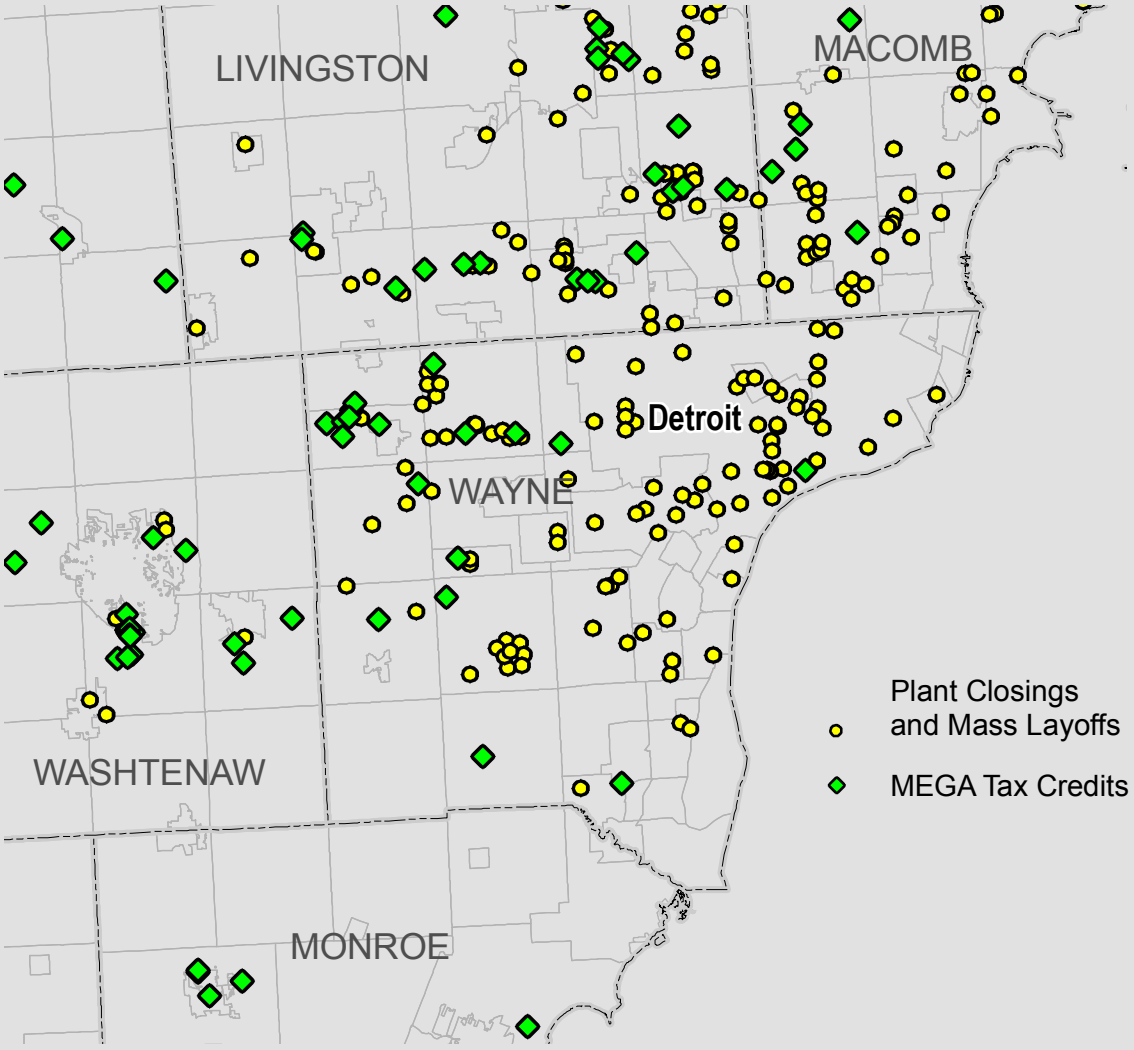
THE GEOGRAPHY OF INCENTIVES:

ECONOMIC DEVELOPMENT AND LAND USE IN MICHIGAN



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THE GEOGRAPHY OF INCENTIVES:
ECONOMIC DEVELOPMENT AND LAND USE IN MICHIGAN

by:
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Interactive Website Map Feature

All of the maps in this study can be accessed and viewed interactively on a website. Readers may juxtapose any combination of economic stress factors and/or economic development subsidies for each of the seven metro areas in the study. Readers may also click on individual dots for deals and WARN notices to view company-specific data about them from the databases.

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Incentive Data Available for Other Non-Profit Research Uses

All of the databases created to generate the maps and tables in this study will be posted on Good Jobs First's website in the form of appendices to the study.

Go to:

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Non-profit research parties may also request the databases in spreadsheet form by contacting Good Jobs First directly.

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Appendices Available On-Line at:

www.goodjobsfirst.org/news/michiganlanduse

Includes: All Michigan Metro Area Communities, All WARN Notices in Michigan from 2001-2004, All MEGA Credits from 2001-2004, All TEDF Grants from 2001-2004, All EDJT Grants in Michigan from 2001-2004, All IFT Exemptions in Michigan from 2001-2004, Detroit Metro Area Communities and Working Age Population By Density Classifications, Grand Rapids Metro Area Communities and Working Age Population By Density Classifications, Kalamazoo Metro Area Communities and Working Age Population By Density Classifications, Lansing Metro Area Communities and Working Age Population By Density Classifications, Flint Metro Area Communities and Working Age Population By Density Classifications, Saginaw Metro Area Communities and Working Age Population By Density Classifications, Traverse City Metro Area Communities and Working Age Population By Density Classifications.

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THE GEOGRAPHY OF INCENTIVES

EXECUTIVE SUMMARY

An analysis of almost 4,000 economic development incentives granted in Michigan from 2001 through 2004 reveals that they have actively contributed to inefficient and unsustainable land use patterns by thinning jobs out in the state's largest metro areas. Instead of encouraging growth in places with existing infrastructure, services and business networks, incentives have directed jobs and industry away from Michigan's core areas. Job subsidies have fueled a mismatch, fostering job creation and retention where it is needed least—shortchanging the central cities while favoring more affluent outlying areas.

This conclusion is based upon the largest study ever made of the geographic distribution of economic development incentives in an American state. The locations of 3,996 company-specific economic development deals (granted under three state programs and one local incentive), were compared to distributions of working-age population, population density, and worker dislocation caused by major layoffs and business closures. They were also analyzed against a community classification system derived from measures of tax base wealth, income, poverty, growth and density. Seven regions were included in this analysis: Detroit, Flint, Grand Rapids, Kalamazoo, Lansing, Saginaw, and Traverse City.

The problem of subsidized sprawl is especially severe in the largest metro areas of Detroit and Grand Rapids, but far less so in the smallest regions such as Traverse City. It also varies among the four programs, with the Michigan Economic Growth Authority showing the most bias.

Although Michigan's costly economic development programs have historically been Balkanized from the state's land use debate, these findings suggest they very much deserve to be included. Michigan is hardly unique in failing to integrate economic development with land use; indeed, throughout the national debate on how suburban sprawl happens and how it should be addressed, job subsidies have been almost entirely absent.[1]

If they were intentionally targeted, economic development incentives could become strong leverage to address recommendations outlined in the 2003 report of the Michigan Land Use Leadership Council (MLULC). The MLULC was a 26-member bi-partisan taskforce charged with developing recommendations to address the negative consequences of

unplanned, poorly managed growth. The recommendations include, for example, improved regional planning coordination and local policy visions, better use of existing infrastructure, preservation of farmland and wildlife habitat, more state and private investment in existing urban areas, faster re-use of brownfields, better intergovernmental cooperation in land use and public investments, and greater public participation in land use decision making.

Instead, this analysis reveals that Michigan's economic development incentives are shortchanging central cities and actively subsidizing new development in thinly populated, newly developing or already prosperous areas. They are also passively subsidizing capital investments that are occurring in inefficient, sprawling ways.

This study examines three state-granted incentives:

Economic Development Job Training (EDJT): matching funds for worker training—1,383 grants to train 152,987 workers (total dollar value of grants not available);

Michigan Economic Growth Authority (MEGA): single business tax credits for new capital investment and/or job creation—133 deals valued at $939 million;

Transportation Economic Development Fund (TEDF): road improvements to new or expanding job sites—59 grants valued at $105 million;

And one state-enabled, but locally granted incentive:

Industrial Facilities Property Tax Exemptions (IFT): under which localities grant property tax exemptions to new or improved worksites—2,421 deals exempting $15 billion of real and personal property from property taxes (value of exemptions not available).

A Bias in Favor of Non-Metro Areas[2]

Areas outside of the seven metro regions, most of which are rural, stand out for receiving disproportionately large shares of incentive deals. With 18 percent of the state's population and 12 percent of its dislocated workers, these areas accounted for roughly a third of the two most voluminous incentive deals studied here, EDJT and IFT, and more than a third of TEDF deals. As Table 2 shows, however, non-metro areas received relatively small shares of MEGA and TEDF jobs and funding, indicating that such deals were on average smaller than those in metro areas.

Tables 1 and 2 summarize the geographic distribution of incentive deals statewide, with the seven types of metro communities plus non-metro (including rural) areas. Also shown are the shares of working-age populations, and of mass layoff and business closing events and workers dislocated, according to notices mandated by the federal Worker Adjustment and Retraining Notification (WARN) Act.

TABLE 1:

Statewide Analysis of EDJT and IFT, Including Metro and Non-Metro Areas

Community Classifications	% of Working-Age Pop.	% of All WARN Layoff Notices	% of All WARN Jobs Lost	% of All EDJT Deals	% of All EDJT-Trained Workers	% of All IFT Deals	% of Total Projected IFT Jobs
Metro							
Central City	15%	16%	22%	10%	15%	5%	5%
Stressed	9%	12%	13%	9%	8%	12%	15%
At-Risk Established	17%	20%	18%	16%	17%	17%	24%
At-Risk Low Density	9%	5%	6%	6%	5%	8%	6%
Bedroom Developing	16%	14%	12%	11%	8%	19%	15%
Low-Stress	13%	13%	12%	11%	18%	8%	9%
Industrial Towns	2%	5%	5%	4%	12%	3%	6%
Non-Metro	18%	15%	12%	33%	18%	29%	20%

TABLE 2:

Statewide Analysis of MEGA and TEDF, Including Metro and Non-Metro Areas

Community Classifications	% of Working-Age Pop.	% of WARN Layoff Notices	% of WARN Jobs Lost	% of All MEGA Deals	% of All MEGA Credits	% of Projected MEGA Jobs	% of All TEDF Deals	% of All TEDF Funds	% Projected TEDF Jobs
Metro									
Central City	15%	16%	22%	5%	4%	9%	5%	8%	16%
Stressed	9%	12%	13%	11%	11%	14%	10%	17%	7%
At-Risk Established	17%	20%	18%	17%	20%	15%	14%	4%	6%
At-Risk Low Density	9%	5%	6%	5%	3%	3%	8%	7%	12%
Bedroom Developing	16%	14%	12%	13%	12%	9%	12%	10%	4%
Low-Stress	13%	13%	12%	23%	29%	26%	8%	25%	26%
Industrial Towns	2%	5%	5%	8%	15%	14%	7%	20%	20%
Non-Metro	18%	15%	12%	17%	6%	10%	36%	9%	8%

A BIAS AGAINST CENTRAL CITIES

Within urban areas, the most glaring discrepancy is the lack of deals in the central cities—the named cities of the seven metro areas. With 18 percent of the state's working-age population and a fourth of the dislocated workers, they received just 6 percent of MEGA deals, 8 percent of TEDF deals and 15 percent of EDJT deals. By contrast, bedroom developing communities (fast-growing, "middle class places" with above-average tax bases), with about the same population and far fewer dislocated workers, received or granted more—sometimes two or three times more—of every kind of subsidy (Tables 3 and 4).

Central cities also granted proportionately the fewest IFT property tax exemptions. This may reflect fewer firms requesting the exemptions and/or less willingness by central cities to grant them because their tax bases are so depleted.

Older, less affluent localities—largely grouped as "stressed" and "at-risk, established" communities—fared less poorly, with levels of incentives roughly equivalent to their populations and/or rates of dislocation.

MEGA: THE MOST BIASED WITHIN THE SEVEN METRO AREAS

Although MEGA was the least biased in favor of non-metro areas, within urbanized areas it showed the most sprawling bias. Its benefits went disproportionately to low-stress communities (28 percent of the deals) and away from central cities (6 percent of the deals) even though central cities had more workers and dislocation. This pattern was especially true in Detroit (only 1 MEGA deal in four years) and Grand

TABLE 3:

Michigan Urban Analysis of EDJT and IFT, Including the Seven Metro Areas

Community Classifications	% of Metro Working-Age Population	% of Metro WARN Layoff Notices	% of Metro WARN Jobs Lost	% of Metro EDJT Deals	% of Metro EDJT-Trained Workers	% of Metro IFT Deals	% of Projected IFT Jobs in Metro Areas
Central City	18%	19%	25%	15%	18%	7%	7%
Stressed	11%	14%	15%	14%	10%	17%	19%
At-Risk Established	21%	23%	20%	24%	21%	24%	30%
At-Risk Low Density	11%	6%	6%	9%	6%	11%	8%
Bedroom Developing	20%	16%	14%	16%	9%	26%	19%
Low-Stress	16%	15%	14%	16%	22%	12%	11%
Industrial Towns	3%	6%	6%	5%	14%	4%	7%

TABLE 4:

Michigan Urban Analysis of MEGA and TEDF, Including the Seven Metro Areas

Community Classifications	% of Metro Working -Age Pop.	% of Metro WARN Layoff Notices	% of Metro WARN Jobs Lost	% of Metro MEGA Deals	% of Metro MEGA Credits	% of Projected MEGA Jobs in Metro Areas	% of Metro TEDF Deals	% of Metro TEDF Funds	% of Projected TEDF Jobs in Metro Areas
Central City	18%	19%	25%	6%	4%	10%	8%	9%	18%
Stressed	11%	14%	15%	14%	12%	16%	16%	18%	7%
At-Risk Established	21%	23%	20%	21%	22%	17%	21%	4%	7%
At-Risk Low Density	11%	6%	6%	6%	3%	4%	13%	8%	13%
Bedroom Developing	20%	16%	14%	15%	12%	10%	18%	11%	4%
Low-Stress	16%	15%	14%	28%	31%	29%	13%	27%	29%
Industrial Towns	3%	6%	6%	10%	16%	15%	11%	22%	22%

Rapids (no MEGA deals). MEGA also favored industrial towns disproportionately. And as detailed later in the study, most of the new-job growth projected for MEGA deals was in outlying areas.

Statewide, in localities with middling degrees of stress (stressed, at-risk established and at-risk low-density), MEGA's disparities vary widely. They received no MEGA deals in Flint or Saginaw, but both of those regions had very few MEGA deals overall. In a few places, MEGA's distribution tilts pro-density: in favor of Flint's central city and Kalamazoo's stressed communities.

Within metro areas, EDJT showed less bias in favor of communities with higher tax bases and/or lower densities (Table 3), although as noted, rural areas received a disproportionate share of EDJT grants and central cities received relatively few. TEDF and IFT also favored development in rural areas while supporting few projects in central cities, but their distribution across the remaining six metro-area community types was more in accordance with population shares.

PUBLIC POLICY OPTIONS

Based upon our findings, we offer the following public policy options to help the state leverage its economic development resources to support better planning and more efficient land use. These are intended to inform the land use debate and provide possible solutions to key stakeholders across the state. Although Michigan's context and landscape is unique in some ways, the problem of economic development incentives contributing to inefficient land use patterns is hardly unique, and thus these recommendations—including actions that

have been implemented by other states—can serve as useful models.

Option #1: Review All State Job Subsidies for Sprawling Bias

Using the methodology of this report, the state could review the rest of its economic development incentives to determine if other programs also promote the geographic thinning of jobs. If any of them do, the state could consider reforming them by applying any or all of the following reforms.

Option #2: Target Subsidies to Maximize Infrastructure Efficiency

With land consumption outpacing population growth by 8 to 1, the state clearly needs to redirect private investment to make more efficient use of existing infrastructure. Maryland's Smart Growth Areas Act designates Priority Funding Areas (areas that already have infrastructure or are planned to receive it). Areas outside the PFAs are ineligible for state assistance in the form of infrastructure spending or economic development incentives. Combined with other initiatives that promote rural preservation and urban revitalization, the Maryland law has helped reorient development in the state back towards existing communities and infrastructure.

Option #3: Give Preference to Deals That Promote Efficient Land Use

To maximize their economic development impact and promote land use efficiency, Michigan can give preference to deals that advance sound land use and recommendations of the MLULC. Three states provide relevant models here: Illinois, California and New Jersey.

llinois' Business Location Efficiency Incentive Act, enacted in 2005, gives a small additional corporate income tax credit (10 percent higher) under one common state incentive (the Economic Development in a Growing Economy, or EDGE, program) for deals in which the job site is accessible by public transportation and/or proximate to affordable workforce housing. Companies seeking the subsidy at sites that do not initially qualify can qualify with a site remediation plan including measures like an employer-assisted housing plan, shuttle services, pre-tax transit cards, or carpooling assistance.

The California Infrastructure and Economic Development Bank applies land use and other efficiency-targeting standards to its Infrastructure State Revolving Fund (ISRF) Program. It rates applications using a 200-point scoring system which gives preference to applicants that: serve environmental and housing goals; are located in or adjacent to areas with high unemployment, low family incomes, slow job growth; and/or high poverty rates; improve the quality of life (public safety, healthcare, education, day care, public transit, or downtown revitalization); and several other efficiency criteria.

New Jersey amended its Business Employment Incentive Program (BEIP) program in 2003 to give larger BEIP grants to companies if the project "promotes smart growth and the goals, strategies and policies of the State Development and

Redevelopment Plan." "Smart Growth" is defined flexibly, giving companies several ways to quality for the larger grant. These include locating in Planning Areas 1 or 2 of the State Plan; in a distressed municipality; in a brownfields site; within a half mile of a rail station or bus hub; within five miles of a university with which it works cooperatively on research and development, or linking with market-rate or affordable housing construction or renovation.

Acknowledging that every state's needs and history differs, if it has the will, Michigan can adapt the principles within these reforms for its own benefit.

Option #4: Use State Incentives as a "Carrot" for Local Planning Reform

Central to many of the recommendations made by the MLULC is the need for local governments to modernize their planning practices by such reforms as enactment of countywide zoning policies, adoption of regional land use plans, and enactment of inclusionary zoning for a mix of housing densities. Using its power to regulate locally granted development subsidies, Michigan could choose some strategic planning reforms and say to counties, townships and cities: over the next three years, you will gradually lose your right to grant said economic development incentives unless you adopt these improvements.

Option #5: Install a Disclosure System Including Project Site Addresses and Relocations

Twelve states now have some form of company-specific, deal-specific public reporting of costs (source and value of the subsidy) and benefits (jobs retained and created, wages and benefits paid). Four of the states—including Michigan's Midwestern neighbors of Ohio, Illinois and Minnesota—even disclose such data on the Web. Making more information about development deals readily available to the public would improve public participation in planning and development and thereby help public officials be more strategic in their use of incentives.

To maximize the value of a disclosure system for land use analysis, the disclosure forms should include the exact street address of the work site, so that deals can be readily mapped. The system would be further optimized for land use analysis if job relocations were also tracked (as they are in Minnesota and Ohio). In that way, job movements could also be analyzed to see if they were sprawling or served land use goals.

FINDINGS HAVE NO PARTISAN IMPLICATIONS AND ARE NOT UNIQUE TO MICHIGAN

The deals analyzed in this study span two years of the previous gubernatorial administration and two years of the current administration. None of our findings is intended as a comment upon either of them. The rules governing the programs were not changed during the study period in ways that would meaningfully change their distribution. Furthermore, we believe that the problem of economic development incentives contributing to inefficient land use patterns is hardly unique to Michigan, as evidence from Illinois, Minnesota, Missouri, Ohio, Pennsylvania and other states suggests.[3]

Introduction and Rationale:

Economic Development Subsidies Belong in Michigan's Land Use Debate

Ohio State University professor john powell grew up in Detroit, the son of an auto worker. Now a nationally recognized expert on the civil rights implications of suburban sprawl, he once told a conference how as a child he came to understand job flight. When I was in elementary school, he said, my father walked to work. When I was in middle school, he drove a modest distance to work. By the time I was in high school, he drove two hours to get to work.[4]

Professor powell's experience distills how the thinning out of employment opportunity has greatly harmed Detroit and other central cities in the state. However, the harms are not confined to the inner cities: as numerous studies and the Michigan Land Use Leadership Council have concluded, sprawling development patterns are stressing every kind of community: older suburbs that are suffering job flight and tax-base decline, rapidly developing areas that are struggling to handle the costs of growth, and rural areas that are losing farmland and wildlife habitat to thin exurban development.

The Official Debate: Michigan's Land Use Leadership Council

The 26-member MLULC, co-chaired by former governor William Milliken and former attorney general Frank Kelley, submitted its final report to Gov. Jennifer Granholm and the Michigan Legislature in August 2003 after an intensive six-month fact-finding process. Finding bi-partisan common ground on "myriad land use problems," the Council "set aside political and stakeholder differences and focused on the public good."[5]

The Council presented some dire findings. Land consumption, it found, was outpacing population growth statewide by a ratio of 8 to 1—and locally as high as 13 to 1 in the Detroit region and 27 to 1 in Bay City. Left unchecked, such a trend would thin urban areas so badly their tax base could no longer sustain public services and infrastructure. Detroit already had 50,000 abandoned properties and more concentrated poverty than New Orleans. And the state's rich agricultural sector—more diverse than any state's but California's—as well as its forestry, mining and tourism industries were losing critical

lands at an alarming rate. Concentrations of poverty in urban and some rural areas "have been exacerbated by public policies that have encouraged and subsidized urban sprawl, leading to private disinvestments in older urban areas."[6]

Drawing upon the expertise of dozens of experts, the Council explored a series of issues relevant to those explored in this study, including:[7]

- Preserving agricultural land, forestland, wildlife habitat and scenic resources that form the basis of Michigan's land resource-based industries;
- Supporting efforts to make Michigan cities more livable by expediting the reuse of abandoned properties, encouraging private investment and improving transportation options;
- Making better use of existing public infrastructure by encouraging public and private investment in already developed areas; and
- Creating incentives to encourage interagency and intergovernmental cooperation in addressing land use issues and public investments of more than a local concern.

Stressing that many solutions would not involve new government expenditures but rather new policy directions, the MLULC urged the state's leaders to enact a raft of reforms centered on updating the state's antiquated planning laws, protecting open spaces, promoting more intergovernmental cooperation, and helping create more affordable housing.

THE GEOGRAPHY OF JOB SUBSIDIES: LARGELY MISSING FROM THE OFFICIAL DEBATE

The Land Use Leadership Council was officially charged to "[i]dentify any state programs or regulations that directly or indirectly encourage or subsidize low-density development and outward migration from urban areas,"[8] but its final report is incomplete on the subject of economic development incentives. Job flight from inner cities is acknowledged as a root problem, and the Council said it chose to "focus on incentives and assistance rather than mandates,"[9] but no analysis is offered regarding the geography of how the state subsidizes jobs.

The Council noted that its recommendations focused on: "public infrastructure…; state taxing policies; public information, education and technical assistance efforts; management of publicly owned lands; and other government policies and decisions that indirectly affect the use of land."[10] Yet even though economic development incentives involve enormous state expenditures and clearly affect the use of land, only a fraction of them were even referenced in the Council's final report.[11]

Specifically, in its recommendations for urban revitalization, the Council suggested that the state more aggressively encourage older localities to better use some existing state and federal programs intended to encourage redevelopment of older areas.

These programs include state and federal enterprise and empowerment zones, tax increment financing, downtown development authorities and brownfield redevelopment programs.[12] However, many of these programs do not involve expenditures by the state; rather they give local governments additional powers—including more ways to spend *local* tax revenue.

Given the state's extremely sprawling land use trends, these programs are clearly failing to achieve efficient land use. Missing altogether from the Council's discussion were the rest of the state's large economic development incentive menu—subsidies that are not targeted geographically and can go everywhere in the state.

The issue is especially critical because jobs are such a big public issue in Michigan—and economic development is such a costly state function. Over the past 40 years, while suburban sprawl has finished reshaping the nation's economic geography, states have enacted a raft of development subsidies, so that the average state today offers more than 30 different kinds of incentives: property tax abatements, corporate income tax credits, sales and excise tax exemptions, tax increment financing, low-interest loans and loan guarantees, free land and land write-downs, training grants, and infrastructure aid.

Michigan has been no exception, developing a reputation as one of the nation's most aggressive states in its use of such incentives to recruit new companies and to encourage existing employers to expand. For example, although it is not an objective measure of *comparative* success, Michigan has in most years of the past decade been annually ranked very high by *Site Selection* magazine's "Governor's Cup Award" competition for landing very high *absolute numbers* of major new economic development projects. [13]

How can a state achieve poor economic results despite landing so many deals? Could it be in part because the state's aggressive efforts—embodied in the work of the Michigan Economic Development Corporation (MEDC)—have not been coordinated with land use planning? Have the two functions been operating in separate "silos?"[14] Michigan experts we interviewed uniformly described MEDC as historically passive in or irrelevant to the state's land use debate.[15]

Hence the rationale for this study on a sample of the state's geographically agnostic job subsidies. We ask: are they contributing to the state's land use problems?[16] If so, how can they be reformed, consistent with the MLULC's recommendations, to promote more efficient, sustainable development?

ECONOMIC DEVELOPMENT: A MAJOR STATE (TAX) EXPENDITURE

Like virtually every other state, Michigan spends a large majority of its money for job creation and retention by using tax expenditures—that is, uncollected single business, income, property and other taxes. The other form of state spending—appropriations—is used for aid such as

training grants, targeted road-building, and technical assistance such as manufacturing modernization.

The state's Executive Budget on Tax Credits, Deductions and Exemptions puts all FY 2006 spending for the Department of Labor and Economic Growth (counting only state spending, not federal grants or local spending) at a little more than $8.6 billion and reports that more than 95 percent came in the form of uncollected taxes.[17] To be sure, most of these expenditures would not be construed as economic development incentives; the largest items include sales and use tax exemptions, especially the non-taxation of various services. More than $1.2 billion come from 28 different credits against the Single Business Tax, two of which are listed as examples below.

As a matter of spending policy, tax expenditures are problematic whether they are for economic development or for other purposes. Compared to appropriated expenditures, they are less likely to be audited, evaluated or sunsetted. Michigan does a better job than some states in cataloging and reporting the lost revenue, but spending money through the state tax code means that elected officials—at both the state and local levels—never vote on most specific deals. It also means that elected officials have less effective input on program budgets. Cumulatively, all of these aspects of tax expenditures mean less accountability. They may also help explain how some economic development programs have become so disconnected from land use goals, such as community revitalization, that would normally seem to be a natural fit.

Of course, some economic development programs also cost local government a great deal of money, as in the Industrial Facilities Property Tax (IFT) exemption program analyzed in this study that cost localities about $325 million in FY 2006.

Consider this sample list of programs and their annual costs:

TABLE 5:

A Sample List of Michigan Economic Development Expenditures

Tax Expenditures	FY 2006 ($)
Brownfield Zone Credit: To foster redevelopment of contaminated industrial and commercial sites	25,591,000
Investment Tax Credit: Single business tax credit against real and personal property	87,332,000
Michigan Economic Growth Authority: Single business tax credit program targeting large scale investment and job creation as well as technology-intensive business concerns.	39,489,000
Pharmaceutical Research Credit	8,861,000
Renaissance Zones: Waives all business-paid or resident paid state and local taxes for a term of years.	19,930,000 (State) 80,000,000 (Local)
Industrial Facilities Development Property Tax Exemption: Locally-initiated abatement for industrial and high-tech developments, expansions or rehabilitation efforts.	325,000,000 (Local)
Tax Increment Financing: Targeted-zone program that diverts all increases in property tax increment generated after TIF district designation to a reinvestment fund.	290,000,000 (Local)
Appropriated Expenditures	**FY 2007 ($)**
Michigan Core Communities Fund*: Awards funds for urban redevelopment, revitalization and infrastructure improvements to local government	1,038,084
Transportation Economic Development Fund Grants: Grants to improve the network of highway services in order to facilitate access, economic competitiveness, or private investment.	41,766,800
Economic Development Jobs Training Program: Part of the consolidated Michigan Strategic Fund for economic development.	9,798,000

** Expenditure from Fiscal Year 2005*

All of which is to say: the State of Michigan and its localities spend a great deal of money each year in the name of economic development. That's a great deal of potential leverage for better planning and more efficient land use. The challenge now for Michigan is to decide whether and how to use that leverage.

Defining Our Terms:

Incentive Programs, Community Stress and Land Use

State Incentive Programs

Michigan Economic Growth Authority (MEGA)

MEGA, initiated by Act 24 of 1995, provides Single Business Tax (SBT) credits for large-scale investment and job creation and retention in the following industries: manufacturing, mining, high-technology, research and development, wholesale and trade, and office operations. The program does not require any geographic targeting and is a "discretionary" subsidy rather than an "entitlement." This means that the MEGA board chooses which applications to accept and which to decline. No business is automatically entitled to receive these credits.

Businesses apply to the MEGA board, and those that qualify receive tax credits for up to 20 years, with the board determining the specific period. Between 2001 and 2004, the state granted a total of 133 MEGA deals with total projected credits of $939 million (or an annual average of 33 deals with $235 million in credits). However, between 1995 and 2005, only about 30% of potential credits were claimed, in part because many businesses overestimated the number of jobs they would create.[18]

The smallest projected credit the state granted for a single project during the period we studied was $160,000 and the largest was almost $95 million. The MEGA board determines the amount of tax credits that it will grant an applicant using a number of factors, including: the number of jobs a project will create or maintain, the average wage level of the new or retained jobs, and the size of the private capital investment. The board also uses more subjective criteria such as "the potential impact of the expansion, retention, or location on the economy of Michigan."[19]

The Citizens Research Council of Michigan notes that the powers of the Michigan Economic Growth Authority have increased since its creation in 1995, while the requirements that applicant businesses must meet in order to receive these grants have been relaxed. For example, in 2001, the MEGA law was amended to allow companies to count full-time jobs that already existed (less than 120 days) *before* the business received approval for the MEGA grant towards the number of full time jobs that it agrees to create.[20]

Economic Development Job Training (EDJT)

EDJT funding was initiated under the Michigan Strategic Funds Act of 1984 (Public Act 270) and terms for funding have been enumerated in subsequent appropriations acts.

Businesses apply to the Michigan Economic Development Corporation (MEDC) for EDJT grants, through which MEDC matches employer outlays for job training for new or existing workers. Between 2001 and 2004, most grants exceeded the employer contribution by two to four times. Training may be delivered through universities, colleges or other schools.

During the period we studied, the state approved an average of 346 EDJT grants a year to train a total yearly average of over 38,000 workers. The state does not report the dollar value of deals at approximately one-third of location sites because they were part of a multi-company collaborative training grant and amounts for individual companies were not available. Total grants averaged $21 million a year. As with the other state-granted programs we analyzed, EDJT has no specific geographic targeting and the state (through MEDC) has discretion over which applications it will approve.

Transportation Economic Development Fund (TEDF)

Administered by the Michigan Department of Transportation (MDOT), the TEDF provides grants for road improvements. TEDF was initially created by Public Act 231 in 1987, and MDOT credits it with providing over $800 million in road improvements during its first 10 years of existence. According to the enabling legislation, projects related to these grants must create or retain permanent jobs, be immediate and non-speculative, increase the tax base of the local area and immediately and positively impact local employment and the economy.

The program authorizes funding for projects in five categories: A, C, D, E and F (B was discontinued). In this study, we look only at Category A grants, which are awarded at the discretion of MDOT and have no specific geographic requirements. MDOT gives Category A grants to localities or companies for industry targeted economic development purposes. The "target" industries include: agriculture or food processing, tourism, forestry, high technology research, manufacturing, mining and office centers of at least 50,000 square feet.[21]

In order to receive Category A grants, county road commissions, city and village street agencies or MDOT itself can apply for funds for road improvements near specific projects. Developers and companies that will benefit from this grant must work with MDOT or localities to access these funds. These grants, as the others, are not entitlements; in this case, MDOT has discretion over their awarding.

LOCAL INCENTIVE PROGRAM

Industrial Facilities Property Tax (IFT) Exemptions

Initially created by Public Act 198 of 1974, this program provides property tax reductions for industrial or high technology businesses that create new facilities or expand or restore existing ones. According to the Citizens Research Council of Michigan, this is the oldest and costliest tax abatement program in the state; the state's tax expenditure budget estimates that it cost localities $330 million in FY 2006.[22] Between 2001 and 2004, localities jointly granted an average of 607 new IFT exemptions per year.

In order to receive an IFT exemption, businesses first apply to the local government or taxing unit, which has discretion over subsidy approval (although, as we describe in our section on IFT, few localities deny applications). The State Tax Commission must also ultimately approve of this deal, which it does as long as the applicant has followed legal criteria. If approved, a new or restored facility is exempt from normal property taxes and is instead subject to a (lower) industrial facilities tax. For a restored or expanded facility covered by an IFT, the taxable value of the property is fixed at the pre-restoration or pre-expansion amount. For qualifying new projects, tax liability under the industrial facilities tax is 50 percent of the rate for all real and personal property taxes, except the state education tax, for a predetermined period of up to 12 years (as set forth in an exemption certificate). A business may receive a waiver of liability for 50 percent or all of the state education tax at the discretion of the state treasurer, but few do. During our study period, only 67 IFT exemptions involved a full waiver of the state education tax (SET), and only 41 involved a 50 percent waiver of the SET out of a total of 2,422 exemptions.

This tax program carries certain safeguards, but as with MEGA, some have been relaxed. For example, in 1984 an "anti-pirating" provision prohibiting job transfers between localities within the state was changed to an "exit-visa" provision, which allows the local unit that would lose the jobs to assent to the loss. It was not until 1999 that a clawback was added to the act for businesses that leave the tax-abated property before the expiration of their Industrial Facilities Exemption certificate.

COMMUNITY STRESS FACTORS

Worker Adjustment and Retraining Notification (WARN) Act

Under the 1988 federal WARN Act, companies must notify states, localities and unions (when a workplace is unionized) in the event of a mass layoff or large facility closure. The law is intended to enable dislocated worker programs to better serve layoff victims by reaching them before they disperse. The Michigan Human Resources Development Institute provides rapid response services under contract to the state. Mapping WARN job sites and juxtaposing them with the location of subsidy deals reveals whether incentives are helping to replace jobs lost in areas hit hardest by economic dislocation.

Poverty

In this report we examine poverty concentrations at the level of U.S. Census Block Groups from the 2000 Census, noting which ones had more than 20 percent or more than 40 percent of households with median incomes below the poverty line. These two thresholds are commonly used measures of concentrated poverty and tend to correlate with other stress factors such as unemployment. Comparing poverty concentrations against the location of economic development deals also reveals whether incentives are helping to bring jobs to the neediest communities.

Community Classifications

We analyze the locations of economic development incentives, as well as WARN notices and poverty, against seven metropolitan area community classifications. The community classifications were provided by Myron Orfield and Thomas Luce of the research and Geographic Information Systems firm Ameregis from their 2003 study *Michigan Metropatterns*. In that work, Orfield and Luce used cluster analysis in order to place the state's cities, villages and townships into distinct and separate groups. The characteristics upon which the clusters were based include: property tax base per household in the year 2000, growth in property tax base per household between 1995 and 2000, median household income in 1999, share of elementary school students eligible for free or reduced price lunches in 2001, household growth from 1995 to 2000 and household density in 2000.

