

SmartGrowthTactics

Putting the MLULC Recommendations into Action—A How to Series for Local Leaders

MSP's *Smart Growth Tactics* series continues

The Michigan Society of Planning introduces the seventh issue of our eight-publication series covering smart growth practices: Urban Redevelopment Strategies. This series will provide local leaders across the state with technical recommendations, case studies, and step-by-step instruction to make real change happen in communities across the state.

Three fundamental goals that underlie the vision of the Michigan Land Use Leadership Council were embedded within the Michigan Land Use Leadership Council (MLULC) report: economic prosperity, environmental integrity, and social equity. Striking the appropriate balance of these three goals is the key to sustainability. Urban redevelopment issues touch on each of these goals, and the health and vitality of our urban communities is dependent upon state and local action.

Land use patterns over the last 50 years have significantly impacted cities. As investment has shifted from the cities to the suburbs, city property values have declined, population has decreased, the tax base shrinks, and public infrastructure deteriorates. To allay these effects, the council included many recommendations addressing urban policies that support the enhancement of urbanized areas, discourage sprawl, broaden living choice options, and increase the value of all land.

This issue addresses a wide variety of redevelopment strategies that can improve Michigan's urban communities.

Revitalizing Michigan's urban

Communities throughout Michigan daily face the challenge of being communities of choice – cities, villages, and townships that attract people to live, work, and play; and businesses that will invest and grow, providing both employment and services to residents. Residents and businesses alike may be

attracted to newer communities that offer modern housing, newer amenities, better services, and lower taxes. These trends are often seen as “market based solutions,” which allow households and businesses to choose the locations that they prefer. As households move, however, they may leave in their wake municipalities that face problems of dwindling tax bases, aging infrastructure, rising taxes, reduced opportunities, and declining public and private services. Many older cities and their citizens become trapped in a downward spiral that is difficult to reverse.

This paradigm is being rejected by an increasingly large segment of the population which is moving, not to the suburbs, but to more vibrant cities

around the country. High costs for housing, commuting, increasing taxes, and inadequate public and private services are some of the reasons why the current patterns are being rejected. Michigan ranks near the bottom among the states with respect to its ability to retain its young adult population, many of whom have left Michigan in search of



jobs and attractive environments, in search of “cool cities.” Seniors and others without their own transportation find it difficult to function in suburban settings.

Government has been, in part, responsible for creating this pattern of decline, which has led to decaying older communities. For many, the private market, aided by public policies, has failed to achieve anything like

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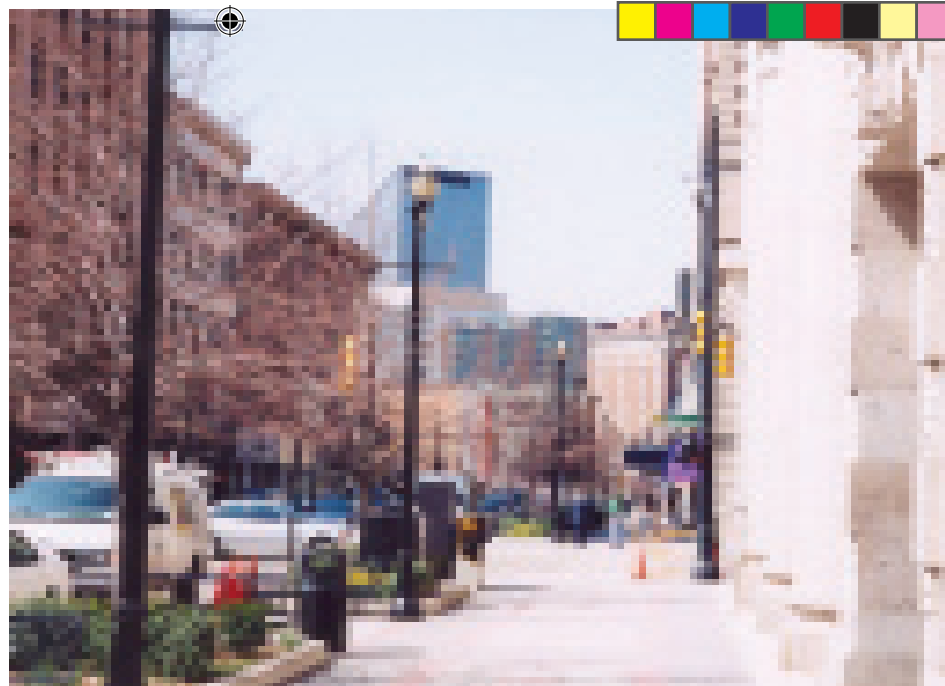


