

OPPORTUNITIES FOR GRANT FUNDING

Introduction

The City of Airway Heights has embarked on an extensive planning process to develop a comprehensive recreation center for the residents of the Airway Heights and surrounding areas. Feasibility analysis performed by ALSC Architects involves site planning and programming, financial viability, and funding strategies. The project is likely to establish mutually beneficial and well-defined relationships with several groups and organizations to achieve the common goals of enhancing civic pride and the quality of life in Airway Heights. The recreation facility would provide access for people of all ages and incomes, and promote health, wellness, social interaction, and recreation. While stimulating local economic development, the facilities would also be sustainable financially and self-supporting.

Purpose of Document

The purpose of this report is to assist the City of Airway Heights in determining the feasibility of raising capital grant funds to assist with the development of the comprehensive recreation center and community facility.

The proposed Recreation Center is an \$8.9 million dollar project that would include a fitness center, gymnasium, group exercise room, an aquatic center with leisure pool and spa, multi-purpose rooms, pre-school classrooms, and associated kitchen, administrative, and storage space. The project will conform to planning surveys, needs assessments, economic analyses, community input, land use, and design protocols based on recommendations from ALSC Architects, Strategic Research Associates, and the Sports Management Group.

The Funding Report covers several options for funding outside of voted or non-voted bond debt. These include the following:

- ^a Grants and contracts from the State of Washington
- ^a Special purpose grants from Federal Agencies through Congressional Appropriations
- ^a Capital grants from local and regional private Foundations
- ^a Grant support and gifts from private donors
- ^a Capital grants from national Foundations

This report is intended as a tool for the City in developing a rather complex funding package. Variables that affect funding outcomes include the success or failure of ballot measures for bond financing, the City's capacity to issue non-voted bonds to spur on implementation, the strategies adopted by the City to purpose public and private grant subsidies, and the quality and scope of funding proposals. Grant applications can range from as few as 4 pages to 100 pages or more. The extent of preparation, pre-proposal contacts, and project documentation determines the outcome of funding requests. The report also examines the use of a nonprofit intermediary to apply for certain grant funds.

SECTION ONE

Public Funding – Grants and Contracts

State of Washington Capital Budget

During the biennial and supplemental legislative sessions, the State of Washington has the capacity to fund a variety of civic, educational, human service, and economic development capital projects, limited only by the State’s bond cap. The process is of course political and requires support from key entities, such as the Spokane Area Chamber of Commerce. What follows is a description of the amounts Airway Heights might request from the next two legislative sessions, and the process involved in doing so.

Description	Suggested Request	Description/Process/Timeline	Funding Cycle/Notes
1. State of Washington Capital Budget Request for 2005-2007 Biennium – Washington State Legislature	\$500,000	Predevelopment and planning funds to offset preliminary costs for site design, site development, and internal planning a Legislature often focuses on economic benefits a Local match would significantly strengthen case (voted debt, donated land, other City contributions) a Should get project on the Spokane Area Chamber of Commerce Legislative Agenda; presentations to the Chamber’s capital projects group occur in October and November of 2004 a Key legislators to gain early support for the project and sponsorship of request are those representing the City and surrounding areas of the County.	Funds would be appropriated by April of 2005 and contracted by July-December of 2005. Funds should be expended by June 30, 2007, or may be subject to re-appropriation by Legislature Governor’s Office support would be helpful but not critical to appropriation

Description	Suggested Request	Description/Process/Timeline	Funding Cycle/Notes
2. State of Washington Capital Budget Supplemental Request for 2005-2007 Biennium – Washington State Legislature	\$500,000	Site development and/or construction funds a See above	Funds would be appropriated by April of 2006 and contracted by July of 2006. Funds should be expended by June 30, 2007, or may be subject to re-appropriation by Legislature Governor's Office support would be helpful but not critical to appropriation
Total State Funding	\$1,000,000	For 2005-2007 Biennium	

For the State appropriations process, it is important to get an early start. This means contacting local legislators and seeking a meeting to go over a presentation on the project. The presentation should be short – 4 pages of text maximum, with a large font type bulleted summary sheet. Drawings or other graphics should be used liberally. The presentation should take no more than 20 minutes, and if a site is selected, a tour may be offered. Include demographic and economic information, especially the short-term benefits of a large construction project in terms of jobs and economic multiplier effects. Also include a description of how many permanent jobs will be created, and how the project will be self-sustaining.

Early contact with the Spokane Area Chamber of Commerce is also important, using the same presentation materials. You want the project to be considered for the Chamber's legislative agenda, which has multiple impacts both on State and Federal legislators.

