

# The Urban Partnership and the Development of Virginia's New Regional Competitiveness Act

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## Introduction

During the past few years a new literature has linked public-private sector collaboration with issues of regional governance.<sup>1</sup> This is an account of some non-traditional policy responses by a traditional state that found itself falling behind economically. It describes the temporary organization that was created and its program aiming at reshaping Virginia public policy toward regional cooperation.<sup>2</sup> It describes the statute that resulted, creating state-supported incentives for regional public-private partnerships within substate regions, and putting into law regional performance benchmarks. Finally, it describes the evolution of a successful strategy that generated support for new policy directions by empirically demonstrating the economic interconnectivities among neighboring localities, (cities and suburbs, and among rural communities), and by adopting creative approaches that appealed to the imagination and commitment of the business sector.

A specific objective was adopted from the beginning of this ongoing Virginia program—to introduce and pass in the 1996 state legislative session laws that would improve the state's economic competitiveness by introducing incentives for regional cooperation

and by changing old images of adversarial relations among units of local government and between business and government. After two years work the group that was formed, the Urban Partnership, accomplished its primary objective with passage of the Regional Competitiveness Act of 1996.

The law sets out new and untested directions in state support for regional cooperation among local governments, in relations between the state agency implementing the statute and the new regional partnerships, and in the rules guiding public-private partnerships for public purposes in a conservative state. These new directions emphasize state support for the formation of regional partnerships among local governments and business and citizen representatives. The new regional partnerships are provided incentives to begin regional strategic planning programs keyed to local government regional action, and to collaborative intersectoral decision making. To be eligible for continued state funding, partnerships must develop benchmarks of economic competitiveness on a standard set of indicators (specified in the enabling legislation), and must issue "report cards" on their progress toward their objectives. The legislation has a single leading goal—to encourage and support as state policy the formation of regional partnerships building trust

and a constituency for positive regional action among neighboring local governments and nongovernmental participants.

## **What's in the Regional Competitiveness Act?**

Virginia's new statute<sup>3</sup> enables and provides state funding for the creation of partnerships of local governments and private sector actors to promote and conduct regional activities. The statute brings together traditional concerns with economic development and job creation with public policy rewarding functional regionalism of local public services. The act provides financial incentives which may be used to guide or support voluntary regional approaches to economic development, education, transportation, human services, land use controls, housing, and other services, and to interjurisdictional revenue sharing.

The new statute goes beyond conventional state and local government support for economic development. It is based on the idea that economic competitiveness is a regional phenomenon; that an individual local government's competitiveness is a function of the overall economic and social well being of the region of which it is part, and that the economic performance of even large suburban localities, when compared to peer communities in other metropolitan regions, is linked to the economic health of its own region including its central city. The statute is based on the idea that regions, not localities, compete and that it is in the self interest of each locality in a metropolitan region to take steps to improve the economic and social conditions in all localities in the region. Voluntary movement toward regional provision of public services is proposed in the act as an important step toward reducing interjurisdictional competition and increasing regional competitiveness. Regional

economic performance is the measure. The statute is also policy acknowledgment that the state is ultimately affected if regions in Virginia grow more slowly than regions in other states, especially southeastern states. Adoption of the act added the state as interested party to this unique policy partnership concept that included localities, private business leadership, and now the state.

The new statute enables parties their own regional boundaries, their own community of interest. Existing planning district boundaries (Virginia's equivalent of council of government [COG] or state planning district boundaries) are initially accepted as defining regions; but additional local governments may by agreement be added to the region, and may, with the approval of the state agency charged with implementing the legislation, establish a different regional configuration<sup>4</sup> not employed as predetermined regional boundaries. Thus regions can define their own boundaries, an important element of regional governance.

The act requires qualifying regional partnerships to benchmark their competitiveness using indicators of the long-term economic health of regions, not of short-term measures. Under the statute regional partnerships must regularly compare their region with competitor regions in other states using three explicit criteria: median family income; job creation; and differences in median family income levels among the localities in the region.<sup>5</sup> Progress toward increasing relative performance on the first two measures, and in decreasing differences in median family income among localities in the same region are statutory criteria to be evaluated for continued state funding. To be eligible for funding the state's Department of Housing and Community Development (DHCD) must certify that applicant regional partnerships include, beyond local government officials, representatives of the region's

business, educational, and civic leadership in their membership;<sup>6</sup> and that their strategic planning process addresses important regional issues in a regional context.

The statute offers financial incentives to qualifying regions adopting strategic plans promoting functional regionalism. The premise is that increased cooperation among municipalities in urban regions and between public and private sector actors is a prerequisite for making the state more economically competitive. The act sets up a point system for major joint interjurisdictional activities and requires that applicant regions reach 20 points to be eligible for state funding.<sup>7</sup> The point system allows regions to balance past achievements and future efforts, and also assigns points according to difficulty of achievement. It creates a merit system for awarding state incentive funds to regions. Three regional joint activities have a designated value of 10 points (job creation/economic development, regional revenue sharing/growth sharing agreements, and education). A region undertaking two of these activities and receiving full point values for each, would reach the 20-point total necessary for eligibility for state funding. (Existing interjurisdictional programs would receive partial but not full point credits. The emphasis is on creating new regional efforts.)