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optimal results. Through development regulations, infrastructure investments, and taxation policies, the public sector has assisted the private sector in building an urban environment that is unsatisfactory for many. Revitalization of Michigan's older communities – city, suburban, and rural – must also be undertaken collaboratively to provide livable communities that meet the needs of all residents.

The problems of decline are widespread, and are not limited to Detroit and a few large urban areas. Today, older communities face problems of aging infrastructure that require expensive upgrading and maintenance, necessitating higher taxes. Eventually all municipalities will face similar problems. Competition from newer suburbs, other states, and even other countries, makes effective revitalization strategies imperative for all older communities.

Older communities have many positive attributes. They are generally well located with respect to transportation infrastructure. Many have excess capacity in their utilities, allowing for growth to occur without the construction of costly new systems.



Some have interesting historic features that provide a sense of character and place that is often missing in newer communities.

Maintaining and revitalizing Michigan's older communities are important components of efforts to achieve balanced, quality growth. If households and businesses perceive older communities as a desirable alternative to new development on the urban fringe, it is possible to achieve better land use and development that will benefit all Michigan residents.

There are, however, many obstacles to the revitalization of these communities: fragmented patterns of ownership and land use; costly infill development (rather than greenfield development); environmental contamination; loss of population; and loss of tax base.

Understanding that vibrant central cities are an important component of regional success, the Michigan Land Use Leadership Council (MLULC) 2003 final report established specific recommendations relating to urban revitalization. These recommendations focus on the siting of public facilities, state and local assistance in attracting private investment, public/private support for livable communities, retaining and attracting residents to

Michigan cities, commerce, and transportation.

This article highlights several innovative economic development incentives to revitalize Michigan's city centers and principles that can enhance the livability of our older cities.

Economic development tools

Economic development is closely intertwined with the business districts and residential neighborhoods of a community. Jobs are essential to the population that lives in a community and shops in its stores. There are a number of tools that local governments can use to foster economic development. They generally fall into one of several categories: *tax expenditures* (foregone tax revenue) used to attract or retain jobs and private investment; *capital investments* to make locations in older communities more directly competitive with greenfield suburban sites; and *demand-side policies* designed to foster the creation of new local entrepreneurs and businesses and/or enhance the local skill or educational base.

TAX EXPENDITURES



Topics in the series

This is the seventh publication in an eight-issue series on smart growth tools for local governments produced by the Michigan Society of Planning. Topics in the series include:

- ✓ Sprawl and smart growth
- ✓ Development agreements



Economic development programs that reduce or reallocate revenues include the creation of special districts in which the property tax revenues are expended for the direct benefit of properties within the district. Downtown Development Authorities, Local Development Financing Authorities, Brownfield Redevelopment Authorities, and Obsolete Property Rehabilitation fall in this category. The abatement or reduction of property taxes in order to attract investment, as is the case with Industrial Facilities tax abatements and Renaissance Zones, provides a short term reduction in revenue to the municipality, however.

CAPITAL INVESTMENT

Strategic capital investments by Michigan's older municipalities can make significant contributions to their revitalization. As community viability improves, the capital investments are likely to become alternatives to continued suburban sprawl and wasted resources. Efforts to make all communities in Michigan "Communities of Choice" will benefit not just the older municipalities, but suburban and rural communities as well.

