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South Haven Community Health Assessment

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South Haven Community Health Assessment

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Executive Summary

A community's economic and community development efforts should be focused on increasing the income and wealth of its residents. While these activities can include the attraction of new businesses and new residents who generate additional consumer spending and bring enhanced skills to the area's businesses, its primary target should be improving the livelihood of its current residents.

The purpose of this report is to identify the economic opportunities facing the city of South Haven that can generate a more successful economic environment for its residents. It is important to note that many of the challenges facing South Haven and other similar cities are clearly outside the influence of local government. The COVID-19 pandemic is an obvious example. Moreover, there is no single "silver bullet" available for the city that would trigger immediate improvement for its residents and businesses. Nevertheless, this evidence-based report aims to identify actions that the city could lead to set the stage for its residents and businesses to be more successful.

The key findings of this report are:

1. If the current trends continue, the city's year-round population will, at best, remain constant in the coming years. One of the greatest challenges in maintaining its population base will be balancing the competing demand for seasonal and year-round housing in the city. It is possible that the demand for the city's recreational amenities will continue to push more of its current and future housing stock to meeting the demand for seasonal visitors at the expense of year-round residents. In the 5-year period between 2014 and 2018, 39% of South Haven's 3,423 housing units were vacant sometime during the year, most likely being reserved for seasonal rentals. If this trend continues, this will cause increased pressure for higher density housing near the lakeshore and riverfront and the conversion of year-round housing to seasonal use.
2. While the city's natural and physical amenities will continue to attract summer visitors, it will likely draw more retirees as well. The average age of the community's residents will probably remain higher than average. According to the 2018 U.S. Census estimates, 41% of South Haven residents were ages 60 years old or older, compared to 23% for the state of Michigan.
3. Although the city's population is aging, the number of children living in the city is declining, dropping 11% from 2010 to 2018. Declining enrollments cause serious financial constraints to the city's K-12 school system, limiting course offerings and the lab equipment/software programs for its science, technology, engineering, and math (STEM) programs.
4. Net migration in and out of the city of South Haven is slightly negative. A high percentage of the out-migrants are moving to nearby rural locations in West Michigan while a sizable number of immigrants come from the Chicago area.

5. In mid-2018, the median home price in South Haven was \$206,900, compared to a median home price of \$131,400 in the county and \$146,200 in the state. The proportion of homeowners who paid over 35% of their household income on housing was just over one in four in 2018. This is higher than the state (18%) and the county (19%). Just under 40% of renters in the city paid at least 35% of their income on rent in the 5-year period ending in 2018.
6. Despite the dueling demand for city housing from seasonal visitors and permanent residents, housing prices increased by only 3.8% from 2010 to 2018, when controlling for housing characteristics. Still, this is greater than the 1.4% state rate.
7. There are 623 short-term residency units spread throughout the city in all residential zones. Nearly 50% of these units are owned by people living outside of Michigan.
8. The city's housing affordability problem is due to both the high demand for lakefront/recreational properties and low earnings by area residents because of the type of jobs being created in the area. In 2019, average weekly wages in Van Buren County reached only \$838 compared to \$1,057 statewide. In real terms (controlling for inflation), wages in the county have been slightly falling during the past 5 years.
9. Approximately 71% of South Haven's working residents drive to a job located outside of the city; 61% drive more than 30 minutes to work. Meanwhile, 75% people who work in South Haven commute into the city.
10. More than two-thirds (69.0%) of jobs posted online in South Haven in 2019 were advertised as paying less than \$36,000 a year. Jobs that paid between \$36,000 and \$55,000 made up 16.2% of job postings, while those paying over \$55,000 made up 14.8% of postings. Moreover, almost half (40 %) of jobs paying less than \$36,000 were part time in 2019, compared to only 17.4% of jobs paying more than \$55,000 annually.
11. In 2019, the top job postings in South Haven were for restaurant/food service managers, retail sales associates, and retail store managers/supervisors. Retail Trade, Health Care and Social Assistance, Food and Accommodation, and Manufacturing were the top industry sectors in which jobs were available. These four industries are responsible for three-fourths (74.3%) of job postings.
12. The average educational attainment levels of South Haven residents are like the state of Michigan. Nevertheless, estimates for the 5-year period ending in 2018 suggest that a substantially lower percentage of South Haven residents between 25 to 34 years of age held bachelor's degrees relative to the state.
13. In the 5-year period ending in 2018, 69% of the city's households had Internet access and 79.5% had one or more computers in their house.

Not surprisingly, South Haven faces the same set of challenges and opportunities as most high-amenity communities. On the top of the list are housing affordability and the availability of good-paying, year-round employment opportunities. **In short, the greatest challenge facing South Haven is not to become solely a “beach town.”** This would limit the income growth potential of its residents and generate a greater demand for seasonal housing and city services. A higher proportion of jobs would become seasonal, low-wage, services jobs, with year-round residents struggling in the winter months or forced to drive long daily commutes to work in other cities.

Recommended Strategies

The natural amenities in South Haven, coupled with its quaint small-town atmosphere, make it a great location to relax, live, and work. While it remains important for the community to welcome summer visitors – from day trippers to extended summer cottage dwellers – the primary focus for the city’s economic development and community efforts should be on building economic opportunities for its businesses and permanent residents.

The following recommended strategies are meant to provide direction to future economic development initiatives considered by the city of South Haven (these conclusions and recommendations are further detailed in a later section of this report). The city has limited resources available for economic development activities and therefore must rely on partnerships with other organizations, public and private. At best, the city can provide leadership and an environment for economic growth.

Strategy 1: Increase the Income Potential of Existing City Residents

Increasing the income potential of existing city residents requires both expanding their employment opportunities and increasing their skills and abilities. This strategy could be achieved through several suggested activities, the first being to **develop job opportunity networks**. We suggest that the city explore a partnership with the South Haven Area Chamber of Commerce and other community groups to establish job opportunity networks to link working residents to existing job openings and job board listings. Such an effort could be volunteer-based and comprised of notifying participating residents of jobs being posted at the various job-listing sites. These could link residents to career advancement opportunities that they might otherwise miss.

Another suggested activity is to create a **community education strategy**. We believe that Hettinger and Muellen (2020) in their report *Economic Development Strategic Plan for South Haven* called it right: The city should explore what it means to develop a **community education strategy** that would promote lifelong learning and skill development opportunities for residents. These opportunities include on-the-job training as well as classroom training. The city of South Haven could provide leadership and serve as a facilitator for this effort. The barriers facing such a new strategy are significant, but so are the potential benefits in terms of economic prosperity.

Strategy 2: Create an Environment that Offers the Right Resources for “Anywheres” who Seek a Small Amenity-rich Community. The First Step in this Effort would be to Verify the Quality of Available Internet Access.

Hettinger and Meullen introduced the term “anywheres” in their *Economic Development Strategic Plan for South Haven*. These are individuals who have careers that allow them to live where they choose. Some like the excitement of urban centers, but others may seek the restful setting of small towns. The question is whether South Haven is or will be able to offer the right resources and environment to be attractive to these individuals.

An activity to achieving this strategy is to **ensure that access to quality Internet** is secure across the city. The availability and affordability of broadband are key for most all businesses, including home-based locations.

Developing an inventory of developable professional office space in South Haven’s central business district is another activity that will aid in accomplishing this strategy. If the changing nature of work does allow more professionals to work anywhere, including attractive locations as South Haven, it is important to have an inventory of suitable locations, especially in the city’s central business district. Adding to the level of year-round employment in South Haven’s downtown area would provide support for local retailers and restaurants, as well.

Another recommended activity for this strategy is to have the city **reexamine its home-based business regulations**. The city’s existing regulations on home-based businesses are reasonable and are designed to avoid harm to the existing environment of the surrounding neighborhoods. Still, there are several restrictions, such as allowing one or two additional employees and regarding meeting rooms, that should be reconsidered.

Strategy 3: Focus on Retaining Industries that offer Year-round Employment Opportunities

The Manufacturing and Health Care and Social Assistance industry sectors comprise roughly 40% of employment in South Haven. Both industries provide year-round employment and above-average wages for workers. **Fostering the stability of these industries** is one strategy that can be used to achieve greater employment stability and incomes for the residents of South Haven.

Strategy 4: Reconsider Current Housing Policies

Housing affordability is major concern in South Haven. One in four residents are paying more than 35% of their income in housing costs, which is higher than the state and nation as a whole. The two policies that we recommend the city consider are 1) to tighten its current lax regulations on the location of short-term residencies (STR) and 2) to loosen its strict, single-family zoning ordinances.

We recommend that the city of South Haven consider **restricting STRs to only certain areas in the city**. This policy is already being pursued in other lakeshore communities in Michigan and the United States. We suggest that STRs be allowed in only R1-C, the central business district, the business districts (B1, B2, B3), and R-M. We would suggest that STRs could be allowed in R1-A, and R1-A and R-2 only if it remains the primary residence of the owner.

The city of South Haven should **reexamine its strict R-1 zoning ordinances** that do not allow for the construction of duplexes or alternative lot-size reconfigurations in much of its residential areas. Evidence suggests that these policies restrict housing supply and thereby contribute to the city's housing affordability problems. Moreover, there is evidence that these practices have a negative impact on housing values.

Strategy 5: Development of an Economic and Community Health Dashboard

The development of an informative, real-time dashboard would enable city leaders to monitor conditions and trends that could impact the city's future. The dashboard should be based on consistent and timely data; easy to understand; and be updated on, at least, an annual basis. We recommend that the city partner with area nonprofits, educational institutions, and chambers of commerce to develop real-time indicators for the dashboard.



Introducing South Haven

South Haven is a great place to live, work, and visit. It is a unique west Michigan lakeshore town. Its beaches, nature trails, water experiences, area breweries and wineries, local markets, festivals, shopping, and food, and other assets attract thousands of visitors annually and are enjoyed by permanent residents as well. It's also an attractive retirement location. While the winters can be challenging, nothing tops a beautiful summer day on its beaches or riverfront.

It is home to thousands of working-age residents who live, work, and play in the area. South Haven is also home to hundreds of businesses that both serve the residents and visitors to the area but also compete in an increasingly global market. For some, there is a growing concern that the city's social and economic environment has been changing, and not necessarily for the better.

The city means different things to four key populations: visitors, retirees, working residents, and businesses. While these populations all enjoy the area's natural amenities, their concerns and demands on the city can be in conflict. The summer surge in visitors is challenging to the city and its residents; yet, many of the city's businesses and cultural and entertainment venues depend on these visitors. At the same time, the smaller year-round population determines school enrollment, influences the access to health care, and limits the availability of workers and skills necessary for South Haven to remain a viable community – more than just a “beach town.”

City government, residents, and businesses share concerns of having affordable, year-round housing available for South Haven residents, especially young families; generating income for city residents through, primarily, the creation of full-time, year-round, and good-paying, private-sector jobs; growing base businesses that employ year-round workers by selling their services and products to national and global markets; and welcoming and enjoying visitors and seasonal residents while keeping the social cohesiveness of the city.

Nevertheless, the demands for seasonal lodging opportunities conflict with the availability of affordable housing for full-time residents. Retirees' community interests and concerns may differ from those of young adults, who are both residents and visitors. The ability of the community to maintain and enhance its economic base may require additional funding for public and educational services. The area's manufacturing base is, unfortunately, declining: It housed 18 manufacturers employing 465 workers in 2012 (U.S. Department of Commerce), a decrease from its 25 establishments employing 995 workers in 2007. The city struggles to attract other base employers that can provide year-round jobs.

The city of South Haven experiences a significant population increase during the summer season, but for 8 months of the year, the city's infrastructure, both public and private, is underutilized. While the tax base remains strong, the low year-round population affects businesses, school enrollment, access to health care, and the availability of workers to be in a sustainable place.

The city of South Haven asked the W.E. Upjohn Institute for Employment Research (Upjohn) for assistance in better understanding and assessing the economic challenges to the city and the region. This report presents the results of our examination of the economic, housing, and social challenges and opportunities facing key segments of the city of South Haven's residential and business communities and offers policy directions and options that the city can consider.



Demographic Analysis

Population and Age

The population in the city of South Haven has slowly declined from 2010 to 2018 by 4.6%. In 2010, the city’s population was 4,550; by 2018, it inched downward to 4,341.

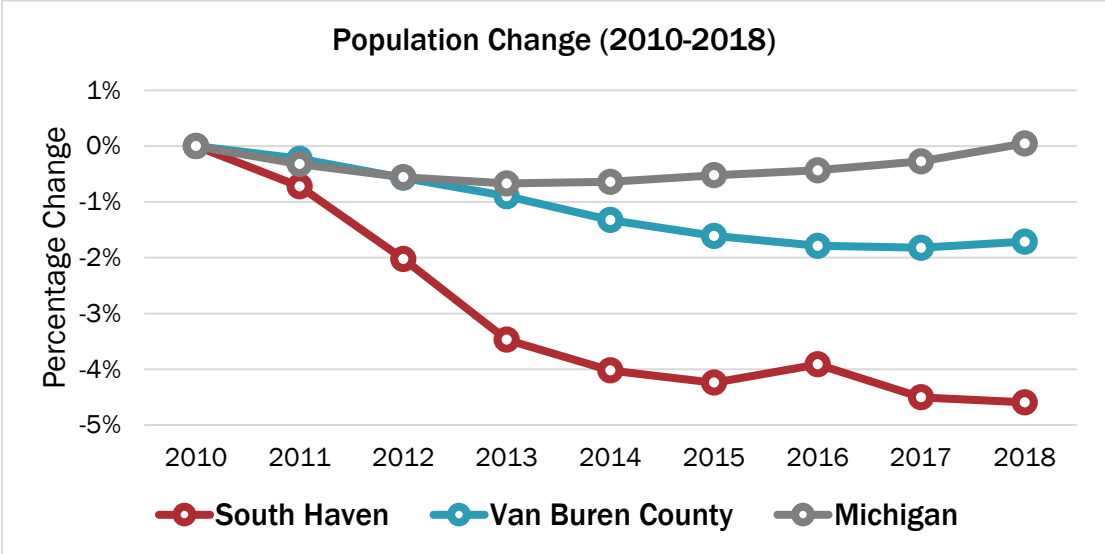


Figure 1: Population Change (2010-2018)

Source: U.S. Census Bureau, 2006-2018 American Community Survey 5-Year Estimates

As shown in Figure 1, this trend is different from that found in the county and the state. The population of Van Buren County (statistics cited in this paper for Van Buren County include the city of South Haven) has declined by 2.0% since 2010, while the population of the state of Michigan has declined by less than 1.0%. The populations of Van Buren County and the state of Michigan have rebounded in recent years, but this is not true for the city of South Haven.

The median age in the city of South Haven is older than that of the state or county, thus reflecting the city’s large and growing retirement population. The median age represents the point at which half the population is older and half younger. As shown in Figure 2, the median age in South Haven increased from 50.2 in 2010 to 55.3 in 2018. The median age in South Haven is significantly higher than either Van Buren County or the state of Michigan.

Areas that are not growing tend to age because young adults are more mobile and more willing to look elsewhere for employment opportunities. For South Haven this is only enhanced by its amenities because it is clearly a choice retirement location. Therefore, it is not surprising that 41% of South Haven’s residents are ages 60 years or older.

Median Age

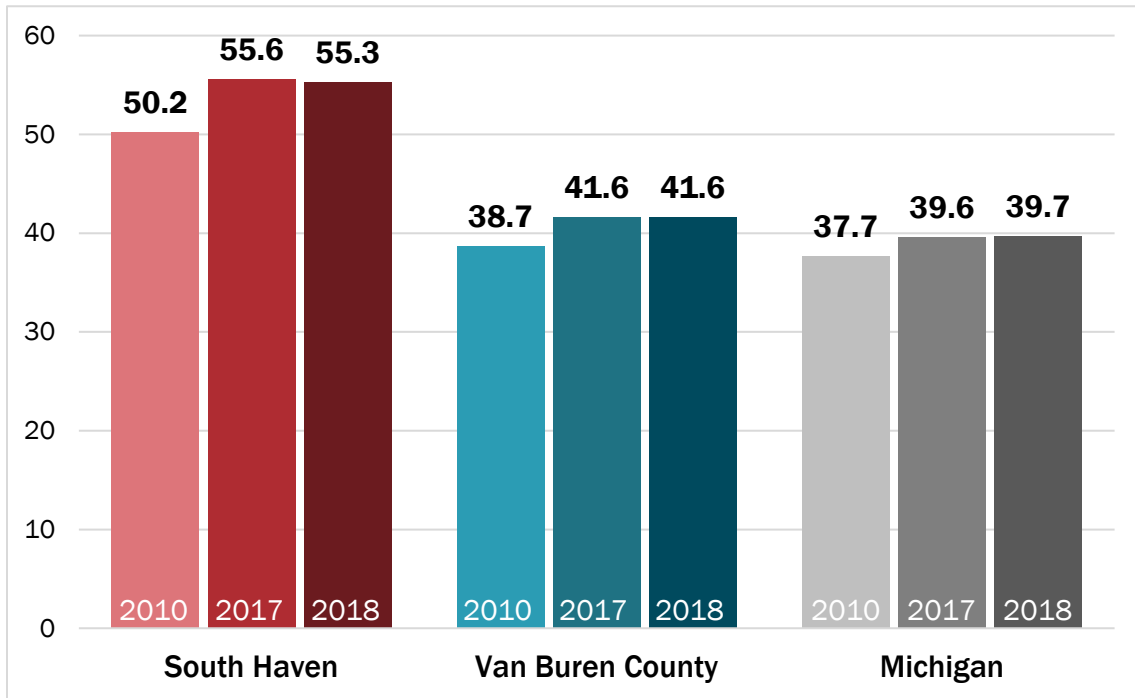


Figure 2: Median Age

Source: U.S. Census Bureau, 2006-2010 American Community Survey 5-Year Estimates;
U.S. Census Bureau, 2014-2018 American Community Survey 5-Year Estimates

The number of children under 18 years living in the city declined from 819 in 2010, to an estimated 729 during the 2014 to 2018 period, an 11% drop. Somewhat surprisingly, the number of children under 18 increased significantly in the neighboring South Haven Township – 783 to 1,131 in the same time period, a 45% increase.

The city’s population is “top heavy” regarding the percent of its residents who are above 60 years of age. There is a smaller population base of people under 55 years compared to the proportionately large share in the 55- to 85-year-old age group (see Figure 3). This population pyramid is simply evidence that population growth in South Haven is being driven by individuals who are retiring to the community.

When compared to the United States, the population pyramid for South Haven shows the aging of its population. A smaller percentage of its population is under the age of 55, reflecting the strength of its retirement community. At the same time, this waves a cautionary flag regarding the possible lack of employment opportunities in the area. Figure 3 also highlights the fact that a large fraction of the city’s population is between 55 and 69 years of age. Many of these individuals are still very active and can play a beneficial role in the city’s community development.

Population Pyramid: United States vs. City of South Haven

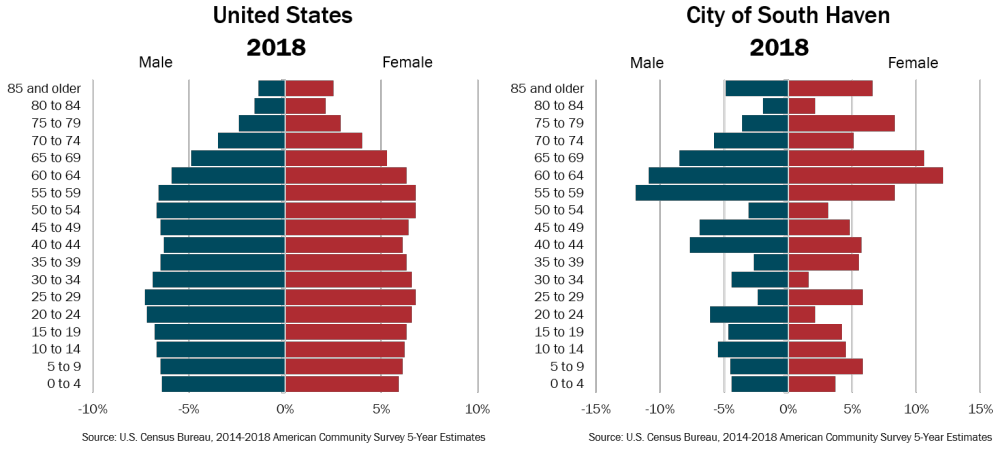


Figure 3: Population Pyramid: United States vs. City of South Haven

The city of South Haven is more racially and ethnically diverse than Van Buren County, and about as racially and ethnically diverse as Michigan. As Figure 4 shows, while over three-fourths of Michigan residents (75.2%) are White non-Hispanic, 81.3% of Van Buren County’s residents are White non-Hispanic and 79.5% of South Haven’s residents are White non-Hispanic. South Haven has a larger share of the population that is Black non-Hispanic (13.0%) compared to the shares in the county (3.1%). However, Van Buren County has a larger percentage of the population that is Hispanic (11.4%), compared to that of the state (5.0%) and South Haven (1.9%).

Race and Ethnicity (2018)

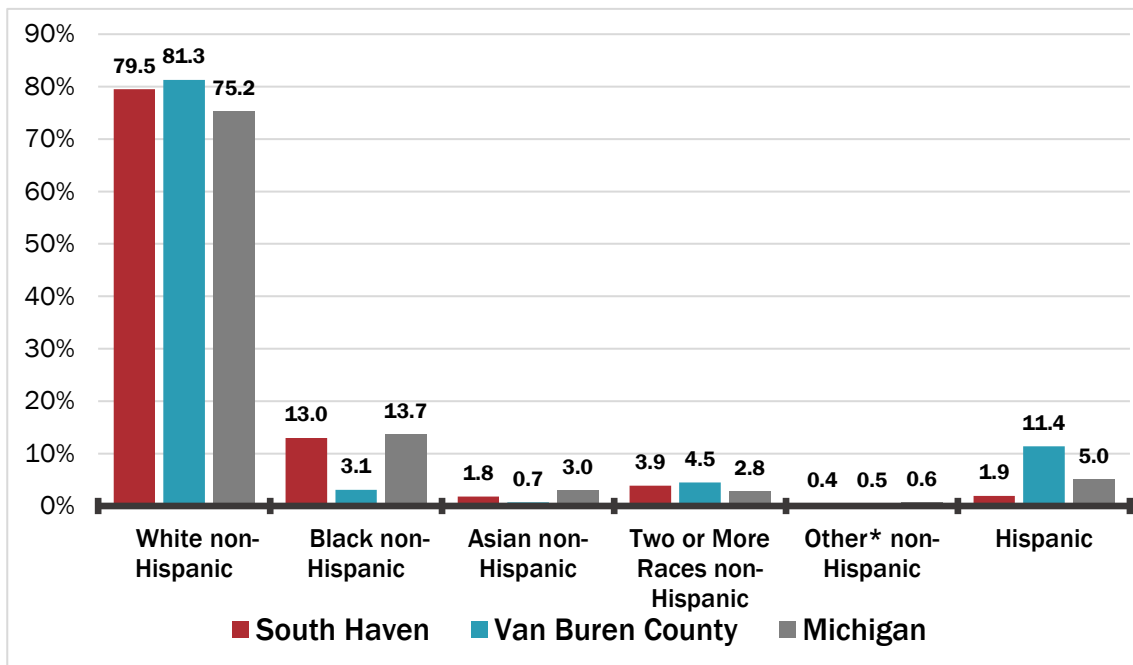
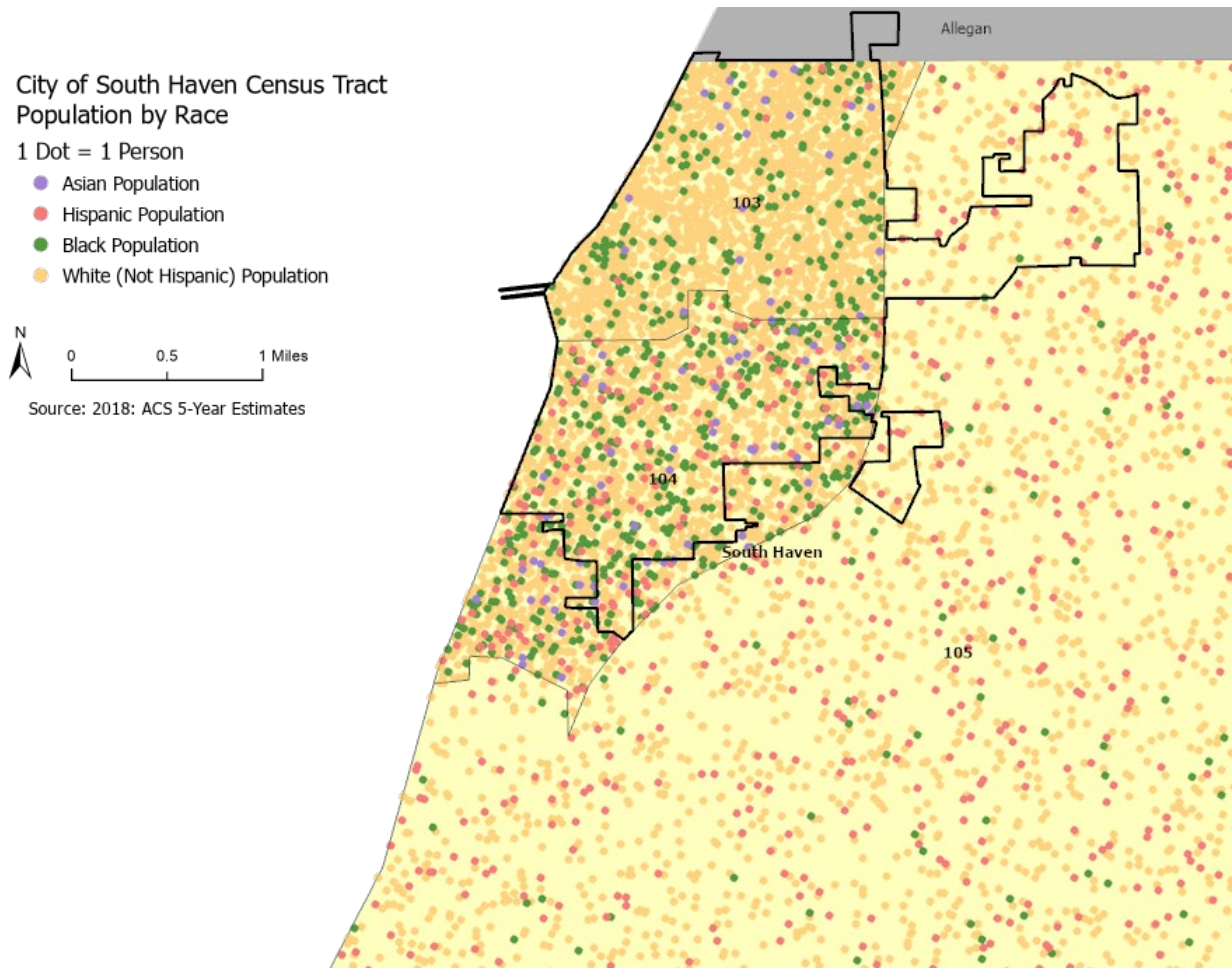


Figure 4: Race and Ethnicity (2018)

*Includes American Indian and Alaskan Native non-Hispanic, Native Hawaiian and Other Pacific Islander non-Hispanic, and Some Other Race non-Hispanic. Source: U.S. Census Bureau, 2014-2018 American Community Survey 5-Year Estimates

Map 1 depicts the distribution of individuals by race (Asian, Hispanic, Black, and White) within the three census tracts that intersect the city of South Haven (tracts 103, 104, and 105). Additionally, each dot on the map represents one individual living anywhere within that census tract. The number of minorities living in South Haven varies significantly by census tract. Tract 103, the northwest side of South Haven, has the least number of non-White residents. Tract 103 is 90% White, 8% African American, 1% Hispanic, and 1% Asian. Tract 104, the southwest side of South Haven, has the least number of White residents and the most African American residents of the three census tracts; the tract is 74% White, 17% African American, 7% Hispanic, and 2% Asian. Tract 105, the east side of South Haven, has the most Hispanic residents of all three census tracts. Tract 105 is 78% White, 4% African American, 18% Hispanic, and less than 1% Asian. In short, tract 103 has the least amount non-White residents, while tract 104 has the most African American residents and tract 105 has the most Hispanic residents.



Map 1: City of South Haven Census Tract Population by Race

Demographic and Economic Differences within South Haven

The U.S. Census Bureau divides South Haven into two census tracts, as shown in Table 1. The northern area had an estimated 2018 population of 2,251, while the southern area housed 2,668 individuals. There are several distinguishing differences between the two areas. First, the population was estimated as older in the northern area, with 36% of its residents being 65 or older, while only 26% of the population in the south was estimated in the same age group. Not surprisingly, only 12% of the northern residents were under 18 years of age, while children and teenagers made up 26% of the population in the southern area.

