



Matching Development with Infrastructure

Identifying the Cost of Density in Zoning

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It is a typical Tuesday in the local township hall when a developer strolls in. The developer is ready to invest a lot of money in a new development in the township—which will mean more property taxes for the community. But the developer needs the property to be rezoned to accommodate his plans.

Will your community say yes to the rezoning, or no?
More importantly, *why* will you say yes or no?



A Clash of Interests

In many situations, perspective is a problem that often leads to a clash between townships and developers. The developer's primary focus is solely on creating a new subdivision or commercial building, while the township focuses on building an entire community.

A good developer will create a development that will meet the needs of the people who will use the development. Developers understand the importance of issues such as accessibility of the property from the existing road system, or the limitations that come with property not served by public sewers and water. The clash comes when a developer sees an ability to develop property at a higher level, without recognizing any site problems that might limit that additional development.

Township boards and planning commissions look at the proposed development from a much broader perspective. The site plan review process is designed

to look at both how well the proposed development functions internally when it is built, and how well it blends with other existing development and potential future development.

However, the answer to this developer's request for rezoning involves two different evaluations: Can the site accommodate the additional development, and can the community *as a whole* accommodate the additional development? Site plan review answers the first question, while the answer to the second question should be found in the master plan.

The Costs & Benefits of Development

If someone builds just one more house in a subdivision, what are the costs and benefits to the local unit of government? The benefits may include more property taxes, revenue sharing, state funding for schools if the new homeowners have children, and more overall prosperity for the

community. The cost from a local government perspective could be very minimal. It costs very little to send one additional property tax bill or have one more registered voter. One more car on the road or an extra student in the local school may mean no additional cost.

However, there comes a point when "one more person" does mean that services and infrastructure must change. Maybe the school has now run out of books, so they must spend \$500 to buy a set for this new student. The bus that takes the student to school in the morning is now filled beyond capacity, so a new bus and driver are needed. The classroom is at capacity, so a new teacher must be hired. Classrooms are overfilled, so building a new school is proposed.

The establishment of the house itself can also result in similar problems. One more house may mean that a sewer or water line has just passed capacity. That

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may mean the installation of new lines to accommodate growth, or expanding the capacity of the treatment plant or well. One more car on the road may mean the need to install a new light at the major intersection two miles down the road, or worse, that the two miles of road need to be widened. Fire protection is no longer adequate because the homes are too close together, and a fire could now mean losing an entire neighborhood. Now it's time to step up police protection and create that new department. Smaller yards mean greater demand by residents for a parks and recreation program. It may also mean more senior citizens moving in, requiring a new senior center. More density means moving away from ditches beside the road, to curb and gutter programs with accompanying storm water management issues. The list of potential ramifications goes on and on.

Of course, it is not any one particular home that prompts these events. But, at some point, it is the addition of just one more home or building that triggers the need to expand infrastructure or overwhelms a service. Part of the process of developing a master plan needs to include identifying when these critical points—or tipping points, as some would call them—occur. It is the work of the master plan to identify potential problems with that request for rezoning that your township received on a typical Tuesday morning.

What are Your Limits to Growth?

To bridge the gap between the views of developers and planning commissioners, it may require townships to be more deliberate in evaluating the community's limitations for future growth. Consider the following: If a township is developed with an

average of one home for every acre in the township, there would be 23,000 homes and the township would have a population of approximately 50,000 residents. What services and infrastructure are needed to serve 50,000 people?

Identifying limitations can be tricky. Some limitations are very obvious. For instance, anyone who decides that he or she wants to build a new subdivision of 200 homes at the end of a dirt road has a pretty good idea that there may be trouble at the approval stage. Most people quickly understand limitations due to a lack of public water and sewer. However, many limitations are not nearly as obvious.

