

## Urban Service Districts

Urban Service Districts are a tool used for guiding growth, by creating boundaries within which services are available, and outside of which services are not. Urban Service Districts and Urban Growth Boundaries were first introduced into comprehensive plans in the 1940. Because growth follows major roads and the extension of water and sewer lines, USDs and UGBs were viewed as a way to limit or phase the extension of urban services to control and guide growth according to a predetermined plan. They allow for a more livable and sustainable compact development pattern. These techniques gained popularity in the 1970s with the passage of mandated Urban Growth Boundaries in Oregon, and Urban Services Districts in Florida in 1989.

### Service Districts and Growth Boundaries

Urban service districts and urban growth boundaries sound similar, yet are distinctly different:

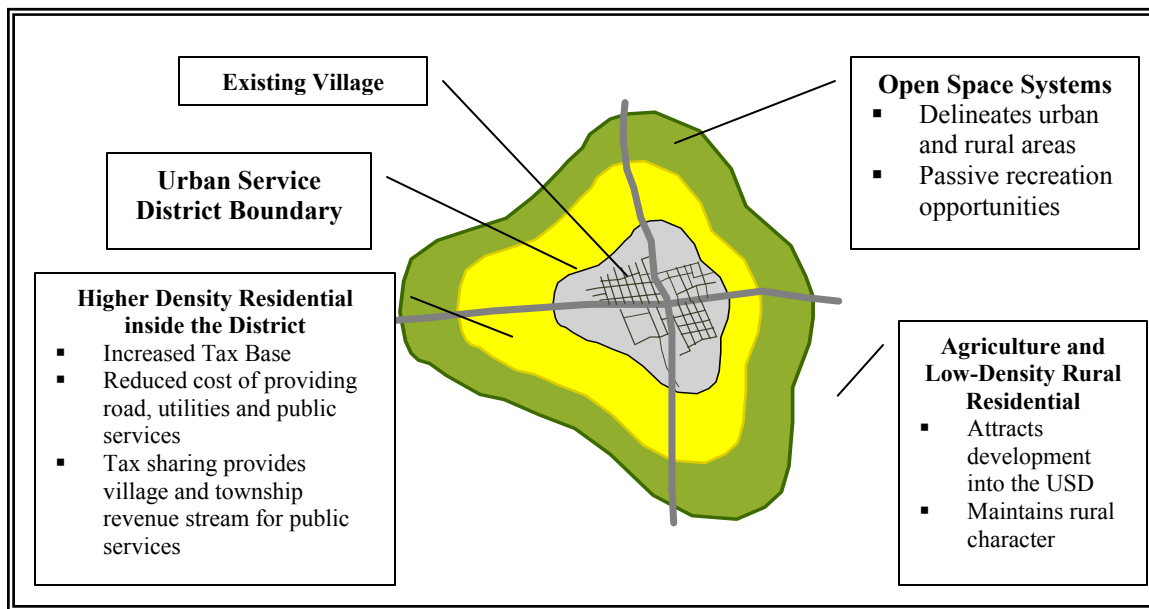
Urban Growth Boundaries (UGB) designate areas where growth can occur over a specific planning timeframe (e.g. 20 years). Inside the UGB, services are programmed for future development and outside the boundary, agriculture and forested lands are zoned exclusively for these uses. Higher density, mixed use development inside the boundary allows development to occur at a density that supports transit and efficient provision of schools, parks and public safety services. Boundaries may be expanded when the area is fully developed.

Urban Service Districts guide growth by coordinating land use planning and zoning decisions with water and sewer extensions (Mannina, 2000).

Urban Service Districts (USD) are more flexible than UGBs, as they typically allow residential development on large lots with well and septic tanks outside the USD boundary. While density is increased inside the USD, densities as low as 4 dwelling units per acre can be allowed. USDs often allow higher density development at the fringe, if the developer is willing to pay the full costs of necessary service expansions. Agricultural zoning outside of the district may be set at a lower minimum parcel size (e.g. 20-40 acres as opposed to a minimum of 80 acres) under the UGB.

