Working Group D
Larger than Regional Policy Concepts

Background

With the division of responsibilities established through the Quality Region Task Force work, CDTC and CDRPC took the lead through Working Group D to address policy issues labeled "larger than regional." Detailed exploration of the subject was documented for public discussion. The material has been used by other parties as background material for legislative discussions and other initiatives. The report posed basic policy questions to the region regarding the region's interest in and willingness to devote attention to addressing large-scale issues.

Issues Explored

The Working Group D material explored issues related to home rule in New York; the effects of the large number of municipalities in the state; the uneven playing field confronted by cities competing with suburban towns; sprawl without growth; the loss of farmland; local government planning; the plight of "inelastic", declining cities; and smart growth policies in other states. This is high quality research and a complement to other elements of the New Visions 2030 work.

Summary of Findings

The report identifies serious, structural issues confronting the Capital District. Limited intermunicipal or regional coordination of development coupled with the static nature of the area's cities causes serious fiscal, equity, demographic, economic and environmental challenges.

The urgency of addressing the issues in the report can be summarized by the following observations:

1. The growth and development experience of the Capital District in recent decades is characterized by low density (as opposed to a variety of densities), single use (as opposed to mixed use), disconnected (as opposed to interconnected) development in a pattern of suburban growth coupled with urban decline (as opposed to suburban development with urban revitalization).
2. Adopted regional policy holds that maintaining economic and fiscal strength in the region's urban areas is essential both for providing an efficient transportation system (the street and transit capacities in cities far exceed suburban area systems' ability to absorb additional activity) and for ensuring a manageable rate of growth in suburbs.

3. The ability of cities to play a regionally-optimal role in the future is challenged significantly by circumstances and by larger-than-regional policies that provide an uneven playing field. (See the sidebar vignette describing the uneven playing field.)

Among the circumstances are the following:

a. Current city leaders inherit from previous generations extensive public infrastructure that needs rehabilitation and replacement.

b. Urban areas are cultural and governmental centers with a high proportion of tax exempt property providing region-serving functions that require city-funded services.

c. Urban areas contain a majority of the region's affordable rental housing and public transportation and are the region's centers for social services. As a result, cities are the residence for most of the region's low income and under-employed residents who require more public services than do other residents.

d. The built-out, small-lot nature of the region's cities does not match economic developers' preference for assembling few parcels, working with "greenfields" and using extensive land area for new development.

The impact of these circumstances is compounded by certain public policies that make the playing field uneven. These include:

a. There is generally greater access to state and federal funding (sewer, water, schools) for building new infrastructure to serve suburban development than for rebuilding existing urban infrastructure.

b. Highway jurisdictional policy focuses county highway spending outside city limits and provides for state jurisdiction of state touring routes outside city limits while leaving cities to fund arterial maintenance and rehab largely from city budgets.

c. Law enforcement practices frequently provide county sheriff or state police services in suburban and rural areas, but emphasize city-funded police protection within city limits.

d. State policy (atypical of practice nationwide) imposes a large share of state-mandated social service costs such as Medicaid on counties. (This has the effect of distorting the fiscal demands on county budgets in urban counties, relative to predominantly suburban counties.)

e. State legislation makes the region's cities inelastic, relative to cities in competing regions elsewhere in the nation, in terms of the ability to grow in area to encompass suburban development and to share tax burdens.

f. State fiscal practices lead to a higher share of public expenses falling on local government than evident in any other state.[1] This leads to a

[1] *Governing* magazine in February 2003 reported that New York is one of only three states in which the majority of taxes are raised at the local level and that the "state contributes less funding to local governments than

significant dependence upon property taxes and a large disparity in property tax rates between urban and other communities.

g. Application of tax sharing or fiscal burden sharing is limited. That is, property tax demands fall upon properties within the municipality incurring the fiscal burden, regardless of whether the expense is related to discretionary public services or necessary public health, safety and social expenses derived from broader societal concerns.

h. Public programs originally designed to address unique urban needs (such as the Empire Zone program) have been modified over time to spread benefits throughout the state, diminishing the urban benefit.

4. The region's suburban and rural towns are not fully prepared to handle the expected growth pressures in a manner that leads to functional, attractive communities with a strong sense of identity and place. Among the policy challenges facing these communities and facing the region in addressing the growth pressures in these communities are the following.

a. Uneven application of municipal comprehensive planning. Some plans are outdated; others were never adopted. Many have only limited relationship to regulation to help ensure their implementation. Financial commitment to the regular maintenance and upkeep of these important tools is uneven.

b. Limited application of county planning authority, including the use of official county maps.

c. Limited funding for construction of street systems and other infrastructure in order to direct, as opposed to respond to, development pressures. While cities are challenged in finding sufficient private development to re-use existing systems and provide tax revenues to rehabilitate them, suburban towns are challenged in finding revenues to build infrastructure to encourage the type and location of new development desired by the community.

d. Difficulty in maintaining traditional community characteristics as development occurs parcel by parcel. Additionally the "build out" potential of cumulative development at current zoning in most suburban towns far exceeds the community's collective desire for development and the capacities of the community's infrastructure. These two factors affect the long-term sustainability, livability and identity of towns currently attractive to development.

