier that year. Cincinnati's TIF districts were specifically created to promote development downtown and in the area surrounding the University of Cincinnati known as Uptown.

Last summer, Ohio Governor Bob Taft signed into law the state's budget bill. One of the most important components of the bill included language that significantly impacted tax increment financing (TIF) districts and other tax exemption programs. Most of the provisions of the TIF Legislation dealt with the so called "23-mill

charge-off" relating to the State's school funding formula and its payments to various school districts. Historically, property that was exempted by virtue of being located in a TIF district was not included in the calculation to arrive at school district payments and was not part of the "23-mill charge-off." The TIF Legislation essentially changed that and required, with certain exceptions, that property that otherwise was exempt from taxation through the operation of a TIF district would be added back for purposes of calculation of the school payments.

The changes ultimately reduce the amount of money available for communities to invest into

public improvements or to incentivize companies to invest in economic development projects.

Any TIF in place, whether created before or after January 1, 2006, would have revenues available for local investment severely reduced by the new law unless it met a few exceptions.

The exception that most applied to Cincinnati's TIF districts required the legislative authority exempting the property (in this case the City of Cincinnati) to prepare an economic analysis demonstrating that the State of Ohio is making more money in

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Baton Rouge Area Chamber Continues to Make History- A Clear Front Runner in the Post Katrina Landscape

As reported in the September 2005 issue of *The CEO Resource*, the Baton Rouge Area Chamber is making history with its leadership and with the reinvention of its economic development department. The opportunities and challenges facing Baton Rouge businesses are clearly unprecedented, not to mention the new businesses and residents making Baton Rouge their new temporary, and perhaps permanent, home.

Prior to Katrina, the Chamber launched a new five-year program designed to provide a pro-active, highly professional, and nationally competitive economic development program for the 9-parish capital

region. The Campaign for a Greater Baton Rouge was also launched to fund the new program and continues to exceed expectations. After only a few short months into the capital campaign, the goal was increased by 50% because of the significant support of the business community.

Stephen Moret, President and CEO of the Baton Rouge Area Chamber, said, "When I first started asking firms what was possible for our market relative to a five-year economic development program, I was told that we would be lucky to raise \$3 million. We ultimately

decided to go with KMK Consulting and after their leadership assessment and consensus phases, we set the goal at \$7 million. It's now \$10 million, and we have every reason to believe that we'll beat that by a substantial margin."

Although there are a number of challenges remaining, the leadership demonstrated by the Baton Rouge Area Chamber, Louisiana Department of Economic Development, Mayor Kip Holden, Baton Rouge Area Foundation, LSU and countless other organizations and individuals has been remarkable.

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The CEO Resource is a periodic hot sheet of resource information for our colleagues, Chief Executives and Senior Management in business and leadership.

Our focus is to help senior management and company owners accelerate their pathways, first to "success" and then to "making a difference"- a significant difference for their families, their stakeholders and their communities. *The CEO Resource* is a time sensitive tool directly responsive to this critical focus.

KMK in the News

Congratulations to Joe Trauth, Partner with our parent law firm Keating Muething & Klekamp for successfully reducing a property tax bill for one of the firm's clients. The Hamilton County Board of Revision reduced the valuation of the building by \$7.5 million based on a vacancy rate of about 10% for 2002 and 2003. The reduction saved the client \$169,000 in real estate taxes for 2004.

Joe has extensive experience in real estate development, zoning, and land use planning. Joe's clients include numerous national and regional companies and real estate developers.



Cincinnati Hosts 100 Civic, Political and Business Leaders from Kansas City Seek Out Best Practices, Don't Expect Them to Just Come to You

This Fall, a group of 100 civic, political and business leaders from Kansas City traveled to Cincinnati to visit the area and talk to their counterparts about issues facing their regions. The three day leadership trip was produced by the Greater Kansas City Chamber of Commerce. Jim McGraw, President and CEO of KMK Consulting, helped Cathy Bennett of the Kansas City Chamber design the agenda and led the kick-off session entitled *What Makes Cincinnati Work*. Jim's panel included Former Ohio Governor Jack Gilligan, Jack Rouse, Chief Executive Office of Jack Rouse Associates and Chairman of the Port of Greater Cincinnati Development Authority, and Bill Burleigh, Chairman of The E.W. Scripps Company and leading regional advocate.

