

ECONOMY

Chapter 5



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ECONOMY

As was the trend in much of the country, first lumbering, then mining and agriculture were the primary focuses of the early Michigan economy. By 1900, vehicle manufacturing had begun and soon it dominated the economy: A trend that would last nearly the entire century. As the recession of the 1980s hit, Michigan once again felt the effects from a non-diversified economy. Michigan is trying to expand its economic base.

The last half of the 20th century ushered in an economic shift away from manufacturing (Old Economy) and toward service and knowledge industries (New Economy). *“The New Economy refers to a global, entrepreneurial, and knowledge-based economy where business success comes increasingly from the ability to incorporate knowledge, technology, creativity, and innovation into products and services.”* Dr. Soji Adelaja, MSU Land Policy Institute.

Additionally, there’s been a paradigm shift towards technological and innovation advances that have created a global market where regions are now working together to become more internationally competitive. Rather than compete amongst each other for resources and talent, communities must now band together to create competitive regions. With talent as the new international currency, offering unique places for living, working, playing and learning has become the focus of many planning and development efforts.

Now, more than ever, planning and programming for the New Economy and its successor, the Next Economy are crucial. The economy, land use, transportation, infrastructure and other elements of the built environment all interlace to create strong and viable employers, places and communities. The graphic on the opposite page shows how these concepts relate to and are interdependent on one another.

How do communities respond to the pressures to supply a strong local economy and work with neighboring jurisdictions to compete nationally and globally as a region? Some believe the key are the principles of sustainability and the efficiency that can be produced from them. Some also believe that the Next Economy will be one based in principles that are fueled by low-carbon consumptive innovation. This is in how and with what we build our communities, how we grow and distribute our food, how we make our products, and everything in between.

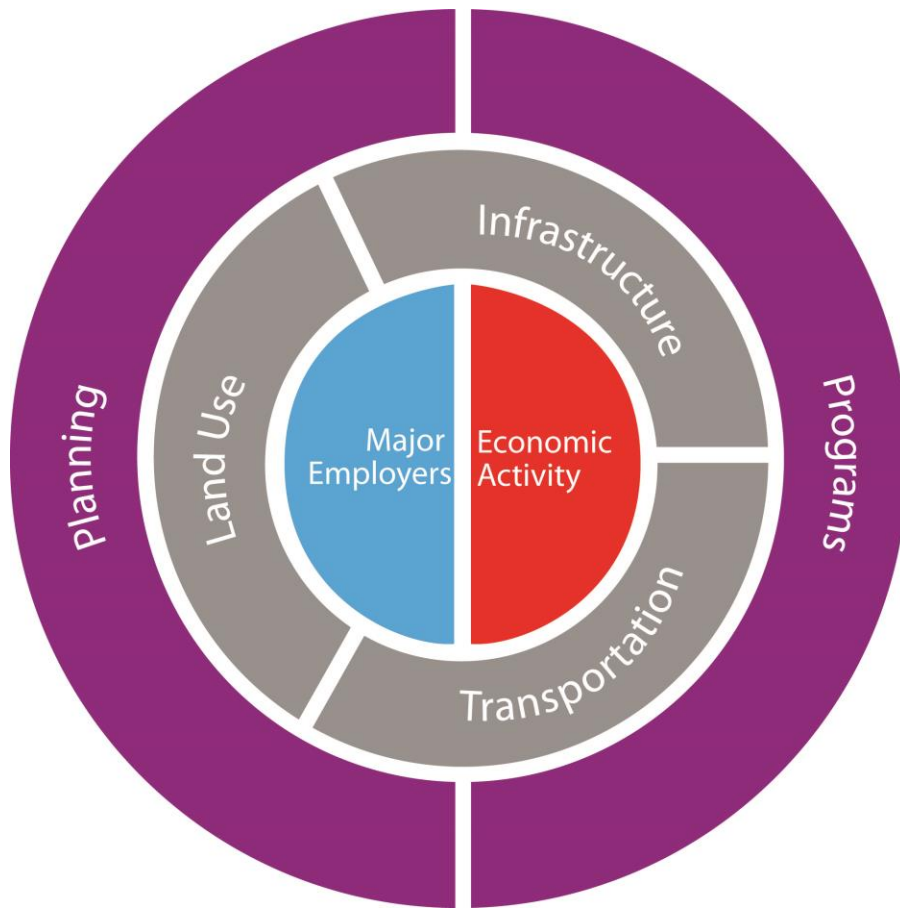
Economically sustainable communities establish local economies that are economically viable, environmentally sound and socially responsible.

(Sustainable Communities online. 2013.
<http://www.sustainable.org/economy>).

Indicators of a sustainable economy include protecting local base industries; anchor institutions; technology; and maintaining healthy, local business.



ECONOMY



Graphic source: Land Policy Institute, Michigan State University.

GLOSSARY

Anchor Institution – Nonprofit, quasi-public and public institutions that once established tend not to move locations. The largest and most numerous are universities and non-profit hospitals.

New Economy – “*The New Economy refers to a global, entrepreneurial, and knowledge-based economy where business success comes increasingly from the ability to incorporate knowledge, technology, creativity, and innovation into products and services.*” Dr. Soji Adelaja, MSU Land Policy Institute.

