

## **Infrastructure and Places Workgroup Policy Recommendations**

The Growing Michigan Together Council (GMTC) Infrastructure and Places Workgroup was tasked with crafting recommendations to:

- Propose long-term, sustainable, and equitable funding solutions for Michigan's multi-modal transportation systems and aging water infrastructure to help meet the 2050 population goal identified by the commission.
- Consider the need for placemaking investments that will support retention and attraction goals
- Consider the need for sustainable investment among the emergence of more fuel-efficient vehicles and an unprecedented influx of one-time federal money
- Propose solutions on how to create attainable housing options for Michiganders in every income bracket and create investment- ready sites across the state

To address these challenges, the Infrastructure and Places workgroup met seven times to discuss placemaking and housing, roads and water infrastructure, and large-scale site development. Through presentations with outside experts and robust discussions among workgroup participants, recommendations are being submitted that will contemporize Michigan's infrastructure, reimagine how local government deliver services, and provide housing solutions to match the needs of current and future Michiganders.

The recommendations build out a **future Michigan that has dense, urban cores** with more housing options and **well-designed and funded transit options**. The recommendations acknowledge that housing is the largest household expense for most families, followed by transportation costs- together representing approximately half of an average household's budget, and an even larger proportion for low- and moderate-income households. They seek to address affordability on both fronts- by proposing for **rehabilitation and new builds of affordable housing** options while also thinking about how well thought out transit can reduce the need for a reliance on a vehicle and reduce the transportation costs for families.

Local governments and the State will work together to **modernize our infrastructure, integrating and collaborating to maximize taxpayer resources** and reduce redundancies. Local

governments of all sizes will have vibrant downtowns and local governments will be rewarded for the reinvestments they make in the communities. People will want to move to Michigan because of our attractive, affordable housing options that match their lifestyle. Moving around Michigan and within areas will be easy- our roads will be well maintained and well planned out with sidewalks and bike paths that connect downtowns to suburbs and larger trail networks. Transit options will be reliable, and Michiganders and visitors alike will be able to use it to get from downtowns to suburbs and to connection points that will take them anywhere in the world. We will have invested in our future by redeveloping our communities and **investing in places to attract large scale investment opportunities.**

Research and polling indicate that people move to an area because they are drawn to the amenities and way of life it offers, a drastic switch from the last century of people locating to or near a community in which they found a job. The recommendations presented by the Infrastructure and Places workgroup ensure when anyone looks for a where to settle, Michigan has the housing, transit, and sense of place they are looking for.

# Recommendation One: Placemaking and Local Government

## Recommendation:

Provide the tools and incentives for local governments to create vibrant places and work together across jurisdictional boundaries to provide more efficient and cost-effective public services.

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## Description:

- Address the interaction of the Headlee Amendment and the property taxable value system **to enable local governments to benefit from growth in property values**, while protecting homeowners when property values decrease.
- **Incentivize service sharing agreements or consolidation of local services** to unlock existing and new state programs and funding. Change scoring and funding criteria across all state programs and funding opportunities to prioritize and reward communities that partner or consolidate how they provide services through a shared service agreement, regional authority, or other mechanism.
- **Expand state programs that provide technical assistance** to local governments to help pull down state and federal funding and to supplement capacity within local government to effectively spend the funds when received.
- Create a **state revenue sharing trust fund** that dedicates state revenue sharing funds to local units of government.
- **Invest in programs that support revitalization and placemaking efforts.**
  - Expand funding to the [Revitalization and Placemaking Program](#), which incentivizes Michigan communities to invest in projects that enable population and tax revenue growth through rehabilitation of vacant and blighted buildings and historic structures, rehabilitation and development of vacant properties, and development of permanent place-based infrastructure associated with social zones and traditional downtowns, outdoor dining, and public spaces.
  - Expand Michigan Main Street to encourage redevelopment of historic buildings and investment in small cities and villages.

## Rationale:

The paradigm in talent attraction and economic development has dramatically shifted over the last generation. Jobs used to drive why people would buy a house and settle in a particular community. Today, and especially with young college graduates, connection to a particular place drives where they decide to settle—and the job will follow. Places attract talent, which will lead to job creation.

