

# Potential Funding Strategies

## 1.1 Funding And Revenue Strategies

This section of the Master Plan includes examples of funding and revenue strategies from parks and recreation departments all over the United States. A recurring theme throughout this Master Plan is the challenge created by diminishing funds to support operations and the desire to create additional funding sources to sustain future growth.

Park and recreation agencies draw on many sources of revenue to help them acquire park land, develop parks and facilities, maintain parks, and offer recreation programs and community facilities from a variety of revenue options. The following are examples of revenue options the City of Elgin can consider to support capital improvement, land acquisition, and operational needs in the future.

### 1.1.1 General Funding Sources

**General Fund:** General funds derived from property taxes and other municipal income sources are a normal way of supporting park and recreation system operations. However, they are limited in their ability to fund significant land acquisition or capital development.

**General Obligation Bond:** A general obligation bond is a municipal bond secured by the taxing and borrowing power of the municipality issuing it. These bonds usually require some level of community voter support and are used to support capital improvements and acquisition of land.

**Governmental Funding Programs:** A variety of funding sources are available from federal and state government for greenspace-related and sustainability projects. For example, the Land and Water Conservation Fund provides funds to state and local governments to acquire, develop, and improve outdoor recreation areas. Federal Community Development Block Grant (CDBG) funds can be used in part to support greenspace-related improvements. Transportation enhancement funds available through SAFETELU, the current federal transportation bill, can be used for trail and related greenspace development. AmeriCorps grants can be used

to fund support for park maintenance. Federal Housing Grants can be used to develop recreation related facilities to support social needs of housing residents. Also, the federal government oversees the Energy Efficiency and Conservation Block Grants, which assist with reducing energy usage.

**Bond Referendum:** This funding approach involves submission and voter approval of a bond measure to be used to finance land acquisition, facility and park development, and/or maintenance. According to the Trust for Public Land, voters in 23 states approved 104 ballot measures in November 2006 that will provide \$6.4 billion in funding for park-related land acquisition and development.

### 1.1.2 Dedicated Funding Sources

**Park Impact Fees:** These fees are attached to the cost of new residential development based on the square footage or number of bedrooms per unit to generate funds for park acquisition and development. Impact fees typically range from a low of \$500 dollars per unit to a high of \$9,000 dollars per unit and should be periodically updated to address market rates and land values.

**Tax Allocation District:** Commonly used to finance redevelopment projects in Atlanta, a Tax Allocation District (TAD) involves the issuance of tax-exempt bonds to pay front-end infrastructure and eligible development costs in partnership with private developers. As redevelopment occurs in the district, the “tax increment” resulting from redevelopment projects is used to retire the debt issued to fund the eligible redevelopment costs. The public portion of the redevelopment project funds itself using the additional taxes generated by the project. TADs can be used to fund greenspace acquisition and development as an essential infrastructure cost.

**Boulevard Tax:** This funding source has been used by Kansas City, Mo., to develop and maintain its nationally renowned parkways and boulevard system. Residents who



live along these corridors pay a charge based on a lineal foot that is added to their property tax bill. This approach has proven to be very beneficial to owners when selling their homes because of the added value to their properties.

**Cash-in-Lieu of Open Space Requirement:** Ordinances requiring the dedication of open space within developments to meet the park and recreation needs of the new residents often have provisions allowing cash contribution to substitute for the land requirement. The proceeds can be applied to a park off site, usually within one mile that serves the needs of the development.

**Dedicated Sales Tax:** A dedicated sales tax has been used by many cities as a funding tool for capital improvements. The City of Lawrence, Kansas, passed a one-cent sales tax for parks that has generated over \$50 million in park improvements over the last seven years. The City of Phoenix receives sales tax revenue from car rentals to support capital needs of parks and recreation services.

**Facility Authority:** A Facility Authority is used by park and recreation agencies to improve a specific park or develop a specific improvement such as a stadium, large recreation center, large aquatic center, or sports venue for competitive events. Repayment of bonds to fund the project usually comes from sales taxes. The City of Indianapolis has created several recreational facilities to meet local needs and national competition venues as an economic development tool. The Facility Authority is responsible for managing the sites and operating them in a self-supporting manner.

**Improvement District:** An improvement district allows for special assessments on property owners to support acquisition, development, and/or maintenance costs. There are various types of improvement districts that apply to parks and greenspaces. Landscape and Lighting Districts are used by California communities to fund park development and ongoing maintenance. Park Benefit Districts establish assessments on properties based on the benefits and costs

### 1.1.3 Revenue Capture

**Land Leases/Concessions:** Land leases and concessions are public/private partnerships in which the municipality provides land or space for private commercial operations that enhance the park and recreational experience in exchange for payments to help reduce operating costs. They can range from vending machines to food service operations to golf courses.

**User Fees:** User fees are fees paid by a user of recreational facilities or programs to offset the costs of services provided by the municipality. The fees are set by the municipality based on cost recovery goals and the level of exclusivity the user receives compared to the general taxpayer. This does not necessarily imply the need for increasing fees, but rather having a sophisticated approach to the charging of fees. Too many agencies simply use comparative pricing in the establishment of prices. Smarter agencies have a system wide fee policy linked to cost recovery goals and manage fees according to the psychology of pricing.