Federal Appropriations

The Federal appropriations process is markedly different than the State appeal. The process takes longer, and more closely involves the staff of the Congressperson or Senator through whom the request is made. Generally, these are special purpose grants or earmarks that enter the federal appropriations cycle through the appropriate committee. In the case of the Airway Heights project, the most likely agency to administer the grant is the HUD EDI office in Washington, D.C.

Obtaining the funds involves making a request through the elected official by no later than March of each year. A personal presentation to the chief local staff person or if possible directly to the Representative or Senator is both appropriate and required. The presentation would be similar in character to the presentation made with State elected officials. The appeal would be strengthened by matching funds in hand, including the amount spent by the City on predevelopment planning. Community and Chamber of Commerce support for the project are especially important. The actual funding request consists of a one to four page form that distills the project into a very succinct description. Samples of these blank request forms are included in Appendix 1.

The wait for a decision on the appropriation could occur as early as September in the year submitted or as late as January of the following year, depending on politics and legislative logjams. Expect another three to four month wait for the Federal administrative agency (in this case, HUD) to transmit a notice of grant award with a proposed grant agreement. Once the City completes the grant agreement and sends it back to HUD, there are special requirements before funds can be spent. An environmental review must be completed and signed off on by the HUD Regional Office in Seattle. A separate bank account must be opened, and a designated person assigned to request funds through a secure telephone transfer system. The entire grant award process could take another three months. Therefore, from the initial funding request made no later than March, the actual funds may not be available to draw down until at the earliest March of the following year.

Once the grant is in place, semiannual progress reports must be submitted, including a financial status report.

Both State and Federal grants and contracts have very specific and strict fund management and reporting requirements. It is important that the City of Airway Heights consider including a line item in each budget to offset some of the direct costs associated with managing the funds and overseeing the project.

Federal Funding

Description	Suggested Request	Description/Process/Timeline	Funding Cycle/Notes
1. United States Congress – Federal Budget Appropriation – Special Purpose Grant – HUD/VA or Labor/HHS Appropriation	\$500,000	Predevelopment, site development, construction and project funds a Key players: a Senator Patty Murray ¹ a Congressmen George Nethercutt ² a Senator Maria Cantwell a Staff of Federal elected officials are gatekeepers of these requests a Local match would significantly strengthen case (voted debt, donated land, other City contributions) a Project should already be on the Spokane Area Chamber of Commerce Legislative Agenda; written letters of support from key stakeholders and interested parties are useful; a fully formed project proposal and narrative with budget would have to be developed a Timeline for submitting request would be first quarter 2005	Funds would be appropriated during 2005 and grant agreement issued by December 2005. Depending on the agency of appropriation funds would need be expended within five years (2010)
2. United States Congress – Federal Budget Appropriation – Special Purpose Grant – HUD/VA or Labor/HHS Appropriation	\$500,000	Site development, construction and project funds a Key players: a Senators a Representative a Staff of Federal elected officials are gatekeepers of these requests a Local match would significantly strengthen case (voted debt, donated land, other City contributions) a Project should already be on the Spokane Area Chamber of Commerce Legislative Agenda; continued support from key stakeholders and interested parties is useful; updated project proposal and narrative with budget would have to be developed a Timeline for submitting request would be first quarter 2006	Funds would be appropriated during 2006 and grant agreement issued by December 2006. Depending on the agency of appropriation, funds would need be expended within five years (2011)
Total Federal Funding	\$1,000,000	For Federal Fiscal Years 06/07	

1 Depending on outcome of November 2004 Election
 2 Depending on outcome of November 2004 Election

**Total Public Funding, State
and Federal** **\$1,500,000**

SECTION TWO Private Funding – Grants

Introduction

The effort to secure private grants for capital projects is difficult and time-consuming. There are several threshold requirements. First and foremost, most private or community foundations rarely fund municipalities. They must by charter give funds only to non-profit entities organized under Section 501 of the Internal Revenue Code. Charitable registration with the State of Washington is not enough; the grant recipient must have a tax exemption from the IRS.

This has special implications for the Airway Heights project. There are two approaches to securing grants for an eligible entity. The least preferred method is to use an intermediary that secures grants and passes the funding through to the City of Airway Heights for project expenditures. Most private foundations frown on pass-through entities and will generally not fund such projects.

The most favored approach is for the City of Airway Heights to create a separately incorporated non-profit tax-exempt entity that has the sole purpose of generating private support for the project. The non-profit organization might also be designated as the operator of the facility. This would involve complicated jurisdictional questions and might involve shared staff issues. It would be best to seek specialty legal advice before structuring a non-profit that would operate the facility.