The Orfield and Luce cluster analysis resulted in seven community types with these major characteristics:

Central Cities – Highly stressed compared to other communities in the same region, with a tax base significantly lower than the regional average and a comparatively high percentage of low-income households. The seven cities at the heart of the metro regions analyzed in *Michigan Metropatterns* are Detroit, Grand Rapids, Lansing, Flint, Kalamazoo, Saginaw and Traverse City;

Stressed Communities – Tax base is below regional averages and growing slowly, households have relatively low median incomes and schools have relatively high rates of students who receive free or reduced price lunches;

At-Risk, Established Communities – Densely developed communities with little school poverty and low unemployment, but with a tax base below average and growing slowly, a property tax rate above regional averages and rising, and below-average median incomes;

At-Risk, Low-Density Suburbs – Tax base is growing more quickly than the regional average but still relatively low, median household income is below the regional average and populations is growing slowly;

Bedroom-Developing Suburbs – Fast-growing, "middle class places" with a tax base that is above-average but growing more slowly than the regional average;

Low-Stress Suburbs – Contain a large share of their region's expensive homes and commercial activity, low levels of school poverty and unemployment, and little affordable housing for middle-income households;

Industrial Towns – High property-tax base and low unemployment, but relatively low median income and an above-average school-poverty rate; and

Non-Metropolitan communities – Fall outside of the metropolitan counties Orfield and Luce analyze in *Michigan Metropatterns*.

Density

Additionally, we analyze the occurrence of subsidies and WARN notices in relation to the working-age population density (people ages 18 to 64 per square mile of land area) of the metropolitan cities, villages and towns in our study. At our request, the Land Information Access Association (LIAA) used ESRI ArcGIS 9.1 software to place the communities within each metro area into seven categories, with 1 being the densest and 7 being the least dense. Because the seven metro areas contain very different ranges of working-age population density when compared with one another, each metro region was analyzed independently. Thus, while a community with 1,000 working-age individuals per square mile would fall into category number 5 in the Detroit Region, it would be in category number 1 in the Traverse City region.

Chapter 1

The Statewide Geographic Distribution of Economic Development Incentives Among Types of Communities

An analysis of the geographic distribution of 3,996 company-specific deals granted under four major economic development incentives in Michigan from 2001 through 2004 finds that they have actively contributed to inefficient and unsustainable land use patterns by thinning jobs out, especially within the state's largest metropolitan areas. Job subsidies have fueled a mismatch, fostering job creation and retention where it is needed least—shortchanging the central cities while favoring more affluent outlying areas.

The severity of the problem varies among the four programs, with Michigan Economic Growth Authority tax credits showing the most bias within metro regions. Overall, the findings of bias against older, core areas hold whether the geographic distribution of the deals is analyzed according to working-age population, population density, job loss caused by major layoffs, or local economic stress levels.

This chapter analyzes the four incentive programs by dividing localities in the metro areas of Detroit, Grand Rapids, Kalamazoo, Lansing, Flint, Saginaw and Traverse City into seven categories while aggregating all other areas into a single category titled "non-metro." This approach is based on the typology of Myron Orfield and Tom Luce in their 2003 study *Michigan Metropatterns* (see details of their classifications in the previous section, "Defining our Terms"). The analysis below looks at the state as a whole; the following chapter performs the same analysis for each of the seven metro areas.

We map and examine three state-granted incentives:

- Economic Development Job Training (EDJT) matching funds for worker training—1,383 grants valued at $83 million to train 152,987 workers;
- Michigan Economic Growth Authority (MEGA) single business tax credits for new capital investment and/or job creation—133 deals valued at $939 million; and
- Transportation Economic Development Fund (TEDF) Category A Grants for road improvements related to new or expanding job sites—59 grants valued at $105 million.

We also analyze one locally granted incentive:

- Industrial Facilities Property Tax

Exemptions (IFT) under which localities grant property tax exemptions to new or improved worksites—2,421 deals reducing taxes on $15 billion of real and business personal property. The dollar value of specific IFT exemptions is not recorded by the state, but for the single year of FY 2006, they are estimated by the Michigan Department of Treasury to have cost local governments $325 million (reflecting both new and ongoing multi-year exemptions).

See profiles of the four programs in the previous section, "Defining our Terms."

FINDING #1: A BIAS IN FAVOR OF RURAL AREAS

The non-metro areas of the state stand out for receiving disproportionately large shares of incentive deals. With 18 percent of the state's population and 12 percent of its dislocated workers, non-metro areas received (in the case of MEGA, TEDF and EDJT) or granted (in the case of IFT) roughly a third of the two most voluminous incentives studied here, EDJT and IFT, and more than a third of TEDF deals. Their shares of MEGA and TEDF funds and jobs were far lower, however, indicating those deals were of smaller average size.

This bias against metro areas holds even when we exclude two urbanized "non-metro" localities from the analysis. Benton Harbor and Jackson are each census-designated metropolitan statistical areas (composed of Berrien and Jackson counties, respectively); however, we grouped these with non-metro areas because their communities were not classified in *Michigan Metropatterns*. Excluding Berrien and Jackson counties from the analysis does not, however, change the finding that non-metro areas had much larger shares of TEDF, EDJT and IFT deals than their share of statewide population or dislocated workers. But, these deals were on average smaller in terms of funding and job creation.

Table 6 summarizes the geographic distribution of incentive deals statewide, spanning local community classifications in all seven metro areas, as well as all non-metro and only the primarily rural (excluding Jackson and Berrien) areas. Also shown are the working-age population of each area, and the number of business closures and workers dislocated, according to notices mandated by the federal Worker Adjustment and Retraining Notification (WARN) Act.

FINDING #2: A BIAS AGAINST CENTRAL CITIES

Table 7 summarizes our findings solely within the seven metro areas, excluding incentives in the state's non-metro jurisdictions. Central cities—the named cities for the seven metro areas—have 18 percent of the working-age population and suffered a fourth of the dislocated workers. Yet they received far smaller shares of incentives, including just 6 percent of MEGA deals, 8 percent of TEDF deals and 15 percent of EDJT deals. By contrast, bedroom developing communities, with about the same population share and far fewer dislocated workers, received, or in the case of IFT granted, more—sometimes

TABLE 6:

Michigan Statewide Analysis, Including Both Metro and Non-Metro Areas

Community Classifications	% Working-Age Pop.	% WARN Layoff Notices	% WARN Jobs Lost	% EDJT Deals	% IFT Deals	% MEGA Deals	% MEGA Credits	% TEDF Deals	% TEDF Funds
Metro									
Central City	15%	16%	22%	10%	5%	5%	4%	5%	8%
Stressed	9%	12%	13%	9%	12%	11%	11%	10%	17%
At-Risk Established	17%	20%	18%	16%	17%	17%	20%	14%	4%
At-Risk Low Density	9%	5%	6%	6%	8%	5%	3%	8%	7%
Bedroom Developing	16%	14%	12%	11%	19%	13%	12%	12%	10%
Low-Stress	13%	13%	12%	11%	8%	23%	29%	8%	25%
Industrial Towns	2%	5%	5%	4%	3%	8%	15%	7%	20%
Non-metro									
All Non-Metro	18%	15%	12%	33%	29%	17%	6%	36%	9%
Non-Metro Excluding Berrien & Jackson	15%	10%	7%	26%	23%	10%	4%	32%	8%

two or three times more—of every kind of subsidy.

Central cities also granted fewer IFT exemptions than almost all other community types—including those with much smaller populations. This may reflect both the existence of fewer firms to request the exemptions and less willingness by central cities to grant them due to their tax-base stress.

Older, less affluent localities that are generally designated as "stressed" and "at-risk, established" communities fared less poorly, with levels of incentives roughly equivalent to their working-age population and/or rate of dislocation. While this pattern holds on a statewide basis, there are substantial differences among metro areas.

TABLE 7:

Michigan Statewide Analysis of Only the Seven Metro Areas

Community Classifications	% Working-Age Population	% Warn Layoff Notices	% WARN Jobs Lost	% EDJT Deals	% IFT Deals	% MEGA Deals	% MEGA Credits	% TEDF Deals	% TEDF Funds
Central City	18%	19%	25%	15%	7%	6%	4%	8%	9%
Stressed	11%	14%	15%	14%	17%	14%	12%	16%	18%
At-Risk Established	21%	23%	20%	24%	24%	21%	22%	21%	4%
At-Risk Low Density	11%	6%	6%	9%	11%	6%	3%	13%	8%
Bedroom Developing	20%	16%	14%	16%	26%	15%	12%	18%	11%
Low-Stress	16%	15%	14%	16%	12%	28%	31%	13%	27%
Industrial Towns	3%	6%	6%	5%	4%	10%	16%	11%	22%

FINDING #3: MEGA THE MOST BIASED WITHIN THE SEVEN METRO AREAS

Within the seven metro areas, MEGA's distribution was the most sprawling and inequitable (although it was least biased in favor of rural areas). MEGA deals went disproportionately to low-stress suburbs (28 percent) and away from central cities (only 6 percent—a total of just 7 deals over four years) even though central cities have more working-age adults and experienced more dislocation than low-stress communities. MEGA also disproportionately favored industrial towns and, as detailed below, most of the new-job growth it induced occurred in outlying areas. Our finding that MEGA deals were biased in favor of less needy communities parallels that of a 1999 study by the Mackinac Center for Public Policy, which found that 60 percent of MEGA deals went to firms in counties with unemployment rates *below* the statewide average.[23]

In communities with middling degrees of stress, MEGA's disparities were not so stark, and the program's distribution varied among the different metro areas; but overall it was the most biased subsidy program within urban areas.

Within metro areas, EDJT showed less bias in favor of communities with higher tax base and/or lower density, although as noted, rural areas received a disproportionate share of EDJT grants and central cities received relatively few. TEDF and IFT also favored development in non-metro areas while supporting few projects in central cities, but their distribution across stressed, at-risk, bedroom developing, low-stress and industrial communities was more in accordance with population shares.

GEOGRAPHIC ANALYSIS OF EACH INCENTIVE

Michigan Economic Growth Authority (MEGA)

MEGA provides single business tax (SBT) credits for new capital investment and/or job creation. As stated above, MEGA was least biased towards rural areas but most inequitably and inefficiently distributed within metro areas, with very few deals going to central cities and a disproportionate share to low-stress communities. Low-stress communities such as Plymouth Township, Livonia, and Troy City, which each received more than one deal in the Detroit metro area, were the big winners in MEGA allotments. As Table 8 details, with only 13 percent of the total population and 16 percent of the metro population, low-stress communities received 23 percent of statewide deals, 28 percent of metro deals, and even larger shares of MEGA dollars, and of those intended for new job creation.

Industrial towns such as Auburn Hills City in Oakland County also gained a disproportionate share of MEGA deals. With just 2 percent of statewide population, these communities received 8 percent of MEGA deals and 15 percent of MEGA dollars. Within other types of communities, the distribution of MEGA credits is more in accordance with economic need.

TABLE 8:

MEGA Statewide, Including Metro and Non-Metro Areas

Community Classifications	% Working-Age Population	% MEGA Deals	% MEGA Credits	% of All Jobs (new & retained)	% of Projected New Jobs	Average Weekly Wage for Jobs Created	% of Jobs That Are New
Metro							
Central City	15%	5%	4%	9%	3%	$704	25%
Stressed	9%	11%	11%	14%	9%	$839	42%
At-Risk Established	17%	17%	20%	15%	17%	$1,285	77%
At-Risk Low Density	9%	5%	3%	3%	5%	$755	100%
Bedroom Developing	16%	13%	12%	9%	13%	$957	99%
Low-Stress	13%	23%	29%	26%	30%	$1,070	79%
Industrial Towns	2%	8%	15%	14%	9%	$1,007	45%
Non-Metro							
All Non-Metro	18%	17%	6%	10%	13%	$635	95%
Non-Metro Excluding Berrien and Jackson	15%	10%	4%	7%	10%	$524	93%

MEGA's disparity between central cities and low-stress suburbs extends beyond the number of agreements and the amount of funding to job creation and even salaries (see Table 8). For new jobs to be created as a result of MEGA grants, those in central cities had among the lowest average weekly wage rates—only jobs in rural areas were lower. Central cities also had the lowest percentage of new jobs (jobs within companies receiving MEGA credits). Low-stress suburbs, on the other hand, had the second highest average weekly wage and gained the most new jobs.

Overall, MEGA was the only program that gave a larger share of grants to companies claiming to create new jobs than to businesses that were simply retaining existing jobs. Sixty-seven percent of the jobs projected for MEGA grants were new. Central cities, stressed communities and industrial towns were the only community classifications in which more of the jobs associated with MEGA credits were retained rather than newly created. This means that the growth induced by MEGA deals has been disproportionately concentrated in low-stress suburbs, exacerbating inefficient and inequitable land use patterns.

Transportation Economic Development Fund (TEDF) Grants

TEDF grants pay for road improvements connected to new or expanding job sites. The state made 59 TEDF grants during our four-year study period (the least voluminous of the four incentive programs), and they especially favored rural areas, low-stress suburbs and industrial towns at the expense of central cities and at-risk established communities.

As the maps throughout this report show, many economic development deals are

clustered around Michigan's major roadways, underscoring the importance of infrastructure investments for job creation and retention. Road spending does not necessarily contribute to inefficient land use; it can be used to promote private investment in dense areas or other places already served by infrastructure and public services. For example, it can improve truck clearances beneath central city overpasses or rebuild decaying streets. But when it subsidizes development in outlying and newly developing areas, spending for roads drives thin development and inefficient land use.

As Table 9 details, central cities received fewer TEDF deals than every other type of community, and at-risk established places received just 4 percent of TEDF dollars. By contrast, primarily rural non-metro areas (excluding Jackson and Berrien counties as well as the seven named metro areas), which generally have less existing infrastructure, received a disproportionately high share—32 percent—of TEDF grants, although they were smaller in value and projected fewer jobs per deal. Industrial towns received 10 times more TEDF dollars than their share of the working-age population. Low-stress suburbs, which also often have less existing infrastructure than central cities, received a fourth of TEDF support, and these deals projected the largest percentage of total and new jobs. This suggests that new-job growth is being disproportionately induced by TEDF grants in outlying areas.

Among needier areas, only stressed communities fared well under TEDF. Overall, a relatively large share—40 percent—of the total number of jobs associated with TEDF grants between 2001 and 2004 were new.

TABLE 9:

TEDF Statewide, Including Metro and Non-Metro Areas

Community Classifications	% Working-Age Population	% TEDF Deals	%TEDF Funds	% of All Projected Jobs	% of Projected New Jobs	% of Jobs That Are New
Metro						
Central City	15%	5%	8%	16%	15%	37%
Stressed	9%	10%	17%	7%	5%	29%
At-Risk Established	17%	14%	4%	6%	15%	98%
At-Risk Low Density	9%	8%	7%	12%	5%	15%
Bedroom Developing	16%	12%	10%	4%	8%	83%
Low-Stress	13%	8%	25%	26%	33%	49%
Industrial Towns	2%	7%	20%	20%	6%	12%
Non-Metro						
All Non-Metro	18%	36%	9%	8%	14%	68%
Non-metro Excluding Berrien and Jackson	15%	32%	8%	5%	13%	68%

Economic Development Job Training (EDJT) Grants

EDJT provides matching funds for training both new and incumbent workers. Although by some measures EDJT favored rural areas and industrial towns while shortchanging central cities, its distribution does not show disparities as large as those found in MEGA and TEDF. (Data for the dollar amounts of EDJT grants are not analyzed here because state reports exclude values for one third of the job site locations.)

EDJT benefits to urban communities besides industrial towns were more in line with their share of the working-age population and where they differed, they slightly favored more stressed and denser communities. Looking at the distribution of EDJT only within metropolitan areas (Table 3), stressed and at-risk established communities actually received slightly larger shares of grants than their population. Yet the clear winners in grant allotments were once again non-metro areas, which received 33 percent of EDJT grants despite containing only 18 percent of the state's population. Excluding Jackson and Berrien from this category, the primarily rural areas received 26 percent of deals despite having only 15 percent of the state's population.

While EDJT deals are comparatively more concentrated in older, less-affluent areas than the other subsidies examined in this report, the thinning geography of new jobs is again apparent. Although only 10 percent of EDJT grants went to train new hires, over 40 percent of those new hires were located in rural areas, low stress suburbs or industrial towns.

TABLE 10:

EDJT Statewide, Including Metro and Non-Metro Areas

Community Classifications	% Working-Age Population	% EDJT Deals	% Total Workers Trained	% New workers trained	% of Jobs That Are New
Metro					
Central City	15%	10%	15%	15%	10%
Stressed	9%	9%	8%	11%	14%
At-Risk Established	17%	16%	17%	15%	9%
At-Risk Low Density	9%	6%	5%	5%	10%
Bedroom Developing	16%	11%	8%	9%	13%
Low-Stress	13%	11%	18%	21%	12%
Industrial Towns	2%	4%	12%	8%	7%
Non-Metro					
All Non-Metro	18%	33%	18%	16%	9%
Non-Metro Excluding Jackson and Berrien	15%	26%	15%	12%	8%

Industrial Facilities Property Tax (IFT) Exemptions

IFT is a state law that allows any locality to grant property tax exemptions for new or improved worksites. In our four study years, Michigan jurisdictions granted 2,421 of them. The dollar values of IFT exemptions are not recorded by the state, however, the values of the exempted properties are reported; they totaled $15 billion.

IFT differs from the other three incentives in that the expenditure is made by the local government, not the state. Analyzing IFT geographically is also more complicated because the demand for IFT exemptions reflects in part the geography of investment in machinery and equipment, some of which eliminates jobs through automation. It is also complicated by the fact that some communities grant virtually every IFT application, while other localities choose not to, probably because they deem the expense too great.

That said, our analysis in Table 11 of IFT exemptions shows that they are subsidizing proportionally more new, expanded or restored structures (real property investments) in low-stress suburbs while more often exempting new machinery and equipment (personal property investments) in stressed and at-risk established communities. Central cities are granting only 5 percent of IFT exemptions and reporting the same level of private investment. This low number may reflect fewer companies applying as well as fewer cities granting them. And high numbers of IFT exemptions in outlying areas may reflect both more applications and more localities (with higher growth and therefore richer tax bases) granting them. The fact that IFT is in no way targeted to needy areas means that faster-growing (i.e., outlying) areas that can better afford the revenue loss retain an inherent structural advantage in being able to offer them.

Non-metro areas grant the largest share of IFT exemptions whether or not Jackson and Berrien counties are included. However, as Table 11 shows, the majority of the real property investment made in non-metro areas was in these more urbanized counties.

Overall, only 23 percent of all jobs associated with IFT exemptions were new—more than EDJT, but far less than MEGA or TEDF.

TABLE 11:

IFT Statewide, Including Metro and Non-Metro Areas

Community Classifications	% Working-Age Population	% IFT Exemp-tions	% Total Projected Jobs	% Total New Jobs	% of Jobs that are New	% Total Real Property Investment	% Total Personal Property Investment
Metro							
Central City	15%	5%	5%	5%	20%	5%	5%
Stressed	9%	12%	15%	13%	19%	10%	15%
At-Risk Established	17%	17%	24%	14%	13%	15%	25%
At-Risk Low Density	9%	8%	6%	14%	51%	9%	5%
Bedroom Developing	16%	19%	15%	14%	21%	10%	13%
Low-Stress	13%	8%	9%	10%	26%	21%	13%
Industrial Towns	2%	3%	6%	9%	38%	7%	12%
Non-Metro							
All Non-Metro	18%	29%	20%	23%	26%	22%	11%
Non-Metro Excluding Jackson and Berrien	15%	21%	17%	20%	27%	3%	8%

Chapter 2

The Statewide Geographic Distribution of Economic Development Incentives Among Regions

An Overall Bias Against Metro Areas

The distribution of incentives varies somewhat among the state's metro areas, but the biggest disparity is between the seven metro areas versus the rest of the state. As Table 12 shows, primarily rural areas ("non-metro" areas excluding the urbanized Jackson and Berrien counties) collectively received over one and half times their population share of EDJT deals and more than twice their population share of TEDF deals (but a much smaller share of TEDF funds). They also granted a comparatively large share of IFT exemptions. These disproportionate shares of subsidy deals in the state's least-populated areas have exacerbated Michigan's land-use problems. Figure 1 (on page 30) shows the distribution of deals outside of the Detroit, Grand Rapids, Kalamazoo, Lansing, Flint, Saginaw and Traverse City metro areas.

Looking at the distribution of deals among metro regions rather than within them (as we do in the next section) does not reveal much about land use. But it does reveal disparities in some specific subsidy programs. For example, compared to its share of the state's working-age population, the Detroit region received a disproportionately large number of MEGA deals and an even larger share of MEGA funding. Meanwhile, communities in the Grand Rapids region granted more IFT exemptions than did the Detroit area, despite having about one fifth the population.

TABLE 12:

Regional Shares of Development Incentives, Including Both Metro and Non-Metro Areas

	% Working-Age Pop.	% WARN Lay-off Notices	% WARN Jobs Lost	% IFT Deals	% EDJT Deals	% MEGA Deals	% MEGA Funds	% TEDF Deals	% TEDF Funds
Metro									
Detroit	51%	55%	59%	27%	36%	61%	79%	44%	74%
Flint	4%	3%	2%	1%	2%	2%	3%	0%	0%
Grand Rapids	11%	14%	15%	28%	13%	9%	5%	8%	4%
Kalamazoo	5%	5%	4%	7%	4%	5%	1%	3%	1%
Lansing	5%	4%	6%	2%	3%	3%	1%	5%	11%
Saginaw	4%	3%	2%	4%	5%	5%	3%	3%	1%
Traverse City	2%	1%	1%	1%	4%	0%	0%	0%	0%
Non-Metro									
All Non-Metro	18%	15%	12%	29%	33%	17%	6%	36%	9%
Non-Metro Excluding Jackson and Berrien	15%	10%	7%	26%	23%	10%	4%	32%	8%

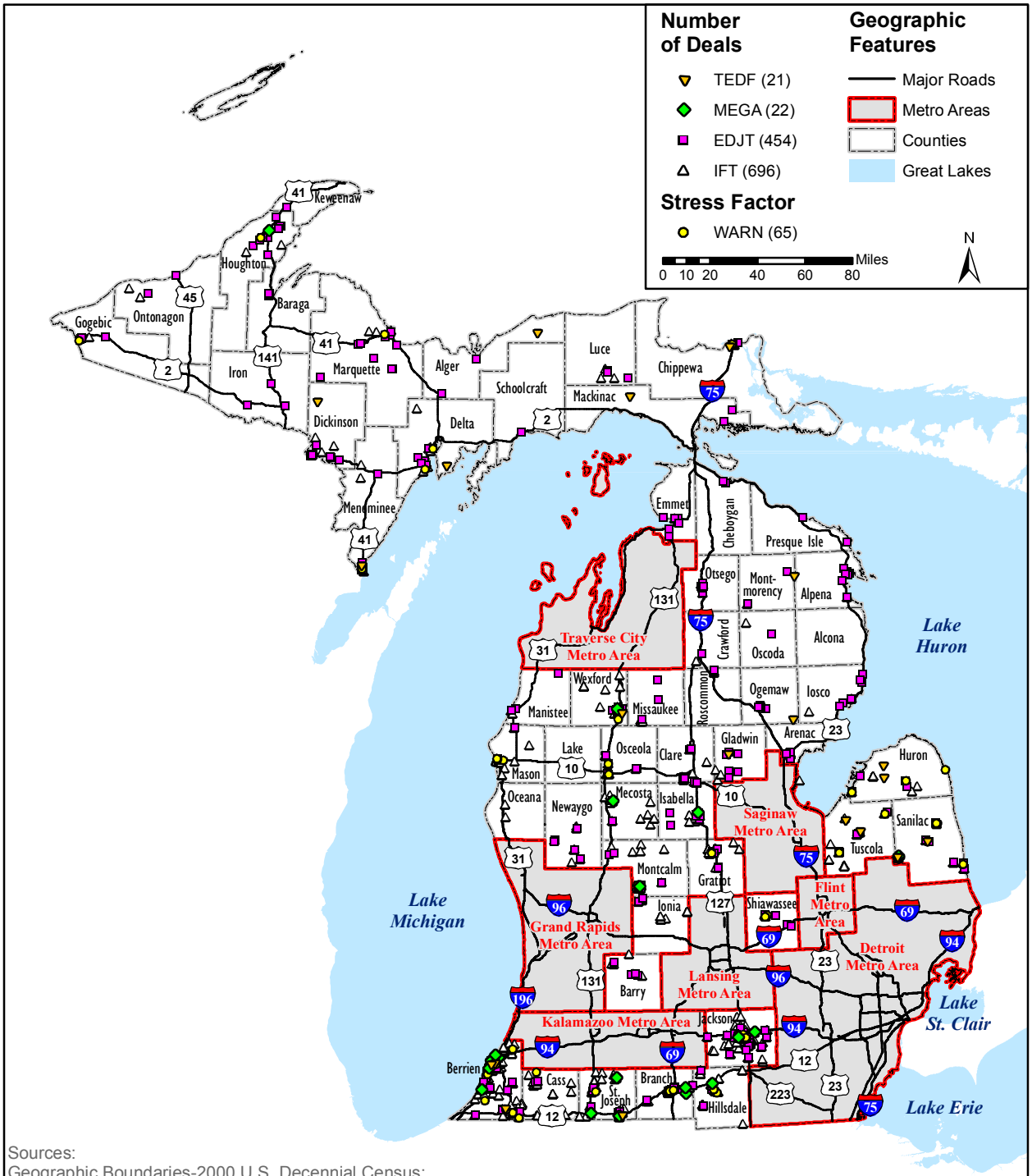
Excluding non-metropolitan areas, the Detroit region also received a relatively large portion of TEDF grants and dollars, and the Grand Rapids region received a relatively high percentage of EDJT grants (Table 13).

TABLE 13:

Regional Shares of Development Incentives Among Only the Seven Metro Areas

	% Working-Age Pop.	% WARN Lay-off Notices	% WARN Jobs Lost	% IFPTE Deals	% EDJT Deals	% MEGA Deals	% MEGA Funds	% TEDF Deals	% TEDF Funds
Detroit	62%	64%	67%	38%	53%	79%	85%	68%	82%
Flint	5%	4%	2%	2%	3%	2%	3%	0%	0%
Grand Rapids	13%	17%	17%	40%	20%	12%	6%	13%	4%
Kalamazoo	6%	6%	4%	10%	7%	6%	1%	5%	1%
Lansing	6%	4%	7%	3%	4%	4%	2%	8%	12%
Saginaw	5%	4%	2%	6%	7%	6%	4%	5%	1%
Traverse City	2%	1%	1%	1%	7%	0%	0%	0%	0%

FIGURE 1:
Economic Development Deals and WARN Notices in Michigan Non-Metro Areas, 2001-2004



Sources:
Geographic Boundaries-2000 U.S. Decennial Census;
WARN data- Michigan Department of Labor and Economic Growth;
Subsidies-Michigan Economic Development Corporation, Michigan Department of Transportation, Michigan Department of Treasury;
Community Classifications-Ameregis
Maps Created by the Land Information Access Association (LIAA) and Good Jobs First

The other five metropolitan regions are much smaller than Detroit and Grand Rapids and thus, predictably, received or granted a small percentage of each incentive. Nevertheless, we see some discrepancies among them. The Flint region, for example, is the only one with a lower share of all four incentives than its percentage of the state's working-age adults.

LAND USE AND ECONOMIC TRENDS IN METRO MICHIGAN

As context before the incentive and land use analysis, we provide brief descriptions of each metropolitan region's economic condition and recent land use trends.

Thinning density—as measured by residents per acre of urbanized land—is hardly unique to Michigan. Land consumption almost everywhere is growing faster than population. Michigan's sprawl problem has been exacerbated by the fact that in some parts of the state, land consumption has continued even while population growth has stagnated or even declined.

Table 14 illustrates these dramatic disparities: for example, the Detroit metropolitan statistical area gained just 5 percent more people between 1982 and 1997 while 29 percent more land became urbanized.[24] Three metropolitan statistical areas—Battle Creek, Flint, and Saginaw—actually lost population over these 15 years, yet they all consumed more land. The smallest disparity was the rapidly growing Grand Rapids area, where land consumption grew less than twice as fast as population. (These Metropolitan Statistical Areas are in some cases smaller than the metro areas we use for this study's incentive analysis.)

TABLE 14:

Land Use Density Change in Michigan's Metropolitan Statistical Areas (1982-1997)[25]

	Density 1997	Change in Population 1982-1997	Change in Urbanized Land 1982-1997	Change in Density 1982-1997
Metropolitan Statistical Area				
Battle Creek	2.74	-1.8%	17.3%	-16.3%
Detroit-Ann Arbor	4.27	5.0%	29.0%	-18.7%
Flint	2.97	-0.6%	21.4%	-18.1%
Grand Rapids	3.32	26.9%	45.2%	-12.6%
Kalamazoo	3.52	9.7%	30.2%	-15.8%
Lansing - East Lansing	3.4	6.8%	50.3%	-28.9%
Muskegon	2.92	6.9%	28.5%	-16.9%
Saginaw - Bay City Midland	3.54	-3.0%	31.8%	-26.4%
US Census Designated Region				
All Midwest Cities	3.39	7.1%	32.2%	-19.0%
United States	3.55	17.0%	47.1%	-20.5%

In other words, the economic development subsidies analyzed in this study have largely served to re-arrange economic activity within the state and within regions rather than help the whole state grow.

DETROIT

The Detroit region (Lapeer, Lenawee, Livingston, Macomb, Monroe, Oakland, St. Clair, Washtenaw and Wayne Counties) is by far the largest in the state, with 62 percent of Michigan's metro working-age population. Therefore, land-use trends here have an enormous impact on Michigan's efficiency and economic competitiveness.

Detroit was one of the few large U.S. cities that did not experience population growth in the 1990s, a period in which many older urban areas enjoyed a modest "back to the city" movement. Although the Detroit metro area experienced moderate population growth in the 1990s, and employment grew by 16 percent, the region also experienced some of the most unbalanced growth in the state.[26] While the economic downturn of 2000 hurt all local economies, as of 2004 only outlying Lewanee and Livingston Counties had recovered to their 1998 employment levels.[27]

Reflecting this overall thinning trend, jobs in the Detroit area have grown geographically dispersed: a study of the 100 largest metropolitan areas found that the Detroit metropolitan statistical area ranked second in "job sprawl," as measured by the share of jobs located within ten miles of the central business district.[28] The nine-county area received a disproportionately large share of MEGA and TEDF incentives (including 85 percent of MEGA dollars), somewhat fewer EDJT grants (53 percent) and granted far fewer IFT exemptions (38 percent). However, Detroit's share of IFT exemptions is depressed by the Grand Rapids area's exceptionally heavy use of them.

GRAND RAPIDS

In *Michigan Metropatterns*, Orfield and Luce call the Grand Rapids region "robust." It is composed of Allegan, Kent, Muskegon, and Ottowa Counties. During the 1990s, it enjoyed higher population growth than the U.S. average for all metropolitan areas and the fastest in Michigan after the Traverse City region. "Job growth was even more impressive, easily outstripping the other regions," with a 32 percent gain in total employment, they note.

The Grand Rapids region has also received and granted a disproportionately high number of EDJT and IFT deals. With 13 percent of Michigan's metro population, this region received 20 percent of EDJT grants and granted more IFT exemptions than did Detroit.

As in the Detroit region, however, growth has been uneven and mostly sprawling. Orfield and Luce found that most growth in the region has been in outlying

communities rather than the central city and that regional poverty is highly concentrated in the central city and some stressed communities. Indeed, many of area's outlying localities seem unwilling to accommodate the density associated with apartments or town homes. A recent study found that 42 percent of the municipalities in the Grand Rapids metropolitan statistical area limit all new housing development to one unit per quarter acre lots or larger.[29]

LANSING

With a higher share of public-sector employment, the Capital Region (Clinton, Eaton and Ingham Counties) has not been as deeply hurt by manufacturing layoffs as many other parts of the state. In the 1990s, population growth there was moderate, as was job growth. While it received a relatively large share of TEDF funding, the area received a relatively low percentage of MEGA and EDJT subsidies. Additionally, it granted a low number of IFT exemptions compared to other regions.

While the Lansing/East Lansing metropolitan area experienced modest population growth in the 1990s of almost 7 percent, the increase in urbanized land over that same period was more than seven times greater—50.3 percent.[30] Orfield and Luce found that growth in the Lansing area was largely in outlying communities and occurred at the expense of the core. Indeed, between 1990 and 2000, population in the central cities of Lansing and East Lansing declined by 6 and 8 percent respectively.[31] They note that while tax-base or fiscal disparities between communities in all the other six regions declined in the late 1990s, disparities in the Lansing region increased slightly.

As detailed in the next chapter, development incentives have largely not been used to bring jobs back to the urban core in the Lansing region. Instead, they have a unique distribution, going heavily to regional urban sub-centers such as the cities of Charlotte, Mason and St. Johns. Lower-stress suburbs have also obtained a large potion of the region's subsidy funding.

KALAMAZOO

Employment in the Kalamazoo region (Calhoun, Kalamazoo, and Van Buren Counties) also grew moderately during the 1990s. But Kalamazoo received only 1 percent of TEDF and MEGA funds, though a bigger share or deals. Kalamazoo was also generous in its granting of IFT exemptions.

As in the other regions, Kalamazoo's growth has favored suburban communities at the expense of the urban core. Land consumption outpaced population growth by more than three times between 1982 and 1997.[32] Orfield and Luce note that while many suburbs in the region grew rapidly in the 1990s, the city of Kalamazoo, the stressed communities of Springfield and Battle Creek and the industrial town of South Haven lost population.

A recent development in Kalamazoo may alter the city's economic trajectory. Anonymous donors have funded the "Kalamazoo Promise," a program that offers free in-state community college or state university tuition for children who graduate from the Kalamazoo school system (prorated to the number of years they attend). Early reports suggest that the program is attracting families with school-age children and may be boosting new-home construction and school enrollment figures.[33]

FLINT

The Flint region (Genesee County) composes only 5 percent of the state's metropolitan working-age population and is one of the most economically stressed areas in Michigan. Despite a slight decline in population between 1982 and 1997 (down 0.6 percent), developed land area grew by more than 21 percent.[34] Orfield and Luce note that the property tax base per household in this region was just $47,946 in 2000, compared with an average of over $64,500 in the other six metro areas; that among the seven metro areas, Flint had the highest share of elementary school students eligible for free or reduced price lunch; and that while the other regions together gained employment in the 1990s (although some clearly gained more than others), Flint actually lost jobs.

Although Genesee County has more working-age people than the Saginaw and Traverse City regions, it received the lowest number of EDJT grants, the next to lowest number of MEGA credits (the much smaller Traverse City region received none) and no TEDF grants. Thus, economic development incentives have little benefited this region, despite the comparatively dire state of its economy. Additionally, aside from Traverse City, this region granted the lowest number of IFT exemptions.

On a positive note, as detailed in a following chapter, the few economic development resources the Flint region did receive were more concentrated in the inner city than in any other metro area.

SAGINAW

Population in the Saginaw region (Bay, Midland and Saginaw Counties) grew very slightly during the 1990s. Mostly, population shifted within the area, with some low-stress suburbs growing rapidly while the city of Saginaw's population decreased. Indeed, between 1982 and 1997, population dropped in the metropolitan area by 3 percent while urbanized land area grew almost 32 percent.[35]

The central city received a relatively high percentage of state-granted economic development subsidies considering its share of the regional population, but granted relatively few IFT exemptions. The region as a whole received state-granted economic development subsidies in relative proportion to its share of the working-age population, and similarly granted IFT exemptions.

