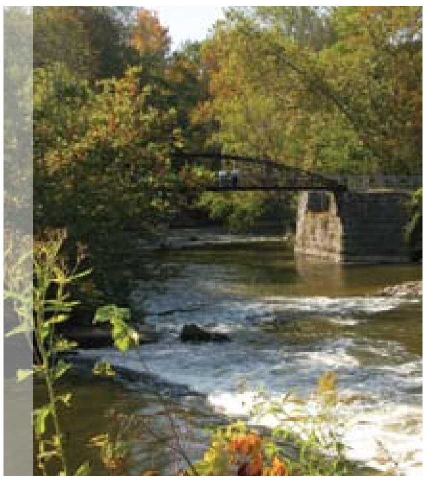
Regional Prosperity Initiative
Planning, Sharing and Growing ... *Together*



Growing our Region's Future

REGIONAL COORDINATED PLANNING & NEW GROWTH TAX BASE REVENUE SHARING

JUNE 2010
www.neo-rpi.org

NORTHEAST OHIO MCMA
MAYORS & CITY MANAGERS ASSOCIATION

SECTION I: REGIONAL COORDINATED PLANNING

SECTION II : NEW GROWTH TAX BASE REVENUE SHARING

SECTION III:

SECTION 1 - REGIONAL COORDINATED PLANNING

COORDINATED LAND USE PLANNING MAXIMIZING ASSETS, MINIMIZING COSTS: ADVANCING A PROCESS OF COORDINATED LAND USE PLANNING IN NORTHEAST OHIO

Strategic thinking about a sustainable future of Northeast Ohio must include collaborative efforts to understand the implications of regional patterns of land use. A number of projects are poised to do this from various perspectives. The Regional Prosperity Initiative can focus the work and leverage the impact by supporting the projects, organizing regional forums to promote greater coordination, and communicating the "big picture" of the region.

In Northeast Ohio there is growing interest in developing practices of collaboration that strengthen the whole region. Elected officials, business leaders, planning agencies, civic organizations, and many others are seeking new ways to work across municipal and county boundaries. They believe that working together is the key to:

- advancing the region's economic competitiveness,
- pursuing economic stability of all jurisdictions in the region,
- enhancing effective and efficient costs of infrastructure and utilities,
- minimizing the loss of farmland, open space and natural resources,
- minimizing environmental degradation.

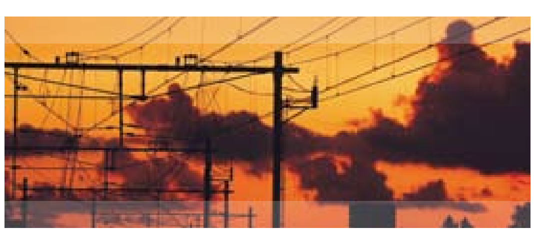
AT A TIME OF SCARCE PUBLIC RESOURCES, WE NEED TO SET INTELLIGENT PRIORITIES FOR INVESTING IN OUR REGION'S FUTURE.

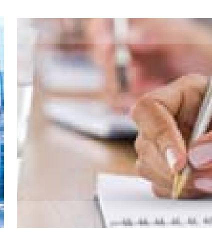
The coordination of land use planning should be a fundamental part of this new spirit of collaboration. We need a better regional understanding of the implications and costs of current land use trends. We need to know how the individual plans of the region's many local governments and infrastructure agencies fit into a larger regional context. And, at a time of scarce public resources, we need to set intelligent priorities for investing in our region's future.

In a region as complex and fragmented as Northeast Ohio, it's not easy to take the first steps toward a larger and more strategic view of land use patterns. But the Land Use Team of the Regional Prosperity Initiative (RPI) has identified a number of projects which, if well-coordinated and communicated, could greatly advance the region's capacity to plan on a regional scale. These projects include:

REGIONAL LAND USE SCENARIOS — This project from the Urban Center of Cleveland State University, working with Youngstown State University and Lorain County Community College, will:

1. Compile an inventory of current local and regional plans and planning efforts, together with an analysis of opportunities for future collaboration
2. Compile a 16-county overview of current regional patterns of land use, tax base, location of population and jobs, infrastructure systems, public health, environmental conditions





3. Analyze existing plans, forecasts and projections and determine how they will affect the documented patterns;
4. Prepare three scenarios of future land use conditions in the region — scenarios that will help educate and catalyze civic discussions about choices for the region's future.

