A Path to Good-paying Careers for all Michiganders:

Creating places across Michigan where people want to live and work

DECEMBER 2018

FUNDED BY:
Skillman Foundation
Hudson-Webber Foundation
Frey Foundation
Ralph C. Wilson, Jr. Foundation

MICHIGAN FUTURE INC.
A Catalyst for Prosperity

Table of Contents

About this report 4

Why placemaking matters to economic well-being 6

Welcoming to all 12

Development-friendly regulations to create high-density neighborhoods ... 16

Regional economies need flexibility to develop talent strategies 21

Providing and Paying for 21st Century infrastructure, basic services and amenities 23

Transportation as the most important placemaking public investment 30

This report contains a number of links. To use the links please download this report.

Photo credits
Cover image - Susan Montgomery/Shutterstock.com; page 3 - Christian Heinz/Shutterstock.com; Page 4 - Michael Deemer/Shutterstock.com; Page5 - Kenneth Sponsler/Shutterstock.com; Page 11 - Chris Allen/Shutterstock.com; Page 12 - Susan Tucker/Shutterstock.com; Page 19 - Susan Montgomery/Shutterstock.com; Page 20 - ehrlif/Shutterstock.com; Page 21 - Alisafarov/Shutterstock.com; Page 23 - Kelleher Photography/Shutterstock.com; Page 25 - Susan Montgomery/Shutterstock.com; Page 28 - Stephanie Kenner/Shutterstock.com; Page 29 - Chad Ruhl/ Battle Creek CVB; Page 30 - JKPhotogenic/Shutterstock.com.

Michigan Future Inc. Board of Directors

Tonya Allen
President and CEO
Skillman Foundation

Sandy Baruah
President and CEO
Detroit Regional Chamber

Melanca Clark
President & CEO
Hudson-Webber Foundation

Lou Glazer
President
Michigan Future, Inc.

Paul Hillegonds
President
Michigan Health Endowment Fund

Dale Robertson
President & CEO
Grand Rapids Public Museum

Kathleen M. Wilbur
Executive Vice President for
Government and External Relations
Michigan State University

Steven Wilson
President & CEO
Creative Many Michigan

Advisory Committee

David Egner
President and CEO
Ralph C. Wilson, Jr. Foundation

Staff

Sarah Szurpicki
Policy Associate

About this report

This report offers detailed ideas on how state policymakers can implement the placemaking recommendations in our state policy report: *A Path to Good-paying Careers for all Michiganders: A 21st Century State Policy Agenda.*[i]

As with that report, our goal is to offer ideas that will engage readers in a conversation about how Michigan can meet the economic challenges of the future.

Our commitment is to finding common ground: using our diverse experiences, beliefs and insights as assets in developing practical and effective recommendations. We don't all agree on every policy included in the menu of ideas we recommend for consideration in this report. But what unites us far exceeds what divides us.

What we are united on is that the mission of state economic policy needs to change. We believe the goal of state economic policy should be rising household income for all Michiganders. In our view, places with low unemployment rates, but also low personal income, aren't successful. The same is true for other commonly cited measures of economic success such as gross state product and doing well on business-friendly rankings. States and regions, to us, are not successful unless they are places with a broad middle class—places where wages and benefits allow one to pay the bills, save for retirement and the kids' education, and pass on a better opportunity to the next generation.

And we are united in the understanding that creating places where people want to live and work is an essential ingredient in achieving that goal. To create those places will require fundamental shifts in Michigan's approach to economic policy:

- Shift: from an emphasis on being a low-cost state to a state that develops, retains and attracts human capital as its core strategy for economic success.
- Shift: from intolerance to welcoming all people who will increasingly be needed in a 21st century economy as Michigan's population rapidly ages.
- Shift: from an economic strategy based on low taxes to one that recognizes taxes must be balanced with the need for public investment in lifelong learning, workplace skills, placemaking and shared prosperity in retaining and attracting good-paying jobs.
- Shift: from accepting a crumbling 20th century infrastructure to providing a world-class 21st century transportation, water and communications infrastructure.
- Shift: from state limitations that prevent cities and regions from controlling their own destinies to giving them the flexibility to develop, finance and implement their own quality of place strategies.

Why placemaking matters to economic well-being

Over two decades of research has taught us one fundamental lesson: Talent = economic growth. The key to retaining and attracting talent is creating places where people want to live, work and play.

Then New York City Mayor Michael Bloomberg got it right when he wrote in a *Financial Times column:* "The most creative individuals want to live in places that protect personal freedoms, prize diversity and offer an abundance of cultural opportunities." [ii]

Our research on the changing American economy has led us to conclude that, quite simply, in a flattening world where work can increasingly be done anyplace by anybody, the places with the greatest concentrations of talent win. The new path to prosperity is concentrated talent.

The regions with the highest concentration of those with a four-year degree or more are going to be the places where high-wage, high-growth enterprises concentrate. Not low tax, small government, so-called business-friendly regions.

Harvard economist Edward Glaeser, in *Triumph of the City,* details:

> Within the United States, workers in metropolitan areas with big cities earn 30 percent more than workers who aren't in metropolitan areas. These high wages offset the higher costs of living, but that doesn't change that fact that the high wages reflect high productivity. The only reason why companies put up with the high labor costs and land costs of being in a city is that the city creates productivity advantages that offset those costs.
>
> Americans who live in metropolitan areas with more than a million residents are 50 percent more productive than American who live in smaller metropolitan areas.[iii]

And the big metro/concentrated talent advantage is growing in a flattening world. Glaeser poses and then answers the essential question about why cities are the engines of growth despite being the most expensive places to live and do business:

> Once you can learn from Wikipedia in Anchorage why pay New York prices? But a few decades of high technology can't trump millions of years of evolution. Connecting in cyber-space will never be the same as sharing a meal or smile or kiss. … The most important communications still take place in person, and electronic access is no substitute for being in the geographic center of an intellectual movement. … Cities enable the collaboration that makes humanity shine most brightly. Because humans learn so much from other humans, we learn more when there are more people around us. Urban density creates a constant flow of new information that comes from observing others' success and failures.[iv]

When it comes to economic development strategy, Glaeser concludes: "The bottom up nature of urban innovation suggests that the best economic development policy may be to attract smart people and get out of the way." [v] So the foundation of economic development should be creating regions, anchored by vibrant central cities, where smart people want to live and work.

The evidence from around the country is that quality of place is one—possibly the most—important component in retaining and attracting talent. Places with quality infrastructure, basic services and amenities are the places that retain and attract talent the best.

As former Mayor Bloomberg continued in his Financial Times column:

> Many newly successful cities on the global stage – such as Shenzhen and Dubai – have sought to make themselves attractive to businesses based on price and infrastructure subsidies. Those competitive advantages can work in the short term, but they tend to be transitory. For cities to have sustained success, they must compete for the grand prize: intellectual capital and talent. I have long believed that talent attracts capital far more effectively and consistently than capital attracts talent.
>
> … In this respect, part of what sets cities such as New York and London apart cannot be captured by rankings. Recent college graduates are flocking to Brooklyn not merely because of employment opportunities, but because it is where some of the most exciting things in the world are happening– in music, art, design, food, shops, technology and green industry. Economists may not say it this way but the truth of the matter is: being cool counts. When people can find inspiration in a community that also offers great parks, safe streets and extensive mass transit, they vote with their feet.[vi]

Since the publication of our *A Path to Good-paying Careers for all Michiganders*, two high-profile corporate location decisions have made even clearer the importance of quality of place to future economic well-being. Amazon decided that neither metro Detroit or metro Grand Rapids had the talent or the transit to make the list of the 20 finalists for their 50,000 high-paid jobs HQ2. And Ford decided to center their transition to mobility in downtown Detroit.

The New York Times recently wrote about Ford's purchase of the long-abandoned Detroit train station. The article's subtitle is what matters: "By renovating a symbol of the city's decline, the company hopes to create a magnet for the talent needed to prevail in the next automotive era."[viii]

Ford has learned the lesson that far too many Michigan business leaders and policymakers have not: that creating places where young talent wants to live and work is essential to economic success. They have learned that what matters most to their economic survival is talent, and that their biggest competitive threats are located where young professionals are concentrating.

Ford now knows that placemaking is not something you can afford only after you have a strong economy, it's what you need to do to develop a prosperous economy. They have also learned that this cannot be done in the suburbs. To be competitive requires public and private investments to create high-density, high-amenity central city neighborhoods where you do not need to own a car.

As the *Times* writes:

> Ford thinks the Detroit presence in particular will attract young professionals who now gravitate toward Silicon Valley and other high-tech hubs, and typically steer clear of established companies whose corporate ways they see as sterile and rigid. It's the same thinking that prompted McDonald's to move to Chicago from the city's suburbs, and General Electric to relocate to Boston from Fairfield, Conn.[ix]

Amazon, in their HQ2 competition, delivered the same message: that Michigan's two big metros are not worthy of consideration because neither Detroit or Grand Rapids has the talent concentrations needed by knowledge-based service companies.

That metro Detroit offered Amazon up to $4 billion and metro Grand Rapids offered up to $2 billion in tax incentives did not matter. The bottom line: talent and transit were more important to Amazon.

Amazon made clear that it wanted—really needed—to locate in a community with high talent concentrations today and tomorrow. The reality is that in the growing high-wage knowledge-based sectors of the global economy talent—those with a four-year degree or more—is the asset that matters most and is in the shortest supply. Transit is on Amazon's list because it is arguably the most important quality of place amenity to retain and attract the professionals and managers that Amazon needs most.

This also is a prime lesson to be learned from our recently published metro Minneapolis case study *Regional Collaboration Matters*.[x] Metro Minneapolis is doing a far better job than metro Detroit and metro Grand Rapids in retaining and attracting young professionals. They have, for decades,

made creating a place where people want to live and work an economic development priority, and placed an emphasis on the cities of Minneapolis and St. Paul.

Business and political leaders there have understood that amenities like transit, parks, and the arts matter more than low taxes in creating a prosperous economy. They have done things that are off the table in metro Detroit: built strong regional governance, rail transit and higher taxes. The payoff is that on every measure of economic well-being—including the proportion of adults who work and household income—they are a national leader, while metro Detroit—even being the North American home of one of the world's great industries—is now a national laggard as is metro Grand Rapids.

And largely because of the success of metro Minneapolis, Minnesota is the Great Lakes region's best performer, by far, on every measure of individual and household economic well-being.

One might ask, "What does quality of place have to do with good-paying careers for all?" The answer is that talent is mobile, and increasingly, where they go, high-wage knowledge-based enterprises follow.

When employers are deciding where to locate or grow a business, they are supremely interested in whether the locations under consideration can provide the talented workforce that will make them successful. For example, a 2017 survey of corporate consultants by Area Development showed that the availability of skilled labor is the highest ranked factor in choosing a new location. Over the last 30 years, this factor has inched up in importance, and is now important or very important to 95 percent of survey respondents.[xi] This positions the availability of skilled labor as a more important factor than the corporate tax rate, labor costs, or union profile to businesses deciding where to locate.

Increasingly high-wage knowledge-based firms that depend on access to an educated workforce are locating not only near a city, but within its walkable core. More and more, a location in a walkable downtown is considered a draw for attracting talented employees.

