

## Appendix B: Funding sources

### Revenue prospects – PROS public sources

The following options could be used to deal with future Lewis County PROS capital needs:

#### Washington State grants

Washington State, through the Resource Conservation Office (RCO - formerly the Interagency for Outdoor Recreation (IAC)) funds and administers several programs for parks and recreation, and non-motorized transportation and trails purposes using special state revenue programs.

- **Endangered Species Act (ESA)** - a Department of Ecology administered water quality program provides grants for up to 75% of the cost of water quality/fish enhancement studies. Referendum 39 monies can be applied to park and open space developments that propose to restore, construct, or otherwise enhance fish producing streams, ponds or other water bodies.
- **Washington Wildlife Recreation Program (WWRP)** - provides funds for the acquisition and development of conservation and recreation lands. The Habitat Conservation Account of the WWRP program provides funds to acquire critical habitat, natural areas, and urban wildlife categories. The Outdoor Recreation Account of the WWRP program provides funds for local parks, state parks, trails, and water access categories.
- **Capital Projects Fund for Washington Heritage** - initiated on a trial basis in 1999, and since renewed, provides funds for the restoration and renovation projects for historical sites and buildings by local governments and nonprofit agencies. The Heritage Resource Center (HRC) administers the program.
- **Boating Facilities Program** - approved in 1964 under the state Marine Recreation Land Act, the program earmarks motor vehicle fuel taxes paid by watercraft for boating-related lands and facilities.

Program funds may be used for fresh or saltwater launch ramps, transient moorage, and upland support facilities.

- **Aquatic Lands Enhancement Act (ALEA)** - initiated on a trial basis in 1985, and since renewed and expanded, uses revenues obtained by the Washington Department of Natural Resources from the lease of state-owned tidal lands. The ALEA program is administered by the RCO for the development of shoreline related trail improvements and may be applied for up to 50% of the proposal.
- **Washington State Public Works Commission** - initiated a program that may be used for watercraft sanitary pump-out facilities.
- **Youth Athletic Facilities (YAF)** - provides grants to cities, counties, and qualified nonprofit organizations for the improvement and maintenance of existing, and the development of new athletic facilities. The Community Outdoor Athletic Fields Advisory Council (COAFAC) of the RCO administers the program.
- **Non-Highway & Off-Road Vehicle Activities Program (NOVA)** - provides funding to develop and manage recreation opportunities for users of off-road vehicles and non-highway roads. An allocation (1%) from the state Motor Vehicle Fuel Tax (MVFT) and off-road vehicle (ORV) permit fees fund the program. NOVA funds may be used for the planning, acquisition, development, maintenance, and operation of off-road vehicle and non-highway road recreation opportunities.
- **Firearms and Archery Range Recreation Program (FARR)** - provides funds to acquire, develop, and renovate public and private nonprofit firearm and archery training, practice, and recreation facilities. The program is funded from a portion of the fees charged for concealed weapons permits.

### **Federal grants**

Federal monies are available for the construction of outdoor park facilities from the National Park Service (NPS) Land and Water Conservation Fund (LWCF). The Washington State Resource Conservation Office (RCO) administers the grants.

- **NPS (National Park Service) grants** - usually do not exceed \$150,000 per project and must be matched on an equal basis by the local jurisdiction. The RCO assigns each project application a priority on a competitive statewide basis according to each jurisdiction's need, population benefit, natural resource enhancements and several other factors.

In the past few years, project awards have been extremely competitive as the federal government significantly reduced the amounts of federal monies available the NPS program. The state increased contributions to the program over the last few years using a variety of special funds, but the overall program could be severely affected by pending federal deficit cutting legislation.

Applicants must submit a detailed comprehensive park, recreation, and open space plan to be eligible for NPS funding. The jurisdiction's plan must demonstrate facility need and prove that the jurisdiction's project proposal will adequately satisfy local parks, recreation, and open space needs and interests.

Due to diminished funding, however, RCO grants have not been a significant source of project monies for city or other local jurisdictions in recent years.