Employers need to entice people with not only a well-paying job, but also an attractive place to live and play. To attract and retain residents in Michigan, we must cultivate communities that are attractive to a wide range of people.

The Michigan of the future needs dense, vibrant, walkable spaces with a range of housing options and cultural amenities. We need vibrant big cities that rival Chicago and Minneapolis with dining, entertainment, and transit. We also need to revitalize Main Street in small towns and make smart development choices that prioritize utilizing our already built landscape over expanding out new infrastructure and converting our rural landscape.

To accomplish this, local governments need the tools, resources, and incentives to create the spaces and communities that people want to call home. Vibrant communities depend on tax systems that allow the communities to benefit from their own revitalization while also protecting taxpayers from unlimited growth and unpredictability in their property taxes.

The state also needs to encourage, through access to state funding, breaking down jurisdictional boundaries to better coordinate services and pool resources to better meet the needs and demands of citizens, who rarely care or recognize geographical boundaries when thinking about government service delivery.

## Recommendation Two: Housing

### Recommendation:

Develop and revitalize housing stock to align with our housing needs and focus new development on infill to create vibrant, dense communities.

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### Description:

- **Expand programs that provide financial and technical support to build more middle-income housing options.**
  - Build out and continue to provide state funding for missing middle housing programs. The grant program should incentivize developers to build housing that meets the needs of low- to middle-income households, including rental and for-sale housing, that would fund the gap between the cost to build or renovate missing middle housing and the market price. The investment should be focused on areas that already have built-out infrastructure.
  - Establish a shared appreciation loan program that provides loans for a down payment. Under this model, when homes are sold or transferred, the home buyer would repay the original loan amount plus a share of the appreciation in the value of the home.
  - Create a public-private lender collaborative, with involvement from community development financial institutions, to identify new ways to increase lending to low- to moderate-income home buyers, including down payment assistance.
  - Provide the technical capacity and resources that the state's 15 housing regions need to grow and support local capacity to advance housing projects by deploying housing partnership field staff from the Michigan State Housing Development Authority (MSHDA), as outlined in the statewide housing plan.
  - Expand MSHDA's Housing Choice Vouchers to eliminate the waitlist and allow additional people to benefit from the program.
  - Focus new development in places where infrastructure and transit already exist to address infill and accessibility.
- **Incentivize local units of government, through access to state funds, to expedite updates to local zoning codes to implement smart growth principles that are future focused.** At a minimum, changes to local zoning laws should enable/prioritize:
  - Complete Streets design that incorporates sidewalks, bike lanes, and other nonmotorized considerations.
  - Mixed-use design, infill development, and small-scale multiunit properties.
  - Allowance of accessory buildings for single-family houses.
  - Reduce lot sizes and minimum square feet requirements.

- Reduce or eliminate parking mandates for developments (both residential and commercial).
- Where appropriate, local governments should plan and invest in transit-oriented development that includes a mixture of housing, retail, office, and/or other amenities integrated into walkable neighborhoods located close to quality public transportation services.

## **Rationale:**

Recent polling has shown that what makes Michigan an attractive place to live is our abundant natural resources and relatively low cost of living. But challenges in housing availability, construction, and development costs impact communities all around the state. MSHDA recognized this need, and in 2022 developed one of the first Statewide Housing Plans in the country. The Statewide Housing Plan highlighted that:

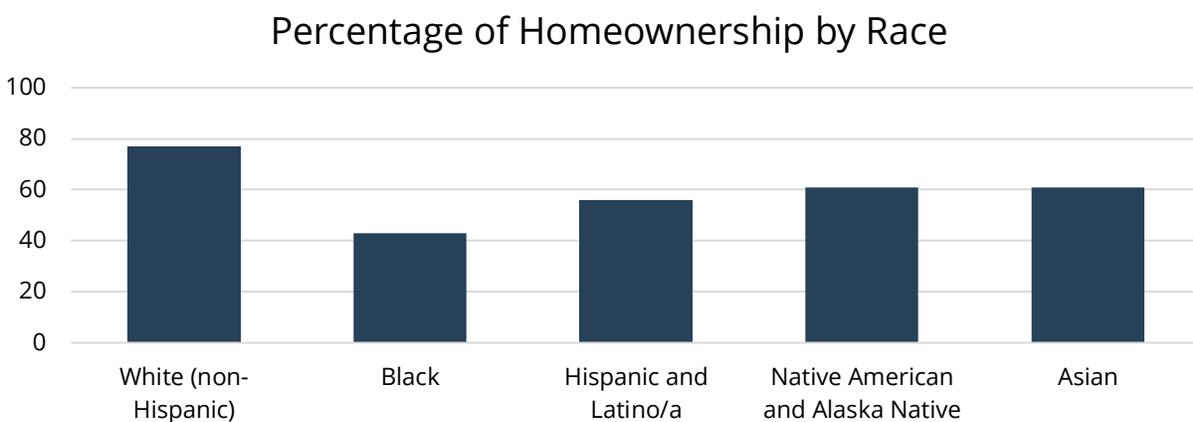
- 37 percent of Michigan's existing owner- and rental-occupied units were built prior to 1960. Units may not have the layout, systems, or amenities today's homebuyers are looking for. Additionally, properties may have lead-based paint.
- 15 percent of Michigan's housing stock is vacant due to issues with legal/title status, habitability, or another reason. Many vacant ownership units in the state have not been maintained over time and will require substantial rehabilitation.
- Due to declining population, housing supply shortages, and escalating housing prices, communities can find it more difficult to attract new businesses.
- There is a lack of affordable housing for households at 50 percent or below the area median income in urban and rural areas of the state.
- Michigan millennials may prefer walkable, mixed-use housing near shopping, restaurants, and public transportation. Older adults prefer housing accessible to health care and family. Immigrants prefer housing near schools, jobs, and public transportation.
- Increased housing demand and supply shortages in the state are creating affordability issues and higher price points.

Many of the recommendations put forth by the workgroup complement or build off the plan.

Michigan's housing stock is aging. Nearly half of all housing units in the state were built prior to 1970 and construction of new units in Michigan falls far short of current demand. The average number of building permits for new construction issued between 2016 and 2020 is less than half of what it was between 1986 and 2006. As a result, existing housing—historically the main supply of housing for middle-income and low-income families—is scarce. Between 2010 and 2019, Michigan's units for rent declined by 40 percent, well above the national average.

Compounding to the affordability and access challenge is the steep increase in average Michigan home sales prices, which between 2013 to 2021 rose by 84 percent. With over 48 percent of Michigan renters and 18 percent of homeowners being house burdened—meaning they paid over 30 percent of their income toward housing costs—addressing housing stock and cost is a significant investment Michigan can make to address the affordability challenges for a larger percentage of our population.

Addressing affordable housing supply is also a way to invest in wealth for nonwhite households. Home ownership varies greatly along racial lines. The 2019 racial demographics of homeowners is seen in the chart below:



The housing strategy outlined above addresses many of these needs by:

- Shifting our development focus from new, larger homes in suburbs to smaller, multifamily developments in our already built-out communities.
- Increasing the supply of housing stock to support the growth and economic mobility of employees by providing cost defrayment to developers investing in, constructing, or substantially rehabbing properties targeted to household incomes between 185 percent and 300 percent of the federal poverty level.
- Incentivizing local governments to update their zoning to allow for smart growth strategies.
- Working in tandem with the recommendations around local government and transit to match the future needs of Michiganders.
- Addressing the lack of housing availability that has negatively impacted businesses' ability to recruit and retain staff.

Michigan has the opportunity to create more affordable housing options, match new development projects with housing preferences, provide employers with additional housing options for all workers, and align our communities with the expectations future Michiganders want to live, work, and play.

## Recommendation Three: Integrated Asset Management

### Recommendation:

Incentivize entities responsible for developing, operating, and maintaining infrastructure to coordinate their efforts through integrated asset management.

