



CINCINNATI STREETCAR

**FOR IMMEDIATE RELEASE**

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## **Streetcar Construction Schedule Advances with Council Items** *Administration Brings Items to Council to Prevent Project Delays and Cost Increases*

The City of Cincinnati's Administration is bringing forward three pieces of legislation to the Budget and Finance Committee of Cincinnati City Council on Monday, September 24 to advance the streetcar construction schedule. Legislative action is necessary to prevent schedule delays and associated escalating costs. With the completion of final design, the Administration is ready to issue a solicitation for bids this fall for a general construction contractor and begin construction shortly after the first of the year.

The first piece of legislation establishes a \$15 million account from which the City will advance the work for the Duke Energy utilities until the City and Duke can fully address who must pay for the relocation of Duke's electrical and gas lines under city streets. The City maintains that Duke is responsible for this work as the streetcar is a transportation improvement project. The City will only pay for actual costs for the utility work and the \$15 million is the cap on what the City will pay at this time. This approach has been applied in other disputes between utilities and Ohio municipalities as a way to prevent disputes over interpretations of state and local law from causing unnecessary delay and cost increases. The City and Duke continue productive talks in this area and the City is working with Duke on an operating agreement for the streetcar project. Duke has agreed that its utilities would only need to be moved three feet from the streetcar line instead of eight feet, as originally discussed.

The \$15 million comes from the recent \$37 million sale of land adjacent to the former Blue Ash Airport and is expected to be recovered upon resolution of the utility issue. It will then be available for other uses. The City is confident in its position regarding who is legally responsible. "It is not feasible to sit idle awaiting an outcome," said City Manager Milton Dohoney, Jr. By agreeing with Duke Energy to front the cost of the relocation work pending resolution of liability for such costs, the City will prevent potential legal disputes from causing unnecessary delay and cost increases for public improvement projects.

Additionally, the Administration is asking Council to change the source of funds for repaying \$14 million of the \$25 million in notes issued as part of the original financing proposal for the streetcar project. This does not add costs to the project. The City's Finance Department, as part of its

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regular monitoring, has noted that the original source of repayment –the Downtown South/Riverfront Tax Increment Financing District --has experienced a very significant decrease in revenue in that source of funds. While average collections on the Downtown South District in 2008 through 2010 were \$1,000,000 per year, since 2011 there has been a very significant decrease in the property values in the District. From 2010 to 2011 valuations decreased 30.9%, plus an additional 46.2% decline from 2011to 2012, for a total decrease of 62.8% from 2010 to 2012.

The substitution source for repaying those notes comes from a fund established in 1995 to collect service payments from the Westin/Star, Hyatt and Saks. Fifty percent of these funds have been dedicated to housing projects throughout the City, and the other half are available and not currently earmarked for any other purpose.

“This District was hit harder than other TIF Districts because of the decline in office lease rates within the district,” said Finance Director Reginald Zeno. “We will undergo a study to determine the current valuation of the Downtown South TIF, but because we need to issue the bonds, we will use this as the source in the interim.” Once that TIF District study is received, new projections on values for the District will be used to determine the amount of debt that can be supported by the District and the amount of debt that will need to be supported by the cash in the Urban Redevelopment Tax Increment Equivalent Fund.

The balance of \$11 Million would be repaid through a bond issuance supported by the revised revenues of the Downtown South District. There is an expectation that the Downtown South District will rebound significantly over the 20 years that the bonds would be outstanding. This expectation is based on continued development in the District and areas surrounding this district that will spur this growth, examples of this are: the Casino, the Banks, Dunnhumby, Omnicare and the Streetcar.

Zeno further clarified that the even though the parcels which comprise The Banks project are located in the Downtown South TIF District, those parcels are accounted for separately within that district. Those parcels are not part of the valuation issue within the remaining parcels in the Downtown South district.

Finally, the City has looked closely at its relationship with utilities over access to the rights-of-way and utility relocation costs and reviewed how other large cities in Ohio have approached this issue. As a result of this inquiry, the Administration has determined that both the City and regulated utilities would benefit from legislation that clarifies respective rights and obligations in relation to the control and management of the right of way.

Therefore, the Administration will recommend a right-of-way ordinance confirming the City's existing rights, as well as providing for new notice, information, and construction requirements for working in the right of way. The ordinance is consistent with how the City and utilities have acted

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historically – i.e., utilities pay the cost of relocating facilities in the right-of-way, unless otherwise negotiated – and is in line with the practices of other large Ohio cities.

In so doing, the City joins other Ohio cities such as Cleveland, Columbus, Dayton, and Toledo, which have enacted legislation that unequivocally asserts a municipality's authority to require a utility in the public right-of-way to relocate its facilities – at the utility's sole cost – when required in order to accommodate construction of a public improvement (such as, for example, a public transportation project).

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