TRAVERSE CITY

The Traverse City region (Antrim, Benzie, Charlevoix, Grand Traverse, Kalkaska, and Lalanau Counties) has the smallest population of the seven metropolitan regions, but it is the fastest-growing.[36] Orfield and Luce note that there are a large number of expensive homes in the area, and that it has the wealthiest and fastest-growing tax base of the metro regions. The region's economy benefits more from tourism and retirement communities than the other regions. About 15 percent of the region's population is over the age of 65, compared to 12 percent in Michigan as a whole.[37] While much of industry-poor northern Michigan suffers below-average median incomes, Traverse City's 2000 median income almost matched that of the state ($44,667).[38]

The Traverse City area received no MEGA or TEDF deals during the four-year study period, but it did receive a disproportionate share of EDJT deals.

Chapter 3

The Geographic Distribution of State-Granted Subsidies within Each Metro Area

This chapter provides region-specific discussions of MEGA credits, EDJT grants and TEDF grants. Because IFT exemptions are not state-granted, we discuss them in a separate chapter.

Detroit Metro Area

Area Includes: Lapeer, Lenawee, Livingston, Macomb, Monroe, Oakland, St. Clair, Washtenaw and Wayne Counties

Working-Age Population: 3,124,750, or 51 percent of the state total

WARN Act Events: 239 dislocating 35,603 workers

MEGA Deals: 81 valued at $745,157,000

EDJT Deals: 491 to train 81,960 workers

TEDF Deals: 26 valued at $78,010,547

Land Use Finding: MEGA was very biased against Detroit and in favor of low-stress suburbs. TEDF shortchanged at-risk dense communities while favoring industrial towns. EDJT was less biased against Detroit but also favored industrial towns. Overall, disproportionate resources have gone to areas that need little help and are inaccessible to many workers.

The Detroit metropolitan area has experienced very uneven development.[39] As Figure 2 and Table 15 reveal, WARN events (plant closings and mass layoffs) were physically concentrated in the central city and its closest suburbs, and roughly mirrored the population. And while there are significant concentrations of poverty scattered throughout the region, most notably in stressed communities, poverty is most widespread in the city of Detroit.

FIGURE 2:
Stress in Detroit Area Communities - WARN Notices 2001-2004 and Households in Poverty

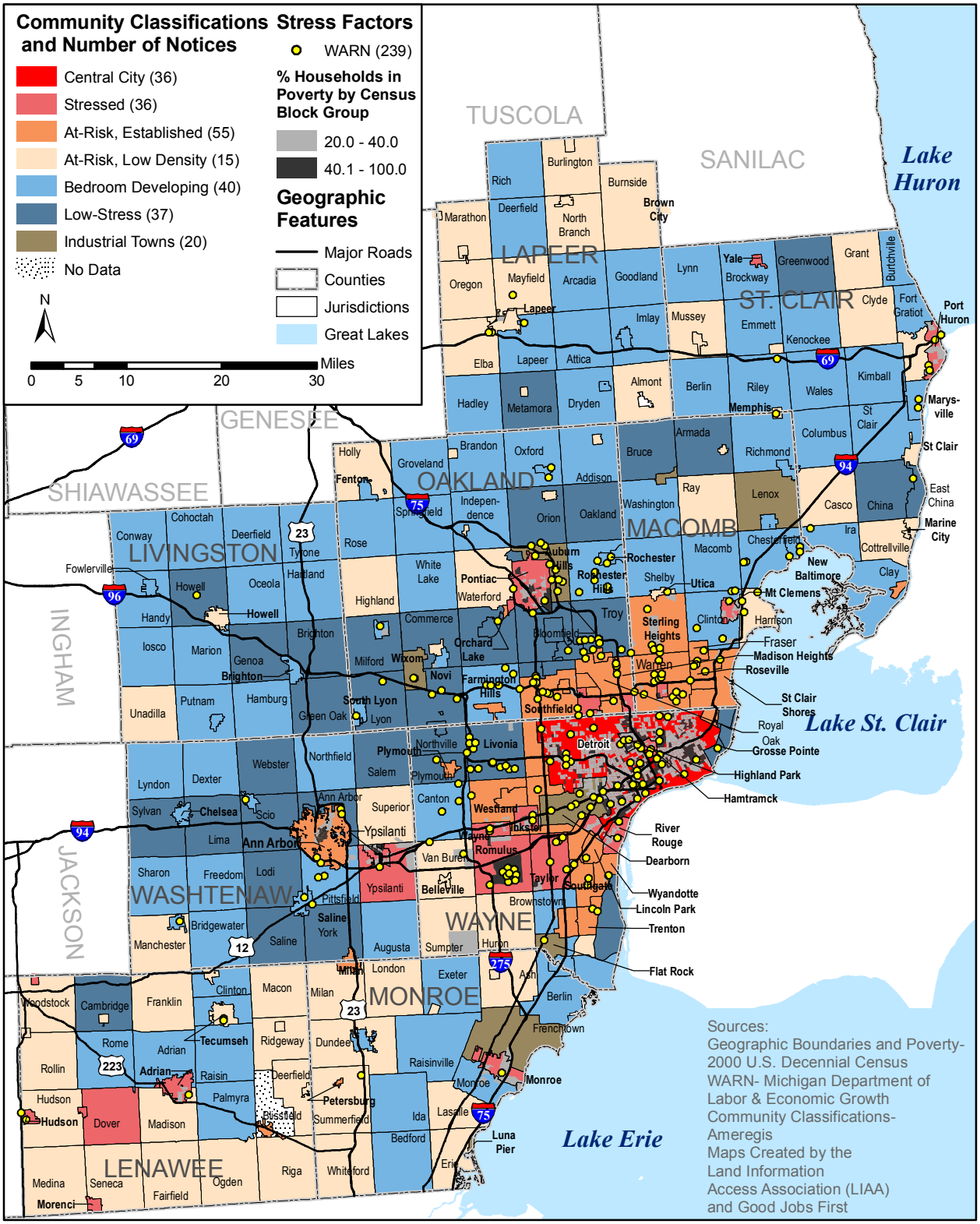


FIGURE 3:
MEGA Deals 2001-2004
Across Detroit Area Communities

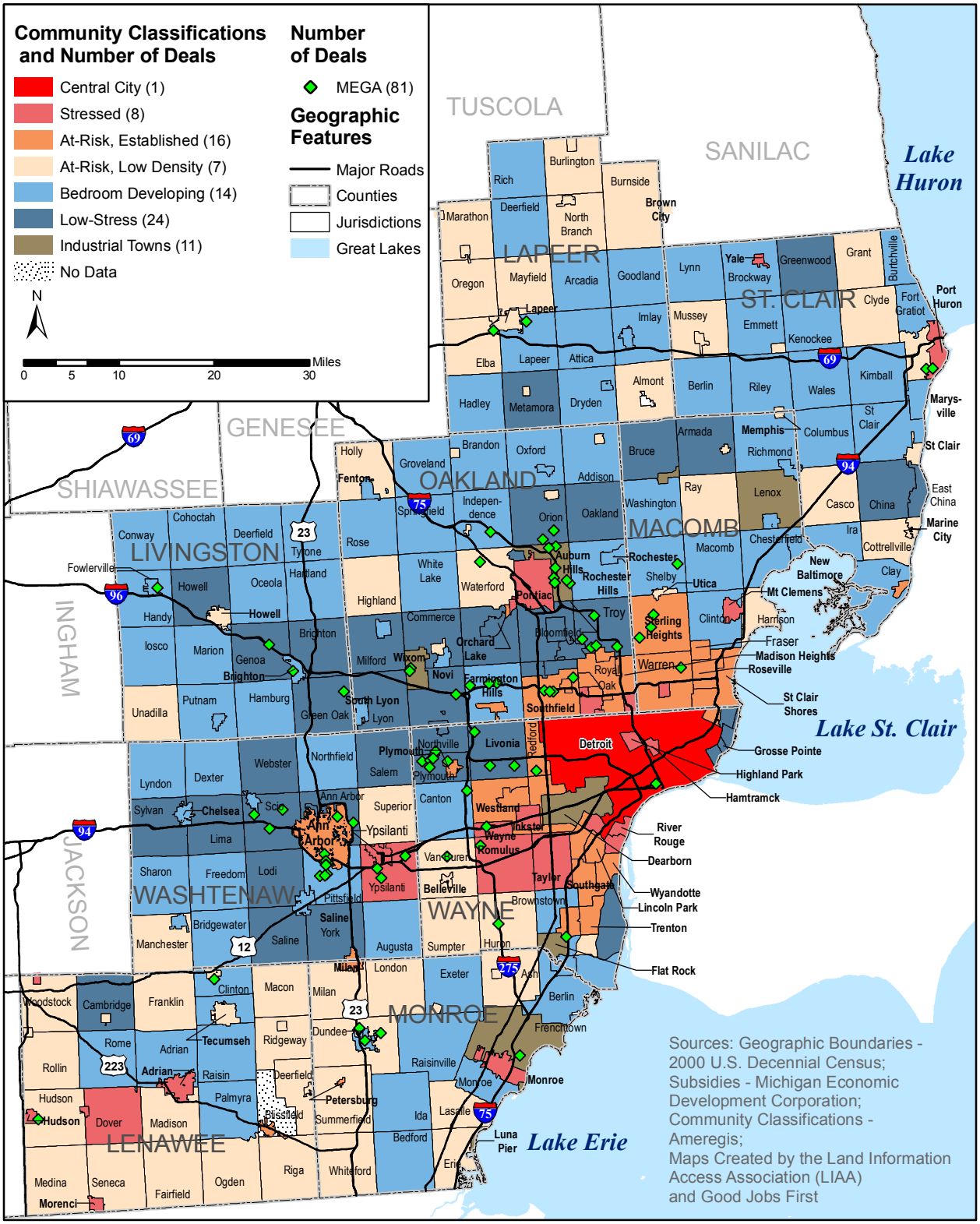


TABLE 15:

The Geographic Distribution of State-Granted Economic Development Incentives in the Detroit Metro Area

Community Classifications	% Working-Age Population	% WARN Layoff Notices	% WARN Jobs Lost	% EDJT Deals	% MEGA Deals	% MEGA Credits	% TEDF Deals	% TEDF Funds
Central City	18%	15%	19%	10%	1%	1%	12%	11%
Stressed	10%	15%	17%	14%	10%	11%	15%	21%
At-Risk Established	25%	23%	15%	23%	20%	22%	15%	4%
At-Risk Low Density	8%	6%	7%	9%	9%	4%	12%	8%
Bedroom Developing	21%	17%	15%	17%	17%	14%	19%	10%
Low-Stress	15%	15%	17%	19%	30%	30%	12%	18%
Industrial Towns	3%	8%	9%	10%	14%	19%	15%	27%

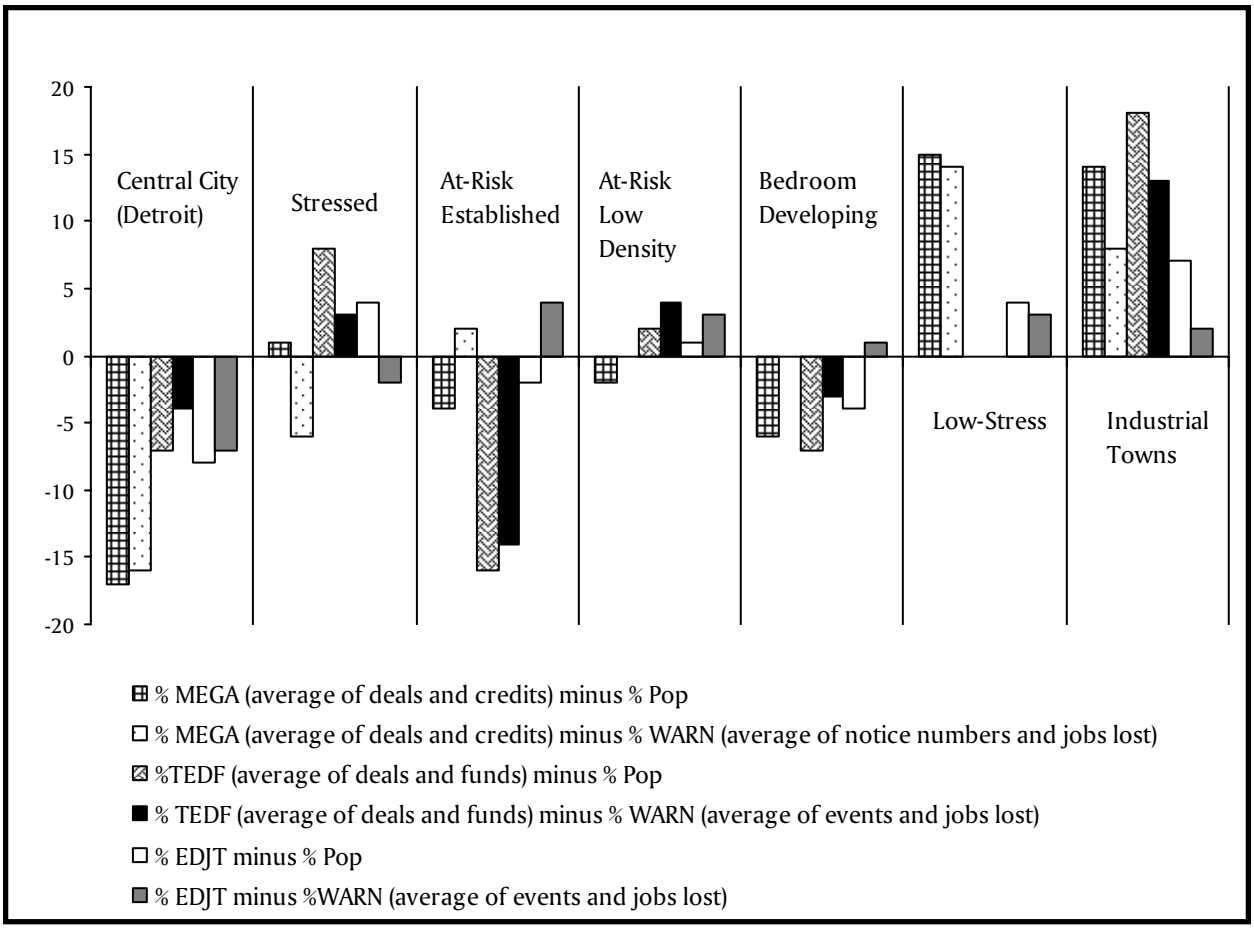
Rather than help alleviate inequalities within the region, state incentives have aggravated them. From 2001 to 2004, the 598 Detroit-area state-granted subsidies we examined showed a bias away from the central city, exacerbating the problem of job sprawl. With 18 percent of the region's working-age population, the largest number of lost jobs reported in WARN notices, and the greatest concentration of poverty, the city of Detroit consistently received a disproportionately low share of subsidies.

None of the three economic development programs served to redirect jobs back towards the region's center. Bedroom developing and low-stress communities received a larger number of incentives under each of the three programs than did the city of Detroit. This bias against the central city and its most economically stressed communities in favor of wealthier, less needy areas is most prominent in MEGA, which strongly favored low-stress suburbs at the expense of the central city. TEDF and EDJT also shortchanged the central city but were otherwise distributed more equitably.

Chart 1 graphically presents the information in Table 15. The shares of WARN events and WARN-related job losses in each community classification are averaged to obtain one number for WARN stress. Similarly, the share of MEGA deals and credits in each community classification and the share of TEDF deals and funds is averaged to obtain one number for each of these subsidies. The subsidy shares in each community type have been subtracted from WARN and population shares to show which community types received more than proportionate shares of deals and which received less. As the chart shows, the city of Detroit received disproportionately few subsidies while low-stress suburbs and industrial towns consistently received more.

CHART 1:

Percentage Point Difference Between Share of State-Granted Deals and Share of Population and WARN Events in Detroit Area Communities



NOTE: *Missing columns in the above graph signify that there is no difference between a community type's share of deals and share of WARN or share of deals and share of population.*

MICHIGAN ECONOMIC GROWTH AUTHORITY

The program with the most striking bias against the central city of Detroit and in favor of its wealthiest and least accessible suburbs is MEGA (Figure 3). During the four-year study period, Detroit received only one of the 81 total MEGA deals in the region, with only 1 percent of total MEGA funds and 2 percent of the projected jobs.

Meanwhile, communities that have the advantages of less poverty and stronger tax bases reaped the largest gains from the MEGA program. In stark contrast with the central city, low-stress suburbs, with a smaller share of the regional population, received the largest share—30 percent—of these deals and dollars and even larger

TABLE 16:

MEGA Characteristics Across Detroit Metro Area Communities

Community Classifications	% Working- Age Population	% MEGA Deals	% MEGA Credits	% of All Projected Jobs	% of New Projected Jobs	Average Weekly Wage
Central City (Detroit)	18%	1%	1%	2%	3%	$1,125
Stressed	10%	10%	11%	16%	7%	$768
At-Risk Established	25%	20%	22%	15%	16%	$1,119
At-Risk Low Density	8%	9%	4%	5%	7%	$755
Bedroom Developing	21%	17%	14%	11%	17%	$1,024
Low-Stress	15%	30%	30%	32%	37%	$1,095
Industrial Towns	3%	14%	19%	20%	14%	$1,007

shares of jobs (Table 16). In *Michigan Metropatterns*, Orfield and Luce report that Detroit's low-stress suburbs have by far the least affordable housing in the region, making many of these newly created jobs hard to access for those who truly need them.[40]

Less affluent communities fared better than did the central city, although they still received far fewer benefits from MEGA than did low-stress suburbs. As Table 16 shows, at-risk established communities received a relatively high percentage of the Detroit area's MEGA deals and funds, although they projected only 15 percent of the total jobs. Stressed communities, with 10 percent of the population, received 16 percent of the total jobs associated with MEGA grants. However, 80 percent of these jobs were retained, meaning that overall there was little new job creation in these communities as a whole. Certain stressed communities, like distant Port Huron, fared better than others.

Industrial towns received a disproportionately large share of MEGA deals, funds and jobs, considering they contained a total of only 3 percent of the regional population. These communities vary considerably in their socio-economic characteristics. Most of the MEGA deals in this category went to the City of Auburn Hills, which is relatively affluent, and all of the MEGA jobs in Auburn Hills were new. On the flip side, Auburn Hills is adjacent to the stressed, high-poverty city of Pontiac, suggesting access to some of the new jobs for Pontiac residents. Another big industrial town, Dearborn, is adjacent to the city of Detroit and received no MEGA deals.

In summary, relatively few MEGA deals went where they were most needed. Compared to the geographic distribution of WARN notices and pockets of poverty, MEGA deals were more sprawling. Few MEGA deals went to communities that were adjacent to the central city and only one to Detroit itself.

TABLE 17:

MEGA Distribution by Community Population Density in the Detroit Metro Area

Density (Working Age Persons per Sq. Mile)	% Working-Age Population	% MEGA Deals	% MEGA Credits	% of All Projected Jobs	Average Weekly Wage
3,554.64 - 6,571.56	22%	1%	1%	2%	$1,125
2,542.87 - 3,554.63	16%	11%	9%	6%	$1,073
1,724.75 - 2,542.86	17%	14%	28%	26%	$1,024
1,100.01 - 1,724.74	19%	32%	25%	26%	$1,133
594.81 - 1,100.00	8%	23%	26%	24%	$971
226.97 - 594.80	8%	12%	8%	14%	$672
15.56 - 226.96	11%	6%	4%	2%	$1,091

Viewed from the sheer perspective of population density (working-age people per square mile of land area), MEGA looks severely biased: of the 11 communities in the region with the greatest density, only one, the city of Detroit, received a single MEGA deal. These 11 communities include stressed and at-risk established municipalities such as the city of Lincoln Park, Royal Oak Township, and the city of Ypsilanti.

Moreover, only 11 percent of MEGA deals went to communities in the next highest density category, which includes mostly at-risk established places, such as the cities of Ann Arbor and Wyandotte, but also stressed communities like Highland Park and even some low-stress suburbs like Grosse Point. Together, the communities in the two highest-density bands compose 38 percent of the regional population but received only 12 percent of MEGA deals and 10 percent of the credit value.

TRANSPORTATION ECONOMIC DEVELOPMENT FUND

TEDF grants for road improvements to new or expanding job sites were less sprawling than MEGA deals. However, at-risk established communities were shortchanged: with 25 percent of the population, they received just 4 percent of TEDF funds. Only two at-risk established communities, Southfield and Warren, received TEDF grants; both are adjacent to Detroit. Detroit was also shortchanged by some measures.

By contrast, industrial towns were favored, with more than a fourth of TEDF funds and projected jobs going to 3 percent of the population. The majority of this (over $17 million) went to the City of Dearborn for new road construction and rehabilitation to an existing Ford Motor Company facility. Stressed communities also received a relatively high share of TEDF funds, with more than $13 million going to the City of Pontiac for a General Motors project to transfer 1,000 jobs into it.[41]

FIGURE 4:
TEDF Deals 2001-2004
Across Detroit Area Communities

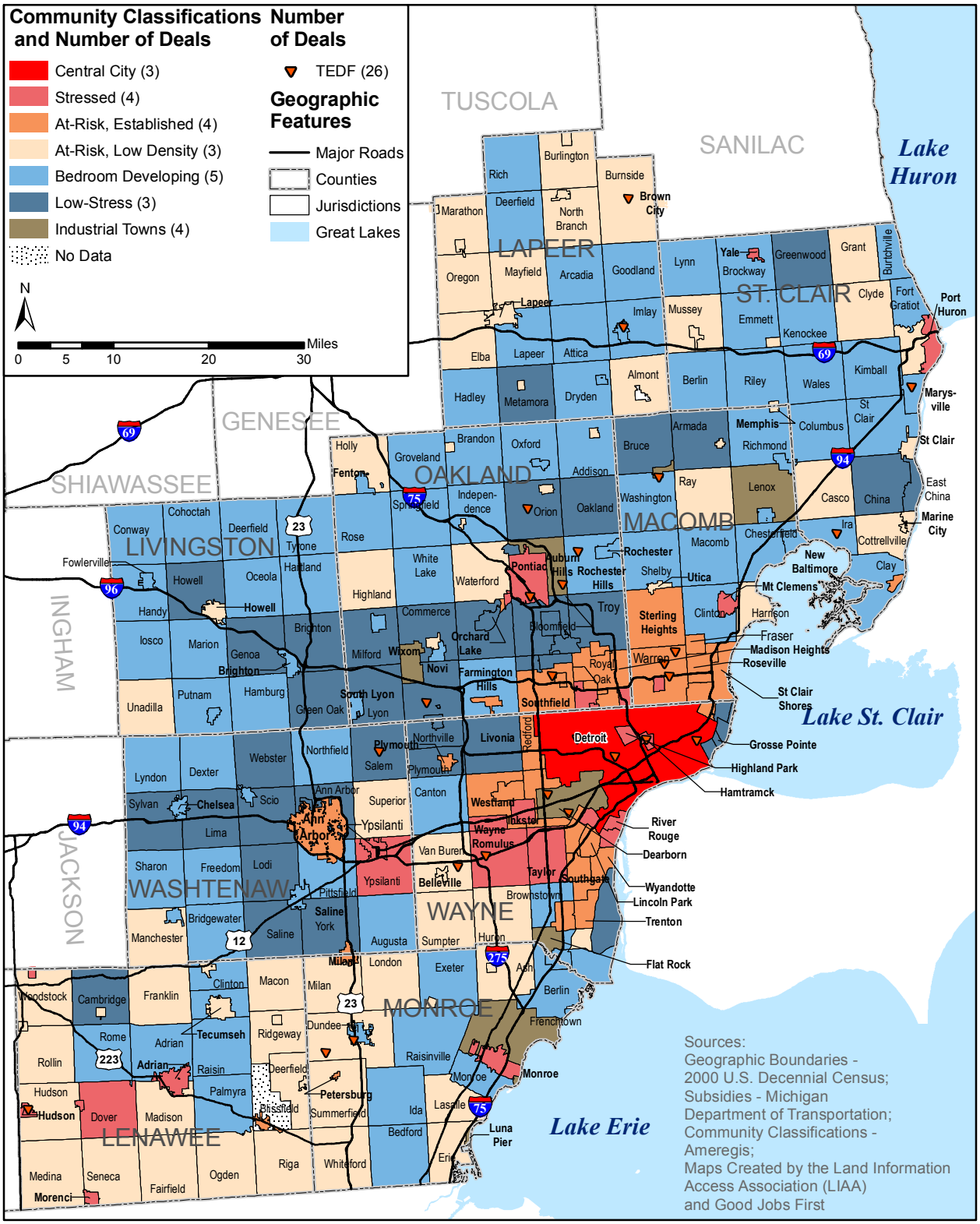


FIGURE 5:
EDJT Deals 2001-2004
Across Detroit Area Communities

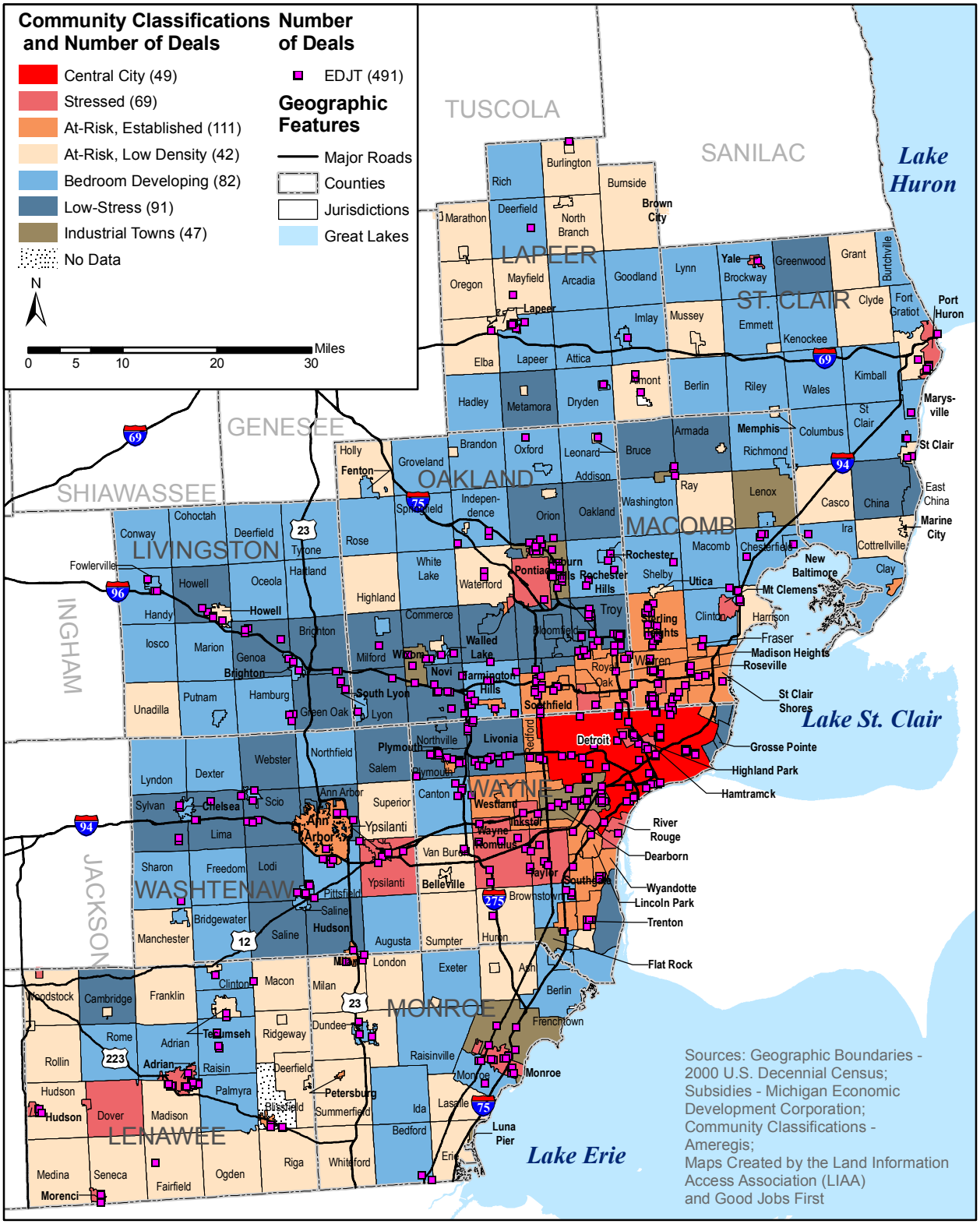


TABLE 18:

TEDF Characteristics Across Detroit Metro Area Communities

Community Classifications	% Working-Age Population	% TEDF Deals	%TEDF Funds	% of All Projected Jobs	% of New Projected Jobs
Central City (Detroit)	18%	12%	11%	21%	27%
Stressed	10%	15%	21%	8%	7%
At-Risk Established	25%	15%	4%	6%	22%
At-Risk Low Density	8%	12%	8%	15%	6%
Bedroom Developing	21%	19%	10%	3%	9%
Low-Stress	15%	12%	18%	20%	19%
Industrial Towns	3%	15%	27%	26%	10%

Although highway improvements might seem to be inherently pro-sprawl, they need not be. Dense, older urban areas can be made more attractive for new-job investments by improving underpass clearances for trucks, rebuilding bridges to handle greater weights, or adding lanes or improving signals to increase traffic capacity.

Overall, the locations of these deals tend to be scattered and somewhat sprawling. Only 15 percent of deals went to communities in the highest density category (despite having 22 percent of the regional population), and none went to communities in the second highest.

TABLE 19:

TEDF Characteristics Compared with Community Population Density in the Detroit Metro Area

Density (Working Age Persons per Sq. Mile)	% Working-Age Population	% TEDF Deals	% TEDF Funds	% of All Projected Jobs	% of New Projected Jobs
3554.64 - 6571.56	22%	15%	12%	22%	28%
2542.87 - 3554.63	16%	0%	0%	0%	0%
1724.75 - 2542.86	17%	27%	44%	33%	22%
1100.01 - 1724.74	19%	12%	15%	3%	9%
594.81 - 1100.00	8%	23%	10%	13%	15%
226.97 - 594.80	8%	12%	9%	17%	4%
15.56 - 226.96	11%	12%	9%	12%	22%

ECONOMIC DEVELOPMENT JOB TRAINING

Like MEGA and TEDF, the distribution of EDJT deals in the Detroit area was biased against the central city. With 10 percent of deals and 17 percent of the trainees in Detroit, EDJT was less biased than MEGA (Table 15). However, industrial towns were again favored, with very disproportionate shares of deals and workers trained. Affluent Auburn Hills again accounted for a large portion of the grants that went to industrial towns, but so did the adjacent-to-Detroit city of Dearborn (Appendix E online).

Low-stress communities also reaped disproportionate benefits from EDJT deals, including the largest share of new-hire trainees. Again, state money has been used to help create more new jobs in areas that need less help and are less accessible to the general workforce.

On a more positive note, as was the case with MEGA, stressed and at-risk high-density communities received a fairer share of EDJT grants. EDJT provided them a larger share of deals than did the other three programs; but then, these communities contain a quarter of the region's working-age population.

Given the comparatively large number of deals in Dearborn and other communities surrounding Detroit, EDJT appears to have been more land-use efficient than MEGA. A total of 19 percent of EDJT deals went to communities in the two highest-density categories (with 11 percent in the highest-density one). EDJT had a greater share of deals in dense communities than the other programs, yet only half the number of deals one would expect if subsidies mirrored population shares.

TABLE 20:

EDJT Characteristics Across Detroit Metro Area Communities

Community Classifications	% Working-Age Population	% EDJT Deals	% Total Workers Trained	% New Workers Trained	% of Jobs That Are New
Central City	18%	10%	17%	11%	7%
Stressed	10%	14%	8%	14%	17%
At-Risk Established	25%	23%	19%	17%	9%
At-Risk Low Density	8%	9%	4%	5%	12%
Bedroom Developing	21%	17%	8%	13%	17%
Low-Stress	15%	19%	22%	25%	11%
Industrial Towns	3%	10%	22%	15%	7%

TABLE 21:

EDJT Characteristics Compared with Community Population Density in the Detroit Metro Area

Density (Working Age Persons per Sq. Mile)	% Working-Age Population	% EDJT Deals	% Total Workers Trained	% New Workers Trained	% of Jobs That Are New
3,554.64 - 6,571.56	22%	11%	17%	13%	8%
2,542.87 - 3,554.63	16%	8%	6%	9%	16%
1,724.75 - 2,542.86	17%	21%	29%	25%	9%
1,100.01 - 1,724.74	19%	27%	25%	30%	12%
594.81 - 1,100.00	8%	14%	14%	12%	8%
226.97 - 594.80	8%	9%	4%	8%	18%
15.56 - 226.96	11%	9%	4%	3%	7%

GRAND RAPIDS METRO AREA

Area Includes: Allegan, Kent, Muskegon and Ottawa Counties

Working-Age Population: 673,065, or 11 percent of the state total

WARN Act Notices: 63 with 9,096 workers dislocated

MEGA Deals: 12 valued at $51,515,333

EDJT Deals: 185 to train 17,506 workers

TEDF Deals: 5 valued at $4,080,000

Land Use Findings: The distributions of MEGA and TEDF were very biased against the city of Grand Rapids, which did not receive a single one of these deals. But at-risk established communities, which suffered the heaviest job loss, received disproportionately large shares of all three subsidies. EDJT was the least sprawling and most equitable program in the region, while TEDF was the least equitable.

The Grand Rapids region, the state's second-largest, is thriving compared to most of Michigan's other major metro areas. But it still has economic stress concentrated in certain urban communities, most notably the central city. As Figure 6 shows, household poverty is most widespread in the cities of Grand Rapids and Muskegon, and WARN events were most prevalent in the central city and its closest suburbs, with smaller concentrations around Holland and Muskegon.

As in Detroit, state-granted job subsidies show a bias against the central city of Grand Rapids, with a more mixed story in other communities. The city of Grand Rapids has 18 percent of the regional working-age population and suffered more than a fourth of the region's WARNed job loss, yet it received none of the MEGA or TEDF deals (Table 22). Meanwhile, least-needy bedroom developing and low-stress suburbs received half the MEGA credit value and four-fifths of the TEDF funds.

Offsetting those disparities, at-risk established communities—which suffered the heaviest job loss—received a disproportionate share of all three subsidies. However, the at-risk established communities that received the bulk of subsidies were not inner-ring Kentwood or Wyoming, which experienced the greatest WARN-related job loss (see Appendix B online).

