eCities 2008

iLabs – Center for Innovation Research
School of Management
University of Michigan-Dearborn
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ABSTRACT

eCities is an annual research study that enables local communities to benchmark and measure their performance in fostering entrepreneurship, economic development, and job growth, while providing the best practices for communities to create environments that encourage entrepreneurial firms. The focus is on entrepreneurship because of its importance to expansion and diversification of regional economies and small businesses' impact on job creation.

Local governments who participate in the project through the online interface are provided with a comparative community analysis of their community's performance. The online interface connects to a six-factor, 31-item, empirical index of city-, township-, and village-level data. The factors are: Clustering, Incentives, Growth, Policies, Community, and Education. The quantitative data are collected from public records and inform the second stage of discovery. In this second stage, comprehensive interviews are conducted with city managers, township supervisors, and others involved with economic development at the local level to examine the best practices of participating communities. For 2008, 36 communities participated in the project.

The study's findings indicate that the top-performing communities utilize different strategies to attract entrepreneurial activity. Such strategies include relationship marketing, which employs regular visits to businesses; economic incentives in the form of tax abatements and low tax rates; and quality of life opportunities, such as walkable communities and high-quality public services.

In the future it is expected that eCities' research will be expanded to include communities all across Michigan. With broader participation, communities can benchmark their efforts and have access to best practices to attract entrepreneurial development and create business growth. Sharing the findings will have a positive impact on Michigan's economy, providing municipalities with the tools and knowledge they need to aid with job growth strategies, economic diversification, and attraction of entrepreneurs.

BACKGROUND

Historically, urban planning has focused on zoning, design, and code enforcement issues. However, community planning efforts have become more diverse to include efforts to revitalize and grow communities and regions. Many communities have taken a broader view of planning to address the environmental, social, and economic issues they face.[1]

Across the country, planners promote regionalism as the best means for coordinating planning activities such as economic development, transportation systems, and infrastructure improvements. However, in Michigan, as well as in other places, the reality does not live up to the planning theory ideals. Statistical data gathered for Metropolitan Statistical Areas (MSA) – which, by definition, includes an urbanized core of at least 50,000 people and an adjacent area that are socially and economically integrated with the urban core[2] – does not give a clear picture as to successes of individual cities, townships, or villages, and does not provide insight into local strategies and efforts. Using the MSA model, local communities are unable to benchmark their efforts and understand what practices are best for their specific needs.

Previous research has relied heavily on state-level data and MSA data. As recent examples: Publications such as the 2008 New State Economy Index produced by the Kauffman Foundation and the Information Technology and Innovation Foundation,[3] and The Small Business Survival Index, 2008[4] report statistical information found only at the state or MSA level. Other publications such as The Bureau of Labor Statistics (BLS), the principal fact-finding agency for the Federal Government, use statistical information derived from MSAs.[5]

In the past, studies that have examined data concerning a state's economic development have had a broad focus, and have largely come from the fields of economics and urban planning. Few business schools have undertaken such studies. The field of business focuses on understanding the "best practices" of organizations that create products, services, and experiences that are valued by the marketplace. Local governments attempt to attract new businesses to their communities by offering products, services, and experiences. Understanding and sharing the best practices of successful communities, helps municipalities align their goals of attracting and retaining quality firms, with businesses' goals of making strategic location decisions near skilled workforces and their customer base.

eCities is an annual research study that uses the community and its data as the unit of measurement – rather than MSA or state-level data – to examine and benchmark the factors that influence entrepreneurship, economic development, and job growth. Because of its importance to expansion and diversification of regional economies, the eCities central focus is on sharing the best practices of encouraging entrepreneurship. Each year entrepreneurs start or expand 650,000 small companies, according to data from the Small Business Administration.[6]

Historically, small business has had a substantial impact on job creation. According to the Bureau of Labor Statistics (June 26, 2007),[7] "small firms, those with 1-499 employees, created about 60-80% of net new jobs over the last decade, represent 99.7% of all employer firms, employ nearly 50% of all private sector employees, pay nearly 45% of total U.S. private payroll, hire 40% of high tech workers, and produce 13 times more patents per employee than larger

firms."[8] "Michigan, however, has been in a prolonged economic downturn with predictions for job losses to last until 2013." The situation has been described as the most severe structural problem the region has seen in terms of length.[9] As Michigan's unemployment level has climbed to the worst in the nation, political officials, economic development leaders, university administrators, and business leaders are trying to reverse that trend.[10] Many of the State's 1,775 townships, cities, and villages[11] have become proactive in promoting their communities economic development. Regional leaders envision start-up firms evolving from the large pool of engineers and skilled workers, especially if the region's culture embraces the risk-taking ideals of entrepreneurship.[12]

