
Executive Summary

This report, the third in a series begun by Public Sector Consultants, Inc. in 1999, presents a number of performance indicators for a select group of thirteen Michigan cities. The specific measures are intended to enable readers to assess the status and recent trends in these important indicators, relative to Michigan as a whole and to the counties in which the cities are located. The intent of the report is to provide State and local policy makers with a set of objective indicators that allow identification of relative strengths and weaknesses in the cities in general, as well as permitting comparisons between cities.

Understanding the Key Indicators

Michigan's cities clearly lagged behind the State in terms of population growth, both during the 1990s and in the first half of the current decade. Wyoming and Pontiac were the only cities that recorded actual population growth; however, their growth was less than the limited increase State-wide. Detroit, Kalamazoo, Flint and Saginaw had the largest percentage declines in population from 2000-2005. Since 2000 Ingham, Saginaw and Wayne counties lost population as well.

The ***median income*** in all but two of Michigan cities remained constant or diminished. The percentage income growth for the two exceptions (Grand Rapids and Warren) fell below the state's average. Considering inflation, the state and all of these cities have experienced real declines in median household income since 1990. Michigan's urban counties outperformed the included cities in every case. Wyoming came the closest to equaling the income increase in Kent County; Pontiac's performance relative to Oakland County produced the

largest gap. Household income growth in Detroit relative to Wayne County is at the median of this group of cities.

Average value of real property increased in all these cities and counties. However, county-wide property value increases generally outpaced the cities', with the single exception of Pontiac. That city had a higher growth rate than both Oakland County and the state. With respect to residential property values, all cities and counties experienced increases in value. Generally, residential property value increases in cities were outpaced by the county growth, with the exception of Lansing (Ingham) and Pontiac (Oakland). The growth in residential property values in these two cities outpaced the state-wide increase as well. The pattern for commercial property values was generally the same, with a few exceptions. Commercial property values increased more in the counties than in the cities, with the exception of Pontiac (Oakland) and Wyoming (Kent). Industrial property values also rose more rapidly county-wide than in the cities, with the exception of Battle Creek (Calhoun), Grand Rapids (Kent) and Pontiac (Oakland). Commercial and industrial property values both declined in Flint, while industrial property values declined in Lansing.

Michigan has generally lost jobs and has one of the highest ***unemployment rates*** in the nation. All Michigan cities experienced higher unemployment rates in 2005, compared with 2000. The 11.3% annual average city unemployment in 2005 was almost double the state average of 6.7%. While all counties also experienced higher unemployment rates, the rise in unemployment rates in the cities was substantially greater. The only instance where the city and the county had the same unemployment rates in 2005 was Kalamazoo.

Three cities – Ann Arbor, Traverse City and Wyoming – had more favorable employment rates (that is, lower unemployment rates) than Michigan as a whole in both 2000 and 2005. Employment in most of the other cities declined relative to the State between 2000 and 2005. Detroit and Pontiac experienced the largest declines in employment relative to the State, putting them at the bottom of the pack in 2005. Ann Arbor, Battle Creek and Traverse City which have gained employment.

There are a few bright spots, however. The cities have a higher than average proportion of their population in the **25 to 34 year old age cohort** than either the surrounding counties or the State. The only exception to this is Detroit, where the proportion is marginally less than the state average. Moreover, the cities have been more successful in retaining this important demographic group than the State as a whole. For most of this group of cities, the proportion of young adults relative to the State total increased during the most recent period.

The two **education** indicators have moved in different directions in recent years. Eight of the Urban school districts recorded marked improvements in graduation rates from 2000 to 2005. In spite of these gains, only four of the school districts recorded graduation rates above the state average. Some school districts improved in terms of drop-out rates, while others did not. The average for urban school districts improved slightly between 2000 and 2005. Ann Arbor and Wyoming schools reported graduation rates above their respective ISD averages. While composite MEAP passing rates improved markedly between 2000 and 2005, only three urban districts outperformed the state: Ann Arbor Public Schools, Traverse City Area Public Schools and Warren Consolidated Schools.

