

Regional Transportation Concurrency System in Spokane County A Feasibility Study

TECHNICAL MEMORANDUM # 5

Political and Socio-economic Assessment

Prepared for



Prepared by



In association with



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EXECUTIVE SUMMARY

This Technical Memorandum provides a brief review of political and socio-economic implications involving adequate public facilities ordinances and concurrency management practices nationwide.

Regional Concurrency Management

A 'regional concurrency management system' refers to one or more governmental entities acting cooperatively, through a variety of mechanisms, to meet the state mandated concurrency requirement on a regional basis – coordinating across jurisdictional boundaries to meet agreed upon regional transportation concurrency needs and goals. This may include system modifications that are needed to mitigate impacts on affordable housing, to build political coalitions and ongoing support for the system, and to structure intergovernmental coordination.

The current regional transportation concurrency management system in the Spokane region that the Spokane Regional Transportation Council (SRTC) manages serves to monitor the impacts of developments at the regional level. Because SRTC has no review authority with respect to making individual project concurrency determinations as local jurisdictions have the sole responsibility over land use control, the current regional concurrency system does not address cross jurisdictional impacts that local jurisdictions do not factor in their concurrency evaluation. This current practice in the Spokane Region reflects a national trend.

The envisioned implementation of a truly 'regional transportation concurrency management system' (RTCMS) for the Spokane Region that will address such issues of cross border traffic impacts will be the first of its kind in Washington State and nationwide. Consequently, there is a lack of empirical data to rely upon for the regional analysis of various issues of the envisioned RTCMS undertaken in this technical memorandum.

As local jurisdictions create this unique regional transportation management system, it will inevitably be faced with decisions of first impression. In designing its regional system, local

jurisdictions will strive to limit adverse and unintended effects. Local jurisdictions can limit these unintended effects by applying techniques proven effective through lessons learned by other concurrency systems around the country. These lessons, empirical data, and other reports are set forth in the following memorandum.

Options Matrix

The past experiences of other jurisdictions can be relied upon as indicators of possible impacts of a regional transportation management system Spokane.

The following matrix summarizes the literature reviewed in the technical memorandum and recommends solutions to the political and socio-economic considerations of a regional transportation management system.

In summary, local jurisdictions can consider the following actions to reduce or eliminate adverse impacts of a regional transportation management system:

- **On financing issues** local jurisdictions should consider uniform interjurisdictional agreements for cost and revenue sharing designed in conjunction with CIP's to create effective funding mechanisms.
- **On economic development and social equity issues** local jurisdictions should consider revisions to local land use regulations in addition to regional concurrency legislation through the comprehensive plan amendment process. Local land use regulations can include regulations to encourage urban infill and redevelopment. Both local regulations and regional concurrency legislation should be designed in conjunction with CIP's and comprehensive plans.
- **On housing issues** local jurisdictions should consider revision of local land use regulations in addition to incorporating affordable housing principles into regional concurrency legislation to encourage the availability of affordable housing. Local regulations may include affordable housing carve-outs and set-asides, controls on location of new development, and other smart growth initiatives.

- **On land use patterns and regional issues** local jurisdictions should consider revision of local land use regulations in addition to regional concurrency legislation. Local land use regulations can include, for example, controls on location of development, urban design and urban form.

Existing local comprehensive plans and zoning codes are compatible with the recommended revisions made to help address the socio-economic issues raised by the technical memorandum.

Within the City of Spokane, the Comprehensive Plan's fundamental growth strategy is called "Centers and Corridors." This strategy directs growth to specific centers where a mix of land uses and activities are encouraged. With two exceptions, all of the City's commercial, office, and center zoning categories allow a mixture of uses on site. The City of Spokane Valley has a City Center plan, regional commercial and mixed-use center. The existing mix uses of the City of Spokane's and the City of Spokane Valley's comprehensive plan and zoning can be adapted to include the concurrency-related provisions that will help avoid some of the socio-economic impacts set forth in this memo. The County Wide Planning Policies, a collaborative process between Spokane County and the cities and towns within the County, provide a policy framework for both the county and its respective cities. These policies address such issues as the designation of urban growth areas, land use, affordable housing, provision of urban services for future development, transportation, and contiguous and orderly development.

The Spokane region could benefit from the thoughtful creation and implementation of a regional concurrency management system. A regional system can result in more efficient land use patterns that respond to transportation efficiencies rather than interlocal competition for tax rates/sales tax revenues or exclusionary motives and more effectively addresses transportation as a network including remote impacts of development rather than just localized impacts which can result in more growth in some places (e.g., infill, downtown) and less in others because a wider network is being considered.

Options Matrix

General Types of Concerns	Problems Associated with Concurrency	Supported by Empirical Data or Evidence?	Possible Solutions	Authorized by WA State Law?	Recommended
Economic Development and Social Equity Issues	Urban Infill and Redevelopment Discouraged	Yes & No see memo for details	1. Project & Area Exceptions 2. Local Land Use Regulations	1. No – Would require changes to State enabling legislation. 2. Yes	1. Revision of local land use regulations in addition to regional concurrency legislation. Local land use regulations can include set-asides for affordable housing, regulations to encourage urban infill and redevelopment 2. Designed in conjunction with CIP's and Comprehensive Plans.
	Limits Development	Yes & No see memo for details	Adequate Funding Linked to CIP's	Yes	
	Racial Distributions Affected	No	Not Applicable	Not Applicable	
Housing Issues	Availability of Affordable Housing	Yes & No see memo for details	Incorporate Affordable Housing Principles in Concurrency Legislation.	Yes	Revision of local land use regulations in addition to the incorporation of affordable housing principles into concurrency legislation.
Financing Issues	Inadequate Funding	Yes	Regional Cost & Revenue Sharing	Yes – through Interjurisdictional Agreement	1. Uniform interjurisdictional agreements for cost and revenue sharing 2. Designed in Conjunction with CIP's.
Land Use Patterns and Regional Issues	Negatively Effected by Concurrency	Yes & No see memo for details	Local Land Use Regulations Addressing Design and Planning	Yes	Revision of local land use regulations in addition to regional concurrency legislation. Local land use regulations can include for example, controls on location of development, urban design and urban form

