



Union Terminal – Music Hall TAX Fact Sheet

Robert McDonald, Former CEO of P&G chaired a group called the Cultural Facilities Task Force. The task force was created in December 2013. It was called for by the Hamilton County Tax Levy Review committee. It has an all star cast of 22 civic and business leaders including Scott Farmer, Cintas, S. Craig Lindner, American Financial, Father Graham, Xavier, and others.

The task force spent 5,000 professional hours invested in analyzing construction and the design process (funded by Greater Cincinnati Foundation & Haile/U.S. Bank Foundation)

Union Terminal (81 years old)

--They found it would take \$187.7 million to renovate Union Terminal and \$350 to demolish the terminal and build a new building on site. Union Terminal was the only building covered in the scope of a directive of the County Tax Levy Review Committee.

Renovation of Union Terminal would include Building envelope repair, exterior restoration, replace mechanical & electrical systems, Dalton St. Bridge & tunnel, rotunda restoration, & new Exhibit Space.

Music Hall (136 years old)

--They found it would take \$109 million to renovate Music Hall. Renovation would include new mechanical & HVAC systems, Historic Façade restoration, accessibility & other patron improvements. Public event space upgrades and complete interior refresh.

The Task force found the total needed to renovate both buildings was \$331 million. The plan did not include any conclusions about ownership, future maintenance or any type of Plan "B". Their plan calls for the following way to pay the \$331 million:

Total Cost: \$ 331 Million

Grants: (We are unclear which of these grants are 100% definite)

City of Cincinnati	- 10 Million
State of Ohio	- 10 Million
Historic Tax Credits	- 46 Million
Philanthropy	- 40 Million (36 million of contingent pledges raised)
Public Funds	- 225 Million (this money comes from sales tax)

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The only two funding options the Task Force came up with as viable were 1) Sales Tax Increase or 2) Property Tax Increase.

The Task Force is recommending a .25% (quarter of one-cent) sales tax increase. The bond term would be 14 years with a projected payoff in 9 years with interest cost of \$79.85 million over the course of the project. Sales tax growth is calculated a 0% growth. The plan calls for sales tax debt coverage ratio to be 1.5X. (Conservative compared to the Stadium project)

The tax force says that if construction is delayed one year it will cost \$10-15 million extra. And the costs will increase \$12 to \$52 million for every ½ to 1% increase in interest rates.

By suggesting this Sales Tax increase the task force is asking Hamilton County residents to pay a majority of the cost of the project.

The Cultural Task Force group did a study and they say that 53% of the sales tax will be paid by Hamilton County residents and 47% will be paid by people visiting Hamilton County.

Ownership

-The City of Cincinnati owns Music Hall.

-The City of Cincinnati owns Union Terminal.

-Hamilton County is required to pay some renovation, repair and construction costs of Union Terminal (exact details have been requested).

--In November 2013 Union Terminal went to the Tax Levy Review Board and the Board commissioned them with 3 requirements to consider funding:

- 1) Hamilton County and the City of Cincinnati should form a Task Force to study this Issue. (Unclear if the City and Hamilton County worked together on this)
- 2) Union terminal must transfer from its current owner to a to-be-formed entity. The ownership and operations of Union Terminal should be kept separate (doesn't appear to have been met).
- 3) The Tax Levy review anticipates that funding will be from a combination of public and private sources. (It is unclear if the revenue stream matches the Tax Levy Review Board's expectations.)

The exact wording of what the Cultural Facilities Task force wants is not yet in writing. To place this issue on the ballot for November 2014 everything will need to be completed by July 31, 2014. This means that public will have less than 3 weeks to review the language of the exact proposal, ask questions, and make a prudent decision.

Current Sales Tax Rates:

Hamilton County	6.75 (With this would go to 7% with a tax increase)
Butler County	6.5%
Clermont County	6.75%
Warren	6.75%
Kentucky	All of Kentucky is 6%

Here are questions we do not know the answers to:

