



POTENTIAL SOURCES OF FUNDING

There are a number of possible funding sources for programs, non-capital projects, parks and facilities acquisition, development, and maintenance. This appendix provides an overview of potential funding sources for park and recreation projects. Most sources are limited in scope and can only be used to fund specific types of projects. Because of these limitations, the City of Arcata will have to carefully consider all funding options to determine the best strategy for implementing system improvements, especially those that increase the need for maintenance or operations funding.

- **General Fund:** The primary source for both operating and capital funding in Arcata comes primarily from the City's General Fund. The General Fund is the pool of unrestricted tax dollars that a City uses to pay for most of the services it provides. General funds are allocated out in the budgeting process and dollars for park operations must compete with other city needs for limited resources.
- **Quimby Act:** A city may require the dedication of land or payment of fees in lieu thereof (or a combination of both) when residential land is subdivided. Dedicated land or fees charged under the Quimby Act are calculated based on a State standard not exceeding 3 acres per 1,000 population, unless the amount of existing parkland exceeds that limit up to a maximum of 5 acres/1,000 population. This ratio is based on the amount of developed park acreage (such as neighborhood and community parks) in relation to the city's population as *shown in the most recent available federal census*.

The land and/or fees are to be used for developing new parks or rehabilitating existing developed parks or recreational facilities to serve the subdivided areas. These fees cannot be used for maintenance and operations. Any fees collected shall be committed within five years after payment or the issuance of building permits on one-half of the lots created, whichever occurs later.

- **Parkland In-Lieu Fees:** Parkland-In-Lieu fees are collected from subdividers for the purpose of acquiring necessary land, developing new parks, or rehabilitating existing parks and

recreational facilities reasonably related to serving the subdivision. These fees are authorized through the Quimby Act (see above).

- **Parking In-Lieu Fees:** This fee is collected from developers in lieu of providing off-street parking and is set aside for future construction of off-street parking.
- **Park and Recreation Impact Fees:** Impact fees are paid by developers for the impact of their residential project on the existing park system. The money received can be used for the acquisition and development of parks, open space, trails and other recreational facilities. Under AB1600, fees can be charged for all types of residential development, and in some cases, non-residential development. The fee is applied at the time of acquiring the building permit. Park Impact Mitigation Fees must be based on the current level of service to ensure that new development does not pay for any existing deficiencies in park development. AB1600 requires certain procedures for calculating and administering the fee.
- **Residential Construction Tax:** A tax of 1% of the value of multi-family structures is levied as a residential construction tax for acquisition, improvement, expansion and maintenance of City parks.
- **Special Assessment District:** The City administers two active districts to fund development and maintenance of open spaces dedicated with subdivision development: Windsong Landscaping and Janes Creek Meadows. Properties within these districts are assessed amounts as an addition to their property tax bills.
- **Mello-Roos Community Facility District:** The Mello-Roos Community Facilities Act of 1982 allows any county, city, special district, school district or joint powers authority to establish a Mello-Roos Community Facilities District (a “CFD”) to finance public improvements and services. The services and improvements that Mello-Roos CFDs can finance include streets, sewer systems and other basic infrastructure, police protection, fire protection, ambulance services, schools, parks, libraries, museums and other cultural facilities. Formation of a CFD requires a two thirds vote of residents living within the

proposed boundaries. If there are fewer than 12 residents then the vote is instead conducted of current landowners. The assessment cannot be based on property value; instead it is based on the size of the property or square footage of structures. By law, the CFD is also entitled to recover expenses needed to form the CFD and administer the annual special taxes and bonded debt. The special assessment continues until bonds are paid off and then is typically reduced to a level to maintain the investments.

- **Landscaping and Lighting Act:** This funding mechanism permits a public agency to assess housing units or land parcels for a variety of city services. The assessment revenues can be used for parkland acquisition, development and/or maintenance. The agency can choose to use the revenue generated on a pay as you go basis or can sell bonds in order to receive a lump sum amount. The bonds are then paid back from the annual revenue generated from the assessment. Establishment of a district or revision to an existing assessment district requires a simple majority vote of property owners. Because establishing a landscape and lighting district requires only a simple majority vote of property owners, it has become a popular option to general obligation bonds.
- **Community Development Block Grant (CDBG) Funds:** Grants from the Federal Department of Housing and Urban Development (HUD) are available for a wide variety of projects. These funds are mainly used for projects and programs in the lower income areas of a community.
- **General Obligation Bond:** These are voter-approved bonds with the assessment placed on real property. The money can only be used for capital improvements and not maintenance. This property tax is levied for a specified period of time (usually 15-20 years). Passage requires a two-thirds majority approval by the voters. Major disadvantages of this funding option are the high approval requirement and the interest costs.
- **Revenue Bonds:** These bonds are sold to finance revenue generating facilities, such as community centers, performing arts centers and in some cases sports complexes. The interest and capital are paid from the revenue produced from the

operation of such a facility. Typically the City will have to guarantee the repayment, meaning that if revenue does not cover the necessary payments the City will be required to pay in some other way.