PILOT PROGRAM AND COMMUNITIES

Background

In the fall of 2005, preliminary research was conducted to examine how local governments attract small businesses and promote economic development. By spring of 2006, the research instrument was developed, and a pilot study examined fourteen municipalities who agreed to participate. The findings were presented to internal audiences at the University of Michigan-Dearborn's School of Management and local authorities on economic development and entrepreneurship.

For 2007, the refined instrument was applied to the four top-performing communities from the pilot program and 10 new communities, providing a representative sample of communities in southeast Michigan. Sizes of communities ranged from populations of fewer than 10,000 to more than 100,000 residents and included cities and townships from Wayne, Oakland, Macomb, and Washtenaw counties. The inaugural study of the Entrepreneurial Cities Index reported its findings in March 2007.[13] Ann Arbor, Auburn Hills, Troy, and Wixom were recognized for their best practices and efforts at attracting entrepreneurs to their communities.

2008 Study

To expand participation, county development departments and state associations were contacted and provided with details on the project. Their network of contacts and membership provided greater communication of the opportunities for communities to participate and benefit from the project. With promotional assistance from these state and regional partners, eCities 2008 included 36 cities, townships, and villages in Wayne, Macomb, Oakland, Washtenaw, Livingston, Monroe, Lenawee, and St. Clair counties. Six communities: City of Auburn Hills, Village of Dundee, Plymouth Township, City of Southfield, City of Tecumseh, and City of Troy were top performers in attracting, cultivating, building and holding entrepreneurial firms. At an October event, those communities shared their best practices of fostering entrepreneurial growth, with an audience of leaders from business, government, and academia.

The eCities 2008 study included a new time saving and easy-to-use online interface (Appendix B) that made participation more convenient for participating communities. The interface acts as a data collection tool, enabling communities to enter existing public data such as the number of building permits issued, property assessment values, and tax rates. In addition the website includes several "yes/no" questions about local development policies. With information supplied

by the communities, a comparative community analysis report is created that allows communities to benchmark their efforts and see how they perform in comparison to similar governments (Appendix D). Comparisons can be made based on population, location, and unit of government. For this second annual research study more than 40 communities across the state contacted iLabs to begin the process, with a total of 36 communities completing the data entry. Student researchers also provided assistance to communities with researching any of the data points.

DATA SOURCES AND RESEARCH INSTRUMENT

Data Sources
A six-factor, 31-item Index is the primary research instrument that measures economic development and entrepreneurial activity. The factors consist of Clustering, Incentives, Growth, Policies, Community, and Education. See Appendix A for the details on the research instrument and the items within each factor.

The index compares the items and weights the factors to identify top-performing communities. The items were selected based on knowledge of what information local governments track and what data is relevant to business as they consider locations to open and operate. The quantitative data are collected from public records and inform a second stage of the project where personal interviews are conducted with city managers, township supervisors, and others involved with economic development at the local level.

This year's process of data collection was streamlined by the development and introduction of a website that communities could access to enter data. Data points come directly from standard state or county reports, various common databases, census queries, and existing agency reports. The website includes an interface where communities provide several pieces of data that connect with data entered by student researchers. The combined information provides a comparative community analysis which benchmarks the efforts of the city, township, or village.

QUALITATIVE RESEARCH

Interviews
Since the purpose of the project is to share best practices of communities that have had success in attracting entrepreneurial growth and economic development, comprehensive interviews are conducted with communities who perform well on the benchmarking portion of the index. Typically, the offices of economic development staff, city managers, or township supervisors were the first contact for interviews. Researchers conduct semi-structured interviews designed to learn more about their specific policies and internal procedures that are beneficial in the process. Interviews with local leaders gave insight into the best practices and success stories of communities fostering an atmosphere for entrepreneurial growth.

