


the review

September / October 2023

the official magazine of the  michigan municipal league



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the review

The official magazine of the Michigan Municipal League

Volume 96, Number 5

We love where you live.

The Michigan Municipal League is dedicated to making Michigan's communities better by thoughtfully innovating programs, energetically connecting ideas and people, actively serving members with resources and services, and passionately inspiring positive change for Michigan's greatest centers of potential: its communities.

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Financial Wellbeing

Q uote from an unknown comic: “Living on earth may be expensive . . . but it does include an annual free trip around the sun.”

Unfortunately, for most of us that annual trip is anything but a free ride. Financial experts say there are four stages of financial security: survival, stability, wealth, and affluence. Too often, the line between stability and survival is right there between our feet—a giant crack otherwise known as the ever-widening wealth gap. Even as the rich get richer, growing numbers of us are falling headfirst into that abyss.

In fact, it's become so common we've had to come up with a whole new acronym to describe it: AL-IC-E: Asset Limited—Income Constrained—Employed. ALICE represents the growing number of people who are working—often at *multiple* jobs—but are still unable to afford the basic necessities of housing, childcare, food, transportation, technology, and health care.

According to a recent report coauthored by the U.S. Conference of Mayors, an estimated two of every ten Americans have little to no savings or access to credit. It's even worse for people of color due to a legacy of discrimination and segregation. For far too many, homelessness is literally a paycheck away.

Financial insecurity is no joke.

And here in Michigan, nobody should be laughing. We are falling behind other states in population growth, jobs, earnings, health, educational achievement, and the quality of our infrastructure and public services. According to the latest report from the Citizens Research Council of Michigan (p. 14), our state ranked 34th in real per capita personal income and median household income. Our 15 largest metropolitan areas have a whopping 20.6 percent poverty rate compared to the national rate of 16 percent.

So why should individual financial security be a priority for our municipalities?

It's simple: cities and villages *are* our people. Addressing household-level financial challenges is key to the financial health of the entire community. Financially stable residents buy homes, support local businesses, and otherwise contribute in countless ways. On the flip side, financial insecurity creates huge costs for municipalities sinking into a vast money pit of lost revenues: less tax revenues, unpaid utility bills, neighborhood decline, rising crime rates, lower property values . . . the list goes on and on.

And it works both ways: a financially stable community is more able to support its residents.

That's why financial security is essential to Community Wealth Building. The League has worked tirelessly on this foundational initiative from many directions. ServeMICity helps connect you to grants and funding opportunities to improve local economies, rebuild infrastructure, and aid in recovery efforts. The League diligently advocates for legislation that helps our communities to be more financially resilient. And of course, our 2023 Convention will offer a whole wealth of ideas and tools to improve your municipality's prosperity and quality of life.

We've got an opportunity right now to change the future, by creating policies that encourage our young residents to stay and attract new people both domestic and international. These people are a vast and valuable resource, and we need to treat them as such. They are the fuel that can restore Michigan's economic engine. We need to invest in their education, provide opportunities for their employment and entrepreneurship, and offer adequate housing and public services.

We need to get creative about attracting the new technologies and industries that are remaking the world and give them a home and a future right here in Michigan. We need to find ways to give more people a stake in the local economy and use our municipal might to help them save money and lessen debt.

Here are just a few ways cities across the country are helping residents build financial security: Milwaukee launched a child savings account program that automatically enrolls kids in school. Memphis offers a student loan repayment benefit to municipal employees. San Jose, California has restricted the number of predatory payday lenders in the city and has barred them entirely from very low-income neighborhoods. Right here at home, Ann Arbor is piloting a guaranteed income program for low-income entrepreneurs, in a creative use of federal American Rescue Plan Act (ARP) funds.

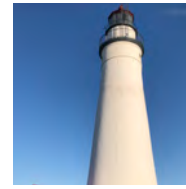
In this issue you'll also learn how Romulus is saving money by recovering lost water, and why a statewide water fund for low-income residents could be worth considering. We'll also talk about building equity into the budgeting process.

It is possible. With the right ideas, we can make this next trip around the sun a better ride for everyone. And that's no joke.



Daniel P. Gilmartin
League Executive Director and CEO
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OVERVIEW:

HEADLEE AND PROPOSAL A

By Anthony Minghine

Michigan is somewhat unique in that we have not one, but two constitutional limitations on property taxes. The Headlee amendment was Michigan's first tax limitation measure adopted in 1978. It sought to limit taxes by rolling back the maximum millage rate of a community if total property value growth exceeded inflation through the use of a millage reduction fraction. The second limitation was Proposal A which sought to limit growth on a parcel-by-parcel basis and introduced taxable value as the basis for taxation. Individually the concepts work, but the combination of the two has created a dysfunctional system.

This combination has created two significant issues that are in need of legislative attention. The first is restoring the Headlee roll-up provision and the second is correcting how the millage reduction fraction is calculated post Proposal A. We will explore both of those issues below.

Headlee Roll-Ups

The constructors of Headlee were thoughtful in recognizing that there can be a difference between inflation and the real estate market. This led to the inclusion of not just of a cap on growth when value exceeds inflation, but also had a provision that ensured when tax growth is less than inflation millage rates would be allowed to move up as well. This upward mobility or "Roll Up" was always subject to the inflationary limit that the voters intended, and the local government was always constrained by the millage rate maximum originally authorized by charter or state statute. These controls were sensible and worked as designed.

When Proposal A was approved in 1994, its subsequent implementation legislation eliminated this self-correcting mechanism provided for by Headlee. Therefore, millage rates can no longer track with the economy and "roll up" when growth on existing property is less than inflation. In other words, millage maximums can go down but not up. This legislative shift has had a compounding effect and continues to impact local government revenues and services.

Removal of the roll up provision was not a part of the constitutional amendment voted on by the people, rather the Legislature at that time went further than the voters and eliminated this self-correcting provision. This was especially impactful during the housing dip of a decade ago. Anyone that didn't sell their property during that time likely saw a paper loss illustrated as a reduction in taxable value. Those "paper" losses to property owners were real losses to local government, schools, and other taxing authorities that are still being felt today. This circumstance is largely due to the conflict created by the legislation implementing two different tax limits. Legislative restoration of the "roll up" provision of Headlee would provide important protection for the future of our communities.

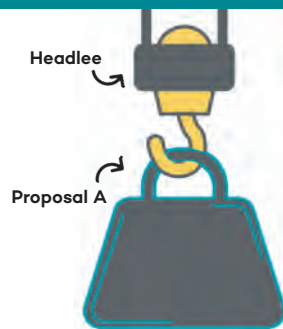
The Problem:

What exactly is wrong with Headlee and Proposal A?

Proposal A and Headlee work well independently, but they conflict with each other during an economic recovery following a recession. This conflict prevents communities from recovering along with the rest of the economy.

The Solutions:

Two simple fixes to these issues are straight forward and could be done through a legislative change that would allow communities' revenue to track with the state's economy.



Fix 1: Allow millage rates to move both up and down. In times of prosperity, when property values exceed inflationary growth, millage rates roll back. In an economic downturn when values are decreasing millage rates should be allowed to go up at the same rate as inflation and no more. This move helps stabilize a community's revenue stream during a downturn. Also, the maximum rate is always limited by state law or charter so it is not a blank check. This mechanism is allowed under Headlee and was utilized before Proposal A.

Fix 2: The state uses a formula (called the millage reduction fraction) to calculate each community's upcoming tax rates based on inflation. We should remove the "popped-up values" from home sales from this calculation to allow a community to recapture some of the lost value from a recession.

Millage Reduction Fraction

Proposal A approached tax limits differently than Headlee. While Headlee sought to limit tax growth by adjusting millages, Proposal A sought to control taxes through an individual value cap. In short, Proposal A said that if property values increased more than inflation, values would be capped at inflation or five percent whichever is less, and they created a new term called taxable value (TV) and the "pop-up." It is the pop-up value that creates the problem.

What exactly is the pop-up and how does it impact the millage reduction fraction (MRF) required by the Headlee amendment? Since Proposal A required taxes would be levied against TV, not State Equalized Value (SEV), there needed to be a mechanism to reset to SEV as the base at some point and it now occurs upon the sale of a property. That reset value is the basis for the pop-up. Upon a sale, the TV pops up to the SEV and then the process of capping begins again. Remember that

when Headlee was adopted, there was no TV, so rolled back millages were applied to the full SEV, not the capped TV. This is important because Proposal A included a mechanism to ultimately realize the growth, but it deferred that growth until ownership of the property transferred.


