Chapter 4

Financing Joint Use

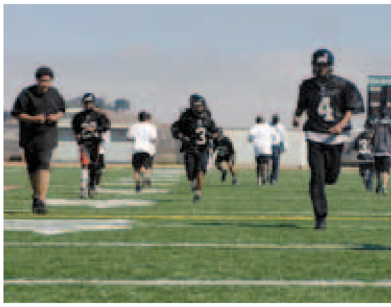
As the idea of joint use gains broader appeal and acceptance, a critical question tends to arise: How do we pay for it?

In this chapter,[43] we look at traditional sources of funding, such as bonds and grants, as well as emerging funding mechanisms like lease-purchase agreements and advertising rights. We also show how these various financing options can support different components of a joint use venture – from infrastructure and facilities construction to ongoing maintenance and daily operations to program staff and equipment.

Different funding streams generally finance different aspects of joint use. For example, some funds can be used to build new facilities while others can be used for renovation; some funds can only be used for capital expenditures while others can cover operational costs. Typically, a joint use endeavor will be funded by combining financing from a variety of sources.

To leverage these funds, it's helpful to form partnerships with organizations that, together, have access to a variety of funding streams and can pool these resources. This type of coordinated effort is especially critical when developing a capital infrastructure project. Working together from the inception of the project to visualize the joint use potential of a facility can present funding opportunities that might not be available if joint use is an afterthought to the facility's design, construction, and use.

The various funding options, with all their complexities and limitations, can be overwhelming. Start by focusing on the real needs of the particular joint use program you want to create. Sometimes, expanding joint use opportunities in your community may be more about forming relationships to "unlock a gate" or resolving concerns about legal liability than about amassing the funds to build a new facility. When financial resources *are* needed for a joint use venture, finding the money will always require creative thinking. This chapter is designed as a basic primer to help you learn about different financing mechanisms and how they can be used to fund a joint use project.



Financing Options

General Fund Revenue

Even in challenging economic times, states, cities, and school districts can allocate general funds to finance all aspects of joint use ventures, including site acquisition, facility construction, building repairs/improvements,

Summary Table

Financing Joint Use Facilities and Programs

This table lists the different financing methods described in this chapter and identifies which can be used for capital costs (e.g., site acquisition, facility construction and/or renovation) and which are available to support programmatic costs (e.g., ongoing maintenance and operational expenses). Although many of the financing options described in this chapter are for capital or infrastructure development, the actual amount of money available for construction is quite limited, and competition for these financial resources can be intense.

Note that the table presents a generalized summary of funding sources, listed in the order in which they appear in this chapter. In your community there may be specific funding programs, grants, taxes, and so on that do not correspond with this summary (for instance, there might be a private foundation grant that is available to cover operational costs). The intent of this table is to help you focus on those aspects of joint use you are most interested in and locate the information in the chapter that is most relevant to your community's needs.

Funding Source	Capital Costs*	Programmatic Costs**
General fund revenue	X	X
Dedicated tax revenue	X	X
General obligation bonds	X	
Revenue bonds	X	
Qualified Zone Academy Bonds	X	
Federal grants	X	X
State grants	X	X
Private foundation grants	X	X
Development fees/impact fees	X	
Development agreements	X	X
Developer incentives	X	
Special purpose districts	X	X
Redevelopment agency funding	X	
Public-private partnerships	X	X
Fee-based revenues	X	X
Sale/lease of surplus property	X	X
Adopt-a-park/adopt-a-school		X
Donations	X	X
Naming and advertising rights	X	X
Concession	X	X

* Capital costs include such things as site acquisition, facility construction, renovation, and/or repair.
** Programmatic costs include ongoing maintenance and operational expenses.

and operational costs. As policymakers are faced with difficult budgetary decisions, advocates must be able to articulate how directing financial resources to joint use programs can be a cost-effective method to satisfy community demand for recreational and educational activities.

Creating a reserve account for capital improvements, renovations, and ongoing maintenance expenses may also seem like a difficult goal in these economic times, but this should be an element of any sound facility management and funding program. Working toward budgets that include support for and the revitalization of joint use programs and facilities is important to ensure the long-term success of such projects.

When envisioning other ideal future funding sources, advocates of joint use should keep in mind that implementing policies that encourage healthy lifestyles can reduce a community's medical and health care costs. Therefore, they may be able to make the case that local government should channel its health care savings to fund efforts that promote health and prevention.