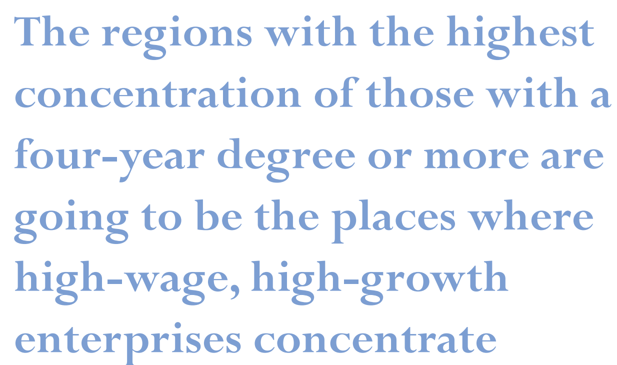
In *Core Values: Why American Companies are Moving Downtown*, Smart Growth America and global real estate advisors Cushman & Wakefield report on their finding that the vast majority of surveyed employers were moving to locations that significantly improved walkability, transit access, and vibrancy. Firms also reported that they required a safe, clean downtown, and were enticed by interesting architecture—for both their own office and its environs—and a city that was easy to work with. They sought locations where their employees would want to live as well as work. Company spokespeople described the ability to attract and retain talented workers as being the primary factor by far in choosing their new locations.[xii]

So concentrated talent increasingly is what most attracts high-wage employers. Talent is also entrepreneurial, so where it is concentrated increasingly are the places with the most high-wage business start-ups. Talent concentration is essential to high-wage job creation.

Where you have concentrations of high-wage workers you get increased demand for local services. Their spending power ripples through the region's economy via increased demand for retail, hospitality, construction and other locally provided goods and services. In the past, that regional demand in Michigan was driven by high-wage manufacturing workers; today, it's driven by high-wage professionals and managers.

It is not just so-called blue-state metros like New York and Minneapolis who have learned this lesson. Turns out that increasingly business and political leadership in the big metropolitan areas of the South and Southwest understand that there is a different recipe for success in the 21st Century. Alan Ehrenhalt reports on their new economic growth agenda in *The Great Inversion and the Future of the American City.* He writes:

> In the first decade of the new century, in cities all over the American South and Southwest, something puzzlingly happened. … leaders of these sprawl-based conurbations that have grown enormously in the past generation began to express deep longing for a downtown. … So it was in a remarkably few years, Phoenix and Dallas and Charlotte did things they would have been considered unthinkable a decade or two before. They spent billions of public dollars on light-rail transit systems; they drafted long-term 'vision' documents that projected a future in which downtowns were friendly to pedestrians rather than automobiles; they won voter support for striking new public buildings and placed them as close to the center of the city as they could.



The regions with the highest concentration of those with a four-year degree or more are going to be the places where high-wage, high-growth enterprises concentrate

> Why did they want those things? … the desire to recruit and retain big corporations, and the sense these companies were uneasy locating in a metropolis without a center. … This was a common refrain across the big Sun Belt cities. In the words of Michael Smith, Charlotte's director of downtown development, the bankers who dominated the town's economic strategy felt they had to have downtown amenities "to attract hip young professionals." Virtually all of these Sun Belt cities agrees with the geographer Richard Florida that future prosperity depended on the ability to lure the "creative class," and that this could be done only with a thriving urban culture.[xiii]

So you have business and political leadership in the South making central cities/downtowns/quality of place an economic development priority, supporting spending billions of taxpayers money on light rail and other central city development projects, and supporting voter approved tax increases. Ehrenhalt writes these Southern leaders have learned from New York, Boston, Chicago, San Francisco, Seattle and Portland that having a big city downtown, "with a sophisticated urban scene that would appeal to the bright young college graduates," is now an economic imperative.

This is the lesson from the South that Michigan's business and political leadership—particularly in metropolitan Detroit and Grand Rapids—need to learn. That the models for future economic success in a flattening world are New York, Boston, Chicago, San Francisco, Seattle and Portland plus non-coastal cities like Minneapolis and Denver, rather than low-cost places. That the path to future prosperity is increasingly talent driven and that to concentrate talent you need a big metropolitan area anchored by a vibrant central city.

Creating a place where people want to live and work becomes even more important as Michigan goes through at least a decade and a half where the number of older workers leaving the labor market will far exceed younger workers entering the labor market. So the competition for working-age population is going to be intense. Those regions without the quality of place that mobile talent is looking for will be at a substantial disadvantage.

In that competition, those who understand that economies are regional will almost certainly have an advantage. It is the region from which employers draw the employees they need. States and municipalities are political jurisdictions, they are not economic units. It is one of the most important lessons we can learn from metro Minneapolis which has arguably the strongest regional governance in the country.

In that competition the evidence is clear: successful metropolitan areas have both strong suburbs and strong central cities. Put another way they offer residents both high-quality low-density, more car-oriented neighborhoods and high-quality, high-density, more walkable neighborhoods. Michigan's big competitive disadvantage at the moment is in the latter. By and large, the state's regions do not have, at the needed scale, the kind of high-density neighborhoods to be leading talent magnets.

It is also clear that the desirable mix of infrastructure, basic services and amenities differ from region to region. What makes small towns and rural communities attractive places to live and work are different than what makes big metros and their big cities attractive places to live and work. So Michigan's diverse regions need the resources and flexibility to develop and implement their own strategies to retain and attract talent. It's an essential ingredient to their future economic success.

Michigan lags the nation in having communities that are powerful talent attractors. Many communities in Michigan know what they need to attract residents—greater flexibility to invest in their community, stronger regional partnership, more walkable downtowns and near downtown neighborhoods, and the ability to show off their unique character. But the state in many ways ties the hands of local leaders, limiting their ability to create special places that can attract talented workers. On top of that, the state has consistently decreased the share of state revenue that goes back into local communities over the last two decades, to the tune of billions of dollars of lost funding.

Two recent reports detail Michigan's placemaking deficiencies. Governor Snyder's 21st Century Infrastructure Commission report provides the details on how far behind Michigan is in having a world-class infrastructure in transportation, water, energy and digital communications. The commission found that Michigan's infrastructure investment gap exceeds $60 billion over the next 20 years with an annual investment gap of nearly $4 billion.[xiv]

A 2016 Great Lakes Economic Consulting report, entitled *Michigan's Great Disinvestment*, details a municipal finance system that makes it nearly impossible for regions and local communities to provide the basic services, infrastructure and amenities required to create a place where people want to live and work. The report details all the restrictions on raising revenue locally as well as the severity of state revenue sharing reductions.

Michigan's Great Disinvestment estimates that between 1998 and 2016, the gap between the actual funding that Michigan's local governments received and what would have been the fully funded levels of revenue sharing is $5.5 billion. Between 2002 and 2012, while 45 states increased municipal revenue from state sources—by an average of 48.2 percent—Michigan led the nation in revenue sharing cuts.[xv]

Combined, the two reports make clear that Michigan is a national laggard in the kind of community development that will drive future economic success for the entire state.

Another reality is that the places where talent is concentrating are increasingly big metros with vibrant central cities. Vibrant central cities are integral because mobile talent increasingly wants to live in high-density, high-amenity neighborhoods where you don't have to own a car.

The 2017 American Community Survey 1-Year Estimates show that 94 percent of college educated 25-34 year-olds live in one of the country's major metropolitan statistical areas. Almost half of them—49 percent—are concentrated in the 20 largest metros in the country. 34 percent live in just the ten largest metros.[xvi]

Every high-prosperity state that is not energy driven has an even higher prosperity big metropolitan area that has a high proportion of residents with a four-year degree or more. Michigan won't be a high-prosperity state unless metro Detroit and metro Grand Rapids are able to compete with national talent magnets.

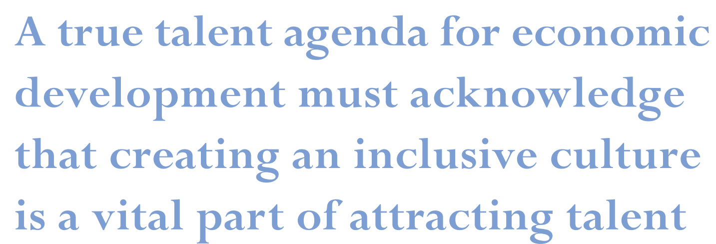
So Michigan needs a placemaking strategy that allows all of its regions to develop and implement their own strategies to be places where people want to live, work and play. And it needs to make sure that metro Detroit and metro Grand Rapids are able to compete with talent magnets like Chicago and Minneapolis.

What follows is a description of what we have learned are the most impactful state policies in making these fundamental shifts. In some areas, clear best practices have emerged from other cities and states around the country, and we attempt to lay out those examples as possible strategies for Michigan. In other areas, the best practice is less clear, and Michigan may have a range of options to choose from.

We delve more deeply into the five placemaking policy levers we have learned matter most:

- Welcoming to All. A legal framework that prohibits all forms of discrimination and access to the resources necessary for social and economic mobility.
- State and local development-friendly regulations that facilitate the creation of high-density, walkable, high-amenity neighborhoods in our cities and inner ring suburbs
- Understanding that economies are regional and each region needs the flexibility to develop and implement their own retaining and attracting talent strategies
- Providing and paying for world-class 21st Century infrastructure, basic services and amenities
- Transportation as the most important placemaking public investment

Reasonable people may disagree about the path to achieving a certain policy goal. In all of these cases, however, the right policy goal is clear. There is no ambiguity in the evidence about whether the state needs more successful, desirable communities to attract the talented workforce that is driving economic well-being. It does.


A true talent agenda for economic
development must acknowledge
that creating an inclusive culture
is a vital part of attracting talent

Welcoming to all

The state must do its part to ensure that no talented workers are turned off and turned away by Michigan's communities. That means a legal framework that prohibits all forms of discrimination. And access to the resources necessary for social and economic mobility.

Being welcoming, in particular toward racial and ethnic minorities; lesbian, gay, bisexual, transgender and queer (LGBTQ) individuals; and immigrants, is important not just to those often marginalized communities but to college-educated Millennials overall. A true talent agenda for economic development must acknowledge that creating an inclusive culture is a vital part of attracting talent.

This is another lesson worth learning from metro Minneapolis. In researching our recent report about how metropolitan Minneapolis became one of the wealthiest and most livable regions of the country, one issue was repeatedly cited by business and community leaders: the need to become more inclusive.[xvii]

Metro Minneapolis, despite being more than 70 percent white, has a well-deserved reputation for being welcoming to everyone, including refugees, immigrants and LGBTQ people. Business and community leaders told us they have a moral responsibility to work toward closing racial disparities. But there's a clear economic imperative, as well.

As in Michigan, economic growth in the Twin Cities is expected to outpace the working-age population growth over the next 20 years or so, giving employers and policymakers pause over how they're going to find enough workers to support that growth.

"There are not a lot of good near-term solutions to growing our workforce," said Peter Frosh, vice president of strategic partnerships at Greater MSP, a regional economic development group. "The best near-term solution we have is inclusion."

The notion that communities perceived as welcoming will be more attractive to potential residents is intuitive. However, what makes a community welcoming is not well studied. Recently, the field of immigrant welcoming has emerged with transferrable lessons on how communities can be perceived as more welcoming. And welcoming can in some ways be understood as the endgame of anti-discrimination: intentionally inclusive versus intentionally exclusive.

Intentional inclusivity goes well beyond the absence of exclusion. Welcoming is a mix of overt and subtle signs that may appear different to different interpreters, and there are indicators that welcoming must be specific to be effective. In other words, to say, "Our state is welcoming to all," may be meaningless to population subgroups that are not a part of the dominant culture—who are accustomed to feeling unwelcome even in places that are not explicitly exclusionary. LGBTQ individuals, immigrants, African-Americans and other non-white Americans still have reason to question whether they will feel welcome in a community that doesn't make specific efforts to allay those concerns.

The following are generally understood to be components of welcoming:

- The lack of legal discrimination,
- Access to the resources necessary to life—transportation, health care, education, etc.,
- Equal economic opportunity and integration into the labor market,
- The presence of spaces for people like you, whether religious, social, or to meet particular cultural needs,
- Active celebration of your culture or community and welcoming messaging from community leadership, and
- Visible leadership in the community by people with a similar identity or culture.

This list may be understood in roughly ascending order from the most minimal (simple non-discrimination is essential, but not sufficient to meet the more inclusive framing of welcoming) to the most actively, intentionally welcoming.[xviii]

While we suggest that the goal should be, as a state, to cultivate a culture that is welcoming to all, immediate policy priorities should focus on three communities: immigrants, LGBTQ, and black Americans. We offer some specific recommendations for each of these groups, but also suggest that creating a welcoming culture is an ongoing effort and any Michigan community can think about ascending to the higher-order components of inclusivity.

