

ENHANCING OLDER RESIDENTIAL AREAS

Neighborhood revitalization deals with the rehabilitation and redevelopment of older residential sections of urban areas. Older residential areas may have a number of issues to address, including: aging housing stock, deteriorating infrastructure, and abandonment of commercial and industrial buildings. Effectively revitalizing a neighborhood requires a comprehensive approach, focusing on all land uses in the neighborhood by requiring the evaluation of existing housing stock, shopping areas, employment centers, community and recreation facilities, and traffic flow patterns.

In addition to the available tools for managing residential development, there are numerous tools which aim to the successful revitalization of residential neighborhoods. This section focuses on the tools that provide incentives to make improvements in these areas. The concept of infill development is explored as a mechanism to blend new development in with older, stable developments. Additionally, tools created through legislation include neighborhood enterprise zones, blighted area rehabilitation, municipal blighting program, obsolete property rehabilitation districts, and special assessment districts.

KEEPING IT CONNECTED

Your community may have historic structures that give it a tangible link to the past and a sense of identity. You can protect these valuable resources by using various provisions under federal, state, and local laws. Start by identifying the significance of these buildings and evaluating whether they need to be protected. Consider the type of streetscape design that should be prevalent in historical districts.

Planning and Regulatory Considerations

Neighborhood Enterprise Zone Act (PA 147 of 1992, as amended by PA 217 of 2001) provides for the creation of neighborhood enterprise zones.

Blighted Area Rehabilitation Act (PA 344 of 1945, as amended by PA 320 of 1986) authorizes counties, cities, villages and townships to adopt plans to prevent blight and to adopt plans for the rehabilitation of blighted areas. Communities can carry out such plans by the acquisition of real property, the improvement of such real property and the disposal of real property in such areas.



Harbortown development in Detroit.

Municipal Blighting Act (PA 27 of 2002) provides communities with a tool to eliminate “spot blighting” by designating a structure or lot as a blighting property and acquiring title in it.

Obsolete Property Rehabilitation Act (PA 146 of 2000) permits qualified local governmental units to establish obsolete property rehabilitation districts, and allow the owner of obsolete property to apply for tax abatements for commercial facilities undergoing rehabilitation in these eligible districts.

Historic Preservation Tax Credit (PA 534 of 1999, PA 535 of 1999; as amended by PA 213 and 214 of 1999) aims at residential and commercial historic preservation efforts in Michigan.

Tools for Enhancing Older Residential Areas

There are several tools communities can draw from to enhance their older residential areas. This section focuses on the following techniques:

- Designing successful infill development,
- Providing neighborhood enterprise zone incentives for housing development,
- Removing blight and obsolete properties, and
- Creating a special assessment district to finance capital improvement projects.

Each of these methods are highlighted below. However, many sections of this book provide detailed information that may be helpful in enhancing older residential areas.

Designing successful infill development

Infill sites include both single vacant neighborhood lots in older neighborhoods and remaining acreage parcels that may be of odd configuration in already built-up suburban areas. The scale of the project relates to the surrounding development, and the project includes new construction, not simply a renovation or adaptive reuse. Infill sites range from abandoned inner city lots to high-value land in a built-up suburb or small town as well as odd-shaped outlying parcels that are unbuildable due to setback requirements of current zoning or presence of protected natural features.

The infill technique will vary according to the parcel location. For instance, the most prevalent type of infill parcels within the older urban areas is the single lot, while clustering may often be an appropriate infill tool in fringe areas due to the types of remaining vacant parcels. An attempt should be made to match the character of the existing homes in the neighborhood. The attractiveness of the infill development option varies according to the marketability of the community or the particular area within the community. Due to the land values and market demands, infill development will occur without any promotional efforts in some communities, whereas in other communities, infill development requires extensive marketing efforts and some incentives.