Table 1: South Haven North-South Neighborhood Comparison

	North Neighborhood (tract 103)	South Neighborhood (tract 104)
Median Income (dollars)	44,919	55,348
Population for whom poverty status is determined	199	461
Total Population	2,251	2,668
Population 65 years and older	809	590
Population under 18 years	269	683
Median ages (years)	58.4	42.8
Hispanic or Latino (of any race)	8	165
Black or African American alone	180	417
Owner-Occupied Units; Median (dollars)	280,600	164,100

The southern area is more diverse, with 16% of its population being African Americans and 6% Hispanic. This compares with Blacks accounting for only 6% of the population in the northern section and with Hispanics making up less than 1%.

The economic situation of the two areas is more complex. The income distribution in the southern area is more unequal than in the northern area. In 2018, the median household income for the southern area was greater than the northern area, \$55,348 to \$44,919, respectively. The average income in 2018 for the southern area was \$96,184 compared to \$83,961 in the north.

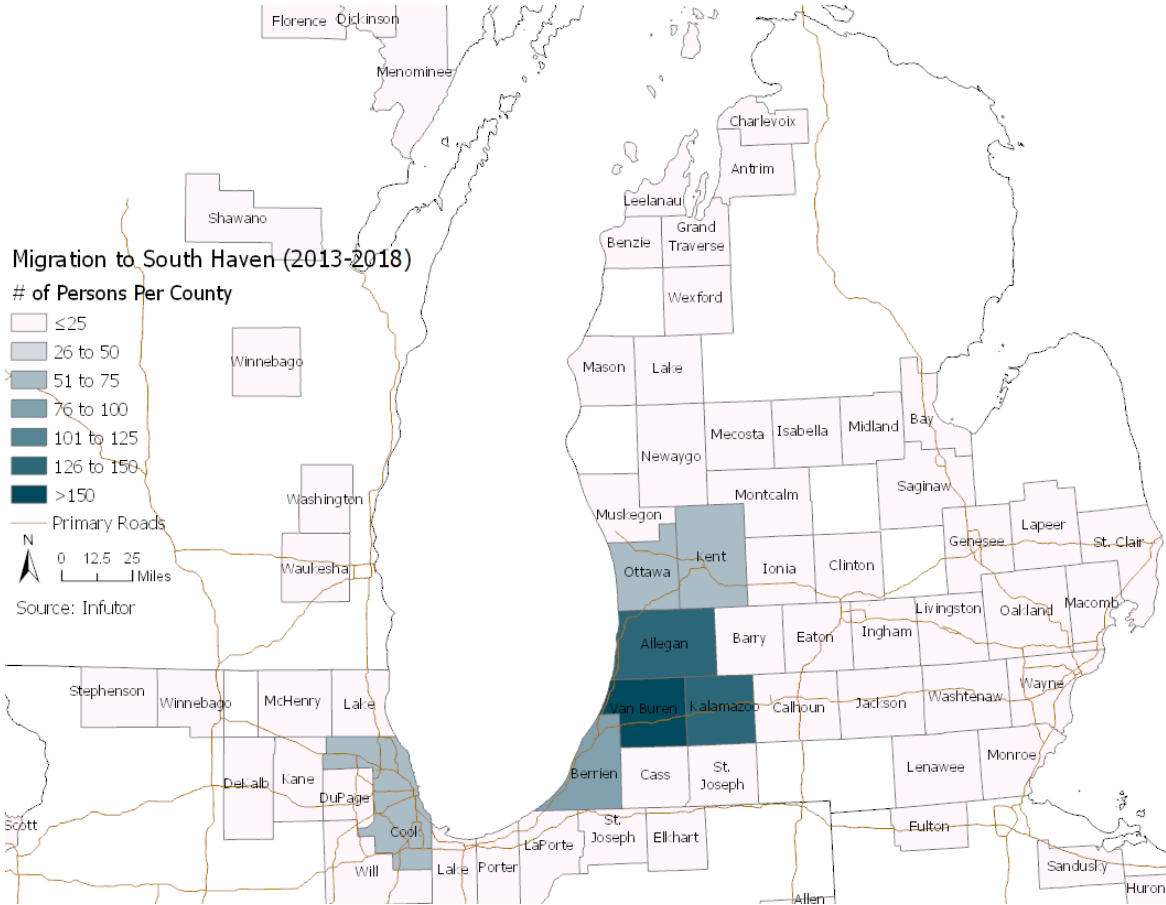
In the southern area, 17.4% of households earned \$150,000 or more compared to 11.6% in the northern area. However, at the same time, 30% of the households in the southern area earned less than \$30,000 in 2018 compared to 25% in the north. Moreover, the percentage of the population living in poverty in 2018 was much higher in the southern area, with 17% of its population struggling in poverty, compared to 9% in the north.

Finally, although the median and average household income was higher in the south, housing values were much higher in the north. The median value of an owner-occupied house in the northern area reached \$280,600 compared to \$164,100 in the south in 2018.



Migration and Mobility

Not surprising, available migration data for South Haven show a slight out-migration from the city from 2013 to 2018.¹ During the 6-year period, approximately 60 more persons moved out of the city than moved in annually. Maps 2 and 3 also show that most moves, both in and out of the city, are local, suggesting that they reflect households finding more appropriate dwellings in the local area. For employed residents, it is likely that many of these moves did not require them to change employers.

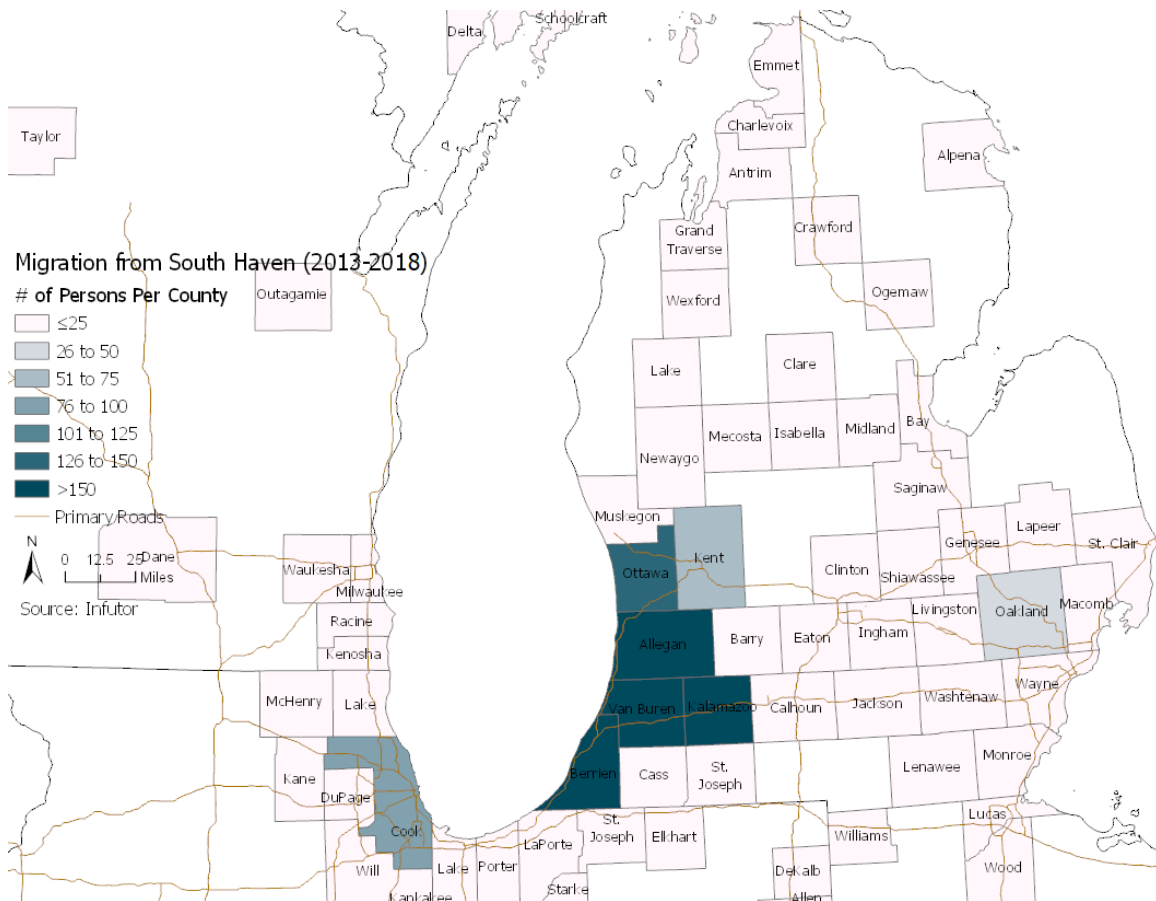


Map 2: Migration to South Haven (2013-2018)

As shown in Map 2, many of the individuals moving to South Haven are making a short hop from other locations in Van Buren County or from neighboring counties, especially Allegan and Kalamazoo counties. Again, it is important to note that many of these moves are so short that they do not impact the movers’ employment situation. At the same time, people are relocating from the Chicago area as well.

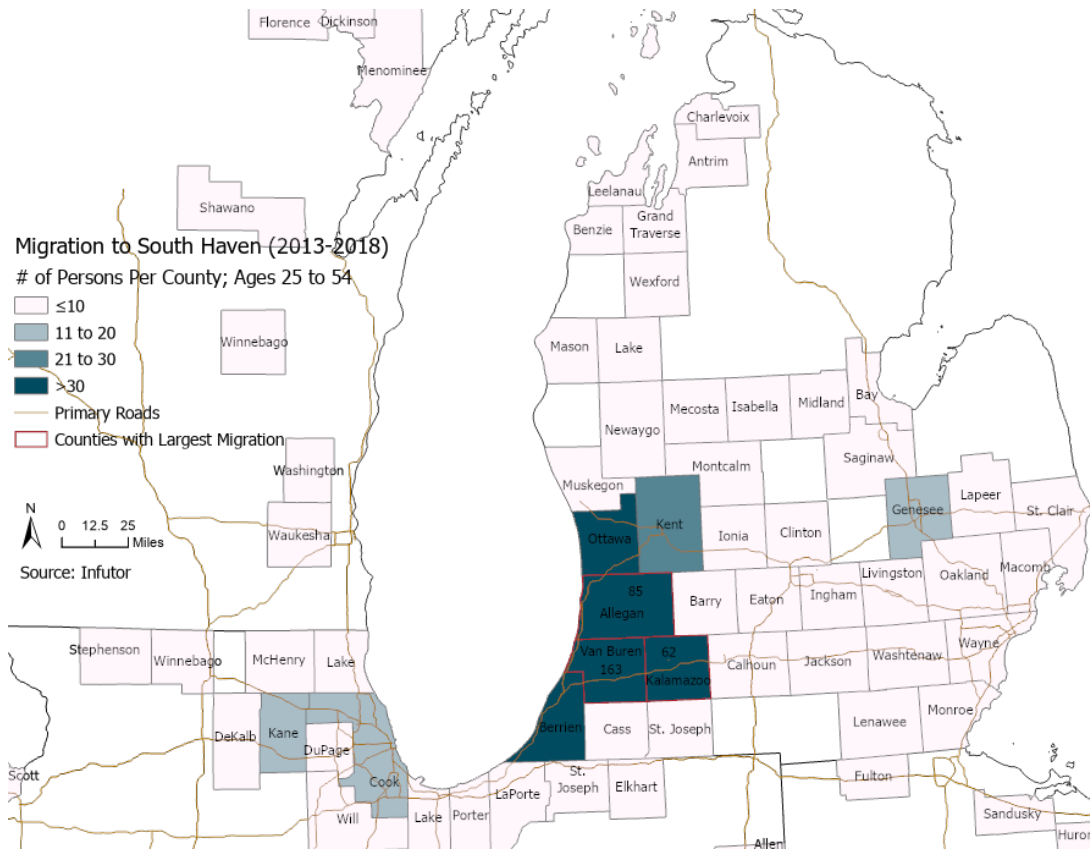
¹ The following analysis is based on data from Infutor, a company that uses census data as its source but allows the migration of people between counties to be analyzed. These data were applied, on the county level, to observe counties with large inflow (migration to) and outflow (migration from) Van Buren County.

Map 3, which shows the outflow of persons from South Haven, looks almost identical to Map 2. Again, many persons move from South Haven to other locations in Van Buren County, as well as to neighboring counties. What is surprising is the number of persons moving from South Haven to the Chicago area, which matches a similar number going the opposite direction. We believe that this may be a problem with the data: It is possible that a person staying at a second home for several months may be mistaken as a relocation.



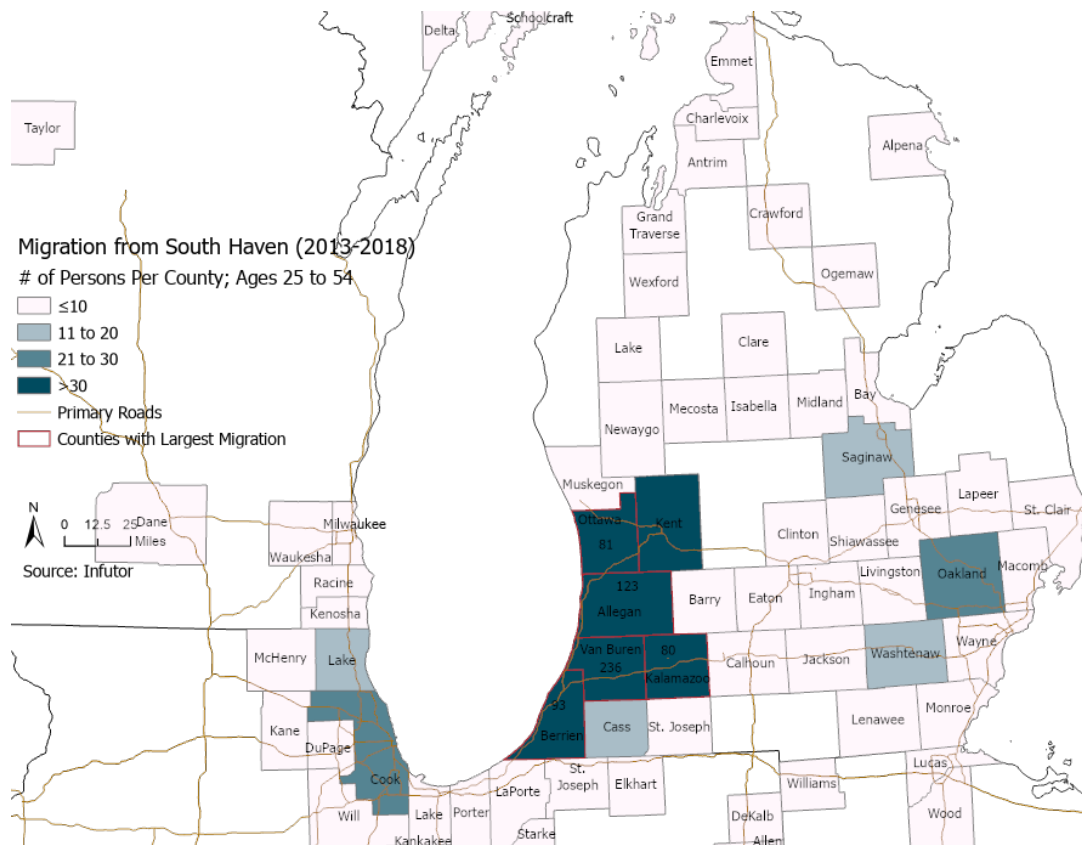
Map 3: Migration from South Haven (2013-2018)

To gain a better understanding of the reasons behind these moves, we separated the data into two groups: working age (25 to 54) and retirement age (over 55). We understand that most people do not retire at the age of 55 but this was the oldest population breakdown available in the data set. As shown in Map 4, working-age people who moved into South Haven during this period primarily came from neighboring counties. A change in employers is likely not required for many of these moves. Instead, these individuals simply selected South Haven as where they want to live. It is interesting to note even for this age group that there are people moving from the Chicago area to South Haven.



Map 4: Migration to South Haven, Ages 25-54 (2013-2018)

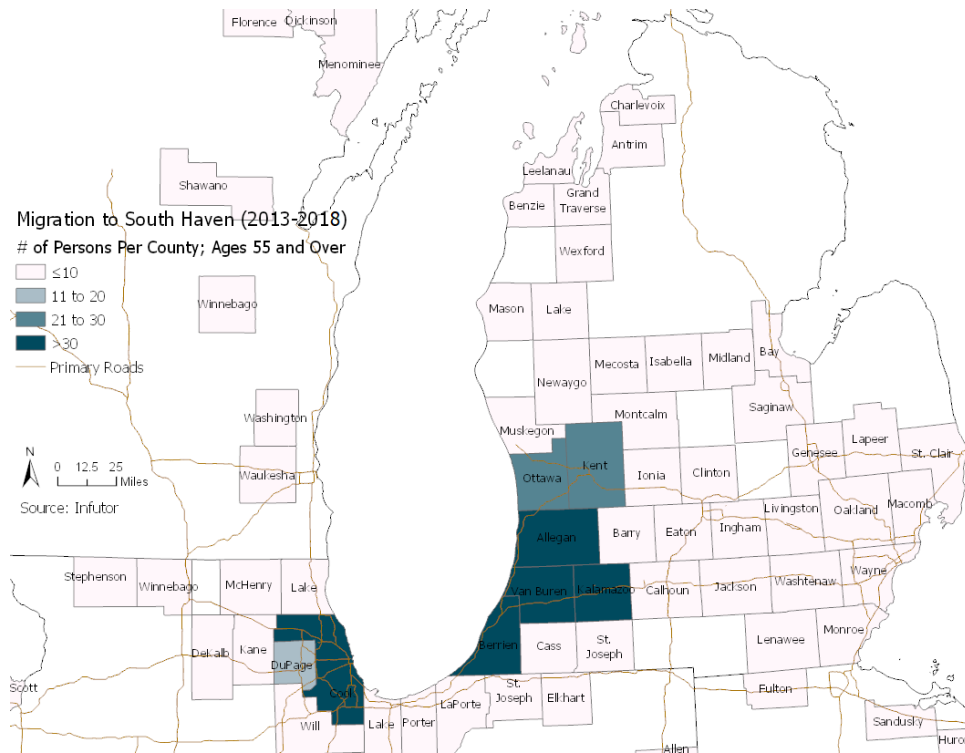
The out-migration of persons 25 to 54 years of age during this period mirrors the in-migration estimates. Again, this can be influenced by individuals who have second homes in South Haven, and it is likely that many of these moves did not require a change of employers. See Map 5.



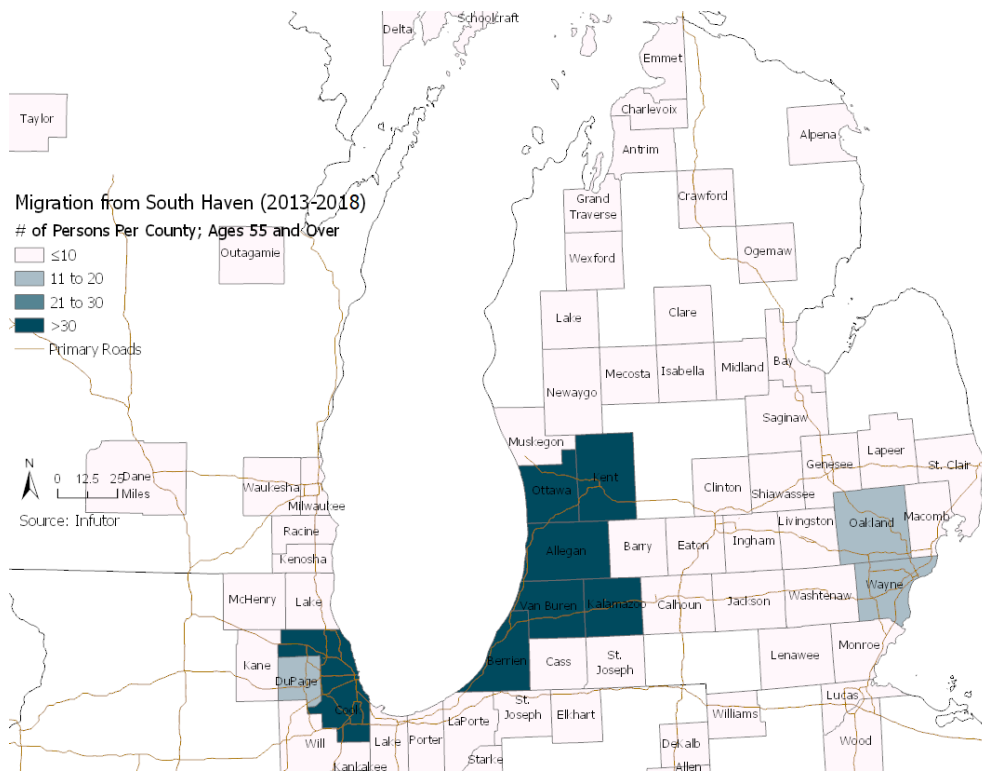
Map 5: Migration from South Haven, Ages 25-54 (2013-2018)

Because South Haven is a retirement community of choice for many people, it is important to look at the migration data for older individuals, ages 55 years and older, during this period. As shown on Maps 6 and 7, the same patterns repeat. It is likely that many of the people moving into South Haven at this age having been vacationing on the shores of Lake Michigan for many years and decided to choose South Haven as their retirement community. This could be true for people living in Grand Rapids as well as in Chicago. The out-migration from South Haven is a bit more difficult to explain and, unfortunately, could be impacted by mistakenly counting secondary homeowners as living in South Haven permanently.

In summary, it is very likely that people who decide to move to South Haven at any age are already very familiar with the community, both its natural and physical amenities. It is feasible that they had vacationed in South Haven or other communities on Lake Michigan for several years and decided that this is where they want to live.



Map 6: Migration to South Haven, Ages 55 and Over (2013-2018)



Map 7: Migration from South Haven, Ages 55 and Over (2013-2018)

Economic Analysis

South Haven, like most similar areas, is continuing to transform into a more amenities-dependent city than a production center. Its success, however, will increasingly depend upon the preservation of its unique setting. As was mentioned in an interview with a similar community along the shores of Lake Michigan, it is possible to “love an area to death.”

It is feared that if South Haven is only known for being a “beach town,” economic opportunities for its residents will be limited. Numerous studies point to the fact that rural places, even high-amenities small towns, are not seen as “hotbeds” of innovation and development because they lack thick labor markets that offer a wide variety of salient skills for high-tech/high-design operations. In addition, they do not have venture capitalists nor the benefits of valuable work-based and social networks that are key for the development of strong industry/business clusters. At best, South Haven is more of a place where innovative thinkers go to relax or retire—and, perhaps, join in the economic development process of the community.

Rural places are vulnerable to global/industry shocks that can negatively impact their existing manufacturing base and limit the opportunities for their residents. While the city’s economic development efforts should remain ready to respond to development opportunities, it is likely that the traditional economic base of the greater South Haven region will be stable, at best, and pressure to keep wages competitive will be constant. Amenity cities like South Haven lack full-time, year-round employment opportunities for low-educated workers. The poverty rate in the city of South Haven is nearly 14%, slightly higher than the national rate. Moreover, its lack of full-time employment opportunities constrains its population growth, which is expected to be modest in coming years.

In general, the city will likely be affected by the same demographic trends as other rural areas. First, rural areas are growing slower and aging faster than urbanized areas.² The Urban Institute forecasts that from 2020 to 2030 population in rural areas will grow by only 1%, while urban populations will increase by 8%. The nation as a whole is aging but this trend is more pronounced in rural areas. The Urban Institute forecasts that by 2040, 25% of rural residents will be over the age of 65. In urban areas, only 20% of residents will be above that threshold.

In this section we examine both the demand side and supply side of the city’s labor market, which includes an in-depth examination of the city’s economic structure.

² South Haven is officially in the Kalamazoo-Portage Metropolitan Statistical Area and therefore is considered as being part of a metro area. However, this is more of a statistical anomaly caused by using counties as our demographic building blocks. Realistically, South Haven is a small-amenities city in a rural setting.

The overall labor force participation rate in South Haven is much lower than the state or county. As shown in Figure 5, the rate for South Haven (as reported by the American Community Survey) was 51.7% (in 2018), compared to 61.1% for the county and 61.3% for the state. The labor force participation rate measures an economy’s active labor force. It is the sum of all noninstitutionalized individuals 16 and older who are either working or looking for work, divided by the entire population 16 and older. It represents the relative number of people available to produce goods or services. Labor force participation rates typically fall as individuals reach 55 or older in age; therefore, the city’s low overall labor force participation rate is partially driven by the older population in the city.

Labor Force Participation Rate (2017 & 2018)

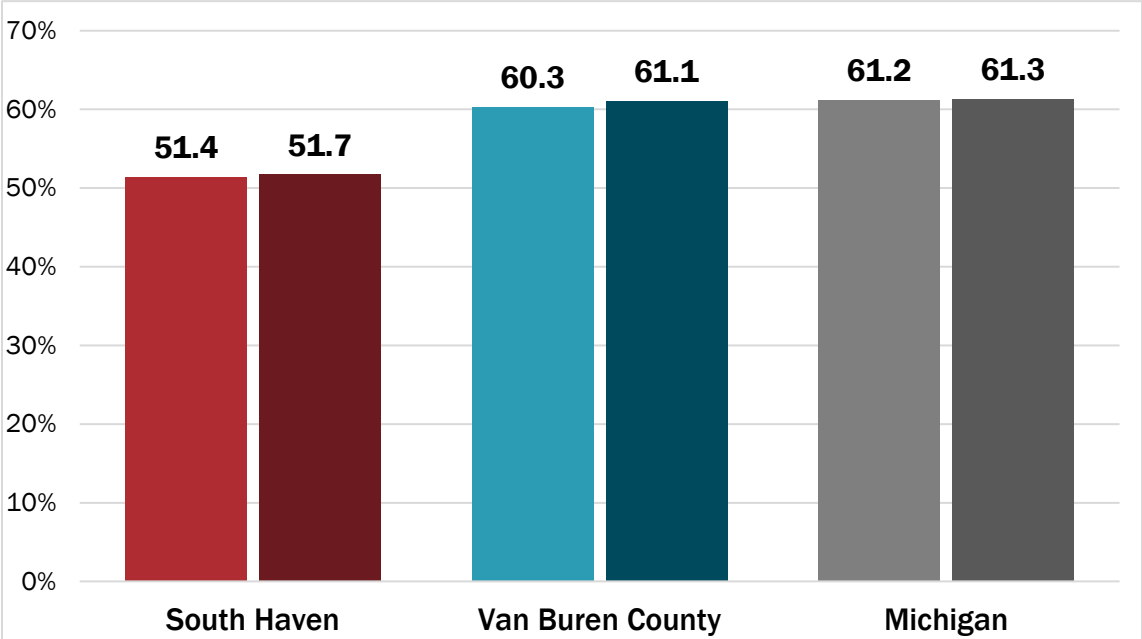


Figure 5: Labor Force Participation Rate (2017 & 2018)

However, for prime age workers, residents ages 25 to 54, the labor force participation rate remained lower in South Haven than the state or county. As shown in Figure 6, the rate for South Haven for 2018 was 74.5% for prime age workers compared to 81.1% for the county and 81.3% for the state.

Unfortunately, these statistics raise more questions than they answer. It is unclear why the standard barriers to work, such as transportation and child care, as well as a mismatch of jobs and skills, would be greater in South Haven than elsewhere. The one reason could be the seasonal nature of employment opportunities in South Haven. If a person who is restricted to seasonal employment is surveyed during the off season, she or he would respond that they are not currently in the labor force. It is very possible that if more year-round employment opportunities were available, the area’s labor force participation rate would rise. In other words, the area’s low labor force participation rate reflects more the lack of employment opportunities than barriers to employment.

