

# DeWitt Charter Township, Michigan

## Housing Strategic Plan

### Final Report

June 1, 2021



# The Strategic Plan

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# Planning Process

## Section A

This Housing Strategic Plan for the Charter Township of DeWitt is a collaborative planning project between the Township and LandUseUSA | Urban Strategies. The result of this project will be a housing roadmap to assist with housing policy, housing development opportunities and marketing ideas to support attraction efforts for both new residents and new housing developers. These actions will both strengthen and diversify housing within the Township.

As part of the planning process, a local steering committee has been assembled comprised of local leaders, Township staff, school officials, and other key stakeholders with a direct interest in housing for DeWitt Charter Township. The steering committee met and provided great input to the existing housing conditions within the community.

Additionally, as part of the planning process, CIB Planning reviewed a number of policy documents for the township including the Township Comprehensive Plan, the South-Central Area Plan, the Zoning Ordinance and a number of past and current housing development projects. A market tour was also conducted with township staff. This information will help guide the development of the overall strategy, as well as provide critical input on the future housing vision for the Township.

Lastly, CIB Planning conducted a number of stakeholder phone calls with numerous builders and property managers to gather input for this project.

# Geographic Overview

## Section B

DeWitt Township is an agricultural and bedroom community located in southcentral Michigan's Clinton County, just north of Lansing, the capital of Michigan. It shares boundaries with Olive Township to the north, Bath Township to the east, the City of East Lansing to the southeast, the City of Lansing and Lansing Township to the south, and Watertown Township to the west.

The City of DeWitt is surrounded by DeWitt Township and is located in the northwestern area of the Township. Large agricultural and residential areas are the predominant land uses in the Township, with commercial development located along major thoroughfares, and scattered pockets of industrial use. The junction of US-127 and I-69 is in DeWitt Township, meaning that a great deal of long-distance private and commercial traffic passes through the Township.

The Township is immediately adjacent to the Capital Region International Airport, which provides local access to regional, national, and international destinations. The Township's location adjacent to Lansing and East Lansing, home to Michigan State University, provides access to large concentrations of government, healthcare, and higher education employment.

One focus area that has been identified as a Township priority is housing. Housing represents the "American Dream" for many across the United States and is one of the top symbols of economic prosperity for individuals and families. The ability to acquire housing, both for purchase or lease, is essential to move the economy forward in any community.

The Township is ideally located along major transportation routes and is a great hub community for employment centers such as Lansing, East Lansing, Flint, Grand Rapids and other major employment markets, providing a multitude of housing options for individuals and families looking for less urban yet walkable living alternatives. This report focuses on current challenges and barriers to new construction and offers strategies to bridge the gap between builders and the cost of building. Adding new housing, especially for middle-income buyers will attract new residents and workers to the region which in turn, benefits the economy.

There are several action items in this report that can be implemented immediately and there are several that require additional support for implementation. Solving this critical issue will not occur overnight, in the next week, month or year. Having a plan to move forward along with strong partnerships, brings DeWitt Township years ahead of other communities looking to solve the same issue.

## Strategic Planning

## Section C

The Housing Strategic Plan will be the guide going forward as we take what we have learned from the data analysis and the focus groups to identify tasks and projects that will help eliminate some of the barriers to new housing construction and improve housing availability across the spectrum of middle-income groups, both for purchase and for rent.

As we look for strategies that can work, first we want to understand which projects have recently seen success, as well as which projects make sense for different areas throughout the region. For example, row-housing and other attached building formats may not make as much sense in rural or suburban areas, so we want to understand where the greatest need for missing middle and attached housing formats is and how to incentivize developers to focus their efforts on those housing types.

While construction numbers are on the increase across the region, the primary housing types being built fall outside of the price range that is accessible to middle-income buyers. There are several projects that we wanted to highlight however that fall clearly within the price range of middle-income buyers or renters.

Through the stakeholder conversations with builders across the region, we have learned that the average cost to build a new house is at a price point between \$165 and \$200 per square foot. Given this, it is conceivable that construction of new 1,000 square foot home would be in the \$200,000 range, which meets the target range of the middle-income buyer, but is still a bit on the high end of the buying spectrum.