Canvassing trips by community leadership have become more popular in recent years because they allow leaders to see not only what like-sized communities are doing well but also to discuss issues with which they are struggling. A lot of markets tend to forget or overlook certain assets in their region and therefore fail to properly promote and capitalize on them. These trips often uncover such mistakes.

The delegation from Kansas City learned that their hometown had a number of similarities to Cincinnati- both have a metropolitan area of almost 2 million residents, both have aggressive plans for downtown development and redevelopment, and both urban markets are focusing on working collaboratively with their regional, suburban counterparts including across state lines.

There are also a number of areas where Cincinnati could be used as a model for Kansas City and other like-sized communities. Cincinnati has 10 Fortune 500 companies headquartered within the region. The presence of these companies makes it easier to raise money for various initiatives and also provides access to some of the best business leaders in the world. Cincinnati's corporate leadership is highly engaged in economic and community development, arts and culture, and other quality of life issues in the region. For example, the Cincinnati Center City Development Corporation (3CDC) is comprised of the top CEOs in the region focusing on major downtown economic

project on Cincinnati's riverfront (home to the Cincinnati Bengals' Paul Brown Stadium, the Cincinnati Reds' Great American Ballpark and The National Underground Railroad Freedom Center), Fountain Square, the heart of the downtown business district, and Over The Rhine, Cincinnati's historic neighborhood.



Cincinnati has also made arts and culture a priority area for tourism. Highlighting the importance of the arts to the Cincinnati marketplace is the annual Fine Arts Fund, the #1 united arts fund in the country which is similar to a United Way campaign, where businesses, their employees and foundations use payroll deductions to raise unrestricted, general operating revenue for 18 member organizations.

Medical research and life science initiatives have also been a key to Cincinnati's success. Children's Hospital Medical Center is one of the premier pediatric facilities in the country and has been successful in research of various children's diseases. Its status nationally has increased its ability to recruit top-notch physicians and scientists.

Finally, Cincinnati has done a better job in recent years of recognizing the importance of regional cooperation. The economic development program focuses on the 3-state, 15-county Cincinnati USA market. Northern Kentucky has been very aggressive in developing office buildings, hotels, luxury condominiums, tourist attractions, etc. Cincinnati leadership is recognizing this growth as healthy competition and a net positive gain for the entire region's ability to attract companies, jobs, and intellectual capital making regional cooperation.

The delegation also learned that Cincinnati is not perfect. The race riots of 2001 exposed an underlying racial tension, forcing business and political leaders to come together to work on ways to address the underlying issues and to prevent similar incidents in the future. Some of the solutions included funding programs to improve community policing, supporting

minority owned businesses, and providing health care for young, at-risk children. Like most major urban areas, Kansas City has addressed some racial tensions in recent years so the leadership may benefit from some of Cincinnati's responses to its recent challenges.

By all accounts the leadership trip was a success. Kansas City officials were able to compare and contrast themselves with a similarly sized market and Cincinnati officials were able to learn more about the issues facing Kansas City and how they are dealing with them.

Bottom line, learn from others. The Cincinnati Chamber leadership will now be making its first such trip in 2006. ■



Corporate Expansion/Relocation – Position Yourself to Win

by James R. Kinnett II, CECd

Many companies go through a major growth opportunity once or possibly twice in their life cycle. The first concern of the corporate executive and their staff should be the continuous operation of their business. This can only be accomplished if the executive and their staff stay focused on their primary objective – GROWING the Business.

If you as the Owner or the President say “How hard can finding a location be? I can do this.”, then you have just fallen into an age old misconception. You are the expert in operating the business, but not in the process of conducting a site search. This process can be either a traumatic experience or a profitable one. Often, in an effort to save capital, a company executive will either attempt this task on his/her own or assign it to another executive to complete, however too many times it ends in a costly and time consuming venture. This situation can be alleviated by looking seriously at hiring a site selection professional. This expert can assist and guide the executive in dealing with the details of the site search and help in determining what impact the project truly is intended to deliver.

