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Appendix D: Funding & Finance Strategy

Introduction

In 2000, Wake County voters approved a $15 million bond to acquire open space in this rapidly urbanizing county. The bond promised to acquire parcels that would preserve Wake County's natural character and mitigate the effects of development (including: retail, roads, schools, manufacturing, residential, institutional and other forms of development). The 2000 bond measured passed with 78% of voters approving the referendum. The success of this measure was followed in 2004 with the approval of a second bond for $26 million.

A Blue Ribbon Committee convened by Wake County in 2005 identified $300 million in need for open space conservation in the coming years. In order for Wake County to implement the recommendations of this Consolidated Open Space Plan, it will require a combination of funding sources that include local, state, federal, and private money. Wake County will need to fully evaluate all options and develop a funding strategy that can maximize local resources, leverage outside funding, and sustain an Open Space Program. A successful funding strategy will need to account for the administration of the Plan, the acquisition of parcels or easements, and the management and maintenance of properties in the open space system.

Of the many funding options that are possible, the following strategies were identified by the Blue Ribbon Committee as recommended options for Wake County:

1) Apply for matching funds from federal, state and local municipal goverernments.
2) Request matching funds from corporate and private donors.
3) Conduct fund raising in partnership with philanthropic organizations.
4) Use tools, such as Bargain Sale, to obtain open space at less than fair market value.
5) Work with Wake County Schools to partner on school and open space projects, maximizing the return on public dollars invested.
6) Provide more economic incentives for developers to conserve open space, thereby reducing the demand on public funds.
7) Work with farmers and working lands owners to conserve open space.

This appendix provides an overview of different strategies that Wake County can use to accomplish its funding goals, including: a stormwater

utility fee, impact fees/ developer dedications, sales taxes, property taxes, and issuing bonds.

Review of Funding Mechanisms

This appendix does not estimate the funding necessary to fully execute this Open Space Plan. The Wake County Blueribbon Committee in the Spring of 2006 estimated the financial need for open space to be approximately $300 million.

In 2003, CH2MHill prepared a detailed analysis of the funding options available to Wake County for implementing its Watershed Management Plan (see also Wake County Watershed Management Plan – Funding and Institutional Options by CH2MHill for further discussion of funding mechanisms). Because open space can produce water quality benefits (by remaining as permeable surfaces, filtering stormwater runoff, etc.) it is worthwhile to consider the financing options in concert, where applicable. Central to both watershed management and open space preservation are land use planning, land conservation, and aquatic buffers.

Below is a review of the potential funding sources that can be used for open space acquisition and/or management. Many of the funding options could be used as mechanisms for a stand-alone Open Space Program or as a part of the watershed management activities where preserving open space is a function of watershed protection.

User Fees and Charges

Stormwater Utility Fees

Stormwater charges are typically based on an estimate of the amount of impervious surface on a user's property. Impervious surfaces (such as rooftops and paved areas) increase both the amount and rate of stormwater runoff compared to natural conditions; such surfaces cause runoff that directly or indirectly discharges into public storm drainage facilities and creates a need for stormwater management services. Thus, users with more impervious surface are charged more for stormwater service than users with less impervious surface.

The stormwater utility fee-structures frequently relate non-residential customer charges to an equivalent residential user (ERU), or the typical charges incurred by a single-family residential unit. Thus, a commercial business with 10 times the amount of impervious area as a typical residential property would pay for 10 ERUs or 10 times the amount that a residential customer would be charged. Single-family residential customers are typically charged a uniform monthly fee per ERU, although some communities do vary the charges based on the footprint of the home. Multifamily users may be charged the same rate per dwelling unit as a single-family user, charged a fraction of the single-family rate per dwelling unit, or charged based on the measured impervious surface of their building.

The rates, fees, and charges collected for stormwater management services may not exceed the costs incurred to provide these services. The costs that may be recovered through the stormwater rates, fees, and

charges includes any costs necessary to assure that all aspects of stormwater quality and quantity are managed in accordance with federal and state laws, regulations, and rules. Open space may be purchased with stormwater fees, if the property in question is used to mitigate floodwater or filter pollutants.

The City of Lenexa, Kansas has a "Rain to Recreation" program designed to connect park-like detention basins that process stormwater and meet recreation needs. The system uses natural filtration processes to improve water quality. Stream buffers along the connecting corridors provide recreational opportunities in the form of trails. The program is expected to cost $82.6 million over 10 years compared to the $99 million estimated to maintain the current, traditional stormwater system. In 2000, voters approved a 1/8-cent sales tax for stormwater/recreation improvements. This tax will cost residents about $20 per year. Additionally, the city levy's a stormwater utility fee of $30 per household. Commercial and industrial utility charges are based upon the amount of impervious surface on the property ($2.50 per 2,750 square feet per month).

