

**Commerce Centers in Michigan:
Data and Analysis to Support Policy Decisions**

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An Urban Revitalization Report

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Economic development programs rooted in cities, towns, villages, and densely populated townships serve a dual purpose: they are essential to urban renewal efforts and to efforts to prevent unwanted and unplanned growth in rural areas. The concept of Commerce Centers was one of the key recommendations of the Michigan Land Use Leadership Council, empanelled by Governor Jennifer Granholm in 2003. It is envisaged that Commerce Centers, as part of a comprehensive mix of development initiatives, will place the State of Michigan on the frontier of sustainable development practices in the country and improve the state's economic outlook. This study was designed to provide information to policy makers which will help in defining Michigan Commerce Centers as well as identifying possible incentives to attract desirable economic growth to targeted areas.

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Commerce Centers in Michigan: Data and Analysis to Support Policy Decisions

Executive Summary

The State of Michigan has been experiencing both an out-migration of people from city and town centers, and unfettered development of suburban and rural areas, both of which have contributed to the state's economic decline in recent years. One effort to resolve the challenges experienced in urban areas is the development of Commerce Centers, or areas where business and population growth are encouraged through investments and the use of unique economic development tools. The Commerce Centers concept was one of the many recommendations put forth by the Michigan Land Use Leadership Council (MLULC) in its 2003 report to Governor Granholm. The Senate Committee on Commerce and Labor developed this concept into a bill, which is currently in the Michigan Senate and the House. This bill provides a good skeleton for the design of the program; however, further information is needed to make decisions about the appropriate vision and implementation strategy.

This report provides information on possible designation scenarios, economic development and land management tools, and implementation strategies. Designation of Commerce Centers will be based on the vision for this program, which should be defined by mutual agreement of relevant parties. Based upon the input provided by members of the advisory committee for this project, the vision for Commerce Centers is an economic development program that promotes statewide economic growth and achieves land use goals (such as urban revitalization and protection of rural landscapes). Therefore, the selection process should be based on the existing economic capacity, commitment to further economic growth, and commitment to sound land use decisions evident in each community. The selection process may take place at the state or regional level, and may be carried out through a competitive process by soliciting proposals from interested communities. Selected communities must have a clear strategy for how resources will be used to attract businesses and people to their area. It is important to note that, if well designed, benefits are expected to also accrue to regions surrounding Commerce Centers.

In order for Commerce Centers to be successful, the state must make some decisions about what resources and tools will be made available to designated areas. State and federal funding, through revenue sharing or a dedicated grant program, must be identified. In addition, existing economic development tools, such as the Renaissance Zones and Capital Access Programs, must be assessed and redesigned, if necessary. Commerce Centers should fill in the gaps left by current programs in Michigan.

Finally, drawing on examples provided by other states, like Maryland, Michigan must design a program that is as comprehensive as possible. Economic development and land use management goals can be simultaneously achieved by tying economic resources to conditions for land use planning (such as redevelopment readiness and updated Community Plans). Regional differences in economic capacity and advantages must be recognized. Urban programs, like Commerce Centers, must be balanced by suburban and rural programs.

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1.0 Introduction

1.1 Background

In the last three decades, Michigan has witnessed a rapid decline of jobs from town centers, coupled with the exodus of people and families into suburbs and rural areas across the state (Orfield & Luce, 2003). The diminishing opportunities within cities and towns have significant adverse economic, social and equity implications, and have hindered efforts to revitalize these areas. Turning them around will require significant creativity and innovation. Policy initiatives are needed to spur entrepreneurial spirit in cities and towns across Michigan and to lay down local support infrastructure that would enhance the development of urban and small town commerce. The concept of “Commerce Centers” has been identified by the Michigan Land Use Leadership Council, the Michigan Economic and Environmental Roundtable, the Land Policy Institute (LPI) at Michigan State University (MSU), and state legislators as a policy framework for achieving economic development in areas with existing public infrastructure.

In addition to tax reform, changes in transportation policy, tools to reduce urban crime, strategies to improve educational quality, and grass roots activities to spur heightened community spirit, a key strategy to turning around these cities and towns is reinvigoration of commercial opportunities. On one hand, the return of large companies with large employment potential would be desirable. On the other hand, there needs to be a focus on those unique and entrepreneurial based businesses that are tied to the community and that are not subject to the whims of major corporation relocation strategies. Experts have come to realize that most new jobs are not being created by large corporations, but indeed, by small companies. A commercial atmosphere that is diverse and flexible has the best chance of achieving economic growth and sustaining it long term.

The supplemental benefit to revitalizing cities and towns and directing commerce there is that rural areas that are valued by residents, and land based industries that rely on these areas, are protected from unfettered growth. In addition, encouraging the type of atmosphere in urban centers that attracts both businesses and residents reduces traffic congestion in suburban areas, establishes agglomeration economies and creates functional regions that can compete in a national economy. Everyone can therefore benefit from vibrant city and town centers.

Areas in Michigan that are designated as “Commerce Centers” should provide an appropriate atmosphere and incentives to attract more diverse economic activities and encourage small business development. Throughout the nation, a number of empowerment and enterprise zones aim at spurring businesses. Coupled with concepts such as enterprise development initiatives, tax incentives, Brownfield redevelopment assistance, capital improvement planning and business incubators, perhaps greater success could be realized from Michigan urban revitalization efforts. If possible, state funds may be leveraged to support Commerce Centers.

Directing growth and maximizing the impact of limited financial resources will require that careful thought be given to the number and placement of Commerce Centers. Identifying those places in Michigan that are ripe for long-term economic growth and have the capacity to support businesses and population growth will be essential to the success of Commerce Centers.

1.2 Project Objective

The MSU Land Policy Institute implemented this project to assist policymakers and various stakeholders in the State of Michigan in conceptualizing and developing a “Commerce Center” approach to urban and town revitalization. The specific objectives include the following:

1. Outlining possible strategies for identifying Commerce Centers in the context of Michigan communities and providing useful information to assist in the selection process.
2. Conducting a national analysis to identify successful enterprise development models in the nation and evaluating the applicability of the programs for Michigan.
3. Suggesting resources and tools that could help designated areas to achieve economic growth that will have spill-over effects on the surrounding region and state.

1.3 Approach

The project team participated in a number of research activities to meet the objectives outlined above. First, possible strategies for the designation of Commerce Centers were identified and considered by both the project team and the advisory committee, which consisted of representatives from the Michigan Economic and Environmental Roundtable (MEER). Possible strategies included selection at the state level, selection at the regional level, and selection through a competitive process (i.e. request for proposals). All of these strategies focused on choosing communities that have the best potential to achieve economic growth with the greatest regional implications and the greatest chance to retain and expand such growth. Useful criteria for identifying economic growth engines were grouped into five categories:

1. Current economic and social characteristics of community.
2. Commitment to sustainable land use strategies.
3. Unique opportunities for economic growth.
4. Commitment to being a future center of innovation-based commerce.
5. Commitment to high standards of developing healthy and livable communities.

Information from each community in Michigan was collected based on a list of characteristics identified under each category. This information was drawn from a number of sources, including U.S. Census data, surveys conducted by the Institute for Public Policy and Social Research and the Michigan Township Association, and others. Using this database, the research team generated tables and maps that show which Michigan communities rank favorably in certain designation criteria. The purpose of using these criteria is not to actually select the communities, but merely to provide information to policy makers in their own designation process.

Second, the project team sought to identify successful models in the nation. The experiences of other states’ economic development programs can provide information on what tools exist to support urban and town enhancement efforts. Information on various programs was collected from the Directory of State Business Development Incentives developed by the National Association of State Development Agencies in 2002. A case study of economic development programs in Maryland provided an excellent example of successful growth strategies that are coupled with land use strategies. By comparing Michigan’s existing economic development programs to those used in other states, it is possible to determine where opportunities exist to expand growth efforts. This process could be helpful in identifying what resources and tools selected cities and towns need to encourage commerce development in their communities.

Finally, the investigators held a series of discussions with commerce experts and stakeholders in order to determine what they felt it means to be a Michigan Commerce Center. This project drew on guidance from an advisory committee, as well as groups that are currently involved in economic and enterprise development. These representatives helped define such issues as Commerce Center qualification criteria, incentive systems and policies, and the optimal number of communities to target. This resulting report includes both the tools for designating Commerce Centers and recommendations on the economic development programs and assistance that will make them successful.

The reader is cautioned to consider the fact that the designation of areas to receive certain benefits or status is a political issue often decided in the policymaking arena based on the preferences and ability of interest groups and their elected political representatives. Therefore, the Land Policy Institute has been extremely cautious to serve in the role of fact finder, facilitator, and promoter of alternative ideas, without taking a political position. Hence, the nature of this report is non-prescriptive and non-committal in order to maximize its potential usefulness to parties on various sides of the Commerce Center policy debate.

1.4 Michigan Land Use and Leadership Council

In 2003, Governor Jennifer Granholm and state legislators empanelled the Michigan Land Use Leadership Council (MLULC), which brought together some of the most experienced leaders in Michigan to outline a plan for addressing Michigan's most pressing land use problems. The final report had approximately 160 recommendations for the state, including the development of "Commerce Centers" that would enhance regional economic development and encourage appropriate land use decisions at the local level. The MLULC suggested that the state recognize and target resources toward urban/suburban centers of commercial activity with existing public service infrastructure (e.g. sewer and water). Selected resources would then be used to support redevelopment and growth in these areas.

The MLULC report recommended only two criteria for the designation of Commerce Centers: 1) relatively high population density and 2) availability of public infrastructure to support development. According to the report, designation would be awarded through the provision of state/federal financial assistance where a need is demonstrable. Specific assistance and incentives identified in the report included:

1. Enhanced state financial assistance (possibly revenue sharing);
2. State and federal transportation and other infrastructure dollars; and
3. Regional cooperation grants/tools to encourage multi-jurisdictional cooperation and shared services.

Additional priority access to the use of development and redevelopment tools was mentioned in the report. These tools included:

1. Downtown development authority;
2. Local development finance authority;
3. Principal shopping district/business improvement district;

4. Land bank fast track authorities legislation to clear property titles;
5. Obsolete property Brownfield tools;
6. Directed community development block grant funding;
7. Affordable urban housing funds and programs;
8. Designated “entertainment districts”; and
9. Streamlined state regulatory decisions for new or redevelopment activities.

In return for the benefits of being designated a Commerce Center, each community would be expected to meet certain conditions, including:

1. Government efficiency and planning standards to reduce the cost of government;
2. Expedited governmental decision making with respect to new private investments; and
3. Intergovernmental land use planning and 4) efficient use of public infrastructure investments (MLULC, 2003).

1.5 Commerce Center Bill

In May of 2004, Senators Allen, Basham, Jelinek, Kuipers, McManus and Brown introduced Senate Bill Number 1199 to implement the recommendations of the MLULC report with respect to Commerce Centers. The bill was referred to the Senate Committee on Commerce and Labor and also introduced in the Michigan House. The legislative intent of the bill was to identify Commerce Centers, target state funding toward these areas and prescribe the powers of state agencies and officials with respect to this new program. The bill was intended to institute the “Commerce Centers Act.”

The bill language indicates that the legislature recognizes the need to improve commercial growth and development through targeting funding and assistance programs toward communities with urban and commercial character. The bill indicates that a Commerce Center means any of the following:

1. A city.
2. A village.
3. A township that meets the following conditions:
 - a. Location within a county that has a population greater than 400,000.
 - b. A resolution approving the township’s recognition as a Commerce Center adopted by the board of commissioners, for townships with a population less than 20,000.

In this program, the Department of Labor and Economic Growth (DLEG) would annually identify each city, village, or township that qualifies as a Commerce Center, make recommendations to the legislature for funding and program development to support these areas, and report to the legislature on the activities and success of each designated area on an annual basis.

The bill provides a broad overview of the intent and design of the Commerce Centers Act, but more detail needs to be defined in order to implement the program. The first step will be to decide how DLEG will annually designate Commerce Centers. The next section describes possible approaches to establish a designation process to more fully implement the Act.

1.6 Summary & Report Outline

Michigan is currently experiencing one of the most challenging periods in its economic history. While various programs are in place, including initiatives from the 21st Century Jobs program, the targeting of efforts to achieve strategic place-based growth is desirable. More recently, Michigan has begun adopting some place-based strategies, including the Cool Cities program and the Centers for Regional Excellence program.

Michigan has a clear need for a statewide effort to encourage economic growth and to do so in such a way that will achieve land use management goals (e.g. to revitalize urban and town centers and protect rural landscapes) simultaneously. The concept of Commerce Centers has the potential to become a successful statewide effort. More information relevant to the designation process and to resources needed for success must be provided for this program to be optimally designed. Providing this information is the fundamental goal of this report.

The next chapter explains potential designation scenarios and provides information that could assist policy makers in determining a strategy for choosing Commerce Centers. In Chapter 3, economic development programs and experiences in other states are examined and suggestions for resources and tools to assist Commerce Centers are provided. Chapter 4 explains part of the process by which the advisory committee and other stakeholders were engaged in this process through a workshop. Conclusions and recommendations for designing and implementing the Commerce Centers program are provided in Chapter 5. Supplemental materials, including state maps, data tables and graphs, are included in the Appendices.

2.0 Designation of Commerce Centers

A critical step in designing an implementation strategy for the Commerce Centers program is to determine how resources and development tools will have to be allocated across the state to achieve maximum impact. The chosen strategy for spurring economic growth in specific areas of Michigan should be based on the intended purpose and vision for Commerce Centers. The project team, with assistance from stakeholders and policy makers, outlined six basic scenarios for designating Commerce Centers, based on six possible visions.

Scenario 1. All Cities, Villages and Townships of a Particular Size

Vision

To make Michigan cities, villages, and townships more economically competitive with communities in other states.

Criteria

- Any city.
- Any village.
- Any township (in a county with population greater than 400,000 or approved by county commission).

This first scenario outlines a vision and selection strategy based on the Senate Bill. The vision to make all of Michigan's communities more economically viable and competitive with communities in other states is clearly desirable and politically correct. However, it is important to consider that this strategy will likely identify a sizable number of Commerce Centers (out of more than 1,800 Michigan communities). Not all communities would be qualified, but attempting to spread limited resources over this number of communities would likely dilute the effectiveness of such a program. Hence, from among eligible communities, choices must be made in order to ensure that sufficient resources go to each designated area to actually make a difference.

Scenario 2. One Commerce Center in Each Political District of the State

Vision

To create a politically acceptable designation strategy that will be approved by the legislature.

Criteria

- Choose one community in each district based on:
 - Population size (labor market).
 - Adequate public infrastructure.

This second scenario has, perhaps, the greatest potential to encourage the passage of the Senate and House bills that are currently before the legislature. It is an equitable strategy that keeps within the recommendations of the MLULC for community size and focus on existing infrastructure, but it does not take into consideration the capacity of these areas to attract businesses and population, encourage economic growth, and develop spill-over effects in surrounding areas. More importantly, it limits the nature of the competition to local competitiveness, not global competitiveness, thereby reducing the likelihood that any designated area will do more than reshuffle local/regional commercial opportunities, rather than making a region more nationally competitive.

Scenario 3. Communities Where Growth Is an Established Trend

Vision

To direct growth to areas that already have the necessary infrastructure to sustain economic activities.

Criteria

- Low unemployment.
- High household income.
- Core Community status.
- Ethnic diversity.
- Capital Improvement Plan.

While this approach may not be viewed as being as equitable or politically correct as the first two scenarios, it is more cognizant of what economic capacity is necessary to make Commerce Centers a success. This scenario builds on the existing strengths in communities, attempting to capitalize on current capacities. These communities have already shown an ability to thrive economically, attract successful businesses, support a well-paid labor force, utilize existing economic development programs (such as the Core Community program administered by the Michigan Economic Development Corporation), and plan for future growth (e.g. through a Capital Improvement Plan). This strategy may well put less emphasis on cities since most of Michigan cities have been losing population.

Scenario 4. Communities Where Smart Growth Is a Guiding Principle

Vision

To direct growth to areas that have appropriate land use strategies and infrastructure to accommodate growth and development.