Labor Force Participation Rate — Prime Age Workers (Ages 25 to 54; 2017 & 2018)

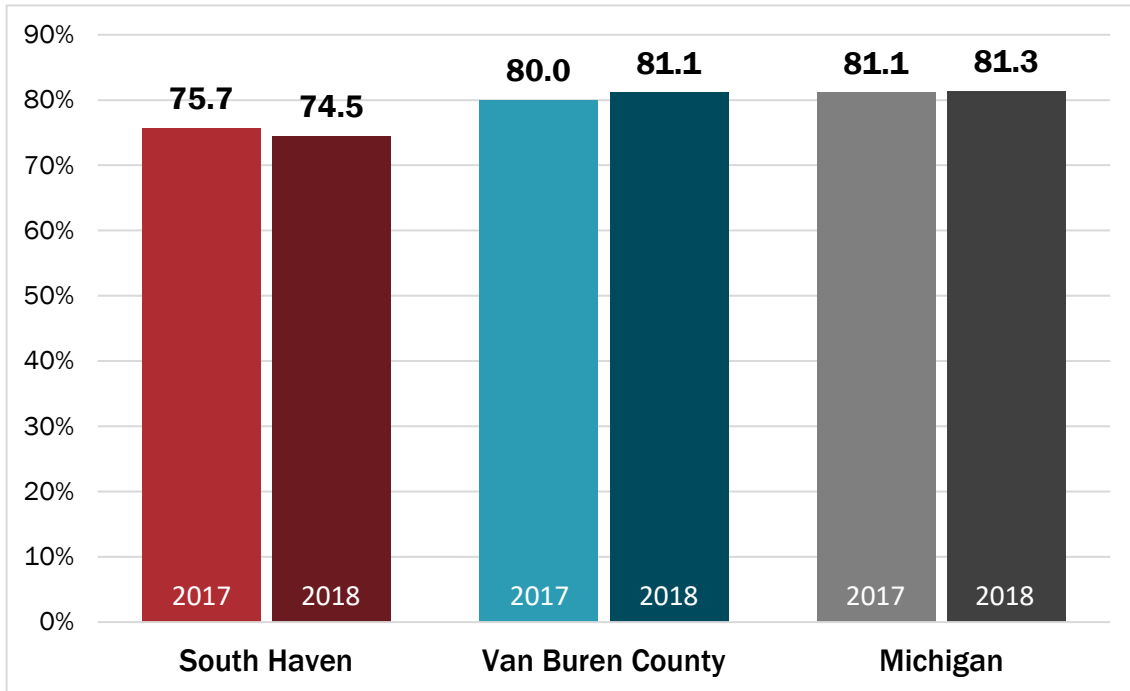


Figure 6: Labor Force Participation Rate, Prime Age Workers (Ages 25 to 54; 2017 & 2018)

Source: U.S. Census Bureau, 2013-2018 American Community Survey 5-Year Estimates

Unemployment Rate

The unemployment rate in Van Buren County has followed a similar pattern as the state. The unemployment rate measures the share of the labor force lacking a job but actively looking for work. It is important to note that a person who is working part time but is actively seeking full-time employment is still counted as being employed.

The COVID-19 pandemic has pushed Van Buren County's unemployment rate, as of September 2020, to 9%, as seen in Figure 7. While still lower than in 2010, at the beginning of the recovery when unemployment peaked at 13.5%, the current jump in the joblessness rate clearly shows the impact of the pandemic. We can only hope that with the extraordinary rapid development of several promising vaccines, the 2021 tourism season will return to "normal" or, at least, more normal.

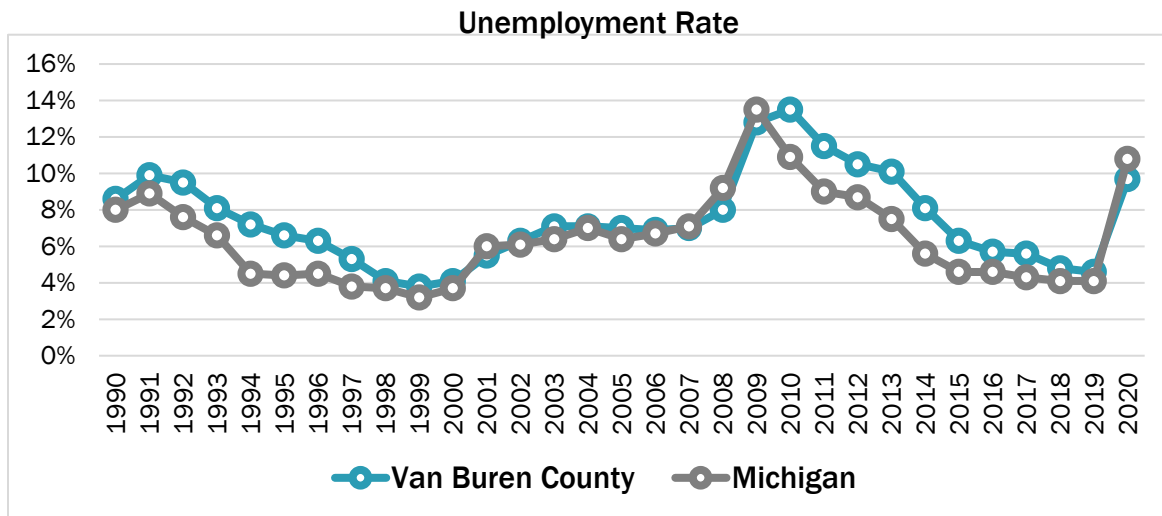


Figure 7: Unemployment Rate

Source: U.S. Bureau of Labor Statistics, 2020

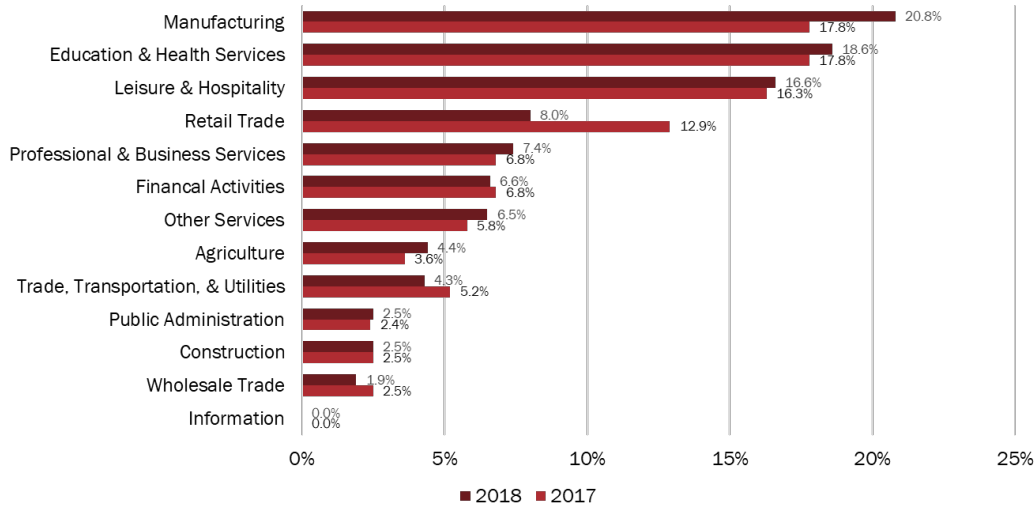
Labor Demand

An area’s employment situation is driven by both the skill demands of its employers and the skills offered by its workforce. The quality of an area’s workforce is one of the primary concerns to any business exploring the opportunities of relocation or expansion. At the same time, the area’s existing business structure largely determines the makeup of the area’s workforce. A recent history of good-paying, low-to-medium skilled jobs will discourage many young adults from investing in post-secondary education or training because they may feel that it is simply not needed.

While the old economic development adage, “tell me your industries and I will tell you your future” still holds true, communities do reinvent themselves. Change is never easy, and many individuals and families are caught in the middle and can be negatively impacted economically, socially, and physically by the change. While we do not offer nor believe that employment forecasts for South Haven are even possible, it is possible and important to analyze current skill demands made by area employers and how these demands can shape the area’s future workforce.

Despite its continuous decline in employment, manufacturers remain the major employer for workers living in South Haven. The combined Education and Health Care sectors are a close second. The Leisure and Hospitality sector is in the top three as well, which is no surprise (see Figure 8).

Share of Employment in South Haven (2017 & 2018)



Source: U.S. Census Bureau, 2013-2018 American Community Survey 5-Year Estimates

Figure 8: Share of Employment in South Haven (2017 & 2018)

Figure 8 is an important reminder that manufacturing is still a vital industry sector for South Haven. Moreover, manufacturing provides year-round employment at better-than-average wages. It is beyond the scope of the city to counter the global forces that batter manufacturers. Adopting more advanced, labor-saving technologies and competing against low-wage global producers will continue to cause manufacturers to reduce the number of assembly workers. Nevertheless, South Haven will continue to offer a welcome environment for manufacturers.

As shown in Figure 9, between 2017 and 2018 reported employment in the Manufacturing sector grew the most with the addition of 53 people employed in that sector. Agriculture grew by 15 jobs, and Education and Health Services and Other Services added the next highest number of jobs with 12 each. The Retail Trade sector took the hardest hit, with the loss of 92 jobs between 2017 and a 5-year average of 2013 to 2018. The Trade, Transportation, and Utilities sector followed, with a loss of 17 jobs and Wholesale Trade, which lost 11 jobs.

Employment change statistics only provide the net number of jobs created. The number of job openings in a region can reveal the economic health and structure of a community’s employment base. Job openings also provide a glimpse into the major industries and employers of an area, wages, and the types of occupations available. To understand job openings in South Haven, we use data from Burning Glass Technologies.

Change in Employment in South Haven (2017–2018)



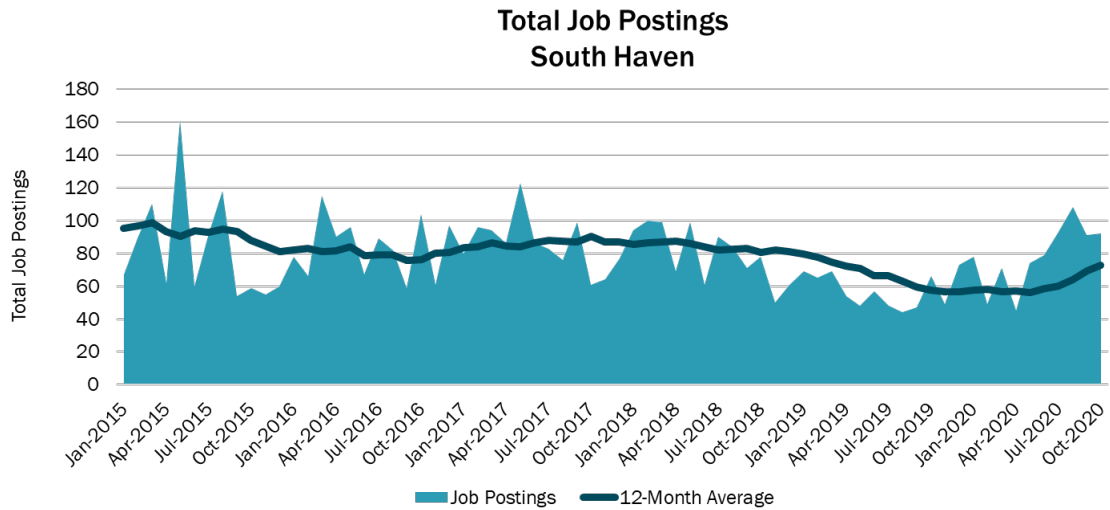
Source: U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates; U.S. Census Bureau, 2014-2018 American Community Survey 5-Year Estimates

Figure 9: Change in Employment in South Haven (2017 & 2018)

Burning Glass Technologies aggregates almost all jobs posted from over 40,000 online job boards in the United States. While some employers use Internet job postings frequently, others do not use them at all, and others use a combination of advertisements and other recruitment methods. As a result, the jobs curated by Burning Glass Technologies do not represent all vacant jobs in a labor market. However, online job postings are strongly correlated with the actual number of vacancies in a labor market (Carnevale et al., 2014). Job postings from Burning Glass have been used in several applications including understanding the impact of Covid-19 on local economies (Chetty et al., 2020; Forsythe et al., 2020), determining the concentration of labor markets (Azar, 2020), and understanding the impact of the Great Recession on the adoption of labor-replacing technologies (Hershbein & Kahn, 2018).

Based on the job posting data from Burning Glass, South Haven had 689 online job postings in 2019 (the last full year for which data are available). This is down from the 956 job postings in 2018 and 1,025 job postings in 2017. As shown in Figure 10, the total number of monthly postings has remained relatively steady over the past 5 years, averaging between 80 and 100 job postings per month. The past 12 months have had a lower than average number of jobs advertised.

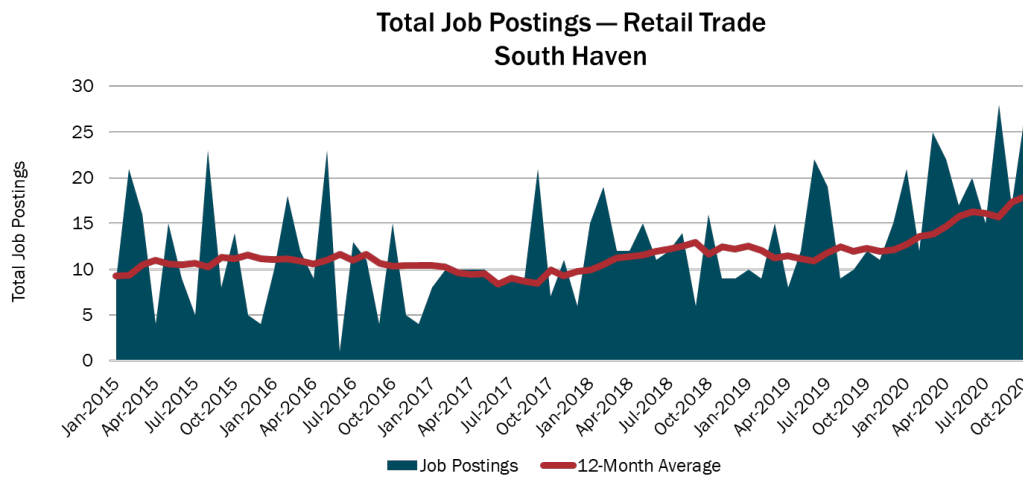
Since April and coinciding with the COVID-19 pandemic, there has been a noticeable uptick in the number of job postings. It is unclear, however, if the pandemic has generated an increase in the number of postings—replacement of workers unwilling to work due to health concerns—or a change in hiring practices—cutting back on in-person interviews. The top employers posting jobs in the South Haven area during 2019 were the grocery retailer Meijer, the rehabilitation center Atrium Centers, the health system Bronson Healthcare, the fast food franchise Pizza Hut, and the chemical manufacturing company Albemarle Corporation.



Source: Burning Glass, 2020

Figure 10: Total Job Postings for South Haven (2015-2020)

Retail Trade, comprising 25.7% of all postings, was the industry sector with the most job postings in South Haven in 2019. In 2019, there were 152 online job postings in Retail Trade. This is up from the 150 job postings in Retail Trade in 2018 and 119 job postings in this sector in 2017. As shown in Figure 11, the total number of monthly postings has been trending upward. The top detailed industries posting jobs in the South Haven area were grocery stores, dollar stores, health and personal care stores, and automotive parts, accessories, and tire stores. Again, we are unsure as to how much of this increase is due to the pandemic. Most jobs in this sector (90.0%) only require a high school diploma. The median salary posted for positions in Retail Trade in 2019 was low, at \$23,801.

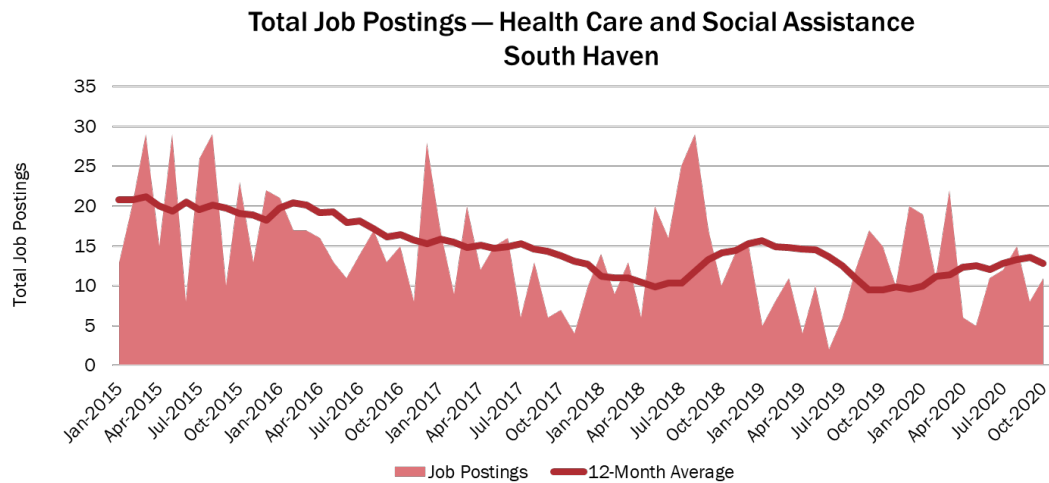


Burning Glass, 2020

Figure 11: Total Job Postings, Retail Trade, South Haven (2015-2020)

The Health Care and Social Assistance sector, comprising 20.3% of all postings, was the industry sector with the second highest number of job postings in South Haven in 2019. In 2019, there were 120 online job postings in Health Care and Social Assistance. This is down from the 188 job postings in Health Care and Social Assistance in 2018 and up from the

135 job postings in Health Care and Social Assistance in 2017. As shown in Figure 12, the total number of monthly postings has been trending downward since 2015. Surprisingly, this is the one sector where there is no evidence of an uptick associated with the pandemic.

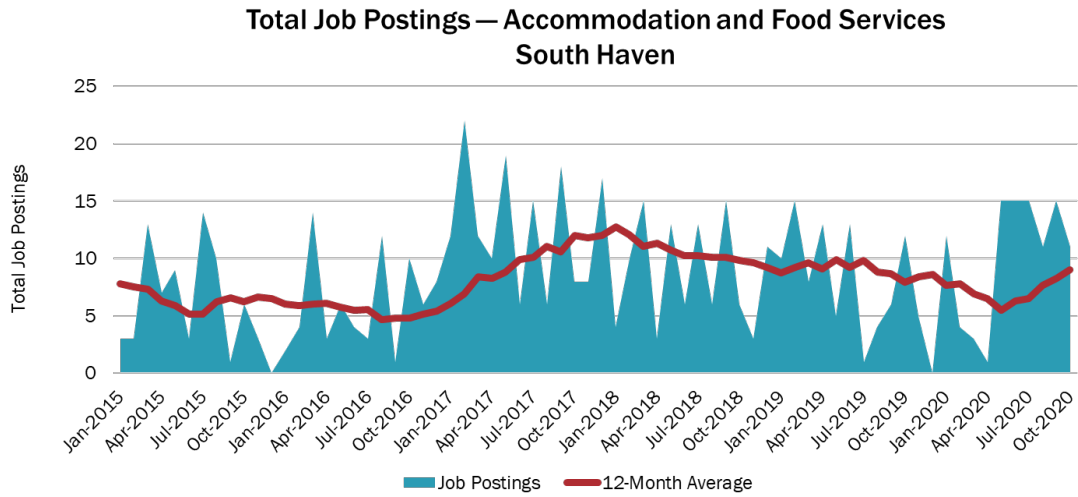


Source: Burning Glass, 2020

Figure 12: Total Job Postings, Health Care and Social Assistance, South Haven (2015-2020)

The top detailed industries posting jobs in South Haven were in nursing care facilities, continuing care retirement communities, hospitals, and physicians’ offices. The most sought-after, minimum educational attainment for positions in Health Care and Social Assistance was high school or vocational training (43.6%), followed by an associate degree (29.5%) and a bachelor’s degree (20.5%). In 2019, the median salary posted for positions in Health Care and Social Assistance was \$45,211.

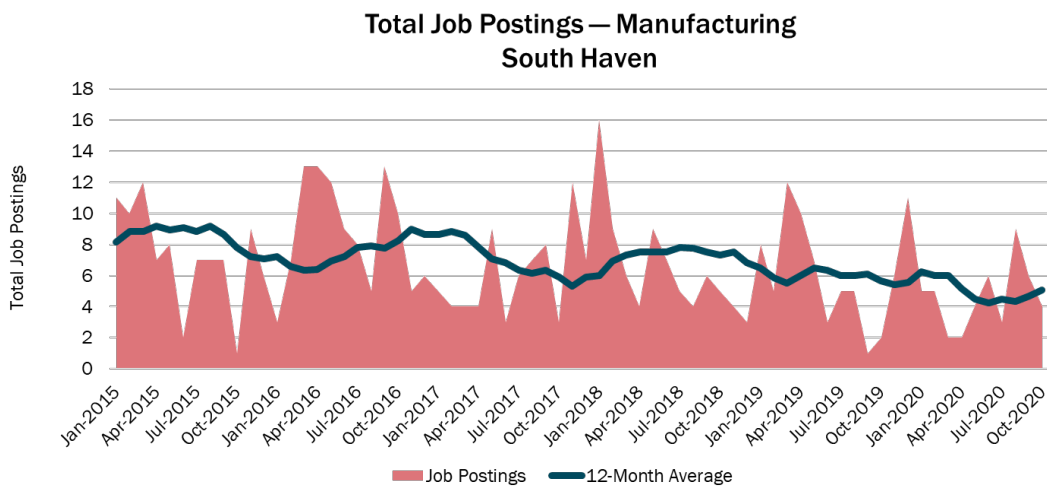
Accommodation and Food Service, comprising 15.6% of all postings, was the industry sector with the third highest number of job postings in South Haven in 2019. In 2019, there were 92 online job postings in Accommodation and Food Service. This is down from the 105 job postings in Accommodation and Food Service in 2018 and 153 job postings in 2017 in this sector. As shown in Figure 13, the total number of monthly postings follows a very seasonal pattern, with job postings peaking in the lead up to the summer months. As with health care, there is no determinable impact of the pandemic on summer hiring in 2020. The majority (96.5%) of job postings in this sector were in restaurants and other eating places. Most jobs in this sector (84.2%) state only a high school diploma as the minimum educational requirement. In 2019, the median salary posted for positions in Accommodation and Food Services was \$22,981.



Burning Glass, 2020

Figure 13: Total Job Postings, Accommodation and Food Services, South Haven (2015-2020)

Manufacturing, comprising 12.7% of all postings, was the industry sector with the third highest number of job postings in South Haven in 2019. In 2019, there were 75 online job postings in this sector. This is slightly down from the 78 job postings in Manufacturing in 2018 and slightly up from the 72 job postings in Manufacturing in 2017. As shown in Figure 14, the total number of monthly postings in Manufacturing has remained relatively steady over the past 5 years. The top detailed industries posting jobs in South Haven were in basic chemical manufacturing and motor vehicle parts manufacturing. Most jobs in this sector (60.4%) have a high school diploma as the minimum educational requirement, although one third (35.8%) require a bachelor’s degree or higher. In 2019, the median salary posted for positions in Manufacturing was \$38,270.



Burning Glass, 2020

Figure 14: Total Job Postings, Manufacturing, South Haven (2015-2020)

In 2019, the top job postings in South Haven were for restaurant/food service managers, retail sales associates, and retail store managers/supervisors. As shown in Figure 15, four of the top jobs were in the Food and Accommodation sector, three were in the Retail Trade

sector, four were in the Health Care and Social Services sector, and two of the top jobs were in the Manufacturing sector. Retail Trade, Health Care and Social Assistance, Food and Accommodation, and Manufacturing were the top industry sectors in which jobs were available. Those four industries are responsible for three fourths (74.3%) of job postings.

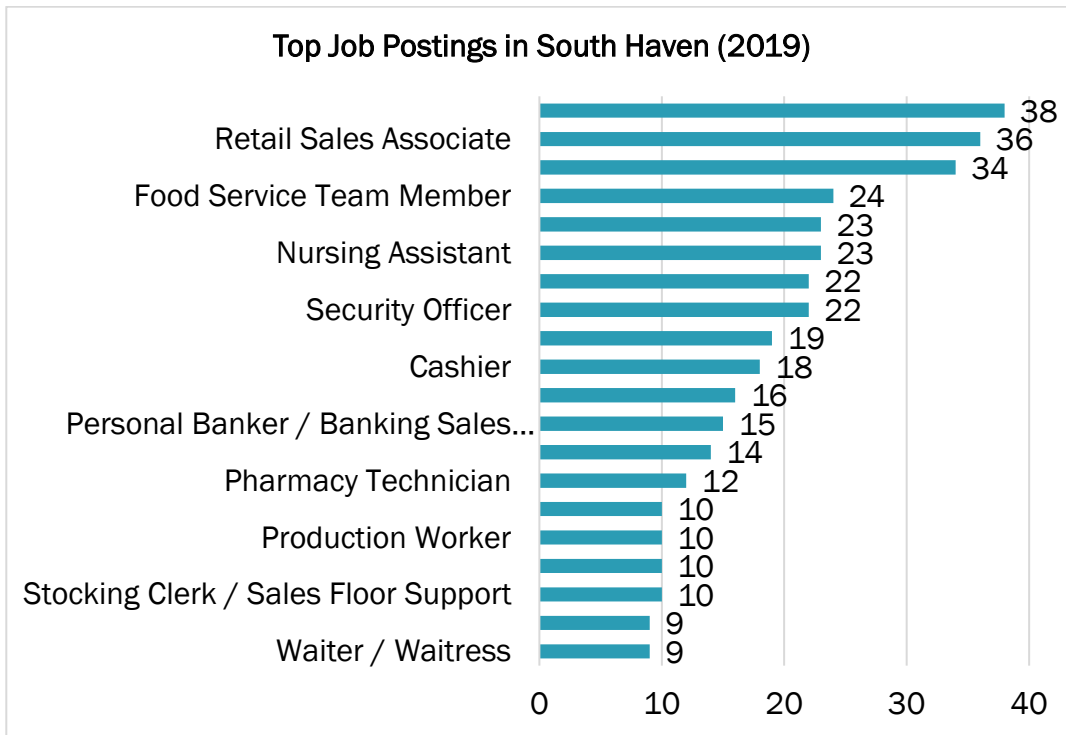


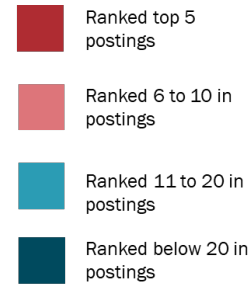
Figure 15: Top Job Postings in South Haven (2019)

Source: Burning Glass, 2020

Over the past 3 years, restaurant/food service manager, retail sales associates, and retail store managers/supervisors have consistently been ranked in the top five occupations for job postings, as seen in Figure 16. In 2019, food service team members and merchandisers increased in ranking. Both registered nurses and nursing assistants have also increased in their ranking over the past years.

Top Job Postings in South Haven by Occupation (2017-2019)

Occupation	2019 Rank	2018 Rank	2017 Rank
Restaurant / Food Service Manager	1	4	1
Retail Sales Associate	2	1	4
Retail Store Manager / Supervisor	3	2	3
Food Service Team Member	4	7	10
Nursing Assistant	5	8	13
Merchandiser / Ad Set Associate	5	8	7
Security Officer	7	6	6
Registered Nurse	8	3	12
CNC Operator	9	8	25
Cashier	10	13	9
Cook	11	14	11
Personal Banker / Banking Sales Staff	12	18	26
Building and General Maintenance Technician	13	11	8
Pharmacy Technician	14	23	23
Stocking Clerk / Sales Floor Support	15	25	28
Sales Representative	15	21	21
Production Worker	15	16	24
Product Demonstrator	15	12	5
Waiter / Waitress	19	22	21
Licensed Practical / Vocational Nurse	19	15	15



Source: Burning Glass, 2020

Figure 16: Top Job Postings in South Haven by Occupation (2017-2019)

Overall, the total median salary posted for all jobs in South Haven in 2019 was \$28,217. More than two-thirds (69.0%) of jobs in South Haven were advertised as paying less than \$36,000 a year. Jobs that paid between \$36,000 and \$55,000 made up 16.2% of job postings, while those paying over \$55,000 comprised 14.8% of postings. As seen in Figure 17, most jobs in Retail Trade and Food and Accommodation services pay under \$36,000 a year.