INTRODUCTION

This memorandum is submitted in fulfillment of Task 3.35 of the agreement between White & Smith, LLC and Bucher Willis & Ratliff Corporation ("BWR"), for the Spokane Regional Transportation Council ("SRTC"). It is part of a comprehensive feasibility analysis of a regional concurrency management system in Spokane and Spokane County, Washington. This memorandum assesses the political and socio-economic issues associated with implementation a concurrency management system. The political and socio-economic issues discussed include the following:

- **Economic Development & Social Equity Issues.** This memorandum will discuss economic development and social equity implications, including available existing research in these areas and potential concerns. The memorandum will also address social equity issues, including whether concurrency could divert capital investments from built-up areas to newly developing areas of the region.
- **Housing Issues.** This memorandum will discuss housing affordability, including available existing research on the impact of concurrency on the supply and cost of housing for low or moderate income households.
- **Multi-Jurisdictional Financing Issues.** This memorandum will discuss multi-jurisdictional financing strategies for improving regionally significant facilities within the context of concurrency.
- **Land Use Patterns and Regional Issues.** This memorandum will discuss existing research on the impacts of concurrency on land use patterns or regional urban form.
- **Building Political Support Issues.** This memorandum will discuss a framework for building political support within individual jurisdictions for the adoption of a regional concurrency management system. This will include potential supporters of a concurrency system and the benefits of regional concurrency for various stakeholders such as homebuilders, environmentalists, and other interest groups.

ECONOMIC DEVELOPMENT & SOCIAL EQUITY IMPLICATIONS

This section of the memorandum sets forth the available literature regarding possible economic development implications of transportation concurrency in the Spokane region. Many of the studies conducted to date have been undertaken by parties generally adverse to adequate public facilities ordinances (APFO) and concurrency requirements. Nonetheless, these studies and their conclusions have been included here for thoroughness. The memorandum will also address social equity issues, including whether concurrency could divert capital investments from built-up areas to newly developing areas of the region.

Findings from Literature Review

➤ **The Possibilities of Transportation Concurrency and Evaluation of Measurement Alternatives. Washington State Transportation Research Center (Final Report 2003)**

Findings from this study include:

- "The four Eastside cities have sufficient flexibility under current law to develop, implement, and fund a variety of multi-modal concurrency approaches, both within their own jurisdictions and among one or more of their neighbors. A regional approach to transportation could be coordinated under the existing authority of the Puget Sound Regional Council, requiring a change in state enabling legislation only if a form of metropolitan government were desired.
- Current measurement methods are auto-focused and don't encourage development of alternative transportation capacity.
- Most jurisdictions' LOS standards do not evolve over time and therefore do not reflect changing land-use and transportation values.
- Transportation concurrency presents an opportunity for local jurisdictions to improve the connection between their land-use goals and transportation expectations.

- Expanded LOS measures are entirely consistent with the GMA concurrency framework and would provide cities with an opportunity to accommodate future growth while at the same time enhancing quality of life."

➤ **Concurrency Discourages Urban Infill & Redevelopment – Exceptions Created to Overcome Conflict.**

Concurrency requirements play a central role in the Florida statute, Fla. Stat. Ch. 163.3177, which declares: "It is the intent of the Legislature that public facilities and services needed to support development shall be available concurrent with the impacts of such development." Over years of implementation, the Florida legislature found that often the "unintended result of the concurrency requirement for transportation facilities is the discouragement of urban infill development and redevelopment."(Ch. 163.3180(5)a). Such unintended results directly conflict with the goals and policies of the state comprehensive plan and the intent of this part. *As a result, the Florida legislature created exceptions from the concurrency requirement for urban infill development, urban redevelopment, and downtown revitalization.*

➤ **APFO Ineffective in Establishing Price Signals.** *The Limits to Growth Management: Development Regulations in Montgomery County, Maryland (Levinson, 1996)*

Levinson's study concludes that the APFO system used in Montgomery County, Maryland, fails to provide effective price signals and fails to raise sufficient revenue for new infrastructure. This study points out that funding mechanisms need to be taken into account for concurrency systems to be effective. However, concurrency itself is not a revenue generating system.

➤ **Negative Effects Can be Addressed with Local Land Use Regulations.** *The Effect of Growth Management Strategies: Adequate Public Facilities Ordinances and Impact Fees A Review of Existing Research (Steven H. Ott, University of North Carolina-Charlotte 2006)*

- Traditional APFOs can potentially "limit the availability of affordable housing, reduce undeveloped land values, encourage development in more remote locations, speed up development before regulation enactment, and provide existing residents and local

governments with windfall economic gains. The characteristics of the housing market and the structure of the APFOs ...determine the extent of these effects."

- APFOs can be structured to meet individualized planning objectives using "...creative strategies such as affordable housing carve-outs, controls on location of new development, and other smart growth initiatives that have been used to try to increase the utility of APFOs. However, land use regulations designed to address negative externalities may still introduce further inefficiency into the market."
 - This study was sponsored by the National Center for Real Estate Research. Reports that are sponsored by special interests groups should be interpreted with the understanding that conclusions contained therein may be favorable to the sponsor of the study.
- ***Adequately Funded APFOs Guide Smart Growth Principles.*** *Adequate Public Facilities Ordinances in Maryland: An Analysis of their Implementation and Effects on Residential Development in the Washington Metropolitan Area. A Report for the Maryland-National Capital Building Industry Association by The National Center for Smart Growth Research and Education January 12, 2005*

"APFOs have often resulted in slowing growth to maintain level of service standards, but if sufficiently funded they can also be used to guide development consistent with smart growth principles. Doing the latter will take political will, public discussion of what "adequate" means for a given service or facility and how those standards can be achieved (particularly for transportation), sophisticated forecasting and modeling, and thoughtful financing that incorporate social equity concerns."