Criteria

- Current Community Plan.
- Business walkability.
- Public transportation.
- Zoning Ordinance.
- Brownfield Authority.

This fourth scenario focuses on land use capacity and commitment to Smart Growth strategies. Investment within public infrastructure is just one method by which the state can encourage sound land use management practices within its urban and town communities. Communities that have existing potential to be attractive places to live (e.g. the ability to walk or take public transportation to work) and commitment to deliberate land use planning (e.g. current Master Plans and zoning ordinances) and urban revitalization (e.g. Brownfield redevelopment), are desirable areas to direct growth and resources. This approach is based on the notion that well-planned and healthy communities are better positioned to retain growth long-term.

Scenario 5. Communities that have Unique Industries or Labor Markets

Vision

To direct growth to areas that have unique economic structures and demonstrated comparative advantage.

Criteria

- Large proportion of businesses dedicated to particular industry.
- Location of vocational schools.
- Presence of creative class.

As mentioned in the introduction, Michigan is experiencing an exodus of businesses and young professionals from its urban and town centers. These two situations create a “snowball effect;” as

more desirable jobs leave cities, more young people choose to leave, and vice versa. Designating Commerce Centers in locations that have been able to retain both unique businesses (particularly those with a state and national comparative advantage), build economic growth infrastructure (such as vocational schools, colleges, and business incubators) and attract the “creative class,” has vast potential for local, regional and statewide impact. The described approach is increasingly being used as a mechanism to facilitate regional and state competitiveness. It is based on the notion that agglomeration economies are important and regions need to build on their strengths.

Scenario 6. Communities Chosen by Region Based on a Scoring System

Vision

To allow regions to direct growth where they see the greatest potential for economic development.

Criteria

- Any number of criteria.
- Scoring of communities conducted at regional level.

This final scenario recognizes the differences between regions of the state in terms of the economic engines that exist within each. For instance, southeast Michigan’s greatest economic powerhouse has been automotive manufacturing, while the thumb region has a focus on agriculture and northern Michigan relies on tourism and forestry for its economic vitality. This approach allows regions to identify their strengths and direct resources and growth to those cities and towns that have developed the greatest potential to support the region. Of course, an implicit assumption is that there is a sufficient degree of regional cohesiveness, vision and understanding to enable the designation process. Home rule and inter-local competition may well be barriers to practical implementation of this scenario.

It is likely that the chosen strategy for selecting Commerce Centers will not be one of these above scenarios but a synthesis of their visions and suggested criteria. Attention to equity, political saliency, economic capacity, land use management, uniqueness, and regional similarities and differences are necessary to developing a comprehensive strategy that will be embraced by relevant stakeholder groups, policy makers, and citizens.

2.1 Collection of Information on Michigan communities

Public funds are finite. In order for government resources to be most effectively applied, it is necessary to designate recipient communities. This task necessitates the development of specific criteria to assist in the designation of targeted urban and town areas. An essential task in this research was assisting in identifying a framework that could be objectively applied to identify and designate Commerce Centers.

The starting point in developing this framework was selecting broad categories of criteria that would be studied. These categories included:

1. Current economic and social characteristics of community.
2. Commitment to sustainable land use strategies.
3. Unique opportunities for economic growth.
4. Commitment to being a future center of innovation-based commerce.
5. Commitment to high standards of developing healthy and livable communities.

The criteria identified under each broad category are as follows:

Current economic and social characteristics of community

- Population density indicating communities of a certain size
- Home ownership
- Employment rate
- Unemployment rate
- Household income
- Ethnic diversity

Commitment to sustainable land use strategies

- Business walkability
- Public transportation

Commitment to high standards of developing healthy and livable communities

- Up-to-date Community Plan
- County-level zoning
- Farmland preservation
- Historic preservation ordinance
- Growth management ordinance
- Brownfield authority
- Other innovative regulations
- Networking tendencies with other local and regional governments

Unique opportunities for economic growth

- Core Community Status

Commitment to being a future center of innovation-based commerce

- Capital Improvement Plan

Table A.2 in the Appendix gives a summary of the criteria which were identified, the measures which were evaluated and the sources from which data were drawn.

The socio-economic status of communities mirrors the distribution of relative wealth across the states. It provide for comparison among various measures, the setting of strategic and measurable growth targets as well as critical minimum thresholds. For example population density information and household ownership structures can inform of the fiscal capacity of the community and the community's ability to provide social services. Employment rate and job creation information are indicators of the level of economic activity and its potential for future growth. The segments of society with the greatest propensity to start new businesses are minorities (particularly women) and new immigrants. Statistics show that minority and women owned businesses are some of the most resilient in the nation, with the most potential for growing the employment base of a community (U.S. Department of Commerce, 2001). Ethnic diversity is therefore a good indicator for communities looking to spur economic growth.

The category of data dealing with a community's commitment to sustainable land use strategies provides indicators of a shift towards the paradigm of developing institutional structures which promote orderly growth and support the community's values. The presence of various local statutes and ordinances such as Low-Sprawl Zoning Laws, Historic Preservation Ordinances and Growth Management Ordinances, shows that elements of economic efficiency as well as sustainability are being considered in the plan for development. Similarly, indicators showing a commitment to building healthy and livable communities, such as business walk ability, public transportation and cluster development, are consistent with the overarching theme of sustainable and ordered development. Furthermore communities which embody these principles in their planning will be attractive as places of residence to an emerging generation of progressive and educated people, who will have the level of income to support the local economy.

Evidence of the desire to be centers of innovation based commerce as well as evidence of unique growth opportunities, shows those communities which have a greater recognition of the need for a proactive approach to economic development. For example the presence of a community development strategy demonstrates the presence of local institutions and business networking relationships, with the capacity and willingness to invest intellectually and practically into the long term economic development of the community. These communities may be in a greater state of readiness to access resources which could be made available to them through the Commerce Centers program.

Data were collected on the measures mentioned above and compiled into a comprehensive data base. This provided the basis for various forms of analysis, which will be discussed in subsequent sections. Table A.1 in the appendices illustrates the data that were collected for every community by reporting the level of each indicator achieved by the 20 largest communities in Michigan, in terms of population. A description of each characteristic is provided in Table A.2. Comprehensive data on communities other than the largest twenty are available from the Land Policy Institute website: www.landpolicy.msu.edu.

There are a number of other characteristics that are relevant to the selection of Commerce Centers. However, analysis of other characteristics was limited by the unavailability of appropriate data sources.

2.1.1 Developing Visualization Tools

Having collected this body of data, the project team created a set of corresponding visualization tools showing the status of all communities in relation to the criteria identified, giving decision makers the capacity to assign Commerce Centers based on the strengths of individual communities and the strategic direction of the state. Maps of selected characteristics that have potential as designation criteria are included in Appendix B.

2.2 Using the Data to Assign Commerce Centers

Should the state seek to designate Commerce Centers based on existing information and knowledge about where Michigan's strengths lie, the data that were collected through this effort could be useful. The database which has been developed provides policy makers with an objective tool for assigning communities as Commerce Centers. The outcomes of its use should

reflect the shared vision for the state and the value placed on different patterns of economic development.

For example, some characteristics could be used as qualifying indicators to designate Commerce Centers (i.e. criteria could be set for communities to be above the state average in selected characteristics). Communities would be required to meet those criteria, or demonstrate how they will meet those criteria in the future, in order to be designated as a Commerce Center. The consensus may be to include communities with a given base population density, current community plans, as well as networking tendencies. Other characteristics could be used as indicators of desirable targets, such as high household income or low unemployment rate, which designated Commerce Centers should aspire to attain. It may also be possible to use different combinations of qualifying criteria for different parts of the state, dependent on the types of economic development activities involved.

This framework provides a basis for choosing communities where the technical feasibility for success exists while rewarding and stimulating those desirable activities which lead to sustainable land use. This method could also be used at the regional level if the database were disaggregated by geographical region. It is essential however that the qualifying criteria, at the state or regional level, be identified before the database can be of any practical value in helping to identify and assign Commerce Centers.

2.3 Focus on Strengths

A strong state program that maximizes economic growth opportunities could focus on the strengths that communities have to offer and build upon those areas of comparative advantage. An important first step is to identify those areas in which Michigan has a unique economic advantage over the rest of the Great Lakes region and the nation. Appendix D provides illustrations of Michigan's economic performance in terms of jobs and earnings for eleven economic sectors: 1) Land and Water Based Industries, 2) Construction, 3) Finance, Insurance and Real Estate, 4) Manufacturing, 5) Mining, 6) Retail Trade, 7) Services, 8) Transportation, 9) Wholesale Trade, 10) Farm Earnings and 11) Government Enterprises. There are a number of interesting things to note in these graphs:

- The state has been comparable to the region in several sectors, including construction, transportation and wholesale trade.
- Michigan kept pace with the region and nation in terms of growth in earnings and jobs in the land-based industry sector (which includes agricultural services, forestry, fishing, and other sectors) until the late 1980s and early 1990s when the state started to realize a comparative advantage in this area.
- The state is comparable to the nation in farm earnings, while it does slightly better in terms of employment. It appears to be lower than the rest of the region in terms of providing jobs to Michigan farmers, and overall earnings and jobs for all three geographical areas seem to be declining.
- As expected, Michigan has enjoyed a sizable comparative advantage in the manufacturing industry for a number of years. The graph shows earnings and jobs in this field leveling off. It should be noted that this graph only represents trends until the year

2000. One would expect to see Michigan's manufacturing sector decline after this point due to several automotive plant closings across the state.

- Michigan earnings and jobs in the mining sector are well below regional and national averages.
- It appears that Michigan has a comparative advantage over the region in retail trade, services, and government and government enterprises earnings, as well as employment. These sectors have experienced growing trends over the past decade.

In selecting Commerce Centers, policymakers must also try to capitalize on Michigan's major assets. Focusing resources on sectors like land-based industries (including agricultural services, such as biofuel production), services (including tourism), retail trade, and government will have effective and widespread impacts across the state. Commerce Centers can be identified in those geographical regions where these sectors are predominant. A more comprehensive analysis of emerging opportunities in nanotechnology, energy, biomedical technology, information technology, and other areas is obviously needed.

2.5 Request for Proposal (RFP) Process

Another possible approach for the selection of Commerce Centers is a clear and coherent Request for Proposal (RFP) process. The announcement of the opportunity to be designated as a Commerce Center would give communities the information required to access project resources in an efficient and timely manner. It would be feasible to develop an RFP that is modeled on the Cool Cities Program or the Centers for Regional Excellence. This approach has the advantage of using a mechanism with which most communities are somewhat familiar. In addition, it would probably be more palatable to Michigan communities than state-level selection as it would give the impression that the process is competitive and more communities have a fair chance.

In this context any community could apply to become a Michigan Commerce Center. The application would be subject to review and scoring based on a predetermined set of qualifying criteria. Due to the diversity of Michigan communities, the selection process could be a challenge, especially if the agreed-upon criteria system opens Commerce Center designation opportunities to urban, suburban and rural communities. Care must be taken to be precise and selective in the specification of criteria, and the RFP should clearly communicate the qualifying criteria. The applicants should be directed to ensure their application shows that the criteria have been met, or how the community is working towards meeting those criteria in the short term. It should also show how resources from the Commerce Centers project would be used to strengthen the local and regional economy and dovetails into the economic wellbeing of the state.

The RFP process should provide an outline for the strategic plan which will accompany the application. Consistency in applications will make it easier to review the proposals. Applicants should also be informed of the range of economic development tools and incentives which will be available under the project. This information would make it easier for communities to design their proposals around those incentives.

3.0 Targeted Economic Development Programs

Proportionate with the increasingly integrated and competitive nature of the national and global economy, many states have recognized the need to implement programs and policies to stimulate and grow local and regional economies. Agencies like the Michigan Economic Development Corporation, or its equivalent, have become main features in the institutional landscape of most states. Over time, this path has led to numerous initiatives geared to retain and or attract business, create jobs, and enhance the competitiveness of a given state against neighboring states and other parts of the world.

In order for Commerce Centers to be as effective as possible in achieving state-level economic development goals, it is first necessary to assess current programs in Michigan. There are several existing programs that seek to enhance the state's economic capacity, particularly in urban and town centers. These existing programs are listed and described in Table C.1 in Appendix C. Once it is determined how or if these programs contribute to the achievement of state goals for economic development, the vision and strategy for the Commerce Centers initiative will be clearer.

A critical step in revamping Michigan's approach to economic development is to draw on beneficial experiences in other states. The next section describes one such comprehensive program in the State of Maryland. Several states have such programs, so the authors have selected one state with highly relevant and successful experience. This description is followed by an outline of programs implemented in other states across the nation that could have potential implications for Michigan.

3.1 Achieving Land Use and Economic Development Goals

Efforts by individual states to support economic development, while reaping some success, have had unintended and undesirable consequences. One example of such efforts is increasing public expenditures to retain or attract large manufacturing firms, which often leads to erosion in the fiscal capacity of state and local governments. Additionally not many states create a direct link between economic development and sustainable environmental and natural resource stewardship. This disconnect results in development patterns which impose externalities (external costs) on some sections of the society and threatens the ability of the natural environment to support the commerce generated.

In the last decade states such as Maryland, New Jersey, Utah and Oregon, among others have embarked on a progressive agenda of linking economic development goals with sustainable land use. This new thinking, which was largely led by the former governor of Maryland, Parris N. Glendening, has spawned the "Smart Growth" movement in local and regional planning in the United States. The course which has been charted by these states can provide valuable lessons in reconciling a vision for sustainable land use with economic development goals.

In 1996, the state of Maryland recognized that the momentum of development, if left unchecked, would lead to increased suburban sprawl and proportionate decline in aging cities and inner suburbs (Maryland's "Smart Growth"). This led to a number of initiatives geared towards addressing the undesirable growth patterns which existed. These included:

1. **The Passing of the Smart Growth Areas Act in 1997.** This act determined that state funding could only be channeled to areas (called Priority Funding Area) which were already developed or planned for development.
2. **The Passing of the Rural Legacy Act in 1997.** This act established a grant program which enabled local government bodies and land trusts to access state funds to purchase easements and development rights in designated Rural Legacy Areas.
3. **Implementation of a Brownfield Voluntary Clean-up and Revitalization Incentive Program.** This initiative sought to reuse contaminated sights after voluntary clean-up, by providing loans, tax credits and relief of retroactive liability.
4. **Updated the Job Creation Tax Credit Program.** This initiative sought to establish tax credits for jobs created in designated areas.
5. **Implemented the “Live Near Your Work” Program.** This program provided incentives for employees to buy homes near their work places

These various initiatives had the cumulative effect of discouraging sprawl by removing a state subsidy for low density development, while simultaneously promoting redevelopment of cities and inner suburbs. They also helped to reduce pressure for sale of property which supports land based industries, provide opportunities to re-use idle and potentially valuable lands, while stabilizing communities and reducing commute time through job creation and home ownership. While any of the above mentioned initiatives carried out in isolation might have had some measure of success, their simultaneous implementation made it possible to capitalize on synergies, thereby maximizing the benefits of each initiative.

Maryland is but one example of the integration of sustainability goals and economic development goals. This simultaneity of goals is particularly relevant for Michigan where one of the state’s strategic assets is its unique natural resource base. With 11,000 inland lakes, 3,600 miles of streams, the tremendous assets of the Great Lakes, a vast agricultural and forest land base, and some of the most desirable tourist destinations in the region, Michigan must strive to protect these resources while positioning itself to generate a new economy. This new economy must mitigate the instability inherent in its historical manufacturing base. A desirable strategy would be to build on the state’s strengths while conserving and protecting resources that are potential sources of comparative advantage in the future. South Michigan (particularly the southern half of the Lower Peninsula) is home to the bulk of economic activity in the state. Growth projections suggest that this same area will be overwhelmed by the excessive outpour of people from urban areas predicted for the next 20-25 years. Michigan can not afford the attractiveness of this region to be eroded due to unfettered growth.

3.2 Possible Tools and Incentives for Commerce Centers

Another key component of this project involved assessing the range of economic development strategies that are currently available to the state, as well as other strategies, currently being used by other states. The Directory of State Business Development Incentives, published by the National Association of State Development Agencies, was the main reference for this component of the project.

