Creating More Value out of Excess Local Government Land and Buildings

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Many governmental units in Ohio own excess land at various locations, and may also have excess building space. Traditional thinking and many lawyers advise officials to sell such assets by competitive bid; which may indeed produce the highest price, but which may not allow for more strategic alternatives. In contrast to public entities, private businesses are not required to bid every sale. Private businesses frequently find better ways to achieve a more positive result.

Here in Ohio governments can in fact emulate private business if they know how to use Ohio's project finance laws. The key is creating a "joint venture" contract with your local port authority, so you can utilize the tools made available to it under Ohio law and hopefully make your property sales or leases into a potential profit center.

First, Ohio law allows port authorities to acquire, sell and lease (as lessor or lessee) any type of property for economic development purposes – defined constitutionally as projects for industry, commerce, distribution, research or housing – for any price and by any type of negotiation.[1] A port authority is a separate special political subdivision under Ohio law, and almost every county has one.

Second, Ohio law allows Ohio governmental units, including municipalities, counties, townships and school districts, to borrow all powers possessed by port authorities, except powers to add new taxes. That means a school district with extra assets (e.g. land and buildings) may enter a cooperative agreement with a port authority, and either use those powers to dispose of property like a business, or partner with the port authority to have it dispose of such property for it.

Third, **and most important,** you now have an opportunity to dictate how that excess property will be used and developed. After all,

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many sites will be adjacent to an active governmental operation, be it City Hall, a service building, an administration building, or even a school. Now you can ask, what do I want to see developed on this site? Any option is open; governmental, commercial, mixed use, research, charitable or otherwise. Also, some uses may even allow you to create **more value** out of the assets you are disposing of.

For example, say there is an excess four-acre parcel next to your high school, and you no longer need it. Assume its worth $1 million on the open market. Now also assume you need to build a new school and you have a $5 million financing gap. You can sell the land and you are still $4 million short. But what if you could extract even more value out of that excess land? For example, ask yourself what other plans you have for future educational programming in your district. Maybe you want to create a computer programming/resource center and provide more STEM training?

If you set aside two of the excess acres for each, maybe you could find private partners in the computer and STEM industries which need new buildings. Is there a company which would like to be located next to your high school so you can supply student interns to them on a regular basis, use their facilities for classes at night (in the business' off hours) and very likely supply graduates interested in working for those companies?

Now your site is worth more than $1 million; maybe a lot more. Site location experts will tell you that trained and willing employees are very valuable assets. Now when you are negotiating to sell – or lease – that property, you may get much more than the present value of that $1 million, especially if you enter a long-term lease where the new business knows you are in the venture for a long time, and where you commit to the type of actions described above.

Finally, creative bankers can even potentially help you get the net present dollar value of a long-term lease. It's called asset monetization. That means selling the lease rental stream to a new investor.

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[1] Note, some charter municipalities may have similar powers.

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