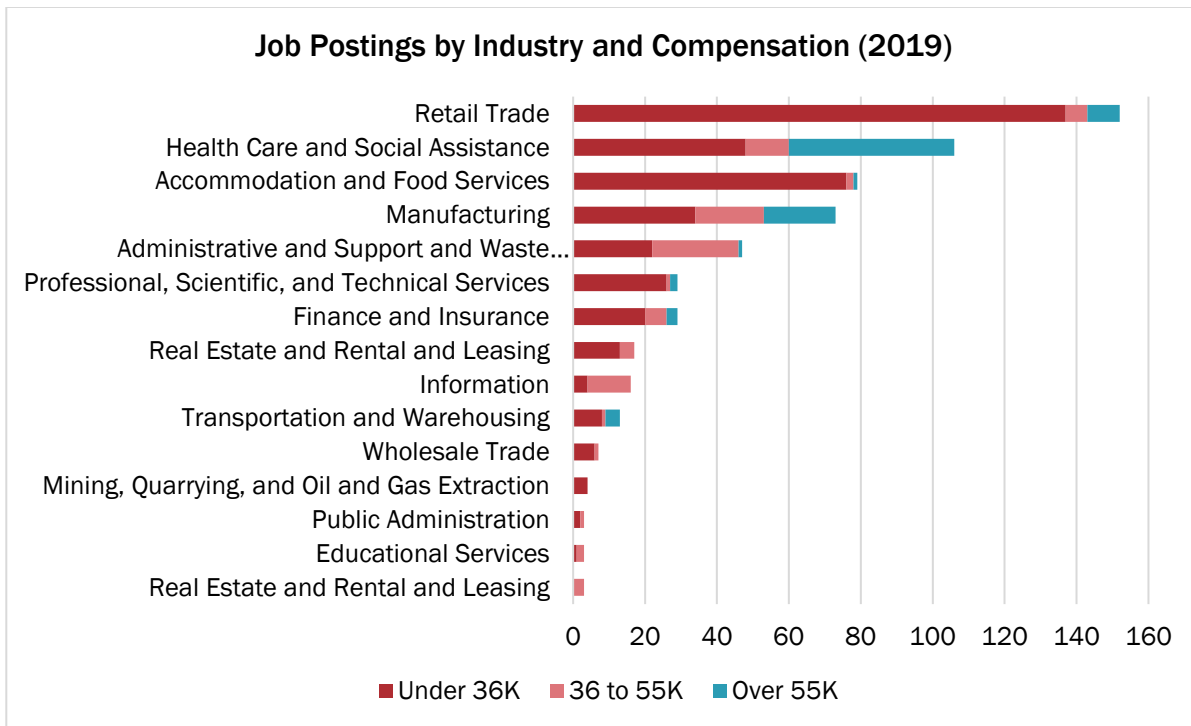


Figure 17: Job Postings by Industry and Compensation (2019)

Source: Burning Glass, 2020

Lower-wage workers are more likely to be employed in part-time positions. As seen in Figure 18, almost half (40.4%) of jobs paying less than \$36,000 were part time in 2019 in comparison to only 17.4% of jobs paying more than \$55,000 annually. Additionally, 2 in 10 (19.5%) of jobs paying less than \$36,000 are temporary positions, compared to 4.7% of jobs paying between \$36,000 and \$55,000 and 6.5% of jobs paying over \$55,000.

Overall, the job posting data in South Haven show an economy dominated primarily by low-wage jobs in Retail Trade and Accommodation and Food service. This is not unusual for a seasonal town, especially one that is reliant on tourism. There are some opportunities for middle-wage employment in the growing Health Care and Social Assistance sector and the stable Manufacturing sector. Both sectors have opportunities for those with high school diplomas, as well as more advanced training. The mix of educational requirements in these sectors may partially explain the lower median wages found in these job postings.

An economy dominated by low-wage jobs poses an economic development challenge for the city. Low-wage work can be unsteady and unpredictable, providing fewer benefits to employees and fewer opportunities for advancement. Having few jobs for high-wage workers also makes it difficult to attract such workers, meaning the community loses out on residents with higher, steadier income streams.

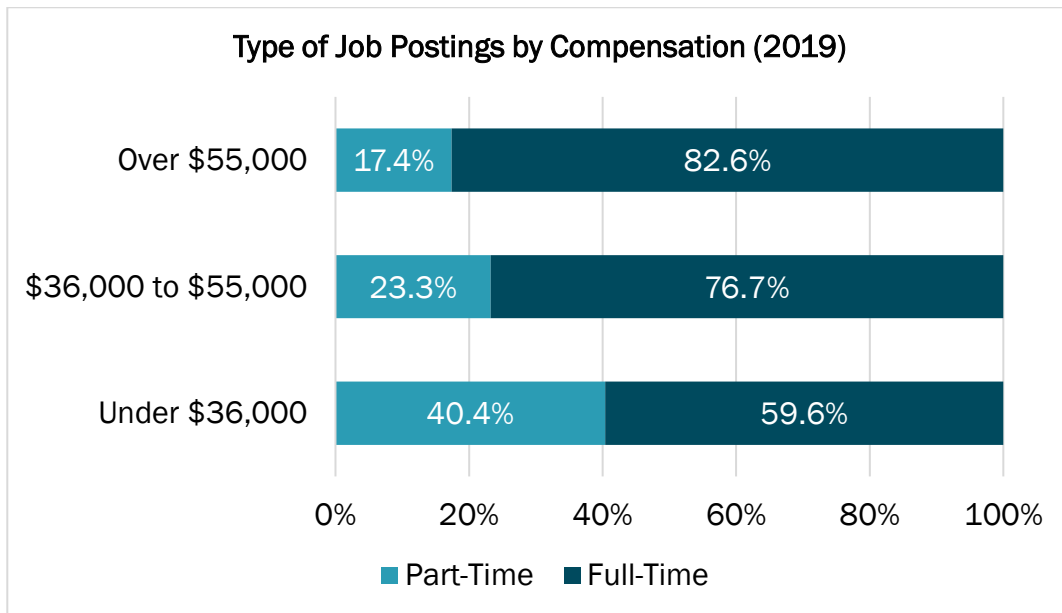


Figure 18: Type of Job Postings by Compensation (2019)

Source: Burning Glass, 2020

Labor Supply

An area can increase the quality of its workforce in two ways: attract skilled workers into the area by offering promising employment opportunities or an excellent quality of life. As is further discussed in the recommendations section, if the “new normal” of working from home caused by the COVID-19 pandemic becomes more acceptable after the pandemic is eliminated, then it will be possible for South Haven to expand and improve its workforce by promoting its quality of life and ensuring that quality Internet services are readily available.

Nevertheless, economic development efforts should be focused on improving the economic conditions of the city’s current residents. Upgrading the skills of existing workers is a challenging task, especially in smaller communities where technical skills programs are not locally available. However, it is also a long-known troubling fact that many low-skilled workers do not move from their hometown or area. Community ties and local informal relationships may be stronger, but the relative out-of-pocket costs and uncertainty may be greater for unskilled workers than professional workers. With mobility declining nationwide, the issue of upgrading the skills of an area’s existing workforce will become more and more important for the community’s success.

Educational attainment in South Haven for the population 25 years and older in 2018 was better than that of the state of Michigan. As shown in Figure 19, 35.1% of South Haven residents in 2018 had a bachelor’s degree or higher, as compared to 28.6% of individuals in Michigan. The proportion of individuals in South Haven who had completed high school in 2018 was lower than the state of Michigan, with only 7.7% of the adult population of South Haven lacking a high school diploma or its equivalent, compared to 9.5% of individuals in Michigan.

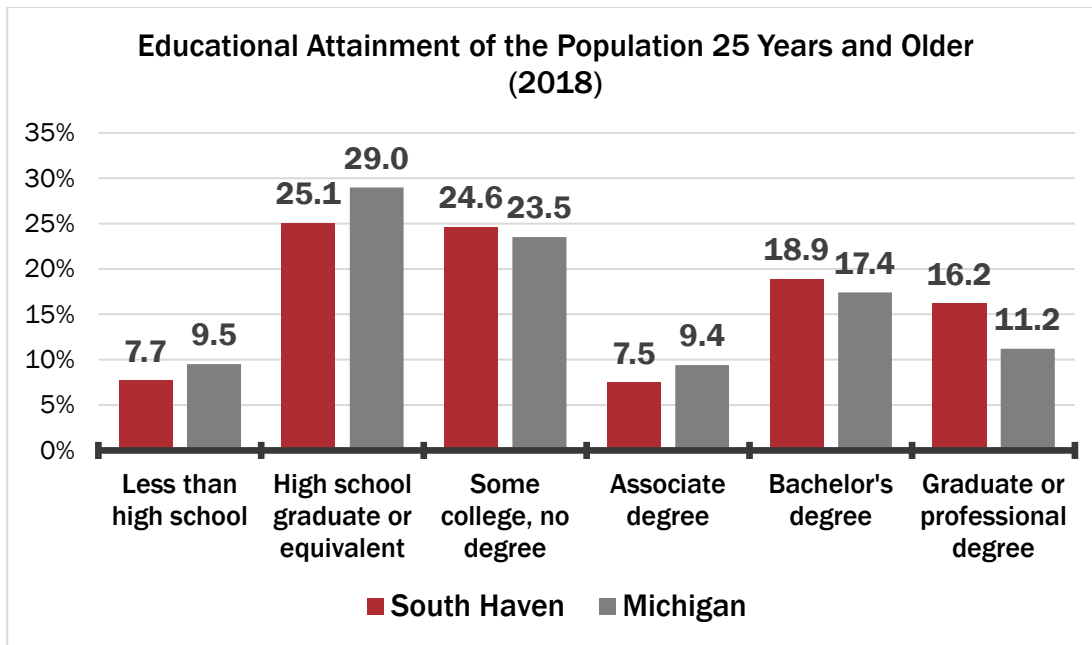


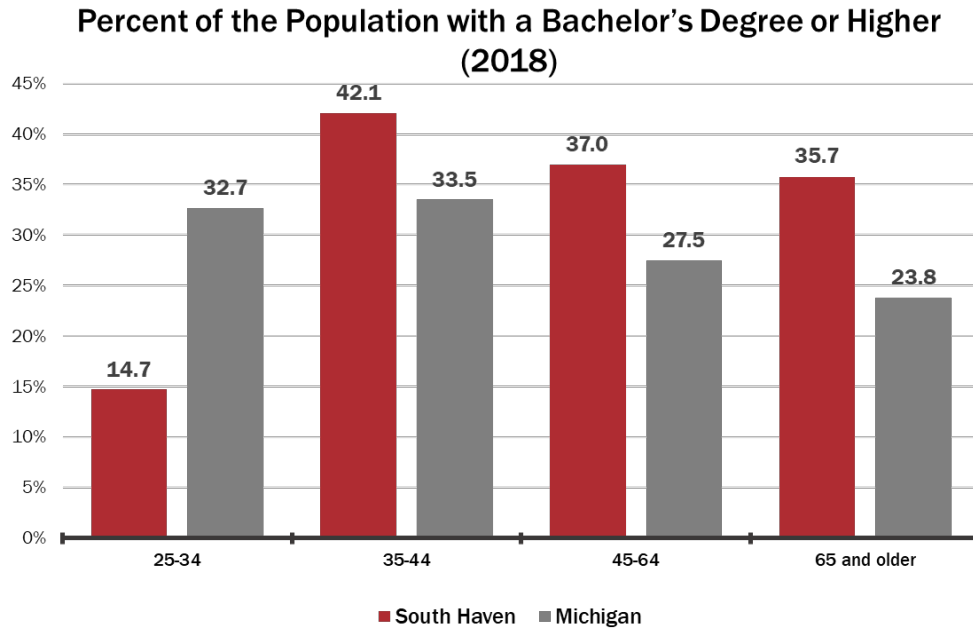
Figure 19: Educational Attainment of the Population 25 Years or Older (2018)

Source: U.S. Census Bureau, 2014-2018 American Community Survey 5-Year Estimates

However, this rosy picture is flawed. It is significantly impacted by the educational achievement level of many of its retirees who had professional careers. When examined by age group, a more challenging picture appears.

As shown in Figure 20, only 14.7% of South Haven residents in 2018 of between 25 to 34 years of age held a bachelor’s degree or higher compared to 32.7% statewide. The numbers reverse with residents between the ages of 35 to 44, where 42.1% residents held a bachelor’s degree compared to 33.3% statewide. The same is true for residents who were at the peak of careers, 45 to 64 years old; 37% of South Haven residents in this age group held a bachelor’s degree compared to 27.5% statewide.

The likely explanation of South Haven’s contrast with the state is that it is a community of choice for professional workers who have transferable skills and/or high demand skills. It is very possible—but we do not have the data to support it—that a high percentage of the residents older than 35 years of age moved into the city. This is great for the community and should be encouraged and preserved; nevertheless, it is also likely that a large portion of the 85% of the city’s residents who do not have a bachelor’s degree will likely stay in the city and struggle throughout their careers. Hettinger and Muellen’s (2020) recommendation of a community education strategy has merit when concerning the blight of many the of the city’s young adults.

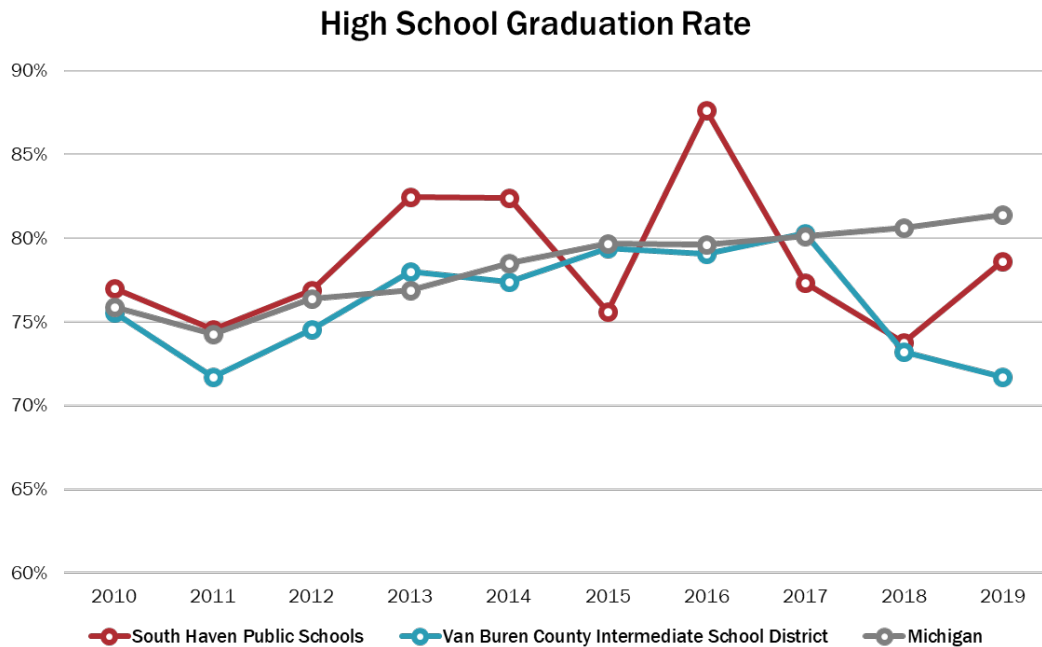


Source: U.S. Census Bureau, 2014-2018 American Community Survey 5-Year Estimates

Figure 20: Percent of the Population with a Bachelor's Degree or Higher (2018)

The high school graduation rate for South Haven public schools is consistent with the state and county. As shown in Figure 21, 78.7% of South Haven Public School students graduated from high school within 4 years, compared to 71.7% of students in all Van Buren County schools and 81.4% of all students in Michigan schools. Among those who did graduate from South Haven Public Schools, a little over half continued onward to enroll in a postsecondary degree program 6 months after graduating. Over the past 5 years, 61.8% of high school graduates enrolled in college following graduation in 2015 and 56.5% of high school graduates enrolled in college following graduation in 2019. The number of high school graduates continuing their education within 6 months was just slightly below the state average of 59.8% in 2019.

A community challenge is, what are the career paths for approximately 40% of the high school graduates who do not attend a postsecondary degree program? An even more difficult challenge is, what about the 20% of high school students who do not complete high school? It is a community challenge because these individuals are likely to stay in South Haven for much of their lives.



Source: MI School Data, 2020

Figure 21: High School Graduation Rate (2010-2019)

Employment opportunities for city residents are not limited to employers in the city or Van Buren County. Using Census on the Map data we can show where residents work.³ Every day, roughly 71% of South Haven residents drive out of the city to work and 75% of people who work in South Haven commute into the city.

Workers can be sorted based on age, earnings, or industry and analyzed through geographies as broad as states or as small as specific census tracts. For this report, worker inflow (where people who work in the county live) and outflow (where people who live in the county work) for Van Buren County were analyzed based on their earnings and industries on the census tract level.

Additionally, commuting inflow from the county is concentrated in the census tract containing and adjacent to the city of South Haven (tracts 103, 104, 105, 106, 102, 120, and 309.01), which can be seen in Map 8. Commuting outflow is contained to the census tracts of the city of South Haven (tracts 103, 104, 105, and 106), with notable concentrations in Holland (tract 324.01) and Kalamazoo (tract 9), as seen in Map 9. This means people living in South Haven are likely to work in South Haven or nearby census tracts.

³ OnTheMap is a web-based mapping and reporting application supported by the Employment and Training Administration at the U.S. Department of Labor. The application uses the U.S. Census Bureau Center of Economic Studies data (the most current are 2017 data) to display where workers live and are employed. The data were sourced and exported from OnTheMap via CVS file and visualized using ArcGIS Pro.

2017 Inflow Commuting to South Haven

30, 60, 90 min Drive Time

- 0 to 30 min; 1,881 people
- 31 to 60 min; 632 people
- 61 to 90 min; 183 people

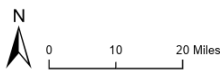
Census Tracts

of People Commuting

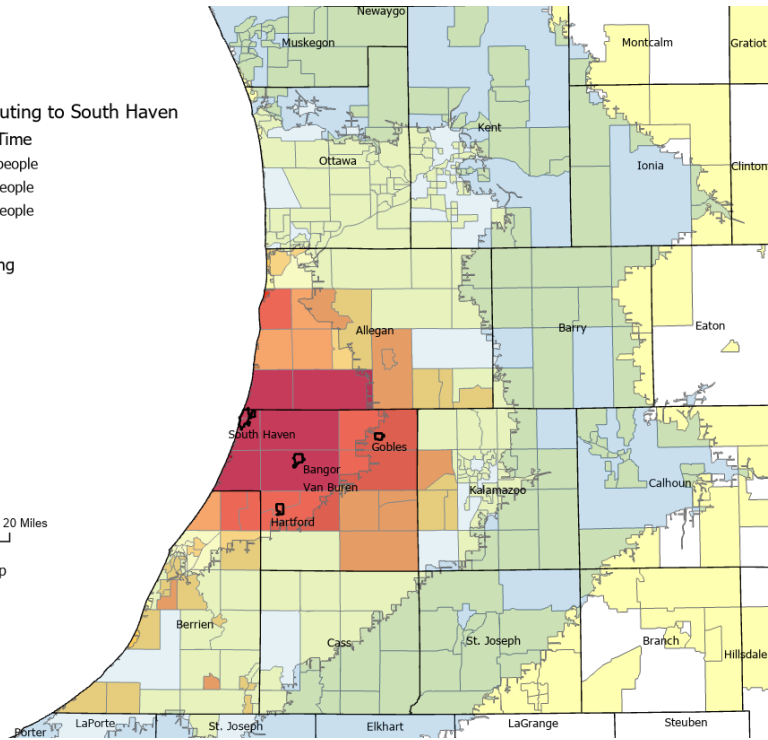
- ≤5
- 6 to 10
- 11 to 20
- 21 to 40
- >40

Geography

Counties



Source: Census on the Map



Map 8: Inflow Commuting to South Haven (2017)

2017 Outflow Commuting from South Haven

30, 60, 90 min Drive Time

- 0 to 30 min; 760 people
- 31 to 60 min; 472 people
- 61 to 90 min; 140 people

Census Tracts

of People Commuting

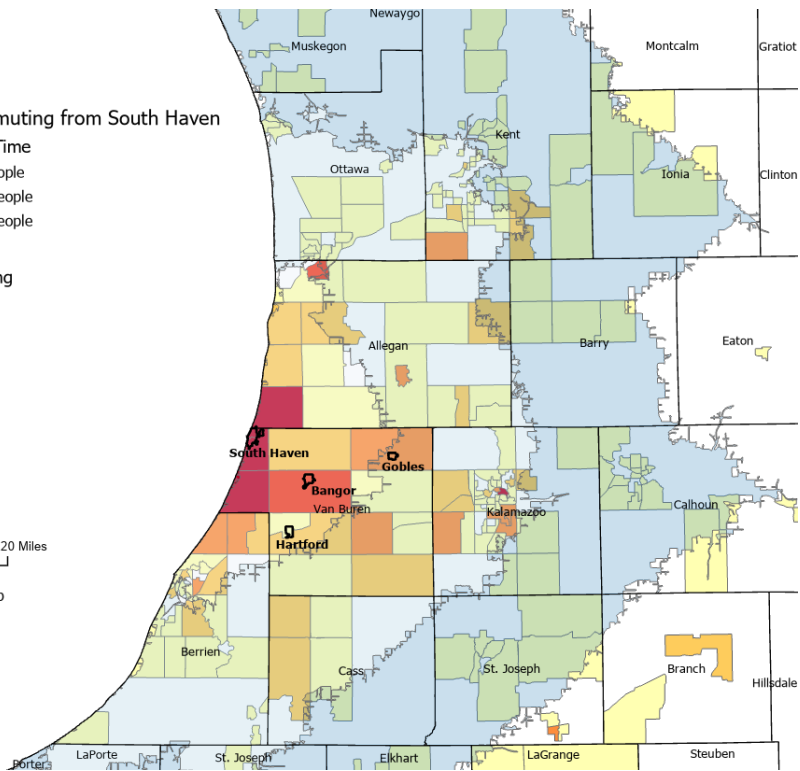
- ≤5
- 6 to 10
- 11 to 20
- 21 to 40
- >40

Geography

Counties



Source: Census on the Map



Map 9: Outflow Commuting from South Haven (2017)

Economic Development for South Haven

James Hettinger (Jim Hettinger Urban Development Services, LLC) and Patricia Muellen (P. Muellen & Associates, LLC) released their *Economic Development Strategic Plan for South Haven* on January 1, 2020. At the time, neither the authors nor anyone else foresaw the coming dramatic change in the social and economic climate caused by COVID-19. Just as no one saw it coming, no one knows when it will leave and whether it will cause a lasting impact on the economic and social structure of the nation. Nevertheless, the findings of Hettinger and Muellen's report stress the importance of the city of South Haven to be creative in its economic development efforts. Clearly, this creativity will be needed even more during these uncertain times.

The Hettinger-Muellen plan was based on 1) personal interviews and surveys that reached more than 300 individuals in the South Haven area, 2) a careful review of existing area economic development and housing studies, and 3) statistical data prepared primarily by the W.E. Upjohn Institute. The plan focused on identifying short-term and long-term strategies that could either attract or create wealth into the community.

Hettinger and Muellen conducted a useful strengths, weaknesses, opportunities, and threats (SWOT) analysis. Many of the strengths of the South Haven area are very clear. Being on the shores of Lake Michigan at the mouth of the Black River provides ample recreational opportunities. As the report summarizes, the "community optics" of the city are as outstanding as they are important to preserve. The city's walkable and historic downtown, the Riverwalk, and beaches (unfortunately threatened) are unique and hard to match, especially on a clear summer day.

The report lists many other strengths of the area that are more subjective and are shared by competing communities in the region. These includes access to markets, regional airports, and educational institutions.

At the same time the report identifies the area's weaknesses, many of which are well known. South Haven faces the same concerns as any high-amenities area: It is overly reliant on tourism and many of its residents face severe affordable housing challenges.

The report also captures two economic development weaknesses that we believe deserve further study: lackluster small business activity and questions regarding broadband availability. As highlighted by the authors, for certain occupations, especially in professional and business services, people can work from where they want to live, if that location provides the infrastructure they need, especially broadband connectivity.

Hettinger and Muellen were insightful in highlighting the "anywheres" – people who are not geographically constrained by their jobs. This trend will only be enhanced by COVID-19, as it has shown that, for many occupations, working from home is acceptable to both employers and their workers. If working from home becomes an option for more individuals, then where you live becomes more flexible as well,

The report highlighted the possible high cost structure of government services in South Haven. Unfortunately, it did not offer any evidence to support this statement and stated that it could be only a perceived weakness. Government costs to development are important; therefore, a comparison governmental cost study that includes an evaluation of the quality of services is worthy of consideration.

The report also states the tension between development and its natural amenities:

“South Haven has seen rapid condominium development on the Black River. Recently, residents have made it known that the river is a community asset and further condominium development may compromise the maritime character of the community. Some have contended that the existence of riverfront condominiums blocks interface between the community and its natural asset.”

While some would argue that this is not a weakness but a sign of growth, it is just one of the threats facing the community highlighted in the report.

Turning to clear threats to the city, the first and foremost is the current high-water level of Lake Michigan and the uncertainty of when “normal” water levels will return. If long in duration, this could threaten the overall attractiveness of Lake Michigan.

Closer to home, the 2024 closure of the Palisades power plant will curtail a significant source of income and wealth in the area. And, the changing structure of the delivery of health care services has generated uncertainty regarding its availability in the area.

One of the more unique findings of the report is its identification of a “lack of a community education strategy” as a threat. This is a weakness shared by most communities nationwide. Moreover, there are few available blueprints to guide a city’s development of such a strategy. Nevertheless, it is a key component of a community wealth and income growth strategy, as wealth creation is strongly tied to training and education achievements of residents. As stated in the report:

“Failure to rebuild community middle class, education becomes inconvenient to working families. Educational and skill attainment levels will remain depressed. And that may mean depressed wage levels.”

The report also presents the city’s growth opportunities. The attraction of families and workers tops their list. This is supported by the fact that the current economic and social environment may cause the number of “anywheres” to grow. Residential decisions may be increasingly separated from work location for a growing number of occupations. In addition, the line between leisure and work is increasingly unclear. If your work is becoming more flexible, then finding a residential location where you can enjoy your irregular “off hours” can become more important.

The report suggests several industry targets: food processing, pharmaceuticals, and water technologies. Finally, it highlights the opportunities that its growing retirement community offers. The report concludes with four action strategies:

1. A call for the city and its Local Development Finance Authority (LDFA) to create a leadership structure for its economic development program. Several options are

open to them; however, the key decisions are management structure and direction. As the report outlines, the program could be managed in-house or contracted out to a county or regional economic development organization. The report discusses the strengths and weaknesses of both approaches. Equally important, the city must identify the primary focus of its economic community development effort. As the report states:

“It is no longer adequate or sustaining to react to events. As with this strategic economic development plan, South Haven must become aspirational. Resources are not adequate without a drive to put them to better use and to get beyond merely doing one’s job. Venturing out of the comfort zone and challenging the current way of doing things is an everyday must for a community economic development effort to survive and flourish. The community needs to get uncomfortable with a status quo that no longer serves the community interest.”

2. Develop an attraction program for workers, families, and businesses. While the attraction of new residents will boost real estate markets and residential construction, it only, indirectly, helps existing residents. It is important to address existing skill shortages in the area’s workforce. However, it is important for the city to consider an accompanying strategy to enhance the earning abilities of the city’s current residents. The challenge is to assist current residents in their efforts to enter the middle class. This is where the report’s call for a community education strategy is vital.
3. Expand and market business and industrial land sites.
4. Acquire and deploy 5G wireless in the community. This is an important step in making the area more attractive to new residents and businesses and assist existing residents to thrive.
5. Promote and pursue a year-round economy. While it would be great for the city to attract new “based” industries or attractions, the city should also take advantage of its unique environment to reach out to the rising number of “anywheres.” In addition, the area’s ability to attract affluent retirees not only increases year-round consumption spending but also enhances the community wealth and talent base. Many retirees are healthy, smart, and seeking activities. If engaged in the city’s economic development efforts, they could provide a substantial resource.

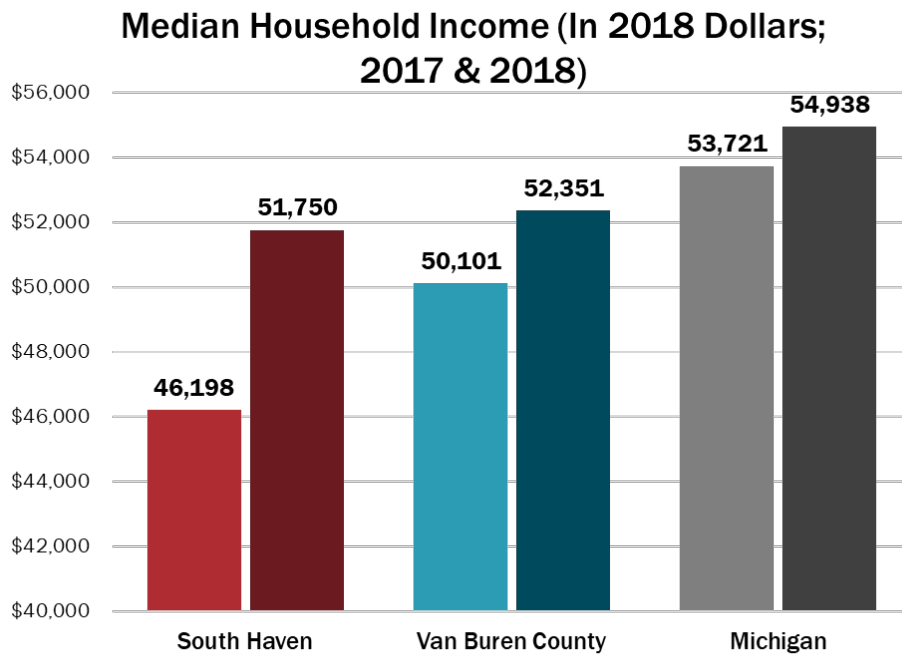
In summary, Hettinger and Muellen are wise in pointing out the changing structure of the U.S. economy. The gig economy and “collaborative consumption economy” has changed the nature of work, as well as created a dynamic (good and bad) business environment. These innovative and disruptive forces are only enhanced by the current COVID-19 pandemic that may have long-term social economic consequences of its own. All these forces focus on the importance of both a community education strategy and policy flexibility.



