CLERMONT PORT AUTHORITY

Letter Opposing HB 147

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The Honorable Representative Jean Schmidt
77 South High Street, 12th Floor, Columbus, OH 43215

Re: Opposition to House Bill 147

Dear Representative Schmidt,

I am writing to express our strong opposition to **House Bill 147**, which seeks to amend sections of the Ohio Revised Code to **exempt from sales and use tax building materials sold to contractors under contracts valued at $25 million or more for projects in areas with a port authority.**

While on its face the proposed Bill seems to encourage economic development, I believe HB 147 is ill-advised and provides challenges that will inhibit the growth and development of our Ohio communities. I request you to consider the following concerns:

- **Unfair Advantage for Large Corporations:** By limiting tax exemptions to contracts worth $25 million or more, HB 147 disproportionately benefits massive corporations and developers, while leaving small and mid-sized businesses—who are the backbone of Ohio's economy—at a disadvantage.
- **Loss of Critical Revenue and Economic Development**: Port Authorities derive revenue from granting Sales Tax Exemptions through Lease / Leaseback deals. These revenues are used to support continued Economic Development in our communities. In a number of cases, Port Authorities are the Local Economic Development Organization (LEDO) supporting various counties, municipalities and townships throughout Ohio. The Bill compromises the benefit derived by Port Authorities which could dramatically affect the viability and effectiveness of the organizations; and, ultimately negatively impact economic development in local communities throughout Ohio
- **Questionable Community Benefit:** Though there is no guarantee that the tax breaks will translate into meaningful benefits for Ohio residents, often such incentives enrich developers without ensuring good-paying jobs, affordable housing, long-term community investment, and meeting community values and goals. But Port Authorities provide local control and strategic direction for projects within their communities as described below.
- **Lost Local Control and Direction:** Port Authorities are created and their Boards appointed by local government. Therefore, Port Authorities are responsive to the elected representatives that in fact created them. Allowing an automatic sales tax exemption for select projects will remove any local control of development and allow for projects to be incentivized without considering the community benefit as outlined above.
- **Precedent for Future Loopholes:** HB 147 sets a troubling precedent by carving out special tax privileges for select industries. This opens the door for further exemptions that erode Ohio's tax base and weaken fiscal responsibility.

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Ohio needs policies that **support all businesses fairly, strengthen local communities, and protect public revenue streams.** HB 147 does the opposite by prioritizing corporate interests over taxpayers and small businesses.

The proposed legislation in HB 147 would greatly diminish the Clermont Port's ability to assist housing developers and small business owners in their work – work which is crucial to growing our region's economy. Since 2020, 50% of capital lease projects the Clermont County Port Authority has assisted with have fallen under the $25 million threshold that HB 147 seeks to establish. Those projects alone have created thousands of housing units, including senior and affordable options, as well as over 600 full-time employment opportunities for Clermont County residents. The fees that the Port Authority collects from these projects are reinvested into the local economy through various offerings the Port Authority has made available, from infrastructure funding to micro-business loans and grants.

I urge you to reject HB 147 and instead leave in place the legislation that fosters inclusive economic growth, ensures accountability for developers, protects local control, and maintains a strong and equitable tax system.

Thank you for your consideration of our concerns. I look forward to seeing you stand with Ohio's families, small businesses, and communities by opposing HB 147.

Respectfully,

Kristofer McClintick
Executive Director, Clermont County Port Authority

Cc: Bonnie J. Batchler, President, Clermont County Board of County Commissioners
David L. Painter, Vice President, Clermont County Board of County Commissioners
Claire B. Corcoran, Member, Clermont County Board of County Commissioners

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Impacts of Ohio's Sixty-Five Port Authorities over the past five years:

- Ohio's Six Port Authority Bond Funds have supported more than **One Hundred Projects.**
- The Port Authority investment in those projects tops **$406 million.**
- Port Authorities also issue Private Activity Bonds and Tax-Exempt Private Activity Bonds and have supported more than **One Hundred Twenty Projects** with more than **$1.8 billion in Capital.**
- Nearly all of Ohio's Port Authorities use Sales Tax Exemption of Materials of Construction as Economic Development Tools. The Ports have used the nearly **$26 million** in collected fees to expand Economic Development efforts, Fund Community Impact Funds, Invest in much needed Infrastructure Improvements, repay Port Authority Debt, and to be come more self-funded.

Other Unintended Consequences of HB147:

- Currently, a Port Authority's ability to offer sales tax exemptions is a positive incentive that helps bring developers to the table. If this exemption becomes a statutory right for projects over $25 million, we lose the leverage to negotiate community-specific benefits, such as local hiring targets, minority business participation, or more stringent environmental standards, in exchange for the tax relief benefit. This will lead to a loss of negotiating leverage for Port Authorities.
- Many of our members rely on the administrative and origination fees from large-scale $25M+ projects to capitalize our Common Bond Funds. These funds are the lifeblood of smaller, community-focused projects. By bypassing the Port Authority, HB 147 could effectively "defund" the mechanism we use to support small businesses and local entrepreneurs. This could lead to the Destabilization of Bond Funds that are critical to future economic development.
- The bill allows "public infrastructure" requirements to be satisfied through separate agreements that may bypass Port Authority oversight. This risks a "siloed" approach to development, where projects are built without being integrated into the regional multimodal or maritime strategies that Port Authorities are uniquely qualified to manage. This could undermine local strategic planning, and lead to fragmented infrastructure planning.
- Port Authorities serve as "local agents," ensuring tax-exempt purchases are limited to the project at hand. Moving to a self-reporting or contractor-led model increases the risk of tax leakage and oversight failures, that could ultimately tarnish the reputation of economic development incentives statewide. This could lead to increased compliance risk for the State of Ohio.