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Port Authorities as an Economic Development Tool for Local Government

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Port authorities can be useful economic development tools for local governments. With a wide range of powers provided by Section 4582 of the Revised Code of the State of Ohio, port authorities can own land, set fees, and levy taxes. They are usually self-sustaining and often operate railroads, airports, or shipping terminals. Local governments frequently establish port authorities to promote or support economic development. This fact sheet will answer many questions that arise for local governments when deciding whether to establish a port authority.

Is your county or community considering establishing a port authority? Are you ready to take full advantage of Ohio port authority law to provide economic development benefits to your community? What are port authorities and how can they be used to further economic development efforts? The following frequently asked questions will help you decide whether or not to establish a port authority for your jurisdiction and, if you choose to establish one, how to proceed.

Frequently Asked Questions

Who authorizes the formation of a port authority? The State of Ohio authorizes port authorities. A port authority is a political subdivision formed by a local government—county, township, municipality, or combination thereof—under section

4582 of the Ohio Revised Code ("Port Act"), a description of which can be found on the LAWriter Ohio Laws and Rules website: codes.ohio.gov/orc/4582.

How are port authorities structured? Port authorities are governed by a board of directors appointed by elected officials of the local government(s). Except that board members must have a business or place of employment in the local jurisdiction for at least three years, no other criteria is required by law in choosing board members. Port authority boards vary widely in size and board composition. The board adopts bylaws providing for the administration and governance of the port authority.

What are some other parameters? The local government creating the port authority appoints members of the board and fills subsequent vacancies. Directors serve staggered four-year terms with a majority of directors constituting a quorum. The port authority is a political subdivision of the local government and, as such, is subject to state audit and to the Sunshine Law. The Sunshine Law requires that, as a governmental entity, the port authority holds public meetings and makes records available for public inspection.

How does a local government regulate the powers of a port authority? The local government forming the port authority is responsible for oversight. The powers and duties of each port authority are spelled out in the local government's ordinance or resolution forming the port authority. The local government does not have to delegate all of the powers allowed, but certain powers are authorized under 4582 of the Ohio Revised Code, including:

- 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, recreation, 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

Our community is not located on a water port. Can we still establish a port authority? Port authorities can be located in any political jurisdiction, even those without water port or rail facilities.

Can a jurisdiction or county have more than one port authority? In some counties, it might make sense to have more than one, although port authorities can enter into contracts to undertake projects outside of their boundaries. As an example, Lake County, Ohio, has five port authorities.

How many port authorities are currently operating in Ohio? Fifty-two.

What are the primary duties of a port authority? In addition to duties involving the management of a water port or airport, port authorities can perform many useful functions. Port authorities have the legislative power to purchase, subdivide, sell, and lease real property. Port authorities can also be used as a vehicle through which industrial or general obligation bonds can be issued, and they can receive state and federal grants and loans.

A Community Improvement Corporation (CIC) can also perform those functions.

How is a port authority different? There are three primary differences in powers between a port authority and a CIC:

1. Property owned by port authorities is exempt from all taxes.
2. Port authorities can exercise the right of eminent domain to appropriate or condemn property.
3. Port authorities are authorized to levy taxes (sales, property, or special assessment) for up to five years.

How does a port authority issue bonds? They can issue bonds in two ways:

1. By a vote of the local electorate, similar to a local school bond issue.
2. As a "pass-through vehicle," based on the credit of the entity for which the bonds are issued.

Why are port authorities considered important economic development tools for communities? 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. They facilitate economic development projects:

- Loaning monies at competitive rates and terms
- Acquiring and selling property to economic development projects
- Providing security for an economic development project by facilitating a structured financing such as a synthetic lease (see below)

What is a synthetic lease? Port authorities can pass savings on through creative bond financing using operating and synthetic leases. Synthetic leases are off-balance sheet transactions whereby companies lease assets, including buildings or equipment, from the port authority. Companies can improve the appearance of their balance sheet because the financing will not be reflected as a debt of the company, but simply as an operating lease. This helps companies keep credit lines open for working capital to create and retain jobs or buy equipment.

What types of economic development projects are port authorities involved in? Port authorities can be involved in a wide range of economic development projects, including retail or public improvement projects, but their mainstay is a focus on the development of water ports, airports, intermodal rail and truck facilities, industrial parks, and creative financing to attract and retain businesses.

Can you describe a "typical" project? A community located within the jurisdiction of a port authority is interested in developing a community recreational facility, but they do not want to be the lead entity in the creation of a recreation district. Community leaders request that the port authority undertake the project on their behalf. The port authority first establishes a special district to collect fees for services. The port authority can then sell general obligation bonds, once approved by the public, to finance the project. Debt is repaid by future fees collected for the public's use of recreational facilities including pools, parks, or other facilities. The port authority may also help pay down the debt through receipt of a loan or grant.

What is the impact of port authorities on Ohio's economy? According to the 2007 Ohio Port authorities Council "Economic Impact Fact Sheet," port authorities report a combined \$6.5 billion annual impact on Ohio's economy, directly supporting 20,000 jobs. This represents an increase of almost 40% from the 2005 impact report of \$4.7 billion.

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