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### Description:

- **Encourage all infrastructure owners/operators to adopt a “dig-once” approach that coordinates with other infrastructure owners/operators by providing state funding or financial assistance related to the asset.**
  - Build upon the MISS DIG statute to require all infrastructure owners/operators with more than 10,000 customers to upload their capital improvement plans in the Michigan Infrastructure Commission (MIC) Dig Once Project Portal, which would be expanded as a controlled-access repository of infrastructure data. This repository would include standardized Subsurface Utility Engineering (SUE) location data and long-term integration with Building Information Modelling (BIM) for infrastructure data, ensuring the security of sensitive information.
  - Require the Michigan Public Service Commission to adopt regulations to ensure participation by regulated utility providers.
  - Expand the role of the Michigan Infrastructure Office to the statewide “infrastructure coordinator” and provide it with sufficient resources to identify dig-once projects that are not proposed through voluntary efforts, adjudicate disagreements between road right of way users, and allocate supporting funds, as appropriate.
- **Ensure the state has the resources to provide match funding to maximize the state’s share of the Bipartisan Infrastructure Law, Inflation Reduction Act, and CHIPS Act programs.**

### Rationale:

Michigan’s economy and quality of life are built on a foundation of infrastructure. When infrastructure functions well, few people notice; however, when infrastructure fails, our communities and commerce can grind to a halt. Much of Michigan’s critical infrastructure was built over 50 years ago and needs significant investment and modernization to lay a strong foundation for our communities to attract and retain residents. Investments at the scale and need of our infrastructure modernization will require significant funding. Integrated asset management ensures proper planning and coordination to effectively spend those funds.

## Recommendation Four: Transportation

### Recommendation:

Update Michigan's transportation funding model to sufficiently fund and maintain the road network and support the development of a more robust statewide transit system.

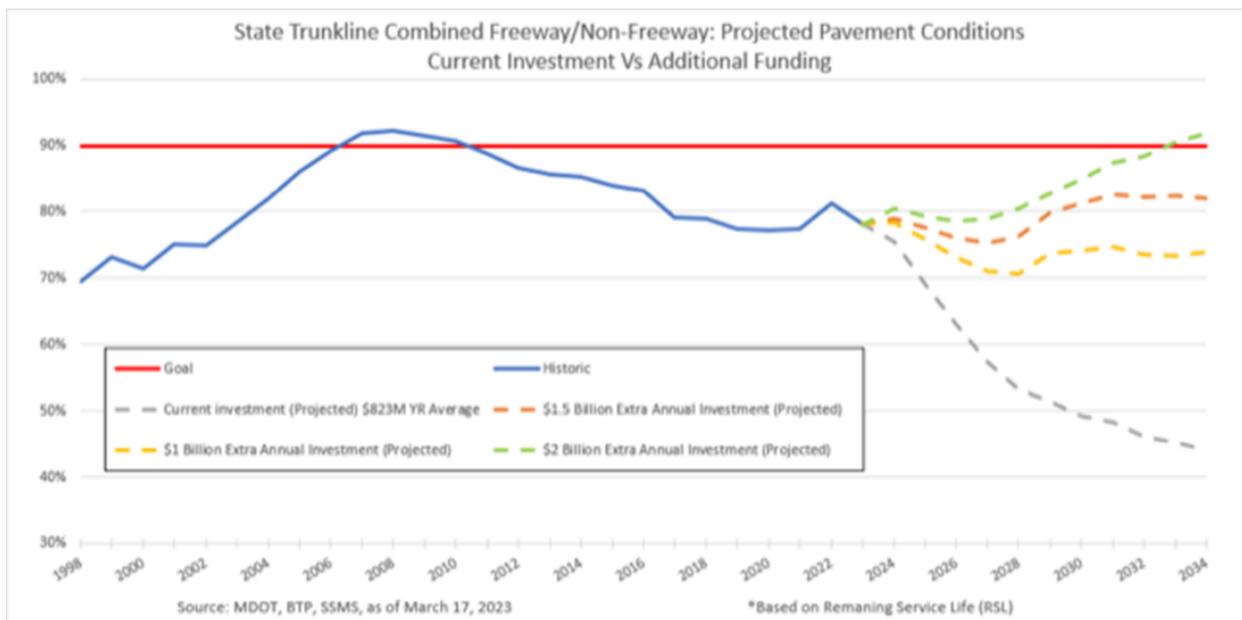
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### Description:

- The state and local governments need to raise additional annual funding to maintain our current road system. This is before any major enhancements such as new lanes or expanded transit opportunities. **To meet this need, the state should implement a phased approach that broadens funding sources for transportation, transitions Michigan from a reliance on the motor fuel tax, and raises additional revenue to fill the gap.**
- **The state should move to regional transportation agencies responsible for management of a regional multi-modal transportation network that provides mobility for all.** The regional transportation agencies would work with local road agencies to coordinate transit and road planning under one broad authority that works across multiple jurisdictions.
  - Future road funding allocations should require participation in these authorities.
  - The regional transportation agencies should also be charged with the explicit purpose of developing integrated multimodal transportation within and between regions to connect suburbs with cities, and cities to each other throughout the state.
  - Additionally, transportation system investments should consider community priorities such as safety, accessibility, and environmental quality.
  - This should include right-sized transit in smaller communities and bus rapid transit service along major corridors in large urban areas utilizing low-/zero-emission buses and high-speed networks connecting regions.
  - The authorities should work with local governments to identify how to connect transit needs with workers and housing, ensuring transit meets the needs of employees who rely on it to commute to work.
- **The State should work with Amtrak** to develop better passenger train options to connect major cities in Michigan with each other in a more time-efficient manner, with a prioritization on connecting Detroit to Grand Rapids and Detroit to Toledo.
- **The State should simplify administrative requirements and incent the process by which communities can leverage private equity for transportation through public-private partnerships.**

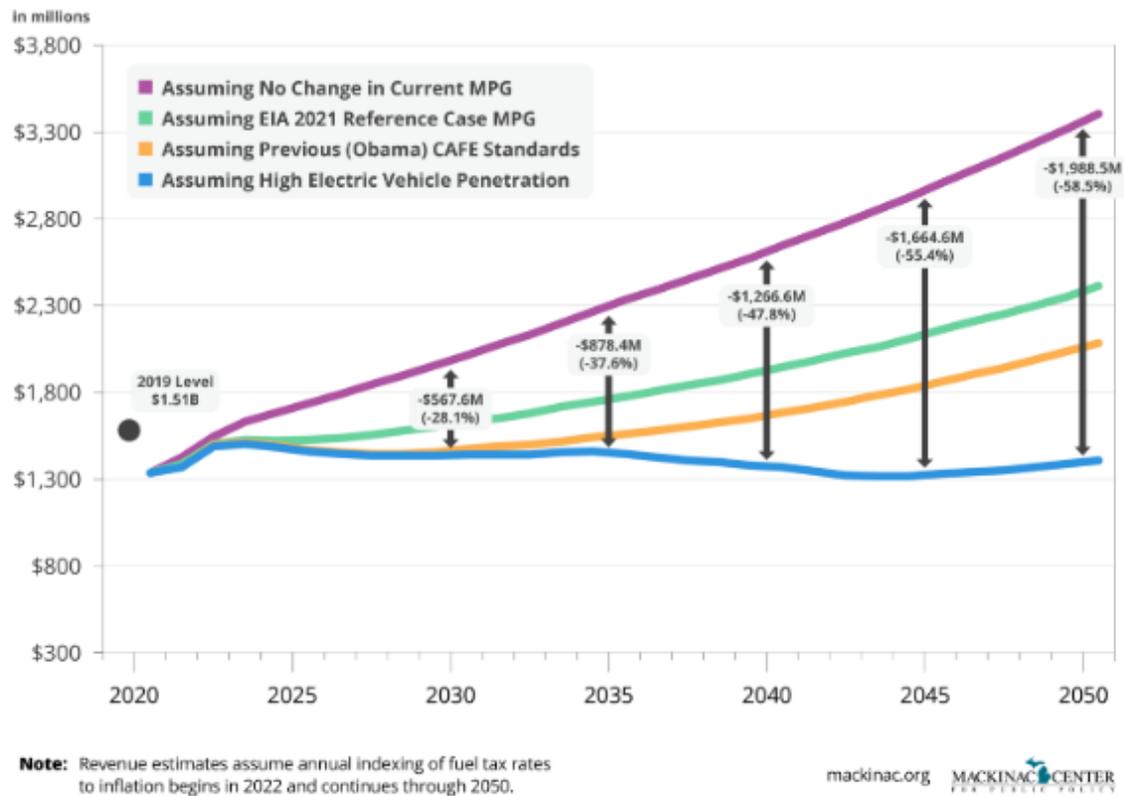
## Rationale:

Mobility—of people and goods—is important for Michigan’s economic health, and funding roads and transit represents an investment in quality of life for all Michiganders. As electric vehicles become more popular, the traditional model of funding road maintenance through the gas tax is less viable. Federal and state bond dollars have made up some of the shortfall in recent years; in the future, Michigan will need a sustainable funding model to maintain its road network and invest in public transit. The exhibit below shows the current trend in road funding and what additional funds will do to ensure our roads hit the target of 90 percent in good or fair condition.



According to research, current funding cannot keep pace with road repair needs, which will only be exacerbated once the one-time federal IRA and IIJA money and Rebuild Michigan bond money expire. Additionally, proper investment to maintain and rehabilitate roads (called “the right fix at the right time”) is more cost-effective than waiting until a lane mile has reached the end of design life, when reconstruction becomes the only option. A 2022 Michigan Infrastructure & Transportation Association report estimated that the proper maintenance can save between \$3.0 and \$7.6 billion a year.

As demonstrated in the chart below, motor fuel consumption (and therefore tax revenue) will drop significantly as electric vehicle sales continue to increase.



Source: Mackinac Policy Center, The Coming Decline of Michigan's Fuel Tax Revenues. May 2022

Additionally, public transit has often been viewed as a social service, and its role in economic development and urban revitalization is often overlooked. The state authorizing acts that most of the urban transportation providers are organized under are voluntary and do not require any region (or any local units within a region) to join together to provide public transportation (exception being the Regional Transit Authority of Southeast Michigan). This permissive approach to the creation, development, and operation of regional transit options can limit the effectiveness of public transportation authorities if local units within a region opt out of public transit taxes and services. Moving to a requirement to work together to plan for transit needs will lead to better planning, coordination of services, and connection between communities.

Michigan has long been seen as a car state, but public transit is a must have to attract and retain younger residents and promote dense, vibrant city centers. Research shows that many young people would prefer to rely on public or nonmotorized transit rather than bearing the expenses of car ownership and are attracted to cities where it is possible to get to work, school, and amenities on buses or light rail. In addition, public transit is an investment in people who are prevented, by economic status, age, or physical disability, from driving.

## Recommendation Five: Water Infrastructure

### Recommendation:

Reorient investments and planning around water infrastructure to focus on protection of public health and climate readiness and ensure water rates are designed to sufficiently support community funding needs.

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### Description:

- **Provide communities the legal protections to address and fund stormwater management and require communities to address stormwater management in their planning and zoning laws.**
  - Enact legislation to simplify the legal processes and limit liability for creating stormwater utilities and provide support to communities to establish these utilities.
  - Revise the Clean Water State Revolving Fund scoring criteria to prioritize stormwater management projects.
  - Provide funding to regional planning organizations to develop regional stormwater management plans that embrace green stormwater-management approaches.
  - Mandate that local governments require all new developments and redevelopments to include stormwater management approaches that can better absorb increased precipitation levels from climate change. Preventing flooding should be a priority in permit review for all new and existing development.
- The state should enact legislation that **establishes a statewide water affordability program** to ensure all Michiganders are able to maintain water service through the establishment of a surcharge for all water users, like gas and electricity utilities.
- The state should **grant regulatory authority of water rate design to the Michigan Public Service Commission (MPSC)** and direct the MPSC to require rate structures that provide funding necessary to maintain and innovate water systems for public health and environmental compliance while maximizing life-cycle investments. The MPSC should also oversee consolidation of service providers to achieve administrative efficiency and better coordinated planning.