Impact Fees

Impact fees, which are also known as capital contributions, facilities fees, or system development charges, are typically collected from developers or property owners at the time of building permit issuance to pay for capital improvements that provide capacity to serve new growth. The intent of these fees is to avoid burdening existing customers with the costs of providing capacity to serve new growth ("growth pays its own way"). Open space impact fees are designed to reflect the costs incurred to provide sufficient capacity in the system to meet the additional needs. These charges are set in a fee schedule applied uniformly to all new development. Utilities strive to ensure that impact fees reflect customers' demands on the system. Communities that institute impact fees must develop a sound financial model that enables policy makers to justify fee levels for different user groups, and to ensure that revenues generated meet (but do not exceed) the needs of development. Factors used to determine an appropriate impact fee amount can include: lot size, number of occupants, types of subdivision improvements, and other applicable measures.

If Wake County is interested in pursuing the collection of impact fees for open space acquisition, it will require enabling legislation to authorize the collection of these fees.

Developer Dedications

A developer dedication requires new subdivisions to set aside a portion of the site as open space. Development approval is conditional upon the site plan preserving the requisite amount of undeveloped space. The use of dedications assures that a specific amount of land is preserved, however it is difficult to ensure that the land will meet the intended needs. Often-

times, the land set-aside as a dedication includes wetlands, steep slopes or other features that render the set-aside land as unbuildable anyway. Protecting these lands is consistent with the goals of open space preservation, because they tend to be ecologically sensitive and their protection frequently has water quality benefits. However, ecologically sensitive lands are not always suitable for passive recreation and their protection may fall short of offsetting the anticipated need for increased recreational space.

In-Lieu-Of Fees

As an alternative to requiring developers to dedicate open space that would serve their development, some communities provide developers a choice of paying a front-end charge for off-site open space protection, as opposed to requiring the developer to dedicate the open space on-site. Payment is a condition of development approval. A payment recovers the cost of the off-site open space acquisition or the development's proportionate share of the cost of a regional parcel serving a larger area. Some communities prefer in-lieu-of fees. This alternative allows community staff to purchase land worthy of protection rather than accept marginal land that meets the quantitative requirements of a developer dedication.

Mitigation Banking

Mitigation banking presents another opportunity for furthering the objectives of the Wake County Open Space Program. Developers are required by local governments to mitigate the impacts of their development on wetlands, streams, or animal habitat. For every acre of wetlands, streambed, or habitat that their development destroys, the developer is typically required to create other wetlands, habitats, or waterways to mitigate the impact of the development. Developers can mitigate these impacts on the site of their development or nearby.

If a mitigation bank were available, developers could also satisfy this requirement by purchasing credits from a mitigation bank. Mitigation banks are created by property owners who restore and/or preserve their land in its natural condition. Such banks have been developed by public, nonprofit, and private entities. In exchange for preserving the land, the "bankers" get permission from the state (or the Army Corps of Engineers or other appropriate Federal agency) to sell mitigation banking credits to developers wanting to mitigate the impacts of their proposed development. By purchasing the mitigation bank credits, the developer avoids having to mitigate the impacts of their development on site. Public and nonprofit mitigation banks generally use the funds generated from the sale of the credits to fund the purchase of additional land for preservation and/or for the restoration of the lands to a natural state.

In North Carolina, counties and municipalities appear to have the authority to require that developers set aside open space as a condition to their developing land within the local government jurisdiction. Mitigation bank-

ing could provide an alternative to developers for meeting such a requirement (Hartzell-Jordan, 2000). Chatham County is a nearby example of one county that has received statutory authority from the State Legislature to establish mitigation programs; the Triangle Land Conservancy and Haw River Assembly are examples of local conservation groups that could sell mitigation credits to developers, in order to help reduce prices through competition and economies of scale (Dixon, 2000).

Taxing Options

Taxes are used to fund activities that do not provide a specific benefit, rather a more general benefit, to the community, whereas assessments must show a benefit to the property owned by the user. The various forms of common taxes are described below. It is important to note that while taxes can create a solid funding base that can be used to fund annual capital and operating costs, there is often political pressure to keep taxes low and the natural conflict of setting tax-supported priorities.