Immigrants

Michigan's population is almost seven percent foreign-born, and our population growth in immigrants has helped to offset continued population decline since 2010.[xix] As such, ensuring that the economic power of our foreign-born population is critical. Adam Hunter with the Pew Research Center suggests that the most effective way to integrate immigrants into a community is, "Making integration into the workplace as fast and fluid as possible… [supporting] working, productive economic participation."[xx]

This assertion matches survey findings from the Welcoming Center for New Pennsylvanians. Simply being able to find a job was reported as a key experience that helped new Philadelphians feel welcome in the city. Likewise, job availability was one of the primary factors they would consider when deciding to recommend the city to other friends or family.[xxi]

Immigrants can face particular barriers to economic integration, including language and cultural barriers, low skill levels in some cases, and difficulty transferring qualifications for more highly skilled immigrants. In addition to case management, mentorship, and worker retraining, some success has been seen through strategies that focus on employer education and on removing licensing hurdles. Michigan has been at the forefront of the latter effort through the work of Michigan Department of Licensing and Regulatory Affairs (with several partners) to create professional licensing guides for eleven in-demand fields, and should continue that work. In addition, Michigan has an Office of Immigrant Affairs, which can work to advance initiatives to integrate and empower Michigan's foreign-born.[xxii]

But Michigan, like many states, has not well funded other supports for immigrant barriers, such as English as a Second Language (ESL) classes, which are always over-subscribed.[xxiii] The state could take a lead in funding supportive transportation or help getting a driver's license, citizenship training, and having interpreters available for government-provided services, educational institutions, and healthcare facilities. Municipal ID cards (which provide a legal form of identification to a variety of residents who would have difficulty obtaining a driver's license, including undocumented residents) are a solution a number of cities have pursued—including Detroit, which launched its municipal ID card in 2016.

In addition, foreign-born students face a special hurdle to college education that is easily removable. Despite living in Michigan and attending high school in Michigan, undocumented high school graduates are not offered in-state tuition at most Michigan universities. 16 states offer tuition equity, or the policy that undocumented college students can qualify for in-state tuition if certain other conditions are met.[xxiv] The University of Michigan offers tuition equity, but we lack such a state policy.

Nashville's MyCity Academy, which was launched in 2012, has been lauded for its role in helping integrate immigrants in Nashville. It acquaints participants, all

new Americans, with the different functions of metro governance—from education to social services to economic development. In addition to supporting the immigrants who participate, it also builds important bridges between government agencies and immigrant communities, as applicants to the program are selected on their leadership and their connections. Each participant commits to serving as a liaison for the immigrant community to which they belong, easing community isolation.[xxv] This would serve as a powerful best practice that could be supported by the state but implemented locally.[xxvi]

Lesbian, gay, bisexual, transgender, and queer individuals

While discrimination based on race or ethnicity is already illegal, sexual orientation and gender identity remain non-protected classes in Michigan. Several states have advanced policies to reverse this, such as: passing an LGBTQ non-discrimination ordinance, prohibiting housing discrimination based on sexual orientation or gender identity, passing laws that address hate and bias crimes based on sexual orientation or gender identity, and adding LGBT protections to state anti-bullying laws.[xxvii]

The first step in Michigan should be the addition of LGBTQ non-discrimination to the Elliott Larsen Civil Rights Act, which prohibits discrimination based on religion, race, color, national origin, age, sex, height, weight, familial status, or marital status in the areas of employment, housing, education and access to public accommodations. Notably, it does not prohibit discrimination based on sexual orientation or identity.

Once Michigan meets this minimum baseline of non-discrimination, there are a variety of approaches other states have taken to become even more welcoming, by showing that they are concerned with the issues that affect LGBTQ individuals.

For LGBTQ—and particularly transgender—Americans the provision of health care has been an area fraught with barriers. Recent changes in health insurance and the national right to marry have made improvements. Transgender people still have difficulty getting the medical care they need. For instance, in a national survey of transgender and gender non-comforming people, 70 percent reported experiencing some type of discrimination when receiving healthcare—including being refused care outright.[xxviii] As a corrective, a few states have passed bans on insurance exclusions for transgender healthcare and/or have transgender-inclusive health benefits for state employees.[xxix] States could also fund practitioner training to help address the knowledge gap that often leads to uncomfortable and alienating medical care for transgender people.

Additionally, states can facilitate gender designation changes on birth certificates and/or driver's license—which allows transgender people to obtain proof of identity documents that match their gender.

People of Color

Racial discrimination is an ongoing reality in employment, education, housing and the criminal justice system. Michigan has a legal framework that prohibits all forms of racial discrimination. But the everyday experience of people of color tells a very different story. One of, in far too many instances, anything but equal treatment.

When it comes to access for people of color to the resources necessary for social and economic mobility we have a long ways to go. Our agenda is built on our core learning that class is now the main dividing line in the American economy and increasingly class is defined by college attainment. But that reality doesn't mean that race is no longer a factor in access to resources for economic and social mobility. The fact is that both class and race are barriers.

In our *Improving student outcomes from education, birth to college* report we detail a state policy agenda to ensure that all Michigan children receive a quality education to prepare them for good-paying careers in a 21st Century economy. Included are recommendations for reducing concentrated poverty in both housing and schools.[xxx]

In our *Sharing prosperity with those not participating in the high-wage knowledge-based economy* we detail our state policy recommendations to better connect those not participating in the high-wage, knowledge-based economy to careers that provide the wages and benefits needed to pay the bills, save for retirement and pay for the kids' education.[xxxi]

Implementation of the policy recommendations in these two reports—along with aggressive enforcement of anti-discrimination laws—would go a long way in creating a Michigan that meets the goal of a legal framework that prohibits all forms of discrimination and access to the resources necessary for social and economic mobility.

Given the disproportionate impact of our system of mass imprisonment on black Americans, implementing criminal justice reforms is a key to improving economic participation of African-American Michiganders. This issue, too, is addressed in our "Sharing prosperity" paper, referenced above. Especially with recent episodes of police violence against black Americans, another urgent need is to consider efforts to increase police accountability.

President Obama's Task Force on 21st Century Policing issued 59 recommendations for states and police departments in 2015.[xxxii] It contains recommendations in areas that include developing trust and legitimacy, responsive policies, community policing, and officer training (among others).

The Center for American Progress released four recommendations for increasing police accountability, all of which have elements or parallels that could be implemented at the state level:

1. Increase the use of special prosecutors in police misconduct investigations.
2. Enhance the collection of data on fatalities involving police.
3. Implement implicit bias training for all federal law-enforcement officers and state and local police involved in federal task forces.
4. Increase the federal government's oversight of police conduct."[xxxiii]

These measures are aimed at addressing the disparities in police response toward whites and non-whites, at creating a greater sense of oversight of policing, and separating that oversight from prosecutors who depend on relationships with the police they may be investigating. The first three measures—ensuring that special prosecutors are involved in police misconduct investigations, enhancing the collection and transparency around police misconduct, and conducting implicit bias training, could all be embraced and enabled by the state.

Development-friendly regulations to create high-density neighborhoods

Just as talent—the asset that matters most to future economic growth—comes in all human varieties, talented people are looking for a wide variety of quality of place features in where they want to live and work. Probably most importantly, some are attracted to low-density car-oriented neighborhoods and communities and others—particularly a growing portion of young professionals—are attracted to high-density, walkable, transit-rich neighborhoods and communities.

Successful regions will be those that provide both kinds of neighborhoods and communities. It isn't either/or it is both/and. The regions—no matter their size—that will be the most successful in retaining and attracting talent almost certainly will be those who offer a combination of high-quality high-density and high-quality low-density neighborhoods.

Michigan and its regions face two challenges. Across the board the state and its regions have underinvested in the provision of infrastructure, basic services and amenities that are vital to retaining and attracting talent. And the state has put in place a set of policies that overwhelmingly favor low-density and car-oriented development. The latter is the focus of this section.

This pro low-density, car-oriented development policy is embedded in various state actions overseen by a range of agencies and departments. Cities are not supposed to look like suburbs. The goal in this area should be to ensure that regions can choose to give their core city development a truly urban shape and feel, since that is what many talented mobile workers are seeking.

The demand for high-density, walkable, transit-rich neighborhoods is not exclusive to central cities. The most successful regions are increasingly also characterized by inner ring suburban communities that provide walkable, dense neighborhoods.

Because having attractive, functioning cities must be a goal for the state, Michigan must align its economic development tools to foster urban redevelopment. Michigan cities have been so disinvested for so long, that they seriously lack in the amenities that knowledge workers want. Additionally, private developers still face challenges, costs, and risks in developing property in Michigan's cities. While at some point the private market may stabilize such that the payoff will be worth these elevated costs, evidence suggests that it hasn't yet.

We know how to create high-density, high-amenity, transit-rich neighborhoods. National organizations like Smart Growth America, the Project for Public Spaces and the Urban Land Institute are a fount of knowledge about what to do and how to do it. In Michigan, for more than a decade, the Michigan State Housing Development Authority (MSHDA)-convened Sense of Place Council has brought together the relevant state agencies as well as local and state entities with placemaking expertise. They too have laid out what needs to be done and how to do it.

What has been missing is political will. First making placemaking a state economic and community development priority. And then giving high-density, walkable neighborhoods and communities at least a level playing in regulations, programming and funding with low-density, car-oriented neighborhoods and communities. If Michigan is going to attract the talent it needs to be a high-prosperity state both need to change.

Michigan, first and foremost, needs state policy that makes placemaking an economic priority and makes greatly expanding, in all regions of the state, high-density neighborhoods a placemaking priority.

Some of the policy levers that other states have used effectively to create places where people want to live and work include:

Geographic targeting of incentives

Geographic targeting often comes in the form of Enterprise or Empowerment zones, tax increment financing (TIF) districts (which Michigan legislation enables), and "as of right" spending, to which a community or project is entitled. Additionally, competitive-incentive funds can be used to target specific geographic communities by awarding additional points to projects from priority areas.

Maryland implemented Priority Funding Areas in 1997, meant to support development in five areas: municipalities, Baltimore city, areas inside the beltways of DC and Baltimore, designated revitalization neighborhoods and heritage areas, and Enterprise and Empowerment Zones. [xxxiv], [xxxv]

Massachusetts implemented its Commonwealth Capital Program in 2005 and tweaked it frequently while in operation to enable the state to use discretionary funding to advance smart growth. The program awarded funding to communities for capital projects and infrastructure based on whether a city or town is engaged in smart growth planning. It also allowed the state to fund projects that further smart growth principles. The sheer size of the funding pot alone should be instructive to Michigan—annually it provided $500 million of grants and loans, pooled from transportation, housing and economic development, and energy departments. Considering these normally distinct pots of money and decision-making together allows the state to maximally leverage its discretionary funding to further smart growth development.

Another model comes from Illinois, which passed its Business Location Efficiency Act in 2006. The Business Location Efficiency Act increases, by ten percent, corporate income tax credits already offered under the Economic Development for a Growing Economy program for projects located near affordable housing and transit.[xxxvii]

Subsidize developments that contribute to density, particularly brownfield redevelopment

Construction budgets for buildings in urban areas are often 20 to 40 percent higher than those in drivable suburban areas. These projects therefore require greater equity from developers, and pay off more slowly.[xxxviii]

The Maryland Heritage Structure Rehabilitation Tax Credit Program, which offers developers tax incentives of up to 20 percent of eligible rehab costs, led to the redevelopment of 407 commercial structures between 1996 and 2008.[xxxix] An investment of $213.9 million in state tax credits facilitated over $1.02 billion in spending by developers. The projects were clustered in and around Baltimore, and leveraged for $172.2 million in federal dollars.[1] A report by the Northeast-Midwest Institute found that, "Owing to their challenging nature, most commercial projects would not be attempted without the equity provided by the combination of state and federal incentive programs." Over the same time period, the tax credit was used to rehab 2,351 historic residential structures, involving over $217.1 million in total spending by owner-occupiers and developers.[xl]

In addition to funding brownfield redevelopment through the Michigan Community Revitalization Program (MCRP), Michigan should ensure that brownfield cleanup activities, including site assessment and site preparation, are allowable activities under any other infrastructure and capital programs.[xli] In addition, developers of brownfields may face difficulties other developers do not, and at minimum, Michigan should evaluate whether the MCRP provides a great enough incentive and the flexibility needed to help developers take on brownfield redevelopment projects.

