

# **Small City Funding Program**

## **Report to the Port of Olympia Commission**

**February 18, 2014**

### **Assignment:**

This assignment from the Port Commission originated from the Port of Olympia's *Strategic Plan Update – Vision 2025; Target 7: Invest in the community through the Small City Fund Program, environmental restoration projects, community events, and public amenities*. The Strategic Plan's Port Goal 10 was "Fund Small City Program" and the POCAC was asked to *Study financial viability, impacts and sustainability of this Port Program* and the deliverable was a written review and comment on the Small City Funding Plan.

### **Work Plan:**

The basic work plan for the sub-committee members on this assignment involved reviewing the existing documents used in the past program, surveying other Washington Ports as to their involvement and/or experience with funding small cities within their district, and drafting a report based on their research and investigation. This report represents the sub-committee findings. The sub-committee was chaired by Steve Garrett and members include Richard Wolf and Heber Kennedy. The Port staff member assigned to the committee was Jeff Smith, Port Finance Director.

### **Background Summary:**

The Port of Olympia implemented a Small City Funding program approximately two years ago. The program had the following basic operating terms and conditions:

Funding Source: Economic Development Corporation funds up to \$40,000. Port determines the extent of eligible funds in the program in its annual budget.

Eligible Cities: Small municipalities within Thurston County with a population of 10,000 or less (City of Yelm, City of Rainier, City of Tenino and City of Bucoda)

Program Requirements: Limited to economic development projects that can document a direct linkage to creation of family wage jobs with applicants documenting need/benefit. Projects must be consistent with community plans or strategic planning documents. No obligation of city to repay Port.

Project Requirements: Minimum 1:1 cash match by applicant; Port reimburses. Each project is separate application.

Application Process: Cities submit proposals and the Port Finance Director screens projects for eligibility. The Finance Director reviews and sends recommendations and suggested terms to the Economic Development Corporation Board of Directors for final award(s).

The funding source for this program has been depleted which necessitates a potential change in the program operation. This loss of funding precipitated a study of the program and the assignment to the Citizens Advisory Committee.

## **Committee Tasks:**

Review of Existing Document: The sub-committee first reviewed the document adopted by the Commission to govern the Small City Economic Development Fund. With the elimination of the funding source from the Economic Development Corporation, the document will need to be revised to reflect Port funding of this project as well as review of the process (e.g. involvement by the Economic Development Corporation Board of Directors).

Port Survey and Results: The sub-committee wanted to gather information to determine if other Washington State Ports employed similar programs in their district and the program details. A survey was created (see attachment) and distributed to

eight Washington State Port Districts selected due to their similar size. Of the eight requests, the sub-committee received seven responses. Only the Port of Pasco failed to respond.

Of those responding, the Ports of **Moses Lake and Chehalis** indicated they have not funded any programs with other entities in their district that are outside of Port owned properties.

The Ports of **Skagit and Longview** do fund economic development projects outside of Port properties within their district. Both fund only economic development projects and Skagit limits funding to \$10,000 per project. The source of funding of these projects is tax revenue or operating income. Neither requires a material interest in the project such as ownership or partnership and they do not necessarily require a contribution/investment from the proposer. But as Skagit pointed out, the higher the proposers match, the more likely the Port is to provide the funding (within the Port's budget ability).

The Ports of **Bellingham, Chelan and Walla Walla** also fund projects outside of Port properties within their district and have developed approaches to aid in the process. The Ports of Chelan and Bellingham fund economic development projects, while both Chelan and Walla Walla fund tourism projects while Walla Walla limits their funding exclusively to tourism projects. [The State of Washington passed laws allowing Ports to spend funds on Tourism.]

Of those that do fund economic development or tourism projects inside their district, but outside of their properties, the Ports of Bellingham, Chelan and Walla Walla have adopted policies dealing with funding of projects in their district. [Note: Under the laws of the State of Washington, Port's cannot fund projects outside of their district. The only exception to this law requires the Port District wherein the project lies to agree to allow the funding within their district. The Port of Tacoma funding for the Maytown study was such an exception.]