- **TEA21 (Transportation Equity Act for the 21st Century)** - can be used to finance on and off-road non-motorized trail enhancements along major and minor arterial collector roads or sometimes, within separate trail corridors. The program was adopted in 1993 and is administered by the Regional Transportation Organization on behalf of the US Department of Transportation.

Applicants must demonstrate the proposed trail improvements will increase access to non-motorized recreational and commuter transportation alternatives.

- **National Recreational Trails Program (NRTP)** - is the successor to the National Recreational Trails Act (NRFTA). Funds may be used to rehabilitate and maintain recreational trails that provide a backcountry experience. In some cases, the funds may be used to create new "linking" trails, trail relocations, and educational programs.
- **Boating Infrastructure Grant Program (BIG)** - supports development and renovation of areas for non-trailer-able recreational boats over 26 feet, and related support elements on US navigable waters. Funds may be used to produce and distribute information and educational materials. The federal program compliments the state-funded Boating Facilities Program (BFP) administered for smaller vessels.

### **Environmental impact mitigation - subdivision regulations**

Lewis County subdivision policies can require developers of subdivisions on the city to provide suitably designed and located open spaces, woodland preserves, trail systems, tot lots, playgrounds, and other park or recreational facilities. Such facilities may include major components of the park or recreational system that may be affected by the project's location or development.

Lewis County may also consider requiring developers provide acceptable long-term methods of managing and financing maintenance requirements. Attractive management systems could include:

- **Ownership by a private organization** - like a tennis, swimming or golf club, who assumes responsibility for all maintenance responsibilities and costs,
- **Ownership by a homeowners or common property owners association** - who may contract maintenance responsibilities and assess property owner's annual costs, or

- **Dedication of property** - to Lewis County or the Kent School District who assumes maintenance responsibilities using local city or school funds.

Lewis County should not accept title and maintenance responsibility unless the land or facility will be a legitimate park or recreation or open space element that may be supported using public financing. Lewis County may be contracted by any of the other agencies to provide or oversee a maintenance contract on the owner's behalf provided all Lewis County costs are reimbursed by an approved method of local financing.

#### **GMA fees - park impact fees**

Park Impact Fees are imposed on new development to meet the increased demand for parks resulting from new growth. Park impact fees can only be used for park property acquisition and projects that increase the capacity of the parks system. Park impact fees cannot be used for the operations and maintenance of parks and facilities. Lewis County currently assesses park impact fees for residential developments (single-family and multifamily). The policy framework in Title 19 CMC aligns with RCW 82.02, which defines a city's ability to collect impact fees.

Lewis County should pursue updating the methodology and rate structure, as appropriate, to be best positioned to obtain future acquisition and development financing from the planned growth of the community. This action will be identified in a future city's work plan as an implementation action resulting from adopting the updated Parks Pros Plan. In addition, the adoption of an updated Capital Improvement Program and 20-Year Capital Facilities Program through the 2024 Comprehensive Plan periodic update (GMA requirement) will further inform an update to the park's impact fee.

#### **Facility user fees and charges**

Lewis County could charge an array of special user fees, charges, and special assessments to pay facility operating and maintenance capital requirements. Proposals to recover recreation program costs could be augmented with additional or higher user fees on picnic

shelters, athletic courts and fields, meeting rooms, and other facilities.

Lewis County could also increase the number of activities subject to user fees and charges and use the proceeds to purchase land, develop, operate, and maintain facilities where all costs are reimbursed by the revenue obtained. Essentially, Lewis County would become a facility developer/operator providing whatever facilities or services the market will support from user revenue.

User fees have and could be used to provide facilities for park and recreation activities whose profit margins are too low to sustain commercial operations or whose benefiting user group may extend beyond city boundaries. Possible user fee financed facilities could continue to include recreational vehicle parks and tent campgrounds, and any other facility where demand is sizable enough to warrant a user fee financing approach.

In essence, the market determines which facility's revenues equal costs, and thereby, which programs Lewis County would provide on a direct costs/benefit basis. While important, this source of finance will likely never pay full costs for all programs, or any operation, maintenance, or development costs.