In the State of Michigan, there are over 25 economic development programs administered by various branches of state government. Generally these programs take the form of tax abatements, direct subsidies, loan programs and grants. A summary of these economic development programs is presented in Appendix C, Table C.1.

Similarly, a cursory review of economic development tools available in other states showed there were over 190 programs which are designed to stimulate economic development. This information can serve as a basis for concentrating existing resources in the most advantageous way, and to benchmark ideas for program design in the future. A detailed description of these economic development programs is provided in Appendix C, Table C.2.

It will be necessary therefore for Michigan to draw on the experiences of states like Maryland in strengthening existing programs and integrating new ones, and providing a comprehensive mix of appropriate initiatives geared towards stimulating economic development while supporting sustainable land use. It must be recognized, however, that economic development tools created in a given locale might not be completely adaptable in a different environment. States have their own unique set of institutional, cultural, economic and resource characteristics.

4.0 Commerce Center Workshop

4.1 Workshop Objectives

The Land Policy Institute in association with the Michigan Economic and Environmental Roundtable (MEER) held a one-day Commerce Center Workshop on November 4, 2005. The workshop assembled a diverse group of stakeholders from public and private interests within the state as well as a distinguished panel of experts with experience in the economic development process. The threefold objective of this workshop included:

1. Informing stakeholders of the progress of research done by the Land Policy Institute.
2. Foster dialogue among stakeholders on the salient issues which must be considered in designating communities as commerce centers.
3. Consider different approaches and development models which could be applied in the Michigan scenario.

This section provides a summary of the workshop for three reasons. First, despite some divergence of opinion, several strong recommendations emerged that are useful in shaping policy. Second, the workshop facilitated an inclusive discussion of diverse perspectives. Finally, workshop participants seem to have agreed upon some general principles for Commerce Centers through this process.

4.2 Workshop Presentations and Discussions

Mr. DuBay (President of MEER) gave a quick background on the mission of MEER and reiterated the purpose for this forum, to continue the dialogue about developing a comprehensive strategy to move Michigan's economy forward. He mentioned the efforts of MEER to generate momentum in order to facilitate implementation of the council's recommendations and referenced the Michigan Agricultural Policy brief, which was the first publication in this effort. MEER has acknowledged Commerce Centers as the next big issue to tackle in implementing the Council's report—how to define them, what the goal is, and what are the appropriate recommendations to decision makers.

Dr. Adelaja (MSU Hannah Distinguished Professor in Land Policy and Director of the Land Policy Institute) discussed the involvement of the Land Policy Institute following the MLULC recommendation to develop Commerce Centers in 2003, and stated that the program is excited about the opportunity to be part of the process. He noted that there are inherent opportunities in the Commerce Center concept because it has the ability to concentrate efforts for economic development. If the program is well-designed, it will create strong economic centers while generating spill-over effects well beyond jurisdictional boundaries of selected communities. Dr. Adelaja thanked all of the participants for their role thus far in the Commerce Centers dialogue and for their presence at the workshop.

4.2.1 Perspectives from the MLULC

Mr. Dan Kildee (Genesee County Treasury) stated that the concept of Commerce Centers grew out of a concern that capping growth in taxable property values has constrained the built environment in older communities from staying viable and encouraging economic growth.

Michigan communities have made multi-billion dollar investments in infrastructure that needs to be protected. The council saw the need to enhance urban revitalization by disproportionately supporting existing “built-up” communities. Commerce Centers should transform Michigan communities into a protective business environment and create a higher standard among cities, villages, and township centers. Finally, Mr. Kildee stated that the MLULC report was one recommendation with 160 parts - none of our individual efforts will be worth much unless we address all aspects of Michigan land, economy, and policy in some way.

Mr. Bill Anderson (Michigan Township Association) noted that Commerce Centers is a concept that is very hard to wrap your brain around because it is several concepts in one. The broadness of the concept is compounded by the fact that different situations in cities and townships require different programs for achieving growth goals. Some communities may need more help than others. He gave an historical overview of the growth of cities and the dynamic interplay between cities and townships, commenting that Michigan has always funneled money into cities, giving much less to townships. Mr. Anderson also stated that the lack of federal government subsidies for infrastructure actually accelerates sprawl because it only allows one type of growth in townships: large lots with septic systems and wells.

Mr. Doug Roberts (Michigan Chamber of Commerce) started by pointing out some of Michigan’s most recent economic woes. Unemployment has increased from 3.1% (one of the lowest rates in the country) to 7% (one of the highest rates), 300,000 jobs have been lost, and per capita income is stagnant. The Commerce Centers concept has the potential to be a part of the mix for changing this situation. One possible direction for Commerce Centers could be to facilitate a “Michigan Silicon Valley” in Ann Arbor or a Life Science Corridor in Grand Rapids. Another direction might be to use this program to create higher standards in communities, especially in the area of planning. Incentives could be utilized to define measurable changes, including meeting government efficiency standards, expediting government decision-making processes, and outlining targets for new developments and meeting them (e.g. 100% of new houses on sewer and water infrastructure). Mr. Roberts finished by stating that the Commerce Centers program should have quantifiable measures to show a commitment to supporting businesses and enhancing quality of life.

Ms. Summer Minnick (Michigan Municipal League) spoke on behalf of Dan Gilmartin, who was unfortunately unable to attend the workshop. Ms. Minnick pointed to the need to sustain urban and suburban communities in Michigan and noted that the Commerce Centers program is needed to revitalize communities and spur the economy. She stated that vibrant, healthy communities attract businesses and people to fill their jobs, and we should build on this reality when designing economic development programs. We need to be smart about our investment decisions. Ms. Minnick suggested that focusing our resources on the built environment does not mean that we are drawing a line between winners and losers; focusing investment in these built environments both revitalizes downtowns and protects natural resources and land-based industries in rural areas.

Mr. Gil White (Gil White Realtors) stated that communities of all sizes should be included in the Commerce Centers program, but that we have to take a regional, or macro, approach. For instance, the 13 regional planning organizations have the capacity to drive Commerce Center

designation. This method would allow a “top down, bottom up” approach for economic development that could also help to customize the program in different areas of the state. It should also be noted that the MLULC report suggested Commerce Centers be worked into revenue sharing, meaning the state would target increases in revenue sharing to communities that are doing certain things (e.g. allowing for higher density development). Finally, Mr. White asserted that the market would not produce the kind of development we are currently seeing, if other choices were made available to developers.

Mr. Hans Voss (Michigan Land Use Institute) first spoke of the connection between the development of Commerce Centers and Smart Growth. He reminded the group that the MLULC agreed that Michigan should encourage and invest in Smart Growth activities. It is important that the Commerce Centers program be developed in such a way as to not create another “sprawl subsidy.” We need to look across the state and identify communities that are in the most need of economic development and Smart Growth planning. Mr. Voss advocated for the designation of Commerce Centers as targeted zones for investment, not necessarily following jurisdictional boundaries.

4.2.2 Legislative Address

Mr. Jeremy Hendges (Senator Allen’s Legislative Assistant) gave a quick review of the Commerce Centers Bill status. The original bill has good definitions, but it needs direction and specific measures and strategies. The Senate Commerce and Labor Committee has embarked on an effort known as Creating Opportunities for Renewed Economy (CORE), exploring different methods for helping our economy recover, specifically our cities. Commerce Centers are part of this effort to make Michigan more viable and attractive to businesses and workers. Some questions still remain. First, what do Commerce Centers get? Money is everyone’s favorite motivator. Second, what areas should be designated Commerce Centers? Identifying areas that drive the economy in each region, what they have and what they need is a good first step. Some possible designation criteria are: sewer/water capacity, high density zoning, mixed use zoning, expedited processes, measurable goals, open space preservation, economic development programs, technology infrastructure programs, arts and cultural plans, etc. How many Commerce Centers will there be? Certainly not every community will be designated, but the number will likely be higher than the number of Core Communities. These are some of the issues where we need to develop consensus, or near consensus, through the workshop and subsequent forums.

4.2.3 Expert Panel

Dr. Paul Gottlieb (Rutgers University) affirmed that the concentration of resources within the State of Michigan, through programs like Commerce Centers, may have some aggregate benefits to the whole state. There are different types of objectives related to spatial development programs: social/distress, planning, and economic development. Smart Growth can encompass them all. Dr. Gottlieb pointed to two examples of state programs for achieving simultaneous economic and planning goals: New Jersey and Maryland. The New Jersey Planning Commission developed a map and a state plan for everything where space could conceivably matter: land use, housing, recreation, etc. They used comprehensive fiscal tools (such as new construction taxes that varied with land use goals) to encourage Smart Growth. One advantage that this Commission had was its members were appointed, rather than elected. Maryland does the money side of Smart Growth right; in the late 1990s, Smart Growth legislation designated priority

funding areas. No infrastructure spending was allowed outside of these priority areas. These states' efforts could serve as a model for Commerce Center legislation in Michigan. Finally, Dr. Gottlieb suggested that Michigan integrate all spatial development programs (like Core Communities, Renaissance Zones, etc.) into one state vision.

Dr. Tim Bartik (Upjohn Institute) started by saying that the key issue in developing the Commerce Centers program is the decision about what being a Commerce Center entails (if the incentives are not worthwhile, designation may not be as controversial). A cash grant program of \$5-10 million per community is needed in order for the program to have significance. Communities could be designated through a competitive process, and cash grants could be used to meet specific community needs. One challenge to defining this program is the fact that the state budget deficit will continue to increase in the next ten years. It is important to note that in Michigan, there isn't any growth to reallocate; therefore we must bring in economic growth from out-of-state. Attaching some strings to the incentives could help to draw growth to the state, such as promotion of export businesses and waving regulations for redevelopment. Due to Proposal A, the Headley Act, and cuts in Revenue Sharing, cities are faltering. Another challenge is that cities' fiscal structures could overwhelm anything that Commerce Centers try to accomplish. Revenue sharing for communities that do not have a lot of developable land should be increased, and cities should be allowed to charge higher taxes. Finally, some investment should also go to the Michigan Economic Development Corporation (MEDC) for the purpose of hiring more Account Managers. These field representatives could work with Commerce Centers to help them overcome obstacles to redevelopment. Dr. Bartik stated that the only justification for Commerce Centers has to be that they increase the state's overall economic well-being.

Dr. Soji Adelaja (Land Policy Institute) began with a quote from his colleague, Michael Porter of the Harvard Business School. Porter said that the role of the state is to sponsor programs that encourage cluster development around strong businesses and create a regional dimension to state economic development strategies. There are a number of important factors to consider as we evaluate proposals for carrying Commerce Centers forward. First, we need to target growth dollars strategically rather than use a spaghetti approach (i.e. we throw growth money at the wall and hope something sticks). Second, every region of Michigan needs a node of economic development, and therefore every region deserves to have a Commerce Center designated. Spillover effects will be felt throughout the region. Third, we must build on our strengths by finding those areas that exhibit potential for these 'seeds' of economic growth to germinate. In designating Commerce Centers, we should identify places in the state that have thrived despite our economic downturn. Fourth, we must seek to channel resources as much as we can; it is better to target a handful of highly successful cities and towns rather than 1,800 jurisdictions; setting conditions, or standards, for Commerce Centers designation will help us to pinpoint priority areas. Finally, we must develop effective incentives, including a competitive fund or revenue sharing dollars, to achieve our goals. We can identify these incentives by looking at tools used in other states to accomplish similar goals and determining their feasibility for Michigan. Dr. Adelaja stated that the timing for Commerce Centers is right; when you're broke, it's the best time to make hard decisions.

4.2.4 Roundtable Dialogue

Workshop participants were posed the following question: What is the purpose of creating Commerce Centers in Michigan? After some discussion, the group came to consensus on a group of statements that outlines the reasons for drafting and implementing Commerce Center legislation in Michigan. The ultimate goal of this program is to help the state grow as a whole. Supplemental goals include:

- To utilize public revenues as efficiently as possible.
- To maximize our potential for economic growth.
- To achieve regional growth rather than local growth.
- To connect land management goals to economic growth goals.
- To continue to provide quality public services with less money.
- To better use our excess capacity.
- To develop an inventory of our economic resources in Michigan.

4.2.5 Keynote Presentation

President Lou Anna K. Simon (Michigan State University) spoke to workshop participants about the future engines of economic growth for Michigan and how state and regional strategies could help us to achieve our goals. First, she reminded the group that there are still many people who do not believe that Michigan is in trouble; they continue to think that Michigan's economic downturn is just part of a cycle and that it will dig itself out eventually. However, some very innovative and somewhat drastic measures are needed to pull Michigan out of this decline. We can no longer rely on the manufacturing industries that were so successful in the past; we should identify new types of manufacturing (e.g. biotechnology for renewable energy and alternative fuel industries) and concentrate on some of our other strong suits. Agriculture and tourism are two industries where Michigan has and can realize a comparative advantage. Second, President Simon pointed to Michigan higher education, including Michigan State University, for assistance in developing new and rare economic development opportunities that make Michigan unique. Michigan needs to promote cutting edge research and recruit the best scientists in order to produce cutting edge innovations/technologies. As Michigan's land grant institution, MSU has a natural role to play in supporting efforts that improve our economic health, land use planning, and overall quality of life. Finally, Commerce Centers can serve as the "demonstration farms" of the 21st century. Whereas demonstration farms of the past have provided successful models for building and transforming Michigan agriculture, Commerce Centers have the potential to create hubs of economic activity, the impact of which will be felt regionally. Growth in every region of the state will likely not look the same, but it will have some similarities, and Commerce Centers can help to set the standards for Michigan communities high. As President Simon stated, the State of Michigan needs to effect some serious changes in a fairly short timeframe to turn our economy around. It is not enough to simply rearrange the deck chairs on the Titanic, so to speak, because unless we redirect the whole ship, we're still going to hit the iceberg.

4.3 Workshop Summary

Conversations at the workshop were interactive, and participants came to realize that, though they were looking at Commerce Centers from different perspectives, they shared some common principles and recommendations for the program. General conclusions that were drawn from the workshop include:

- There is an overall interest in seeing the Commerce Centers concept move forward.
- Michigan is in trouble, though not everyone realizes it, and drastic changes are needed.
- Commerce Centers are part of the toolset that will bring Michigan out of economic hardship.
- The concept of Commerce Centers is highly complex due to the diversity of Michigan communities.
- The Commerce Centers program presents the state with a key opportunity to revise and develop effective economic development strategies and adopt place-based strategies that build upon our regional strengths.
- Universities have a role to play in assisting economic growth and place-based strategies at the state, regional and local levels.
- It is necessary to be mindful of existing infrastructure investments and avoid costly duplication of efforts.
- The business climate of Commerce Centers must be right to optimally attract desirable growth to Michigan.
- Commerce Center resources should go to the most deserving places in Michigan.
- The program should avoid becoming a “sprawl subsidy” (i.e. encouraging spending that leads to unfettered growth).
- The Commerce Centers program can encourage appropriate land use practices by targeting revenue sharing to compliant communities.
- Commerce Centers must have some access to financial resources, or the interest in the program will be poor.
- The concentration of financial resources has potential to provide aggregate benefits to the whole state.
- The greater the financial resources applied in each selected community, the greater the impact on surrounding areas and the state.
- It is important to identify areas that drive the economy in each region and fund them.
- Commerce Center tools must draw growth to Michigan from other states.
- The program must have a macro/world view.
- Commerce Centers should have quantifiable measures and a built-in monitoring process.
- Commerce Centers have the potential to create higher standards, thereby developing benchmarks for economic development and land use decision making.

These basic statements and recommendations lay the foundation for a solid Commerce Centers vision that could help the state to simultaneously achieve economic development and strategic land use goals. Input from the workshop participants is taken into consideration in the next section, which summarizes the report and provides appropriate conclusions and recommendations.