DEMAND-SIDE POLICIES

Demand-side policies as a general category of development strategies include business assistance programs that support research and development, business incubators, revolving or small business loan funds, and technical assistance to new firms or entrepreneurs. They also encompass efforts to enhance the skills of local residents through public subsidy of retraining programs or requirements that firms receiving other incentives to retrain and/or hire local residents.

The concept of economic development should not be limited just to manufacturing jobs or capital investments in roads and underground utilities. A community may also improve its economic well-being through investments in arts, culture, and recreation. The provision of high

Local government revitalization programs

The state of Michigan has established a number of programs to facilitate local economic development and job creation efforts. While some of the programs are restricted to certain distressed communities, others are available to virtually every municipality in the state. The current discussions regarding the definition of "Commerce Centers," a concept proposed by the Michigan Land Use Leadership Council (MLULC), may change the details of some of these programs. Although some economic development incentives may be available only in commerce centers, the use of these programs will certainly remain a local option.

The most widely utilized of these programs is PA 198 of 1974, the Plant Rehabilitation and Industrial Facilities act. Under this program, a municipality may designate a plant rehabilitation district in which investments in new manufacturing plant and machinery are eligible for a 50 percent reduction in real estate and personal property taxes for a period of up to 12 years. The designation applies to the property and may be transferred to a new owner. Over the past two decades, PA 198 has helped to generate more than \$53 billion worth of industrial investment. The tax exemptions that have been granted are credited with retaining over 800,000 existing manufacturing jobs and the attraction of more than 200,000 jobs.

The Neighborhood Enterprise Zone program (PA 147 of 1992) allows qualified local governments (primarily cities) to designate areas in which new owner-occupied residential properties may be eligible to pay a reduced property tax on new or rehabilitated properties for a period of up to 12 years. The tax rate that is applied is equal to one half the statewide average property tax rate. In 2002 the Neighborhood Enterprise Zone tax rate was 18 mills, considerably less than the 50 mills or more rate in older urban areas. In the case of rehabilitated residential properties, the property assessment is frozen at the pre-rehabilitation level for the 12-year period.

Michigan has some of the most progressive

laws in the country with respect to cleaning up brownfields and putting these properties back into productive use. PA 51 of 1994 allows for Baseline Environmental Assessments, and more than 500 have been conducted in communities around the state. This procedure allows the identification of existing conditions on the site, as well as the determination of responsibility for future contamination. This process has proven to be successful in facilitating redevelopment.

Local communities can establish a Brownfield Redevelopment Authority (BRA) to facilitate the cleanup of contaminated buildings and sites. In addition to Single Business Tax Credits for eligible investments in remediating contaminated properties, the BRA may also create a tax increment financing district. The district's revenues may be used to repay the cost of remediation activities.

A similar procedure may be utilized to address blighted and obsolete properties. PA 147 of 2000, the Obsolete Property and Rehabilitation Tax Credit act, allows the establishment of obsolete property rehabilitation districts. Properties in these districts may qualify for an exemption certificate for up to 12 years, effectively freezing taxes at the pre-rehabilitation level. The exemption may be applied to both commercial and commercial (rental) housing structures.

Qualified local governments may elect to grant a Waiver of Personal Property Tax liability (PA 328 of 1998) on new equipment purchased by firms located in an established economic development district, including Industrial Facilities, Renaissance Zones, Enterprise Zones, Brownfield Redevelopment Authorities, Local Development Finance Authorities, and several others. This program may reduce the number of Industrial Facilities Property Tax exemptions granted by eligible governments.

The Land Bank Fast Track act (PA 258 of 2003) provides a means to exercise expedited quiet title and foreclosure action by a State of Local Authority. In addition, the authorities may issue bonds, secured by limited tax pledges, to finance their activities. The objective of this program is to facilitate the return of tax foreclosed properties to productive use.





quality public services is an important component of making a community an attractive place to live and invest. Improving the quality of life available to all residents is likely to foster an environment of growth.