Dedicated Tax Revenues

Local government can use its ability to levy taxes to create a dedicated revenue stream that supports joint use projects. Depending on a local government's legal authority to raise taxes, elected officials or voters could decide to add a new tax or increase an existing one. Revenue could be raised by imposing or increasing a sales tax, transient occupancy tax, real estate transfer tax, admission tax, or alcohol or cigarette tax, among others. These additional funds would be earmarked to finance capital improvements and/or operations and maintenance costs to support community use of school facilities.

In addition, school districts in many states have the authority to generate a dedicated tax revenue stream to fund school activities and infrastructure. To do so, school districts seek voter approval to add a special tax or levy by sponsoring a ballot measure in a districtwide election. If the tax is approved, the property owners and/or residents of that specific school district are the ones to pay the additional tax and the funds are used only in that district. These special taxes can take the form of increases in property tax or income tax[44] and can last

Implementing policies that encourage healthy lifestyles can reduce a community's medical and health care costs. This can help make the case that local government should channel those savings to fund efforts that promote disease prevention.

for a set number of years or continue indefinitely. State law may impose limitations on the maximum amount of funding a district may request, the frequency with which such requests may be made, how long the special tax may be imposed, and what percentage of voters are needed to approve the ballot measure.

While these revenue-generating options are theoretically possible, they may not be practical. For example, in some states, school districts may not have independent taxing authority or may be limited in their ability to generate revenue through special taxes or levies because of caps on property tax or state restrictions on how much debt a local district may incur.[45] Moreover, raising local taxes can be a difficult strategy to pursue in communities that lack property or income wealth. And raising taxes at all may not be politically feasible.

Bonds[46]

General Obligation Bonds

The most common means of financing schools and other public facilities has been through general obligation bonds issued by school districts or other local government agencies.[47] The bonds are sold to the public with the promise of repayment with interest, and the proceeds from the bond sale are used to finance the capital costs of the project. Issuing general obligation bonds usually requires voter approval from a simple majority of the electorate – and sometimes even a supermajority – to pass the bond measure.

States may also issue general obligation bonds to support joint use of schools. The bond revenue can be used to fund competitive grant or loan programs that local school districts may use to finance facility improvements for joint use projects.[48] (A description of grant programs follows at the end of this chapter).

In many communities, raising taxes can be difficult. Many voters no longer have school-age children, so they have little incentive to support bond measures for school facilities improvements and the tax increases that result.[49] If, however, the bond campaign can emphasize that funds will be used to construct or renovate school facilities for shared community uses – such as a school-based senior citizen center or a school/community swimming pool – voters may be more likely to support the measure, because they see the improvements as benefiting themselves and the broader community.[50]

Revenue Bonds

A revenue bond is another option to fund capital costs of an income-generating joint use project. Like a general obligation bond, a revenue bond is issued by a government entity, but it differs in that it can only be repaid from the revenue generated by the specific project it was issued to finance (e.g., tolls from a bridge, ticket sales from a local stadium, parking fees from a public parking lot).[51] A revenue bond is an appropriate funding mechanism only when a feasibility study has been done to verify that the project will generate enough income to pay back the bond debt obligation.

Qualified Zone Academy Bonds

Qualified Zone Academy Bonds (QZABs)[52] can be used to pay for renovations, repairs, and other improvements needed for a joint use program.[53] The major benefit of this federal program is that the school districts issuing QZABs pay *no interest*. Instead of the school district paying back the amount of the bond plus interest to the bondholder (as is the case with a general obligation or revenue bond), the federal government actually issues a tax credit to the bondholder in lieu of the interest the bondholder would otherwise have received. This amounts to an interest-free loan for the district and can save up to half of the project costs.[54]

Each state's education department receives an annual allocation of QZABs from the federal government that can then be issued to local school districts.[55] Since the funds are very limited, a school district must apply to the state for authorization to issue the bonds, and each state's application process and criteria are different. Schools or districts with 35 percent or more of their students eligible for free or reduced-price school meals or districts located in empowerment zones or enterprise communities[56] may apply for this federally sponsored program. A school or district must raise at least a 10 percent match from community partners, such as a business or nonprofit organization, which can be cash or in-kind. A school district has 15 years to pay back the QZAB, which it could do through its general operating budget or via a voter-approved general obligation bond.