- ***APFOs not Effectively Linked to Capital Improvement Plans.*** *Adequate Public Facilities Ordinances in Maryland: Inappropriate Use; Inconsistent Standards; Unintended Consequences: (A Report by The National Center for Smart Growth Research and Education University of Maryland for the Home Builders Association of Maryland and the Maryland National Capital Building Industry Association April 20, 2006)*

This report finds that APFOs in Maryland are "often poorly linked to capital improvement plans, and moratoria can last for indefinite periods of time. Further, the consequences of APFOs in Maryland are often unintended and their effects frequently contrary to the broader

land use policies of the state. In many counties that employ APFOs, they have become the dominant planning tool rather than just one of many tools a county might use to manage its growth."

Possible Implications

Many of the reports discussed above were written by persons associated with the homebuilding or development industries. This does not mean that the findings are wrong, but instead that the authors might have a bias against land development regulations and, in some cases, a fundamental misunderstanding of what concurrency requires. While there is a general lack of empirically-based information in this area, recent studies referenced above indicate that regional transportation concurrency can provide regions with an opportunity to accommodate future growth while at the same time enhancing quality of life and economic issues.

Unintended economic effects of concurrency can be addressed through specific legislation like affordable housing provisions and infill and urban development exemptions (exemptions not currently allowed by WA State law.)

Specific legislation at the local level is not inconsistent with existing local laws. For example, revisions to local legislation in the City of Spokane to address infill, redevelopment and affordable housing, discussed below, are compatible with the fundamental growth strategy of Spokane's Comprehensive Plan, called "Centers and Corridors." Centers and Corridors aims to direct growth to specific centers where a mix of land uses and activities are encouraged. With two exceptions, all of the City's commercial, office, and center zoning categories allow a mixture of uses on site. The existing mixed uses of the City of Spokane's comprehensive plan and zoning can be adapted to include the concurrency-related provisions that will help avoid some of the socio-economic impacts set forth in this memo. The City of Spokane also includes pedestrian oriented zones. These zones, CBD-1, CC1-and CC2, and NR, are similar in nature to planning techniques used by this author in Hillsborough County, Fla. (discussed at length during last power point presentation).

HOUSING IMPLICATIONS

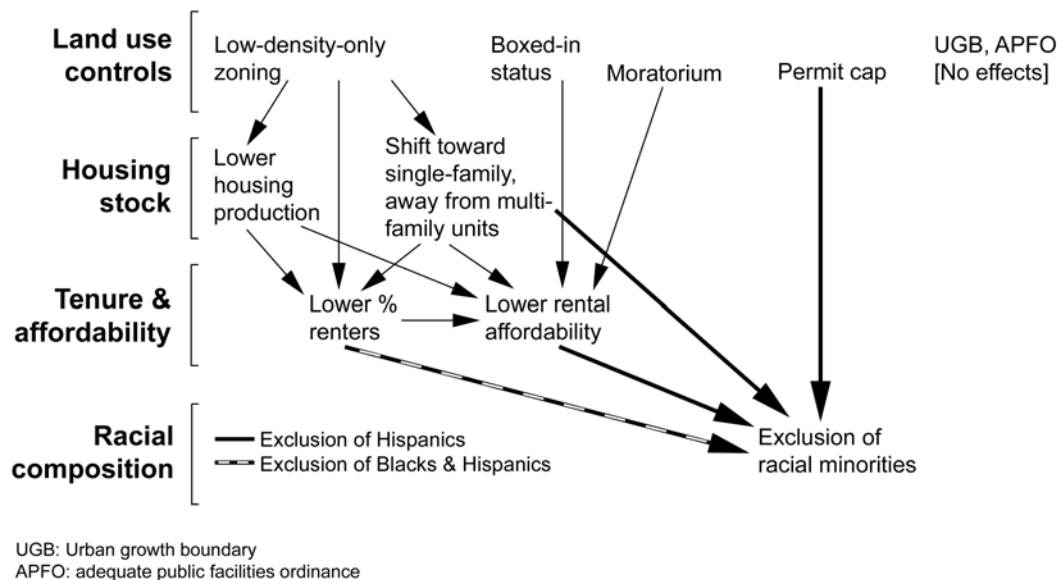
This section of the memorandum addresses the potential housing implications of regional transportation concurrency, including a review of available existing research on the impact of concurrency on the supply and cost of housing for low or moderate income households.

Findings from Literature Review

- **Concurrency Can be Powerful Device for Inclusionary Planning.** *Affordable Housing, Proactive & Reactive Planning Strategies, S. Mark White, APA (1992).*
 - APFO and concurrency can sometimes cap the permissible level of service of construction below that is supportable by the market. However, this need not undermine a local government's affordable housing objectives.
 - The following principles can be incorporated into an APFO/concurrency ordinance which can render it powerful device for inclusionary planning:
 - Certification that a development is consistent with the level of service standards in the comprehensive plan.
 - Application of the APFO/concurrency ordinance to residential and non-residential development.
 - Timely administration of the ordinance is critical to avoid unnecessary delays.
 - Reservation of facility capacity for low and moderate-income housing.
- **Concurrency Marginally Encourages Multi-Family Housing:** *Local Land Use Regulation and the Chain of Exclusion (APA 2000)*

A research study funded in part by the University of California at Berkeley's Center for Real Estate and Urban Economics, compiled data from over 1,000 jurisdictions in the 25 largest U.S. metropolitan areas to conclude that APFOs encouraged a shift toward multifamily housing, "although the association was slight and only marginally significant." This study

looked at low-density only zoning, boxed-in status, moratorium, permit caps, urban growth boundaries (UGBs) and APFOs. *Of the types of land use controls studied, UGBs and APFOs were found to have either very limited or no adverse effects on either housing types or racial distributions.* The study concluded that exclusive low-density zoning reduces rental housing in the municipalities and counties that use it. The resulting shortage of rental housing, in turn, limits the number of Black and Hispanic residents who can move into these municipalities and counties. Building permit caps are also associated with lowered proportions of Hispanic residents.



