

Urban Initiatives Relative to Land Use Planning

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INTRODUCTION

Urban centers in Michigan are characterized by vastly different conditions and challenges. These different characteristics are reflected in the current pattern of land use and in land use problems and initiatives. A consistent challenge, however, is that central cities face multiple problems associated with their aging infrastructure, which is more expensive to maintain and, particularly in cities that developed as industrial centers, may not be appropriate for today's preferences or economic use. In addition, land assembly is more difficult in landlocked urban areas because of multiple owners, tax reversions, community concerns, and other factors. These problems are inherent; they are not the result of mismanagement on the part of local officials who struggle to deliver basic services and maintain competitive tax rates.

Interviews with experts from core cities across the state revealed both the similarities and the differences in land use challenges. In Detroit and Flint, abandoned property and vacant lots are a major problem, as those cities struggle to rebuild aged and poorly maintained infrastructure, to redevelop downtowns and commercial strips, and to rebuild neighborhoods. In college cities like Kalamazoo, as well as in very low-income cities like Detroit and Flint, insuring adequate condition of low-income rental housing presents a significant challenge. In Detroit, disputed ownership of property creates barriers to redevelopment. Grand Rapids is striving to integrate mass transit and mixed-use development plans, and, like Detroit and Kalamazoo, to add entertainment and residential uses to the downtown office center.

At the other end of the spectrum, in Traverse City, development sites are also very limited and the challenge is to preserve the charm, while allowing some expansion, of a walkable, inviting downtown. Where demand is high and the private sector is eager to invest, the market may be trusted to find solutions, though even in the wealthiest communities, major brownfields redevelopment must be facilitated by government incentives.

DOWNTOWNS

The role of urban downtowns continues to evolve, especially in response to the shift of retail to suburban shopping malls. Although downtown retail has almost disappeared in many cities, office use continues to be important. General Motors is renovating its Renaissance Center headquarters while Compuware and EDS are relocating to downtown Detroit; over one million square feet of office space was added to downtown Grand Rapids in the 1990s.

Downtowns are increasingly defined as entertainment centers, with restaurants, stadia, convention centers, hotels, performing art venues, museums, and galleries. Downtown

Detroit has three casinos, three sports facilities, a convention center, and a revitalized entertainment district composed of both for-profit and nonprofit venues; additional development plans are contingent on state funding of a riverfront park. Lansing used construction of a downtown baseball stadium as an economic development tool. Grand Rapids has a new arena, a convention center under construction, and new restaurants and performing arts venues, making it the entertainment destination for western Michigan. The success of Grand Rapids' entertainment district has created a new challenge: how to get people into, around, and out of downtown without cars.

Efforts to transform downtowns into new residential areas, as is happening in cities as diverse as Detroit, Kalamazoo, Grand Rapids, and Traverse City, also acknowledge the evolution of downtowns. (In central cities, restoration of downtown retail is now believed to be contingent on increased residential use.) Grand Rapids, for example, has added 1,400 housing units downtown in the past ten years. This emphasis on conversion of existing downtown buildings to lofts and apartments requires a new attention to making downtowns pedestrian-friendly places, with implications for architecture, landscape, streetscape, and building type. Issues include encouraging active street life, defining appropriate building height, the building of parking decks and reuse of surface parking lots, building reuse, and traffic calming. Traverse City and Grand Rapids use incentive zoning to promote downtown residential: Traverse City allows an extra story on buildings that include residential uses and Grand Rapids awards bonus height if downtown buildings include residential and retail opportunity space. In Detroit, as in some other central cities, downtown residential units require a per unit subsidy in the \$25,000 to \$30,000 range; this level of subsidy will be required until the market is established and stabilizes.

Some of the disproportionate pressures on central city governments arise from the fact that a significant portion of land does not generate property tax revenues. A relatively large proportion of land in many central cities is occupied by nonprofit institutions including universities; hospitals; museums; performing arts venues; federal, state, county, and city facilities; churches; social services agencies; and other nonprofit organizations, as well as parks, zoos, and other amenities that serve regional audiences. In Kalamazoo, for example, an estimated one-quarter of the city is occupied by tax-exempt institutions. Arts and cultural institutions and universities, in particular, are crucial to attracting and retaining information age workers to a region. Suburbs benefit from the services of these institutions, but shoulder none of the cost. Tax base sharing or state revenue sharing could address this inequity.