[1] All figures in this analysis are in 2009 U.S. dollars

Zoning

Standard zoning codes describe permissible uses of space with the goal of keeping disparate uses geographically separated (for instance, keeping housing away from commercial businesses). These zoning regulations, often not updated for decades, are designed on the assumption that people will be traveling by car between and among places with different uses. As such, they may include requirements specifying things like the amount of parking available, distance between buildings and sidewalks, or limits on building height. This has the effect of prohibiting the mixed-use, pedestrian facing development that creates walkable urban places.

One possible improvement lies in the implementation of form-based codes, which have been adopted in many places as overlays to the existing zoning codes, and which specify the form of the building rather than the uses that are permissible inside it.[xlii] Forms, which can be designed to promote walkable urbanism, can be used to preserve or shape a neighborhood's character and feel.

For more than a decade Grand Rapids has been a leader in using form-based codes to create the kind of neighborhoods where talent wants to live and work.

In 2001, Nashville—one of the fastest growing metros in the country—switched to form-based zoning codes in overlay districts. The city also launched Design Studio, which provides technical support to property owners considering a new development anywhere in the city. Design Studio can help lead public participation, create code, and oversee development review.[xliii]

Alternatively, the city of Albuquerque, New Mexico developed a set of standards that entirely replaced its standard zoning in each district. Each of these standards—like the prohibition on commercial surface parking lots that don't meet certain design standards or requirements about the accessibility of a building's front door—promotes walkable urbanism.[xliv]

Impact fees to reduce subsidies for low-density infrastructure

Impact fees, which a community charges to a developer to help defray the cost of infrastructure related to the development, are used in a number of states—and, if used appropriately, can encourage smart growth. Michigan currently lacks enabling legislation to allow cities to levy impact fees altogether.

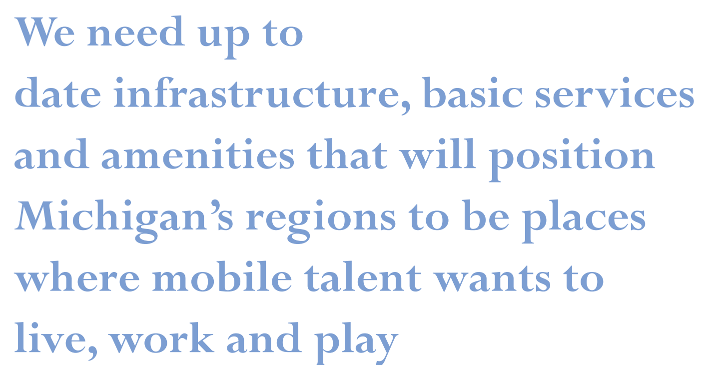
A fiscal analysis found that the cost of infrastructure per housing unit in Albuquerque was 22 times higher for units on the edge of the metro than it was for residential units downtown. In other words, historically, residents in urban areas are essentially subsidizing the costs of infrastructure for suburban development. Albuquerque responded by pursuing the use of impact fees that ranged according to location—$1,000 per unit downtown and $11,000 on the fringe.[xlv]

Promote housing in downtowns

Walkable places by definition include housing, of which there is not a sufficient supply in Michigan's downtowns. Successful downtowns are now, first and foremost, residential neighborhoods. And much of the demand for downtown living is for rental housing.

The new reality is that renters are now an asset, not a liability, in a community's economic well- being. Richard Florida summarizes the data in *CityLab* this way:

> Homeownership is no longer the key driver of America's industrial economy. Across the U.S., cities and metros with higher rates of homeownership have had more trouble adjusting to the demands of the knowledge economy, trapping their residents in housing they cannot sell and limiting their ability to adjust to economic downturns. Meanwhile, cities and metros with more renters have proven better able to cope with the transformation from an industrial to a knowledge economy.
>
> In fact, metros with greater shares of renters have higher wages, higher productivity (measured as economic output per capita), and greater concentrations of high-tech firms, according to Mellander's basic correlation analysis. Metros with greater shares of renters also have higher concentrations of highly educated adults with college degrees and a greate share of the workforce made up of creative class workers in science and technology, knowledge-based professions, and arts, culture, entertainment, and media. Metros with greater shares of renters are also substantially denser and more diverse—two other factors that contribute to innovation, creativity, and economic growth.



We need up to date infrastructure, basic services and amenities that will position Michigan's regions to be places where mobile talent wants to live, work and play

> On the flip side, metros with higher levels of homeownership are less innovative, less productive, less diverse on average, and have less talent. These associations are even more pronounced when we look at just the 51 large metros with more than one million people.[xlvi]

The State of Michigan could help promote downtown housing by commissioning market studies and communicating the expected demand, making it easier for developers to feel confident in their investments. Cities or the state can also take steps to make development more affordable, by, for instance, amortizing impact fees (were Michigan to require them) and offering expedited permitting to developers who are developing housing that matches the needs identified in a city's plan.

Tax Incentive Evaluation

Recently, some states have begun to require transparent measurement of their tax incentives to better understand whether they are achieving their intended effects. Under Governor Snyder, Michigan has improved its data collection and data quality review. But Michigan has yet to join the trend of states that have passed evaluation laws in the past few years, which require regular, rigorous, independent evaluations of tax incentive programs.[xlvii]

According to the Pew Charitable Trusts, 23 states passed these evaluation laws between 2012 and 2016. While they vary from state to state, many include efforts to connect the evaluation directly to future policy recommendations. Indiana, for example, requires the evaluation to include a cost-benefit analysis, a return-on-investment calculation, the number of jobs created, and the extent to which the incentive achieved or furthered the program's goals.[xlviii]

Tax incentives reduce available funding for public investments. So they should be evaluated on whether the public investments are more beneficial to improving economic well-being than is the development getting the tax subsidies. Michigan should also be making decisions on what tax incentives to grant and for how much, based more on whether they retain and attract talent, rather than whether they retain and attract jobs. Since it is talent, not just numbers of jobs, that drive economic well-being.

Regional economies need flexibility to develop talent strategies

Economies are regional. States and municipalities are political jurisdictions, not economic units. State economies can best be understood as the sum of their regional economies.

Regions can best be understood as the geography from which employers draw their workers. The reality is many us live in one community and work in another. For employers to have an adequate supply of talent, they need to be located in a regional labor market that is an attractive place to live and work.

In an era when those entering the labor market is going to be substantially smaller than those leaving the labor market, retention and attraction of talent becomes essential to economic growth. If you don't have enough talent, employers will go elsewhere.

As we wrote earlier, the desirable mix of infrastructure, basic services and amenities will differ from region to region. What makes small towns and rural communities attractive places to live and work are different from what makes big metros and their big cities attractive places to live and work. So Michigan's diverse regions need the resources and flexibility to develop and implement their own strategies to retain and attract talent. It's an essential ingredient to their future economic success.

As we will explore in the next section that means developing a system of funding at both the state and local level that gives maximum flexibility to regions to develop and finance their own definition of what infrastructure, basic services and amenities are needed to retain and attract talent.

As difficult as the politics are, the reality is that the more those decisions can be made at the regional, rather than the local community level, the more likely it is that employers will have access to the talent they need.

In the Great Lakes, the best example of the power of regionalism is metro Minneapolis, the most prosperous region in the Great Lakes, by far. It has arguably the most powerful regional governance in the country. Regional collaboration, an elusive goal in many metropolitan areas, is on steroids in the Twin Cities. As we detail in our metro Minneapolis case study:

The seven-county Minneapolis metro area has been providing key governmental services, including waste- water treatment and transit, regionally for decades through what experts say is a unique entity called the Metropolitan Council.

Unlike most regional planning agencies around the country that are organized as councils of local governments, the Met Council, as it's known locally, has 17 members who are all appointed by the governor under state law. It is "more powerful and influential than any similar body in the United States," said Minn-Post, a nonprofit news organization in Minneapolis.

In 1967, Republican Gov. Harold LeVander signed legislation passed by the Republican-controlled Minnesota Legislature creating the Met Council.

In appointing the council's first members, LeVander said the Met Council "was conceived with the idea that we will be faced with more and more problems that will pay no heed to the boundary lines which mark the end of one community in this metropolitan area and the beginning of another."

Over time, the Met Council took on responsibility for operating the regional sewer and transit systems, and administering federal low-income housing vouchers. It also has purchased tens of millions of dollars worth of parkland and open spaces for a regional park system, created in 1974, that now includes 53 parks and 340 miles of interconnected trails.

Studies have shown that the Met Council has generally delivered services more efficiently and at a lower cost than local communities could do it on their own. And it has been a key driver in developing the metro area's highly regarded public transit and regional park systems.

Another unique aspect of regional collaboration in the Twin Cities region is a tax-base-sharing program known as Fiscal Disparities that requires nearly 200 local entities to share a portion of property tax dollars generated by industrial and commercial growth in the metro area.

The program redistributes hundreds of millions of dollars a year among communities, schools and special taxing districts in an effort to even the tax burden across the metro area, reduce competition among communities for commercial and industrial development, and ease pressure to develop land better suited for recreation and open space.

Fiscal Disparities is credited with reducing competition among local governments for development, helping less wealthy communities provide quality government services and allowing for better land-use planning.

"For the vast majority of (metro Minneapolis communities), the sharing program has meant lower taxes and better services," Bruce Katz and Elizabeth Kneebone of the Brookings Institution wrote in 2015.[xlix]

The Met Council and Fiscal Disparities are seen as national models of regional cooperation and key elements in making metro Minneapolis one of the most livable regions of the country.

What metro Minneapolis teaches us is that:

- Regional governance is the result of state policy. Both the Met Council and Fiscal Disparities were created by state legislation
- Some essential services are best provided and paid for at the regional level
- Tax based sharing is an effective lever to reduce within region competition—which does nothing to grow the economy—for business location and in insuring that all parts of a region are able to better provide needed infrastructure, basic services and amenities.

Providing and paying for world class 21st Century infrastructure, basic services and amenities.

We will second the argument many others have made that Michigan is structurally setting its communities up for failure, and provide examples of how other states have avoided the same pitfalls.

When the goal is the creation of communities where people who have options want to live, at minimum, communities must provide basic city services: safe neighborhoods, well-lit streets, reliable trash pick-up, responsive emergency services, etc. Additionally, the sense that the city is stable, forward-looking, and invests in itself helps people make the decision to invest their own lives there.

As the tragedy of Flint reminded us all, up to date infrastructure is an essential ingredient to livable communities. Transportation, water, energy and digital communications systems need to be world class for Michigan communities to compete for talent.

Amenities matter too. Former Mayor Bloomberg's list of characteristics that attract talent included parks and cultural opportunities. Two of America's most prosperous non-coastal regions—Denver and Minneapolis—have made public investments in the arts and parks a cornerstone of their strategy to be talent magnets.

Since 1989, Denver's Scientific and Cultural Facilities District has distributed funds from a 1/10 of one percen sales and use tax to cultural facilities throughout the seven-county Denver metropolitan area. The funds support cultural facilities whose primary purpose is for enlightening and entertaining the public through the production, presentation, exhibition, advancement or preservation of visual arts, performing arts, cultural history, natural history, or natural sciences.

