

Rescuing Low Performing Cities

**Michigan Higher Education in Land Policy
(MIHELP) Consortium**

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Wayne State University**

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MI: The Epicenter of Distress?

- Toughest U.S. state today for economic development:
 - Key historical economic anchors in rapid decline.
 - About 400,000+ manufacturing jobs in last 8 years (1/3).
 - Service jobs not filling the void.
 - Highest unemployment rate two years in a row.
 - Only state with declining average median income & rising poverty in 2007.
 - Only state, save RI, that lost population in 2006-2007.
 - Among the highest foreclosure rates in the nation.
 - Housing sales are down over 60% from this time last year.
 - Low property values stressing state, county, and local budgets.
 - 2009 will be the first fiscal year of a true budget.
 - Lending crunch exacerbates problem.
- No doubt Michigan Cities are hurting the most.

Prospects for a turnaround.

- It might get worse for a while.
- New growth paradigm needed.
- Rules of economic development have changed due to globalization.
- Can Michigan resources power needed transformation?
- The competition is not exactly waiting for us to catch up. They do not have to deal with our legacy issues.

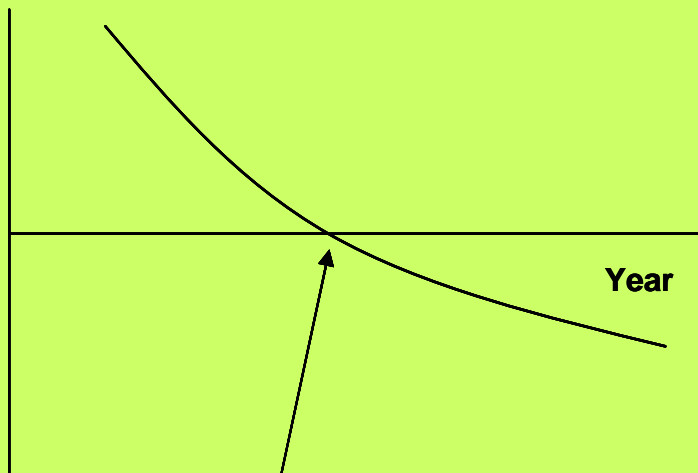
No doubt about where MI cities are.

- Milken Institute rankings:
 - Michigan metros—8 of bottom 20 large metros.
 - Flint, Lansing/East Lansing, Grand Rapids, Battle Creek, Kalamazoo, Detroit, Ann Arbor.
- *State of Michigan Cities:*
 - Michigan cities under perform with relation to the state in 13 urban prosperity indicators (2000-2005)

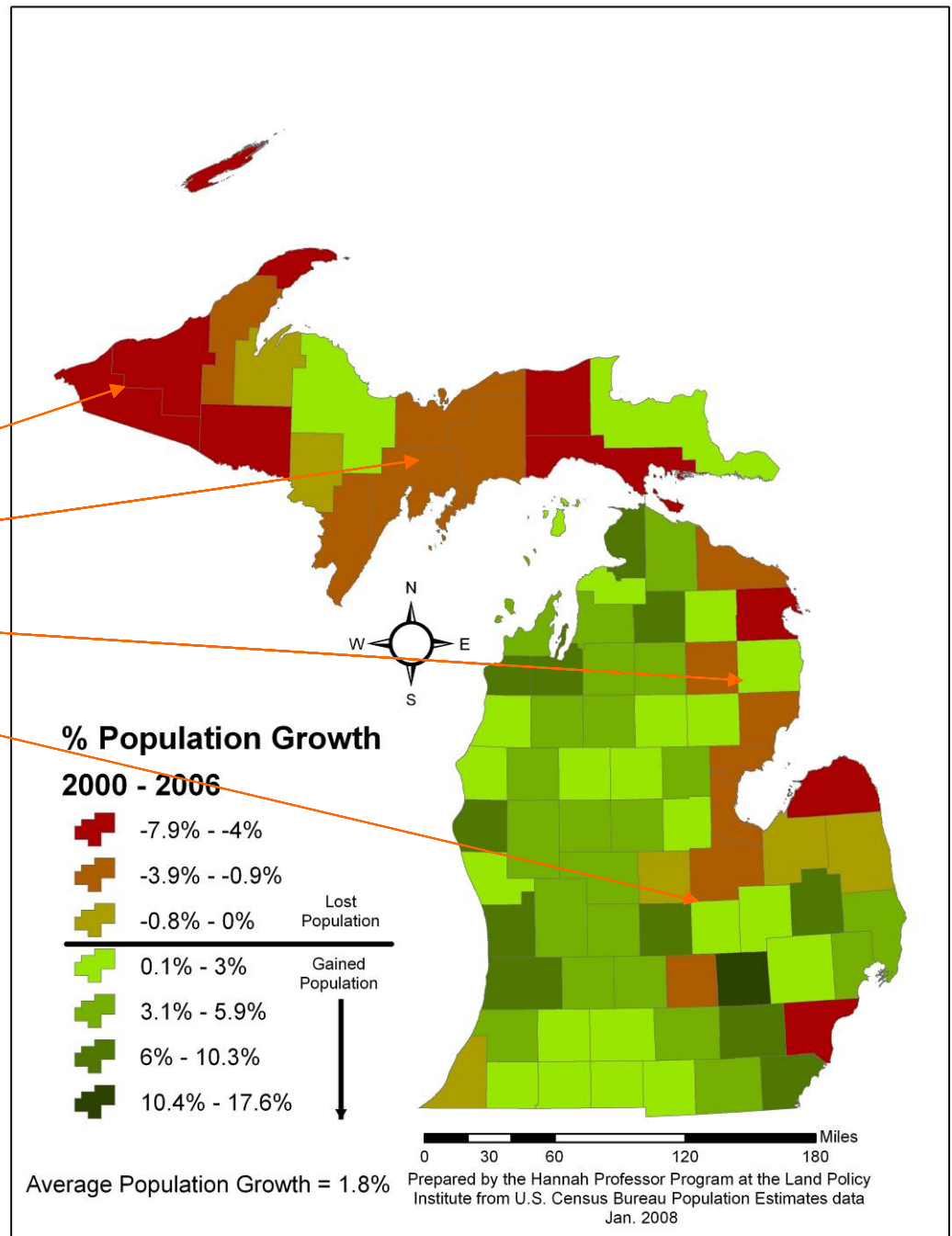
Michigan Population Dynamics: Losses in Urban and Rural Counties