Cities generally experienced higher **crime**

rates than did the State. Only Warren and Ann Arbor had lower crime rates in both 2000 and 2004. Crime rates have fallen in 10 out of 13 cities, with the exceptions being Flint, Pontiac and Warren. Since 2000, Ann Arbor's already low crime rate declined even more. Warren experienced a sharp increase, but remained below the State average. Lansing experienced the largest relative increase in crime rate but Muskegon recorded the highest rate in 2004.

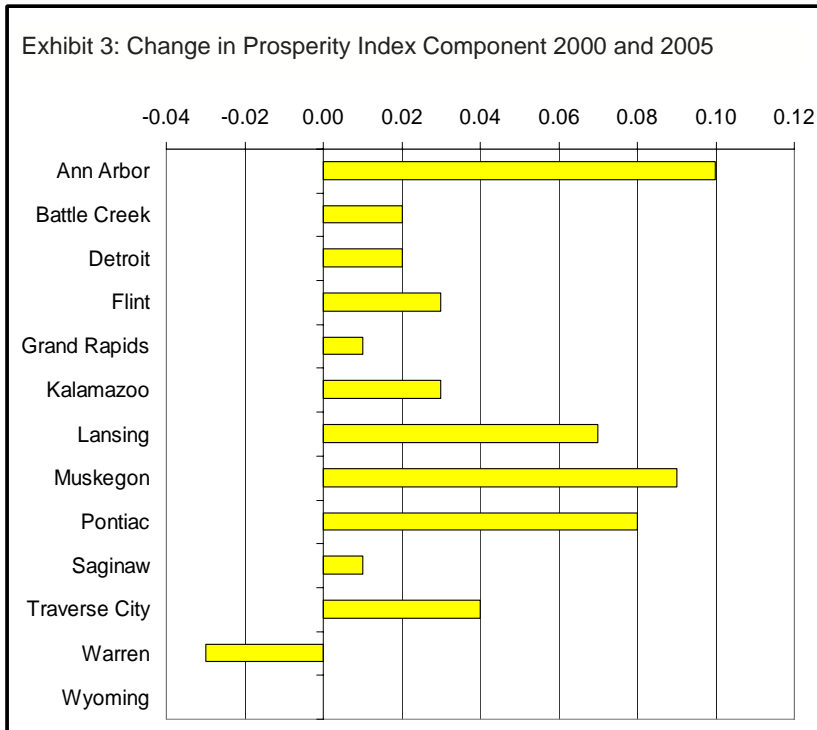
2005 Performance of Individual Cities Relative to the State

The changes in the *Prosperity Index* between 2000 and 2005 are reported in Exhibit 3. All cities experienced gains, vis-à-vis 2000, although they continue to lag behind their corresponding regions and the state in general.

Ann Arbor had the highest *Prosperity Index* score in both 2000 and 2005. This city ranked first on five of the nine prosperity indicators in 2005 and was above average for two others. Ann Arbor was below average (but only marginally) on population change and income. Despite this strong showing, Ann Arbor is in the bottom quartile in national rankings.

Traverse City improved its already high *Prosperity Index* ranking between 2000 and 2005, rising from fourth in 2000 to second overall in 2005. The city had the highest rankings for resident employment change and property value growth. Traverse City ranked near the top in MEAP passing rate and employment rate in 2005.

The other two cities with 2005 *Prosperity Index* scores close to the State average were both suburbs, **Wyoming** ranked third and **Warren** fourth. While the overall *Prosperity Index* for Wyoming showed little change between 2000 and 2005, the individual components changed substantially. For example, gradua-



tion rates and change in resident employment improved markedly, while MEAP passing rates and property value growth declined relative to the State average. Warren was well below the State average in property value growth, but close to average on most other measures; its crime rate was well below average.

Lansing (5th), **Pontiac** (6th) and **Muskegon** (8th) each moved up in the overall *Prosperity Index* rankings between 2000 and 2005. Despite relatively large improvements, these cities remained in the middle of the rankings. Muskegon recorded the highest employment change, helping to offset a high crime rate and slow growth in property values.