Source: *Local Land Use Regulation and the Chain of Exclusion*

➤ **Concurrency Promotes Affordable Housing:** *Maricopa Association of Governments, Affordable Housing, Best Practices Paper #2, Growing Smart Implementation Project (2002)*

This study found that "...the APFO is frequently cited as a land use control that will raise housing costs however, when designed with affordable housing needs in mind, it can actually be a powerful tool to promote affordable housing."

- **Concurrency Programs Increase Densities:** *In a discussion paper prepared for the Brookings Institute entitled, *Hold the Line: Urban Containment in the United States*, authors Pendall, Martin & Fulton (2002)*

This study found that APFO programs “do not necessarily impose an ultimate outer limit on growth, but they do change the geographical calculus of growth – and some evidence suggests they do increase densities more than urban growth boundaries.”

- **Inclusionary Housing Provides Affordable Housing:** *Inclusionary Housing in California and New Jersey: A Comparative Analysis, (Calavita 1997)*
- California general law required municipalities to create policies and programs to meet its fair share of regional lower income housing needs.
 - In New Jersey, Council on Affordable Housing established to determine all fair share obligations of municipalities.
 - “Inclusionary housing is the best, perhaps even the only, currently available means by which residential integration can be actively fostered and housing affordable to a less affluent population can be provided.”

Possible Implications

Affordable housing concerns are inevitably raised by concerned parties when concurrency and APFOs are considered by localities. Concerns are expressed that concurrency requirements will slow the rate of growth and limit the amount of available affordable housing. However, a review of the existing literature regarding the potential housing implications of regional concurrency reveals that concurrency can be a powerful tool to promote affordable housing. The bulk of the available research indicates that concurrency and APFOs have not been linked to exclusionary effects on minorities and can actually be used to promote affordable housing and inclusionary planning. Exemptions and capacity set-asides for affordable housing have been used to implement concurrency requirements while meeting affordable housing needs.

MULTI-JURISDICTIONAL FINANCING STRATEGIES

This section of the memorandum discusses multi-jurisdictional financing strategies for improving regionally significant facilities within the context of concurrency. Many states have general revenue sharing strategies to distribute revenues to local jurisdictions for disbursement at the local level. Fewer jurisdictions have revenue sharing statutes authorizing revenue sharing agreements for particular issues, i.e., annexation and growth, and even fewer have targeted revenue sharing strategies aimed at improving regionally significant facilities in the context of concurrency. The State of Minnesota is seen as a pioneer in regional targeted revenue sharing.

Findings from the literature review, set forth below, contain samples of revenue sharing from various states across the country. It includes an explanation of the Minnesota program; revenue sharing methodologies; samples of Michigan, Maryland and Virginia revenue sharing regulations; discusses current revenue sharing techniques employed by the State of Washington; and includes five measurements of a high-quality revenue sharing program.

FINDINGS FROM LITERATURE REVIEW

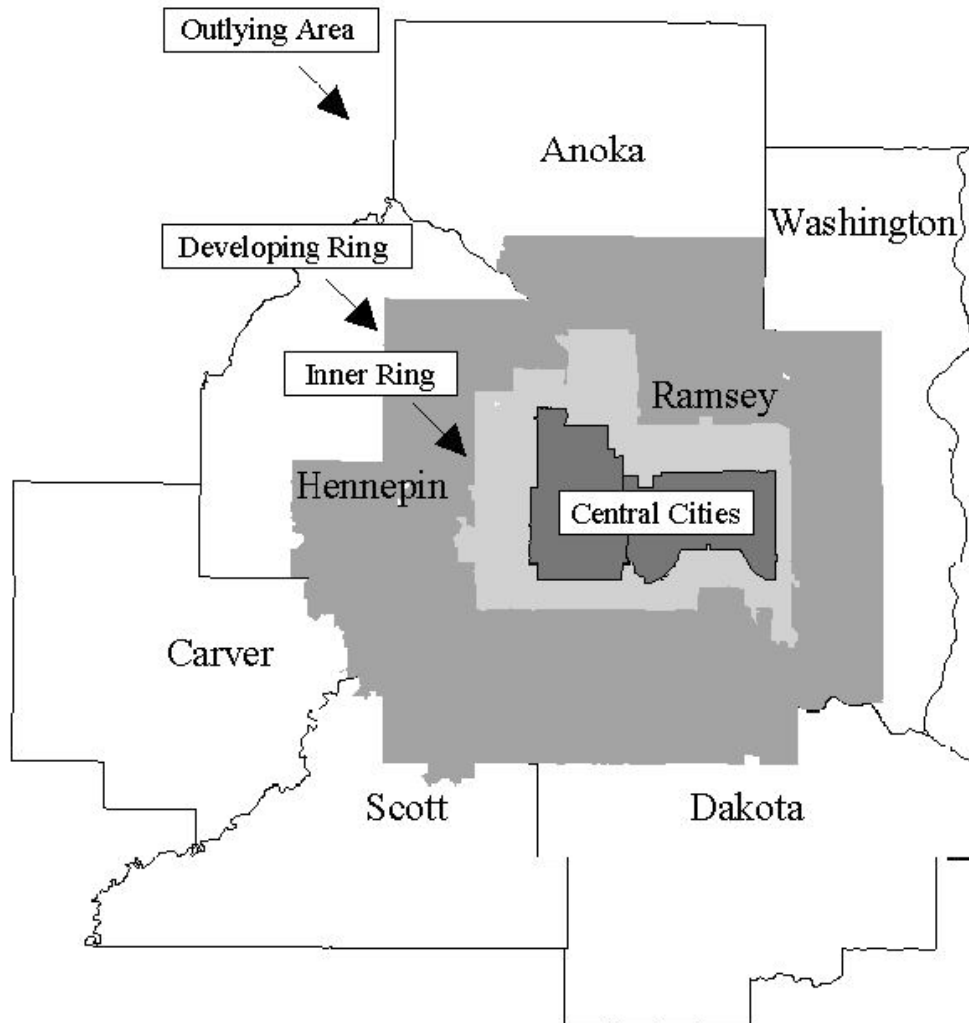
➤ Minnesota's Fiscal Disparities Program Report (2005)

