

Kingsport

III. Potential Funding Sources

Prepared by:



With:

**Community Associates, Inc.
Karen Hundt, AICP**

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Potential Funding Sources

Below are a variety of potential funding sources, in addition to general tax revenues, that should be considered in funding the many recommendations of this report:

Transportation, Streetscape and Infrastructure Funding

TEA -2 1

The Transportation Equity Act for the 21st Century (TEA-2 1), soon to be renamed the “Safe, Accountable, Flexible, and Efficient Transportation Equity Act” (SAFETEA), includes opportunities for funding within its Enhancement Program. The Enhancement Program is a federally funded program that promotes diverse modes of surface transportation. Recommendations of this report that might be funded by TEA-2 1 include streetscape improvements, greenways, and traffic calming.

Community Development Block Grants (CDBG) Program

CDBG funds are available each year to be awarded for specific program categories including: community revitalization, scattered site housing, infrastructure, economic development, housing development, urgent needs, and capacity building. Each program has specific requirements. Entitlement cities, such as Kingsport, receive CDBG funds directly from HUD. Funds are allocated based upon a formula basis. This program must prioritize benefits to low and moderate income persons.

Section 108 Loan Guarantees

Section 108, the loan guarantee provision of the Community Development Block Grant (CDBG) program, is one of the most potent and important public investment tools that HUD offers to local governments. It allows them to transform a small portion of their CDBG funds into federally guaranteed loans large enough to pursue physical and economic revitalization projects. Section 108 provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects.

Business Improvement Districts (BIDs)

BIDs are an allowable tool for revitalization and redevelopment under Tennessee State statutes. BIDs can be established by a city to provide,

finance, or maintain a variety of services, facilities, or functions within a specific area, including: installation of street lighting, landscaping, specialized street and sidewalk paving, or specially designed street signs and street furniture. In order to provide funding for facilities, services, or functions, the jurisdiction is authorized to levy a limited amount of additional property taxes within the service district through approval by a majority of voters residing in the district.

Neighborhood Improvement Districts

Although BIDs are intended for commercial districts, interest from residential neighborhoods might be explored in case the City wants to develop a neighborhood model. Examples of potential funded improvements include sidewalks and neighborhood parks.

Development Taxes and Impact Fees

Although development taxes and impact fees are both allowed in Tennessee and have the same general effect, they are two distinct funding tools. Development taxes, also known as adequate facilities taxes and construction taxes, are a form of “privilege tax” for which the proceeds go into the municipalities general fund. Impact fees, on the other hand, are a one time “user fee” on development. Fees are required in order to off-set the fiscal impacts of new development. Rather than going into the general fund, the fee revenues are allocated towards very specific public purposes, such as streets, sewers, water, schools and police, based upon detailed projections of the costs of the impact. Because the adoption of these measures by one municipality within a metropolitan area can result in future development gravitating more to the metro area’s other municipalities without such measures (depending upon the level of the taxes/fees), it is advisable that a regional approach be taken with such taxes/fees.

Property Redevelopment Funding

Tax Increment Financing

Tax increment financing (TIF) is a financial tool used by thousands of communities across the country to stimulate urban redevelopment. It is

Potential Funding Sources (continued)

a powerful tool for funding development projects without spending existing municipal funds or increasing the tax rates of property owners. Instead of spending existing municipal funds, it relies on future municipal funds. Likewise, instead of increasing the tax rate of property owners, it relies on future increased tax revenues raised through future increased property values and assessments. TIF is a valuable financing tool because it essentially allows development to pay for itself. State enabling legislation sets the parameters for how TIF is used.

TIF can generally be applied to a variety of activities, including property acquisition, relocation of displaced residents, demolition for site preparation, and on-site improvements, such as utilities, lighting, streets and similar work. TIF funds are typically backed by general obligation bonds, in which case, if the development project should fail, the city's tax payers will be responsible for paying them off. In Tennessee, unlike most states, the TIF funds can be used to pay off qualified private loans from financial institutions rather than governmental bonds. Although most areas of a community fall under multiple taxing jurisdictions, such as the city, county, school district and other entities, some of those taxing jurisdictions may not be subject to foregoing the tax revenue increase of a TIF program.

