

Cash-strapped Butler County Port Authority partners with Warren agency

By Chelsey Levingston

Staff Writer

The financially struggling Butler County Port Authority is partnering with the Warren County Port Authority to help seal a job-creating business deal in Middletown.

The Butler County Port Authority, a development agency responsible for helping finance large business projects, approved Friday a collaborative agreement with the neighboring Warren County organization to help negotiate with an undisclosed industrial company.

The agreement, approved by the Butler County port's independent board of directors, allows the two agencies to partner on this particular deal. No funding was approved for the proposed business expansion at this point. But, if it works, it could serve as a model for future development partnerships between the two growing counties, said David Fehr, Butler County's development director and the port authority's executive director.

"These partnerships are really the way we have to do business now," Fehr said.

The unnamed Butler County company wants to consolidate operations elsewhere in Ohio to a single, local site, which could retain approximately 117 jobs statewide and create 31 more over the next year, according to Fehr and Martin Russell, Warren County's development director and port authority executive director. That's if the project moves forward. The company operates in multiple states and government officials say Ohio is competitive for the investment.

Warren County Port Authority, which has more experience with alternative financing such as tax-saving building leases with companies, would help structure a deal with the company in exchange for a consultation fee.

Also according to the agreement approved Friday, the port authorities are proposing to buy property and lease it to the company, as well as issue bonds as part of an overall incentive package to be offered along with incentives from state and local governments. Fee revenues would be split between the port authorities.

Butler County Port Authority board member Michael Scotti said the partnership was a financial bargain for the Butler County agency.

“I don’t want Middletown caught in the crossfire,” Scorti said. “I think this is good for Middletown.”

In addition to Scorti, board members James Fitton, Robert Schmidt and Denise Quinn voted in favor of the collaborative agreement. Board member Craig Hudson abstained. Another board member, Chris Flaig, wasn’t present.

“I feel like the board’s kind of being left out here,” Hudson said, referring to the fact that all board members did not know about talks with Warren County prior to Friday’s meeting.

Short on funds, the Butler County development agency reorganized earlier this year. The former executive director was placed on unpaid leave in April. David Fehr, Butler County’s development director, took over in May as executive director of the port authority and assumed responsibilities to respond to businesses, negotiate deals and help develop projects.

In addition to Fehr’s duties, the county is also providing accounting and information technology services to the port.

As a result of recent changes, “We have reached out to Warren County to kind of walk us through and help us out,” Fehr said. “Until we get on our own two feet, this seemed to make the most sense.”

Whereas Butler County’s port has about \$6,435 in the bank, Warren County’s port has a balance exceeding \$3 million.

“We’ve been able to significantly ramp up our coffers by being aggressive on these deals,” Russell said.

“If done well, this could be a partnership that has significant benefits long-term,” Russell said.

More Butler-Warren partnerships give the communities a bigger pull in regional development between downtown Cincinnati and Dayton, Fehr and Russell said.

Under Ohio law, port authorities can own, finance, construct and lease real estate, including land, building and equipment, according to the Ohio Council of Port Authorities.

A port authority that helps finance a project can save a company money, which is the reason why port authorities are seen as a key tool for attracting and retaining businesses. If a port authority

buys or owns a property for an expanding business, construction materials and other construction costs are tax-exempt. The property is then leased to the company.

Also, port authorities can issue taxable and tax-exempt bonds, offering borrowers longer-term, fixed-rate financing than the terms of a commercial loan, for example.

Port authorities are funded by fees for services and therefore, are dependent on a steady flow of transactions for funds.

Butler County first formed a port authority in 2004. The organization has struggled in recent years during the poor economy as fewer businesses invested in expansion or relocation projects. With no fee revenues coming in, the Butler County Port Authority has been hard-pressed to pay wages and expenses to run its offices.

The Butler port, in debt to Butler County government, reorganized earlier this year after its funding ran dry. To date, the port authority has borrowed \$55,000 from the county and is expected to pay that back.

A Journal-News analysis published in July found that the Butler County port has completed nine projects since it was first established in 2004 and started in 2005, generating \$357,762 in fees during that time.

By contrast, the Warren County Port Authority has had 18 projects and economic development studies since its inception in 2007 including the Miami Valley Gaming racino and Cincinnati Premium Outlets.