



King County

Metropolitan King County Council

Budget & Fiscal Management Committee

Staff Report

Agenda Item No.: 8 Name: Patrick Hamacher
Proposed Ordinance No.: 2011-0148 Date: June 7, 2011

SUMMARY:

This item reviews the feasibility of constructing a regional tennis center and providing county-backed bonds for support of the construction costs. This item is a proviso response from the 2011 budget.

BACKGROUND:

Tennis Outreach Programs (TOPs) is a 501C(3) nonprofit organization that was founded in 2003 and provides tennis tutoring programs to underserved and at-risk youth throughout King county. Their programs are limited, however, due to the lack of availability of indoor tennis facilities in King County. They are proposing to build and operate their own facility.

TOPs is proposing to build a facility at Valley Ridge Park in the City of SeaTac. The facility would have:

- 12 indoor courts
- A 3,300 sq. ft. clubhouse
- Courts lined for USTA quick start for young children
- A viewing area.

The project costs are expected to be \$10.7 million and TOPs has asked the County to back their construction bonds provided by the Washington State Housing Finance Commission.

ANALYSIS:

Need for Additional Facilities

In reviewing the Feasibility Report transmitted by the Executive and previous documents provided by TOPs, it does appear that there is sufficient demand in the region for additional indoor tennis facilities. Specifically:

- According to the USTA and the Tennis Industry Association, the Seattle/King County area ranks last in terms of courts per 100,000 population. For example, Portland's court density is three times higher than Seattle/King County
- There are only 2 indoor public court facilities to serve King County:
 - Amy Yee, run by the City of Seattle

- The Robinswood Tennis Center operated by the City of Bellevue
- People wishing to take classes at both facilities are routinely turned away.
- Both facilities operate at 100% capacity for play and routinely turn people away.
- The report finds the situation at private facilities not much better noting that many have multi-year waiting lists to join, are operating at 100% capacity and are very expensive.
- There are currently no public indoor tennis facilities in South King County.

TOPs does appear to have very favorable lease terms with the City of SeaTac for space in Valley Ridge Park. TOPs has a 50 year lease, with two 10-year extensions. The annual base rents is less than \$20,000 initially, and increases only by the rate of inflation. The City will also provide and maintain parking for the facility.

Constitutionality & State Law

TOPs has asked the County to “back” its bonds. The report, however, notes that the Washington State Constitution (Article VII, Section 5, and Article VII, Section 7) prohibit the County from making loans to a private corporation and also prohibit the County from lending its credit to a private corporation. Further, RCW 39.36.020 limits the County issuance of debt to “county purposes.”

To deal with this problem, the County could identify funds and build the facility as a County parks facility. However, under this scenario, the County may be precluded from using TOPs to operate the facility by collective bargaining agreements.

Ability to provide some financial assistance

The King County Parks & Recreation Capital Improvement Program is supported by two revenue sources. The Capital Expansion Levy can only be used for: 1) acquisition of open space, 2) acquisition and development of the County’s regional trail system and 3) Community Partnerships & Grants (CPG) (up to \$500,000 annually). Real Estate Excise Taxes (REET) also contribute to the CIP, however, these revenues are down 70% from their highs in 2006. A depressed real estate market and annexations have further impacted REET. The remaining revenues from the REET funds are targeted to retiring existing debt for previously funded projects and for providing maintenance to existing facilities.

Despite this, there may be the opportunity for King County to provide some financial assistance to this project. The CPG program provides grants, typical between \$100,000 and \$250,000, to projects that increase county recreational activities but do not increase ongoing operating and maintenance costs.

The Youth Sports Facilities Grant (YSFG) program provides matching grant funds to rehabilitate or develop sports fields and facilities serving youth in King County. These grants typically range from between \$50,000 to \$75,000.

It should be noted, however, that even with aggressive fund-raising on the part of TOPs, eligibility for one or both of these programs will likely not lead to sufficient capital resources for the project to be constructed.

Expansion Levy:

King County's Parks & Recreation division is primarily funded by two lid-lift levies that expire at the end of 2013. The Parks Operating and Parks Capital Expansion levy fund the bulk of operations and capital expansion of the County's regional parks, open space and trail system. If the County were to seek a renewal of the Expansion Levy, this project could be part of the ballot proposition.

Assuming that the \$10.7 million construction costs are accurate, funding the tennis facility out of a renewed expansion levy over a 6 year period would consume roughly one half of one cent per year (\$0.005 / \$1,000 AV). The current levy is five cents per \$1,000 AV per year (\$0.05), so this project would consume roughly ten percent of a levy renewal.

REASONABLENESS:

The proviso report filed by the Executive appears to meet the requirements of the budget proviso. As such, approval of this motion would appear to constitute a reasonable business decision.

INVITED:

Kevin Brown, Manager, Parks & Recreation Division
Monica Clarke, Capital Program Manager, Parks & Recreation Division

ATTACHED:

Proposed Motion 2011-0148