Grants

Federal, state, county, business, or private foundation grants are available to improve recreational spaces, renovate school property, or provide services for community residents. Soliciting grant funds can be an opportunity for government departments, school districts, and nonprofits to form partnerships and apply jointly to a grant program that might not otherwise be available to them individually. For example, a nonprofit organization and a city parks department can partner to apply to a private foundation that traditionally does not fund local government agencies.

Although grants can be a good way to get the joint use process started, they are not a sustainable funding strategy. Grants tend to be awarded through a competitive process, with funding priorities changing from year to year. Grant criteria are often narrowly focused as to the scope of the program or services eligible for funding, and many times require the applicant to raise matching funds. While grants may be a great source of one-time or short-term funding, managing the funds may take substantial administrative overhead. So grants are usually best used in conjunction with other sources of funding to create an ongoing joint use program.

Federal Grants

Several federal grant programs make funds available for recreational facilities, community schools, or student enrichment activities. The amount of funding available through each program varies from year to year, depending on congressional appropriations. Here are some of the federal grant programs that may be available to finance elements of a joint use program:[57]

Land and Water Conservation Fund

This fund has helped state and local agencies develop outdoor recreational sites, including thousands of community playgrounds, parks, soccer fields, and baseball diamonds.[58] Seventy-five percent of the total funds distributed to the states through this program have helped finance "close-to-home recreation opportunities" for youth, adults, senior citizens, and disabled residents.[59] Funds are allocated to each of the states to purchase parklands and develop recreational facilities. To find out which department oversees these grant funds in your

A State Grant Opens the Door

An inspiring example of how a nontraditional partnership can create community recreational space comes from the small, rural town of Earlimart, California.

There are no parks where children can play in Earlimart, and for years neighborhood advocates had their eyes on an empty lot in the middle of town – a few dry, dusty acres of land owned by the local school district. They identified a $2 million grant that could fund the transformation of the lot into an appealing recreational destination filled with trees, play space, picnic tables, and walking paths. But to apply for the grant, the school district and the county needed to sign an agreement detailing future plans for the property, including a provision that the district would relinquish control of the property for a couple of years while the county took over the development process. This was no small task, because the district and the county resource management agency had a long history of mutual distrust.

The county resource management agency had the charge and know-how to oversee the development of the land, as well as an interest in developing a drainage system on the property to absorb excess water, process pollutants, and prevent flooding after major storms. But because the land was owned by the school district, the county could not take on the project without a formal agreement. The district already faced a number of pressing challenges, including low test scores, so developing a park was not high on its to-do list. The district also was reluctant to take on the responsibility for costs or injuries associated with community use.

Community advocates helped identify ways for the district to share the costs and responsibilities of developing and maintaining the land through a joint use agreement. The school superintendent agreed to host regular meetings with county resource management agency staff, elected officials, and other community advocates to discuss how to move forward.

Finally, after years of tireless organizing and sometimes difficult negotiations, the school district and county signed an agreement and submitted a strong application to the state parks and recreation department for the $2 million grant. As this toolkit went to press, they were awaiting final word on the award.

state, see the National Park Service website at www.nps.gov/ncrc/programs/lwcf/contact_list.html.

21st Century Community Learning Centers Program

The primary goal of this program is to create community learning centers that provide academic, artistic, cultural, and recreational enrichment activities during non-school hours for students who attend low-performing schools and live in high-poverty areas. The centers also must offer literacy and other educational services to the students' families. Activities funded through this program include remedial education, arts and music programs, tutoring services, computer literacy programs, and recreational opportunities. Funds are allocated to each state's department of education, which then awards funds through a competitive grant program to eligible entities, including school districts, county offices of education, and community-based organizations. Priority is given to applications from partnerships of two or more eligible entities. For due dates, applicant requirements, and award criteria for your state, go to the U.S. Department of Education's website at www2.ed.gov/programs/21stcclc/contacts.html#state.

Community Facilities Grants Program

The U.S. Department of Agriculture Rural Development offers grants to rural areas and towns with populations up to 20,000 to develop essential community facilities.[60] Funds may be used to build, enlarge, or improve schools, libraries, hospitals, medical clinics, and community centers, and can include equipment purchases. Grants are available to local governments (towns, counties, special-purpose districts) as well as to nonprofit organizations and tribal governments. For more information about this program, see www.rurdev.usda.gov/HAD-CF_Grants.html.