TABLE 22:

The Distribution of State-Granted Economic Development Incentives Across Grand Rapids Metropolitan Region Communities

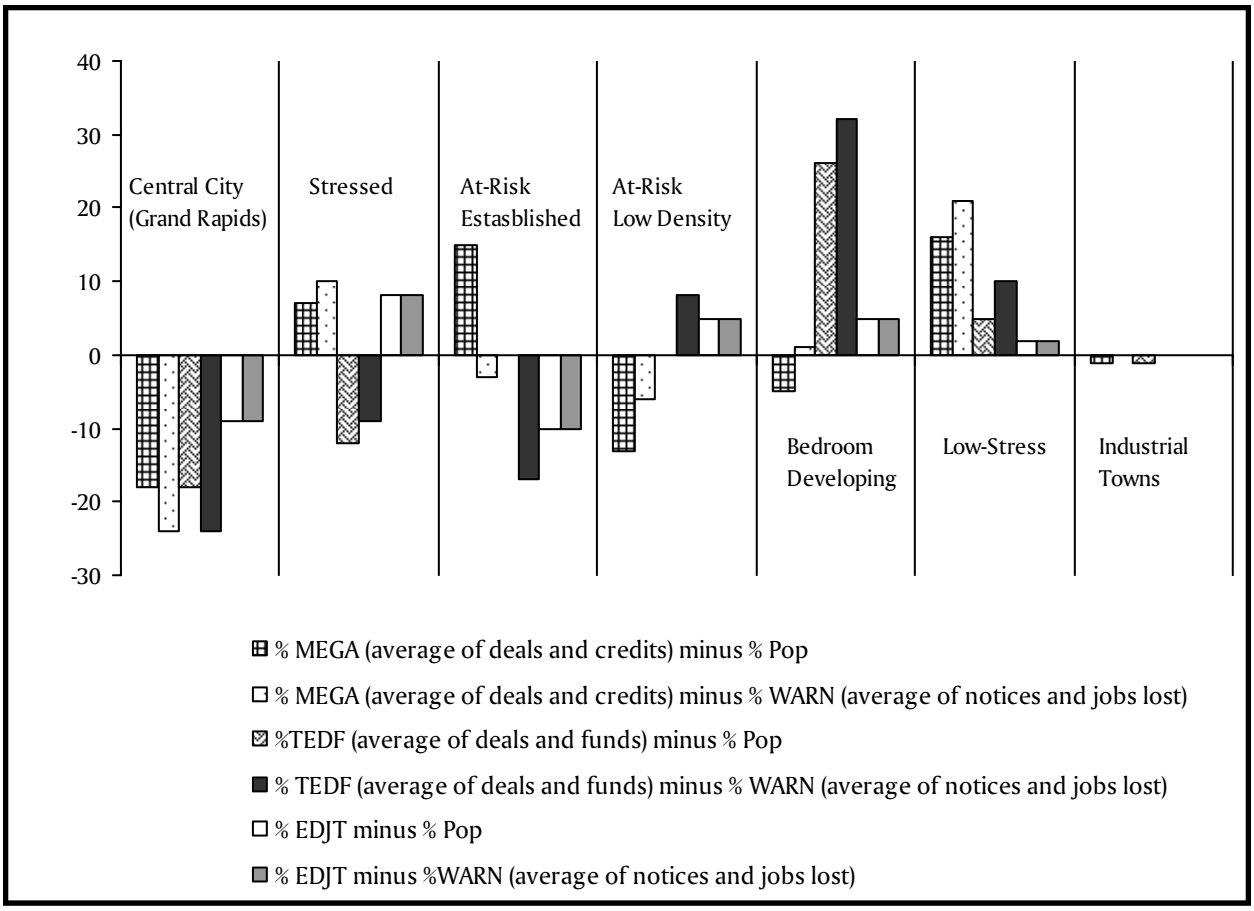
Community Classifications	% Working-Age Population	% Warn Layoff Notices	% WARN Jobs Lost	% EDJT Deals	% MEGA Deals	% MEGA Credits	% TEDF Deals	% TEDF Funds
Central City	18%	21%	27%	15%	0%	0%	0%	0%
Stressed	12%	10%	8%	17%	17%	20%	0%	0%
At-Risk Established	17%	29%	39%	24%	33%	30%	20%	15%
At-Risk Low Density	13%	6%	5%	10%	0%	0%	20%	6%
Bedroom Developing	25%	22%	16%	24%	25%	15%	40%	61%
Low-Stress	14%	13%	5%	11%	25%	35%	20%	17%
Industrial Towns	1%	0%	0%	0%	0%	0%	0%	0%

As Chart 2 and Table 22 show, state-granted subsidy programs did little to retain or attract jobs in the central city of Grand Rapids. However, as was the case in the Detroit area, EDJT grants were less sprawling than MEGA or TEDF.

Chart 2 graphically presents the information in Table 22. The shares of WARN events and WARN-related job losses in each community classification are averaged to obtain one number for WARN stress. Similarly, the share of MEGA deals and credits in each community classification and the share of TEDF deals and funds is averaged to obtain one number for each of these subsidies. The subsidy shares in each community type have been subtracted from WARN and population shares to show which community types received more than proportionate shares of deals and which received less. As the chart shows, the city of Grand Rapids disproportionately few share of all subsidies while bedroom developing and low-stress suburbs generally received more.

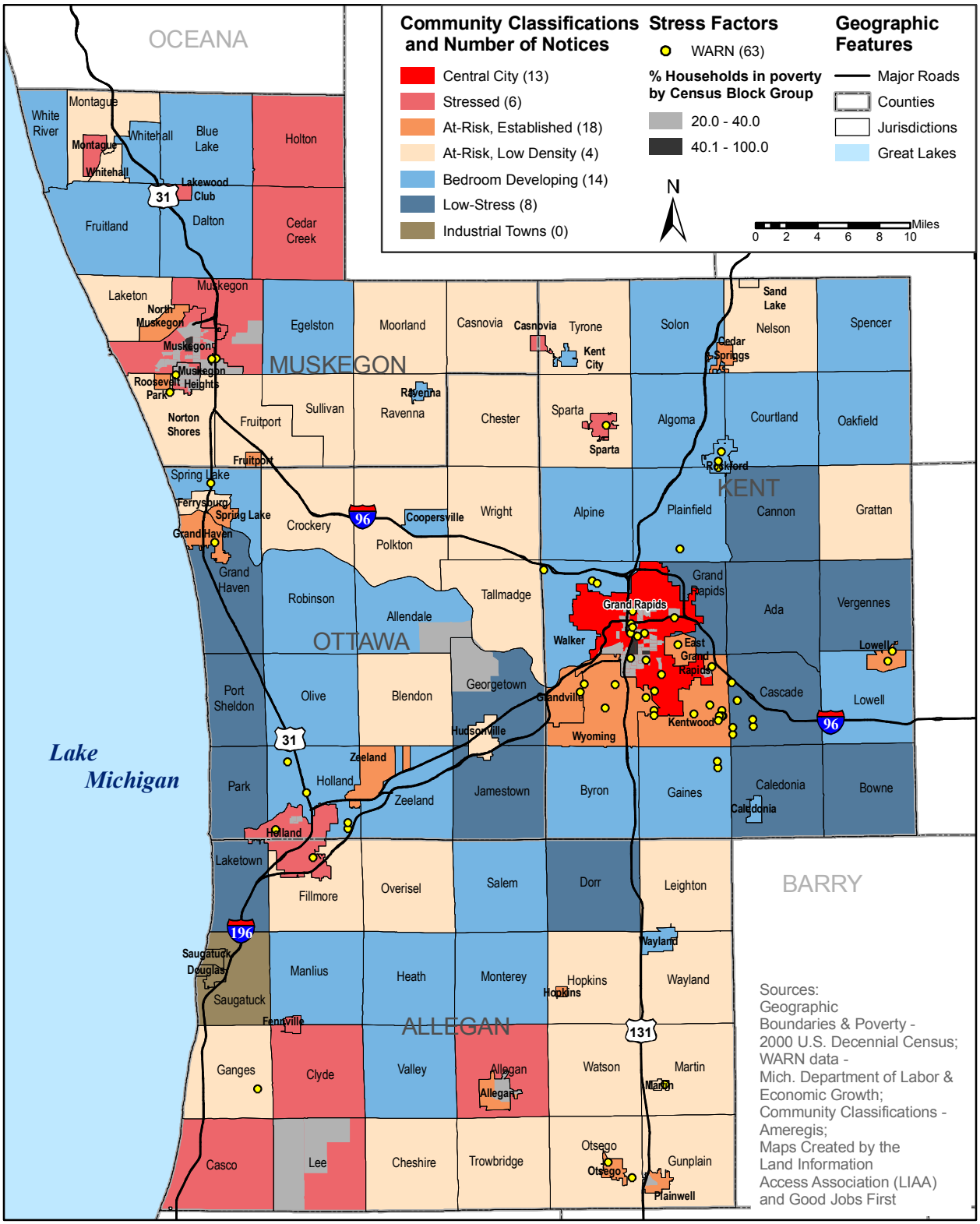
CHART 2:

Percentage Point Difference Between Share of State-Granted Deals and Share of Population and WARN Events in Grand Rapids Area Communities



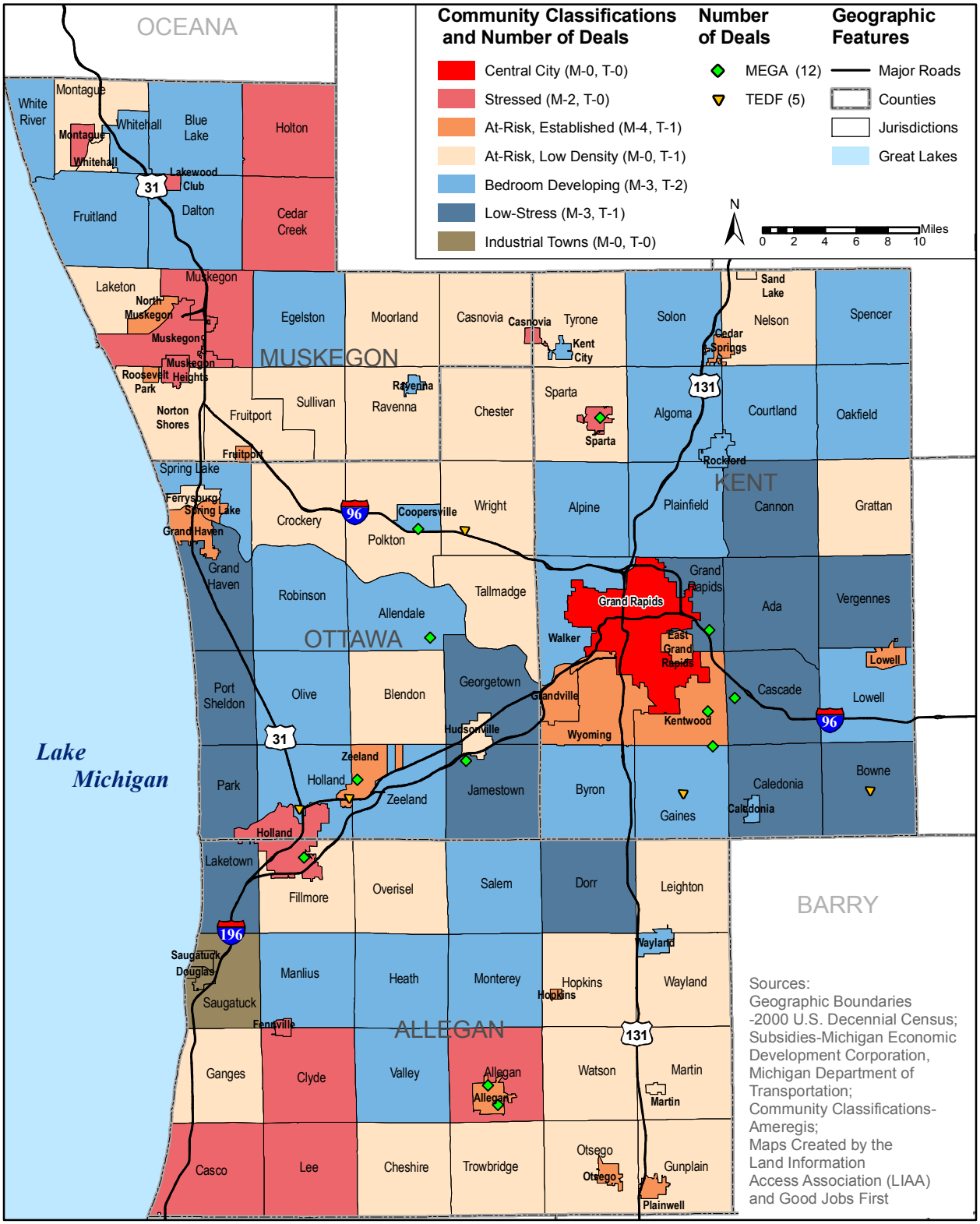
NOTE: *Missing columns in the above graph signify that there is no difference between a community type's share of deals and share of WARN or share of deals and share of population.*

FIGURE 6:
Stress in Grand Rapids Area Communities - WARN Notices 2001-2004 and Household Poverty



Sources:
Geographic Boundaries & Poverty - 2000 U.S. Decennial Census;
WARN data - Mich. Department of Labor & Economic Growth;
Community Classifications - Ameregis;
Maps Created by the Land Information Access Association (LIAA) and Good Jobs First

FIGURE 7:
MEGA & TEDF 2001-2004
Across Grand Rapids Area Communities



Sources:
Geographic Boundaries -2000 U.S. Decennial Census;
Subsidies-Michigan Economic Development Corporation, Michigan Department of Transportation;
Community Classifications-Ameregis;
Maps Created by the Land Information Access Association (LIAA) and Good Jobs First

TABLE 23:

MEGA Characteristics Across Grand Rapids Metro Area Communities

Community Classifications	% Working-Age Population	% MEGA Deals	% MEGA Credits	% of All Projected Jobs	% of New Projected Jobs	Average Weekly Wage
Central City	18%	0%	0%	0%	0%	N/A
Stressed	12%	17%	20%	13%	10%	$805
At-Risk Established	17%	33%	30%	39%	40%	$642
At-Risk Low Density	13%	0%	0%	0%	0%	N/A
Bedroom Developing	25%	25%	15%	20%	21%	$642
Low-Stress	14%	25%	35%	28%	29%	$952
Industrial Towns	1%	0%	0%	0%	0%	N/A

MICHIGAN ECONOMIC GROWTH AUTHORITY

The MEGA program favors sprawling, less dense suburbs over the central city in the Grand Rapids metro area. The six communities with the region's highest population densities (including the cities of Grand Rapids and Muskegon and some adjacent communities), contained 30 percent of the area's working-age population, yet they received no MEGA deals (Appendix C online). Meanwhile, the area's bedroom developing and low-stress suburbs each received 25 percent, and low-stress suburbs, with only 14 percent of the working-age population, received 35 percent of MEGA funding (Table 23).

Discounting its bias against the central city, MEGA appears less sprawling. Dense, at-risk established communities received more MEGA deals than any other group, along with the greatest number of projected and new jobs (Tables 23 and 24).

TABLE 24:

MEGA Characteristics Compared with Community Population Density in the Grand Rapids Metro Area

Density (Working Age Persons per Sq. Mile)	% Working-Age Population	% MEGA Deals	% MEGA Credits	% of All Projected Jobs	Average Weekly Wage
1,367.93 - 2,718.66	30%	0%	0%	0%	N/A
796.20 - 1,367.92	13%	33%	42%	42%	$719
424.25 - 796.19	20%	33%	15%	15%	$914
200.93 - 424.24	12%	25%	16%	20%	$658
110.69 - 200.92	8%	0%	0%	0%	N/A
67.32 - 110.68	8%	8%	27%	23%	$454
26.76 - 67.31	8%	0%	0%	0%	N/A

Yet with two of these deals in the city of Allegan, one in the city of Zeeland and only one near the central city in Kentwood, few of these deals went to the communities that suffered the most WARNed business closures (see Figures 6 and 7). Of the two deals that went to stressed communities, one was in the city of Holland, close to a small concentration of WARN notices. The other was in the village of Sparta, not especially close to any WARN events.[42]

TRANSPORTATION ECONOMIC DEVELOPMENT FUND

Although there were only five TEDF deals in the Grand Rapids region, each contributed to job sprawl within the metropolitan area. There were no deals in the central city, nor were there any in its adjacent suburbs or in any stressed community. As was the case in Detroit, bedroom developing communities received the most TEDF grants in the region, and more than three-fifths of the grant money (Table 25). The two bedroom developing communities that received these deals, the townships of Holland and Gaines, were also projected to gain the largest share of new jobs in the TEDF deals (see Table 25 and Appendix D online).[43] Low-stress communities were projected to benefit from half of the total jobs associated with TEDF deals, most of them retained rather than new (Table 25 and Appendix D online). Zeeland, the only at-risk established community to receive a TEDF deal, experienced no WARN notices during the study period, nor does it contain large concentrations of household poverty (Figures 6 and 7).

Viewed by population density, the distribution of the five TEDF deals makes this program the most problematic in the Grand Rapids area from a land-use perspective. Two TEDF deals went to communities of lowest density, and the remaining three went to moderately-dense communities—none were in the central city.

TABLE 25:

TEDF Characteristics Across Grand Rapids Metro Area Communities

Community Classifications	% Working-Age Population	% TEDF Deals	% TEDF Funds	% of All Projected Jobs	% of New Projected Jobs	% of Jobs That Are New
Central City	18%	0%	0%	0%	0%	N/A
Stressed	12%	0%	0%	0%	0%	N/A
At-Risk Established	17%	20%	15%	19%	35%	100%
At-Risk Low Density	13%	20%	6%	4%	7%	100%
Bedroom Developing	25%	40%	61%	28%	48%	89%
Low-Stress	14%	20%	17%	50%	10%	10%
Industrial Towns	1%	0%	0%	0%	0%	N/A

TABLE 26:

TEDF Characteristics Compared with Community Population Density in the Grand Rapids Metro Area

Density (Working Age Persons per Sq. Mile)	% Working-Age Population	% TEDF Deals	% TEDF Funds	% of All Projected Jobs	% of New Projected Jobs
1367.93 - 2718.66	30%	0%	0%	0%	0%
796.20 - 1367.92	13%	20%	15%	19%	35%
424.25 - 796.19	20%	20%	12%	13%	20%
200.93 - 424.24	12%	20%	49%	15%	28%
110.69 - 200.92	8%	0%	0%	0%	0%
67.32 - 110.68	8%	0%	0%	0%	0%
26.76 - 67.31	8%	40%	23%	53%	17%

ECONOMIC DEVELOPMENT JOB TRAINING

Although the central city received a smaller share of EDJT grants than its portion of the regional working-age population, these deals overall were less sprawling and distributed more equitably than the other subsidies in the Grand Rapids metro area (Figure 8). Bedroom developing communities received the greatest number of deals, but they also have the largest share of working-age people. Unlike MEGA and TEDF, here it was the higher-stress, denser areas (stressed and at-risk established), that received a greater percentage of deals than their share of the region's working-age population (Table 27).

This picture is marginally less positive when only new jobs are considered. Low-stress communities had a high share of new-hire trainees, but overall the disparities in this program are not as wide as with MEGA or TEDF.

TABLE 27:

EDJT Characteristics Across Grand Rapids Metro Area Communities

Community Classifications	% Working-Age Population	% EDJT Deals	% Total Workers Trained	% New Workers Trained	% of Jobs That Are New
Central City	18%	15%	15%	14%	11%
Stressed	12%	17%	15%	14%	10%
At-Risk Established	17%	24%	23%	21%	10%
At-Risk Low Density	13%	10%	12%	14%	13%
Bedroom Developing	25%	24%	19%	15%	9%
Low-Stress	14%	11%	15%	22%	16%
Industrial Towns	1%	0%	0%	0%	N/A

FIGURE 8:
EDJT Deals 2001-2004
Across Grand Rapids Area Communities

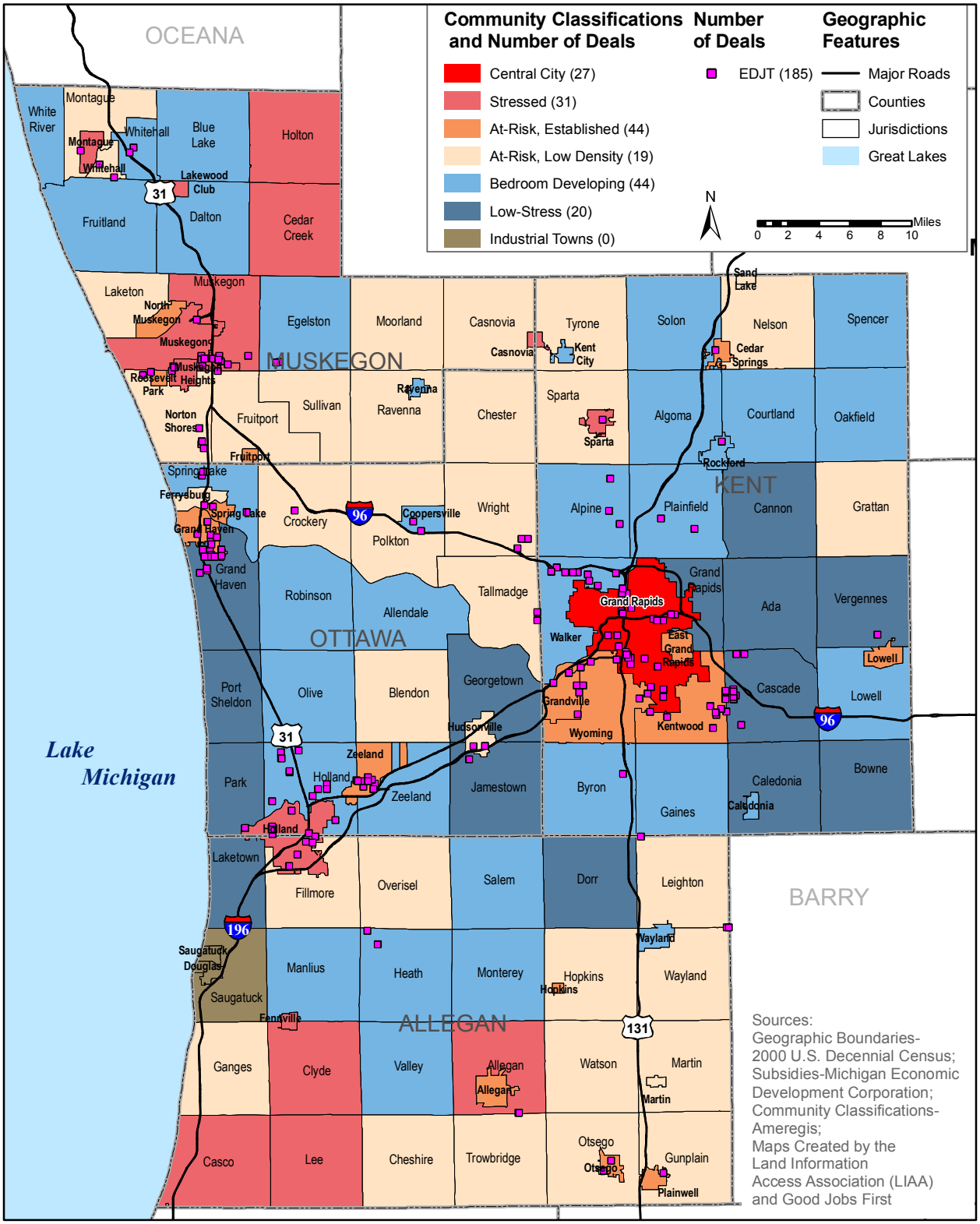


TABLE 28:

EDJT Characteristics Compared with Community Population Density in the Grand Rapids Metro Area

Density (Working Age Persons per Sq. Mile)	% Working-Age Population	% EDJT Deals	% Total Workers Trained	% New Workers Trained	% of Jobs That Are New
1,367.93 - 2,718.66	30%	26%	25%	17%	8%
796.20 - 1,367.92	13%	28%	27%	26%	11%
424.25 - 796.19	20%	24%	26%	29%	12%
200.93 - 424.24	12%	12%	16%	24%	17%
110.69 - 200.92	8%	2%	3%	3%	9%
67.32 - 110.68	8%	2%	2%	0%	3%
26.76 - 67.31	8%	5%	1%	1%	6%

From the perspective of population density, the distribution is also favorable. Communities in the three densest categories contained 63 percent of the population and received 78 percent of EDJT grants. However, less dense communities benefited from a slightly higher share of new trainees.

As in other regions, EDJT has been used more for job retention and upgrading in older, core areas, and has encouraged more job creation in sprawling suburbs. But overall, this program has a markedly less sprawling bias than the other subsidy programs.

KALAMAZOO METRO AREA

Area Includes: Calhoun, Kalamazoo and Van Buren Counties

Working-Age Population: 292,639, or 5 percent of the state total

WARN Act Events: 239 dislocating 35,603 workers

MEGA Deals: 6 valued at $9,727,000

EDJT Deals: 61 to train 9,053 workers

TEDF Deals: 2 valued at $628,870

Land Use Finding: Although none of the subsidy programs directed many jobs toward the city of Kalamazoo, their distribution clearly favored stressed communities, which suffered, by far, the largest share of business closures and worker dislocation. None of the programs was biased towards bedroom developing or low-stress suburbs.

Although most deals did not direct jobs back towards the central city, state-granted economic development incentives in the Kalamazoo region—especially MEGA and TEDF—were allocated more equitably and with more benign land use implications than in most other Michigan metro areas. Subsidies have contributed to a thinning of jobs across the Kalamazoo metro area, but only because outlying, yet relatively dense, stressed communities received most of the deals. These stressed localities needed the help: they suffered a disproportionately high share of business closures and worker dislocation. As a result, most of the subsidies for new and retained jobs went to the areas that lost jobs, rather than to newly developing communities.

As Figure 9 shows, economic stress is scattered throughout the Kalamazoo region. The central city contains some of the highest concentrations of poverty, but so do a number of outlying stressed communities, such as the cities of Battle Creek and Albion, and the townships of Albion, Sheridan, Covert and Decatur. WARN events were mostly clustered around the cities of Kalamazoo and Battle Creek, with smaller concentrations around Marshall and Albion. The central city of Kalamazoo fared better than the other six

TABLE 29:

The Distribution of State-Granted Economic Development Incentives Across Kalamazoo Metropolitan Region Communities

Community Classifications	% Working-Age Population	% Warn Layoff Notices	% WARN Jobs Lost	% EDJT Deals	% MEGA Credits	% MEGA Funds	% TEDF Deals	% TEDF Funds
Central City	18%	5%	0%	18%	17%	12%	0%	0%
Stressed	19%	38%	45%	23%	83%	88%	50%	87%
At-Risk Established	9%	19%	25%	11%	0%	0%	50%	13%
At-Risk Low Density	21%	0%	0%	16%	0%	0%	0%	0%
Bedroom Developing	12%	14%	10%	10%	0%	0%	0%	0%
Low-Stress	19%	24%	20%	20%	0%	0%	0%	0%
Industrial Towns	2%	0%	0%	2%	0%	0%	0%	0%

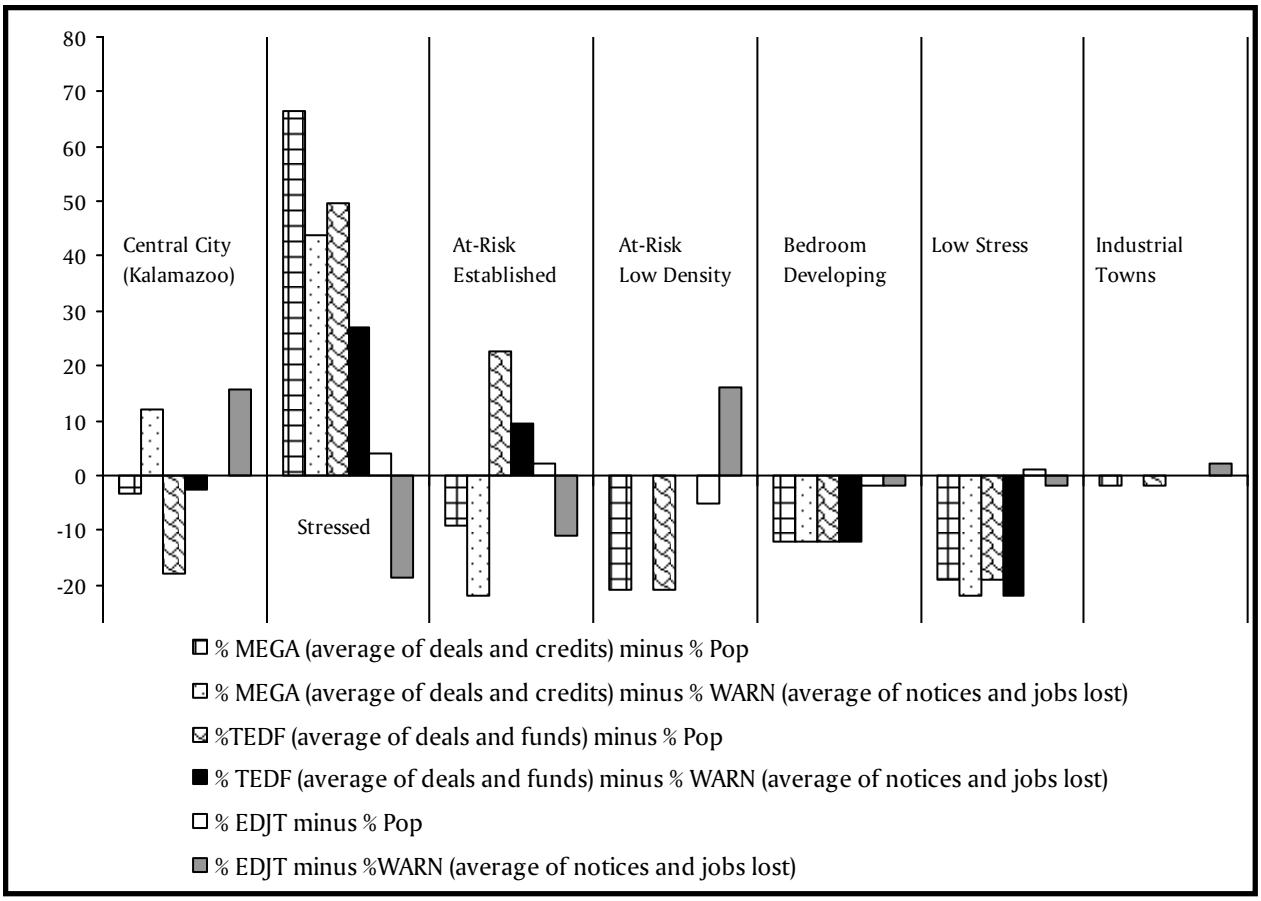
in the state: with 18 percent of the region's working-age population, it experienced only one of the region's 21 WARN events from 2001-2004. Moreover, this WARN notice was associated with only 5 lost jobs. By contrast, stressed communities, with 19 percent of the region's working-age population, experienced 45 percent of the WARN-related job loss (Table 29).

While neither EDJT, MEGA nor TEDF provided the city of Kalamazoo with a larger percentage of deals than its share of the population, they all strongly favored stressed communities (Chart 3). Indeed, five out of six MEGA deals went there. Meanwhile none of the programs was biased towards bedroom developing or low-stress suburbs.

Chart 3 graphically presents the information in Table 29. The shares of WARN events and WARN-related job loss in each community classification are averaged to obtain one number for WARN stress. Similarly, the share of MEGA deals and credits in each community classification and the share of TEDF deals and funds is averaged to obtain one number for each of these subsidies. The subsidy shares in each community type have been subtracted from WARN and population shares to show which kinds of communities received more than proportionate shares of deals and which received less. As the chart shows, stressed communities fared better than any other community type.

CHART 3:

Percentage Point Difference between Share of State-Granted Deals and Share of Population and WARN Events in Kalamazoo Area Communities



NOTE: *Missing columns in the above graph signify that there is no difference between a community type's share of deals and share of WARN or share of deals and share of population.*

FIGURE 9:
Stress In Kalamazoo Area Communities - WARN Notices 2001-2004 and Households in Poverty

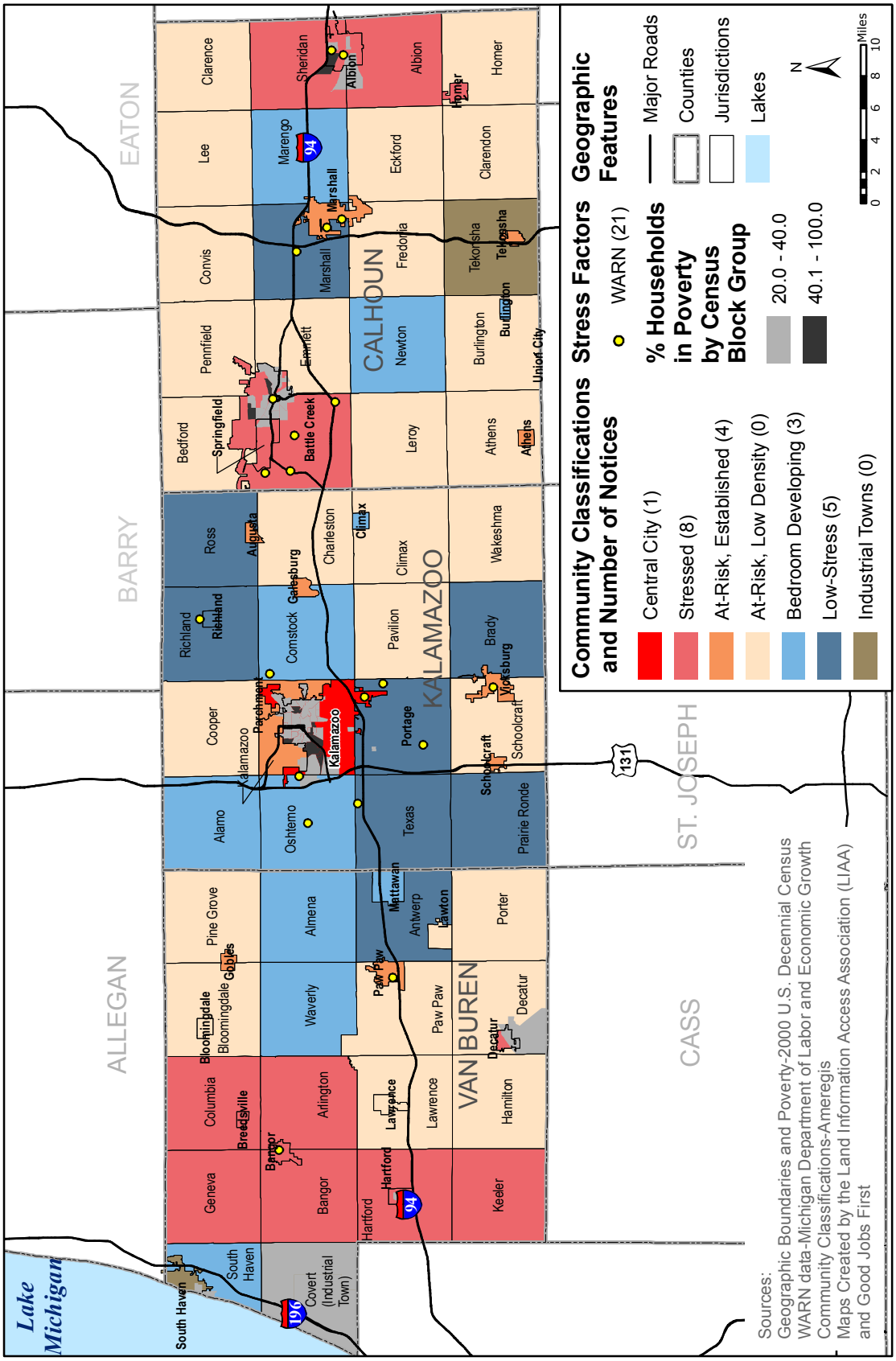


FIGURE 10:
MEGA, TEDF, EDJT and IFT 2001-2004
Across Kalamazoo Area Communities

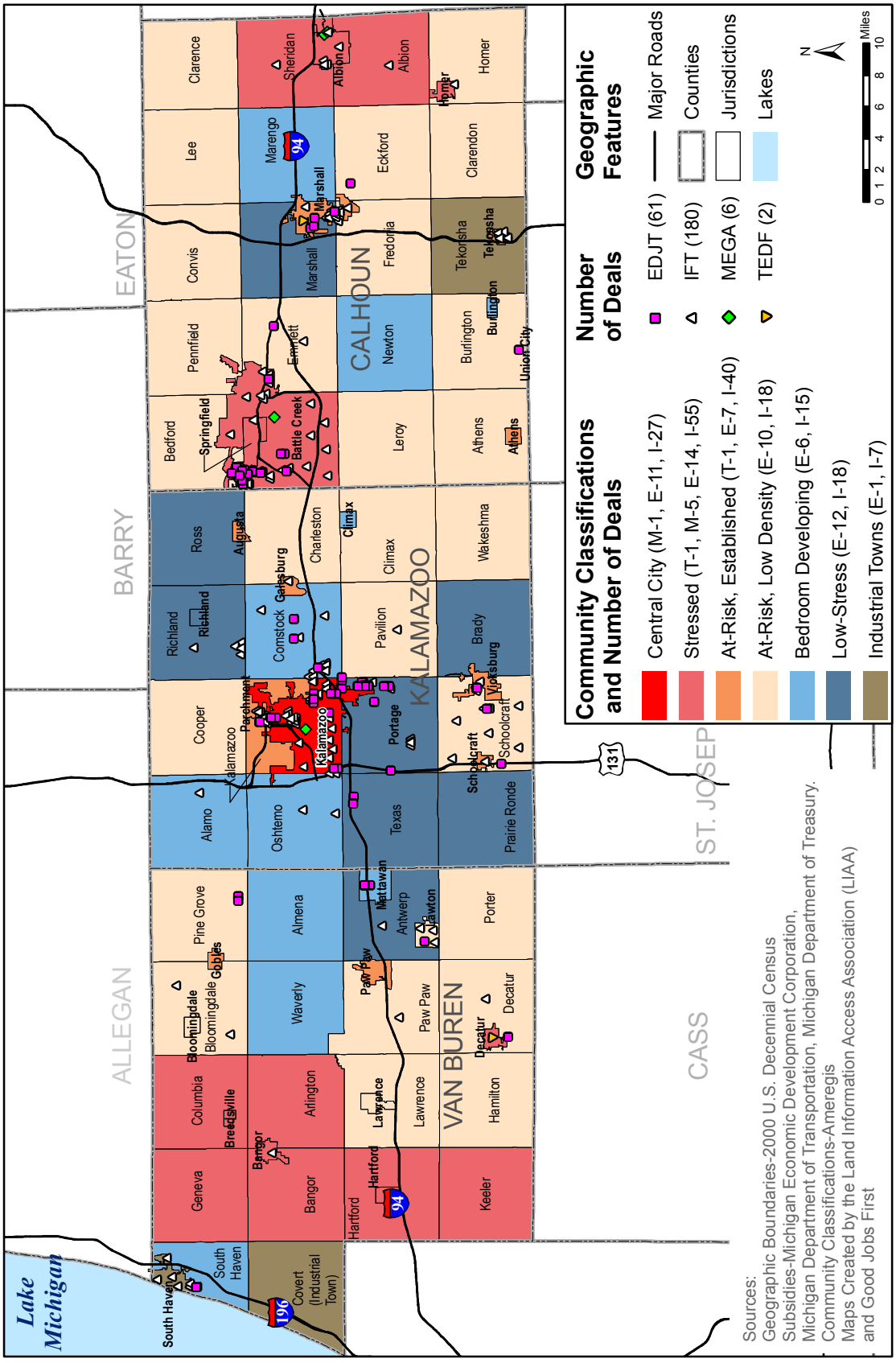


TABLE 30:

MEGA Characteristics Across Kalamazoo Area Communities

Community Classifications	% Working-Age Population	% MEGA Deals	% MEGA Credits	% Jobs (All New)	Average Weekly Wage
Central City	18%	17%	12%	17%	$494
Stressed	19%	83%	88%	83%	$800
At-Risk Established	9%	0%	0%	0%	N/A
At-Risk Low Density	21%	0%	0%	0%	N/A
Bedroom Developing	12%	0%	0%	0%	N/A
Low-Stress	19%	0%	0%	0%	N/A
Industrial Towns	2%	0%	0%	0%	N/A

MICHIGAN ECONOMIC GROWTH AUTHORITY

Rather than exacerbate job sprawl as it did in the Detroit and Grand Rapids metro areas, MEGA favored investment in previously developed Kalamazoo-area communities. Of six MEGA deals, one was in the central city and five were in stressed communities: three in the city of Battle Creek and two in the city of Albion. All of the jobs associated with these deals were new (as opposed to retained), and each of the cities that received MEGA deals also experienced multiple WARN events, so MEGA deals helped replace jobs in communities that had suffered job loss. All three cities also have significant concentrations of poverty and are all relatively dense, containing more people per square mile than the regional median (see Appendix I online).