Sales Tax

In North Carolina, like many other states, the state has authorized a sales tax at the state and county levels. Local governments that choose to exercise the local option sales tax, use the tax revenues to provide funding for a wide variety of projects and activities. Currently, the North Carolina sales tax is 4.5 per dollar of sale (four and one-half percent) for the state tax and two cents (two percent) for the county tax, for a total authorized sales tax of six and a half cents (six and one-half percent). All counties currently have a total sales tax of at least six cents. Any increase in the sales tax, even if applying to a single county, must gain approval of the state legislature. In 1998, Mecklenburg County was granted authority to institute a one-half cent sales tax increase for mass transit. That is the only time North Carolina's lawmakers have granted the local option sales tax (Chamber of Commerce, 2000). It is estimated that each gross one-half cent of sales tax collections in Wake County would generate around $44 million in revenue annually (Chamber of Commerce, 2000). Dedicated sales taxes can generate considerable sums of money, are easily administered, and tap tourism expenditures. Objections to the sales tax generally revolve around the regressive nature of the tax and the reduction of funds in an economic slowdown. Objections can be alleviated by exempting basic necessity items such as food and drugs. By exempting basic necessity items, the sales tax becomes a consumptive tax.

Property Tax

Property taxes are assessments charged to real property owners based on a percentage (millage rate) of the assessed property value. These taxes generally support a significant portion of a county's or municipality's non-public enterprise activities. However, the revenues from property taxes can also be used for public enterprise projects and to pay debt

service on general obligation bonds issued to finance open space system acquisitions. Because communities are limited in the total level of the millage rate, use of property taxes to fund open space could limit the county's or a municipality's ability to raise funds for other activities. Property taxes can provide a steady stream of financing while broadly distributing the tax burden. In other parts of the country, this mechanism has been popular with voters as long as the increase is restricted to parks and open space. Note, other public agencies compete vigorously for these funds, and taxpayers are generally concerned about high property tax rates.

Excise Taxes

Excise taxes are taxes on specific goods and services. These taxes require special legislation and the use of the funds generated through the tax are limited to specific uses. Examples include lodging, food, and beverage taxes that generate funds for promotion of tourism, and the gas tax that generates revenues for transportation related activities.

Borrowing

Bonds and loans can be used to finance capital improvements. The cost of the improvements is borrowed through the issuance of bonds or a loan and the costs of repayment are spread into the future for current and future beneficiaries to bear. However, financing charges are accrued and voter approval is usually required. There must be a source of funding (for the payment of the resulting debt service on the loan or bonds) tied to the issuance of a bond or loan.

Revenue Bonds

Revenue bonds are bonds that are secured by a pledge of the revenues of the public enterprise or local government. The entity issuing bonds pledges to generate sufficient revenue annually to cover the program's operating costs, plus meet the annual debt service requirements (principal and interest payment) times a factor, termed the coverage factor, which is designed to provide additional protection to the bondholders. The coverage factor generally ranges from 110 to 150 percent of the utility's annual or maximum annual debt service requirement in the current or any future year. Revenue bonds are not constrained by the debt ceilings of general obligation bonds, but they are more expensive than general obligation bonds.

General Obligation Bonds

Cities, counties, and service districts generally are able to issue general obligation (G.O.) bonds that are secured by the full faith and credit of the entity. In this case, the local government issuing the bonds pledges to raise its property taxes, or use any other sources of revenue, to generate sufficient revenues to make the debt service payments on the bonds. A general obligation pledge is stronger than a revenue pledge, and thus may carry a lower interest rate than a revenue bond. Frequently, when local governments issue G.O. bonds for public enterprise improvements, the public enterprise will make the debt service payments on the G.O.

bonds with revenues generated through the public entity's rates and charges. However, if those rate revenues are insufficient to make the debt payment, the local government is obligated to raise taxes or use other sources of revenue to make the payments. G.O. bonds distribute the costs of open space acquisition and makes funds available for immediate purchases. Voter approval is required.

Special Assessment Bonds

Special assessment bonds are secured by a lien on the property that benefits by the improvements funded with the special assessment bond proceeds. Debt service payments on these bonds are funded through annual assessments to the property owners in the assessment area.

State Revolving Fund (SRF) Loans

Initially funded with federal and state money, and continued by funds generated by repayment of earlier loans, State Revolving Funds (SRFs) provide low-interest loans for local governments to fund water pollution control and water supply related projects including many watershed management activities. These loans typically require a revenue pledge, like a revenue bond, but carry a below market interest rate and limited term for debt repayment (20-years).

Installment Purchase Financing

As an alternative to debt financing of capital improvements, communities can execute installment/lease purchase contracts for improvements. This type of financing is typically used for relatively small projects that the seller or a financial institution is willing to finance or when upfront funds are unavailable. In a lease purchase contract the community leases the property or improvement from the seller or financial institution. The lease is paid in installments that include principal, interest, and associated costs. Upon completion of the lease period, the community owns the property or improvement. While lease purchase contracts are similar to a bond, this arrangement allows the community to acquire the property or improvement without issuing debt. These instruments, however, are more costly than issuing debt.