Three other regional activities have an assigned value of 8 points each (human services, local land use, and housing); and other regional approaches to areawide issues have lower point values (5 points—transportation, law enforcement); (4 points—solid waste, water and sewer services); (3 points—corrections, fire services and emergency medical services); (2 points—libraries, parks and recreation). The state agency administering the state funding has considerable discretion in assigning values these activities. The statute indicates that

the agency may determine the significance of each joint activity as measured by fiscal resources committed to it; the number of regional localities participating; the complexity of the activity; the general impact on relations between affected jurisdictions; and other factors including up to five points for joint activities that increase governmental efficiency or lower local property taxes throughout the region.<sup>8</sup>

In its first year, the statute was modestly funded with three million dollars for the regional partnership incentive fund, with an additional five million dollars available for approved activities. This funding level is essentially a startup program. With an ultimate goal of two hundred million dollars per year as regions across the state become certified, the Urban Partnership's objective in the 1997 legislative session is dramatically to increase funding from the current level to fifty million dollars for the 1997-98 period.

## **Inventing a New Direction**

How did this innovative statute which opens many possibilities in regional and city-suburban cooperation, in public-private joint action, and not the least in changing traditional approaches to state-local relations, emerge from a coalition of interests and agendas? The following sections review the odyssey of the Urban Partnership in developing the policy options which led to the legislation. We will see how, through an unfolding process of research, dialogue, political pragmatism, public conference advocacy, negotiations among key actors, and lobbying, the partnership invented itself and its programs. (Readers particularly interested in the policy options developed by the partnership may wish to skip the discussion of the evolution of these positions in the pages that follow, and turn directly to section heading, The Legislative Agenda.)

## **New Ideas and Virginia's Local Government Structure**

In August of 1993, three central city mayors: David Bowers of Roanoke, Walter Kinney of Richmond, and Mason Andrews of Norfolk met in response to an invitation by Bowers. The Roanoke mayor had read David Rusk's *Cities Without Suburbs*<sup>9</sup> and thought the book's message especially important for Virginia's central cities.

Virginia's structure of local government offers an unusually clear separation of cities and suburbs, with important consequences for the state's central cities. In Virginia, cities and counties are geographically separate. Counties begin where city boundaries end and there is no functional overlap of jurisdictions; even school district boundaries follow local government boundaries. In this structure the central cities are denied even the limited benefits of suburban growth outside their boundaries that accrue to cities in states where county services are provided to city residents. In those settings some cost shifting occurs as service districts include central cities and suburban communities. In Virginia, even more so than in other states, the old central cities have been left behind, participating only in indirect spillover benefits of surrounding suburban growth.

Virginia cities traditionally grew through annexation, transferring land and its tax base and population from counties. Annexation battles in the 1950s through the 1970s were extremely contentious, often embittering interlocal relations for years. Indeed, in southeastern Virginia rural counties became cities in order to forestall annexations, because state law prohibited one city annexing another. By the late 1970s as suburban communities located in surrounding counties became the state's most populous areas, the legislature made annexation by cities more difficult and, in certain circum-

stances, impossible. Finally, in 1987 the legislature established a moratorium on city-initiated annexation, and since has extended it three times. The current moratorium expires in 2000. In essence, Virginia's General Assembly has ended city annexation, but it has not addressed the issues about city-suburban disparities raised by this policy. Fiscal stress in the central cities, with increasing numbers of dependent populations with disproportionate numbers of poor elderly and young children, is compounded by lagging household incomes, and by the location of most new taxable plant and equipment in suburbs. Blocked by the legislature from expanding their boundaries, the future economic and social well-being of the older cities is at risk.

Searching for some means of addressing their cities' needs, the three mayors wondered if David Rusk's analysis could help them. In particular, they focused on his idea of "elastic" cities, cities able to expand their boundaries. The mayors decided to bring their policy experts, city managers, and city attorneys to a second meeting where the issues of the state's control of local government structure and its consequences for the economic and political welfare of the cities were reviewed. The participants felt that Rusk's ideas offered one important way of talking about these issues. Another meeting was scheduled, this time including seven CEOs of large corporations or banks headquartered in the three cities.

The meeting took place in December 1993. The corporate leaders listened to the mayors and from their own perspective added a new dimension to the urban problem. They expressed strong feelings that Virginia and its urban areas were not competing effectively in the nation and internationally. Individually they recounted cases where in other states where they did business local governments cooperated in service provision or else actually merged ser-

VICES, including the public schools, providing more positive business environments than did Virginia's urban areas. The corporate leaders indicated a certain impatience with the level of interjurisdictional conflict they found in Virginia and indicated their interest in improving the state's economic competitiveness by improving its cities. They noted that the Virginia Chamber of Commerce had stated the need to revitalize the state's central cities. In a follow up meeting in January 1994, the president of the Virginia Chamber of Commerce and his immediate predecessor, the secretary of commerce-designate in the new state administration, indicated support for the group's central themes.