2008 HONOREES AS TOP-PERFORMING COMMUNITIES (Listed Alphabetically)

City of Auburn Hills
The City of Auburn Hills makes efforts to reduce the bureaucratic process of permitting and approvals in the development stage. Auburn Hills has a goal for every project to complete the administrative and legislative processes within 60 days. The building and zoning staff lead developers through the process with an expectation that only one appearance will be needed before the planning commission. The process begins with asking a developer if the project will be LEED Certified. The idea of environmentally sensitive construction is part of the ethos of the creative class and entrepreneurial spirit. This level of social responsibility is part of the foundation of many growing firms. To show their continued support for "green" initiatives, Auburn Hills has recently added a vegetative roof to one of the City buildings.

The Village of Dundee
The Village of Dundee strives to make economic development an administrative function allowing it to move at a pace closer to that of business. With that, bureaucracy is less of a barrier and decisions can be made to encourage and stimulate development. As an example, the reconstruction of the Village offices was moved up one year in expectation of a slow point in the regional economy. This was done to have visible construction activity occurring downtown, thus encouraging and reassuring private organizations to continue with their development efforts. To further stimulate an environment for active growth, the Village funds public improvements and has at times waived permit fees to boost construction. Using their administrative tools, the Village of Dundee is able to be proactive on infrastructure needs for business growth. A pedestrian friendly "walkable" community is a primary goal of the Village.

Plymouth Township
Plymouth Township, a traditional outer-ring suburb, has planned for business with a technology and research zoning district. The Township has low taxes, yet access to major freeways and high-bandwidth fiber optic lines. The zoning district has an inventory of flex office space that firms can move into if they are not able to undertake a major construction project in their early years. The Township has actively worked to create an environment that touches many of the metrics that site consultant firms use when helping businesses move. Including the stability of a well-educated workforce that has opportunities for growth, yet remain in the community. Plymouth Township also leverages public and private facilities that are sought by firms, such as conference facilities, large meeting spaces, and a range of quality hotel offerings. These facilities have been identified as valued by numerous organizations in town.

City of Southfield
The City of Southfield is an established community that has invested time and effort into making all the economic development tools available for business, such as TIFs and abatements. They were also early adopters of mixed-use development and environmental policies. With all of those tools available, their Business Development Team can direct business to a wide array of resources. In addition, they direct firms and budding entrepreneurs to community partners such

as Laurence Technological University, Automation Alley, and the Southfield Public Library. The library has an entire floor designed to act as a business center with resources for entrepreneurs. With this wide network, the city has become a conduit for businesses to find the resources they need. Thus allowing the City to focus on new services, and avoid duplicating efforts of these key partners.

City of Tecumseh
The City of Tecumseh traces its Economic Development beginnings to grass roots efforts by the business community. Looking for assistance in growing the local economy, existing firms funded an economic development employee with the understanding that, if successful, the city would continue to fund the program. Today, Tecumseh has a City-funded staff of three ED employees, who work with an active mix of traditional retailers as well as family-started industrial firms. The business community is still a key partner in the process, involved in mentorship and recruitment activities in the retail corridor. The City owns and supports industrial and technology parks, where they are creating an environment for growth firms such as those in alternative energy and life sciences. The City is working locally and regionally to provide mechanisms to help these nascent firms with gap financing and additional resources for growth.

City of Troy
The City of Troy has a staff that carries out the role of relationship manager with the business community. They speak with existing and potential businesses to understand the firms' goals and identify areas where bureaucracy doesn't always match business expectations. When concerns arise, such as a tight construction deadline, staff have been made available on-site to manage the change process. Additionally, city staff facilitates the networking with venture capital and angel investors, as well as, leveraging community partners and the business community for solutions. An example of one such solution: A firm was headquartered in one of the City's office towers. This firm was looking to expand and move out of the area to build a mixed industrial and office facility. Troy officials helped the firm find an industrial site in a neighboring community, close enough to make it possible for the office headquarters to remain in the region.

The City of Auburn Hills, The Village of Dundee, Plymouth Township, The City of Southfield, The City of Tecumseh, and The City of Troy were recognized for their efforts to assist entrepreneurial firms and promote economic development. Each community uses strategies that match their overall goals and community culture. Successful local governments also have professional and empowered staffs that champion new businesses, leading them to solutions and acting as a conduit for networking. While no single solution is right for all cities, common themes and trends emerge. Some of these trends are:

Partnering

The top-performing cities all identified partners in the process. County economic development agencies, local chambers of commerce, and state agencies all play roles in bringing firms to a community. In addition, leaders mentioned non-profit groups, local universities, and county infrastructure divisions as important partners when planning for and attracting entrepreneurial development and economic growth.