State Funding Sources

The following are examples of selected North Carolina State funding programs.

Agriculture Cost Share Program

Established in 1984, this program assists farmers with the cost of installing best management practices (BMPs) that benefit water quality. This program covers as much as 75 percent of the costs to implement BMPs. The NC Soil and Water Conservation Commission (within the NC Department of Environment and Natural Resources) administers this program through local Soil and Water Conservation Districts. Allocations from this program to the Wake County Soil and Water Conservation District amount to $50,000 - $100,000 annually.

Conservation Reserve Enhancement Program (CREP)

The Conservation Reserve Enhancement Program (CREP) is a joint effort between the North Carolina Division of Soil and Water Conservation, the North Carolina Clean Water Management Trust Fund, the North Carolina Wetlands Restoration Program, and the United States Department of Agriculture to address water quality programs of specific river basin and watershed areas. These areas include the Neuse River basin as well as the Jordan Lake watershed component of the Cape Fear basin. The focus of this national initiative has identified nonpoint source pollution as the source of significant estuarine degradation.

CREP is a voluntary program that seeks to protect land (along watercourses) that is currently in agricultural production. Land management practices associated with this program include vegetative enhancements to reduce runoff impacts while providing beneficial habitat for wildlife species currently threatened by habitat loss. The funding for program participation mixes Federal Conservation Reserve Program (CRP), with state funds from North Carolina's Clean Water Trust Fund, Agricultural Cost Share Program, and Wetlands Restoration Program. Enrollment contracts for this cost-sharing program are available for limited time spans of 10-, 15-, and 30-years as well as permanent participation.

North Carolina's Clean Water Management Trust Fund (CWMTF)

At the end of each fiscal year, 6.5 percent of the unreserved credit balance in North Carolina's General Fund, or a minimum of $30 million, is placed in the CWMTF. The revenue of this fund, which was established in 1996, is allocated as grants to local governments, state agencies and conservation non-profits to help finance projects that specifically address water pollution problems. The CWMTF funds projects that (1) enhance or restore degraded waters, (2) protect unpolluted waters, and/or (3) contribute toward a network of riparian buffers and greenways for environmental, educational, and recreational benefits.

North Carolina Parks and Recreation Trust Fund (PARTF)

The Park and Recreation Trust Fund is the primary funding source for new facilities and land acquisition in the state park system. The fund was established in 1994 by the North Carolina General Assembly and is administered by the Parks and Recreation Authority. The fund is fueled by money from the state's portion of the real estate deed transfer tax for property sold in North Carolina. The trust fund is allocated three ways: 65 percent to the state parks through the N.C. Division of Parks and Recreation; 30 percent as dollar-for-dollar matching grants to local governments for park and recreation purposes; 5 percent for the Coastal and Estuarine Water Access Program.

North Carolina Farmland Preservation Trust Fund (FPTF)

The North Carolina Farmland Preservation Trust Fund is administered by the Commissioner of Agriculture. The Trust Fund consists of all monies received for the purpose of purchasing agricultural conservation easements transferred from counties or private sources. The Commissioner can use Trust Fund monies for the purchase of agricultural conservation easements, including transaction costs, and distributes Trust Fund monies to counties and private nonprofit conservation organizations for such purchases.

North Carolina Natural Heritage Trust Fund (NHTF)

The North Carolina Natural Heritage Trust Fund was established as a supplemental funding source for state agencies to acquire and protect important natural areas, preserve the state's ecological diversity and cultural heritage, and to inventory natural heritage resources of the state. The Natural Heritage Trust Fund was established by the General Assembly (General Statute 113, Article 5A (113-77.6.9) in 1987. It was provided with a continuing funding source by the General Assembly in 1989 and an additional source in 1991.

The Natural Heritage Trust Fund is financed by receipts from the annual fees for automobile personalized license plates, and in 1991, by 15% of the deed stamp tax. In July 1996, funding from the deed stamp tax increased to 25% of the state's share. Moneys not extended remain in the interest-accumulating Natural Heritage Trust account and do not revert to the general fund.

Grant applications are received from state agencies (the Department of Environment and Natural Resources, the Wildlife Resources Commission, the Department of Cultural Resources, and the Department of Agriculture) for purposes of acquiring and managing natural lands for state parks, preserves, wildlife conservation areas, coastal reserves, natural and scenic rivers, historic site properties, and other outdoor recreation and natural areas. Inventories by the Natural Heritage Program are also eligible for grants. Funding priorities are given to projects which will protect areas containing significant and threatened environmental resources.

