



Bond Funds and Port Authorities: How Can They Support Local Improvements Efforts?

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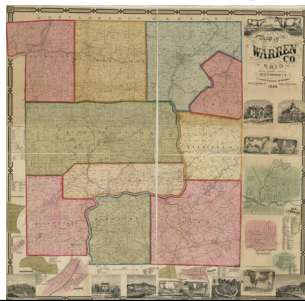
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Roadmap

- Structure and Powers
 - What is a Port Authority?
 - Authorization
 - Formation
 - Financing Programs
- Bond Funds
 - What is a bond fund?
 - Structure
- Case Studies



Structure and Powers

Origins

- Port Authorities were first authorized in Ohio in 1955. There are now more than 50 in existence across the state, including:
 - Maritime
 - Airport
 - Railroad
 - Economic Development
 - Development Finance
- Warren County Port Authority formed in February 2007



Structure and Powers



Ohio Port Authorities (a partial list)

- Port Authority of Allen County
- Athens County Port Authority
- Belmont County Port Authority
- Blanchard Valley Port Authority
- Butler County Port Authority
- Port of Greater Cincinnati Development Authority
- Clermont County Port Authority
- Cleveland-Cuyahoga County Port Authority
- Clinton County Port Authority
- Columbiana County Port Authority
- Columbus-Franklin County Finance Authority
- Coshocton Port Authority
- Coonecton Port Authority
- Dayton-Montgomery County Port Authority
- Delaware County Port Authority
- Port Authority of Eastlake Ohio
- Erie County Port Authority
- Fairfield County Port Authority
- Fairport Harbor Port Authority
- Grandon Master Port Authority
- Guernsey County Port Authority
- Health-Nebraska-Licking County
- Ironton City Port Authority
- Jefferson County Port Authority
- Lake County Port and Economic Development Authority
- Lancaster Port Authority
- Lawrence County Port Authority
- Lorain Port Authority
- Lorain County Port Authority
- Marion Port Authority
- Marysville-Lucas County Port Authority
- Mason Port Authority
- Medina County Port Authority
- Northwest Ohio Port Authority
- Port Authority of Springfield Ohio
- Putnam County Port Authority
- Put-in-Bay Township Port Authority
- Regional Port Auth. of Northwest Ohio
- Southeastern Ohio Port Authority
- Southern Ohio Port Authority
- SST Port Authority
- Stark County Port Authority
- Development Finance Authority of Summit County
- Toledo-Lucas County Port Authority
- Economic Development and Finance Alliance of Tuscarawas County
- Van Wert County Port Authority
- Vermilion City Port Authority
- Violet Township Port Authority
- Warren County Port Authority
- West Central Ohio Port Authority
- Western Reserve Port Authority
- Williams County Port Authority
- Wood County Port Authority
- Zanesville-Madison County Port Authority

Structure and Powers



What is a Port Authority?

- A port authority is a public entity created by agreement of one or more political subdivisions pursuant to Ch. 4582 of the ORC.
- Once created, a port authority is governed by a board of directors.
 - The city(ies) and/or county(ies) creating the port authority may determine the number and composition of the members of the board and appoint the individuals to serve on the board.
- The board of directors approves projects undertaken by the port authority.
- Broad powers under Chapter 4582 to promote economic development through financing as well as acquisition of property

Structure and Powers



Jurisdiction

- A county, a municipal corporation, a township, or any combination may create a port authority by legislative action. R.C. 4582.22
- The area of jurisdiction of a port authority includes all the territory of the political subdivision(s) that created the port authority. R.C. 4582.30
- A county may exclude from the port authority's area of jurisdiction any territory that is located in that county. R.C. 4582.30(A)(3)

Structure and Powers



Collaboration

- Port Authorities are models for regional collaboration:
 - Collaboration in the formation (by the cities and counties that form the port authority).
 - Collaboration through facilitation of development projects in the various communities within its jurisdiction.
 - Collaboration with communities outside its jurisdiction.
 - Collaboration State-wide among port authorities in leveraging bond funds, etc.

Structure and Powers



"Authorized Purposes"

- The power of any port authority is derived through the broad, flexible, nimble powers authorized by R.C. 4582.21(B), including the following authorized purposes:
 - Activities that enhance, foster, aid, provide, or promote:
 - Culture;
 - Economic development;
 - Education;
 - Governmental operations;
 - Housing;
 - Recreation;
 - Research within the jurisdiction of the port authority; and
 - Transportation.
 - Activities authorized by Sections 13 and 16 of Article VIII, Ohio Constitution.

Structure and Powers



What can ports do?

