eCities 2012 Summary

iLabs – The Center for Innovation Research

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eCities is an annual research study that examines the factors – at the community level – that foster entrepreneurship and encourage economic development. The focus is on entrepreneurship because of its importance to expansion and diversification of regional economies and small businesses' impact on job creation. The primary purpose of eCities is to help communities benchmark their efforts and learn from the best practices in other communities.

Background

Across the country, economic development activities are carried out by various entities, including state agencies, regional associations, and counties. While these broader organizations engage in promoting economic development in Michigan, similar activities are also undertaken by many townships, cities and villages. Thus, the eCities project uses the community as the unit of measurement, not a county or metropolitan area as other studies have used.

The eCities project seeks to provide benchmarking tools and overview reports for participating communities and has incorporated new ways to learn from the Best Practices of local communities across the state. While there is no single solution for every community, the Best Practices allow communities to understand strategies that can be tailored to local resources and communities. Helping local communities, who often have the most impact on small and entrepreneurial firms, provides an opportunity to improve the environment for entrepreneurialism throughout the state. Since its inception in 2007, eCities has grown from 14 to 114 participating communities with over 300 communities invited to participate. As communities continue to demonstrate their interest in our annual project, the eCities team is implementing new ways to benchmark community progress and offer more comprehensive analysis for our participating communities.

Data Sources

The eCities index analysis is comprised of a six-factor, 32-item analytical tool and is the key research instrument in the eCities project. This analytical tool compares and weights the factors to identify top performing communities. The six factors and the items they include are:

> *Clustering:* Examines concentrations of business property and municipal infrastructure investment.
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> *Incentives:* Examines tax rates, tax abatements, and the use of tax incremental finance tools employed by local governments.
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> *Growth:* Examines changes in business activity and commercial construction occurring within communities.
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> *Policies:* Examines organizational support for entrepreneurship and the use of economic development tools by local government.

Community: Examines the socioeconomic and cultural factors for economic development in cities and townships, including percentage of households reporting self-employment income, average household self-employment income, and crime rates.

Education: Examines education levels of residents, which provides businesses with a pool of knowledge-based workers.

Relevant data points have been indicated based on knowledge of what information local government's track, what data is relevant to business attraction and retention, and comes from publicly available records; including the US Census, local building department databases, city and county assessing rolls, and state crime reports. The quantitative data collected for the eCities index analysis is rooted in reliable and constant sources to ensure that data remains consistent and verifiable, year over year. Additionally, changes that have been made to the index analysis have been made to reflect changes to state level policy.

Participating Communities

2012 marked unprecedented participation in our eCities project, with 114 participating communities. Also in 2012, 17 new participating communities were welcomed, as well as seven communities who have been recognized for their continued participation in the eCities project since 2007.

This year's participating communities represent 40 of the state's 83 counties and over 1/3 of Michigan's residents reside within their limits. These communities are home to entrepreneurs, with more than 125,000 residing within these communities and earning $3 Billion in self-employment income. Additionally, this year saw a large improvement in the combined $1.5 Billion in commercial construction that occurred in these 114 communities over the past year – this is the highest value reported by eCities and is a more than 50% increase over last year's participating communities.

Four and Five-Star Communities

eCities 2012 not only saw an increase in community participation, but movement among all of our communities to see different communities receiving a star ranking or new communities receiving a star ranking as well. This year 53 communities were identified as standout as four and five- star communities.

The 26 four-star communities represent 13 different counties across the state and maintain over $460 Million in commercial construction in the past year. These communities are home to nearly $3 Billion in real commercial property and, collectively, the four-star communities invested in themselves by adding $66 Million in municipal assets last year. While several of the four-star communities are among the largest in population in the state, over 1/3 are home to fewer than 15,000 people. Collectively they are home to 31,000 entrepreneurs. 1/3 of the 2012 four-star communities were new to the project or saw improvements in their numerical data from last year to make the four-star list this year.

In general, what differentiate the five-star communities from the four-star communities are higher levels of business growth and investment. These five-star communities tend to be among the first to see the upswing from the recession and declining property values over the past five years. This year the 27 five-star communities represent 14 different counties and maintain over $700 Million in commercial construction activity over the past year. These communities have made investments in infrastructure and assets of $270 Million. Nearly 40% of these communities had numerical improvements to join the five-star list or are being recognized for the first time in the project.