In 1971, the State of Minnesota instituted a program of commercial-industrial tax-base sharing within the Twin Cities metropolitan area, called *the Charles R. Weaver Metropolitan Revenue Distribution Act*. Although Court challenges prevented the program's implementation until 1975, it was one of the first tax-base revenue sharing programs of its kind in the United States in terms of its geographical area of coverage and the amount of shared tax base. The law requires each taxing jurisdiction (in seven counties: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington) to contribute 40 percent of the growth in its commercial/industrial (C/I) property tax base to an area-wide pool.

The equation used in Minnesota for distribution is as follows:

$$\begin{array}{c} \text{Population} \\ \text{of} \\ \text{City/Town} \end{array} \times \begin{array}{c} \text{Average Fiscal} \\ \text{Capacity} \\ \text{-----} \\ \text{City/Town} \\ \text{Fiscal Capacity} \end{array} = \begin{array}{c} \text{Distribution} \\ \text{Index} \end{array}$$

The Minnesota revenue sharing area is set up as follows:



Source: <http://www.house.leg.state.mn.us/hrd/pubs/fiscaldis.pdf>

The complete Statute is found at [Minnesota Statutes 2005, Chapter 473F](#), and the enumerated purposes include the following six (6) core goals:

- To increase the likelihood of orderly urban development by reducing the impact of fiscal considerations on the location of business and residential growth and of highways, transit facilities, and airports

- To establish incentives for all parts of the area to work for the growth of the area as a whole
- To provide a way whereby the area's resources can be made available within and through the existing system of local governments and local decision making
- To help communities in different stages of development by making resources increasingly available to communities at those early stages of development and redevelopment when financial pressures on them are the greatest
- To encourage protection of the environment by reducing the impact of fiscal considerations so that flood plains can be protected and land for parks and open space can be preserved

Decades later, implementation of the fiscal disparities statute focuses on two central goals:

- Promoting more orderly regional development
- Improving equity in the distribution of fiscal resources

Over time, Minnesota has found, surprisingly, that the fiscal disparities program actually causes tax rates to be lower than they otherwise would be in five of the eight low-tax-rate cities. Current discussions regarding fine-tuning the disparities program include adjusting for assessment levels; eliminating exemptions (certain TIF areas and property located at the Minneapolis-St. Paul International Airport); eliminating the 1971 base value subtraction; and adopting a need-based distribution formula.

➤ **Local Revenue-Sharing Methodologies, Prepared for the Rural Resort Region, Glenwood Springs, Co, by BBC Research and Consulting (2001).**

This study found that while revenue-sharing is widely promoted as an important component of Smart Growth plans, regional revenue-sharing programs are still the exception. The study states that in the 30 years since the Minnesota Legislature authorized the fiscal disparities program, (discussed above), few other regions have adopted multijurisdictional revenue sharing. Most revenue-sharing programs involve just two participants: a city and a county or two cities.

According to BBC Researching and Consulting, “communities generally share one or more of the following revenue streams: sales taxes, property taxes and occupation/business taxes. There are three basic ways of determining how much revenue each entity should contribute to the revenue pool: share the revenues from additional mills/rate increases; share the incremental tax collections above a designated baseline amount; or share a negotiated percentage of proceeds from the current mill levy/tax rate. Although the calculations can be complicated, they are based on two simple principles: need as defined by local service demands (defined by population, public school pupil count, number of households, etc.) or need as defined by relative weakness of local tax base (generally defined as ratio of tax base per capita in municipality compared to tax base per capita in region as a whole).”

Local Revenue-Sharing Methodologies

Revenues Contributed to Sharing Pool	Sales Taxes Shared	Property Taxes Shared	Business/ Occupation Taxes Shared
Tax collections generated by additional mills/rate increases	Montgomery County ED/GE Program Allegheny Regional Asset District		
Increment of tax collections above current baseline		Twin Cities Fiscal Disparities Program Meadowlands Tax Sharing Program	Louisville-Jefferson County Compact
Negotiated share of tax collections generated by current mills/rates	North McHenry Agreement (Modesto, California) Moses Lake-Grant County Agreement	Franklin-Southampton County Program North McHenry Agreement (Modesto, California) Moses Lake-Grant County Agreement	Franklin-Southampton County Program North McHenry Agreement (Modesto, California) Virginia's 1st Regional Industrial Facility Authority

Source: BBC Research & Consulting

➤ **State Samples - Revenue Sharing in Maryland – Statutorily Prescribed**

State Shared Revenues:

Maryland authorizes the following state shared revenues (authorized by different Article of the Annotated Code of Maryland): Business License Fees; Financial Institutions; Highway User Revenues; State Aid for Fire, Rescue & Ambulance Services; and State Aid for Police Protection. The state also authorizes certain state administered local revenues: Admissions and Amusement Tax; and Income Tax.