State Population loss preceded by 10 plus years of rapid population decline in the Upper Peninsula and in the Northeast Lower Peninsula

Population Growth Rate



2007



Population Dynamics

- Between 2000 and 2007, Wayne County lost 137,000 persons.
- Between 2006 and 2007, Wayne County lost 27,275.
- Three Michigan counties are in the top 25 in the nation in losing population (Detroit's Wayne County , Flint's Genesee County area and Saginaw County).
- When cities lose people, they also lose the collateral:
 - Wages, jobs, taxes and real estate value .

Economic Impacts of Population Losses for **Wayne County**

2000-2007

Impact	Direct	Indirect	Induced	Total
Labor Income (\$)	-229,582,561	-70,188,664	-16,220,474	-359,991,696
Property Type Income (\$)	-159,767,790	-32,312,468	-38,728,458	-230,808,712
Employment	-6,487	-1,391	-1,623	-9,500
Output (\$)	-1,162,898,917	-193,501,588	-182,900,799	-1,539,301,303

- Wayne County also lost \$3.4 billion in housing value due to population loss alone.
- Wayne County also lost over \$110 million in taxes to state and local government due to population loss alone.

Population Dynamics

Decomposing Growth in Population

Drivers of Population Growth (Young, Retirees, & Others)

- **Home affordability** –affordable housing attracts all population (young, retirees and general).
- **Education** – counties with high % of people with 4 year college and above are better in attracting population (young).
- **Employment growth** – counties with job growth attract all population (young, retirees and general).
- Counties with higher % of **foreign born** attract all population (young, old, general).
- **Amenities** – natural amenities endowment attracts older population (retirees and general population).
- **Creativity and creative class employment** – counties with higher number of patents and creative class employment attract population (young and general population).
- **Economic structure** – service dominant economies perform better in population attraction, compared to manufacturing and farm driven economies.

Population Dynamics

- Implications for New Economy Strategy

- Most US growth attributable to the service and knowledge sub-economies.
- Service industries most integrated with global demand accounted for 75% of last year's job gains, many of which were created by exports (Business Week, 2007)
(http://www.businessweek.com/magazine/content/07_45/b4057032.htm)
- Considerable impact of population loss on the service industry (1/2 of jobs lost).
- When people move out, they take part of the economy with them, creating a downward spiral in economic decline.
- Reversing the trend must involve not only talent attraction, but a focus on globally linked service and high tech sectors.
- A state that is shrinking in population cannot grow.
- Consider population attraction strategies, in addition to job and company attraction strategies.

What we know about turn-around strategies.