- **Forest Revenue Timber Sales:** The City of Arcata receives funding for timber harvested from the Arcata Community Forest and the Jacoby Creek Community Forest. Funds can be used for capital projects.
- **Rents and Fees:** The City of Arcata owns a variety of public buildings, sports fields, and facilities that generate revenue from rents and user fees. Examples include fees generated from the Recreation Department's gymnastics, youth basketball, and preschool program. In addition, non residents are charged an additional 15% surcharge of the program fee. The Parks and Recreation Department also publishes a quarterly newsletter that generates revenue from classified ads and advertisements. Revenue can be used for operations and maintenance.
- **Donations:** The donations of labor, land, or cash by service agencies, private groups or individuals are a popular way to raise small amounts of money for specific projects. Such service agencies as Lions and Rotary often fund small projects such as playground improvements.
- **Exchange or Sale of Property:** If the City has an excess piece of property with some development value it could be traded for a private piece of property more suitable for park use.
- **Infrastructure Projects:** As a key part of a City's green infrastructure, park and open space projects can often be vital parts of other infrastructure projects or funded using sources originally designed for transportation, stormwater, flood protection and other engineered infrastructure projects.
- **Joint Public/Private Partnership:** This concept has become increasingly popular for park and recreation agencies. The basic approach is for a public agency to enter into a working agreement with a private corporation to help fund, build, and/or operate a public facility. Generally, the three primary incentives that a public agency can offer is free land to place a facility (usually a park or other piece of public land), certain

tax advantages and access to the facility. While the public agency may have to give up certain responsibilities or control, it is one way of obtaining public facilities at a lower cost.

- **City Redevelopment Funds:** Redevelopment projects often capitalize on the benefits of a new park or recreation facility to catalyze a revitalization project. Redevelopment funds, often Tax Increment Financing (TIF) dollars, should be considered for projects within existing or proposed redevelopment areas.
- **Government Grant Programs:** There are a number of government grant programs for park and recreation projects. Key programs are:
 - **Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFTEA-LU):** Originally called The *Intermodal Surface Transportation Efficiency Act* (ISTEA) and modified in 1998 to become the Transportation Efficiency Act for the 21st Century (TEA-21), this legislation was reauthorized through 2005. The latest iteration is authorized through 2009. Under this legislation, federal funding is passed through the states to a wide variety of transportation-related projects. Over the years, California has received considerable revenue for trail related projects from TEA funds. In terms of recreation, the program primarily funds landscape and amenity improvements related to trail and transportation projects. The money can be used for both maintenance and capital construction, and is focused primarily on regional systems. SAFTEA-LU includes a pilot program for Safe Routes to School that aims to encourage and enable primary and secondary school children to walk and bicycle to school.
 - **Land and Water Conservation Funds:** This grant program is funded by the National Park Service and administered by California State Parks. In the past this was one of the major sources of grant money for local agencies. In the 1990s, funding at the federal level was severely cut and has never been funded to the level it once had. The funds can be used for acquisition and development of outdoor facilities and requires a 50% match.

- **Urban Forestry Grants:** There are several grant programs that provide money for urban forestry projects. One is funded by the U.S. Small Business Administration and provides grants to purchase and plant trees. This program sometimes funds urban street tree planting programs.
- **US Fish and Wildlife Service (USFW):** USFW may provide technical assistance and administer funding for projects that enhance water quality, including debris removal, flood mitigation, and enhancements to water crossings.
- **California Department of Fish and Wildlife (CDFW):** CDFW may provide technical assistance and administer funding for projects that enhance water quality, including debris removal, flood mitigation, and enhancements to water crossings.
- **State Bicycle Funds:** This is revenue from state gas taxes that is distributed to California cities for the development of bicycle lanes. This can be a good funding source for developing bicycle lanes and off street bicycle trails.
- **Recreation Trails Program:** This is a grant program funded through the California Parks and Recreation Department. Projects eligible under this program include 1) maintenance and restoration of existing trails, 2) development and rehabilitation of trailhead facilities, 3) construction of new recreation trails, and 4) acquisition of easements and fee simple title to property. Grants are distributed on an annual basis and require a 20% match.
- **Statewide Park Programs (Proposition 12, 40, and 84):** In recent years, California has passed two statewide bond measures for funding parks and open space projects. In addition voters have approved a \$368 million grant program as part of the Sustainable Communities and Climate Change Reduction. Proposition 12 and 40 per capita money has been allocated and the guidelines for the Proposition 84 program are currently in review. This program will fund project that result in a new recreation opportunity. Therefore property acquisition must be accompanied by development.

- **Other State Funds:** The State of California maintains a comprehensive list of grant programs available for park projects, located at <http://www.parks.ca.gov> under park and recreation technical services.
- **Private Grants and Foundations:** Grants and foundations provide money for a wide range of projects. They are sometimes difficult to find and equally difficult to secure because of the open competition. They usually fund unique projects or ones of extreme need.