If a non-profit is formed for the sole purpose of raising funds for the project, it should involve other community groups who support the project. Articles of Incorporation and By-Laws would be required. The City of Airway Heights could assure control of the non-profit through a majority of seats on the Board. Sample Articles of Incorporation and By-Laws are included in Appendix 2.

Once the Articles of Incorporation and By-Laws are complete, the non-profit would have to submit Articles of Incorporation and pay a fee to the State of Washington for registration purposes. An annual report is required thereafter. The next step is to file a tax-exemption application to the IRS. The fee associated with the application is \$500. It can take up to six months for an exemption application to be approved. The tax exemption letter from the IRS is absolutely necessary for meeting the eligibility requirements for foundation grant funding. Sample forms for State and Federal filing are also included in Appendix 2.

In any case, competent technical assistance should be obtained in preparing documents. An attorney should review all materials.

Capital Grant Funding from Foundations – Detailed List of Sources

Proposals to foundations for capital projects generally require a straightforward case statement, describing *who* is doing the work, *why* it is needed, *where* it is being done, and *how* the work will be done. Capital project proposals often require significant documentation, including feasibility studies, needs analysis, financial statements, organizational budget, matching funds, proforma operating budgets, and any other documents that demonstrate project viability. Proposals can be up to 100 pages or more, including attachments. What follows are tables of the Foundations that are most likely to fund the project, categorized by location. There are a very large number of private foundations, but only a very few routinely support capital project proposals.

Washington and Local Foundations

Foundation Name	Suggested Request	Type of Request
Bill & Melinda Gates Foundation	\$250,000	Proposal application; open deadlines; preliminary letter required before submitting full application; makes challenge grants to match other funding; funds are released when all funds are raised
Paul G. Allen Charitable Foundation	\$200,000	Proposal application; deadlines March 31 and September 30; submit full application with all required materials attached; grants normally take six months to award
M.J. Murdock Charitable Trust	\$200,000	Preliminary letter; open deadlines; proposal application; Murdock generally partners with Gates and Allen for projects that pass the high threshold for Gates and Allen funding
Harriet Cheney Cowles Foundation	\$100,000	Letter with basic proposal and abbreviated project materials; open deadline; personal contact is important to success
Foundation Northwest	\$50,000	Local community foundation for Inland Northwest; preliminary application; full proposal by invitation; fall deadline
Herak Foundation	\$50,000	Local private family foundation; letter with basic proposal, abbreviated project materials; open deadline; personal contact

Total, Washington State and Local Foundations \$850,000

Regional and National Foundations

Foundation Name	Suggested Request	Type of Request
Wells Fargo Foundation	\$10,000	Corporate foundation, specific format required; deadlines vary; support of local executive management is advised
U.S. Bank Foundation	\$5,000	Corporate foundation, specific format required; deadlines vary; support of local executive management
Washington Mutual Foundation	\$10,000	Corporate foundation, specific format required; deadlines vary; support of local executive management
Bank of America Foundation	\$10,000	Corporate foundation, specific format required; deadlines vary; support of local executive management
Kresge Foundation	\$350,000	Large foundation that focuses solely on capital projects, very high threshold requirements and specific process required

Total, Regional and National Foundations \$385,000

Capital Grant Funding from Private Donors

There is can be no question that the City of Airway Heights Recreational Facilities project may have significant appeal to businesses and private donors. This is particularly true for those businesses located in the vicinity of the project. The receipt of donations from businesses and individuals is predicated on the formation of non-profit, so that donors may take a charitable deduction on their tax returns. The following list is categorized by possible size of donation, in \$500 increments.

\$500 Donors**Name of Firm**

- a Trans-System Inc.
- a West Spokane Industrial Park – Barrier Industries
- a Produce Supply Express
- a Lee Northwest Publishing
- a Cyrus O’Leary
- a City West Auto Body
- a Prospector’s
- a Longhorn

Total, \$500 Donors: \$4,000

\$1000 Donors**Name of Firm**

- a Pearson Packaging Systems
- a Zak Designs
- a Northern Quest Casino
- a Triumph Industries
- a Bank of Whitman

Total, \$1000 Donors: \$5,000

Total Potential, All Public and Private Sources: \$2,744,000

If a non-profit entity is formed, employees of the U.S. Postal Service and Fairchild Air Force Base could designate a personal donation to the project through the Combined Federal Campaign, the federal version of the United Way.

These donor lists are not meant to be all-inclusive but indicative of what's possible locally. Other names may be added. The importance of local and community support, however small, cannot be underestimated in terms of public and foundation funding.

Appendices:

- a Federal Request Forms**
- a Non-Profit Formation Materials**