**State Shared Revenues and State Administered Local Revenues
Received by Maryland Municipalities**

REVENUE	FORMULA	ELIGIBLE USE
Admissions and Amusement Tax	Local levy on admissions and amusements returned to each municipality	May be spent for any purpose
Business License Fees (Traders Licenses)	Share from State-licensed business activities returned to each municipality	May be spent for any purpose
Financial Institutions (Bank Shares)	Hold-harmless from 1968 change in tax on banks and financial institutions	May be spent for any purpose
Highway Users	Shares based on motor vehicles registered and street mileage within each municipality	May only be spent for transportation purposes
Income Tax	Shares based on amount of state income tax paid by municipal residents	May be spent for any purpose
State Aid for Fire, Rescue and Ambulance Services	Shares based on amount of local expenditures for fire, rescue and ambulance services	May be spent for specified non-personnel fire, rescue and ambulance expenditures
State Aid for Police Protection	Shares based on amount of local expenditures for police protection plus per officer allocation	May be spent for police protection

Source: Maryland Municipal League

➤ **Michigan State Revenue Sharing Statute – Unrestricted Revenues.**

The State Revenue Sharing program distributes sales tax collected by the State of Michigan to local governments as unrestricted revenues. The distribution of funds is authorized by the State Revenue Sharing Act, Public Act 140 of 1971, as amended (MCL 141.901). Under the State Revenue Sharing Act, counties receive revenue generated by the sales tax based upon weighted criteria regarding the size of the jurisdiction. Of the total amount of sales tax available for distribution to local governments, counties receive 25.06% of the 21.3%. Payments are apportioned among the 83 counties on a per capita basis, and are distributed each February, April, June, August, October, and December. Funding for the State Revenue Sharing program consists of the following dedicated tax revenues:

Constitutional - 15% of the 4% gross collections of the state sales tax.
Statutory - 21.3% of the 4% gross collections of the state sales.

Population is an indicator of service needs, the level of service to be provided being proportional to the number of people served.

➤ **Revenue Sharing in Virginia – Revenue Sharing Agreements**

Section 15.2-3400, Code of Virginia authorizes all local jurisdictions to establish long-term, permanent revenue-sharing agreements “settling annexation or governmental transition issues.” Section 15.2-1301, Code of Virginia permits all local governments to enter into voluntary economic growth-sharing agreements for purposes other than the settlement of boundary change or transition issues. Finally, there are specific jurisdictions that have been granted authority by the General Assembly to enter into revenue-sharing arrangements with regard to economic development [Section 15.2-6214, Code of Virginia (City of Clifton Forge and Alleghany County) and Section 15.2-6407, Code of Virginia (the localities in Planning Districts 4 and 5)].

Limitations:

Negotiations to reach a revenue-sharing agreement are very complex and require a considerable amount of time and patience because of their long-term and permanent nature.

In all but a few circumstances, a revenue-sharing program that calls for a county to transfer monies to a municipality is considered a general obligation debt of the former and thus, requires referendum approval by county voters.

➤ **Measurements of State-Revenue Sharing Plan**

Five Measurements of a High-Quality State Revenue-Sharing Plan

1. Revenue adequacy

An appropriate revenue-sharing system must provide sufficient revenues for cities, towns and school districts to pay for the operational services and capital expenses that are the responsibility of local government. Revenue sharing must include school aid distributions that increase annually to ensure continuing improvement of schools, general revenue sharing that grows at least at the same rate as state taxes and the state budget, and full funding for all state commitments to local government, including property tax relief programs. Adequate funding must also be provided to support state-mandated programs.

2. Stability and predictability

Revenue sharing should be stable and predictable so that long-term public policy goals can be met. Rainy day funds should be encouraged at the local level. The state's stabilization fund should include a specific set-aside to support school aid and general revenue sharing payments during times of state fiscal distress. To facilitate orderly budget planning at the local level, cities and towns need to be notified of revenue sharing amounts well in advance of the start of the fiscal year.

3. Equity

One of the most important purposes of revenue sharing is reduction of disparities in revenues across all the cities and towns of the commonwealth. Revenue sharing distributions must ensure equity in the ability of cities and towns to provide a certain minimum level of services, although all cities and towns must share in any increase in funding.

4. Accountability

A revenue-sharing system and the rules and formulas used to implement it should be clearly and simply stated so that policy objectives and proposed outcomes can be understood by state and local officials and the general public. Clear and simply stated objectives and rules are also needed to facilitate effective and efficient administration of programs. The state must be accountable for adequately funding any revenue sharing commitments that it makes, including payments for state-mandated programs, joint state-local programs and general revenue sharing programs to reduce reliance on the property tax.

5. Intergovernmental coordination

An efficient and sustainable system of state tax revenue sharing must fit with the overall long-term taxation and spending policy goals of the state and its local governments. The state-local framework should grant the responsibility to deliver services to the level of government best able to achieve these policy goals. Tax policy should directly discourage reliance on regressive revenue sources such as the property tax to support services, both on a statewide basis and in individual cities and towns. It should also be clear in policies that state tax revenues must be used to reduce the disparity in revenues available across the commonwealth's 351 cities and towns to support schools and municipal services.

Source: Massachusetts Municipal Association

Possible Implications

➤ **State-shared revenues in Washington State.**

According to the Municipal Research and Services Center of Washington State, State-collected revenues that are shared with all cities and towns are derived from two main sources: liquor receipts and gasoline taxes. Cities and towns as a group receive a fixed percentage of each of these sources, and the funds are allocated to individual jurisdictions on a per capita basis and distributed on a quarterly basis (although not all revenue is distributed in the same month of the quarter).

RCW 43.62.030 provides that the state Office of Financial Management (OFM) shall determine annually, as of April 1, the populations of all cities and towns.

Washington State authorizes jurisdictions to enter into joint agreements pursuant to the Interlocal Cooperation Act, Section [RCW 39.34.030: Joint powers — Agreements for joint or cooperative action, requisites, effect on responsibilities of component agencies — Financing of joint projects.](#)

Agreements that have been entered into pursuant to this statute contain revenue sharing arrangements as spelled out in the agreements. The City of East Wenatchee and Douglas County, WA have entered into an agreement for revenue sharing pursuant to an annexation. <http://www.mrsc.org/Contracts/e2-d6annexagree.pdf>. The City of Walla Walla and Walla Walla County entered into an Urban Growth Area Management Agreement that contains a Revenue Ramping section setting forth that the "City and County agree to share in the net revenues for annexations of significant developed commercial and/or industrial land." The agreement set forth a computation for the basis of the shared revenue.