Benefits of infill development:

- Assists in bringing new taxes to the community.
- Takes advantage of existing infrastructure thereby offering a less expensive approach for communities than having to build new infrastructure elsewhere in the community.
- Contributes to the community's tax base with only marginal increases in the services required.

Table 8
Types of Redevelopment
and Infill Projects

- Historic preservation
- Waterfront development
- Brownfields
- Residential infill
- Adaptive reuse
- Downtown business district
- Multi-family
- Suburban commercial
- Mixed use development
- Roadway expansion

Source: Center for Watershed Protection, "Smart Site Practices for Redevelopment and Infill Projects."

- Protects environmentally sensitive land in outlying areas by promoting development of vacant land within already developed areas.
- Provides housing in close proximity to employment centers, thus reducing the impact on transportation systems.

When conducting infill development, communities should consider the following:

- Inventorying and mapping all vacant lots and classifying these lands according to appropriate land use and any development constraints.
- Establishing flexibility in zoning standards — such as building setbacks and side yard requirements — to encourage infill cluster development.
- Relating the size and character of a project to the type and scale of surrounding land use.

Providing neighborhood enterprise zone incentives for housing development

Neighborhood enterprise zones (NEZs) are geographic areas designated for the purpose of fostering improvements in housing stock and helping to stabilize neighborhoods in cities and townships that meet certain criteria. Michigan's NEZ program reduces property taxes on new and rehabilitated housing for qualifying local governmental units.

Benefits of Michigan's NEZs:

- Addresses a specific and significant problem preventing development in urban communities — high property tax levies.
- Potential exists to assist in neighborhood development by increasing housing affordability for moderate-income families.
- Existing local revenue is not eliminated.
- Encourages new owner-initiated residential development and overall neighborhood development and improvement.
- May eventually attract commercial and industrial development by promoting residential neighborhood stability.

Considerations for participants joining the NEZ program:

- Homeowners and developers within the zone apply for a state-issued NEZ certificate that enables new or rehabilitated homes to be exempt from property tax.
- A neighborhood enterprise zone tax is levied on the home owner, which is significantly less than the normal property tax. The NEZ tax is calculated by multiplying a formula defined in the legislation based on the facility's taxable value, not including the land. NEZ certificates remain in effect until 12 years from their effective date.

- To be eligible for the NEZ program, the local government must be listed as a “core community,” as defined under the Obsolete Property Act. (See Table 9 for a list of eligible core communities in Southeast Michigan.)

Restrictions for allowable use of the NEZ program incentives:

- Total acreage of all neighborhood enterprise zones in a community cannot exceed 15 percent of the local unit’s total acreage.
- Facility must have as its primary purpose residential housing; the facility must be in compliance with local codes, and
- Requirements for minimum levels of investment and maximum values of existing structures for rehab properties.

Recent neighborhood enterprise zone act amendments define the qualified communities for this program as the core communities as defined in PA 146 of 2000 (refer to Table 9 for a list of these core communities).

Table 9
Core Communities: Qualified Local Governmental Units in Southeast Michigan under the Obsolete Property Rehabilitation Act (Public Act 146 of 2000)

Ann Arbor	Hazel Park	Redford Twp.
Dearborn	Highland Park	River Rouge
Dearborn Heights	Inkster	Royal Oak Twp.
Detroit	Lincoln Park	Southfield
Eastpointe	Livonia	Taylor
Ecorse	Melvindale	Trenton
Ferndale	Monroe	Warren
Gibraltar	Oak Park	Wayne
Hamtramck	Pontiac	Wyandotte
Harper Woods	Port Huron	Ypsilanti

Source: Citizens Research Council of Michigan. Survey of Economic Development Programs in Michigan (Report Number 334). Livonia, MI: Citizens Research Council of Michigan, 2001.

Removing blight and obsolete properties

There are various laws that provide communities with the ability to remove blight:

- Rehabilitate blighted areas.
- Eliminate “spot” blight.
- Establish an obsolete property and rehabilitation district.

