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### **Port Authority History and Operating Structure**

The Clermont County Port Authority (the Port) is a body corporate and politic established by the Board of County Commissioners as a tool to facilitate economic development in the community. The Port was established by the County Commissioners through Resolution 124-12 on July 16, 2012. The Port has a five-member board of directors with four-year staggered terms, and directors are appointed by the County Commissioners.

Currently there is no paid staff or dedicated physical office for the Port. Projects are managed by the staff of the Clermont County Department of Community & Economic Development. The Port received an initial \$20,000 contribution from the County Commissioners to fund the operations as the organization was established, and it is anticipated that the Port will be self-sufficient on an ongoing basis through project fees.

### **Port Authority Powers**

The broad powers granted under Ohio Revised Code section 4582 provide for the Port to facilitate economic development through the following methods:

- Acquire real and personal property;
- Own, lease, sell, and construct improvements to real property;
- Issue revenue bonds for port authority facilities;
- Issue voted general obligation bonds for port authority facilities and other permanent improvements;
- Levy voted taxes for all purposes of the port authority;
- Receive federal and state grants and loans and other public funds;
- Operate transportation, recreational, governmental, or cultural facilities, and set rates and charges for use of port authority facilities;
- Cooperate broadly with other governmental agencies and exercise powers delegated by such agencies.

Port authorities are also authorized to exercise the power of eminent domain by the Ohio Revised Code. The County Commissioners, however, prohibited the Clermont County Port Authority from using eminent domain in the July 16, 2012 Resolution establishing the Port.

### **Primary Economic Development Tools**

Because of their tax-exempt status, port authorities have the advantage of passing savings on to economic development projects, thus making projects possible that might not otherwise happen. The Port can facilitate economic development projects in the following ways:

- Loaning monies at competitive rates and terms, either as a direct loan or a “pass-through” bond based on the credit of the entity for which the bonds are being issued;
- Constructing, owning and/or operating public infrastructure facilities (such as parking structures) as a component of a public-private project;
- Acquiring and selling property for economic development projects;
- Providing an exemption of Ohio sales tax on construction materials for projects using the Port for conduit financing.

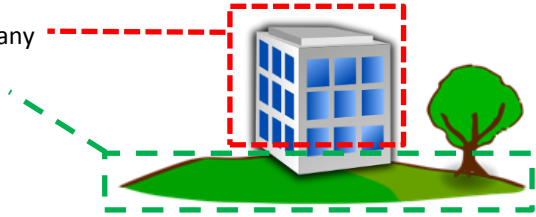
Current limited financial assets prohibit the Port from making direct loans for projects. The following examples illustrate how the Port can facilitate economic development projects with the tools currently available to it:

**EXAMPLE 1: CONDUIT FINANCING FOR SALES TAX EXEMPTION ON CONSTRUCTION MATERIALS**

**PROJECT:** A company is constructing a new (or renovating an existing) building, with a budget of \$15M for real property improvements (roofing, concrete, steel, framing, HVAC components, etc.).

**STRUCTURE:** Port owns building and leases it to company

Company owns land and leases it to Port



**TERM:** Port will entertain options for early termination on a case-by-case basis, but typically a minimum of 3 years after completion of project.

**BENEFIT:** Because the real property improvements are owned by the Port, the construction materials are exempt from Ohio sales taxes. For a \$15M project with a materials cost of \$6M, the average savings would be \$390,000.

**FEES:** The Port will typically collect 10% - 15% of the savings plus recover its legal fees. Legal fees for the preparation and negotiation of definitive agreements for Port projects typically range from \$10,000 - \$20,000 depending on the complexity of the project. Companies that require more customized transaction structuring or longer negotiation periods may be subject to higher fees.

**EXAMPLE 2: BOND FINANCING & PUBLIC INFRASTRUCTURE IMPROVEMENT**

**PROJECT:** A developer is constructing a new building (i.e., commercial/apartment/senior care), with a budget of \$10M for real property improvements. The local community also needs additional public parking facilities, the need for which will increase due to additional traffic from this development.

**STRUCTURE:** Port owns building and leases it to company; company owns land and leases it to the Port (see **Example 1** above). Additionally, the developer provides land for the construction of a public parking structure to be owned by the Port for 40 years, after which it is sold to the developer or community. The property tax revenue on the new commercial structure can be captured using Tax Increment Financing (TIF), which can be dedicated to the Port by the local community to fund the parking structure. The Port may identify additional sources of revenue by leasing reserved spaces to local businesses, residents, and/or the local community government.