North Carolina Conservation Tax Credit Program

The North Carolina Conservation Tax Credit is an incentive program (in the form of an income tax credit) for landowners that donate interests in real property for conservation purposes. Property donations can be fee simple or in the form of conservation easements or bargain sale. The goal of this program is to manage stormwater, protect water supply watersheds, retain working farms and forests, and set-aside greenways for ecological communities, public trails, and wildlife corridors. (For more information see: http://ncctc.enr.state.nc.us/).

North Carolina Wetlands Restoration Program (NCWRP): Wetlands Restoration Fund

The North Carolina Wetlands Restoration Program (NCWRP) is a non-regulatory program established in 1996 to restore wetlands, streams and streamside (riparian) areas throughout the state. The NCWRP Wetlands Restoration Fund was established as a nonreverting fund within the Department of Environment and Natural Resources. This Fund provides a repository for monetary contributions and donations or dedications of interests in real property to promote wetland restoration projects, and for payments made in lieu of compensatory mitigation. The Fund strictly supports the acquisition, perpetual maintenance, enhancement, restoration, or creation of wetlands and riparian areas in accordance with the basin-wide restoration plans for North Carolina's 17 major river basins.

Transfer of Development Rights

The community of Huntersville, N.C. is considering the implementation of a voluntary transfer of development rights program, whereby a landowner could transfer the rights to develop his land to another landowner. The receiving landowner is then allowed to develop her land at a higher density of use than would otherwise have been allowed. The landowner transferring his development rights is generally compensated by the receiving landowner for the value of these rights. This allows a landowner that wishes to keep his land in farming (or in a natural state) to receive some of the benefits of land value appreciation due to nearby development. This type of program could provide a means of setting aside land as open space while allowing the same number of development units to be constructed.

Federal Sources of Funding

As stated in the introduction, federal and state sources of funding cannot be expected to carry much of the burden of financing a Wake County Open Space Program. Rather, these funding sources must be viewed as supplementary to a dedicated, local financing strategy. Fortunately, there are a number of federal programs that offer funding for state and local programs that seek to conserve land and water resources, provide recreational opportunities, or to mitigate the effects of stormwaters. Most programs require state or local matching funds. Project eligibility requirements can be quite stringent.

CARA

Federal conservation funds are available through the Conservation and Reinvestment Act (CARA). CARA will provide $12 billion over six years beginning in FY 2002. Funding for each CARA category is subject to annual appropriations, however minimum levels have been guaranteed. A sample of federal funding sources is discussed below. Additional programs are described on the EPA website (http://www.epa.gov/owow/watershed/wacademy/fund.html).

Environmental Quality Incentive Program (EQIP)

The Environmental Quality Incentive Program (EQIP) is a federal program authorized in the 1996 Farm Bill that provides assistance to agricultural producers in complying with federal, state, and other environmental laws. Assistance provided through this program may be in the form of technical, cost-sharing, financial incentives, and producer education related to a broad range of soil, water, air, wildlife, and related natural resource concerns on North Carolina's farms and ranches.

The EQIP assistance programs are available to crop, forage and forest products producers as well as wetlands and wildlife landowners who choose to enter into 5- and 10-year contracts based on conservation plans for their operations. These conservation plans may include a combination of structural, vegetative, and land management components. The program prioritization is led, coordinated, and implemented on the local level. In FY 2001, North Carolina had $3.7 million available to eligible participants. The cost share mix for these funds is 75 percent for implementation actions up to $10,000 annually and $50,000 per project contract. The distribution of these funds is based on a split where 70 percent of funds are directed to the 18 identified priority areas and the remainder to address concerns in the remaining counties.

Farmland Protection Program

The federal Farmland Protection Program (FPP) was created in the 1996 Farm Bill. This program is administered by the Natural Resources Conservation Service and provides federal matching funds for state and local farmland protection efforts. Funds are used to help purchase development rights to keep productive farmland in agricultural uses. Through this program the USDA provides up to 50 percent of the fair market easement value to acquire conservation easements or other interests from farmland owners. To be eligible for funding, a state, county or local jurisdiction must have a complementary program of funding for the purchase of conservation easements, and grants are awarded competitively through the USDA's Natural Resources Conservation Service (NRCS). (For more information visit http://www.info.usda.gov/nrcs/fpcp/fpp.htm).

Hazardous Mitigation Grant Program

This program provides financial assistance to state and local governments for projects that reduce or eliminate the long-term risk to human life and property from the effects of natural hazards. The grant program

has 75 percent federal and 25 percent local contribution. The nonfederal share may be met with local cash contributions, in-kind services, or certain other grants such as Community Development Block Grants. The Federal Emergency Management Agency makes the final decisions on project eligibility, but the state agencies administer the program. Eligible projects include acquisition of property, retrofitting of buildings, development of standards with implementation as an essential component, and structural hazard control or protection measures such as dams and sea walls.

