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The Economic Impact of **PLACEMAKING**

High quality places are critical to attracting talent. Enhancing walkability, promoting entrepreneurship, and expanding transit help create a vibrant place and are effective ways to improve a community's local economy.

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► Placemaking

Placemaking capitalizes on assets that connect people and places on a human scale. Both large and small placemaking projects can have important impact on a community. Not only do these projects improve a physical public space, but they also strengthen the social fabric of a community. When communities start small and build on the assets they have, large-scale transformations can take place: Small landscaping improvements to enhance a pedestrian experience may lead to a complete overhaul like a road diet, as it did in Farmington’s downtown.¹ A small, grassroots initiative to promote community pride can spark tourism, as it did in Muskegon when a group of young professionals started distributing “Love Muskegon” materials.² The Michigan Municipal League (the League) has already documented more than 25 placemaking case studies from across the state that illustrate the small and large-scale impacts of place. Our findings show that what matters most to communities is that people have an opportunity to lead healthy, engaged, and connected lives.

The Knight Foundation’s Soul of the Community report shows leaders across the country what makes cities successful. It’s not rocket science, it’s quality of life: If people love where they live, the more economically vital the place will be. Aesthetics, social offerings, and openness of a community are what residents care about most.³ People want to live active, connected lives in places that are accepting to all. Additional research echoes the importance of well-designed public spaces. The United Kingdom’s Commission for Architecture and the Built Environment reports: “Good design is not just about the aesthetic improvement of our environment, it is as much about improved quality of life, equality of opportunity, and economic growth.”⁴ Public leaders should prioritize activities to reflect these guiding principles; and placemaking is what people want.

Michigan local government leaders are increasingly seeing the benefits of placemaking and using these tactics to improve their local economies.⁵ This paper collects research from across the globe to examine placemaking’s economic benefits. **The research shows that high quality places are critical to attracting talent. Enhancing walkability, promoting entrepreneurship, and expanding transit help create a vibrant place and are effective ways to improve a community’s local economy.**

► Economic Impact: Talent Attraction and Retention

Michigan was the only state in the nation to lose population between the 2000 and 2010 Census.⁶ As the state has seen, population loss has dramatic negative impacts on state revenue, housing prices, and business development. Keeping educated, creative, and talented residents in Michigan is critical to our economic turnaround. Research shows that educational attainment is the strongest predictor of regional success. One study found that increasing four-year college attainment by one percent in the nation’s 51 largest metropolitan areas could increase the national per capita income by \$124 billion a year.⁷

Evidence also shows that dense communities with talent can quickly attract *more* talent. A recent Brookings Institute study reports that between 2000 and 2009, the population of college educated young adults living near central business districts in the 51 largest metropolitan areas grew by 26 percent, which is double the growth of educated adults in other areas.⁸ Similarly, downtowns with mixed-use, live-work development grew 77 percent faster in 2013 than the country as a whole.⁹

Educated individuals are choosing to live in dense, mixed-use areas where they can work, socialize, and get around easily. By expanding placemaking efforts, Michigan will best position itself to keep and attract talent, and ensure a higher quality of life for all residents.

Attracting Talent in Detroit's Midtown

Detroit's population has seen dramatic decline in the past decades, which has had staggering effects on the city's economy. Midtown is a Detroit neighborhood near Wayne State University, Henry Ford Health System, and Detroit Medical Center. In order to attract educated employees for the anchor institutions and increase neighborhood density, community development nonprofit Midtown Detroit Inc. partnered with the three institutions to start a residential live-work housing program.¹⁰

Employees of the participating institutions can apply for a forgivable loan or rent allowance if they live within the initiative's jurisdiction. From 2011, when the program started, to the end of 2013, 913 employees took advantage of the program, including 71 new homebuyers. Since 2011, Midtown's occupancy rates have increased to nearly 99 percent and the median sale price for homes increased about 25 percent.¹¹ The initiative has also catalyzed private investment and new businesses. From 2011 to 2013, there have been more than 20 residential/mixed-use renovations and new construction projects in the district. And as of April 2014, 20 new businesses opened since the program started with an additional 20 openings pending.¹² The housing initiative has had incredibly positive impacts on attracting talent to the area, and the neighborhood's economy is greatly benefitting from the program. To learn more about Detroit's talent attraction initiative and other placemaking projects around the state, visit placemaking.mml.org.

► Economic Impact: Walkability

Effective placemaking cannot occur without attention to streetscapes and walkability. Michigan communities were built for the automobile; city-centers are divided by multi-lane roads making it dangerous, unpleasant, and sometimes impossible for pedestrians to get around on-foot. A shift in public perception, awareness of environmental concerns, health benefits, and safety concerns has led the majority of Americans to re-think the way they get around.