The sharing of incremental sales and property tax revenues does not appear to be authorized by current state statutes and would require a change in state law. Joint agreements developed in accordance with RCW 39.34.030 can include revenue expenditure and sharing sections.

LAND USE PATTERNS AND REGIONAL FORM

This section of the memorandum sets forth the existing research on the impacts of concurrency on land use patterns or regional urban form. Concurrency as a tool of smart growth has not been analyzed in great depth by many scholars. While concurrency can be used to guide growth, other principles such as urban design and urban form are used in conjunction with concurrency to assist in the identification of where growth occurs and what that growth looks like. Urban form refers to the physical layout and design of the city. Urban design takes into consideration density, street layout, transportation and employment areas and urban design issues.

Findings from Literature Review

- **Lack of Empirical Evaluations.** *Public policies for managing urban growth and protecting open space: policy instruments and lessons learned in the United States (Bengston, Fletcher, and Nelson 2003)*
 - Lack of empirical evaluations of growth management policies
 - Administrative efficiency and other details of policy implementation—rather than the general type of policy—are critical in determining their effectiveness.
 - The use of multiple policy instruments that reinforce and complement each other is needed to increase effectiveness and avoid unintended consequences,
 - Vertical and horizontal coordination are critical for successful growth management but are often inadequate or lacking,
 - Meaningful stakeholder participation throughout the planning process and implementation is a cornerstone of effective growth management

- **Smart Growth Fiscally Advantageous.** *Investing in a Better Future: A Review of the Fiscal and Competitive Advantages of Smarter Growth Development Patterns (Brookings Institute 2004)*

- The cost of providing public infrastructure and delivering services can be reduced through thoughtful design and planning.
- Regional economic performance is enhanced when areas are developed with community benefits and the promotion of vital urban centers in mind.
- Suburbs also benefit from investment in healthy urban cores.

➤ **Impacts Unclear.** *National Cooperative Highway Research Program, Transportation Impacts of Smart Growth and Comprehensive Planning Initiatives, (2004).*

The true land use and regional impacts of the Montgomery County, Maryland Adequate Public Facilities Ordinance are not known. "Although the county claims that the APFO has not reduced the amount of growth that would have occurred in Montgomery without the ordinance, the failure of Montgomery County and the State of Maryland to complete the transportation improvements listed in the 1969 General Plan also effectively limited the capacity for development in the county. A lack of high-capacity, high-speed transportation facilities has led to congestion on the local arterial system and higher travel times from residential areas to employment centers. Therefore, it is unclear whether Montgomery's success is due to the APFO or to market forces."

➤ **Concurrency Can Guide Urban Growth If Used in Conjunction with CIP.** *Smart Growth, Housing Markets, and Development Trends in the Baltimore-Washington Corridor (2003) Study prepared by the National Center for Smart Growth Research and Education for the Maryland National Capital Building Industry Association and the Home Builders Association of Maryland.*

Found that the effects of APFOs "depend critically on their implementation." The study found that when APFOs are "used in conjunction with a sound and effective capital improvement plan, which facilitates the timely extension of urban infrastructure, APFOs can serve as effective instruments for guiding urban growth. When urban infrastructure is not provided in a timely fashion, APFOs can trigger growth moratoria, arrest housing development, and deflect growth to even less desirable locations."

➤ **Local Growth Control and Management Programs were Neither as Effective at Controlling Growth as their Advocates had Hoped, Nor as Injurious to Housing Affordability as their Detractors Claimed.** *Growth Management Revisited: A Reassessment of its Efficacy, Price Effects, and Impacts on Metropolitan Growth Patterns (University of California, Berkeley 2002).*

- On Housing: “With respect to housing prices, all local regulatory policies, programs and actions that significantly limit new housing production, whatever their form or purpose, adversely affect housing prices. Second, to the extent that specific LGC&M programs do not constrain housing production below what might be termed “fair share” levels, they are not principally responsible for California’s high housing prices and rents.”
- On growth management: This study included APFO/concurrency in the growth management tools surveyed for their report. The study concluded that “residential caps, annexation controls, and voter-enacted super-majority approval requirements appear to significantly limit population growth in the cities that adopt them. Annexation limits and super-majority requirements also limit housing construction. Other programs, most notably UGBs, function mostly to redistribute development from fringe areas toward more central locations.”

Possible Implications

As previously stated above, concurrency as a tool of smart growth has not yet been analyzed in any great depth. While it is clear that concurrency can help guide growth, complimentary growth management tools, like urban design and urban form, can be used to assist in effective growth management.

FRAMEWORK FOR BUILDING POLITICAL SUPPORT

This section of the memorandum discusses and sets forth a possible framework for building support within individual jurisdictions for the adoption of a regional concurrency system. This will include potential supporters of a concurrency system and the needs of regional concurrency for various stakeholder groups. Identifying various stakeholders is an important task. Consideration may be given to asking all municipalities and the county to adopt a resolution agreeing to participate in the process. Representatives from all municipalities can be appointed, as well as non-governmental stakeholders. The following matrix identifies potential stakeholders, their concerns and the needs of a regional concurrency plan. Additional stakeholders and their concerns can be identified during the initial stages of building a stakeholder team.