Some programs designed for youth and family activities, may never generate fees large enough to finance full costs and will require Lewis County to determine to what extent the public benefits merit the subsidized fee revenues.

The user fee approach may also be difficult to impose on facilities that don't have readily identifiable or chargeable users - like some passive park or trail systems. The approach may be very responsive, however, for facilities and services that have an identifiable user group receiving a direct proportional benefit for the charge.

#### **Special legislation – Real Estate Excise Tax (REET)**

Local government representatives can seek state enabling legislation authorizing new or special revenue sources. Senate Bill 5972 (RCW 82.46) is an example of one possible legislative solution.

RCW 82.46 authorizes local governments to enact up to 0.25% of the annual sales for real estate for capital facilities. The Growth Management Act authorizes another or 2nd 0.25% for capital facilities. Revenues must be used solely for financing new capital facilities, or maintenance and operations at existing facilities, as specified in the capital facilities plan.

An additional option 3rd REET is available under RCW 82.46.070 for the acquisition and maintenance of conservation areas if approved by a majority of voters.

The first and second REET may be used for the following capital facilities:

- The planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, and storm and sanitary sewer systems, or
- The planning, construction, repair, rehabilitation, or improvement of parks and recreational facilities.

In addition, the second REET may be used for the following:

- The acquisition of parks and recreational facilities, or
- The planning, acquisition, construction, repair, replacement, rehabilitation, or improvement of law enforcement facilities, and the protection of facilities, trails, libraries, administrative and judicial facilities, and river and/or floodway/flood control projects and housing projects subject to certain limitations.

Like bonds, REET funds may not be used to finance operation and maintenance requirements.

#### **Unlimited general obligation (GO) bonds**

Lewis County may use voter referendums as a means of financing a larger portion of the capital improvement program, since unlimited obligation bonds are not paid from the property tax subject to the 1.0% limitation.

Voter approved capital improvements may be more representative of actual resident priorities than some other methods of validating

capital expenditures, and will at the least, ensure referendum submittals provide widespread benefits.

However, bond revenue cannot be spent for maintenance and operational issues - and bond referendums must be approved by a margin over 60% of at least a turnout of 40% of the registered voters who participated in the last election.

#### **General levy lid lift referendums**

Proposition 747, the statutory provision limiting the growth of regular property taxes to 1.0% per year, can be waived by referendum approval of a simple (50%) majority of Lewis County's registered voters. Voters can be asked to approve a resetting of the property tax levy rate or of approving a special purpose limited duration (typically 6-9 years) dedicated property tax levy that would adjust the amount of revenue Lewis County can generate.

The new total revenue that can be generated by a resetting of the rate or of approving a special dedicated and limited duration levy would be subject to the same 1.0% limitation, however, and the total amount of revenue and the resulting property tax rate would start to decline again in accordance with the Proposition.

However, the adjusted rate and revenue could finance specific capital improvement projects - or programs that involve construction, maintenance, and operations aspects that a majority of voters are willing to pay for under the adjusted rate or a specially approved levy.

The resetting of the rate can be permanent, subject to the provisions of Proposition 747, or temporary, where the rate is adjusted until a specific amount of revenue has been generated to finance a project or program - whereupon the rate reverts to the original or a specified amount defined in the referendum.

#### **Metropolitan Park District (MPD) (SB 2557)**

In 2002, the state legislature authorized the establishment of metropolitan park districts (MPD) as special units of government that may be wholly independent of any involvement with a city, county, or any other local public agency or jurisdiction.

Metropolitan Park Districts may provide recreational facilities that are specific to the district's boundaries in return for the district residents' agreement to pay the special development, operation, and maintenance costs utilizing special financing devices.

Metropolitan Park Districts must be initiated by local government resolution or citizen petition following hearings on feasibility and costs studies of the proposed district's facility development or operation costs.