Community Transformation Grants

The new national health care reform law (the Patient Protection and Affordable Care Act of 2010) authorizes funding for innovative chronic disease-prevention initiatives through the Community Transformation Grants program. This program will enable communities to implement programs and policies that help reduce chronic disease rates and address health inequities by creating healthier school environments, encouraging physical activity, increasing access to nutritious foods, and improving community safety. State and local governments, nonprofit agencies, national networks of community-based organizations, and Indian tribes are eligible to apply. Twenty percent of funding is set aside for rural and frontier areas.[61] For more information about the program, see www.cdc.gov/communitytransformation.

Community Development Block Grants

This rather flexible program provides annual grant allocations to states, urban counties, and qualified cities to fund a broad array of community development activities that benefit low- and moderate-income families, including building public facilities, improving neighborhood conditions, and investing in parks and recreational opportunities. For more information about this program, see the U.S. Department of Housing and Urban Development website at http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs.

State Grants

Most states have some type of grant program to help local school districts finance facility construction/renovation or program operations and ongoing maintenance. Types of funding vary widely from state to state and can take the form of direct aid, matching grants, loans, and assistance with debt service (bond repayments).[62] Here are examples of two state grant programs that specifically fund community use of schools:

Arkansas

The Arkansas Department of Education has established a competitive grant program that funds schools to implement joint use policies and agreements that maximize opportunities for physical activity. This program supports collaborative partnerships between schools and local government agencies or community-based organizations. Funded by the state's tobacco tax (the Arkansas Tobacco Excise Tax, Arkansas Act 190 of 2009), the program is a coordinated effort of the Arkansas Department of Education, the Department of Health, and the Arkansas Center for Health Improvement. To learn more about the program, see www.arkansascsh.org/apply-it-in-your-school/584c0b1fb838fc7e23da42ce07caf9b3.php.

California

The California Office of Public School Construction (within California's Department of General Services) has grant funds to finance the construction or modernization of indoor school facilities (such as multipurpose rooms, gymnasiums, or child-care facilities) for joint use. To receive grant funding, a school district or county office of education must enter into a joint use agreement with another governmental agency, a nonprofit organization, or a public institution of higher education. In addition, the school district/ county office of education must demonstrate that the facility will be used to the maximum extent possible for both school and community purposes. A 50/50 match of state funds is required by the local entities. This grant program is funded through general obligation bonds issued by the state. Nearly $190 million has been granted to schools to build nearly 250 joint use facilities throughout the state.[63] For more information about the program, see www.dgs.ca.gov/opsc/Programs/jointuseprogram.aspx.

Private Foundation Grants

National, state, or local community foundations may have grants available that could be used to support joint use programs. Schools may wish to partner with community-based organizations or other government agencies to solicit grant funding from a wider spectrum of private foundations and thus gain access to funds that would not otherwise be available. To begin your search for possible grant opportunities, search the Foundation Center's grant-maker database at http://foundationcenter.org/findfunders.

Development-Generated Options

Even with the significant downturn in new housing development, cities and counties may want to collect development-generated revenues in anticipation of future growth. New housing developments generate an increased demand for community amenities such as recreational opportunities and school facilities. To meet this demand and offset the costs, local jurisdictions might look to housing developers to help fund or build new parks, schools, and other public facilities.

Development Fees or Impact Fees

Development fees or impact fees[64] are paid by developers of new construction projects and are used to help fund the public infrastructure needed to serve the additional population brought to the community as a result of the new development. Fees can be used for capital improvements such as roads and sidewalks, transit systems, schools, parks and recreational facilities, libraries, and water and sewer systems. Development fees can be levied against residential, commercial, and industrial projects, with residential impact fees generally assessed as a per-dwelling-unit fee and nonresidential development fees based on the square footage of the building project.

The collected fees cannot be used for operation, maintenance, repair, alteration, or replacement of existing facilities and cannot just be added to general revenue. The funds can only be used to build the type of facility or infrastructure the fee was specifically created to finance. While development fees can be an additional source of funding for infrastructure projects, remember that these fees can only be used for capital improvements in the newly developed area. Fees cannot be used to mitigate preexisting shortages or deficiencies in facilities built prior to the development, nor can they be used to improve or renovate existing infrastructure (except when the new development significantly impacts the capacity or adequacy of these facilities).

Impact fees are only levied upon new developments and are one-time payments made by the project developer, generally collected when the building permit is issued. The amount of the fee must be clearly linked to the costs associated with the additional infrastructure necessitated by the development and cannot be set arbitrarily. Even with this requirement, fee amounts vary tremendously according to jurisdiction and state.