The first of these tools has been available for many years, while the latter two are newer tools to assist communities with facilitating rehabilitation and construction.

Rehabilitate blighted areas

Counties, cities, villages, and townships within Michigan can take significant steps towards reducing blight in their municipalities by utilizing the Blighted Area Rehabilitation Act. The act is important to the revitalization of older urban areas because it helps to:

- preserve property values, and
- maintain and increase the tax base and protect the health, safety and general welfare of the municipality.

The act, passed four years before the Federal Urban Renewal Act, was the first state authorization for the revitalization of communities and remains the most versatile. It permits all levels of government to carry out projects ranging from minimum neighborhood conservation to total clearance and redevelopment. It can and has involved all land uses — residential, commercial, industrial, institutional, and open space.

Its powers allow the taking of private property and reuse of that property for not only public use, but new and perhaps different uses. This issue has been adjudicated successfully all the way to the United States Supreme Court. The court found that the removal of blight provided the necessary public purpose and any new use was permissible so long as it followed the community master plan.

Through a combined effort between a citizens district council and the local legislative body, the Blighted Area Rehabilitation Act allows communities to:

- Improve or acquire and develop properties within a designated blighted area district.
- Lease, sell, renovate, improve or exchange real property.
- Implement methods of raising funds to effectively operate a blighted area rehabilitation district.

Rather than relying on private entities to perform the above tasks, the act allows municipalities interested in preserving their community to function in those capacities. Since the federal government withdrew matching grants in favor of bloc grants, this act has not been used as extensively. However, its versatility is still not matched and it remains a valuable tool for community revitalization.

To qualify as a blighted area district, an area must meet the following criteria:

- District must demonstrate physical, economic and social deterioration, marked by functional or economic obsolescence of buildings, physical deterioration of

structures and buildings, and improper and inefficient division or arrangement of lots, ownerships, streets, and other open spaces.

- District must also have characteristics which endanger the health, safety, or general welfare of the municipality.

Initially, implementation of the act requires that a citizens district council (CDC) be established. The CDC should be composed of 12 to 24 members, the majority of whom are residents of the affected area. The CDC provides a voice for the local neighborhood on redevelopment projects, plans for housing development and related activities. Local officials responsible for preparation and development of the plan must report directly to the CDC on all matters concerning the plan prior to it going to a local commission, public agency or legislative body.

In addition, the legislative body that prepares the blighted area development plan must have the following:

- A master plan that designates areas in need of rehabilitation or in need of measures to prevent blight.
- A plan showing the general features of the district within which the development area lies and the features of areas adjacent to the development district.
- The legislative body works together with the CDC to define problems, suggest solutions, and implement plans.

Eliminating “spot” blight

Cities in Michigan have thousands of vacant lots and vacant and abandoned buildings that are subject to trespassing and criminal activity, creating an unsafe situation for the public. This blight also contributes to making neighborhoods as unlivable, unsafe, and unsightly. Furthermore, the blighting reduces the value of nearby property and leads to a reduction in the community’s tax base. An obstacle that cities have met in removing blight is that they sometimes need to have title to the blighting properties.

The benefit of the Municipal Blighting Program (MBP) to communities is that it helps to eliminate “spot blighting.” Under the MBP, municipalities now can designate a structure or lot as a blighting property and acquire title to it by purchase, gift, exchange, or condemnation.

Blighting property is defined as property that is likely to have a negative financial impact on surrounding property values or on the increase in value of surrounding property. Other components of blighting property include:

- was declared a public nuisance;
- was an unattractive nuisance;
- was a fire hazard or otherwise dangerous;
- had the utilities disconnected;
- had a damaged building or structure on it that did not

meet building codes;

- had a building or structure that was likely to fall, become detached, or collapse and injure persons or damage property;
- had a building or structure that had become the place for the accumulation of trash or debris,
- was a haven for rodents,
- was unsanitary or unfit, or
- was determined to injure the health, safety, or general welfare or people in the dwelling.

