

CITY COUNCIL STUDY SESSION

Discussion regarding Parks long range financial planning

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DIRECTION NEEDED FROM COUNCIL**DIRECTION**

Staff is seeking the following direction: 1) for staff to proceed with additional information gathering for a voter approved ballot measure to support Parks capital needs; 2) the Parks & Community Services Board's role affirming community priorities and preferences; and 3) is Council interested in initiating a future park impact fee study.

RECOMMENDATION

N/A

BACKGROUND & ANALYSIS**Background**

City Council has an adopted 2021-2023 priority to “advance a parks funding strategy, including consideration of new funding sources for operations, maintenance and construction” (High Quality Built and Natural Environment Priority #9).

At the March 7 Council Budget Workshop, staff provided an overview of the Parks Long Range Capital plan and additional potential funding options such as voter-approved initiatives (levy or bond), real estate transactions (sale or swap of City-owned land), voter-approved establishment of a special taxing district for parks (Metropolitan Park District), non-voter approved/Councilmanic bonds, impact fees and other new tax sources. Council directed staff to provide additional information on voter-approved initiatives (levy or bond) with the option to retire the existing levy and park impact fees.

On March 28, Council reviewed the 2022 update to the Parks and Open Space System Plan (POSSP). The POSSP is the primary tool used to guide the long-term growth and development of Bellevue's parks and open space system. From extensive public engagement, community needs and park system gaps have been identified and are shown in the update of the POSSP. Council provided feedback on the plan update and staff will return to Council in late spring for final adoption.

If Council directs continued research into a potential voter approved funding option, the timeline for 2022 would be:

Date	Who	What	Status
March 7	Council Study Session	Budget Workshop - Overview of Parks Long Range Capital Plan and parks funding options and received direction to: 1. Provide additional information on voter-approved levy (levy lid lift or voted bond) with option to retire the 2008 levy; and 2. Provide additional information on park impact fees.	Done
March 8	Park Board Meeting	2023-2029 CIP Budget Update - Board confirmed the priority to acquire more open space; develop parks in to serve new populations expected in BelRed and Wilburton; and advance previously approved projects	Done
March 28	Council Study Session	Review of the draft 2022 Parks and Open Space System Plan Update	Done
April 18	Council Study Session	Return to Council with additional information on the voter-approved initiatives with the option to retire the 2008 levy and impact fees and seek direction on: 1. Should the City proceed with a voter-approved ballot measure to support Parks capital needs?; 2. What is the Parks Board role in the process?; and 3. Is Council interested in in discussing future park impact fee study for future consideration as part of the regular city budget process?	Tonight
April 20	Park Board Meeting	Discuss/confirm community priorities/preferences identified from 2022 Park and Open Space System Plan update process.	
May 10	Park Board Meeting	Finalize communication to Council on community priorities/preferences.	
June 6, 13, 20 & 27	Council Study Session	Staff seek direction on whether to continue to move forward with a voter approved ballot measure for the November 2022 election. Review and gather feedback on the rate, funding mechanism and package. Solidify the project list.	
July 11 July 18	Council Study Session	Staff provides draft ballot language	
July 25	Council Study Session	Council action required to meet the August 2 election filing deadline. Potential action includes adoption of an ordinance authorizing ballot measure for the November election. If Council authorizes a ballot measure, it also requires a resolution to appoint pro and con committee to prepare statements for the voter's pamphlet.	

Parks and Open Space System Plan (POSSP)

The heart of the POSSP is a set of 20-year capital project objectives. These long-term objectives are reviewed and updated approximately every six years. From July 2021 to February 2022, the Parks & Community Services Board and staff conducted extensive community outreach to collect feedback and opinions from Bellevue residents and park users on how the parks and trail systems are currently used and what priorities should be set for future development. The survey showed that top preferences are:

All Respondents

- Trails through natural areas
- Paved or gravel trails
- Beach, waterfront park, or boat launch
- Unstructured play/picnic areas
- Park with display gardens
- Outdoor sports field or sport court
- Swimming pool
- Indoor sports facility or fitness center

The surveys of Bellevue residents completed for the POSSP consistently show that the Bellevue community more generally supports expansion of the park system through projects that:

- Preserve natural areas and add trails
- Add neighborhood parks
- Complete existing parks
- Provide waterfront access

The POSSP identifies a menu of desired capital project needs over the next 20 years. The system plan is not constrained by a budget amount and the projects included far exceed budgeted funds available. The funding strategy in the plan is general and assumes that CIP funding is the foundation for property acquisition, capital construction, renovation, and planning. The POSSP capital focus categories with rough order of magnitude project costs are summarized below and a detailed project list is found in Attachment A.