**TERM:** New building – see Example 1 above. Parking structure – see paragraph above.

**BENEFIT:** Because the real property improvements are owned by the Port, the construction materials are exempt from Ohio sales taxes. For a \$10M project with a materials cost of \$4M, the average savings would be \$260,000. Additionally, the developer can construct the parking structure for the Port as the contractor for the project. Finally, a community need for additional public parking is met as a result of this project.

**FEES:** The Port will typically collect 10% - 15% of the savings. The Port may also derive revenue by leasing parking spaces as described above. The legal fees on this type of project will be larger than average due to its complexity, and may need to be defrayed through TIF or other sources.

### West Clermont High School

#### Background

The West Clermont Local School District identified a way to construct one new high school to replace two aging buildings, and in early 2015 approved an agreement with Union Township to finance the construction utilizing TIF revenue and existing inside millage. Debt term limitations would still limit the size of bonds which could be issued for the project, so the Clermont County Port Authority was brought on as a partner in order to utilize its flexible financing capabilities which allowed a longer repayment term for the bonds.

#### Port Authority Role

The Port Authority issued a series of Lease Revenue bonds in October 2015 with maturities from 4-38 years, in a total amount of \$99.2 million. The Port Authority will also own the facilities and lease them to the school district during the term of the bonds, while in turn leasing the underlying land from the school district.



#### Results

The project is currently under construction. The project will be completed in time for the start of school in 2017. The new facilities will provide cutting edge technology to students and teachers, while allowing the school district to save tax dollars through consolidating administrative functions and reducing energy costs.

### Loveland Station

#### Background

The most significant new development in decades for historic downtown Loveland faced significant infrastructure costs which threatened the viability of the project. The developer of Loveland Station, a \$10 million mixed-use development featuring 94 luxury apartment units and 15,000 square feet of retail/commercial space, approached the Clermont County Port Authority in 2014 for assistance.

#### Port Authority Role

The Port Authority provided conduit financing to facilitate an exemption of sales taxes on construction materials for the construction project. The Port Authority owns the building and leases it to the developer, while the developer leases the land to the Port Authority. Both leases are for a 7-year term with early termination clauses. The developer saved an estimated \$250,000 in Ohio sales taxes on construction materials.



## Results

The project is currently under construction. The commercial space will be completed during the summer of 2015 with all residential spaces to be completed by December of 2015.

## **Ford Plant Redevelopment - Huhtamaki**

### Background

In January 2006 the Ford Motor Co. announced the Batavia plant would close, and final operations ceased in August 2008. Industrial Realty Group (IRG) purchased the 1.8 million sq. ft. facility and 230 acres of land from Ford in 2010 (see “New Beginnings” Ford Redevelopment document). In 2012 Huhtamaki approached the County to discuss incentives for purchasing 900,000 sq. ft. and 60 acres of the property.

### Port Authority Role

The Port Authority provided conduit financing to facilitate an exemption of sales taxes on construction materials for the renovation project. The Port Authority owns the building and leases it to Huhtamaki, while Huhtamaki leases the land to the Port Authority. Both leases are for a 7-year term with early termination clauses. Huhtamaki saved an estimated \$500,000 in Ohio sales taxes on construction materials.



### Results

Huhtamaki purchased the facility in March 2013 for \$7.3 million and currently employs almost 300 people at the site. The company invested approximately \$27 million in real property renovations and \$30 million in equipment.

## **Jungle Jim’s – Refinancing & Expansion**

### Background

Jungle Jim’s and Union Township approached the County in mid-2013 to discuss refinancing the debt taken out by Union Township for the original property acquisition, as well as to provide additional funding for outlot development, additional building renovations and an operating line of credit. The total financing requested was \$22.6 million.

### Port Authority Role

In November 2013 the Port Authority issued \$14.9 million in serial bonds and a \$7.7 million bond with a 20-year term. The Special Obligation Debt, rated A2 by Moody’s, was not an obligation of the Port Authority. The debt was guaranteed by a Special Improvement District, the property, a corporate guarantee and a pledge of non-tax revenue by Union Township.



### Results

Jungle Jim’s has continued to invest in the property, including significant new signage. This investment was a factor in the Q4 2013 acquisition of a largely vacant, 180,000 sq. ft. strip center directly across the street from Jungle Jim’s. The new owner is investing over \$10 million in renovations and is expected to bring new stores to Eastgate. Announced tenants include Gordmans department store, Ulta, Home Goods and Kirkland’s.