The business of looking for optimum expansion and/or relocation sites and incentive packages have become significantly more complicated with the use of the internet and the amount of data available. Much too often, the wrong data is used to make decisions on an eventual location. In addition, when the decision is made, a company rarely ends up with a location package that allows the company to enter the new marketplace with a strategic advantage over their competitors. Professional assistance in sifting through the information and hype can save the company both time, and money. A trained site selection professional can provide a company with greater insight on direction as well as the types of things to consider as the location process goes forward.

Some key issues a company executive should consider for their expansion or relocation are:

- What is your corporate culture?
- What are you looking for in a new facility and location?
- What are your expectations for the new facility?
- Will it meet your immediate needs and/or

will there be adequate room for additional growth?

- What are the types of individuals you will be looking for in employees?
- What markets are you trying to impact?
- What are your criteria for potential locations?
- How will you differentiate the good data from the bad data?
- How will you determine whether the incentive package you receive is reasonable and appropriate?
- Can you afford the project, and if so, how will you absorb the growth?
- Is there a plan in place to carry the project forward?
- How much does the community want me and my company?

These are just a few of the questions that a trained professional should ask at the front end of an expansion/relocation project. The seasoned professional can then provide you with a clear and organized approach to determine the best steps to take towards the project in question.

Steps that should be included in any site determination include the following critical points:

Corporate Culture Analysis - Interviews of various individuals of the workforce, over a single or multi-day period, to determine a profile for the company or division. This is done to better understand the company and how it operates so that optimal locations can be provided that best match to the way the company does business.

Corporate Needs Determination - An interview of the key decision making team to obtain the parameters for the project including: market to be served, size of facility, expansion opportunities, employment expectations, skill sets, type of project, time frame, and numerous other pertinent data dealing with the success of the project.

Demographic and Area Profiles - Once the Corporate Needs Determination has been completed, a review of potential areas of the country that match the initial needs determination will be conducted. Additionally, a matching of the demographics of the potential areas will also be completed to identify the optimum sites that meet the initial needs of the client.

Community and Area Visitation Analysis

- Having completed the initial screening against the needs, the professional will travel to the areas selected to do a reconnaissance of the area prior to any direct contact with the community or area in question. This is done to receive an unbiased and candid observation of the area. This could include, but is not limited to, interviews with various townspeople, employers, other visitors and other research that is done online as well as in person.

Comparative Analysis - The accumulated information and a comparison of the identified communities or areas will be placed on a matrix. This data will be weighted, based on the initial interviews with company officials and will be reviewed and analyzed. From this matrix will come a list of finalists based on the number required by the client.

Client Community Visitation - After the potential sites have been reduced to the prescribed number, the professional will set up community visitations by the client and receive direct presentations by each community. From these visitations the field will be reduced to one site and then specific negotiations will take place.

Selection of Site - Once a site or building has been selected by the company, with the assistance of the professional, a Memorandum of Understanding will be negotiated, including all appropriate incentives, to be signed by all parties committing each to the eventual location. At this time an announcement can be made pertaining to the location.

By following these steps and using a professional a company can save both money and time by keeping focused on the running of the business. Working with a site selection professional will provide the company with an optimum site for the business and allow the executives to concentrate on operating the business during the process.

For more information, contact Jim Kinnett at 812-290-5663. Jim is Of Counsel to KMK Consulting and provides site selection services nationwide as President and CEO of The Kinnett Consulting Group. He is also part of KMK Consulting's incentive structuring and negotiation team. ■



KMKC Clients Choose Ohio for Expansion and Consolidation Projects

KMK Consulting Company recently completed three engagements to assist companies with the negotiation of economic development incentives as they considered expansion/consolidation projects.

The first project involved the consolidation of our client's administrative/shared services operations. The company is the world's largest producer of printing inks and pigments, and a leading provider of materials to packaging, publication, coatings, plastics, cosmetics, and other industrial markets. With annual sales of approximately \$3 billion, the company has over 12,500 employees supporting customers around the world. The company was exploring opportunities to consolidate its back office operations to any of the company's facilities across the country. Cincinnati ultimately won out as the chosen site for 153 new full-time employees at an average salary of approximately \$42,000. The project will involve a \$5.6 million capital investment to renovate the company's existing facility and to purchase new machinery and equipment as well as an additional investment in IT hardware of \$2.25 million to include the

implementation of a new information technology system (ERP). The roll out of the ERP system will result in 30 consultants and 30 company employees being located in Cincinnati on a temporary basis for one to three years with the Shared Services operation following.