Categories	Estimated Cost (in Millions)
Open Space, Greenways, Wildlife Corridors & Trails	\$30
Active Recreation Facilities	\$130
Park Facilities	\$157
Urban Park Systems	\$127
Waterfront Access	\$236
Total Estimated Capital Project Costs	\$680
Renovation and Refurbishment	\$200
Projected 20-Year Capital Need	\$880

2008 Parks and Natural Areas Levy

The 2008 Parks and Natural Areas Levy passed with 67 percent voter approval and was structured as a 20-year “pay as you go” capital levy for property acquisition and park development, with a permanent maintenance levy to support the ongoing maintenance and operations costs of those projects. The City will continue to collect annual capital levy funds from this measure until 2028. An estimated total revenue of \$20.4M remains to be collected for the levy. Examples of notable projects in part funded by the 2008 Parks Levy include the Downtown Park ‘Completing the Circle’ development, Surrey Downs Park development and the Botanical Garden Visitor Center building development. All but two capital projects from the 2008 Levy have been completed.

Current Funding

Currently, the Real Estate Excise Tax (REET) provides Parks capital funding of approximately \$10 million annually. REET is a difficult to predict funding stream as it is based on sales of property in Bellevue. Total REET is allocated by Council Ordinance, 50 percent to Transportation capital and 50 percent to Parks capital. Of the \$10 million in Parks allocated funding, \$7 million per year supports the Parks major maintenance and renovation plan, leaving only \$3 million per year available for all property acquisition and new park development needs. REET funding alone is inadequate to make significant and short-term improvements given the size and scale of park system needs identified in the POSSP and Council priorities. Parks also receives development incentive fees from Bel-Red and Downtown. Revenues from these sources are hard to predict as developers decide on whether to construct the amenities or pay in-lieu fees. To date, Park in-lieu fees of \$7.5 million has been collected from Bel-Red and \$34,000 from Downtown. To increase the City’s ability to deliver parks capital projects, CIP funds have been augmented by voter initiatives and external funds (grants, partnerships, donations, etc.) to leverage City resources as much as possible.

Current funding of REET, existing 2008 Levy and other sources is estimated at \$300 million over the next 20 years (see table below). Based on the estimated capital potential projects in the POSSP of \$880 million, the existing funding would support approximately 34 percent of potential needs.

Sources	(in Millions)
REET (\$10M/yr x 20 yrs)	\$ 200
2008 Parks Levy (2021-2028 collection)	27
2020-2025 King County Levy	3
Development Fees (Bel-Red & Downtown)	20
Grants/Other Sources (\$2.5M/yr x 20 yrs)	50
Projected 20-yr Revenues	\$ 300
Total 20-yr POSSP Cost	\$ 880
Gap	(\$580)

Voter Approved Funding Options

On March 7 Council directed staff to look at park levy or bond options, consider park impact fees and retirement of the existing levy. Depending on the size of the package, Council has a number of tools available to finance a voter package. While State law limits the amount of voted debt allowed for park

and other City purposes, Bellevue currently has no outstanding voted debt and the City's property tax levy remains well below maximum levels allowed in state law.

1) Major voter-approved funding mechanisms:

- a) A voter approved levy (regular levy lid lift) can be used for park property acquisition and development, and also for ongoing maintenance and operations needs. A levy lid lift requires simple majority approval (50 percent + one). Since a levy lid lift can be used to pay debt service on bonds for only nine years, this mechanism is more appropriate for financing smaller capital needs (that can be funded with nine-year bonds) or pay as you go project development that can be scheduled throughout the duration of the levy.
- b) Voter approved bonds (paid from an excess property tax levy) can be used for park capital purposes including property acquisition and development, and are typically repaid over 20 or 40 years through the excess property tax levy. Voted bonds require supermajority approval (60 percent). Bonds are an appropriate financing mechanism for larger voter packages as they spread the cost over more years and produce a lower annual cost per homeowner. Bonds also provide available capital funding once issued, thus providing more immediate construction funding and reducing the risk of capital inflation over the course of project development.