COMMERCIAL STRIPS/NEIGHBORHOOD RETAIL

The health of urban commercial strips depends on the density and income of the neighborhood, the walkability of the strip, and the competition. Older urban commercial strip streets may suffer from the age, size, and condition of retail structures. An overabundance of retail space in malls may eliminate any incentive to redevelop a rundown urban strip, multiple owners may hamper cooperation, and the condition of streets and sidewalks may discourage private investment. In Detroit, the city government is using the Mainstreet program to restore viability to selected commercial strips by organizing owners to share responsibility for services including organizational

development, clean and safe activities, design, promotions, and economic restructuring. Where neighborhoods are expected to recover, Detroit officials must determine whether to temporarily restrict development on key corners so those locations will be available to higher end retailers at a later date.

Encouraging small entrepreneurs may be key to revitalizing older commercial strips. Cheap rents are particularly attractive to start-up companies. A business-friendly regulatory environment, tax incentives, and availability of SBA loans through local banks are necessary. In Grand Rapids, three Neighborhood Business Specialists work with 22 neighborhood strip associations. These associations cooperate in the Neighborhood Business Alliance Inc., which represent the interests of member commercial areas. Formation of Business Improvement Districts would enable commercial strips to adopt a special assessment on property in the district to fund improvements that benefit all of the business residents.

While some planners and preservationists nurture the hope that cities should, or can, return exclusively to small scale, neighborhood-oriented retail, it seems clear that big box stores must be part of urban revitalization. Integrating the price and product variety advantages of big box retail with the ideal of the old fashioned, pedestrian-friendly, neighborhood storefronts and cafes is a challenge that is being met with varying degrees of success in urban areas. Franchise operations, in particular, may have inflexible building and parking lot layout requirements that are not suitable to a walkable urban commercial strip. In Detroit, economic development officials have found that some big box operators' use of demographic standards in making location decisions incorporates assumptions that underestimate the purchasing power of minority neighborhoods.

RESIDENTIAL

Most central cities, like Grand Rapids and Traverse City, retain old, but healthy, neighborhoods with a predominance of owner-occupied, single-family homes. But in some distressed cities, including Detroit and Flint, many old neighborhoods have been devastated by abandonment as middle-income households moved to the suburbs. In these remnant neighborhoods, tracts of empty land are interrupted by dilapidated houses, and nonprofit community development corporations struggle to produce subsidized in-fill housing and to rehabilitate existing homes. In old urban areas, where neighborhoods were built for families with no car, or one car, one challenge is to create in-fill housing that accommodates two or more cars per household.

The excess of land due to population loss could be addressed through the identification of certain tracts that are designated for a different use, such as park land, golf courses, or industrial parks. Soliciting owner cooperation is key, but land can be obtained through tax foreclosure, purchase, or eminent domain. Communities can be expected to have strong opinions on the preferred form of redevelopment: traditional urban forms of townhouses and parks, high rise apartments, suburban-style subdivisions with cul de sacs, mixed-use neighborhoods, or other forms.

In the 150-year-old city of Wyandotte, a fully built out, low-income neighborhood that was high crime, transient, and mostly rental, has been turned around. It took a sustained program that combined rental registration and inspection; residential tax increment

financing; community development block grant funding; and a private nonprofit organization that purchases dilapidated homes, demolishes those that cannot be repaired and sells the lots, and rehabilitates and sells those houses that can be repaired. Scattered industrial facilities are being acquired, demolished, and redeveloped with new homes. As rental units were brought up to code and the worst houses were repaired or replaced, other homeowners reinvested in their property. As the neighborhood revived, bank financing became more available, enabling further investment.

