



Virginia FIRST CITIES

A FRAMEWORK FOR RENEWAL

For Virginia to improve its competitive edge, it must build on the assets and improve the livability and economic vitality of its cities. State policies are hampering our cities' ability to remain cultural and economic centers of activity. Instead, the state expects cities to be service centers for lower income people.

Research indicates that a significant economic divergence is occurring among localities within the Commonwealth. Most new job creation and income increases are occurring in Virginia's suburban and suburbanizing localities, while its central cities and rural areas are lagging behind. In many other states there is a trend toward economic and cultural renewal of cities. Unfortunately, Virginia's policies are hampering our cities' ability to fully join this nationwide trend and are fueling accelerated suburban growth that is pressuring the state budget, particularly in education, transportation, and housing.

CITIES PROVIDE IMPORTANT SERVICES

To continue their role as cultural and job centers, cities must maintain complex infrastructure and provide attractive public amenities, necessitating high levels of expenditures beyond the specific needs of their residents. Our core cities are also used as the primary places where



often mandated housing, health and welfare services, and public transportation are brought together to meet the needs of lower income families and the disadvantaged. Thus, a large number of people needing these services live in cities, resulting in higher levels of poverty and a weaker tax base than surrounding suburbs. Since cities have fixed boundaries, however, surrounding counties are also beginning to experience the service demands resulting from lower income families moving into their older neighborhoods.

WEAK REVENUES, HEAVY RESPONSIBILITIES

Virginia cities receive relatively little state aid in serving this dual role. Most state aid to localities is based on per student K-12 education formulas – and most cities have been losing students. Other local budget needs that are critical to cities -- law enforcement, health and welfare, and public infrastructure -- receive relatively little state assistance. This causes our central cities to have to rely on local "own-source" revenues far in excess of surrounding jurisdictions despite the fact the tax base of the cities is narrow and weak. This is why tax rates and burdens are uniformly higher in the central cities than the surrounding counties, placing cities at a competitive disadvantage.

STATE AID ENCOURAGES GROWTH OF SUBURBS

Virginia's education, transportation and economic development policies favor suburban growth at the expense of urban redevelopment. The state's education aid formula and state-local ability-to-pay index are weighted towards localities that have high numbers of students relative to the overall population, and do not account for cities' high



revenue effort and municipal spending burdens, or the difficulty of teaching concentrations of low-income students. Only six percent of state K-12 education aid is specifically devoted to at-risk student funding. Instead, the state education aid formula favors suburbanizing localities with residential development on less expensive land.

State transportation policy is similarly weighted toward suburbanizing development. VDOT reserves its highest priority for building and maintaining a commuter highway system. On the other hand, the cities are largely responsible for their own roads and for the public transportation systems necessary to serve their population. State aid formulas for city street maintenance assistance do not take into account the age, complexity and usage levels of older cities' streets. State aid for public transportation is insufficient, requiring significant local funding to operate, and provides almost no money for expansion. The same cities that are already squeezed for

revenue are required to maintain a viable public transportation system.

Local land-use and state tax policies also encourage low-income housing concentrations in cities. Instead of state policies that encourage urban rehabilitation and middle class housing in cities, our policies are accelerating development trends on the outer fringes of our suburbs. The result is expensive new suburban infrastructure demands, ever-increasing vehicle-miles traveled, and state and local budget pressures in education and transportation. It is clear that the economic and fiscal health of our state is intertwined with the economic and fiscal health of our cities and urban areas. State policies must be changed if Virginia is going to remain an attractive place to live and work.

WHAT CAN BE DONE?

Break the cycle of economic stagnation and slow growth in our cities by:

- Doing a better job of educating at-risk children by changing state funding to better reflect the needs of poor performing schools and students.
- Increasing the basic education and workforce skills of adults.
- Providing all citizens access to economic opportunities by expanding public transportation and encouraging affordable housing where jobs are located.
- Building economically integrated neighborhoods with private sector investment incentives and state infrastructure assistance in declining neighborhoods and blighted areas.
- Implementing regional land-use, transportation, housing, and health and human services policies.
- Modernizing the state tax code to help relieve the burden on low-income taxpayers.

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