5.0 Conclusions and Recommendations

The State of Michigan has recently experienced an out-migration of people, particularly young professionals, not only from cities and towns, but from the state as a whole. This phenomenon makes the need for creating attractive places for businesses to locate and people to live clear and pressing. Through the design and implementation of the Commerce Centers program, there is hope for the pattern of out-migration to be reversed, but to achieve success it will be necessary to:

1. Achieve agreement among relevant stakeholder groups and policy makers on the vision for this program;
2. Determine a selection process that is fair and has the greatest potential to support the vision;
3. Find ways to marry economic development and land use management strategies;
4. Assess current economic development strategies and determine what is missing;
5. Draw on the experiences of other states in assigning resources and tools to optimize the program's impact; and
6. Base these decisions on all of the available information.

The purpose of this report has been to provide the information necessary to make the best possible decisions with respect to the design and implementation of Commerce Centers.

Some specific recommendations came out of the gathering of this information from data sources, stakeholders, and experts in the fields of economic development and growth management:

- The investment of resources in cities and towns alone will not achieve economic development statewide; it will be extremely vital to couple urban revitalization efforts with rural preservation strategies.
- Build on strengths, not weaknesses. Other programs might assist communities that are struggling to keep afloat economically, but this effort should be focused on supporting current champions. Commerce Centers have the potential to create ripples of economic growth within their regions.
- However Commerce Centers are chosen, a clear plan for how resources and tools will be used to create growth scenarios should be developed. This plan should include practices that will help communities reach selected criteria for economic development (e.g. job growth targets, unique business concentration, Capital Improvement Plan development, etc.) and land use management (e.g. redevelopment ready standards, Smart Growth strategies, community plan updates, etc.).
- Determine how existing economic development tools can be revamped to enhance the Commerce Centers program (e.g. revenue sharing conditional upon undertaking certain economic or land use activities).
- Identify economic sectors where Michigan has a comparative advantage over other states in the region and nation and pour investments into those areas. However, maintaining diversity among industries is also necessary to achieve economic sustainability.

The Michigan Land Use Leadership Council and the Senate Committee on Commerce and Labor have proposed an excellent scheme for enhancing Michigan's future. With the help of the Michigan Economic and Environmental Roundtable, as well as other stakeholders and policy makers, this report by the Land Policy Institute provides some of the necessary information to take this program from concept to reality.

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Appendix A. Data on Community Characteristics

Information on each of the characteristic that could potentially be used as selection criteria was collected for 1,777 jurisdictions in Michigan. Some information collected through the survey method, was missing some responses. As a result there are some areas where information is not available. The table below displays the information collected for the 20 Michigan communities with highest populations.

Table A.1 Community Characteristics for 20 Largest (Population) Michigan Communities

Geographic Area	Population Density	Home Ownership	Employment Rate	Unemployment Rate	Household Income	Business Walkability	Public Transportation	Community Plan 2003	Community Plan 2004	Community Plan Update Year
<i>Ann Arbor City</i>	4,221	45.3%	63.1%	2.8%	\$46,299	15.8%	6.6%	Yes	Yes	2001
<i>Dearborn City</i>	4,013	73.4%	52.9%	3.0%	\$44,560	1.9%	1.2%	Yes	No	Current
<i>Detroit City</i>	6,855	54.9%	48.5%	7.8%	\$29,526	2.8%	8.7%	Yes	Yes	Current
<i>Farmington City</i>	3,904	64.1%	61.9%	0.9%	\$56,442	1.2%	0.1%	Yes	Yes	1998
<i>Flint City</i>	3,715	58.8%	50.9%	7.6%	\$28,015	2.4%	4.0%	Yes	Yes	1995
<i>Grand Rapids City</i>	4,431	59.7%	61.6%	4.2%	\$37,224	4.0%	2.4%	Yes	Yes	2002
<i>Kalamazoo City</i>	3,125	47.7%	59.0%	8.4%	\$31,189	7.0%	3.2%	Yes	Yes	Current
<i>Lansing City</i>	3,367	57.5%	64.1%	4.4%	\$34,833	2.4%	2.7%	Yes	Yes	Current
<i>Livonia City</i>	2,815	88.8%	62.7%	2.0%	\$63,018	1.1%	0.4%	Yes	Yes	2002
<i>Rochester Hills City</i>	2,095	79.1%	68.1%	1.7%	\$74,912	8.0%	0.1%	Yes	Yes	1999
<i>Southfield City</i>	2,985	54.1%	62.6%	3.0%	\$51,802	1.5%	1.1%	Yes	Yes	Current
<i>Sterling Heights City</i>	3,397	79.0%	65.7%	2.4%	\$60,494	0.7%	0.3%	Yes	Yes	Current
<i>Troy City</i>	2,414	77.3%	67.4%	2.3%	\$77,538	0.6%	0.3%	Yes	Yes	2002
<i>Warren City</i>	4,032	80.4%	58.4%	2.9%	\$44,626	1.2%	0.7%	Yes	Yes	Current
<i>Westland City</i>	4,235	62.7%	64.0%	3.0%	\$46,308	1.2%	0.4%	Yes	Yes	1996
<i>Wyoming City</i>	2,840	67.6%	70.3%	3.4%	\$43,164	1.8%	1.1%	Yes	Yes	Current
<i>Canton Township</i>	2,122	79.1%	72.5%	1.9%	\$72,495	0.5%	0.3%	Yes	Yes	2002
<i>Flint Township</i>	1,426	68.6%	55.9%	3.5%	\$39,718	1.3%	0.7%	Yes	Yes	2002
<i>Warren Township</i>	60	92.5%	60.8%	3.5%	\$40,062	N/A	0%	Yes	Yes	2000
<i>Waterloo Township</i>	64	91.4%	61.6%	4.8%	\$55,119	1.7%	0%	Yes	Yes	2002

Geographic Area	County Zoning	Zoning Update Year	Farmland Protection	Cluster Development	Historic Preservation	Growth Mgmt Ordinance	Brownfield Authorities	Other Innovative Regulations	Networking Tendencies	Capital Improvement Plan 2003	Capital Improvement Plan 2004	Core Community Status
<i>Ann Arbor City</i>	No	2000	No	No	Yes	Yes	No	No	No	No	Yes	Yes
<i>Dearborn City</i>	No	Current	No	Yes	No	No	No	No	No	No	Yes	Yes
<i>Detroit City</i>	No	Current	No	Yes	Yes	No	Yes	No	Yes	No	Yes	Yes
<i>Farmington City</i>	No	2002	No	No	No	No	Yes	No	No	No	Yes	No
<i>Flint City</i>	No	Current	No	No	No	No	No	No	Yes	No	No	No
<i>Grand Rapids City</i>	No	Current	No	No	No	No	No	No	Yes	No	Yes	Yes
<i>Kalamazoo City</i>	No	Current	No	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes
<i>Lansing City</i>	No	1990	No	No	No	No	No	No	Yes	No	Yes	Yes
<i>Livonia City</i>	No	2002	No	Yes	No	No	No	No	No	No	Yes	Yes
<i>Rochester Hills City</i>	No	Current	No	No	No	No	No	No	No	No	Yes	No
<i>Southfield City</i>	No	Current	No	No	Yes	No	No	No	No	No	Yes	Yes
<i>Sterling Heights City</i>	No	Current	No	No	No	No	Yes	No	Yes	No	Yes	No
<i>Troy City</i>	No	1965	No	Yes	Yes	No	Yes	No	Yes	No	Yes	No
<i>Warren City</i>	No	Current	No	No	No	No	No	Yes	No	No	Yes	Yes
<i>Westland City</i>	No	1997	No	No	No	No	No	No	Yes	No	Yes	No
<i>Wyoming City</i>	No	Current	No	No	No	No	Yes	Yes	Yes	No	Yes	Yes
<i>Canton Township</i>	No	Current	No	Yes	No	No	No	Yes	No	Yes	Yes	No
<i>Flint Township</i>	No	1995	No	Yes	Yes	No	No	No	Yes	Yes	Yes	No
<i>Warren Township</i>	No	2001	No	Yes	No	No	No	No	Yes	No	No	No
<i>Waterloo Township</i>	No	Current	Yes	No	No	Yes	No	Yes	Yes	No	No	No

Table A.2 Table Key (Characteristic Descriptions)

Characteristic (Column)	Description	Data Source
Population Density	Number of people per square mile within jurisdiction	2000 US Census of Population
Home Ownership	Percentage of residents who own their residence	2000 US Census of Population
Employment Rate	Percentage of residents who are employed	2000 US Census of Population
Unemployment Rate	Percentage of workforce that is unemployed	2000 US Census of Population
Household Income	Average annual income per household	2000 US Census of Population
Ethnic Diversity	Percentage of population in each ethnic group	2000 US Census of Population
Business Walkability	Percentage of workforce that walks to work	2000 US Census of Population
Public Transportation	Percentage of workforce that uses public transportation	2000 US Census of Population
Community Plan 2003	Adoption of community master plan in 2003	IPPSR State of the State Survey
Community Plan 2004	Adoption of community master plan in 2004	IPPSR State of the State Survey
Community Plan Update Year	Year of most recent update, current, or currently being updated	IPPSR State of the State Survey
County Zoning	Presence of county zoning land use regulations	IPPSR State of the State Survey
Zoning Update Year	Year zoning ordinance was most recently updated	IPPSR State of the State Survey
Farmland Protection	Farmland protection measures in zoning ordinance	IPPSR State of the State Survey
Cluster Development	Cluster development regulations in ordinance which require at least 50% open space in development projects	IPPSR State of the State Survey
Historic Preservation	Measure to protect historic sites in zoning ordinance	IPPSR State of the State Survey
Growth Mgmt Ordinance	Growth management provision in land use ordinance	IPPSR State of the State Survey
Brownfield Authorities	Provision for Brownfield authority in land use ordinance	IPPSR State of the State Survey
Other Innovative Regulations	Other innovative regulations in land use ordinance	IPPSR State of the State Survey
Networking Tendencies	Established close working relationship with other units of government in land use planning and economic development	IPPSR State of the State Survey
Capital Improvement Plan 2003	Adoption of capital improvement plan in 2003	IPPSR State of the State Survey
Capital Improvement Plan 2004	Adoption of capital improvement plan in 2004	IPPSR State of the State Survey
Core Community Status	Eligible for Core Community Status incentives	Michigan Economic Development Corporation (MEDC) website

Appendix B. Community Characteristic Maps

The following figures are visualization tools that were derived from the gathered data on community characteristics. The maps allow for the easy identification of areas of strength and weakness in the state in terms of economic development and Smart Growth capacity. Overlaying these maps permits the identification of areas in the state that meet multiple qualifications to aid in Commerce Center selection.