We note that the one MEGA deal in Kalamazoo projected wages far below those five deals in stressed communities (Table 30).

TRANSPORTATION ECONOMIC DEVELOPMENT FUND

TEDF deals were also less sprawling in this region than in the Detroit and Grand Rapids metro areas, but there was only a

TABLE 31:

TEDF Characteristics Across Kalamazoo Area Communities

Community Classifications	% Working-Age Population	% TEDF Deals	%TEDF Funds	% of All Jobs	% New Jobs	% of Jobs That Are New
Central City	18%	0%	0%	0%	0%	N/A
Stressed	19%	50%	87%	74%	43%	21%
At-Risk Established	9%	50%	13%	26%	57%	80%
At-Risk Low Density	21%	0%	0%	0%	0%	N/A
Bedroom Developing	12%	0%	0%	0%	0%	N/A
Low-Stress	19%	0%	0%	0%	0%	N/A
Industrial Towns	2%	0%	0%	0%	0%	N/A

pair of deals over the four-year study period. Neither went to low-stress, bedroom developing or at-risk low-density suburbs, even though these three community types made up slightly more than half the region's working-age population. However, with one deal in the stressed village of Decatur and one in the at-risk established city of Marshall, no deals went to the central city and both were located far from it. Both Marshall and Decatur are moderately dense (see Appendix I online).

Although the Decatur deal received most of the funding, it went mostly for retained jobs, while the deal in Marshall had the most new jobs.

ECONOMIC DEVELOPMENT JOB TRAINING

The geographic distribution of EDJT deals across the Kalamazoo region was generally in accordance with population shares (Table 32). While single EDJT grants were scattered throughout the region, for the most part they were concentrated in and around the cities of Kalamazoo, Battle Creek and Marshall (Figure 10). Most of the deals went to moderate-density communities (see Appendix I online).

However, looking at where the greatest numbers of employees were trained, the deals appear more sprawl-inducing. Low-stress suburbs had almost half of the region's trainees and more than a fourth of the new hires trained. However, ten out of the 12 EDJT grants in low-stress communities went to the city of Portage, and all but one of these were located in close proximity to the city of Kalamazoo (see Figure 10 and Appendix E online). Thus, some of these jobs may have been accessible to Kalamazoo City residents. Nevertheless, the central city itself only had 7 percent of the total and none of the new employees trained.

TABLE 32:

EDJT Characteristics Across Kalamazoo Area Communities

Community Classifications	% Working-Age Population	% EDJT Deals	% of All Workers Trained	% New Workers Trained	% of Jobs That Are New
Central City	18%	18%	7%	0%	0%
Stressed	19%	23%	20%	16%	15%
At-Risk Established	9%	11%	9%	24%	49%
At-Risk Low Density	21%	16%	8%	17%	38%
Bedroom Developing	12%	10%	8%	17%	38%
Low-Stress	19%	20%	47%	26%	10%
Industrial Towns	2%	2%	0%	0%	N/A

LANSING METRO AREA

Area Includes: Clinton, Ingham and Eaton Counties

Working-Age Population: 300,037, or 5 percent of the state total

WARN Act Events: 239 dislocating 35,603 workers

MEGA Deals: 4 valued at $13,709,000

EDJT Deals: 39 to train 4,538 workers

TEDF Deals: 3 valued at $11,901,800

Land Use Finding: The distribution of deals heavily favored at-risk established cities, which took the form of regional sub-centers, even though the city of Lansing has a much larger working-age population and suffered the majority of job loss.

State-granted subsidies in the Lansing region had a particular pattern of sprawl. Rather than directing jobs towards the heavily populated, very hard-hit city of Lansing, state subsidies in this metro area have favored development in regional sub-centers. As Figure 12 shows, many of the deals are concentrated in small, at-risk established cities that ring the central city from a distance, such as St. Johns, Mason, Eaton Rapids and Charlotte.

These at-risk, established communities contain only 12 percent of the region's population, little concentrated poverty, and few WARN notices or dislocated workers, yet they received very disproportionate shares of EDJT and MEGA resources (Chart 4 and Table 33).

By contrast, the central city of Lansing has most of the region's concentrated poverty (see Figure 11), experienced more than half of the WARN events and had an extremely high concentration—85 percent—of lost jobs. Additionally, along with the Flint region, Lansing is the only metropolitan area in which more working-age adults still live in the central city than in any other community type.

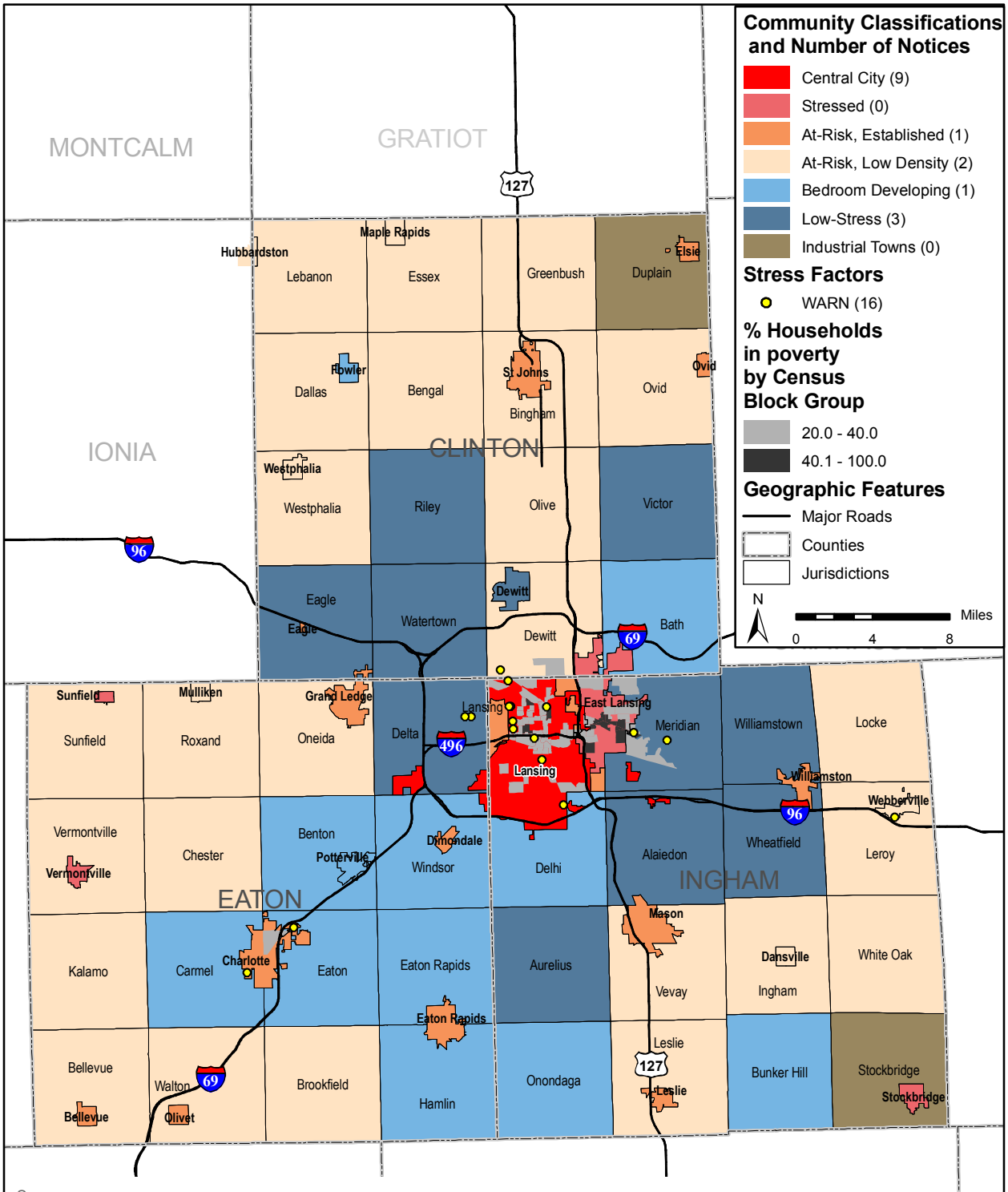
While the central city received 26 percent of EDJT deals, which matched its share of the population, and one of the four MEGA deals, at-risk established communities received many more of both. TEDF was the most sprawling subsidy in the region, with no central-city deals, two in at-risk established communities, and one in a low-stress suburb.

TABLE 33:

The Distribution of State-Granted Economic Development Incentives Across Lansing Metropolitan Region Communities

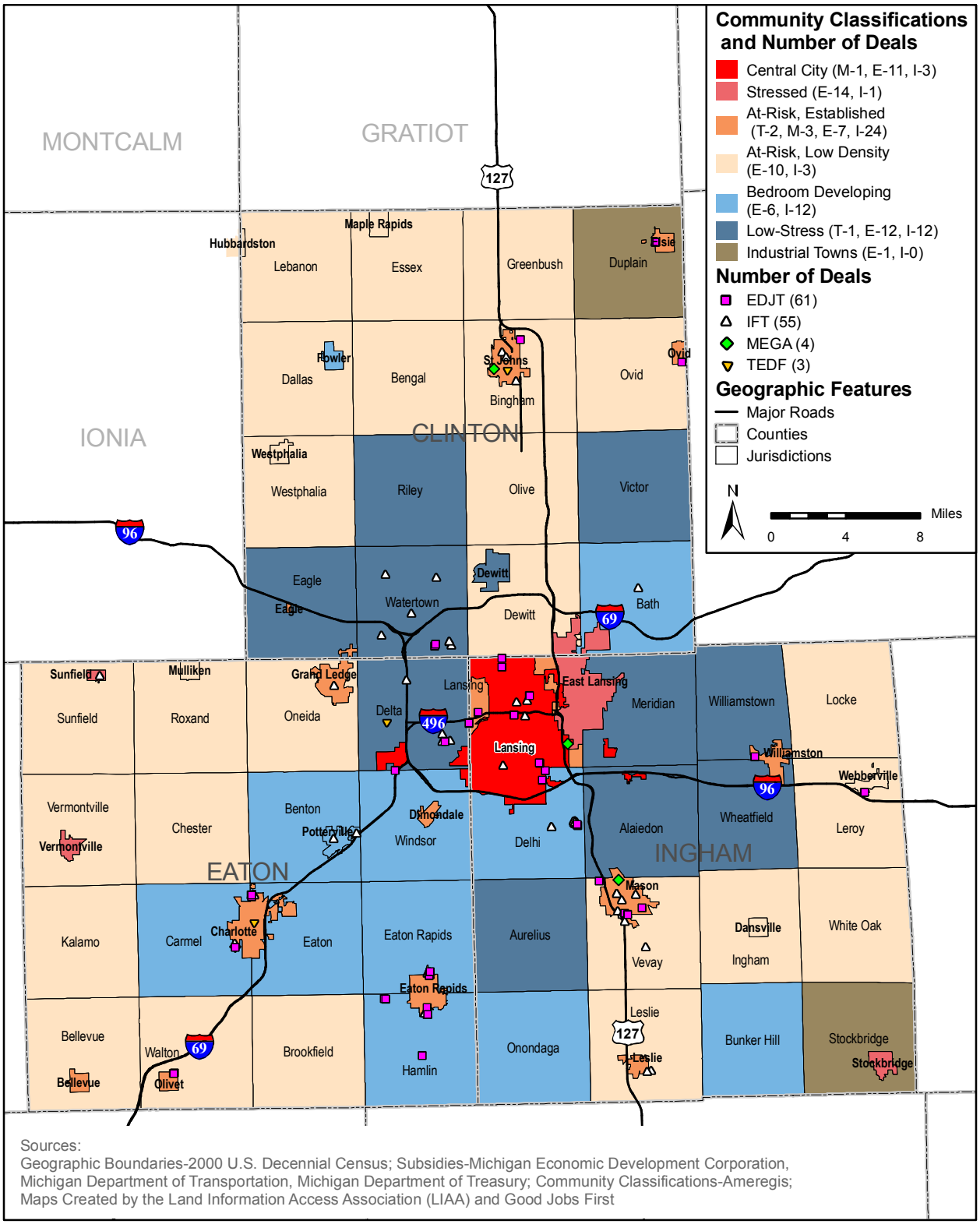
Community Classifications	% Working-Age Population	% Warn Layoff Notices	% WARN Jobs Lost	% EDJT Deals	% MEGA Credits	% MEGA Funds	% TEDF Deals	% TEDF Funds
Central City	25%	56%	85%	26%	25%	8%	0%	0%
Stressed	14%	0%	0%	0%	0%	0%	0%	0%
At-Risk Established	12%	6%	6%	41%	75%	92%	67%	4%
At-Risk Low Density	14%	13%	4%	8%	0%	0%	0%	0%
Bedroom Developing	13%	6%	1%	13%	0%	0%	0%	0%
Low-Stress	21%	19%	4%	13%	0%	0%	33%	96%
Industrial Towns	1%	0%	0%	0%	0%	0%	0%	0%

FIGURE 11:
Stress in Lansing Area Communities - WARN Notices 2001-2004 and Households in Poverty



Sources:
Geographic Boundaries and Poverty-2000 U.S. Decennial Census; WARN data-Michigan Department of Labor & Economic Growth
Community Classifications-Ameregis; Maps Created by the Land Information Access Association (LIAA) and Good Jobs First

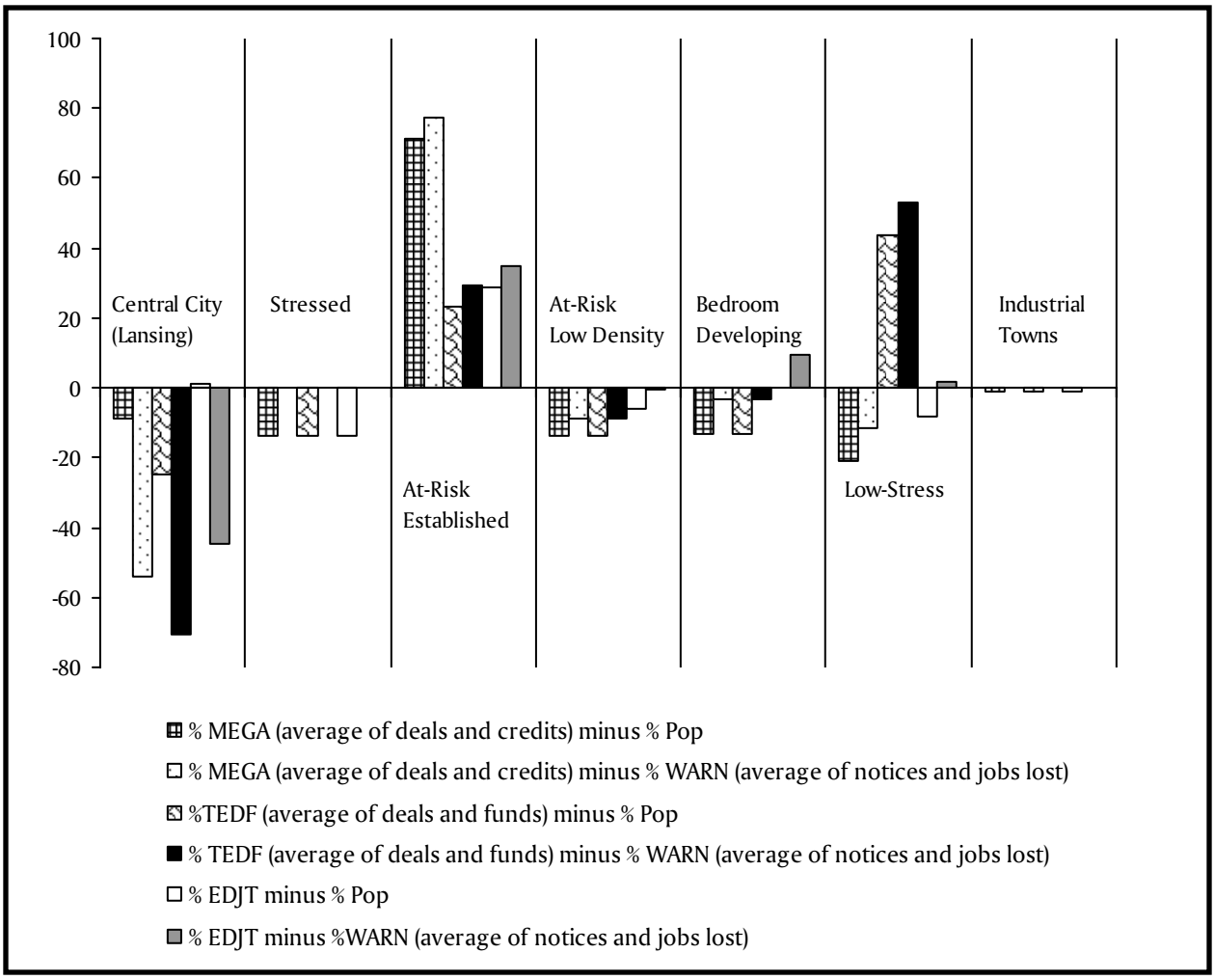
FIGURE 12:
MEGA, EDJT, TEDF and IFT 2001-2004
Across Lansing Region Communities



Sources:
Geographic Boundaries-2000 U.S. Decennial Census; Subsidies-Michigan Economic Development Corporation, Michigan Department of Transportation, Michigan Department of Treasury; Community Classifications-Ameregis; Maps Created by the Land Information Access Association (LIAA) and Good Jobs First

CHART 4:

Percentage Point Difference Between Share of State-Granted Deals and Share of Population and WARN Events in Lansing Area Communities



NOTE: *Missing columns in the above graph signify that there is no difference between a community type's share of deals and share of WARN or share of deals and share of population.*

Chart 4 graphically presents the information in Table 33. The shares of WARN events and WARN-related job losses in each community classification are averaged to obtain one number for WARN stress. Similarly, the share of MEGA deals and credits in each community classification and the share of TEDF deals and funds is averaged to obtain one number for each of these subsidies. The subsidy shares in each community type have been subtracted from WARN and population shares to show which kinds of communities received more than proportionate shares of deals and which received less. As the chart shows, the city of Lansing generally received disproportionately few subsidies while at-risk established communities consistently received more.

TABLE 34:

MEGA Characteristics Across Lansing Metro Area Communities

Community Classifications	% Working-Age Population	% MEGA Deals	% MEGA Credits	% of All Jobs	% of New Jobs	% of Jobs That Are New	Average Weekly Wage
Central City	25%	25%	8%	17%	27%	100%	$687
Stressed	14%	0%	0%	0%	0%	N/A	N/A
At-Risk Established	12%	75%	92%	83%	73%	56%	$889
At-Risk Low Density	14%	0%	0%	0%	0%	N/A	N/A
Bedroom Developing	13%	0%	0%	0%	0%	N/A	N/A
Low-Stress	21%	0%	0%	0%	0%	N/A	N/A
Industrial Towns	1%	0%	0%	0%	0%	N/A	N/A

MICHIGAN ECONOMIC GROWTH AUTHORITY

There was one MEGA deal in the city of Lansing, and one in each of the at-risk established cities of St. Johns, Charlotte and Mason. These three communities also happen to be the region's county seats. They are all relatively dense compared to other communities in the region, though they are much less dense than the cities of Lansing and East Lansing (see Appendix J online). The Lansing MEGA deal is the smallest of the four, with only 8 percent of the total credit value and 17 percent of the jobs, but all of its jobs were new.

TRANSPORTATION ECONOMIC DEVELOPMENT FUND

TEDF was the most sprawling subsidy in the Lansing region, providing no road improvements in the central city, one deal in each of the at-risk established cities of Charlotte and St. Johns, and one deal in low-stress, affluent, moderately dense Delta Township.

In our earlier comparison of deals between metro areas, we noted that the Lansing region received a relatively large share of TEDF funding. This is because of the $11.5 million that went to Delta Township for road work for a new General Motors assembly plant slated to create 2,800 jobs in this low-stress suburb (See Appendix D online). This deal accounted for 96 percent of the region's TEDF funding and 97 percent of the total jobs, all of which were new.

Although the road improvements were made in Delta Township, this was part of a regional, intergovernmental deal. The plant was located in Delta Township because there was not enough open space for the 1,300 acre site (300-acres for the plant, and the remaining space for possible expansion) in the central city.[44] However, the city of Lansing annexed this land under an agreement between Lansing and Delta Township. The two municipalities agreed to this so that the project would be eligible for additional tax breaks that are targeted to stressed communities (Delta would not qualify, but Lansing would). The deal also involves tax-revenue sharing between the two communities.[45]

TABLE 35:

TEDF Characteristics Across Lansing Metro Area Communities

Community Classifications	% Working-Age Population	% TEDF Deals	% TEDF Funds	% of All Jobs	% of New Jobs	% of Jobs That Are New
Central City	25%	0%	0%	0%	0%	N/A
Stressed	14%	0%	0%	0%	0%	N/A
At-Risk Established	12%	67%	4%	3%	3%	99%
At-Risk Low Density	14%	0%	0%	0%	0%	N/A
Bedroom Developing	13%	0%	0%	0%	0%	N/A
Low-Stress	21%	33%	96%	97%	97%	100%
Industrial Towns	1%	0%	0%	0%	0%	N/A

ECONOMIC DEVELOPMENT JOB TRAINING

As in other metro areas, EDJT was less geographically biased in Lansing than was MEGA or TEDF. While at-risk established cities, most notably Charlotte and Eaton Rapids, obtained more of these deals than any other community type, the city of Lansing had almost half of all employees trained and the majority of new hires (Table 36). Most of these jobs were for the new General Motors assembly plant (Appendix E online).

TABLE 36:

EDJT Characteristics Across Lansing Metro Area Communities

Community Classifications	% Working-Age Population	% EDJT Deals	% of All Workers Trained	% of New Workers Trained	% of Jobs That Are New
Central City	25%	26%	48%	70%	45%
Stressed	14%	0%	0%	0%	N/A
At-Risk Established	12%	41%	37%	28%	23%
At-Risk Low Density	14%	8%	5%	1%	7%
Bedroom Developing	13%	13%	4%	1%	9%
Low-Stress	21%	13%	6%	0%	1%
Industrial Towns	1%	0%	0%	0%	N/A

FLINT METRO AREA

Area Includes: Genesee County

Working-Age Population: 267,860, or 4 percent of the state total

WARN Act Notices: 14 with 1,020 workers dislocated

MEGA Deals: 2 valued at $30,174,000

EDJT Deals: 24 to train 4,419 workers

TEDF Deals: 0

Land Use Finding: This needy region got few incentive deals, but those it did receive were polarized between the central city and low-stress suburbs.

Flint is a small, one-county metro area with severe economic stress, yet it received few state-granted subsidies from 2001 through 2004. Despite not getting much help, unlike in any other metro area, Flint's deals went mostly to the central city. Otherwise, subsidies went disproportionately to low-stress suburbs.

As in Lansing, the central city of Flint still contains a larger share of its region's working-age population than any other community type. Poverty is highly concentrated in and around it (Figure 13), and it has suffered the majority of WARN events and dislocated workers (Table 37). But unlike the city of Lansing, the city of Flint received the majority of EDJT deals and most of the MEGA funds in its region.

At the other extreme, however, low-stress communities in the Flint metro area also obtained a large share of the region's incentives. Moreover, as explained below, where MEGA and EDJT deals in the central city were geared towards retaining jobs or training existing workers, the deals in low-stress suburbs were intended to create more new jobs. Low-stress communities did contain the second highest portion of the working-age population, but with far smaller shares of job dislocation and none of the concentrated poverty, these areas clearly had less need for economic development stimulus than did the central city.

TABLE 37:

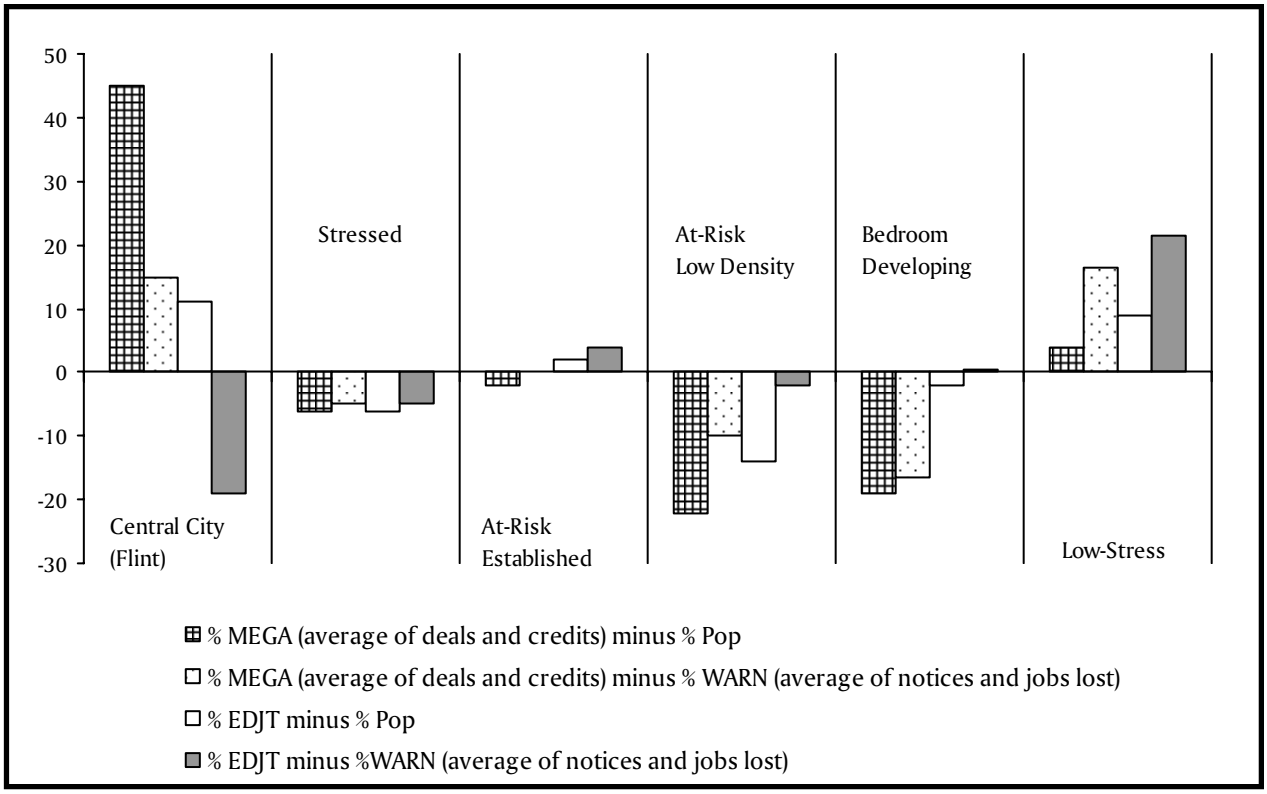
The Geographic Distribution of State-Granted Economic Development Incentives Across Flint Metropolitan Region Communities

Community Classifications	% Working-Age Pop.	% Warn Layoff Notices	% WARN Jobs Lost	% EDJT Deals	% MEGA Deals	% MEGA Credits	% TEDF Deals	% TEDF Funds
Central City	27%	57%	57%	38%	50%	94%	N/A	N/A
Stressed	6%	7%	3%	0%	0%	0%	N/A	N/A
At-Risk Established	2%	0%	0%	4%	0%	0%	N/A	N/A
At-Risk Low Density	22%	7%	13%	8%	0%	0%	N/A	N/A
Bedroom Developing	19%	14%	19%	17%	0%	0%	N/A	N/A
Low-Stress	24%	14%	9%	33%	50%	6%	N/A	N/A
Industrial Towns	0%	0%	0%	0%	0%	0%	N/A	N/A

Chart 5 graphically presents the information in Table 37. The shares of WARN events and WARN-related job losses in each community classification are averaged to obtain one number for WARN stress. Similarly, the share of MEGA deals and credits in each community classification is averaged to obtain one number for each of these subsidies. The subsidy shares in each community type have been subtracted from WARN and population shares to show which community types received more than proportionate shares of deals and which received less. As the chart shows, the city of Flint generally received a disproportionate share of subsidies, as did low stress communities.

