Beyond ports and rails

How port authorities can finance development projects

INTERVIEWED BY ADAM BURROUGHS

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FOLLOW UP: Could public financing be an option for your next development project? Reach out to Daniel Silfani at brouse.com/daniel-l-silfani to find out.

Economic development is a significant part of the mission of port authorities. Originally formed to assist counties, municipalities and political subdivisions with transportation, including rail lines and waterways, their roles have expanded to foster and encourage business investment among private enterprise and other political subdivisions.

"Port authorities have become more of a tool that enables counties and municipalities to foster economic development, as well as job retention and growth," says Daniel L. Silfani a partner and co-chair of the Corporate & Securities Practice Group at Brouse McDowell.

Smart Business spoke with Silfani about how closely held private businesses can harness the financing capabilities of port authorities.

How are port authorities able to finance small development projects?

Ohio law gives port authorities broad investment and economic development powers to do business with private enterprises. These are powers that counties, municipalities and other political subdivisions may not have or are restricted from exercising in certain ways, which inhibits public-private investment projects. It means port authorities can:

- Acquire and improve real property.
- Hold title to new facilities for off-balance-sheet financing.
- Receive and apply for state and federal grants and loans.
- Receive property from other local governments so it does not go to public bid.

Port authorities, which are exempt from having to use prevailing wage structure for projects, can also issue bonds and other gap financing to help business owners fill various layers of capital. They can often do this with loan or credit terms, such as interest rates, that are advantageous because of the credit rating of the port authority, and which companies may not necessarily qualify for under traditional commercial lending standards.

What makes this topic relevant now?

Port authorities today are being utilized for more than just the biggest economic development projects. Recently, there's been more emphasis on local financing efforts, and port authorities are the preferred mechanism for federal and state agencies because they have flexibility to transact financing deals and programs. This flexibility means port authorities can administer and act as middle-men with respect to a broad range of loan or grant programs from those other agencies, helping business owners fill much needed layers of capital to complete a project. As a result, targeted loan and grant programs, such as those for manufacturing equipment upgrades, energy efficiency improvements or other projects are becoming available for the closely held business owner. Depending upon the program, there still may be an underwriting process to unlock financing through port authorities, but there's more flexibility for a business owner to target select programs to fill those much needed layers of capital for their anticipated project.

What should small businesses know about port authority financing before applying for financing?

Port authorities usually have descriptions on their websites of the programs they offer, and many provide applications online that can help business owners or advisers describe their projects and the financing they're looking for.

It's good to work with an attorney who understands how port authorities function and who have economic development project experience. Experienced attorneys, however, can put the process into perspective so companies can better understand what port authorities offer and the programs for which companies are likely to qualify.

Don't overlook what a port authority can offer when it comes to project financing. There are many different programs available that can provide the needed capital with preferred financing terms, or through under-recognized grants. ●