

**FINAL REPORT OF THE
JOINT SUBCOMMITTEE STUDYING**

**THE USE OF INCENTIVES
FOR JOINT ACTIVITIES
BY LOCALITIES**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



SENATE DOCUMENT NO. 26

**COMMONWEALTH OF VIRGINIA
RICHMOND
1997**

MEMBERS OF THE JOINT SUBCOMMITTEE

Senator Stephen D. Newman, Chairman
Delegate Robert D. Hull, Vice Chairman
Senator Mark L. Earley
Senator Mary Margaret Whipple
Delegate I. Vincent Behm, Jr.
Delegate John Watkins
Delegate Vivian Watts
The Honorable A. Linwood Holton
The Honorable Paul D. Fraim
The Honorable William E. Ward
William W. Berry
Vaden Lee Cobb
Benjamin J. Davenport
Gregory H. Wingfield

STAFF

DIVISION OF LEGISLATIVE SERVICES - Legal and Research

Robert A. Omberg, Staff Attorney
Nicole Beyer, Staff Attorney
Cynthia G. Liddy, Senior Operations Staff Assistant

SENATE OF VIRGINIA - Administrative and Clerical

Thomas C. Gilman, Coordinator, Committee Operations

Table of Contents

	Page
I. Study Authority and Scope	1
II. The Regional Competitiveness Act	2
III. The Urban Partnership	2
IV. The Governor's Advisory Committee	4
V. Work of the Subcommittee	4
VI. Recommendations.....	7

Appendices

- A--Senate Joint Resolution No. 128 (1996)
- B--The Regional Competitiveness Act
- C--Final Report, Governor's Advisory Committee

**Report of the Joint Subcommittee
Studying the Use of Incentives for Joint Activities by Localities
to
The Governor and the
General Assembly of Virginia
Richmond, Virginia
1997**

TO: The Honorable George Allen, Governor,
and
the General Assembly of Virginia

I. STUDY AUTHORITY AND SCOPE

Adopted by the 1996 Session of the General Assembly, Senate Joint Resolution No. 128 (Appendix A) established a joint subcommittee to study the use of incentives for joint activities by localities, specifically examining how progress in meeting the goals of regional cooperation may be measured and determining what joint activities qualify for full or partial credit under the Regional Competitiveness Act.

The following General Assembly members were appointed to the joint subcommittee: Senators Newman from Lynchburg, Earley from Chesapeake, and Whipple from Arlington, together with Delegates Hull from Fairfax County, Watkins from Chesterfield, Behm from Hampton, and Watts from Annandale. Senator Newman and Delegate Hull served as chairman and vice chairman, respectively.

Seven citizen members, all with considerable knowledge, experience, and expertise in local government and regional matters, also served on the subcommittee. These individuals were: The Honorable A. Linwood Holton, the Honorable Paul D. Fraim, the Honorable William E. Ward, William W. Berry, Vaden Lee Cobb, Benjamin J. Davenport, and Gregory H. Wingfield.

II. THE REGIONAL COMPETITIVENESS ACT

The Regional Competitiveness Act ("the Act") was enacted in 1996 (Acts of Assembly, Chapters 1045, 1055). The Act forms Chapter 26.3 of Title 15.1 of the Code of Virginia, and is included as Appendix B. The Act states that it "shall be the policy of the General Assembly to encourage Virginia's counties, cities and towns to exercise the options provided by law to work together for their mutual benefit and the benefit of the Commonwealth."

Stated simply, the Act is designed to implement a system as follows: the General Assembly establishes a fund to be used to encourage regional competitiveness; cities, counties and towns form regional partnerships and engage in joint activities; and the Department of Housing and Community Development ("the Department") administers the funds to qualifying partnerships in accordance with procedures adopted by the Department. Within qualifying partnerships, the incentive funds are distributed to participating localities on the basis of a formula mutually agreed to by all of the localities of the region.

The Act requires that the Department "reward" only those partnerships which earn a threshold number of points. The Act designates a specific number of points to be awarded a locality based on the activity. For example, a joint activity involving job creation could result in up to ten points being awarded, while a joint project involving libraries or parks and recreation could be awarded up to two points. The Department may assign points to the joint activity based on the significance of the joint activity as measured by the fiscal resources committed to it, the number of regional localities participating, the significance of the activity as measured by the regional effort involved in developing the joint activity, the complexity of the activity, the general impact on relations between the affected jurisdictions, or other factors deemed to be appropriate by the Department.

A partnership may petition the Department to adjust the weights of the criteria to reflect the relative importance of that criteria on the economic competitiveness of the region. Additionally, the Department may add points for regions that have taken successful or efficient actions to reduce the local property tax burden throughout the region.

Amendments to the 1996-98 Budget increase the Department's allotment for implementation of the Act to \$6 million. A portion of these funds may be used for staff support. The Department may use an alternate method to allocate all or a portion of the funds to one or more regions after notifying the chairmen of the House Appropriations and Senate Finance Committees of the proposed method of distribution.

III. THE URBAN PARTNERSHIP

The Urban Partnership played a large role in promoting the Act before and during the 1996 Session of the General Assembly. The Urban Partnership is an alliance of 18 localities, business representatives from each of these localities, and the Virginia Chamber of Commerce. In 1994, in response to growing concerns about urban problems, a consortium of urban areas joined forces to explore ways in which to ease the burden on cities. These areas decided that a permanent organization was the best tool for identifying issues, researching solutions, and tracking progress. The Urban Partnership was formed to carry out this mission.

One serious issue that the Urban Partnership identified is that problems such as poverty, crime, and declining real estate values, thought to be endemic only to cities, can spread gradually to surrounding suburban areas. In other words, the problems that cities face today can be the problems that suburban counties face tomorrow. The Urban Partnership's solution is regional cooperation.

Localities need to work together and treat the health of the region as integral to their own. Crime, economic disparity and unemployment are all shown to be markedly less problematic in areas with regional vision and cooperation. Additionally, areas that have already adopted a unified approach have proven to attract and retain businesses better than areas with little or no cooperation. The Urban Partnership believes that localities benefit by acting in unison with other neighboring cities and counties.