The **Port of Bellingham's** responses and criteria are listed below:

*Q. 1 Yes. In 2004 The Port of Bellingham initiated a matching fund program (through an Interlocal Agreement) to assist smaller incorporated cities with economic development projects. The purpose of these planning funds is to help the cities evaluate the feasibility and secure other funding programs to implement job-creating economic development projects. The port annually calls for projects and submittals, which are reviewed and prioritized through the Small City Partnership group before being considered and awarded by the Port Commission.*

*Q. 2 These are criteria applied. The small cities work among themselves to allocate funds if the requests exceed the amount budgeted.*

- *Applicants are the small municipalities only. Projects may be in urban growth area if the city is the lead applicant.*
- *Use of funds in "non-construction" for public facilities projects. The funds can be in the construction process but for services/supplies only (e.g., engineer, architect, planning).*
- *Preference for most "ready-to-go" projects or to fill a gap needed. For example, fund the completion of site planning on behalf of a company to secure the private sector investment.*
- *Priority use to leverage EDI (Whatcom County's Economic Development Investment program) funds (EDI requires 10% local match)*
- *No repayment*
- *1:1 cash match by applicant recommended. Not necessarily local dollars but must be firmly committed and documented. Reimbursement by the Port is based on actual expenses documented by the city through paid invoices.*
- *Projects must be consistent with the CEDS (Whatcom County's Comprehensive Economic Development Strategy), capital facilities, or comprehensive plans, or inclusion on other strategic/planning documents.*
- *Projects funded must provide the most direct linkage to permanent job creation such as (1) expansion/retention, (2) recruitment, and (3) feasibility*
- *Applicants must document need/benefit. For example, demonstrate the creation of new wealth through manufacturing, value-added projects, or extra-regional trade benefits.*

*We have supported the development of capital plans (water/sewer) as these required studies are necessary for the long-term development needs for commercial and industrial activity in the smaller cities.*

*Q. 3 Tax revenue and we have used service fees from Industrial Revenue Bond issuance as a funding source, but that budget diminished as some larger bonds were called by the borrowers.*

*Q. 4 No*

Q. 5 *We ask for 1:1 participation. That occurs in most cases. Sometimes the entity contributes more, sometimes less. The cities are very good about working among themselves to agree on recommendations to our Commission.*

The **Port of Walla Walla** has adopted the following policy regarding funding tourism.

Q. 1 *The Port of Walla Walla has only one funding program they offer to other entities; tourism promotion money.*

Q. 2 *See criteria below.*

## **PORT OF WALLA WALLA TOURISM POLICY**

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### **PURPOSE**

The purpose for establishing a tourism policy is to set guidelines for the expenditure of Port funds on tourism activities. Port Districts have the expressed statutory authority to expend funds to promote tourism by advertising, publicizing and distributing information for the purpose of attracting visitors. The statute limits general tourism activity to these specific functions.

### **GUIDELINES**

Prior to each fiscal year the Port Commission will establish a tourism budget. It is the current policy of the Port Commission to limit tourism expenditures as a relatively small portion of the budget. The Commission believes the Port's spending priorities should focus on industrial development activities which is the primary purpose of Port Districts. Once the Port budget is approved, organizations may submit requests for tourism funding. The following criteria will be used in evaluating tourism requests:

- The Port will fund tourism related projects that have the highest probability of attracting out-of-county visitors to Walla Walla County.
- Port funds should be used for advertising, publicizing and distributing information for the purpose of attracting out-of-county visitors. Port funds shall not be used to underwrite general expenses associated with a tourism event.
- The Port will attempt to fund tourism related projects throughout the county when possible.
- The Port will require each applicant to prepare a letter (on the organization's letterhead) outlining the specific use of the money requested.
- At the time of billing the Port will require a letter documenting that the funds were used as proposed.

January 2008

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*Q. 3 The Port of Walla Walla utilizes Property Tax Revenue for this program.*

Q. 4 *The Port does not require a material interest in the project.*

Q. 5 See Q. 2 above.

The **Port of Chelan's** policy is more informal and is summarized below.

Q. 1 *Yes. Industry cluster economic development partnership agreements with a local wine alliance, and with the Cascade Foothills Farmland Association for promotion of ag tourism and direct farm to consumer marketing. We also have similar but more generalized agreements with all chambers of commerce in Chelan County (we have not had an EDC since 2000). We expect our chambers to work closely with us on air service development.*

Q. 2 *The direct relationship between what these groups are trying to achieve to the Port's comprehensive plan, the demonstrated competency of the organization and its efforts and abilities to develop other funding sources than the port. As a countywide port district, we also look to equitable distribution of funds through these agreements.*

Q. 3 *Property tax revenue.*

Q. 4 *Not necessarily, but ownership of materials produced, websites, copyrights, has occasionally become an unanticipated issue/*

Q. 5 *Strictly speaking it has not. The commission is evolving toward a "last dollar in" philosophy along with a desire to see the groups decrease their reliance on port funds over a defined time period. See expanded explanation below.*

