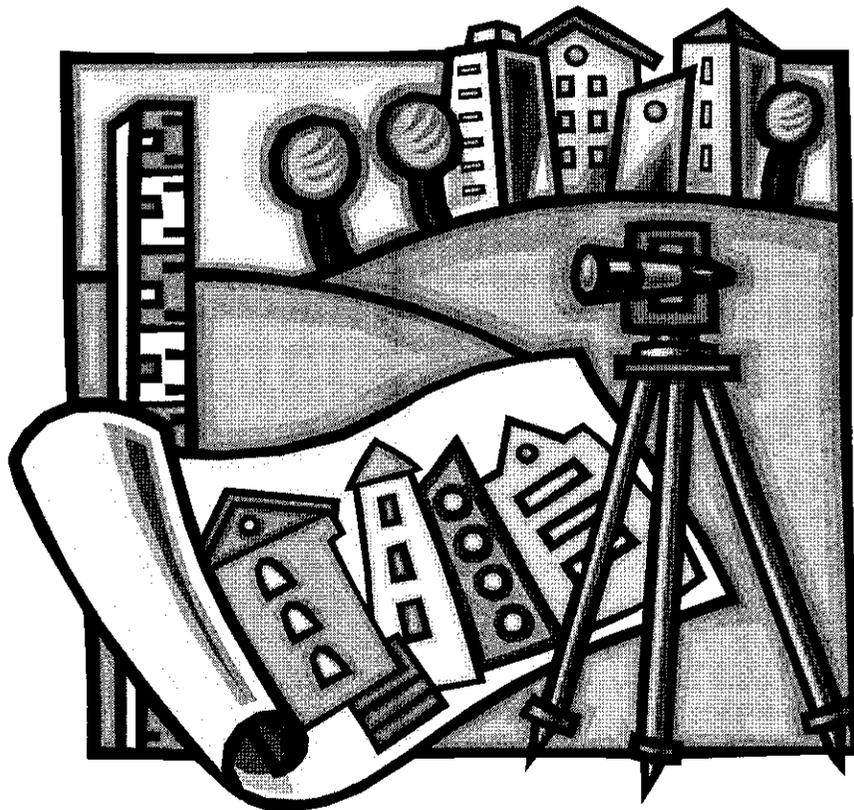

A MICHIGAN TOWNSHIPS ASSOCIATION WHITE PAPER

Choices in Zoning: The High Cost of Density

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Executive Summary

Choices in Zoning: The Cost of Density

One of the biggest buzzwords in Lansing today is “sprawl,” and townships are at the center of much of the discussion. Some urge cutting off funding to townships so that the state stops subsidizing sprawl. The past 20 years, however, would indicate that this simply accelerates the problem; it doesn’t solve the issue.

Some people insist that townships allow ultra-dense developments—often referred to as “walkable” or “new urbanism” communities—to be built. The township experience has shown that there are both benefits and costs to creating urban settings. From a local government perspective, urbanism means significantly higher costs to provide local government services, as much as \$8 billion per year in Michigan alone. Some communities are prepared to handle increased service demands and the related costs; others are not.

Townships use their planning and zoning process to control growth, and to simultaneously control local government costs. Townships in growing areas of our state understand that there is a virtually unlimited demand for housing in their area, and if that demand is met, it could destroy the very things that make the area desirable. Some look to open the floodgates of development in suburban townships, few taking the time to consider the devastation it would have on the housing market across this state.

As Sir Isaac Newton pointed out, “For every action there is an opposite and equal reaction.” For every dollar to be gained when property is rezoned, a dollar is lost somewhere else nearby.

“Land is the only thing in the world worth working for, worth fighting for, worth dying for, because it’s the only thing that lasts.”

—Gerald O’Hara, *Gone With The Wind* (1939)

America . . . the land of opportunity.

Our manifest destiny was to be one country, from sea to shining sea. In order to achieve this, our nation had to colonize an entire continent. To secure our future, however, the federal government gave away land, knowing that the settlers would defend their homestead with their lives.