1. If the tax passes who will own the Union Terminal and Music Hall?
2. If the County gives the money to Union Terminal and the Music Hall who will become obligated for all futures repairs and maintenance of both buildings?
3. If the City retains ownership of both properties and if the County gives the money to the City, will the County demand a security interest in the property to mandate future repairs and maintenance?
4. What are the potential contingent liabilities for the County if it takes this project on? (Has an independent accountant looked at this to give Commissioners a range of the potential downside if things go wrong?)
5. With the Stadium project putting the County of the door step to Bankruptcy, is it prudent for the County to take on another project of this size (46% the size of the stadium project)?
6. Is there any possibility that this project will greatly exceeds estimates given by the Task Force?
7. When the County can't work with the City already, what makes this project different?
8. Who will control the projects during renovation?
9. Have we heard anything from the City of Cincinnati about the renovation of these two assets?
10. Does the City have an alternate proposal?
11. What organizational structure will be used by the County to verify that the costs of the project don't get out of control?
12. Has the County called in an expert to review the cost estimates of both projects? Has a second estimate been given? Without an independent study of this project by the County what is in place to protect the taxpayers?
13. Who will pay for cost overruns?
14. Has the County studied the impact of increasing the sales tax and the competitive disadvantage this will bring to other County businesses?
15. How much revenue will the increased tax cost County Businesses?
16. With Hamilton County Businesses seemingly most at risk has the County surveyed the Business Community in Hamilton County about this potential tax increase?
17. Will someone buying a \$2,000 flat screen TV decide to save \$20 (1% savings) (cost of lunch) to buy the TV in Kentucky vs. Ohio?
18. If County sales tax revenue goes down because of the higher sales tax (in comparison to neighbors) how will this impact the Stadium Fund?
19. Will Hamilton County be looked at as a high cost place to do business and live if the tax goes up? Will fewer people be willing to move into Hamilton County?
20. How much lease revenue does the City collect from Union Terminal and Music Hall? Is the City prepared to turn over all lease revenue over to Hamilton County?
21. Is the argument for Music Hall:
 - a) That the City hasn't made \$109 million in repairs to Music Hall....
 - b) But they have spent \$100 million on the streetcar
 - c) Mean that this proposed tax means that County residents are paying for the Streetcar?

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22. 1,490,211 Visitors went to Music Hall and the Museum Center during 2013. A \$3.00 per ticket user tax would bring in \$4.47 million per year towards the repairs. Is this ticket user fee being actively considered?
23. Will the Commission require a User Fee of at least \$3.00 per ticket in any proposal sent to the voters? Is the Commission considering a Fee on Concessions to help pay for the renovation?
24. Is three weeks enough time to review this complicated proposal and offer better alternatives for the Citizens of Hamilton County? Can the proposal be made smaller?
25. Is it possible to eliminate one of the two projects from the plan?
26. Will the Commissioners independently sign an agreement not to go to work for any entity associated with this potential sales tax increase after they leave the County Commission?
27. Will lack of time cause a rush to judgment by the Commissioners? Will another mistake be made by moving too quickly?
28. Less than a year ago there was a plan to renovate Music Hall entirely with private money. What happened to this plan? With that plan in place, how could the County Commission include Music Hall in this proposal?
29. Will the task force open up both facilities to public inspection?
30. What is 3CDC's involvement in this project? Please be specific.
31. Based on theory that most taxes never go away, is it likely that if the sales tax is increased it will ever decrease to its original size again?
32. By raising the sales tax now the County is limited in how much it can raise sales tax in the future in the event of Fiscal Emergency. Is it prudent to take away County options by raising the tax now?
33. Have the County and City discussed Shared Services (like combining Sheriff and Cincinnati Police into one unit) been discussed as a way of opening up taxpayer money to fund this project? When exactly were discussions held? What have the results of these discussions been?
34. Exactly what entity will this money be paid to? If the answer is anything other than The City of Cincinnati, or Hamilton County Ohio is such payment legal under the Ohio Constitution?
35. Is this proposal contingent on receiving \$66 Million in Local, State, and Federal Tax Credits and Grants? If this \$66 million does not develop, what happens to the project?
36. Will prevailing wage rules apply to these construction projects?
37. If the project is eligible for an exemption from prevailing wage laws, will the County take advantage of such an exemption in order to control project costs?
38. Since these are City owned buildings will the City require contractor rules similar to those it attempted to force on MSD through its Responsible Bidder ordinance?
39. Will the Tax Levy review Board explore the difficult working relationship between Hamilton County and the City of Cincinnati (recent lawsuit over MSD)? Do these two groups (city/county) have the ability to get along and make this project a reality?

(This fact sheet was put out by the Citizen Oversight Board which includes 13 groups studying Union Terminal-Music Hall Tax)