Next Economy – Also dubbed the “Clean” or “Green” Economy, the next era of economic expansion is characterized by goods, products, services, energy use and structure that “*provides a better quality of life for all within the ecological limits of the planet.*” Green Economy Coalition It will take advantage of efficiencies created from low-carbon consumption and innovation to spawn job creation and a focus on exports.

Regional Economy – The geographic area within which common assets, unique worker skills and capital, are used to produce products or services for which the area has an economic advantage over other places that may attempt to produce similar or related products or services.

Strategic Placemaking – Aims to create places that are especially attractive to talented workers so that they want to be there and live there, and by so doing, they create the circumstances for business attraction, substantial job creation and income growth.

BUILDING SUSTAINABLE ECONOMIES

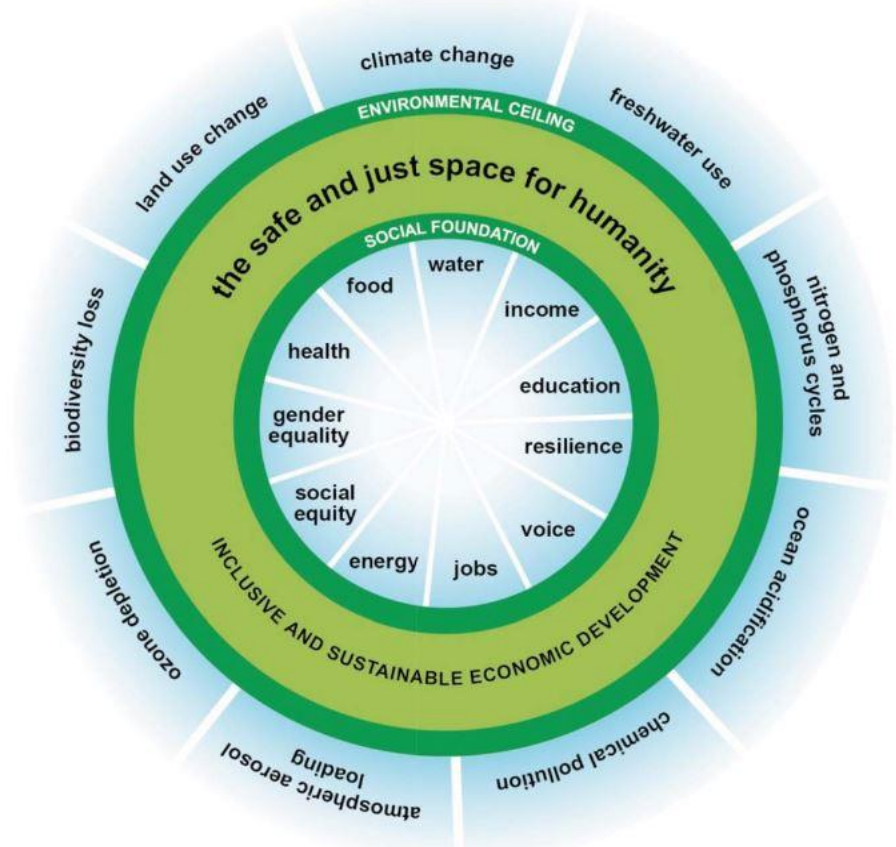
ECONOMY

Building sustainable economies requires participation from all sectors of the community because, as can be seen in the graphic to the right, they all interconnect. The economy is just one portion of a community. In fact, many master plans devote a chapter to this community element similar to chapters for land use, transportation, natural environment, infrastructure, etc. Many others have stand-alone economic development plans. The techniques that follow provide a sampling of information on economic development plans, emerging analysis methods and tools to promote economic development.

Community elements are a combination of the political, physical, social and cultural characteristics that make up a given place. These community elements can help create quality places, or if community priorities are limited, they will reflect limited place characteristics.