As our country developed, two distinct populations evolved according to settlers’ occupations. Those who sowed the fields spread out across the country, while those who plied a trade settled in proximity to where that trade could be carried out successfully.

Transportation: Impetus for Growth

Cities grew because they were the access points for trade to take place with other cities and other nations. In almost every case, the existence of a harbor was the critical link to a thriving economy. In our earliest days as a nation, even the agricultural community depended on waterways to transport goods.

In the 19th century, rail lines began to open up the interior of our country to even greater agricultural development. In major urban centers, water and rail transportation were joined. This enhanced transportation network allowed more products to be shipped with greater ease. Despite this, little progress was made in getting workers to and from their job sites.

As populations grew around the commerce centers, housing became scarce. The only alternative was more homes on less land—which, in many cases, meant the only way to go was up. In the mid-1800s, New York City topped out with a population density of over 60,000 people per square-mile, as compared to today’s 6,000 people per square-mile. In rural areas, the commerce centers were kept small and compact, and were defined by walking distance. The houses simply stopped when the walk got too long, and, as a result, small towns began to dot the countryside.

With the advent of the 20th century, moving the workforce from home to work resulted in an evolution in the cities. Mass transportation modes, such as trolleys and subways, became common sights in America’s most bustling cities. People started placing a greater distance between their homes and their jobs.

As America progressed through the 20th century, mass transportation improved and cities continued to evolve. Instead of stacking up, housing began to spread out in major metropolitan areas. The combination of mass transit and the automobile allowed people to move around in these densely populated areas. Again, the issue that limited how far people moved away from

commerce centers was their ability to get to work. People moved past the boundaries of the city and started to settle in surrounding areas. Especially in heavily industrialized communities, people desired to put as much distance as possible between their homes and the smokestacks. With the end of World War II, the U.S. was ready to begin its next development phase—based largely upon improved modes of transportation. The federal government upgraded the entire national highway system, and interstates began to link all of the nation’s major cities. For the first time, citizens were no longer dependent on mass transportation. Meanwhile, automobile sales skyrocketed.

With the newfound independence from older transportation modes came new problems, the most pronounced being traffic congestion. Urban centers did not have the necessary road capacity for the large number of vehicles, or even the space necessary to park all of the cars. As a result, some businesses began to move out of the core cities and relocate to areas with less congestion and more parking space. Again, the decision to relocate was driven by transportation. Offices were easily moved because employees no longer relied on mass transit. In many cases, businesses were actually moving *closer* to their employees.

Businesses that depended on bulk transportation for manufacturing components or the shipment of final products found it much more difficult to move. Some industrial processing could escape their dependence on shipping ports and rail hubs *if* they found trucking costs for their product within reason.

New Transportation Modes Impact Work and Lifestyle

Today, Americans have greater latitude in choosing where they live and work than they did just a half-century ago. Individuals may spend 45 minutes commuting six miles within a city setting, or 45 minutes commuting 50 miles to and from a city. The ability to commute greater distances has enhanced our ability to go back to our roots: owning land.

We often talk about owning a home as the “American Dream.” According to the U.S. Census Bureau, 43.6 percent of all households were owner-occupied in 1940. Today, that figure stands at 66.2 percent; 73.8 percent in Michigan. That number drops significantly in large metropolitan areas. For instance, in New York City, only 32.4 percent of the population owns their home. Of the over 750,000 households in Manhattan, only 22.1 percent are owner-occupied.

Even current constraints on where we live are lifted by a new mode of transportation: the information superhighway. In years to come, some individuals will no longer be required to be physically present at the job site, with much work being accomplished from home offices or other locales via the Internet.

Increased Density Results in Increased Costs

When development occurs in an increasingly dense manner, it becomes more difficult for individuals to take care of their own needs. For instance, people living on a five-acre lot likely have their own well and septic system. A development with five units per acre, however, needs a public water source as well as sewers, with local government as the likely provider of those services. The same holds true for garbage collection. In many townships, the individual

homeowner contracts for garbage collection. That concept doesn't work well in areas with high-density development where trash is collected on the same day, with local government often organizing the collection.