Income and Housing

Income

The median household income in South Haven is lower than that of Van Buren County or the state of Michigan. As shown in Figure 22, the median household income in South Haven was \$51,750, compared to \$52,351 for Van Buren County and \$54,938 for the state of Michigan for the 5-year period ending in 2018.



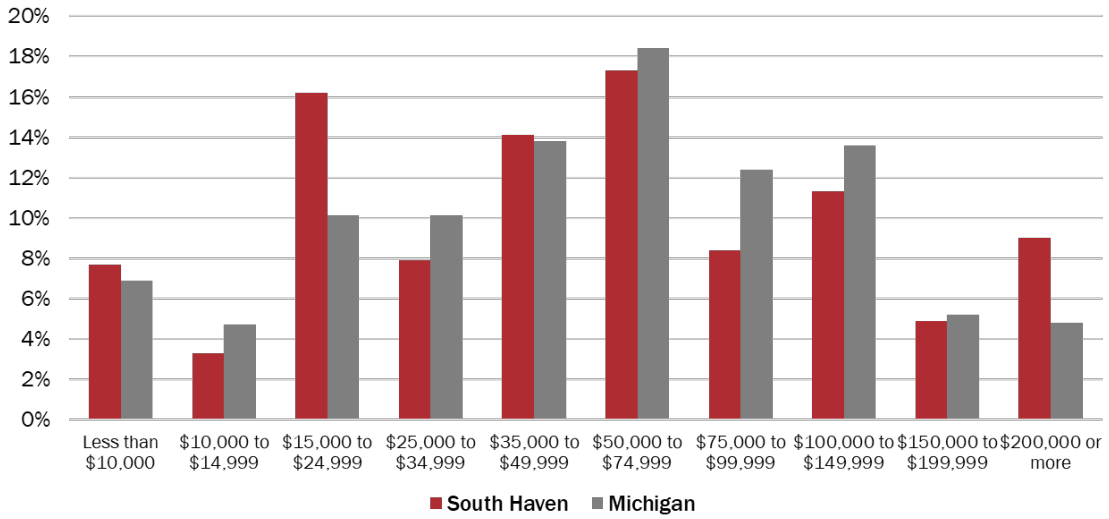
Source: U.S. Census Bureau, 2013-2018 American Community Survey 5-Year Estimates

Figure 22: Median Household Income (in 2018 Dollars; 2017 & 2018)

Being a location of choice, it is not surprising to find that South Haven has a higher level of income inequality than statewide. In 2018, 25.2% of the city's residents had an income of \$100,000 compared to only 23.6% of state residents. In fact, the level of income inequality in the city can be illustrated by two statistics: Its median household income was \$51,750 while its average household income was \$91,700 during the period 2014 to 2018. By comparison, for the state it is \$54,938 and \$75,352 (average), and for the nation it was \$60,293 versus \$84,938 (average).

South Haven has a greater proportion of low-income and high-income households than the state of Michigan. As seen in Figure 23, 35.1% of households in South Haven have incomes under \$35,000 a year compared to only 31.8% of households in the state of Michigan. The proportion of households earning over \$100,000 per year in South Haven was 25.2% in 2018.

Household Income and Benefits (2018)



Source: U.S. Census Bureau, 2014-2018 American Community Survey 5-Year Estimates

Figure 23: Household Income and Benefits (2018)

As discussed in the previous section, the total median salary posted for all jobs in South Haven in 2019 was \$28,217. More than two-thirds (69.0%) of job postings in South Haven captured by Burning Glass data offered an annual salary of less than \$36,000. Jobs offers of between \$36,000 and \$55,000 made up 16.2% of job postings, while those paying over \$55,000 comprised 14.8% of postings.

For most, wages or salary make up the lion’s share of their household income. Income can come from other sources, however, and include retirement accounts, investments or pensions, rents, and self-employment.

Average weekly wages in real dollars in Van Buren County have historically been lower than in the state of Michigan, as seen in Figure 24. The lack of real wage growth can limit economic growth, as workers may look to other places to realize additional earnings.

As shown in Figure 24, the average weekly real wages in Van Buren County have declined over the past decade; this could indicate issues in attracting workers to the region. Additionally, combined with the high cost of housing, this signals that wages are not keeping up with the cost of living in the area.

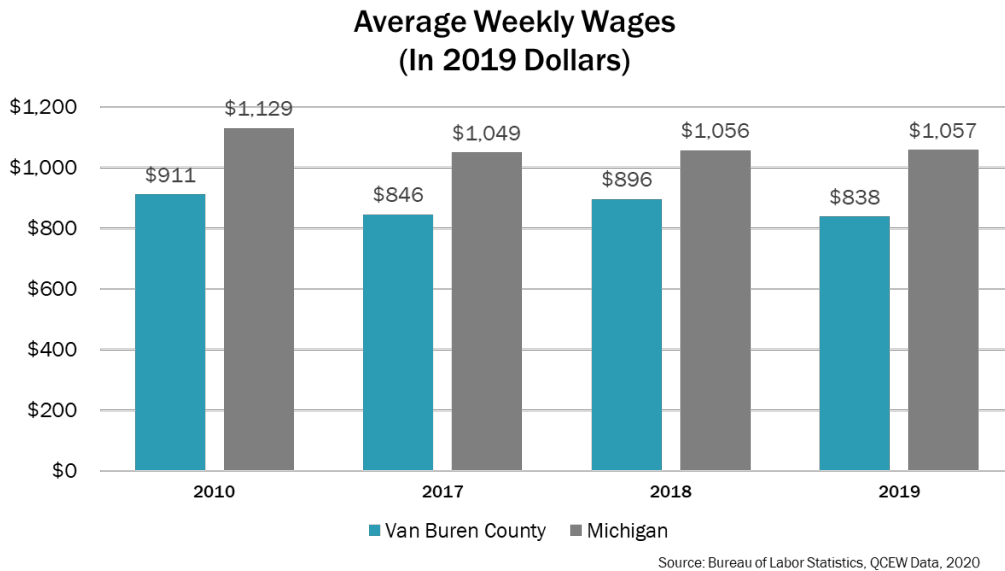
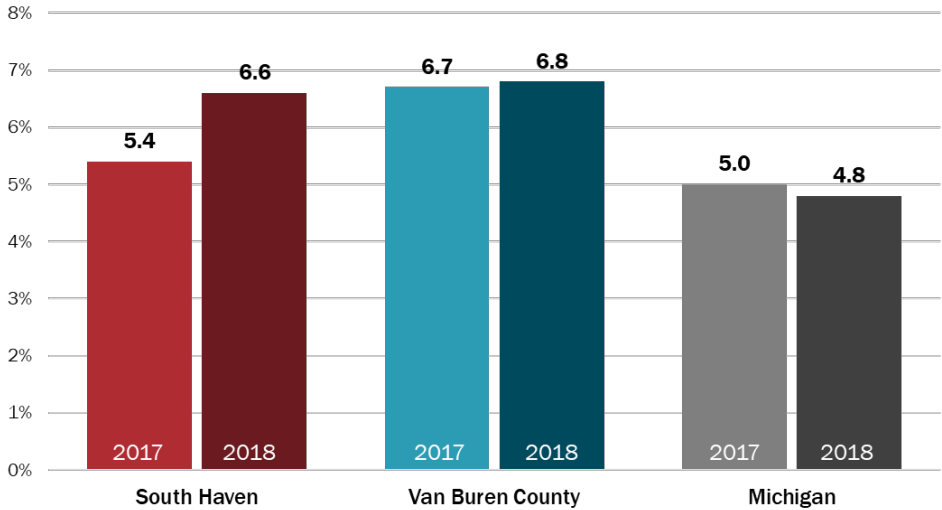


Figure 24: Average Weekly Wages (In 2019 Dollars)

One in 15 workers in South Haven is self-employed. Within the American Community Survey (ACS) data, self-employment status is derived from the category called “class of work,” which describes the type of ownership of one’s employing organization. One issue with the ACS data is that it only measures the respondent’s primary and most recent job. Therefore, those that are self-employed and work in a wage or salary job are not represented in the data. As shown in Figure 25, both Van Buren County and South Haven had higher self-employment rates than Michigan during the 2017 and 2018 period.

No industry sectors in Van Buren County paid an average weekly wage higher than that of the state of Michigan during the 2018 and 2019 period (see Figure 26). The sector with the smallest difference in 2019 was the Trade, Transportation, and Utilities sector, which, on average, paid just \$12 less than the state. The Information sector had the largest pay difference, with individuals earning \$782 dollars less per week than the state average. As seen in Figure 26, the earnings differential increased between the state and Van Buren County. In 2018, at least two sectors paid more than the state average; in 2019, no sectors in Van Buren County paid more than the state average.

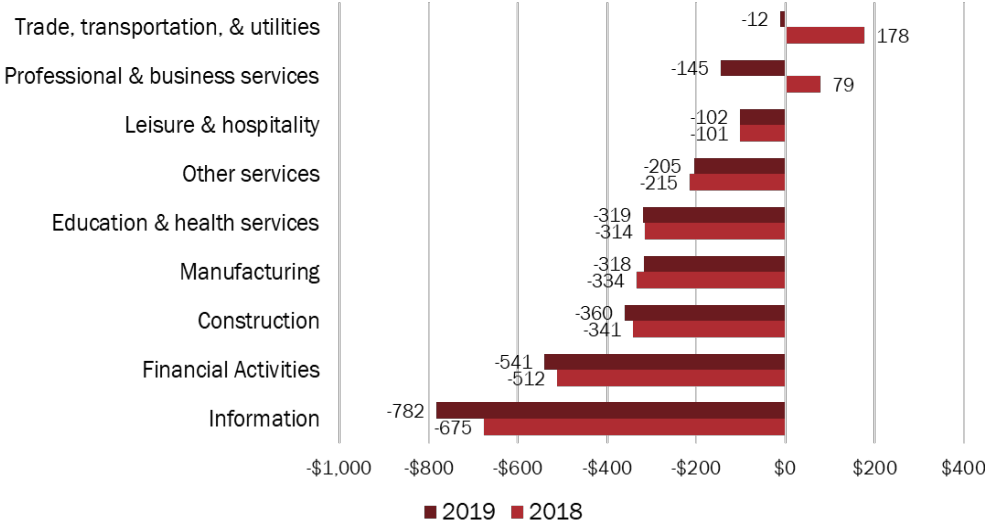
Self Employment Rate (2017 & 2018)



Source: U.S. Census Bureau, 2013-2018 American Community Survey 5-Year Estimates

Figure 25: Self-employment Rate (2017 & 2018)

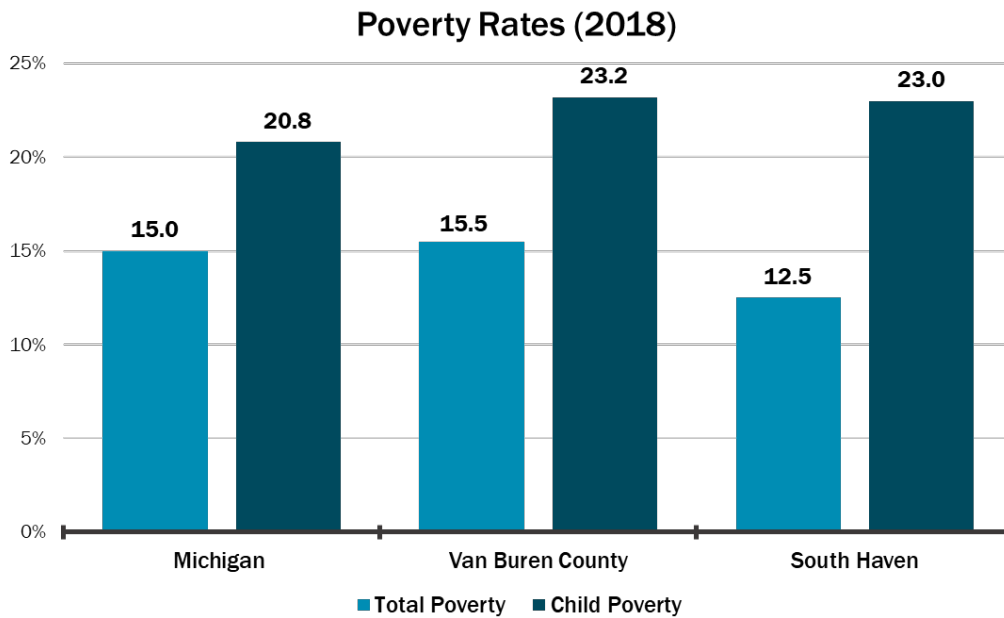
Average Weekly Wage Differential for Van Buren County When Compared to the State of Michigan (2018 & 2019)



Source: Bureau of Labor Statistics, QCEW Data, 2020

Figure 26: Average Wage Differential for Van Buren County Compared to the State of Michigan (2017 & 2018)

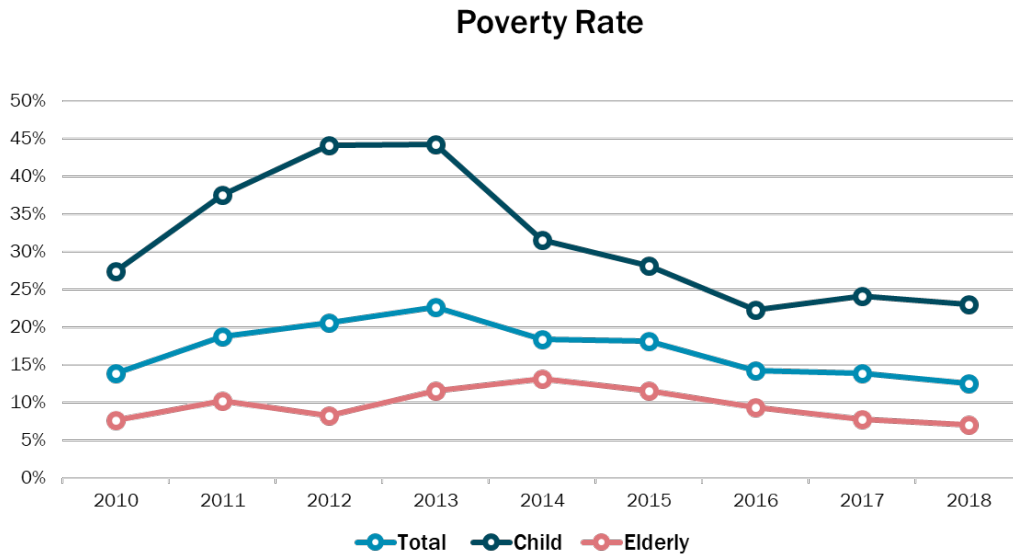
Both the overall poverty rate and child poverty rate in South Haven were lower in 2018 than those for the state of Michigan and Van Buren County. The poverty rate is determined by the Census Bureau and refers to the percentage of individuals who are living on income below the threshold amounts needed to purchase goods or services to support a family of their size. As shown in Figure 27, the poverty rate in South Haven in 2018 was 12.5%, compared to 15.5% in Van Buren County and 15.0% for the state of Michigan.



Source: U.S. Census Bureau, 2014-2018 American Community Survey 5-Year Estimates

Figure 27: Poverty Rates – Michigan, Van Buren County, South Haven (2018)

Since 2010, the poverty rate in South Haven decreased from 13.9% to 12.5%. As seen in Figure 28, the poverty rate has trended downward since 2013 in South Haven for all age groups. The child poverty rate was also much lower in South Haven, standing at 23%, a decrease from 27.4% in 2010. The elderly poverty rate also remained low in South Haven, decreasing from 7.7% in 2010 to 7.0% in 2018.



Source: U.S. Census Bureau, 2006-2018 American Community Survey 5-Year Estimates

Figure 28: Poverty Rate in South Haven (2010-2018)

Housing

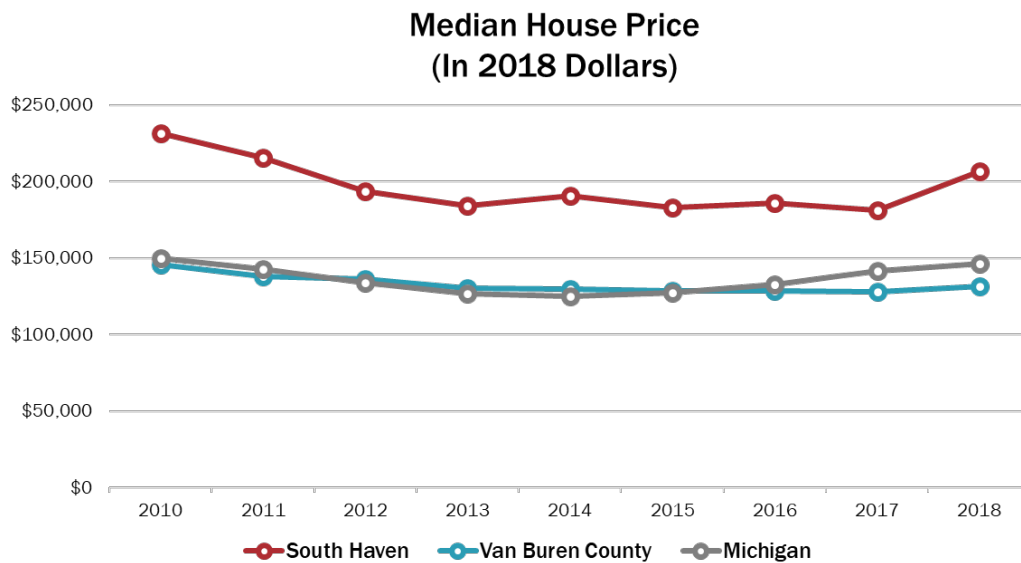
The median home price in South Haven, in real dollars, is much higher than that of the county or state. As shown in Figure 29, in mid-2018 the median home price in South Haven was \$206,900, compared to a median home price of \$131,400 in the county and \$146,200 in the state. While median home prices in the state and county remained relatively steady, median home prices in South Haven increased between 2017 and 2018. High housing prices have the potential to be an impediment to South Haven’s population growth.

It is likely that the one factor causing housing demand to rise in South Haven is not a growing population but increased longevity—not only will people be living longer they will be remaining independent longer. If this pattern plays out, it will keep housing units off the market and generate increased demand for medical and home assistance care.

In short, the housing needs of seniors in the South Haven area will only grow. Many may be living in homes that are not suitable for their aging in place; thus, there will be an increase in the demand for remodeling of existing housing and the construction of independent senior housing. Moreover, while the ability to age in place is preferred by many residents, as well as insurance providers, due to the high cost of care at rehabilitation centers it can lead to the deterioration of the housing stock due to the lack of maintenance.

Fortunately, since South Haven is an amenities city, a large share of the city’s older population is financially secure, having selected the South Haven area from a variety of alternative locations. Nevertheless, there are other long-term residents in the city who are facing uncertain economic and health conditions. In addition, national research suggests that a large percentage of low-income, working-age adults residing in rural areas will not be

eligible for housing assistance because limited federal housing funds will be more and more directed toward the needs of low-income seniors (Pendall et al., 2016).⁴



Source: U.S. Census Bureau, 2006-2018 American Community Survey 5-Year Estimates

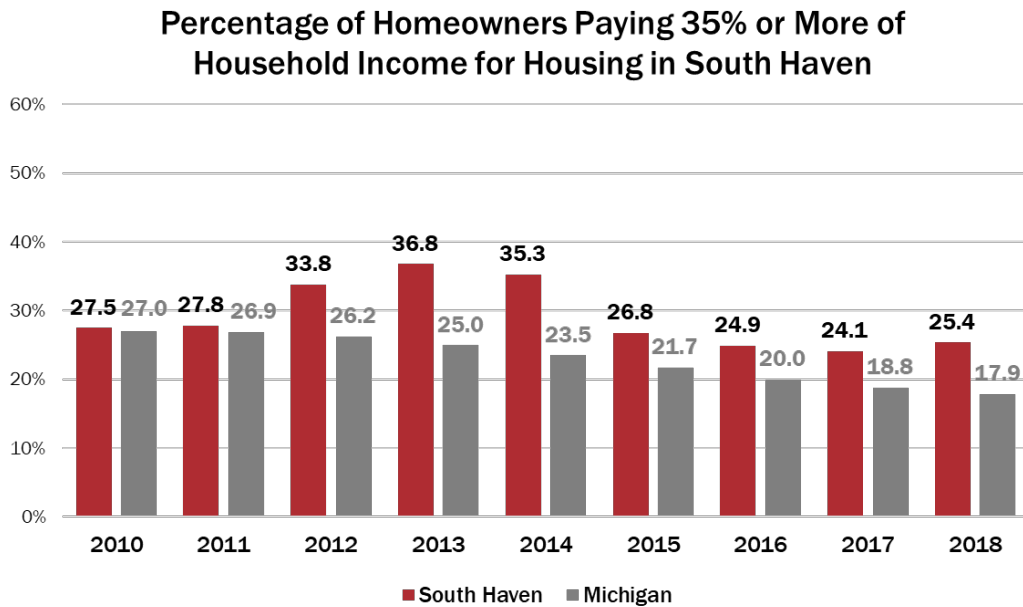
Figure 29: Median House Price (in 2018 Dollars; 2010-2018)

Indeed, the quality of rural housing is threatened by the decline of federal funding. Fears exist that a large percentage of rural residents, including seniors and persons with disabilities, both in Van Buren County and the nation as a whole, live in unaffordable, overcrowded, or unsafe housing. Federal investment in affordable housing has been increasingly directed toward the dire situation in the country’s urban areas at the expense of rural investment. Under Section 515, the U.S. Department of Agriculture (USDA) offers direct loans to private and nonprofit developers to construct multifamily rental housing for low-income individuals, seniors, and persons with disabilities. According to the National Low Income Housing Coalition (NLIHC), from 2012 to the present, Section 515 has not financed the construction of rural rental homes nationwide. Moreover, much of the existing low-income housing stock is in serious disrepair and may be taken off the market due to obsolescence and demolition. Finally, for those rental units that have been maintained, some are aging out of the required USDA financing program and are becoming eligible to be rented at market rates. According to the NLIHC, the USDA estimates that close to 1,800 rental units nationwide will be eligible to be rented at market rates annually. The Low-Income Housing Tax Credit (LIHTC) is the largest federal program being used in the construction of affordable housing. By 2030, nearly one-half million units (almost 25%) of the dwellings financed by this program will be going on the market unsubsidized.⁵

⁴ Pendall, Goodman, Zhu, and Gold, *The Future of Rural Housing*, 2016, Urban Institute.

⁵ Source: <https://nlihc.org/resource/balancing-priorities-report>

The proportion of homeowners paying over 35% of their household income on housing was just over one in four, or about 25.4% of all households in 2018. This is higher than the state (17.9%) and the county (10.1%). As Figure 30 shows, there has been a decline in the percentage of homeowners paying more than 35% of their household income on housing costs. The median monthly cost paid for homeownership for the 2010 to 2018 period in South Haven is \$1,330, compared to a median cost of \$1,279 for the state of Michigan. The distribution of owner-occupied housing in South Haven is 57.0% compared to 71.0% in the state of Michigan. This is a slight decrease from 2017, where 61.7% of homes were owner-occupied.

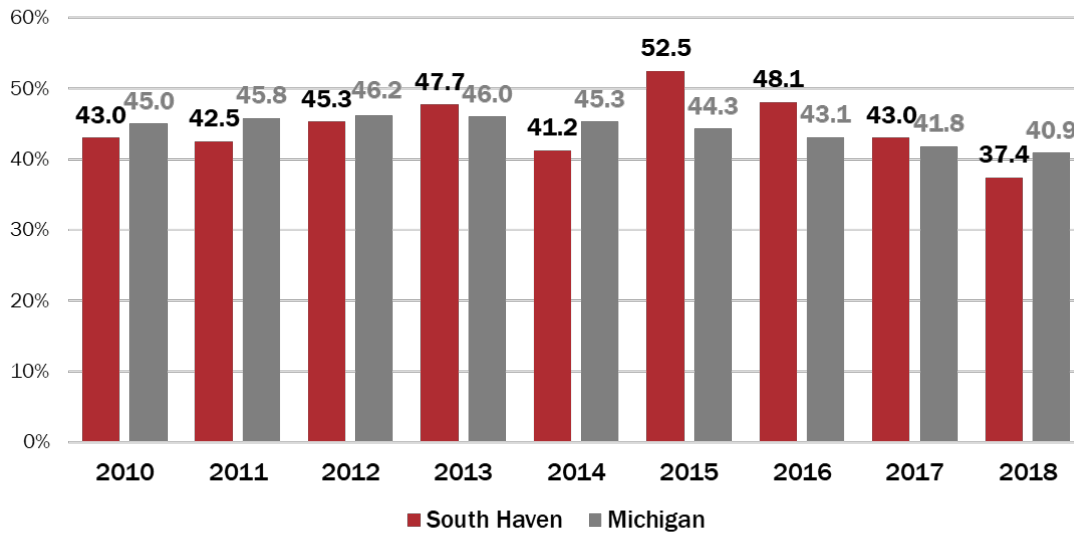


Source: U.S. Census Bureau, 2006-2018 American Community Survey 5-Year Estimates

Figure 30: Percentage of Homeowners Paying 35% or More of Household Income for Housing in South Haven (2010-2018)

More than one-third (37.4%) of renters pay over 35% of their household income on rent. These shares are relatively consistent with the state (40.9%) and the county (38.3%). As Figure 31 shows, the percentage of renters paying over 35% of their rent has been decreasing. The median rent paid in South Haven is \$642 dollars, compared to the median rent of \$850 in the state of Michigan, for the 2010 to 2018 period. Even though rents are relatively low, they exceed the reach of many of the city’s low-wage workers. A full-time worker earning minimum wage would need to spend 40% of his or her income on rent to afford a median-priced apartment.

Percentage of Renters Paying 35% or More of Household Income for Housing in South Haven



Source: U.S. Census Bureau, 2006-2018 American Community Survey 5-Year Estimates

Figure 31: Percentage of Renters Paying 35% or More of Household Income for Housing in South Haven (2010-2018)

Housing Affordability

There is an economic argument, which is supported by some evidence, that the market on its own could help resolve the current housing affordability issue. Recently, new research suggests that in the long run, houses do “filter down” as households move up due to higher incomes. In general, when households move to more expensive and larger dwellings or apartments in metro areas, they leave their former residences to be occupied by households who are moving up from lower-income neighborhoods. A recent study suggested that 100 new market-rate units will trigger a chain of purchases that will enable 40 people to move out of low-income neighborhoods (Mast, 2019).

At the same time, this study is quick to point out that these “chains” of purchases can end suddenly, if the new construction is limited to secondary homes. In these situations, no movement is generated, and residents stay in their existing low-to-moderate income neighborhoods. The same can be true if the buyer is a retiree moving from outside the area to enjoy the Michigan shoreline. Therefore, while in other communities, chains started by market-rate construction could be part of the solution; in South Haven it is more doubtful.

At the other end of the spectrum, new manufacturing homes and some modular homes sell as low as \$30,000, excluding the cost of land and hookups. It is possible that this growing and under researched segment of the market could address the affordability issue. Still, the durability of these homes is still questionable and traditional mortgage financing may not be available, especially for manufactured homes. Nevertheless, as technical advancements are

being made in factory-built home construction, this new supply route may become more attractive over time.

This is especially the case since traditional homebuilders face severe labor shortages and increasing prices for building materials. In fact, for many builders the construction of homes below \$300,000 does not make economic sense. Without government incentives, there is little economic incentive for builders to build low-to-moderate income housing, apart from manufactured and modular homes.

Advancements in zoning regulations can also be considered as a way to increase the supply of housing. “Use by Right” zoning sets up guidelines or lists of what type of construction or use is allowed in a zoning district, thus skipping the cost and time associated with the issuance of additional governmental reviews. Required standards for construction are written into the zoning ordinance, which can also reduce the time required for the issuance of a building permit.⁶

Use by Right requires form-based codes (FBCs). FBCs regulate the form of the buildings in a clear, prescriptive manner. The standard steps required in setting up a Use-by-Right zoning ordinance is to create a detailed community or neighborhood plan, which would address issues of walkability, density, type of structures allowed, and accompanying regulations, and would enable an efficient approval process for Use by Right. The benefit of this approach is that it speeds the approval process for developers.