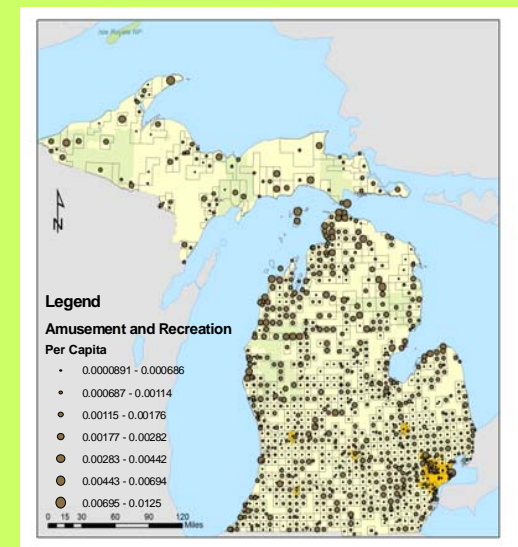
- Piecemeal evidence on New Economy growth drivers.
- Conflicting and challenged evidence.
- Limited clarity about effectiveness of old vs new economy drivers.
- Limited evidence about resource allocation to alternative growth levers – needed in Michigan.
- No comprehensive knowledge about the relative contributions of New Economy drivers.
- Limited evidence on appropriate levers for different regions.
- Need for a comprehensive understanding of new growth paradigm was recognized by World Congress on National Income Accounting.

Many economic development models no longer work.

- Excessive commitment to existing jurisdictional boundaries—too many places making unimportant decisions.
- Tax abatements—companies only move within regions and only a few abatements actually benefit state (Gary Sands and Laura Reese study).
- EDA's chasing smokestacks.
- Brownfield Redevelopment Authorities not very active.
- Commerce Centers legislation not passed, but if it does, potential effectiveness diffused by equity concerns.

MIHELP research via LPI.

- “How States Grow.”
- “Green Zone—An Economic Development Initiative for South East Michigan.”
- “Green Infrastructure and Economic Development.”
- “Strategies for Population Attraction.”
- “Asset-Based Growth—Michigan’s Critical Assets.”
- “Renewable Energy Policy.”
- “Immigration-Based Strategies for Economic Development .”
- “Placemaking and Economic Development.”



The alignment of higher education partners through MIHELP could be critical.

- Grand Valley State University.
- Michigan State University.
- University of Michigan.
- Wayne State University.

LPI Growth Decomposition Models:

Cities are Important.

- Places that attract people also attract jobs, and vice versa.
 - A 1% growth in population attracts 0.37% more jobs.
 - A 1% growth in job creation attracts 0.97% more people.
- Places that attract jobs create better income.
 - For every 100,000 additional jobs created, per capita income increases by \$4,000.
 - Michigan's loss of 300,000+ jobs equals to +\$12,000 in per capita income loss.
- Counties with high % of young (24-35 olds) are better positioned in attracting growth in population, jobs and income.
 - A 1% increase in young population leads to a 556 increase in additional population, \$84 increase in per capita income, and 537 additional jobs.