Land and Water Conservation Fund

The Land and Water Conservation Fund is the largest source of federal money for park, wildlife, and open space land acquisition. The program's funding comes primarily from offshore oil and gas drilling receipts, with an authorized expenditure of $900 million each year. However, Congress generally appropriates only a fraction of this amount. Between 1995 and 1998, no funds were provided for the state-and-local grant portion of the program, which provides up to 50 percent of the cost of a project, with the balance of the funds paid by states or municipalities.

LWCF funds are apportioned by formula to all 50 states, the District of Columbia and territories. Cities, counties, state agencies, and school districts are eligible for LWCF fund monies. These funds can be used for outdoor recreation projects, including acquisition, renovation, and development. Projects require a 50 percent match.
In fiscal year 2000, Congress approved stateside grant funding at $40 million. In FY 2001, $89 million was approved. In the current fiscal year, the stateside amount has been increased to $140 million nationwide, which will provide North Carolina with an apportionment of $3,250,596.

The President's budget request for FY 2003 proposes a $200 million stateside program, a portion of which will be earmarked for a Cooperative Conservation Initiative (CCI). The CCI will provide additional funding for competitive matching grants for natural resource restoration.

For more information contact:
Headquarters: U.S. Department of the Interior
National Park Service, Recreation Programs
Room MIB-MS 3622
1849 C Street NW
Washington, DC 20240
(202) 565-1200
http://www.ncrc.nps.gov/lwcf/

Nonpoint Source Implementation Grants (319 Program)

The 319 Program provides formula grants to states so that they may implement nonpoint source mitigation projects and programs in accordance with section 319 of the Clean Water Act (CWA). Nonpoint source pollution reduction projects can be used to protect source water areas and the general quality of water resources in a watershed. Examples of previously

funded projects include installation of best management practices (BMPs) for animal waste; design and implementation of BMP systems for stream, lake, and estuary watersheds; and basin-wide education programs. These grants allow for 60 percent of the cost of the project to be funded federally with a 40 percent local match.

For more information contact:
U.S. Environmental Protection Agency
Office of Wetlands, Oceans and Watersheds
Nonpoint Source Control Branch (4503F)
Ariel Rios Bldg., 1200 Pennsylvania Ave., NW,
Washington, DC 20460
(202) 260-7100
http://aspe.os.dhhs.gov/cfda/p66460.htm
http://www.epa.gov/owow/nps/

Pittman-Robertson Act

The Federal Aid in Wildlife Restoration Act, popularly known as the Pittman-Robertson Act, provides funding for the selection, restoration, rehabilitation, and improvement of wildlife habitat, and wildlife management research. Funds from an 11-percent excise tax on sporting arms and ammunition are appropriated to the Secretary of the Interior and apportioned to states on a formula basis for covering costs (up to 75 percent) of approved projects. The program is cost-reimbursement in nature, requiring states to apply for reimbursement of up to 75 percent of project expenses. At least 25 percent of the project costs must be provided by the state and originate from non-federal sources.

Surface Transportation Act (SAFETEA-LU)

For the past 15 years, the Surface Transportation Act has been the largest single source of funding for the development of greenways. Prior to 1990, the nation, as a whole, spent approximately $25 million on building community-based bicycle and pedestrian projects, with the vast majority of this money spent in one state. Since the passage of ISTEA, funding has been increased dramatically for bicycle, pedestrian and greenway projects, with total spending north of $5 billion. SAFETEA-LU will more than double the total amount of funding for bicycle/pedestrian/trail projects as compared to its predecessor TEA-21, with approximately $800 million available each year. States may spend up to 20 percent of their STP dollars (used for transportation facility reconstruction, rehabilitation, resurfacing, or restoration projects) for environmental restoration and pollution abatement projects. Additionally, each state sets aside 10 percent of STP funds for transportation enhancement projects, which can include acquisition of conservation and scenic easements, wetland mitigation, and pollution abatement, as well as scenic beautification, pedestrian and bicycle trails, archaeological planning, and historic preservation.

For more information contact:
U.S. Department of Transportation
Federal Highway Administration

400 7th Street, SW, Washington, DC 20590
(202) 366-5004
http://www.fhwa.dot.gov

Wetlands Reserve Program

The Wetlands Reserve Program is administered through the Department of Agriculture's Natural Resources Conservation Service. This program provides landowners with financial incentives to restore and protect wetlands in exchange for retiring marginal agricultural land. Landowners may sell a permanent or a 30-year conservation easement, or they may enter into a cost-share restoration agreement for a minimum of 10-years. Participating landowners voluntarily limit future agricultural use of the land. They continue to own and control access to the land, and they may lease the land for recreational activities. The amount of funding available in a given fiscal year depends on the amount of acres Congress permits to be enrolled in the program, and a per acre value is assigned in each state.