Grand Rapids (7th), **Kalamazoo** (10th) and **Battle Creek** (9th) each fell two places in the *Prosperity Index* ranking, despite modest increases in overall *Prosperity Index* scores. These cities retained high proportions of young adults and enjoyed substantial improvements in resident employment. Property values grew slowly in Battle Creek and Kalamazoo, while Grand Rapids recorded sharp

drops in graduation rates and MEAP passing rates.

Detroit slipped from tenth to eleventh place between 2000 and 2005. Along with Pontiac, Detroit was the only city in which resident, employment growth lagged the State average during the first half of the current decade. Relative graduation rates dropped as crime rates increased.

Flint and **Saginaw** had the lowest *Prosperity Index* rankings in both 2000 and 2005. Both cities experienced very low growth in property values. Flint ranked last in household income growth and high school graduation rate in 2005.

Performance Improvement of Individual Cities

It is important to be able to compare cities to themselves in terms of how much they improved between 2000 and 2005. Using the nine indicators of urban prosperity, the average score of each city in terms of 2000 to 2005 improvement is calculated and presented in Exhibit 4, along with their ranking for individual indicators. Recall that the best performing cities in Michigan were Ann Arbor (1), Traverse City (2), Wyoming (3), Warren (4), Lansing (5) and Pontiac (6). In terms of improvement, the best performing cities were Traverse City (1), Ann Arbor (2), Wyoming (3), Battle Creek (4), Grand Rapids (5), and Lansing (6). Some of the best cities - Traverse City, Ann Arbor and Wyoming - are not only performing well but also improving their performance. Warren and Pontiac, which performed well in 2005, on the other hand, rank low in improvement measure. Battle Creek

Exhibit 4: Relative Changes in Municipal Rankings, 2000 to 2005

	Population Change 2000-2005	Young Adult (25 to 34 yrs.) 2000-2005	MEAP Passing Rate 2000-2005	Graduation Rate 2000-2005	Employment Change 2000-2005	Employment Rate 2000-2005	Median Household Income 1999-2005	Property Value Change 2000-2005	Crime Rate 2000-2004	Average Score (Overall Rank)
Ann Arbor	6	7	7	4	4	1	9	1	6	5.0 (2)
Battle Creek	4	4	6	11	3	5	4.5	9.5	10	6.3 (4)
Detroit	13	13	10	1	13	12	11	7	5	9.4 (12)
Flint	10	5.5	2	13	8	11	12	13	11	9.5 (13)
Grand Rapids	7	2	12	12	5.5	6.5	1	5	7	6.4 (5)
Kalamazoo	12	5.5	9	10	7	4	7	9.5	2	7.3 (8)
Lansing	9	10	3	5	9	8	10	4	1	6.6 (6)
Muskegon	5	9	8	6	2	9	4.5	11	9	7.1 (7)
Pontiac	1	12	1	3	12	13	13	2	12	7.7 (9)
Saginaw	11	11	4	7	10	10	4.5	12	4	8.2 (11)
Traverse City	3	1	5	8	1	2	4.5	3	8	3.9 (1)
Warren	8	3	11	9	11	6.5	2	8	13	7.9 (10)
Wyoming	2	8	13	2	5.5	3	8	6	3	5.6 (3)

The more that a city has improved in a category, the higher its ranking (1 is highest). For example, Ann Arbor's ranking in Population Change from 2000 to 2005 means that it was 6th best at gaining or retaining population during that time. Detroit, ranked 13th in that category, lost the highest proportion of its 2000 population relative to all cities.

and Grand Rapids, which are improving, remain low in the league table.