Directed by their mayors, more meetings were initiated by the city managers. Among the city and urban county representatives a consensus emerged that a long-term view built around making the state more competitive could provide the basis for a new regional initiative; that all issues should be examined and that a "compelling case" be put together. A commitment was made to set up a process to study the issues rigorously. In subsequent meetings the expanding group, having added officials from three additional central cities—Hampton, Charlottesville, and Alexandria—and new representatives from the private sector, began to pull together a consensus view linking the Chamber of Commerce's vision document, David Rusk's assertions, the initial research results from faculty at the University of Virginia on city-county indicators in the Richmond area, and the work of a 1993 report of the Governor's Advisory Commission on the Revitalization of Virginia's Urban Areas. In effect, the working group focused on some theories and associated data as parameters to outline their discussions. Two city managers were asked to develop a process and scope of work plan to bring back to the full group in March.

At its next meeting the working group adopted an initial mission statement and a work plan to create "...a long-term mechanism to fund the research and development of urban economic policy initiatives and to secure legislative and executive action to achieve implementation of these initiatives..."<sup>10</sup> The work plan recommended establishing a continuing forum to discuss these issues and adoption of an urban policy agenda and strategy, and identified fund raising, research development, and planning functions and recommended that subcommittees be established. The agenda and strategy adopted at the meeting included: recommendations for formally approaching the state Chamber of Commerce's executive board for an endorsement and support; soliciting more municipal members; approaching participating municipalities' governing boards for contributions of \$10,000 each; approaching leading corporations for support; establishing the research program; hiring an executive director for the new organization; and establishing a communications program including the announcement of the formation of the Urban Partnership in a news conference in early summer.

The working group endorsed this plan and strategy. In early May, the Business Council, an informal group of chief executive officers of the largest employers in the state, endorsed the new Urban Partnership and agreed to financially match the contributions of local governments. Meanwhile, the group of city managers met to prepare materials describing the organization, its mission, structure, calendar, and other details.

### **Organizing the Partnership**

On July 19, 1994 a news conference in Richmond announced a "partnership for urban Virginia." In attendance were representatives of the state Chamber of Commerce, Virginia Business Council, 11 central cities, and one urban county. The press

release described the partnership's image and goals. It was to be joint project with a limited life—"an 18-month collaborative effort"—with goals to "promote a better understanding of how the problems that plague Virginia's urban areas are eroding the economic vitality and competitiveness of the state as a whole, and to develop and gain passage of a highly-specific legislative strategy that will address these problems in a manner that benefits all."<sup>11</sup>

From its opening public statement the partnership reflected the very interesting idea that it needed to research and define the problems it was seeking to address within 18 months in highly-specific legislation. It had set itself a real challenge.

The new organization began with a large board of directors (44 members), half public sector and half private sector. The board continued to expand as new cities and counties joined the partnership. One year after its founding, 18 of the state's largest municipalities had joined.

An executive committee was appointed, also with equal private and public sector membership. The committee hired Neal Barber, immediate past director of the Virginia Department of Housing and Community Affairs, as its executive director. The committee set an initial target budget of \$350,000 for the partnership's activities which was pledged by board members. Receipts for the first 18 months totaled over \$400,000, but ambitious research and communications efforts required additional fundraising efforts.

## **The Research and Issues Committee**

During the partnership's first year the largest workload fell on the research and issues committee, the committee responsible for developing the partnership's policy recommendations. Over the course of a year:

it commissioned a series of economic and policy research studies; it sponsored two large well-attended conferences (urban summits); it held regional working group meetings of public and private sector leaders to develop policy options and to synthesize all the material generated; and it convened groups of experts to develop the details of the partnership's policy recommendations.

Led by one of the authors (Oliver), the committee began its work in fall 1994 by soliciting its own members' opinions about the urban condition and the future of Virginia's cities. Initial meetings included brainstorming sessions about the real "causes" of the cities' problems including the intractable social conditions associated with the concentration of poverty in central cities. These broad discussions proved frustrating for those public and private sector executives on the committee interested in clearly defined problems to which focused policy prescriptions might be addressed. Yet the more general discussions on race, crime, public education, and joblessness broadened the committee's view of the partnership's agenda. Indeed, realization that traditional governmental policy options would have only limited impact on the dismal conditions of concentrated urban poverty gave impetus to the idea that the state-wide partnership needed to advocate state-level support for nontraditional policies. The early discussions about the pathologies of the poorest core city neighborhoods and their impact on perceptions of the urban area as a whole, for example, focused the committee's attention on the issue of neighborhood development. This direction became an important recommendation in the partnership's legislative package.

## **Benchmarking**

In one of its first meetings the partnership's executive committee defined "com-

petitiveness” as an aid to communicating the organization’s objectives. With the chair as facilitator, corporate and public sector leaders put forward their individual views on competitiveness. Perhaps unexpectedly, their views complemented one another and a consensus statement by the chair was adopted. In the context of Virginia’s urban areas, after reviewing various elements of what “competitiveness” meant to the business persons in the partnership and what it meant to the public sector participants, the following definition was put forward:

(Competitiveness is)...the ability of a metropolitan area to achieve higher rates of income and job growth, and lower economic disparity between its central and suburban sectors than its major competitors by providing an attractive business climate and quality of life.<sup>12</sup>

Adopting a definition that could be measured became a persuasive plank in the ultimate model. Virginia has rarely developed performance measures in its public policy and this effort may well offer more general application to other critical Virginia policy discussions and solutions as well.