Add in the cost of land (in some cases \$60,000 - \$100,000 per lot), that 1,000 square foot home can now reach \$260,000 +, taking out of the attainable range for middle-income families. Lastly, we heard that the profit margins on houses in this range are thin, due in large part to increased construction costs versus what the market can support, leading most builders to stay in the upper-middle income to high-income, custom home building range.

While many additional projects are planned for construction, under construction or recently completed, the projects only account for a portion of the demand in the existing marketplace. The key question is: how can the Township attract more builders and developers to build new housing within key income groups? The following are strategies that can be followed to eliminate some of the barriers to housing development and improve the ability to construct new housing units that are in demand.

Developers are not likely to be interested in small, outlying communities because the incomes and housing values are lower. Instead, they will tend to focus on larger markets with higher values and the potential for greater profit margins, such as DeWitt Township with its proximity to Lansing. That said, communities will still have to find creative ways to generate new housing development, on both the construction and land development ends of the market.

This can come in the form of building capacity with local investors/builders ("home grown") and eliminating some of the hurdles that make housing development challenging. This can also be accomplished by creating Public/Private Partnerships (P3's) with local municipalities or non-profit entities. Either the community, the P3 or a regional consortium, must look for ways to encourage new housing construction including but not limited to:

1. Acquiring land. Since both lenders and developers are shying away from new developments, the community can acquire land for that purpose and eliminate one of the required steps. This land can be sold raw or if possible, with the necessary infrastructure indicated below. If land can be obtained at a reduced price through tax foreclosure, the savings can be passed on to the developer as an added incentive. If the community is acting as the developer, this will help lower development costs and the savings can be passed on to the individual builders.
2. Obtaining zoning approvals. The community can rezone and even site plan the project (or site) so that a developer only has to install the infrastructure and then obtain building permits for the construction. Prior zoning approval would also help with alternate housing formats, like townhouses, condominiums, apartments, etc., where residents in some communities oppose any type of housing that is not large lot, detached housing.
3. Extending infrastructure to the site. This is one of the costliest parts of development so if the community can install utilities to the property already purchased, typically at a lower financing rate, this will greatly improve the ability to attract builders.

With roads, sewer and water already installed, the community will then have the ability to sell individual lots to builders and eliminate the risk that comes with developing an entire subdivision. This also gives the community flexibility with the builder and ability to ensure high-quality construction; and

4. Establish a risk loan guarantee that will encourage banks to lend for speculative housing development, like subdivisions. The builders we spoke to said that even if they wanted to develop a subdivision, the risk would be too high and the lenders would be hesitant to participate. It would therefore be beneficial to create some form of loan risk guarantee pool that would protect the lenders from loss if the project failed.

As a loan guarantee, funding would not have to be committed to each project; only for those projects that fail and the bank has to foreclose on the property. In those cases, the loan fund would cover an agreed upon percentage of the loan and then have the ability to sell the property to a new developer. Such a fund could be undertaken at the community level but would most likely be more effective at the regional level as part of a consortium of communities or economic development agencies.



1. The community should develop an “elevator speech” that promotes the assets of the community and why someone would want to invest there.
2. An inventory of available land should be prepared including ownership, tax and zoning information. The availability and location of public utilities should also be included.
3. It is critical that the community obtain ownership of tax foreclosure properties that have development/redevelopment potential for mixed-use or housing.
4. Where needed, properties that are targeted for development can be re-zoned in advance by the community, making it easier for prospective developers/builders to move forward.
5. Make sure that the zoning and building review process is quick and efficient to avoid unnecessary delays.
6. A strategy must be prepared for the development of residential properties, falling into four categories:
  - a) Land suitable for subdivision into multiple lots;
  - b) Individual, developable lots for sale to builders;
  - c) Land suitable for attached housing development; and
  - d) Mixed-use and urban housing types, like townhouses, flats, etc.
7. Local companies and banks should be recruited as partners in housing development, including financially, since they depend upon the ability to attract quality employees and customers.
8. Review the option for allowing Accessory Dwelling Units and alternative types of housing such as “tiny homes” to increase density in smaller downtown or suburban areas.
9. A direct marketing program should be established to promote the community and attract developers.

10. Hold a workshop for local businesspeople/investors to encourage them to become developers. Follow-up with training sessions on topics such as pro-forma analysis, public incentives, understanding the real estate market, etc.