**Capital Improvement Fee:** A capital improvement fee can be added to the admission fee of a recreation facility to help pay back the cost of developing the facility. This fee is usually applied to golf courses, aquatic facilities, recreation centers, ice rinks, amphitheaters, and special use facilities such as sports complexes. The funds generated can be used to either pay back the cost of the capital improvement or the revenue bond that was used to develop the facility. Columbia, MO, has successfully used this fee for years. Virtually all of their program and rental fees have a capital improvement fee attached to the cost of the service.

**Corporate Naming Rights:** In this arrangement, corporations invest in the right to name an event, facility, or product within a parks system in exchange for an annual fee, typically over a ten-year period. The cost of the naming right is based on the impression points the facility or event will receive from newspapers, TV, Websites, and visitors or users. Naming

rights for park facilities are typically attached to sports complexes, amphitheaters, recreation centers, aquatic facilities, stadiums, and events. These can be looked into particularly for some of the special use facilities or signature arts facilities.

**Corporate Sponsorships:** Corporations can also underwrite a portion or all of the costs of an event, program, or activity based on their name being associated with the service. Sponsorships typically are title sponsors, presenting sponsors, associate sponsors, product sponsors, or in-kind sponsors. Many cities seek corporate support for these types of activities. On a local basis, park districts that have leveraged good success from the corporate sector include Naperville, Schaumburg, and Rockford Park Districts.

**A Maintenance Endowment Fund** is a fund dedicated exclusively for parks maintenance, funded by a percentage of user fees from programs, events, and rentals.

**Gift Catalog:** This can be a Web based shopping list for individuals to “buy” a gift for the City of Elgin Parks and Recreation department. This consists of having a list of amenities the public can buy to help fund park development.

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## 1.1.4 Private Funding Sources

**Business/Citizen Donations:** Individual donations from corporations and citizens can be sought to support parks and greenspaces. As an example, the Naperville Park District has an ongoing program soliciting tax deductible contributions from individuals, community organizations, and businesses to enhance park and recreational services.

**Private Foundation Funds:** Nonprofit community foundations can be strong sources of support for parks and greenspace. The City of Indianapolis has received over \$100 million in grants from the Lilly Endowment for park-related improvements.

**Nonprofit Organizations:** Nonprofit organizations can provide support for greenspace and parks in various ways. Examples include:

- **Conservancy or Friends Organization:** This type of nonprofit is devoted to supporting a specific park. New York City has had great success with conservancies.
- **Land Trust:** Land trusts are nonprofits focused on greenspace preservation. In Atlanta, the Trust for Public Land and Conservation Fund helps to facilitate greenspace acquisition by the City, but it does not own land and easements outright. Project Greenspace proposes establishment of a new land trust dedicated to acquiring and managing greenspace in Atlanta.
- **Conservation District:** Conservation Districts operate like a land trust, but are set up to protect specific property areas with high greenspace value, such as watersheds or sensitive natural areas. The conservation district's role is to provide landowners with tax benefits to allow their properties to be preserved as part of the district.
- **Parks Foundation:** Established to support system-wide parks and recreation needs, park foundations have helped many cities across the nation to acquire land and

develop parks. For example, the Parks Foundation of Houston raises \$5 million annually, on average, for land acquisition and park improvements.

- **Greenway Foundations:** Greenway foundations focus on developing and maintaining trails and green corridors on a citywide basis. The City of Indianapolis Greenway Foundation develops and maintains greenways throughout the City and seeks land leases along the trails as one funding source, in addition to selling miles of trails to community corporations and nonprofits. The development rights along the trails can also be sold to local utilities for water, sewer, fiber optic, and cable lines on a per mile basis to support development and management of these corridors. King County in the Seattle area has done a very good job in accessing this funding source for greenway development.
- **Gifts to Share:** This approach is used in Sacramento, California, in the form of a nonprofit that solicits donations for park improvement projects.

**Homeowner Association Fees:** Homeowner association fees are typically used to maintain dedicated greenspace areas within private residential developments. They could be applied to maintaining privately owned greenspace that is publicly accessible through an agreement between the developer and homeowner associations.

**Lease Back:** Lease backs are a source of capital funding in which a private sector entity such as a development company buys the land and develops a facility such as a park, recreation attraction, recreation center, pool, or sports complex. After the purchase, the development company leases the facility back to the municipality to pay off the capital costs over a 30- to 40-year period. This approach takes advantage of the efficiencies of private sector development, while relieving the burden on the municipality to raise upfront capital funds. Capital source is a private banking company that provides municipalities this option without going to the

voter for approval and/or using municipal bonds to support parks and recreation needs.

## 1.1.5 Volunteer Sources

**Adopt-a-Park:** In this approach, local neighborhood groups or businesses make a volunteer commitment to maintaining a specific park. Adopt-a-Park arrangements are particularly well-suited for smaller parks that are less efficient for a parks department to maintain.

**Neighborhood Park Initiatives:** These are formal or informal initiatives by local groups to address the needs of an individual park. Examples include park watch programs and “clean up/fix up” days.

**Adopt-a-Trail:** This is similar to Adopt-a-Park but involves sponsorship of a segment of a trail (e.g., one mile) for maintenance purposes. The agency uses community volunteers to monitor trails for safety and as a first-response to report problems on the trails.

**Community Service Workers:** Community service workers are assigned by the court to pay off some of their sentence through maintenance activities in parks, such as picking up litter, removing graffiti, and assisting in painting or fix-up activities. Most workers are assigned 30 to 60 hours of work.