State laws establish whether or not impact fees may be charged, and if so, what levels of government may levy them and for what purposes.[65] Note that while most states allow jurisdictions to levy impact fees to fund parks, only a handful allow impact fees to help finance schools.[66]

When a jurisdiction is able to collect an impact fee to fund parks, recreational facilities, or schools, sufficient amounts must be collected from each new development to cover the actual costs of creating, operating, and maintaining the sites. To do this, communities should conduct a comprehensive impact fee study to ascertain the real costs of adding infrastructure capacity to meet increased demands of new development. These estimates should be reviewed and updated every five years to reflect changing needs.

Development Agreements

A development agreement is a contract between a project developer and the city/county; it enables both parties to get something more than either would be able to achieve individually under the standard land use regulatory process and impact fee regime. Development agreements may also be an attractive approach for jurisdictions that lack the authority to impose impact fees on new development.

In a development agreement, the developer promises to pay fees for or build a certain type of facility. For example, the developer could promise to dedicate land for a park and recreational facility, build the infrastructure, and provide funding for ongoing maintenance and operational expenses. Through such an agreement, the city or county can receive larger fees or have more land or infrastructure provided by the developer than would be allowable under a regulatory-based development fee structure. This is because the developer has voluntarily entered into an agreement, so neither party is acting under a regulatory framework that has legally mandated limitations. In return for the developer's legally binding promises, the local jurisdiction agrees to provide benefits to the developer, such as density, zoning, or parking bonuses and allowances. Builders may also get a promise from the city/county that they may build the project regardless of any zoning or other regulatory changes that might go into effect during the lifetime of the project and that might otherwise make it impossible to go forward with the development.

Developers use these agreements as a way to gain security and avoid the potential risk of zoning or other changes that might threaten the completion of a multiyear, multiphase, multimillion-dollar project. Local governments can use them to ensure that the public facilities and amenities that made the project attractive will be developed and will not fall victim to external factors such as a failed bond referendum or curtailed capital program. Local governments can also use these agreements to better coordinate a pool of resources from various developers and thus guarantee funding, land set-asides, and infrastructure construction for public improvements.

Incentives

Local government may choose to implement policies that reward developers for including parklands and playgrounds, sports facilities, land for schools, and other public infrastructure. For example:

Zoning Bonuses

Cities or counties may grant a developer a zoning bonus by allowing, for example, greater density or larger developed acreage than would normally be permitted under the existing zoning code.[67] This bonus is given in exchange for the developer providing amenities such as natural open space, pedestrian pathways, parks and playgrounds, community plazas, or other community facilities.

Tax Credits or Rebates

Jurisdictions may offer tax credits or rebates to developers who include land and/or facilities for recreational purposes or community use. A tax credit or rebate could be structured to reduce the developer's tax liability in proportion to the amount of land set aside or the investment in community facilities contained in the new development.

Special Purpose Districts and Assessments

Special purpose districts[68] can be established to provide a public improvement (e.g., lighting, paving, sewer/water, parks, open space, tree planting) for the benefit of property owners within a defined geographic area. Funds for these improvements are raised directly from the property owners within the boundaries of the special district and are levied as a pro rata charge against the property. Special districts may be created by a request of property owners, through a voter initiative, by a subdivision developer, by a resolution or ordinance adopted by local government, or by a combination of the above. The size of a special district can range from an area within a city to multiple counties. In some instances, a special district is formed as a separate governmental entity that will manage the construction and operation of capital improvements and has the ability to raise funds – through taxes, user fees, or bond financing – directly from the property owners who receive the benefits.

Special purpose districts and property owner assessments are a way to fund land acquisitions, capital improvements, and ongoing maintenance costs associated with parks, open space, and recreational facilities. In California, special districts have long been used to help pay for parks. For example, the Mission Oaks Recreation and Park District (MORPD) near Sacramento owns and maintains 11 local parks and provides for the maintenance of recreational facilities at four sites on school district property (through a joint powers authority agreement[69] with the district). The MORPD put forth a ballot measure in 2006 to increase its assessment from $27 to $39 per single-family home equivalent, to add a consumer price index adjustment mechanism. Property owners approved the ballot measure, and the assessment funds the maintenance and improvement of the parks and recreation and school sites.