LPI Growth Decomposition Models: *Cities are Important.*

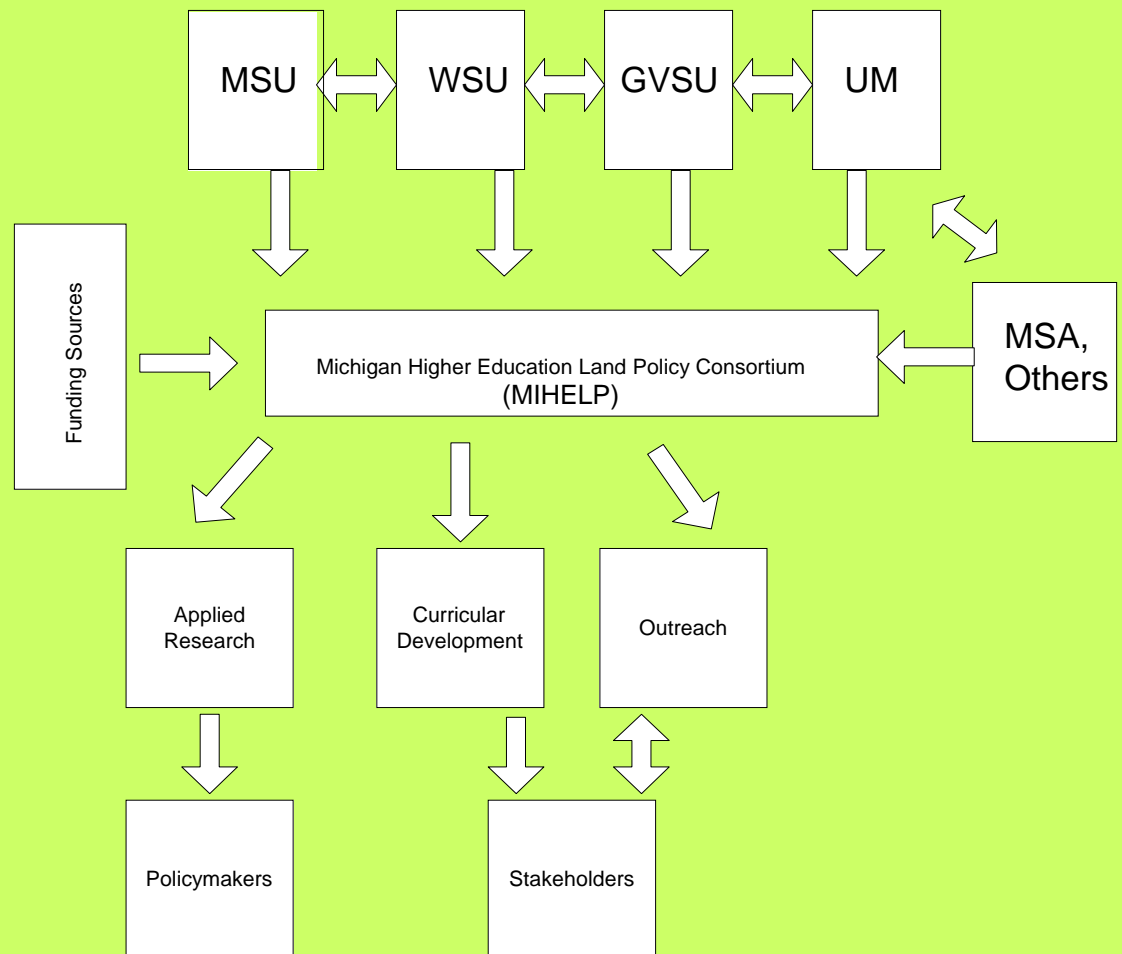
- Counties with high % of retirees (65+ olds) are better positioned in attracting jobs, but not population.
 - A 1% increase in retiree population leads to 389 more jobs created, but no increase in non-retiree population or per capita income.
- Counties with a higher % of foreign born are better positioned to create more jobs.
 - A 1% increase in foreign born population leads to 417 more jobs.
- From LPI study “How States Grow.”

Many initiatives springing up.

- Brookings North Coast Initiative.
- Southeast Michigan New Economy Initiative.
- Defining Moments.
- Food Deserts Initiative.
- Cool Cities and Cities of Promise (MSHDA).
- T.I.D.E. Scoring and Strategy Initiative.
- Renewable Energy.
- Land Banks/Vacant Lands.
- Others.

What is a strategy for cities in Michigan?

**A new wave
of research
and
outreach
engagement.**



Here is why we created MIHELP.

- Faculty projects on metropolitan strategies for economic turn-around.
- Research—quality frontier science (models for others).
 - Faculty working in strategic growth, placemaking, even though we come from different U's.
- Outreach—policy briefs, reports, fact sheets, legislative education, stakeholder education, state and regional leadership education.
- Research and outreach to make a positive impact:
 - Tools.
 - Policies.
 - Recommend action to officials.

MIHELP Vision

- A New, “Second Wave” of Engagement.
 - University community relationship: two-way with region.
 - Cross-disciplinary—not silos.
 - Research driven by regional opportunity.
 - Primary outcome goal is new regional asset strategies.
 - Future oriented, not catch-up.
 - U’s go beyond offering services, to incorporate services into regional strategies.

At what levels of action?

- Metro regions—focus of MIHELP.
 - We can do something as respect to policy.
 - We can do something with respect to our own cities.
 - Research driven by regional opportunity.
- Local—MIHELP partners have cities.
 - Lansing (MSU).
 - Detroit (WSU).
 - Grand Rapids (GVSU).
 - Ann Arbor (UM).
 - Others (MSU, WSU, GVSU, UM).
- 85% of MI residents live below Midland—Muskegon line.

MIHELP Challenge

- What can we do to incentivize higher education in this area?
- What role do we play at the state level?
- What individual responsibilities do our universities have locally?
- What are the targeted products of our work?
- How do we institutionalize and resource progress consistent with our vision?

This symposium

- Just one activity to address issues of low performing cities.
- Two goals:
 - Outlines metropolitan research and outreach agenda.
 - Strengthen connections among faculty and stakeholders.
- Questions to answer:
 - What does it mean to be a low performing city?
 - What policies are really relevant?
 - Who are the other players we need to work with?

Welcome

- Speakers.
- MIHELP Partners.
- Faculty.
- Guests.