- Make Contracts
- Acquire Property
- Issue GO Bonds
- Issue Revenue Bonds
- Levy Voted Property Tax
- Are exempt from property, income, or sales and commercial activity taxes
- Keep trade secret or information relating to a business expansion confidential

Structure and Powers



Powers that Facilitate Transactions

- Can make loans
- Guarantee obligations of others;
- Facilitate off-balance sheet financings;
- Provide additional security for a transaction
- Act as recipient of and administer grant programs (federal and state)
- Exercise powers of another political subdivision on behalf of that subdivision

Structure and Powers



Powers that Facilitate Transactions

- Port authorities are generally exempt from competitive bidding requirements for economic development projects. R.C. 4582.31(A)(18)(e).
- Port authorities are generally exempt from prevailing wage requirements for economic development projects. R.C. 4115.04(B)(6).
- Port authority facilities are generally exempt from sales and use tax.
- Caveat: port authorities may not use moneys raised by taxation for economic development projects.

Structure and Powers



Financing Programs

- Financing program examples include:
 - Bond fund programs
 - Stand-alone bonds
 - Revenue bonds backed by Special Assessments, TIFs or both
 - Bonds combined with bonds of other ports or the Ohio Enterprise Bond Fund, DOD money or other sources
 - Conduit for bank loans (tax-exempt available in some cases)
 - Structured finance programs (operating and capital leases)

Structure and Powers



Financing Programs

- Structured Finance Programs
- Operating Leases (“True Leases”)
 - Not reflected as part of tenant’s outstanding debt as recorded on the balance sheet
 - Preserves capital for operations, improving viability of project
 - Can offer more favorable financial covenant ratios than traditional construction financing
 - Ground lease structure also used, sometimes in combination with operating lease

Structure and Powers



Financing Programs

- Capital Lease (“Synthetic Lease”)
 - Port owns property for term but lease provides for the transfer of title to the tenant at the end of term
 - Purchase option is priced sufficiently lower than FMV
 - Lease term covers 75% or more of useful life

Structure and Powers



Financing Programs

- Sales Tax Abatements
 - Many Port Authority financings qualify.
 - Typical structure involves
 - A: Lease Revenue Bonds issued by Port Authority and purchased by company’s lender
 - OR
 - B: Deed or ground lease conveying project site to Port Authority and lease of project from Port Authority to company
 - Significant coordination with company’s lender required.

Structure and Powers



Financing Programs

- A port authority may issue revenue bonds (secured by a pledge of the revenues generated by the facility financed by the bonds) for the purpose of providing funds to pay the cost of any port authority facility constructed for an authorized purpose. "

Structure and Powers



Financing Programs

- Port Authority financing routinely incorporates other Ohio economic development tools, including:
 - TIF programs
 - CRA abatements
 - EZ abatements
 - Special improvement districts (SIDs)
 - New community authorities (NCAs)
 - Joint economic development districts and zones (JEDD/JEDZ)
 - Property Assessed Clean Energy (PACE) financing

Structure and Powers



Financing Programs

- Types of projects facilitated by port authorities:
 - Manufacturing/Distribution
 - HQ/offices
 - Cultural/Educational/Recreational
 - Health Care
 - Retail
 - Parking Garages
 - Governmental/Infrastructure Projects

Leveraging Port Authorities



- Port Authorities stimulate private sector growth by:
 - Financing job-creating projects
 - Financing infrastructure projects
 - Administering abatement, loan, and grant programs
 - Directly undertaking redevelopment projects

Bond Funds



What is a bond fund?

- A program for providing credit-enhancement for port authority bonds through the use of common program reserves including pooled reserve funds and letters of credit
- Revenue bonds such as TIF, special assessments, or user charges
- The pooled reserves are generally in addition to specific security arrangements for each deal such as guarantees, mortgages, security agreements, and tax lien secured revenue sources
- Designed to achieve investment-grade ratings
- Long-term and fixed rate

Bond Funds



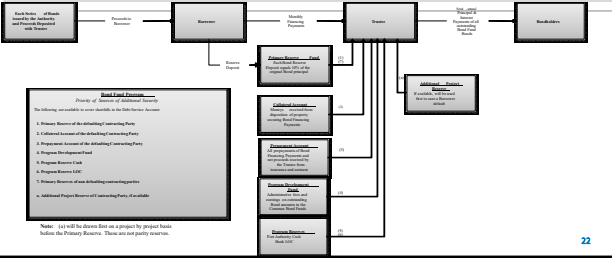
What is a bond fund?