Relationship Marketing

Maintaining relationships is a best practice that assists in determining the needs of business stakeholders. Communities who are successful in attracting economic development carry out relationship marketing akin to private sector firms. They have professional staffs who make regular visits to existing businesses to better understand the changing needs of these firms and what the city can do to aid in the changing environment. The staffs also work closely with prospective firms to assist in the review and approval process of development projects. Officials acknowledge that business and government move at two different speeds, with government being much slower. Furthermore, government is by nature democratic, but business is about meeting the needs of specific customer bases. Top performing communities have found ways to reduce bureaucratic encumbrances and shorten the time between the application and the approval and permitting while still benefiting the residential constituency of the community.

Balanced Use of Incentives

Leading communities also balance the use of incentives. Most boast low tax rates; however, some highlight the efficient use of taxes to provide quality services. Additionally, top-performing cities may offer tax abatements, but the abatements typically are targeted with respect to industry and impact. Community leaders explained that they do not use abatements to lure firms from nearby cities, only to attract a business that is new to the area. Abatements are more likely to be offered for high-tech industries that will bring skilled jobs.

Creative Use of Zoning and Social Incentives

Creative uses of zoning and substantial planning efforts are part of the success stories of these communities. They utilize consultants to dramatically update zoning plans and undertake studies to understand what will help the community be attractive to business and residents in the future. Form-based zoning, flexible zoning, and new urbanism allow communities to adapt to the changing needs of businesses. Top-performing communities also look for ways to mitigate zoning constraints that hinder high-tech firms from expanding or locating in the community.

Zoning that allows places to work and live appeals to the creative class individuals who are coveted by municipalities because of their perceived impact on business growth.[14]

Social Incentives are part of the strategy for creating a place where creative people want to live, work and play. Entrepreneurial firms that offer high-quality jobs figure prominently in this strategy. Also, providing places for residents, visitors, and employees to eat, walk, shop, and be entertained includes the balance of tax revenues and service provisions with the availability of spaces for small firms to have access to talented workers.

FUTURE PLANS

For 2009, eCities will continue to expand and share the best practices of local communities encouraging entrepreneurship. The study is open to all Michigan communities. Participating communities need only enter a few readily-available pieces of information, and they will receive the benchmarking report on their performance compared to other communities. All participating communities also receive the eCities seal. This seal (Appendix C) can be displayed by the participating community as a symbol of their commitment to improving the economic climate for entrepreneurs.

With increased participation by communities, more detailed analysis can be completed for communities who wish to focus on specific strategies and items in the index. Within eCities 2009 is a tool that allows businesses to share their views on what local communities can do to promote development and encourage growth of existing companies. The Business Location Survey (Appendix E) will assist businesses in having their voice heard and enable communities to better understand the needs of their corporate constituencies.

The findings from eCities will continue to provide the best practices of successful Michigan communities. Continuation and expansion of the project will create an ever-increasing body of knowledge to provide Michigan communities with tools and skills to assist them in fostering entrepreneurial firms. Sharing these best practices with all Michigan communities is important in encouraging a proactive response to economic development and job growth in the state.

Appendix A

Research Instrument Details and Data Conversion

Research Instrument
The eCities Index is comprised of the following six factors and associated items:

Clustering

There are five items that make up the Clustering factor, which gives insight into concentrations of business activity. The Clustering factor is analogous to businesses' desire for an installed base of suppliers and customers.

- **Proportional value of real commercial property to the value of total property** in the community as measured by assessed value. Both of these figures are found on form L-4022/L-4023 "Report of Assessment Roll Changes and Classifications," which local assessors provide to counties following the determination of annual assessment values. Real commercial property value includes buildings and land used for commercial purposes, such as office space and retail establishments. The total property value includes both real property for business activities and residential purposes, and personal property for business purposes. Personal property does not included residential property.

- **Proportional value of real industrial property to the value of total property** in the community as measured by assessed value. Again, both of these figures are found on form L-4022/L-4023. Real industrial property value includes buildings and land used for industrial purposes, such as manufacturing facilities. The total property value includes both real property and personal property.

- **Proportional value of personal property to the value of total property** in the community as measured by assessed value. Again, both of these figures are found on form L-4022/L-4023. Personal property value includes equipment and other capital assets used for business purposes, such as machinery and computers. The total property value includes both real property and personal property.