Stakeholder	Concerns	Needs
Developers & Home Builders	Greater costs and slower pace of development Uncertainty in approval process Inadequate infrastructure	Greater certainty including faster project approvals & well defined, predictable process Reduced mitigation Mitigation that correlates to true project impacts
Affordable Housing Advocates	Increased costs and the decreased levels of available affordable housing Delay in housing production Low congestion standards that produce sprawling development patterns Available capacity consumed by market rate housing	Greater certainty when coupled with local modifications to concurrency system to create affordable housing incentives Reserve capacity for affordable housing
Citizens & Public at Large	High congestion Lack of infrastructure where they need it or want it Lack of transportation alternatives Affordable housing availability, neighborhoods and quality of life issues	Reasonable, workable LOS standards Effective CIP Efficient system for expanding transportation infrastructure
Spokane County Municipalities	Equity and administration issues; shared facilities and equitable distribution of funds and implementation districts	Comprehensive regional development and coordination of transportation concurrency and new funding mechanism/make constituents happy

Spokane County Commissioners	Equity and administration issues Shared facilities Funding and interjurisdictional relationships Ability to show benefits of system within a reasonable time period - e.g., construction of improvements, reduced congestion levels	Comprehensive regional development and coordination of transportation concurrency and new funding mechanism/make constituents happy Financing tools for new capital improvements - e.g., impact fees, transportation utility fees Reduced burden on existing taxpayers
Washington Department of Transportation	Coordination with local government Development pressures that force premature expansion of improvements, or improvements in inappropriate locations Development patterns that are coordinated with regional transportation improvements Ability to finance long range CIP/TIP	Intergovernmental planning of improvements Coordination - e.g., notification, ability to comment - with development approval process Intergovernmental agreements
Department of Community, Trade, & Economic Development	Compliance with state concurrency legislation and regulations Reduce congestion Avoid sprawling development patterns	Intergovernmental planning of improvements Intergovernmental or regional land use planning efforts Coordination - e.g., notification, ability to comment - on update of concurrency regulations

Suggestions for convening stakeholder meetings: **SOURCE: National Policy Consensus Center, Policy Incentive Initiative**

1. **Be inclusive.** Engage a wide variety of people from different perspectives. If important players are left out, any solutions the group develops will be suspect.
2. **Meet in a neutral place.** The place needs to ensure an impartial process. When the issue is complex and divisive, it will be helpful to get assistance from an experienced facilitator in planning and conducting the process.
3. **Be impartial.** To keep people participating, they have to believe the leader is not going to favor one side or another, rather that they are trying to find a solution that all sides can embrace. If people think a leader is taking one side or another, they won't stay with the process.

4. **Establish the purpose for the process.** Let participants help frame the issues to open the way for discussion and problem solving.
5. **Direct, rather than dominate, the discussions.** Bring people together to find agreement. Enable them to talk with each other, rather than talk only to you. It is often useful to get someone else to facilitate the discussions so you can listen and ask questions. Besides, busy leaders may not have time to run all the meetings.
6. **Keep people moving.** Help keep participants focused and working together when their differences threaten to drive them apart.
7. **Demonstrate visible commitment.** Even if a leader can't be present at every meeting, send signals demonstrating on-going interest and provide feedback to the group on their progress.
8. **Finally, make sure there's an outcome.** The best outcomes involve written agreements that spell out different people's responsibilities. Leaders can ensure that the agreements they reach get formally adopted.

The potential advantages of consensus building approaches include: ***SOURCE: National Policy Consensus Center, Policy Incentive Initiative***

Better decisions. As groups learn about each others' views and needs, and develop common ground for action, they can create solutions that better reflect the concerns of other parties as well as their own.

Faster implementation. Parties are less likely to block implementation if they understand that a plan or policy reflects their input and has been crafted to meet their basic interests. Parties involved in consensus building often make commitments to participate in the implementation.

Bridge community differences. Consensus building processes allow communities and the affected interests to bridge differences and work together to find mutually acceptable solutions based on common interests.

Educate constituencies. Consensus building processes can educate constituents on the complex nature of problems and concerns that will need to be addressed in the solution. The consensus building processes brings a wide array of stakeholders to the table to seek mutually beneficial solutions.

Create new resources. There are fewer federal, state and local dollars available to deal with critical issues facing our society. Consensus building processes can engage a range of public, private and community institutions and leadership to bring a wider array of resources to bear on the problem.

Manage diversity and build common ground. Consensus building processes can help increasingly diverse communities improve inter-group relations, build trust and find common ground.

Intergovernmental collaboration. Consensus building can effectively involve different governmental units and nongovernmental actors in building a collaborative agreement on issues that cut across jurisdictional lines.

CONCLUSION

Motivations for studying the possible effects of concurrency range from traditional research motivations to seek greater understanding, to initiatives associated with real estate, environmentalists, developers, and business development. Many of the reports discussed above were written by persons associated with the homebuilding or development industries. This does not mean that the findings are wrong, but instead that the authors might have a bias against land development regulations and, in some cases, a fundamental misunderstanding of what concurrency requires.

While there is a general lack of empirically-based information regarding concurrency, studies referenced above indicate that regional transportation concurrency can provide regions with an opportunity to accommodate future growth while at the same time enhancing quality of life and economic issues.

Affordable housing concerns are inevitably raised by concerned parties when concurrency and APFOs are considered by localities. The bulk of the available research indicates that concurrency and APFOs have not been linked to exclusionary effects on minorities and can actually be used to promote affordable housing and inclusionary planning.

Several states across the country effectively use revenue sharing strategies to assist with implementation of concurrency. These states generally have enabling legislation at the state level. In Washington State, the sharing of incremental sales and property tax revenues does not appear to be authorized by current state statutes and would require a change in state law. Joint agreements developed in accordance with RCW 39.34.030 can include revenue expenditure and sharing sections and may be an easier method to achieve multijurisdictional cost identification and revenue sharing.

While affordable housing concerns are typically raised when concurrency and APFOs are considered by localities, studies show that concurrency can be a powerful tool to promote affordable housing. The bulk of the available research indicates that concurrency and APFOs have not been linked to exclusionary effects on minorities and can actually be used to promote affordable housing and inclusionary planning. Exemptions and capacity set-asides for

affordable housing have been used to implement concurrency requirements while meeting affordable housing needs.

As the County proceeds with a regional transportation plan, it should consider the identification of stakeholders. Bringing stakeholders together to build consensus for the concurrency program may be critical to interjurisdictional cooperation and to the success of the regional plan itself.

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