- Facilitates private development, infrastructure projects, and certain local government projects
- Port authority issues the bonds but is not pledging its own resources to repayment of the bonds aside from the bond fund reserve structures
- Port authority undertakes due diligence, negotiation of deal terms, documentation, and post-issuance compliance
- Taxable or tax-exempt bonds
- Can utilize multiple bonds for a single project

Bond Funds



Simplified Flow of Funds Chart



Bond Funds



Bond Rating

ISSUES 1 Public Sector Pool Programs Scorecard Overview			
Factor	Weighting	Sub-Factor	Sub-Factor Weighting
Credit Strength and Default Tolerance	30%	Credit Quality and Default Tolerance Score	30%
Diversity of Portfolio	20%	Number of Borrowers	10%
		Percentage of Loan Principal to Borrowers that Represent Less Than 1% of the Fund	1%
		Percentage of Loan Principal to the Top Five Borrowers	1%
Debt Structure	30%	Cash Flows	20%
		Characteristics	10%
Total	100%	Outcomes	100%
Notching Factors			
Unusually Strong or Weak Management		Notching Range	-2 to +2
Concentration of Pool Participants in a Volatile Sector			-3 to 0

Bond Rating Services			
	STANDARD & POORS	Fitch Ratings	
Best Quality	Aaa	AAA	AAA
	Aa1	AA+	AA+
	Aa2	AA	AA
High Quality	Aa3	AA-	AA-
	A1	A+	A+
Upper Medium Grade	A2	A	A
	A3	A-	A-
Medium Grade	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-

(Lower Interest Rates) ↑

Bond Funds



OEBF vs Local Bond Funds

- Ohio Treasurer of State operates the Ohio Enterprise Bond Fund (OEBF)
- Designed to promote economic development, business expansion, and job creation
- Bonds are issued by the Ohio Treasurer and proceeds are loaned to businesses
- Job creation requirements and loan term limits
- Corporate security requirements
- Land/building, machinery and equipment, building construction/renovation, long-term leasehold improvements

Bond Funds



Warren County Port Authority Ohio Communities Accelerator Fund

- Formed in 2018 with \$1 million in cash reserves and a letter of credit
- 25 bond issues with a total par amount of approximately \$113 million
- Eligible Borrowers
 - Industrial or Commercial companies, including manufacturing, distribution, housing and education
 - Infrastructure Projects (TIF & Special Assessment Projects, including PACE)
 - Governments, including municipalities, townships, counties, and school districts
 - Non-profit or 501c (3)
- Eligible Projects
 - Land or building purchase
 - Building construction or renovation costs
 - Long-term leasehold improvements
 - Capitalized costs directly related to a fixed-asset purchase



Case Studies



Warren County Convention and Visitors Bureau

- First bond fund transaction
- Warren County Convention & Visitors Bureau
- Outdoor, multi-sport athletic complex in Turtlecreek Township
- \$7.5 million to refund previously issued Port Authority bonds
- Lodging tax revenue from Warren County



Case Studies



Sawyer's Mill

- Three series (two tax-exempt and one taxable) of parity bonds between 2020-2023; \$8.54 million in aggregate par amount
- Phased development of approximately 400 single family homes in Middletown, Ohio
- Public infrastructure including roads and utilities
- TIF revenue, minimum service payments, various guarantees

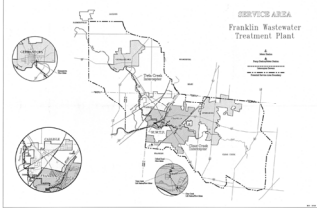


Case Studies



Franklin Area Wastewater System

- Two series of taxable and tax exempt bonds; aggregate par amount of \$8,435,000
- Total project costs of \$11.4 million
- Improvements to wastewater treatment facility, pump station expansion, equipment replacement, and disinfection building
- Subject to appropriation payments from the constituent local governments



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Case Studies



Merchant Street Redevelopment

- \$10.5 million of taxable bonds
- Capital lease (sales tax abatement)
- Redevelopment of two vacant office buildings into multifamily housing and construction of townhomes in Springdale, Ohio
- Total project costs of \$39 million
- TIF revenues, minimum service payments, guarantees



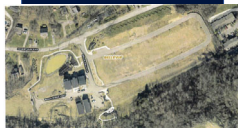
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Case Studies



City of Bellevue, Kentucky/Reserve at Bellevue

- City issued three series of taxable bonds with an aggregate par amount of \$28.535 million for the conversion of a mobile home site to 74 single family homes
- Port issued \$3.035 million of taxable bonds to purchase a series of the City's bonds
- Debt service paid from City to Port
- City Bonds purchased by Port are secured by payments in lieu of tax abatement for site and associated mortgage; payment guaranty and additional rent guaranty



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<p>Thank You</p>	
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