CHART 5:

Percentage Point Difference Between Share of State-Granted Deals and Share of Population and WARN Events in Flint Area Communities



NOTE: *Missing columns in the above graph signify that there is no difference between a community type's share of deals and share of WARN or share of deals and share of population.*

FIGURE 13:
Stress in Flint Area Communities - WARN Notices 2001-2004 and Households in Poverty

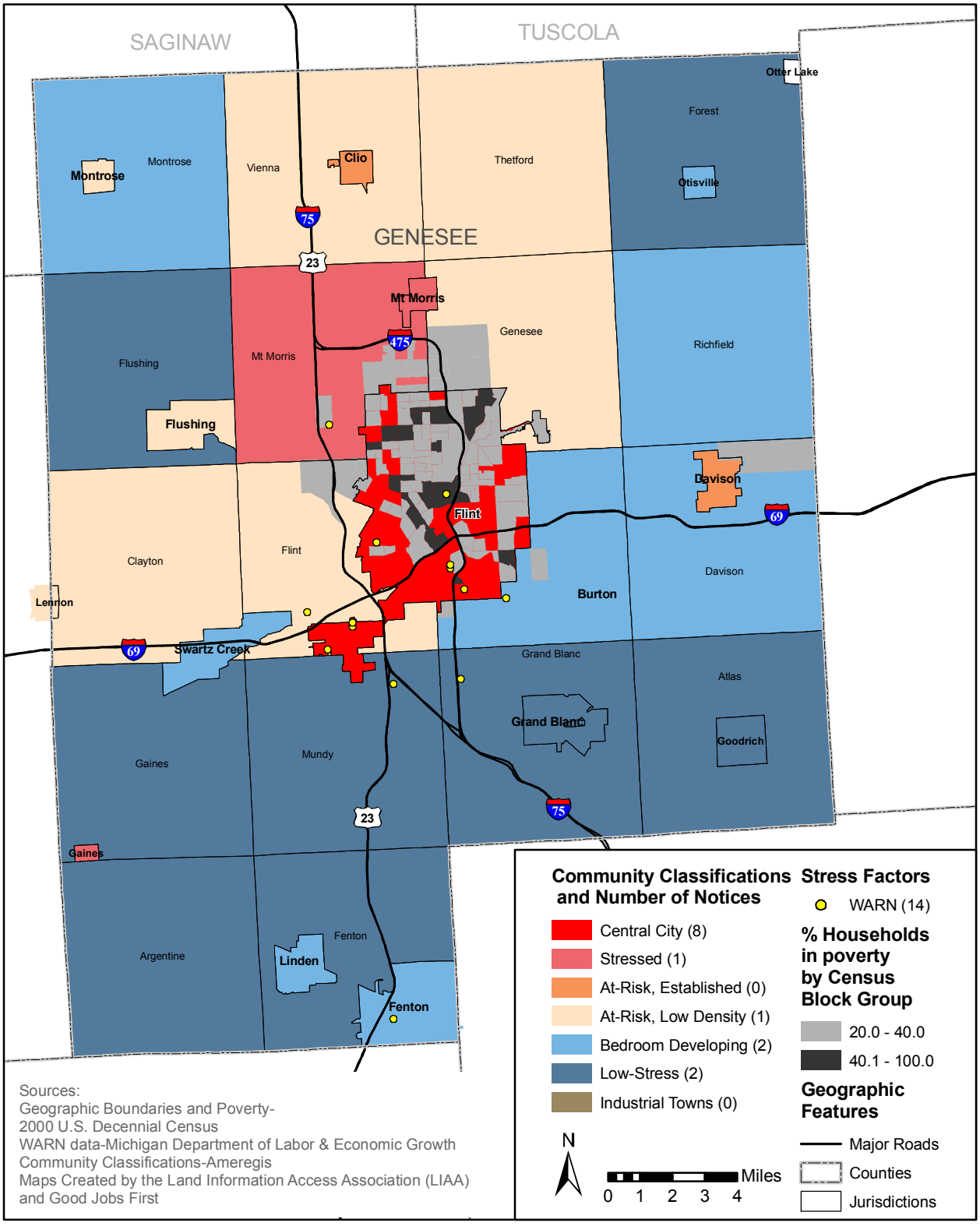


FIGURE 14:
MEGA, EDJT and IFT 2001-2004
Across Flint Area Communities

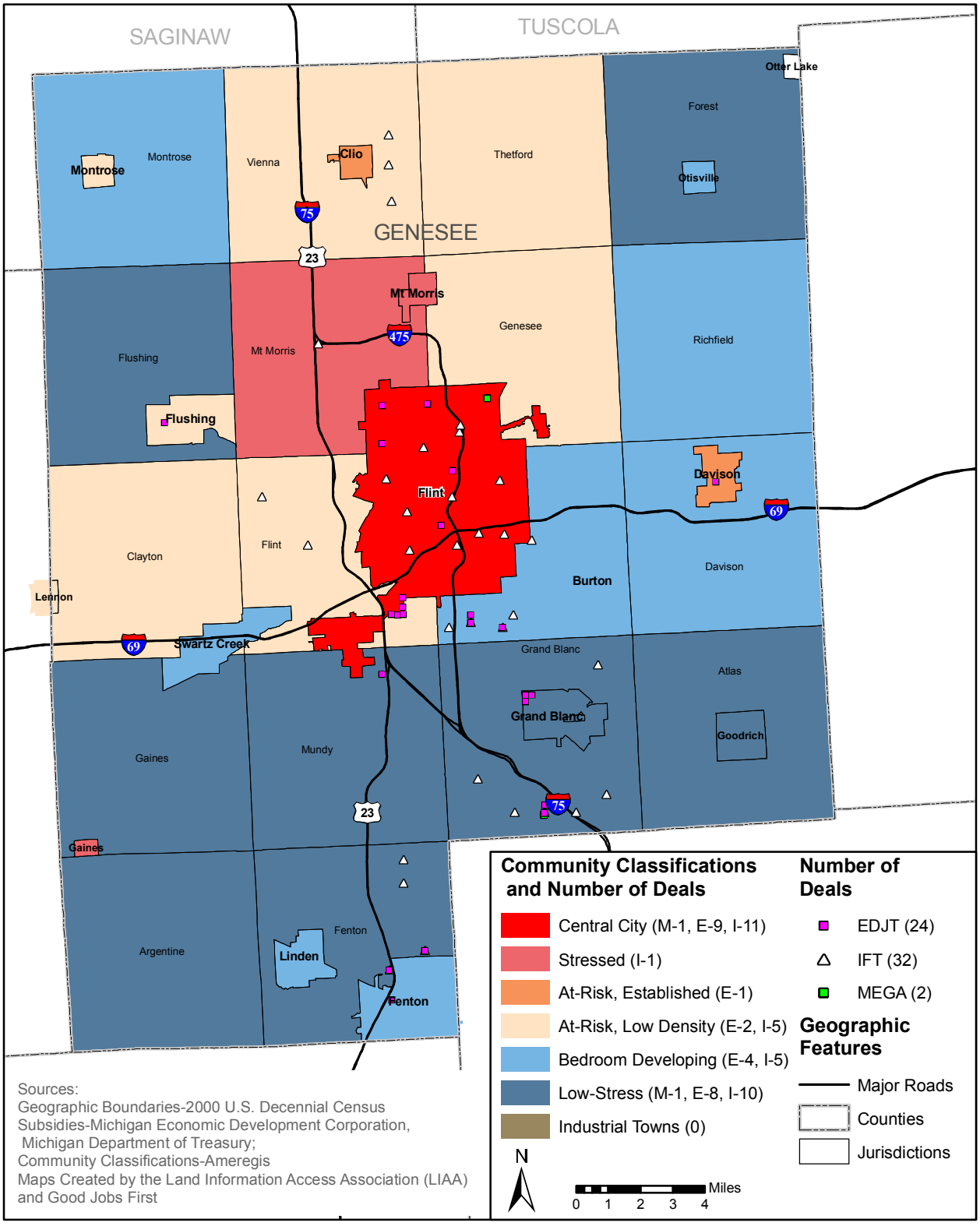


TABLE 38:

MEGA Characteristics Across Flint Metro Area Communities

Community Classifications	% Working-age Population	% MEGA Deals	% MEGA Credits	% of All Jobs	% of New Jobs	Average Weekly Wage
Central City	27%	50%	94%	95%	0%	$1,063
Stressed	6%	0%	0%	0%	0%	N/A
At-Risk Established	2%	0%	0%	0%	0%	N/A
At-Risk Low Density	22%	0%	0%	0%	0%	N/A
Bedroom Developing	19%	0%	0%	0%	0%	N/A
Low-Stress	24%	50%	6%	5%	100%	$590
Industrial Towns	0%	0%	0%	0%	0%	N/A

MICHIGAN ECONOMIC GROWTH AUTHORITY

The Flint region received only two MEGA credits during our study period, and their siting follows the polarized geographic pattern of Flint subsidies: one in the central city and the other in a low-stress suburb. The central city received 95 percent of MEGA credit value, which went to a General Motors truck Assembly plant for retaining 2,862 jobs. No new jobs were projected in this deal. The other MEGA credit, which went to a vehicle roof systems company, was much smaller in value but was used in the name of creating 161 new jobs in the low-stress, moderately dense (Appendix K online) suburb of Grand Blanc Township.

ECONOMIC DEVELOPMENT JOB TRAINING

Here again, most of these incentives went to the two regional extremes—the central city and low-stress suburbs. The city of Flint received 9 EDJT grants and a generous share of dollars and workers trained, while the low-stress suburbs of Grand Blanc Township, Grand Blanc City, Fenton Township and Mundy Township, which together contain fewer working-age people than the central city, jointly received 8. Very small shares of the workers trained in all jurisdictions were new hires.

TABLE 39:

EDJT Characteristics Across Flint Metro Area Communities

Community Classifications	% Working-Age Population	% EDJT Deals	% of All Workers Trained	% of New Workers Trained	% of Jobs That Are New
Central City	27%	38%	57%	4%	0%
Stressed	6%	0%	0%	0%	N/A
At-Risk Established	2%	4%	3%	0%	0%
At-Risk Low Density	22%	8%	4%	0%	0%
Bedroom Developing	19%	17%	9%	45%	9%
Low-Stress	24%	33%	27%	51%	3%
Industrial Towns	0%	0%	0%	0%	N/A

While the region's densest communities received 10 EDJT deals (nine in Flint and one in Davison), the remaining 14 deals were scattered throughout communities with varying population densities. In general, however, they more often went to denser communities (Appendix K online).

AN EXEMPLARY TIF IN GENESEE COUNTY

Tax Increment Financing (TIF) is one of the most contentious economic development incentives in the U.S. Originally intended to help alleviate "blight" in disinvested neighborhoods, its rules have been so loosened in many states that TIF districts can routinely be found in affluent areas such as Highland Park, Illinois, a Chicago suburb that is also home to a Ferrari dealership.

"Blight" originally had a specific meaning, such as a high rate of property abandonment or building code violations. And developers had to certify that "but for" the TIF, the project would not happen. But over time, states relaxed TIF rules so that almost anything was eligible—even a TIF to subsidize the arrival of a luxury Nordstrom store in Des Peres, Missouri.[46]

Genesee County's Brownfield Redevelopment Authority has gotten back to TIF basics. It is using TIF as an innovative funding source to help one of the state's hardest-hit cities, Flint. In 2005, the Authority used a TIF bond to raise $5 million for abandoned tax-foreclosed properties owned by the Genesee County Land Bank. The program stabilizes hard-hit neighborhoods by either demolishing vacant homes (and selling the vacant lots to an adjoining homeowner for $1) or rehabilitating and re-selling the homes.[47]

TIF refers to the incremental increase in property tax revenue that occurs when a property is redeveloped and therefore becomes more valuable. In the case of the abandoned Flint homes, the base tax revenue is $0, since they are owned by the Genesee County Land Bank. So any new property taxes paid when the properties and homes revert to private ownership count toward the increment. In effect, the Authority created a TIF district that consists solely of the County's very most distressed properties—a real throwback to the original intent of TIF.

Based on its track record of successfully handling tax-delinquent homes and other properties—including environmental assessments, title clearances, demolition or rehabilitation, and sometimes even lead and asbestos abatement—the Authority sold the $5 million in TIF bonds and is using the funds to accelerate its work stabilizing neighborhoods and getting more properties back on the tax rolls.

Not included in the direct TIF calculations are the benefits to property values that result when neighboring eyesores are taken down or repaired and reoccupied. Although many more structures are demolished than rehabilitated—reflecting the city's deep manufacturing job loss—the cumulative effect has been to help stabilize many areas.

SAGINAW METRO AREA

Area Includes: Bay, Midland and Saginaw Counties

Working-Age Population: 248,494 or 4 percent of the state total

WARN Act Notices: 15 with 1,092 workers dislocated

MEGA Deals: 6 valued at $ 31,233,000

EDJT Deals: 68 to train 4,860 workers

TEDF Deals: 2 valued at $919,066

Land Use Finding: Three large MEGA deals favored low-stress communities, but TEDF benefited inner-ring communities and EDJT was the least sprawling.

The land use picture in the Saginaw region is mixed: many deals were clustered around the central city, but some still served to fuel job sprawl. The city of Saginaw received a generous share of deals considering its population, but it also contains the highest concentrations of regional poverty (Figure 15) and suffered a quarter of the metro area's WARNed job loss (Table 40). Meanwhile, at-risk established communities—some of the densest communities in the region (Appendix L online)—received no MEGA or TEDF deals despite having more working-age residents than any other community type, 40 percent of the region's WARN notices, and almost as large a share of job loss.

The three incentive programs favored different community types. MEGA and TEDF were split between higher-stress and lower-stress areas. EDJT was once again the least sprawling subsidy: most deals were in the central city and the region's more stressed and dense communities. However, new jobs were more likely to be sprawling: all of the MEGA and TEDF jobs in this region were new, but most of the workers trained with EDJT grants were existing employees.

TABLE 40:

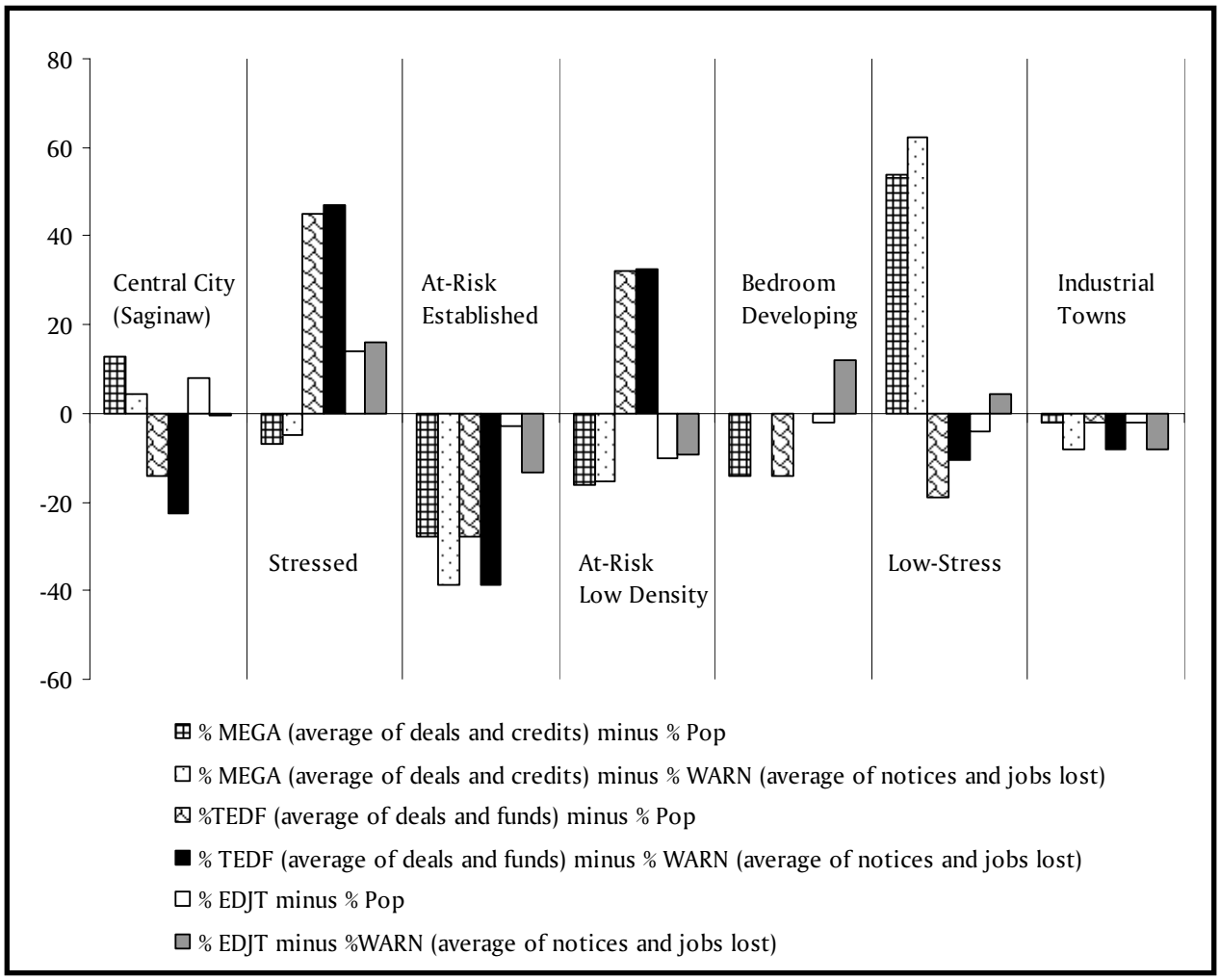
The Geographic Distribution of State-Granted Economic Development Incentives Across Saginaw Metropolitan Region Communities

Community Classifications	% Working-age Population	% Warn Layoff Notices	% WARN Jobs Lost	% EDJT Deals	% MEGA Deals	% MEGA Credits	% TEDF Deals	% TEDF Funds
Central City	14%	20%	25%	22%	50%	4%	0%	0%
Stressed	7%	7%	3%	21%	0%	0%	50%	54%
At-Risk Established	28%	40%	37%	25%	0%	0%	0%	0%
At-Risk Low Density	16%	7%	24%	6%	0%	0%	50%	46%
Bedroom Developing	14%	0%	0%	12%	0%	0%	0%	0%
Low-Stress	19%	13%	8%	15%	50%	96%	0%	0%
Industrial Towns	2%	13%	3%	0%	0%	0%	0%	0%

Chart 6 graphically presents the information in Table 40. The shares of WARN events and WARN-related job loss in each community classification are averaged to obtain one number for WARN stress. Similarly, the share of MEGA deals and credits in each community classification and the share of TEDF deals and funds is averaged to obtain one number for each of these subsidies. The subsidy shares in each community type have been subtracted from WARN and population shares to show which community types received more than proportionate shares of deals and which received less. As the chart shows, at-risk established communities consistently received disproportionately few subsidies.

CHART 6:

Percentage Point Difference Between Share of State-Granted Deals and Share of Population and WARN Events in Saginaw Area Communities



NOTE: *Missing columns in the above graph signify that there is no difference between a community type's share of deals and share of WARN or share of deals and share of population.*

MICHIGAN ECONOMIC GROWTH AUTHORITY

While three of the region's six MEGA deals were located in high-poverty central-city neighborhoods (Figures 15 and 16), the other three were in low-stress communities: one in the city of Midland, and one in each of the townships of Williams and Thomas. All of the jobs associated with these six deals were new, but the low-stress communities were to benefit from many more jobs than was the central city. Moreover, the companies in low-stress communities jointly received much larger MEGA credits, and the average weekly wage projected for the jobs in low-stress communities was more than twice

TABLE 41:

MEGA Characteristics Across Saginaw Metro Area Communities

Community Classifications	% Working-Age Population	% MEGA Deals	% MEGA Credit	% Jobs (All New)	Average Weekly Wage
Central City	14%	50%	4%	17%	$519
Stressed	7%	0%	0%	0%	N/A
At-Risk Established	28%	0%	0%	0%	N/A
At-Risk Low Density	16%	0%	0%	0%	N/A
Bedroom Developing	14%	0%	0%	0%	N/A
Low-Stress	19%	50%	96%	83%	$1,146
Industrial Towns	2%	0%	0%	0%	N/A

that of the jobs in the city of Saginaw (Table 41).

The MEGA bias towards low-stress communities was driven especially by a deal valued at more than $24 million for the expansion of Dow Chemical's plant in Midland (see Appendix C online). (Dow Chemical originated in Midland over a century ago and its headquarters are still located there.) While only moderately dense, Midland is second only to Saginaw in working-age adults (Appendix L online). The other MEGA deals in low-stress areas both went to less populated and less dense communities. (The Williams Township deal went to Dow Corning, an affiliate of Dow Chemical headquartered in neighboring Midland.) Each of the deals in low-stress communities involved a larger MEGA credit than did any of the deals in the central city (Appendix C online).

TRANSPORTATION ECONOMIC DEVELOPMENT FUND

Both TEDF deals in the Saginaw metro area both went to inner-ring suburbs: one was in the stressed township of Buena Vista and the other was in the at-risk low-density city of Zilwaukee. Despite their proximity to the central city, both of these communities are only moderately dense (Appendix L online). While Buena Vista township contains some concentrated poverty and had experienced a WARN event, the city of Zilwaukee did not.

TABLE 42:

TEDF Characteristics Across Saginaw Metro Area Communities

Community Classifications	% Working-age Population	% TEDF Deals	%TEDF Funds	% Jobs (All New)
Central City	14%	0%	0%	0%
Stressed	7%	50%	54%	55%
At-Risk Established	28%	0%	0%	0%
At-Risk Low Density	16%	50%	46%	45%
Bedroom Developing	14%	0%	0%	0%
Low-Stress	19%	0%	0%	0%
Industrial Towns	2%	0%	0%	0%

FIGURE 15:
Stress in Saginaw Area Communities - WARN Notices 2001-2004 and Households in Poverty

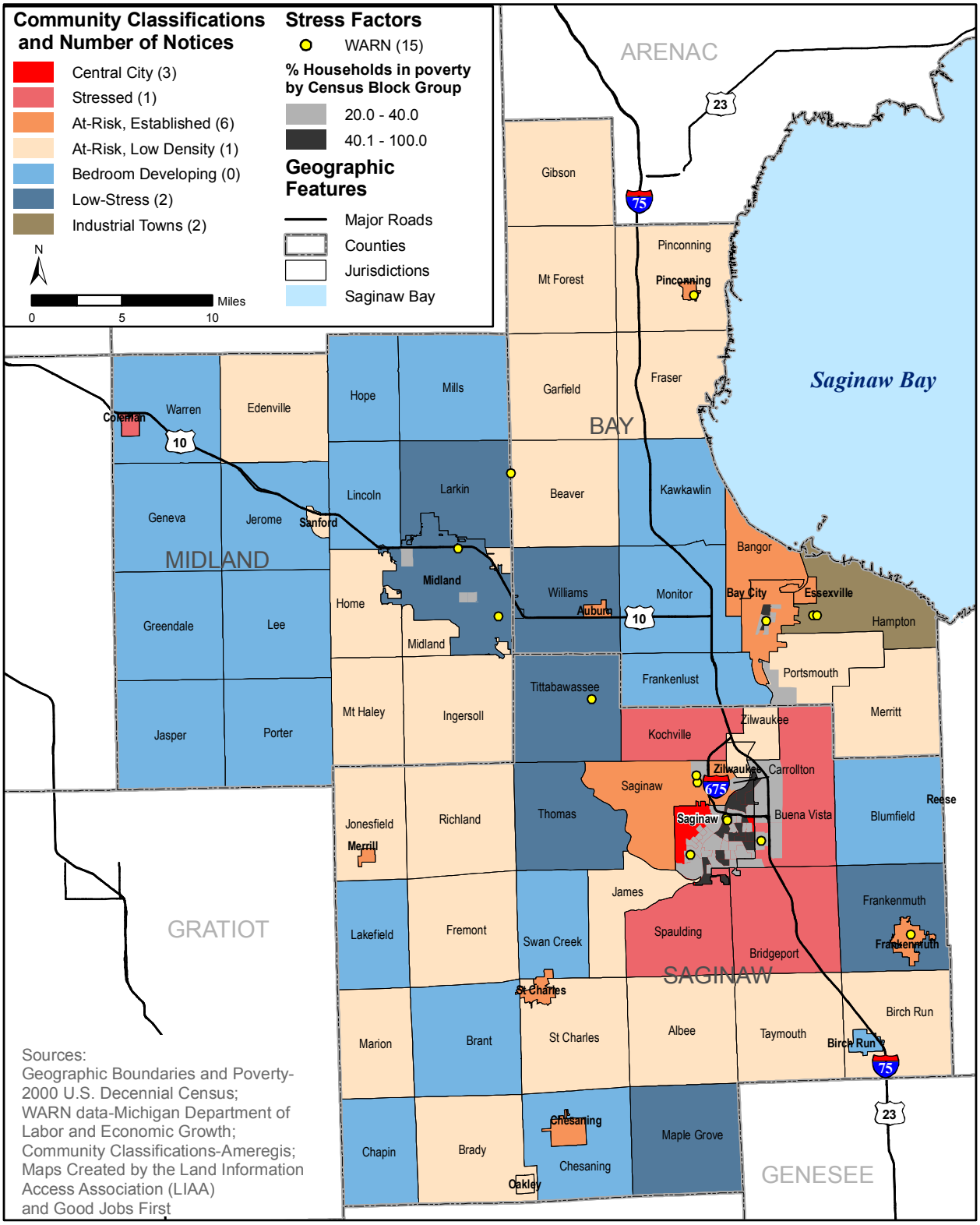
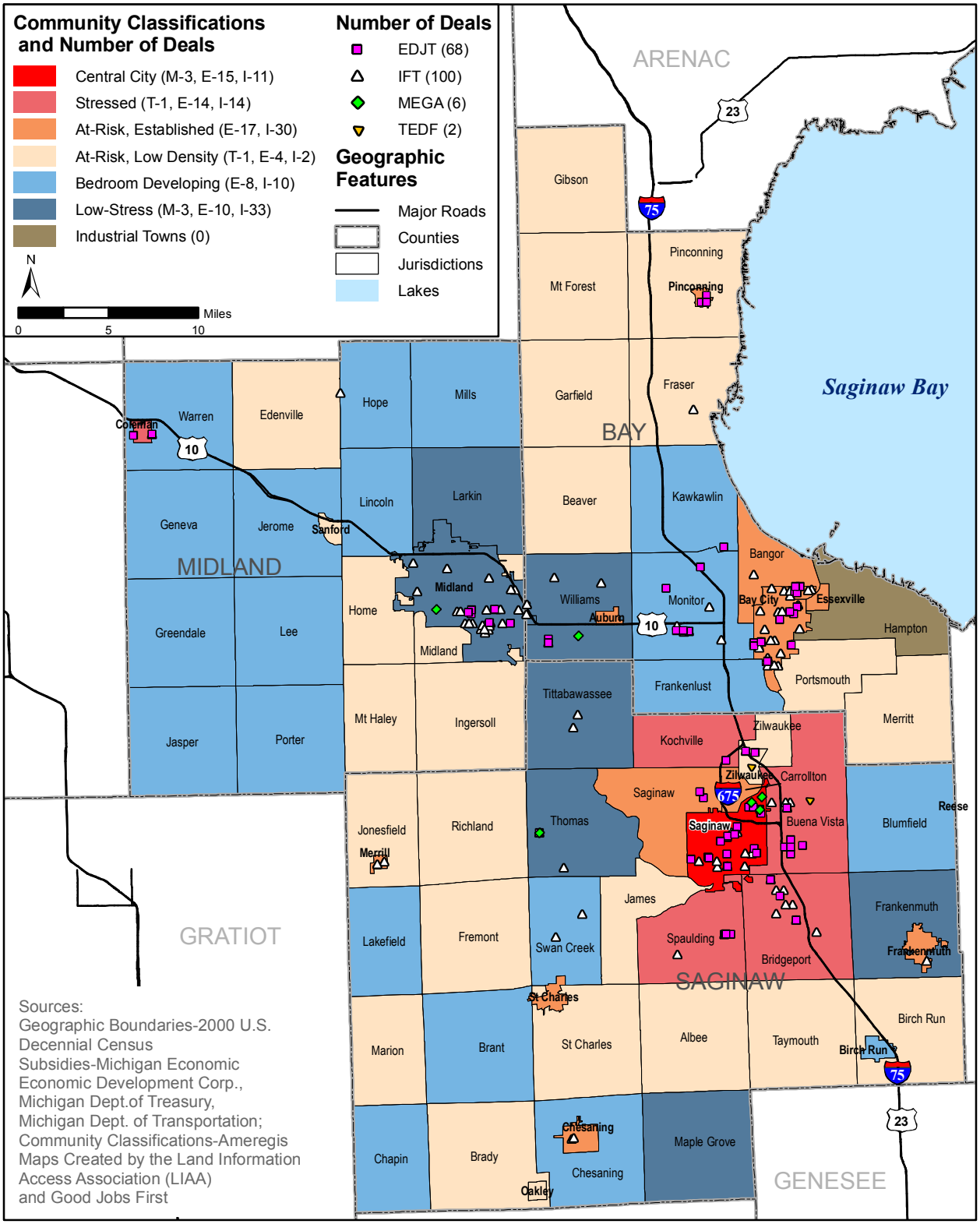


FIGURE 16:
MEGA, TEDF, EDJT and IFT 2001-2004
Across Saginaw Area Communities



ECONOMIC DEVELOPMENT JOB TRAINING

As in most other regions, EDJT deals are the least sprawling; they are mostly concentrated in and around the central city and heavily-populated, dense at-risk established communities. The biggest beneficiary was the central city, with 22 percent of the deals for 14 percent of the region's working-age population, followed by the at-risk established city of Bay City, the densest community in the region (Appendix L online). On the other hand, the low-stress community of Midland also received many deals.

While the other two state incentives went to create new jobs in this region, almost all of the EDJT grant money went to train existing workers rather than new hires.

TABLE 43:

EDJT Characteristics Across Saginaw Metro Area Communities

Community Classifications	% Working-Age Population	% EDJT Deals	% of All Workers Trained	% of New Workers Trained	% of Jobs That Are New
Central City	14%	22%	17%	8%	1%
Stressed	7%	21%	32%	23%	2%
At-Risk Established	28%	25%	23%	65%	8%
At-Risk Low Density	16%	6%	14%	1%	0%
Bedroom Developing	14%	12%	6%	4%	2%
Low-Stress	19%	15%	8%	0%	0%
Industrial Towns	2%	0%	0%	0%	N/A

TRAVERSE CITY METRO AREA

Area Includes: Antrim, Benzie, Charlevoix, Grand Traverse, Kalkaska, and Leelanau Counties

Working-Age Population: 116,430, or 2 percent of the state total

WARN Act Notices: 4 with 669 workers dislocated

MEGA Deals: 0

EDJT Deals: 61 to train 3,294 workers

TEDF Deals: 0

Land Use Finding: This high-growth, prosperous region received only training grants and they went mostly to dense, at-risk established communities and the central city, so state-granted economic development incentives did not fuel sprawl here.

The few state-granted economic development subsidies in the Traverse City metro area favored the central city and economically stressed and relatively dense communities. This is not surprising considering the region received only EDJT grants, which have generally been the least sprawling state subsidy within metro regions. Of the 61 EDJT deals in the region, almost half went to at-risk established communities and a fourth went to the central city (Table 44).

Reflecting its robust economy, the Traverse City area exhibited low economic stress: there were only four WARN events over four years in the region. Two were in the at-risk established Garfield Township,[48] which is adjacent to the central city and was the only community in the region to contain concentrated poverty. One WARN event was in Traverse City itself, and the third was in at-risk low density Marion Township (Figure 17) located at the northern end of the region. The majority, 73 percent, of the dislocated workers were in Garfield Township, which, after Traverse City, received more EDJT grants than any other single community.

The percentages of total employees and new hires trained within each community type generally mirrored the allocation of deals, with at-risk established communities enjoying more than two thirds of the trainees. The central city had the second largest shares of deals and trained workers. As with EDJT in other metro regions, the majority of workers trained with these grants were incumbent employees rather than new hires.

FIGURE 17:
Stress in Traverse City Area Communities - WARN Notices 2001-2004 and Households in Poverty

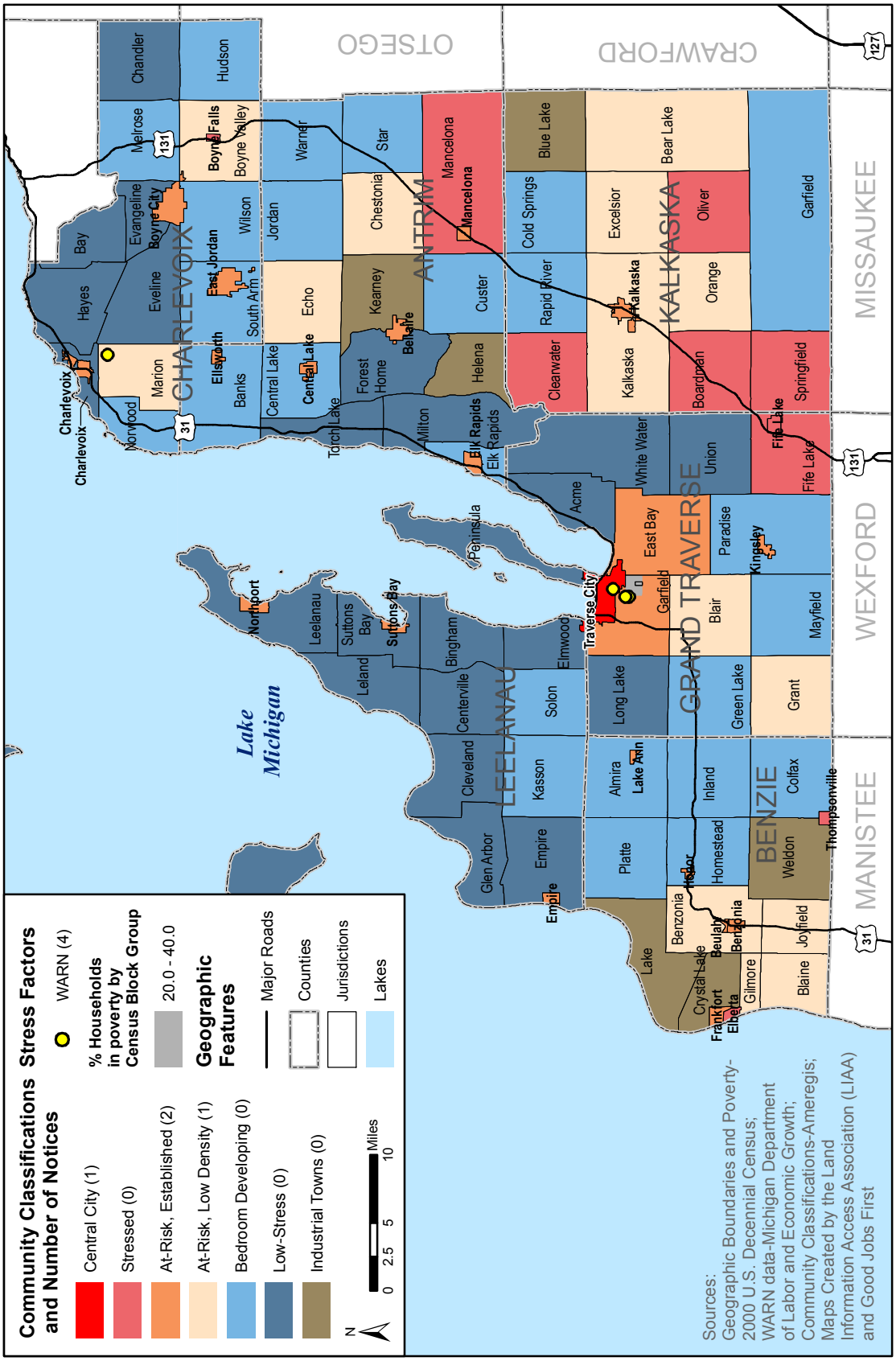


FIGURE 18:
EDJT AND IFT 2001-2004
ACROSS TRAVERSE CITY AREA COMMUNITIES

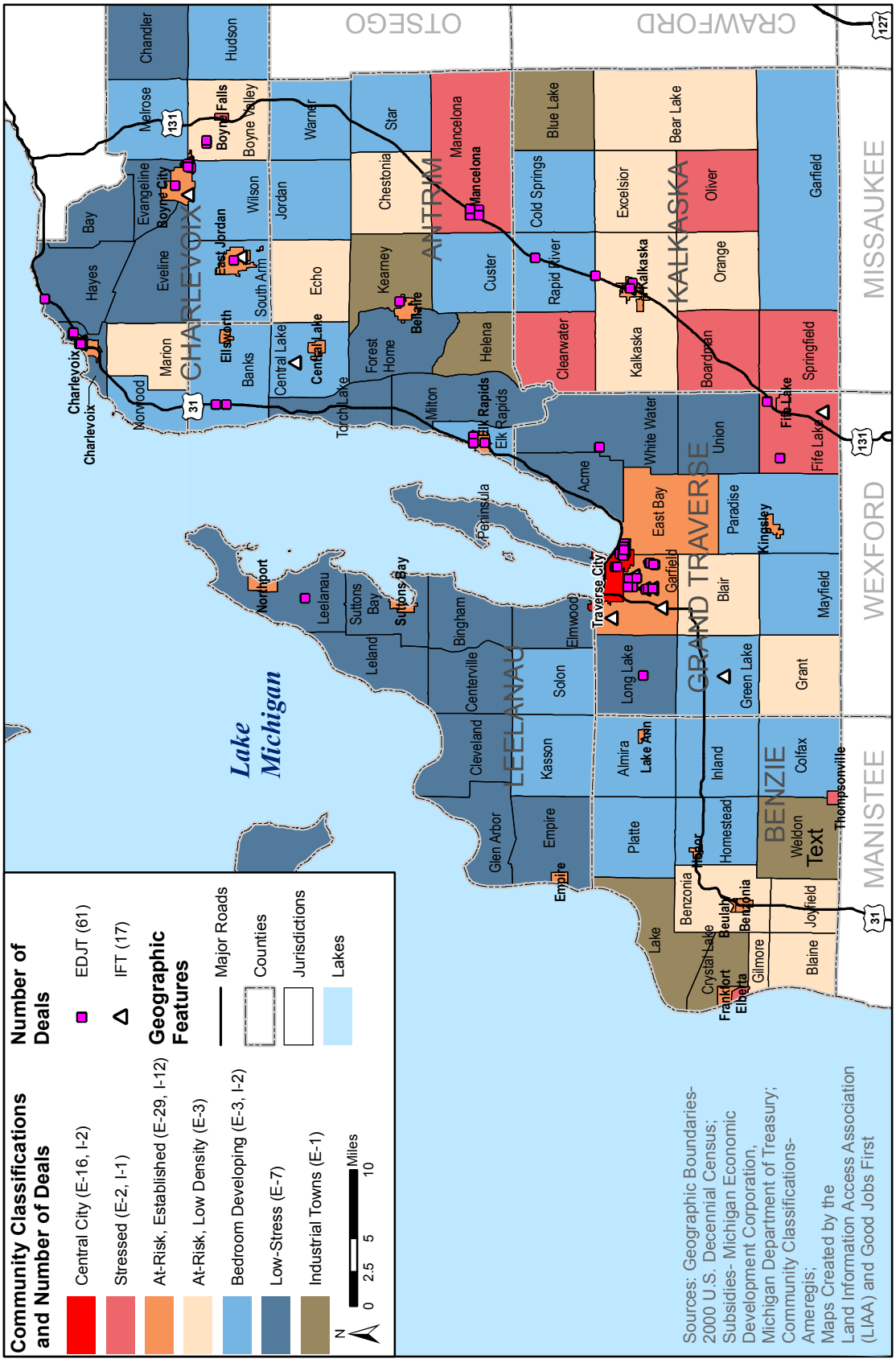


TABLE 44:

EDJT and WARN Characteristics Across Traverse City Area Communities

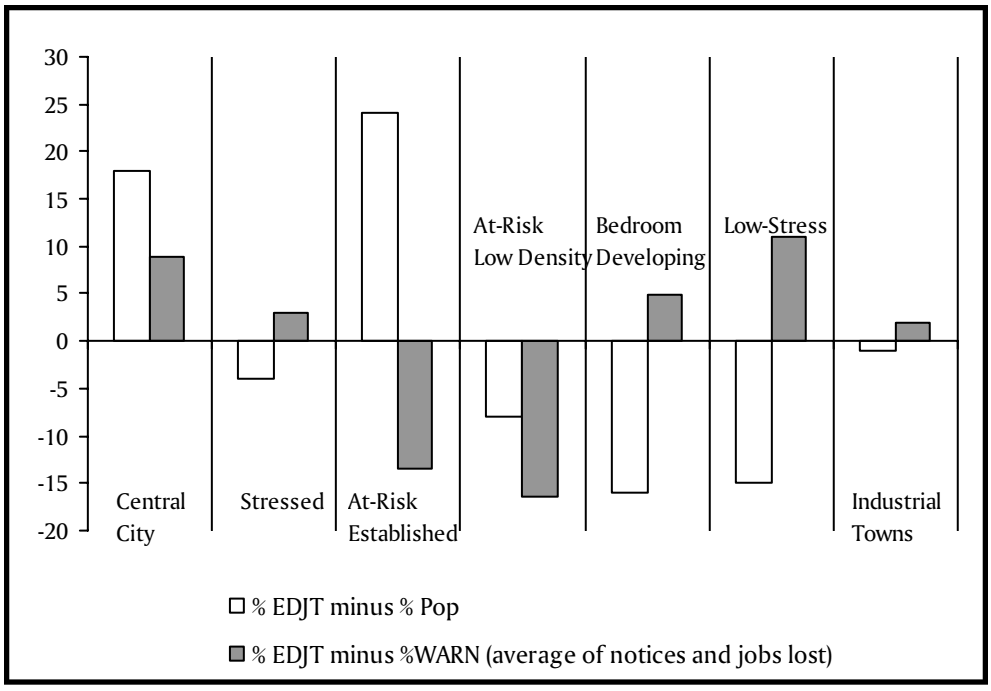
Community Classifications	% Working-Age Pop.	% Warn Layoff Notices	% WARN Jobs Lost	% EDJT Deals	% of All Workers Trained	% New Workers Trained	% of Jobs That Are New
Central City	8%	25%	9%	26%	19%	35%	9%
Stressed	7%	0%	0%	3%	0%	0%	0%
At-Risk Established	24%	50%	73%	48%	69%	52%	4%
At-Risk Low Density	13%	25%	18%	5%	3%	3%	5%
Bedroom Developing	21%	0%	0%	5%	1%	1%	3%
Low-Stress	26%	0%	0%	11%	7%	9%	6%
Industrial Towns	3%	0%	0%	2%	1%	1%	N/A

Overall, dense communities received a larger share of EDJT deals in this region than their share of the population (Appendix M online).