The proposal must ultimately be submitted for voter approval (50%) including all provisions relating to any special financing agreements. The voters must initially approve the formation of the district, and may designate existing elected officials, or a body appointed by existing elected officials or elect district commissioners or officers solely responsible for park and recreation policy.

Voters must also approve the establishment of **a continuous levy as a junior taxing district - compared with 3-year levies under a recreation service district** to provide maintenance, repair, operating costs, and facility acquisition and development projects. Metropolitan Park Districts can be flexible and used to provide local or citywide recreational facilities in the same variety of custom service choices with the exception that the financing levy may be as a junior taxing district with a continuous levy.

The Tacoma Metropolitan Park District was established in 1909 and is the largest and oldest recreation park district in the State of Washington. Seattle was the most recent and authorized the City Council to perform as the Metropolitan Park District Commissioners.

## **Revenue prospects - PROS private**

### **Special use agreements**

Special property agreements can often be used instead of property purchases to secure public use rights for land or property at no cost or a nominal fee, particularly where the possible public use is of benefit to the private landowner. Some forms of special use

agreements can provide favorable tax benefits if the use agreement can be shown to have an assigned value.

Lewis County could expand the use agreement concept to include complete development, operation, or maintenance responsibilities. Package lease agreements will usually provide more effectively maintained facilities than possible where Lewis County must staff specialized, small work crews.

Sometimes package lease agreements covering use and maintenance aspects may be the only way of resolving an equitable agreement with the private ownership. This may include trails on utility corridors where the ownership may prefer to control development and maintenance activities, and Lewis County may prefer to avoid any implied responsibility or liability for the utility worthiness that Lewis County's maintenance of a trail system could imply.

### **Public/private service contracts**

Private market skills and capital may be employed in a variety of ways including the use of public/private services contracts where a private party can be contracted to operate and maintain a facility for a fixed fee cost. Service contracts can be very efficient where the activities are small, scattered in location, seasonal, expert or experimental. Service contracts are also relatively easy to initiate or terminate if area demand fails to provide sufficient use or revenue to justify continued operation.

Service contracts may be very flexible and can include agreements with the county, school district or local user groups who can or would be interested in sustaining the activity on a subsidized or sweat-equity basis in exchange for the facility.

### **Public/private concessions**

Lewis County could lease a portion of a site or facility to a private party in exchange for a fixed fee or a percentage of gross receipts. The private operator assumes operation and maintenance responsibilities and costs in exchange for a profit. For certain types of facilities, such as enterprise fund account facilities like a golf course, campground, marina, indoor tennis courts, or community center Lewis County's portion of the profits may be used to pay

facility development and/or operation and maintenance costs at the same or for similar facility developments.

Lewis County may save considerable monies on concessions where the activities are specialized, seasonal, experimental, or unproven. Concessions can be easily initiated, provide direct user benefit/cost reimbursements, and relieve Lewis County of a capital risk should market or user interest fail to materialize to least break-even levels.

Concessionaires could operate a wide variety of park and recreational facilities including boating and bicycle rentals, special group and recreational vehicle campgrounds, athletic field and court facilities, and swimming pools and beaches, among others.

#### **Public/private joint development ventures**

Lewis County can enter into an agreement with a private or public developer to jointly own or lease land for an extended period of time. The purpose of the venture would be to allow the development, operation, and maintenance of a major recreational facility or activity in exchange for a fixed lease cost or a percentage of gross receipts.

The developer assumes development, operation, and maintenance responsibilities, costs, and all market risks in exchange for a market opportunity providing a profitable return not otherwise available. Lewis County realizes the development of a facility not realized otherwise in exchange for a low minimum capital return and no or very little capital risk.

Joint development agreements represent an ultimate benefit/cost resolution that may also provide public revenue that Lewis County could use for other development opportunities. Examples include the possible joint development on Lewis County lands of recreational vehicle campgrounds, seminar retreats, special resorts, swimming pools and water parks, golf courses, and gun and archery ranges, among others.

#### **Self-help land leases**

There are instances where an activity is so specialized in appeal or of a service area so broad in scope that it cannot be equitably

financed using General Funds. Specialized user groups should be provided options for developing or maintaining facilities in ways that account for equitable public cost reimbursements.