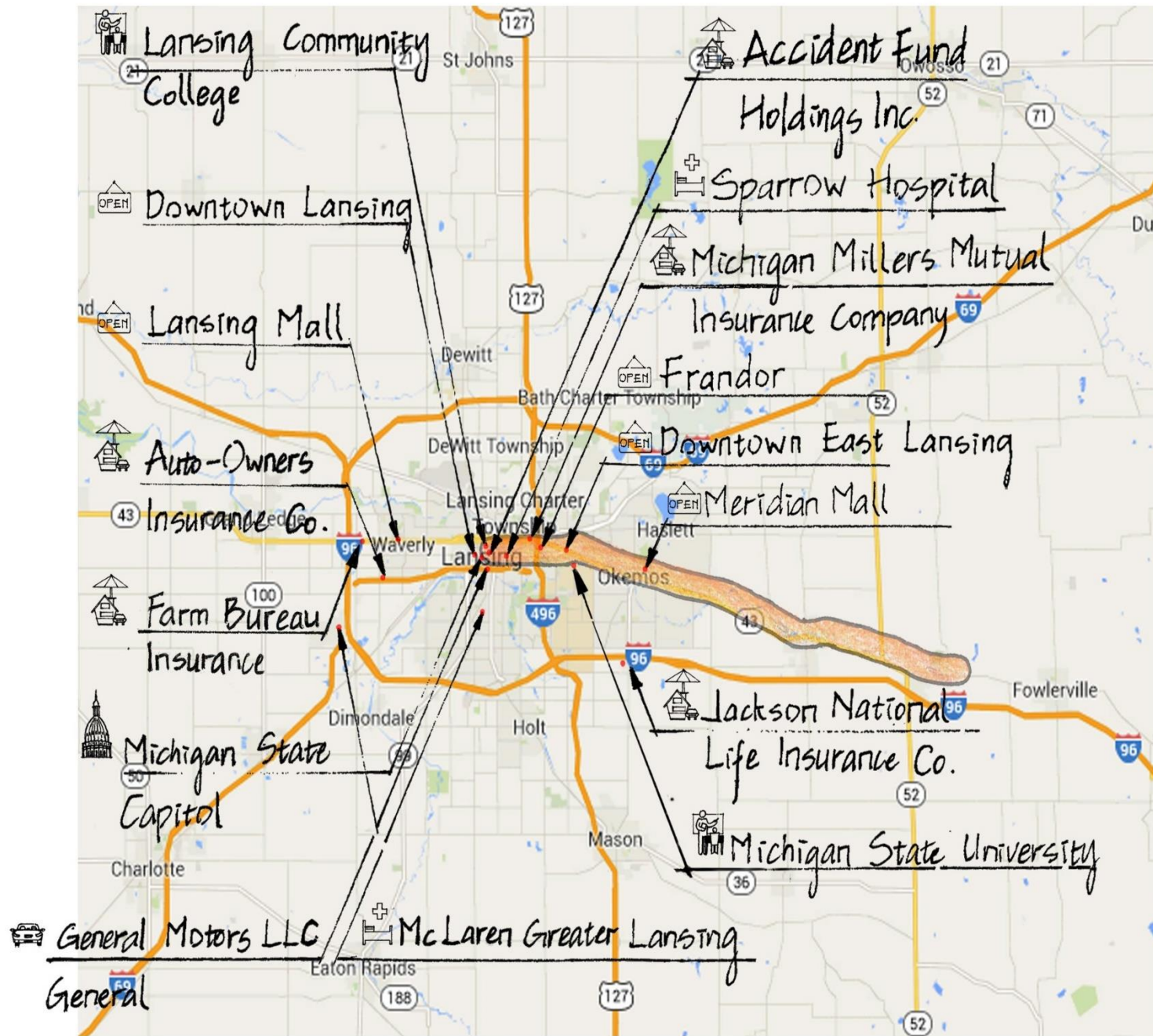
More specifically, community elements are the interplay between planning, economic development, land use and priorities of individuals and the greater community. Land uses typically reflect both the economic and social priorities of a community. Land use can be viewed as the physical expression of a community's cultural and social values. Growth of existing businesses and the recruitment of new ones are typically complementary to the existing identity and values of a community.

For example, the degree to which community members shop locally to support local businesses is a community element that ties into economic development. Another example is where commercial areas are planned—in downtowns or the central business district, and around major roadways or interstates? All these political and planning decisions determine the structure of a community which interplays with connectivity and transportation which then correlates with the types of individuals that will be attracted to reside in the region. If the region does not have a high-quality downtown, key nodes and at least one corridor that is walkable, livable, with good transit service, many restaurants and entertainment venues, and missing middle housing, then talented workers are likely to look elsewhere.



Graphic source (this page): Costanza R., G. Alperovitz, H.E. Daly, J. Farley, C. Franco, T. Jackson, I. Kubiszewski, J. Schor, and P. Victor. 2012. "Building a Sustainable and Desirable Economy-in-Society-in-Nature." New York, NY: United Nations Division for Sustainable Development. P. 17. http://sustainabledevelopment.un.org/content/documents/Building_a_Sustainable_and_Desirable_Economy-in-Society-in-Nature.pdf.

Image source (opposite page): Major employers in Ingham County. Na Li, Land Policy Institute, Michigan State University.