This is where it gets confusing. The popped-up values are being included in the calculation of the MRF. This is significant because it artificially inflates overall property tax growth and can trigger a Headlee rollback. This effectively negates the increased value when the property resets on sale by overstating the growth related to market and inflation as provided for by Headlee. The fix is simple and straightforward. We should not include the popped-up values in the calculation. They were not values or concepts that existed when Headlee was implemented, and it distorts the formula.

If you are puzzled, you are not alone. At its core, Headlee sought to limit tax growth through millage and Proposal A sought to accomplish the same thing through property values. Individually they work but the implementation trying to

So let's break down the issues:

ISSUE #1: Prior to Proposal A, Headlee allowed tax rates to move up and down to try and provide revenue growth equal to inflation. When Proposal A was later implemented by the Legislature, they eliminated the ability for rates to move in both directions. As a result rates can go down, but not back up, eliminating any logical correction that was intended by the original Headlee amendment. This makes communities and schools more vulnerable in a recession.

ISSUE #2: Home values pop-up after a property is sold. However, conflicts between Proposal A and Headlee do not allow a community to benefit from these values popping up as they should. In fact, too much real estate activity can trigger a rollback (reduction) in a community's tax rates. This is especially damaging following a recession. As a result, a community is never allowed to catch up and track with the economy during a recovery.

combine them missed the mark. We can and should make the appropriate legislative changes to correct these issues. It is important to point out that none of the changes we propose will in any way change the inflationary limits provided for in the constitution. It simply restores the upward and downward mobility and allows communities and schools to capture the full benefit of growth upon sale. They are both common sense fixes that are long overdue and fixing it doesn't change anyone's taxes today. It merely allows both upward and downward adjustment while still limiting growth to inflation. Fixing these issues remains high on the League's priority list, and we will continue to work closely with the Legislature to make it a reality. 

Anthony Minghine is the deputy executive director and COO for the League. You may contact him at 734-669-6360 or aminghine@mml.org.

FACT SHEET

Headlee Rollback and Headlee Override

Introduction

The term "Headlee Rollback" became part of municipal finance lexicon in 1978 with the passage of the Headlee Amendment to Michigan's Constitution. In a nutshell, Headlee requires a local unit of government to reduce its millage when annual growth on existing property is greater than the rate of inflation. As a consequence, the local unit's millage rate gets "rolled back" so that the resulting growth in property tax revenue, community-wide, is no more than the rate of inflation. A "Headlee override" is a vote by the electors to return the millage to the amount originally authorized via charter, state statute, or a vote of the people, and is necessary to counteract the effects of the "Headlee Rollback."

Impact of Headlee Amendment

Since the passage of the Headlee Amendment, units of government are required to annually calculate a Headlee rollback factor. The annual factor is then added to Headlee rollback factors determined in prior years resulting in a cumulative Headlee rollback factor sometimes referred to as the "millage reduction fraction." This total "millage reduction fraction" is then applied to the millage originally authorized by charter, state statute, or a vote of the people. In summary, the actual mills available to be levied by a unit of local government is the product of the authorized millage rate times the total millage reduction fraction. This is known as the "Headlee maximum allowable millage."

Impact of Proposal A

Prior to Proposal A legislation passed in 1994, local governments were allowed to "roll up" their millage rates when growth on existing property was less than inflation. "Roll ups" were a self-correcting mechanism that allowed local governments to naturally recapture taxing authority lost due to Headlee rollbacks in prior years. A local government could only "roll up" its millage rate to the amount originally authorized by charter, state statute, or a vote of the people.

Additions to taxable value (such as newly constructed property) are typically excluded (or exempt) from the Headlee roll back calculation. The 1994 General Property Tax Act changes did not specifically define "uncapped values" (increases resulting primarily from property transfers) as exempt.

Result

Although it might appear that a community with an annual increase in uncapped property values would benefit monetarily, uncapped values are treated as growth on existing property and trigger Headlee rollbacks. For local governments levying at their Headlee maximum authorized millage, rolling back the maximum authorized millage rate reduces the revenue that would have been generated from these increased property values. The increase in the taxable value of property not transferred is capped at the lesser of inflation or five percent. Even though the taxable value of a particular piece of property increases at the rate of inflation, the millage rate for the entire community is "rolled back" as a result of the increase in the total taxable value of the community. The net result—a less than inflationary increase in the actual dollars received from property taxes. Consequently, the 1994 change to the General Property Tax Act has prevented local governments from being able to share the benefits of any substantial market growth in existing property values.

Based on System Failure: Michigan's Broken Municipal Finance Model. Prepared for the Michigan Municipal League by Plante and Moran, PLLC

Michigan Municipal League | February 2023

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The Case for a Statewide Water Fund

By Rich Bowman

Water is a fundamental part of who we are as Michiganders. It's in the name and identity of many of our communities, Big Rapids, Riverview, Lake City, and even Detroit, which in the original French means "a narrow strait of water." And most counties in Michigan have a drain or water commissioner to manage the systems that deliver water to our homes.

As a local official, you know how critical these water systems are. They provide an important service to all of us. Properly designed and maintained water infrastructure protects the health and integrity of over 62,000 lakes and ponds, 36,000 miles of lakes and streams, millions of acres of wetlands, four of the five Great Lakes, and our drinking water.

21st Century Infrastructure Commission

The Flint water crisis reminded us of what can happen when we don't properly maintain and operate our water infrastructure. In the wake of the crisis, Governor Snyder convened a group of citizens to form the 21st Century Infrastructure Commission. They were charged with figuring out what it would take to make sure Michigan could build, maintain, and operate the best and safest infrastructure on the planet. Helen Taylor, state director for The Nature Conservancy in Michigan (TNC), was appointed to that commission and I had the privilege of supporting the work group focused on water infrastructure.

Many Water Systems at Risk

Among the things that we learned doing that work was that, while Flint was the system that failed, many other water systems were at similar risk. They were at risk not due to negligence, but due to inadequate funding, which is often beyond the control of local officials. To over-simplify the situation: growing, healthy communities generally do fine (at least in the short term). But communities with a declining population face challenges—as the population declines, fewer residents pay water rates, which in turn makes it more difficult for communities to pay down the debt-financed water infrastructure. So, water bills go up and some families can no longer afford their water bill, putting them at increased risk of discontinued water service. This not only prevents them from getting water, it also further decreases the base of people paying for the costs of the system.

Some Users Can't Pay Bills

But there is another challenge. When our neighbors can't afford their water and don't pay their bill, our communities have a problem with no good solution. If we don't intervene quickly, they run up a big bill (an arrearage) that if they couldn't afford to stay current, how are they ever going to be able to catch up? And even worse, if we discontinue service, we not only deny access to a vital human service, but we also have one less customer helping pay for our water infrastructure. Our communities need a new tool in their toolbox. At TNC, we believe that if we want to fully resource our water utilities so they can provide all of us with safe, clean water, we need to develop a way to help people who are struggling to pay their water bill.

Detroit's Lifeline

Last year, I had the opportunity to join Detroit Mayor Mike Duggan and Detroit Water and Sewer Department (DWSD) Director Gary Brown at a press conference to announce their "Lifeline Program." This program designed a monthly, fixed-rate water bill for low-income households that allows them to pay their bills while simultaneously allowing DWSD to monitor and intervene after two missed bills so they can solve the problem before the customer reaches the point of discontinued service. The mayor and Director Brown were clear that this program was designed to jumpstart the program and that, for it to continue, we all would need to work together to develop a state-level assistance fund that would be available to all communities in Michigan. It's time to put that statewide mechanism in place.


A common response from individuals was . . .

“we help people with food, housing, heat and light, medical care and telecommunications . . . how can we not help with something as essential as water?”

... nearly 60 percent of respondents thought that there was already a program that helped low-income households with their water bills.

What Do Michiganders Think?

In recent statewide public polling, we learned that nearly 80 percent of respondents believed that people should have access to water. More interestingly, nearly 60 percent of respondents thought that there was already a program that helped low-income households with their water bills. A common response from individuals we surveyed when they learned there was no state or federal assistance was along the lines of, “we help people with food, housing, heat and light, medical care and telecommunications ... how can we not help with something as essential as water?” This polling also revealed that a majority of voters in Michigan support the creation of a statewide water assistance program for low-income families, funded with a monthly \$1.00 to \$2.00 surcharge on everyone’s water bill to create a statewide assistance fund. In the polls there was majority support in every region of the state and within each demographic group, and overall support being over two to one. The two most common reasons people give for supporting a statewide program like this are “to help people less fortunate” and “everyone deserves clean drinking water, it’s the right thing to do.”