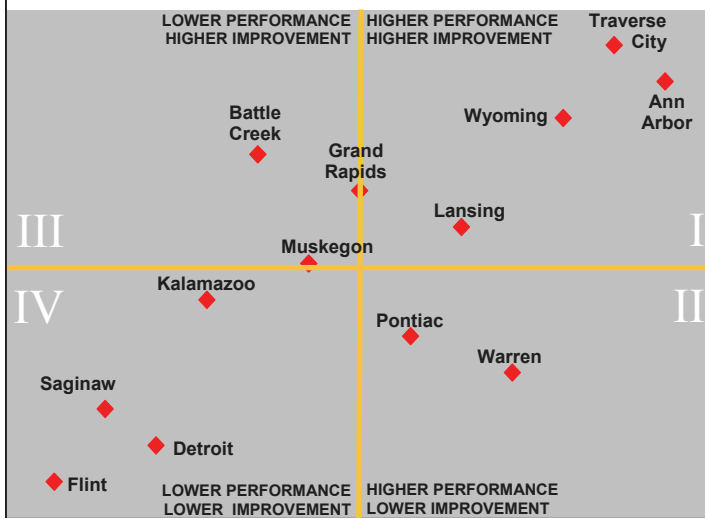
Rankings by individual prosperity measures provide additional insights. Different cities recorded the highest levels of improvement on the individual measures. For example, the best performing cities with respect to population growth are Pontiac, Wyoming, and Traverse City. Traverse City, Grand Rapids and Warren were the best with respect to their proportions of young adults. The urban school districts with the most improvement in their MEAP scores are Pontiac, Flint, and Lansing while the most improvement in graduation rate occurred in Detroit, Wyoming and Pontiac. Traverse City, Muskegon, and Battle Creek had the most improvement in unemployment rate while Ann Arbor, Traverse City, and Wyoming were the best with respect to gains in total employment. Median household income gains were highest in Grand Rapids and Warren. The best performing cities in terms of appreciation of property values

are Ann Arbor, Pontiac, and Traverse City. Crime rates showed the most improvement in Lansing, Kalamazoo and Wyoming. Cities that experienced the lowest rates of improvement during the first half of the current decade are Muskegon (7), Kalamazoo (8), Pontiac (9), Warren (10), Saginaw (11), Detroit (12), and Flint (13). Saginaw, Detroit and Flint ranked high in terms of performance, but they are also at the bottom in terms of improvement.

Performance-Improvement Matrix

Given the condition of Michigan cities, we should be concerned not only in terms of performance, but also in terms of performance improvement. Exhibit 5 highlights the 2005 positions of the cities vis-à-vis their 2000-2005 improvement. The median point for each axis is the rank of 7th. Quadrant I contains higher performance and higher improvement cities. Ann Arbor, Traverse City, Wyoming and Lansing fall into this category.

Exhibit 5:
Performance and Improvement Matrix for Michigan Cities



Quadrant II contains higher performance but lower improvement cities. Pontiac and Warren fall into this category. Quadrant III contains lower performance, but higher improvement cities. Grand Rapids and Battle Creek fall into this category. Finally, Quadrant IV contains lower performance and lower improvement cities. Flint, Detroit, Muskegon, Saginaw and Kalamazoo fall in this category. altogether. Cities in Quadrant IV are neither doing well, nor are they improving. Conversely, cities in Quadrant I can be viewed as blue-chip cities that not only do well, but also are doing better.

The State of Michigan must re-examine its urban revitalization strategies, as cities are key to its economic recovery. Simply put, the limited attractiveness of Michigan cities hurts the state. The new paradigm in state and regional economic development is that vibrant cities are critical to the success of regions and states. Given the state of our cities, they do not position Michigan well to compete nationally and internationally for economic opportunities. Michigan cities fall behind the state in most measures and are generally at the bottom of lists of best performing cities nationally.

The potential contribution of Michigan’s cities is illustrated by the fact that only four cities lost jobs at a greater rate since 2000 than did the state of Michigan, despite the fact that overall the State lost jobs. It appears the cities have, at least relatively, been better able to weather the storm of economic downturn. Thus, policies to strengthen cities will help to insulate the state against further economic decline. To the extent to which Michigan cities do not prosper, this opportunity is lost. Cities are typically magnets for talent, youth and the creative class, and catalysts for economic growth. Increasingly, states are leveraging their assets to attract this cohort to cities as part of their economic development strategies. In Michigan, we observe that cities have higher than average proportions of this age cohort. But if Michigan cities are not perceived as attractive and prosperous places, capable of attracting and retaining talented young adults, the state’s ability to leverage them for economic development and growth purposes will be limited.

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