-  Retail
-  Automobile
-  Insurance
-  Government
-  Education
-  Hospital

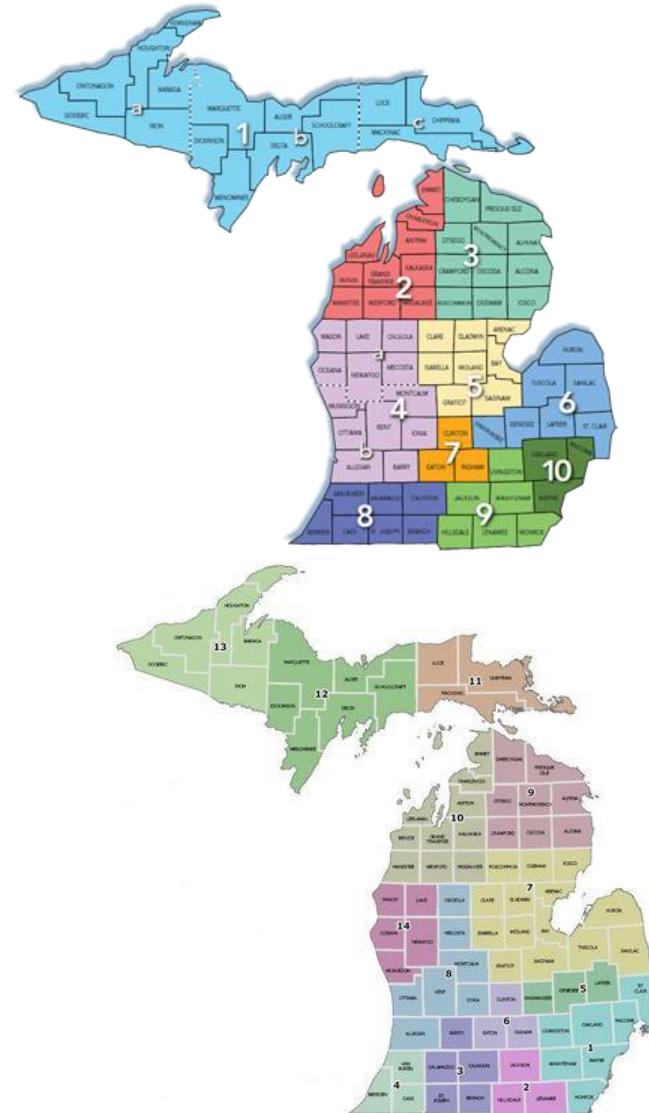
Regional Economic Development Plans

Economic development, today, is primarily focused on regional development. There are two principal types of regional economic development plans in Michigan's regions:

- 1) *Comprehensive Economic Development Strategies (CEDS)* – Funded by the *Federal Economic Development Administration*.
- 2) *Regional Economic Prosperity Plan* – Funded by the *State of Michigan*.

The CEDS and Regional Economic Prosperity plans are geography-centric based on the boundaries created by local stakeholders and endorsed by the federal or state government. The planning process and the plan itself is intended to be a starting point for coordination and cooperation to maintain and strengthen regional economies. Today, economic development centers on improving regional collaboration and development over local municipal efforts. The reason for this shift—businesses are looking for the culture, resources and, most importantly, the talent base of a region. Businesses are interested in identifying quality places where they have access to a diverse and abundant talented workforce. Quality places and regions ensure that employers can replenish talent during times of turnover, expand their operations if necessary and provide a high quality of life for their employees.

Regional plans are also important economic development tools, because they allow an area to honestly assess its strengths and weaknesses and establish strategies to enhance the positives and counter the negatives. In order to qualify for funding, CEDS and Regional Economic Prosperity Plans require an area to prioritize projects in order to direct limited economic development resources in a guided direction.





The State of Michigan has divided the state into 10 Regional Prosperity regions. The divisions are based on workforce commuting, economic, social and cultural similarities between neighboring counties and municipalities.

Source: Pure Michigan Talent Connect. www.mitalent.org.

The I-69 International Trade Corridor is a regional economic development attempt to increase exports in four counties in Michigan—Shiawassee, Genesee, Lapeer and St. Clair.

Source: I-69 International Trade Corridor. www.i-69internationaltradecorridor.com/.

The U.S. Economic Development Administration has prioritized projects that emphasize collaborative regional innovation, public/private partnerships and environmentally sustainable development, among others. The federal government is focused on strengthening regions across the United States. The map displays Michigan's 14 planning regions across the State.

Source: U.S. Economic Development Administration. www.eda.gov.



RESOURCES

- 1) Prosperity Regions Talent Map. Pure Michigan Talent Connect. <http://www.mitalent.org/prosperity-region-talent-map/>
- 2) CEDS – Summary of Requirements. USDOC Economic Development Administration. http://www.eda.gov/pdf/CEDS_Flyer_Wht_Background.pdf
- 3) Michigan Regional Prosperity Initiative. www.michigan.gov/regionalprosperity

