



KSA Parks Master Plan Funding

Costs and Alternatives

11/5/2009

Accommodating the Next Generation

Objectives

To ensure completion of any projects we start:

- Understand cost estimates and assumptions
- Understand funding options
- Discuss ways to make them balance
 - Reduce costs
 - Increase funds
 - Spread out over time
- Understand assumptions, risks, choices

Capital Improvement Costs

Park/Activity	Estimated Cost
River Grove	
Pre Construction Activities	\$80,000
Construction	\$6,557,607
Design and Fees	\$686,358
RG Total	7,323,965
North Park	
Pre Construction Activities	\$40,000
Construction	\$4,407,284
Design and Fees	\$369,332
NP Total	\$4,816,617
Deer Ridge	
Pre Construction Activities	\$65,000
Construction	\$6,171,207
Design and Fees	\$622,946
DR Total	\$6,859,153
Grand Total	\$18,999,737



Are These Costs Realistic?

- Step change from DIY and maintenance mode
- Capital improvements, infrastructure and greater scale are driving costs
- But still one-quarter (per park) of what City will spend for Houston Amateur Sports Park
 - New park in development on NW side
 - Estimated cost: \$25-28mm
 - Another \$3mm for utilities
 - 18 fields (River Grove will have 17)

Funding Sources Evaluated

- Assessment Increases
- Reserve Funds
- Conservation Capital
- Foundation
- Fund Raisers/Events/Concessions
- User Fees
- Grants
- Bank Borrowing
- City
- County
- TIRZ
- Formation of LGC
- Appropriations



Assessment Increases

- 22,000 HH in KSA
- Current contribution/HH = \$36
- \$25 increase in assessments could generate \$550K in revenue
- To generate \$3mm/yr, increase would be \$136/HH/yr
- Many association bylaws limit assessment increases to increase in CPI. Some have headroom; others do not.

Reserve Fund

- Currently stands at about \$1mm
- For ongoing repair/replacement needs
- Potential contribution: \$100K/year



Conservation Capital

- Monetize wetlands at EEP and/or CW
- Work with developers, city, federal government
- Up to \$25K per acre in three categories: wetland creation, wetland mitigation, conservation easements
- Total contribution could be up to \$4mm
- Potential contribution: \$500K/year?
- Will be driven by pace of general economic development in region

User Fees

- If improvements had 30 year life, we would need to charge groups \$633k/yr to cover amortization.
- Currently charging \$1 per year
- Groups currently pay \$270,000/year for maintenance, utilities
- Potential contribution: \$500K/year total?



KSA Parks Foundation

- 501c3 being set up
- Allow tax deductible contributions of land, money
- Bequests, naming rights, donations, etc.
- THE KEY to deals with developers
- Needs business plan, fund raiser, etc.
- Will compete with Y and others for gifts
- Y has raised \$500K so far this year through 5-year gift commitments ($\$1K = \$200/\text{year} \times 5\text{yrs}$)
- Possible contribution: \$100K/year initially?

Fund Raisers/Events/Concessions

- Golf tourney, “brick sales,” grocery store programs, luncheons, galas, fun runs, etc.
- Must consider costs
- Can lose money if not careful
- Bricks have more upfront potential
- Concession stands could generate up to \$30K/yr/quad
- Potential contribution: \$300K/year?



Grants

- Exploring through City, State, Federal Govt. and other private sources
 - Grants.gov
 - Recovery.gov
- Ted Poe helping
- Must cover cost of proposal writing
- Often have ropes, not just strings, attached
- Potential contribution: up to \$500K per year?
- *Competing with poorer areas with much higher perceived need*

Bank Borrowing

- Cost depends on :
 - Interest rates at time of borrowing (current 6.5%)
 - Term of loan
- Example A: \$5mm/**30 years**
 - P&I = \$32K/mo. or \$384K/year
 - Total payments = \$11.4mm, total interest \$6.4mm
- Example B: \$5mm/**10 years**
 - P&I = \$57K/mo. Or \$684K/year
 - Total payments = \$6.8mm, total interest \$1.8mm

Banks Would Require

- Understanding of organizational structure and agreement to take risk on it
- That we show ability to generate revenues through assessments that could satisfy debt
- Documentation: corporate resolution showing authority to contract with bank(s)
- CA's co-sign
- Bank(s) might want to spread risk through consortium



City

- Kingwood provides 7% of City tax base
- Current P&R budget \$69.1mm
- If we were getting our fair share, City should contribute \$4.8mm per year.
- Actual contribution: \$0
- Potential contribution: \$1mm?
- Changing priorities/administrations create political risk
- Currently has no budget; might be source in better times

County

- Since annexation, KW receives little funding from county
- Potential contribution/year = \$1mm?
- Same political risk as city
- Currently has no budget; might be source in better times
- Very low probability since we're in City



Lake Houston TIRZ

- Tax Increment Reinvestment Zone
- Keeps increases in valuations in Kingwood
- Funding construction of library, community center, NP expansion, and more.
- Funds can only go to *public* entities
- Would require forming LGC or partnering with existing LGC like Houston Parks Board
- Could also partner with school district
- Potential contribution: up to \$3mm/year?