The Urban Partnership recognized that it is not always easy to forge cooperation. The varying structures and policies of local governments, the relative absence of examples of regional cooperation, and the fear of loss of control over policies and revenues are all factors that work against cooperative regional efforts. However, the Urban Partnership pointed to the success of the Regional Jail Fund and the 1996 Economic Growth Sharing Agreement, which allows localities to divide revenue generated from joint economic development projects, as examples of how regional cooperation can be used to promote the economic and social interests of localities.

Since its creation in July of 1994, the Urban Partnership has focused its attention on the economic competitiveness of Virginia in regional, national and global markets. The Urban Partnership's legislative agenda focuses on improving regional economic competitiveness and encouraging localities to work together. The Urban Partnership was particularly concerned about the figures comparing economic growth in other states in the southeast with growth in Virginia.

The Urban Partnership stressed that Virginia's metropolitan economies lagged behind those of North Carolina and Georgia between 1970 and 1990. A University of Virginia study, the Partnership noted, analyzed the economic performance of 59 regions in the Southeast and revealed that Virginia's regions

were only slightly above average. As an example, Virginia's rate of income growth per private sector job was one percent while North Carolina's growth was 6.7 percent and Georgia's over 11.2 percent. If these trends continue, six of seven metropolitan regions totally in Virginia will decline while six of seven metropolitan regions in North Carolina will improve.

The Urban Partnership constructed the legislative draft that ultimately became the Regional Competitiveness Act and lobbied throughout the legislative session for the successful passage of the bill. The Urban Partnership also participated in the work of the subcommittee and the Governor's Advisory Committee.

IV. THE GOVERNOR'S ADVISORY COMMITTEE

Another group that contributed significantly to the joint subcommittee's recommendations was the Governor's Advisory Committee formed pursuant to § 15.1-1227.1 of the Act. This committee consisted of 12 members from each region of the Commonwealth and had equal representation from local government and the business community. The committee was specifically charged with developing recommendations concerning the eligibility criteria for incentive payments and for the assignment of weights for activities. The final report of the committee is included as Appendix C.

V. WORK OF THE SUBCOMMITTEE

A. SEPTEMBER 16, 1996, SUBCOMMITTEE MEETING

The joint subcommittee held its initial meeting on September 16, 1996. The subcommittee heard testimony from the Honorable James Eason, co-chairman of the Urban Partnership, and Hugh Keogh, the executive director of the Virginia Chamber of Commerce, describing the events and philosophies that motivated the enactment of the Regional Competitiveness Act. Both speakers emphasized the importance of restoring economic vitality and guaranteeing a prosperous future to Virginia's core cities. These representatives also encouraged the subcommittee to consider more funding for the program created by the Act.

Mr. Barry DuVal, president of the Hampton Roads Partnership, briefed subcommittee members on the progress of regional cooperation in the Hampton Roads area. DuVal described the formation and makeup of the Hampton Roads Partnership, and explained how this active partnership could fit into the framework of the program established by the Act. DuVal characterized involvement by leaders of business, local government, education and the military as a key element of a successful partnership, and stressed the importance of having all localities and major organizations represented and actively participating in the partnership.

In addition to the Hampton Roads Partnership presentation, the subcommittee heard testimony from a representative of Virginia's Region 2000, a partnership established in 1988 organized to develop and carry out an ongoing local, state, national and international economic development program in Central Virginia. Mr. Jeff Taylor, the marketing director for this organization, discussed the importance of cooperation and commitment between and among the public and private sector, and described the importance of efficiently developing, through this partnership, an infrastructure capable of attracting and supporting new economic growth.

The deputy director of the Department of Housing and Community Development, William Shelton, summarized the Department's staff progress on the Act, and urged the subcommittee to refrain from developing any proposals until after the Governor's Advisory Committee had held public hearings on the proposed program.

B. GOVERNOR'S ADVISORY COMMITTEE MEETINGS

Following appointment in October, the Governor's Advisory Committee met with the staff of the Department. The first meeting focused on the development of preliminary guidelines and a public participation plan. The Department, with direction from the Committee, formulated preliminary guidelines. The Department then held five public participation sessions around the Commonwealth. The Department analyzed the comments received from the public and the advisory committee reconvened for another work session, during which committee members heard a summary of the issues and concerns discussed at the public forums and completed their draft program guidelines.

The draft guidelines presented by the Committee address four principles identified by the Committee as vital to the success of any regional incentive program:

1. Regions need specific guidelines to move forward.
2. Regional competitiveness will improve only if meaningful standards are developed and enforced.
3. Any program must have flexibility to address the unique characteristics of each regional partnership.
4. Participation by both private and public sectors is necessary for the program to succeed.

These principles guided the Committee members as they formulated the criteria and requirements for a region to qualify for a share of the available funds.

These guidelines encourage regional configurations of localities that are of sufficient scale to address regional competitiveness issues while also reducing or eliminating regional fragmentation. The guidelines require all key decision makers in a region to participate as members of the partnership. The Committee defined key decision makers as mayors and chief administrative officers from each member locality, corporate leaders, presidents of institutions of higher education located in the region, local school board chairs, and heads of local civic associations.

The Committee recognized the need to maintain accountability by requiring a progressive approach to regional planning. To qualify for available funds, each participating regional partnership must invite public participation when adopting a strategic plan. The plan must include an analysis of key demographic and economic trends that compare the region to competitor regions outside the Commonwealth.

The plan must compare the last ten years demographics in the following areas: median family income change, job creation and loss, and private sector investment trends. Additionally, the plan must compare regional income disparity during the last five years as measured by the differences in median family income levels among the regions' localities. The Department will assess progress toward addressing regional competitiveness issues and delivery of proposed joint activities by requiring and comparing clearly defined, measurable outcomes.

The draft guidelines establish a system that involves (i) defining a region, (ii) forming a regional partnership, and (iii) submitting an application for incentive funding. While the schedule will need adjustments following the initial application and distribution, the schedule will eventually require localities to turn in applications in July and receive funds the following July.