Figure B.1 Population Density

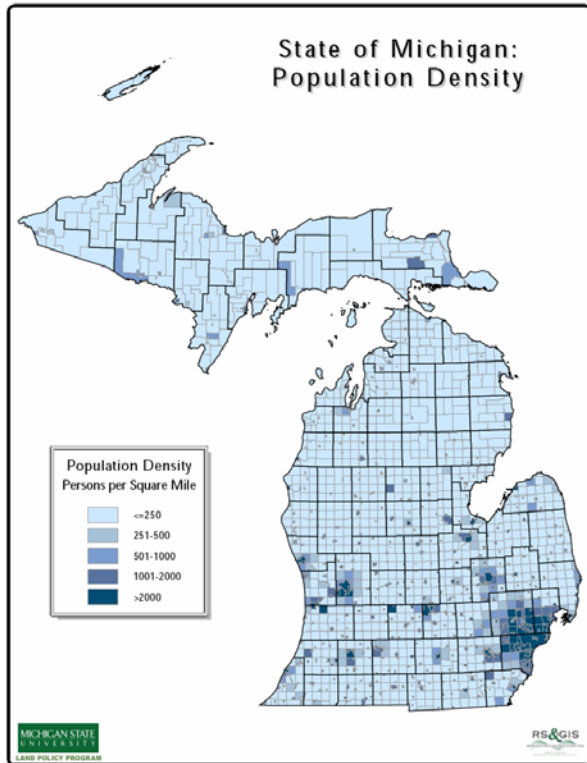


Figure B.2 Unemployment Rate

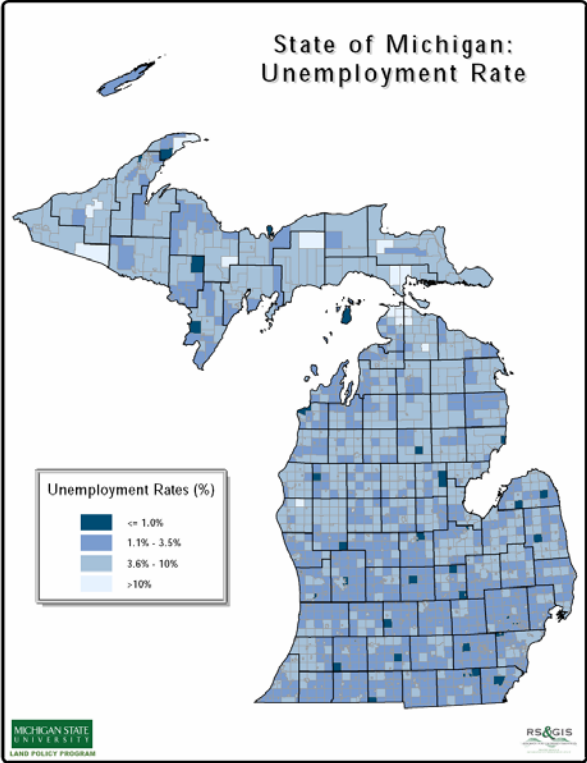


Figure B.3 Average Household Income

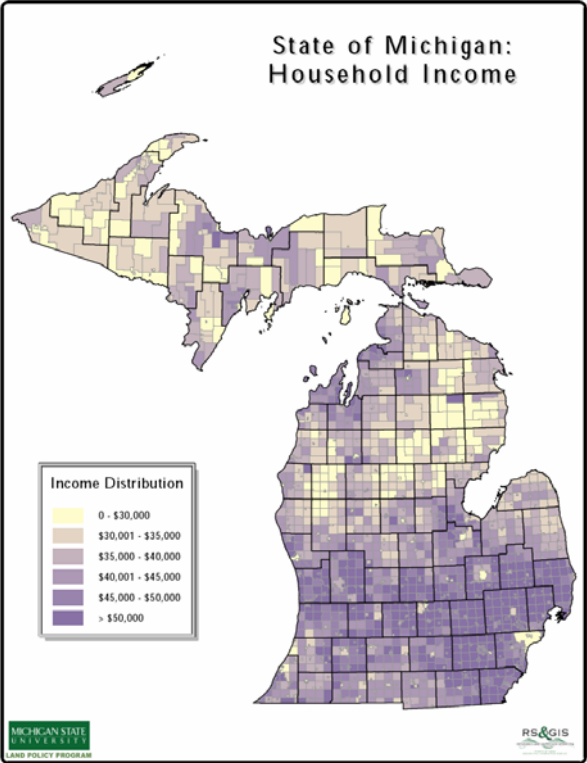


Figure B.4 Public Transportation Use

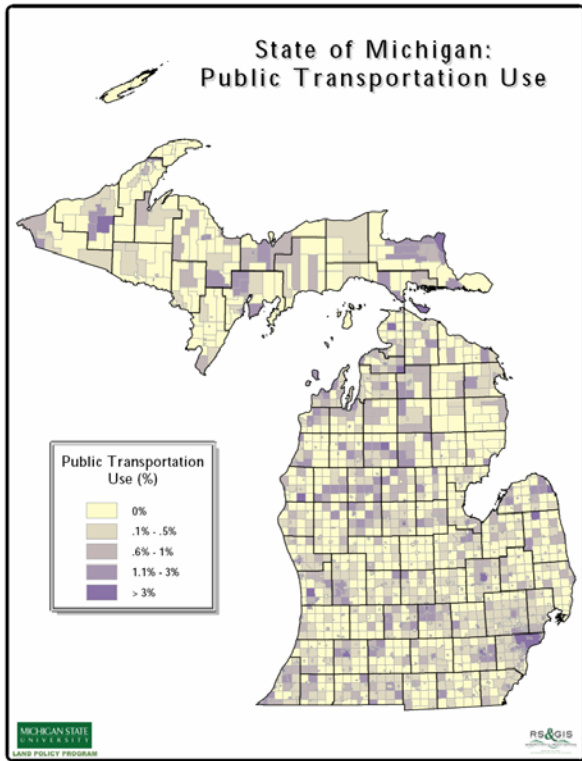


Figure B.5 Community Land Use Plan 2003

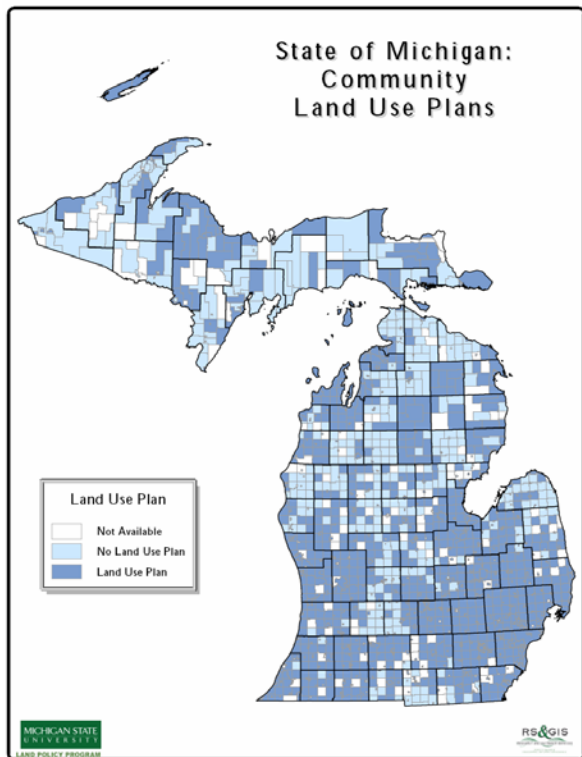


Figure B.6 Core Community Status

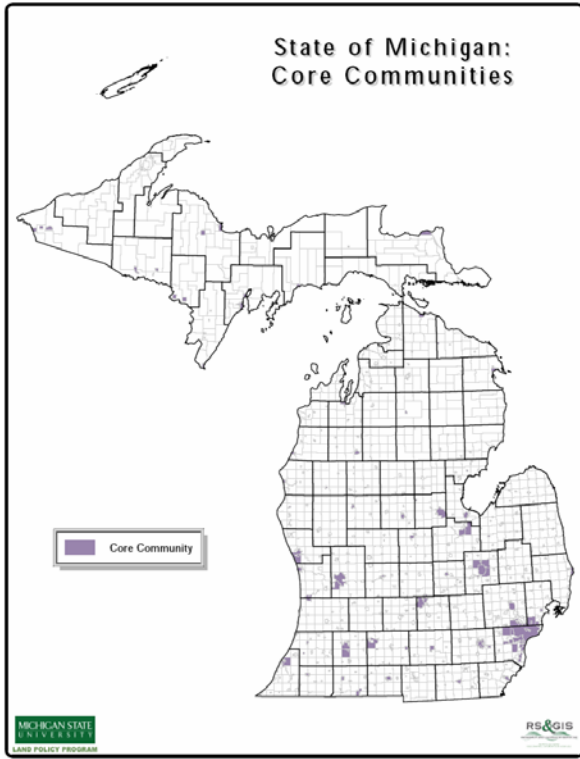
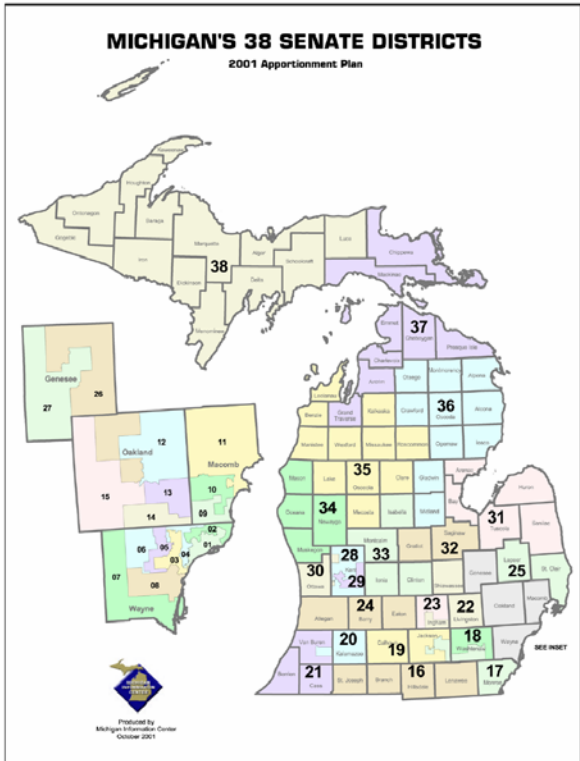


Figure B.7 State Senate District Boundaries



Appendix C. Economic Development Tools

Table C.1 Economic Development Tools Currently Available in Michigan

Name of program	Type	Description
Capital Access Program	Subsidy	Provision of a loss reserve to assist banks to make high risk loans.
Life Science Corridor	Subsidy	Provision of financial resources to support basic and applied research by universities and private and or non-profit research institutions.
Rural Conservation Reserve Program	Subsidy	Provision of financial support to implement approved soil conservation and watershed management practices on private farm lands.
High Tech Michigan Economic Growth Authority Tax Credit	Tax	A credit against the Single Business Tax for qualifying High Tech firms which provide new jobs.
Historic District Tax Credit	Tax	A credit against the Single Business Tax and income tax for preservation of residential and commercial buildings
Job Creation Tax Credit	Tax	A credit against the Single Business Tax for the expansion of an existing business or a new business which create new jobs.
Michigan Smart Zones	Tax	The use of property taxes by a designated area for the development of technology based businesses. Primarily focuses on taking a business from idea stage to commercialization.
Neighborhood Enterprise Zones	Tax	Property tax abatement for the purpose of construction and or rehabilitation of residential structures.
New Market tax Credit	Tax	Tax credits for investing in Community Development Entities.
Obsolete Property Rehabilitation Act	Tax	Tax credit provision for rehabilitating and reusing obsolete structures. This also involves property tax abatement on the improved value of the rehabilitated property.
Renaissance Zones	Tax	Specially declared areas as tax havens for businesses or residences. Designed to stimulate investments and job growth in specific communities.
Single Business Tax	Tax	Businesses whose gross sales are less than \$250,000.00/year are not required to file the single business tax.
Core Community fund	Loan & Grant	A pool of funds made available to local units of government which can be used for land acquisition and infrastructure development associated with economic development.

Industrial Development Revenue bonds	Loan	Loan funds for manufacturing, solid waste management, cogeneration companies and some private non-profit corporations.
Revitalization Revolving Loan	Loan	Funding to local units of government and Brownfield Development Authorities from the Department of Environmental Quality for site remediation which leads to economic development projects.
State Infrastructure Bank Loan Program	Loan	Provision of low interest loans to local units of government for transportation improvement.
State Revolving fund	Loan	Provision of low interest financing to local unit of governments for the construction of water pollution control facilities.
Urban Land Assembly program	Loan	Provision of land acquisition loans to cities, for the purpose of acquiring and revitalizing lands which have declined in value due to economic distress.
Brownfield Redevelopment Grants	Grant	Provision of funds to local units of government as well as Brownfield Development Authority for the purpose of site remediation.
Coastal Zone Management Grants	Grant	Provision of funds to local communities and non-profit organizations located on the shorelines of the state to implement programs to protect sensitive shoreline resources and identify and foster appropriate development.
Cool Cities Program	Grant	A competitive grant bidding process to cities to develop mixed use living space, bikable and walkable communities good environmental management and diverse
Economic Development Job Training	Grant	Competitive grants to companies for training or retraining to meet the market needs.
EPA Justice Grant Program	Grant	Funding support for community based organizations, and tribal governments, for the purpose of addressing issues related to environmental and public health as well as enforcement and compliance measures in sensitive areas.
Michigan Main Street Program	Grant	Financial support to revitalize downtown communities by creating jobs, and stimulating investments.
Non-Point Source Pollution Control Grant	Grant	Support to local government units and non-profit entities to implement programs designed to reduce non-point pollution.
Transportation Economic Development Fund	Grant	Funding of highways, roads and street projects necessary to support economic growth.
Water Front Re-Development Grant	Grant	

Table C.2 Selected Economic Development Tools (Other States)

This table is by no means exhaustive, but was meant to give representative samples of the range of development tools which are currently being utilized across the country.

Program	State	Description
Municipal Capital Project Matching Grants	Alaska	Annual lump sum appropriations are made by the legislature to the program, which then allocates the money to eligible municipalities to participate in and initiate local projects.
Arkansas Emerging Technology Development Act	Arkansas	This Act provides a state income tax credit, equal to 50% of the cost of purchasing or constructing a facility, to manufacturers of high-growth technologies: photovoltaic (solar cells), fuel cells, electric vehicle components, micro turbines or nanotechnology.
Industrial Development Bonds	Colorado	Industrial Development Bonds (IDB) may be issued by counties, cities, and other public entities to promote industry and develop trade by inducing corporations to rehabilitate or locate facilities in the state and for a number of other public purposes.
Economic Development Transportation Fund	Florida	The Economic Development Transportation Fund (EDTF) is available to local governments in need of financial assistance for transportation projects which will facilitate economic development.
Business Development Public Infrastructure Program	Illinois	The program provides low-interest financing to local government for public improvements on behalf of businesses undertaking expansion or relocation that demonstrate potential for creating/retaining jobs.
Business Investment Act Program	Mississippi	Low interest loans are provided to counties or incorporated cities or towns to finance improvements which complement investments by private companies.
Construction in Progress	Oregon	Under provisions of Oregon law, new facilities are exempt from property taxes while they are under construction and not in use on January 1st of the taxing year.
Pennsylvania Minority Business Development Authority (PMBDA)	Pennsylvania	The Pennsylvania Minority Business Development Authority provides long-term, low-interest loans to businesses owned and operated by ethnic minorities.
Illinois Film Office	Illinois	Provides technical assistance to film television and commercial production companies to encourage development of the film industry, including location scouting, liaison assistance and information hotlines.
Vermont Training Program	Vermont	Promotes industrial expansion and encourages the creation of jobs by training employees for industries newly locating in the state or expanding

		existing operations.
Child Care Tax Credit	Georgia	A tax credit for employers who provide or sponsor child care for employees.
Centers of Excellence	Utah	The state-sponsored program funds research at Utah universities in order to develop new products, high-tech companies, and skilled jobs in the fields of agriculture, natural resources, IT, biomedical and biotechnology, and aerospace.
High Technology Business Incubator Program	New Jersey	New Jersey supports a network of eleven technology business incubators, currently housing over 160 businesses. These incubators provide start-up firms with business assistance as well as low-cost office, light manufacturing and laboratory space.
Innovations Grant	Indiana	Provides grants to any Indiana business to assist the research, development, and implementation of new methods for using recyclables, reducing waste, and/or increasing reuse and recycling.
Renewable Energy Resources Program	Illinois	Provides grants or rebates for development and use of renewable energy resources (wind, solar, thermal energy, photovoltaic systems, and dedicated crops for energy production).

Appendix D. State Economic Performance

The following figures illustrate where Michigan stands with respect to the region and nation in eleven sectors in terms of overall earnings and jobs.

Figure D.1a Land and Water Based Industries (Earnings)

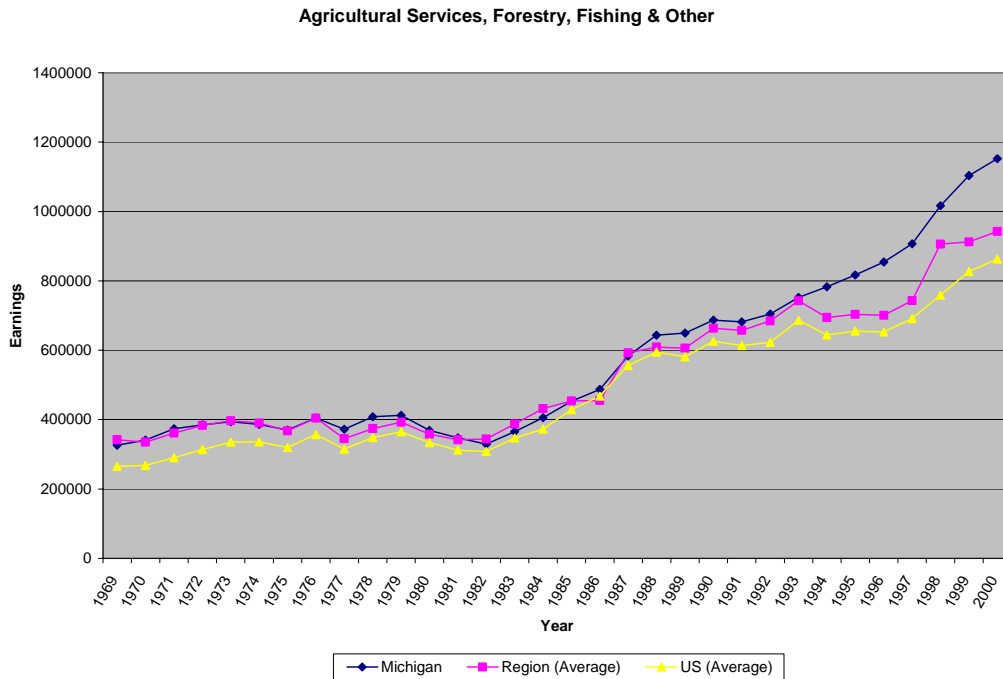


Figure D.1b Land and Water Based Industries (Jobs)

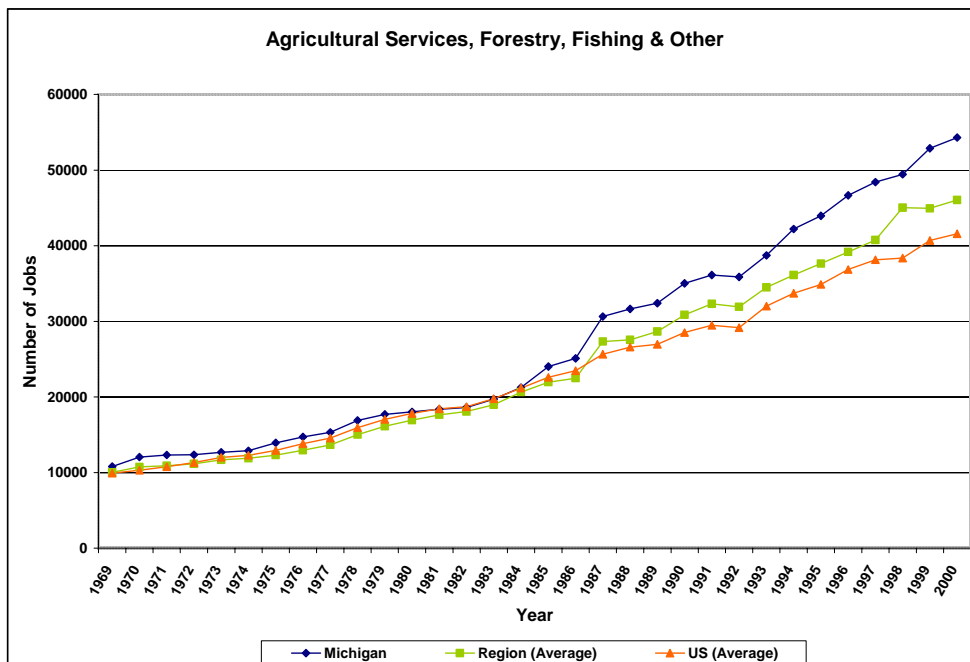


Figure D.2a Construction (Earnings)