For communities where new residential construction is taking place, special purpose districts to serve these new residents can be created through negotiations with the developer (the primary property owner), and the rate of assessment can be calculated to fund construction of school and park facilities along with annual operating and maintenance costs. To ensure that this type of funding mechanism is put in place when new developments are being approved, public health staff, community leaders, and others who advocate for parks and open spaces should work with planning staff during the development approval process and play an active role in evaluating proposed budgets to ensure that park and school facility costs are included.

Redevelopment Agency Funding

Redevelopment agencies[70] can bring an array of tools and resources to revitalize distressed neighborhoods and fund infrastructure that can increase recreational opportunities. Redevelopment efforts are overseen by local agencies with the means and expertise to plan and finance a range of projects that could support joint use of public facilities for recreational purposes – from improving street safety to developing space for parks or community centers.

Redevelopment agencies have budgets and income streams that are separate from those of the city or county. They can issue their own bonds and then pay them back by collecting the increase (or *increment*) in property taxes generated in the redevelopment area because of the agency's improvements. These funds can be used to provide loans or grants, acquire or assemble parcels of land, and improve infrastructure. Redevelopment agencies can also negotiate with developers to provide certain types of facilities, such as parks or open space, in the project area. The agencies may also build or retrofit parks and community recreational facilities to meet the community's needs.

Public health officials and advocates can work with redevelopment agencies to ensure that plans prioritize and fund activities that improve opportunities for physical activity. Redevelopment has a controversial history in many communities, where the legacy of eminent domain – the taking of private property by the government – has strained the relationship between redevelopment agencies and residents. Keeping this history in mind, advocates can still take advantage of opportunities to get involved in the redevelopment process and direct redevelopment resources to support current residents. Indeed, many redevelopment agencies are looking for opportunities to improve relationships with community members, and directing resources toward joint use ventures could be a valuable way to regain public trust.

Public-Private Partnerships

A less traditional means of constructing or renovating public infrastructure is through a public-private partnership where a private developer[71] builds or improves the facilities and then leases them back to the appropriate public entity – a school district or the local government. These partnerships can take many different forms, but typically the private sector partner finances, designs, and constructs the facility and enters into a long-term lease agreement with the government entity for a set period of time, usually 20 to 30 years. At the end of the lease period, under most partnership agreements, the school district or local jurisdiction has the opportunity to become the owner of the facility. Under these types of partnership agreements, the school district or local government pays for use of the facility from its annual operating budget. This is unlike the traditional means of financing capital construction or improvements, which require the public agency to issue a voter-approved bond.[72]

Some common private-public partnership arrangements are described below. While the following examples show how such partnerships can be structured to build or renovate school facilities, these same approaches apply to other types of public facilities or infrastructure (such as recreational centers, community centers, etc.):

Capital Lease

To build a new school, the developer constructs the facility – which it owns – and then leases it to the school district for a set period of time. At the end of the lease term, the school district may pay a token amount to purchase it. To renovate a deteriorating facility, the school district would sell the property to the developer to undertake the upgrades. Then the developer leases the property back to the district.[73]

Lease Purchase

These are similar to a capital lease in that the private developer owns the school facility, which it then leases to the school district for 20 to 30 years. In this arrangement, however, the district's lease payments go toward purchasing ownership of the school facility.

Lease-Leaseback

Under this type of arrangement, the school district enters into two leases. First, the district leases property it owns to a private developer (a site lease), usually for a nominal fee. The developer then builds or renovates the desired facilities. The district enters into another lease agreement with the developer, this one to rent back the newly constructed buildings (a facilities lease). This lease also describes the terms by which the district will assume ownership of the property at the end of the lease term.

Additional incentives for public-private partnerships to construct school facilities have come from the federal government through the Economic Growth and Tax Relief Reconciliation Act of 2001, which makes it possible for private developers to issue low-interest, tax-exempt bonds called Qualified Public Educational Facility Bonds to fund public school construction and renovation, thus reducing a developer's overall financing costs.[74] In addition, states are adopting legislation that explicitly allows and even encourages public-private partnerships for public infrastructure projects.[75]

Depending on the agreement, the private developer can do the design work or design the school facilities with direct district involvement and according to community or state standards. Once construction is complete, the developer can be responsible for maintaining the physical structure while the district provides the core elements – teachers, administrators, and curricula – to meet all educational guidelines and requirements. In some cases, the developer can also provide additional services, such as janitorial or food service or school transportation.