In addition, Minneapolis and other cities are abandoning the strict construction regulations typically specified in R-1, single-family, residential zoning areas.⁷ These cities are allowing duplexes and triplexes to be constructed in formerly single-family residential zones to enhance supply and, thereby, affordability.

Housing affordability is based on the ability to pay, which depends directly on income and earnings. While removing barriers to supply is one means to lower the market price of housing, the ability to buy (i.e., increasing the demand for housing by existing residents) should also be included in the city’s housing strategy. Creating employment opportunities for city residents will both increase their ability to invest in their current homes and their ability to buy better homes.

Finally, it is time for all cities to view housing as an asset. While a home should always remain the owner’s castle, the wealth of the city as a whole depends on the quality of its housing stock. In addition, the asymmetrical nature of the housing market is widely understood: One deteriorated house on a street will have a bigger negative impact than the beautifully kept house on the very same block.

⁶ <https://www.moderncities.com/article/2017-mar-how-to-get-by-right-zoning-right>

⁷ <https://tcf.org/content/report/minneapolis-ended-single-family-zoning/>

Housing Summary

The major challenges facing the South Haven housing market can be broken down into two areas:

1. High demand for a view and access to the river and lakefront
2. High demand for low-to-moderate housing for service workers and low-to-moderate income retirees

The two factors are strongly related: tourism and affluent homeowners generate an increase in the demand for housing, while their consumer spending generates a demand for services – retail, hospitality, and personal services – that tend to pay low wages and offer part-time positions. In such an environment, it may even be difficult for a person holding down two of these service jobs to find a reasonable place to live. Of course, it is true that service workers do not need to live in South Haven, and so any assessment of available housing options must include an examination of housing opportunities in surrounding townships.

For low-to-moderate income households, homeownership may be getting further and further out of reach because of financial constraints, such as poor credit scores, minimum savings, and tight supply. An accident or catastrophic event, college debt, or family obligations such as child support or caring for elderly parents can block the road to homeownership for many residents. Homeownership has been the traditional path for acquiring the personal wealth and equity required for long-term security and retirement.

In addition to income and financial constraints limiting the housing options of many residents, the advancement in the online platforms for short-term residency (STR) has also added a new level of concern regarding South Haven's future housing environment. In addition to possibly lowering the supply of housing, STRs have generated fears in long-term residents that they could harm the area's quality of life.

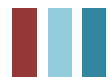
Recent Studies

The City of South Haven recently funded a report by Community Research Services LLC, *A Housing Market Analysis of South Haven and South Haven Township*, which clearly outlined the major challenges facing the area:

- The demand for vacation/second homes is driving up home prices and limits the supply available to year-round residents. The authors describe this as creating a “missing middle” in the city's housing market. For a large share of these owners, the second residence will serve as a retirement home; hence, they are already strongly invested in the community. Others may only see it as an investment opportunity, betting on South Haven's future success.
- The area's non-amenities economic base is shrinking and becoming less diverse because of the long-term decline in manufacturing. Attracting professional workers may be a worthwhile strategy; however, it would likely not substantially impact the economic well-being of the city's long-term, low-educated residents.

- Development costs in the city are high. Additional research, independent of the report, suggests that this is true relative to other cities along the shores of Lake Michigan, as well.
- The area's population growth is slowing and its population is aging. Moreover, this aging population will only increase the demands for senior services and cultural activities that are more accessible and agreeable to older residents.

It is important to note that several of these points are interrelated. For example, it is a reasonable strategy to buy a second home in hopes that it will become your retirement home. In other words, the existing vacation home market may be a pathway to full-time residency for some.



Interviews with Comparable Communities

In our exploration of possible alternative strategies for the city of South Haven to pursue to improve the economic and housing conditions facing its residents, we conducted 15 phone and video conference interviews with representatives of similar communities throughout the United States. These communities were carefully chosen based on a variety of factors, including an equivalent population size and seasonal, recreation-based economy. Some of the peer cities have economies strongly based on summer tourism, while others have economies based on winter tourism. Using that criteria, Table 2 lists the cities that were selected for inclusion as peers including six lakeshore communities in Michigan: Douglas, Grand Haven, Holland, Petoskey, St. Joseph, and Traverse City.

In discussions with the South Haven team, it was determined that additional cities should be added as comparison for best practices. While these cities are not similar in size to South Haven, they do have seasonal economies based on tourism. To provide a wider range of policies and solutions, a second set of “aspirational cities” was added for comparison. The cities selected as aspirational cities include Beaufort, SC; Breckenridge, CO; and Lake Tahoe, NV (see Table 2).

Table 2: Cities Interviewed

Cities Interviewed	
Beaufort, SC	Lake Detroit, MN
Boyne, MI	Norway, MI
Breckenridge, CO	Petoskey, MI
Douglas, MI	St. Joseph, MI
Ellicottville, NY	Lake Tahoe, NV
Grand Haven, MI	Rehoboth, DE
Holland, MI	Traverse City, MI
Ironwood, MI	

The primary questions asked in the interviews were:

- What are the economic development strategies being pursued to improve the health of the year-round employment base for the community?
- What strategies are being enacted or considered to enhance the seasonal business sectors?
- What are the major housing issues being faced?

- What have been the major workforce challenges facing businesses in finding the skills and workers they require?
- How is the community addressing sustainability as it relates to your natural resources?

The following is a summary of findings uncovered during these interviews.

Economic Development Strategies

Overview

By design, these comparable-sized communities depend on seasonal tourism for much of their economic livelihood. They are located along shorelines or in the mountains. For many, the importance of their natural amenities is reflected in their community’s mottos: St. Joseph is the “Riviera of the Midwest,” Grand Haven is the “Coast Guard City USA,” and Rehoboth Beach is the “Nation’s Summer Capital.” Clearly, several depend almost entirely on their natural amenities for their economic success: Rehoboth sees itself as a beach town, Breckenridge as a mountain exploration area, and Ellicottville is western New York’s outdoor playground.



Picture 1: Welcome Sign for Grand Haven, MI

Others see tourism as only one pillar of their economic structure. This is especially the case for Holland, which views itself as a growing innovation and business center that happens to be located on Lake Michigan. This distinction is important in that it suggests that the city is less focused on efforts to expand its tourism season than on the continuous improvement of its quality of life through placemaking and business competitiveness. This tone is also expressed for its economic development strategy for its downtown, which includes becoming an innovative environment for support services to its economic base activities.

In Traverse City, the economic community is more interested in expanding its economic and technology base than extending its tourism base. The city is streamlining its small business regulatory requirements and exploring ways to further deregulate current restrictions of home-based businesses, including the allowance of employed workers.

Many maintain and promote existing business parks, such as in Ironwood, Grand Haven, and Holland, to maintain and, hopefully, grow their manufacturing sectors. The interviewed representative from Norway, MI was clear in stating that while the town’s future may be amenities-based activities, its economic well-being is highly dependent upon the area’s paper mills. The city of Beaufort, SC owns a 168-acre commerce park for large-scale commercial and industrial operations.

Other communities, such as Ellicottville, NY and Douglas, MI, which used to have relatively large industrial/manufacturing employment bases, believe their future lies in developing a services-based economy.

An area's approach to economic development depends greatly upon its geography. Several are in isolated high-amenities settings and therefore need to set up their own economic development programs. The municipality of Detroit Lake in Minnesota formed the Detroit Lakes Development Authority and the Detroit/Lakes/Becker Industrial Development Corporation in 1985 to attract and retain year-round industries. Ironwood, MI also maintains an industrial park where manufacturers are involved in wood, plastic, fabric, and metal production/fabricating industries. The Michigan cities of Grand Haven, Douglas, and Petoskey depend either upon small nonprofit organizations or often their planning departments to conduct their economic development efforts.

Importance of Broadband

South Lake Tahoe and Beaufort speak for all when they report that the broadband situation is poor for their businesses and residents and is a barrier that should be addressed.

Partnerships

Several of the municipalities have formed partnerships with regional economic development organizations for their economic development services. At the same time, they partner with another, separate organization—typically a membership organization such as a chamber of commerce—to direct their tourism-related activities.

These economic development partnerships allow the cities to access economic development expertise that would not be available otherwise. For example, Lakeshore Advantage, located in the Holland/Zeeland area, and Cornerstone Alliance in the St. Joseph/Benton Harbor region are professionally staffed and, equally important, have strong backing from the region's major corporations. Traverse City partners with Traverse Connect, which merged with the area's chamber of commerce. These partnerships allow the development of unique programs that are designed to meet the needs of the area's economic development community.

It is important to note that, while these organizations service a larger area than the city, they are still local. If they were in a neighboring metro area 50 miles away, it is unclear if the element of trust necessary for an effective economic development strategy would be maintained. This is a major question for communities such as Grand Haven and South Haven, which are in metropolitan areas that have strong economic development organizations focused on developing areas that could be on the very edge of the commuting radius of the residents.

Holland, St. Joseph, and Traverse City provide links to their partnering economic development organizations on their websites. However, Grand Haven, Petoskey, and Douglas do not promote economic development opportunities on their websites. Instead,

they focus on their quality of life for residents, as well as visitors. The other communities in Michigan’s Upper Peninsula, as well as in other parts of the United States, did not reveal any economic development partnerships with outside organizations, which is not surprising given their remote locations.

Income-Generation Strategies

Most regional economic development efforts focus on job creation, retention, and expansion; however, several of the interviewed communities go beyond this traditional focus and explore income-generation opportunities for their residents. Much of this comes from their concern about their lower-income residents.

For example, Douglas is concerned that it is losing middle-income residents. Its lakefront properties attract wealthy property owners, but many of its other households are “just getting by.” The lack of health services and retail opportunities is a challenge, as well. The village is hoping to attract talent through placemaking activities and promoting recreational opportunities.

Entrepreneurship is being encouraged in many of the cities. Beaufort created the Digital Corridor (BDC), which is a community-sourced initiative, to attract, nurture, and promote technology entrepreneurs. Beaufort offers both office space, high-speed Internet, and mentoring services; at the time of the interview, 10 companies had moved into the space. In addition, Beaufort’s first goal in its economic development strategy includes developing career pathways for middle- and low-income residents.

Similarly, Douglas offers a very flexible environment for home-based businesses or “side hustles.” Moreover, the village’s downtown has several large vacancies, so it is trying to create an innovative accelerator or incubator for entrepreneurs.

Home-based industries are allowed in nearly all residential areas in all the interviewed communities, on the condition that the firm does not employ non-family workers or generate high foot traffic. Finally, Breckenridge stands out as the most progressive city interviewed in providing support services to its workers, including child care and housing assistance.

The focus of a city’s economic development policies and partnerships depend on the strength of its current economic base. This is shown clearly with the contrasting strategy of the village of Douglas and that of Holland. Douglas has lost most of its traditional manufacturing activities over the years. Therefore, it is looking to promote new industries such as “high-tech light industries,” medical and recreational marijuana production and packaging, and customer service telemarketing-providing companies. Douglas is stepping away from



Picture 2: Tourist Shops in Holland, MI

the traditional assembly manufacturing that made up its economic base. These losses have also reduced the area's financial resources and support for an economic development program. Holland, on the other hand, is striving to remain on the cutting edge of its innovative industries and continues to see itself as a competitive, full-service location for advanced manufacturing. Moreover, much of these activities are financially supported by these very industries.

Tourism

Several of the interviewed cities do not have development strategies outside of being a tourism destination location. Rehoboth Beach, DW, which is only one square mile in size, is totally focused on tourism; it does not see the need to diversify its economic base nor attract new businesses. Its key focus is to keep existing businesses by maintaining a high-quality tourism environment.

The city of South Lake Tahoe understands that it will always be a visitor destination and hence is investing in capital improvements such as trails, walking paths, and improvements to recreational infrastructure. However, it is also hoping that these improvements will encourage the attraction of satellite activities and professionals (second home buyers). Tourism promotion activities are typically outside the scope of regional economic development organizations and are handled by voluntary associations of area businesses such as the local chambers of commerce. Although through their activities these organizations strive to attract new expenditures into the local economy, the nature of these activities—such as event planning and advertising campaigns—are outside the expertise of most economic development programs.

Ellicottville, NY and Holland, MI are both promoting local retailers through gift card or local cash programs. The Holland Chamber of Commerce has issued West Coast Chamber Cash for many years.

Parking is a key challenge for many communities that depend on day trippers or weekend visitors. Parking is a key revenue source of Rehoboth Beach, which had a “parking fee season” from approximately Memorial Day to Labor Day.

Placemaking Activities

Nearly all areas focus on placemaking activities that partners much of the energy and expertise of festival and event planning and promotion with efforts to make the area a nicer place to live for current and future residents. Indeed, it is important to note that tourism efforts can be considered an umbrella covering two separate and equally important audiences and goals. Clearly, all tourist promotions are designed to attract visitors into the area; many of these programs are partially supported by local revenues such as a lodging tax. Moreover, many of the marketing campaigns are regional; for instance, the development of brochures that highlight the attractions up and down Lake Michigan.



Picture 3: Beach in Traverse City, MI

In Traverse City, it was warned that “you can love a place to death.” In Traverse City and other cities, the physical infrastructure is at or over capacity in the summer months. In fact, Traverse City is stepping away from promoting summer activities. However, it is finding efforts to broaden the summer season, especially into the fall—wine and fall color tours—a challenge because of a lack of student employees. Breckenridge found that it was holding so many events that the town established a committee that vets future proposed events to avoid “event fatigue.”

In Breckenridge, the overriding concern is retaining the “authentic character” of the community. It may sound extreme, but it does not even allow drive-through windows in its commercial establishments.

There is a push in all the communities to promote year-round events. For example, in the city of St. Joseph, tourism promotion efforts are led by St. Joseph Today, a nonprofit organization that is focused on developing and maintaining year-round entertainment and arts programs in the St. Joseph area for visitors and residents. The same is true with all the other interviewed communities; however, the push for year-round entertainment and social events is more of a placemaking activity. It is an effort to improve the livability of the city by generating community activities year-round such as festivals, farmers markets, holiday celebrations, and art exhibits. While it could be argued that there is a tension between placemaking activities and traditional tourism, the clear challenge is to avoid the over usage of the area’s physical and recreational assets during high season. Instead, communities are developing year-round social event programs to support residents and area businesses.



Picture 4: Greeting Sign in St. Joseph, MI

Local Housing Policies

Housing Affordability

Housing affordability for tourist-related and other service workers is a high concern for nearly all the interviewed cities and villages. Only in Norway, MI was housing affordability not mentioned as a major problem. Of course, the challenge is clear: In high-amenity small towns, residential space is extremely limited during the high season. In many instances, it is more profitable to rent out a property on a seasonal basis than attempting to rent it out for a lower annual rent. For some areas, it may not be even physically possible for the city to provide affordable housing, requiring a regional approach. At the same time, all the areas

depend on the quality of their service workers, especially in tourist-related businesses, for their success.

In addition, the seasonal demand decreases the availability of year-round housing for low-to-middle income residents. In many areas, nonresidents are buying up any new housing stock that is available for investment and second homes. Finally, short-term rentals are constraining housing supply. In Breckenridge it is reported that half of the vacant housing inventory in the city and one-third of the county inventory are listed as short-term rentals.

Local housing policies vary across the interviewed communities, based on large part by their economic environment. Cities experiencing high demand/rising housing prices are also increasingly concerned about housing affordability and are enacting changes in their zoning regulations to allow for high density in their residential neighborhoods. Traverse City is exploring reducing parking requirements, reducing lot size, removing height restrictions, and allowing duplexes in formerly restricted single-family areas. In addition, the city allows the conversion of garages and other structures into residential units for rental for longer than 90 days. The city allows 15 conversions a year.

Grand Haven is considering changing its zoning ordinance to allow for higher density residential housing options, as well. This includes more opportunities for the construction of duplexes, small floor plans, and accessory dwelling units. Areas zoned for single-family residential are now called low-density residential areas, which allows duplexes if approved.

For municipalities that are experiencing low demand for housing within their boundaries, traditional zoning practices remain. The lack of demand for housing in the municipality could be because the city is landlocked and area growth is occurring outside their boundaries. This is the case in St. Joseph, where its housing policy is focused on maintaining the current housing environment that is expected by current and future residents looking for a stable community. For these communities, traditional housing regulations are maintained, including strict residential zones that allow only specific housing structures and densities.



Picture 5: Downtown Petoskey, MI

It is important to note that tourism is not the only factor impacting the cost of housing: an area's natural environment are population and business magnets as well. Petoskey is facing a shortage of affordable rental units that its fears could be impacting the ability of its businesses to recruit skilled workers. The challenge facing Petoskey in attracting skilled workers for its year-round employers was echoed in other communities we interviewed. Again, it appears that seasonal housing is crowding out year-round rentals. Several situations can occur:

- Property owners can offer the unit for rent on a monthly basis, except for one or two months in the summer where they either occupy the unit and/or rent out the property on a weekly basis.

- The owner simply closes the unit in the winter months. In Traverse City, an estimated 40% of the houses in the old town district go “dark” during the off-season.

The economic gains available in the short-term residency markets create strong barriers for the development and maintenance of year-long rentals. Therefore, some cities are identifying possible programs for the development of affordable housing based on a regional housing plan that incorporates existing commuting patterns. A city may simply be unable to house all its workers. Still, Petoskey is focused on redeveloping its underused properties into year-round housing opportunities by maintaining its community’s assets—park system and unique downtown area.

Holland aims to promote new residential development downtown—apartments and condos for both retirees and professionals. Several communities highlighted the fact that a large segment of professional workers is looking for high-end rental units. Holland has the advantage of Hope College being located near the downtown, which adds energy to the downtown. Similarly, in Traverse City the demand for apartment units is outpacing condo development.

Finally, Holland is also exploring the possibility of allowing its manufacturing industries to sell their excess land for multi-family residential use as part of its efforts to streamline its zoning ordinances.

Breckenridge has the most aggressive housing policies to encourage year-round, affordable housing for its residents. Voters approved a county-wide 0.125% sales tax and a development impact fee for affordable housing in 2006. The voters renewed it in 2015 and a new construction fund was passed by voters in 2016. These measures generate roughly \$3 million annually for the provision of affordable housing.

Under its Housing Helps program, Breckenridge offers payments for owners willing to sign a deed restriction requiring the property to be used only for year-round housing for working residents. The amount offered depends on the characteristics of the property and existing housing demand. The owner can use the money for a down payment, house repairs, and other site-specific expenditures. One example that was given for the use of the fund is that an owner of an older condo, worth around \$300,000, could receive about 15% of the property’s value in return for accepting a deed restriction stating that the property could not be used as a short-term rental. It is important to note that these deed restrictions hold in perpetuity and, hence, are likely to impact the future value of the property. There are reportedly 1,000 deed-restricted housing units in the city.

In 2008, Breckenridge introduced its Workforce Housing Action Plan, which enhanced its ability to acquire existing housing units at market prices and convert them to permanent affordable workforce housing. This, like the previously described measures, is focused on avoiding too many existing units in the city being converted to retirement or vacation homes.

Short-Term Residential

Short-term residential (STR) use is a concern for each of the communities. In almost all communities, STRs are restricted to the city's commercial districts and beach or riverfront properties. However, in several of the interviewed communities, STR restrictions are light. Douglas is "very STR friendly"; STRs are allowed nearly everywhere and the rules and regulations are flexible. In the village's high-density districts, residents can construct second units on their properties. The village sees STRs as an income generator and a potential source of longer-term housing in the off season. In Beaufort, SC, STRs are allowed in most all residential districts and boats. Short-term rentals, where the owner does not live on the premises, are limited to 6% of the lots in the neighborhood. Boats used for short-term rentals are limited to 6% of the slips in the marina.

St. Joseph represents the opposite approach. STRs are discouraged and allowed only for those that have been grandfathered in. Any change in the use of a STR without a timely renewal would cause the special permit for its use to be cancelled. New STRs are only allowed in multifamily residence districts and by special permit in water recreational districts. Similarly, STRs in Petoskey are only allowed in its business district and requires a city license. As of 2014, new vacation rentals are not allowed in Petoskey's residential districts.

In Holland, an owner can rent out a room or the entire house, if it is the owner's primary



Picture 6: Tulips and Windmill in Holland, MI

residence. This is allowed in all zoning districts. If the housing is not the owner's primary residence, they can use it as a seasonal rental if it is in a commercial district or some identified residential area as a part of a pilot program. The city allows special flexibility for the annual Tulip Festival, which draws thousands into the area.

Traverse City and Grand Haven share the same challenge as several of the other communities: Large portions of its residential areas go "dark" in the off season. STRs are restricted to commercial areas and established seasonal housing neighborhoods. Traverse City sees STRs as both a threat to the availability of year-round housing and to its established lodging section because STRs don't pay the area's lodging tax.

In Grand Haven, STRs are not allowed in low- or medium-density areas. They are allowed in the downtown and in special designated areas near the river or Michigan lakefront where seasonal "beach houses" have been in existence for decades. The city does permit some STRs in some neighborhoods and it has found that this increases the value of the properties because of its income-generating potential.

It is interesting to note that most all communities allow bed and breakfast establishments in nearly all residential areas.

In 2018, South Tahoe voters narrowly passed a measure that phases out all vacation rentals, including Airbnb, by the end of 2021. STRs will be allowed only in specific commercial tourism areas. It is estimated that the city revenues will fall by approximately \$4 million to the loss of tourism tax dollars because of the measure.

Workforce Strategies

Nearly all the communities interviewed expressed concerns about their employers not finding the workers or skills they require. This is true for seasonal employers as well as year-round business establishments in manufacturing and health care. Still none of the cities interviewed are directly involved in workforce development efforts. Several mentioned the availability of statewide programs or community college facilities in their areas. Moreover, none of the cities provide links to workforce training or development centers on their websites. During the Traverse City interview, Northwestern Michigan College was mentioned for its development of business-directed skill trade programs.

Breckenridge has established a child care fund for its working, low-income residents. The fund is supported by an excise tax and currently has more than a \$2 million balance. The program is available for qualified working families with children under 6 years attending a participating, licensed child care center. The amount of assistance depends on the family's income, child care costs, parent's work schedule, and number of children, and is paid to the child care center.

Sustainability

Communities that face strong and growing tourism demands are increasingly worried about harming their natural environment and character. To repeat the statement made in the Traverse City interview: "It is possible to love an area to death."

All the interviewed cities on the Michigan shoreline are struggling with shoreline erosion caused by the historically high level of Lake Michigan, which is near the record high set in 1986.

Short-term Residency

Summer cottages have been a fixture on the South Haven landscape for more than a hundred years. The major changes today are that a growing share of year-round housing—new builds as well as existing homes—are second homes, and the existence of short-term rental platforms online is making their use as STRs much more efficient. That favorite get-away that was owned by a friend or family member is now available to vacationers worldwide. While it is difficult to argue against efficient markets, it can both prove a disruption for existing lodging providers and have possible negative impacts on neighborhoods.

The current South Haven ordinance allows individual STR homeowners to rent their dwelling for up to 28 days; however, residents cannot rent out individual rooms in their homes. They must pay for a biannual safety inspection fee but do not have to pay an annual fee. Business STR homeowners can rent their dwellings for any length of time and they are required to pay an annual fee, which is currently set at \$200, as well as an inspection fee and fees associated with the city's administration of the program.

The city will soon cap the number of new business STRs at 25% of the city's housing stock. Currently, STR rates stand at 18%.⁸

Beginning in September of 2019, the Upjohn Institute began collecting data from the Airbnb website on available units in South Haven. Airbnb is a website that facilitates finding lodging options for its users. Note that Airbnb does not own any of its listings but rather is a platform for identifying the available rentals in a location. All properties are owned independently of Airbnb.

To collect these data, Upjohn compiled a list of active Airbnb rental units in South Haven. This included listings only for the city proper. The database included the names of Airbnb listings, the type of listing, and the number of bedrooms and bathrooms in each rental. After the database of rental units was compiled, on Monday of each week Upjohn recorded the number of listings available for the upcoming weekend. The price of staying for the weekend, which was defined as a Friday and Saturday night stay, was also collected for each available listing. A listing is considered “unavailable” if it is unable to be booked at the time of data collection. This could indicate that a rental unit had already been booked prior to data collection for that week or that the rental was removed from the site by the listing's owner. This is particularly important when interpreting the data for the period from July 2020 to September 2020. Presented in this section are the collected data from mid-September of 2019 to the beginning of November 2020.

Figure 32 shows the average asking price for all available Airbnb units listed in South Haven for each week from September 2019 through October 2020. The average cost for a weekend two-night stay (Friday to Sunday) in South Haven remained relatively constant, ranging from between \$800 and \$1,000 for the period from September 2019 until May

⁸ https://www.heraldpalladium.com/news/local/south-haven-oks-stricter-short-term-rental-regulations/article_46e536d0-953e-53ca-8fc8-686695f4251a.html

2019. Once the tourist season began in June 2019, the average price for a weekend two-night stay increased considerably, jumping to \$2,000 for the weeks of June 5th and June 19th. During July and for early August, there were no units listed as available for the weekends. In the weeks after the end of the summer season, the average price declined. However, comparing the year-over-year trend from 2019 to 2020, there was a significant increase in the asking price for all listed units. October 2020 asking prices were nearly double the October 2019 prices.