TNC has been proud to work with communities and our neighbors for over 70 years to protect beautiful places we all can enjoy and the waters that are our shared heritage. Now, we look forward to working with the Michigan Municipal League, our water utilities, and all of you to make sure every Michigander has access to safe, clean, and affordable water. 

Rich Bowman is the director of policy for TNC in Michigan. You may contact him at 517-881-0300 or rich_bowman@TNC.ORG.

The Nature Conservancy (TNC)

TNC is the world’s leading conservation organization with offices in all 50 states and more than 70 countries around the world, working to conserve the lands and waters upon which all life depends.

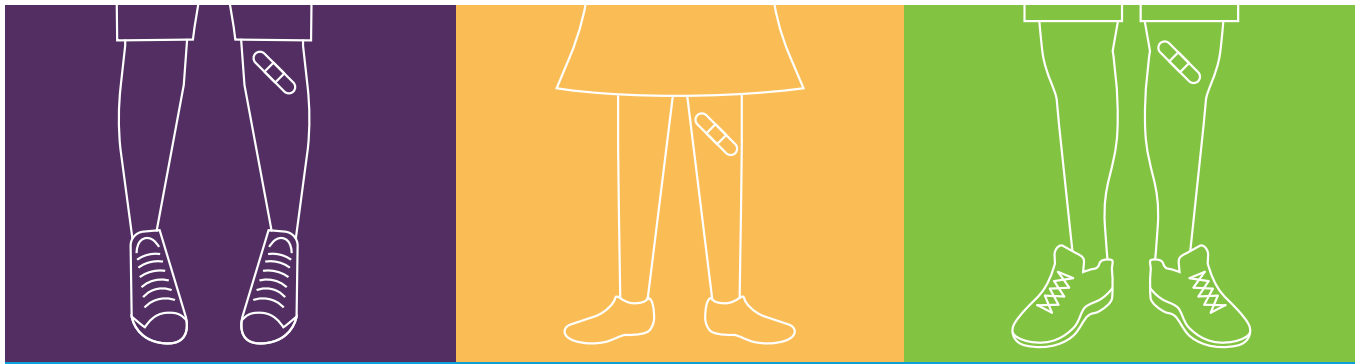


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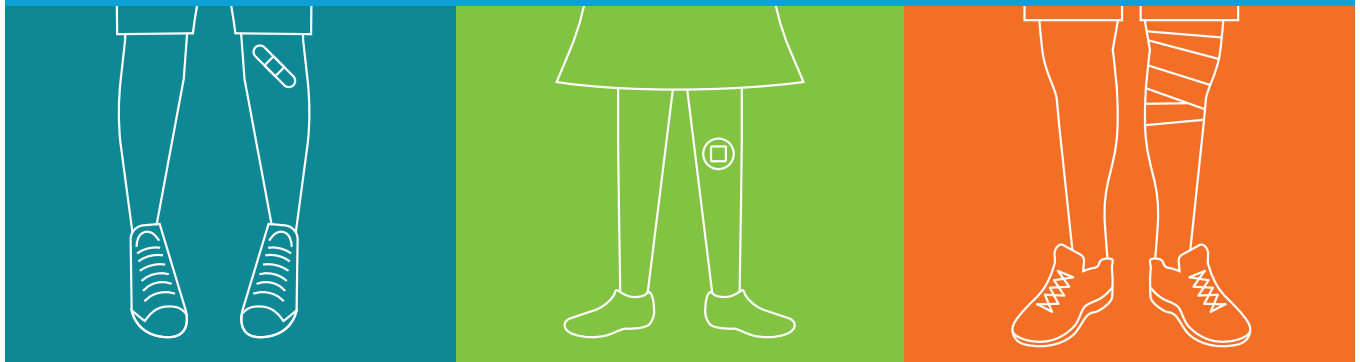
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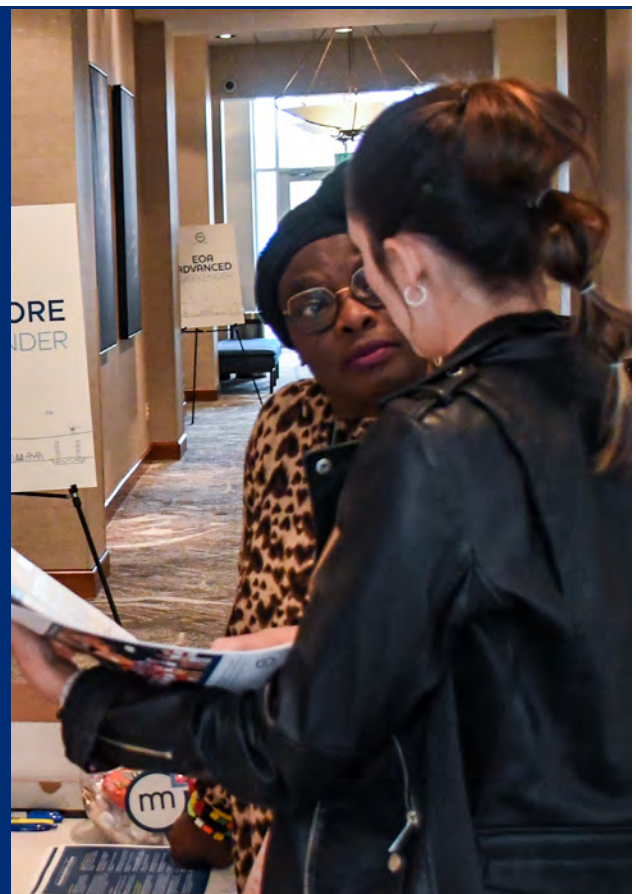
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Michigan's Path to a Prosperous Future: Population and Demographic Challenges and Opportunities

CONCLUSIONS & IMPLICATIONS

By Ani Turner, Corwin Rhyan, Beth Beaudin-Seiler, and Samuel Obbin (Altarum); Eric Lupher, Robert Schneider, and Eric Paul Dennis (Citizens Research Council)

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Michigan's population growth has lagged the nation for 50 years. Michigan's population growth tracked the nation's until the 1970s, when Michigan's growth began to slow. The state has since fallen from 7th to 10th most populous state and has lost six seats in the U.S. House of Representatives. From 2000 to 2020, Michigan grew more slowly than all but one state.

This slow growth path is projected to continue. Projections to 2050 show that Michigan is on a path to continue to grow more slowly than the rest of the country, and to begin to lose population in the 2040s.

International immigration provides a consistent inflow to Michigan's population. The natural increase in the population (births minus deaths) is currently positive but is projected to turn negative (more deaths than births) by 2040. Domestic migration represents a net loss in population as more people are leaving for other states than are moving to Michigan, and the state is projected to lose an additional 270,000 people on net to other states by 2050. International immigration has been a net addition to Michigan's population and is projected to add about 22,000 people per year, or more than 600,000 people in the coming decades, but after 2046 this will not be enough to offset the other losses.

Michigan's population is older than average and getting older. By 2050, it is projected that the population of children and young adults will shrink by six percent and the working age population will be stagnant (falling over the next decade, then recovering to just above the current level), while the population of people aged 65 and older will grow by 30 percent. The shift to fewer workers per retiree presents challenges for the workforce, customer base, and tax base.

Michigan's population is projected to become more racially and ethnically diverse. Black, Hispanic, Asian, and other groups are growing while the non-Hispanic White population is declining. By 2050, 40 percent of the working age population will be people of color.

Strategies to keep more people in Michigan, especially young people, and to attract more people to the state offer the potential to shift the state's population and demographic path.



While only 22nd in land mass, Michigan has been among the top 10 most populous states since the late 1800s. An influx of people in the latter half of the 20th century created a large population base that generated steady population growth as the baby boom generation lived and worked and had children of their own. However, the state's population growth began to slow in the 1970s, and between 2000 and 2020, Michigan saw the slowest population growth of all states except West Virginia.

Michigan is an older than average state and so will see the impacts of an aging population ahead of much of the nation. As Michigan's population ages, the gap between births and deaths is narrowing, and in two decades the natural increase in the population is projected to be negative. Net domestic migration is already negative and is projected to remain negative for most of the next 30 years. Michigan will require more than a return to historical international immigration patterns assumed in the current population projections to forestall a declining population in the 2040s and beyond.

The projected decline and aging of Michigan's population could be mitigated by retaining more people, especially young people, or by attracting more people to the state. Strategies to retain the current population can overlap with and reinforce strategies to attract new residents to the state. To spur both domestic and international immigration, it may also be important to invest in strategically promoting all Michigan has to offer as a place to live and work. In a mobile country of more than 330 million people, with more than seven million people moving from state to state each year and more than one million international immigrants, there is real opportunity for Michigan to grow its population.