Fire service takes on an added duty when homes are clustered together. Instead of fighting the fire at-hand, the fire department must also concentrate on preventing neighboring structures from catching fire. With 150 feet between structures, the threat is minor; at 10 feet apart, it becomes a top priority.

If development is very dense, children no longer have backyards in which to play. Now the local government must create and maintain a parks and recreation system. Even the issue of snow removal becomes more complicated. In major downtown areas, there is no place for the snow to be stored. Front-end loaders and dump trucks are busy hauling snow out of the downtown areas to make the roads and sidewalks passable, which equates to higher costs.

Many township officials are reluctant to allow high-density development because they understand it would mean a commitment to providing a level of services not currently available within the township. The community may have no desire to build and operate sewer and water plants. The local unit cannot afford to upgrade a fire department to provide service levels required for high-density development, and the township doesn't have the resources to run and maintain a parks and recreation system. Likewise, no funds are available to upgrade a roads system overwhelmed by congestion.

Many land use advocates have bemoaned the fact that sprawl seems to be accelerating. Their solution has been to stop funding infrastructure improvements outside of urban areas—to stop “subsidizing sprawl.” *Pulling back subsidies on infrastructure development might, in fact, be the reason that sprawl is accelerating.* Local officials know that the days of federal funding for sewer plants have come and gone. They plan their communities to avoid the need to have sewers or four-lane roads. They avoid density, and instead allow the development to move further on down the road. Is it any wonder that the proliferation of one-acre home sites coincided with the disappearance of federally funded sewer plants?

A Look at the 'Village' Concept

Many in the planning community want to move to a “new urban center” concept where homes are created with very small yards, with shopping and other services just a short walk away. Most people would call these “villages.” Sometimes when you look to the future, you must look to the past. There are lessons to be learned from establishing villages 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 in both village and township elections. The township provides one set of services while the village provides another. Conflicts sometimes arise when township and village services overlap. Understandably, village residents do not want to pay twice for the same service.

This dual nature of providing services, however, makes sense when looking at differing needs due to the dense development of a village, compared to the rest of the township. According to the Michigan Department of Treasury, 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 that same time—roughly equal to 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 varies from community to community. It may be more appropriate to compare expenditures on a per capita basis. According to U.S. Census figures, *Michigan cities are spending over eight times as much as townships for municipal services.* Even after 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.

Cost of Operation: City vs. Township

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 township 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.

A full 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.

There was a method to the madness of separating the budgets of townships and villages. While disputes often arise in terms of who should be paying for services, the separation of the village budget from the township 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 for other services necessitated by denser development.

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.

Density or Intensity?

Villages have taught us that dense, intense development creates unique service problems. The idea of walkable communities is not addressed by simply allowing a single subdivision to be built in a dense manner. Instead, it suggests that an entire area should be built in a dense manner,

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 its 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.

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.

and that this density should be concentrated in certain areas. It is not simply an issue of density, but also of intensity. This intensity creates the major need to increase municipal services.

Creating density by clustering homes through zoning regulations does *not* change the basic development pattern of the community. Under traditional zoning, a development may have 50 homes on 50 acres. Under a clustering option, those 50 homes may be on 25 acres surrounded by an additional 25 acres of open space. Under either option, there are still 50 homes using 50 acres. Clustering options are wonderful tools from an environmental standpoint. Oftentimes wetlands and woodlands are better preserved because of common open space. Clustering doesn't impact the number of people moving into high growth areas however; it simply changes the look of the subdivisions.

Clustering *does* create the ability for the developer to reduce the costs of certain infrastructure. For instance, it is likely that roads and utility lines would be shorter because the individual lots would be smaller. Some proponents of clustering claim that homes on clustered lots sell for more money than homes on traditional lots. This would indicate that clustering does not necessarily create housing that is more affordable, but instead more profitable.