The data also indicates a good opportunity to add new condominium and apartment complexes throughout the Township, especially in areas with higher population densities, such as areas around the Lansing border and at key corridors and intersections within the Township such as Old-127 and the Clark Road/Airport Road Area. With a push for more housing in dense, walkable spaces, attached housing types, both for rent or purchase may make the most sense for new construction.

One of the common themes throughout the focus group sessions with builders and lenders was the lack of financing opportunities for new housing construction, especially for spec housing. While banks and mortgage lenders are financing new construction for home buyers to build individual home sites, there is still hesitancy to finance large construction projects.

Some of the reasoning behind this includes tighter lending regulations since the recession. Other issues included low credit ratings, lack of capital and lack of collateral. The following strategies could help to assist with closing the financing gap:

1. USDA Rural Development Loan Programs – This program assists approved lenders in providing low- and moderate-income households the opportunity to own adequate, modest, decent, safe and sanitary dwellings as their primary residence in eligible rural areas. Eligible applicants may build, rehabilitate, improve or relocate a dwelling in an eligible rural area. The program provides a 90% loan note guarantee to approved lenders in order to reduce the risk of extending 100% loans to eligible rural homebuyers.
2. USDA Multi-Family Housing Loan Guarantee – This program works with qualified private-sector lenders to provide financing to qualified borrowers to increase the supply of affordable rental housing for low- and moderate-income individuals and families in eligible rural areas and towns.
3. MEDC Community Revitalization Program - The Michigan Community Revitalization Program (MCRP) is an incentive program available from the Michigan Strategic Fund (MSF) in cooperation with the Michigan Economic Development Corporation (MEDC). It is designed to promote community revitalization that will accelerate private investment in areas of historical disinvestment; contribute to Michigan's reinvention as a vital, job generating state; foster redevelopment of functionally obsolete or historic properties; reduce blight; and protect the natural resources of this state. The program is designed to provide grants, loans, or other economic assistance for eligible investment projects in Michigan.

4. New Market Tax Credits - Historically, low-income communities experience a lack of investment, as evidenced by vacant commercial properties, outdated manufacturing facilities, and inadequate access to education and healthcare service providers. The New Market Tax Credit Program (NMTC Program) aims to break this cycle of disinvestment by attracting the private investment necessary to reinvigorate struggling local economies.

The NMTC Program attracts private capital into low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income tax in exchange for making equity investments in specialized financial intermediaries called Community Development Entities (CDEs). The credit totals 39 percent of the original investment amount and is claimed over a period of seven years.

5. Low Income Housing Tax Credit - The Low-Income Housing Tax Credit (LIHTC) is the most important resource for creating affordable housing in the United States today. The LIHTC database, created by HUD and available to the public since 1997, contains information on 45,905 projects and 2.97 million housing units placed in service between 1987 and 2015.

6. Municipal/Non-profit Public Private Partnerships – This opportunity would allow a municipality or non-profit agency the ability to partner with a for-profit builder to develop new housing options across the region. By partnering, it is possible for the developers/builders to get land at a lower cost, thereby reducing total construction costs.

In theory, the municipality/non-profit could hold the land, reducing holding costs and taxes while the project is under construction. The P3 could also be instrumental with infrastructure development on the property and eventually recuperate initial costs upon final sale of property.

7. Neighborhood Improvement Authority – Through the provisions of Public Act 57 or 2018, a Neighborhood Improvement Authority (NIA) may be established. An NIA may use its funds, including tax increment financing, to fund residential and economic growth in residential neighborhoods. An authority may also issue bonds to finance these improvements.

Once established, the NIA prepares a development plan and a tax increment financing plan to submit for approval to the local municipality. A development plan describes the costs, location and resources for the implementation of the public improvements that are projected to take place in the NIA district.

A tax increment financing plan includes the development plan and details the tax increment procedure, the amount of bonded indebtedness to be incurred and the duration of the program. After adoption of the two plans, the development plan is implemented and the tax increments, which occur from improvements in the eligible property, accrue to the NIA to be used as required by the development plan. The activities of the NIA may be financed by: 1) Donations to the authority, 2) Revenue bonds, 3) Revenues from buildings or property owned or leased by the NIA, 4) Tax increments, 5) Special assessment, and 6) Grants.