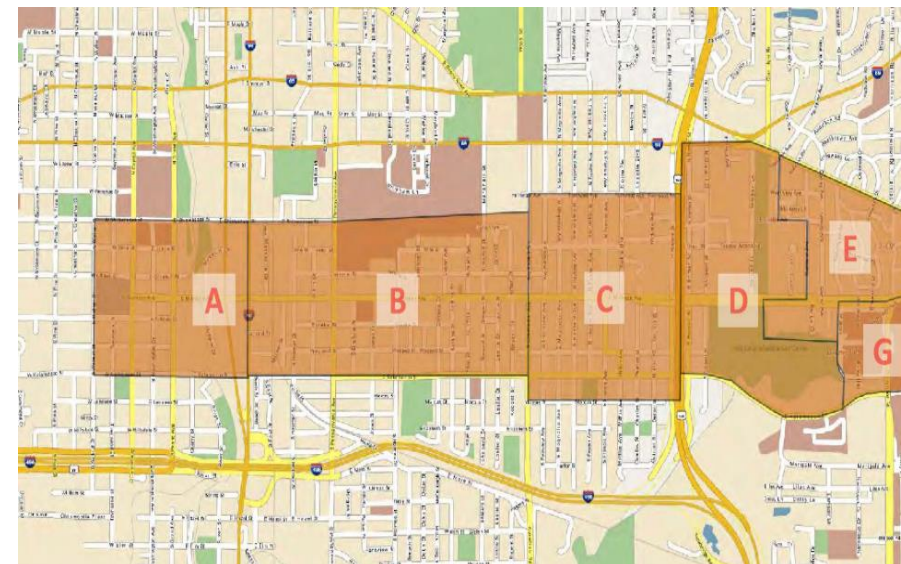
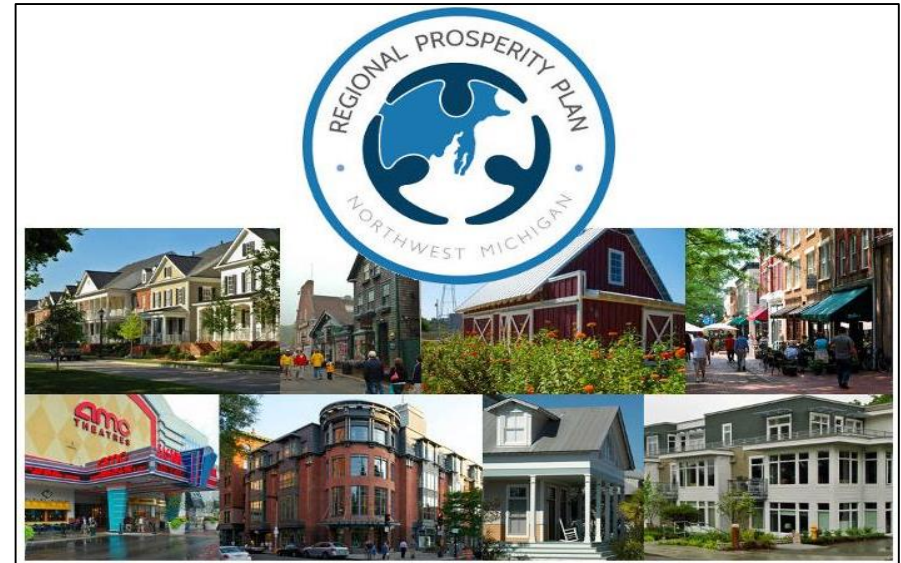
Target Market Analysis

A Target Market Analysis (TMA) is a focused approach to studying a specific area as it relates to its potential for specific future housing or commercial development. The TMAs look at a geographic area, such as a corridor, neighborhood, the whole community or a region over a short time period, such as three to five years. The TMAs often reveal demand for dwelling unit types not currently available, but desired by talented workers.

An early step in conducting a TMA is to determine the study area boundaries of the Primary Market Area (PMA) (MSHDA, 2013). This can be done by applying established neighborhood boundaries, using major streets, or by coming up with arbitrary boundaries based on types of existing uses, or where a city might envision future development.

Residential TMAs identify market potential based on detailed demographic characteristics of potential and customer interest in particular housing types, focus on price points, unit sizes, housing formats (based on the urban transect model), and can be sub-divided into “proactive,” “aggressive” and “maximum” scenarios, based on the desired density of an area (LandUse USA, 2013). A residential TMA identifies gaps in housing, projects, future demand and targets the characteristics of individuals who are not currently being served by this sector. However, TMAs can be project specific and include other factors that are determined to be important in determining the economic potential of targeted areas, such as more refined demographics, general economic conditions of the area, likely future economic trends, employment by sector and historical rates of unemployment (MSHDA, 2013).

Source: LandUse USA. Target Market Analysis. Housing Strategy. Michigan Ave./Grand River Ave. Corridor. Greater Lansing Area, Michigan. July 10, 2013.





A regional economic growth study was recently completed for Northwest Michigan. A Target Market Analysis is also underway in all the small and large towns in the region.

Source: Northwest Michigan Regional Prosperity Initiative. Northwest Michigan Council of Governments. www.nwm.org/planning/featured-stories/northwest-michigan-regional-prosperity-initiative.html.

This table shows a range of housing options by demographic market group by owners or renters. The table is part of a TMA of a key corridor in the Lansing Metropolitan Area.

Source: LandUse USA. Michigan Ave./Grand River Ave. Corridor – The Greater Lansing MI Area. TMA Summary Tables. Maximum Scenario-Geographic Sector D.

A Target Market Analysis map of the Michigan Ave./Grand River Ave. Corridor in the Lansing area broken up into six sub-zones. Each area is analyzed as an independent unit, and an overall summary is also included.

Source: LandUse USA. Michigan Ave./Grand River Ave. Corridor – The Greater Lansing MI Area.

