

eCities 2009
iLabs – Center for Innovative Research
College of Business
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eCities is an annual research study that examines the factors – at the community level – that influence entrepreneurship, economic development, and employment 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. 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.

The eCities project provides benchmarking reports for participating communities and has assembled a collection of Best Practices of local communities promoting entrepreneurship and economic development. 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 cultures. Helping local communities, who often have the most impact on small and entrepreneurial firms, provides an opportunity to improve the culture of entrepreneurialism in the state.

For the 2009 project, over 75 communities participated in the study, with 52 completing enough data for a customized benchmarking report. The goal for eCities 2010, the 4th annual study, is to have more than 100 Michigan cities, townships, and villages participate in the project, further adding to the collection of Best Practices and providing solutions to help encourage entrepreneurial firms.

Data Sources

A six-factor, 30-item index is the key research instrument 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 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.

2009 Top Performing Communities

The 2009 study recognized four communities for their longitudinal success at fostering entrepreneurs and encouraging economic development: The City of Auburn Hills, the Village of Dundee, the City of Southfield, and the City of Troy. These communities continue to provide evidence of business growth and are approaching the future prepared for the challenges in the changing economic conditions of the state.

Also in 2009, five cities were honored as top performers in the study: The City of Marquette, the City of Midland, the City of Rochester Hills, and the City of Wixom each stood out for their Best Practices.

The City of Marquette has used its location to help promote and develop the growth of entrepreneurs in its community. The City was able to use its partnership with Northern Michigan University to introduce WiMax, which provides wireless internet coverage for the entire region. This has allowed the City to attract individuals who are able to work from home with just an Internet connection to relocate to Marquette. This strategy has resulted in numerous entrepreneurs locating in this northern Michigan community for quality of life reasons.

The City of Midland has partnered with its largest employers – Dow Chemical Company and Down Corning Corporation – to help encourage economic development. By partnering with these largest employers and other business leaders, a strategy was developed to encourage new companies and jobs that complement the opportunities and competencies in the region. Midland Tomorrow, the regional development agency, works with the City to help and ensure that the residents will be prepared for the jobs in these growing segments.

The City of Rochester Hills has worked to expand its partnerships which not only include local businesses, but also Oakland University. Recently, the city has been able to expand an incubator which is focused on life sciences and advanced technology sectors. Other resource channels that the City is leveraging for entrepreneurs are angel investment organizations and connection to the small business technology development center to help start-up entrepreneurs.

The City of Sterling Heights has worked to help retain displaced auto workers along with automotive suppliers to help them diversify their skills to new industries, including the defense industry. The City has worked with its larger companies in the defense industry to create an environment which fosters other firms to develop in this growing sector of Michigan's economy. The City has also partnered with the State of Michigan, Oakland County, and Oakland University to create a defense and homeland security incubator.

The City of Wixom has been successful in filling a large vacant industrial facility that was previously a major employment loss to the community. By working with the property owner, developers, and the State they were able to bring a substantial investment by alternative energy firms into the community. These firms anticipate thousands of new jobs in another growing sector for the State of Michigan. The City was patient in working to find an investment in the vacant property that fit with broader programs and resources that were available.

Discussion

Each of these highlighted communities uses strategies that match their overall goals and community culture when attracting new business development. While no single solution is right for all communities, common themes and trends emerge. Partners, such as universities, chambers of commerce, and state agencies all are instrumental in helping provide resources to prospective entrepreneurs.

Successful communities are also proactive in determining the needs of business and how government can impact organizations. Local governments 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 local and state 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. Various communities offer tax abatements, but top performing communities often target abatements 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 the creative class individuals who have become coveted by regions for their purchasing power and entrepreneurial potential.

Conclusion

eCities 2009 continues the tradition of helping communities to help the state's entrepreneurial climate. Collecting and sharing the Best Practices of local communities and providing an understanding of what strategies are successful at engaging the business community and entrepreneurs. The eCities project continues to expand and create a body of knowledge that can assist local communities with the tools and skills needed to attract entrepreneurial firms to Michigan.

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.