City centers

The city centers of both large and small

urban areas are recognized as one of their most important assets. Even a relatively small downtown offers a sense of place that is often lacking in newer communities. Small city downtowns offer a human-scale, pedestrian friendly environment. Often the buildings have distinctive, authentic architectural styles, and are occupied by unique shops and services. While some of these downtown areas may have been

neglected and become distressed, they nevertheless have the potential for revitalization that can be key to the health of the entire urban area.

In small towns and large city neighborhoods, the Main Street approach can be the most effective tool for revitalizing these commercial districts. The coordination of promotional activities, clean and safe

Ten simple (but not so easy) rules

While no single strategy or combination of strategies may address all problems of our older cities, there are some general principles that can enhance livability and achieve some improvements in the quality of life of their residents.

EMPHASIZE QUALITY OF LIFE IMPROVEMENTS

The current emphasis on “cool cities” may not be an appropriate goal for all communities. A more realistic goal would be to improve the quality of life in the community to enhance livability. Strategies to achieve this will not only make the community attractive to new businesses and households, it will also improve the environment for current residents. Investing in arts and culture, as well as improving public services, are as important to enhancing the community quality of life as increasing the jobs base.

CREATE NEW LOCAL INVESTMENTS

For older communities that have already experienced periods of decline, high priority must be given to attracting external investment. Investments that bring jobs and expand the tax base are important. Equally important are new public and private investments that improve the overall livability.

INVEST IN RETENTION EFFORTS

Keeping what is already there, whether businesses or residents, may be less costly than attracting outsiders. Given the costs of relocating, the marginal costs of retention

may be considerably less than required to attract a new firm or household. A community should be willing to offer its current residents the same type of incentives that are offered to attract new investment.

TAKE CARE OF THE BASICS

Revitalization efforts will be more difficult in communities that do not provide quality public services for all. High tax rates may be more acceptable if they provide value for the money. The maintenance of a stable, transparent, and predictable decision making process in dealing with development issues is equally important.

PURSUE BALANCED REVITALIZATION POLICIES

Revitalization efforts should provide benefits for all local community stakeholders. All participants in revitalization projects – developers, neighborhood residents, public agencies – have different objectives in the short term, as well as the long run. Make an effort to understand what is most important to each, and try to balance competing demands.

THINK AND ACT STRATEGICALLY

Communities with a vision for their future and a plan for achieving that vision are more likely to be successful than communities that accept any development. The costs of some developments may outweigh their benefits and not all proposed developments will contribute to the community’s goals. Each community must use its limited resources strategically to maximize their impact.

LEVERAGE REVITALIZATION INVESTMENTS

Communities in need of revitalization by

definition lack the resources necessary for these efforts. View the entire city budget – capital improvements as well as the operating budgets of service departments – to ascertain the pool of resources available to implement revitalization efforts. The careful coordination of expenditures could significantly enhance results.

BUILD ON STRENGTHS

An inventory of community assets can help in establishing priorities by establishing the key locations and features that can form the basis of revitalization efforts. These may include waterfronts, historic buildings and neighborhoods, regionally important facilities, or simply distinctive street and parcel layouts that distinguish the community from its competition.