Sprawl is only impacted if intensity is added into the equation. It is not until new "villages" are created where homes, businesses and services are all developed in an intense manner that one can say that our development patterns are less land-intensive. However, local units of government—especially townships—shy away from these types of developments because of the increased commitment to public services. The "new urbanism" concept creates the need for many new public services. However, if a township doesn't even have an employee to shovel snow off the township hall's sidewalk, how likely is the township to approve a plan that requires a fully functioning department of public works?

Things Planners Sometimes Fail to Mention

Today's newest fad in planning is "new urbanism"—what most people would refer to as a village. Planners advocate that new urbanism tries to turn back the clock to a time when we all walked to work, school and shopping. Everything anyone needed was just a short stroll away from home. Supporters of the concept promote that walkable communities are healthier (more exercise), save natural resources (less use of gasoline) and create better diversity within the community. Development intensity should also equate to less infrastructure costs because roads and sewer lines are much shorter.

But is this the case?

Density creates additional costs in the public domain. For example, compare a typical subdivision with one-acre lots built in a township over the past 30 years with a new urban development. In the existing subdivision, one is likely to find a simple asphalt road winding around the landscape with houses on either side of the road, along with a simple ditching system terminating in retention ponds. Lawns meet the road, and the existence of sidewalks is unlikely.

The lack of sidewalks goes unnoticed by most residents. The roads are wide enough to accommodate cars, bikes and walkers. Generally, car traffic is minimal enough so that even younger bikers interact easily with the traffic. Storm water runoff is of minor consequence, because most water never makes it to the ditch, much less the retention pond. Water from roads, driveways and roofs is simply absorbed by the front lawn. The only time a resident sees any governmental service is when the snow flies and the road commission truck clears the subdivision roads.

In a new urban development, *everything* becomes more complicated. New urbanism favors narrower roads, but concrete saved from the road must then be used to lay sidewalks. Roads must be curbed to segregate people from vehicles. Because there is very little permeable surface, an intricate system of storm sewers must be established throughout the community. Instead of filtration and groundwater recharging taking place on the front lawn, the water is sent to a highly engineered fabricated ecosystem.

New urbanism developments have homes where the parking is usually accessed through a rear alley. So instead of having one road, the development now has two to maintain. Street sweepers must be brought in on a regular basis to keep leaves and debris away from storm sewers, which must also be cleaned regularly. When it comes time to plow the snow, regular plows won't work—the roads are too cramped for large dump trucks to maneuver. The snow often needs to be loaded on trucks to be hauled away. If anything goes wrong with the utilities, which are located under the road, then the road, sewers and sidewalks must all be destroyed to deal with the problem. With no yards to speak of, public parks are the norm, along with associated upkeep costs. And, of course, fire service is an absolute necessity. One fire can eliminate an entire community. Add in the required sewer and water service, garbage collection, and stepped-up police patrol, and we have the modern day village with all of the same old governmental costs.

While virtually any township can deal with a clustered development, with attention paid to minimizing additional public service requirements, very few townships are willing to tackle the service requirements of a large-scale new urbanism development. More highly developed townships already have many of the services in place, as well as a tax base that affords the township this versatility. While some townships are willing to take on these developments, most don't have the resources to provide the necessary services for a new urbanism development—and if state and federal resources continue to be withheld from townships, they never will.

Zoning Creates Balance

Michigan planning and zoning laws are established to create a balance between private and public interests. While people who develop their property are concerned about their property rights, neighbors of the development are also concerned about their own property interests. Planning and zoning laws allow people to maximize individual property rights, without necessarily detracting from the rights of their neighbors.

One of the key components of site plan review is to look at the overall development in relationship to neighboring properties. Plans submitted to the planning commission must include features on the adjoining properties so that the overall impact of the development can be

evaluated. Side yard setbacks and buffering techniques are used to ensure the new development will blend with existing and future development in the area.