The second project was the expansion of our client's manufacturing operations. The company is a leading manufacturer in hermetically sealed connectors and precision components for the automotive, aerospace and medical industries. The project will create at least 70 new full-time employees at an average salary of approximately \$30,000 as well as a \$3.6 million capital investment in new machinery and equipment.

The third project involved the expansion of our client's business operation. The company is a publicly traded provider of specialty insurance products and services. With annual sales of approximately \$780 million, the company has over 1,000 employees nationally. The company was considering an expansion of its existing corporate campus outside of Cincinnati or

adding an office in Northern Kentucky. The company decided to expand its existing campus by constructing a new \$29 million, five-story, 224,000 square foot building that will take about 18 months to complete. The project will also create at least 150 new jobs at an average salary of \$40,000.

Economic development incentives should be a fundamental part of a company's expansion planning. These clients understood the importance of talking to KMKC prior to finalizing their growth plans and they now have the financial benefits to show for it. Total benefit to our three clients was over \$8 million.

For more information about government programs and incentives to help expand company facilities and employment, contact Jim Benedict at (513) 639-3963. ■

Mexican Customs Coming to Kansas City- Big Time KCADC Strategy Raises the Bar



In an unprecedented development, Kansas City will soon be the home of the first foreign customs office inside the United States as early as May 2006. U.S. and Mexican officials have agreed that Kansas City will house a \$3 million off-site Mexican Customs facility. The facility will allow trucks and rail cars to be cleared, sealed and dispatched in Kansas City, keeping cross-border delays to an absolute minimum. The addition of a Mexican hub for global intermodal trade creates a new trade route called Lazaro Cardenas-Kansas City transportation corridor from Mexico's Pacific coast through the middle of the U.S.

The customs facility project has been spearheaded by Kansas City SmartPort, a

nonprofit organization housed within the Kansas City Area Development Council (KCADC). KMK Consulting Company has been working with KCADC for the overall purpose of providing strategic planning services, directing a leadership consensus-building process, and directing a major funding campaign for the economic development organization's next five-year business cycle. One of our recommendations was to increase the marketing of Kansas City SmartPort as well as putting more funding into the organization taking its operating budget to \$4.4 million annually.

Moving containers through Mexico has not been a competitive option for shippers in the past, but new rules have drastically changed the competitive landscape. Shippers can now move as many containers as they wish for a single \$55,000 bond. This new development could result in a 15% savings over shipping through Long Beach or Los Angeles, California.

The majority of NAFTA trade is carried by truck. According to the Bureau of Transportation Statistics, trucks carried 64% of imports from Canada and Mexico and 80% of U.S. exports to those countries in August 2005. Kansas City has greatly improved its ability to capture that trade by developing a sophisticated transportation infrastructure.

One factor that played a large role in the decision to put the customs facility in Kansas City was Kansas City Southern Railroad's purchase of Transportacion Ferroviaria Mexicana (TFM) as well as a controlling interest in Texas Mexican Railway Company this past year. The TFM acquisition created a single 1,300-mile railroad connecting the Midwest U.S., central Mexico and Mexico's Pacific seaports. The three companies will now operate under common leadership in order to create a seamless transportation system (Continued on Page 6)



Cincinnati Tax Increment Financing Districts (cont.)

taxes generated within the district and accruing to the State than it is “losing” by not having the property included in the local school district’s base calculation. Any such TIF district would be exempt from the application of the new law. The economic analysis had to be submitted to and approved by the Ohio Department of Development by December 31, 2005. Approval of the economic analysis permits the use of the aggregate value of the exempted property for the life of the incentive district, 30 years.

The City of Cincinnati wanted to create 9 more TIF districts, so in order to be grandfathered under the old law, the districts not only had to be created by the end of 2005 but also had to be justified by the economic analysis and approved by the Ohio Department of Development.

Failure to grandfather the 11 existing and 9 additional TIF districts could cost the City close to \$200 million in development funds.

