

COMMERCE CENTERS - Draft Position Paper #5
January 2006

INTRODUCTION

Establishing “Commerce Centers” is a top priority recommendation of the Michigan Land Use Leadership Council, the 26-member, bipartisan commission charged with developing a state policy framework for revitalizing cities, preserving farms, and protecting Michigan’s natural resources. The basic premise of Commerce Centers is to direct public investment to existing communities and provide incentives for compact, mixed use, mixed income, multi-modal transportation systems. This paper is offered as a way to spark discussion on the assumptions and principles underlying the concept of Commerce Centers so that more informed input can be obtained in the development of public policy.

The concept underlying Commerce Centers is consistent with the goals of United Growth for Kent County, a citizen-based land use model built on the common ground that is shared by urban and rural interests. United Growth recognizes that urban revitalization and farmland preservation are two sides of the same coin. Cities must be job centers and retain a population that can fully utilize its existing infrastructure while productive agricultural land and open spaces are maintained.

United Growth’s Legislative Committee believes formally establishing the Commerce Center principle into state policy is fundamental to achieving the Land Use Leadership Council’s goals of economic prosperity, environmental protection, and social equity for the State of Michigan. We recommend that a finite number of Commerce Centers be selected and that there be two categories, based on population size. Ten communities with populations greater than 40,000 and ten communities with populations under 40,000 should be selected for a three year pilot program.

COMMERCE CENTER DEFINITION/CRITERIA

The Obsolete Property Rehabilitation Act, Public Act 146 of 2000, defines 103 cities, villages, and townships as “Core Communities” that serve as economic centers for their respective regions. The Act also establishes basic criteria – including a community’s size, average family income, and financial status – that provide an existing working definition for “Commerce Centers.”

We recommend that the areas that the State of Michigan designates as “Commerce Centers” must be derived from the “Core Community” list created by Public Act 146, or have at least 10 percent of its county’s population, *and* meet certain criteria, listed and described below:

- ? They are committed to economic development and redevelopment, including existing hi-tech manufacturing as well as “new economy” jobs.
- ? They provide a full range of municipal services to their citizens, with physical infrastructure already in place. This includes basic public transportation.

- ? There is density of population sufficient to support a full range of thriving business enterprises, i.e, there is a labor pool and/or a market for the goods and services produced.
- ? They cooperate with surrounding jurisdictions through joint planning efforts, coordination of public services and facilities, and strive for effective resource and land use.
- ? The area must strive to be diverse: mixed use, mixed income, and mixed race/ethnicity, to ensure that all business categories and population groups can benefit from the designation. This would include the availability of a variety of housing types, including workforce housing.

Note that any community seeking Commerce Center designation would need to provide an application with data demonstrating how they would likely continue to decline because of loss of employers, investment, working families, taxpayers, and public school students.

SIMILAR POLICIES IN OTHER STATES

Adopting the commerce center concept as state policy would allow Michigan to enjoy the success similar policies have achieved in other states. Programs adopted by states that target resources have brought about positive results.

Targeting state resources in Worcester, MA facilitated the creation of a successful biotechnology industry in that city.¹ Our research also found that Cleveland's investment in new housing in their neighborhoods had a positive effect on housing values.² The Ohio Lake Erie Commission is currently spearheading efforts at preserving and restoring the Lake Erie watershed to insure Ohio's economic competitiveness, improve quality of life, and protect the environment by targeting state investment in a way that does not harm the watershed.³ These success stories suggest that Commerce Centers can be advantageous to the state as a whole by promoting high skill job growth in declining cities, encouraging the development of affordable housing, increasing prosperity through improved housing markets, improving the environment and quality of life in the state, and improving local and state tax revenue generation.

¹ Maggie Adams, "Worcester biotech study highlights positive role of state," Center for Urban and Regional Policy" (<http://www.curp.neu.edu/sitearchive/spotlight.asp?id=1558>) accessed 4 November 2005.