Such lease arrangements may actually encourage greater community use of the facilities. In some instances, the district may choose to rent the buildings for only the portion of the day/week/year that school is in session, leaving unused classrooms, auditoriums, kitchens, and sports facilities available for rent and use by community members, civic or recreational organizations, adult education service providers, and others. By making the facilities available to the community, the developer is maximizing the use of infrastructure and earning additional income by leasing used space.[76] This joint use may even make it possible to incorporate computer centers, music studios, commercial kitchens, or recreational facilities into school construction or renovation, since the developer will be able to recoup costs from both the district and outside users through lease agreements.

Proponents of public-private partnerships emphasize that projects are regularly delivered on time and under budget, have lower construction costs than comparable public sector projects, result in reduced life-cycle maintenance costs, and enable public agencies to focus on their core mission rather than be distracted by infrastructure or facility construction.[77]

Others, however, warn that the promised cost savings might not actually materialize. For example, transaction costs associated with private-public partnership agreements can be considerably higher than those for issuing traditional bonds because the complexity of these agreements requires extensive work by attorneys and financial advisors.[78] Moreover, because school districts pay for the leases from their general operating budgets, these leases may actually siphon limited financial resources away from other educational priorities, unlike traditional bonds that add revenue earmarked for specific projects.[79]

Fee-Based Revenues

User fees are a common revenue source for parks and recreation departments, and schools also collect these for use of their facilities. Fees can be charged each time the facility is used, upon registration for lessons or a recreational program, or through an agreement with an organization for regularly scheduled use. These fees can include charging sports leagues for maintenance and lighting costs, as well as charging individuals for using facilities such as tennis courts and pools.

While fees are a component of a revenue strategy, the amount charged is typically inadequate by itself to fully fund a joint use venture. User fees are usually kept low to ensure that most members of the community can afford to take advantage of the programs, and the amount charged does not represent the true cost of using the facility. Also, participation rates are variable, so the amount of money collected may fluctuate from year to year.

Moreover, many school districts and public agencies do not know the true costs of owning and operating their facilities, and therefore do not know how to set accurate rental rates. The Center for Cities & Schools at the University of California at Berkeley has developed two important tools that can help compute these costs and develop appropriate fee structures. The School Facilities Joint Use Cost Calculator, created in partnership with the 21st Century School Fund, helps determine facility costs on a square-foot and hourly basis, which can then be used to develop fee structures based on the real costs. (See chapter 2 for more about the cost calculator.) The second tool is a report titled *San Francisco's Public School Facilities as Public Assets: A Shared Understanding and Policy Recommendations for the Community Use of Schools*, which outlines the results of a yearlong stakeholder process to develop more effective joint use strategies. Using the calculator tool, the report presents recommendations for developing a sliding-scale fee structure in which different types of users (for-profit organizations, nonprofits, and individuals) are charged different amounts. Such a fee structure can help keep community resources affordable by subsidizing nonprofit and/or individual users while still enabling facility owners to cover their costs. Both of these resources are available at http://citiesandschools.berkeley.edu/joint-use.html.

Additional Funding Options

Beyond the funding mechanisms described in this chapter, cities, counties, school districts, and community groups have pursued other ways to raise funds and gather resources to support joint use ventures. Some examples:

Sale or Lease of Surplus Property

The sale or lease of underutilized city-, county- or district-owned land or other facilities can be an important source of revenue.[80] The money earned from selling the property can be used to acquire new parks or school sites or to construct or renovate recreational facilities. Care should be taken, however, to ensure that the revenues earned from the sale are placed in a special capital fund to serve the intended purpose, rather than merely ending up in the general fund. Revenues from long-term leases can go toward maintenance or underwriting joint use programs. Or surplus parcels owned by one entity can be traded with another agency to acquire land more suitable for recreational uses. This approach – one that is the spirit of joint use – involves granting the right of first refusal of surplus public facilities to other departments or units of local government so that they could take over the property and put it to suitable public/joint use. Such an arrangement could yield benefits, albeit of a different sort from the financial revenues generated by the sale or lease of the property or facility. However, the laws governing the sale or transfer of publicly owned land can be very complex, and the viability of this approach may depend greatly on political will combined with staff expertise to accomplish a sale or lease of surplus property.