A 2008 voter-passed amendment to Minnesota's constitution, known as the Legacy Funds, raised the sales tax by three-eighths of one percent to protect the environment, support arts and culture, and fund parks and trail projects.[li]

Thirty years before that, Minnesotans passed another constitutional amendment that created the Environment and National Resources Trust Fund that supports various projects related to the environment, fish, wildlife and other natural resources. The fund captures 40 percent of net state lottery revenues, guaranteed through 2024, and accepts private donations.[lii]

Since 2010 the two funds have distributed more than $2.5 billion for projects designed to protect and enhance the environment, build parks and bolster arts and culture.

For more than a decade, Michigan has been undermining local government budgets and the ability of its communities to be successful. The primary reason is an inaccurate belief that low- tax places have the best economies. Not surprisingly,

while many cities around the country—even those that have also experienced decades of population decline—are now growing, Michigan's major cities are not.

Michigan needs to reverse course and invest in the growth and development of its regions and local communities. When in June 2018, Highland Park exited emergency management, it was the first time Michigan had no cities or school districts under emergency management since 2000.[liii] Though municipal finance has been a challenge in cities around the country, it seems especially widespread and acute in Michigan.

Michigan's municipal funding crisis occurs at the crux of three state policies, that, taken together, have been devastating. One set of policies constrains the rate at which property taxes can grow; another prohibits municipalities from levying taxes not enabled by state law; and the third has cut revenue sharing to local communities precipitously over the past nearly 20 years. We will add to this that Michigan's emergency management approach to fiscal distress is too little, too late given the convergence of the aforementioned policies, and thereby increases the likelihood that local governments end up in trouble.

1. Property tax limitations: According to Joshua Sapotichne, et al, from Michigan State University, Michigan has delivered a one-two punch of major constitutional amendments enacted by voters: the Headlee Amendment in 1978 and Proposal A in 1994, which have significantly contributed to the precarious fiscal position of many Michigan municipalities.[liv]

The Headlee Amendment capped increases in property tax revenues at the level of inflation. So in years when property values in Michigan rose faster than inflation, millage rates were reduced. The result is that in years when property values rose quickly, cities missed out on significant revenue. Proposal A, approved by voters in 1994, adds a further layer of restriction on municipalities' ability to raise revenues. Prop A limits property assessment increases at five percent or the rate of inflation, whichever is less. As a result, revenue from property taxes can drop drastically during economic downturns, as they did during the Great Recession when property values spiraled down, but that lost revenue cannot be restored if property values rebound quickly. Prop A also eliminated a provision in the Headlee Amendment that allowed cities to increase millage rates to match that of inflation during years when the inflation rate was higher than the rate of increase of property values. So, during years when cities might have been able to shrink the gap between boom-time and recession-time property values, they don't have the freedom to do so.

2. Prohibition on local and regional taxes: The limitations in property tax rate growth are particularly challenging because, since 1964, Michigan law has prohibited local governments from levying any tax not explicitly authorized by state law.[lv] 22 Michigan cities levy an income tax. Additional taxes must be enabled by the state. Thereby the state severely constricts municipalities' ability to raise funds via alternative means, leaving them dependent on the limited property taxes and on state revenue sharing. Most notable is the prohibition on local sales taxes.

3. Failure to fully fund revenue sharing: With these severe constraints in how cities can independently raise revenue, they are more dependent than ever on revenue sharing from the state. State revenue sharing has two components, both of which are based on state sales tax revenue. Payments required by the state constitutional, which fell during the recession with declining sales tax revenue, and statutory revenue sharing, the allocation of which is stipulated by the legislature, but which is not actually required to be distributed. Fully funding the revenue sharing commitment has declined significantly since 1998, at which point the state began redirecting the money to balance the state budget.

Michigan's Great Disinvestment, by Great Lakes Economic Consulting, estimates that between 1998 and 2016, the gap between the actual funding that Michigan's local governments received and what would have been the fully funded levels of revenue sharing is $5.538 billion. Between 2002 and 2012, while 45 states increased municipal revenue from state sources—by an average of 48.2 percent—Michigan led the nation in revenue sharing cuts. The state's municipal revenues from state sources declined by 56.9 percent over that period.[lvi] According to municipal leaders in a 2017 survey, 17 percent of jurisdictions saw revenue from the state increase from 2016, while 19 percent report continuing decreases. The rest remained at similar levels.[lvii]

The places with the strongest economies are those that combine high-quality education systems and quality of place that retain and attract mobile talent

In addition, the state imposes some expenditure requirements on cites that further tax municipal budgets. In some cases, program responsibilities are shifted to municipalities without providing additional funding.

Michigan needs to transform its system for funding local government. The current system structurally leave regions and local communities with inadequate resources to fund the infrastructure, basic services and amenities require to compete for talent. So yes, to implement our recommendations will almost certainly require state and local/regional taxes to be higher than they are today. But we think that what that revenue can purchase has the best chance of contributing to our goal of a higher standard of living for all Michiganders.

What about low taxes as a path to prosperity? We have long believed, and the data show, that the states and regions with the most prosperous economies—the broadest middle class—will be those who make pubic investments in the assets needed to prepare, retain and attract talent. That ultimately it is talent concentrations, not low taxes, that matter most to economic prosperity.

As we documented in our *State Policies Matter* report, Minnesota has the Great Lakes' best economic outcomes and the highest taxes in the Great Lakes. Minnesota ranks 46th in the latest Tax Foundation state business tax index; Michigan ranks 12th. High taxes have not prevented Minnesota from having the economic outcomes all Michiganders want: third in the proportion of adults who work, 14th in per capita income and eighth in employment earnings per capita. Michigan on those measures ranks 40th, 32nd and 36th. One can make a strong case that the increased public investments those higher taxes enabled is a major reason for Minnesota being the most prosperous Great Lakes state.[lviii]

Michigan's experience over the last 20 years provides ample evidence that cutting taxes is not a way to increase state prosperity. In 1993 Michigan taxes (state and local combined) per capita were 3 percent above the national average and the state's per capita income was 3 percent below the national average. In 2004 the state's taxes per capita had fallen below the national average by 3 percent but we had fallen even farther behind the nation in per capita income, trailing the nation by 6 percent. And in 2013 (the last year for which tax data by state is available) the state was 12 percent below the national average in taxes per capita and 12 percent below the national average in per capita income.[lix]

The places with the strongest economies are those that combine high-quality education systems and quality of place that retain and attract mobile talent. Both education and placemaking require public investments. These types of public investments, paid for by our taxes, are the state policy playbook most likely to return Michigan to high prosperity, creating an economy with lots of good-paying jobs.

That said, raising taxes is not our goal. It is a means to making the kind of public investments we think are essential to the goal of good-paying careers for all Michiganders. Getting to the goal is what is important.

Municipalities have a responsibility to address long term legacy—retiree health care and pension—costs, which place significant burdens on municipal budgets. Any sustainable fix to this issue will free up resources for the provision of high-quality 21st Century infrastructure, basic services and amenities.

The state, of course, should be open to the provision of high-quality 21st Century infrastructure, basic services and amenities by the private sector. Some already are. But when the provision is left entirely to the private sector it tends to underserve low-income neighborhoods and low-density places. And when these goods and services are provided by the private sector with public money or subsidies the track record is mixed at best. In her book *Move*, Rosabeth Moss Kanter describes public/private partnerships that have worked really well and some which are a cautionary tale about turning things over to the private sector.[lx]

Who provides infrastructure, basic services and amenities is the wrong question with which to start. The question we need to be focused on is who can best provide up to date infrastructure, basic services and amenities that will position Michigan's regions to be places where mobile talent wants to live, work and play.

As we explored in the previous section, the provision of much of the needed infrastructure, basic services and amenities can best be provided and financed by regions, not local units of government—a Metro Council type entity that both provides public services and levies taxes.

Substantial increase in returning state revenue from the state to local governments in a way that encourages regional cooperation.

The big idea here is something that might be thought of as super revenue sharing. Returning a substantial proportion to Michigan regions of the state taxes raised from each region to pay for basic services, infrastructure and amenities. Not just revenue sharing, but also transportation, water, parks and outdoor recreation, housing and any other state funding streams that involve the provision of local/regional infrastructure, basic services and amenities. The funds should be returned with little or no state mandates on how the funds can be used. The goal is to allow regions to develop and fund their own strategies for creating places where people want to live and work.

Other states have responded to the economic swings of the last two decades differently than Michigan has: with disinvestment in local communities. While Minnesota, similar to Michigan, cut revenue sharing over the course of the 2000s, the state increased revenue sharing by $120 million between 2013 and 2014. This was due largely to an increase in tax revenues at the state level, partly through a higher income tax rate for families making over $150,000.[lxi] Despite facing a budget shortfall equal to one-quarter of its general fund, Connecticut increased revenue sharing to municipalities by 10 percent, and at least two years later had not made cuts.[lxii] Rhode Island launched an innovative program that responds to conditions similar to those in many Michigan communities. The state created the Distressed Communities Relief Fund, which provides aid to communities with a high property tax burden relative to taxpayer wealth. In 2014, seven municipalities received funding totaling $10.4 million. [lxiii]

States have also set up different responses to financial distress within their cities. Unlike Michigan's emergency management system, which offers budget-tightening as the only response to structural problems, and does so when the situation is already dire, several states work proactively to support fiscal health.

- New Jersey: For cities experiencing financial distress, New Jersey assists local officials—rather than replacing them with an emergency manager—with capacity building and technical support to avoid bankruptcy. The Division of Local Government Services (within the Department of Community Affairs) provides advisory services to local governments, and licenses and educates local officials. Regardless of fiscal status, the state reviews all local government budgets, and approves certain financing and expenditures. This helps the state intervene before a crisis is reached. Finally, the state uses its Qualified Bond Act Program to help ensure stability and prevent default.[lxiv]
- Pennsylvania: Cities in financial distress may enter receivership under the department for the state's Center for Local Government Services.
  The receivership board can implement cost-savings or revenue-raising strategies that are not available to local officials (including raising taxes above the legal maximum). Additionally, receivers are often able to facilitate the acquisition of additional state funding for the community. Exiting receivership is difficult and includes a period where communities are "weaned" off of the additional funding they have been able to access. According to Sapotichne et al, only seven of the 28 distressed communities that have entered receivership in Pennsylvania have then exited.[lxv]
- New York: New York passed special legislation to create local control boards to address instances of local government fiscal crisis, which means that responses—including the powers of each board—can be different from city to city. Buffalo has had a local control board since 2003, which has helped manage school district responsibility, restructured the city's pension and health insurance plans, and brokered an arrangement to transfer some city park maintenance to the county, and closed a number of libraries.[lxvi]

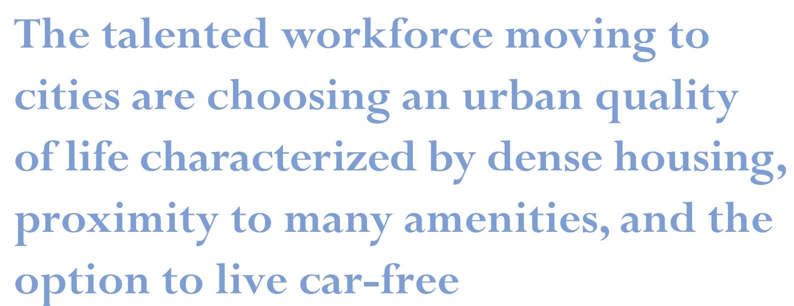
Removing restrictions on local government taxing authority, including a local/regional sales tax option.

Michigan clearly needs to rethink its restrictions on property tax increases. The inability for local communities to share in the increase of property values is a major impediment to creating places where people want to live and work.

And the state needs to rethink the restriction on what taxes can be leveled by local communities. As with revenue sharing, many states have chosen a different approach, and for instance allow additional general sales taxes, selective sales taxes (like the soda tax that Philadelphia passed in 2016 to fund early childhood education), or specific service or product taxes like restaurant meals and rental cars (which burdens tourists more than local residents).