Climate change may drive opportunities for Michigan to increase both domestic and international migration, as southern and coastal parts of the country and the world experience longer periods of very high temperatures, rising ocean levels, droughts, and more extreme weather¹. The rise of remote work that accelerated during the pandemic may also offer opportunities to both retain workers and attract people who no longer need to live where they work. Michigan could benefit from having a lower cost of living than many parts of the country that have historically attracted young workers.²

Considerable state-to-state migration occurs each year, with shifts of as many as 150,000 people moving out of and into the state. Whether this movement results in a net increase or a net decrease to Michigan's population can be driven by relatively modest shifts in these patterns. The RSQE population projections assume a peak in net domestic migration into Michigan of those aged 64 and under of about 5,000 people per year during the 2030-2035 period. If this level of domestic migration could be maintained through favorable economic conditions or other factors through 2050, Michigan's population would be about 140,000 people larger by 2050, depending on assumptions about births and other factors. This increase would be enough to offset the decline in natural increase to maintain growth in the Michigan population through 2050.

Looking at the potential impact of efforts to increase international immigration to Michigan, current projections assume that Michigan will receive two percent of U.S. international immigrants each year. This is the share the state would receive if immigrants were distributed equally among all 50 states. However, Michigan has a larger population than most states, representing about three percent of the U.S. population. There are two major factors determining international immigration to Michigan—the total number of immigrants to the U.S. and Michigan's share of the total. While federal policies and global events will have a greater impact on the number of immigrants to the U.S. than state actions, Michigan could look to increase the share coming to the state. A reasonable target might be to receive international immigrants in the same proportion as Michigan's share of the U.S. population. If international immigration into Michigan grew to be three percent of the

U.S. total starting in 2025, we estimate that this would represent an average of about 33,500 immigrants per year, rather than the current projection of about 22,000 per year. This would translate to an additional 250,000 to 300,000 Michiganders by 2050, depending on assumptions about associated changes in births and other factors. Note that the same result would be achieved if Michigan maintained its two percent share but the number of immigrants to the U.S. increased from

1.2 million per year (consistent with the late 2010s) to 1.7 million per year (somewhat higher than the peak of 1.4 million seen in the mid-2010s).

Together, the combination of maintaining a slightly positive flow of net domestic migration starting in 2030 and attracting three percent rather than two percent of 1.2 million immigrants to the U.S. starting in 2025 would result in Michigan's population approaching 11 million people by 2050. These potential increases in domestic and international migration are meant to be illustrative, but not infeasible, targets for shifting Michigan's population trajectory and maintaining Michigan's status as a top 10 most populous state. 

Ani Turner, Corwin Rhyon, Beth Beaudin-Seiler, and Samuel Obbin; Altarum, 734-302-4600 or altarum.org

Eric Lupher, Robert Schneider, and Eric Paul Dennis; Citizens Research Council, 734-542-8001 or crcmich.org

- 1 Hauer M. "Migration Induced by Sea-Level Rise Could Reshape the US Population Landscape." Nature Climate Change. Volume 7, May 2017
- 2 From the Cost of Living Index by State 2023, Michigan is in the bottom quarter of states for cost of living, ranking 37 out of 50 states, where states are ranked from highest to lowest cost of living. Available at <https://worldpopulationreview.com/state-rankings/cost-of-living-index-by-state>

Altarum (altarum.org) is a nonprofit organization focused on improving the health of individuals with fewer financial resources and populations disenfranchised by the health care system.

Citizens Research Council (crcmich.org) works to improve government in Michigan by providing factual, unbiased, independent information concerning significant issues of state and local government organization, policy, and finance.

The project was funded by the Charles Stewart Mott Foundation, The Kresge Foundation, Ralph C. Wilson, Jr. Foundation, Hudson-Webber Foundation, Grand Rapids Community Foundation, W. K. Kellogg Foundation, Max M. and Marjorie S. Fisher Foundation, Michigan Health Endowment Fund, The Joyce Foundation, The Skillman Foundation, and the Ballmer Group.



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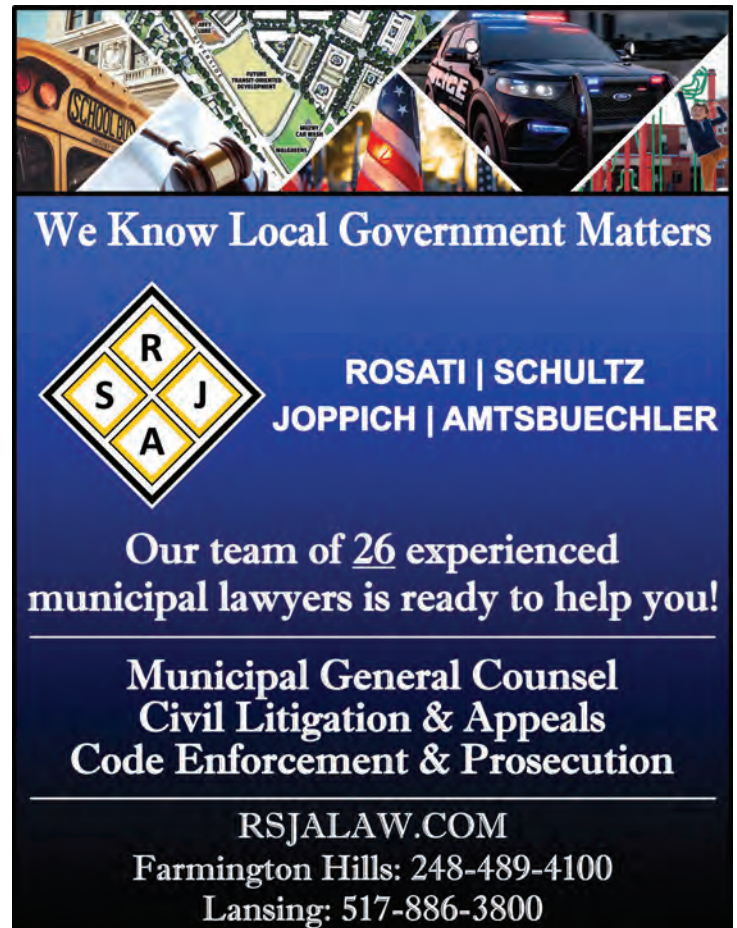
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IMPROVING RECRUITING AND RETENTION USING POLICE ACADEMY REPAYMENT AGREEMENTS

By Ryan J. L. Fantuzzi

Many municipalities are struggling to recruit and retain law enforcement employees.¹ The Michigan Legislature recently enacted legislation which should help. Under the new statute, law enforcement agencies may encourage longevity by agreements assigning responsibility to repay police academy training costs in whole or part to employees who voluntarily separate with less than four years of service after completing academy training.²


The legislation creates an exception to the general rule—in the Payment of Wages and Fringe Benefits Act, 1978 PA 390, as amended, PA 390—which bars employers from demanding or receiving from employees “a fee, gift, tip, gratuity, or other remuneration or consideration, as a condition of employment or continuation of employment.”³ This general rule prohibits “selling” jobs by making it unlawful for an employer to require employee payments “of any kind . . . return for employment or its continuation.”⁴

The new statute permits a law enforcement agency to require employee-repayment of agency-paid police academy training costs from an employee who leaves agency service before satisfying a durational commitment set in a signed employment agreement.

The legislation permits tailored repayment obligations, adjusted to the length of an employee’s post-academy service. If the employee voluntarily leaves employment within a year of the end of academy training, for example, the agreement may make the employee responsible for repaying the entire cost of the academy training. The employee’s maximum repayment responsibility must be reduced over time. For example: if the employee voluntarily leaves employment with the agency between one and two years, the employee may be responsible for 75 percent repayment; between two and three years, for 50 percent repayment; and between three and four years, for 25 percent. After four years of service, the employee’s repayment responsibility would end.

To be eligible to recover academy training costs from separating employees, a law enforcement agency must enter into a written, signed agreement with the employee. The law will not enforce oral agreements or unsigned written agreements.⁵

The agreement must satisfy the new statute’s technical requirements. The agreement must explain: (1) that the agency will pay the cost of academy training needed to obtain a license under the Michigan Commission On Law Enforcement Standards Act⁶; (2) the conditions under which the academy training costs will be paid by the agency and under which repayment may be required of the employee⁷; (3) that the employee’s repayment responsibility will be waived by the agency if the employee is not required to be licensed as a law enforcement officer under the MCOLES Act, either within a year after leaving employment, if the employee voluntarily left employment not more than a year after the employee’s academy training ended, or two years after leaving employment, if the employee voluntarily separated more than a year and less than four years after the employee’s academy training ended.⁸

Payment and repayment responsibilities carefully explained in written and signed agreements should help law enforcement recruiting and retention. Municipal leaders looking to apply the statute, and use this new law enforcement personnel retention tool, should seek counsel and drafting assistance from their attorneys. 