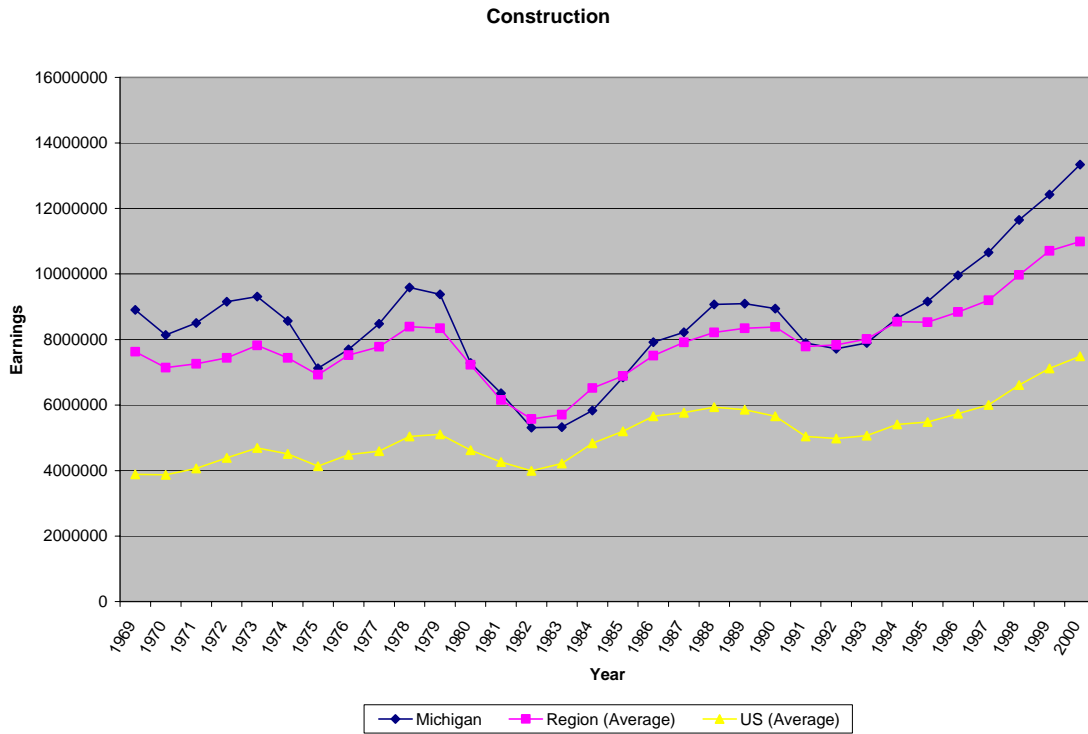


Figure D.2b Construction (Jobs)

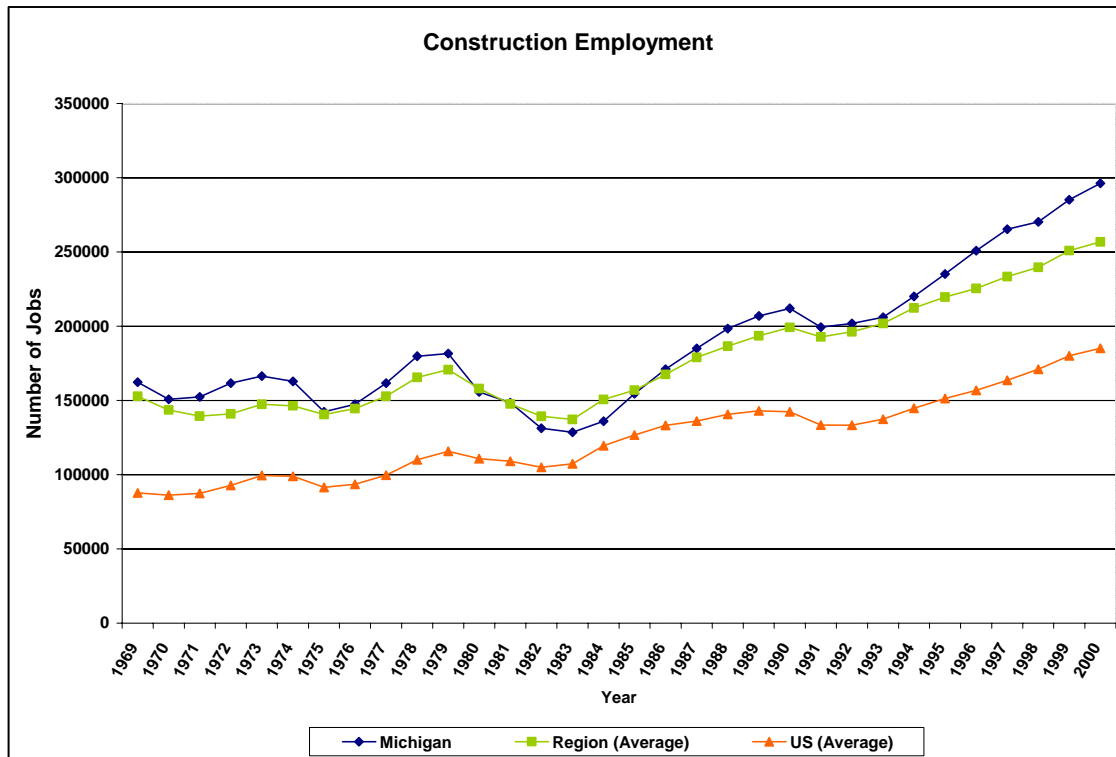


Figure D.3a Finance, Insurance and Real Estate (Earnings)

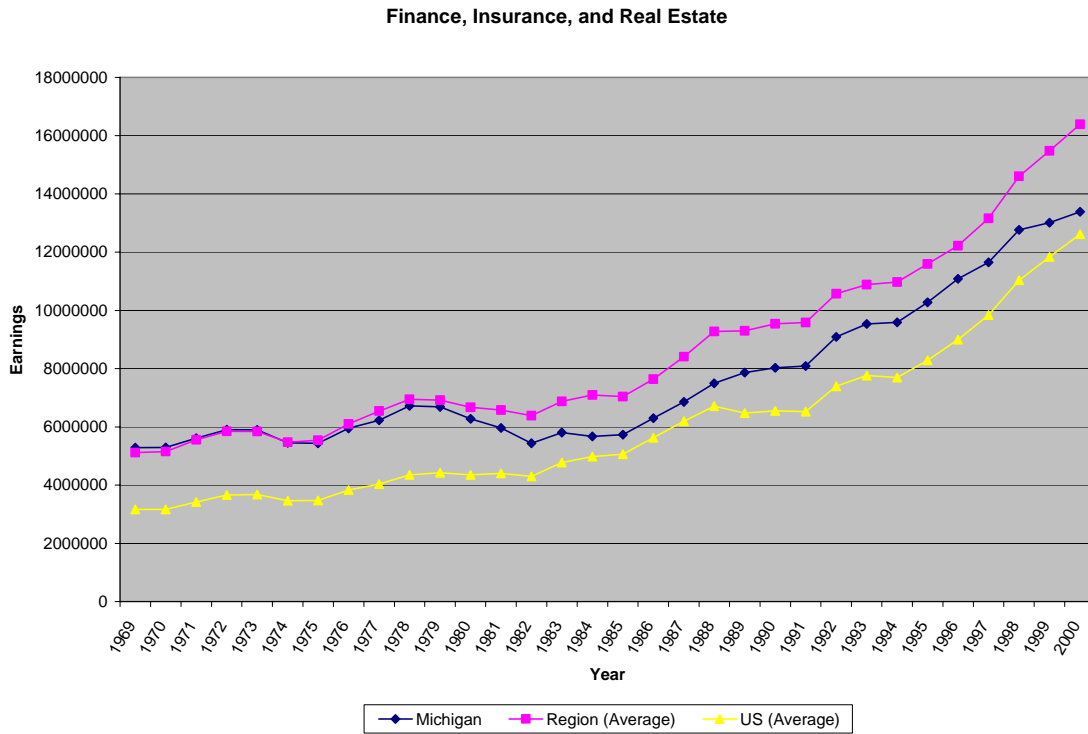


Figure D.3b Finance, Insurance and Real Estate (Jobs)

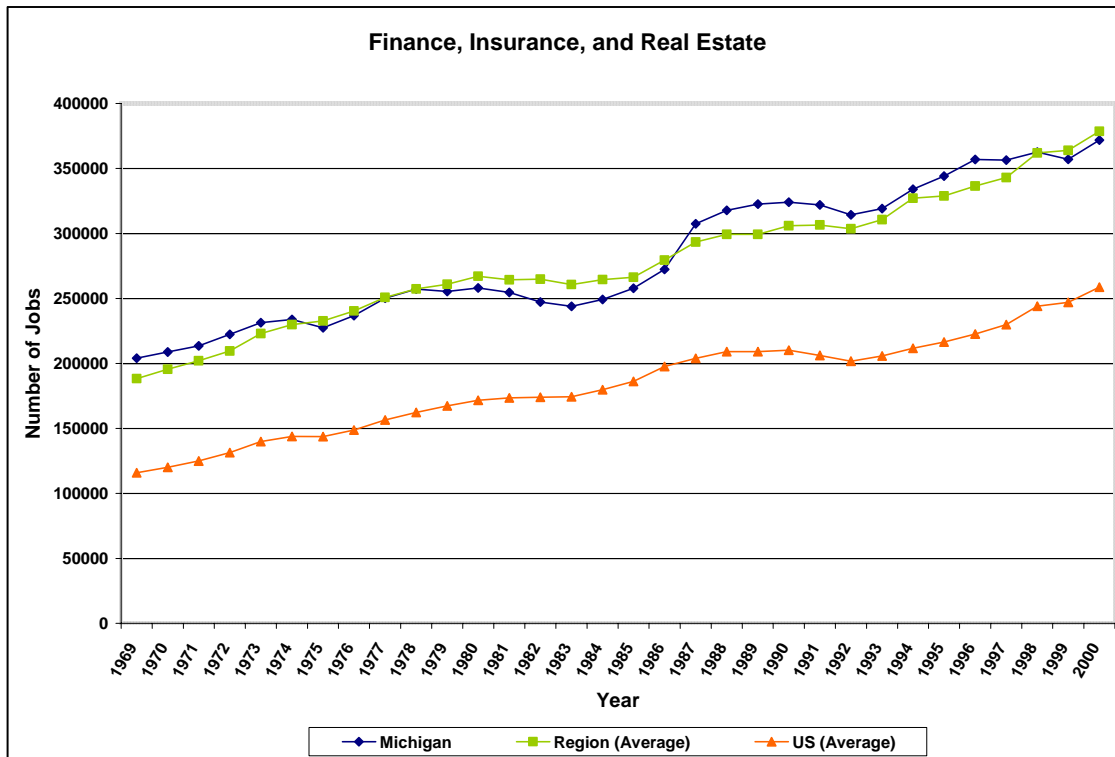


Figure D.4a Manufacturing (Earnings)

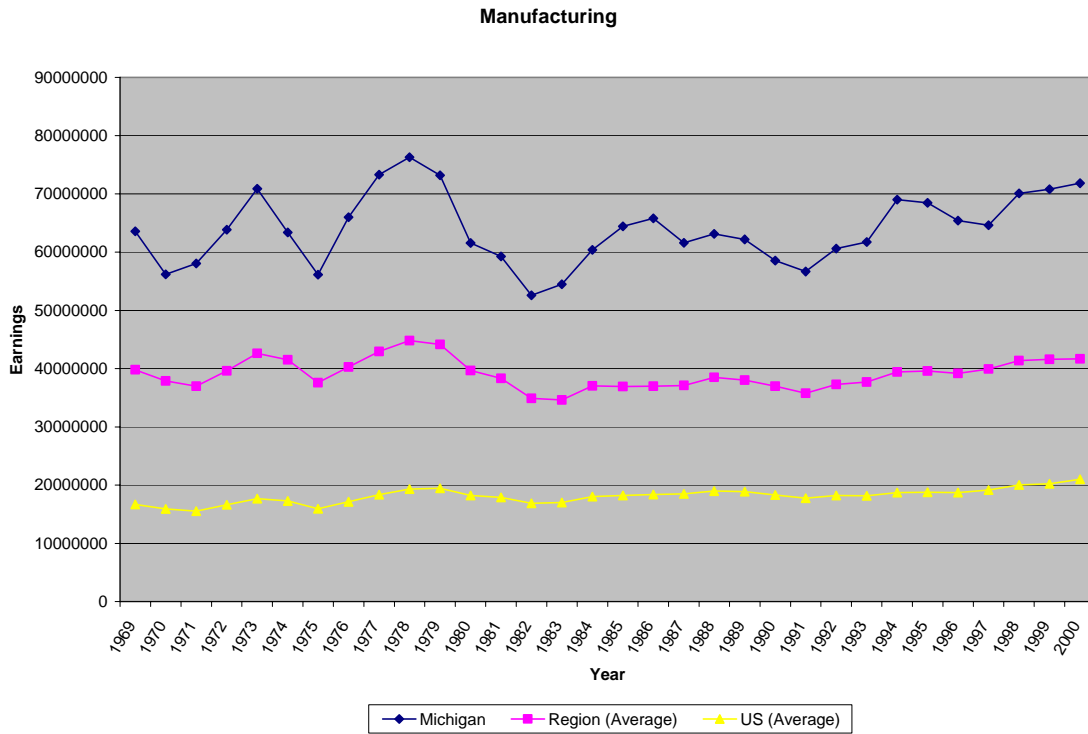


Figure D.4b Manufacturing (Jobs)

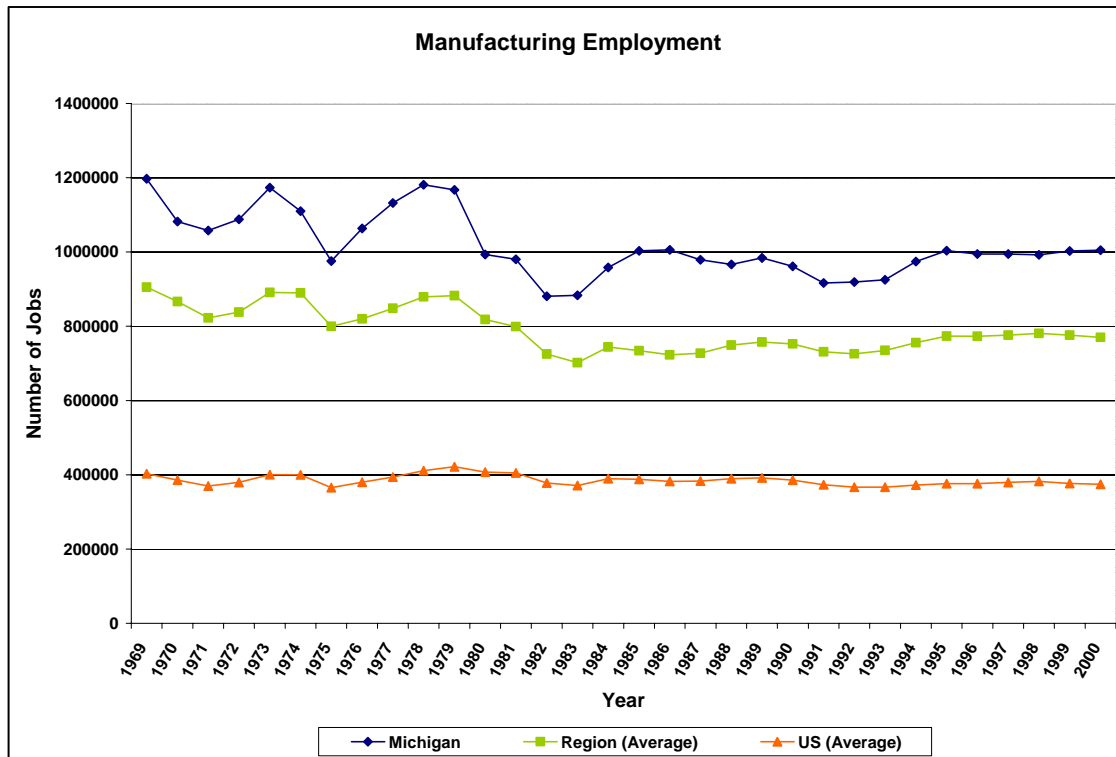


Figure D.5a Mining (Earnings)