Maximum Scenario – Geographic Sector D
Michigan-Grand River Ave. Corridor – The Greater Lansing, MI Area

Sector
D

Annually Thru 2018	O51 Digital Dependents	K40 Bohemian Groove	L42 Rooted Flower Power	O52 Urban Ambition	Q65 Senior Discounts
Renter Units	5	21	21	27	19
Renter Sq. Ft.	750–1,000	490–1,000	375–625	490–1,000	375–490
Net Cash Rent	\$700–\$900	\$700–\$600	\$400–\$600	\$700–\$900	\$250–\$500
Owner Units	9	22	31	20	23
Owner Sq. Ft.	1,250–1,500	900–1,500	900–1,250	850–900	900–1,650
Owner Values	\$150–\$200k	\$150–\$200k	\$100–\$150k	\$90–\$100k	\$100–\$200

Annually Thru 2018	B09 Family Fun-tastic	E19 Full Pockets Empty Nests	O54 Striving Single Scene	O53 Colleges and Cafés
Renter Units	14	14	26	85
Renter Sq. Ft.	750–1,000	875–1,000	375–1,000	750–1,000
Net Cash Rent	\$700–\$900	\$800–\$900	\$400–\$900	\$700–\$900
Owner Units	20	12	10	27
Owner Sq. Ft.	1,250–1,500	1,250–2,500	900–1,250	1,250–1,500
Owner Values	\$150–\$200k	\$150–\$400	\$100–\$150	\$150–\$200

RESOURCES

- 1) MSHDA Guidelines for Market Studies. 2013. Michigan State Housing Authority. http://www.michigan.gov/documents/mshda/mshda_li_ca_12_tab_c_market_guide_183861_7.pdf
- 2) *The Capitol Corridor: A Regional Vision for Michigan Avenue/Grand River Avenue*. 2014. Dover, Kohl & Partners. Mid-Michigan Program for Greater Sustainability. Tri-County Regional Planning Commission. http://migrand-charrette.com/wp-content/uploads/2014/01/Capitol_Corridor_Draft_Summary_Report_Jan2014.pdf
- 3) *An Analysis of Residential Market Potential: Michigan Street Corridor Study Area*. 2011. City of Grand Rapids. <http://grcity.us/design-and-development-services/Planning-Department/michiganstreetcorridor/Documents/Mich.%20St.%20Draft%2011-11.pdf>

Analyzing Strengths and Opportunities

The strengths and weaknesses of a region should be included in regional economic development plans (see p. 5-5) and used as a tool to develop strategies to attract talented workers and additional businesses. During the planning process, the strengths and weaknesses should be sincerely determined via community engagement with a diverse group of anchor institutions, business owners, workforce educators, infrastructure providers and other stakeholders. Examples of categories in which strengths and weaknesses should be evaluated include:

- Transportation infrastructure.
- Workforce skills.
- Business clusters.
- Connectivity between sectors.
- Diversity of population.
- Recreational opportunities.
- Governance and leadership, etc.

Each strength should be examined to assess how it makes the region a quality place to live, work, learn and play, and what competitive advantage it offers. Each weakness can be addressed by creating a strategy and implementation plan to improve upon this potential deficiency in the region. A strengths and weaknesses assessment ensures a community understands its current state, while allowing it to collectively plan for what it would like to become in the future. Analyzing strengths and weaknesses accomplishes two goals:

- 1) Forces the community to honestly assess itself and the region so as to direct future planning and funding resources to the opportunities that present the best potential and return on investment.
- 2) Provides a transparent view of the region for potential visitors, residents and investors.





As a state capitol city, Lansing has the benefit of the jobs that come with serving the Legislature and the Administration. It also benefits from tourists and visitors who come to see the Capitol and meet with legislators and state officials.

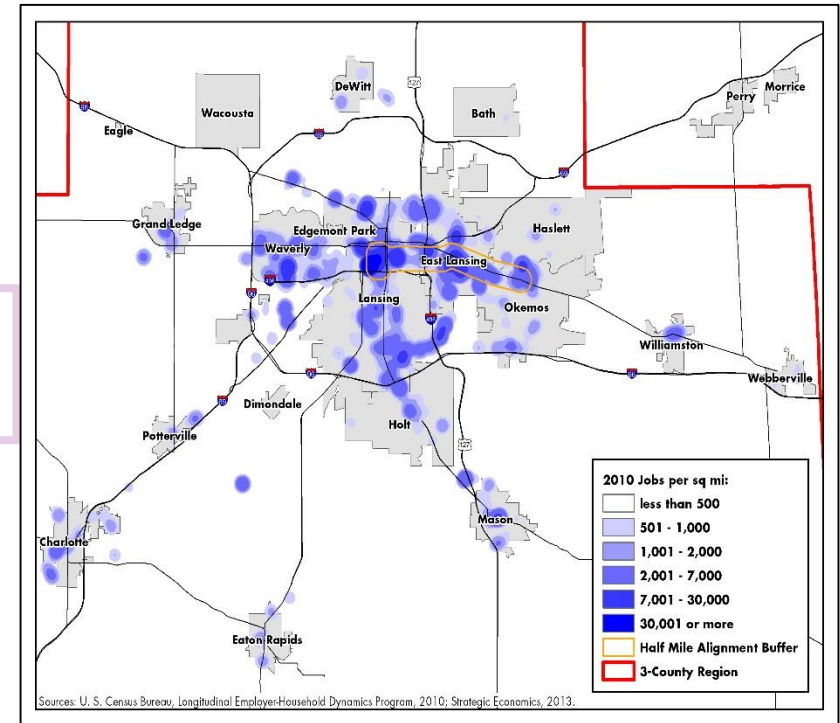
Source: State of Michigan. www.michigan.gov.

