## REVISED STAFF REPORT

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| **Agenda Item:** | 8 | **Name:** | Jake Tracy |
| **Proposed No**.: | 2019-0290 | **Date:** | September 24, 2019 |

**COMMITTEE ACTION**

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| ***Proposed Substitute Ordinance 2019-0290.2, making a net supplemental appropriation of $11 million to the Conservation Futures Levy Subfund, passed out of committee on 9/24/2019, with a “Do Pass” recommendation.*** ***The Ordinance was amended in committee with Amendment 1, which placed an expenditure restriction on the proposed $11 million and the previously appropriated $24 million, stating that those moneys must be used for the projects and in the amounts recommended by the CFT Advisory Committee. The ordinance was also amended with a title amendment to align with Amendment 1.*** |

**SUBJECT**

The proposed ordinance makes a supplemental appropriation of eleven million dollars to the Conservation Futures Levy subfund.

**SUMMARY**

The proposed ordinance would appropriate an additional $11 million to the Conservation Futures Levy Capital Fund to be used for open space land acquisition for conservation with bond-backed conservation futures tax (CFT) proceeds. Together with the $24 million that was appropriated in the 2019-2020 biennial budget, a total of $35 million in bond funding is proposed for CFT projects in 2020. The executive expects $8 million in bond revenue in the current biennium but plans to expend $28 million in funding. The remaining $27 million in bond proceeds would be received in the 2021-2022 biennium.

The executive has proposed to initially fund the expenditures using a county interfund loan which would be repaid through bond proceeds. The Executive Finance Committee has approved an official intent reimbursement motion for the initial $24 million and the executive intends to propose another motion for the remaining $11 million if this proposed appropriation ordinance is approved by council. The executive anticipates transmitting a bond ordinance to the Council in early 2020.

Staff has prepared Amendment 1 which would place an expenditure restriction on both the $11 million proposed in this appropriation ordinance, as well as the $24 million previously appropriated. The restriction would state that the $35 million must be spent for the projects as recommended by the CFT Advisory Committee for 2020.

**BACKGROUND**

King County Code,[[1]](#footnote-1) Motion 12587[[2]](#footnote-2) and Ordinance 18890[[3]](#footnote-3) provide for a process for an annual allocation of CFT and Parks Levy open space acquisition funds through a review managed by the King County Conservation Futures Advisory Committee.[[4]](#footnote-4) On an annual basis, members of the Advisory Committee present their funding recommendations, including the factors influencing those recommendations. These recommendations are then transmitted to the Executive, who determines how to incorporate them into the proposed budget.

The CFT is a dedicated portion of the property tax that is authorized by state law[[5]](#footnote-5) to acquire property rights to conserve open space lands. It has been collected in King County since 1982. Open space lands are defined in K.C.C. 26.12.003 and RCW 84.34.020 to include open space, agricultural lands, and timber lands. CFT funds are allowed to be used to protect, preserve, maintain, improve, restore, limit the future use of, or other otherwise conserve open space lands.

State law sets the maximum rate for the CFT at 6.25 cents per $1,000 of assessed valuation. King County’s CFT rate was originally set at that level, but due to a state-imposed limit on annual property tax growth of 1%, the tax rate has eroded over time and by 2018 was being collected at less than 4 cents per $1,000.[[6]](#footnote-6)

In 2018, the King County Council passed Ordinance 18774, which adopted changes to the CFT program in accordance with recommendations from the Land Conservation Advisory Group, which was convened in 2016 to advise the Council on ways to preserve remaining conservations lands within a generation. One major change to the CFT program was an increase to the bond cap from 50 percent to 80 percent of anticipated annual conservation futures tax levy funds for debt service.

On September 11, 2019, the Council passed Ordinance 18978, Ordinance 18981, and Motion 15513, which together updated the code requirements, interlocal agreement (ILA) template, and project criteria for CFT projects. These changes were made in accordance with the recommendations of the Open Space Equity Cabinet, which was convened in 2018 in response to the Land Conservation Advisory Group. The updated ILA template contains language and conditions for bond-backed projects, something that the template previously lacked.

**ANALYSIS**

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| **Conservation Futures Levy Subfund** | **$11,000,000** |
| **2019 – 2020 Adopted Budget:** | **$** **$72,261,837** |
| **Supplemental Appropriations to Date:** | **$0** |
| **Total Appropriation to Date:** | **$** **$72,261,837** |

The proposed ordinance would appropriate an additional $11 million to the Conservation Futures Levy capital fund to be used for CFT projects. Together with the $24 million that was appropriated in the 2019-2020 biennial budget, a total of $35 million in bond funding is proposed for CFT projects in 2020. The executive expects $8 million in bond revenue in the current biennium, and the remaining $27 million to be received in the 2021-2022 biennium. Although only $8 million will be available in 2020, the executive expects to distribute $28 million of the funding to projects in the current biennium.

These initial expenditures would be made from conservation futures cash and/or inter-fund loans, which would be reimbursed after the bond is issued. The executive anticipates transmitting a bond ordinance to the Council in early 2020 for the initial $8 million with the remaining $27 million to be bonded in the next biennium. An official intent reimbursement motion has been approved by the Executive Finance Committee for the initial $24 million, and the executive intends to make an additional reimbursement motion for the $11 million if approved by the Council.

While the preamble of the appropriation ordinance states "This ordinance allocates the King County conservation futures tax levy appropriation to subprojects within the bond project as recommended by the committee report," this does not bind the funding to those specific projects. Table 1 below shows the projects proposed by the Advisory Committee to be funded with the $11 million, as well as the projects proposed to be funded with the already appropriated $24 million.

