

B Exhibit 3 – Financing Techniques

1. Long-term Bonds:

- a) General obligation bonds – sometimes, park and recreation projects have been packaged in general capital funding measures, and in other instances, open space programs have been funded by a separate bond or paired with related environmental programs to increase voter appeal. All such initiatives require carefully planned strategy.
- b) Revenue bonds – these bonds are unaffected by the ceilings that constrain general obligation debt. Also, voter approval is not necessarily required because government is not obligated to repay the debt if the revenue stream does not flow as predicted. However, these are often costlier to package than general obligation bonds
- c) Private activity bonds – these bonds can be issued by nonprofit land conservation organizations to finance a specific transaction or to attain a more general line of credit for projects. They can enable nonprofit organizations to take a more direct role in financing projects.

2. Short-term Debt Instruments:

There are a variety of both tax-exempt and non-tax-exempt debt instruments such as revenue, bond, and tax anticipation warrants; promissory notes; drafts; and other variations that local governments can use to secure money. These short-term options are useful if a government faces limitations on bonding but has assurances of revenues or other income to cover the debt service of a loan until the funds are received.

3. Alternative Financing Techniques:

- a) Lease / Purchase contract – this method is used when a decision has been made to buy property but up-front funds are unavailable. With this arrangement, acquisition can be paid for in periodic payments, or installments, that include principal, interest, and associated costs.
- b) Certificates of participation – a variation on the leasing theme structured to enable a group of investors to buy proportionate shares in a tax-exempt income from a lease, pursuant to a lease/purchase agreement.

- c) Securitized Installment sales – Government is borrowing, in effect, from the landowner through an installment sale (needs a non-profit intermediary).
- d) Real Estate Transfer Taxes – this tax taps a percentage of funds generated by development and is relatively easy to collect and increases with the size of the property involved in the transaction.
- e) Sales tax – set aside from the sales tax can tap into tourism profits generated by open space amenities but can also decline if the economy slows down.
- f) Trust fund or Endowment fund – land conservation advocates often establish trust funds that earmark revenue sources to build up a sizeable, sustainable principal that can spin off regular earnings to pay for acquisition and management of parks and open space. Of course, a source of funds is needed for the trust fund; most often used include general appropriations (either one-time or ongoing), lotteries, mitigation funds, special taxes, user fees, and severance payments on natural resources extracted from public lands.
- g) Benefit assessment districts – as special municipal districts, benefit assessment districts create a financing mechanism to provide community services, facilities, or infrastructure within defined boundaries. Typically, a levy is placed on individual parcels, and the assessment is structured so that land-owners pay in proportion to their benefit, which may mean a flat surtax per property or a percentage of value. *For example: Mello-Roos Community Facilities Act* – California enabling legislation that provides a way for residents in a new and growing community to assess themselves to pay for common facilities with a life of 5+ years including bike paths, lanes and pedestrian facilities. Defining the boundaries of the benefit district may be difficult unless the facility is part of a larger parks and recreation or public infrastructure program with broad community benefits and support.
- h) Mitigation banks – natural land set aside to allow developers to compensate for the adverse impacts of development (often the degradation of wetlands) in a location other than the development site.
- i) Pay-as-you-go approach – instead of large-scale borrowing, cities will pay for projects as they are able. Important advantages include saving financing costs and a reflection of the fiscal choices of the current electorate. Disadvantages are that project costs are not spread over the useful life of the asset or among future as well as present beneficiaries.

- j) Land exchanges – local governments might consider the possibility of acquiring property through an exchange. Making an exchange work usually takes a long time and can be difficult to match the values in the exchange. Exchanging unwanted public property for sought-after park land often needs the participation of a nonprofit intermediary who is willing to pay the landowner off in cash and then going through the process of completing the exchange with the public agency.