Formation of LGC

- Local Government Corporation (public “wrapper” for KSA)
- Would require making parks public
- Board composed of seven to nine people
- Won't bring in money by itself, unless we sell municipal bonds
- Make eligible for City/County/TIRZ tax dollars
- Partnering with school district or Parks board could be alternative to LGC formation. Simpler, but has more risk.



Risks of Relying on TIRZ Funds

- TIRZ board, mayor, city councilmember may have other priorities
- Still competing with other projects for funding
- Availability of future funds assumes home values continue to increase
- Limited amount of funds available
- Longevity of TIRZ

Appropriations

- Federal funding may be available to help cover certain components of the costs, i.e., sewer or water lines, parking, etc.
- Poe's office advises:
 - Clearly identify the need, scope and project, then match to specific programs
 - One to two year horizon from date of submission
 - New submissions begin in March
 - Tougher to get than grants/a long-term solution
- Potential contribution: \$500K per year average?

Contributions by Source

Source	Possible Contribution/Year
Assessment Increases	\$500,000
Reserve Fund	\$100,000
Conservation Capital	\$500,000
Foundation	\$100,000
User Fees	\$500,000
Fund Raisers/Events/Concessions	\$300,000
Grants	Up to \$500,000
Bank(s)	Use to Fill Gaps?
Total Private	\$2,000,000 to \$2,500,000
City/LGC or...	\$1,000,000
County/LGC or...	\$1,000,000
TIRZ/LGC or School District	\$3,000,000
Federal Appropriations	\$500,000
Total Public	\$0 to \$3,500,000



Conclusions

- Private funding alone won't support capital improvements in master plan
- Would need tax \$\$ which may not be there
- Options
 - Revert to business as usual (maintenance mode)
 - Improve one park at a time with private funds
 - Pursue master plan and all available sources of funding including public

Option 1: Business as Usual

- Sports facilities remain in maintenance mode
- Pros
 - Save \$\$\$
 - Easy
- Cons
 - Facilities continue to age
 - Community not served as it grows
 - Image of community jeopardized



Option 2: Do Best We Can With Private Funds

- Would mean:
 - Limiting scope to one park (at least initially)
 - Raising assessments
 - Pursuing combination of other funding options
- Pros
 - Could do first class job on River Grove in 5 years
 - Could continue w/master plan if successful
- Cons
 - Length (15 years) ignores many urgent needs
 - Volunteer burnout, retirement, turnover
 - Decline in volunteerism among Gen X, Y



Option 3: Pursue Entire Master Plan and Public Funding

- Goal: Renovate all three parks in seven to ten years
- Pros
 - Addresses needs of users
 - Upgrades infrastructure and aesthetics
 - Parks support image of community
 - We accommodate the next generation
- Cons
 - Most costly, difficult and risky
 - No assurance public funds would be available
 - Parks become “public”; loss of some control
 - Potential defections
 - Political effort



Public Options

Option	Degree of Difficulty	Risk
Partner with Humble ISD	Low	Low
Partner with Houston Parks Board	Low	Moderate
Form Own LGC	High	Lowest

School District:

- Risk would depend on structure of deal.
- YMCA currently partnering.
- Most likely scenario with negative consequence: as schools grow, facilities expand onto their own athletic fields and students use more of our space/time.
- District student population currently growing at 1 to 2% per year = 438% increase in 100 years (compound growth rate)

Parks Board:

- Risk would depend on structure of deal.
- City doesn't want to maintain.
- Would gladly let us keep doing that.
- Parks Board might make this look low risk from City POV.

River Grove Phasing/5 Yr.

Phase	Cost
1) Utilities, infrastructure, restrooms, competition fields & lighting	\$2.2 mm
2) Earthwork, mitigation, parking, playgrounds, irrigation, trails	\$2.5 mm
3) Remainder of lighting, maintenance buildings, irrigation	\$2.6 mm
Total	\$7.3 mm

Would need approximately \$1.5mm/yr.



Potential Private Sources:

Assessment >	\$500k
Reserve Fund	\$100k
Cons. Capital	\$500k
Foundation	\$100k
Fundraisers	\$300k
Grants	up to \$500k
<u>User Fees</u>	<u>\$500k</u>
Total	up to \$2.5mm

Discussion