Other terms that describe a boundary for containing growth include growth areas, urban service boundary, general service district, public utilities boundaries and urban growth limit. It is important to know the general concept, keeping in mind that while differences exist between these terms, however, their function is generally similar. In the case of USDs and UGBs, development density inside the USD must be denser than typical suburban development to achieve the infrastructure efficiencies, tax base benefits and necessary public services (fire, police, parks and recreation). Development density outside the USD must be of sufficiently lower density to attract development in the USD and maintain a distinction between rural and village areas, defining a sense of place.

Figure 1, below, demonstrates the components of an USD, and includes the general benefits districts afford communities.



**Figure 1. Urban Service District Diagram.**

### **Benefits of Urban Service Districts**

Urban Services Districts can be challenging to employ due to the designation of the district itself. However, there are many benefits of this growth management tool:

1. Provides services efficiently, thereby reducing costs to local government
2. Promotes orderly growth and development
3. Promotes infill development within district, increasing tax base to city or village
4. Minimizes impacts on natural resources, natural areas and open spaces
5. Preserves agricultural land
6. Enables the ability to plan for provision of high quality services – fire, police, schools, parks and recreation, transit services for special needs populations
7. Maintains and strengthens the economic vitality of the village downtown (providing tax base to reinvest in downtown infrastructure and regional cultural facilities, and
8. Eliminates costly duplication of water and sewer services.

### **Disadvantages of Urban Service Districts**

1. Potential for legal challenges to arise if the district is not planned and administered properly
2. Difficult to administer if there is no cooperation between two jurisdictions. Without cooperation, the district may deter developers to areas within the district rather than attract them.
3. Cost of land within boundary increases
4. Cost of housing within boundary increases

### **Legal Framework**

The State of Michigan has neither an established legal process nor a statutory guidance for urban service districts. However, several communities in Michigan have moved forward with urban service districts through Intergovernmental Cooperation Agreements (Agreements): the City of Midland and surrounding townships (boundary created in 1969, first agreement in 1991); the Village of Kalkaska and Kalkaska Township (; the City of Frankenmuth and Frankenmuth Township (1980s, agreement formalized in 1996) and Grand Rapids and surrounding communities.

The use of a USD has not been litigated in Michigan. If constructed properly, can pass the scrutiny of the “takings” test (allows for reasonable use of property, is a result of a carefully articulated plan and advances legitimate governmental goals, including efficient provision of services, orderly growth, preservation of natural resources, etc.).

#### **Four Examples of Services Districts and Agreements in Michigan**

##### Example 1: City of Frankenmuth and Frankenmuth Township (Kolakowski, 2000)

Year: Initiated, 1980s; Agreement signed, 1996

Agreement: Public Act 7: Urban Cooperation Agreement and Public Act 8: Transfer of Functions and Responsibilities Act. Public Act 425 Agreements will be considered for developments outside of the Urban Growth Limit Area.

Separate Board/Committee: No, developments in districts are jointly processed and approved by both Township and City.

Summary: City and Township administered a survey to residents, the results showed tremendous consistency between township and city residents with regard to vision and planning goals. Together they prepared a joint master plan, which designated 14 development districts within an Urban Growth Limit Area (development districts are designated as PUDs). The Agreement stated which areas would received services, and subsequently be annexed by the city. Now both the city and township are aware of their future, alleviating the potential for conflict over land annexations. Finally, the City and Township also adopted the same zoning ordinance to eliminate inconsistencies when township land is annexed by the City.

##### Example 2: City of Grand Rapids and Surrounding Communities (Manning, 2000)

Year: Initiated, 1996; Agreement signed, 1998

Agreement: Public Act 7: Urban Cooperation Agreement

Separate Board/Committee: Yes: Urban Cooperation Board and the Utility Advisory Board

Summary: Many factors converging led to opportunity to change the way services were planned and delivered: cities of Wyoming and Grand Rapids both built separate water lines to Lake Michigan due to conflicts; change in standard water/sewer agreements with the City of Grand Rapids; and, expiration of the City-Township water/sewer agreement.