While most people readily recognize the importance of reviewing a new development in relationship to the surrounding property, few focus on the importance of reviewing a development in relationship to the entire community, let alone the region. Most often, people quickly focus on the fact that a new house is being built too close to a property line. But how many people pay as much attention to the fact that a new development may require the usage of all remaining sewer capacity at the local plant, or overwhelm a sewer transmission line that serves that sector of the community? How does the development impact other infrastructure issues, such as water, electrical or gas lines, roads or schools? Does the denser development create more paved areas, which overburdens the storm water system?

These types of issues must be addressed by a master plan and implemented through the zoning process. This is especially true for communities experiencing development pressures, where the master plan must essentially evaluate their “limits to growth.”

Developers can look at a map and quickly discern a community’s ability to handle traffic, but how easy is it for a developer to determine the capacity of a sewer system or even the excess capacity of a particular sewer line? How does a developer determine if the development means the difference between a storm water system capable of handling storm water or resulting in the discharge of the polluted water directly into natural water systems?

The planning process needs to address these questions proactively. Master plans must identify limits on growth patterns. The public needs to understand that there is more to planning than limiting home sites to no less than 30,000 square-feet to ensure proper separation between septic systems and private wells. The public also needs to realize that other larger, subtler issues are at stake. That is why details are reviewed at the site plan review and general issues are addressed when a master plan is adopted and zoning changes are made.

A Tale of Two Communities
The City of Troy, which is laid out in the traditional township square manner, has a near perfect road configuration for growth. The city has main roads at every mile mark—north, south, east and west. I-75 bisects the city, and it is relatively close to other major arteries, such as M-59 and I-696. Commerce is traveling into and through the city where major development has occurred.

Compare Troy with a community like Brighton Charter Township in Livingston County. The state road system in the township may be superior to that in Troy. Brighton Charter Township sees the junction of I-96 and US-23, as well as Grand River Avenue, and is a short distance from M-59. This would seem to indicate that the township might be more ideally located for development than Troy. However, a major limitation in the community is the lack of primary roads to connect into the interstate system. The area is dotted with lakes and wetlands, which means that roads do not run straight for very long. Also, the highways, which make long distance travel so easy, create dead-ends throughout the community. As a result, the local roads will always have significantly less capacity than a community like Troy.

Government Shifts Wealth

The U.S. Constitution allows government to take property under certain circumstances. Local government is continually dealing with situations where a “takings” may occur. When a rezoning occurs that results in a perceived loss of property value, the property owner is often quick to seek redress for his or her loss. A rejected rezoning at the request of the developer is also often challenged as a taking.

However, less discussion is focused on situations where government doesn't *take* wealth, but instead *creates* it. The two main ways government creates wealth through local government activities are: 1) through uncompensated infrastructure improvements, and 2) rezoning.

As previously noted, new forms of transportation have shifted markets and created situations where property owners have stood to reap significant benefits. In the 1800s, rail companies were the beneficiaries of increased land values. Own the land where the next rail stop would be established and make a fortune; own land in the town that was passed by and lose your investment.

Today, the same situation exists. From a development perspective, land near the access point to a highway becomes more valuable, while land furthest from that access point holds the least value. If a dirt road becomes a paved road, the property served by that road can become much more desirable. In some cases, the improvement value is offset by the cost to the property owner. This is the basic concept of a special assessment district. However, in some cases, the property owner pays no extra cost, but can reap extraordinary benefits, all based on the local government's action.

While changes in the infrastructure may impact an entire area, rezoning has a much more targeted—and *potentially more valuable*—impact on land value. The combination of governmental infrastructure improvements, coupled with rezoning, often creates the largest net changes in property value. The simple decision to rezone a piece of property from one-acre minimum to half-acre minimum lot sizes could double the value of property. Rezone the property to a commercial classification and the value may increase tenfold. Rezoning is today's land speculation market—the land is purchased at current market value, and for the cost of submitting an application and a smooth-talking presenter, one can receive a huge return on investment.