Job density around Michigan and Grand River Avenues and other key corridors is a strength in the Tri-County area.

Source: Tri-County Regional Planning Commission.

Michigan State University is an anchor institution on Grand River Avenue and is a strength for the entire region.

Source: Michigan State University. www.msu.edu.



RESOURCES

- 1) "Section 14. SWOT Analysis: Strengths, Weaknesses, Opportunities and Threats." *Community Assessment*. Community Toolbox. <http://ctb.ku.edu/en/table-of-contents/assessment/assessing-community-needs-and-resources/swot-analysis/main>
- 2) Community Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis Table. 2013. Business Attraction Toolkit for BC Communities. Ministry of Jobs, Tourism and Skills Training. <http://www.jtst.gov.bc.ca/businessattractiontoolkit/docs/1.3B%20TOOL%20-%20SWOT%20Table%20Example.pdf>

Identification of Economic Assets

Economic assets are existing infrastructural, programming and social strengths in a community. Assets can be tiered at the following levels:

- *Tier I:* Anchor institutions, including all major employers and “Eds and Meds” (For definition, see p. 1-35) opportunities.
- *Tier II:* Workforce asset skills. This includes programs at higher education institutions and high schools. The workforce skills in the region should be customized to fit existing and emerging industries in the area. If these programs do not exist, they should be customized and developed to meet the needs of regional industries.
- *Tier III:* Infrastructure. These assets include surface and aerial transportation options, incubator and office space, as well as a multitude of housing options to accommodate the current and future workforce.
- *Tier IV:* Government services. The geographical boundaries of a region as they pertain to economic development are usually dependent on the range in which government services (water and sewer) are provided. Public infrastructure is a valuable asset for potential investors and developers.
- *Tier V:* Cultural assets. These assets include: museums, concert halls, art galleries, entertainment and sports venues, and quality public places. These assets are tied to economic development, as they increase the quality of life of individuals living in the community and region, attract people to the area and, therefore, enhance the local and regional economy.

The purpose of Identifying economic assets is to enhance current businesses and to create more future employment opportunities.





Sparrow Hospital on Michigan Avenue in Lansing is a “meds” anchor in the Tri-County area.

Source: Michigan State University. www.msu.edu.

The Eli and Edythe Broad Art Museum at Michigan State University is a world-class, contemporary cultural economic asset in East Lansing.

Source: MSUToday. <http://msutoday.msu.edu/>.



Delta Dental Insurance is part of a large and growing cluster of insurance companies in the Mid-Michigan region. It’s located in Meridian Township and is a workforce asset.

Source: Walbridge. www.walbridge.com/.

RESOURCES

- 1) “Identifying, Mapping and Mobilizing Our Assets.” 2000. Boyd Rossing. School of Human Ecology, University of Wisconsin-Madison. <http://www.uwex.edu/ces/pdande/progdev/pdf/mappingas.pdf>
- 2) “Section 8. Identifying Community Assets and Resources.” *Community Assessment*. Community Toolbox. <http://ctb.ku.edu/en/table-of-contents/assessment/assessing-community-needs-and-resources/identify-community-assets/main>
- 3) “The Several Forms of ‘Community Mapping’ – 2.” 1998-1999. Best Practice Briefs. No. 4. Michigan State University Outreach Partnerships. <http://outreach.msu.edu/bpbriefs/issues/brief4.pdf>

Linking Major Employers to Economic Opportunities

The purpose of local and regional economic development organizations is to enhance and support current businesses, increase the pool of talented workers in the area, attract new businesses to the area, and foster an environment that is conducive to economic growth. Creating a positive environment for business involves building relationships, networking and linking employers to the other opportunities. Economic opportunities include infrastructure improvements, as well as policy issues related to planning and zoning that improve the economic environment. Physical and policy elements that can link major employers with economic opportunities include:

- Tax credits.
- Incentives.
- Planning and zoning to accommodate business expansion and new development.
- Public infrastructure, such as transit, roads, water and sewer.
- Workforce training and development.

The combination of hard (infrastructure) and soft (planning, policy and funding) can provide economic opportunities for major employers and it is the role of a planner or economic developer to help ensure that those linkages are made. These linkages and the resulting resources could spur further innovation and expansion, as it provides resources that encourage experimentation and risks. Another element of linking is helping large and small business owners, and NGOs, to network amongst themselves. A closely knit, yet competitive business community can foster local and regional partnerships that may lead to future economic growth.





The “MI Capital Region” is one of the regions recognized in the Regional Prosperity Initiative in Michigan. One of the many functions of the MI Capital Region is to support existing businesses by linking them with economic opportunities.

Source: Tri-County Regional Planning Commission. www.tri-co.org/.

The Pure Michigan Talent Connect program attempts to find qualified workers for local and regional businesses. At any given time, there are about 10,000 unfilled jobs, because Michigan lacks the talented workers to fill those jobs, as our cities do not have the amenities needed to attract and retain enough talented workers. That is why Placemaking is critical to talent attraction and retention.