Brownfields Economic Development Initiative (BEDI)

The BEDI is a competitive grant program that HUD administers to assist cities with the redevelopment of abandoned, idled and underused industrial and commercial facilities where expansion and redevelopment is burdened by real or potential environmental contamination. BEDI grant funds are particularly intended to increase economic opportunities for low-and moderate-income persons as part of the creation or retention of businesses, jobs and increases in the local tax base. HUD does not encourage applications whose scope is limited only to site acquisition and/or remediation rather than near-term redevelopment.

Community Reinvestment Act (CRA) Financing

Enacted in 1977, CRA requires banks to be rated on their track record of making loans, investing in community development, and providing financial services to low and moderate-income neighborhoods and indi-

viduals. Banks that lend to businesses with revenues of \$1 million or less, or make loans through certified development companies of the Small Business Administration, receive automatic CRA credit for the economic development impact of those loans. Other business loans of up to \$1 million, regardless of the size of the business, are eligible for CRA credit if the business is located in a low and moderate-income area.

The Kresge Foundation Bricks & Mortar Program

The Kresge Foundation provides grants to support a range of non-profit organizations, including local governments. The Kresge Foundation's Bricks and Mortar Program offers challenge grants for the construction or renovation of facilities, the purchase of major equipment or an integrated system, and the purchase of real estate. Matching grants range from \$150,000 to \$600,000, and private funds between 20% and 50% of the requested grant amount should be raised before applying for a grant match.

Public Art Funding

NEA Challenge America Grants

The National Endowment for the Arts provides national recognition and support to significant projects of artistic excellence in the visual, literary, media, design, and performing arts, thus preserving and enhancing our Nation's diverse cultural heritage. Eligible activities are those that promote the arts, and eligible recipients include local governments, public non-profit institutions/organizations, and federally recognized Indian tribal governments.

Parks Funding

Pennies for Parks Programs

"Pennies for Parks" or "Donate Spare Change" programs are in most cases volunteer collection drives aimed to help save, maintain, or purchase sensitive environmental lands, open space, parklands, playgrounds, and recreational equipment. Municipalities may hold neighborhood meetings to solicit ideas and preferences from residents. Children and families are usually brought into the project early to help design the

Potential Funding Sources (continued)

park, name it and then to raise money for it. The groups place canisters marked “Pennies for Parks” or “Donate Spare Change” at local businesses and check-out counters and area businesses to collect pennies, dimes, quarters, and even bills to be donated to the effort.

In some states, voters are asked to add a penny sales tax for parks, recreation, and quality of life improvements. This helps ensure that the park lands are well maintained and that they will keep pace with a growing population. One of the things that must be done to assure private investors and volunteers that this is an investment worth making is to attend to the longer term maintenance issues. These factors add up, meaning that these efforts will be rewarded. Typically, a 60/40 ratio of public to private dollars helps ensure that the public nature of the park land is preserved.

Tree Planting Funding

Urban and Community Forestry Grants

This program is funded by the USDA Forest Service and administered in Tennessee by the State Department of Agriculture’s Forestry Division. Eligible grantees include non-profit organizations and local governments, and eligible activities include the hiring of urban foresters, tree planting programs, education and training, and volunteer development. Grants range from \$1,000 to \$35,000 per applicant.

Historic Preservation Funding

Historic Rehabilitation Tax Credit

The Federal Historic Preservation Tax Incentives program is available for National Register eligible buildings that are income producing, rehabilitated according to federal standards, and project costs exceed the value of the building itself . A federal tax credit worth 20 percent of the eligible rehabilitation costs is available for qualified buildings and projects.

Certified Local Government (CLG) Program – Historic Preservation

CLG grants are funded with money appropriated by Congress, and they require a cash or in-kind service match. The most relevant eligible projects related to this project for Kingsport include: completing surveys of historic resources, preparing preservation plans, and preparing National Register nominations. Only cities and counties officially designated as a CLG, such as Kingsport, can apply for these grants.

Bank of America Historic Tax Credit Fund

To help implement the Community Reinvestment Act (CRA) described on the previous page, the National Trust for Historic Preservation formed a joint venture with the Bank of America to stimulate community development investments. Managed by the National Trust Community Investment Corporation (NTCIC), this program uses federal tax credits to provide equity ranging from \$500,000 to \$5 million for historic building rehabilitation projects identified by the National Trust’s Heritage Property Services.

Other Funding Sources

Appalachian Regional Commission

The ARC provides a variety of grants for economic development within those areas that comprise the Appalachian Mountains, including Kingsport.

Economic Development Administration

The EDA is a federal agency that funds a variety of economic development activities across the country.