Policy and technical team developed a service boundary based on the regional planning document, Metropolitan Blueprint (1994), and the Grand Valley Metropolitan Council Water and Sewer Plan. The results were an Urban Services District (USD) and an Urban Utility Boundary (land around the USD plus projected development area for next 20 years).

Two boards were established: the Urban Cooperation Board (UCB) and Utilities Advisory Board (UAB). The UCB considers purchase of development rights, housing and human services, planning and emergency services. The UAB is responsible for the water and sewer system, including

approval of projects, budgets and future water/sewer plans (membership: one member from each community and the same number of total community members from the City of Grand Rapids).

The boundaries of the service district can be amended after 65% of the land within the district is developed.

Example 3: Village of Kalkaska and Kalkaska Township (Manning, 2000)

Year: Initiated, 1997; Agreement signed, 1998

Agreement: Public Act 7: Urban Cooperation Agreement

Separate Board/  
Committee: Yes: Intergovernmental Cooperation Committee

Circumstances: Village was having sewer capacity problems due to industrial user. At the same time, the Township was preparing a Sketch Land Use Plan and wanted assurance by the Village of future development areas. Their respective planners negotiated the terms, one drafted the agreement, which was signed by both the Township and Village. Following the agreement, the two jurisdictions formed one master plan, and the Village prepared a CIP.

The Intergovernmental Cooperation Committee was established as a result of the Agreement. The committee meets quarterly and considers boundary adjustments.

The Agreement was viewed as a win-win situation. The Township benefits because village expansion is consistent with Township Master Plan and expansion means more tax base for township. The Village benefits as Because more users are added to the system (spreading the cost) and it has more room to grow

Note the Village of Kalkaska was not interested in becoming a city at the time of the Agreement, and may hold that same position currently.

Example 4: City of Midland and Surrounding Townships (Kolakowski, 2000, Manning 2000)

Year: Initiated 1969; First agreement signed, 1991 (City and Larkin Township)

Agreement: Public Act 7: Urban Cooperation Agreement

Separate Board/  
Committee: No. Also, only Agreement with Midland Township recognizes joint approval for annexation, revenue sharing and service extension decisions. Revenues are shared on annexed lands for 20 years.

Circumstances: There is a lack of groundwater availability in this area. The City of Midland obtained water from Lake Huron through Saginaw, and provide water to development surrounding townships only through annexations. As growth increased in the 1960s, the City developed an urban services boundary and the Midland Urban Growth Area (MUGA) policy. The boundary was a 2-

mile radius around the City. The policy was to annex land serviced within the boundary, and to contract services to users outside of the boundary. This satisfied townships with land just outside the boundary, but negatively impacted the relationship between the City and the townships with land in the boundary.

Not until the early 1990s was growth sufficient enough to cause the City and Townships to work together. The first agreement reached between the City and Larkin Township included a consensus on land use planning, the MUGA policy and revenue sharing.

In 1992, the City and Midland Township reached an Agreement which replaced the City's MUGA policy with a "bilateral" policy calling for a joint resolution process for approving annexation, revenue sharing, and service extensions.

### **Intergovernmental Cooperation Agreements**

Agreement relieve the uncertainty, distrust and tension that can build between cities and townships, or villages and township with regard to land annexations. By eliminating factors that thwart good working relationships, Agreements may actually foster trust and a cooperative, rather than competitive, relationship between communities. There are four Intergovernmental Agreements available to cities, villages and townships in Michigan:

1. Public Act 7: Urban Cooperation Act. This agreement is locally negotiated, allows for flexibility in establishing joint agreements and revenue sharing. The agreements must contain: statement of purpose; organization of new committee, board or commission; formula for calculating capital and operating expenses and the method for allocating revenues. Joint commissions or committees established under the agreement cannot issue revenue bonds. The four examples discussed in this paper used an Urban Cooperation Agreement as a means for implementing a USD.
2. Public Act 8: Transfer of Functions and Responsibilities Act. This agreement provides flexibility for transferring the rights and responsibilities for the provision of a service or program from one government to another. The Agreement must include: a description of the functions being transferred; financial payment for expenses incurred as stipulated in the agreement; transfer of any property, equipment or facilities; and any legal, financial or administrative arrangements. Use of this agreement is limited; it must be part of a larger intergovernmental strategy. This Agreement has only been cited for use by the City and Township of Frankenmuth.
3. Public Act 425: Transfer of Property (425 Agreements). There are very few limitations with a 425 Agreement; any and all terms are open to negotiation. The temporary transfer can also be a preferred alternative to annexation. The contract must include: length of transfer (50-year maximum); revenue sharing details; enforcement procedures; and the jurisdiction that will receive the property at the end of the agreement. A 425 Agreement has been used by several communities in Michigan. With regard to those with USDs, the City and Townships of Frankenmuth if development was to occur outside of the services area.
4. Public Act 292: Metro Council. Formed by local governments within a Metropolitan Statistical Area, a metro council considers planning and provision of services at the regional level. Difficulty may arise if not all communities within the "region" join, as there will not be

consensus on decision made that will most likely impact all communities – members or not. The council is allowed to issue taxes (contingent upon voter approval).

### **Recommendations for Use of Districts Within Washtenaw County**

Urban Service Districts (USD) are available to Washtenaw County communities. The Township of Augusta has included three areas within its proposed future land use plan. While establishing a district between two or more communities is more complicated, it can be done through the application of Intergovernmental Cooperation Agreements. The following steps are provided as a means for guiding a community through the process, but are not necessarily the only way in which an Agreement may be reached.

1. Develop trust between the parties involved; social dinners or events in addition to formal meetings can facilitate relationships and trust. One attribute thought to contribute to the success of Frankenmuth's agreement is that Frankenmuth Township land owners genuinely desire to protect and promote agriculture; the majority of land owners do not want to see the land developed.
2. Prepare a master plan, either a joint plan or separate plans with the same land uses and urban service district. Generally, a team comprised of members from the participating communities negotiate the boundary, with agreement obtained from the individual Council and Board(s). The City of Frankenmuth and Frankenmuth Township prepared a joint plan. In other cases, the boundary was established by one community and accepted by the other (the Cities of Grand Rapids and Milan used their plan; the Village of Kalkaska and Kalkaska Township used the Township's Sketch Land Use Plan).

The plan should also include:

- A policy statement for expanding the district. After the district is established, property owners contiguous to it may request that their property be included. Failing septic systems or responses to land use and traffic pattern changes may be scenarios under which expansion would be considered.
  - Design guidelines for development within the district.
  - Strategies for attracting development within the district.
3. Sign Intergovernmental Cooperation Agreement (Agreement): Public Act 7 has been used in Michigan examples to date. If more than two Townships are working with a city or village, then each signs its own agreement with the municipality. In some cases, a committee or regional board is created as a result of the Agreement.
  4. Develop a Capital Improvements Plan (CIP) linked to the master plan which incorporates the urban service district. The CIP identifies the location of services, the timing, cost and financing. More specifically, the CIP should include:
    - Service Provider(s)
    - Location
    - Timing
    - Revenue Sharing
    - Fee Structure (including higher fees for lower density development due to increased length of pipe per unit)
    - Maintenance and repairs, and
    - Provision of service for failing septic systems.

5. Adopt similar zoning districts and standards for land within the district. The City of Frankenmuth and Frankenmuth Township have the same zoning requirements, such that when land is annexed by the City, there are no changes in applicable zoning standards. Additionally, all land in the district is designated PUD by both the City and Township. The City of Midland has a stipulation that it has two years after the annexation to assign a zoning district to the land. Having the same or similar zoning requirements between the City and Township avoids confusion, making development in the district more appealing to developers.

### Sources

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