The proposed scoring system weighs heavily in favor of joint activities that have significant impact on regional economic competitiveness and that improve or strengthen cooperative working relationships among local governments. Emphasis was placed on the concept that the types of activity that are important will vary from region to region, and that a well-prepared regional plan will highlight the activities that are needed to meet the goals of the Department and the Act. The Department will monitor the progress of each region by requiring annual reports that identify progress in reaching implementation milestones described in the funding application.

C. DECEMBER 13, 1996, SUBCOMMITTEE MEETING

The Chairman of the Governor's Advisory Committee and the Deputy Director of Housing and Community Development appeared before the joint subcommittee to present the committee's conclusions and to answer questions.

Following the presentation of the draft guidelines, a representative from the Urban Partnership, Linda McMinimy, addressed the joint subcommittee. She appealed to the subcommittee to provide reliable funding. She stressed that stable funding would allow localities to know what the potential payment is if the region qualifies to receive funds.

In providing legislative oversight to the Department, the joint subcommittee examined (i) how to measure the progress in meeting the goals of regional cooperation and (ii) what joint activities should qualify for full or partial credit under the Act.

VI. RECOMMENDATIONS

The recommendations of the joint subcommittee to study the use of Incentives for Joint Activities by Localities are as follows:

1. The General Assembly and the Governor should provide sums sufficient to ensure the success of the Regional Competitiveness Act.

2. The General Assembly and the Governor should provide the Department of Housing and Community Development with the funds necessary to staff and monitor a successful program.

3. The distribution schedule proposed by the Governor's Advisory Committee should be approved by the General Assembly and the Chairs of the House Appropriations Committee and Senate Finance Committee should be notified of this schedule.

4. The Governor's Advisory Committee should continue in its current role of overseeing the successful implementation of the Regional Competitiveness Act. The criteria for membership should remain as in the Act, and a representative from the Urban Partnership should also serve as a member. The members of the Committee should serve at the pleasure of the Governor for staggered four-year terms.

5. Each partnership should enact bylaws that adequately define the partnership, and that these bylaws specify a process for determining how regional competitiveness funds will be distributed to participating localities. Any formula for fund distribution within the partnership should be unanimously agreed upon by each member locality, and a fiscal agent should be appointed, if necessary.

6. The Department of Housing and Community Development should implement the Regional Competitiveness Act with stringent adherence to the

legislation's goal of eliminating critical gaps in, and improving the competitive situation of, each region in the Commonwealth.

Respectfully submitted,

Senator Stephen D. Newman, Chairman
Delegate Robert D. Hull, Vice Chairman
Senator Mark L. Earley
Senator Mary Margaret Whipple
Delegate I. Vincent Behm, Jr.
Delegate John Watkins
Delegate Vivian Watts
Honorable A. Linwood Holton
Honorable Paul D. Fraim
Honorable William E. Ward
William W. Berry
Vaden Lee Cobb
Benjamin J. Davenport
Gregory H. Wingfield

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

SENATE JOINT RESOLUTION NO. 128

Establishing a joint subcommittee to study the use of incentives for joint activities by localities.

Agreed to by the Senate, March 7, 1996
Agreed to by the House of Delegates, March 6, 1996

WHEREAS, the Commonwealth's counties, cities and towns should exercise options provided by law to work together for their mutual benefit and the benefit of the Commonwealth; and

WHEREAS, the Urban Partnership is an alliance of 18 localities, business representatives from each of those localities, and the Virginia Chamber of Commerce which was created to propose ways to restore and promote social vitality for the Commonwealth's cities, surrounding counties, regions, and the Commonwealth; and

WHEREAS, House Bill No. 1515 and Senate Bill No. 566 (1996) are the result of legislative proposals of the Urban Partnership calling for the creation of a fund to be used to encourage regional strategic planning and cooperation; and

WHEREAS, some of the issues addressed by House Bill No. 1515 and Senate Bill No. 566, including the eligibility criteria for incentive payments and the distribution of funds among various regional partnerships and localities, deserve further study; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That a joint subcommittee be established to study issues associated with the use of incentives to encourage joint activities by localities such as those proposed in the Regional Competitiveness Act (House Bill No. 1515 and Senate Bill No. 566). The joint subcommittee shall provide legislative oversight and act in an advisory role to the Department of Housing and Community Development in the implementation of the Regional Competitiveness Act. The issues to be studied may include but shall not be limited to (i) how progress in meeting the goals of regional cooperation may be measured and (ii) what joint activities would qualify for full or partial credit under the Act.

The joint subcommittee shall be comprised of 14 members to be appointed as follows: three members of the Senate to be appointed by the Senate Committee on Privileges and Elections; four members of the House of Delegates to be appointed by the Speaker; one representative of local government and two representatives of the business community to be appointed by the Senate Committee on Privileges and Elections; and two representatives of local government and two representatives of the business community to be appointed by the Speaker. The chairman shall be a member of the General Assembly as selected by the joint subcommittee.

The Division of Legislative Services shall provide staff support for the study. Technical assistance shall be provided by the Commission on Local Government. All agencies of the Commonwealth shall provide assistance to the joint subcommittee, upon request.

The direct costs of this study shall not exceed \$8,000.

The joint subcommittee shall complete its work in time to submit its findings and recommendations to the Governor and the 1997 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

Implementation of this resolution is subject to subsequent approval and certification by the Joint Rules Committee. The Committee may withhold expenditures or delay the period for the conduct of the study.

VIRGINIA ACTS OF ASSEMBLY -- 1996 RECONVENED SESSION

CHAPTER 1055

An Act to amend the Code of Virginia by adding in Title 15.1 a chapter numbered 26.3, consisting of sections numbered 15.1-1227.1 through 15.1-1227.5, relating to the Regional Competitiveness Act.

[H 1515]

Approved May 6, 1996

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Title 15.1 a chapter numbered 26.3, consisting of sections numbered 15.1-1227.1 through 15.1-1227.5, as follows:

CHAPTER 26.3.

REGIONAL COMPETITIVENESS ACT.