Most regions have funded their transit systems with a sales tax. As we saw above, the sales tax was used to fund the arts and parks in Minnesota and metro Denver. Not having a local sales tax option puts Michigan communities at a major disadvantage.

A 2016 survey of local elected officials in Michigan, not surprisingly, showed that the majority would prefer the option of having revenue sharing fully funded and reforming the Headlee Amendment to levying local taxes—but 66 percent replied that they would attempt to raise additional local revenue if it were permissible.[lxvii] Michigan isn't giving them much choice. The most recent version of the CLOSUP survey, from 2017, local government officials reported an increased level of fiscal stress in 2017 over 2016 or 2015.[lxviii]


The talented workforce moving to cities are choosing an urban quality of life characterized by dense housing, proximity to many amenities, and the option to live car-free

Transportation as the most important placemaking public investment

We finish with a deep dive into transportation. Transportation is at the epicenter of most of the themes of this report. It is Exhibit A—along with Flint water—of the state allowing its 20th Century infrastructure to crumble. Transportation is also a basic service and a high-priority amenity. It is best designed and provided regionally. It is a leading-edge example of an infrastructure that needs to be transformed for the 21st Century. And it is, almost certainly, the most powerful lever in the creation of high-density neighborhoods and communities.

Transportation as a basic service

First, transportation policy must create access for Michiganders to meet their daily needs: jobs, healthcare, education, shopping, and civic life. For most that means well-maintained roads that are not a threat to people and their vehicles. But the reality is that not all of us have access to a car. In every Michigan community, there are some residents who do not own or drive a car.

Census estimates showed that in Detroit in 2016, 25 percent of households were without a car.[lxix] In rural areas, where distances make walking or biking much more difficult, six percent of households lacked a car. In high-poverty areas, the figures are higher. Nearly 21 percent of Americans over 65 do not drive.[lxx] In addition to those who don't drive, other residents benefit economically from public transit, especially when gas prices are higher.

A robust transportation system that gives users a variety of options allows people who either can't afford or don't want to own a car to have the mobility they need to lead their lives. Without mobility support, these residents are isolated from full participation in the community.

This includes the ability to take a job. Our "shared prosperity" report identified transportation as one of the most prevalent barriers to employment.[lxxi] The provision of transportation services is key to drawing more adults into the labor market.

Transportation as an amenity

More and more of us prefer to get around—at least some of the time—by walking or biking. Along with the availability of transit, the provision of walk-and bike-friendly roads and sidewalks are an essential amenity in creating the kind of high-density neighborhoods that are talent magnets.

The talented workforce moving to cities are choosing an urban quality of life characterized by dense housing, proximity to many amenities, and the option to live car-free. The presence of a robust transportation system is important to them.

A survey of Millennials in 10 major U.S. cities released by the Rockefeller Foundation and Transportation for America in 2014 found that 54 percent of respondents would consider moving to a city with "more and better options for getting around." 80 percent of respondents agreed that it's important for having a wide range of options, including car-and bike-sharing, pedestrian- friendly streets, bike lanes, and public transit.[lxxii] A 2012 Brookings report found that in Washington, D.C., there is a significant relationship between how walkable a place is and several indicators of economic performance, including both housing values and better commercial performance.[lxxiii]

Public transportation infrastructure refers to more than just public transit such as the bus, subway, or rail network. Public transportation users are also all pedestrians, sometimes cyclists, and frequently taxi or Uber/Lyft riders. Transportation funding should therefore accommodate these different modalities and the way they interact, which varies widely from community to community.

Complete Streets is the policy framework many local communities and some states are using to insure that transportation is designed for all uses, including all modalities (walkers, cyclists, public transit users, and drivers) and considering children, the elderly, and the disabled. Complete Streets policies essentially direct traffic engineers and planners to move away from a car-centric vision and towards a more complex understanding of mobility.

Here Michigan has seen some recent progress. A statewide Complete Streets policy was passed in 2012, and 97 Michigan communities have a local Complete Streets ordinance or resolution in place.[lxxiv]

A number of states have released implementation plans for complete streets that set out both broad goals and detailed plans. California, for instance, sets out a mission and vision for its transportation department that together, "Articulate that Caltrans is committed to transportation investments that meet local and statewide livability and sustainability goals."[lxxv] Vermont sets out a process for determining complete streets applicability to a project, and best practices for different types of projects that guide design in line with complete streets.[lxxvi]

But implementation is not widespread. A 2015 study funded by the U.S. Department of Transportation surveyed 139 metropolitan planning organizations about their complete streets policy approaches and implementation, and conducted three case studies of communities that have made progress toward Complete Streets implementation. The study found that, "over the last decade, actual formal policy diffusion has been limited to less than 3% of all relevant local, regional, and state entities." Further, formal policy adoption was not necessarily translating into systemic implementation.[lxxvii]

When we, for this report, spoke with planners, developers and other leaders in Michigan cities, they often cited the role that the Michigan Department of Transportation (MDOT) plays in imposing restrictions that make sense for low-density suburbs but not for cities, and in hindering density and placemaking efforts. MDOT controls state trunk roads that pass through cities, and there are myriad ways in which the agency has worked against density and walkability. For example, café seating is not allowed along trunk roads. Parking mandates don't match the ideal density of cities to encourage walkability. Road widening is required when traffic on a trunk road meets a certain flow, but when traffic is below that level, there is no parallel requirement that the width of the road be returned to the appropriate scale. Vending is prohibited on frontage roads, and parking on bridges is illegal—all regardless of whether they would make sense in a particular community context. Finally, MDOT has been a sometimes reluctant partner in efforts to build overall connected mobility systems in cities, failing to give enough weight to the needs of city residents against their goal to allow people and goods to pass through cities on trunk roads.

21st Century transportation will look much different

Its clear that autonomous vehicles are coming. It is a question of when, not if. And that means radical change in the industry that drives Michigan's economy, in how we live our lives, and how our communities are structured.

Jim Hackett, the President and CEO of Ford Motor Company, clearly understands that Ford's future is in transitioning from making vehicles to providing mobility services. In *Building the City of Tomorrow* he writes:

> Henry Ford once declared that he wanted to open the highways for all humankind, giving us extraordinary new freedom. Yet as our towns and cities were designed around the automobile, roads overtook community centers. Time we used to spend with each other is now often wasted in congestion and traffic. Thirty years ago, we spent an average of 16 hours in traffic per year; now, it's 38 hours.
>
> Today, the transport systems of most global cities have reached capacity, yet more and more of us seek the benefits of great urban centers. Faced with this rapid urbanization, and the pollution and congestion that come with it, we have to admit that the model of the past is no longer tenable. We need to update cities to more efficiently move people and goods, improving the quality of life for all.
>
> Now is our opportunity to reclaim the streets for living: to start building a true City of Tomorrow, reimagining how our streets and cities function more efficiently. With the power of artificial intelligence (AI) and the rise of autonomous and connected vehicles, we have technology capable of a complete disruption and redesign of the surface transportation system for the first time in a century. Everything from parking, traffic flow and goods delivery can be radically improved –reducing congestion and allowing cities to transform roads into more public spaces.
>
> That is why Ford is taking a user-centered, systems-level design approach to mobility. We need to step back and look broadly at how the overall transportation operating system can help us all lead better, more productive lives.
>
> We have begun by collaborating with cities, civic organizations, urban planners, technologists and designers around the world to develop new ways of moving people and goods…
>
> The challenge is enormous, but it is a task we must undertake because the old system is failing. We will reaffirm our shared humanity and build communities that inspire and support all of us. That is the kind of sharing economy we need[lxxviii]

Lyft's co-founder John Zimmer in a *Medium* article entitled "The Third Transportation Revolution" lays out his vision on how this will play out. His headline prediction: "By 2025, private car ownership will all-but end in major U.S. cities." [lxxix]

Zimmer predicts that autonomous vehicles will fundamentally change the communities we live in. He writes:

> As a result, cities' physical environment will change more than we've ever experienced in our lifetimes. … Even if you don't care about cars—even if you never step into a Lyft or an autonomous vehicle—these changes are going to transform your life. Because transportation doesn't just impact how we get from place to place. It shapes what those places look like, and the lives of the people who live there.
>
> The end of private car ownership means we'll have far fewer cars sitting parked and empty. And that means we'll have the chance to redesign our entire urban fabric. Cities of the future must be built around people, not vehicles. They should be defined by communities and connections, not pavement and parking spots. They need common spaces where culture can thrive—and where new ideas can be shared in the very places where cars previously stood parked and empty.[lxxx]

So the policy priority for the Michigan is not more money to simply rebuild its current transportation system, it is to find the political will to do what we did for most of the last century: be a global leader in building the transportation system for the future.

Regional transportation as a creator of high-density neighborhoods and communities

Transportation has been the one key policy lever that, in region after region, has fostered dense, walkable places and the resulting population and economic growth. Non-motorized transportation is a critical (perhaps the primary) tool for creating the dense, amenity-rich communities that attract a talented workforce.

That said, light rail in particular has been shown to be the greatest driver of economic development, especially when carried out in concert with other community and economic development planning efforts. It is the most powerful lever in the creation of high-density neighborhoods and communities. There is great demand to live near a light rail line, particularly near stations.

The economic impact is clear. For instance, a Center for Transportation Studies at the University of Minnesota found that single-family housing values within a half-mile radius of stations of the new "Hiawatha Line," which completed construction in 2004, went up by $5,000 between 2004 and 2007. Multi-family property values in that radius went up $15,000 over the same time period. Researchers calculated that there was 183 percent more development in the area proximal to stations than would have been expected based on the study control areas.[lxxxi]

Politico describes the transformative impact of regional light rail in an article entitled, "The Train That Saved Denver: The car-choked city overcame regional distrust to build a major transit system that is remaking the urban core and the suburbs, too." Author Colin Woodard writes:

> Originally intended to unclog congested highways and defeat a stubborn brown smog that was as unhealthy as it was ugly, the new rail system has proven that its greatest value is the remarkable changes in land use its stations have prompted, from revitalizing moribund neighborhoods, like the area around Union Station, to creating new communities where once there was only sprawl or buffalo grass.
>
> "We are talking about a culture-transforming moment," says Denver mayor Michael Hancock. 'Light rail has really moved Denver into the 21st century." [lxxxii]

In 1999, voters in Denver approved two bond measures to finance the highway and light rail system, demonstrating that residents are willing to pay for meaningful transportation investments. By 2006, the $1.67 billion Transportation Expansion Project had added 19 miles of light rail and pedestrian bridges, improved highway merging, and widened 17 miles of highway to relieve congestion and handle 300,000 vehicles per day. [lxxxiii] When the national recession and budget overruns threatened Denver's plans to build a 21st Century rail system, then-Denver Mayor John Hickenlooper decided that the city only had one option: they had to go big.

In 2004, after a campaign that was largely led by Hickenlooper, metro Denver voters approved a plan to raise $4.7 billion to build FasTracks, a rail system that boosters believed would benefit the entire Denver region. Hickenlooper insisted that instead of building Denver's system line by line, the region needed to accelerate plans to build a fully-functional, truly regional rail system to make itself more attractive to Millennials and job creators. The most recent addition to this regional transportation network came in April of 2016, when Denver opened a 22.8-mile spur from its airport to its downtown. Using a unique mixture of public-private partnerships, creative real estate deals and sheer political will, Hickenlooper and his allies pushed the region to create a state-of-the-art system that is widely credited with making Denver an economic growth hub.[lxxxiv]

As Alan Ehrenhalt describes in *The Great Inversion and the Future of the American City*, metro Denver and metro Minneapolis are not outliers.[lxxxv] Across the country — in both red and blue states—big metros have made rail transit a key component of their development strategy. Business leadership was at the center of those who made the case for the centrality of rail transit to the region's future success. In nearly every case regions have passed tax increases—in most cases a sales tax—with active business and political support from across the region, not just the central city.