The criteria reflect the business and public sectors’ common interests in measures of individual and community wellbeing—calculating personal income growth and job growth over time. The third measure, the reduction in disparity in average personal incomes between core cities and their suburbs, was suggested by the results of analyses of census data indicating widening disparities between Virginia’s central and suburban communities, and by Rusk’s contention that avoidance of extremes of economic well-being among jurisdictions in a given metropolitan area will be a positive factor in regional competitiveness. Published research had indicated that regions with higher levels of income disparity between core cities and suburbs do less well economically than regions with lower dis-

parities within the region.<sup>13</sup> Research commissioned by the partnership supported these conclusions within Virginia.<sup>14</sup>

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**Table 1:  
Benchmarks for Improving  
the Competitiveness of  
Virginia’s Urban Regions**

***Measurable Impact Criteria  
(Adopted)***

- growth in personal income
- employment growth
- reduction in disparity in personal income, core city relative to suburban communities

***Additional Impact Criteria  
Considered (Not Adopted)***

- increased tax base
- improvement in the business climate
- improvement in the quality of life
  - fosters regional action
  - improves the efficiency of government
  - reduces social discord or strife
- deconcentration of the poor.

***Other Criteria for Evaluating  
Policy Options***

- operational feasibility and timing
- political feasibility
- benefits v. costs
- win-win or win-lose context
- short-term v. long-term result

*Source: The Urban Partnership. Staff memoranda; Working papers, 1995.*

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Within a few weeks other "impact criteria" for evaluating emerging policy alternatives were suggested by Executive Director Barber, and reviewed by the research committee. These criteria are identified in Table 1 as Additional Impact Criteria (Not Adopted). In essence the committee decided to focus on three clearly measurable criteria, indicated at the top of the table.

In addition to the impact criteria, Director Barber offered additional feasibility criteria: operational feasibility and timing, political feasibility, cost and benefits, win-win or win-lose, short-term or long-term results. These criteria implicitly had great significance as the research program turned into deliberations on policy choices. While explicit weighing of policy options by the committee did not occur through a formal process, consideration of these criteria guided the committee's deliberations and their decisions. Moreover, the partnership's final policy recommendations, draft legislation, and ultimately the new statute, adopted the research committee's three primary criteria as the standard for evaluating the work of the regional partnerships.

### **Commissioning Research**

Another principle that the leadership of the Urban Partnership established was that all conclusion about findings of competitiveness and its apparent causes need to be compelling and backed by rigorous empirical analysis. This principle was thought necessary both to hold the interest of the business leadership and to weather the vicissitudes of the state legislative process.

As one of its first projects the research committee commissioned studies comparing economic growth in Virginia with other southeastern states and comparing growth in Virginia's metropolitan regions with growth patterns in a selected set of similar regions around the country. The Center for Urban Development at Virginia Common-

wealth University supported the research effort which was led by Dr. William Lucy of the University of Virginia. Lucy's reports indicated that Virginia's economic growth was about average when compared to all states but that its growth rate had lagged its peer group of southern states over the past two decades, and significantly lagged bordering North Carolina's rapid economic growth. Overall, the data supported the contention that Virginia's metropolitan areas have a competitiveness problem. Comparing, for example, the three most populous metropolitan regions wholly within Virginia and North Carolina from 1970-1990 (excluding from the analysis the Virginia suburbs of Washington, D.C.), Virginia's regions lagged North Carolina's regions in growth in personal income per capita, in growth in earnings per private sector employee, and in employment growth.<sup>15</sup> No Virginia metropolitan region was found in the top 10 Southern regions ranked based on percentage increases in earnings per private sector employee.<sup>16</sup> And only two of six Virginia regions had earnings per private sector job growth above the Southeast average in 1988.<sup>17</sup> These and other data presented in reports to the research committee supported the basic case that Virginia's metropolitan regions were indeed lagging its neighbors and offered a factual basis for the partnership's ongoing work.

**City-Suburban Comparisons.** The research committee asked the university faculty to investigate claims by David Rusk and others that suburban communities have a real stake in the economic success of their core cities. National data had suggested that suburban income levels are in fact linked to the success of the central cities; that regional economic performance is a major factor in suburban success; and that large income disparities between central cities and suburbs are linked to lower average suburban incomes. Dr. Michael Pratt of Virginia

Commonwealth University and Dr. William Lucy of the University of Virginia were asked to present their research on this issue using data about Virginia cities and their suburbs. Their work became a mainstay of the partnership's research effort and public communications programs. Dr. Lucy's analyses and graphic presentations documenting the spread of poverty and social problems from the central cities to the inner suburbs made a convincing case that Virginia's central cities and their suburbs economic and social futures are linked and that municipal boundaries would not confine city problems within city limits. To the extent that competitiveness is affected by the expansion of poverty and of social problems in urban regions, Dr. Lucy's findings suggested that Virginia's urban areas were becoming less competitive than those in neighboring states. Here, clearly, were research results that confirmed the partnership's assumptions.

**Citizen Attitude Survey.** Another project involved survey research. Soon after its organization, the executive committee suggested that a study of citizen attitudes towards the cities might be of great value in communicating the partnership's message to the state legislature. The research committee contracted with the Survey Research Laboratory at Virginia Commonwealth University for a fair-sized study including telephone interviews with 800 adults plus 6 focus groups. The study was performed in November 1994, and results, which generally supported the significance of the cities to all Virginians, were presented at the first Urban Summit Conference in December.