§ 15.1-1227.1. Policy of General Assembly

It shall be the policy of the General Assembly to encourage Virginia's counties, cities and towns to exercise the options provided by law to work together for their mutual benefit and the benefit of the Commonwealth.

§ 15.1-1227.2. Definitions.

As used in this chapter, unless a different meaning clearly appears from the context:

"Joint activity" means a governmental function which is carried out by, performed on behalf of, or contracted for two or more localities within a region and includes present and future activities.

"Locality" means all counties, cities and towns within a regional partnership.

"Region" means a planning district; however, by agreement of the localities of the planning district, localities which are not part of a planning district may be added to the region if the locality's governing body by vote agrees to become part of the region. In addition, localities may establish, with the approval of the Department of Housing and Community Development, a different regional configuration, provided that at least one of the localities is a city, if a city exists within the planning district, unless the city voluntarily agrees not to participate.

"Regional partnership" means an organization composed of government, business, education and civic leaders approved by the local governing bodies of the region to carry out the provisions of this chapter. The organization may be an existing or newly established regional planning or economic development organization serving the region.

§ 15.1-1227.3. Incentives for certain joint activities by local governments.

A. *The General Assembly may establish a fund to be used to encourage regional strategic planning and cooperation. Specifically, the incentive fund shall be used to encourage and reward regional strategic economic development planning and joint activities as described in § 15.1-1227.4.*

B. *The fund shall be administered by the Department of Housing and Community Development and distributed to the qualifying counties, cities and towns in installments under the terms and conditions of applicable statutes and by procedures adopted by the Department. The Department shall establish a state-wide advisory committee to develop recommendations for the distribution of funds to localities pursuant to §§ 15.1-1227.4 and 15.1-1227.5. The advisory committee shall have at least twelve members appointed by the Governor and shall have equal representation from local government and the business community. The advisory committee shall be representative of each region of the Commonwealth.*

C. *All departments, agencies, institutions, and local governments of the Commonwealth shall make available such information and assistance as the Department may request in the performance of its responsibilities set forth in this section.*

§ 15.1-1227.4. Eligibility criteria for incentive payments.

The Department of Housing and Community Development, in setting the criteria for eligibility for incentive payments under § 15.1-1227.3, shall require that:

1. *A regional partnership shall exist and effectively function in the applicant region, and membership shall include as broad a representation as is practical of local government, elementary and secondary education, higher education, the business community, and civic groups. The partnership should include as many of the following as is practical: the mayor or chair and the chief*

administrative officer of each member locality, president of each institution of higher education, corporate leaders of the region, and leaders of local civic associations. The Department shall issue guidelines on the structure and organization of the regional partnership.

2. Each regional partnership shall develop a regional strategic economic development plan which identifies critical issues of economic competitiveness for the region. The plan shall contain, at a minimum, a comparison of the following criteria for the region, and the primary competitor regions in the southeast United States:

- a. Median family income;
- b. Job creation; and
- c. Differences in median family income levels among the localities in the region.

3. Each regional partnership shall issue an annual report, including, at a minimum, the region's progress towards improvement according to the criteria identified in subdivision 2 and its progress in addressing the critical issues of economic competitiveness identified in the regional strategic economic development plan.

4. Each regional partnership shall identify the existing and proposed joint activities within the region, and the joint activities shall have a combined point total of at least twenty points, based on the values established in § 15.1-1227.5, in order for the region to qualify for any incentive payments.

5. Subject to the provisions of § 15.1-1227.3 A, once a region becomes eligible for the annual incentive payments, it shall receive such payments for at least five years, so long as regional partnerships continue to exist and effectively function. The region may reapply before or at the end of the five-year period for requalification to continue to receive annual incentive payments.

6. Joint activities existing prior to the enactment of this section or prior to requalification may be considered by the Department of Housing and Community Development for an award up to the full value established in § 15.1-1227.5. Existing joint activities which are expanded in scope or number of localities may be considered a new joint activity but shall not receive the full value of points as established in § 15.1-1227.5. Points for existing activities (prior to July 1, 1996, or prior to requalification) may not constitute more than fifty percent of the total points assigned.

7. The year for incentive payments shall be the Commonwealth's fiscal year following the calendar year in which the region qualifies, with payments made annually by the Comptroller upon certification by the Department of Housing and Community Development. Eligible regions shall receive incentive funds in an amount equal to the percentage of the funds appropriated for incentive payments for such fiscal year that represents the region's percentage of the total population of all eligible regions. Within eligible regions, the incentive funds shall be distributed to the localities on the basis of a formula mutually agreed to by all of the localities of the region.

§ 15.1-1227.5. Assignment of weights for functional activities.

In determining the eligibility of the region, the Department of Housing and Community Development may assign weights for each joint activity up to the number in parentheses below:

- | | |
|--|------|
| 1. Job Creation or Economic Development | (10) |
| 2. Regional Revenue Sharing or Growth Sharing Agreements | (10) |
| 3. Education | (10) |
| 4. Human Services | (8) |
| 5. Local Land Use | (8) |
| 6. Housing | (8) |
| 7. Transportation | (5) |
| 8. Law Enforcement | (5) |
| 9. Solid Waste | (4) |
| 10. Water and Sewer Services | (4) |
| 11. Corrections | (3) |
| 12. Fire Services and Emergency Medical Services | (3) |
| 13. Libraries | (2) |
| 14. Parks and Recreation | (2) |

The assignment of values by the Department to any joint activity may be based upon the significance of the joint activity as measured by the fiscal resources committed to it, the number of regional localities participating, the significance of the activity as measured by the regional effort

involved in developing joint activities, the complexity of the activity, the general impact on relations between the affected jurisdictions, or other factors deemed to be appropriate by the Department. A region may petition the Department to adjust the weights of the above criteria to reflect the relative importance of that criteria on the economic competitiveness of the region. Upon receipt of such petition, the Department may adjust the weight of any criteria; however, the weight of any one criteria shall not exceed ten. In addition to the weights listed in § 15.1-1227.5, the Department of Housing and Community Development may add up to a total of five points for regions that have taken successful actions to make governmental services or functions more efficient or successful actions in reducing the local property tax burden throughout the region.