Chart 7 graphically presents the information in Table 44. The shares of WARN events and WARN-related job loss in each community classification are averaged to obtain one number for WARN stress. EDJT shares in each community type have been subtracted from WARN and population shares to show which community types received more than proportionate shares of deals and which received less. As the chart shows, Traverse City was the only community type that received a disproportionate share of EDJT deals compared with both population and WARN.

CHART 7:

Percentage Point Difference Between Share of State-Granted Deals and Share of Population and WARN Events in Traverse City Area Communities



CHAPTER 4

THE GEOGRAPHIC DISTRIBUTION OF INDUSTRIAL FACILITIES PROPERTY TAX (IFT) EXEMPTIONS WITHIN MICHIGAN METROPOLITAN REGIONS

BACKGROUND

Michigan Public Act 198 gives every municipality the power to grant property tax exemptions to specific companies for newly constructed or improved worksites. Under the IFT program, companies are exempt from normal real and/or personal property taxes and are instead subject to a lesser industrial facilities tax. (For more detail, see "Defining our Terms.")

Between 2001 and 2004, Michigan jurisdictions granted 2,422 of these property tax exemptions covering almost $15 billion in capital investments. The Michigan Department of Treasury estimates that local governments lost a total of $325 million in revenue under IFT in FY 2006 and projects a $330 million cost in FY 2007.

IFT deals differ from MEGA, TEDF and EDJT in two major ways. First, local taxing units, rather than the state, initially approve them; and second, the exemptions involve local expenditures, in the form of foregone local property tax revenues, rather than state money.[49] Although the State Tax Commission must ultimately approve of all of these subsidies, it denies only those requests that technically violate Public Act 198 (a common reason is the late filing of an application).

Localities, on the other hand, have discretion over IFT applications, but they usually approve them. In a study of all Public Act 198 tax abatements granted between 1980 and 2001, Gary Sands, Laura Reese and Heather Khan found that in 88 percent of the municipalities that granted abatements, requests were "seldom or never rejected."[50] They speculate that "[f]ew local officials want to risk being perceived as indifferent to their community's economic well-being by turning down abatement requests."[51]

Reese and Sands also examined the economic health of selected municipalities in the Detroit and Grand Rapids metro areas between 1980 and 2001 and found that many suburban townships experienced improved economic health during this time, while central cities were likely to experience decline whether or not they granted IFT exemptions.[52] Additionally, Reese and Sands conclude that, because industrial tax abatements are so widely available, they have done little to affect site location decisions of firms.[53]

Our analysis here is only about geographic incidence. The Department of Treasury

merely records the applications that it receives and approves from localities. It has no data that bear upon outcomes. We are not aware of research on IFT that explores whether the private investments would have been made without the exemptions, or what revenue the municipalities might have received from other uses of the land.

Affluent or newly developing suburbs can more easily afford to grant exemptions and lose the tax revenue than can central cities and other communities with a stagnant or declining tax base. But when suburban localities offer tax exemptions, this creates pressure on stressed communities to do so as well, in order to compete for investment. Hence the means-test axiom in economic development that "the poor [communities] pay more."

IFT AS A ROUGH MAP OF PRIVATE INVESTMENT

Because IFT is granted at the local level, the geographic distribution of these exemptions tells us nothing about state policy, except that the state does not target IFT in any way. Instead—because the exemptions are granted so routinely in most localities—it does tell us something about private-sector investment trends. Although the state does not track the dollar value of specific exemptions, it does record the value of the real and personal property investment companies reported. This enables us to determine where companies are investing in both real property (new, expanded or restored facilities) and personal property (machinery and equipment). In almost every metro area, the biggest share of real property investment was in low-stress suburbs, while older, more stressed communities had larger shares of personal property investment.[54] Statewide, the largest share of real property investment was in non-metro communities, but most of this was in the Jackson and Benton Harbor areas (Jackson and Berrien counties) for which we have no community classifications.

Overall, as table 45 shows, rural areas (non-metro excluding Jackson and Berrien counties) granted a disproportionate number of IFT deals. They also expected to benefit from the highest share of new jobs.

Within urban areas, IFT exemptions are prevalent in newer and more affluent communities. Central cities granted very low numbers of these deals in relation to their population share; bedroom developing suburbs granted almost four times as many deals as did central cities. Statewide, these exemptions clearly subsidize the geographic thinning of job. Their distribution varies, however, within different metro regions (as we discuss below).

Generally within metro areas, at-risk established communities had the highest shares of personal property investment and retained jobs. This suggests that newly constructed buildings in metro areas are more often associated with new jobs than are re-equipped facilities. This mirrors our recurring finding about MEGA and TEDF: more job retention deals occur in older areas while more new job creation occurs in newly developing areas. (The pattern is not absolute: low-stress communities had a disproportionate share of real property investment, but not an especially high share of new jobs.)

TABLE 45:

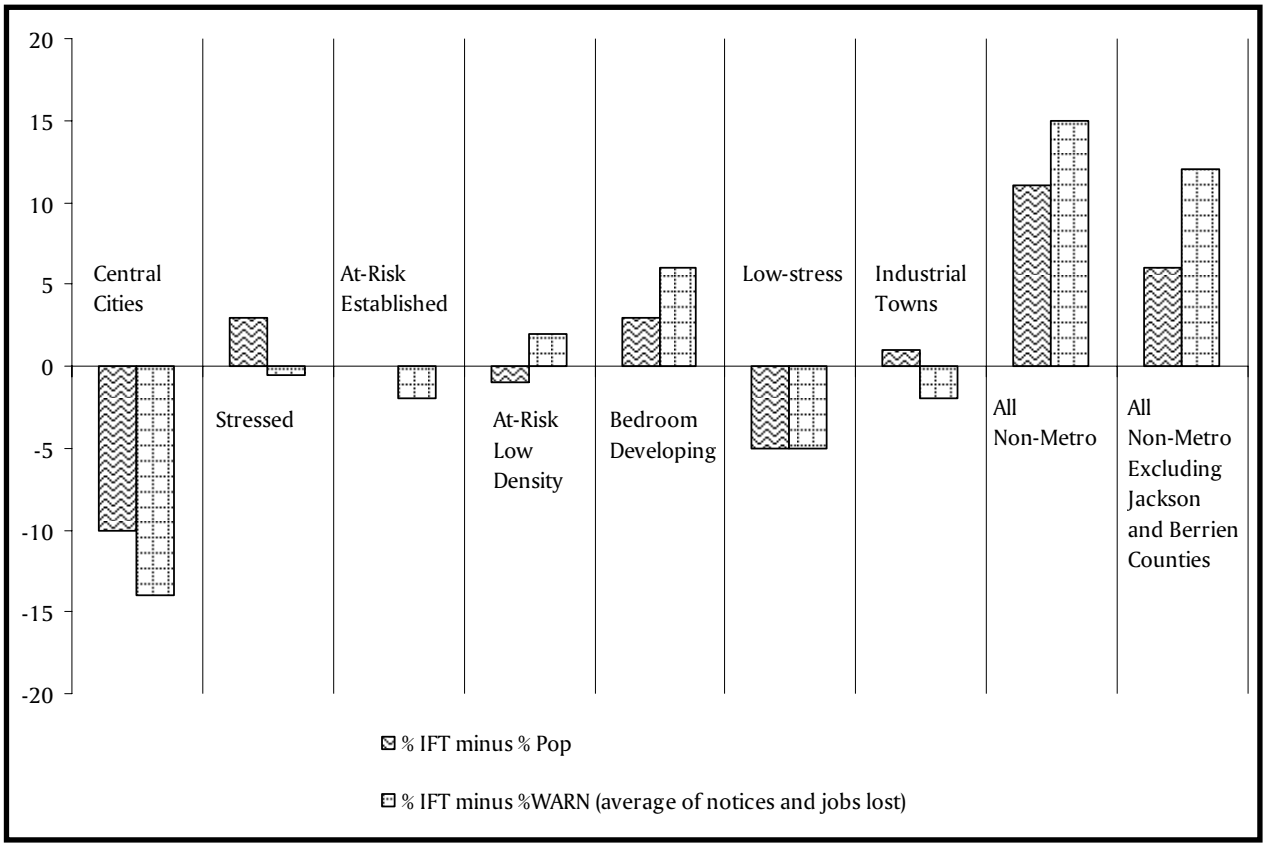
IFT Characteristics Across Community Classifications

Community Classifications	% Working-Age Pop.	% WARN Layoff Notices	% WARN Jobs Lost	% IFT Exemptions	% Total Projected Jobs	% Total Projected New Jobs	% of Jobs that are New	% Total Real Investment	% Total Personal Property Investment
Metro									
Central City	15%	16%	22%	5%	5%	5%	20%	5%	5%
Stressed	9%	12%	13%	12%	15%	13%	19%	10%	15%
At-Risk Established	17%	20%	18%	17%	24%	14%	13%	15%	25%
At-Risk Low Density	9%	5%	6%	8%	6%	14%	51%	9%	5%
Bedroom Developing	16%	14%	12%	19%	15%	14%	21%	10%	13%
Low-Stress	13%	13%	12%	8%	9%	10%	26%	21%	13%
Industrial Towns	2%	5%	5%	3%	6%	9%	38%	7%	12%
Non-Metro									
All Non-Metro	18%	15%	12%	29%	20%	23%	26%	22%	11%
Non-Metro Excluding Berrien & Jackson	15%	10%	7%	21%	17%	20%	27%	3%	8%

Chart 8 graphically presents the information in Table 45. The shares of WARN events and WARN-related job losses in each community classification are averaged to obtain one number for WARN stress. IFT shares in each community type were then subtracted from WARN stress and population shares to show which kinds of communities granted more or fewer deals relative to their population and WARN. As the chart shows, central cities granted relatively few deals while bedroom developing and non-metro communities granted relatively large numbers of exemptions.

CHART 8:

Percentage Point Difference Between Share of IFT Deals and Share of Population and WARN Events in Metro and Non-Metro Communities



NOTE: *Missing columns in the above graph signify that there is no difference between a community type's share of deals and share of WARN or share of deals and share of population.*

The geography of IFT exemptions generally mirrored the distribution of state-granted subsidies in most metro regions: in Detroit and Grand Rapids, the central cities had few IFT deals and bedroom developing and low-stress communities granted more; in Kalamazoo, more IFT exemptions were granted by stressed and denser communities; in Lansing, at-risk established communities hosted the majority of these deals; in Flint, most of the exemptions went to the central city and low-stress suburbs; and in Traverse City most of the deals were in at-risk established communities. (In Saginaw, the overall distribution of subsidies was less coherent; most of the IFT deals were in at-risk established and low-stress communities.)

Because the use of IFT exemptions is so very common, and academic research concludes they have done little to influence the location decisions of firms, we conclude that IFT plays a passive role in abetting sprawl. As private investment decisions are driven by the myriad forces of sprawl, IFT exemptions follow.

DETROIT

IFT exemptions subsidized sprawl in the Detroit metro area, occurring disproportionately in lower-density, more affluent suburban communities. Even though 18 percent of the region's working-age population lives in the city of Detroit, it only had 3 percent of the IFT exemptions, covering just 3 percent of real property investment and 7 percent of personal property investment (Table 46).

By contrast, bedroom developing communities granted the largest share of IFT deals (26 percent). Stressed

TABLE 46:

IFT Exemptions Across Detroit Area Communities

Community Classifications	% Working-Age Pop.	% Warn Layoff Notices	% WARN Jobs Lost	% of IFT Exemptions (N= 652)	% of All Jobs (N= 99,500)	% of New Jobs (N= 33,926)	% of Jobs That Are New	% of Real Property Invest. (N = $2.8 billion	% of Personal Property Invest. N = $6.8 billion
Central City	18%	15%	19%	3%	6%	4%	26%	3%	7%
Stressed	10%	15%	17%	19%	21%	16%	26%	13%	14%
At-Risk Established	25%	23%	15%	15%	16%	12%	26%	20%	27%
At-Risk Low Density	8%	6%	7%	14%	12%	24%	70%	13%	6%
Bedroom Developing	21%	17%	15%	26%	13%	13%	33%	11%	14%
Low-Stress	15%	15%	17%	13%	17%	13%	27%	28%	14%
Industrial Towns	3%	8%	9%	9%	16%	18%	38%	12%	18%

communities—by definition the least able to afford lost revenue after the central city—reported granting a disproportionate share of IFT exemptions and reported the largest number of associated jobs.

Looking at the type of investment reveals additional sprawling bias. Low-stress communities and industrial towns, with 18 percent of the population, received 40 percent of the investment in new, expanded or restored facilities (real property). At-risk established communities received the largest share of personal property investment. That is, new, expanded or restored facilities were more likely to be built in less-dense, more affluent localities, while companies in denser areas were more likely to be replacing machinery and equipment, some of which may automate work and reduce jobs. Like MEGA and TEDF, then, IFT in the Detroit metro area favored new-job creation in more thinly developed areas and job retention in denser areas.

Similarly, as MEGA and TEDF shortchanged the city of Detroit, there were also few IFT deals and jobs, and little investment in the central city. However, bedroom developing communities received relatively few of the state-granted subsidies while granting the most IFT exemptions (Tables 15 and 46). Certain individual communities granted large numbers of deals. Some of these are closer to the central city—such as Livonia or Northville Township—while some are quite distant, like Bedford and Howell Townships (Figure 19). All of these are relatively affluent. Industrial towns also granted IFT exemptions generously, such as the wealthy city of Auburn Hills.

Grouping the region's cities into seven bands based on population density also shows IFT exemptions to be pro-sprawl. The region's 11 densest communities have 22 percent of the population, but they granted only 3 percent of the exemptions. The 23 next densest communities are home to 16 percent of the population and granted only 6 percent of deals (Table 47).

TABLE 47:

IFT Characteristics Compared with Community Population Density in the Detroit Metro Area

Density (Working Age Persons per Sq. Mile)	% Working-Age Pop.	% IFT Exemp-tions	% of All Jobs	% of New Jobs	% of Jobs That Are New	% Real property Investment	% Personal Property Investment
3,554.64 – 6,571.56	22%	3%	6%	4%	26%	3%	7%
2,542.87 – 3,554.63	16%	6%	4%	4%	34%	11%	10%
1,724.75 – 2,542.86	17%	19%	30%	23%	26%	23%	31%
1,100.01 – 1,724.74	19%	24%	20%	18%	32%	13%	17%
594.81 – 1,100.00	8%	26%	22%	21%	33%	13%	21%
226.97 - 594.80	8%	8%	12%	24%	69%	12%	6%
15.56 - 226.96	11%	14%	7%	5%	25%	23%	8%

FIGURE 19:
IFT Deals 2001-2004
Across Detroit Area Communities

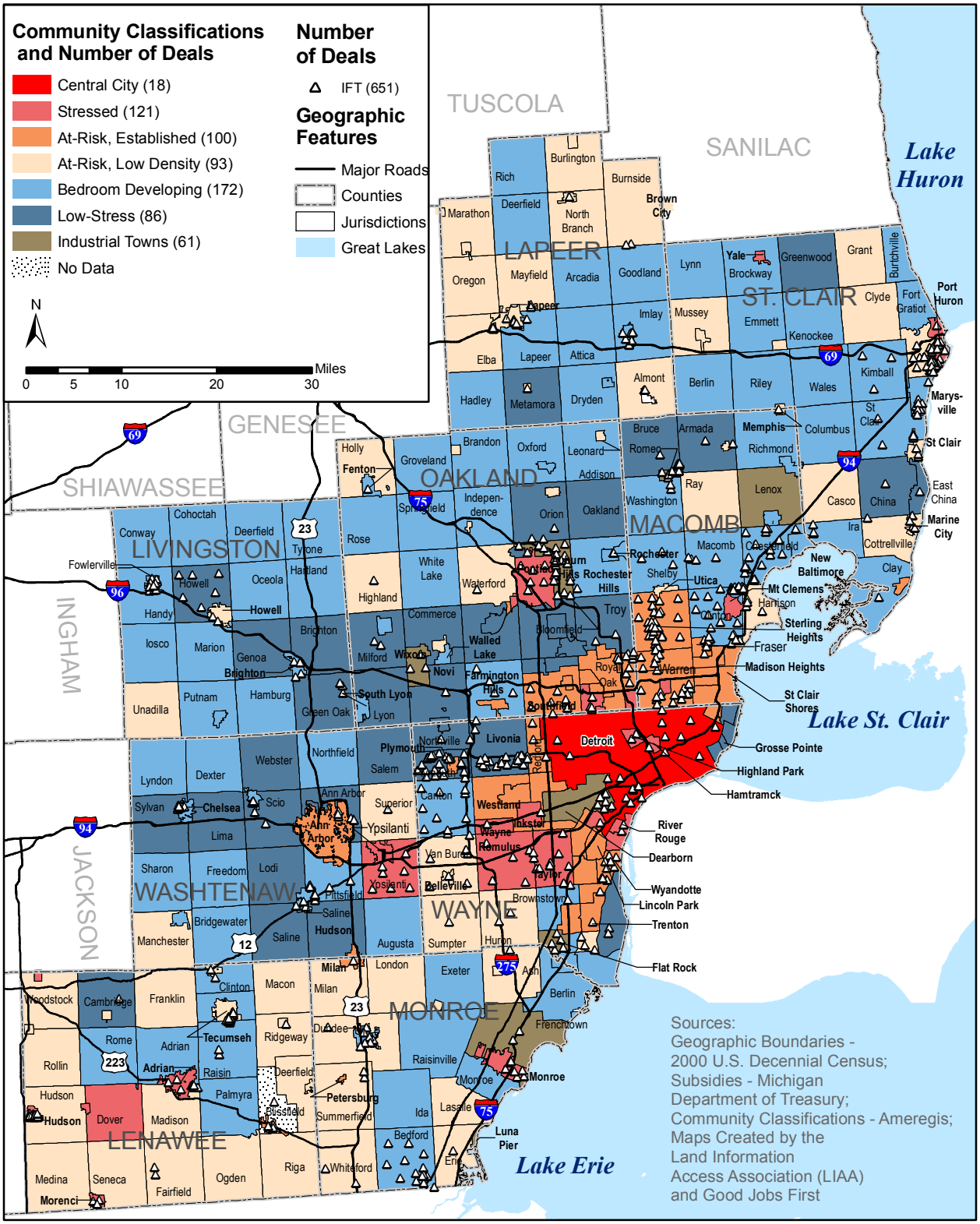
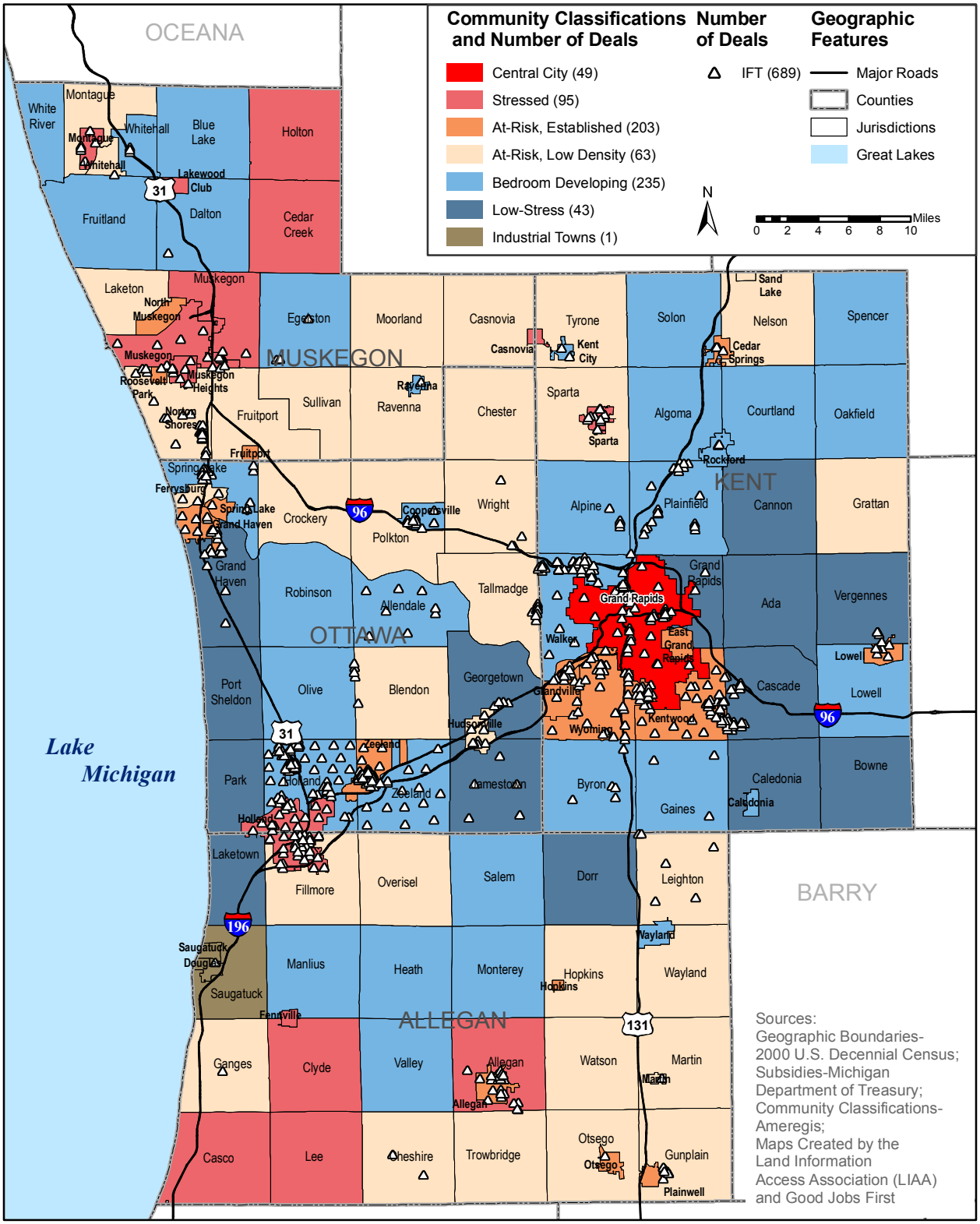


FIGURE 20:
IFT Deals 2001-2004
Across Grand Rapids Area Communities



GRAND RAPIDS

The geography of IFT exemptions in the Grand Rapids region is similar to but not quite so biased as that of Detroit. The central city granted very few, while bedroom developing communities, with the largest share of the regional population (25 percent), granted an even larger share of IFT deals (34 percent), with many of these in Holland, Zeeland and Walker townships (See Table 48 and Figure 20). Bedroom developing communities also reported the largest share of real property investment, meaning new facilities were most likely to be built in these already-growing areas.

The Grand Rapids area differs from Detroit in that at-risk established communities, such as the cities of Wyoming, Kentwood and Allegan, also used a large share of these subsidies (Figure 20). Additionally, at-risk established communities in Grand Rapids reported large shares of jobs and both kinds of investments.

The distribution of IFT exemptions in the Grand Rapids metro area was very similar to that of the state subsidies: many deals were in at-risk established and bedroom developing communities, but few were in the central city. Low-stress suburbs, however, granted a far smaller share of IFT exemptions than they received in state subsidies (Tables 22 and 48).

Viewed against working-age population density, the IFT distribution is less sprawling than Detroit. Still, the six densest cities have 30 percent of the regional population and granted 17 percent of the deals. Excluding these communities, however, the distribution is much more positive; the second and third-densest groups of cities granted a much greater share of IFT exemptions than their population would suggest, while the

TABLE 48:

IFT Exemptions Across Grand Rapids Area Communities

Community Classifications	% Working-Age Pop.	% WARN Layoff Notices	% WARN Jobs Lost	% of IFT Exemp-tions (N=689)	% of All Jobs (N= 93,668)	% of All New Jobs (N= 10,346)	% of Jobs That Are New	% of Real Property Invest. (N = $370M)	% of Personal Property Invest. (N = $1.3 billion)
Central City	18%	21%	27%	7%	6%	3%	5%	2%	4%
Stressed	12%	10%	8%	14%	10%	12%	14%	15%	17%
At-Risk Established	17%	29%	39%	29%	48%	34%	8%	30%	40%
At-Risk Low Density	13%	6%	5%	9%	4%	7%	20%	8%	6%
Bedroom Developing	25%	22%	16%	34%	28%	37%	15%	35%	29%
Low-Stress	14%	13%	5%	6%	3%	6%	21%	10%	5%
Industrial Towns	1%	0%	0%	0%	0%	0%	0%	0%	0%

TABLE 49:

IFT Characteristics Compared with Community Population Density in the Grand Rapids Metro Area

Density (Working Age Persons per Sq. Mile)	% Working-Age Pop.	% IFT Exemp-tions	% of All Jobs	% of New Jobs	% of Jobs That Are New	% Real property Invest.	% Personal Property Invest.
1367.93 - 2718.66	30%	17%	17%	10%	7%	8%	22%
796.20 - 1367.92	13%	30%	27%	37%	15%	35%	32%
424.25 - 796.19	20%	36%	46%	32%	8%	37%	34%
200.93 - 424.24	12%	8%	5%	10%	22%	8%	5%
110.69 - 200.92	8%	4%	3%	6%	20%	5%	3%
67.32 - 110.68	8%	3%	1%	3%	38%	5%	2%
26.76 - 67.31	8%	3%	1%	2%	29%	2%	1%

remaining four thinner groups reported fewer (Table 49).

KALAMAZOO

As with state-granted subsidies, IFT exemptions in the Kalamazoo region were disproportionately concentrated in stressed communities (Figure 10), especially the moderately dense city of Battle Creek (Appendix I online). At-risk established communities also reported especially heavy use. And unlike the central cities of Detroit and Grand Rapids, Kalamazoo granted a moderate share (Table 50).

Stressed communities, which had the most WARN notices and lost jobs, granted the largest number of IFT deals. They also expected to benefit from more than half of IFT-related jobs in the region and received over 65 percent of the personal property investment (Table 50). At-risk established

TABLE 50:

IFT Exemptions Across Kalamazoo Area Communities

Community Classifications	% Working-Age Pop.	% WARN Layoff Notices	% WARN Jobs Lost	% IFT Exemp-tions (N=180)	% of All Jobs (N= 20,923)	% of All New Jobs (N= 2,845)	% of Jobs That Are New	% of Total Real Invest. (N= $221M)	% Total Personal Property Invest (N = $521M)
Central City	18%	5%	0%	15%	8%	9%	16%	16%	8%
Stressed	19%	38%	45%	31%	56%	52%	13%	27%	65%
At-Risk Established	9%	19%	25%	22%	10%	16%	20%	8%	9%
At-Risk Low Density	21%	0%	0%	10%	10%	4%	6%	3%	7%
Bedroom Developing	12%	14%	10%	8%	5%	4%	12%	3%	4%
Low-Stress	19%	24%	20%	10%	9%	12%	17%	41%	6%
Industrial Towns	2%	0%	0%	4%	2%	3%	25%	1%	1%

communities, like the city of Marshall, also had a relatively large share of deals and jobs, but a much more modest share of investment.

As in most other metro areas, one aspect of IFT exemptions in the Kalamazoo region favors low-stress communities: real property investment in new, expanded or restored facilities. Low-stress communities reported 41 percent of real property exemptions in the region, meaning that in Kalamazoo, as in the other metro areas, IFT subsidies are more often subsidizing new employment facilities in less needy areas.

LANSING

At-risk established communities in the Lansing metro area, which received the highest shares of EDJT, MEGA and TEDF subsidies, also granted the most IFT deals (Table 51). As with the three state-based subsidies, the at-risk established communities with the most deals were not inner-ring suburbs adjoining the central city of Lansing (which granted no IFT deals), but were regional sub-centers, particularly the city of Mason (Figure 12).

Although at-risk established communities also projected a larger number of new and total jobs than any other community type, as well as the largest share of personal property investment, low-stress communities expected to gain the most investment in real property (45 percent).

Grouping the region's cities into seven bands based on population density shows a bias in favor of moderate to higher density. The central city of Lansing and adjoining East Lansing, the two largest and densest communities in the region, together granted only 5 percent of IFT exemptions (and all were in Lansing). But communities in the next two densest groups reported fully three quarters of the exemptions, reflecting the large number of IFT deals in at-risk established communities.

TABLE 51:

IFT Exemptions Across Lansing Area Communities

Community Classifications	% Working-Age Pop.	% WARN Layoff Notices	% WARN Jobs Lost	% IFT Exemp-tions (N=55)	% of All Jobs (N= 6,398)	% of All New Jobs (N= 1,524)	% of Jobs That Are New	% of Total Real Invest. (N = $66 M)	% Total Personal Property Invest. (N = $205M)
Central City	25%	56%	85%	5%	4%	10%	55%	8%	1%
Stressed	14%	0%	0%	2%	1%	1%	25%	1%	1%
At-Risk Established	12%	6%	6%	44%	50%	35%	17%	19%	74%
At-Risk Low Density	14%	13%	4%	5%	8%	5%	17%	5%	3%
Bedroom Developing	13%	6%	1%	22%	20%	26%	32%	22%	14%
Low-Stress	21%	19%	4%	22%	17%	23%	31%	45%	7%
Industrial Towns	1%	0%	0%	0%	0%	0%	N/A	0%	0%

FLINT

As was the case with MEGA and TEDF, IFT deals in the Flint region were mostly in the dense central city and thinner low-stress suburbs (Grand Blanc and Fenton Townships). Both community types also expected to benefit from the largest shares of all jobs, 49 percent and 40 percent, respectively (Table 52), but the central city expected the majority of new jobs (57 percent).

The Flint metropolitan area is truly an anomaly in the composition of its IFT exemptions. This is the only region in which real property investment exceeded personal property investment—and it was greater by three times. Additionally, unlike in any other region, the central city received the largest share of real investment—and it was a huge 82 percent. This reflects two very large IFT deals in the city of Flint: a $50 million investment by GM-Powertrain division projected to create 235 jobs and retain 117 more, and an $11.9 million investment by another auto company projected to create 190 jobs.

TABLE 52:

IFT Exemptions Across Flint Area Communities

Community Classifications	% Working -Age Pop.	% WARN Layoff Notices	% WARN Jobs Lost	% IFT Exemp-tions (N=32)	% of All Jobs (N= 2,780)	% of New Jobs (N= 1,326)	% of Jobs That Are New	% of Total Real Invest. (N = 101M)	% Total Personal Property Invest. (N = $33M)
Central City	27%	57%	57%	34%	49%	57%	56%	82%	24%
Stressed	6%	7%	3%	3%	1%	2%	100%	4%	1%
At-Risk Established	2%	0%	0%	0%	0%	0%	N/A	0%	0%
At-Risk Low Density	22%	7%	13%	16%	5%	8%	75%	0%	14%
Bedroom Developing	19%	14%	19%	16%	5%	7%	61%	3%	14%
Low-Stress	24%	14%	9%	31%	40%	26%	31%	11%	47%
Industrial Towns	0%	0%	0%	0%	0%	0%	N/A	0%	0%

SAGINAW

Many of the Saginaw region's IFT exemptions subsidized sprawl by favoring low-stress communities, most notably the city of Midland, but at-risk established communities, especially dense Bay City, also granted many abatements (Figure 16). Low-stress communities, with only 19 percent of the population, granted the largest share of these deals, 33 percent. They also expected to receive the most real and personal property investment—65 and 78 percent, respectively. At-risk established communities granted 30 percent of deals but expected far fewer benefits than did low-stress communities (Table 53).

The central city granted a low share of IFT exemptions and expected a very low share of new and total jobs, very little personal property investment, and almost no real property investment (Table 53 and Appendix F online).

Grouping the region's cities into seven bands based on population density shows that the densest (the cities of Bay, Saginaw and Essexville) granted the largest share of deals, 35 percent, more than their 24 percent share of the regional population. The third and fourth density categories also granted a large share—51 percent compared with 32 percent of the region's population—reflecting the many exemptions in low-stress suburbs.

TABLE 53:

IFT Exemptions Across Saginaw Area Communities

Community Classifications	% Working -Age Pop.	% WARN Layoff Notices	% WARN Jobs Lost	% of IFT Exemp-tions (N=100)	% of All Jobs (N= 3,252)	% of All New Jobs (N= 836)	% of Jobs That Are New	% of Total Real Invest. (N = $63.8M)	% Total Personal Property Invest. (N = $301M)
Central City	14%	20%	25%	11%	3%	4%	36%	0%	2%
Stressed	7%	7%	3%	14%	17%	7%	10%	10%	2%
At-Risk Established	28%	40%	37%	30%	30%	23%	20%	17%	13%
At-Risk Low Density	16%	7%	24%	2%	1%	0%	0%	0%	0%
Bedroom Developing	14%	0%	0%	10%	23%	38%	42%	8%	5%
Low-Stress	19%	13%	8%	33%	26%	28%	28%	65%	78%
Industrial Towns	2%	13%	3%	0%	0%	0%	N/A	0%	0%

TRAVERSE CITY

Overall, IFT exemptions did not subsidize job sprawl in the Traverse City region. As was the case with EDJT deals, most IFT exemptions were in at-risk established communities, particularly the inner-ring suburb of Garfield Township. This community was the only one to contain concentrated poverty and also had the majority of dislocated workers (Figure 17 and Appendix F online). At-risk established communities also expected the majority of total and new jobs, personal property investment, and almost all—98 percent—of the real property investment.

