

SUPPORTING SUCCESS IN MICHIGAN'S COOL CITIES



Research Funded in part by:

MICHIGAN STATE UNIVERSITY

Land Policy Program



MICHIGAN STATE UNIVERSITY EXTENSION



The School of Planning, Design & Construction

Project Team:

June Thomas, Ph.D. FAICP,
Professor, Urban and Regional
Planning

Faron Supanich-Goldner, MSW
Specialist, Community and
Economic Development

Julia Darnton,
Graduate Assistant,
Urban Collaborators

MSU ASSISTS STATE OF MICHIGAN WITH COOL CITIES

In June 2003, Michigan's Governor Jennifer Granholm announced a new initiative, called Cool Cities, as part of an economic growth strategy for Michigan. "Building vibrant, energetic cities that attract jobs, people and opportunity to our state is a key component" of this new urban revitalization initiative. This program was designed to invest in cities based on a new concept for the economic development of cities outlined in part in *The Rise of the Creative Class*, (2002) by Richard Florida.

Michigan cities created local advisory groups around the idea of "cool cities" and summits around the state gathered public opinion about the kind of place citizens desired. The pilot program initially planned to offer grants to twelve Michigan cities to assist projects that were part of a plan to revitalize a neighborhood. Nineteen cities eventually received these modest grants, but these communities also received preference for other grant programs as part of the State's Cool Cities Toolbox. The State also formed a new government consortium for the project, gathering champions from almost every State department to think about what part each could play in revitalization of cities.



Photos of cities granted 2005 Cool Cities grants: (clockwise from top left) 1. East Lansing, 2. Ann Arbor, 3. Detroit's Corktown, 4. Battle Creek.

Michigan State University researchers, initially interested in doing an evaluation of the Cool Cities Pilot Program, soon became involved in supporting a broader program effort. One aspect of the support the Cool Cities Coordinating Team requested was for the researchers to help them better define their development model for Cool Cities, based on talent, innovation, diversity, and environment (TIDE). The TIDE model was designed to use research on economic development such as Florida's and tailor it to Michigan cities, both small and large. Florida's work was a jumping off point and we worked on a literature review with the goal of finding empirical support for implementing TIDE.

INSIDE THIS ISSUE:

Project Overview	1
Explanation of Indicators	1
Talent	2
Diversity	2
Innovation	3
Environment	3
Methodology	4
Economic Development	4
Sources Cited	4

INDICATORS FOR TIDE FEATURED INSIDE!

On pages two and three of this publication, you will find definitions and explanations of Talent, Innovation, Diversity and Environment that result from our review of literature in social research related to cities and economic development. You will also find tables for each of the TIDE elements that show a brief description and evaluation of empirical indicators along with the

possible source of that data.

The tables for Talent, Innovation, and Diversity feature highlighted rows. The highlighting indicates that we found the indicator detailed there to have the most support from empirical sources. Our review of literature for Environment did not yield a "best indicator" but rather varied economic development strategies.

Key Findings on Talent

- Human capital is more important in metropolitan areas that have experienced economic decline. Higher levels of human capital help declining communities better weather economic changes.
- Colleges and universities serve as magnets for talented people. Education at all levels is important.
- Human capital is more important than amenities in economic development but human capital is not sufficient for economic growth.
- Scholarship or incentive programs may help to keep high school students from leaving the state for college.
- Targeting occupations of certain types may be more important than targeting firms in certain industries.

Talent in Economic Development

Talent, often called human capital, is best understood as skillful human inputs into the economy. Human capital is the sum of the talent of a group of people; it includes formal and informal education, and skills and work experience. In their discussion of Talent, the State of Michigan Cool Cities Initiative website talks about the importance of attracting and retaining college graduates and creative people. The State recognizes the connection between talented people and where these people are willing to live.

Markusen 2004; Florida 2002, 2004). This model forwards the idea that people, their skills and knowledge create and concentrate growth in the regional economy. In this model, cities are important because they attract talented and creative people and the agglomeration of these people adds value to the economy. Florida (2002, 2004) supported the human capital theory by arguing that what is really important is where creative people will locate. A concentration of highly-skilled people acts to attract firms and creates more jobs in other sectors as a result (see Figure 1). Investment in education has been shown to yield positive results in economic development.