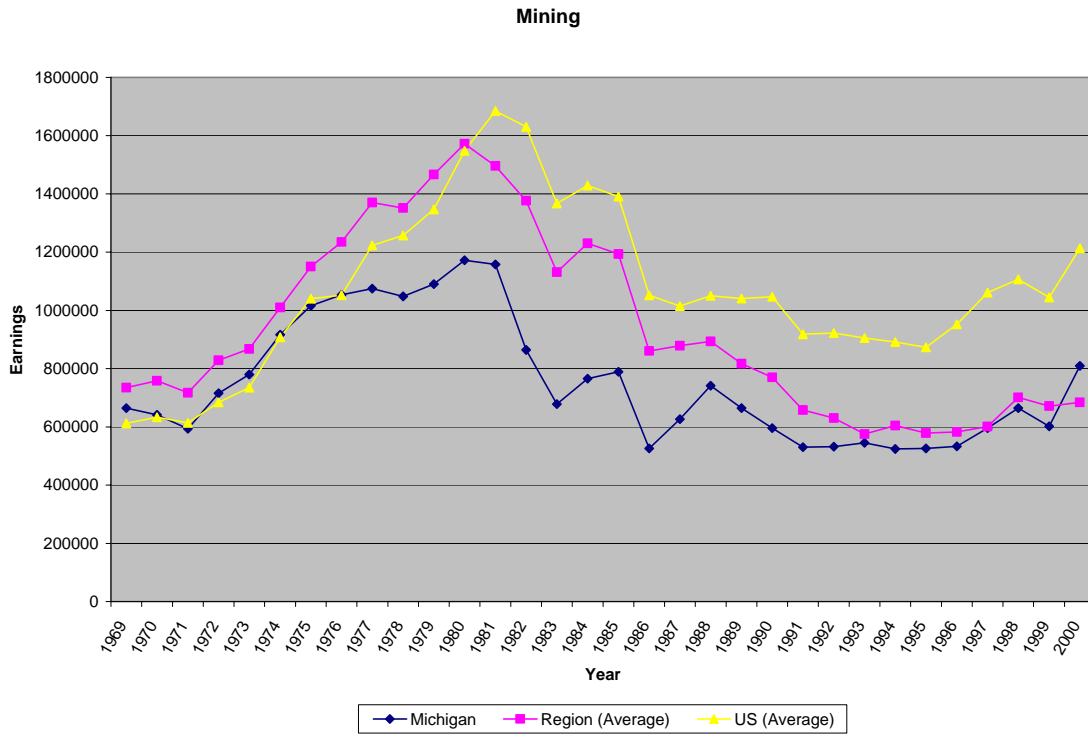


Figure D.5b Mining (Jobs)

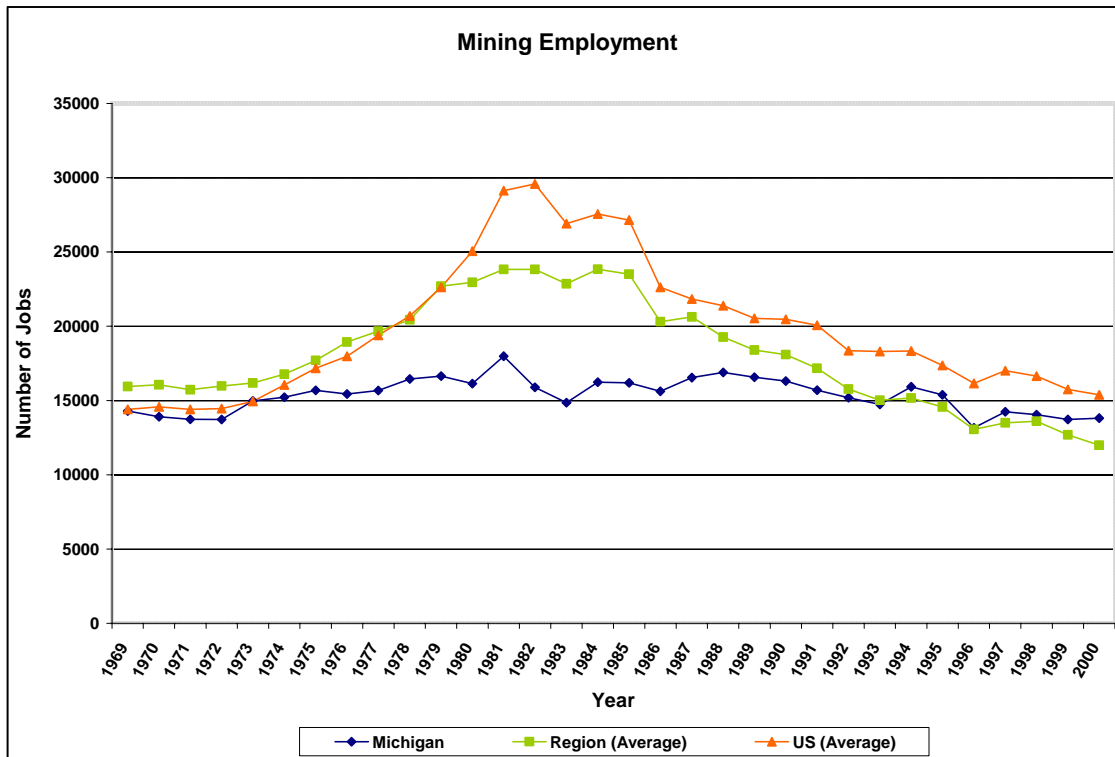


Figure D.6a Retail Trade (Earnings)

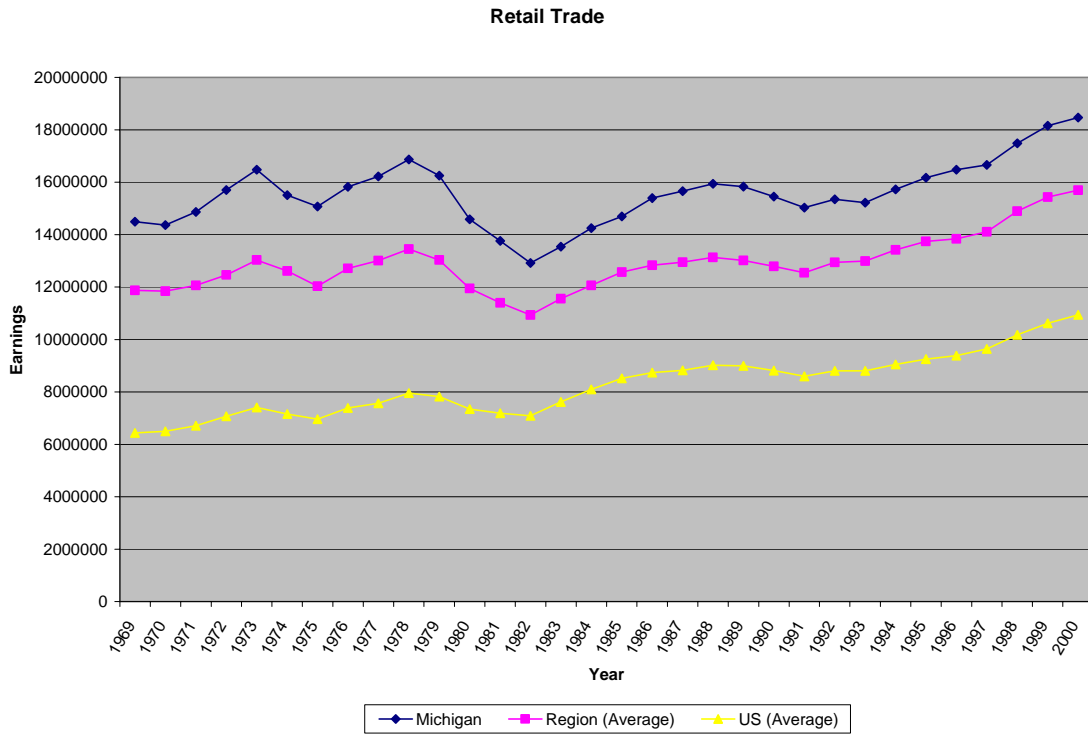


Figure D.6b Retail Trade (Jobs)



Figure D.7a Services (Earnings)

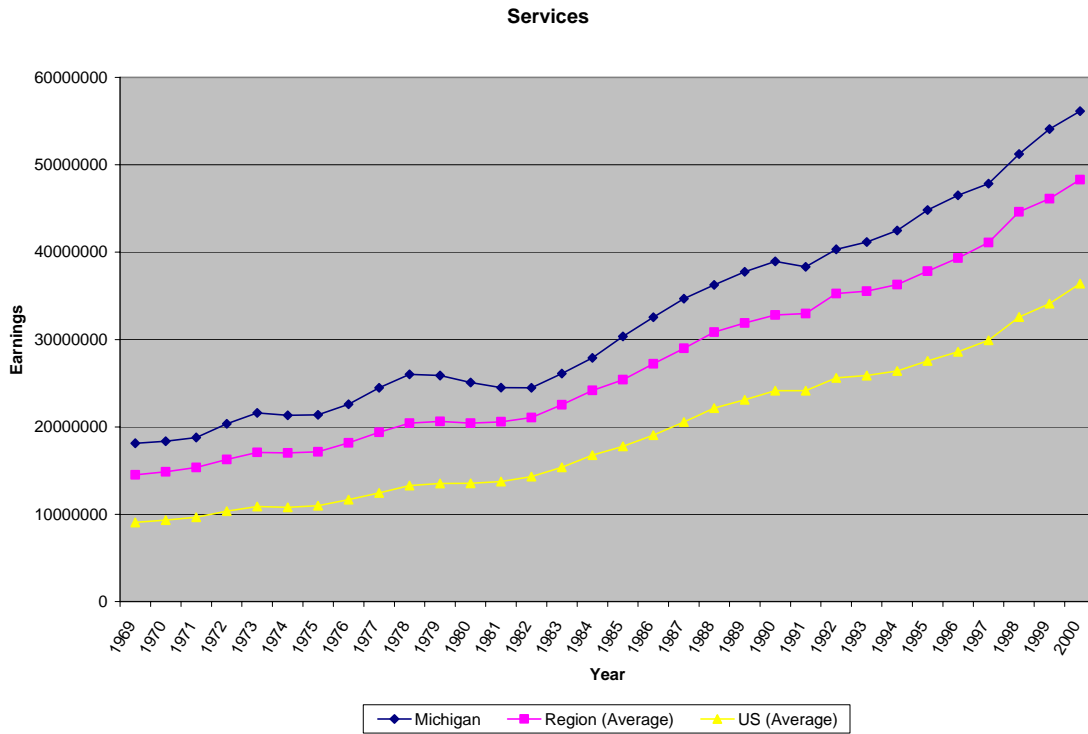


Figure D.7b Services (Jobs)

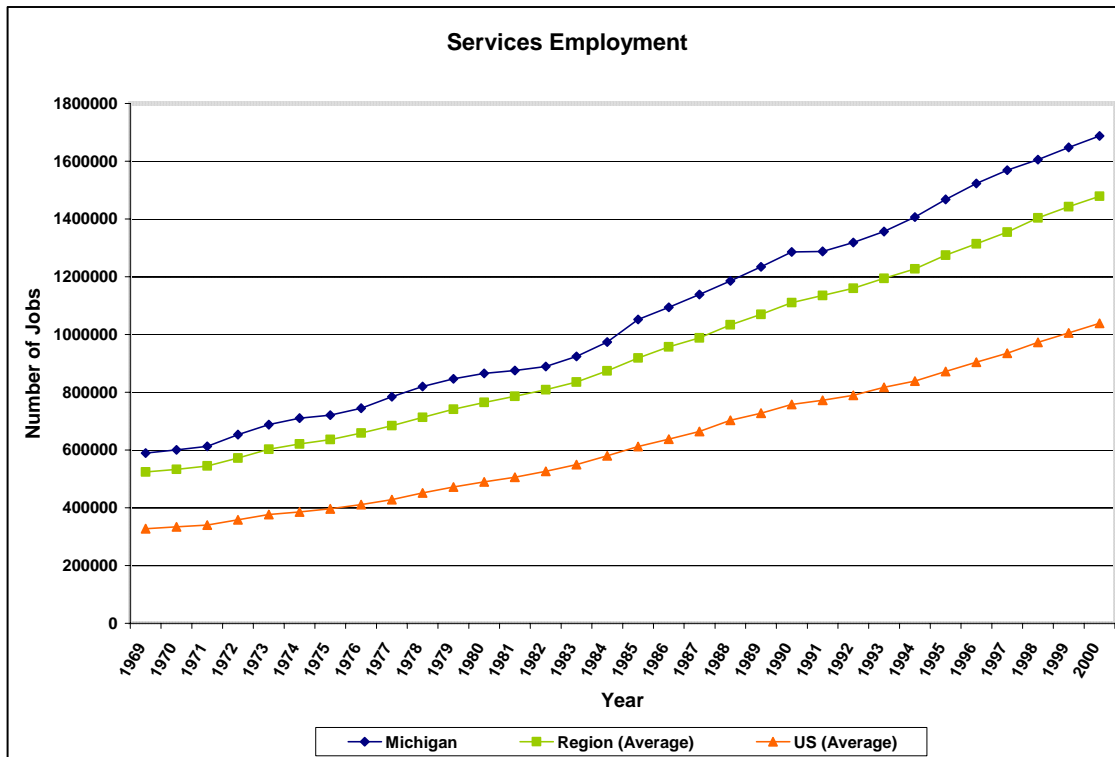


Figure D.8a Transportation (Earnings)

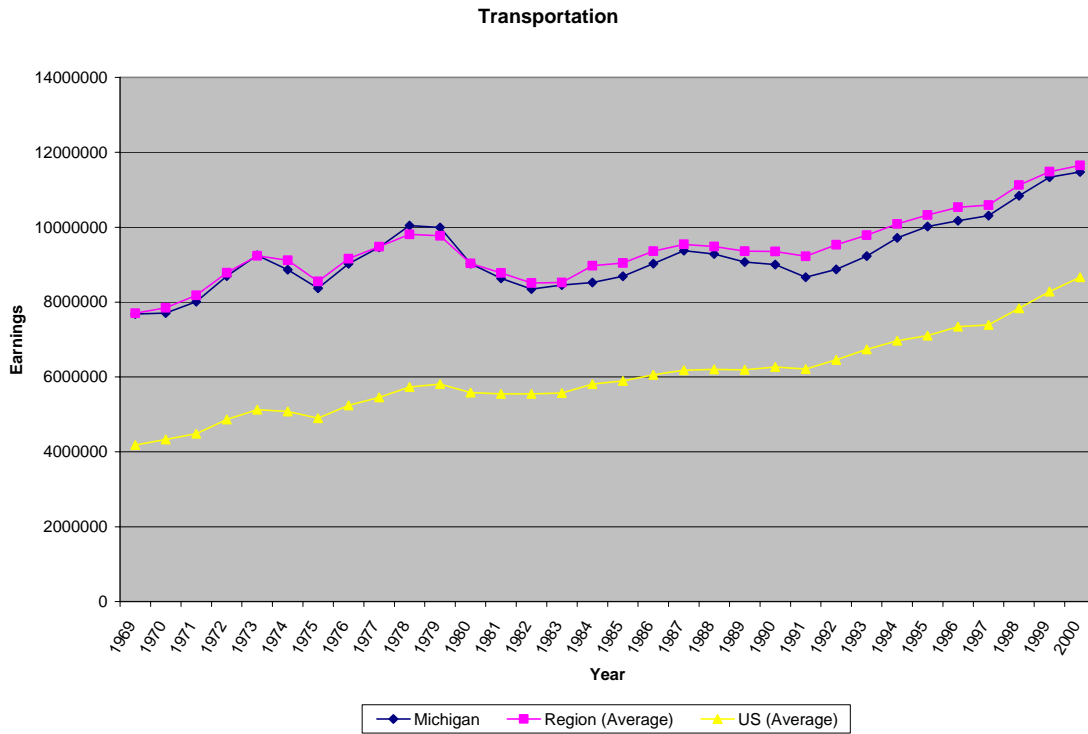


Figure D.8b Transportation (Jobs)