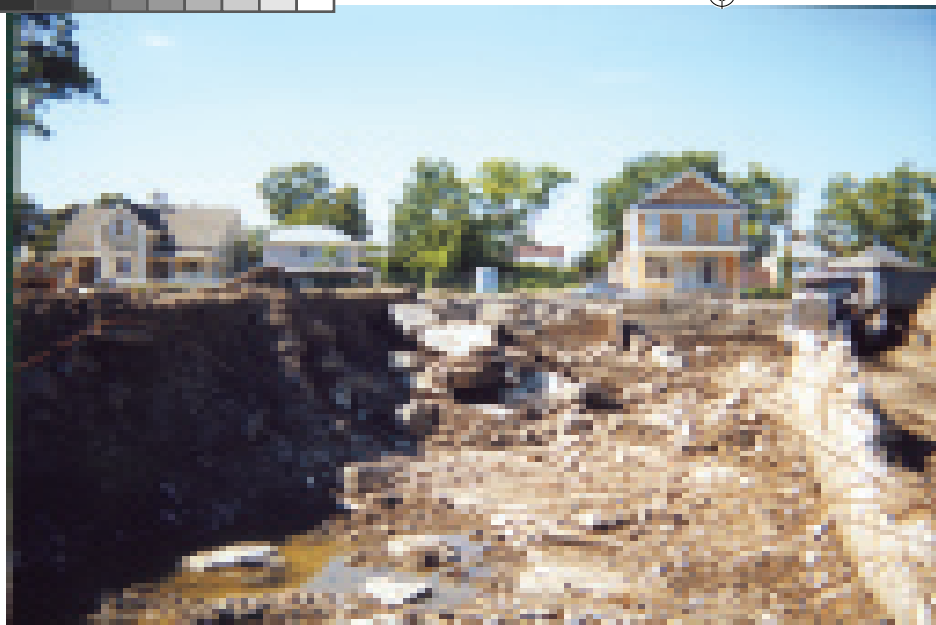
CREATE PARTNERSHIPS

Successful revitalization efforts will require a broad base of support. This will include not only state and federal government agencies, but also the business community, local community-based organizations, and foundations. Potential partners also include neighboring municipalities that can contribute to issues of regional concern.

BE PATIENT

Positive results are seldom instantaneous and generally require nurturing. No single development or event will reverse decades of decline. Changing perceptions can take as long as changing reality.





programs, and design and economic restructuring initiatives have proven to be highly effective in many communities.

Federal incentive programs can also be important tools. In particular, the Historic Preservation Tax Credit provides for credits of up to 20 percent of the eligible investments in the renovation of qualified structures. This program allows for the credit to be used for any commercial building rehabilitation, including residential rental facilities. The comparable program at the state level makes a smaller five percent credit available which can also be applied to owner-occupied properties.

Research on the city centers of mid-sized urban areas suggests that maintenance of a pedestrian friendly environment with street-oriented retail is an important prerequisite. Nourishing diverse markets that will compliment each other and extend the periods of activity, to include evenings and weekends, as well as to times outside of the normal peak season, can be an effective strategy.

Residential neighborhoods

The quality of life offered by residential

neighborhoods in an urban area is a key to the success of urban revitalization. Continual investment in the housing stock is necessary to provide sound housing for all, as well as growing property values. Mixed use neighborhoods that include a variety of housing types, local shops and services, as well as employment opportunities, are found in many older communities. While some suburban municipalities are attempting to build new neighborhoods that provide a sense of place, this desired prototype already exists in many city centers and older suburban neighborhoods.

In order to continue to offer a high quality of life for all Michigan residents, it will be essential to ensure safe and healthy environments in which to live, work, and recreate. High quality public services (especially education and public safety) must be available. Development decisions must consider the unique character of each community's historical and cultural resources, along with the natural and built environments. Each community must also work to ensure the fair treatment of people of all races, cultures, and incomes.

Urban revitalization is not the concern of local government alone. Active partnerships and collaborations must be developed and maintained. State and county governments often play critical

roles, and collaboration with other jurisdictions can be essential. Private business and not-for-profit organizations must also play a part in revitalization efforts.

Perhaps most importantly, a successful revitalization scheme requires the active involvement of the residents of the community. It is widely recognized that improving the quality of education provided by the public schools is most likely to be successful if there is active involvement by the parents; similarly, community residents must play an active role in urban revitalization efforts.

The problems and potentials of aging communities are complex and call for complex revitalization strategies. The state must continue its efforts to make available to local governments the tools necessary to promote revitalization. In turn, local governments must identify and adopt those tools that will be most effective in meeting their needs. No single tool or policy will be a panacea for the range of problems that communities face. Each community must develop its own approach, strategy, and implementation plan.