The Creation of Wealth

It is incorrect to state that the addition of infrastructure or rezoning creates or destroys wealth. It is more appropriate to say that it shifts wealth to, or from, a particular area. If the state opens a new exit ramp on a major highway, it is easy to see that land values will increase in that area. Homes and businesses will be built because it meets the critical need of transporting people to and from work within a reasonable time frame.

However, the people who move into the newly opened area, for the most part, are coming from an area that has existing development. Opening the new market may cause a decline in the old market, simply shifting resources. Overall, population growth, and the corresponding growth in

overall income available for the purchase of land, bolsters the economy. Simply moving from one area to another creates a gain in the new area and a loss in the former area.

Rezoning shifts property value from the existing property to the newly rezoned property. When looking at the rezoned property the change is dramatic and easily measurable. The impact on existing property, however, is diffused and cannot be measured until large transfers have occurred. However, property owners are innately aware of even a subtle change. They know that additional people in the area detracts from the “quality of living” they currently experience. They understand that crowded roads and schools will impact their community; they just don’t know how to measure the effect. Urban communities and older suburbs can readily identify the impacts. Decades of incremental changes have left their toll on these communities.

Michigan is not simply dealing with the shift of existing resources. The state must also deal with overall growth, even if it is at a very modest rate. Much of our housing growth is no more than a shift in lifestyles where many more homes are occupied by one or two people today instead of families of five or six that we saw just two decades ago. We must also recognize that the overall base is rising. In some communities where decline exceeds growth, there are abandoned buildings and depressed housing markets. In other communities, there is equilibrium between the two forces. And in some communities, growth is accelerated beyond a natural expansion need.

Protecting What One Has

It is reasonable to assume that the philosophy of the local planning commission is a reflection of the community, and the community will protect what it has and try to improve on what is there. In developing communities, the greatest concern is that continued development will erode what makes the community desirable. If the roads become too congested, the desirability of the community is diminished. If the schools are overcrowded, education suffers and the community becomes less desirable. Taxes may have to be increased to build more schools—usually viewed as another less-than-desirable outcome.

If local planning commissions are protecting a community’s current assets, how do commissioners vote on matters such as a new fast food restaurant coming to town? The commission could favor the proposal because the business is a service to the local homeowners or reject it as a nuisance to the homeowners. A proposal for new industry in the area could enhance the tax base, but also spoil the landscape and cause congestion. People naturally reject developments that would contribute less to the community than what is currently being collected from existing property owners. It is a simple pocketbook issue.

This economic concept of protecting what one has and trying to make it better applies to any given situation. The agricultural community sees development as a way to enhance schools and increase the value of their assets—as long as it doesn’t interfere with their ongoing operations. Older, distressed communities seek economic development solutions so that more jobs and additional tax base are brought into the community.

The Density Question

Zoning is the major—and *some would say the only*—tool given to townships to manage their growth. As a result, each community must make decisions on a zoning map in contemplation of what their community will look like 10 or 20 years into the future. So why do some townships zone with one-acre minimums and others with five- or 10-acre minimums? Each is looking at an end result, but the actions are often predicated on current experiences.

Why would a township in the rural part of the state be very willing to allow homes to be built on one-acre sites, while townships in some of the fastest-growing areas of the state require five acres for a home site? The answer lies in the question itself: the imminence of development. In a rural area, the local board is likely to focus on the minimum standards needed for a house to be built. Officials are not worried about too much development. In fact, they may welcome *any* development. In contrast, the fast-growth area is focused on more than the ability of the land to accommodate the new house; it is concerned about the community being able to accommodate growth without creating a negative impact on current residents.

In non-developing rural areas, an additional home site will typically be accepted on virtually any size lot. There are no perceived downsides to having additional houses. In developing areas, everything takes a much different perspective. Roads, schools, police and fire services are all called into question. The basic character of the community is impacted, not by the addition of one new house, but by the addition of thousands of new homes. The issue is no longer a matter of how much land a house needs for a well and septic system. Instead, it becomes an issue of how many houses a road system can handle, and can the person get to and from work?