Planning considerations under provisions of the law:

- Require the municipality to hold a hearing on the designation of “blighting property” within a particular time frame, giving notice to those occupying the property and others with a legal interest in the property. There are provisions for those with a legal interest in the property to contest the designation.
- Require the municipality to transfer blighted property for development or to develop it.
- Allow the municipality to accept a deed instead of foreclosure for delinquent property taxes on the blighting property.

Establishing an obsolete property and rehabilitation district

This tool gives qualified local governmental units as defined in PA 146 of 2000 (refer to Table 9 for a list of these core communities), with the ability to establish obsolete property and rehabilitation districts. Owners of commercial facilities in these districts, including residential property, that are undergoing rehabilitation are eligible for tax abatements.

The benefit to the community is the opportunity to facilitate rehabilitation of obsolete property. Within these districts, qualified obsolete property rehabilitation



Infill development in Detroit.

projects are eligible to receive a one to twelve year tax exemption certificate. These certificates would freeze the property at its pre-habilitated value, which in effect allows the rehabilitation of the property to be tax free.

Planning considerations when establishing an obsolete property and rehabilitation district:

- By resolution of its legislative body, a local unit, can establish one or more districts containing obsolete property in an area characterized by obsolete commercial or commercial housing property.
- The community would have to give notices and hold a series of hearings as provided for under the Act to afford property owners and other stakeholders with the opportunity to comment.
- Once a request for property tax exemption was approved, the exemption certificate would be issued to the applicant containing, among other things, the period of time authorized by the legislative body in which the rehabilitation must be completed. If the certificate was for less than 12 years, it would have to contain the factors, criteria, and objectives for extending the period of time, if any.
- An exemption certificate could not be approved unless, among other things, the rehabilitation of the facility began after the establishment of an obsolete property rehabilitation district; the completion of the rehabilitation was likely to increase commercial activity, create employment, retain employment, prevent a loss of employment, revitalize urban areas, or increase the number of residents in the community in which the facility was situated; the applicant stated in writing that the rehabilitation would not be undertaken without the exemption certificate; and the applicant was not delinquent in the payment of any taxes related to the facility.
- Local units would be required to report annually to the State Tax Commission on the status of each exemption, including the current value of exempted property, the number of jobs retained or created, and new residents.

Creating a special assessment district to finance capital improvement projects

Special assessment is a financing mechanism used to secure funds for capital improvements in residential, commercial and industrial areas. Special assessment districts (SADs) are unique because they are based upon the premise that where there are a few properties which are specially benefitting from an improvement, such properties should contribute toward the cost of that improvement. When a capital improvement is needed, a special assessment district is established with boundaries encompassing all benefitting property owners. Each property owner is then assessed for his/

her fair share of the improvement cost. SADs are widely used in Michigan to finance drains, sidewalks, curbs and gutters, road improvements, sanitary and storm sewer improvements, and the like.

Benefits of special assessment districts:

- SADs offer local units of government flexibility in raising revenue. If only a portion of the property owners in the community desire certain capital improvements, SADs enable the community to only charge those properties which will specifically benefit from the improvement.
- SADs, unlike general property taxes, can be levied against all real property in a district.
- Special assessment statutes do not designate limits on the rate or duration of the levy. Some statutes allow the community to adjust the levy on an annual basis to meet operational costs and capital expenditures without public approval. However, a public hearing is required.

Limitations of special assessments:

- SADs increase administrative costs.
- SADs can be politically controversial and easily misused.
- Because special assessments are not taxes, property owners are not allowed to deduct them on their federal income taxes.

Special assessment districts may be initiated by the local governing body or by a citizen petition. A property owner who wishes to initiate a SAD does so by petition, which must affirmatively reflect the desires of not less than 50 percent of the real property owners in the district based upon the number of parcels within the district or the total front footage of the parcels, depending on the nature of the project.

