

CHAPTER 7

CAPITAL FUNDING STRATEGIES

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7.1 Capital Funding Strategies Overview

Four principal types of funds are generally available nationally for park development efforts, in amounts that depend on local context and park mission:

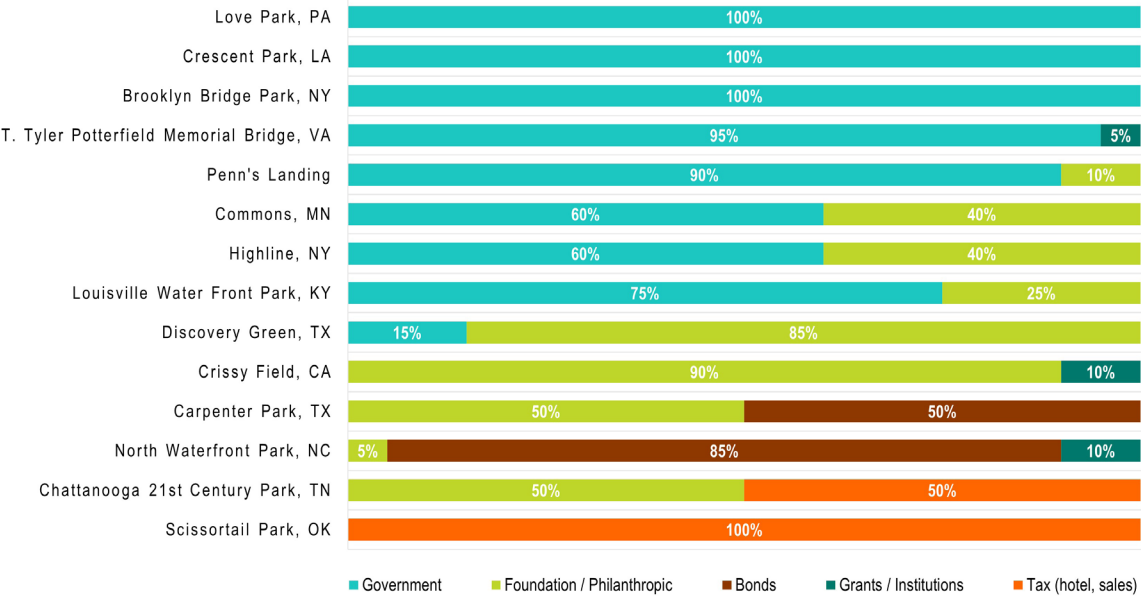
- Public Funding (financing and/or taxation)
- Value Capture
- Earned Income
- Private (Philanthropic)

Often cities employ a combination of funding methods to develop parks (Figure 7-1). Based on community concern and opposition to revenue-generating features or elements in SLRC, earned income was not considered a viable strategy for the SLRC Park.

During the Master Plan development process, HR&A Advisors was retained to provide an analysis of potential public and other mechanisms that can be leveraged to fund capital and operating needs of the proposed Park. Six public mechanisms were reviewed including: Community Finance Districts (CFD), Development Agreement Fees, Enhanced Infrastructure Financing Districts, Parcel Taxes, Quimby Fees, and Special Assessment Districts. Additional funding sources identified were Grant Funding and Philanthropic contributions.

In addition to capital funds, funding will be needed to support the anticipated on-going operations and maintenance (O&M) needs of the Park which are described in Chapter 08.

Figure 7-1 Park Funding Benchmarking
Chart benchmarks the sources of funding for a variety of parks in the United States.



7.2 Capital Funding Recommendations

Based on the Park’s context, the needs and perspective of City staff, and review of potential funding mechanisms, the following describes recommended capital funding sources for the City to explore in greater detail to implement the Master Plan vision. This capital funding strategy relies primarily on the implementation of a Community Facilities District (CFD) to generate special tax revenue to finance a significant portion of capital construction cost as well as O&M costs.

COMMUNITY FACILITIES DISTRICT

The Mello-Roos Community Facilities Act (Act) was enacted in 1982 and provides a method for local governments to fund public infrastructure and certain services, through the formation of “Community Facilities Districts” (CFDs), which provide the legal authority for local governments to levy and collect a special tax and to issue bonds or incur other debt. A two-thirds vote of the qualified electors within the CFD boundaries is required to form a CFD. Given the vote requirement, voters must clearly see the value of the Project and believe that the expected return on investment is reasonable given the proposed taxation.