Regional Competitiveness Program

Program Guidelines

for the

Regional Competitiveness Program

February 1997

Regional Competitiveness Program

Commonwealth of Virginia
Department of Housing and Community Development
501 North Second Street ▲ Richmond, Virginia 23219 ▲ (804) 371-7030

Preamble

The reality of a global market offers an array of opportunities for Virginia's communities. At the same time it increases the competition for investment and job creation. Virginia must now compete with the Pacific Rim, Europe and elsewhere, in addition to neighboring states, for new jobs and investment. In this environment Virginia and its communities must enhance all aspects of economic competitiveness if the Commonwealth is to remain a vibrant place to live, work and do business.

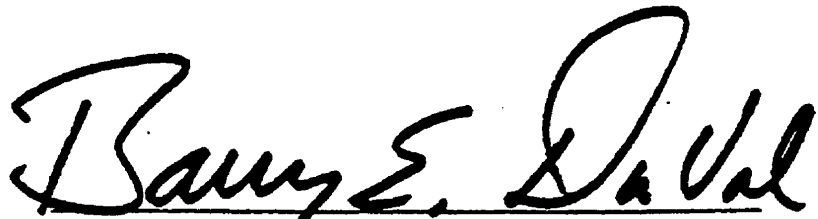
The Regional Competitiveness Act was passed to help communities strengthen their economic competitiveness through regional cooperation. The Act provides an incentive for communities to undertake new levels of regional activity to address obstacles to economic competitiveness. Meaningful changes are needed in order for regions to capitalize on new economic opportunities and to remove barriers to economic competitiveness.

Governor Allen appointed a twelve-member Advisory Committee to provide guidance in designing a program to implement the Regional Competitiveness Act. The Committee recognized that a high standard of new behavior in regional cooperation is needed to effect positive change in Virginia's economic competitiveness. While recognizing that many regions have made progress on regional cooperation, this initiative is not about business as usual. It is about stimulating new, meaningful responses that take regions to higher levels of cooperation to specifically respond to the concerns and issues that impact economic competitiveness.

The attached guidelines for the Regional Competitiveness Program (RCP) provide flexibility for regions to identify opportunities to enhance economic competitiveness and develop strategies to resolve them. The Advisory Committee spent considerable time discussing the kinds of projects and initiatives which should be eligible for consideration under the RCP. While it is expected that every locality and region could enumerate specific problems which affect their ability to be competitive, and therefore require attention and funding, the Advisory Committee believes that communities and regions will be better served if projects which RCP funds are used for have the potential for generating more immediate economic return to the region. For example, collective efforts to develop regional industrial parks, including land acquisition, infrastructure improvements, transportation access and shell buildings, will hopefully yield private sector investment and new jobs, and will broaden and enlarge the revenue base for the localities which are part of a regional compact. Other examples of projects which can have the effect of generating new revenues and jobs to the region may be the development of regional tourism attractions or facilities, or regional job training centers specifically tailored to meet the needs of the area's industry base. The Committee appreciates that there are problems which are more endemic or deeply rooted, but it will take far more than the new resources available under the RCP to resolve these issues, and addressing them through this initiative may not be the best and wisest investment for the region as a whole.

In the final analysis, the Advisory Committee decided to leave the criteria open, so that a full range of projects and initiatives can be considered. Nevertheless, the Committee urges regions to submit projects which demonstrate the principles of regional cooperation, leverage available and new resources, and which will result in shared benefits for all participating localities in the near versus the long-term.

The flexibility for regions to determine solutions to meet their individual challenges and the need for a high standard of new regional behavior set the context for implementing the Regional Competitiveness Act. The Advisory Committee encourages each region of the Commonwealth to view the Regional Competitiveness Act as an opportunity to substantively improve their ability to meet both economic challenges and opportunities. By addressing the critical needs regions face, as outlined above, we can move Virginia forward and ensure its continuing prosperity.

A large, stylized handwritten signature in black ink that reads "Barry E. DuVal". The signature is written in a cursive, flowing style with a prominent loop at the end of the last name.

The Honorable Barry E. DuVal, Chair
Advisory Committee on Regional Competitiveness Act

Table of Contents

Program Purpose	1
Program Guidelines	3
Funding	3
Requirements for Submission	4
Regional Configurations	4
Guidelines for Regional Partnerships	6
Guidelines for Regional Strategic Economic Development Plans	7
Application	9
Scoring System	10
Performance Accountability	11
Appendix A - Advisory Committee Members	13
Appendix B - Application and Fund Distribution Schedule	15
Appendix C - Issue Areas and Point Weights	17

Program Purpose

The Regional Competitiveness Act was passed in 1996 in order to enhance economic competitiveness for all regions of the Commonwealth. To do this, the Act establishes an incentive fund to encourage joint activities designed to address regional economic competitiveness needs.

National research has demonstrated that in areas around the country where localities work together cooperatively, economic competitiveness is enhanced. Quality of life indicators such as income disparity between localities, area median income and job creation are more positive in areas that interact on a regional level. The Regional Competitiveness Program (RCP) is intended to support a more economically competitive Commonwealth and a better quality of life for Virginia's citizens.

The Regional Competitiveness Program is designed to both reward existing regional behavior and stimulate *new* behavior—planning and acting regionally. Even areas of the state where regional activity has already been initiated are intended to increase their efforts and reach new levels of cooperation in order to qualify for incentives. It should be carefully noted that the Regional Competitiveness Program is *not a mandate*. The incentive funds are available to localities which *choose* to carry out new levels of regional cooperation. Regions which do not demonstrate a *significant increase* in regional activity will not qualify for incentive funding.

In order for substantive change to take place in the way communities interact, it is necessary to involve all sectors of the community. The Act calls on government, business, education and civic leaders to join in partnership to chart a course for improved regional economic competitiveness. The new ways of working together that the Act calls for will necessitate forming effective collaborative partnerships to successfully address economic competitiveness issues.

Program Guidelines

Introduction

In the fall of 1996 Governor Allen appointed an Advisory Committee, as authorized in the Act, to provide policy guidance in the development of the Program. (Please see Appendix A for a listing of Committee members.) The Virginia Department of Housing and Community Development (DHCD) was charged with developing procedures for incentive fund distribution and administering the fund.

