

Appendix I: Financing Options



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Like other aquatics centers throughout the country, one of the major challenges is determining a method for funding both the capital development costs and the anticipated annual operating subsidy of the new aquatic center. While a recommended funding plan is beyond the scope of this study, it is clear that a number of different funding sources may need to be utilized for the center to become a reality. Although this is not meant to be an exhaustive list, it does indicate possible available funding sources. These include:

Capital Funding

Partnerships – The possibility of including several equity (primary) partners in the project has already been identified. There will be limits on the number of these types of partners that can be established for the project, due to competing interests. Partnership dollars received from other organizations is expected to be limited and probably will not be above 10% of the total cost of the project. Partnership funding derived from corporate donors may be able to increase the level of revenue from this source, but a more detailed partnership assessment will be necessary to determine a realistic level of expectation.

Fundraising – A possible source of capital funding could come from a comprehensive fundraising campaign in the City, Eastside, and greater Seattle area. Contributions from local businesses, private individuals, and social service organizations should be targeted. To maximize this form of funding, a private fundraising consultant may be necessary. A goal of fundraising could be to fund between 5% and 10% of the capital cost of the project.

Grants/endowments – There are a number of grants and/or endowments that are available for recreation projects. It is more difficult to fund active recreation facilities than parks and open space from these sources, but an effort should be made to acquire limited funding from these sources. Key aspects of the facility that should be targeted for grants are those that serve youth, teens, seniors, and families. The regional and national emphasis of some of the options would need to be promoted, as well as the possible economic impact of the center emphasized. Major funding from this source is unlikely, but it nevertheless could provide assistance to the project for approximately 3% and 5% of the total project cost.

Naming Rights and Sponsorships – Although not nearly as lucrative as for large stadiums and other similar facilities, the sale of naming rights and long term sponsorships could be a source of some capital funding. It will be necessary to hire a specialist in selling naming rights and sponsorships if this revenue source is to be maximized to its fullest potential. No lifetime naming rights should be sold, and only 20 year maximum rights should be possible. Determining the level of financial contribution necessary to gain a naming right will be crucial. This could mean a contribution for up to 25% of the total cost of the entire project for overall facility naming rights, or 50% to 100% for individual spaces (specific pools) within the center itself. Options D and E will be able to command the greatest interest in naming rights and sponsorship, and it may not be out of the question that 20% to 25% of the entire capital cost of the project could be obtained in

this manner. However for Options A-C, it should be recognized that this source will probably not produce a level of funding above 10% of the project.

Even when all of the potential funding sources noted above are combined, they will at best generate a funding level of 50% for the project. It is clear that the primary source of funding will have to come from tax dollars. As a result several possible tax options were explored.

City of Bellevue – If the City of Bellevue is going to be the primary funding agent for the aquatic center several options to acquire the necessary tax dollars for the project will need to be evaluated.

- *General Fund* – The potential increase in unrestricted taxes such as property taxes, utility taxes, or business and occupations tax for the project.
- *Capital Improvement Fund* – Project funding from city resources allocated for major capital projects, including revenues derived from the sale of real property in the City.
- *Councilmanic Bonds* – Bonds that are authorized by the Bellevue City Council for the project, but are required to be funded within existing tax revenue sources.
- *Voter-Approved Property Tax Measures* – A voter-approved bond (60% super majority) to fund capital project costs or a levy lid lift (50% majority) to fund project capital or operating costs.
- *Park Impact Fees* – Utilization of development fees for a portion of the construction of the center.

Park Districts – Washington State law allows for the creation of Park Districts to develop, maintain, and operate recreation facilities including aquatics centers. The three authorized districts include Park and Recreation Districts, Park and Recreation Service Areas, and Metropolitan Park Districts. Each of these districts requires majority approval by the electorate of the established service area, but each park district type has different characteristics as to governance structure, revenue authority, and administrative powers. In general, these Park Districts could be established to broaden the tax base and support the concept of a regional aquatic center (this is valid primarily for Options D and E). The new district establishes the tax base for the center and would construct and operate the facility based on voter-approved property taxes or other revenue streams available to the district. The district funds improvements and possible expansions of the center. This requires the creation of a new government agency and an additional level of taxation within the service area, as well as a vote of the people to establish the service area and the level of taxes. It should be kept in mind that establishing a Park District may be difficult.

Public Development Authorities (PDA) – Washington State law additionally allows for quasi-municipal corporations to perform public functions that the creating public agency could perform itself. PDA's are often created to manage the development and operation of a single project, which the city or county determines is best managed outside of it's

traditional lines of authority. The particular project may be entrepreneurial in nature and intersect the private sector in ways that would strain public resources and personnel. Examples of public corporations formed under RCW 35.21 include the Seattle Pike Place Market PDA and the Bellevue Convention Center Authority. PDA's do not have the power of eminent domain or the authority to levy taxes. While PDA's may borrow funds and issue tax-exempt bonds, PDA project financing is often backed by a City loan guarantee since the PDA funding is limited to project specific revenue sources.

Operational endowment - One option to deal with the anticipated operational shortfall of the aquatics center, is to set up an endowment fund to make up the difference. This may require an amount up to \$60 million to generate enough annual interest to cover the anticipated operating deficit and regular renovation needs of the facility. Funding of the endowment would require a significant fundraising effort to accomplish.

Capital Funding Scenarios

While a specific funding recommendation is beyond the scope of this study, possible funding scenarios for each aquatic facility option has been noted below:

Option A – With a definite Bellevue focus, it is unlikely that there will be significant equity partners for the project. While there is the possibility of fundraising dollars, it should still be expected that the City of Bellevue will be the primary funding agent for the project.

Option B – Much the same as with Option A, this option continues to have a Bellevue focus. However, with a more comprehensive indoor center, the opportunity to bring in equity partners and for increasing fundraising and grant/endowment dollars grows considerably. It should still be expected that the City of Bellevue will be the primary funding agent for the project.

Option C – The level of funding from equity partners and fundraising should continue to increase and there is now the opportunity for some sponsorship dollars and component naming rights revenue. Despite a broader base of capital funding, Bellevue will still be a primary funding agent for this project in addition to one or more significant partners.

Option D – With a much more regional focus to the aquatic center, it will be essential that significant revenue sources beyond the City of Bellevue be tapped. The concept of establishing a Park District needs to be seriously explored. Much stronger revenues from equity partners and naming rights/sponsorships should be expected as well.

Option E – The same funding scenario as outlined for Option D would be in place for this option.

Operations Funding

For all but Option A, it is projected that there will be a significant operations subsidy that will need to be funded each year. As a result, a funding plan for the required subsidy will be necessary.

If there are equity partners in the project, there may need to be a contractual requirement with these partners to help funding the annual subsidy. Long range, the establishment of an operational endowment to fund at least a portion of the subsidy is highly advised. However, it is often difficult to raise dollars for an endowment fund. For the larger facility options (Options D and E), a Park District may need to establish a tax base that allows for the annual operational subsidy to be funded.

Foundation

It is highly recommended that a 501(c)3 foundation be established for the project. This will provide a way to collect a variety of fundraising dollars, as well as, equity partner payments for the project. This may also make the project eligible for a broader range of grant dollars as well.