A less obvious limitation, for example, may be the fact that the sewer pipe has been designed to accommodate all of the future planned growth in the area, but a change in zoning on one piece of property will result in a line that is unable to accommodate the residual undeveloped land in the region. If a denser development is approved, does it create a scenario where storm water cannot be accommodated on-site, which then requires storm drains and storm water treatment areas that the township may not be willing or able to operate and maintain?

While the new development has no problems with traffic at the entrance to the development, did it just create a huge problem with the intersection just down the road? What about the capacity of the electrical lines and natural gas lines in the area? Are you setting up the community for brownouts next summer?

Details on schools are often left out of the planning process. What are the building capacities of the schools in the area? If an objective is to avoid building new schools at the end of a dirt road, what is the availability of 20-acre lots with sewers on the main road for that new elementary building, or 40 to 80 acres for the new middle school or high school?

What's 'Smart Growth'?

Many people are concerned about building in a "smart" manner. In this case, smart would be described as minimizing the cost of the development. Unfortu-

Cost of Operations: Cities vs. Townships

Whenever the comparison is made between cities and townships, financial issues and levels of service quickly surface. Townships pride themselves on their efficiency in government, cities on their levels of service. One simple conclusion can be drawn: Density of development creates a corresponding need for municipal services.

In Michigan, the number of people who reside in cities roughly equals the number of people who reside in townships. Yet these two populations have widely varying resources at the local level. According to the U.S. Census Bureau, cities in Michigan spent nearly \$12 billion on municipal operations in fiscal year 2001-02. During the same time period, townships spent \$1.7 billion—one-eighth the amount of cities. Put another way, cities expend more than \$2,500 per resident per year, while townships spend less than \$400 per resident per year.

Michigan cities spent as much on public safety as townships did on *overall operations*. Cities spent twice as much as townships on fire protection. Cities spent \$500 million on parks and recreation programs—more than townships and counties *combined*. In combination, counties and townships spent more on roads than cities—\$1.1 billion compared to \$865 million—but counties spent that money caring for 90,000 miles of roads, compared to 21,000 miles in cities.

Some may argue that the county often provides services to township residents. However, even taking this issue into consideration, the gap in service costs between cities and townships remains large. In the same Census report, Michigan counties expended \$9 billion in 2001-02. Of that amount, approximately \$2 billion went to services that might be considered primarily beneficial to township residents: libraries, roads, sheriff road patrols, fire protection, parks and recreation, and sewers and solid waste management.

Half of the total comes from road expenditures, which include spending on county roads within city boundaries. County expenditures that were not considered municipal-type programs include public welfare, health, airports, jails, courts and general administration. These services totaled \$7 billion in 2001-02. The Census numbers would indicate that total spending between townships and counties for municipal-type services tops out at \$3.7 billion, with much of the county portion also serving cities and villages. Meanwhile, cities spent \$12 billion—not including any service delivery from counties. ■



nately, the cost of the development can be viewed in a very provincial manner, or it can be looked at globally. This is one reason why everyone seems to have a different viewpoint of what constitutes smart growth.

One development concept that is widely accepted by both developers and townships is the practice of clustering homes in new housing developments. Generally, clustering allows the developer to calculate the number of homes that may be built on a given piece of land and then build the homes on smaller lots. The remaining unused land is dedicated through some form of conservation easement, so that it can never be built upon.

Most would agree that this is “smart” because, generally, the development will be built with shorter roads and utility lines. The additional benefit is that it does not impact infrastructure or services outside the development any differently than a traditional subdivision, and does not create those unintended infrastructure and

operational problems that can occur with traditional rezoning.

However, clustering could create complications in certain circumstances. For instance, having more condensed housing could create a situation where, instead of a subdivision being built with asphalt roads and ditches, the new clustered development may need concrete roads with curb and gutter, underground storm water lines, and sidewalks. If that is the choice, the developers could quickly turn their heels on this “smart” choice.

Many advocates within the planning world are emphasizing “new urbanism”—or walkable communities—as the appropriate smart growth concept. While most people would agree that we would have a better world if we weren’t so attached to the internal combustion engine, those same people also understand that the automobile has been the cornerstone of the development of this nation.