Information required to initiate a SAD petition includes:

- A description of the proposed district.
- A description of the proposed project.
- Signatures of the real property owners.
- The respective lot numbers.
- An affirmation that the signers are property owners in the district to be assessed, provided by the city clerk or his/her designate.

The information is then sent to the community's legislative body addressed to the clerk.

CASE EXAMPLE

Neighborhood Enterprise Zone

Community: Wyandotte

Contact: Joseph M. Voszatka, (734) 324-4541

The City of Wyandotte started the NEZ program in 1992 by establishing three zones. The zones were created in neighborhoods consisting of inexpensive homes built in the early 1900s to house workers for the industries in the area. A maximum of 11 percent of the City's area may be included within an NEZ, or a total of 371 acres. Approximately 219 acres are still available for inclusion within the NEZ program. The NEZ program has been very successful in assisting the City with its neighborhood revitalization goals. This incentive, combined with aggressive code enforcement, acquisition of substandard housing, and other investments in parks and streets, had a dramatic "ripple effect."

A total of 81 new homes have been constructed in the three areas with NEZ certificates (with more than 150 homes being demolished). Properties immediately outside of the zones have also been revitalized. New commercial developments have been constructed and adjoining neighborhoods improved. Two residential projects currently under construction include the Wyandotte Lofts Condominium Project and the Biddle & Orchard Condominium Project.

On a city-wide basis, the NEZ program and other revitalization programs have had a dramatic effect. From 1981 to 1987, approximately 250 permits were issued annually for dwelling alterations, averaging \$800,000 invested per year. In 1993, more than 1,100 permits were issued for \$4.2 million in improvements. From 1999 to 2001, an average of 1,346 permits were issued annually, averaging \$17.5 million in improvements per year.



Neighborhood in Wyandotte

The Inn on Ferry Street

Community: Detroit

Contact: Susan T. Mosey, (313) 577-5088

The Inn on Ferry Street was an adaptive reuse project that entailed the renovation of four Victorian homes and two carriage houses into a 42-room boutique inn with modern-day amenities and conference facilities.

The historic inn serves visitors to Detroit's Cultural Center, Wayne State University, and Detroit Medical Center. The planning process spanned nearly a decade, and had project costs of \$8.5 million, with 23 sources of financing being assembled to move the project forward. Funding sources included private and public loans, grants, and historic tax credits. This project demonstrates how preservation can be used as a tool for community renewal and economic revitalization.

Woodward Corridor Development Fund

Community: Detroit

Contact: Glenn Lapin, (313) 259-5400

The Woodward Corridor Development Fund was established to encourage the development of new and renovated quality housing in Detroit's Woodward Corridor area. The target area's boundaries is Grand Boulevard to the north, Chrysler Freeway to the east, Lodge Freeway to the west, and the Detroit River to the south. The types of housing development to be supported by the fund include rental and owner units. The fund's application guidelines indicate that while multiple family development is preferred, single family projects may also be considered if the cost per unit is competitive with multiple family developments. The fund is



The historic Inn on Ferry Street in Detroit

Photo courtesy of KGT Photographics.

intended to encourage for-profit developers and for-profit/non-profit partnerships to make equity investments in housing development projects in the target area. Since its inception in 1994, the fund has made loans of over \$1.6 million for 21 projects, generating nearly \$69 million in investment. Projects have included the Garfield Building, Cass Lofts project, and Stuber-Stone Building.

Additional Resources

Citizens Research Council of Michigan. *Survey of Economic Development Programs in Michigan* (Report Number 334). Livonia, MI: Citizens Research Council of Michigan, 2001.

Michigan Economic Development Corporation. *Economic Development in Michigan: A Guide for Michigan Communities*. Lansing, MI: Michigan Economic Development Corporation, 2002.

Northeast Midwest Institute. *Strategies for Successful Infill Development*. 2001.