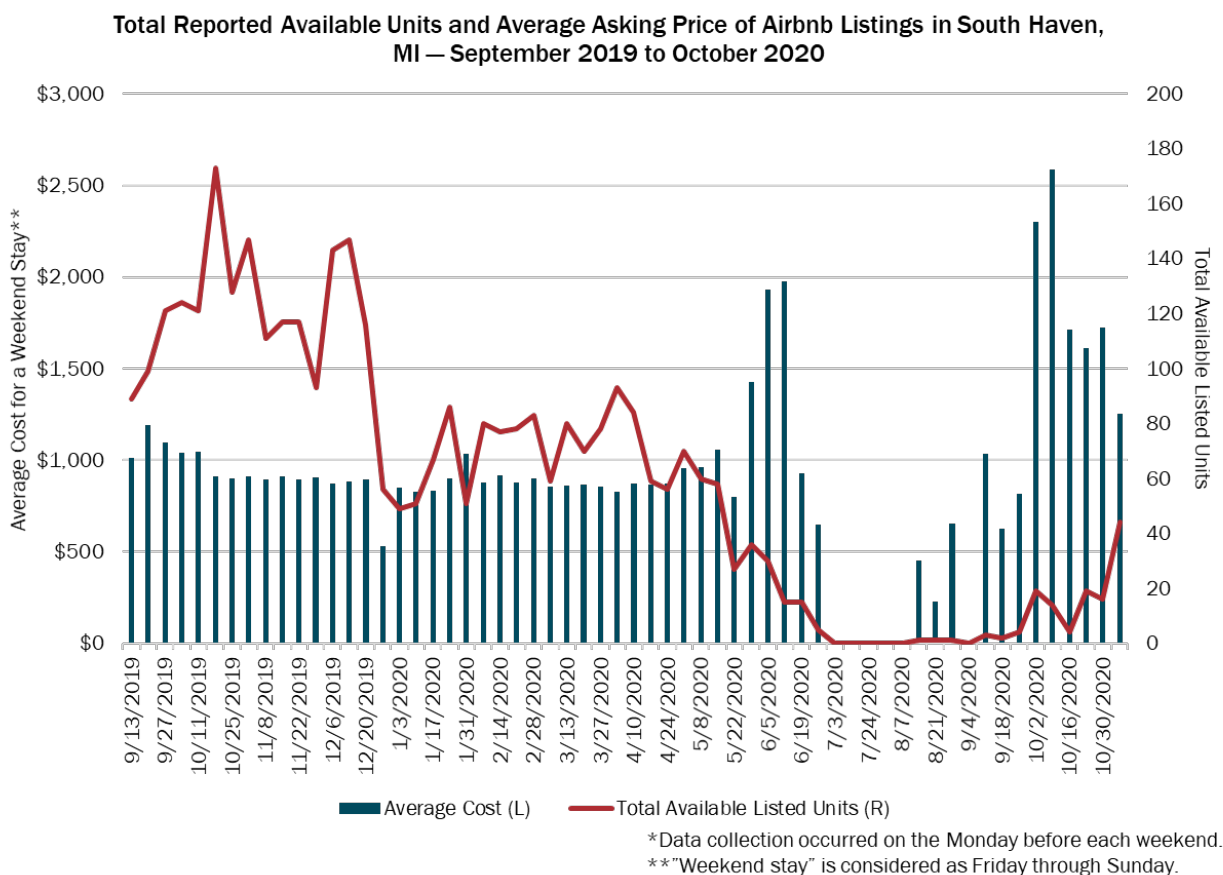
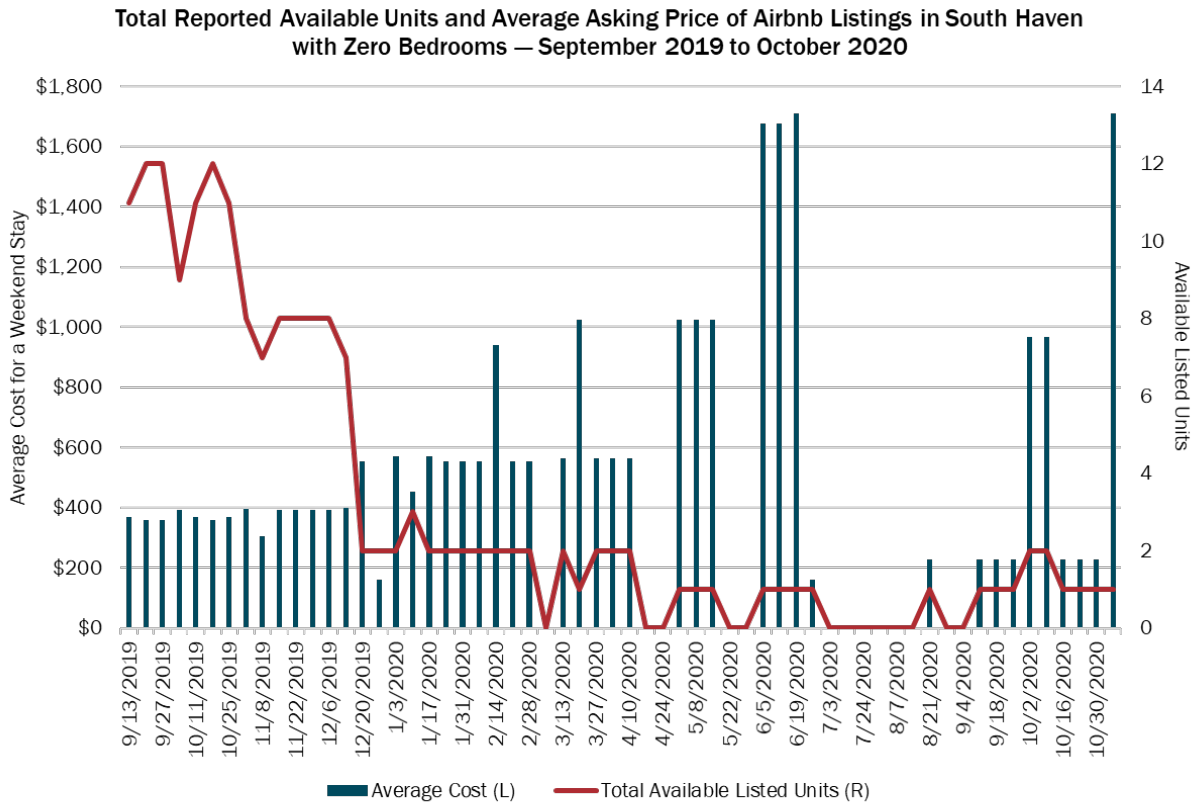


Figure 32: Total Reported Available Units and Average Asking Price of Airbnb Listings in South Haven (September 2019-October 2020)

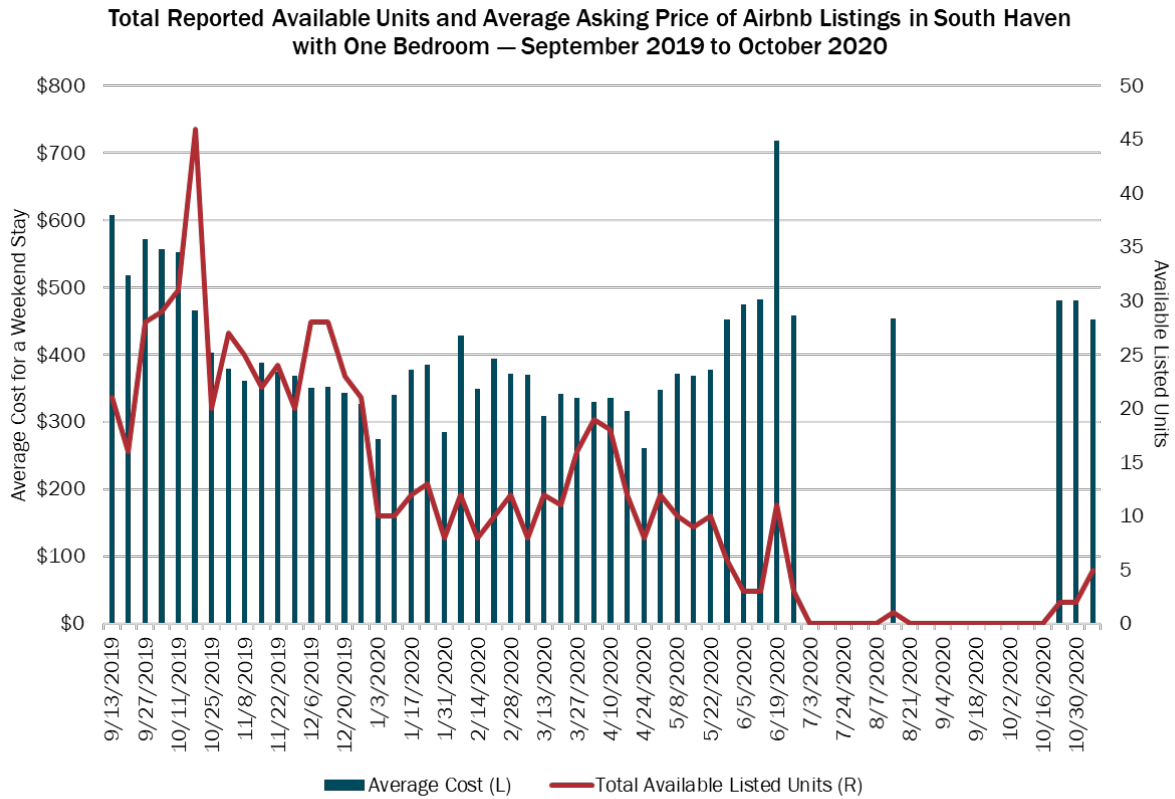
Figure 33 shows the average asking price for listed units with no bedrooms in South Haven from September 2019 through October 2020. Listed units that fall into this category have studio layouts, including cabins and tiny houses, RV campsites, and private rooms. Availability was highest in September 2019 and then dropped sharply in December 2019. Availability remained low in 2020, with only two to three available listings reported in September and October of 2020. The average price for a weekend two-night stay remained relatively constant (around \$400 to \$600) from September 2019 to April 2020. In May 2020, prices saw a sharp increase, peaking at just over \$1,700 in June. Similar to the data for total unit listings, there were no available listings during July and part of August.



*Data collection occurred on the Monday before each weekend.
 **"Weekend stay" is considered as Friday through Sunday.

Figure 33: Total Reported Available Units and Average Asking Price of Airbnb Listings in South Haven, Zero Bedrooms (September 2019-October 2020)

The average asking price for listed units with one bedroom in South Haven from September 2019 through October 2020 is shown in Figure 34. During the off season in 2019, the asking price for one-bedroom units started in the \$500 to \$600 range but began to fall near the end of October 2019. After this initial decrease, prices tend to fall between \$300 and \$400 for a weekend two-night stay. Moving into the shoulder season, prices rose into the \$400 to \$500 range, peaking at just over \$700. During the peak tourist season, single-bedroom properties were almost entirely unavailable. Properties become available again by mid-September. In the final weeks of October, the average price for a stay remained in the \$400 to \$500 range. Although this is a small decline from September and October 2019, it is about a \$100 increase from November 2019 to May 2020.



*Data collection occurred on the Monday before each weekend.
 **“Weekend stay” is considered as Friday through Sunday.

Figure 34: Total Reported Available Units and Average Asking Price of Airbnb Listings in South Haven, One Bedroom (September 2019-October 2020)

Figure 35 shows the average asking price for the listed units with two bedrooms in South Haven from September 2019 through October 2020. Availability of two-bedroom units bounced between 8 and 16 from October 2019 to April 2020, respectively. Availability began to decline in South Haven’s shoulder season, dropping to zero for the week of June 26, 2020. Except for the last week of August, the number of available unit listings remained at zero until the end of September 2020. The average price for a weekend two-night stay remained constant from September 2019 through May 2020 (between \$400 and \$700). After that period, prices began to rise. In the beginning of October, the average price jumped significantly, almost doubling to \$1,200 before falling again to the \$600 to \$800 range.

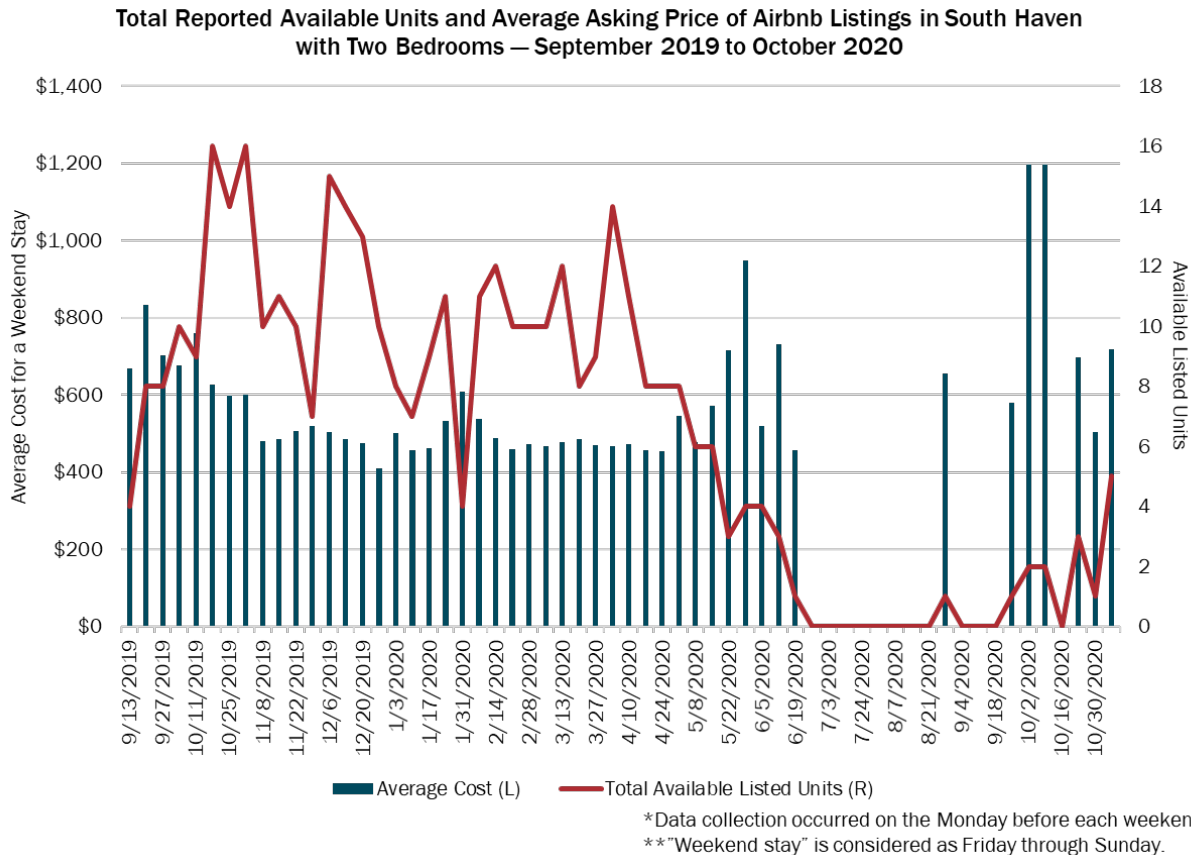


Figure 35: Total Reported Available Units and Average Asking Price of Airbnb Listings in South Haven, Two Bedrooms (September 2019-October 2020)

The average asking price is shown in Figure 36 for listed units with three bedrooms in South Haven from September 2019 through October 2020. Availability of three-bedroom units for same weekend rentals declined overall from 2019 to 2020. Three-bedroom unit listings had no availability during what appears to be South Haven’s busiest months. Listings remained at zero in July and August of 2020. The average price for a weekend two-night stay declined slightly in the beginning of October 2019 but remained constant through May 2020 (between \$700 and \$1,000) when prices began to rise, peaking at \$1,700 in June 2020. Compared to September 2019, the average price remained relatively the same, apart from a \$200 spike in the first two weeks of October 2020.

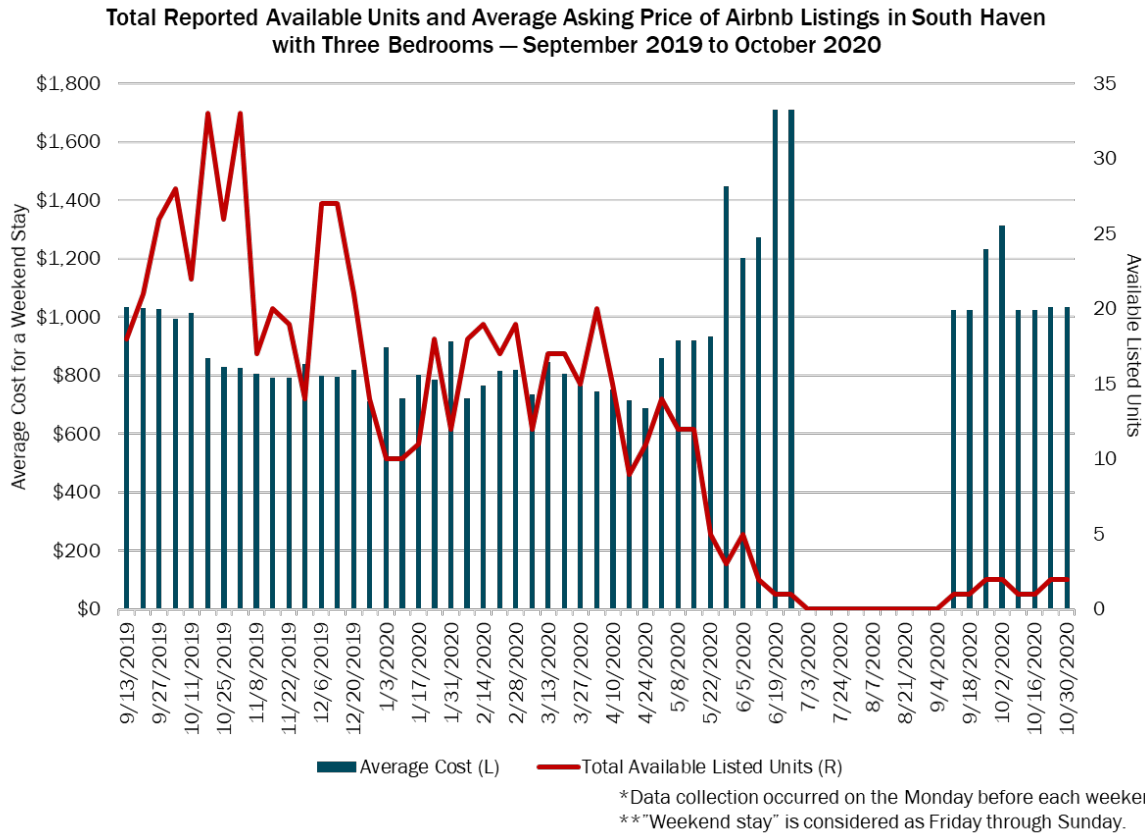


Figure 36: Total Reported Available Units and Average Asking Price of Airbnb Listings in South Haven, Three Bedrooms (September 2019-October 2020)

Figure 37 shows the average asking price for available units with four bedrooms in South Haven from September 2019 through October 2020. Availability of four-bedroom units listed in the same week declined overall from 2019 to 2020, dropping to zero during South Haven’s peak season. The Airbnb website continued to show no availability from the week of June 12th through the end of September 2020. The one exception was a single listing in the week of September 11, 2020. The average price for a weekend two-night stay remained steady from October 2019 through May 2020 (roughly between \$800 and \$1,000) but rose again thereafter. Although there is a slight spike in the first week of June 2020 (\$1,600), prices increased to over \$1,800 starting the week of September 11th and continued to rise, spiking at almost \$4,000 in the week of October 16, 2020, almost triple the average price from October of the previous year.

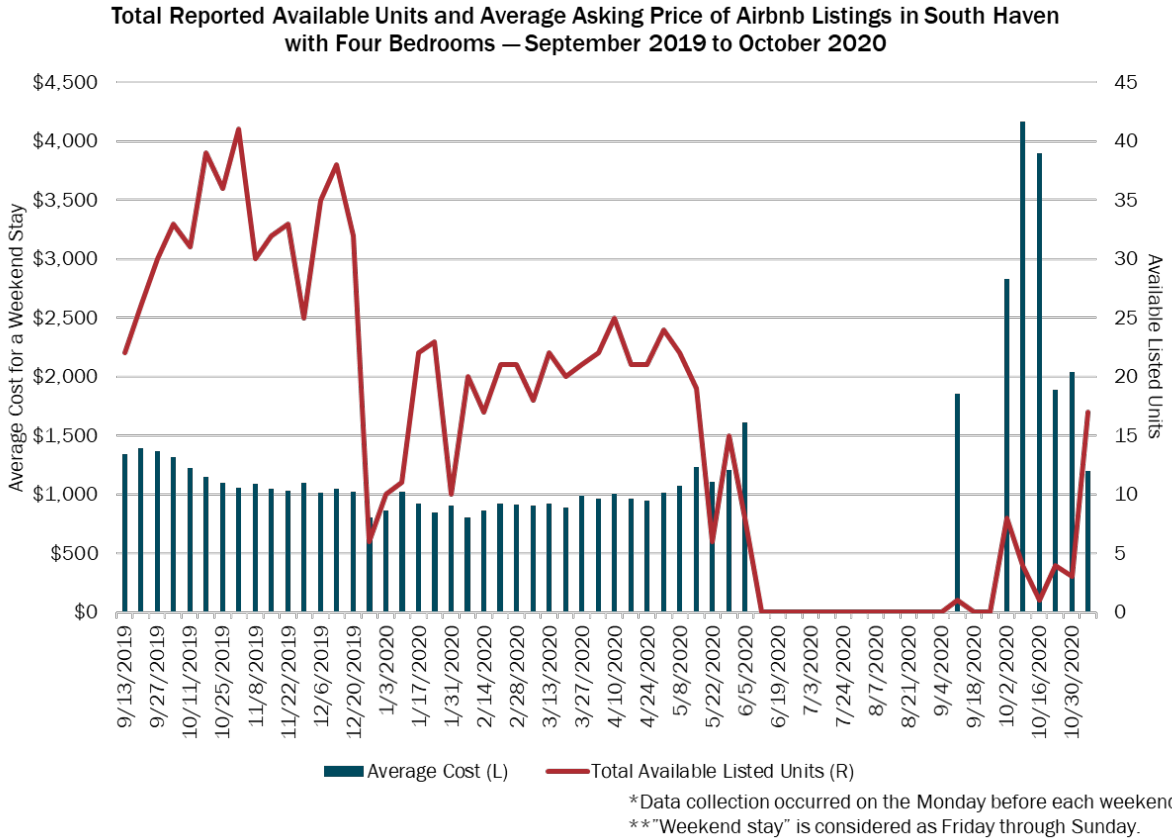


Figure 37: Total Reported Available Units and Average Asking Price of Airbnb Listings in South Haven, Four Bedrooms (September 2019-October 2020)

Figure 38 shows the average asking price for the available units with five or more bedrooms in South Haven from September 2019 through October 2020. Availability of five or more bedrooms unit listings declined overall from 2019 to 2020. Similar to the previously reported unit types, availability for five or more bedrooms unit listings dropped to zero during South Haven’s peak months. There was no availability for this unit type from the last week of June through the last week of September 2020. The average price for a weekend two-night stay remained relatively constant from the last week of October 2019 through May 2020 (ranging between \$1,500 and \$2,000) when prices once again begin to rise, reaching over \$3,500 in June 2020. Availability began again in October, with average prices between \$2,500 and \$3,000 (except for the week of October 16, 2020).

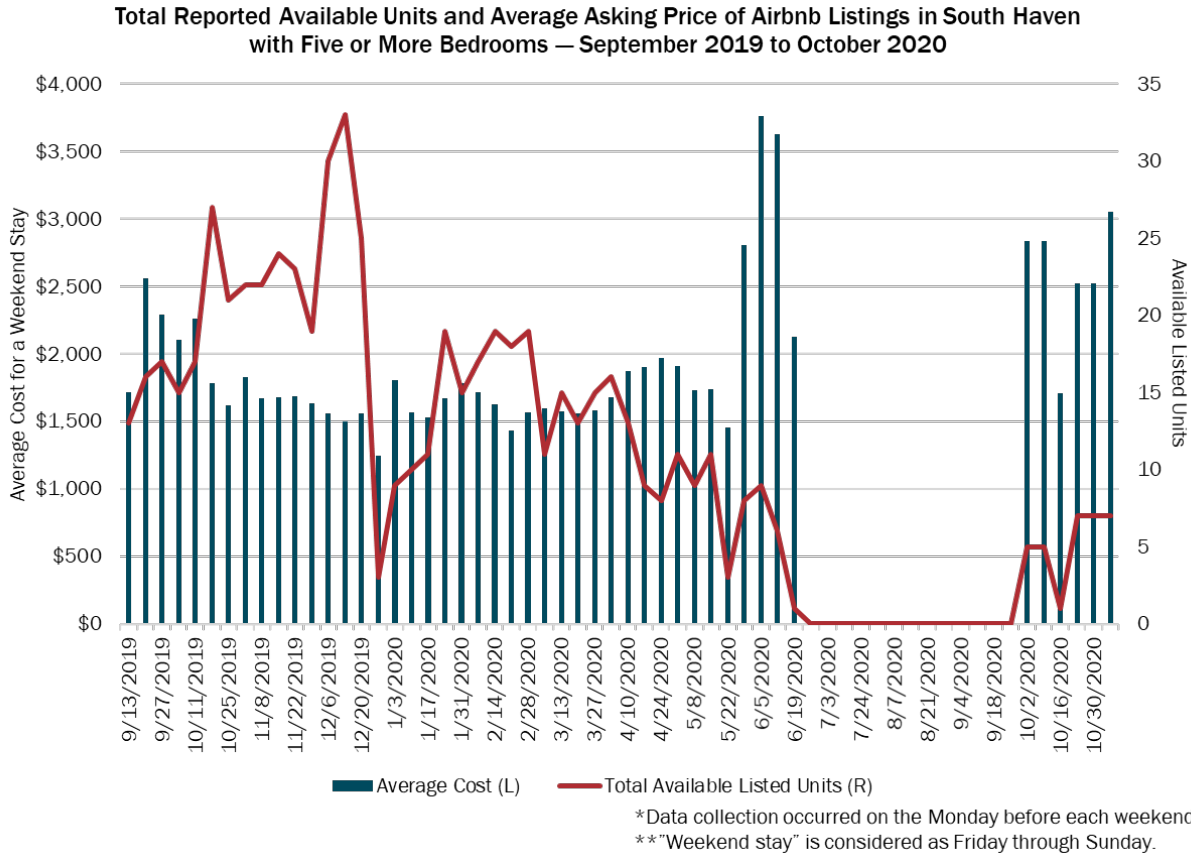


Figure 38: Total Reported Available Units and Average Asking Price of Airbnb Listings in South Haven, Five or More Bedrooms (September 2019-October 2020)

The average asking price for the available units that are houses in South Haven from September 2019 through October 2020 is shown in Figure 39. Availability of listings for house units declined overall from 2019 to 2020. House unit listings also dropped to zero during South Haven’s busiest season. There were no available listings from the last week of June through the last week of September 2020. The average asking price for a weekend two-night stay remained relatively constant from the last week of October 2019 through May 2020 (ranging between \$1,500 and \$2,000). During June 2020, there was a large price increase, reaching just under \$3,500. In October 2020, unit listings became available again, with average prices between \$2,500 and \$3,000, which is higher compared to the same period in 2019.

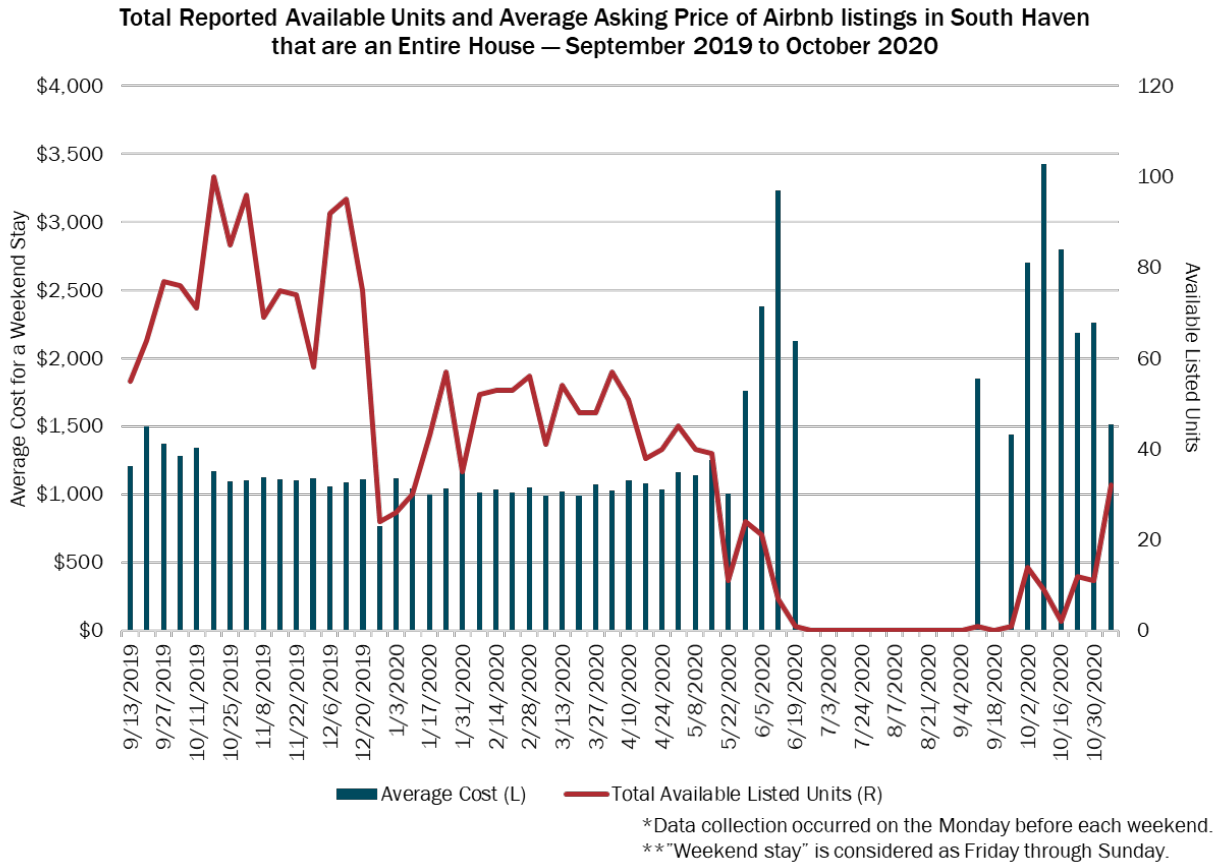


Figure 39: Total Reported Available Units and Average Asking Price of Airbnb Listings in South Haven, Entire House (September 2019–October 2020)

Figure 40 shows the average asking price for the available units that are apartments or cottages in South Haven from September 2019 through October 2020. Availability of apartment or cottage unit listings initially increased from September 2019 through December 2019 but began to decline thereafter. During South Haven’s peak season, there was no availability for apartment and cottage unit listings. This is for the period from the end of June 2020 through September 2020. From September 2019 through May 2019, the average price for a weekend two-night stay remained relatively constant with asking prices between \$600 and \$800. During June 2020, the average price saw a large increase, with prices reaching over \$1,600. Once South Haven’s peak season began to wind down, prices remained at a higher level than October 2019 for 2 weeks, staying above \$1,600. However, they began to fall in October 2020, staying in the \$800 to \$100 range. This is a slight increase from the previous year.