- **Proportional asset increase year over year** focuses on net new asset value, which measures the community's self-investment. A community adds to its value by constructing infrastructure or purchasing equipment, such as: park spaces, walking trails, new fire trucks, municipal data base systems, or senior centers, just to list a few. These figures are captured from the communities audited annual financial statements.

- **Proportional value of asset increase to total governmental expenditures** by a community. These values for asset increases come from the most recently available audited financial statements of the local government, while the governmental expenditures come from form F-65. Asset increases include such projects as senior programs, parks and recreation programs, etc.

Incentives

The six items of the Incentives factor examine tax abatements, tax rates, and the use of tax incremental finance tools by local governments. The Incentive factor is analogous to business pricing structures.

- **Local income tax.** Examines if a community has a local income tax.

- **Average non-homestead tax rate.** This is the total property tax rate paid to all taxing jurisdictions in the most recent tax year. Homesteads, now referred to as principle residence exemptions, are owned and occupied properties; non-homesteads are all other properties, such as rental units and other business property. The non-homestead tax rates determine the total property taxes paid by businesses located in a city or township. Since many communities may have various overlapping jurisdictions, such as multiple school districts, an average is used of all applicable tax rates.

- **Existence of one or more types of tax incremental financing (TIF) districts.** Local governments can be enabled to create local districts that capture tax revenue received from increases to value of property in specified areas. In Michigan, the most common TIF districts are Downtown Development Authorities (DDA), Brownfield Redevelopment Authorities (BRA), and Local Development Finance Authorities (LDFA).

- **Proportional value of tax abatements to the value of total property** in the city or township as measured by assessed value. Both of these figures are found on form L-4022/L-4023 and its supplemental data. Tax abatements can be granted by local governments to businesses on real commercial and industrial property and on personal commercial, industrial, and utility property. The total property value includes both real property and personal property.

- **Value of average tax abatement.** This value is the total value of abated property divided by the number of abated parcels. Both of these figures are found on form L-4022 /L-4023 and its supplemental data.

- **Proportion of tax abatements to the number of business-type parcels.** This value is the total number of abated parcels divided by the total number of business-type parcels. In some cases, residential property is eligible for property tax abatements. However, the focus of the study is on business and entrepreneurship. Therefore, business-type parcels were defined to include real commercial and industrial properties and personal commercial, industrial, and utility properties. These figures are found on supplemental data to form L-4022/L-4023.

Growth

The five items of the Growth factor examine changes in business activity and commercial construction occurring in cities, townships and villages. The Growth factor is analogous to business ideas of revenue growth.

- **Percentage change in number of personal property parcels**. Using the most recent form L-4022/L-4023 and the prior year's L-4022/L-4023, a comparison is made to determine the increase or reduction in total number of personal property parcels. This identifies concentration of business equipment investment, whether it is businesses located in town or firms leasing equipment to firms in town. Unlike real property parcel counts—which change with land splits or assemblage and not open or closed businesses—personal property parcel counts fluctuate with operational levels.

- **Percentage change in value of personal property**. Again, using the most recent form L-4022/L-4023 and the prior year's L-4022/L-4023, a comparison is made to determine the growth or reduction in total value of personal property in the city or township.

- **Proportional share of total nonresidential construction activity** in research area. Using the Southeast Michigan Council of Governments (SEMCOG) report "Nonresidential Development in Southeast Michigan, Summary 2007,"[15] the total square footage of nonresidential construction completed or under construction in 2007 in each municipality was compared to the totals for the eight-county study region. Note: Going forward, this data point will no longer be included in the study, as it is not tracked statewide.

- **Proportional value of commercial building activity to the value of all building activity** in the community. This information comes from municipal building databases for the most recent calendar year. Values are for permitted construction project values and not permit costs. There is some variance in how governments categorize commercial building permits from other building permits. This data point compares the proportion of construction activity in the business sector versus residential construction.

- **Proportional number of commercial building permits to the number of all building permits** in the community. As with the value of building activity, above, this information comes from municipal building databases for the most recent calendar year. Again, there is some variance in how governments categorize commercial building permits from other building permits.

Policies

The policies factor includes six items and examines structural support for economic development in cities, townships and villages. It is analogous to business ideas of R&D and service policies.

- **Proportion of economic development expenditures to total expenditures.** These figures are found on the Form F-65. The amount of economic spending is compared to total spending from governmental funds.

- **Existence of a full-time equivalent economic development employee.** This data point asks whether or not a community has staff focused on economic development.

- **Site or façade grants.** This data point asks if the government funds site grants used for improvement of buildings and structures in the community.