State policy for a 21st Century transportation system

Michigan's current transportation system is far away from being world class on any of the attributes we just explored. Across the state we have a crumbing 20th Century road system; minimal public transportation, just the beginnings of walk- and bike-friendly communities, and, by and large, we have not used transportation as a lever to catalyze high-density neighborhoods and communities.

The primary reason is the absence of political will. We know how to do all of the above. And a myriad of states and regions across the country have.

Michigan has for more than a decade refused to make the needed public investments; still thinks of transportation as good roads and little else; and has failed to grasp the essential role that transportation plays in creating high-density places. That transportation is about more than just people getting where they want to go, but that transportation policy is one of the core elements of economic development policy. It is hard to image how Michigan becomes a talent magnet unless this changes.

This report began with the assertion that to create places where people want to live and work will require fundamental shifts in Michigan's approach to policy. We are advocating not just for different policy, but for a major shift in the stated goals of our public policy. The ends that current policies are designed to achieve—even if they were successful—are not now, and will not put us on a path to recreating a high-prosperity Michigan.

These shifts are at the core of what needs to drive transportation policy going forward. Changing where we are trying to get is the essential policy reform. You can't get to the "how to" details if you are not on the right path. Once Michigan gets on a new path, the state and its regions will find a legion of expertise and experience from across the country on how to design, fund and implement a world-class 21st Century transportation system to hep create places where people want to live and work.

The shifts that matter most to getting the transportation system Michigan needs are:

- Shift: from an emphasis on being a low-cost state to a state that develops, retains and attracts human capital as its core strategy for economic success.

As it relates to transportation the shift that is needed is an understanding that transportation is an essential lever in retaining and attracting talent—particularly transit. It is what the regions Ehrenhalt writes about now understand, and Michigan, by and large, still does not.[lxxxvi]

- Shift: from an economic strategy based on low taxes to one that recognizes taxes must be balanced with the need for public investment in placemaking and shared prosperity in retaining and attracting good-paying jobs.

We need to regain the political will we had for most of the 20th Century when we set user fees at the level required to have one of the nation's best transportation systems. We understood that what we got from user fees was worth more than the cost of the fees. Michigan is now a national laggard in road funding. As it has historically been in public transportation funding.

The reality is both roads and public transit require significant public subsidy. A report from the Center for American Progress debunks the widely-held view that gas taxes and other user fees essentially cover the costs of building roads (which is often used to support the argument that transit riders shouldn't require state subsidy—they should pay their way like drivers do!). The report found that 48 percent of roads don't bring in enough revenue to cover just basic maintenance.[lxxxvii]

In addition to higher user fees to pay for world class transportation, Michigan needs big changes in what that money pays for. We need to move away from a "roads first and foremost" policy. And moving away from funding that is far too road-miles driven that skews funding towards rural areas and away from where most Michiganders live: in big metropolitan areas.

- Shift: from accepting a crumbling 20th century infrastructure to providing a world-class 21st century transportation infrastructure.

Where world-class 21st Century infrastructure means complete streets, not just good roads. And is aligned with the transition to autonomous vehicles and mobility as a service. A world in which almost certainly fewer and fewer of us will own and/or drive a car as the primary way to get around.

- Shift: from state limitations that prevent cities and regions from controlling their own destinies to giving them the flexibility to develop, finance and implement their own quality of place strategies.

This shift involves big changes: understanding that regions—not local communities—are the best place to design, fund and deliver transportation services; building a regional consensus that transportation is far more than just good roads; and transferring funding and design responsibility from the state to regions.

We need to work towards a transportation funding approach aligned with the super revenue sharing concept we explored earlier, where except for clear statewide transportation needs, transportation revenue is returned to the region from which it was generated without a lot of strings attached. Then regions can develop and implement their own transportation strategies to meet their current and future needs to create a place where people want to live and work.

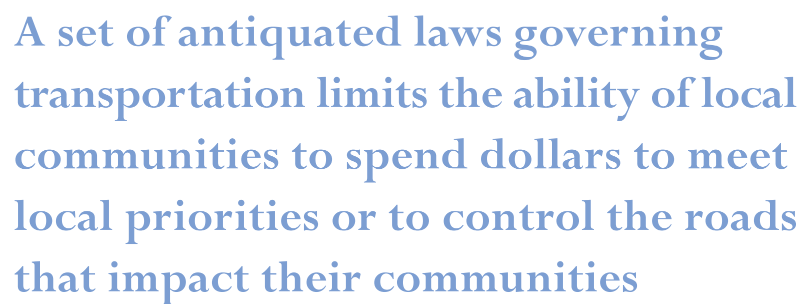
Along with moving funding to regions, we also should allow regions far more flexibility in road and transportation system design. A set of antiquated laws governing transportation limits the ability of local communities to spend dollars to meet local priorities or to control the roads that impact their communities. Michigan's transportation planning and funding policies are legacies of an era where the goal was to enable car-oriented suburban development. The primary law that governs state transportation funding today was passed over 65 years ago, in 1951. For a number of reasons, the policy created by Act 51 (of 1951) and the hodgepodge of amendments that have been passed since—which can be understood overwhelmingly as "roads" policy, leaving us without true "mobility" policy—fail to serve the modern needs of Michigan communities.

Transferring funding—including by increasing local flexibility in levying regional taxes—and design responsibilities away from the state to regions does not guarantee that Michigan's regions will have the world class 21st Century transportation they need. Each region will need to align with the shifts that transportation public investments matter a lot to economic well-being; that the region is the best place to fund, design and deliver transportation services; and that transportation is more than just good roads.

The challenges metro Detroit is experiencing in financing and implementing a high-quality regional bus system illustrates the challenges of moving to regional governance. Clearly rail transit is off the table across Michigan, particularly in metro Detroit. But what is on the table in metro Detroit—the provision of a coordinated, convenient, greatly expanded regional bus network—is important to accomplish. As the success of the Ann Arbor Area Transportation Authority demonstrates, high-quality bus service is an important component of transportation as a basic service and transportation as an amenity that helps retain and attract talent.[lxxxviii] And, as Amazon reminded us, is a critical ingredient in retaining and attracting high-wage employers.

This report is a component of Michigan Future's first ever state policy agenda. An agenda designed to raise household income of all Michiganders. Our motivation in doing our first ever policy agenda is a sense of urgency that across the political spectrum we need a different set of policy options. Ideas not about how we can turn the clock back and recreate 20th Century Michigan, but rather ideas about how we can position all Michiganders for economic success in a 21st Century economy.

Transportation is a vital area where the state and its regions desperately need a different set of policy options. The policy priority for Michigan is not more money to simply rebuild its current transportation system, it is to find the political will—statewide and in its regions—to do what we did for most of the last century: be a global leader in building the transportation system of the future.



A set of antiquated laws governing transportation limits the ability of local communities to spend dollars to meet local priorities or to control the roads that impact their communities

Endnotes

[i] Michigan Future Inc. “A Path to Good-paying Careers for all Michiganders: A 21st Century state policy agenda.” April 2017. http://www.michiganfuture.org/cms/assets/uploads/2017/04/MIFUTURE-Policy-Report-2017.pdf
[ii] Bloomberg, Michael. “Cities must be cool, creative and in control.” *Financial Times*, March 27, 2012. https://www.ft.com/content/c09235b6-72ac-11e1-ae73-00144feab49a. Accessed September 24, 2018.
[iii] Glaeser, Edward. *Triumph of the City: How Our Greatest Invention Makes Us Richer, Smarter, Greener, Healthier, and Happier*. Penguin Group, 2011.
[iv] Ibid.
[v] Ibid.
[vi] Ibid. Bloomberg 2012.
[vii] Gallagher, John. “Amazon to Detroit: You didn’t have enough talent to get HQ2.” *Detroit Free Press*, January 18, 2018. https://www.freep.com/story/money/business/john-gallagher/2018/01/18/detroit-amazon-headquarters-finalists/1043624001/. Accessed September 24, 2018.
[viii] Boudette, Neal. “Ford Aims to Revive a Detroit Train Station, and Itself.” *The New York Times,* June 17, 2018. https://www.nytimes.com/2018/06/17/business/ford-detroit-station.html. Accessed September 24, 2018.
[ix] Ibid.
[x] Haglund, Rick for Michigan Future Inc. *Regional Collaboration Matters: How Metro Minneapolis has forged one of the wealthiest and most livable metropolitan areas in the United States.* May 2018. http://www.michiganfuture.org/assets/uploads/2018/05/Minneapolis-Report-Regional-Collaboration-Matters.pdf. Accessed September 24, 2018.
[xi] Gambale, Geraldine. “32nd Annual Corporate & the 14th Annual Consultants Survey,” Area Development, 2018. http://www.areadevelopment.com/Corporate-Consultants-Survey-Results/Q1-2018/32nd-annual-corporate-survey-14th-annual-consultants-survey.shtml. Accessed September 24, 2018.
[xii] “Core Values: Why American Companies are Moving Downtown,” Smart Growth America, June 2015, https://smartgrowthamerica.org/resources/core-values-why-american-companies-are-moving-downtown/. Accessed September 21, 2018.
[xiii] Ehrenhalt, Alan. *The Great Inversion and the Future of the American City.* Vintage Books, 2012.
[xiv] *21st Century Infrastructure Commission Final Report*, November 30, 2016. https://www.michigan.gov/documents/snyder/21st_Century_Infrastructure_Commission_Final_Report_1_544276_7.pdf. Accessed September 22, 2018.
[xv] Great Lakes Economic Consulting, “Michigan’s Great Disinvestment: How State Policies Have Forced Our Communities Into Fiscal Crisis.” April 2016. http://www.savemicity.org/wp-content/uploads/2016/03/mml-glec-michigans-great-disinvestment.pdf. Accessed September 21, 2018.
[xvi] Author’s calculations using 2017 American Community Survey 1-year estimates.
[xvii] Ibid Haglund 2018.
[xviii] There isn’t a single document that spells out this approach. This is the author’s summary and analysis of a review of recommendations on “welcoming,” including “Strenghtening Communities by Welcoming All Residents,” by the White House Task force on New Americans, April 2015 (https://obamawhitehouse.archives.gov/sites/default/files/docs/final_tf_newamericans_report_4-14-15_clean.pdf); Juliana Kerr’s article “Want Immigration Reform? Look to Cities,” for *City Lab*, January 23, 2018 (https://www.citylab.com/equity/2018/01/want-immigration-reform-look-to-cities/551261/); a variety of resources and information available on the website of Welcoming America (https://www.welcomingamerica.org/); and the interview with Steve Tobocman, Director of Global Detroit, referenced in endnote xxii. All online materials last accessed September 22, 2018.
[xix] New American Economy. “The Contributions of New Americans to Michigan,” 2016. https://www.michigan.gov/documents/ona/PNAE_Michigan_Final_Report_531020_7.pdf. Accessed September 22, 2018.
[xx] Hunter, Adam. Phone interview with the author. April 15, 2016.
[xxi] The Welcoming Center for New Pennsylvanians. “Choosing Philadelphia: Attracting and Retaining Immigrant Newcomers,” June 2014. http://pawelcome.wpengine.com/wp-content/uploads/2016/08/Choosing-Philadelphia-FINAL-report-1.pdf. Accessed September 22, 2018.