**Policy Scans.** In October 1994 the research committee approved a set of nine projects relevant to the partnership's concerns. Each of these policy scans, as they were called, was to review both the national "best practices" in the particular subject

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**Table 2:**  
**Reports and Studies**  
**Commissioned by the**  
**Research Committee**  
**(Public Policy Scans)**

1. Local Government Structural Alternatives for Virginia
2. Revitalizing Virginia's Urban Government Finance
3. Interjurisdictional Revenue and Tax Base Sharing
4. Economic Development
5. Violent Crime in Virginia: Policy Implications for Urban Areas
6. Urban Revitalization for Economic Competitiveness
7. Urban Poverty
8. Community-Based Economic Development
9. A Guide to Regional Governance for Local Study Groups

*Source: The Urban Partnership, 1995.*

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under review, and Virginia's experience. A set of suggested alternative approaches was requested. Projects in the following subjects were commissioned and performed by academics and/or nationally prominent practitioners with experience in Virginia. These studies, several hundred pages long, proved an ambitious undertaking. They indicate the scope of the partnership's concerns in its formative stage, in effect addressing the range of urban ills facing the nation. While a few studies proved valuable to the committee's further work, most of the scans had limited direct impact on the partnership's policy development. They were suitable for a continuing urban policy re-

search program, but in the context of the partnership's need for deliberate policy choices suitable for evaluation by the benchmarks it had established, the policy scans were too narrowly focused. Accordingly, the Weldon Cooper Center for Public Service at the University of Virginia was commissioned to produce a "synthesis document" pulling together the recommendations from the individual scans in a common framework. In the end the policy scans and synthesis document raised more questions than they answered and with limited exceptions did not form the base for extended deliberations about policy options. The scans were, however, valuable in a different venue. They were well used in the organization of the first urban summit conference, and other public education materials.

**Case Studies.** Yet another approach collecting information was made in the form of specially commissioned case studies of local government and private sector interactions in several southeastern cities. Faculty at Norfolk State University performed the case studies, the scope of which were limited by time and funding considerations. Within these practical limitations researchers were able to collect and present background social and economic data and from interviews some anecdotal data about the reasons for the competitive success of those urban regions. While the restricted scope of the cases limited the studies, some suggestive information was developed via interviews with local leaders in urban regions in North Carolina about the necessary preconditions for successful regional collaborative action.

### **Making Policy Choices: Regional Meetings**

By February 1995, six months after its beginning, the research committee had commissioned and received hundreds of pages of studies documenting Virginia's competi-

tiveness problem and reviewing best practices in major traditional public policy arenas. A clear direction for the partnership's policy initiatives had not emerged from these background studies and the research committee, facing deadlines, decided to move in a new direction.

The committee decided to rely on its own members' expertise in Virginia local government. The public sector committee members, city and county managers, took the lead by setting up four regional meetings to select policy directions for the partnership. These individuals invited participants drawing from government, the private sector, or academia in their region. The policy scans were made available as background for the new regional working groups, and the impact criteria and feasibility criteria, the benchmarks developed earlier, were introduced as practical means for considering policy options. The program was to bring together some of the most knowledgeable people in local government affairs in each of the state's four major urban regions for a few hours or a day to come up with their best set of policy options. The results were varied and full of content. They formed the basis for the development of the partnership's emerging legislative program.

The four work groups met separately in March 1995. Each group was charged to develop an "agenda to increase the competitiveness of Virginia's urban areas." One group represented Northern Virginia, the most populous area of the state, led by the Washington, D.C. suburbs of Fairfax County, Arlington County, and Alexandria city. Another group represented the cities in the western portion of the state and included representatives from the Roanoke and Charlottesville areas. A third group represented the state capital region, with members from the Richmond and Petersburg areas. The last group represented southeastern Virginia, an urban region including

These objectives were then translated into initial policy proposals or a "framework for competitiveness." Four proposals were identified in midsummer:

- regional economic development incentives to encourage localities to function as integrated political entities;
- increased options for restructuring local government;
- restructuring service responsibility and taxing authority between the state and its local governments; and
- continual reinvestment in urban neighborhoods and communities, allowing each to participate in regional growth.

After the board of directors endorsed the strategic objectives, the research committee began developing specific policy options to be translated into legislative strategies and proposals for new and modified statutes. An informal subcommittee led by one of the city managers, Robert O'Neill of the City of Hampton, began a new process generating policy options. At this point the rather reflective and research-oriented perspective that had dominated the committee's work was replaced with a strategic task orientation. In great measure the April meetings convinced the committee that it was time to move forward with an agenda addressing the state's role in providing competitive urban regions.

From its beginning the partnership had adopted the goal of putting legislation before the state General Assembly for the 1996 legislative session. At a board of directors meeting in February 1995, the communications committee noted that it couldn't develop its lobbying plan until the research and issues committee finished its work on developing the appropriate legislative package. By early summer the gap between the policy development process and development of a legislative package which lobbyists believed could be adopted was wide enough for all to be concerned. Under se-

vere time pressure a new pragmatic discipline now shaped the development of the partnership's agenda; past legislative packages which addressed many of the issues which concerned the partnership, and which had previously considered by the legislature were closely reviewed.