- **Existence of local Economic Development Corporation (EDC) or Community Development Corporation (CDC).** Local governments can create local bodies that address strategic concerns of economic development and community development. The most common titles of these groups are EDCs and CDCs. Local government staffs were asked which, if either, of these organizations the municipality has.

- **Use of industrial revenue bond (IRB) or industrial revenue development bonds (IRDB).** Michigan Public Act 62 of 1963 and Act 75 of 1972 allow for municipally secured bonds to be issued assisting corporate purchase of certain real and personal property. Local government staffs were asked if such bonds are available through the local government, or one of its agencies.

- **Existence of a municipally supported job-training program**. Local government staffs were asked if city or township funds are used to provide or support workforce development programs, such as job-training classes, entrepreneurship courses, or similar activities. Staff training courses for municipal employees are not are not included in the findings.

Community

The Community factor is comprised of five items and examines the environmental factors for economic development in cities, townships and villages. The data points demonstrate community stability, and a potential for growth.

- **Percent aged 25-34**. The 2000 US Census figures from Table P8[16] provided this data. This demographic is of interest because they are just entering the work force, and beginning to grow families. As such they are the driving force for economic development. The data point is obtained by dividing the number of people aged 25-34 by the entire community population.

- **Percentage of households reporting self-employment income**. Using 2000 US Census figures from Table P60, "Self-employment income in 1999 for households,"[17] the percentage of households reporting self-employment income was compared to total households in the community.

- **Average household self-employment income**. Using 2000 US Census figures from Table P60, "Self-employment income in 1999 for households,"[18] and Table P69, "Aggregate self-employment income in 1999 (dollars) for households,"[19] the aggregate self-employment income for the community is divided by the total number of households reporting self-employment income.

- **Median community income**. Using 2000 US Census figures from Table P53, "Median household income in 1999 (dollars),"[20] the amount of median household income was identified.

- **Crime.** Using the Michigan State Police report "2007 Uniform Crime Report,"[21] and 2000 US Census figures from Table P1, "Total Population,"[22] a per capita crime value was determined. The Uniform Crime Report number used is the index total for each community. It shows the total number of various violent crimes reported by communities. If a community did not report data, local police departments were asked for the equivalent figure. If the Uniform Crime Report does not include 12 months' worth of data, the index score is divided by months reported and multiplied by 12 for an annual estimate. The crime index value is divided by the total community population from the census for the data point.

Education

The four items of the Education factor examines the levels of education of residents in cities, townships and villages. It shows the pool of knowledge-based workers available to businesses.

- **Percentage of individuals with a high school diploma or better.** Using 2000 US Census figures from Table P37, "Sex by educational attainment for the population 25 years and older,"[23] the percentage of population with at least a high school diploma is compared to total working age population of the community.

- **Percentage of individuals with some college or better.** Using 2000 US Census figures from Table P37, "Sex by educational attainment for the population 25 years and older,"[24] the percentage of population with at least some college education is compared to total working age population of the community.

- **Percentage of individuals with a bachelor's degree or better.** Using 2000 US Census figures from Table P37, "Sex by educational attainment for the population 25 years and older,"[25] the percentage of population with at least a bachelor's degree is compared to total working age population of the community.

- **Percentage of individuals with a post-bachelor's degree or better.** Using 2000 US Census figures from Table P37, "Sex by educational attainment for the population 25 years and older,"[26] the percentage of population with more than a bachelor's degree is compared to total working age population of the community.

Index conversion and factor weighting

The values collected for the 31 items were converted to an index score of 1 through 7. The score was based on equal range, with the total range divided into seven equal intermediate ranges. Values in the highest range received a score of seven and values in the lowest range received a one. The non-homestead tax rates and crime values follow a reverse convention, with lower values awarded a higher index score. "Yes" responses were given a 7 and "no" responses were given a 1.

This study compared equal range and the use of standard deviations to determine the ranges. Sensitivity analysis found no impact between the two methods of identifying the values.

With data points converted to discrete values between one and seven, the values for items could be summed to provide a total score for each of the six factors. Each of the six factor totals was then weighted to provide an index total. Growth was given a .25 weight, Clustering and Incentives were each given a .2 weight, Community was given a .15 weight, and Policies and Education were each given .1 weighting, for a total weight of one. The prior year's study included sensitivity analysis of different weights. Sensitivity analysis determined that minor changes to the weights given each factor had little impact on final values of the top performing communities.