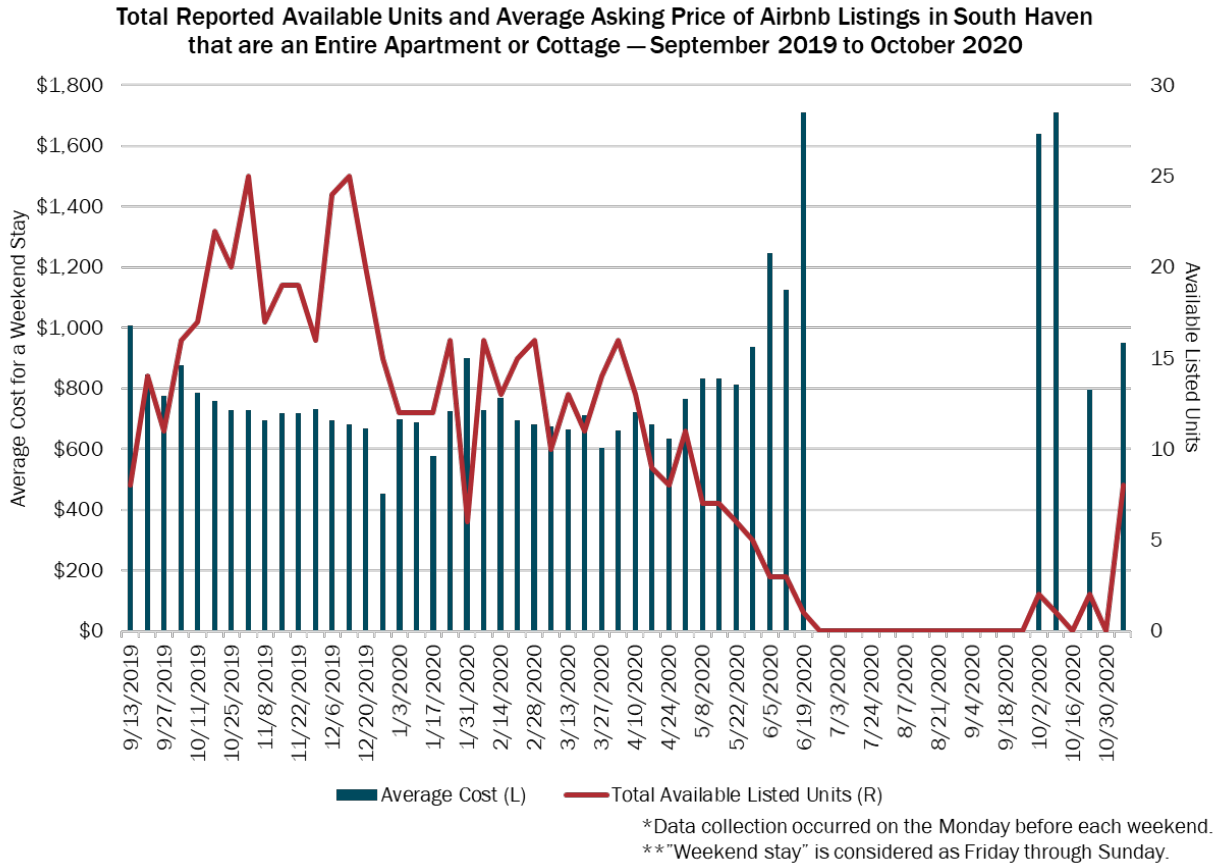


Figure 40: Total Reported Available Units and Average Asking Price of Airbnb Listings in South Haven, Entire Apartment/Cottage (September 2019-October 2020)

Figure 41 shows the average asking price for the available units that are private rooms in South Haven from September 2019 through October 2020. Starting in September 2019, the availability of listed units initially increased, but began to decline in mid-October 2019. Notably, there was a large spike in availability in the week of October 18th, with 44 available listings. During South Haven’s peak season, there were no three-bedroom unit listings. A lack of listings occurred in July and August. The average price for a weekend two-night stay remained relatively constant from September 2019 to May 2020 (between \$700 and \$1,000). Prices began to rise in South Haven’s busiest months. During June 2020, prices reached up to \$1,700. In September 2020, prices remained at a similar level as October 2019, except for a slight jump in late September at just under \$2,000.

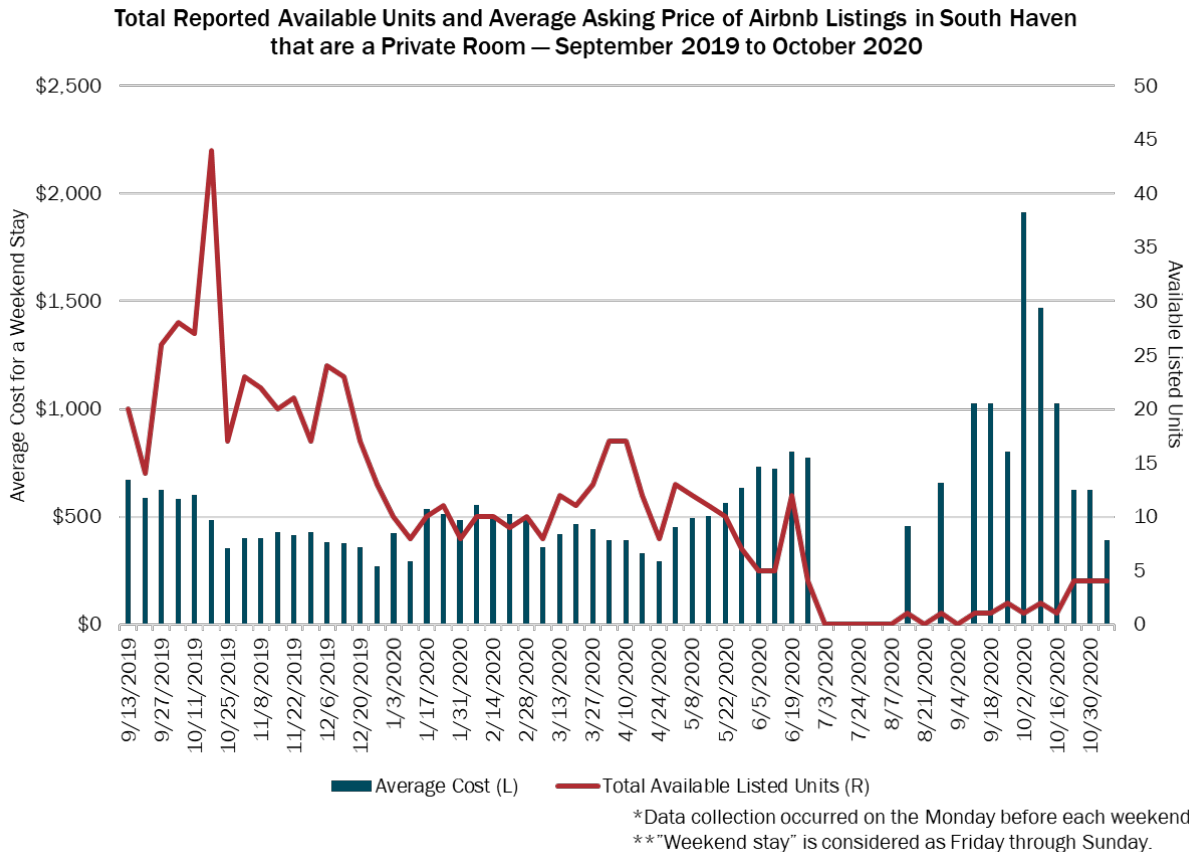


Figure 41: Total Reported Available Units and Average Asking Price of Airbnb Listings in South Haven, Private Room (September 2019-October 2020)

There are three major concerns regarding STRs:

1. They reduce the supply of the existing housing stock that would be available for year-round residents because renting to short-term, high-end seasonal users can be more profitable than renting year-round.
2. They can generate negative neighborhood impacts such as noise, congestion, and illegal parking, and harm the social cohesiveness of areas formerly housing long-term residents.
3. They can be disruptive to existing seasonal/visiting lodging operations that pay occupational taxes and other government regulations and fees.

On the positive side, STRs:

1. Provide an enhanced income flow for second-home owners, as well as existing homeowners who can convert a basement or garage into a revenue-generating living space.
2. Generate new consumer spending into the area, since many of these units would have stood vacant.
3. Generate a revenue stream for large developers. Condominium or apartment developers can open newly completed units as STR during the “lease up” period,

which may take up to 2 years after construction. STRs generate needed cash flow of the project during this period. In addition, short-term residents can become strong candidates for long-term residents.⁹

Because short-term residency disrupts the market and may cause possible harmful effects, cities around the country have pursued regulatory policies and South Haven is no exception. The following is only a partial list of actions taken:¹⁰

- Santa Barbara, CA and San Diego, CA have effectively eliminated STRs (Brachel, 2018).
- Charleston, SC has confined STRs to be located in older structures in or outside of historical areas. Even if the unit is not in a historic district, it must be 50 years old and the age requirement is more restrictive inside historic districts within the city. Moreover, whole-house STRs are not allowed in the historic district.
- New Jersey introduced new taxes to ensure that “professionally managed” STRs pay similar taxes (11.6% room tax) to those of competing traditional lodging places.
- In Denver, CO the STR must “clearly” be a full-time residence—mobile homes and RVs are not permitted (Brachel, 2018). In Los Angeles, Airbnb can only list primary residences that are defined as places where the primary resident lives for more than 6 months. Plus, an individual renter can only stay for 120 days unless the owner agrees to pay additional fees.
- New Orleans, LA has banned “whole-home” rentals in residential neighborhoods. The city has set up two categories of STRs—residential and commercial—based on zoning. For a residential permit, an owner must live in a unit on the property—the rental unit could be a converted garage or basement, for example. For the commercial permits, no one would have to be an owner-occupant, and the STR could be operated as a year-round mini hotel.

Many worry that putting restrictions on the STR of secondary homes could harm the area’s second-home market because it would take away a major source of income for the owner. Many second-home owners have retirement aspirations and, therefore, may be involved in and committed to improving the community’s future. On the other hand, if STRs generate large revenues, investors could step into the market as absentee owners, who are less likely to participate in the community and are not interested in resolving neighborhood spillover effects.

Clearly one of the challenges facing communities in regulating STRs is that they may play a significant role in financing a future retirement destination. In attracting future wealthy retirees and homeowners, restricting STRs as a possible financing tool could make South Haven unattractive relative to other communities on Lake Michigan. At the same time, preretirement owners may argue for STRs; however, upon retirement, they may also turn

⁹ <https://www.naahq.org/news-publications/units/may-2019/article/disruptors-short-term-rental-space>

¹⁰ <https://urbanland.uli.org/development-business/solutions-to-the-attainable-and-affordable-housing-crisis-are-varied-but-promising/>

and argue against STRs because these short-term rentals can potentially harm their quality of life in retirement.¹¹

In addition, the growth of STRs has also negatively impacted the area's traditional lodging industry because these short-term residents may be avoiding paying existing lodging fees and taxes. Possible actions:

1. Establish a clear record on STR properties that have received formal complaints from nearby residents. This is important not only to encourage better practices from managers of problem properties, but also to provide assurance that most STR tenants are well behaved and do not generate any negative impacts on surroundings properties (Brachel, 2018).
2. Allow STRs only if the homeowner is present. For year-round homeowners, STRs can provide a significant revenue stream through their basement or garage conversions.¹² Because of this, there are cities that allow STRs only if the hosting family is living on site for at least a portion of the visitor's stay. This can address possible noise and parking issues. The "general presence of the homeowner" could be defined as a certain time during a 24-hour period; for example, the owner would have to be on site during the night (Eskandari-Quajar et al., 2016).
3. Limit STRs to a designated area in the city. In South Haven, STRs could be allowed only in areas where a high percentage of existing housing units are for seasonal use or in the central business district.
4. Set a clear definition that separates STRs from established commercial lodging structures.
5. Establish a minimum space requirement to be required for an STR unit, including, for example, a private bathroom and a set number of rooms per occupancy.
6. Require record-keeping regulations. STR owners could be required to annually renew their licenses with the city. This would allow the city to withdraw the license if the property had been a nuisance the year before. The regulation fee should cover the cost of required inspection, but not be so prohibitive that low-income or modest-income households are discouraged from renting a suitable space. An annual regulation renewal would allow the city to check for recorded violations or complaints and deny a renewal to troublesome properties.
7. Institute a cap on rental nights per year. This could be for both unhosted rentals and hosted rentals.
8. Establish noise and parking requirements.
9. Establish health and safety requirements including fire inspection. At the very least, a self-inspection list should be established. There should also be appropriate insurance policies in place.
10. Finally, the city could limit the allowance of STRs to events only, such as weddings or festivals.

¹¹ <https://www.vrminetel.com/for-city-officials-a-basic-primer-on-short-term-rentals-with-a-cheat-sheet-and-checklist/>

¹² Airbnb, Vrbo, Booking.com, TripAdvisor, or HomeAway do not manage listed rentals. They receive a commission or payment from the property manager or the homeowner.

In summary, the primary concerns regarding STRs are their potential impact on the area's supply of year-round housing and the general ambience of the surrounding neighborhood. They can result in dwelling units being taken off the market if year-round rental units are converted to seasonal STR units. This will arise when rental-property owners gain revenues by renting to high-rent seasonal users than by collecting lower rents from year-round residents.

At the same time, STRs can provide a beneficial revenue stream for permanent residents who would otherwise have difficulty in maintaining their home, through renting out a converted basement or garage. There are cultural and social benefits to hosting travelers, as well.

Finally, established lodging providers—bed and breakfast and motel/hotel owners—do have valid concerns that STR operators can have an unfair advantage if they are not subjected to the same regulations, fees, and taxes as they.



Conclusions and Recommendations

The primary role of city government is to provide responsive public safety services, maintain public facilities, and preserve a healthy environment for property appreciation and building safety. In terms of economic development, the role of city government is less clear. Job creation and income growth are clearly outside the scope and abilities of city government. At best, it can strive to create the environment for growth by providing the infrastructure necessary for growth to occur. The development of industrial parks and the administration of publicly funded financial programs, including tax incremental financing districts, have been generally accepted as reasonable city activities to reach these goals. Finally, cities facilitate the setting of community development goals and can pursue state and federal dollars for affordable housing and other community development initiatives.

As we stated at the beginning of this report, we believe the goal of economic development is to increase the income of existing residents and businesses. To enable the City of South Haven to achieve this goal, we recommend the actions discussed below.

Strategy 1: Increase the Income Potential of Existing City Residents

Increasing the income potential of existing city residents requires both expanding employment opportunities and increasing their skills and abilities. The traditional strategy to generate employment opportunities for area residents is to attract new employers and, more importantly, assist existing employers to expand. These activities are addressed in Strategy 3.

- **Develop job opportunity networks**

We suggest that the city explore a partnership with the South Haven Area Chamber of Commerce and other community groups to establish job opportunity networks to link working residents to existing job board listings and job opportunities. Such an effort could be volunteer-based and comprised of notifying participating residents of jobs being posted at the variable job-listing sites.

In short, working residents may not be aware that better job opportunities are currently available to them. Evidence shows that 54% of South Haven residents travel 30 minutes or more to work. It is not unreasonable that there could be better employment opportunities for many of these individuals within the same large commuting shed of which they are simply not aware. These possible employment opportunities do not necessarily involve career changes as much as offering better pay and/or better opportunities for advancement for the same work activity. Again, the goal is to increase the income of South Haven residents. This activity will not increase employment opportunities in the region but could increase the opportunity for better paying jobs for city residents.

Currently there are excellent electronic employment job boards available to city residents. Michigan Works!, operated by the Kinexus Group, offers employment assistance to all workers; unfortunately, its nearest office is in Paw Paw. There are also several existing

electronic job boards available, including the Pure Michigan Job Talent Connect, Indeed, Glassdoor, Career Builder, and one already operated by the South Haven Area Chamber of Commerce. Clearly, another electronic job board is not required.

However, like all endeavors, it is always the last mile that is the most difficult to complete. Many individuals simply do not have the time or energy after working all day and managing a household to do a job search. The goal of this activity would be to ease this burden for participating residents. This could be done by e-mail notifications or through other social media networks.

- **Develop a community education strategy**

We believe that Hettinger and Muellen (2020) in their report *Economic Development Strategic Plan for South Haven* called it right: The city should explore what it means to develop a **community education strategy**. One of the more disturbing findings of our report is that in 2018, less than 15% of young adult residents 25 to 35 years of age held a bachelor's degree. Of course, a college degree is not required for a successful career, although it is strongly associated with higher lifetime income. Skill trades, health technicians, and other occupations provide paths to economic success. The fear, however, is that many of the city's young residents are working hard on ill-defined career paths that have limited opportunities for financial success.

Moreover, new evidence suggests that we are becoming less mobile as a country. As shown in the Migration and Mobility section of this report, net migration makes up a small portion of South Haven's population change. This means that for South Haven to experience better income growth, it must work to improve the earnings potential of its current residents, especially young adults.

All communities understand the importance of having quality K-12 schools; the availability of skill development opportunities for adults in South Haven is equally important. Moreover, they are strongly correlated: successful parents have a greater probability of nurturing successful children.

As Hettinger and Muellen said, this is uncharted territory, but it is essential in improving the economic well-being of city residents. None of the comparison communities we examined have a community education strategy. Moreover, we know of no blueprint for a such a strategy; however, we believe that an effective community education strategy would be effective for South Haven's residents. The key players in developing and implementing a community education strategy would include 1) employers who provide on-the-job training and avenues for advancement, 2) Lake Michigan College, and 3) the Van Buren Technical Center in Lawrence.

In short, we recommend that the city organize a taskforce of area employers and educators to explore options. This will not be easy and there could be many false starts; however, every year too many high school students do not earn their diploma, too many graduates do not go to college, and too many drop out of college and many come back to South Haven to start again. Moreover, it is very likely that workers residing in the city will need new skills due

to the changing marketplace. It is in everyone's interest for them to be successful. There may have been major barriers in place that have stopped such efforts in the past; however, the need for a community education strategy has never gone away.

The important roles for the city of South Haven in the development of a Community Education Strategy would be leadership and serving as a facilitator. The first steps would be to assess the available education and training assets in the region for adults, and to develop or enhance existing links between businesses and training providers. Again, there are no clear road maps for the effective development of this strategy; nevertheless the benefits of such a program, in terms of higher income for participating households, could be substantial.

We also recommend that South Haven businesses explore the feasibility of establishing an Employment Resource Network (ERN).¹³ The aim of ERNs is to assist employees to be successful in participating firms. The program pools resources that offer training and personal development programs and taps into available community support programs. In doing so, ERNs assist underemployed and unemployed residents of the community in staying employed and help them to move to economic self-sufficiency. Evidence suggests ERNs work best in communities where small and mid-sized firms are willing to pool resources.

Strategy 2: Create an Environment that Offers the Right Resources for “Anywheres” who Seek a Small Amenity-rich Community. The First Step in this Effort would be to Verify the Quality of Available Internet Access.

It is impossible to ignore the possible impact that COVID-19 could have on the future of work in South Haven or the country at large. The pandemic has forced us to question the need for large clusters of professional and business workers commuting to office buildings. The pandemic has shown that working from home is equally or more productive than was previously believed. As children return to school and daycare, the benefits of working from home may only increase. In addition, the personal costs of the daily commute back and forth to work and the “non-productive” hours at the office may cause businesses and employees to reconsider the physical structure of work. This is especially the case as we all get more accustomed to working and meeting on-line.

Hettinger and Meullen introduced the term “anywheres” in their 2020 report *Economic Development Strategic Plan for South Haven*. These are individuals who have careers that allow them to live where they choose. Some like the excitement of urban centers but others seek the setting of small towns. The number of these “anywheres” may increase because the pandemic has shown that many of us can productively work from home.

The question is whether South Haven is or will be able to offer the right resources and environment to benefit from this opportunity. The strength and availability of broadband is crucial. The city can't provide it, but it should strive to make it available. Currently the U.S.

¹³ Timmeney, Bridget, and Kevin Hollenbeck. 2012. "What Works in Forming a Successful Employer Resource Network?" *Employment Research* 19(3): 5-7. [https://doi.org/10.17848/1075-8445.19\(3\)-2](https://doi.org/10.17848/1075-8445.19(3)-2)

Census estimates that nearly 69% of the city's residents have access (subscriptions) to the Internet and 80% have access to a computer. This is up from only 64% of South Haven households having Internet access in the 5-year period ending in 2017. This welcomed evidence of improving connectivity does not assess the quality of Internet access or its price.

- **Ensure that access to quality Internet is secure across the city**

The availability and affordability of broadband Internet are key for most all businesses including home-based businesses. It is beyond the city's scope to "force" affordability access to the Internet except in public spaces. Nevertheless, the city can highlight and publicize developments that expand coverage.

- **Develop an inventory of developable professional office space in the central business district**

If the changing nature of work does allow more professionals to work anywhere, including attractive locations as South Haven, it is important to have an inventory of suitable locations, especially in the city's central business district. Adding to the level of year-round employment in South Haven's central business district would also provide support for local retailers and restaurants.

For the past 15 years, shared workspaces have been promoted as providing productive sites for small professional start-ups or entrepreneurs. While there is some evidence that these environments are productive, their success seems to be concentrated in high-density, high-demand urban locations. While the growth in the number of "anywheres" and the possible negative impact the pandemic has had on large urban areas would suggest that shared workspaces may sprout in South Haven, we believe caution is advised.

- **Reexamine the city's home-based business regulations**

The city's existing regulations on home-based businesses are reasonable and are designed to avoid harm they could cause on their surrounding neighborhoods. No large workspaces can be built, no heavy equipment installed, or additional permanent employees hired to work at the residence.

Several of the existing regulations may be difficult to control, such as the disallowance of customers or clients visiting the residence. Would this also include partners? A business meeting of clients, partners, and other project team members could have the same neighborhood impact as a social gathering of friends. Should it not be allowed? Further, the current ordinance restricts business activity to not exceed 10% of the gross floor area of any floor of the residential structure. This appears to disallow a conference room for Internet and in-person meetings, which again could have the same neighborhood impacts as having a large recreational room for friends to enjoy playing games or watching sporting events on a big screen.

We recommend that the city update its policies on home-based business to allow for activities that are required for today's professional entrepreneurs.

The one concern we have about developing a strategy to attract “anywheres” is that it will only have an indirect economic impact on existing residents. Any additional activity in the city will generate spin-off businesses for restaurants, building services, and retailers. Nevertheless, policies that are directed toward improving the economic well-being of the city’s existing residents may have more effective and lasting results.

Strategy 3: Focus on Retaining Industries that offer Year-round Employment Opportunities

The Manufacturing and Health Care and Social Assistance sectors comprise roughly 40% of employment in South Haven. Both industries provide year-round employment and above-average wages for workers. Fostering the stability of these industries is one strategy that can be used to achieve greater employment stability and incomes for the residents of South Haven.

As an industry, manufacturing offers jobs with high wages and year-round employment and generates additional jobs in other industries through its job multiplier effect. Moreover, the city’s existing industrial areas do not conflict with tourist-related land use in the city. However, while manufacturing provides many benefits, manufacturing employment has been in decline nationwide due harsh international competition, advancements in labor-saving technologies, and changing consumer demand as people are buying more services. Despite national trends, manufacturing employment in South Haven has remained relatively stable.

The Health Care and Social Assistance industry also provides many benefits, such as higher wages, to workers in this sector. Additionally, it serves as an important amenity for individuals and businesses looking to relocate to the South Haven area. Further, South Haven’s older population will only increase demand for these services in the coming years. While nationally, health care and social assistance has been among the fastest-growing industry sectors, within South Haven employment in this sector has remained relatively flat.

As Hettinger and Muellen’s (2020) report concludes, the city must decide whether to go it alone or partner with a larger, more comprehensive regional economic development organization in development of its economic development strategy. Having its own economic development department will ensure that the focus of the effort is on the community itself; however, it is unlikely that it could provide the level of service offered by larger regional economic development organizations. Here, the advantages of Holland, with Lakeshore Advantage, and St. Joseph, with Cornerstone Alliance, are clear; however, South Haven can still work to maintain its existing manufacturers and compete for others that want to locate on the shores of Lake Michigan.

Strategy 4: Reconsider Current Housing Policies

Housing affordability is a major concern in South Haven. One in four residents are paying more than 35% of their income in housing, which is higher than the state and nation, as a whole. Given its outstanding location and amenities, this is not surprising; however, we fear that it is also buoyed by the city’s current housing policies. The two policies that we

recommend the city to reconsider is their current lax regulations of short-term residences and strict single-family zoning ordinances.

- **Restrict the location of short-term residences (STRs)**

We recommend that the city consider restricting STRs to only certain areas in the city. This policy is already being pursued in other lakeshore communities (as discussed in the section on Interviews with Comparable Communities). We suggest that they be allowed in only R1-C, the central business district, and the business districts (B1, B2, B3) and R-M. We would suggest that STRs could be allowed in R1-A and R1-A and R-2 **only if it is the primary residence of the owner.**

STRs are a growing and important segment of the tourism lodging industry that brings thousands of dollars into the community. Currently in South Haven, STRs are allowed and scattered in all residential zones in the city. It is a simple and inexpensive process to turn an existing residence into a STR.

Nearly 50% are owned by individuals living outside the state of Michigan. Moreover, since these units offer full kitchens, dinner areas, and large living space, the economic spin-off effects are modest. Renters often bring their own groceries and stay at the unit or the beach. STRs can also harm the social cohesiveness of neighborhoods, as renters constantly turn over. In the winter, STRs can create “dark spots” in the neighborhood. More importantly, they reduce the number of year-round rentals and possible home-ownership opportunities for area residents. While loud parties are a possibility, the greater issue is that the neighborhood environment can be harmed. The price data we gleaned from the Airbnb website suggest that there is an economic incentive for turning even more residences into STRs in the future. It is possible that you could earn as much in 3 months with a STR rental than renting the unit year-round with less cost.

In addition, we suggest that the city should allow homeowners to be able to convert basements, garages, or other existing structures into independent STR lodgings, if they agree that they will reside at the residence when the STR is occupied. The lodging space would have to meet or surpass all code and health standards of the city.

These policies would increase the availability of housing to city residents and potentially increase their income, if they can set up a STR on their properties. It is possible that a more restrictive policy of STRs will have a negative impact on the area’s tourism industry; however, it will likely be very marginal. Finally, it is crucial for all lodging operators to be subjected to the same taxes, fees, and standards.

- **Seek alternatives to single-family zoning**

South Haven retains strong R-1 zoning ordinances that restrict the construction of duplexes or alternative lot size reconfigurations in much of its residential areas. Evidence suggests that these policies restrict housing supply and thereby contribute to the city’s housing affordability problems. Many communities (see section on Interviews with Comparable Communities) are moving to low density planning that allows duplex and lax lot or building

requirements, including height limits, setbacks, and/or minimum lot sizes. In addition, the allowance and regulation of secondary units, when existing lot size allows, should be considered, especially as a source of revenue for existing homeowners.

Strategy 5: Development of an Economic and Community Health Dashboard

Developing an effective dashboard is as difficult as it is important. Its aim would be to monitor conditions and trends that are vital to the city's future. The dashboard must be 1) based on consistent and timely data, 2) easy to understand, and 3) updated on, at least, an annual basis.

Too often dashboards are cluttered with too many data series that can promote inaction and frustration. Just because the data are available and interesting does not necessarily mean those data should be included. In fact, it is possible to have too much data. Second, the data must be timely. Data that are 2 years old can be useful in understanding current conditions, but they are of questionable use in identifying current trends. Unfortunately, this requirement eliminates many standard data sources generated by the federal government, including the U.S. Census and the Bureau of Economic Analysis (BEA). Finally, the data must be easily updateable and affordable.

We recommend that the city partner with area nonprofits, education institutions, and chambers of commerce in the development of real-time indicators for the dashboard. All data series have flaws—small sample size, limited coverage, inconsistent methodology, and other issues that keep data analysts and statisticians up at night. Still, the goal of the dashboard is to point policy makers in the right direction and identify change in the city.

We believe the following data series (see Table 3) could be the foundation of an economic and community economic dashboard for South Haven that could monitor the economic well-being of both its businesses and residents. This list should be considered as a starting point in a discussion regarding the strengths and weaknesses of each indicator, developing a monitoring system, and exploring new indicators while, at the same time, being careful not to clutter the dashboard.

Table 3: Potential Data Series for Dashboard

Indicator	Reason	Source
Job Openings	The change in the number, type, and quality of area job openings reflects the current conditions of the area labor market	BurningGlass
Free and Reduced Lunch	Economic conditions facing households with children	Michigan Department of Education
K-12 School Enrollment	Population trends	South Haven Public Schools
Food Pantry Usage	Economic conditions of all households	We Care I.N.C
Airbnb and Vrbo Prices and Availability	Tourist demand	Monitoring AibBnb and Vrbo website on a consistent basis
Business Vacancies on Phoenix Street and Broadway	General business conditions in the city	Chamber of Commerce
Building permit requests	Monitors residential investment	City of South Haven



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- Regional data analysis

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