SUSTAINABLE TRANSPORTATION INFRASTRUCTURE PLANS

Following up on its 21st Century Transportation Priorities Task Force, ODOT is embarking on a long-range planning process, the "Go Ohio Transportation Futures Plan," which promises to integrate transportation policies and land use. The process should open up new opportunities for communities in Northeast Ohio to coordinate economic development, sustainable land use, and the state's infrastructure investments.

COLLABORATION PROJECTS

Communities in the region have embraced collaboration, but much more can be done. One incentive is the Fund for Our Economic Future's EfficientGovNow initiative, which provides funding for local government efficiency improvements.

STATE POLICY REFORM

Efforts to think regionally in Northeast Ohio require a supportive state policy environment. Fortunately, there is increasing interest in policy reforms in Columbus, ranging from the "Restoring Prosperity" agenda proposed by Greater Ohio and the Brookings Institution to the "Compact with Ohio Cities" agenda proposed by a task force created by the Ohio House of Representatives.

REGIONAL WATER QUALITY PLANNING

The area-wide agencies of the region (NOACA, NEFCO, and Eastgate) will soon be updating the region's "208" plan for wastewater facilities. The last time this plan was updated, the process prompted a valuable discussion of the links between water quality and land use. This time the 208 process can be coordinated with the state's Balanced Growth Program, which is funding watershed-based, voluntary plans for development and conservation that protect water quality. Other water agencies, such as the Northeast Ohio Regional Sewer District's new stormwater program, are also taking watershed approaches that cut across local community boundaries.

LOGISTICS PLANNING

The Northeast Ohio Trade and Economic Consortium (NEOTEC) is working to improve the region's logistics infrastructure. (Rail, Highway, Air, Water, Exports, Shipping)

THESE PROJECTS COULD GREATLY ADVANCE THE REGION'S CAPACITY TO PLAN ON A REGIONAL SCALE.

GREENSPACE PLANS

A proposed project by The Trust for Public Land would conduct a "greenprint" planning process to identify greenspace (parks, open space, trail networks, and other natural assets) conservation and development priorities in Summit, Wayne, Stark, and Portage counties. This project would complement other regional conservation planning work being done by park districts, the Western Reserve Land Conservancy, and the Lake Erie Allegheny Partnership for Biodiversity.

REGIONAL AGRICULTURE BIOSCIENCE AND FOOD SYSTEM PLANNING

With an eye toward promoting business opportunities in biosciences, the Ohio Agricultural Research and Development Center of Ohio State University is mapping the landscape of the region's food system. This will promote greater understanding of economic development potential of the region's agricultural land base in the countryside and in urban areas where abundant vacant land is being repurposed for food production.

Coordinated transportation/housing/environmental planning by Metropolitan Planning Organizations (MPOs)
The federal departments of Housing and Urban Development, Transportation, and EPA have formed a Sustainable Communities Initiative, which is inviting metropolitan areas to submit proposals for innovative planning projects
that integrate issues of housing, transportation, and environmental quality. The MPOs of Northeast Ohio are discussing how to respond to this opportunity in a coordinated manner. A successful proposal from Northeast Ohio could bring millions of planning dollars to the region.