Communities with higher population densities granted a larger share of IFT exemptions in this region than their share of the population (Appendix M online).

TABLE 54:

IFT Exemptions Across Traverse City Area Communities

Community Classifications	% Working -Age Pop.	% Warn Layoff Notices	% WARN Jobs Lost	% IFT Exemp-tions (N=17)	% of All Jobs (N= 1,951)	% of All New Jobs (N= 187)	% of Jobs That Are New	% of Total Real Invest. (N = $7.2M)	% Total Personal Property Invest. (N = $20M)
Central City	8%	25%	9%	12%	9%	5%	5%	0%	19%
Stressed	7%	0%	0%	6%	1%	4%	33%	0%	1%
At-Risk Established	24%	50%	73%	71%	83%	80%	9%	98%	73%
At-Risk Low Density	13%	25%	18%	0%	0%	0%	N/A	0%	0%
Bedroom Developing	21%	0%	0%	12%	6%	11%	16%	2%	7%
Low-Stress	26%	0%	0%	0%	0%	0%	N/A	0%	0%
Industrial Towns	3%	0%	0%	0%	0%	0%	N/A	0%	0%

CHAPTER 5

POLICY OPTIONS

As Michigan continues to experience severe economic stress and rampant land consumption, the disconnect between economic development and land use planning persists. Based upon our findings and some assumptions about Michigan's economy and tax base, we offer several policy options to help the state better integrate its economic development efforts with its land use goals. We assume that:

- because of the continuing crisis in the state's automotive manufacturing sector, employment and income in Michigan will grow slowly; and

- because of low job and income growth, and also because of various past legislative enactments, tax revenue from many state and local government sources will either stagnate or decline.

Therefore, if economic development subsidies are to support better land use outcomes, with more equitable and efficient employment results, state and local governments will have to do more with less.

Based upon these assumptions, our policy options do not involve any new forms of spending; indeed, they are intended to improve efficiency and would help reduce spending. They emphasize leveraging the state's economic development toolkit so that it actively supports the goals of the Michigan Land Use Leadership Council.

REVIEW ALL STATE JOB SUBSIDIES FOR SPRAWLING BIAS

Using the methodology of this report, the state could review the rest of its economic development incentives to determine if other programs also promote the geographic thinning of jobs. If any of them do, the state could consider reforming them by applying any or all of the following reforms.

TARGET SUBSIDIES TO MAXIMIZE INFRASTRUCTURE EFFICIENCY

A recurring imperative of the MLULC is that the state's sprawling growth tends to make poor use of existing infrastructure in older areas, while also causing high infrastructure costs in thinly developed new areas. When land consumption outpaces population growth by 8 to 1, infrastructure systems become increasingly inefficient, and the tax base to sustain them becomes severely stressed. Hence the state needs to help localities make more

efficient use of existing infrastructure by encouraging private investment in already-developed areas. Some states have begun to steer development so as to maximize the return on existing infrastructure investments and minimize new expenses.

An exemplary model is Maryland's Smart Growth Areas Act. Enacted in 1997, the law designated Priority Funding Areas (PFAs), defined as those areas that were already served by water and sewer infrastructure or were planned to receive infrastructure (both urban and rural). Areas outside the PFAs became ineligible for state assistance in the form of infrastructure spending or economic development incentives. Combined with several other initiatives to promote rural preservation and urban revitalization, the Maryland law has helped reorient development in the state back towards existing communities and infrastructure.[55]

GIVE PREFERENCE TO DEALS THAT SERVE LAND USE OBJECTIVES

A complementary approach is to structure development subsidies so as to encourage site location behavior that serves efficient land use goals and promotes more balanced development. To maximize the economic development impact and land use efficiency of economic development projects, Michigan can give preference to deals that meet certain criteria. Three states provide relevant models: Illinois, California and New Jersey.

Illinois' Business Location Efficiency Incentive Act, enacted in 2005, gives a small additional corporate income tax credit (10 percent higher) under one common state incentive (the Economic Development in a Growing Economy, or EDGE program) for deals in which the job site is accessible by public transportation and/or proximate to affordable workforce housing. Transit access is defined as regular service within a mile of the worksite plus pedestrian access to the transit stop. Housing affordability is pegged to 35 percent of the median salary of the workforce (excluding the highest-paid 10 percent of the employees), located within 3 miles of the job site. Companies seeking the subsidy at sites that do not initially qualify can qualify with a site remediation plan that includes measures such as an employer-assisted housing plan, shuttle services, pre-tax transit cards, and carpooling assistance.[56]

The Act was championed by a coalition of business, environmental and transit advocates who consider transit access and affordable housing as crucial issues for the future economic viability of Illinois' urban centers. The Chicago region's largest employers, as represented by Chicago Metropolis 2020, presaged the law with their 2001 Metropolis Principles, in which more than 100 major companies announced that in making future decision about where to expand or relocate in the Chicago metro area, they would heavily weight job access via public transit and proximity to affordable housing.[57]

The California Infrastructure and Economic Development Bank applies land use and other efficiency-targeting standards to its Infrastructure State Revolving Fund (ISRF)

Program. It rates applications using a 200-point scoring system which gives preference to applicants that:

- Serve environmental and housing goals by being located in or adjacent to already developed areas, protecting the environment in any of several ways, and being located in a jurisdiction with an approved General Plan Housing Element (up to 40 points);
- Are "located in or adjacent to and directly affecting, areas with high unemployment rates, low median family income, declining or slow growth in labor force employment, and high poverty rates" (up to 55 points);
- Improve the quality of life by contributing to benefits such as public safety, healthcare, education, day care, greater use of public transit, or downtown revitalization (up to 30 points);
- Are most cost-effective in job creation or retention (ranging from 30 points for less than $35,000 per job to 0 points for more than $65,000 per job); and
- Have "established relationship with local employment and training entities… to link local job seekers with employment opportunities" (up to 10 points).

Thirty-five additional points are assigned for "economic base employers" (those that draw revenue from outside the region), those projects with the lowest ratios of public financing versus private capital, and project readiness (the fewest months before construction will start).

New Jersey amended its Business Employment Incentive Program (BEIP) program in 2003 to give larger BEIP grants when the project "promotes smart growth and the goals, strategies and policies of the State Development and Redevelopment Plan." Prior to 2003, BEIP, which is administered through the state's Economic Development Authority (EDA), had provided grants—essentially rebates—of up to 80 percent of the tax withholdings of certain companies that expanded within or relocated to New Jersey. The amendments decreased the automatic grant to 50 percent of a business' withholdings, but companies whose projects "promote smart growth" are still eligible to receive the original 80 percent.[58]

"Smart Growth" is defined flexibly, giving companies several ways to quality for the larger grant. These include locating in Planning Areas 1 or 2 of the State Plan; in a distressed municipality; in a brownfields site; within a half mile of a rail station or bus hub; within five miles of a university with which it works cooperatively on research and development, or linking with market-rate or affordable housing construction or renovation. No business has, as of the writing of this report, received a bonus for creating housing near a project site. However, the EDA has given an increased BEIP bonus to a number of businesses that have located in Planning Area 1 and 2 of the State Plan.[59]

We hasten to add that the underlying

Illinois and New Jersey incentive programs, EDGE and BEIP, are not universally admired by observers in the two states. However, the amendments enacted to them demonstrate that some states are beginning to use economic development subsidies more deliberately to promote land use and infrastructure efficiency.

USE STATE-ENABLED INCENTIVES AS A "CARROT" FOR LOCAL PLANNING REFORM

Central to many of the recommendations made by the MLULC is the need for local governments to modernize their planning practices by such reforms as enactment of countywide zoning policies, adoption of regional land use plans, and enactment of inclusionary zoning for a mix of housing densities.

Using its power to regulate locally granted development subsidies that are used frequently throughout the state (e.g., IFT), Michigan could choose a few strategic planning reforms and say to counties, townships and cities: over the next three years, you will gradually lose your right to grant said economic development incentives unless you embrace these improvements. Faced with the possibility of losing the ability to grant deals, local officials would undoubtedly focus.

INSTALL A DISCLOSURE SYSTEM INCLUDING PROJECT SITE ADDRESSES AND RELOCATIONS

Twelve states now have some form of company-specific, deal-specific public reporting of costs (source and value of the subsidy) and benefits (jobs retained and created, wages and benefits paid). Four of the states—including Michigan's Midwestern neighbors of Ohio, Illinois and Minnesota—even disclose such data on the Web. (We were able to perform the analysis in the study only after a protracted process of requesting data under the Freedom of Information Act; it became evident to us that most of the state's data about deals already exists in electronic form that could easily be posted on the Web.)

Making more information about development deals readily available to the public would serve the MLULC goals of improving public participation in planning and economic development; that in turn would help public officials be more strategic and deliberate in their use of incentives. To maximize the value of a disclosure system for land use analysis, the disclosure forms should include the exact street address of the work site, so that deals can be readily mapped.

The system would be further optimized for land use analysis if job relocations were also tracked. In that way, job movements could also be analyzed to see if they were sprawling or served land use goals. At least four of the 12 states with disclosure—including Ohio and Minnesota—gather

some data about deals which involve corporate relocations. Knowledgeable Michigan sources emphasized to us that they believe a large number of incentives are granted to business relocations. If that is true, information about such relocations is vital to understanding the full relationship between economic development and land use in Michigan. However, the state's records lack any systematic data on this subject, precluding us from exploring the issue of subsidized relocations.

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Anna Purinton led Good Jobs First's early data-gathering and analysis efforts until the

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METHODOLOGY AND DATA SOURCES

CHOOSING THE ECONOMIC DEVELOPMENT PROGRAMS TO STUDY

Like nearly every state today, Michigan has about three dozen economic development incentive programs. We gathered general information on the programs from many sources, including state budget records, site location literature, news reports, academic sources and other research organizations. The Citizens Research Council's (CRC) 2001 "Survey of Economic Development Programs in Michigan" is the best general description of the various programs. For this study, we were interested in examining substantial and representative programs in which public officials grant public subsidies to private businesses. We were guided by the following criteria:

- Discretionary subsidies rather than entitlement subsidies. That is, subsidies granted to an individual company at the discretion of a granting authority pursuant to an application and review, rather than an incentive for which any company automatically qualifies if it meets certain requirements.
- Geographically unbounded (by distress factors, etc.). To include every community and enable regional analyses, we excluded programs (e.g., state-granted local redevelopment authority targeted to older communities) that were not available statewide.
- Company-specific incentives. To be able to geographically pinpoint where economic development spending was occurring, we restricted our choices to subsidies that accrue to individual firms (rather than, say, regional technical assistance funds).

After reviewing these criteria, consulting with Michigan economic development and land use experts, and considering our overall goal of examining the use of economic development incentives in relation to workforce development and land use, we chose to focus on four incentive programs: Transportation Economic Development Fund (TEDF) grants, Industrial Facilities Property Tax (IFT) Exemptions, Michigan Economic Growth Authority (MEGA) credits and the Economic Development Job Training (EDJT) program. The four programs are thumbnailed earlier in this study.

CHOOSING THE TIME PERIOD TO STUDY

We examined four years of deals, 2001 through 2004. Taking a large number of deals—a total of 3,996 in the four programs—enabled us to examine a large sample of events that occurred during different economic conditions. We originally considered examining two years of data, but that gave us small samples for the TEDF and MEGA programs. Additionally, the period we chose covered two years each of the previous and current gubernatorial administrations; none of our findings is intended as a reflection upon either. The program rules for the four incentive programs were not changed during the study period in ways that would affect their geographic distribution. The largest apparent factor influencing the number of deals per year (a subject not analyzed here) was the overall direction of the state's economy, which is primarily driven by national and international economic trends, especially those in automotive manufacturing.

COLLECTING SUBSIDY DEAL AND WARN ACT DATA

We obtained information on the four subsidy programs and the WARN Act notices through Freedom of Information Act requests to various State of Michigan agencies. Some of these came electronically in spreadsheet form; others included data in paper reports which we had to enter into spreadsheets.

Worker Adjustment and Retraining Notification (WARN) Act Notices

The Michigan Department of Labor and Economic Growth (DLEG) Rapid Response team supplied us with hard copies of the state's WARN Act notices from 2001 to 2004, which we combined into a single spreadsheet. We subsequently obtained full street addresses for each site associated with a WARN Act notice from DLEG. The Department subsequently posted WARN Act notice records (not including street addresses) online for 2000 to 2006 at http://www.michlmi.org/LMI/warn/warnpage.htm.

We removed from the list 37 notices that resulted in zero layoffs because, according to the Michigan Department of Labor, these incidents were "rescinded or otherwise changed." We also removed the 2002 notice of layoffs at National Refractories & Minerals because the location was listed as "state-wide" (six people were laid off in total). That left us 439 notices for the four years that we mapped.

Transportation Economic Development Fund (TEDF)

The Michigan Department of Transportation provided us with a spreadsheet containing basic information for each TEDF deal from 2001 to 2004, including application numbers, Standard Industrial Classification (SIC) codes, transportation routes, project locations, grant amounts, the amount of private investment, and the number of jobs each project was expected to create or retain in

the state. MDOT also provided us with hard copies of reports with more detailed information on each project. We used these reports to add columns to the spreadsheet describing the industry, applicant, county, transportation project description, local funding match, the company's development project, and, when specified, the year by which companies were to create jobs. Upon request, MDOT supplied us with the specific year of approval for each deal, which we also added to the spreadsheet.

Mike Kapp, who handled our FOIA request at Michigan Department of Transportation suggested that we only look at Category A grants because they are the only type specifically linked to economic development. The 59 grants mapped for this study are the Category A grants approved from 2001 to 2004.

MDOT provided us with transportation routes associated with each project, but not with specific street addresses. We investigated the possibility of mapping transportation routes as the location of the deal, but this proved to be infeasible. Rather, where we had no specific address, we placed TEDF deals in central locations of the city or town. Thus, while we were able to determine whether other deals occurred at the borders of certain jurisdictions or near major roads, we could not determine this for most TEDF points.

Industrial Facilities Property Tax (IFT) Exemptions

We obtained industrial facility tax (IFT) information from the Property Services Division of the Michigan Department of Treasury in electronic spreadsheet form. Information on this sheet included the certificate number, name of applicant, address of applicant, date the IFT application was filed with the locality, date it was filed with the state, project location, local unit that received the application, relevant school district, amount of real and personal property investment by the company, whether the project received a full or partial waiver of the state education tax (SET), date of state approval, start and projected end dates, projected new and retained jobs, and the number of years of the exemption, along with notes, where applicable. Unfortunately, we were not able to obtain dollar values for specific property tax exemptions or abatements, since the Department of Treasury does not track them.

Economic Development Job Training (EDJT)

We obtained spreadsheets of EDJT deals from the Michigan Economic Development Corporation (MEDC). They included the following information: grant number, name of the university or program providing the training, company name, work site address, number of existing and new employees trained, amount awarded, amount of company match and award date.

Approximately one third of these grants were awarded for multi-company collaborative projects and the amount of funding for each employer at each location was not available to report. Because such a large share of this data is missing, we could not include an analysis of the allocation of EDJT funds for these grants.

Michigan Economic Growth Authority (MEGA)

We received information on 133 MEGA projects from two sources: the Mackinac Institute for Public Policy and the Michigan Economic Development Corporation. The information from the Mackinac Institute, which took the form of a spreadsheet it compiled from years of collecting MEGA documents, included the company name, date of MEGA approval, beginning of operations, SIC code, credit years, estimated credit amount and any other state and local economic development incentives each project received. MEDC sent us paper copies of its annual reports for MEGA deals for the 2001 to 2004 period. These included a paragraph describing the history of each recipient company, number of jobs created, average weekly wage, capital investment, description of the project, date and type of incentive approved, and a description of the incentive. We supplemented the spreadsheets from the Mackinac Institute with information from these MEDC reports. We subsequently gathered exact street addresses for all but four of the 133 project sites through internet research and by contacting the recipients.

A small percentage of MEGA deals, MEDC informed us, never played out or their agreements were later cancelled. In writing this report, we sought to address the state's intentions and policies in granting deals rather than tracking outcomes (which tend to be quite varied in any incentive program). Therefore, we left these projects in our analysis, but have noted in the appended MEGA spreadsheet those MEDC they said were never carried through. Additionally, we also received information from MEDC that the locations of a few MEGA projects changed after initial board action. In these instances, the project was brought back to the MEGA board, which decided whether to approve relocation of the project. In the few cases where we received information about approved changes in project sites, we have used the later location in our analysis.

Two of the MEGA credits from 2001 to 2004 were large deals involving multiple job sites: those given to Federal Mogul Corporation and Haworth. The deal to Federal Mogul was distributed among 10 sites, and the deal to Haworth was distributed among three. For our purposes, we have treated these as multiple deals. Because we had no other means by which we could divide credit amounts under a single deal, for each of these projects we divided credit amounts evenly among project sites. Similarly, for Haworth we divided the number of jobs to be created evenly among the three site locations. For Federal Mogul, we divided the number of jobs among the 10 project sites according to the minimum employment levels specified in the Federal Mogul MEGA Tax Credit Agreement, a copy of which we received from the Mackinac institute.

CODING COMMUNITY CLASSIFICATIONS

Thomas Luce at Ameregis sent us a spreadsheet containing the community classifications for six metro regions—Detroit, Flint, Grand Rapids, Kalamazoo,

Lansing, and Saginaw. The spreadsheet contained the city name matched with its community classification code. Ameregis subsequently provided us with an additional spreadsheet of the community classifications for the Traverse City region. We combined the two sheets into a master coding spreadsheet that we used for coding the incentive deals and WARN Act notices.

We coded the subsidy program and WARN Act data by matching the city, village or township location of each subsidy deal or WARN Act notice to the community classification spreadsheet that we received from Ameregis. We assumed that jurisdictions that did not have a match on the Luce and Orfield's spreadsheet fall outside the six metro regions. We coded these as non-metro and thus had a total of eight community classifications that we coded as follows:

0 - Central City
1 - Stressed Suburb
2 - At-Risk Established Suburb
3 - At-Risk Low Density Suburb
4 - Bedroom Developing Suburb
5 - Low-Stress Suburb
6 - Industrial Town
None - Non-Metro

We coded subsidy and WARN Act data in the Benton Harbor metropolitan area (composed of Berrien County) and the Jackson metropolitan area (Jackson County) as "non-metro" because we had no classifications for their localities. Future studies should classify the communities within these metropolitan areas and examine the geographic distribution of subsidy deals within them. This would provide a more complete analysis of the relationship between land use and economic development in Michigan.

CONFIRMING LOCATIONS AND GEOCODING

In about 25 percent of both the subsidy deals and the WARN Act notices, the data provided by the state left us unable to immediately code the community classification of the location, particularly when the reports did not specify whether a deal occurred in a city or township of the same name. For example, unless it was noted, we were not able to distinguish between the City of Ann Arbor, which is an "at-risk established" community and the Township of Ann Arbor, which is a "low stress community."

Additionally, while we had specific information noting the "local unit" jurisdiction for IFT deals, we only had street addresses for WARN Act Notices and the MEGA and EDJT deals. The street addresses of project sites did always match the specific community in which the project was located. For example, some project sites had mailing addresses suggesting they were in a city, when the project was actually physically located in a nearby township. A number of projects had mailing addresses specifying only the general area in which they were located, such as "Grand Rapids" or "Traverse City," rather than the specific community.

These imprecise addresses required us and our mapping vendor to perform several

additional research steps to minimize the number of unmapped events. Anyone seeking to replicate this study should be forewarned that "cleaning up" such lists can be very labor-intensive.

The Michigan-based Land Information Access Association (LIAA, at www.liaa.org), a non-profit organization which provided the mapping services for this study, used geographic information systems (GIS) software to geocode locations of the deals and WARN Act notices in order to help us determine the correct jurisdictional information. As Rob Asher and Dave Frey at LIAA explain:

> Geocoding is the process of assigning a mapped point location to a feature based on other location information available for that feature (typically a mailing address). Assuming an address is correct, and a matching address range has been found in the geocoding process, the point location assigned can still differ from the "true" location on the ground. This positional inaccuracy typically might be tens of feet, but could be as high as a few hundred feet.
>
> In this instance, the five spreadsheets (for WARN, EDJT, IFT, TEDF and MEGA) were merged into a master database of addresses. The site addresses were run through an automated web-based geocoding process that uses 1998 vintage TIGER road data. For some sites, the geocoding process will return an address it found that is slightly different than the requested address. The sites that failed to geocode or that returned different addresses were flagged as unmatched. These unmatched site addresses were geocoded at LIAA with an automated ERSI ArcMap geocoding tool using 2000 vintage TIGER road data.
>
> The remaining unmatchable site addresses were split into 2 groups: Sites with jurisdiction and county identifiers (Group 1), and sites without jurisdiction and county identifiers (Group 2). The Group 1 sites were assigned locations based on the centroid of the stated jurisdiction, and marked as centroid locations. Group 2 sites (roughly 400 sites) were manually matched to locations where possible.
>
> Data Sources: Automated geo-coding processes used 1998-2000 vintage TIGER road data. The accuracy of this data is roughly +/- 100 ft. The remaining manual Geo-coding was done using 2006 road/ satellite imagery.
>
> The jurisdiction data came from Center for Geographic Information, Michigan Geographic Framework version 4B, township, city, and village classifications and boundaries. Vintage 2004-2005.

In some instances, the geocoding process suggested that a project site was in a different community (township, village or city) than was noted in the information we

had obtained from the state. In order to resolve these discrepancies, we telephoned recipient companies, local jurisdictions, and/or tax assessors in order to verify the correct jurisdictional information. Thirty-one EDJT Sites—all of them in non-metro areas—remained unmatched.

ANALYZING THE DATA

We used Microsoft Excel to perform the quantitative analysis of the number of economic development subsidies, jobs and dollar values of deals, and the occurrence of WARN Act notices and jobs lost in each community classification—within each metro area and in the state as a whole. We compared the number and characteristics of subsidies and WARN Act notices to the percentage of working-age adults (those aged 18 to 64) for each of the seven Orfield and Luce community classifications, and for communities within each of the seven metropolitan regions. We obtained this population information from the 2000 U.S. Census (calculated from table GCT-P15. Selected Age Groups: 2000). We deemed working-age population to be a more relevant measure than overall population, since the focus of the study is jobs and economic development.

In order to analyze the occurrence of WARN Act notices and subsidy deals against population density, we obtained the square mileage of land area (total land area minus water area) from the 2000 U.S. Census (table GCT-PH1. Population, Housing Units, Area and Density: 2000). We then calculated working-age adults per square mile for each classified community. At our request, the Land Information Access Association used ESRI ArcGIS 9.1 software to place the communities within each metro area into seven categories, with 1 being the densest and 7 being the least dense. Communities were categorized using the Natural Breaks (Jenks) classification method, which breaks numerical series into groups based upon clusters and gaps, seeking to minimize differences within each group and maximize differences between them.

We contracted with the Land Information Access Association for the all of the maps used in this report, as well as a website which provides all of the visual images as well as the underlying data about incentives and plant closures. The url is www.liaa.org/goodjobsfirst.

ENDNOTES

1. Three other studies by Good Jobs First – two of which were also released in the fall of 2006 – have addressed this issue, examining data in Minnesota and Illinois. See them at www.goodjobsfirst.org. See also a summary of the issue in chapter 6 of *The Great American Jobs Scam* (Berrett-Koehler, 2005) by Greg LeRoy at http://www.greatamericanjobsscam.com/Chapters/Chapter6.pdf.
2. Throughout this study, "non-metro" areas refers to all those outside of the Detroit, Grand Rapids, Kalamazoo, Lansing, Flint, Saginaw and Traverse City areas: those examined in Orfield and Luce's *Michigan Metropatterns.* Benton Harbor and Jackson are each census designated metropolitan statistical areas (composed of Berrien and Jackson counties, respectively), that we have included here along with non-metro areas because their communities were not classified in *Michigan Metropatterns*. As we describe in the section titled "The Statewide Geographic Distribution of Economic Development Incentives in Michigan," excluding Berrien and Jackson counties from the non-metro analysis does not change the fact that non-metro areas had larger shares of TEDF, EDJT and IFT than their share of statewide population or dislocated workers, although these deals were on average small in terms of funding and job creation.
3. See LeRoy, *The Great American Jobs Scam*, op cit. Regarding Pennsylvania, see "Economic Development Subsidies in Pennsylvania: Do They Fuel Sprawl?" by the Keystone Research Center for the Brookings Institution's Center on Urban and Metropolitan Policy's 2003 report Back to Prosperity: A Competitive Agenda for Renewing Pennsylvania, at http://www.brookings.edu/es/urban/pa/KRC.pdf. See the deals mapped at www.keystoneresearchmap.org.
4. Professor john powell (who does not capitalize either of his names), then of the University of Minnesota Institute on Race and Poverty, presentation to the "Good Jobs, Smart Growth" conference of the Chicago Federation of Labor, April 12, 2000.
5. *Michigan's Land, Michigan's Future: Final Report of the Land Use Leadership Council*, Letter from the Co-Chairs, Lansing, August 15, 2003.
6. Ibid, chapters 2 and 3.
7. Ibid.
8. Executive Order No. 2003-4, March 3, 2003.
9. *Michigan's Land, Michigan's Future*, op cit., p. 2.
10. Ibid, p. 26.
11. To be sure, this gap in the sprawl debate is hardly unique to Michigan. For example, the oft-cited "10 Tenets [or Principles] of Smart Growth" which the Michigan Council also references as a model vision, make no mention at all of jobs or workplaces. See them at http://www.smartgrowthamerica.org/isg.ppt#411,11,Ten Principles Of Smart Growth.
12. *Michigan's Land, Michigan's Future*, op cit., pp. 33-34.
13. *Site Selection* counts every project that projects 20 or more new jobs and/or $1 million or more in capital investment.
14. The Michigan Economic Development Corporation told the MLULC in an April 2003 memo that it had "a policy of including urban sites in each response to a site search request, regardless of whether the urban site meets the criteria outlined by the client." It summarized one

site search as an example of the policy. (April 8, 2003 memo from Jeff Kaczmarek, Senior Vice President of Business and Community Services entitled "Geographic Policy on Incentives.") However, two current MEDC staffers told us that this policy is no longer in use. They could not tell us when the policy began, explaining that Kaczmarek and other senior staff responsible for such matters are no longer working at MEDC. In a separate memo, MEDC staff computed the number of projects per county that had been reported to *Site Selection* magazine for 2000, 2001 and 2002; the state's largest urban counties had the most deals. (May 28, 2003 memo from Randy Thelen to Jeff Kaczmarek entitled "White Paper: Patterns of Recent Economic Development Projects in Michigan.")

15. Understandably, MEDC has in recent years has focused on the manufacturing crisis that has gripped both the state and the nation. But MEDC's structural disconnect from planning has persisted while state spending for jobs has mushroomed and thinning land use has accelerated.

16. We acknowledge that sprawling development patterns in Michigan (as in other states) have many historic causes: white flight; lack of effective regional planning; cities competing for jobs and tax base; "redlining," or geographic and racial discrimination by banks and insurance companies; crime and perceptions of crime; declining quality of central city schools; contaminated land or "brownfields;" exclusionary suburban zoning; the historically low price of gasoline; and federal transportation policies that favored highways over public transit.

17. Executive Budget Appendix on Tax Credits, Deductions, and Exemptions: Fiscal Year 2006, p. 21.

18. MEDC. An Overview for: Joint Select Committee on Economic Growth. August 23, 2006.

19. See Section 8 of Michigan Public Act 24 of 1995, the Michigan Economic Growth Authority Act.

20. "Survey of Economic Development Programs in Michigan." Citizens' Research Council of Michigan (CRC), May, 2001. Report No. 334

21. Category C, D, E and F grants pertain more generally to road improvements or traffic management in specific areas (Category C grants are aimed at alleviating urban congestion; Category D grants exist to improve primary roads in rural counties; Category E grants are for improving forest roads and Category F grants are aimed at road improvements in urbanized areas within rural counties).

22. "Survey of Economic Development Programs in Michigan," op cit. Executive Budget Appendix on Tax Credits, Deductions and Exemptions, Fiscal Year 2006, p. 19.

23. Michael D. LaFaive, *MEGA Program Shifts Jobs to Where They Are Needed Least*. Mackinac Center for Public Policy, April 7, 1999, at www.mackinac.org/3190.

24. Fulton, W., Pendall, R. , Nguyen, M. and Harrison A. "Who Sprawls Most? How Growth Patterns Differ Across the U.S." Center on Urban & Metropolitan Policy. The Brookings Institution: July 2001. Authors of this study used the 1990 US Census Metropolitan Statistical Areas to define these metropolitan areas. In this study we use the metropolitan geographic regions defined by Orfield M. and Luce T. in their April 2003 report Michigan Metropatterns. For this reason, the borders of these metropolitan areas differ. While Orfield and Luce include Lewanee County in the Detroit Region, the 1990 Census excluded this county. The 1990 Battle Creek MSA (Calhoun County) is included in the Orfield and Luce Kalamazoo metropolitan region.

25. Ibid. The paper represents the first national study comparing consumption of land for urbanization to population growth. Density is defined as the population divided by the urbanized land. This measure is derived from the National Resources Inventory national survey of land use rather than the Census definition of 'urbanized area' which does not measure actual land use.

26. Orfield and Luce, "Metropatterns"-p.9

27. 2000 US Census, County Business Patterns; 1998, 2004. Available at http://censtats.census.gov/cgi-bin/cbpnaic/cbpsect.pl

28. Glaeser, E., Kahn, M. and Chu, C. "Job Sprawl: Employment Location in US Metropolitan Areas" Center on Urban & Metropolitan Policy. The Brookings Institution: July 2001. Accessible at www.brookings.edu. Authors calculated total employment as all jobs located within a 35 mile ring of Detroit's Central Business District.

29. Pendall, R., Puentes, R and Martin, J. "From Traditional to Reformed: A review of Land Use Regulations in the Nation's 50 Largest Metropolitan Areas." The Brookings Institution: August 2006. Available at http://www.brookings.edu/metro/pubs/20060802_Pendall.pdf. Authors of this study used the Grand Rapids Metropolitan Statistical Area as defined by the 1990 US Census which includes only Kent and Ottawa Counties.
30. Fulton, W., Pendall, R. , Nguyen, M. and Harrison A. "Who Sprawls Most? How Growth Patterns Differ Across the U.S." Center on Urban & Metropolitan Policy. The Brookings Institution: July 2001. Accessible at http://www.brookings.edu/es/urban/publications/Fulton.pdf. Authors of this study used the Lansing Metropolitan Statistical Area as defined by the 1990 US Census which coincides with the Lansing region defined by Orfield M. and Luce T.
31. 2000 US Census, Available at www.census.gov.
32. Fulton, W., Pendall, R. , Nguyen, M. and Harrison A. "Who Sprawls Most? How Growth Patterns Differ Across the U.S." Center on Urban & Metropolitan Policy. The Brookings Institution: July 2001. Accessible at http://www.brookings.edu/es/urban/publications/Fulton.pdf. Authors of this study used the Kalamazoo Metropolitan Statistical Area as defined by the 1990 US Census which includes only Kalamazoo County.
33. See basic information about the Kalamazoo Promise at http://www.kalamazoopublicschools.com/education/dept/dept.php?sectiondetailid=10657&sc_id=1131662979.
34. Fulton, W., Pendall, R., Nguyen, M. and Harrison A. "Who Sprawls Most? How Growth Patterns Differ Across the U.S." Center on Urban & Metropolitan Policy. The Brookings Institution: July 2001. Accessible at http://www.brookings.edu/es/urban/publications/Fulton.pdf. Authors of this study used the Flint Metropolitan Statistical Area as defined by the 1990 US Census which coincides with the Flint region defined by Orfield M. and Luce T.
35. Fulton, W., Pendall, R., Nguyen, M. and Harrison A. "Who Sprawls Most? How Growth Patterns Differ Across the U.S." Center on Urban & Metropolitan Policy. The Brookings Institution: July 2001. Accessible at http://www.brookings.edu/es/urban/publications/Fulton.pdf. Authors of this study used the Saginaw Metropolitan Statistical Area as defined by the 1990 US Census which coincides with the Saginaw region defined by Orfield M. and Luce T.
36. Traverse City is not a 'Metropolitan Statistical Area' as defined by the U.S. Census.
37. 2000 US Census, Available at www.census.gov.
38. 2000 US Census, Available at www.census.gov.
39. Myron Orfield and Tom Luce. *Michigan Metropatterns*. Ameregis and Metropolitan Area Research Corporation, April 2003.
40. Ibid., p. 9
41. Our sources do not specify the original location of the transferred jobs.
42. Both of the deals to stressed communities in the Grand Rapids region were part of larger statewide MEGA deals. There were two companies that received single deals on multiple sites: Haworth and Federal Mogul. The deal in Sparta was part of the Federal Mogul agreement and the deal in Holland was part of the Haworth agreement. See the section on MEGA in the methodology section for more information pertaining to this.
43. An additional 40 jobs in Holland Township were not new, but were new to the state of Michigan—they were transferred from Kentucky as part of a company's restructuring.
44. Henion, Andy. "Deal Grew From Give and Take," *Lansing State Journal*, June 25, 2000.
45. See the city of Lansing's 2003 comprehensive comprehensive Annual Financial Report. p. 9 Available at: www.finance.cityoflansingmi.com/2003CAFR.pdf.
46. Josh Reinert, "Comment: Tax Increment Financing in Missouri: Is It Time for Blight and But-For to Go?" 45 St. Louis Law Journal 1019. Summer 2001.
47. $5,000,000, Brownfield Redevelopment Authority of the County of Genesee, Final Official Statement Dated February 1, 2005, Tax Increment Bonds. Genesee County Land Bank Brownfield Plan and Bond Summary.
48. There are two Garfield Townships in the Traverse City metro area: one in Grand Traverse County,

and one in Kalkaska County. The references to Garfield Township in this section all involve the community in Grand Traverse County.

49. As explained earlier in this study, at the discretion of the State Treasurer, a business may receive a waiver for all or 50 percent of the State Education Tax. Because only 67 IFT exemptions involved a full waiver of this tax, and only 41 involved the 50 percent waiver (out of a total of 2,422 exemptions), we do not analyze this here.

50. Gary Sands, Laura Reese and Heather Khan. "Implementing Tax Abatement in Michigan: A Study of Best Practices," *Economic Development Quarterly* (20, 2006): 44-58.

51. Ibid, p.22.

52. Laura Reese and G. Sands. "The Equity Impacts of Municipal Tax Incentives: Leveling or Tilting the Playing Field? " *Review of Policy Research*, Volume 23, Number 1 (2006), p. 91

53. Ibid, p. 91.

54. This finding from 2001-2004 follows the findings of Reese and Sands from 1980-2001.

55. James R. Cohen, "Maryland's 'Smart Growth,' Using Incentives to Combat Sprawl" in *Sprawl: Consequences and Policy Responses*, edited by Greg Squires (Washington, D.C., Urban Institute Press, 2002).

56. The text of Illinois SB 2885 may be seen at: http://www.ilga.gov/legislation/fulltext.asp?DocName=&SessionId=50&GA=94&DocTypeId=SB&DocNum=2885&GAID=8&LegID=23994&SpecSess=&Session=. The Act also provide incentives for businesses to create jobs in any area with a labor surplus.

57. News of the Metropolis Principles can be viewed at: http://www.chicagometropolis2020.org/documents/metropolisprinciplesFINAL.pdf.

58. See Assembly Bill No. 3705 available at http://www.njleg.state.nj.us/2002/Bills/S3000/2669_I1.HTM.

59. See also *Taking Care of Business: Does It Cost Too Much?* by New Jersey Policy Perspective for more on this at http://www.njpp.org/rpt_takingcare.html.

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