New urbanism is simply the concept where homes are created with very small yards, with shopping and other services just a short walk away. This design aims to allow residents to leave the car at home, and walk to shops, work or school. However, advocates who argue that high-density development results in lower governmental costs often focus on the savings to local government based on shorter roads, sewers and water lines.

Most analyses of this smart growth choice often ignore that while the roads and utility lines are shorter, the development is much more complex, which increases infrastructure costs in other ways. It can also increase operational costs from a municipal standpoint. Higher density often shifts costs from the private sector to the public. For example, in traditional downtowns, public parking lots and parking meters are used instead of private parking. Another example is the replacement of backyards with public parks.

There is a long history in this state of

issues that must be addressed when dealing with this form of smart growth. When looking at the new urbanism trend, many people fall back on a familiar term: village.

A Look at the ‘Village’ Concept

Sometimes when you look to the future, you must look to the past. There are lessons to be learned from establishing a village-type development in townships. Villages have a unique legal structure under Michigan law. A village resident is a citizen of both the village *and* the township, and thus votes for both village and township officials. The township provides one set of services while the village provides another. Conflicts sometimes arise when township and village services overlap. Understandably, village residents don’t want to pay twice for the same service, and township residents don’t want to pay for services delivered only in the village.

This dual nature of providing services, however, makes sense when looking at the differing needs for providing services due to the dense development of a village, compared to the rest of the township. According to the Department of Treasury Ad Valorem Property Tax Levy Report, the average township levies 4.26 mills for township operations. Villages, on average, levy an additional 12.09 mills above the millage levied by the township. In many ways, this could be referred to as the cost of density. Cities, on average, levied 16.15 mills during the same time—roughly the same as the combined rate for village residents. Density creates additional service needs, with accompanying higher costs.

Some people will quickly point out that millage rates can be misleading when making comparisons, because the amount of money generated from a one-mill tax varies widely from community to community. It may be more appropriate to compare expenditures on a per capita basis. According to the U.S. Census Bureau report, *Local Government Finances by Type of Government and State 2001-2002 (Revised October 2005)*, Michigan cities spend over eight times as much as townships for municipal services. Even after

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taking into account the cost of municipal-type services provided by counties, cities are still spending over three times as much per person for municipal services.

There was a method to the madness of separating the budgets of townships and villages. While disputes will often arise in terms of who should be paying for services, the separation of village budgets from township budgets has minimized potential conflicts. Someone in the past understood that residents in the rural part of the township were not likely to support having their taxes pay for someone else's sewer and water system as well as other services necessitated by the denser development pattern.

Segregating Costs Through Special Assessments

In looking at the logic that explains the dual nature of village residents, it begs the following question: If we seek additional development to accommodate density, should we establish more villages? If one accepts the notion that dense development requires higher levels of governmental services, then it is easy to understand why many township residents are resistant to dense developments coming into their communities: The current citizens are protecting their wallets. In the past, this was

handled by segregating the cost of the denser area from other areas by allowing the dual taxing authority of the village. However, the creation of Michigan villages has become almost a thing of the past. Instead of moving to a village basis, many townships are segregating costs in another manner.

When looking at developing townships, one will often notice that many costs are segregated from the general population and instead, are placed on individual homeowners or, collectively, on the new subdivision. Paving subdivision roads is a property owner cost. Sewer or water system costs are generally paid through special assessments rather than general property taxes. Special assessment districts are even established to pay for subdivision streetlights. As the push continues to create greater density in townships, the battle over who will pay for infrastructure and operations will increase.

Intensity, Not Density

Villages have taught us that dense, intense development creates additional service issues. The idea of new urbanism is not addressed by simply allowing a single subdivision to be built in a clustered manner—or even having all subdivisions built in this manner. The objective is not

to have clustered developments scattered across the countryside. While it has been noted that clustering will save on the infrastructure within the individual subdivision, it does not create the critical mass that planners are looking for to move residents out of their cars and put them back on their feet.