Ryan J. L. Fantuzzi is an attorney with Kirk, Huth, Lange & Badalamenti, PLC. You may contact him at 586-412-4900 or rfantuzzi@kirkhuthlaw.com.

1 Smith, *As Applications Fall, Police Departments Lure Recruits With Bonuses and Attention*, New York Times, (December 25, 2022).

2 House Legislative Analysis, SB 32 (May 18, 2023).

3 MCL 408.478(1).

4 *Sands Appliance Services, Inc. v Wilson*, 463 Mich 231, 247 (2000).

5 MCL 408.478(1)(b).

6 MCL 408.478(3)(a).

7 MCL 408.478(3)(b).

8 MCL 408.478(3)(c).

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STRIVING FOR THE OPTIMAL WATER DISTRIBUTION BUSINESS MODEL

By Roberto J. Scappaticci



Many communities throughout the nation struggle with water loss. Any organization that distributes a product or commodity and purchases more than it sells, both public and private, would have concerns over that business model. The City of Romulus’s Mayor Robert D. McCraight had the same concerns, and the City of Romulus is no different.

Community Overview

Romulus is nestled in the eastern end of western Wayne County. The Detroit Metropolitan Airport (WCAA) has a roughly 12-square section footprint in the city’s 36 section boundary. The city has a rural character within an urban setting. The community is home to roughly 25,000 residents and boasts a broad array of commercial properties including two Amazon distribution centers, a Kroger’s fulfillment center, beverage distribution warehouse, and trucking giants like Central Transport among others. There are two interstate highways that bisect the city, both I-275 and I-94 have multiple exits into the city. The community is truly in a transportation hub. In addition, the city has plenty of undeveloped land and hosts prospective developers as far as China and as near as western Wayne County.

Fourteen to Twenty Percent Loss Increase

Pre-pandemic, the city had an average water loss calculated and it averaged 10-16 percent yearly. Post-pandemic, the city saw water loss as high as 30 percent. The first thing the administration thought was, “What is causing this high loss?” and “Did COVID-19 have anything to do with it?” After investigating, the city found several factors that contributed to such a high loss for a master metered community. We found that COVID had nothing to do with the uptick in water loss—it was just coincidental.

During the course of the pandemic, the city was in the process of converting its entire metering system to complete mobile radio reading. So, we had no more walk up reads—where a vehicle drives through the city and picks up all the meter reads in one day. This allowed the city to read the entire customer database monthly and compare the consumption data to the master billing from the Great Lakes Water Authority (GLWA). The City of Romulus, like most southeast communities, receives its water supply from the Great Lakes Water Authority.

Software Audit

Several glitches needed to be worked out in the software setup. The city issued a request to its vendor to audit the software and data collection to ensure that the first couple of attempts at comparing data extracted all the meter accounts consistently and accurately. Software pulls the meter reads for the accounts to the computer and allows a staff member to review them. Once that process was vetted, and two consecutive months of data were reviewed, it became apparent that the loss of 20-30 percent during winter months was masking a greater problem than just water main breaks.

City Equipment Check

As director of the department of public works, I issued a directive to verify that all service valves to neighboring communities were held in the closed position. Some communities have an unmetered connection to each other that could accidentally be turned off. In addition, a request was made to GLWA to calibrate the master meters and verify the accuracy of the billing data. As they thought, an unmetered connection to a neighboring city had accidentally been turned on by field staff during a recent water main break. That valve was quickly closed.

The next step was to verify the accuracy of some of the meters in the system. The city routinely calibrates its larger size meters ranging in 8"-10" in diameter. However, the city wanted to obtain a snapshot of both the residential and the commercial district. So, the city swapped out $\frac{3}{4}$ " meters, roughly two dozen, and submitted them to third party calibration. Results showed some of the oldest meters in the system were still calculating revenue of 95-98 percent accuracy. A second round of water meter exchange was performed in the commercial district. Some of the oldest meters, ranging in size from 1"- 4," were exchanged and submitted for calibration by third party vendors. That meter data is still pending reporting from the vendor.

System-Wide Leak Detection Needed

The city was still not satisfied with the results of the subsequent data in water loss—it still maintained at 18-22 percent loss. So, the city embarked on another mission to search for non-revenue sources of water loss. An RFP was issued for system-wide leak detection. Several technologies were considered: satellite-based leak detection (where satellite imagery is used and zoomed into a community to look for potable water on the surface of the ground) and acoustic leak detection sensors (where an acoustic sound wave is introduced into the pipe and the sound travels and resonates where a leak is accruing). The city contracted with Benesch, out of Detroit, for acoustic leak detection of the entire city system.

Benesch had placed together a plan to systematically canvas the community from section to section, starting at the northern-most point of the city and working south. A thorough investigation was completed, and the results turned up several leaking systems that included breaks undetected under open storm drains, leaking mains in open fields where no sight access from the roadway was possible, and leaking water services into the hotel district where water was undetected due to local enclosed storm drains.

It is estimated that the leaks found accounted for 2-4 percent of water loss seen, and the duration of the leaks were unknown. Currently, the city is averaging 16-19 percent yearly water loss. This is in part from an aging system which is reaching upwards of 60 years old with some distribution main and potentially other sources—(including theft, bypass valves being used, and undetected leaks). The city plans to continue to investigate with a possible software audit with an in-depth dive, which we would be looking for accounts that were not totaled in the monthly results of purchases.

The City of Romulus is interested in obtaining water loss data from other communities, please submit water loss data to rscappaticci@romulusgov.com. 

Roberto J. Scappaticci is the director of public works for the city of Romulus. You may contact him at 734-955-8752 or rscappaticci@romulusgov.com.



Romulus—Our Community, Our Future

Nearly a thousand people participated in the visioning process. These folks were instrumental in creating a common vision for the future of Romulus. Beginning in July 2022 through January 2023, the engagement process included community surveys, five focus group sessions, and a think tank workshop. This engagement process was designed to provide an open, inclusive, and transparent platform for community members to help create a shared vision for Romulus, looking out to 2030.



"The mayor so far is doing a great job at trying to engage residents in future plans. If he remains in office, he will be a huge asset to move the city forward." COMMUNITY SURVEY RESPONDENT



"I was born and raised here. I work here. The best thing is even with an airport in the middle of it, Romulus to me feels rural. It is located in an area that makes it a reasonable drive to multiple places, like downtown Detroit, Ann Arbor, Novi, down river area. It is also so convenient for air travel." COMMUNITY SURVEY RESPONDENT





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Do City Fire Safety Charges Satisfy Headlee and Bolt?

The 1978 Headlee Amendment to Michigan's Constitution was intended to constrain the amount of taxes local governments can levy. It has been the subject of numerous cases of significance to municipalities. In several of these, the MML Legal Defense Fund has filed amicus briefs in support of the interests of cities and villages. In this case before the Michigan Court of Appeals (COA), the issue was whether certain annual charges related to fire safety imposed by the City of Detroit are legal.

THE FACTS

Detroit imposes an annual charge on owners of commercial real property and multi-unit residential property. While the characterization of the charge was in dispute at the trial court, that is, whether it was a *fire inspection charge*, or a *permit fee*, the Plaintiff, Midwest Valve, acquiesced on appeal that the trial court's position was correct—that it was a “permit fee.”

From at least 2013, Plaintiff paid the charges but claimed it never received any fire safety inspections. It filed a suit with eight counts. Of them, two are most relevant: the Headlee Amendment claim and the Equal Protection claim.

In regard to the Headlee claim, Section 31 of Headlee states: “Units of Local Government are hereby prohibited from levying any tax not authorized by law or charter when this section is ratified, without the approval of a majority of the qualified electors of that unit of Local Government...”

The Court of Appeals Analysis and Decision

The COA stated that Section 31, case law, and Michigan statute together restrain a local unit's ability to assess taxes. However, “[i]f the charges levied are not taxes, the Headlee Amendment is not implicated and [Plaintiff's] claims . . . would necessarily fail.” (emphasis added) In turn, the key to that determination is the 1998 Michigan Supreme Court decision in *Bolt v City of Lansing*, which the COA summed up this way: “[it stated] that user fees are not taxes and are not affected by the Headlee Amendment.”

In *Bolt*, the Supreme Court did not establish a “bright-line test for distinguishing between a valid user fee and a tax that violates the Headlee Amendment.” It did, however, articulate three primary factors.