The changing composition of households is a key issue in residential land use. Average household size is shrinking. Affluent two-person households occupy ever larger homes in ever more distant suburbs, but in distressed central cities, households are typically not composed of a married couple. In Detroit, 29.7 percent of households are composed of one person, 31.6 percent are “female householder, no husband present,” and 22.9 percent are “female householder, no husband present, with related children under 18.” In Detroit, 41.5 percent of households have children under 18; but only 14.3 percent of households are composed of a married couple with children. Home ownership is advocated as the most effective way for poor families to grow capital; condominiums and town houses may be more appropriate to inner city household composition than single family detached homes.

Community development corporations, originally formed to protest redlining and displacement-based urban renewal, are now a major force in redeveloping land in Detroit, Pontiac, Flint, and other distressed cities. Detroit CDCs built 957 new homes and rehabilitated another 432 homes in the 1995–2002 period.

MSHDA has done a good job of increasing the supply of affordable housing in low-income communities. There is, however, some concern that further concentrating low-income housing may concentrate poverty in neighborhoods that lack jobs. Requirements that at least 20 percent of units in new suburban developments be affordable for low- and moderate-income families may be a complementary approach that helps to deconcentrate poverty, but local political opposition should be expected.

Zoning for multifamily and reductions in minimum lot sizes can make it profitable for developers to build low- and middle-income housing. While developers often prefer denser development that is more economical to build, in Grand Rapids as in other cities, city officials recognize that residents generally do not want dense development, preferring that new development consist of single-family detached homes and preservation of open space. In high-demand cities like Traverse City, city officials acknowledge some public opposition to development of low-income units. Incentive zoning, which encourages development of certain uses, amenities, or design qualities in return for defined benefits such as increased densities, can be used to increase the number of new low/moderate-income units. Impact fees can also be structured to encourage density, and to encourage production of low/moderate-income units.

In distressed cities like Detroit and Flint, the size, age, and quality of much of the existing housing strongly imply that many residents will continue to be low income. In the 2000 census, 26.1 percent of Detroiters lived in poverty. The problem of concentrated poverty could be addressed through a state-required affordable housing land use policy. Fair

share, low/moderate-income housing could be required in affluent communities, and market rate, mid/high-end housing could be developed in central cities. But if central cities and inner ring suburbs are assigned the task of absorbing the multiple costs of poverty, while outer ring suburbs use exclusionary zoning to keep low-income residents out, either state revenue sharing or tax base sharing could be used to compensate low-income communities.

There is no question that healthy cities must have middle-income residents. Ambitious plans for new, suburban-style subdivisions require clearance of large spaces and displacement of the remaining residents, but the politics of removing poor residents in order to build bigger houses to attract higher income residents is daunting to local elected officials. In cities where most voters are poor, the desire for subsidized units in preferred locations may complicate efforts to attract high-end residential.

High-tax cities like Detroit have come to rely on Neighborhood Enterprise Zones to make new housing affordable. When the 12-year terms of these zones expire and property tax rates are increased, the impact on residents and on resale value will be dramatic. Strong consideration should be given to authorizing the extension of Neighborhood Enterprise Zones to protect housing gains in core cities.

School choice and safe neighborhoods are key to attracting the middle class. Strong parochial school systems have preserved neighborhoods in Grand Rapids, Wyandotte, and other cities; good public schools and charter schools could also contribute to the preservation and rebuilding of neighborhoods.

While historic districts and historic tax credits have been very effective at preserving some neighborhoods, a less restrictive incentive for older residential areas should be considered. Designated urban conservation areas could qualify homeowners for some tax incentives for conservation and renewal expenditures; neighborhood tax increment districts could be used for improving infrastructure.

INDUSTRIAL

In many Michigan cities, active industrial areas remain a part of the urban fabric, providing jobs and tax base. In Wyandotte, industrial uses remain on the waterfront. In Grand Rapids, high-end industrial plants tend to move out of the city while lower wage industrial plants tend to remain to be near their labor supply. While modern factories have fewer jobs than in the past, industrial parks and tech centers can play a major role in attracting manufacturing and warehousing activity to urban centers.