After its appointment, the Advisory Committee held an initial meeting on October 15, 1996 and approved a process for public participation. In accordance with this process, DHCD conducted a series of five information and input sessions around the state. Based on comments received during these sessions and issues that were identified, the Advisory Committee provided policy guidance to DHCD which is reflected in these Program Guidelines.

The Program Guidelines are intended to serve as a framework for the Regional Competitiveness Program. Details on application procedures for incentive funds will be contained in the application package.

Funding

The 1996-1998 biennium budget allocated \$3 million for the Regional Competitiveness Incentive Fund. These funds are available on July 1, 1997. Additional funding may be considered during the 1997 session of the General Assembly. The Program Guidelines outline the fund distribution process that will be used regardless of the amount of funding available.

Fund Allocation System

Intent

In order to be eligible for incentive funds, regions must meet several criteria (please see Requirements for Submission). Once these criteria have been met, the following allocation guidelines will be used to distribute funds.

General Guidelines

1. A region's funding eligibility will be based on meeting the guidelines on regional configuration, partnership and strategic plan, and on receiving at least 20 points in the scoring system.
2. Once eligibility for funding has been determined, the population of all eligible regions will be totaled. Each eligible region will receive a proportion of funding equal to its proportion of that

population total. The most recent final population estimates from the Weldon Cooper Center for Public Service will be used.

3. In the event that a locality is a member of more than one region and partnership, the funding applications from both regions must specify the portion of that locality's population that is to be associated with each one (please see Regional Configurations). This will ensure that no segment of a locality's population is double-counted in fund distribution. *Please note that any regional configuration other than a planning district requires prior approval from DHCD.*
4. Eligible regions will receive annual incentive fund payments for a five-year period as long as the regional partnership continues to exist and function effectively. Effective functioning is based on the satisfactory implementation of the joint activities outlined in the funding application (please see Performance Accountability).
5. Regions may reapply for continued funding after the end of the five-year funding period.
6. Prior to submission of a region's application for incentive funds, a formula for distribution of the funds within the region shall be agreed upon by the Partnership. This distribution formula must be endorsed by resolution of the governing bodies of the participating jurisdictions (please see Guidelines for Regional Partnerships).
7. Funds are incentive payments to increase economic competitiveness through regional efforts. Regions have wide flexibility in both how they distribute the funds and how the funds will be used.
8. Communities will be monitored on progress in implementing strategic plan activities (please see Performance Accountability).
9. There is no requirement for matching funds from the regional partnerships or from localities within the regions.

Requirements for Submission

Regional Configurations

Intent

The intent of the RCP is to provide an incentive to form regional partnerships which will address economic competitiveness issues affecting that region and to encourage and support effective cooperative working relationships among localities. The following guidelines and requirements are intended to encourage regional configurations of localities that are of sufficient scale to address regional competitiveness issues while also reducing or eliminating regional fragmentation.

Minimum Requirements

A region comprises the cities, towns of greater than 3,500 population, and counties within a planning district boundary which indicate their commitment to forming a regional partnership through a resolution of their governing body. DHCD assumes that participating localities are making a good faith effort to commit to participating for at least a five-year time period.

DHCD will not recognize any regional configuration that contains a combination of fewer than three contiguous cities, counties or towns. In addition, all three of these localities cannot be part of a single jurisdiction. For example, a region comprising a county and two towns within that county would not qualify.

Regional Configurations That Do Not Require DHCD Approval

A region comprising all cities, towns of greater than 3,500 population, and counties within an existing planning district boundary does not require DHCD approval to be recognized as a region for the purposes of this program. Any other configuration does require prior approval as outlined in the next section.

Regional Configurations Requiring DHCD Approval

A regional configuration that is different from the planning district boundaries can be formed with the permission of DHCD. In making its determination, DHCD will consider the following:

1. All cities, towns with a population greater than 3,500, and counties within a planning district boundary must be given an opportunity to participate. No regional configuration will be approved that excludes a locality that passes a resolution indicating that it wishes to be a part of the regional partnership.
2. The RCP is intended to promote regional cooperative efforts of a scale that will positively influence regional competitiveness. All requests for recognition of regions that contain a subset of localities within a planning district are required to provide a rationale that explains why and how the smaller region is more appropriate in addressing competitiveness issues.
3. DHCD will not approve a configuration of localities that might result in a fragmentation of the region.
4. A locality that is outside the planning district, but contiguous to it, may be added to the region at the request of the local governing body and with the concurrence of all participating localities within the planning district it petitions to join, provided that this inclusion does not lead to fragmentation of the remaining planning district.
5. It is possible that a locality may wish to participate in two different regional partnerships. This may be approved provided that a clear method of dividing the population of that locality is agreed upon between the two partnerships for the purposes of fund distribution.

6. It is recognized that some regional partnerships may include localities from outside the Commonwealth. These non-Virginia localities will not be counted toward meeting the requirements for the minimum number of localities.
7. It is recognized that over time, regional configurations may undergo changes. Such changes may be approved provided that minimum requirements are met. Changes to regional configurations and the resulting partnership membership may require the region to undertake a revision of their plans and activities in order to meet other requirements of this program.

Guidelines for Regional Partnerships

Intent

The RCP is intended to bring together key decision-makers in a region which represent local government, the private sector, secondary and higher education and civic organizations. Representatives of these sector groups should be individuals in a top-level management position who can influence the allocation of resources needed to address issues of regional competitiveness and intergovernmental cooperation. The following guidelines and requirements are intended to help ensure that these key people are brought together in an organized manner to effect positive change in their region.

General Guidelines

1. Must have approval, by resolution, from the local governing bodies of the region to carry out the provisions of the Act.
2. May be an existing or newly-formed regional planning or economic development organization serving the region.
3. May be an existing non-incorporated regional coalition that has a demonstrated track record of working together to address issues of regional competitiveness.