[xxii] Tobocman, Steve. In-person interview with the author. April 14, 2016.
[xxiii] Ibid.
[xxiv] "Tuition Benefits for Immigrants," National Conference of State Legislators, July 15, 2015, http://www.ncsl.org/research/immigration/tuition-benefits-for-immigrants.aspx. Accessed September 18, 2017.
[xxv] Information about the program can be found at https://www.nashville.gov/Mayors-Office/Neighborhoods/New-Americans/MyCity-Academy.aspx.
[xxvi] Ibid. Tobocman interview.
[xxvii] Human Rights Campaign. http://www.hrc.org/state_maps
[xxviii] "When Health Care Isn't Caring: Lambda Legal's Survey of Discrimination Against LGBT People and People with HIV." New York: Lambda Legal, 2010, http://www.lambdalegal.org/health-care-report. Accessed September 18, 2017.
[xxix] "State Maps of Laws and Policies," Human Rights Campaign. http://www.hrc.org/state_maps. Accessed September 18, 2017.
[xxx] Michigan Future Inc. "Improving student outcomes from education, birth to college," June 2017. http://www.michiganfuture.org/cms/assets/uploads/2017/06/MiFuture_Education_Report_Updated.pdf. Accessed September 24, 2018.
[xxxi] Michigan Future Inc. "Sharing prosperity with those not participating in the high-wage knowledge-based economy," September 2017. http://www.michiganfuture.org/cms/assets/uploads/2017/09/Sept2017_MIFUTURE_Report_FINAL.pdf. Accessed September 24, 2018.
[xxxii] "The Final Report of the President's Task Force on 21st Century Policing," May 2015. http://www.theiacp.org/Portals/0/taskforce_finalreport.pdf. Accessed September 22, 2018.
[xxxiii] Jawando, Michael and Chelsea Parsons. "4 Ideas That Could Begin to Reform the Criminal Justice System and Improve Police-Community Relations." Center for American Progress: December 18, 2014. https://www.americanprogress.org/issues/civil-liberties/report/2014/12/18/103578/4-ideas-that-could-begin-to-reform-the-criminal-justice-system-and-improve-police-community-relations/. Accessed September 24, 2018.
[xxxiv] A 2009 report by Maryland's Office of Policy Analysis offers mixed reviews on the impact of the Priority Funding Areas and suggests it could be enhanced with additional funding, by better coordinating other state funding into the priority areas, and possibly through the use of urban growth boundaries.
[xxxv] "Update on Smart Growth and Planning Policy in Maryland," Department of Legislative Services, Office of Policy Analysis, State of Maryland. 2009. http://dlslibrary.state.md.us/publications/OPA/I/USGPPM_2009.pdf Accessed September 24, 2018.
[xxxvi] Governors' Institute on Community Development. *Policies that Work: A Governors' Guide to Growth and Development*, no date. https://www.govinstitute.org/policyguide/pdfs/compapproaches.pdf. Accessed September 24, 2018.
[xxxvii] Leinberger, Christopher B. *The Option of Urbanism*. Island Press, 2009.
[xxxviii] Ibid.
[xxxix] Cronyn, Joseph and Evans Paull. "Heritage Tax Credits: Stimulus to Renovate Buildings for Productive Use and Create Jobs, an $8.53 Return on Every State Dollar Invested." The Abell Report. Vol 22, No. 1: March 2009. http://www.nemw.org/wp-content/uploads/2009/02/2009-MD-Heritage-Tax-Credits-Abell-Fdn-Newsletter.pdf. Accessed September 24, 2018.
[xl] Ibid.
[xli] "Policies That Work: A Governors' Guide to Growth and Development," Smart Growth America and Governors' Institute on Community Design. 2003, http://smartgrowthamerica.org/documents/policy-guide.pdf. Accessed September 18, 2017.
[xlii] Ibid. Leinberger 2009.
[xliii] Smart Growth America. "Amazing Place: Six Cities Using the New Recipe for Economic Development." June 2016. Available at http://www.smartgrowthamerica.org/documents/amazing-place.pdf. Accessed September 24, 2018.
[xliv] Ibid. Leinberger 2009.
[xlv] Ibid.

[xlvi] Florida, Richard. "The Steady Rise of Rents." *CityLab*, February 16, 2016. https://www.citylab.com/equity/2016/02/the-rise-of-renting-in-the-us/462948/. Accessed September 24, 2018.
[xlvii] The Pew Charitable Trusts. "Issue Brief: Better Incentive Information," April 27, 2016. http://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2016/04/better-incentive-information. Accessed September 24, 2018.
[xlviii] Ibid.
[xlix] Katz, Bruce and Elizabeth Kneebone. "On Ferguson, fragmentation, and fiscal disparities." The Brooking Institution, April 2, 2015. https://www.brookings.edu/blog/the-avenue/2015/04/02/on-ferguson-fragmentation-and-fiscal-disparities/. Accessed September 21, 2018.
[l] A description of the SCFD is available on its website: http://scfd.org/. Accessed September 21, 2018.
[li] Information can be found on the fund's website: https://www.legacy.mn.gov/about-funds. Accessed September 21, 2018.
[lii] Ibid.
[liii] Oosting, Jonathan. "Michigan: No emergency managers for first time since '00." *The Detroit News*, June 27, 2018. https://www.detroitnews.com/story/news/local/michigan/2018/06/27/michigan-no-emergency-managers-first-time-since-2000/737947002/. Accessed September 21, 2018.
[liv] Sapotichne, Joshua, Erika Rosebrook, Eric Scorsone, Danielle Kaminski, Mary Doidge, and Tracy Taylor. "Beyond State Takeovers: Reconsidering the Role of State Government in Local Financial Distress, with Important Lessons for Michigan and its Embattled Cities." MSU Extension White Paper. August 31, 2015, http://msue.anr.msu.edu/resources/beyond_state_takeovers. Accessed September 25, 2018.
[lv] Ibid.
[lvi] Ibid.
[lvii] "Michigan Public Policy Survey." The Center for Local, State, and Urban Policy, Gerald R. Ford School of Public Policy, University of Michigan, October 2017, http://closup.umich.edu/files/mpps-fiscal-health-2017.pdf. Accessed September 25, 2018.
[lviii] Haglund, Rick for Michigan Future Inc. "State Policies Matter: How Minnesota's Tax, Spending, and Social Policies Help it Achieve the Best Economy Among Great Lakes States," 2014. http://michiganfuture.org/cms/assets/uploads/2014/06/spm.jpg. Accessed September 25, 2018.
[lix] Citizens Research Council. "2013 Tax Revenue Comparisons: Michigan and the U.S. Average," May 2016. https://www.crcmich.org/PUBLICAT/2010s/2016/interstate_tax_comparison-2016.pdf. Accessed September 22, 2018.
[lx] Kanter, Rosabeth Moss. *Move: How to Rebuild and Reinvent America's Infrastructure*. W.W. Norton and Company, 2016.
[lxi] Ibid. Haglund 2014.
[lxii] Urahn, Susan K., Liz Gross, Kil Huh, Abigail Slvester, and Robert Zahradnik. "The Local Squeeze: Falling Revenues and Growing Demand for Services Challenge cities, Counties, and School Districts," The Pew Charitable Trusts American Cities Project. June 2012, http://www.pewtrusts.org/~/media/assets/2012/06/pew_cities_local-squeeze_report.pdf. Accessed September 22, 2018.
[lxiii] Ibid.
[lxiv] Ibid. Sapotichne et al., 2015.
[lxv] Ibid.
[lxvi] Ibid.
[lxvii] "Michigan Public Policy Survey." The Center for Local, State, and Urban Policy, Gerald R. Ford School of Public Policy, University of Michigan, September 2016, closup.umich.edu/files/mpps-sflg-2016.pdf. Accessed September 25, 2018.
[lxviii] "Michigan Public Policy Survey." The Center for Local, State, and Urban Policy, Gerald R. Ford School of Public Policy, University of Michigan, October 2017, http://closup.umich.edu/files/mpps-fiscal-health-2017.pdf. Accessed September 25, 2018.

[lxix] Governing, "Car Ownership in U.S. Cities Data and Map." Governing.com, no date. http://www.governing.com/gov-data/car-ownership-numbers-of-vehicles-by-city-map.html. Accessed September 25, 2018.
[lxx] Federal Interagency Forum on Aging Related Statistics. "Older Americans 2016: Key Indicators of Well-Being," 2016. https://agingstats.gov/docs/LatestReport/Older-Americans-2016-Key-Indicators-of-WellBeing.pdf. Accessed September 24, 2018.
[lxxi] Michigan Future Inc. "Sharing prosperity with those not participating in the high-wage knowledge-based economy," September 2017. http://www.michiganfuture.org/cms/assets/uploads/2017/09/Sept2017_MIFUTURE_Report_FINAL.pdf. Accessed September 24, 2018.
[lxxii] Goldberg, David. "Survey: To recruit and keep millennials, give them walkable places with good transit and other options." T4America Blog, April 22, 2014. http://t4america.org/2014/04/22/survey-to-recruit-and-keep-millennials-give-them-walkable-places-with-good-transit-and-other-options/. Accessed September 22, 2018.
[lxxiii] Leinberger, Christopher B. and Mariela Alfonzo. "Walk this Way: The Economic Promise of Walkable Places in Metropolitan Washington, D.C." Metropolitan Policy Program at Brookings Institution, May 2012. https://www.brookings.edu/wp-content/uploads/2016/06/25-walkable-places-leinberger.pdf. Accessed September 22, 2018.comp
[lxxiv] According to the Michigan Complete Streets Coalition, which tracks ordinance passage. List of communities was last accessed September 22, 2018 at: https://michigancompletestreets.wordpress.com/resource/policy-center/
[lxxv] "Complete Streets Implementation Action Plan 2.0, June 2014 – June 2017," Caltrans. Accessed online at http://www.dot.ca.gov/hq/tpp/offices/ocp/docs/CSIAP2_rpt.pdf. Accessed September 22, 2018.
[lxxvi] "Complete Streets Guidance Document," Vermont Agency of Transportation. March 2012. http://www.smartgrowthamerica.org/documents/cs/impl/vt-aot-csguidance.pdf. Accessed September 22, 2018.
[lxxvii] Tolford, Tara, Billy Fields, and Tom Longoria. "Evaluation of Complete Streets Policy Implementation by Metropolitan Planning Organizations." Southwest Region University Transportation Center, Merritt C. Becker, Jr. University of New Orleans Transportation Institute & Texas State University: September 2015.
[lxxviii] Hackett, Jim. Introduction to Ford Sustainability Report 2017/18. "Building the City of Tomorrow," https://corporate.ford.com/microsites/sustainability-report-2017-18/driving-change/city-of-tomorrow.html. Accessed September 25, 2018.
[lxxix] Zimmer, John. "The Third Transportation Revolution." *Medium*, September 18, 2018. https://medium.com/@johnzimmer/the-third-transportation-revolution-27860f05fa91. Accessed September 25, 2018.
[lxxx] Ibid.
[lxxxi] Goetz, Ed, Kate Ko, Aaro Hagar, Hoang Ton, and Jeff Matson. "The Hiawatha Line: Impacts on Land Use and Residential Housing Value," Center for Transportation Studies, University of Minnesota. Minneapolis, Minnesota: February 2010.
[lxxxii] Woodard, Colin. "The Train That Saved Denver: The car-choked city overcame regional distrust to build a major transit system that is remaking the urban core and the suburbs, too." *Politico*, May 19, 2016. https://www.politico.com/magazine/story/2016/05/what-works-denver-rail-system-growth-213905. Accessed September 25, 2018.
[lxxxiii] Nichols, Russell and Ryan Holeywell. "Six Ideas for Fixing the Nation's Infrastructure Problems." June 2011. http://www.governing.com/topics/transportation-infrastructure/six-ideas-for-fixing-the-nations-infrastructure-problems.html. Accessed September 25, 2018.
[lxxxiv] Ibid. Woodard 2016.
[lxxxv] Ibid. Ehrenhalt 2016.
[lxxxvi] Ibid.
[lxxxvii] DeGood, Kevin and Andrew Schwartz. "Advancing a Multimodal Transportation System by Eliminating Funding Restrictions," Center for American Progress: January 2015.
[lxxxviii] Stanton, Ryan. "Ann Arbor City Council unanimously supports AAATA transit tax renewal." Mlive. July 5, 2018. https://www.mlive.com/news/ann-arbor/index.ssf/2018/07/ann_arbor_city_council_unanimo.html. Accessed September 25, 2018.

Michigan Future Inc.
P.O. Box 130416
Ann Arbor, MI 48813
734.747.8120
michiganfuture.org