Source: <http://www.mitalent.org/>.



Your launch pad for
new jobs, careers,
and talent

The Lansing Economic Area Partnership (LEAP) is a resource for existing and future employers in the Tri-County Area.

Source: LEAP. www.purelansing.com/.

RESOURCES

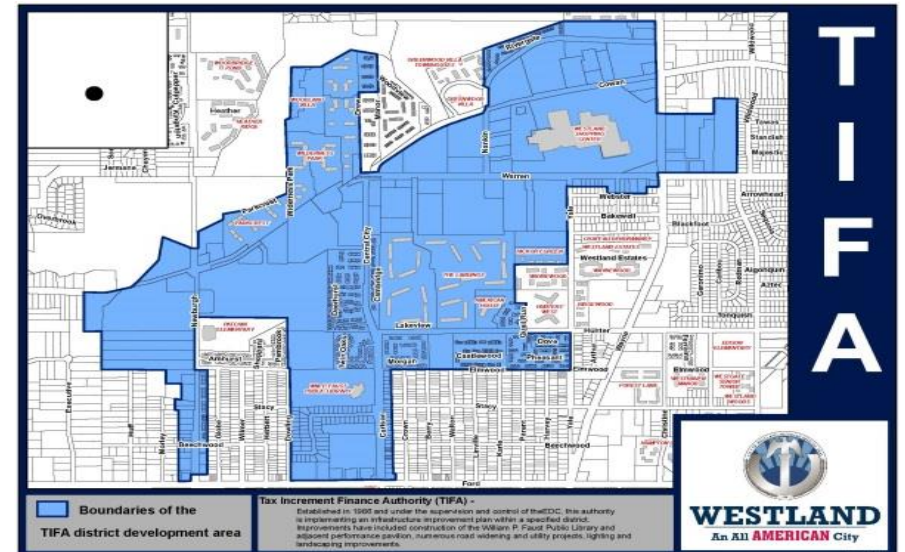
- 1) Michigan State University Innovation Center – Business Connect. <http://businessconnect.msu.edu/economic-development>
- 2) Lansing Economic Area Partnership. <http://www.purelansing.com/>
- 3) Pure Michigan Workforce Development Agency. <http://www.michigan.gov/wda>
- 4) Lansing Regional Chamber. <http://www.lansingchamber.org/>
- 5) Capital Area Michigan Works. <http://www.camw.org/>

Business Improvement Districts

Michigan Public Act (PA) 120 of 1961 allows municipalities to create Business Improvement Districts (BID) or Principal Shopping Districts (PSD) to “promote economic development within a defined area of the municipality” (MEDC, 2014). The BID or PSD can be created by cities, villages or urban townships.

Designating a BID or PSD allows a municipality to “collect revenues, levy special assessments and issue bonds in order to address the maintenance, security and operation of that district” (MEDC, 2014). Chapter 2 of PA 120 allows for the creation of Business Improvement Zones (BIZ), which are created by private property owners to levy special assessments or to finance projects, for a period of 10 years. In the case of BIZs, private individual business owners may want to make infrastructure improvements like street lighting enhancements in a district and can use funds generated from assessments to do so. This is especially beneficial in municipalities that are facing economic hardship and do not have the capacity to fund such projects.

Another way to focus on the improvement of business districts is through the establishment of Downtown Development Authorities (DDA). Michigan Public Act (PA) 197 of 1975 authorizes DDAs and provides guidelines for their role in the community, eligibility requirements, rationale for DDAs, the process for establishing a DDA, sources of funding and other important insights. Any city, village or township in Michigan that has a designated “downtown” or principal business district is able to establish a DDA (MEDC, 2014). When a municipality forms a DDA, they can use a number of different funding techniques, such as Tax-Increment Financing, millages, special assessments and revenue bonds, among other things. The DDAs can provide a community with a focused development plan for the future and the financing sources to meet goals, instead of a patchwork approach to future development.





An image from a slideshow outlining the potential costs and benefits of creating a Business Improvement Zone (BIZ) in Detroit.

Source: *Downtown Detroit Business Improvement Zone (BIZ)*. <http://downtowndetroit.org/do-business/business-improvement-zone-biz/>.

Image of a sign advertising the DDA and PSD in Holland, MI.

Source: *Businesses and Services. Downtown Holland Michigan*. www.downtownholland.com/businesses/categories/business-services/.



Map of the TIF district in the City of Westland, MI.

Source: *Tax Increment Financing Authority (TIFA)/Economic Development Authority (EDC). City of Westland, MI*. www.cityofwestland.com/city-government/boards-and-commissions.

RESOURCES

- 1) Business Improvement District/Principal Shopping District/ Business Improvement Zone (BID/PSD/BIZ). 2014. Michigan Economic Development Corporation. <http://www.michiganbusiness.org/cm/files/fact-sheets/businessimprovementdistrict.pdf>
- 2) Michigan Downtown Association. <http://www.michigandowntowns.com/1/mda/index.asp>
- 3) Michigan Main Street Center. <http://www.michiganmainstreetcenter.com/>
- 4) National Main Street Center. <http://www.preservationnation.org/main-street/>