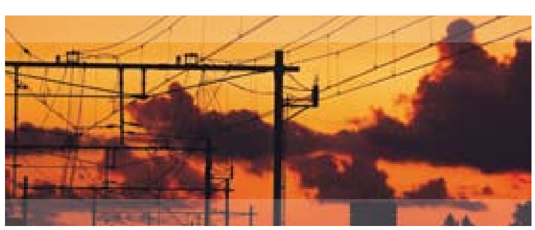
RE-IMAGINING USES FOR VACANT LAND

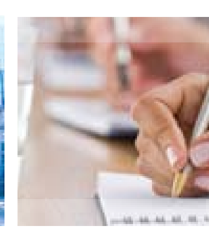
From Cleveland to Youngstown, urban centers in the region are rethinking the issue of vacant property. A variety of planning bodies, academic centers, and grassroots efforts are developing innovative new ways to put vacant property to productive use. These efforts give older cities new roles in discussions of regional land use.

MULTI-COMMUNITY PLANNING

Local planning agencies are already developing a variety of projects that transcend municipal and county boundaries. Examples include AMATS' Connecting Communities initiative, the Cuyahoga County Planning Commission's Cuyahoga Valley Initiative, and a program to coordinate planning services in Ashtabula County.

These initiatives approach the issue of regional land use from different angles, and they are being pursued for different reasons. If they can converge in a coordinated way, they can produce the information needed for a thorough civic conversation about land use priorities for the future.





RECOMMENDATIONS

The Land Use Team recommends that RPI leverage the impact of these various initiatives in three ways:

1. **PROJECT SUPPORT, ADVOCACY AND INFLUENCE**
   The RPI can help the projects obtain funding, help shape the projects through direct participation (ensuring that regional perspectives are incorporated into the work), and help advocate for project implementation.

2. **REGIONAL FORUMS**
   The RPI and its partners can convene quarterly regional forums to bring together representatives of these planning initiatives. The goal of the forums will be to share information, coordinate activities and data gathering, prevent overlapping of efforts and/or identify gaps, clarify planning questions, and assemble information into a comprehensive view of the region. Forums could be modeled on the forum program produced by the Cleveland State University College of Urban Affairs, although the location would probably move around the region.

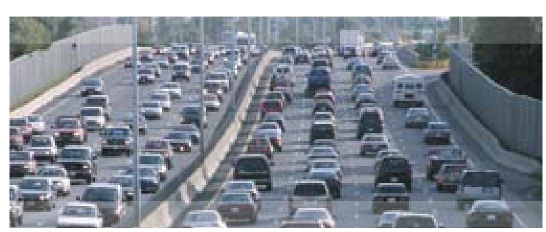
3. **TELLING THE REGIONAL STORY**
   The RPI can pull together the results of the various initiatives in a manner that is accessible and tells the complete story of land use choices in the region. A web portal is needed to be a clearinghouse for all the information. One model is the Sustainable Cleveland 2019 clearinghouse provided by the GreenCityBlueLake website (www.gcbl.org/2019).

The information generated by the planning initiatives could feed into the broad-based civic engagement process, the Civic Commons, being developed by the Fund for Our Economic Future with funding from the Knight Foundation. This could be one of the vehicles to involve people throughout the region in thinking about land use priorities.

These recommendations would leverage many existing efforts and resources. By increasing regional cooperation and coordination, Northeast Ohio would encourage sustainable patterns of land use, reduce infrastructure costs, reduce inefficient disparities of tax base, attract and retain businesses, promote efficient government, and protect natural resources and the environment. By working together, we can strengthen the whole region.

THESE RECOMMENDATIONS WOULD LEVERAGE MANY EXISTING EFFORTS AND RESOURCES.

BY WORKING TOGETHER, WE CAN STRENGTHEN THE WHOLE REGION.