The human capital theory of regional economic growth has been confirmed by empirical research (Glaeser and Saiz 2004;

Talent Indicator	Viability of Measurement	Source
Relative percentage of population with college degree	Most reliable measure of aggregate human capital	US Decennial Census
Quantities of specific occupations (e.g. engineers, scientists, etc.)	Used by Florida to specify the presence of the creative class in human capital measures (Talent Index)	US Decennial Census
Knowledge base (e.g. # of universities, # of students, grant monies locally)	Advocated for by Lever (2002) to measure tacit and codified knowledge	Data compiled by user

Key Findings on Diversity

- Other scholars have not replicated the link that Florida (2002, 2004) found between gay populations and economic growth.
- Racial integration efforts may not improve economic growth; Chicago and Detroit are both segregated but differ economically.
- Other than the economic impact of the arts, support for a bohemian link to growth is anecdotal.
- Highly-skilled immigrants can have large impacts on regional economies; overall, immigration has a positive economic effect.
- Canadian policies aimed at attracting highly-skilled and wealthy immigrants have met with mixed results.
- Ethnic enclaves attract and partially assimilate immigrants to local areas; promoting immigration is one growth strategy.

Diversity in Economic Development

Diversity, for our purposes, has four dimensions: gays and lesbians, “bohemians” or art and related occupations, racial minorities, and immigrants. Richard Florida (2002, 2004) argued that tolerance is crucial in places that wish to attract the highly talented people.

2004). Related to the gay and lesbian population, research has shown that cities with visible homosexual communities may attract tourism, but this is not equivalent to economic development. In contrast to Florida, Clark (2004) found that high-tech growth was better correlated with high percentages of college graduates and large population sizes than with gay presence. Literature is limited on the economic or population impacts of bohemians, except in popular media. However, some confirmation of the contributions of the arts industry in the regional economy does exist. The strong negative effects of racial segregation have been well-documented and may affect the ability of a city or metropolitan area to generate and retain wealth.

Of the four dimensions described, only a large immigrant population is consistently correlated with economic growth in creditable studies by other scholars. Many studies document the positive economic effects of immigration on the national economy and of highly-skilled immigrants on local and state economies. Evidence of these positive effects includes increased wages and rents where they locate (Ottaviano and Peri

Diversity Indicator	Viability of Measurement	Source
Relative percentage of the population which is foreign-born	Best measure linked to economic growth	US Census
Percentage of same-sex partnered households as a proxy for gay community	No verified link with economic development	US Census
Percentage engaged in artistic professions as proxy for bohemians	Link to economic growth is only anecdotal	US Census
Integration Index (inverse of index of dissimilarity)	Involuntary concentrations of racial groups when occurring with concentrated poverty is problematic	US Census

Innovation in Economic Development

Innovation involves introducing something new into the marketplace for economic return. It occurs in a variety of economic activities, including the birth and growth of new firms, patenting of intellectual property, and the development of new or improved products, services, processes, inputs, or organizational forms. Entrepreneurship is the process that organizes resources to capitalize on innovation. The Cool Cities Initiative website says that the State of Michigan desires innovation in every industry sector, not just high-tech industries. Richard Florida (2004) considers the creative workforce as a primary source of economic growth because of its capacity to generate ideas, design products, and establish new businesses.

Economists explain the innovative process as cycles of innovation and equilibrium resulting in periodic ‘creative destruction’ of non-competitive firms. Thus, to produce innovation, economists advocate for open competition instead of regulation. Innovation results from increased knowledge and technological development. Knowledge is “inherently different from land, labor and capital” because its value is relative, uncertain, unevenly distributed, and carries high transaction costs (Audretsch and Thurik 2001). Innovation and entrepreneurship are important because new ideas and technology alone are not sufficient for economic growth. Translating new ideas into commercial products is different than innovation.