In-site industrial parks are one way to stabilize and sustain older industrial areas with improved security and infrastructure, including beautification. The ICLL Industrial Park, located in a Renaissance Zone in Detroit, is an example of a voluntary industrial park created by resident businesses, with the help of local nonprofit agencies. Detroit is working to create new industrial parks to attract manufacturing and warehouse operations.

The redevelopment of Ford Motor Company's Rouge Plant in Dearborn is an exemplar of industrial reuse. The factory was built between 1917 and 1925; by the 1930s it was the

largest industrial complex in the world. In the 1980s, Ford began closing parts of the obsolete complex. But instead of replacing the facility, in 1999 Ford decided to revitalize the plant and 1,100-acre site with environmentally friendly technology including natural light, fuel cell and solar power, a “green” roof planted with sedum, and landscaping. State incentives were a key factor in the company’s decision to rebuild this historic factory in an urban area.

Changes in transportation and in manufacturing processes have resulted in a large number of vacant and underused industrial sites in central cities. These sites present both opportunities and challenges. Traverse City reclaimed industrial sites by the bay and redeveloped them for parks and recreation, creating an amenity that helps define that successful city. Wyandotte purchases old industrial facilities that are scattered throughout residential neighborhoods, demolishes them, and redevelops the parcels with new residential units.

Developers and planning officials across the state emphasize the importance of the state’s brownfields legislation in redeveloping old industrial sites. In Detroit, which has 42 brownfields, and in other cities, this legislation is an essential redevelopment tool. Recent improvements include the special assignment of SBT credits, an effective way to attract investors. The Clean Michigan Initiative is another key tool for remediation and demolition of old industrial sites.

The competition for new industrial and commercial development among local governments in a region has had the effect of moving that development from one location to another. This results in a vacant building in the losing locality, and the need to build another facility with supporting infrastructure in the winning locality. Tax base sharing would provide a disincentive for this kind of competition.

LAND ASSEMBLY

The difficulty of land assembly for large developments arises in part from the difficulty of obtaining privately owned parcels from long-time residents who do not want to move. Private acquisition can also be complicated by speculators who hold property without investing to maintain it, waiting for development to make it valuable. This destructive speculative activity can be discouraged by aggressive property tax collection and code enforcement to discourage owners from allowing property to deteriorate. In Detroit, officials express frustration at the city’s inability to obtain control of obsolete office buildings due to entangled and complex ownership issues.

The use of eminent domain for redevelopment depends on local need, resources, and the attitude of local officials. Grand Rapids officials struggle to define the city’s proper role in land assembly and recognize that there is no political will to use eminent domain for economic development purposes. In Detroit, eminent domain has been used in the past to acquire land for industrial and residential development. From the perspective of some local officials, the costs associated with eminent domain should be made more predictable and the definition of public purpose should explicitly include economic development.

Consideration could be given to establishment of a Michigan Urban Development Action Grant and Loan Program, in which core cities apply for partial funding for key development projects. Cities would loan the funds for the approved purpose, and loan repayments would be deposited in the cities' own revolving loan funds for additional development projects.

Excess condemnation is one method that had been used to offset the cost of development. This approach involves condemning more land than is necessary for the development, selling the excess property at a premium (its value having been increased due to the project), and using the revenues from the sale of the excess property to fund the development.

While some cities are building on lots that were once considered undevelopable, Detroit, Flint, and other distressed cities have a surplus of vacant land. Unfortunately, this vacant land is scattered in discontinuous parcels that blight neighborhoods, don't generate taxes, and testify to the lack of demand. Detroit has accumulated some 40,000 to 50,000 parcels of tax delinquent property. The redevelopment of that property is challenged by the city's position that all sales of tax reverted parcels must be at market rate and by the huge investment that the city believes it has in that inventory. Efforts to grant offsets to the market price have not been effective. Title to those parcels that have been through the county-state tax reversion process is often very complicated, and sales are slow. MEDC has loaned Detroit \$1.6 million to engage a private company to assist in title clearance for parcels located in development projects. In Detroit, a new system of managing tax reverted property and of assembling land for redevelopment is needed. This could include the gifting of land to one or more developers and community organizations with the resources and capacity to manage a major redevelopment initiative.