The special tax may be used to pay directly for facilities and/or services, to pay debt service on bonds or other debt the proceeds of which are used to finance facilities, or for any combination of the above. Additionally, the special tax may be structured so that the tax for facilities has a sunset, and the tax for services may run in perpetuity. The Act provides flexibility in structuring the tax formula. Typically, a special tax consultant is engaged to assist with preparing the Rate and Method of Apportionment, which details the manner in which the tax will be levied.

Mello-Roos bond proceeds can be used to finance the construction, expansion, rehabilitation, or acquisition of any real or other tangible property with an estimated useful life of five years or more, which will be constructed, owned or operated by a public entity. Mello-Roos bonds are payable solely from special taxes levied on property within the boundaries of the CFD. The City is not obligated to pay the bonds from any funds of the City.

As the primary funding source for capital, CFD implementation details should be advanced as soon as possible following Master Plan adoption and should prioritize the following:

- Engagement of a municipal advisor and/or CFD tax consultant to develop and evaluate potential structure(s) and related detailed revenue estimates.
- Engagement of bond counsel to advise on the use of tax revenue.
- Evaluation of potential voter support of the CFD mechanism.
- Identification of a funding source to support CFD formation costs of approximately \$500,000, excluding community outreach and engagement.

OTHER FUNDING SOURCES

While a CFD represents a significant funding source for both capital and ongoing O&M costs, its implementation will take time and a funding gap is likely to occur. As CFD implementation planning is underway, other funding sources could be used to support short- and medium-term continued planning, engineering, and design development, as well as supplement capital funding needs.

Development Agreement Fees are one-time payments most suited to supporting capital costs, which can include planning and design costs. During initial planning and detailed design stages, one-off funding opportunities negotiated through Development Agreements, can support early implementation efforts such as detailed design.

Because **Quimby Fees** must go towards park improvements on land controlled by the Board of Recreation & Parks Commissioners and are allocated by the RAP Board, they are only suited to supporting the RAP Improvements phase of the Master Plan such as the Dog Park expansion and renovation and the Multi-Purpose Facility at the Silver Lake Recreation Center.

Grant Funding opportunities to support discrete environmental projects include Federal, State, and Local grants. The full range of grant opportunities varies in size from approximately \$25,000 to \$10 million; priority grants range in funding potential from \$1 million to \$6 million.

Philanthropic contributions can be used for Park implementation as well as ongoing O&M costs; however, the experience of major civic and park investments around the country have shown that donors are more willing to contribute to capital needs, even in large amounts, than to support annual operating expenses. Demonstration Projects should be identified within the Master Plan design to generate enthusiasm and secure buy-in and fundraising interest from Park supporters. These projects should play to the singular features of the Park's design, particularly its focus on aquatic habitat restoration, environmental education, and water quality. Elements of the Master Plan design ideally suited as donor-supported Demonstration Projects are the Wetland Habitat Islands and Terraces, Ivanhoe Overlook, and the Education Center. These feature projects are well-positioned to generate interest and support from a range of potential philanthropic donors – whether individual, nonprofit, or corporate contributors. Buildout of these projects will in turn attract greater interest in the Park and serve as proof-of-concept for additional philanthropic capital to support the gap in funding capacity from CFD revenue, Quimby Fees, Development Agreement Fees, and Grants.

City General Fund appropriations from relevant budget areas may also contribute to capital costs if the funds are available. Additional public funding is assumed to be limited, and the owner of the Park, LADWP, will not contribute to capital costs for Master Plan implementation.

Figure 7-2 Parking Funding Matrix

Outline of funding sources and range of potential funding amount each source might provide.

Funding Source	Potential Funding Amount	Notes
Community Facilities District (CFD)	\$150M - \$200M	Includes annual O&M costs
Quimby & Development Agreement Fees	TBD	Quimby Fees can only be used on RAP lands.
Public Grants	\$200k - \$6M	
City General Fund	TBD	
Total	\$150M to \$206M+	
Remaining Capital Funding Gap	\$62M - \$118M	Range of capital funding needed from fundraising or City General Fund.