- 1) A valid user fee must serve a regulatory purpose, rather than a revenue-raising purpose.
- 2) User fees must be proportionate to the necessary costs of the service.
- 3) “[a] third criterion is voluntariness: fees generally are voluntary, while taxes are not.”

Further, the COA in applying the three criteria has previously held “[t]hese criteria are not to be considered in isolation, but rather in their totality, such that a weakness in one area would not necessarily mandate a finding that the charge is not a fee.”

Before addressing each of the three criteria, in this case the COA concluded that “[t]here is no question of fact that the charges at issue here were for the acquisition of permits, not inspections . . . the evidence showed that the charges were paid for obtaining occupancy permits.”

Then, with respect to the first *Bolt* factor, the COA concludes that the charge in this case provides a property owner with a permit to operate in Detroit. And that those who pay the charge, and do not receive an inspection, nonetheless receive a benefit such as training of staff, public education, etc. The COA rejected Plaintiff's argument that Detroit's program only serves a public purpose. “[Plaintiff] receives a benefit by being allowed to operate its business in Detroit. Thus, [Plaintiff] received ‘a direct benefit’ from paying the charge. The fact that the general public also benefits from the Fire Protection Program does not negate the charge's regulatory nature.” Thus, the city satisfied the first *Bolt* factor.

For the second *Bolt* factor, the COA first stated that “[c]ourts are to presume that the amount of the fee is reasonable.” It then rejected the Plaintiff's argument, that the costs are not proportionate because Plaintiff didn't receive any inspections and thus didn't receive anything different than anyone else in the city who didn't pay the charge. It rejected the argument because “. . . the main benefit of the city's charge was the receipt of a permit, not of an inspection. Thus, those who paid the charge did receive a benefit distinct from someone who did not pay the fee—the right to occupy the premises as a business.” The COA also distinguished *Bolt* in that here the charges funded yearly fire marshal operations and were much less

than the program's cost, whereas in *Bolt* the charges would have funded an infrastructure project which would outlast the duration of the charge imposed. The trial court didn't explicitly rule on the third factor, assuming the charge was not voluntary. The COA agreed, stating: "Thus, even with the charge at issue being involuntary, that fact alone is not sufficient to overcome the other two factors that [Plaintiff] received a benefit and that the fee is proportional."

And having satisfied all three *Bolt* factors, "... the charge is a fee, not a tax, [and Plaintiff] is precluded from succeeding on its claims alleging violations of the Headlee Amendment and MCL 141.91."

Finally, there was a claim that the city violated the Plaintiff's equal protection rights. "The essence of the Equal Protection Clauses is that government not treat persons differently on account of certain, largely innate, characteristics that do not justify disparate treatment . . . Thus, the relevant inquiry is whether there has been discriminatory intent or purposeful discrimination."

The Plaintiff claimed that its "group" was discriminated against because they did not receive fire inspections, while others, who paid the charge, did. The COA stated that there was no suspect class involved (such as race, national origin, etc.) so the appropriate test is that of rational basis. "The rational basis test considers whether the classification itself is rationally related to a legitimate governmental interest."

In its unanimous opinion, the COA stated "[i]t is beyond dispute that a legitimate governmental interest is to provide fire inspections. It is also rationally related to only perform as many inspections as is economically feasible. Knowing that it is impossible to inspect every property, [the City] was left with two choices: (1) conduct as many inspections as it could, or (2) conduct zero inspections so everyone was treated equally. [The City's] choice to proceed with the first option is eminently rational."

In conclusion, the COA unanimously affirmed the trial court's ruling in favor of the city on all eight counts.

Midwest Valve & Fitting Company, and all others similarly situated v City of Detroit, Michigan Court of Appeals, March 9, 2023; approved for publication, June 1, 2023.

Editor's note: Plaintiff has appealed the decision to the Michigan Supreme Court, which has not yet ruled on whether it will hear the appeal.



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Contact Chris Johnson at cjohnson@mml.org for more information.

Bring Back Calumet

By Morgan Schwanky

VILLAGE OF
CALUMET
pop. 694



Tucked up near the tip of the Keweenaw Peninsula is the Village of Calumet. It was settled in 1864, and until the 1960s, it was the center for Michigan’s copper mining.

Following the closing of the mines, the community experienced hardships that created the decline of buildings and the loss of many businesses. When residents left to find new jobs, and businesses moved out, the village’s tax base suffered.

It became evident to the village that investing in its downtown and historic buildings was crucial to its revitalization. Unfortunately, this need was not only costly but the return on investment would be uncertain.

While smaller projects have taken place, there is still a backlog of properties that are in dire need of rehabilitation.

Jeff Ratcliffe, executive director at Keweenaw Economic Development Alliance (KEDA), saw an opportunity to make a difference in a community with potential.

“Every community I’ve worked in has always had an identifiable barrier or issue or challenge that is facing them—something that needs to be addressed to move them forward or support continued growth. To determine this, we went through an area wide economic development strategic plan process here in Keweenaw County. One of the outcomes of this process was the identification of the need for revitalizing our communities. It became pretty evident to me that the biggest community revitalization challenge in our area was Calumet,” said Ratcliffe.

He also explained that surrounding communities had recovered more quickly than Calumet following the mine closures. He saw that putting in extra effort in revitalizing Calumet put it on par with nearby municipalities.

Back in 2016, Ratcliffe began work on the project that is now known as Bring Back Calumet. Ratcliffe was able to gather support from multiple people and organizations within the community to work alongside one another.

“To tackle this challenge was a matter of pulling everyone together,” Ratcliffe said.

He was able to bring together persons from the village’s Historic District Commission, the Keweenaw National Historical Park (KNHP), LJJ Construction, and the Heritage and Archaeology department at Michigan Technological University to create a grant proposal to Michigan State Housing Development Authority (MSHDA).

After some back and forth, with multiple proposals and scaling down the project from eleven threatened historic buildings to one, they were about to secure a grant from MSHDA in 2017.

Calumet also needed to match the MSHDA grant. The village received funding assistance from the River Valley Bank Foundation, KNHP Advisory Commission, Main Street Calumet, and the Houghton County Land Bank.

Leah Polzien, executive director of Main Street Calumet explained that Main Street’s role has been as collaborator with the various partners that have been brought together for the project. She also expressed that it was not just an initiative, but an ongoing project—improving one building at a time.

Since the initial grant from MSHDA in 2017, the Bring Back Calumet project has continued to make strides. They were able to utilize the past MEDC façade grant to improve four buildings in the community.

Through strengthening the partnership with the land bank, the village has also been able to break the cycle of foreclosure for some of the buildings, as well as expand rehabilitation efforts of historic buildings outside of the downtown as well.

“The land bank has been a great tool for us,” said Polzien.

The work is not over yet, but the village is proactively planning more projects and acquiring funding for them.

501 5th, BEFORE



501 5th, AFTER



“We’re starting to turn the corner. We started in 2017 with a small MSHDA grant that helped us stabilize a small historic building. In the last five years, we’ve been able to access Michigan Economic Development Corporation support to renovate four historic building façades, completely rehab four more historic buildings, and secure a State Historic Preservation Office grant to put a roof on another historic building in order to stabilize it for future redevelopment. The support from the Houghton County Land Bank Authority has been pivotal to securing and stabilizing properties for future development,” said Ratcliffe.


Another project in the works is to redevelop a one block site where three buildings were destroyed due to a fire.

“It’s exciting, but there is still a lot to do. We’ve still got a number of buildings that are vacant and buildings that need to be stabilized. In three to five years, you’re going to really see a big change in Calumet. People are already seeing it now with the rehabilitation projects that have taken place. There certainly is an uptick in retail and commercial activity. If we can get a building rehabilitated and make that retail space viable, there are people who want to open shops there,” Ratcliffe said.

Polzien agrees with Ratcliffe and believes that they have the momentum necessary to create long-term change.

She also discussed how the work the community is doing will have additional impacts in the future as well. Eventually as buildings get reassessed and sold, it will improve Calumet’s tax revenue.

“From a municipal standpoint, I think seeing the buildings start to change and rehab, it is a great thing for us to see as a community,” said Polzien.

As both Ratcliffe and Polzien have expressed, Calumet is taking it one building at a time. With the strides they have already made, the Bring Back Calumet project is on its way to completely transforming this community. 

Morgan Schwanky is a content developer for the League. You may contact her at 734-669-6320 or mschwanky@mml.org.

209 5th, BEFORE



209 5th, AFTER



Equity in Budgeting

By Rick Haglund

“Cultural competency isn’t something we’re born with. It’s a skill that has to be developed.”