### **Prior Legislative Initiatives**

The 1995 session of Virginia's General Assembly saw several initiatives addressing the regional context for urban issues. The most important from the viewpoint of the Urban Partnership enabled local regional planning agencies to create Regional Cooperation Incentive Funds. The fund's purpose is to encourage "...inter-local strategic and functional area planning and other regional cooperative activities..." The act does not specify the form of the Incentive Fund, but directs appropriate executive branch personnel to develop regulations guiding its implementation. In this innovation the research committee saw seeds for the creation of a new program offering strong incentives for interjurisdictional cooperation within the state's urban areas.

### **The Legislative Agenda**

In midsummer 1995 the research committee set up subcommittees addressing three broad policy areas: creation of a regional development incentive fund, and realignment of state/local service and taxing authority; structural options for local government; and neighborhood and community based solutions. These subcommittees met in July and August and developed recommendations for changes in state law and policy to achieve the partnership's strategic objectives. Some recommendations were controversial, particularly a proposal for financing the regional incentive fund by providing for an optional increase in the state sales tax within metropolitan regions. An-

15 municipalities and 1.4 million residents. Each group developed a distinctive set of recommendations reflecting the views of the leaders addressing unique conditions in their own urban regions. Forming a state-wide urban agenda to increase competitiveness clearly would have to integrate the perspectives of different urban environments.

### **Synthesizing a Partnership Position**

In early April 1995, barely two weeks after completion of the four regional working group meetings, a two-day retreat was held to brief the board of directors and to settle on the partnership's main policy directions. Attending the retreat were the partnership's board and invited mayors and managers, and the presidents and CEOs from some of the largest businesses in Virginia, as well as representatives from small business and the Chamber of Commerce.

On the first day the participants reviewed the results of the regional groups and, with some difficulty, attempted to define the most important objectives for the coming legislative season. More work refining the options and prioritizing them was needed.

That evening research committee members developed a set of strategic objectives for the partnership which they presented to the group as a whole the next morning. These objectives were designed to order consideration of the partnership's selection of particular policy directions. They filled a need for consensus about the partnership's direction, though the 50 board members were not yet ready to select particular policy options.

These strategic objectives were refined and presented at a second Urban Summit Conference in June 1995 in Norfolk, Va. Approximately 300 local government, business, and professional groups, and civic association members attended the day-long

sessions. Feedback from breakout sessions was positive, supporting the directions set out in the strategic objectives. The most common comment, apart from general support for the effort, was that the objectives needed to be filled out with specific policy proposals, and that the partnership needed to offer specific recommendations to the legislature.

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### **Table 3: Urban Partnership, Strategic Objectives, June 1995**

- Increase the economic performance of each region and every locality within the region.
- Decrease the economic disparity among localities and neighborhoods within each region.
- Promote regional and neighborhood endeavors by revising state and local governance structures.
- Develop new systems of governance that utilize partnerships among government, business, educational and community leaders.
- Seek solutions that benefit, wherever possible, all regions and localities of the commonwealth.
- Provide significant incentives to increase regional collaboration, remove barriers to cooperation, and increase regional options.

*Source: The Urban Partnership, Urban Summit Brochure, June 1995.*

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other controversial proposal called for changing the state's boundary laws. Subcommittees decided to limit their agendas to the most important issues. In a lively meeting the whole research committee slightly modified the subcommittee recommendations, prioritizing them and de-emphasizing certain controversial recommendations. The research committee then reviewed the recommendations with the partnership's executive board, and after further modifications to eliminate proposals known to be unacceptable to key legislators or the governor (proposals which if included would have killed the legislative package), the committee presented its recommendations to the full board of directors at a day-long meeting at the end of September. This meeting was a milestone for the partnership. With a few changes, deleting the tax increase option and certain of the boundary change policy recommendations, the partnership's directors adopted the research committee's report as the partnership's recommended legislative program.

### **The Regional Development Incentive Proposal<sup>18</sup>**

This proposal went to the core of the partnership's idea of promoting effective regional cooperation among local governments and the private sector. The original proposal was for significant state-provided financial incentives (\$200 million per year) advancing regional perspectives in local government and private sector decision-making. Its aim was to encourage but not mandate the formation of functioning regional and metropolitan partnerships across the state engaging in regional strategic planning and regional decisionmaking.

Under the proposal the state was urged to create a regional development incentive fund increasing in four years to \$200 million annually to be dispersed by formula to local governments within qualifying urban

regions. Eligibility for participation in the incentive fund would be conditioned on two basic criteria for the state's urban regions: creation of a functioning regional partnership, and completion of a strategic regional plan and planning process.

**Regional Partnerships.** Under the partnership's policy proposals regional partnerships could take various forms from enhanced regional planning districts to traditional nonprofit organizations, to a corporate style regional "holding company." The essential idea required participation from diverse regional stakeholders, e.g., local elected officials, and government administrative officers, civic leaders, business community representatives, and representatives from major local institutions, e.g., higher education and local school systems. The intent of these proposals was to create forums for regional governance able to join public and private policies and able to influence public sector decisionmaking as it affects regional well being and regional economic performance. The proposed legislation did not prescribe particular partnership structures and it was assumed that such structures will vary significantly among the different urban regions. The regional partnerships were intended to bring public, private, and nonprofit sector leaders together to address important regional issues affecting each metropolitan area.