It is recommended that DeWitt Township consider utilizing NIA's in areas of disinvestment or areas in need of infrastructure or structural improvements, predominantly in older neighborhoods within the Township.

8. Housing Development Assistance Program – Consider creation of a housing development assistance program (HDAP) in partnership with the local Brownfield Redevelopment Authority (MCL Act 381) and the Land Bank for the State of Michigan. The purpose and intent of the HDAP is to provide financing assistance to developers who are interested in building new housing (attached or detached formats) within the Township for buyers that are within the HUD defined range of 80% to 110% of local Area Median Income. This would translate to a sales price range of \$150,000 - \$225,000.

In order for a builder to construct a new housing structure in this sales price range, that a gap in finance may exist between the final sales cost and the final construction cost. The HDAP program will utilize Tax Increment Finance established by a TIF district to assist with closing the financial gap noted above.

Another issue related to construction of new housing is the impact the local, state and federal regulatory environment is having on the bottom-line cost of new construction. The regulatory environment consists of local building permits, inspection fees, development review fees, sanitary and storm-sewer connection fees, water connection fees, state inspection fees, energy efficiency requirements and other costs associated with construction, not actually involving construction of the home.

In some cases, these costs have added upwards of 30% to the cost of the new home. A challenge moving forward with any strategy will be looking at these costs and finding ways to improve the regulatory environment. By reducing these costs, there become better opportunities for builders to enter the middle-income marketplace to meet the demand for new housing within the region.

While much of the information presented above stacks unfavorably against new middle-income housing development, the good news is that several projects are underway or planned for future construction in DeWitt Township. We will take a closer look at many of these projects later in this report as we discuss strategies to improve the chances of creating new middle-income development.

However, some of the key points to consider include non-profits partnering with the development community to reduce holding costs, or communities selling bulk lots held in municipal ownership at a discounted rate to reduce costs to developers. Further, anytime developers can maximize density, they can reduce selling prices as an economy of scale.

The regulatory environment for new construction varies across the region. The regulatory environment consists of several items such as the development review process, costs for permitting, costs for utility connections, taxes, environmental factors and other regulations that can add costs to the development process.

While speaking to a number of builders in the community, they mentioned anecdotally of the high costs of inspections, specifically from the Board of Water and Light. One of the primary issues was related to inspectors charging for multiple inspections or for under-estimating the fees associated with inspections.

In the economic development arena, time is money and too much time can kill deals. While the Redevelopment Ready Communities Program (RRC) may not be ideal for all communities across the region, it can be used as a tool and model to improve the development review process within the community.

The intent of the RRC program is to review all processes around redevelopment and align them to improve the overall development experience. The program can coordinate Master Plans and Zoning Ordinances to work cooperatively, along with identifying efficiencies for staff to improve the development review process; thereby reducing the time and cost associated with development review.

While there are no “one size fits all” options to improve the development review process, the following recommendations could focus efforts to improve the process.

The Township's 2018 Comprehensive Plan has set a clear path forward for new development and consequent zoning updates to encourage safe and fair neighborhood development in the future for the community. The following is an excerpt from the comprehensive plan:

## Residential, SF-L (Low-Density Single-Family)

This land use designation corresponds to the existing zoning classifications of R1 and R2 and supports developments on lots with minimum sizes ranging from 30,000 to 40,000 square feet. This results in a density of 1.1 to 1.4 dwelling units per acre.

## SF-M (Medium-Density Single and Two-Family)

This land use designation is intended as an extension to existing developments that have occurred consistent with the current R3 and R4 Zoning Districts. Minimum lot sizes are intended to range from 15,000 to 20,000 square feet in size. They serve as transitions from higher densities of residential development to low-density areas. An attempt has been made to plan these areas where the full range of utilities is likely to be developed within the planning period. The expected density in this area is 2.2 to 3 dwelling units per acre.

## SF-H (High-Density Single and Two-Family)

This land use designation is intended to for minimum lot sizes of between 8,000 and 10,000 square feet; for single-family uses and 20,000 square feet for duplexes; and correspond to the existing R5 and R6 zoning classifications. They are intended to serve the market for the most affordable single-family homes. They are situated where sanitary sewer and water facilities are present or impending and are generally nearest the major transportation arteries and commercial services. The expected density in this area is 4.3 to 5.4 single-family dwellings per acre and 2.2 two-family dwellings per acre.