For more information contact:
U.S. Department of Agriculture
Natural Resources Conservation Service
Watersheds and Wetlands Division
P.O. Box 2890, Washington, DC 20013
(202) 690-0848

Private - Corporate and Philanthropic

Land Donations

While land donations are an inexpensive way to acquire property, it is imperative that donated parcels be considered critically in relation to the overall open space management strategy and its implementation costs. It is possible for donated parcels to augment a well-designed system of connected parcels, environmentally significant landscapes, or culturally valuable sites. However, it is unlikely that the most valuable parcels (as identified in the Wake County Open Space Plan, Phase II) will be donated as a matter of coincidence. In fact, the County will want to be selective in the parcels it accepts as donations. Careful consideration will be needed before deciding that the cultural and/or environmental benefits of a donated parcel outweigh the management and maintenance expense of adding it to the overall system.

Nonprofit Partners

Nonprofit organizations are capable of raising money from individual and corporate donors, large grant foundations, and state and federal grant programs. Partnering with land preservation foundations is often a beneficial arrangement for public agencies. Some granting authorities have policies that prohibit awarding grants directly to governmental agencies, or will only grant funds when a nonprofit agent is involved. Developing an agreement, in support of the Wake County Open Space Program, with a land conservation foundation could produce financial benefits and other

support for the preservation and protection of Wake County open space. Corporate partnerships are also worthy of cultivation. Their funds can be used as local matches for grants, and they can play leadership roles in civic activities and promotions.

Wake County will need to employ a combination of conservation methods in order to protect and preserve the maximum amount of valuable open space. Plan administrators will need to consider:

- the intensity of land management;
- public access requirements;
- interests that the owners are willing to sell;
- administrative or management issues;
- and available funds.

Land Acquisition Methods

Common forms of acquiring land are as follows:

• Fee-simple acquisition - the outright purchase of a property. Fee-simple acquisition provides permanent protection. It typically raises the value of nearby property (thereby increasing their tax burden). However, it is too expensive to purchase all desirable land, and it removes purchased land from the tax rolls.

• Conservation easement – the payment to landowners that agree to manage and maintain their land in a manner that preserves or enhances the ecological integrity of a parcel. Conservation easements are more restrictive than regulations but less expensive than fee-simple acquisition. Land under a conservation easement remains in private ownership (often denying public access to the property) and on the tax rolls. Participating landowners may benefit from tax incentives.

• Leasing (short or long-term) – generally, one of the least expensive options. It also provides the least control in terms of conservation activities and duration.

• Charitable Remainder Trusts – a vehicle for property-owning individuals to transfer property to a non-profit or government entity. A charitable remainder trust (CRT) is a special, tax-exempt, irrevocable trust written to comply with federal tax laws and regulations. One of the major reasons why individuals use CRT's is to make charitable donations and to avoid capital gains on the sale of appreciated assets. The initial transfer of assets to the trust is followed by a distribution of income for life (or a predetermined term of years). By law, a charitable trust must have a payout rate between 5% and 50%. Payouts normally range from 5% to 7%. Income can be paid over the donor's life, spouse's life and even the donor's children's and grandchildren's lives. Normally, trusts are funded with assets valued at $100,000 or more. Transfers to a CRT will generate an income tax deduction for the donor in the year of the contribution. Excess deductions may be carried forward for five years after the initial year of the transfer.

Examples of Other Community Financing Efforts

A representative sample of communities nationwide is reviewed below. The most noticeable commonality in their approaches is the passing of bond measures ($130 million to $400 million) to kick-start the purchase of significant open space parcels. In addition to illustrating the expense of implementing an aggressive purchase program, the passage of these bonds are testaments to the commitment of the various communities and the perceived importance (nationwide) of land preservation.

Austin, Texas

In the 1990's, Austin grew from a population of 400,000 to 600,000. A million people now live in the Austin metro area. The effects of sprawl were evident in Austin's clogged traffic, declining air quality, threatened drinking water, and loss of rural character. In 1998, the city council launched a smart growth initiative that included regulatory changes that encourage denser development and efforts to protect open space. Throughout the 1990's, Austin voters approved more than $130 million in local bonds to protect critical watershed lands and create parks and greenways.

Some of these funds will go towards the purchase of open space as a part of a "desired development zone." The 5,000-acre development will set aside the "most sensitive, the most beautiful, the most threatened lands in terms of water quality, so the desired development zone will have a spine of natural beauty down the middle of it, and that will attract folks to live and work there."

