



## Development Finance: Structured Lease

A structured lease involves The Port owning and leasing a project to a company in order to provide financial or accounting advantages to a corporate user.

**For a sizable project, this financing structure can reduce construction costs dramatically.**

### For More Information Contact:

**TODD CASTELLINI**

513.621.3000

tcastellini@cincinnatiport.org

## Benefits of a Structured Lease

In lease financings, The Port's tax-exempt status can be deployed to help developers and companies control costs of constructing a new building through sales tax exemption on the purchase of project building materials. As such, The Port's ownership of the asset is a condition of using this incentive. For a sizable project, this financing structure can reduce construction costs dramatically through sales tax savings.

## Capital Lease Structure

Under the capital lease The Port holds title to the project. The Port enters into a Lease with the lessee which can be a company or a developer. The Lessee books the asset and any debt on its balance sheet. The lessee receives all ownership benefits for federal tax purposes, i.e. depreciation, interest expenses. Under the lease, the lessee typically has the right to purchase the asset for a nominal amount at the end of the lease. A right for the lessee to purchase the asset prior to the end of the lease term can be negotiated.

## Role of The Port

The Port may:

- Own the project (via fee simple interest or ground lease)
- Arrange for construction
- Lease the project directly to the business or to a master lessee
- Issue the lease bond debt (typically under a trust indenture)

The source of repayment for any bonds is the master lease, the terms of which are negotiated among the bondholder, The Port, the business and the developer.

The Port is committed to working with the developer or company to make this structure fit within their goals for the project lease.



**Development Finance:**  
Lease Structure Example

**Benefit: Sales Tax Exemption on Building Materials**

In lease financings, The Port’s tax-exempt status can be deployed to help developers and companies control costs of constructing a new building through sales tax exemption on the purchase of project construction materials. As such, The Port’s ownership of the asset is a condition of using this incentive.

**For a sizable project, this financing structure can reduce construction costs dramatically.**

**For More Information Contact:**

**TODD CASTELLINI**  
513.621.3000  
tcastellini@cincinnatiport.org

**EXAMPLE PROJECT SAVING SCENARIO**

In the sample calculation below, the capital lease structure assumes 50% of the project cost is construction materials. Note that some of the project savings are used to support the cost of the transaction.

**\$25,000,000**  
new construction project (hard costs)

**\$12,500,000**  
assume 50% of hard cost is for construction materials

Hamilton County sales tax of 7.00%

**GOAL:** 80% of savings retained by client post transaction fees and expenses

**\$700,000**  
Total Savings to the Client

**EXAMPLE PROJECTS**

**Great American Tower at Queen City Square**  
City of Cincinnati, Ohio

**Madison Square (Med Pace Campus)**  
Madisonville, City of Cincinnati, Ohio

**JTM Production Facility and Freezer Expansion**  
Harrison, Ohio