SECTION 2 - NEW GROWTH TAX BASE REVENUE SHARING

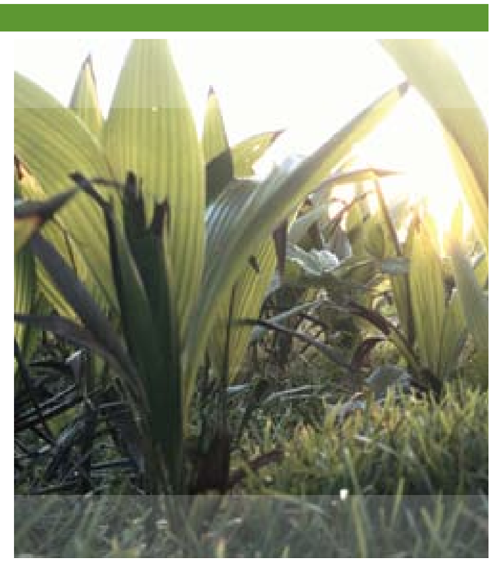
WHAT IS THE RELATIONSHIP BETWEEN NEW GROWTH TAX BASE SHARING AND ECONOMIC DEVELOPMENT?

At the heart of the new growth tax base sharing proposal is the idea of shifting the paradigm of thought of local governments and local governmental leaders from a government survival and government funding (i.e., how do we pay for local governmental services) to the broader goal of regional economic development.

Local government has become a drag on regional economic development in part because of the fragmented structure of local government. The complex funding structure of local governments creates inherent incentives that direct the focus of local leaders to attracting development that will assist them to fund local governmental services. The motivation of local leaders is related to the goal of funding local government and attracting businesses to their communities for that purpose.

According to reports, Ohio ranks 34th in the nation in state taxes on businesses. However, when local government taxes are included, Ohio ranks 9th in the nation, an uncompetitive and unsustainable figure. A full 10% of the NEO regional gross product, or $17 billion annually, is spent by local units of government. We cannot compete as municipalities, let alone as a region, with this level local government funding.

Even when we analyze the idea of new growth tax base sharing we view it and try to justify it from a local government funding perspective, and by doing so we fall into the old paradigm of unhealthy competition. We must shift from this government funding based paradigm and analysis to a broader perspective of regional economic development.



REGIONAL PROSPERITY INITIATIVE
Methodology for New Growth Tax Base Sharing

COMMERCIAL AND INDUSTRIAL PROPERTY TAX

OVERVIEW

The RPI proposes a region-wide system of new growth tax base revenue sharing be implemented to enhance the economic success of communities across Northeast Ohio. The objective is to create a system that is comprehensive, sustainable, equitable and not subject to manipulation or political influence. The following is the detailed methodology for the proposed new growth tax base sharing system. Although appearing complex, this methodology accounts for the overall complexity of the tax system across jurisdictions, regions and the state.

By implementing a viable and sustainable new growth tax base revenue sharing system, Northeast Ohio communities can, for the first time, share in the growth of the region's economy and enhanced economic development through a collaborative, versus competitive, environment. By growing and sharing together, we can strengthen the region as a whole.

METHODOLOGY

In order for new growth tax base sharing to be equitable, the tax rates that are applied in sharing by the contributors and recipients must be the same rates that are applied to the C&I tax base that is not involved in sharing. Thus, the sharing process begins with tax base. After tax base is shared, then tax rates are applied to produce revenues.

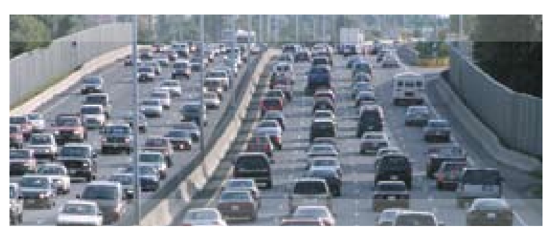
The methodology for implementing new growth tax base sharing involves four steps:

1. Determine growth to be shared – the tax base pool
2. Distribute tax base pool
3. Determine revenue pool
4. Distribute revenue pool

KEY POINTS

- A "pool" is established whereby a percentage of all new growth tax base is collected and disbursed based on set criteria. New growth is adjusted for inflation.
- The pool is a percentage of new growth in commercial and industrial (C&I) property tax base, and a percentage of city and village income tax base.
- A "base year" is established against which all new growth will be measured for each jurisdiction
- The pool is then distributed through a set formula based on population and tax capacity. The formula is not subject to political influence or manipulation.