**-Alfredo Hernandez, Equity Officer,
Michigan Department of Civil Rights**



Local governments have long sought to treat their constituents equally, which is different than treating them equitably. “The emphasis on equal treatment arose from the desire to combat the corruption and favoritism that was prevalent in local government in the late 1800s and early 1900s,” according to a recent report by the Government Financial Officers Association, based in Chicago. Equality means giving everyone the same resources. But the emphasis in local government is shifting from equality to equity.

The GFOA report said municipalities are now focusing on equity—treating residents differently “in the interest of giving all people access to health, safety, and welfare”—because of “pervasive and material differences in wealth, safety, and health, particularly along racial lines.” In Grand Rapids and other Michigan cities, that has meant prioritizing underserved neighborhoods for capital investment, programming, and other resources.

Grand Rapids

Like many cities across the country, Grand Rapids has long struggled with deep economic and racial inequities. An equity profile of the city funded by the W.K. Kellogg Foundation in 2014 determined that the West Michigan region’s economy could have been \$4 billion larger—a 10 percent increase—had racial gaps in income been closed. And a 2016 study by the Economic Policy Institute that found Grand Rapids had the largest income gap in the state between rich and poor residents was a wake-up call for city leaders.

That year, the city began a comprehensive effort to narrow the gap by crafting a strategic plan—Grand Rapids’ first—that called for the city to include equity as a cornerstone in its annual budget appropriations. “We’re really serious about using an equity lens in every part of our operations,” said Grand Rapids City Manager Mark Washington. “There is often a correlation between zip codes, income, and race. People need an opportunity to advance.”

For example, Grand Rapids’ third ward has the highest Black population in the city, but historically received the least amount of city funding of Grand Rapids’ three wards.

But in 2019, the city created the Third Ward Equity Fund, granting \$750,000 for a variety of projects, including home repair, reduced lead exposure, neighborhood business assistance, and resources for survivors of trauma and violence. The Equity Fund was allocated \$1 million in the current fiscal 2024 budget.

Grand Rapids also has a “participatory budgeting initiative” in which residents decide how to spend \$2 million allocated from the city budget. This year, half of the funding is going to the third ward for lead water line replacement, affordable childcare, housing support for youth in crisis, and public safety violence reduction. Equity budget funding in Grand Rapids has nearly doubled since 2018, from \$25 million to \$49 million this year. Current funding represents 7.6 percent of the city’s \$643 million budget. “We have a clear consensus among our leadership that promoting equity through the city budget is essential in Grand Rapids, which is gradually becoming a minority majority city,” Washington said.

Lansing

Lansing also has embraced improving equity through city budgeting. We want all citizens to be able to grow,” said Lansing Mayor Andy Schor. “In some areas of the city, citizens haven’t had the same opportunities as others. We’re giving them the resources they haven’t had in the past so they can catch up.”

Lansing has allocated nearly \$155,000 in its current city budget for racial, equity, and justice programs, following the completion of a 100-page Mayor’s Report on Racial Justice and Equity in 2021 that called for city leaders to craft policies that “create an inclusive, fair, and equitable environment, where all people have access to economic opportunities, education, housing, and social resources.” The city’s poorest neighborhoods are in southwest Lansing, which has a high minority population and low student achievement. “All the metrics were going the wrong way,” Schor said. “People there who were under-resourced needed more attention.”

The city uses a point system in providing grants to community groups and others in which applicants receive extra points for equity. And The Empower Program, administered through the city's economic development corporation, provides technical support to small businesses owned by Black, indigenous, or people of color, known as BIPOCs. "We want to ensure we are doing things from an equity standpoint," Schor said.

Washtenaw County


Washtenaw County, for example, implemented an equity policy in 2018 and established an equity office that will "ultimately make the county an equitable place to live and work for all residents." Last year, the county committed \$8 million to a new Community Priority Fund that provides food assistance, job training, eviction protections, and other services in lower-income, high-minority population areas of the county. The money comes from the county's share of the federal American Rescue Plan Act.

MI Department of Human Civil Rights

Other local governments in the state also are using an equity lens in budgeting and infrastructure projects, although experts say they're unsure of how many municipalities are doing so. Alfredo Hernandez, equity officer at the Michigan Department of Civil Rights, said the department is working on tracking the number of municipalities and counties engaged in budgeting for equity and those that have established equity offices.

Experts say it's critical that governments implement DEI so that they can more effectively imbed equity in budget appropriations.

Budgeting for equity dovetails with local governments' widespread internal diversity, equity, and inclusion programs. Experts say it's critical that governments implement DEI so that they can more effectively imbed equity in budget appropriations. Local officials "have to understand what it all means," Hernandez said. "Cultural competency isn't something we're born with. It's a skill that has to be developed." Hernandez's department offers local governments a racial equity toolkit that provides a roadmap for communities to create equitable policies and practices.

Local leaders acknowledge it will likely take years for the recent focus on equity to reverse decades of government actions that exacerbated racial and economic inequities. "I think it's always a work in process," Grand Rapids City Manager Washington said. "There's a lot of division in the state and country about whether (DEI) is needed. "But I think we are meeting the expectations of policymakers. A majority of our citizens appreciate equity and want more of it." 

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HANDBOOKS

These handbooks are essential reading material for both new and veteran elected and appointed officials in cities, general law, and home rule villages.

Topics covered include:

- Structure and Function of Local Government in Michigan
- Roles and Responsibilities of Municipal Officials
- How to Select and Work with Consultants
- Running Meetings
- Personnel and Human Resources Issues
- Special Assessments and User Charges
- Planning and Zoning Basics

Numerous appendices include:

- Open Meetings Act
- Freedom of Information Act
- Sample Council Rules of Procedure
- A Glossary
- Frequently Asked Questions
- A Sample Budget Ordinance



HEADLEE AMENDMENT

In 1978 Michigan voters amended the state constitution. One amendment imposed a limit on the rate at which property tax revenues of local governments could increase based on the increase in property values. This amendment, known as Headlee, required that when increases in a municipality's taxable value exceeded the rate of general inflation, the maximum millage rate would be rolled back or reduced.

Q. What is a millage rate? What is a mill?

A. A millage is a tax on property. It is measured in mills. A mill is 1/1000th of a dollar. If a tax is 2 mills, property tax on a home valued at \$100,000 is: $\$100,000 \times 2/1000 = \200 .

Q. I've heard I should be concerned about *Bolt*, but I'm not sure what it is.

A. *Bolt* was a 1998 case where the Michigan Supreme Court held that a storm water service charge was actually a disguised tax imposed in violation of the Headlee Amendment. The *Bolt* decision does not prohibit usage-based utility charges. However, such charges must reflect the actual costs of use, metered with relative precision in accordance with available technology, and such charges may include some capital investment component.

See the League's Fact Sheet: *Bolt* Refresher at mml.org.

Q. Is a city permitted to spend money on its 100th anniversary celebration?

A. A Michigan statute specifically grants municipalities the power to spend money on celebrations. If the local celebration is for independence, memorial days, diamond jubilee, or centennial, the city may appropriate money for the purpose of defraying the expense of the celebration (see MCL 123.851).

It is improper for a unit of government to expend public money on a celebration that is not specifically authorized by law and does not serve a public purpose. The Michigan Supreme Court in *Wayne County v Hathcock*, defined "public purpose" as having "for its objective the promotion of the public health, safety, morals, general welfare, security, prosperity, and contentment of all the inhabitants or residents within the municipal corporation, the sovereign powers of which are used to promote such public purpose."

See the League's Fact Sheet: Municipal Expenditures at mml.org.

Q. Our council has been holding hybrid council meetings (in person for the council but the public can join via Zoom). Do we need to allow the Zoom attendees to participate in the public comment portion of the agenda through Zoom during hybrid council meetings?

A. It is up to the local governing body. You would want to have something in writing as part of your council rules of procedure. The Open Meetings Act (MCL 15.263(5)) requires: A person must be permitted to address a meeting of a public body under rules established and recorded by the public body.

Q. During our audit process, the chief auditor insisted on seeing closed session minutes from the previous fiscal year. Are you aware of a statute or case law that allows a municipal auditor to view closed session minutes of a public body? There has not been a civil action commenced pursuant to Secs. 10, 11 or 13 of the Open Meetings Act.

A. We know of no exceptions for auditors to review closed session minutes, especially since no decisions can be made in a closed session. As you noted, per Michigan's Open Meetings Act, no one should be allowed to review closed session minutes without a court order.