**Table 1.** CFT Advisory Committee Recommendations for Bond-Backed Funding, 2020

| **General Location** | **Agency/ Location** | **Project Name** | **Recommended for $24M Bond Funding** | **Recommended for Additional $11M Bond Funding** | **Total** |
| --- | --- | --- | --- | --- | --- |
| In Cities  | Des Moines  | Midway Park Expansion  | *$675,900*  | *$0*  | **$675,900**  |
| In Cities  | Issaquah  | Bergsma Acquisition  | *$3,000,000*  | *$2,322,282*  | **$5,322,282**  |
| In Cities  | Kent  | Upper Mill Creek Canyon Expansion  | *$325,000*  | *$0*  | **$325,000**  |
| In Cities  | Normandy Park  | Beaconsfield Nearshore  | *$42,500*  | *$0*  | **$42,500**  |
| In Cities  | Sammamish  | Beaton Hill Park  | *$1,367,800*  | *$0*  | **$1,367,800**  |
| In Cities  | Sammamish  | George Davis Creek Fish Passage  | *$2,000,000*  | *$0*  | **$2,000,000**  |
| In Cities  | SeaTac  | Des Moines Creek Park  | *$1,100,000*  | *$0*  | **$1,100,000**  |
| In Cities  | Seattle  | Thornton Creek: North Branch  | *$600,000*  | *$0*  | **$600,000**  |
| In Cities  | Shoreline  | 185th Street Open Space Acquisition  | *$1,076,900*  | *$0*  | **$1,076,900**  |
| In Cities  | Shoreline  | Paramount Park Open Space Acquisition III  | *$0*  | *$297,800*  | **$297,800**  |
| In Cities  | Tukwila  | Duwamish River Habitat Corridor  | *$335,000*  | *$0*  | **$335,000**  |
| In Unincorporated King County  | Forterra (Sky.)  | Windy Ridge  | *$0*  | *$175,000*  | **$175,000**  |
| In Unincorporated King County  | Si View MPD  | Community Park at Exit 32  | *$350,000*  | *$0*  | **$350,000**  |
| In Unincorporated King County  | Si View MPD  | Edgewick Trail Connection  | *$0*  | *$163,400*  | **$163,400**  |
| In Unincorporated King County  | KC - WRIA 7  | Fall City Open Space  | *$0*  | *$300,000*  | **$300,000**  |
| In Unincorporated King County  | KC - WRIA 7  | Mitchell Hill Forest Additions  | *$1,000,000*  | *$0*  | **$1,000,000**  |
| In Unincorporated King County  | KC - WRIA 7  | Moss Lake Natural Area Additions  | *$825,000*  | *$0*  | **$825,000**  |
| In Unincorporated King County  | KC - WRIA 7  | Patterson Creek  | *$0*  | *$560,000*  | **$560,000**  |
| In Unincorporated King County  | KC - WRIA 7  | Raging River Natural Area  | *$0*  | *$1,228,000*  | **$1,228,000**  |
| In Unincorporated King County  | KC - WRIA 7  | Snoqualmie at Fall City  | *$2,772,500*  | *$0*  | **$2,772,500**  |
| In Unincorporated King County  | KC - WRIA 8  | Bear Creek Basin Conservation Initiative  | *$440,000*  | *$0*  | **$440,000**  |
| In Unincorporated King County  | KC - WRIA 8  | Cedar River Land Conservation  | *$715,000*  | *$904,418*  | **$1,619,418**  |
| In Unincorporated King County  | KC - WRIA 8  | Cedar River Mitigation Reserves Program  | *$400,000*  | *$0*  | **$400,000**  |
| In Unincorporated King County  | KC - WRIA 8  | Cougar Mountain Regional Wildland Park Adds  | *$300,000*  | *$0*  | **$300,000**  |
| In Unincorporated King County  | KC - WRIA 8  | Crow Marsh Natural Area  | *$0*  | *$210,000*  | **$210,000**  |
| In Unincorporated King County  | KC - WRIA 8  | Evans Creek/Emerald Necklace TDR  | *$400,000*  | *$0*  | **$400,000**  |
| In Unincorporated King County  | KC - WRIA 8  | Issaquah Creek Headwaters Protection  | *$701,000*  | *$0*  | **$701,000**  |
| In Unincorporated King County  | KC - WRIA 9  | Bass Lake Complex Acquisition  | *$650,000*  | *$0*  | **$650,000**  |
| In Unincorporated King County  | KC - WRIA 9  | Black Diamond Open Space  | *$600,000*  | *$0*  | **$600,000**  |

**AMENDMENT**

Amendment 1 would place an expenditure restriction on both the $11 million proposed in this ordinance, as well as the $24 million previously appropriated. The restriction would state that the $35 million must be spent for the projects and in the amounts listed in the new attachment C, which is identical to Table 1 above.

Title Amendment 1 would correspond to the changes made in Amendment 1.

1. K.C.C. 26.12 [↑](#footnote-ref-1)
2. A motion requesting the executive to establish a process by which parks expansion levy projects will be developed, reviewed and recommended to the King County council. Adopted October 1, 2007. [↑](#footnote-ref-2)
3. 2020-2025 Parks Levy Ballot Proposition Ordinance. Adopted April 17, 2019. [↑](#footnote-ref-3)
4. Ordinance 18981, adopted on September 11, 2019 changed the name from the "Conservation Futures Citizen Oversight Committee" to the "Conservation Futures Advisory Committee." [↑](#footnote-ref-4)
5. Conservation futures are established in RCW 84.34.200 through 84.34.240. [↑](#footnote-ref-5)
6. Increasing the CFT to its State-authorized maximum would require a State Constitutional amendment to remove the 1% annual increase limitation which would require a vote of the people. [↑](#footnote-ref-6)