Examples include the use of land leases where Lewis County may lease land at low or no cost where a user group or club assumes responsibility for the development, operation, and maintenance of the facility. The club could provide volunteer help or use club finances to develop, operate and maintain the facility as a means of meeting user benefit/cost objectives.

Land lease agreements could accommodate organized athletics like soccer, baseball, football, softball and rugby, or very specialized facilities like shooting ranges, archery fields, OHV trails, and ultra-light aircraft parks, among others.

#### **Self-help contract agreements**

Lewis County can purchase land, develop, operate, and maintain a specialized facility under a negotiated contract agreement where a special interest group agrees to defray all costs in addition to or in lieu of a user fee as a means of meeting user benefit/cost objectives. The agreements can be quite flexible and could contract the city, school district, the user group, another public agency or a private operator to be developer/operator.

Contract agreements could accommodate a range of more expensive special purpose facility developments including high quality athletic competition facilities for league organizations; and specialized facility developments like shooting ranges and OHV trail systems, or historical or children's museums, or railroad train excursions when and where the user organization can provide financial commitments.

#### **PROS funding strategies**

Using the strategies described above, PROS funding sources should generally be matched to specific needs to avoid duplication and take advantage of each fund's specific possibilities. For example:

### **Program services**

Fees and charges should be used to finance program services to the maximum extent possible and practical to provide cost/benefit equities and efficiencies. Property tax levy funds should be used to cover shortages where fees cannot be readily collected, as in most special events, or where fees may not be easily raised to cover all operating costs for programs Lewis County deems to have special social benefits to the public.

### **Facility operation, maintenance, and minor construction**

Property tax levy funds should be used to pay operation and maintenance costs for facilities and activities that cannot be financed with fees and charges or financed with other funding methods. Property tax levy funds are flexible and can be adjusted to meet annual programming variations or priorities.

Where appropriate, maintenance and operation funds for facilities that are impacted by urban growth should be reimbursed or provided by Lewis County and the Kent School District subject to the pending resolution of an inter-local agreement on planning and services.

The funds collected from the excise tax on real estate sales (REET) should be used to finance minor construction improvements to existing properties. The money should also be used to help purchase sites when opportunities arise that cannot await other, less flexible funding methods. Like property tax levy funds, the monies collected from REET are flexible and can be adjusted to meet annual programming needs or sudden changes in priorities or opportunities.

### **Recreational facility development**

Recreational facilities, athletic fields, are important to Lewis County's programs but satisfy relatively small proportions of the population compared with parks and trails.

Bonds, levies, and other fixed forms of financing should be used to pay for the development of parks, trails, and other facilities that residents assign high priorities. Recreational facilities with low to

moderate priorities should be financed with property tax levy funds, REET, and other more flexible sources of financing.

Lewis County should investigate the possibility of implementing a wide range of joint recreational facility developments with the Kent School District. Such ventures could finance acquisition and development costs using open space and school facility development bonds, or conservation futures and REET - and Lewis County could finance operating and maintenance using service charges and property tax levy funds.

Joint venture agreements could better match costs/benefits with users, avoid duplication, save cost, increase service, and allow each agency to make the best use of funds.

### **Parks, natural areas and trail development**

Parks and trails benefit the largest percentage of the population and will probably be easier to obtain voted bond or property tax levy issues for than other more specialized uses. General obligation bond or special property tax levy packages could finance the high priority conservancies and trail acquisition and development proposals contained within the development plan chapter of this document.

When necessary and appropriate, Councilmanic bonds could be used to purchase sites when opportunities require fast action, or to match possible Washington State RCO state or federal grants for park and trail developments.

### **Special developments**

Some proposed projects represent unique facilities that may not be easily financed with conventional funding methods. Lewis County should explore the opportunities that may be available for the development and funding of joint public/private facilities with private property owners or developers.

Joint ventures could save costs, reduce program requirements and provide city residents services and facilities not available otherwise.