Indicator	Viability of Measurement	Source
Milken High-Tech Index (used by Florida 2002, 2004)	Intermediary measure but still highly reliable, uses patents per capita and high-tech share	U.S. Office of Patents and Trademarks
Amount of investment in R&D public or private institutions	Input measure, does not address output	Corporate and university financial reports
New firm development	Best measure of entrepreneurship	Local data sources

Environment in Economic Development

Environment, as used in this context, refers to the place-based amenities that shape a community’s economic competitiveness. Quality of life factors are increasingly important in economic development in urban areas. People seem to flow to places which possess certain amenities, either natural or constructed, although not everyone favors the same set of amenities. The Michigan Cool Cities Initiative discussion of environment is expansive, including “natural recreational, cultural and lifestyle amenities.” Quality of place is central to the theories of Florida (2002, 2004) who argues that areas are successful because creative people desire access to the local amenities.

Local amenities are increasingly marketed toward attracting talented workers instead of using production factors to attract firms. This is evident in the attention paid in popular media

to city rankings as the “best place to live.” Clark (2003) explains that human capital aggregations and amenities act jointly to create a location that is a desirable place to live and work. Communities that are shifting toward amenity-based growth strategies are also engaging in a new political culture that is shifting away from patronage and toward broadly appealing projects such as parks and waterfronts. Economic shifts are hastening this amenity focus because work is increasingly mobile yet still requires an appropriate location. Specific strategies that appear to be helpful in terms of allowing amenities to have an effect include growth management, design enhancements, creating pedestrian neighborhoods, creating special districts such as some anchored by sports stadiums, waterfront development, and examination of permitting systems of code enforcement.

Indicator	Viability of Measurement	Source
Place-ranking systems or quality of place measures	Be wary of these indices because they are subjective.	Often in popular publications. Could be designed for individual communities’ preferences.
Amenities fall into two categories: constructed and natural. Constructed amenities are controllable and natural amenities cannot be changed.	Extremely varied and difficult to quantify or subjective (i.e. aesthetics)	Not regularly or reliably gathered. Issues related to constructed amenities: waterfront, stadiums, tourism, code enforcement. Natural amenities are things such as topography, climate

Key Findings on Innovation

- Entrepreneurship insures economic growth from innovation.
- The value of “tacit knowledge” in the new economy suggests that place matters; industry clusters may be important focal points in this context.
- Knowledge spillovers should be encouraged but different contexts (e.g. firm, industry, city, etc.) result in varying levels of effectiveness of spillovers.
- Key policy initiatives include: workforce education, technical infrastructures like technology business incubators, distinctiveness of regions, research & development, and cluster support initiatives as described by Porter (2000).

Key Findings on Environment

- Growth management may encourage revitalization; where such long-term policies exist, building permits have increased.
- For small cities, a distinctive downtown offering a sense of place and design regulations could have very positive effect.
- Pedestrian-friendly communities with close local retail and strong neighboring enhance amenities.
- Alone, sports stadiums do not bring about economic growth but may be part of a successful redevelopment plan.
- Although expensive, well-planned waterfront development can be an effective strategy.
- Examining the restrictiveness of building regulations may lessen the burden on builders and increase new buildings.



Contact us for more information:

Urban Collaborators

201 UPLA Building
Michigan State University
East Lansing, Michigan
48824

Phone: (517) 432-9852
Fax: (517) 355-7697
E-mail: fortonn@msu.edu

Find complete report of this and other works by Urban Collaborators' researchers online:
www.ssc.msu.edu/~urp/outreach/urbcollabs.htm

Photos on page 1 are of cities that received 2005 Cool Cities grants.

1. East Lansing, seating in the Ann St. Plaza downtown found at: www.cityofeastlansing.com/
2. Ann Arbor, Liberty Street with the Michigan Theater found at: www.nafips05.wayne.edu/ann_arbor/a2street.html
3. Detroit's Corktown found at: www.corktowndetroit.org/2005/
4. Battle Creek, World's Longest Breakfast table, found at: www.battlecreek.org/tour/home.html

