

eCities 2008



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eCities is an annual research study that examines the factors – at the community level – that influence entrepreneurship, economic development, and job growth. The focus is on entrepreneurship because of its importance to expansion and diversification of regional economies and small businesses' impact on job creation.

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 individually by many of Michigan's 1,775 townships, cities and villages.¹ Given this, the eCities study uses the community as the unit of measurement and not a county or metropolitan area as other studies have used.

With the goal of expanding eCities as a tool for local governments to benchmark themselves and share the best practices of local economic development, the 2008 study included a new online interface for communities to enter data and access comparison reports. With promotional assistance from state and regional partners, 36 communities participated in the 2008 project.

The online interface provides a comparative analysis report for communities to benchmark their efforts and see how they perform compared to similar governments. Comparisons can be made based on population, location, and unit of government. The website also acts as a data collection tool, enabling communities to enter existing public data on building permits, property assessment values, and tax rates. In addition, the website includes several questions about local development policies that are used in the study. iLabs researchers are available to assist with questions the city, township, or village may have concerning the data requested. Researchers also add several data points from state crime reports and census numbers. This streamlined version of data collection can be completed by local governments in as little as 15 minutes.

Data Sources

A six-factor, 31-item index is the key research instrument that measures entrepreneurial activity in the eCities study. The factors consist of Clustering, Incentives, Growth, Policies, Community, and Education. All of the quantitative data comes from publicly available records. Such records include the US Census, local building department databases, city and county assessing rolls, and state crime reports. The quantitative findings were validated with personal interviews with city managers, township supervisors, and others involved with economic development at the local level. 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 government's track and what data is relevant to business as they select locations to open and operate.

The six factors and the items they include are:

Clustering: Examines concentrations of business property and municipal infrastructure investment.

Incentives: Examines tax rates, tax abatements, and the use of tax incremental finance tools employed by local governments.

Growth: Examines changes in business activity and commercial construction occurring within communities.

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.

iLabs researchers follow the website data entry with personal interviews of the community leaders. Officials are asked basic questions about what the local government does to attract and maintain entrepreneurial growth, the policies or internal procedures that are critical to the process, the role of partnerships, the success stories, and how they market themselves to prospective firms.

Top Performing Communities

The 2008 study identified the City of Auburn Hills, the Village of Dundee, Plymouth Township, the City of Southfield, the City of Tecumseh, and the City of Troy as top performers in attracting and retaining entrepreneurial firms. Auburn Hills and Troy were similarly honored in 2007.

Each community uses strategies that match their overall goals and community culture. While no single solution is right for all communities, common themes and trends emerge. Economic development agencies, local chambers of commerce, and state agencies all are instrumental in helping to bring firms to a community. Just as important for the top communities are partnerships with local colleges and universities, and inter-community cooperation.

Successful communities are proactive in determining the needs of business and how government can impact organizations. Local governments also act as conduits to – and often providers of – resources and information to encourage business growth. They have professional and empowered staffs who champion new businesses, leading them to solutions and acting as a channel for networking. They can draw on available state and local tools, and have found ways to reduce bureaucracy by streamlining building and permitting processes.

The leading communities also balance the use of incentives. Many boast low tax rates; however, leaders highlight the efficient use of taxes to provide quality services. Additionally, each of the top performing communities offers tax abatements, but the abatements typically are targeted with respect to industry and impact. Municipal leaders explained that they do not use abatements to lure firms from nearby communities, only to attract a business that is new to the area. Abatements are more likely to be offered for high-tech industries and companies that have a green initiative.

Interviews with local leaders provided many entrepreneurial success stories, where innovative and imaginative partnering between government and business has created an atmosphere of cooperation that provides a positive impact for both community and business. Entrepreneurial firms which offer high-quality jobs help entice creative people to live, work and play in these communities. Combining the balance of tax revenues and service provisions with the availability of spaces for small firms to have access to talented workers creates a better quality of life for all residents by providing places to eat, walk, shop, and be entertained. The creative class individuals have become coveted by municipalities because of their perceived impact on business growth.²

Local governments' ability to change policy and finalize deals are a critical reason that sharing the best-practices offers opportunities to build an environment that encourages entrepreneurial and economic development.

Conclusion

The findings from eCities 2008 provide the best practices of local communities. The project also provides a benchmarking tool for communities to utilize in their decision-making processes. Continuation and expansion of the eCities project will create a body of knowledge that can assist local communities with the tools and skills needed to assist in attracting entrepreneurial firms to Michigan. With application of those skills comes economic development and job growth that will allow the state to recover from its current economic condition.

¹ "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.

² Florida, Richard, *The Rise of the Creative Class: And How It's Transforming Work, Leisure, Community and Everyday Life*, Basic Books, 2003. Florida hypothesizes that a concentration of creative professionals will create a knowledge workforce that will attract firms with high-wages and strong tax bases.