1. DETERMINE GROWTH TO BE SHARED

- Set the base year (or years if the average of two or more years is used) of C&I assessed value against which growth will be determined for each jurisdiction in each succeeding year.

- Determine for each jurisdiction the change in assessed value of C&I real estate from the base year(s) to the following year. Change is the net result of all factors that occurred in the year: appreciation, depreciation, inflation, new construction, demolition, reclassification, etc.

- Determine for each jurisdiction the growth in value that exceeds inflation. Place 40% of that value into the pool for sharing. If there was no growth, or if growth did not exceed inflation, nothing is contributed to the pool.

2. DISTRIBUTE TAX BASE POOL USING TWO FACTORS: (a) tax capacity and (b) size of population. (See page 12 for formulas.)

- A jurisdiction's tax capacity is the total value of all its taxable real estate (all classes: commercial/industrial, residential, agricultural, etc.) divided by its population. The region's tax capacity is the value of all real estate in the region divided by its population.

- The larger a jurisdiction's tax capacity compared with the region's tax capacity, the less the jurisdiction receives from the tax base pool. The smaller a jurisdiction's tax capacity compared with the region's, the more it receives from the pool. Also, the larger a jurisdiction's population, the more it receives from the pool; and the smaller its population, the less it receives.

- All jurisdictions receive something from the pool (thus less than 40 percent of growth is shared). Those whose receipt from the pool is greater than their contribution are net "recipients"; those whose receipt is less than their contribution are net "contributors."

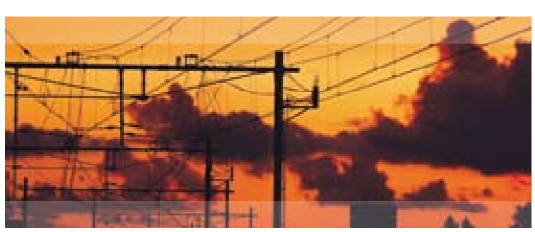
3. DETERMINE REVENUE POOL BY APPLYING TAX RATE TO THE SHARED TAX BASE.

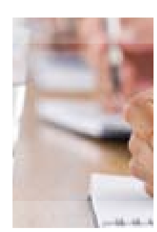
- For each jurisdiction that is a net contributor, apply the same C&I rate to the tax base that is being contributed as is applied to the base that is retained. The total of all contributor revenues forms the revenue pool.

4. DISTRIBUTE REVENUE POOL

- The last step involves determining each recipient's share of the revenue pool. A recipient's C&I tax rate is applied to the tax base it received from the tax base pool. Those amounts are totaled for all recipients. That total and the amount in the revenue pool will differ because of differing tax rates. If the revenue pool is larger, recipients will receive their full "claim" (and the revenue pool will have a surplus that can be carried over, used for another purpose, or returned to the contributors). If the revenue pool is smaller, the recipients will receive less than their full "claim" in proportion to their share of the tax base pool.

Do the same calculations each succeeding year using the same base year(s).





INCOME TAX NEW GROWTH SHARING

OVERVIEW

Growth sharing is on an annual basis.

Involves cities and villages in the 16-county region that levy an income tax.

A community shares taxes only when growth in its income tax base exceeds inflation.

Less than 20% of the income growth above inflation is shared.

Tax payers in a sharing community pay the same tax as they would if there was no sharing.

A sharing community can, over time, become a recipient community, and vice versa.

At the outset, if all jurisdictions participated approximately 57% would be sharing recipients, 43% would be contributors.

METHODOLOGY

The methodology for income growth sharing is the same as C&I property growth sharing with one exception: 20% of income tax base growth is contributed rather than 40% as for C&I. And because the income tax does not support existing levies, tax payers in a sharing community pay the same tax as they would if there was no sharing.