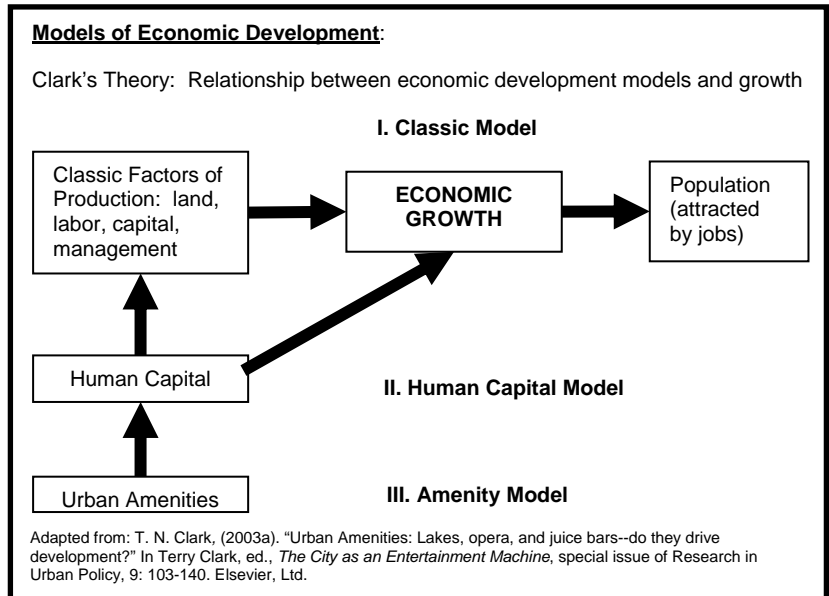
Emerging Models of Economic Development

The figure below shows the relationship between three models of economic development. The classic model relies on the traditional forces of production, land, labor, capital and management, to generate economic growth and then attract jobs.

The human capital model of economic development focuses more on people and their skills and theorizes that firms are attracted to areas by highly-skilled workers. Evidence suggests that movement of firms escalates as technological development and global competition increase.

The third model considers urban amenities as a key factor that attracts the human capital that acts to attract firms. Neither the second or third

model denies the importance of the classic factors of production; rather they argue that increasingly firms are attracted by talented people and talented people, are attracted to areas by urban amenities. These amenities include those that attract tourists, such as nightlife, museums, and waterfronts, and non-tourist amenities such as school quality, clean air, parks, and excellent city services.



A Note on Our Methodology

We first examined key writings of Richard Florida, with the goal of collecting and examining information about his indices and findings. Our literature review focused on academic journals with empirical research (original data or data collection) related to TIDE. The full literature review offers commentary about what claims in the Florida model seemed to be verified by other authors examining similar issues through empirical means, and what did not seem to be verified empirically.

Sources Cited:

- Audretsch, D. B. and A. R. Thurik. (2001) What's new about the new economy? Sources of growth in the managed and entrepreneurial economies. *Industrial and Corporate Change*. 10(1) 267-315
- Clark, T. N. (2003). Urban Amenities: Lakes, Opera and Juice Bars, Do They Drive Development. *The City as an Entertainment Machine, Special issue of Research in Urban Policy* 9: 103-140.

- Clark, T. N., Ed. (2004). *The City as an Entertainment Machine*. Research in Urban Policy. Oxford, Elsevier.
- Clark, T. N. (2004). Gays and Urban Development: How Are They Linked? *The City as an Entertainment Machine*. T. N. Clark. Oxford, Elsevier. 9: 325.
- Florida, R. (2002). *The Rise of the Creative Class: And How It's Transforming Work, Leisure, Community and Everyday Life*. New York, Basic Books.
- Florida, R. (2004). *The Rise of the Creative Class: And How It's Transforming Work, Leisure, Community and Everyday Life*. New York, Basic Books.
- Glaeser, E. L. and A. Saiz (2004). The Rise of the Skilled City. *Brookings-Wharton Papers on Urban Affairs: 2004*. W. G. Gale and J. Rothenberg. Washington, D.C., National Bureau of Economic Research: 305.
- Lever, W. F. (2002) Correlating the knowledge-base of cities with economic growth. *Urban Studies* 39(5-6):859-870
- Markusen, A. (2004) Targeting occupations in regional and community economic development policy. *Journal of the American Planning Association* 70 (3):253-68
- Ottaviano, G. I. P. and G. Peri (2004). The Economic Value of Cultural Diversity: Evidence from U.S. Cities. *Fondazione Eni Enrio Mattei Note di Lavoro Series*. Milano, Italy, Economic Growth and Innovation in Multicultural Environments (ENGIME): 1-52.