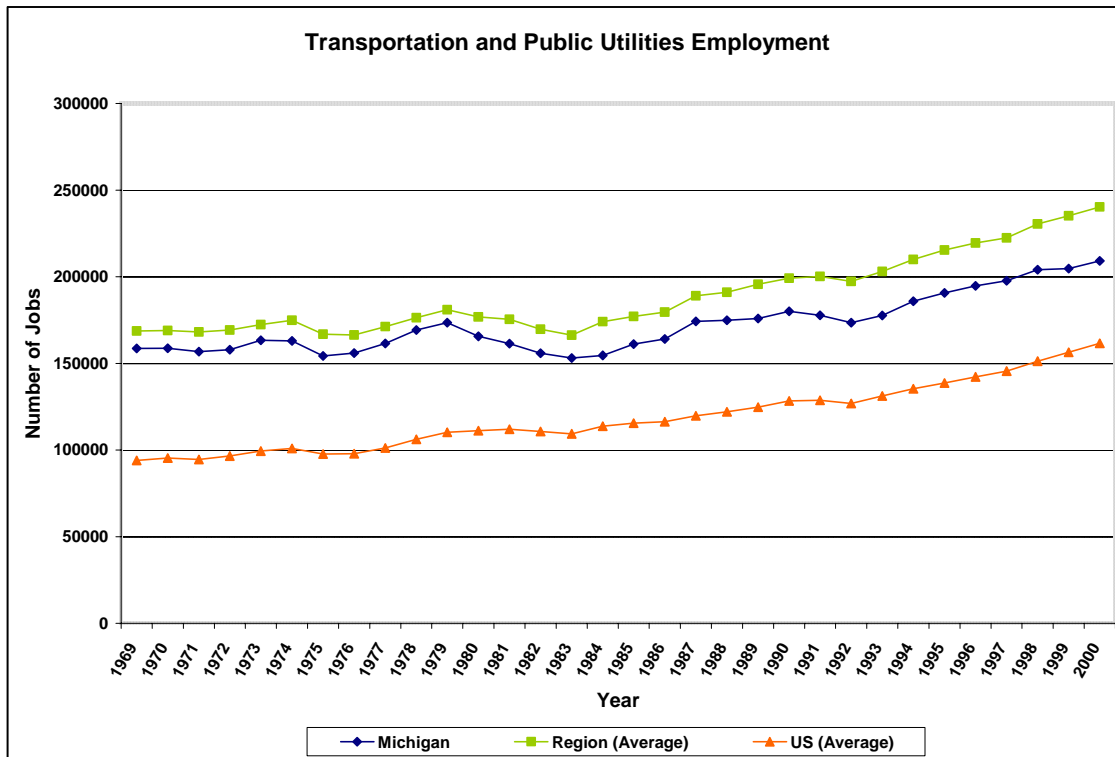


Figure D.9a Wholesale Trade (Earnings)

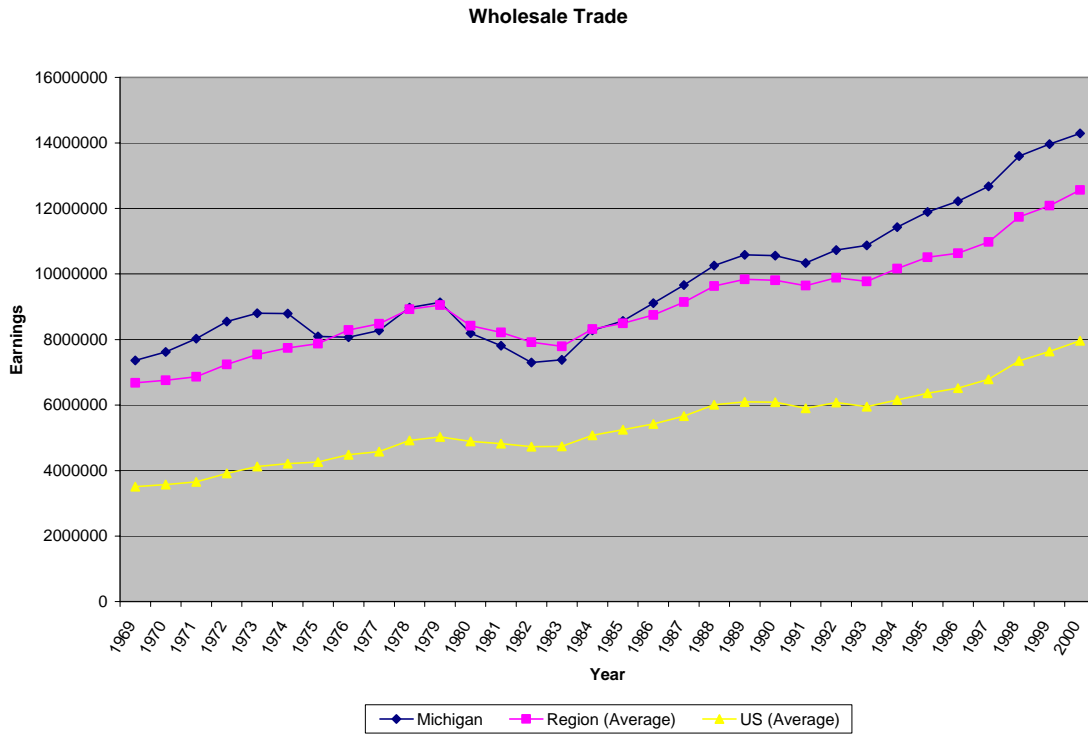


Figure D.9b Wholesale Trade (Jobs)

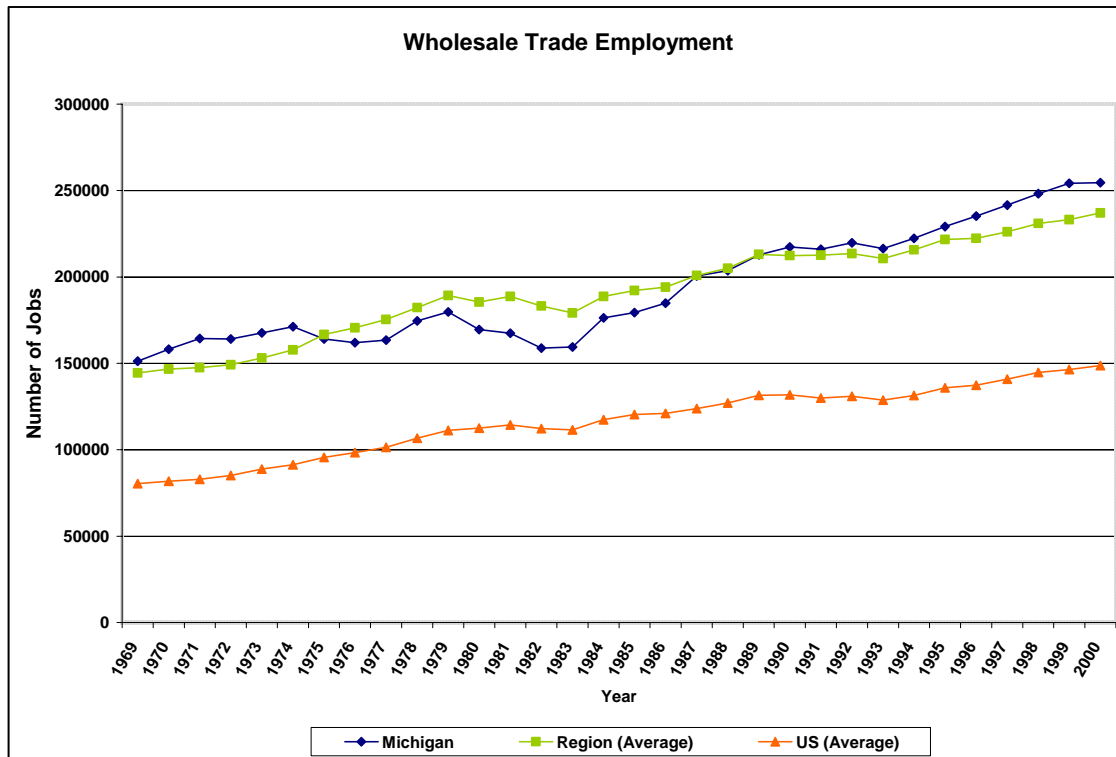


Figure D.10a Farming (Earnings)

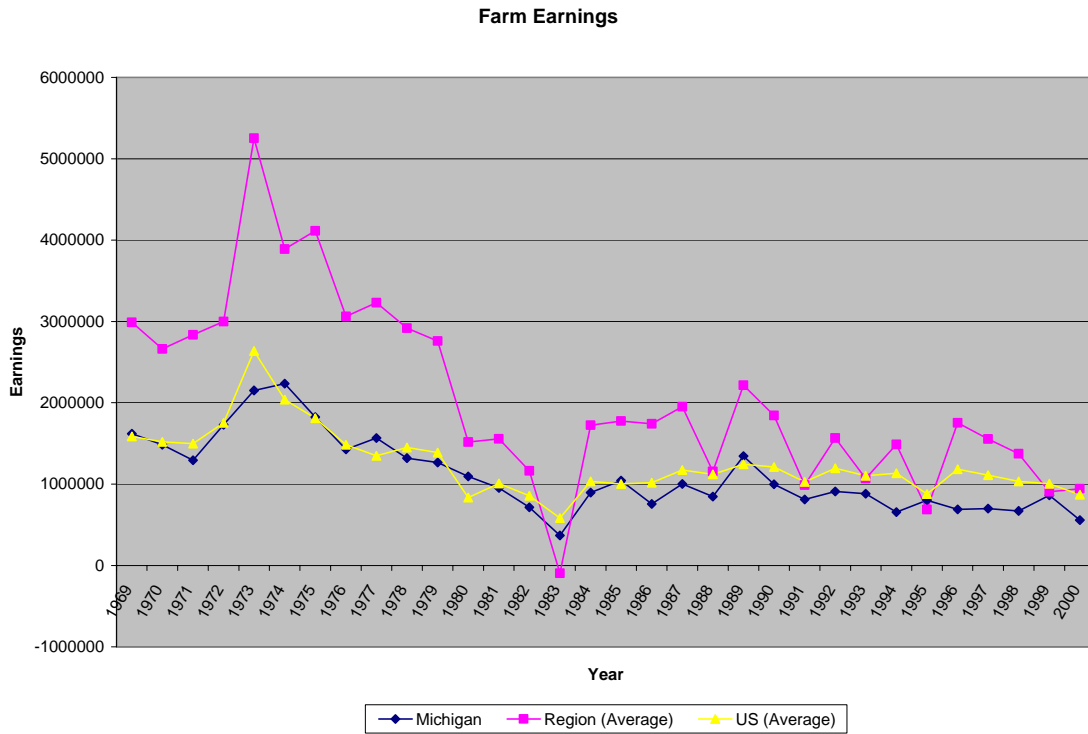


Figure D.10b Farming (Jobs)

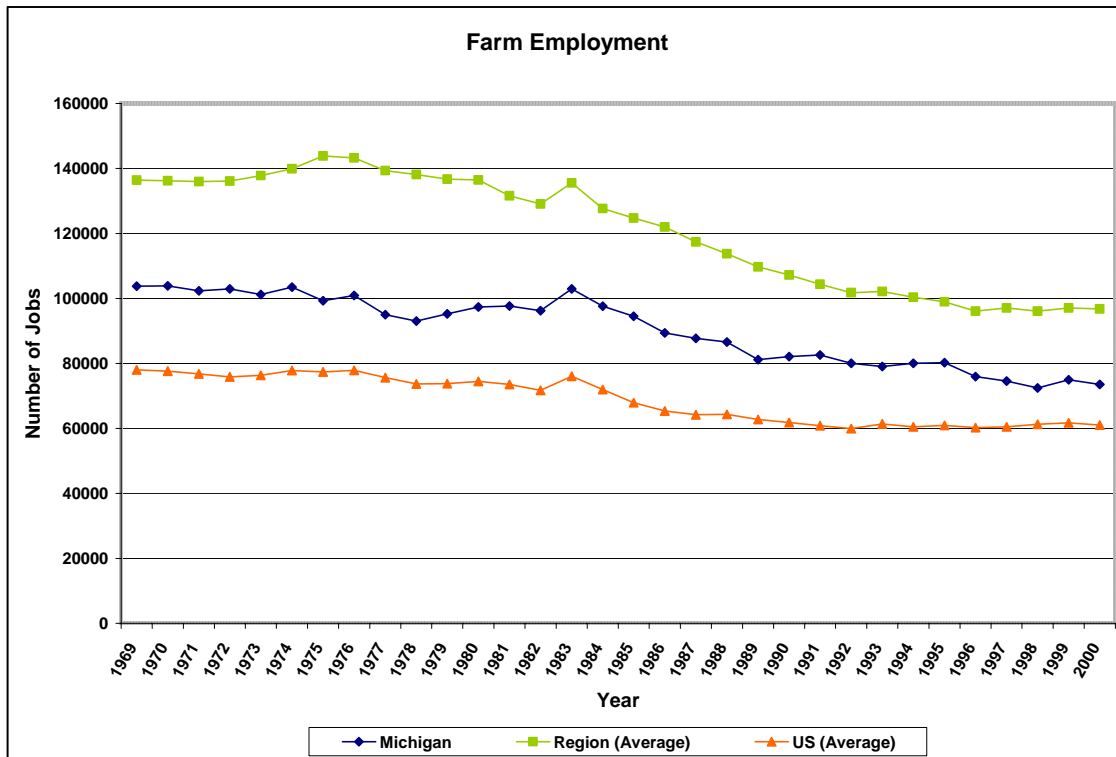


Figure D.11a Government (Earnings)

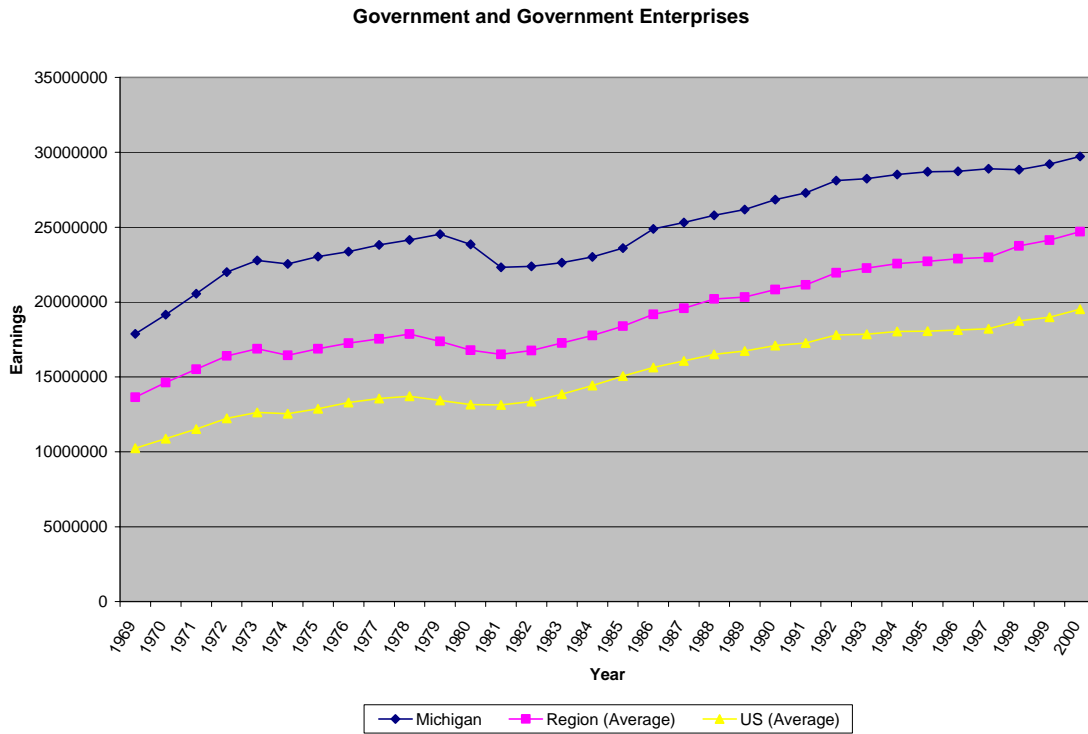


Figure D.11b Government (Jobs)