In order to meet the deadline, KMK Consulting Company partnered with Property Advisors and the Economics Center for Education and Research at the University of Cincinnati to perform the economic analysis required by the budget bill.

KMKC Update

Shannon Barrow recently joined KMK Consulting and will work with clients in both its Government Affairs and Economic Development Solution Groups.

Prior to joining KMK Consulting, Shannon was a law clerk in the City of Cincinnati Solicitor’s Office where she worked collaboratively with General Counsel and the Civil Litigation Team. She was responsible for drafting legal opinions, ordinances, resolutions, memoranda and motions, responding to public records requests and participating in negotiations, mediations and interdepartmental meetings.

Shannon received a Bachelor of Arts with honors from the University of Richmond and received a Juris Doctorate from the University of Cincinnati. She is a member of the Ohio Bar Association, the Cincinnati Bar Association where she is a Committee member

On behalf of the City of Cincinnati, the Cincinnati Center City Development Corporation (3CDC) and the Uptown Consortium, the team set out to perform the following tasks:

1. Conduct all of the necessary analyses regarding threshold amounts, growth projections and state taxes generated for each of the 11 existing TIF districts and 9 TIFs that were to be created prior to the deadline;
2. Work with staff from the City of Cincinnati, Hamilton County, and State of Ohio to ensure the use of accurate data;
3. Prepare the reports to the city to submit to the Ohio Department of Development
4. Work with the city to submit the report to the Ohio Department of Development and work with city staff on the review and approval process; and
5. Perform any legal analysis and consulting services necessary throughout the process

After only a few short months to prepare the extensive economic analyses for 20 TIF districts, the City of Cincinnati submitted the

report to the Ohio Department of Development in early-December. On Friday, December 16th, Lieutenant Governor and Ohio Department of Development Director Bruce Johnson signed the letter of approval of the city’s 20 TIF districts.

Chip Gerhardt, Vice President of KMK Consulting and head of its Government Affairs practice said, “It was an honor for us to be able to work with the other members of our team to protect almost \$200 million in development funds for the City of Cincinnati. These funds are tied to some of the most important development projects in the entire state—the Banks project on the city’s riverfront, revitalizing Over-the-Rhine and Fountain Square downtown, and all of the exciting development around The University of Cincinnati and hospitals in Uptown.”

For more information, contact Chip Gerhardt at (513) 579-6548. ■

of the Young Lawyers Section, and volunteers with the Cincinnati USA Partnership.

Joe Sprengard also recently joined KMK Consulting as a member of its Economic Development Solution Group.

Prior to joining KMK Consulting, Joe spent over four years with Fifth Third Bank in their Corporate Treasury Department. As Management Sales Officer, Middle Market for three years, he developed long and short term liquidity and cash flow management solutions for Ohio-based large corporate, middle market and real estate companies, exceeding revenue goals by 120% each year, and receiving Fifth Third Bank’s highest sales award for three consecutive years.

Joe received a Bachelor of Arts and Sciences degree in Speech Communication with a minor in Business from the University of Illinois at Urbana-Champaign where he was a student athlete scholarship recipient and member of its baseball team. ■



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Baton Rouge (cont.)

Another key component to Louisiana’s recovery is the Gulf Opportunity Zone Act of 2005 which creates a number of tax incentives to revitalize and rebuild communities most damaged by Katrina. For information about the GO Zone legislation, go to <http://waysandmeans.house.gov/media/pdf/taxdocs/121605katrinasummary.pdf>.



Baton Rouge is poised to become the top market in Louisiana and to compete nationally for major economic development projects. The Baton Rouge Area Chamber will play a key role in making that happen.

For more information, contact Jim McGraw at (513) 579-6932. ■

Kansas City Smart Port (cont.)

extending across North America.

U.S. Customs and Border Protection Commissioner Robert C. Bonner said in May that the pilot proposal was "bold and imaginative" and could transform Kansas City into a "major new trade link" that would fit well with new border security initiatives to pre-approve cargo.

Everardo Suarez, Mexican Consul General in Kansas City, said, “Kansas City is the geographical heart of the United States and of the entire NAFTA region.”

KMKC is proud to be working with KCADC. For more information, contact Paul Jacobs at (513) 579-6581. ■

** Note: Information for this article taken from Associated Press article by Garance Burke*