To learn more about the 2012 Four and Five-Star Communities please visit
www.umdilabs.com/ecities/stars (or scan the QR Code).

Best Practices Communities

eCities strives to collect, measure, and analyze data that aids participating communities in as many ways possible. As such, eCities 2012 marked significant contributions to fulfilling this mission by continuing to evaluate top performing communities through a new panel of entrepreneurs and experts. To participating communities, the eCities best practices review panel provides a unique perspective and personal evaluation of the community's "pitch" to potential entrepreneurs or investors. This panel included:

Pavan Muzumdar, *Managing Director, Pieris Capital*   **Merrill Guerra,** *Principal, Guerra Consulting*
Lanny White, *Founder & Director, GrowBiz.org.*   **Ric Geyer,** *Managing Director, 4731 Solutions*
Debra Christein, *Partner, B2B CFO*   **Kerry Thompson,** *Entrepreneur & Researcher*
Jim Geisler, *President, Geisler Enterprises, Inc.*   **Armando Ojeda,** *Executive Director, MHCC*

For the 2012 project, over 150 communities participated in the study, with 114 completing the process to receive benchmarking and overview reports. Out of the 114 communities, the 2012 study recognized eight communities based on their innovative and successful efforts at fostering entrepreneurship and encouraging economic development. Each community, once they completed the quantitative survey, was eligible to respond to our Best Practice survey in which each community was given an opportunity to articulate their specific efforts; each response was reviewed by our panel of entrepreneurs. This year's Best Practices Communities are: Alpine Township, the City of Grand Blanc, the City of Grand Rapids, Imlay City, Meridian Charter Township, the City of Midland, the City of Sterling Heights, and the City of Troy.

To learn more about our 2012 Best Practice Communities you can visit www.umdilabs.com/ecities/top (or scan the QR Code) and hear the communities, themselves, discuss what makes their community great.

Discussion

Each of these highlighted communities utilizes strategies to strengthen their broader goals and philosophy to attract and retain business. While no single solution is right for all communities, common themes and trends emerge:

Communities should not only have what it takes to support and attract business, but they should also understand how to articulate this to potential business owners and entrepreneurs. A critical aspect to understand is that business and entrepreneurs find added value in being able to quickly recognize a local government's strategy for business engagement.

Similar to providing a clear strategy for business engagement, it is important for local governments to outline key resources that are, and potentially, going to be relevant to businesses. It is difficult for communities to juggle the diverse needs of business. However, highlighting resources and assets that exist, not only in the local community but within the regional community as well, is a value-add for potential businesses. As such, successful communities can supplement their clear and concise strategies

by highlighting assets that exist in and around the community and demonstrate the existing and potential connection to businesses.

We have, year over year, heard consistent messages come from communities, our panel of entrepreneurs, and the businesses that reside in our participating communities. Some of these consistent messages include:

- *Successful communities listen to their local businesses*. Through various and diverse channels of communication, communities connect with their business community on a variety of issues

- *There will never be a "one-size-fits-all" solution.* Thus, it is important for each community to incorporate strategies and processes that match the culture of the community to be able to better realize the expected and potential outcomes.

Conclusion

Finally, eCities continues to invest in new and innovative ways to assist communities in their economic development efforts. This year, eCities invested in an updated website which houses the accomplishments and updates from our participating communities, a new interface system for our communities to house community information, video profiles for all of our Best Practice communities, and a brand new eCities forum where communities can come together to discuss best practices in their communities. Our continued efforts would not be possible without the commitments made by the communities, judges, sponsors, and all of those that work with us to give back to the communities. We hope to continue to build upon these efforts and create new ways to positively impact local governments in their efforts to build Michigan's economy.

eCities 2012 continues the tradition of helping communities to help the state's entrepreneurial climate by collecting and sharing the Best Practices of local communities and providing an understanding of what strategies are successful in engaging the business community. The eCities project continues to expand and create a body of knowledge that can assist local communities with the tools and skills needed to foster entrepreneurship and encourage economic development in Michigan. eCities continues to craft new and innovative ways to deliver data that we collect so that communities have a more access to an abundant mix of data points. The goal is to make communities more responsive to economic development by providing tools communities can use to supplement and improve their performance. Much like the entrepreneurs whom they covet, communities need to understand that Best Practices cannot be copied and installed without forethought. Communities need to recognize and match their resources to best meet the needs of their businesses if they are to encourage growth and attract entrepreneurial investment.