Appendix B

eCities Interface

Appendix C

eCities Seal

Appendix D

eCities Comparative Community Analysis

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Comparative Community Analysis

Community Name: City of Townville
Primary County: Oakland County
Unit of Government: City
Population: 80,000
Report Date: December 22, 2007 – Not Final Report

Factor	Index Score[1]	Percentile of Same County Communities[2]	Percentile of Similar Form of Government[3]	Percentile of Similar Population[4]
Clustering	2.500	57	58	50
Incentives	3.600	50	58	75
Growth[5]	4.000	64	58	50
Policies	3.000	64	58	75
Community[5]	6.500	100	100	100
Education[5]	5.500	86	83	75
Total Index[5]	4.045	86	83	75

Please note that the Index is a dynamic analysis. Index values are based on information received from all communities. As such, these values are preliminary. Final values will be available March 31, 2008.

For a detailed analysis of your community or information on how your community can further encourage entrepreneurial firms and economic development, please contact Tim Davis, Director of iLabs, at tadavis@umd.umich.edu or 313-593-4060.

1. Each factor is weighted differently to reach the Index total
2. Out of 14 communities in your county reporting to date
3. Out of 12 similar governments (cities, townships, or villages) reporting to date
4. Out of 4 communities with a similar population reporting to date
5. Data points in these factors are input by iLabs staff, and may not be complete at the time of your initial submission

Appendix E

eCities Business Location Survey

http://www.umdilabs.com/survey/

End Notes:

[1] http://www.bls.gov/oco/ocos057.htm

[2] http://www.census.gov/poplation/www/metroareas/aboutmetro.html

[3] Weitkamp, Rosanna, and Barbara Pruitt. "2008 New State Economy Index." Kauffman Report 180112008 13 Mar 2009, http://www.kauffman.org.details.aspx?id=5812

[4] Atkinson, Robert, and Scott Andes. "2008 New State Economy Index." 180112008 13 Mar 2009, http://www.itif.org/intex.php?id=200

[5] Bureau of Labor Statistics data. Small firms are identified as those with fewer than 100 employees and large firms are those with 100 or more employees.

[6] http://www.sba.gov/advo/research/lending.html

[7] http://www.bls.gov/opub/ted/2007/jun/wk4/art02.htm

[8] *Ibid*

[9] Tom Walsh, "Time to toss old ideas about how to fix state economy," *The Detroit Free Press*, March 15, 2006, page 1A.

[10] Bomey, Nathan. "Risky business: rebranding Michigan." Business Review Western Michigan 070022008 13 Mar 2009, http://br@mbusinessreview.com

[11] "Circulating City/Township Nominating and Qualifying Petition Forms," Michigan Department of State, Bureau of Elections, May 2003, http://www.michigan.gov/documents/SOS_ED106_City_Twp_Pet_Form_77021_7.pdf identifies 272 cities, 1,242 townships, and 261 villages in Michigan.

[12] Q&A with Doug Rothwell and *The Detroit Free Press*, February 26, 2006, page 1E.

[13] http://www.crainsdetroit.com/article/20070318/SUB/703160345

[14] Richard Florida, in his book Rise of the Creative Class, hypothesizes that a concentration of creative professionals will create a knowledge workforce that will attract firms with high-wages and strong tax bases.

[15] SEMCOG, "Nonresidential Development in Southeast Michigan, Summary 2007," May 2008, http://library.semcog.org/InmagicGenie/DocumentFolder/reportnonres07.pdf

[16] US Census 2000, SF3, Table P8, "Total Population

[17] US Census 2000, SF3, Table P60, "Self-employment income in 1999 for households."

[18] *Ibid*

[19] US Census 2000, SF3, Table P69, "Aggregate self-employment income in 1999 (dollars) for households."

[20] US Census 2000, SF3, Table P53, "Median household income in 1999 (dollars)."

End Notes Continued:

[21] State of Michigan, "Michigan State Police report "2004 Uniform Crime Report," 46th Annual Edition, http://www.michigan.gov/documents/2004AnnualReport_140044_7.pdf. The index number used begins on page 101 of the report and is the tenth numerical column from the right.

[22]US Census 2000, SF1, Table P1, "Total Population

[23] US Census 2000, SF3, Table P37, "Sex by educational attainment for the population 25 years and older."

[24] *Ibid*

[25] *Ibid*

[26] *Ibid*