7.3 Philanthropy & Grants

PHILANTHROPY

In addition to implementing a CFD structure that considers both capital and O&M needs, confirmation of potential Quimby and Development Agreement Fee grants, and considering Federal, State, and local grant applications, the remaining capital needs result in a gap in funding that requires philanthropic capital, ranging from approximately \$60 million to \$120 million. Securing commitments for these funds requires the following:

- Identification of project elements/phases best suited for attracting donor support, including naming rights and potential design refinement or illustration of such project components.
- Completion of a fundraising feasibility study, to establish and confirm the potential amount that could be raised from among likely donors.

GRANT FUNDING

During the Master Plan development process, the project team reviewed 28 grant opportunities available from local, state, and national public agencies and non-profit organizations as potential sources for project funding. These were evaluated against five priority categories related to grant mandate, grant size, availability of funds for near-term design and planning costs, availability of funds in the future, and matching requirements. These categories are described below:

Grant Mission

How well does the Master Plan or elements of its design align with the mission of the grant? This takes into account grant function as stated in grant guideline documents, typical previously funded project types, and disadvantaged community (DAC) requirements.

Size of Grant

This factors in the size of the grant. Only grants that will likely fund \$1,000,000 or more were prioritized.

Applicable to Planning Work

This factors in the amount of funding that can be spent on near-term planning and detailed design as opposed to construction costs. Grants that are available with no spending caps on design and planning were prioritized.

Future Funds

This category evaluated grants based on the likelihood of funding being available three to four years from now. Grants funded through large pools of ongoing resources were prioritized.

Match Limits

Grants with no requirements for matching funds were prioritized over those that require dollar-for-dollar matching funds.

Based on the above criteria, four grants were identified as priorities to consider for formal application once the Master Plan is adopted. These are briefly summarized in Figure 7-3.

Figure 7-3 Grant Opportunities
Recommended grant funding opportunities for City consideration

Funding Agency	Program	Funding Source	Description
Cal Parks	Regional Park Program	Proposition 68 (2018 Bond Act)	Goals of grant align with recreational features of proposed park. This grant could be used to fund a portion of the following spaces: Ivanhoe Overlook, Knoll, Eucalyptus Grove, Meadow, East and West Narrows, RAP Improvements, Ivanhoe Spillway and Promenade.
Cal Parks	Land and Water Conservation Fund - Outdoor Recreation Legacy Partnership	Land and Water Conservation Fund	This grant tends to fund urban park improvements such as playgrounds, walking paths, and planting. It could be used to fund a portion of the following spaces: Ivanhoe Overlook, Knoll, Eucalyptus Grove, Meadow, East and West Narrows, RAP Improvements, Ivanhoe Spillway and Promenade.
LA County Regional Park and Open Space District	Regional Recreation Facilities, Multi-Use Trails, and Accessibility	Measure A	This grant is intended for regional park and trail improvements. It could be used to fund a portion of the following spaces: Ivanhoe Overlook, Eucalyptus Grove, Meadow, East and West Narrows, Ivanhoe Spillway and Promenade.
LA County Regional Park and Open Space District	Regional Recreational Facilities, Multi-Use Trails, and Accessibility	Measure A	Grant emphasizes habitat creation, improving open space, water resources, and multi-benefit parks. It could be used to fund a portion of the following spaces: Ivanhoe Overlook, Eucalyptus Grove, Wetland Habitat Islands.

GRANTS FOR PUBLIC RIGHT-OF-WAY IMPROVEMENTS

In addition to the grants evaluated as described above, the pedestrian and bicycle elements proposed in the Master Plan that are located within the public right-of-way are eligible for State of California Active Transportation Program (ATP) Grants.

7.4 Governance Considerations

Capital costs and O&M funding will impact both the likely sequencing of project phases and the long-term governance structure of the stewardship entity that will carry the Master Plan forward through implementation. The responsibilities of this governance entity will likely include fundraising for continued planning and design work, grant-writing activities, and potential management of the major capital buildout. Governance is discussed in greater detail in Chapter 08.