



Alternative Capital Lease Policy

Article I. Purpose.

Section 1.01 Definition

- (A) An "alternative capital lease" is the means by which a private party may benefit from either or both of the following:
 - (i) the power of a county land reutilization corporation or its wholly owned subsidiary to hold property free of ad valorem real estate property taxation, or
 - (ii) the power of a county land reutilization corporation or its wholly owned subsidiary to purchase building and construction materials and services for incorporation into a structure or improvement free from sales and use tax.

Section 1.02 Intent

- (A) This policy intends to govern the circumstances and terms by which the Lucas County Land Reutilization Corporation (the "Land Bank") may offer an alternative capital lease to a private party to support the redevelopment of vacant, abandoned, and distressed real estate in Lucas County, Ohio.

Article II. Eligibility.

Section 2.01 Eligible Projects.

- (A) A project will be eligible for an alternative capital lease if it does any of the following for the benefit of Lucas County residents:
 - (i) Creates affordable housing units, with a Board-designated percentage of those units available to people earning at or below 120% of the Area Median Income for Lucas County, Ohio; or
 - (ii) Creates or retains living-wage jobs with affordable health insurance benefits.
- (B) An eligible project must include the following:
 - (i) A detailed project pro forma, including the inclusion of a replacement reserve fund, demonstrating that without an alternative capital lease, the proposed project would not be financially feasible.
 - (ii) Documented evidence that the development expenses for the project align with industry norms and market standards (e.g., reasonable profit margin, administrative costs, etc.).
 - (iii) A legal opinion documenting the project's eligibility for an alternative capital lease.
 - (iv) A letter of support from the Mayor or Board of Township Trustees in Lucas County where the project is located.

Section 2.02 Eligible Parties.

- (A) For-profit and non-profit entities are eligible. It is generally expected that an individual does not qualify for an alternative capital lease.
- (B) An entity seeking an alternative capital lease must provide the following for consideration of its request:
 - (i) At least three (3) years of global financial statements.
 - (ii) Any other documentation that would demonstrate that the entity is a productive property owner with the financial wherewithal to sustain the project.

Article III. Terms of Lease.

Section 3.01 Standard Expectations.

- (A) The term of the lease will be for up to 15 years, unless the lessee has demonstrated that a longer period of time is reasonable and necessary to the financing of the project. However, the lease may not be for a term that would be reasonably interpreted as constructive ownership under Ohio law.
- (B) The lease will be offered solely on a triple-net basis. The lessee will be responsible for all costs related to property maintenance, insurance, and operations, including tax assessments not exempted by the lease.
- (C) The lease will require the lessee and related entities, as necessary, to submit audited financial statements annually during its term. Failure to submit such statements or confirmation from such statements that the lessee is insolvent will be grounds for termination.
- (D) The Land Bank may terminate the lease at its discretion if the lessee fails to meet the financial or public benefits commitments made in the lease.
- (E) The lease will be terminated if the building is in chronic violation of building, health, and safety codes or the subject of a nuisance abatement action by the relevant authorities.
- (F) The lessee may not assign the lease without reasonable notice and the Land Bank's affirmative consent to the assignment. The Land Bank's consent is subject to an underwriting of the proposed assignee consistent with this policy. Notwithstanding the desire of the lessee to assign the lease, the Land Bank may withhold its consent for any reason.

Section 3.02 Additional Considerations.

- (A) The Land Bank may consider any other terms of the lease that, in its sole discretion, it determines to be appropriate and necessary to protect the public's interest.

Article IV. Review and Fees.

Section 4.01 Review Procedures.

- (A) In most cases, an alternative capital lease will be available to a proposed lessee at the invitation of the Land Bank.
- (B) The Land Bank will provide the proposed lessee with a project-specific list of

documentation to assess the feasibility of the project, including financial assumptions, expense reasonableness, and the proposed public benefits. The Land Bank will review the lessee's request based on those materials and other publicly available documentation.

Section 4.02 Fees.

- (A) If the alternative capital lease includes an ad valorem real estate property tax exemption, the lessee will pay the Land Bank a negotiated fee on an annual basis. In most cases, the fee will be 20-40% of the projected yearly ad valorem real estate property tax obligation (inclusive of regular special assessments). When appropriate, the Land Bank may request that the lessee make an annual payment in lieu of taxes (PILOT) to the public school taxing district.
- (B) If the alternative capital lease includes a sales and use tax exemption for the purchase of building and construction materials and services for incorporation into a structure or improvement, the lessee will pay the Land Bank a one-time negotiated fee. In most cases, the fee will be 20% of the projected sales tax savings.
- (C) In the context of the project, after all expenses, including reasonable profit, are paid, the lessee will pay to the Land Bank any surplus cash. The Land Bank will use this surplus cash payment to support the creation and preservation of affordable housing in Lucas County.

Article V. Best Practices.

Section 5.01 Best Practices

- (A) This policy will be used by the Land Bank consistent with best practices informed by other Ohio county land reutilization corporations and the Ohio Land Bank Association.
- (B) Notwithstanding any other considerations under this policy, if the use of the alternative capital lease tool would put the Land Bank's general real estate or sales tax exemption for the reutilization and redevelopment of vacant, abandoned, and distressed property at serious risk of litigation or statutory modification or rescission, the Board shall refrain from the use of this tool.
- (C) Notwithstanding any other considerations under this policy, if the use of the alternative capital lease tool would put the Land Bank in the position of violating the prohibition on owning occupied properties totaling more than the greater of 50 properties or 25% of all real property held by the Land Bank, as provided for in R.C. 1724.02(A)(3), the Board shall refrain from the use of this tool.