Q. How does the capital improvement plan fit into the budgeting process?

A. Under the Michigan Planning Enabling Act (MPEA), the planning commission (PC) is responsible for preparing the capital improvement plan (CIP) annually and submitting it to the legislative body for final approval, unless exempted by charter or otherwise. The PC should coordinate with the chief executive official (e.g., mayor/ president or manager) to compile projects from each department or operating unit within the municipality into the CIP. Each year, the CIP should be updated to maintain the minimum five-year planning horizon, and to review and adjust the planned projects for each year based on changing budgetary conditions. This process provides an opportunity for the PC to consider projects against the adopted master plan for the municipality, ensuring that major investments best support the municipality's long-range goals.

The League's Information Service provides member officials with answers to questions on a vast array of municipal topics. Call 800-653-2483 or email info@mml.org.

HOUSING, HOUSING EVERYWHERE

By Melissa Milton-Pung

*Water, water, everywhere,
And all the boards did shrink;
Water, water, everywhere,
Nor any drop to drink*

The irony of elusive water is the central theme in *The Rime of the Ancient Mariner*, a classic poem by Samuel Taylor Coleridge. The commodity sought surrounds the parched sailor in every direction yet remains stubbornly inaccessible.

Such is the state of the housing market now. While housing is around us, visible in every community and on the lips of nearly every community leader, housing attainability remains persistently, inexplicably, maddeningly, out of reach.

*Housing, housing everywhere,
And all the markets did rise;
Housing, housing everywhere,
No homes of any size.*

Coleridge wrote his poem to describe the predicament of the ill-fated hero of his tale, one who was stuck on a ship in the middle of a becalmed ocean. Amid the flat sails and lack of options, a sense of creeping panic set in. A feeling of helplessness overtook the hero, buffeted by the forces of nature which he had no way of taming. All the while bobbing in an ocean of salt water. Water, which simply wasn't in the right format and composition to be useful.

The current state of the housing market is similarly panic inducing. Surrounded by housing units inaccessible to many Michiganders due to excessive costs, limited supply, state of repair, or suitability, yet still faced with increasing unmet demand, our communities are searching for ways to quench their thirst for places to house people. This demand has become even more acute in recent years due to the rapidly shrinking American household size.

While our population here in Michigan remains flat, its composition has shifted. We are becoming older and more diverse. We have also moved from a mid-20th century norm of nuclear family with married adults plus several children to a much broader variety of living arrangements. This shift has resulted in an average Michigan household size of only 2.48 people, according to the 2022 American Community Service data from the U.S. Census Bureau. This proliferation of smaller households has resulted in an uptick in the number of housing unit demands. And yet, ironically, most new housing units constructed in Michigan are in the 2,000-sf range or higher, both larger than the average household needs in terms of space and far more costly than many can afford. While some households need all that space, many don't. With new construction clocking in at an average of \$250/sf for mid-grade quality, outside of land costs and site work, that's an option which is quite hard to swallow.

In Coleridge's poem, the Mariner must use imagination to overcome challenging situations and learn to see things that are not yet made real. What this hero knows to be true must be reframed in his mind and in his heart before he can surmount the seemingly impossible predicament.

Again, the same could be said for the Michigan housing market.

Consider the choices made by the Mariner, such as killing an albatross. The seabird could have led the ship to shore, to a freshwater source and a resolution that was sorely wanted. Instead, it ends up hanging about the Mariner's neck.

An unnecessary squandering of an opportunity which could have gone right.

In comparison, housing actors could act out of fear and stress, sticking only to allowing the market to fill with higher-priced single-family housing units formerly known to reliably result in profitability. They could simply remain unchanged despite population shifts and the need for more climate-friendly, energy-efficient, and compact solutions, instead expecting Michigan households to fit to that mold regardless of need, means, or desire.



The *Pattern Book Homes for 21st Century Michigan, Volume II* contains buildable patterns designed to fit into the regional context of Michigan.

Or, we could activate creative options and add to the forms of housing available for consumers in a broader variety of housing formats, sizes, and locations.

Part of this creative thinking is articulated in Michigan's first Statewide Housing Plan (see *Review*, May/June 2022 pp 40-41), which is centered on people and not just buildings. By taking current data into account and applying an explicit equity lens to future actions, the Statewide Housing Plan can help Michigan communities define their unique needs and take steps to serve them. By doing so, all the while engaging in quality placemaking that increases the dignity of the human experience, communities can also work with partners to implement multiple solutions to differing needs. They can influence the creation of an expanded housing portfolio that not only includes traditional single-family residential, but also gentle density two-family homes, four-family homes, small apartment buildings, and cottage courts. They can use their imaginations to create a variety of formats which could be used not only now given current population and household needs, but also redeployed in the future as trends change and populations shift again.

Two emerging solutions here at the League are designed to be part of such a creative response to the stressful housing market: a Housing Data Portal to better inform communities and developers on shifting markets, and a second volume of *Pattern Book Homes for 21st Century Michigan*.

Housing Data Portal

A lot of the questions being asked around the current housing market are based on data. They build on many studies conducted in the housing space and the enormous gap of fresh, accurate data to corral disparate sources, show impact on the landscape, and begin to tell the story of the shifting housing market across the state.

While every region is different, each housing market has its own unique circumstances. And yet though, demand for housing units of any type is far outpacing supply in every region of the state. Solutions will be varied across the state to strategically address ways to increase our housing supply.

Do we need more multi-family rentals? Yes. What about single-family homes for sale? Or condos? Also, yes. Retrofit or rehab historic homes or new construction? Yes. A multi-faceted set of problems such as these will require an equally complex array of solutions.

The Michigan Housing Data Portal will be rolled out in Fall 2023. Funded by a partnership between MSHDA and MEDC and championed by the League, it will serve housing actors at the state level, local governments, developers, industry leaders, and residents. Its approach will be shaped with on-the-ground experience from experts and advisors, and it will serve as a repository for current and regularly updated data. Future federal, state, and local investments will be informed by tracking existing conditions and identifying gaps/needs. In doing so, this new tool can be used to tell customized stories with visualized data about specific market geographies across the state. Finally, it will help illustrate a greater understanding of the unique circumstances of Michiganders in many varied communities as well as the usefulness of varied solutions.

Pattern Book Homes for 21st Century Michigan, Volume II

Building upon the tremendously popular first volume and plan sets released in September 2022, this manual will offer context and present new models to layer new construction into gaps within downtown-adjacent residential and walkable mixed-use neighborhoods. Like the first volume, it will be informed by historic pattern book housing precedents, designed to fit into the regional context of Michigan neighborhoods, and offer differing finish options to promote stylistic variation and choice with concepts which have been tested against existing zoning within Michigan residential and multi-use codes. It will further demonstrate the need for multi-unit housing infill in existing neighborhoods and examine current functional examples of this housing form from both historic precedents and contemporary projects with the goal of changing hearts and minds toward multi-unit housing.

Meeting Statewide Housing Goals

Housing is the foundation of thriving communities, and everyone deserves safe, affordable, and quality housing. Yet according to the Michigan Statewide Housing Needs Assessment, about 50% of Michigan's renters, and 25% of its homeowners, pay too much for housing.

To work to address these complex, intersecting challenges, Michigan's Statewide Housing Plan established five statewide housing targets. The following charts and figures highlight important measures related to meeting these targets.


To learn more about these targets, please visit: [Michigan Statewide Housing Plan Webpage](#)



The Michigan Housing Data Portal will be rolled out in Fall 2023. It can be used to tell customized stories with visualized data about specific market geographies across the state.

Volume II of this *Pattern Book Homes* manual will also include three additional copyright-free construction documents for a small-scale cottage that can be built singly or in groups, a new rowhome duplex, and an above-the-garage accessory dwelling unit (ADU). The narrative will discuss how these smaller-scale housing forms can be fit as a "modular mixed-tape" for construction on municipal lots or arranged in various forms on larger tracts of land. It will examine strategies for project optimization taking into account rising construction costs as they intersect with green building standards. Finally, it will explore how to pull together financial packages and construction budgets for estimation purposes and seek out potential lenders or other financing programs to assist in implementing the recommended housing concepts.

Like Volume I, these buildable plans will be 95 percent complete and will be published publicly. They will be available free of charge, with appropriate cautionary recommendations for users' due diligence.

These two solutions in the works are only a few of the many ways that Michigan can respond to housing needs. With nuance, vision, and careful understanding of changing needs with these and other responses being crafted beyond current confines. Pushing past the limits of what currently exists or is not yet built on the housing market, Michigan has an opportunity to employ a response to current housing demands in a manner which is both imaginative and pragmatic. Unlike the Mariner, who wasted the solution flying above him, let's use both our hearts full of creativity and our heads full of data to build a variety of housing options for our diverse and changing population. 

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