Clustering homes only has a small impact on sprawl. Clustering still uses the same amount of land as traditional development. This is not to say that clustering does not offer significant benefits besides reducing certain infrastructure costs. The most notable benefit of clustering is the ability to develop land in a more environmentally sound manner. Clustering allows the developer to avoid encroaching on marginal wetland areas or to allow large wooded areas to be retained. What it does poorly is preserve cultivated farmland. Clustering has become very common in our current development patterns because it has identifiable benefits and generally has no negative aspects from the perspective of local government operations.

Instead of clustering, new urbanists suggest that an entire area be designed to accommodate a dense housing pattern intermixed with commercial, office and governmental buildings. It is not simply an issue of density, but also intensity. But this intensity creates a major need for increased municipal services. It is not until we start creating “new villages” where homes, businesses and services are all developed in an intense manner that we can say that our development patterns are less land consumptive.



Revenue Sources: Cities vs. Townships

The two main sources of local revenue for cities are property taxes and local income taxes. Income taxes are a significant revenue source for cities, even though only a handful of cities levy an income tax. Approximately 20 percent of cumulative city annual expenditures is derived from property tax—just over \$2.1 billion per year. Another \$470 million is generated from local income taxes. Townships, on the other hand, generate just under \$600 million—or over 30 percent of their operational budget—from property taxes. The average property tax rate in townships is 4.26 mills, compared to cities at 16.15 mills and villages at 12.09 mills.

In 2001-02, cities received over \$3.5 billion from state and federal sources, while townships pulled in \$450 million. Many believe that the state and federal government should not subsidize sprawl and instead, advocate that state and federal resources should be focused on cities and villages. Frankly, this has always been the case. If the state and federal government redirected 100 percent of the money away from townships and sent it into cities, this would increase the typical city budget by 3 percent. It should be noted that of the \$450 million sent to townships in 2001-02, \$300 million—two-thirds—of that total was constitutional revenue sharing. Since this money can only be shifted with the permission of the electorate, only \$150 million could be redirected by legislative action, which would equate to a 1 percent increase in city operations. ■



However, local units of government—especially townships—shy away from these types of developments because of the increased commitment to public services. Clustered subdivisions do not usually create the need for additional municipal services—in many cases, not even sewer or water. The new urbanism concept creates the need for many new public services. If a township doesn't even have an employee to shovel the snow off the sidewalk of the township hall, how likely are they to approve a plan that may require a fully functioning department of public works?

Keeping Eyes Wide Open

Moving to a development pattern that includes higher density development requires eyes to be wide open. The new development will bring new revenues to the community, but it will also bring many new responsibilities. The planning process and careful consideration of consequences of development as expressed through the master plan is critical for this type of development to take place, and for a community to successfully evolve.

For example, numerous Michigan townships have worked to establish areas for walkable communities. But, in many cases, the townships heading in this direction often have a very healthy existing tax base and already offer many expanded municipal services. These communities are not likely to see a great difference in service needs that currently exist in the traditional village-township relationship.

The concept of converting one square-mile of a more rural township into a new urbanism development is in many ways much more problematic. Just how will a rural township fund infrastructure needs and service costs, especially on a speculative basis?

Townships are often criticized from both sides of the smart growth debate. One group blames townships for building sprawl, often claiming that the state should stop subsidizing sprawl by building infrastructure outside of cities. At the same time, townships are criticized for not developing in a denser manner, even though townships are given virtually no resources to create the infrastructure necessary to accommodate that denser development.

Then again, is that developer who walked into your office asking for more density in his new development *reducing* sprawl by asking for greater density or *creating* sprawl by asking to build in the township in the first place?

It's just another Tuesday in township government. ■

To learn more, check out Bill Anderson's white paper, "Choices in Zoning: The High Cost of Density," on MTA's Web site, www.michigantownships.org.

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