The second proposed requirement for eligibility for the regional development incentive fund was a regional strategic planning process. The regional partnership, that is, would develop a regional strategic plan to guide and reflect regional policy development and regional cooperative efforts. Each region would delineate its own program for achieving its self-determined regional objectives. Each planning process would include periodic assessments of progress on critical issues in the form of a regional "report card," and each would track the region's progress

**Table 4:  
Proposed Eligibility Points for  
Regional Incentive Funds**

Regional Revenue/Growth	
Sharing Arrangements .....	(10)
Education .....	(10)
Human Services .....	(8)
Local Land Use .....	(8)
Housing .....	(8)
Special Education .....	(6)
Transportation .....	(5)
Law Enforcement .....	(5)
Economic Development .....	(4)
Solid Waste .....	(4)
Water and Sewer Services .....	(4)
Corrections .....	(3)
Fire Services and	
Emergency Services .....	(3)
Libraries .....	(2)
Parks and Recreation .....	(2)

Source: *The Urban Partnership, Draft Legislation, October 1995.*

on the adopted benchmarks: income growth, job creation, and reduction in disparity among localities in median family income.

**Eligibility for Funding.** In Virginia, as in most states, political support for regional governance is weak and state mandates requiring regional approaches to local problems are unpopular. Accordingly, there were no mandates in the partnership's proposals; they were incentive based, relying exclusively on voluntary participation by local governments within metropolitan regions. By creating strong financial incentives for local government participation and by allowing locally determined strategies to become

eligible for participation, the partnership's design was to attract local government support for the regional partnership program.

Under the partnership's initiative, a regional partnership's strategic plan would be submitted to a state agency or commission for approval. The determination of eligibility for the regional incentive funds by this agency would follow legislative standards. This agency or commission would employ the following criteria and weights in evaluating a region's strategic assessment and plans.

Each region would be required to reach 20 points to be eligible for funding, with no more than 50% of the total points from activities in place prior to 1996. In its regional strategic plan each regional partnership would identify regional services it currently provides and future activities it intends to undertake. The state agency determining eligibility for incentive funds would consider the extent to which proposed activities promote the effective provision of services and regional approaches to more fundamental issues requiring regional responses.

**Sorting Out Service Delivery and Taxing Authority.** The research committee's report also addressed the perception by the business community and local government officials that the existing pattern of government service delivery responsibilities and taxing authority is less effective than it might be. The existing patchwork of service responsibilities evolved in rather an ad hoc fashion. Current imbalances between services which localities are required to provide and the revenues available to provide them impede regional effectiveness. Similarly, partnership members strongly expressed the view that the legislature should "rationalize the array of local taxes and review any adverse impacts on business growth and job creation, and make them uniformly available to all localities."

In its legislative recommendations, the partnership asked the legislature to extend and support its Commission on State and Local Service Responsibility, and to adopt changes that rationalize service responsibilities and tax authorities.

### **The Neighborhood Development Proposal**

The second of the partnership's legislative proposals deals with neighborhood stabilization and development. As the partnership focused on regional approaches to urban problems, relationships between regions and neighborhoods became more apparent. Where past urban policies focused on declining neighborhoods as targets for remedial projects, the partnership's vision was that urban and suburban neighborhoods are vital elements in the regional economy that can help or hinder the region's wellbeing.

Strategies to assist declining urban and suburban neighborhoods most fully develop the partnership's theme of a collaborative model that draws upon and combines the resources of government, the private sector, the nonprofit sector, and individual citizens. The key recommendations of the committee in this area are listed below.

**State and Local Development Corporations.** The partnership proposed to expand the Virginia Community Development Corporation's mission to include support for neighborhood and community revitalization. The legislative proposal called for increased authority for the agency to provide financial, technical, and organizational support to local nonprofit corporations supported by local governments, the private sector, and neighborhood organizations. Recommendations were offered for expanding the mission state, regional, and local development corporations to address critical neighborhood needs for housing, risk capital for small business development, labor force training,

etc., including issues that cut across local political boundaries.

### **Structural Options for Local Government**

Virginia's structure of local government, with independent cities surrounded by counties, is unique. While this historic system has the advantage of simplicity of structure (there is no overlap either of local general governments or of school districts), the system does not allow for the orderly expansion of cities. Increasingly, Virginia's mid-sized cities suffer fiscal stress and an inability to provide adequate services. Because boundary adjustments under this system involve counties actually losing land areas, residents, and tax base to annexing cities, annexation is exceedingly controversial. For over a decade the legislature has set a continuing moratorium on city annexations. This structure of local government creates adversarial city-county relations with much suspicion about future relations. The structure of local government apart from the major urban centers in the state (those areas are not directly affected by this proposal) thus works against the Urban Partnership's theme of regional integration to achieve a better quality of life and competitiveness.

The subject of restructuring local government proved to be a controversial one for the partnership. Modest proposals dealing with specific elements of Virginia's local government law were adopted, including recommendations removing existing barriers to joint revenue sharing and growth sharing programs, and recommendations as an extension of its regional incentives proposal, that the state provide financial incentives to localities that consolidate, merge, or create a regional governance structure. Recommendations for major changes in state law affecting city and county relations were not included in the partnership's legislative package.