Adopt-a-Park or Adopt-a-School Program

An adopt-a-park or adopt-a-school program is a way to build a core of reliable volunteers who will participate in monthly work parties or other scheduled events to help maintain recreational facilities or community gardens for minimal or no cost. For example, a business or nonprofit group can take responsibility for maintaining a park sports field, a school track, or other community recreational facility in return for public acknowledgment of their important contribution. Likewise, a parents' group or a "Friends of" organization could participate in monthly clean-up days or even agree to monitor and maintain a school or community garden. A sports league could volunteer to help maintain the fields and other facilities in exchange for reduced user fees.

Donations

Private and corporate donations are another way to help support joint use projects. For small-scale improvements or program needs, a school might choose to raise funds through its informal parent and community network or by forming a committee of parents to organize a fundraising event such as a silent auction. For joint use program support, businesses or community-based organizations could be enlisted to sponsor sporting events, sports teams, or youth activities.

To fund a larger facility improvement project, consider a capital campaign. A capital campaign generally has a targeted fundraising goal and timeline and is a highly focused way to raise funds from a variety of private sector sources, including individuals, corporations, foundations, and faith-based organizations. (For more on capital campaigns, see the National Clearinghouse for Educational Facilities at www.ncef.org/rl/fundraising.cfm.)

In considering fundraising options, remember the value of in-kind contributions as well as monetary donations. Receiving construction materials, expert labor, or other in-kind donations can significantly offset the costs of a facility improvement project.

Naming and Advertising Rights

Another source of private funds is to sell the naming rights for a school or public recreational facility – such as a swimming complex or baseball diamond – to a corporation. Although customary for professional sports stadiums and college athletic facilities, corporate naming of K–12 school recreational sites is still not commonplace. Proponents see it as a way of raising revenue for school and community infrastructure without imposing additional taxes on residents.

Similarly, some public facilities have raised money by making advertising space available, though many oppose this due to concerns about the amount of advertising children see each day and the susceptibility of youth to advertising messages. Paid advertising may include such things as a manufacturer's logo posted on the scoreboard or billboard space along sports field fences. Just as with naming rights, this practice is more common in professional and collegiate venues. If a public facility chooses to pursue this option, it should take two precautions. First, a set of guidelines should be established to define what types of advertising would be allowed. (For example, advertising for junk food, sugary drinks, tobacco, alcohol, and other products that are unhealthy or illegal for children should not be allowed.) Second, any outdoor advertising should be posted in compliance with local outdoor signage laws.

Concessions

A school or local government agency could contract with an organization to build or operate a recreational facility on publicly owned land, and the organization would have exclusive rights to operate the facility during the concession period. A baseball league, for example, could fund improvements to a city-owned athletic complex that the league would lease for a nominal fee. The length of the lease would be such that the league would be able to capture the value of the improvements it made. While the local government does not incur any costs, the organization with the concession may preclude other groups from using the facilities, unless the lease specifies otherwise. If a public agency chooses to pursue this option, the concessionaire contract should include advertising guidelines, as specified above, as well as requirements to adhere to any healthy food procurement (purchasing) standards established by the school district or local government.

Resource List

For more information about financing joint use programs and school improvements:

- 21st Century School Fund. *Federal Spending on PK–12 School Facilities*. 2010. Available at: www.21csf.org/csf-home/publications.asp.
- 21st Century School Fund and Center for Cities & Schools at the University of California, Berkeley. School Facilities Joint Use Cost Calculator. Available at: http://citiesandschools.berkeley.edu/joint-use.html.
- Blank M, Jacobson R, Melaville A, et al. *Financing Community Schools: Leveraging Resources to Support Student Success*. Washington, DC: Coalition for Community Schools, 2010. Available at: www.communityschools.org/resources/capacity_building__finance.aspx.
- Deloitte Research. *Closing America's Infrastructure Gap: The Role of Public-Private Partnerships*. 2007. Available at: www.deloitte.com/view/en_US/us/Industries/US-federal-government/2ea59a17c900e110VgnVCM100000ba42f00aRCRD.htm.
- The Finance Project (a nonprofit research, consulting, technical assistance, and training firm with deep expertise in financing strategies and an extensive online library of publications). Available at: www.financeproject.org.
- Hassel B, Esser K, and Schroeder J. *Facilities Financing: New Models for Districts That Are Creating Schools New*. St. Paul, MN: Education Evolving, 2004. Available at: www.lisc.org/content/publications/detail/811.
- National Clearinghouse for Educational Facilities (NCEF): Created by the U.S. Department of Education, the website has hundreds of articles and resources covering all aspects of school facilities, including financing options. Available at: www.ncef.org.