U.S. port authority examples of tax-exempt Private Activity Bond uses:

- The **Port of Los Angeles** (Calif.) estimates it would need to pay $5 million over 5 years and $30 million over 30 years if it couldn't use tax-exempt PABs, while the proposed changes to advanced refunding could cost the port $3.5 million over five years and $28.17 million over 30 years.

- The **Port of Long Beach** (Calif.) says it has $823 million of outstanding long-term debt, of which $394 million is in tax-exempt PABs and $395 million is eligible to be "advance refunded." For every $100 million of borrowing that can't be issued as PABs, the port estimates its debt service costs would increase by approximately $19 million.

- **The Northwest Seaport Alliance** (a joint partnership of the Washington State ports of Seattle and Tacoma) estimates the cost of its Terminal 5 modernization project will be $15 million to $50 million more expensive, depending on debt structure and interest rates, if it had to use taxable bonds instead if private activity bonds. This calculation is based on a 30-year loan of $261 million for the project. A recent analysis indicated that the borrowing rate using PABs would be approximately 4%. Using taxable bonds could conservatively raise the rate to 4.3% to 4.9%.

- The **Port of Everett** (Wash.) utilizes Private Activity Bonds for important infrastructure and economic development projects, and as an incentive for port real estate development by its private-sector partners. For example, investments in the port's marine terminal facilities are returned through fees paid by the users of its facilities. Typically, the port makes the investment and collects fees that provide a long-term return of its invested capital. Because the tax-exempt PABs provide for lower interest costs, often that differential in cost is a key factor in whether the Port of Everett, as a public agency, can take on the risk of putting in the infrastructure. These bonds help the port be competitive to attract private investment that is made within its properties, ultimately paying back directly to the federal, state and local governments many times over through taxes and fees. In Washington State, local governments have steadily increased their use of PABs – from $12.98 billion in 2015 to $20.38 billion in 2016. Eliminating the tax-exempt status of these bonds would raise the cost of capital for infrastructure projects, especially through public-private partnerships.

- **The Port Authority of New York and New Jersey** is a large issuer of exempt facility private activity bonds (PABs), with more than $5.1 billion in outstanding PABs that have been used to fund infrastructure at its airports and seaport facilities. PABs provide a cost-effective source of funds for infrastructure investment at Port Authority facilities where a mix of governmental and commercial activities take place. PABs provided lower cost financing for the rebuilding of the deep-water terminal facilities at Newark and Elizabeth and funded the construction of an extensive network of rail infrastructure connecting all the port facilities in the region to the regional Conrail network to the west. The Port Authority has a $32.2 billion 10-year capital plan that anticipates using a mix of debt issuances to achieve the lowest cost of capital. An increase in the cost of funding projects that would traditionally be funded with PABs will reduce overall capital capacity and threaten or delay the completion of projects in the plan. At today's very tight spreads between PABs and taxable rates, the incremental cost of taxable debt is currently 50 basis points. On $1 billion in borrowing, this translates to an incremental cost of debt service of $5 million per year or $150 million over the 30-year life of the bond. As spreads widen with market changes, these costs will rise.

- The **Port of Cleveland** (Ohio)believes the repeal of the tax exemption on private activity bonds would negatively impact its ability help small companies, underserved communities and not-for-profit organizations access capital markets. The port deploys New Market Tax Credits through its affiliated entity, Northwest Ohio Development Fund. The Fund has financed 12 projects in low income Cuyahoga County neighborhoods, totaling $123 million. Elimination of the tax exemptions would raise the costs of projects like these and result in a decrease in economic development and correlating jobs.

- At the **Port of Port Arthur** (Tex.), most port-related bonds are classified under federal tax regulations as private activity bonds, including the port's remaining bonding capacity. If the port were required to issue bonds as taxable given the current market for 30-year debt, there'd be a significant cost impact. The port's $60 million remaining authorization of bonds would carry an interest rate greater than tax-exempt by approximately 100 basis points (1%), resulting in $10 million to $12 million of additional interest expense until bond maturity.

- **Toledo-Lucas County Port Authority** (Ohio) says that removing the PAB tax exemption provisions would derail more than half of the projects that the port plans to fund in the short term, including facility bonds for its deteriorating seaport infrastructure, airport hangar construction and improvements, and TIF bonds that would help to address and eliminate blight in the area surrounding its Overland Industrial Park. Placing limitations on federal tax exemption would result in an increased cost for these projects which are critical for the Toledo region and its transportation and logistics assets. Other elements of the tax reform legislation would eliminate the New Market Tax Credit and Historical Tax Credit programs which have been utilized by the port authority and its community partners to revitalize downtown Toledo and build out the lronville dock. These programs have played a significant role in delivering some of the largest projects the Toledo region has ever experienced, including the downtown Promedica headquarters and the announcement of the $700 million Cleveland Cliffs plant at the lronville terminal. Another development that utilized the New Market Tax Credit program involved the construction of a new automotive part production facility operated by Detroit Manufacturing Systems (DMS) at Overland Industrial Park. The DMS investment resulted in 270 new jobs in one of the lowest income neighborhoods in our community.

- **Port Freeport** (Tex.), CEO Phyllis Saathoff was recently on Capitol Hill speaking about the private activity bond provision in the tax reform legislation in nearly every meeting. She said it would cost her port $1 million for every $50 million in bond authority they used. That's a million dollars her port could use on infrastructure, she said.

- The **Port of New Orleans** (La.) currently has plans to issue more than $80 million of private activity bonds early next year. The loss of the tax exemption on private activity bonds would increase interest costs almost $1 million per year and affect future capital and operating budgets just on these bonds. In future years, the additional cost could more than double with new issues that support job creating infrastructure and commerce. By eliminating the tax exemption for private activities bonds, the port will need to offer higher yields, which will result in additional costs.

- **The Port of Virginia** estimates that if the exemption for private activity bonds is repealed, the cost of a $170+ million planned bond issue for an active port expansion project in 2018 would increase by approximately $2 million over 20 years. In addition, the port's plans to refinance $57 million in debt to save $9 million would be halted by the proposed elimination of advance refundings.

Other AAPA member ports that have expressed concerns about the importance of maintaining tax exempt bonds as a financing tool for port infrastructure include:

- Port Everglades (Fla.)
- Delaware Maritime Exchange members PhilaPort (Penn.), South Jersey Port Corporation (NJ) and Port of Wilmington (Del.)
- Port Miami (Fla.)
- Alabama State Port Authority (Mobile)
- Port Houston (Tex.)
- Port Tampa Bay (Fla.)
- Calhoun Port Authority (Tex.)
- Port of Beaumont (Tex.)
- Ports of Indiana (Indianapolis)
- Port of Pascagoula (Miss.)
- Georgia Ports Authority (Savannah)
- Massachusetts Port Authority (Boston)
- Port of South Louisiana (LaPlace)
- Port of Oakland (Calif.)
- Port of Portland (Ore.)

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