## Conclusions

Using competitiveness as a metaphor for healthy communities a powerful coalition of large corporations, the Virginia Chamber of Commerce, and the mayors and city managers of the state's largest cities and urban counties undertook a project to pass legislation offering new directions for the states, cities, and urban regions. After a year-and-a-half program of research, policy development, and negotiation within its membership, the partnership brought forth draft legislation for the 1995/1996 legislative session. An intensive lobbying effort led by a former governor, Linwood Holton, succeeded in passing five bills addressing the Urban Partnership's recommendations. The major piece of legislation, the Regional Competitiveness Act of 1996, closely follows the partnership's policy recommendations. It is remarkable that this radical nontraditional legislation in the contentious area of local government law did not have a sponsor 30 days prior to its passage, yet it passed the House of Delegates 96-4 and the Senate 37-3. Here indeed is a message of hope for coalitions in other states addressing regionalism before state legislatures.

Because Virginia's legislature made an unusual \$200 million dollar addition to state formulas for higher education funding in its 1996 session, it limited its initial support for the Regional Competitiveness Act to startup funds. In 1997, the Urban Partnership has set objectives for guiding the rulemaking process for the new statute by the administering agency, the state Department of Housing and Community Development and for raising the funding for the Regional Incentive Funds to \$50 million per year.

The success of the Regional Competitiveness Act will be determined by the quality of the regional partnership initiatives that it stimulates around the state. One large

urban area, the Hampton Roads area in southeastern Virginia, established its Hampton Roads Partnership soon after the passage of the state legislation. Its agenda includes making its large port the most competitive in the country, and promoting regional approaches to tourism and to attracting a national sports franchise. Other regions are beginning to consider the advantages of establishing regional partnerships that include new stakeholders and that go beyond traditional economic development activities and beyond traditional federal- and state-mandated regional boards and councils for categorical programs. The new statute enables and financially supports voluntary innovations in regional governance in Virginia. It is an experiment in which cities and suburbs and nongovernmental interests are encouraged, with state incentive funds, to move toward regional strategic planning to improve the economic and social wellbeing of whole regions. It is a very interesting experiment that may promote functional regionalism in areas beyond infrastructure services, and may promote innovations in local government organization without recourse to unpopular consolidations and regional governments. ■

## Notes

1. See, for example, Harry West, "VISION 2020: Key to Regionalism in the Atlanta Region," *The Regionalist*, 1:3, Fall, 1995; Ronald D. McNeil, "Partners in the Marketplace: A New Model of Business-Civic Leadership," *National Civic Review*, 82:2, Summer-Fall, 1995; Allan D. Wallis, "Governance and the Civic Infrastructure of Metropolitan Regions," *National Civic Review*, 80:2, Spring, 1993; Jan Grell and Gary Cappert, "The New Civic Infrastructure: Intersectoral Collaboration and the Decision-Making Process," *National Civic Review*, 80:2, Spring 1993; John Stuart Hall and Louis F. Weschler, "The Phoenix Futures Forum: Creating Vision, Implanting Community," *National Civic Review*, 80:2, Spring 1993.

2. The Urban Partnership, the organization that was formed, was sponsored by a coalition of Virginia cities and the Virginia Chamber of Commerce as a two-year project. The partnership's public sector membership includes the following cities and counties: Arlington County, Charlottesville, Chesterfield County, Danville, Fairfax County, Hampton, Hopewell, Lynchburg, Martinsville, Newport News, Norfolk, Portsmouth, Richmond, Roanoke, Roanoke County, Virginia Beach, and Winchester.
3. Title 15.1, Chapter 26.3, Sections 15.1-1227.1 to 15.1-1227.5.
4. Title 15.1, Chapter 26.3, Section 15.1-227.2 Definitions.
5. *Ibid.* Section 15.1-1227.4 Eligibility Criteria for incentive payments.
6. *Ibid.* Section 15.1-1227.4 Eligibility Criteria for incentive payments.
7. *Ibid.* Section 15.1 1227.5 Assignment of weights for functional activities.
8. *Ibid.* Section 15.1 1227.5 Assignment of weights for functional activities.
9. Rusk, David. 1993. *Cities Without Suburbs*. Baltimore: The Johns Hopkins University Press (Distributor).
10. Minutes, Working Group, March/April 1994, Urban Partnership Files.
11. "The Urban Partnership." 1995. *The Notebook*. Richmond, Va.: The Urban Partnership, The Virginia Chamber of Commerce.
12. *Ibid.*
13. Barnes, William and Larry Ledebur. 1993. *Local Economies: The U.S. Common Market of Local Economic Regions*. Washington, D.C.: National League of Cities.
14. Lucy, William H. and David L. Phillips. "Assets, Liabilities, and Economic Performance in Metropolitan Areas in Virginia and the South." Report to the Virginia Center for Urban Development, Virginia Commonwealth University, June, 1995.
15. Lucy, William H. and David L. Phillips. "The Economic Competitiveness of Virginia's Metropolitan Areas." Report to the Virginia Center for Urban Development, Virginia Commonwealth University, 1995.
16. *Ibid.*
17. *Ibid.*
18. The Partnership's legislative proposals may be found in "Draft Legislative Proposals, The Urban Partnership, November 9, 1995," Working Paper, The Urban Partnership, Richmond, Virginia, November 1995.

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