5. CDRPC projects a four-county growth of 80,000 persons over the next 30 years. At this rate of growth the region cannot sustain past development experience without a polarization of economic conditions within the region and a further decline of fiscal health in urban areas, loss of traditional qualities of the region's

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anywhere in U.S." New York's local tax burden as a percentage of income is the highest in the nation, while its state tax burden is 27th.

suburban towns, and increasing pressure for extensive development in rural places. Such an outcome would threaten the region's overall quality of life and competitiveness for sustaining economic health.

At a faster rate of growth, the threat would be even greater.

Discussions within the New Visions 2030 effort lead the participants in Working Group D to conclude that the following policy statement appears to have consensus support throughout the region:

> ***Significant efforts are required on the part of many parties to improve the ability of cities to participate in the future economy of the region and prepare suburban and rural communities to leverage development pressures to achieve community sustainability, livability and identity. The outcome is not likely to be successful without altering practices of the past.***

The report describes an extensive list of policy choices confronting the region. Clearly, recent activity such as the coordinated effort with the Center for Economic Growth (CEG) regarding alternative future scenarios indicates that the positions advanced by CDTC in the original New Visions plan have gained considerably more supporters over the years to permit steady, incremental change.

The larger-than-regional subjects of governance, tax policy and annexation need further extensive discussion before it is possible to determine whether there is a broad regional consensus on the appropriate actions to take. Conditions that would permit a quantum leap in smart growth are not quite in place. However, on the heels of Governor Pataki's steps towards "Quality Communities", Governor Spitzer created a Commission on Local Government Efficiency and Competitiveness on April 23, 2007. Among other things the commission will grapple with regional collaboration and smart growth issues, affording CDTC and its members a high-level forum with which to share Capital District success stories and consider new policy steps.

Budgetary Implications

Greater coordination, collaboration (or more dramatic consolidations) over time should generate efficiencies, freeing up resources to cover budgetary needs while making the region more economically competitive to a global market. More immediate and specific to transportation, the larger-than-regional policy work provides clear evidence for supporting efforts to address the mismatch between highway function and financial responsibility within the region's cities. Such an effort would build on both CDTC's long-standing principle of access to resources based on need and function, not ownership and CDTC's long-standing objectives for urban revitalization and economic health.

Living and Working on an Uneven Field

Structural Challenges to Capital Region Cities Trying to Compete

Sam attends the same church as his friend, Charlie. They generally shop at the same Walmart in Glenville and use the same dentist in Niskayuna. They attend Broadway touring company productions at Proctor's Theatre in Schenectady and in the summer go to the track once or twice together with their families. They are truly "regional residents", enjoying all that the Capital Region has to offer.

As it happens, Sam and his family live in the Rosa Road area of northeast Schenectady and he works at a firm in the 21st century office park in Clifton Park. Charlie lives in the western part of Clifton Park and works at Ellis Hospital in Schenectady. They frequently pass each other on the Rexford Bridge as they reverse each other's modest-distance commutes.

This is where the parallel nature of their lives ends. The heavy dependence in New York on local governments for the cost of public services creates an uneven playing field that affects residents and workers of differing communities in vastly different ways. Because Sam's house happens to be in the city of Schenectady and Charlie's house just three miles away is in the town of Clifton Park, their fiscal circumstances contrast significantly:

- When the Capital Region witnesses an increase in immigration of lower income residents from downstate New York, Sam's Schenectady County property taxes rise. Charlie's Saratoga County taxes do not.
- When the two families attend an event at Proctor's, Sam has paid taxes to provide (city) police and fire protection, Charlie has not.
- When there is a traffic accident outside Charlie's work place in Schenectady, Sam has paid taxes to provide a (city) police response; neither Charlie nor his employer have.
- When there is a traffic accident outside Sam's place of work in Clifton Park, Sam, Charlie and their employers have all shared in the (state) taxes to provide a State Police response.
- As Charlie drives down Union Street to his work place, he can thank Sam for paying to maintain the condition of the street and operate the signal system on the city-owned arterial.
- As Sam drives along NY 146 to his work place, he knows he has shared the cost of maintaining the condition of the street and signals on the state-owned arterial.
- On top of all this, Sam and his wife Sarah debate educational plans for their young children. They wonder whether they should spring for the funds for private school tuition because of the low rating of the city' s public schools – schools that are challenged in meeting educational achievement goals with a student body heavily populated with disadvantaged children.
- Charlie and his wife Cathy face no similar dilemma – their house is located in the highly-rated Niskayuna School District which serves children predominantly from households with incomes far above the regional average.

In short, Sam is required to contribute tax dollars to provide social services and public infrastructure for the general benefit of the entire region (service to poor residents and to non-profit institutions) to a far greater degree than does Charlie. As a result, Sam's personal finances suffer. His property tax annually totals $5,400 on his three-bedroom $100,000 house (whose value has only recently begun to recover from a ten-year decline.) Charlie can work and recreate in Schenectady while enjoying steady increases in property values (his similar, three-bedroom house is now appraised at over $175,000) and pay $2,000 less in property taxes than does Sam. Not all of the difference reflects differences in public service levels; in many cases the cost of regionally-serving services are borne disproportionately by Sam as a property owner in a city.