CODE ENFORCEMENT AND DEMOLITION

Code enforcement is of particular importance in cities with a large proportion of rental property and in low-income areas. It is both a means of protecting people who live in inexpensive rental units and a means of protecting surrounding property owners from the blight caused by deteriorated structures. A rental registration requirement, like that imposed in Kalamazoo, Wyandotte, and other cities, is key to being able to inspect all rental units for safety and appearance on a reasonable cycle.

Lack of code enforcement clearly leads to further deterioration, but the politics of code enforcement in poor cities is complicated. The revitalization of Wyandotte demonstrates that code enforcement is necessary to preserve the supply of affordable housing in old communities. Effective code enforcement includes urging renters to report violations and enforcing fines against scofflaw landlords. Municipal environmental courts for violations of local health, safety, housing, building, fire, solid waste, junked automobile, and weed and litter ordinances, could enable code enforcement. In civil and criminal courts, these cases are the lowest priority and enforcement is very difficult. Because court action has taken so long, cities including Detroit and Grand Rapids have decriminalized some code enforcement, relying instead on ticketing and fines. Wyandotte requires inspection on sale, but this was abolished in Detroit because the cost of repairs was believed to inhibit sales and lead to abandonment.

In Detroit, the loss of population and business activity has resulted in the demolition of dangerous industrial, commercial, and residential buildings; landmarks including Hudson's Department Store and Doctor's Hospital have been torn down and the total number of housing units declined from 522,430 in 1950 to 375,096 in 2000. In Grand Rapids, however, a local ordinance requires the City Planning Commission to approve a reuse plan before allowing demolition of buildings.

ZONING

Zoning is employed to restrict uses and regulate density. In central cities, zoning that separates uses is increasingly seen as a hindrance to the mixed-use development that can revitalize downtowns and neighborhoods. Mixed-use communities include residential, retail, office, and entertainment. Restoring traditional zoning that allowed living over the store near work, shopping, restaurants, and entertainment, may be key to reestablishing city living and to attracting new residents to downtowns where old office and warehouse buildings are being converted to lofts and apartments. Urban village neighborhoods can exemplify an enriched central city lifestyle, in contrast to suburban land use with big, single-use pods of development, malls and big box stores, subdivisions, industrial parks, isolated office buildings, all with massive parking requirements.

Zoning affects central city development in a multitude of ways. For example, large concentrations of social service agencies and group homes make redevelopment more difficult. Entertainment districts in urban downtowns can focus that type of development. Increasing minimum lot sizes can make some vacant lots unbuildable. Exclusionary zoning has been used to exclude low- and moderate-income housing in suburbs, exacerbating the concentration of poverty in central cities. Inclusionary zoning requires new development to include a specified percentage of units for low- and moderate-income families.

FRAGMENTED GOVERNMENTS, LOCAL CONTROL, AND REGIONAL STRUCTURES

Urban land use initiatives are not sufficient. It is necessary to address the twin problems of urban disinvestment and sprawl through comprehensive land use planning at the state or regional level. Counties, cities, villages, and townships compete for development, especially retail and high-end residential development. St. Clair County, for example, places business attraction advertisements on Detroit radio. As long as the competition for development is structured the way it is, fringe suburbs will win and deteriorated central cities and inner ring suburbs will lose.

Central cities and inner ring suburbs cannot compete with outer ring suburbs on the cost of new development if the federal, state, county, and local governments continue to subsidize new development at the fringe. A regional system is essential to direct growth to developed areas where infrastructure is in place and essential public services can be provided. Urban growth boundaries, growth moratoriums, or urban service limits promote compact urban growth, provide efficient public services, and protect green space. The political difficulties of establishing urban growth boundaries or urban service limits can be overcome only if suburban residents and elected officials care about

conditions in the central city and older suburbs and if multiple jurisdictions determine that they will cooperate.