## Rationale:

The need for additional investment in water infrastructure is astounding. The American Society of Civil Engineers graded Michigan's drinking water infrastructure as D+, wastewater infrastructure as a C, and stormwater infrastructure a D. The American Water Works Association and the Environmental Protection Agency estimate that Michigan currently underinvests in water infrastructure by almost a billion dollars annually.

Mostly built between 50 and 100 years ago, the state's 1,080 community municipal wastewater treatment systems and 1,390 community water systems are depended on to deliver clean water, safely take away and treat wastewater, and manage urban stormwater runoff. But many utilities are financially strained due to a combination of suburban sprawl, industry loss, water conservation, and overly optimistic projections around future growth that have created a crisis of overbuilt and underutilized water infrastructure. This has resulted in driving up costs and, in some cases, threatening water quality as municipalities struggle to maintain old and unwieldy systems.

While there are sources of funding (state revolving loans and private capital) to finance infrastructure upgrades, there are significant barriers to connecting appropriate financial resources with communities' ability to afford it. Traditional revenue streams have been inadequate in keeping up with need and consumption-based user charges can often be financially infeasible for low-income communities. The recommendations address three significant barriers:

- Communities' unwillingness to make the difficult financial decisions to increase water rates to keep up with infrastructure demands
- The need for an assistance program that can subsidize the cost of low-income households' water bills, ensuring water utilities can charge true cost-of-service rates while addressing water affordability concerns
- Lack of clarity on local communities' ability to manage stormwater

Additionally, these recommendations work in tandem with the recommendations on integrated asset management and encouraging local governments to work collaboratively, and on a regional scale, to address infrastructure challenges.

## Recommendation Six: Site-ready Development

### Recommendation:

Shift our economic development strategy from reactive to proactive by investing in site-readiness programming **that empowers communities to identify and pursue** medium- and large-scale economic development opportunities and refocuses the state's brownfield program to be more proactive in turning brownfields into ready-made redevelopment opportunities.

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### Description:

- **The state should continue to invest in programs that fund site readiness of all sizes.**
  - Invest in industrial development opportunities. Require state agencies to partner with the Governor's office to identify up to five large-scale (over 250 acres) sites and advance site readiness by identifying and securing the necessary infrastructure and agreements with utility providers; the Michigan Departments of Transportation and Environment, Great Lakes, and Energy; residents; and local government to support large-scale projects within 60–90 days of project announcement.
  - Increase funding to support local economic development organizations to support large-scale site development.
  - Work with local economic development organizations to identify parcels that could support medium-size developments (supporting 100–250 jobs in smaller communities)
  - Incent and simplify brownfield redevelopment programs to ensure brownfield sites are part of our economic development strategy. Michigan should target state brownfield cleanup funds to parcels that align near economic activity and should get those parcels "site ready." Former brownfield sites should be highlighted as prime redevelopment opportunities.
- Working with philanthropy to provide funding and capacity, **the state should require local communities to update and/or create master plans** routinely and provide incentives to communities to be proactive in implementing their plans.

### Rationale:

As a state, Michigan must maintain its core strategic economic interests such as securing the future of the advanced mobility industry as the world transitions to alternative fuel technologies. To achieve this goal, we need to cultivate investment ready sites to be competitive to attract business operations that advance the state's strategic interests. Businesses that want to build in Michigan will look for "shovel-ready" sites that are in proximity to a highly qualified workforce, with critical infrastructure already in place, so that they can be up and running in a minimal amount of time. This approach recognizes that while many people, particularly young people, prioritize the quality of place when deciding where to live, Michigan already has a large talent pool within the advanced

manufacturing industry cluster and business attraction will help retain current Michigan residents and build up local tax bases, allowing local governments to invest in transportation, placemaking, and other important initiatives.