(For more information visit: http://www.tpl.org/tier3_cdl.cfm?content_item_id=1150&folder_id=727).

Broward County, Florida

In 1990, Broward County had 2,900 acres remaining of pristine land. The county passed a $78 million bond to purchase this land, but it was not enough. Only 1,200 acres could be purchased, and another 1,200 of the targeted acres were lost to development.

In 2000, the county sought to purchase the remaining ecologically sensitive 500 acres for conservation and to add another 525 acres (of moderate ecological health) to the county open space system. Additionally, the county was looking to purchase 400 acres of inappropriately located agricultural fields and industrial sites so that the land could be reclaimed for passive recreation areas. The voters approved (by 74 percent) a bond referendum of $400 million to add the 1,425 acres to the county's open space resources. (For more information visit: http://www.tpl.org/tier3_cdl.cfm?content_item_id=1355&folder_id=947).

Gwinnett County, Georgia

Gwinnett County uses a variety of sources to collect its open space and recreation funding. In FY2001, the county received $3,302,522 as a participant in the Georgia Greenspace Program. Due to increasing par-

ticipation by other Georgia counties, the FY2002 allocation for Gwinnett is $2,948,970. Additional funding for open space acquisition comes from the recreation tax levee of 0.86 mill. However, the most significant funding comes from Special Purpose Local Option Sales Tax (SPLOST).

The state of Georgia permits local governments, via a referendum, to assess an additional one percent sales tax for special projects. In November of 2000, Gwinnett County voters approved a four-year, one percent SPLOST. The SPLOST is expected to generate between $450 million and $750 million for open space preservation, parks, libraries and transportation. The eventual amount collected in SPLOST funds will be dependant upon the actual dollars spent on taxable goods in Gwinnett County. The allocation for parks and open space is anticipated to be a minimum of $192 million.

Portland, Oregon

For the fiscal year 2001/02, Portland Parks & Recreation will spend nearly $60 million to operate, maintain, and expand the park system. The greatest single source of revenue will come from Portland's General Fund (50%). Additional funding comes from user fees (27%), interagency agreements (7%), grants and donations (0.5%), Park System Development Charge (1.5%), and other sources (14%).

In the spring of 1995, metro-area voters approved an Open Spaces Parks & Streams Bond Measure of $135 million to acquire regionally significant natural areas. The money will be spent to acquire approximately 6,000 acres of open space and complete six regional trail and greenway projects. The measure also provides resources for local parks providers, including $7.4 million for parks within the City of Portland.

In 1998, the Portland City Council approved a residential Park Systems Development Charge (SDC) to partially offset the costs associated with needed services for housing developments. The residential development fee generates about $1 million a year for park capital improvements based on the current rate of about $1,500 per unit. SDC funds are restricted to land acquisition and capital improvements in areas of population growth and new development. SDC funds cannot be used to correct existing parkland deficiencies, nor can they be used to offset operations or maintenance costs. Currently, the fee is only assessed for residential development. (For more information visit: http://www.parks.ci.portland.or.us/).

Conclusion

The success of Wake County's $41 million in bond programs demonstrates voter support and a perceived understanding of open space importance. The funds from this measure, however, will be gone soon. If Wake County wants to continue preserving and protecting open space, it will need established funding to implement an open space program, acquire more open space parcels, and manage and maintain parcels already in the system and those that are acquired in the future.

Wake County will have to employ a variety of funding sources that include local, state, federal, and private money. While state and federal funds are attractive, the Open Space Program will have to be primarily funded locally. Many of the methods mentioned above will require voter approval and/or be limited by the County's taxing capacity.

After determining the possible and practical options available to fund the Wake County Open Space Program, it is strongly recommended that Wake County engage a financing strategist and polling firm (such as the Trust for Public Land) to further explore the feasibility, public acceptability, and potential real returns before implementing a specific funding mechanism or strategy. Careful consideration should be given to the implementation of financing techniques that require voter approval. To implement most voter-approved taxing/borrowing options, a three-step approach is recommended: feasibility research, public opinion polling, and measure design. First, a jurisdiction's financing capacity and the potential revenues that could be raised via different financing options are determined. This research will help local leaders estimate how much revenue different options would raise and the potential impact on residents.

Scientific public opinion polling should be conducted to assess voter preferences (their willingness to fund open space in relation to other public needs) and how much they are willing to spend. Polling will gauge the public's local conservation priorities and help determine the preferred type and size of financing measure. If the research and polling indicates a favorable response, a ballot measure can then be designed to reflect public priorities and a community's conservation needs.

Notes:

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