## MFR (Multiple-Family Residential)

The majority of the MFR designated areas are, for the most part, already developed or zoned that way. The Zoning Ordinance presently allows densities ranging from two to 24 units per acre. Multiple-family areas are intended to satisfy the demands for apartment and attached dwelling units while serving as transitional uses from commercial areas and transportation routes to the lower-density residential uses. Several of the proposed land areas along Old US-27 are recommended as alternatives to commercial strip development. It is recommended that all multi-family developments be provided with public water and sewer facilities to ensure public health.

Looking at the specific goals and objectives for housing in DeWitt Township, we offer the following considerations which can also be found within the project implementation matrix.

Objective 2.1 – Provide a balanced range of housing types (formats), including affordable housing types (formats), at varying densities while maintaining or improving the character of existing neighborhoods to offer housing choices for current and future residents of all ages.

The existing Comprehensive Plan offers the following two action items relating to density and housing formats for the Township:

1. Consider ordinance changes to permit small single-family homes (detached formats) and expanded opportunities for attached homes.
2. Explore ordinance changes to permit attached accessory dwelling units with single-family homes.

# Recommended Actions

# Section I

1. Eliminate the R-1 Zoning District or Combine it with the existing R-2 Zoning District utilizing the minimum lot size of 30,000 square feet per lot as opposed to the 40,000 square foot requirement in R-1. Looking at the existing zoning map, a very small amount of acreage across the Township is zoned R-1. The minimum lot size for R-1 could be required for the A, Agricultural district.
2. Reduce the minimum required floor areas for dwelling units from 960 square feet and 800 square feet respectively in all R Zoning Districts to 600 square feet. This will have two significant results across the Township, being 1) greater access to new housing for individuals as a result of lower construction costs associated with building a smaller first floor footprint and 2) allowing for the construction of accessory dwellings, attached and detached if approved without having to meet a relatively large square footage threshold.
3. Given the relatively minor differences between the R-3 through R-6 zoning districts (incrementally smaller lot sizes), it is recommended that the Township consolidate the 3 districts and make the R-6 district the new R-3 district. This would follow the general trend of production builders utilizing smaller lots to add density as a means of reducing costs, both to the builder and homeowners as an economy of scale.
4. Consider adding attached format housing as well as certain mixed-use projects within the highest density R District within reason and with consideration to existing infrastructure constraints as recommended by the Comprehensive Plan.

# Planned Unit Developments

# Section J

Planned Unit Development Ordinances are utilized to achieve specific development and design results that often tend to be more creative, offer higher quality design standards as well as relief from certain provisions of the ordinance. Additionally, PUD's have the ability to offer flexibility on use types and formats as well as the potential mixing of use types and formats.

Given the market for new construction at this point in time, with costs for materials and labor at an all-time high, it is important for a community to have flexibility in the development process. Builders at this time are looking to create economies of scale by adding density and reducing overall lot sizes. This is not always compatible with existing ordinances.

Currently, the Charter Township of DeWitt has ordinances for both PUD's and Cluster Options, however these ordinances offer vary little flexibility or provisions for increasing density or mixing of use types and formats in exchange for quality design.

It is recommended that the Township draft a new PUD Ordinance that can still provide a high level of quality to the community while maximizing the incentive of use to the development community. A sample PUD ordinance from the City of Fenton, Michigan is included in the Appendix of this report for review.

# Marketing Strategies

## Section K

The data presented above is only as good as the Township's ability to utilize it for the purposes of attracting new investment. Telling the story is one of the single most important strategies for improving the image across the region and sharing the massive opportunity for new housing construction for missing middle formats. The following projects should be completed to improve visibility of the Township and highlight the market opportunity.

1. Create a marketing strategy utilizing the results of the Target Market Analysis, specifically focused on the ability to add new housing formats that will be focused on attracting new builders and developers to the Township which specialize in the housing formats recommended within the Target Market Analysis.
2. Create a marketing strategy that speaks directly to the lifestyle clusters identified within the Target Market Analysis as the most likely demographic clusters to migrate and move into the Township, either into new or existing housing formats across the Township. The marketing strategy should highlight strengths of the community, specifically lifestyle strengths (walkability/Township pathways, recreation opportunities, shopping amenities, cost of living and access to multiple employment sectors and opportunities.)