Eliminating Large Lot Zoning

In prior years, legislation has been introduced that would establish a maximum lot size in certain areas of the state. The maximum would vary based on the availability of sewer service to the property. Supporters of the legislation argue that such a policy would curb urban sprawl and, instead, stimulate affordable housing. Few supporters focus on the other side of the rezoning equation: the gain and the loss to property values.

Supporters seem to ignore the unintended consequences this type of action brings about. Naturally, those involved in home construction believe smaller lots are desirable in the high-growth areas of our state. Even the environmental groups have jumped on the affordable housing bandwagon for the fringe areas of our metropolitan areas.

What is ignored is that this activity will likely accelerate the exodus from our core city areas. In today's market, the outer ring around Detroit keeps land values at a premium by limiting the supply of building sites. Thus, these growth areas are able to keep a steady growth pattern, yet one that does not overwhelm the community. Some areas are testing this limit, however, such as Macomb Township, which has seen 1,500 new houses annually for the past several years.

In growth areas, simply taking limited pieces of property and rezoning for smaller lots will not necessarily create an area for affordable housing; it is simply going to create a development of expensive small lots. Simple economics will push in this direction. If there is a limited supply of

small lot parcels in a growing community, the market will push the houses to the largest size that the market will bear. Builders make larger profits when building larger homes than they do building smaller ones. The person who wants to build affordable homes will be out-bid for the property based on the higher profit margin for larger homes.

In Livingston County, Handy Township is trying a different approach. Rather than simply rezoning property to smaller lot sizes, the township created a zoning category to encourage affordable homes. The developer could automatically receive smaller lot zoning if he or she agreed that *all* housing units in the development were under a specific square footage, creating affordable housing. Showing the strength of this market, Handy Township had proposals for over 1,000 new home sites in just two years under this ordinance—enough to double the community’s current housing inventory. In fact, the response has been so overwhelming that the township placed a moratorium on use of the ordinance. As was noted at a recent meeting of township supervisors in Livingston County, it is not that the affordable housing market doesn’t exist in the area—it is that it is that that demand is too large to accommodate all of the requests. Handy Township is best described as the very fringe of metropolitan Detroit’s development area. If a “fringe market” can see this much activity, what would happen in the hotter markets?

What If Large Lot Zoning Was Eliminated?

If the Legislature overrides all local zoning, and essentially creates small lot zoning throughout the state or even in metro Detroit, it would send Michigan’s real estate market into a tailspin. While it would create a temporary building boom, it would have a negative impact for decades to come on property values, especially on existing homes.

Rezoning is a process that redistributes wealth. If small areas of land are rezoned, significant additional value flows to those parcels, and the surrounding areas see incremental negative impacts because of the rezoning. This increase occurs because the single rezoning doesn’t significantly change the supply or demand. If sections of land were automatically rezoned in metro Detroit, land values would not increase because the new supply of lots would flood the market. Vacant land sales would become a buyers’ market. Land that was prohibitive for development in Macomb, Oakland, Livingston, Washtenaw or Monroe counties would now be available at cut-rate prices.

If massive rezoning was accomplished, it would open many areas to the construction of less expensive homes. Modest-priced homes would flood the market. Low taxes, low crime and good schools would draw families of all incomes into current high-value markets. Of course, many of the benefits associated with living in the area would disappear. New home construction would saturate roads beyond congestion. Lower taxes would be a thing of the past; the local unit would have to raise taxes to pay for the new schools, and roads would have to be built each year to accommodate the traffic. Sewer and water lines would need to be expanded. Higher density would require more police and fire services. In other words, growth would occur until everyone in the area felt that this new place was no better than any other, until it moves to the lowest common denominator. At the same time, the market for existing homes in the community would greatly diminish.