Below is a simple summary of the pros and cons of these voter-approved funding mechanisms. It should be noted that the RCW requirements for voter approved excess and regular property tax measures are quite complex, and this table highlights the primary differences between these two funding mechanisms. The "best" approach is dependent on the overall project mix, the need to accelerate projects, the timing of the election, bond markets, the complexity of the ballot and competing ballot measures, and the overall political environment.

	Regular Levy Lid Lift		Excess Levy
	9-Yr Levy Bond	20-Yr Levy Pay as you Go	Voter Approved Bonds
Vote Requirement	50% approval	50% approval	60% approval
Voter Validation	No	No	Yes
Revenue Timing v Expenditures	Cash upfront To fund 3 yrs of expenditures, if tax exempt.	Pay as you go	Cash upfront One or more series may be issued to fund 3 yrs of expenditures, if tax exempt.
Project Completion	Accelerated	Extended	Accelerated
Financial Risks	Interest rate risk	Inflation Risk	Interest rate risk
Ballot	Option for a single ballot for capital and M&O or separate	Option for a single ballot for capital and M&O or separate	Separate ballot for Capital Only
Subject to Council Policy Debt Limit	Within 1.0% non-voted LTGO	N/A	Within 1.75% general City voted capacity or additional voted capacity for parks
Subject to Levy Limit	Yes	Yes	No

The table below is for illustrative purposes only and provide order of magnitude ranges to assist in informing Council on a potential range of impacts. Based on the current Total Assessed Valuation of \$77.0B, a 3 percent interest rate and levy rate ranging from \$0.05 - \$0.20, the potential revenue generated by these options are:

**2022 Potential Parks Voter Initiative
Estimated Property Tax Scenarios**

Bellevue Total Assessed Value (2022 \$BIL) \$77.0

Cost per \$1.0M Home*	<u>\$50</u>	<u>\$100</u>	<u>\$150</u>	<u>\$200</u>
Property Tax Levy Rate	0.05	0.10	0.15	0.20
Property Tax Levy Amount (\$MIL)	\$3.9	\$7.7	\$11.6	\$15.4
<u>Regular Levy (Simple Majority)</u>				
Bond Value (9 years, 3% Interest Rate)**	\$30.0	\$60.0	\$89.9	\$119.9
Capital Levy (20 years)	\$77.0	\$154.0	\$231.0	\$308.0
<u>Excess Levy (Supermajority)</u>				
Bond Value (20 years, 3% Interest Rate)**	\$57.3	\$114.6	\$171.8	\$229.1

* Does not include recommended maintenance component. Each \$1M maintenance = Additional Property Tax of \$13/per \$1M Home.

** 3.0% interest rate assumes Federal Reserve rate increases in 2022. Actual rates will depend on bond market at time of issuance.

For demonstration purposes, a tax levy rate of \$0.15 per \$1,000 assessed value would generate \$90 million (9-year bond) or \$172 million (20-year bond) in revenue to fulfill 16 percent or 30 percent of the \$580 million capital funding gap. Actual amounts generated would alter depending on the option, inflation environment, and interest rate environment.

Retirement of the 2008 Parks and Natural Areas Levy

On March 7, Council discussed, and requested additional information from staff regarding retirement of the existing 2008 levy. As noted above, the capital component of the 2008 Parks and Natural Areas levy will expire in 2028. The aggregate future revenues of \$20.4M has been earmarked to fund two pending capital projects, Airfield Park Development and a neighborhood park along Lake Sammamish. Retirement of this levy will require \$20.4M to be funded by the new or replacement voter-approved financing. As Council discusses funding options, staff will return at a later date with additional information as to the retirement options of the existing levy.

Park Impact Fees

Impact fees are standardized charges assessed to new development projects for the purposes of supporting a portion of the cost of the new surrounding public infrastructure that is required to serve the growth in new residents or employees. State law authorizes impact fees for a variety of public facilities

including streets, parks and open space, recreation facilities, school facilities and fire protection. The City of Bellevue currently assesses transportation impact fees for new residential and commercial development and collects school impact fees for certain school districts in Bellevue that assess such fees for new residential development.