Membership Requirements

1. To the greatest extent practical, the following sector group representatives shall serve as members of the partnership:
 - The mayor or board chairman and chief administrative officer of each member locality
 - Corporate leaders within the region
 - President of each institution of higher education in the region
 - One or more chairmen of local school boards or superintendents representing primary and secondary education

- CEOs or board chairs of local civic associations whose missions and programs are relevant to addressing issues affecting regional competitiveness.
- 2. Partnerships are encouraged to add other members as appropriate to ensure adequate representation of economic competitiveness issues for that region.
- 3. Each partnership shall prepare and adopt a charter or bylaws which will outline sector group representation, how members will be selected and how decisions will be made and implemented by the organization.

Guidelines for Regional Strategic Economic Development Plans

Intent

The RCP is intended to encourage regional efforts to identify key issues affecting economic competitiveness and to support regional, cooperative initiatives designed to address those issues. The method for identifying those key issues and building consensus for action is the regional economic competitiveness strategic plan.

It is not the intent of the RCP to ignore or duplicate recently completed or ongoing strategic planning efforts. Participation by the partnership in the process of conducting a critical analysis of regional issues and prioritizing potential actions is essential to forging mutual understanding and building commitment to implementation of plan recommendations. The strategic plan is intended to be a collaborative process among the various sector groups which focuses attention on critical issues of regional economic competitiveness and identifies and prioritizes actions which should be taken.

The following guidelines and regulations are intended to provide guidance on the strategic planning process and plan content.

General Guidelines

1. Existing local and regional strategic plans should be reviewed by the Regional Partnership in the beginning of its deliberations to provide baseline information.
2. Members of the Regional Partnership shall play an active role in reviewing and analyzing regional information; shall participate in completing a critical analysis of the region; shall participate in identifying and prioritizing issues affecting regional competitiveness; and shall identify key actions necessary to address competitiveness issues.
3. The Regional Partnership shall solicit public participation and input to help identify regional competitiveness needs and opportunities for cooperation.
4. The Regional Partnership shall officially adopt the strategic plan.
5. The regional strategic planning process is intended to help the partnership identify strategies and formulate a plan of action for a five year period. The plan should be revisited on a yearly

basis to determine if adjustments are required to better meet regional competitiveness needs or take advantage of new opportunities.

Specific Requirements

1. The plan shall define economic competitiveness for the region and outline a vision for the future.
2. The plan shall include an analysis of key demographic and economic trends which shall include, at a minimum, a comparison of the following measures between the region and identified competitor regions outside the Commonwealth:
 - Median family income changes during the last decade
 - Job creation and loss during the last decade
 - Regional income disparity trends during the last five years as measured by the differences in median family income levels among the region's localities
 - Private sector investment trends during the last decade

Competitor regions should, as much as possible, have similar demographic and economic characteristics to those of the Partnership region.

3. The plan shall identify current impediments or barriers to regional cooperation as well as current strengths and perceived opportunities for change.
4. The plan shall identify and describe current joint activities relevant to regional competitiveness. A joint activity is a governmental function which is carried out by, performed on behalf of, or contracted for two or more localities within the region.
5. The plan shall identify gaps in regional cooperation, relative to regional competitiveness, and prioritize them in order of importance.
6. The plan shall outline a prioritized plan of action covering a period of at least five years and shall include proposed joint activities as well as other activities required to address critical gaps and improve the competitive situation of the region.
7. The plan shall identify organizations or individuals that have the lead responsibility for implementing plan activities.
8. Clearly-identified, measurable outcomes shall be established which will be used to assess progress toward addressing regional competitiveness issues and delivery of proposed joint activities. A description should be provided of a progress reporting and monitoring system

which will be used to measure progress annually toward implementing strategic plan recommendations.

9. The role, if any, of the Regional Partnership in implementing plan recommendations should be clearly outlined.

Application

Intent

In order to be eligible for incentive funds, a geographic region must be delineated, a regional partnership formed and a regional strategic economic development plan developed. A formula for distribution of funds within the region must be agreed upon by the partnership. This distribution formula must be endorsed by resolution of the governing body of each participating jurisdiction. Once these items have been accomplished, a region is ready to submit its application for incentive funding.

General Guidelines

1. Any regional configuration other than a planning district boundary requires prior approval from DHCD (please see Regional Configurations).
2. Information on regional partnership structure and membership and strategic plan development may be submitted for review *prior* to the application submission. DHCD will review the regional partnership and the strategic plan to ensure that they meet the guidelines. If these items do not meet the guidelines, DHCD will provide technical assistance and suggest remedial action. This advance review is *optional*.
3. DHCD will provide technical assistance to regions upon request as they are in the process of delineating geographic parameters, creating partnerships and crafting strategic plans.
4. Applications will include information on joint activities, both existing and new, and how they relate to the regions' strategic plans. Information on activity implementation milestones will also be needed.
5. Initial applications for incentive funding will be due to DHCD on July 1, 1997. Incentive funds will be distributed to eligible regions in September 1997.
6. Regions that intend to submit applications for funding in the next funding round will need to submit letters of intent to apply in September 1997. This will help the Department in gauging the demand for incentive funds prior to final budget preparations.
7. In the next funding round, applications will be due on December 1, 1997 and funds will be distributed in July 1998.

8. In future funding rounds applications will be due on July 1 with fund distribution in July of the following year. This will ensure that regions that qualify for funding in the calendar year receive funding in the state's following fiscal year as required in the Regional Competitiveness Act.

Scoring System

Intent

The RCP is intended to support actions which address regional competitiveness issues and foster increased cooperative efforts among local governments within the region. The evaluation and scoring system used by DHCD to determine if a region qualifies for Regional Competitiveness Program funding is intended to recognize and reward activities that directly address key economic competitiveness issues identified in the regional strategic plan.

General Guidelines

1. Regional Partnerships shall make application to DHCD to be scored under the fourteen issue areas outlined in the Regional Competitiveness Act (please see Appendix C). A total score of at least twenty points is required to qualify for Regional Competitiveness Program funding.
2. No more than ten points shall be awarded for joint activities which were in existence prior to July 1, 1996.
3. A minimum of ten points is required from expanded or new joint activities to qualify for Regional Competitiveness Program funding.
4. No more than ten total points shall be awarded for activities within a single issue area.
5. Existing joint activities which are expanded in scope or number of localities may be considered a new joint activity but shall not receive the full value of points.