As for existing housing in older communities, their market value would fall as well. If people can afford to leave areas of high crime and poor schools for areas with low crime and good schools, they will. But no one will purchase the houses they would leave behind since potential homebuyers would also be moving into the new area as well. The scenario in Detroit of neighborhood abandonment accompanied by decaying infrastructure would be repeated tenfold. Housing markets in many areas would evaporate. Any proposal designed to significantly open the housing market to more affordable housing in the outer ring would simply accelerate the abandonment of the urban areas of our state while overwhelming the developing areas.

Planning and Infrastructure Development Go Hand-in-Hand

The end result of massive change to small lot zoning would be new communities overwhelmed by development. What this demonstrates is the one concept that is often ignored by those who look to make changes in the planning process: those who implement infrastructure decisions and provide the services *must* retain planning decisions.

Under current law, townships control planning and zoning, and coordinate most infrastructure development and the provision of services. When a master plan is developed or zoning is modified, the consequences of the decision are evaluated against the desire or ability to modify the infrastructure or service level of the community. Many of the problems associated with planning are a result of a disconnect between the planning process and the ability to deliver services.

One example of this disconnect sometimes occurs between the local planning board and the school system. Friction can result when developments are built in areas where the school system is unable to cope with the influx of additional students. This is why open communication between the two entities is vital to the planning process. Roads are another area that tend to have a disconnect between the planning and outcome.

The problem with state mandates for development density is that they fail to take into account the ability of the local units of government to accommodate the development. If the state were to mandate small lots in developing areas, those areas would quickly be overwhelmed in their ability to provide services. Sewer and water lines would not be available, and state and federal governments offer no current programs to assist in the development of this infrastructure. Roads would run above capacity, with little, if no, money available for expansion. Schools would be overcrowded, with voters being asked to approve additional bond millages to accommodate growth. Police and fire services, designed to accommodate rural areas, would be ill-equipped to respond to more urbanized situations. Recreational, senior or library services would also have to be upgraded to meet new demands.

Planning must take into account not only the land's ability to accommodate the development, *but also the community's capabilities.* If the master plan is established to allow certain types of development to occur, it must also take into account the community's ability to expand its services. If the people who develop the plan are the same people who must deliver those services, there is much greater likelihood that the development and infrastructure will evolve together. If the plan for development is artificial, such as a state mandate, the chance that the

development and infrastructure will evolve together is not likely to happen. Planning *must* take place at the same level where service decisions are made.

Conclusion

People in Michigan are no different than those in the rest of the nation—or the world, for that matter—when it comes to choosing where they want to live. Every individual elects to live in the most pleasant situation he or she can afford and an area which serves his or her needs. We tend to distance ourselves from industrial areas while prizing open areas. Some call this sprawl; others call it human nature.

People vote with their feet, and, for the past few decades, they have been moving further and further from central cities, with townships being a major beneficiary of this movement. For many township officials, their chief focus is how to manage growth. In the '50s and '60s, the suburban cities surrounding our major cities were the focal points of growth. Those cities depended on the state and federal government to help pay for the significant infrastructure costs associated with growth. Matching funds for sewer projects were the norm.

Today, townships must deal with the same growth concerns that places like Troy and Farmington Hills dealt with years ago. But today there is *no* help from the state or federal government. The township of today must choose one of two paths—either accept full-scale development and look to provide all of the infrastructure needs and services that accompany development, or take the path that most townships follow by trying to limit development so that it does not overwhelm and change the community.

Every board member and planning commissioner in a township which is trying to cope with major development pressures understands that the decision to build a subdivision in one area of the community will have an impact everywhere else within that community. They understand that planning and zoning decisions must be made where service delivery decisions are made, because one is dependant on the other. They understand that sometimes “more” means better, and sometimes “more” just means more problems. Sometimes development can benefit the entire community; other times, it can destroy everything that a community once had.

Withholding resources from developing communities can make these decisions much casier. The pressures for development won't stop coming. It just means that townships will increasingly make the decision to limit the impact on their community and let the development move further on down the road.