Steady incremental growth in the number of individuals coming to Bellevue to live and work each day creates a constant pressure on the existing and finite amount of parks and open space within the current system. Parks and park facilities are increasingly used by greater numbers of individuals, resulting in an overall decrease in the share of parks resources that each Bellevue resident enjoys. Impact fees are calculated with the intent to quantify and then maintain a certain per capita share value of parks and open space for all Bellevue residents and workers, new and existing.

Park impact fees are a common fee that developers working in East King County are paying in Bellevue’s neighboring cities of Kirkland, Redmond, Issaquah, Sammamish and Renton (among others in King County). Fees are assessed by formula rates on single-family and multi-family residential development (with the option of fee exemptions for affordable housing). The cities of Redmond and Issaquah also assess park impact fees on commercial development, recognizing that the day-time population of workers are a part of the community and also use a share of the local parks and open space system.

Neighboring city park impact fee schedules (2022)

	Single-Family	Multi-Family	Commercial
	per unit	per unit	per 1,000 sf floor area rate varies by type of use
Issaquah	\$9,107	\$5,591	\$20-\$1,700
Kirkland	\$5,629	\$4,278	n/a
Redmond	\$5,413	\$3,758	\$650-\$1,466
Renton	\$2,915	\$1,978-\$2,366	n/a
Sammamish	\$6,739	\$4,362	n/a

Park impact fees as a revenue source are distinctly different than voter approved funding mechanisms. Impact fees are not voter-approved. They are not assessed on every Bellevue property owner, but are a one-time fee, paid only by new development, as it occurs. Since fees are tied to the development cycle, impact fee revenue is stable, but will fluctuate significantly from year to year. For example, since 2018, the city of Redmond’s park impact fee has produced revenues between \$2 million and \$4.4 million each year.

As noted, the intent of park impact fees is to incrementally expand and develop the park system to maintain a status quo level of park system functionality for all in the community. As such, revenue from impact fees will not be a single source of funds sufficient to deliver a major new park acquisition or

development. However, revenue from impact fees could fund smaller projects, freeing up additional general fund or voter-approved funds to invest in larger scale priorities.

With City Council direction, the next step toward considering a park impact fee system is to undertake a fiscal study to quantify the range of fee rates that could be assessed under enabling state law RCW 82.02.050 - .110. If directed, depending on the timing of the study, staff would return to Council for further direction at either the upcoming budget discussions this year or at the mid-bienium.

Process Overview – Role of the Parks & Community Services Board

Given the Parks & Community Services Board's role in the public engagement for the update of the Parks & Open Space System Plan, Parks staff recommend that the board's role would be to affirm community priorities and preferences for funding that are consistent with public engagement, should Council direct continued research into a voter-approved initiative.

Council will decide on the final project list that would be funded by the financing option.

Council Direction

City staff is seeking Council direction on the following topics:

- Should staff proceed with additional information gathering for a voter approved ballot measure to support Parks capital needs?
- The Parks & Community Services Board's role affirming community priorities and preferences.
- Is Council interested in initiating a park impact fee study for future consideration as part of the regular City budget process?

Next Steps

Based on direction received, staff will:

- Communicate Council direction to the Park Board on their role in the process.
- Prepare information as requested and return to Council in June.

Council action is required by July 25 if a voter-approved measure is desired for the November general election ballot.

POLICY & FISCAL IMPACTS

Policy Impact

2021-23 City Council Vision and Priorities

Council directed priorities focused on seven strategic target areas, one of which is High Quality Built and Natural Environment that describes Bellevue's abundance of parks and natural open space. Known as a "city in a park," our park system is one of the best in the nation. Bellevue parks provide ample opportunities for all, including forested trails, neighborhood and regional parks, a regional aquatics center and community gathering places. Discussion regarding the Parks long range financial planning promotes priority no. 9 - Advance a park funding strategy, including consideration of new funding sources for operations, maintenance and capital.

Fiscal Impact

There is no fiscal impact associated with the discussion of the Parks long range financial planning.

OPTIONS

N/A

ATTACHMENTS

A. Parks and Open Space System Plan Update 2022 Draft – Recommended Capital Project List

AVAILABLE IN COUNCIL LIBRARY

N/A