Conclusion

Communities across Michigan face the threat of decline from economic restructuring, obsolescent residential and commercial facilities, aging infrastructure, and often from environmental degradation that is the result of past practices. Many of these issues simply can not be resolved at the level of local government. Policy leadership, as well as funding, must be provided by the state and Federal governments. The Michigan Land Use Leadership Council (MLULC) provides leadership in its report to Governor Jennifer Granholm and the Michigan Legislature. Some of the urban revitalization recommendations, for example the Fast Track Land Bank legislation, have already been put in place. Others, such as Redevelopment Ready Communities and Commerce





Wyandotte: a community of choice

The first European settlers came to Wyandotte in 1818, making it the second oldest city in Wayne County. By the end of the 19th century, the city had attracted a variety of industries, including glass manufacturing, iron works, ship building, and chemical companies. The city reached a peak population of about 43,000 in 1960 and has declined slowly to a population of about 28,000 today.

Along with the population decline, Wyandotte experienced disinvestment and decline that was common in many older suburbs. Deindustrialization affected not only major employers, but also neighborhood businesses and services. As employment and the population declined, property values also fell, while the demand for city services continued to increase.

Local government officials embarked on a coordinated effort to revitalize the community and enhance the quality of life to make Wyandotte a community of choice. Specific programs involved urban renewal, downtown revitalization, neighborhood improvement, and environmental remediation. Beginning

in 1987, Wyandotte turned its attention to neighborhood revitalization. Ordinances requiring regular inspections of rental properties and inspection on sale of all homes and commercial property were adopted. Over 400 dilapidated homes have been purchased and demolished, making way for new single-family construction in Neighborhood Enterprise Zones that substantially reduced property taxes on these new units.

As manufacturing has increasingly shifted to freeway-oriented locations, Wyandotte sought to increase the commercial and residential development in the city

by converting obsolete industrial properties and sites to housing and shops. Some industrial properties have been redeveloped for recreational uses. The city also granted a total of 37 industrial property tax abatements between 1980 and 2001. These abatements attracted investment of more than \$162 million and helped to preserve nearly 200 jobs and create about 400 new jobs.

The result of these efforts over 20 years is a community that has made substantial progress towards revitalization. The downtown business district is vital and includes a healthy mix of national and local merchants. A range of housing types have also been developed.

Today, Wyandotte is increasingly being recognized as one of the “cool” communities in the Detroit metropolitan area. With a thriving downtown, new parks and open space, diverse and attractive neighborhoods, Wyandotte has been able to attract private investment and avoid the downward spiral faced by many other communities of the same vintage. Although the city continues to lose population and households, the rate of loss has stabilized. Median household income grew by 54 percent during the 1990s and housing values more than doubled. Wyandotte has had success in making itself into a community of choice.

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Centers remain in the discussion stage. Still other recommendations address the ways in which local communities can strengthen their neighborhoods, improve access to decent, affordable housing, and provide for more effective and efficient decision making with respect to development and redevelopment proposals.

INTERGOVERNMENTAL COOPERATION

Despite the fact that the problems facing aging communities are wide-spread and depressingly similar, there are no quick fixes or easy answers. Some of the general directions of necessary change are nevertheless clear. There must be a genuine effort to break down the institutional barriers that separate communities and individuals and prevent cooperation and collaboration. Intergovernmental cooperation on regional solutions, as well as between communities and businesses, is essential. Regulatory reforms are important, and communities must recognize that collaboration on issues that transcend municipal boundaries is an essential ingredient. Municipalities must be open to a variety of partnerships, depending on the specific circumstances.

DEVELOPMENT COSTS

It will also be necessary to take affirmative steps to establish a financial advantage for older communities relative to peripheral communities with respect to the cost of development. Previous attempts in this arena to “level the playing field” have been modestly successful, but the “time cost” of capital still favors development at the urban edge because it is more complicated to develop or redevelop in the urban center. If state and local programs reduce urban development costs to a level below that at the periphery, the market could select the urban locations more often.