Evaluation Criteria and Scoring System

DHCD will evaluate each existing and proposed joint activity using the following five criteria. These five criteria shall each have a weight assigned to them that will determine how points are awarded under each activity. The criteria and their weights are:

Criteria	Weight
The significance of the activity as measured by its impact on regional economic competitiveness	50 %
The significance of the activity on improving or strengthening cooperative working relationships among local governments	35 %
The complexity or difficulty in carrying out the activity	5 %
The amount of fiscal resources committed to implementing the activity	5 %
The number of localities participating in the activity	5 %

The application should discuss the relationship of each existing and proposed joint activity to each of the criteria identified above. DHCD will place heavy emphasis on strategies and actions which impact the regional competitiveness needs identified in the regional strategic plan in making its determination of allocating points.

Adjusting the Issue Area Point Totals

Each of the fourteen issue areas identified in the Regional Competitiveness Act is assigned a total number of points (ranging from a high of ten to a low of two), which can be earned for activities within that category. A region can petition DHCD to adjust the weight of a category upward to reflect the relative importance of that issue on the region's economic competitiveness. In considering its decision to adjust a category point total, DHCD will determine whether or not the issue area has a clearly-defined, vital link to economic competitiveness as identified by the regional strategic plan.

Bonus Points

A region can petition for up to five bonus points by documenting actions taken to reduce the property tax burden throughout the region or actions taken to improve the efficiency of delivery of governmental services. DHCD will use the five criteria outlined above in evaluating these actions to determine the amount of bonus points that may be awarded.

Performance Accountability

Intent

In order for eligible regions to receive continued incentive funding the partnership must continue to exist and function effectively. Effective functioning is based on the satisfactory implementation of the joint activities outlined in the funding application and on the continued existence of the partnership. DHCD will assess implementation of the joint activities outlined in the funding allocation. Progress in achieving identified outcomes and benchmarks is the basis of continued funding.

General Guidelines

1. Eligible regions must submit an annual report. The annual report shall identify progress in reaching implementation milestones described in the funding application.
2. Eligible regions that show satisfactory implementation will automatically receive the next year's funding allocation.
3. DHCD recognizes that delays occur in the implementation of complex projects and activities. A region's efforts to resolve and mitigate such delays will be taken into consideration when the annual report is reviewed.
4. Eligible regions that have not been able to implement the joint activities that were the basis of their funding eligibility will not automatically receive the next year's funding allocation.
5. Eligible regions that have experienced implementation problems will have a six-month period in which to "catch up" and take remedial action in implementing its activities. DHCD will provide technical assistance and work with the region to modify its implementation plan, if needed, as long as changes do not affect the joint activities that formed the basis of the region's funding eligibility.
6. Eligible regions that have not been able to resolve implementation problems or make satisfactory revisions to its implementation plan within the six-month "catch up" period will not receive their funding allocation.
7. Funds that are not allocated to regions because of implementation problems will be redistributed to eligible regions in accordance with the funding formula outlined in the Funding Allocation section of the guidelines.
8. A region that has been unable to receive its annual incentive payments for a year or more because of implementation problems may request that payments be resumed in a subsequent fund distribution cycle once satisfactory performance on its existing strategic plan and joint activities has been demonstrated. If the request to reinstate funding is based on a new strategic plan and joint activities, the region will be required to reapply for funding eligibility in a future application round.
9. Changes to a region's configuration and partnership structure may impact implementation of its joint activities. DHCD will review such changes with the partnership to determine the impact on implementation and the region's funding eligibility.
10. Annual reports will be due to the Department in May prior to July funding distribution.

Appendix A

Advisory Committee Members

The Honorable Barry E. DuVal (*Chair*)
President and CEO
Hampton Roads Partnership
450 World Trade Center
Norfolk, Virginia 23510

The Honorable Elaine McConnell
Springfield District Supervisor
6140 Rolling Road
Springfield, Virginia 22152

Mr. Jack Broaddus (*Vice Chair*)
Executive Vice President
Wampler Foods, Inc.
Post Office Box 7275
Broadway, Virginia 22815

Mr. Lane B. Ramsey
County Administrator
Chesterfield County
Post Office Box 40
Chesterfield, Virginia 23832

Mr. Gene Bailey
49 Woodlawn Terrace
Fredericksburg, Virginia 22405

Ms. Terrie G. Spiro
President and CEO
Tysons National Bank
8200 Greensboro Drive
McLean, Virginia 22102

The Honorable Lee B. Eddy
2211 Pommel Drive
Roanoke, Virginia 24018

Mr. Hugh R. Stallard
President and CEO
Bell-Atlantic-Virginia, Inc.
600 East Main Street, 24th Floor
Richmond, Virginia 23219

Mr. Rodger W. Fauber
1208 Blackstone Place
Lynchburg, Virginia 24503

Ms. June M. Wilmot
Executive Director
Winchester-Frederick County EDC
45 East Boscawen Street
Winchester, Virginia 22601

Mr. Robert F. Hill
9 Lower Tuckahoe Road, West
Richmond, Virginia 23233

The Honorable Kenneth G. Mathews
161 Hillside Drive
Abingdon, Virginia 24210

Appendix B

Application and Fund Distribution Schedule

July 1, 1997	First round applications due
September 1997	First round fund distribution
September 1997	Letters of intent for second application round
December 1, 1997	Second round applications due
July 1998	Second round fund distribution
July 1, 1998	Third round applications due
July 1999	Third round fund distribution

Appendix C

Issue Areas and Point Weights

Issue Area	Weight
Job Creation or Economic Development	10
Regional Revenue Sharing or Growth Sharing Agreements	10
Education	10
Human Services	8
Local Land Use	8
Housing	8
Transportation	5
Law Enforcement	5
Solid Waste	4
Water and Sewer Services	4
Corrections	3
Fire Services and Emergency Medical Services	3
Libraries	2
Parks and Recreation	2