FORMULAS FOR CALCULATING A JURISDICTION'S SHARE OF TAX BASE POOL

$$\text{A Jurisdiction's Share of Pool} = \frac{\text{The Jurisdiction's Distribution Value (JDV)}}{\text{Total of All Distribution Values}}$$

$$\text{JDV} = \frac{\text{Region's Tax Capacity}}{\text{Jurisdiction's Tax Capacity}} \times \text{Jurisdiction's Population}$$

$$\text{Region's Tax Capacity} = \frac{\text{Total Value of All Real Estate in the Region}}{\text{Population of Region}}$$

$$\text{Jurisdiction's Tax Capacity} = \frac{\text{Total Value of All Real Estate in the Jurisdiction}}{\text{Population of Jurisdiction}}$$

A COMMUNITY SHARES TAXES ONLY WHEN GROWTH IN ITS INCOME TAX BASE EXCEEDS INFLATION.

NOTES

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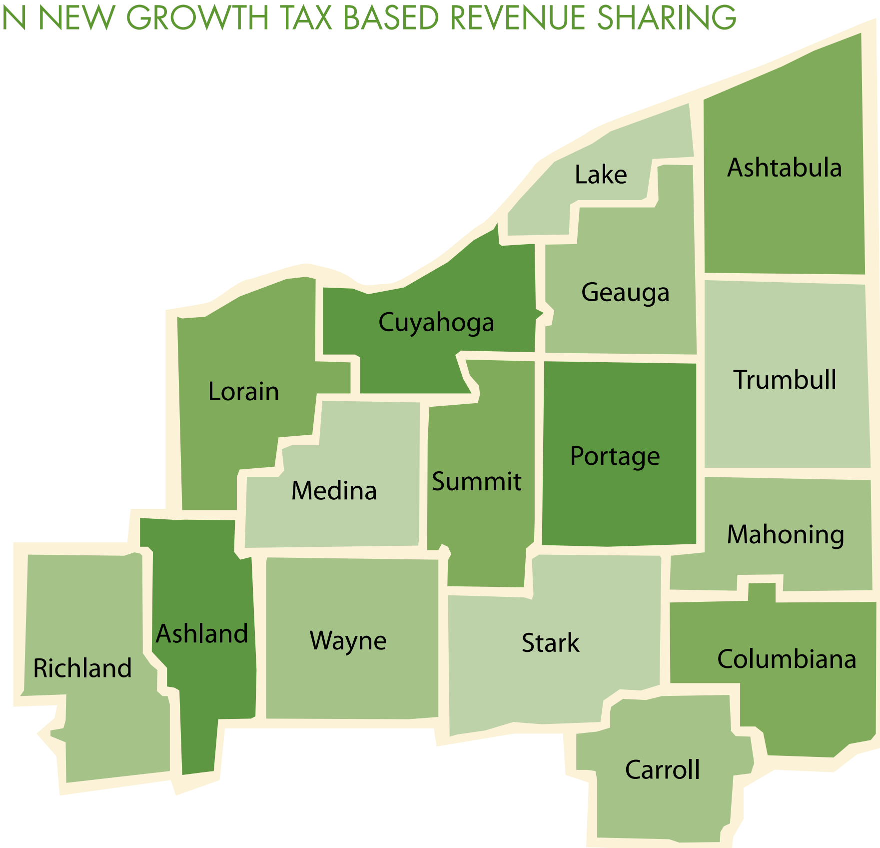
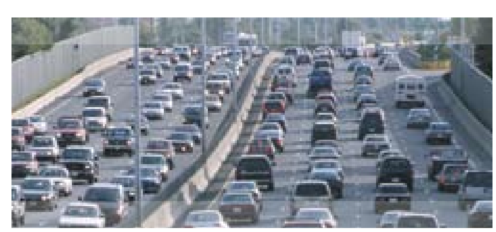
16 COUNTIES INVOLVED IN NEW GROWTH TAX BASED REVENUE SHARING







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WHO VOLUNTEERED THEIR TIME FOR THE PROSPERITY OF OUR REGION

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