Tax policies, regulatory policies and code requirements, infrastructure investments, and the location of public





Long-term commitment in Grand Rapids

The second largest city in Michigan, Grand Rapids, is part of a metropolitan area that is home to more than a million people. During the 1960s, Grand Rapids annexed substantial areas that allowed the city to continue to grow over the next two decades. By the 1990s, however, the balance of growth had shifted to the suburbs.

Downtown Grand Rapids has seen substantial investment, both by the public and private sectors over the past decade. Current projects include several new residential projects that target different market segments, from high end loft condominiums to more affordable rental units. Downtown is establishing itself as a niche retail market, with preference being given to unique, locally owned stores over big box and national retailers.

The use of brownfield redevelopments to restore former retail, office, and warehouse properties has been an important element in these revitalization efforts. Over two dozen projects have been approved by the Brownfield Redevelopment Authority. Many of these are located in the city's Renaissance Zones.

In crafting its community and economic development policies, the city of Grand Rapids has made a number of strategic choices. Although the city has granted more industrial property tax abatements (522) than any other Michigan municipality, in recent years the number granted has averaged less than 12 per year, compared to an average of more than 30 per year during the 1980s. Over the past two decades, industrial tax abatements have attracted more than \$540 million in investment and helped to retain more than 20,500 jobs.

Grand Rapids has also made extremely effective use of the Renaissance Zone program. The city used this program to attract income tax paying jobs that would offset the foregone property tax revenue. During their first three years, the Grand Rapids Renaissance Zones attracted over \$77 million in investment and claimed more than 800 new jobs. While most of the Zones were targeted for industrial development, one was intended to shore up the commercial area adjacent to a revitalizing residential area.



Downtown revitalization efforts have progressed on a number of fronts. A new privately financed arena helped to attract bars, restaurants and other entertainment venues. Unique retail outlets are being attracted as well. Public investments in expansion of the convention center, the medical center development (just east of downtown) and the proposed new public museum have raised the profile of the city center. Major investments in education, including the Pew Campus of Grand Valley State University, Ferris-Kendall, Western Michigan University, and the Thomas Cooley Law School are additionally contributing to activity in the downtown area. It is estimated that the market will support a thousand new housing units, with plans under way for several hundred units serving a range of housing types. The Grand Rapids Downtown Development Authority, through its Building Reuse Incentive Program, provides grants of up to \$50,000 to upgrade buildings constructed prior to 1950.

The success of Grand Rapids' revitalization effort has been the result of a long-term commitment to the quality of life in the region by both the public and private sectors. A range of partnerships, both public and private as well as between municipalities, have effectively supported these efforts. The city has pursued balanced strategies that supported the revitalization of the core without neglecting neighborhoods. The available revitalization tools have been used strategically (that is, the city has been willing to approve incentives only when they are in the best interest of the community) with good results.





facilities each directly affect the relative attractiveness of localities. Local governments must be responsive to the needs of residents and businesses, as well as developers and investors.

PUBLIC INVESTMENTS

In Michigan's larger urban areas revitalization strategies must concentrate on the core area. These urban core areas represent substantial amounts of public and private investment, are often the focus of the metropolitan area's transportation systems, and often include the highest concentrations of historic sites and architecturally significant buildings. Moreover, they offer a distinct physical environment that has the potential to provide the sense of place that is attractive to the creative class and the young adults who are the focus of efforts to promote "cool cities." While their physical assets may be more limited, the downtowns of small urban centers in non-metropolitan counties may play a similar role to the city centers of the larger urban areas.

UNDERSTANDING THE MARKET

Recent demographic trends and "targeted" market research has discovered a relatively small, but growing number of persons and households who prefer living in a downtown or urban neighborhood environment, commensurate with the movement of baby boomers into the empty-nester life stage, and entry of X- and Millennial generation households into adulthood and homeownership. These numbers are projected to increase substantially over the next 20 years and represent a market for older communities to tap for residential growth (via rehabilitation of their existing housing stock or new construction of traditional urban

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Additional Resources

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