² Chengri Ding and Gerrit Jan-Knaap, "Property Values in Inner-City Neighborhoods: The Effects of Homeownership, Housing Values, and Economic Development," *Housing Policy Debate*, 13, 4 (2003) http://www.fanniemaefoundation.org/programs/hpd/pdf/hpd_1304_ding.pdf (accessed 28 September 2005).

³ Ohio Lake Erie Commission, "Lake Erie Balanced Growth Program, Balanced Growth Plans" (<http://www.epa.state.oh.us/oleo/bgi/facts/setofbgfacts.pdf>), accessed 18 November 2005.

ECONOMIC ASPECTS OF TARGETING STATE RESOURCES TO COMMERCE CENTERS

Directing public investments to existing communities is less expensive than continuing to build new infrastructure. By reinvesting in what has already been built, the state could achieve a more effective approach to economic development and be more efficient with tax payer dollars. Innovative companies are looking for smart places to invest, build, and hire. In this age of scarce resources, re-investment is a more responsible approach.

Consider the following:

- ✍ Michigan is among the nation's slowest-growing states, but traffic congestion is increasing.
- ✍ The state directed over 50 percent of its community economic development block grants to industrial parks and other business infrastructure in areas outside of key economic centers.
- ✍ Michigan residents spend 20 percent more for school construction than they did 10 years ago, even though urban schools are being closed while new schools are being built, and student population increased by less than 4 percent.
- ✍ Only 6 percent of the state's \$3 billion annual transportation budget supports public transit, an amount that only becomes more insufficient as the state continues to sprawl. New economy employers take into account the efficiency of public transit when making location decisions.
- ✍ State and local budget deficits continue to grow due to the exploding cost of building and maintaining public infrastructure and services across an ever-sprawling area.
- ✍ The rate of urbanization is several times that of the rate of population growth.

Public investment often attracts private dollars. In Grand Rapids, a blend of public and private investment is driving community spending toward the city center. Since 1990, developers and government agencies have targeted more than \$2 billion to rebuild downtown. The strategy is clearly working:

- ✍ Grand Rapids has gained 6,000 more residents since 1990; while all but one of Michigan's other urban core cities - Ann Arbor - lost population.
- ✍ In the past decade, Grand Rapids' income tax revenues have more than doubled - to \$59 million.
- ✍ In the past 13 years, Grand Rapids' taxable property values have nearly doubled - to \$8.7 billion.
- ✍ Median household income has risen by more than \$14,000.
- ✍ Demand for downtown housing is growing - being met by both new construction and the rehabilitation of existing structures.

EXISTING PROPOSAL MAY PROMOTE SPRAWL

Legislation currently proposed in the state Legislature (S.B. 344) would define Commerce Centers as any city or village in Michigan and townships with populations exceeding 20,000 in the five most populous counties (Wayne, Macomb, Oakland, Genesee, and Kent). There are 23 townships that meet this definition. This basic approach does not ensure that designated communities will meet even the minimum standards of walkability, density, and mixed use planning envisioned by the Michigan Land Use

Leadership Council. And for some of the qualifying localities, it may be a subsidy for sprawl. There must be assurances that localities will not consume their remaining open space with the same sprawling, low density residential and strip commercial development pattern that has defined development in the past.

CONCLUSION

United Growth's Legislative Committee is heartened that the Legislature is taking a leadership role in recognizing the close relationship between allocating state and federal dollars and land use trends. United Growth seeks to improve the concept outlined in the existing legislation and make it a model for how to target public investment to revitalize cities and provide incentives for development in existing communities.

United Growth believes this approach would allow communities to direct public investment into those areas that are most ready to receive it. United Growth also is convinced that this smaller list will be more manageable and result in more effective investments, considering the state's limited financial resources.

Resources are scarce, including those for technical assistance and for economic development tools. For the next period of three years, we recommend selecting 10 municipalities in each of two population-based categories, for a total of 20. The first category will be for communities with populations over 40,000, and the second category will be for those under 40,000. (Using 2000 census data, the mean population of core communities is 36,224. We have rounded up to 40,000 for a population baseline.) This pilot program would allow evaluation of the impact of the resources provided in a targeted fashion.