The simplest form of tax base sharing is load shifting to county government. Landlocked central cities are limited in their taxing capacity, have disproportionate amounts of tax-exempt property, bear the burden of aged infrastructure, provide regional services and amenities, and house a disproportionate number of low-income and aged residents. For these reasons, shifting the burden and cost of some services to the next larger, existing unit of government may be an efficient, equitable, and appropriate way to spread costs over a larger tax base.

It is difficult to ignore the influence of race relations on development patterns and city-suburban cooperation. As some central cities' populations become increasingly minority, city-suburban cooperation becomes more difficult. Detroit has not used water and sewerage as a technique to restrict suburban growth, and strongly opposes efforts to regionalize the system. But regionalizing the Detroit Water and Sewerage system could be an effective anti-sprawl mechanism if suburban board members refuse to extend the system and increase costs. Regionalization could incorporate reimbursement to Detroit for the system, could be the basis for a tax base sharing agreement, or could incorporate a new rate structure based on land use patterns.

If spread too broadly, state development tools can, at worst, actively facilitate sprawl, and at best, become ineffective. Kent County adopted a policy of opting out of DDA tax increment districts. This kind of county reaction to the proliferation of TIF's, combined with the tax growth limits in Proposal A, creates major problems for fully developed urban areas.

If developers and purchasers are allowed to ignore the public and social costs of uncontrolled growth, government is forced to absorb those costs. The alternative is to create a structure in which public and social costs are built into individual decisions. Impact fees that ensure that developers either pay for the necessary infrastructure, including roads, highway interchanges, schools, utility lines, water and sewer lines, or wait until that infrastructure is already in place, can rationalize investment decisions.

State revenue sharing formula changes adopted in 1998 tended to increase payments to townships and decrease payments to cities. While this formula change reflected shifts in population and political power, it also exacerbated the problems of disinvestment and uncontrolled growth. Statutory state revenue sharing could instead be used to strengthen urban areas, refocus growth, and protect greenfields. Incentives for regional cooperation could be incorporated into the formula.

MASS TRANSIT AND LAND USE

In Grand Rapids, the Interurban Transit Partnership, a taxing authority that serves six cities, retains its central bus hub in downtown Grand Rapids and city and transit planners are cooperating in planning for denser, mixed-use development on transit stops. In Detroit, separate city and suburban bus systems contribute to unemployment and disinvestment in the city as low-income city residents lack public transit to get to jobs in the suburbs. The inadequacy of public transit contributes to an established preference for

travel by car, while residents absorb the social costs of auto use—traffic congestion, pollution, gasoline consumption, accidents, and high insurance rates.

Optimum urban land use requires that long-term transportation plans give priority to supporting the urban core, both through repair of existing roads and through regional mass transit, rather than creating new highway capacity in outlying areas.

RECOMMENDATIONS

According to development specialists, the state has adopted a very effective toolbox of development incentives and assistance. These tools include brownfields legislation, tax increment financing, Renaissance Zones, downtown development authorities, historic tax credits, the Obsolete Property Rehabilitation Act, business improvement districts, and neighborhood enterprise zones. These tools must be maintained and state processes streamlined where possible. Making state redevelopment assistance and incentives available only to central cities and inner ring suburbs is crucial to managing growth and to making those incentives effective.

This survey of urban land use initiatives has offered a number of other recommendations gleaned from planners, public officials, and developers across the state. Growth boundaries, restrictions on building permits, service area fees, cooperative city and regional planning, impact fees, excise taxes, location-dependent surcharges, tax base sharing, improved code enforcement, inclusionary zoning, mixed-use zoning, state revenue sharing formula changes, tax increment financing, tax credits, and other approaches must be debated and a strategic approach adopted.

Because cities cannot regulate their way out of disinvestment, solutions must be regional. These solutions must not be presented in a way that implies that central city officials are not doing their job correctly, but rather because development patterns have created conditions that cities alone cannot control or counterbalance and because these development patterns degrade the quality of life in suburban areas as well. The solutions must also incorporate public input to gain broad support from diverse stakeholders. And those solutions must create a new pattern of land use that respects the needs and desires of urban, suburban, and rural residents.

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