*Each partnership is judged on a case by case basis. Each Partnership is unique due to the unique qualities of the project. For some, Port funds are used as matching dollars for grants (City of Entiat Waterfront and Marina Development), for others it is a standalone contribution for the greater economic good (Leavenworth Train Station). Yet others the Port purchased the property and leases it back for the overall project (Pybus Public Market). One component that is consistent is other partners have a financial stake in the project. As mentioned previously, the Commission prefers to be the last dollars in, which promotes investigation into other financial resources. Yet in some unique cases, the Commission may choose to be the catalyst and first dollars in. As stated at the beginning, projects and partnerships are judged on the unique characteristics, as well as our statutory authority.*

### **Committee Conclusions:**

1. Based on the survey and reading of Washington law, Port districts have authority to fund economic development and tourism projects within their districts, but outside of Port owned properties. In addition, these projects may be

funded from any number of Port district sources including the use of Port district property tax revenue.

2. Port districts should be explicit as to the project eligible for funding under these programs.
3. Project eligibility should be tied to and support Port's planning documents such as Strategic Plan, Comprehensive Scheme of Harbor Improvements and Airport Master Plan.
4. Interlocal Agreements appear to be the most convenient and flexible mechanism to implement these type of programs.

### **Recommendations:**

The sub-committee recommends the following to the Port Commission:

1. Commission should continue a program to assist small cities in Thurston County.
2. Commission should publically announce and declare the source of funds used each year for this program e.g. net operating income or property tax revenues or other.
3. Commission should identify a program funding objective, e. g. economic development projects or planning, tourism promotion or planning, or all of the previous.
4. Commission should utilize Port of Olympia Citizens Advisory Committee to refine and develop selection criteria used to meet program funding objectives.
5. Commission should utilize Port of Olympia Citizens Advisory Committee to create a public policy recommendation to the Commission on funding strategies, e.g. first dollars in to spur project; last dollar in which would promote investigation into other financial resources, etc.
6. Maintain requirement that project proposer has a financial stake in the project.
7. Utilize conditional funding such as a match for projects rather than commit outright to project.
8. Consider both cash and/or in kind support for proposed projects.
9. If Small City Funding program is funded with property tax revenue, Port Commission should make final award decision.

10. Utilize the Port of Olympia Citizens Advisory Committee to develop a minimum annual financial level the Port must achieve before funding would be available to assist small cities in Thurston County.

Respectfully submitted,

Small City Funding Sub-Committee

## **Exhibit A (Port Survey)**

November 12, 2013

To: Jim Toomey, Port of Pasco  
Pat Jones, Port of Moses Lake  
Mark Urdahl, Port of Chelan  
Jim Rothlin, Port of Chehalis  
Geir-Eilif Kalhagen, Port of Longview  
Rob Fix, Port of Bellingham  
Patricia Botsford-Martin, Port of Skagit  
Jim Kuntz, Port of Walla Walla

Re: Port Funding with other Entities

The Port of Olympia Commission created a Port of Olympia Citizen Advisory Committee (POCAC) to advise the Port Commission on matters it may wish to assign to the committee from time to time. The purpose of this Committee is to provide advice to the Port Commission on assigned tasks.

A current assignment entails the revision of a Small City Funding Program that involved funding economic development projects proposed to the Port of Olympia each year by small cities (defined as having a population of less than 10,000) in Thurston County. The prior funding mechanism utilized funds from the Port of Olympia Economic Development Corporation. That funding mechanism has exhausted and the Port wishes to investigate new funding methods.

The following survey will attempt to discern what methods and criteria other Washington State Port's utilize when funding economic development projects with other entities such as municipalities, other governments, Chambers, EDC's, etc. in their districts. If you would favor the POCAC with your reply within the next 10 days, it would be greatly appreciated. If you would like to have a copy of the survey responses, please let us know.

Thank you in advance for your cooperation.

Port of Olympia Citizen Advisory Committee

Steve Garrett, Sub-Committee Chair

## Outside Project Funding

*It is assumed in all cases that any participation funding projects in conjunction with other entities must meet the RCW criteria for Port activities in economic development.*

1. Have you funded economic development projects with other entities in your district that are outside of Port owned properties? If so, please describe.
2. What criteria do you utilize when funding these projects?
3. What is the source of Port funding for these projects?
  - a. Tax revenue
  - b. Operating Income
  - c. Net Operating Income
  - d. Other \_\_\_\_\_
4. Does Port participation require a Port ownership, partnership, or other material interest in the project?
5. Does Port participation in the project require an entities contribution/investment in the project? If so, what is the minimum requirement?