According to a new report, between 2003 and 2012, 47,025 pedestrians died on U.S. roadways and an estimated 676,000 were injured.¹³ Metro Detroit is ranked as *the* most dangerous place in the Midwest for pedestrians and 11th nation-wide.¹⁴ Refining street design as a critical way to improve pedestrian safety: Streetscape elements, like clearly marking crosswalks, adding bike lanes, and improving lighting, can dramatically increase safety and make the street a more comfortable place for all.¹⁵ 70 percent of all Americans say walkability is a high priority for where they want to live.¹⁶ Research shows that when streets are more walkable, residents are happier, healthier, and more connected to their communities.¹⁷ Michigan leaders must listen to safety concerns and the public's demands and prioritize walkability throughout the state's communities.

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Neighborhoods benefit from more walkable streets. People who live in car-dependent neighborhoods are less trusting and feel lower levels of attachment to their communities than people who live in walkable neighborhoods.¹⁸ As the Soul of the Community report suggests, the way people feel about where they live affects the area's Gross Domestic Product (GDP).¹⁹ Residential properties close to parks and with tree-lined streets have approximately 17 percent higher land value than properties without.²⁰

People prefer homes in neighborhoods that are more walkable, compact, and offer a range of development (homes, stores, workplaces, etc.). Estimates from the Environmental Protection Agency suggest that the demand for homes in these types of communities could exceed 140 percent of the current supply.²¹ Michigan should prioritize walkability in new development projects to ensure a high economic impact.

Businesses also prefer to operate in more walkable communities. Small businesses opening a new location rank access to parks and public space the highest priority.²² Streetscape improvements also increase storefront occupancy rates, encourage private sector investments, and have shown to improve commercial trading by up to 40 percent.²³

Walkability in the City of Farmington

Farmington has spent the past decade improving its downtown's walkability. First, municipal officials worked with residents to transform a downtown strip mall parking lot into a public space. The new pavilion and park are now used as a social gathering space. The pavilion houses about 60 events throughout the year, including the farmers market, swing dancing performances, and a winter market.²⁴ With more people visiting downtown Farmington on a regular basis, retail stores and restaurants have seen more foot traffic, and increased sales.²⁵ Encouraged by the city's public improvements, Dress Barn, a national retailer located near the new park, remodeled their store, enhanced its product line, and featured the downtown Farmington store in a national photo shoot.

The park and pavilion initiative also built momentum for the city's downtown streetscape projects. Farmington's downtown was divided by Grand River Avenue, a busy, multi-lane roadway. In an effort to reduce road congestion and improve pedestrian safety, street aesthetics, and the business environment, the city narrowed the road and improved landscaping. The improvements have resulted in additional street parking, increased foot traffic, and encouraged many downtown restaurant owners to add outdoor seating options.²⁶ To learn more about Farmington's downtown transformation and other placemaking projects around the state, visit placemaking.mml.org.

► **Economic Impact:** Entrepreneurship and Small Business Development

The Michigan Economic Development Corporation's 2011 Economy Overview reports that manufacturing, at about 17 percent gross regional product, is still Michigan's largest industry.²⁷ However, the manufacturing industry also has the state's highest rate of unemployment at 19 percent.²⁸ Growing knowledge-based jobs and small businesses can help diversify and stabilize Michigan's local economy.²⁹

Efforts to encourage entrepreneurship can be a key driver for economic growth. The economic impact of a dollar spent at a local business is three times higher than a dollar spent at a chain retailer.³⁰ Research from Toronto's York University found that a one percent increase in a region's business density can:

- Increase GDP by 38 percent;
- Reduce unemployment by 20 percent; and
- Increase patents by 52 percent.³¹

Focusing entrepreneurship activities in concentrated urban centers attracts talent, increases property values and sales tax revenue, and draws additional businesses to the area.³² These concentrated areas of business development, sometimes called innovation districts, improve walkability and help cities save money by limiting infrastructure costs.

Entrepreneurship Accessibility

Michigan leaders must ensure business development and entrepreneurship incentives are accessible to all. The state's foreign-born and aging residents are important to the small business economy, but are often overlooked.

Global Detroit's 2010 report highlights the impact immigrants have on Michigan's economy. The study shows that foreign-born residents are 56 percent more likely to have a four-year degree than non-immigrants.³³ Between 1996 and 2007, Michigan immigrants were three times more likely to start a business than native residents.³⁴ The impact of these new businesses on the state's economy is dramatic. In 2000, immigrant business owners brought in income of \$1.5 billion—more than 8 percent of Michigan-owned business income that year.³⁵

Baby Boomers also represent an unnoticed, but important, population of entrepreneurs. Studies show that from 1996 to 2013, Boomers had a higher rate of entrepreneurial activity than 20- to 34-year-olds.³⁶ In 2013, about 35 percent of all new business across the country were started by people over 50.³⁷ In order to capitalize on all of the state's human assets, Michigan leaders must promote entrepreneurship opportunities on a global scale to people of all ages and backgrounds.

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Entrepreneurship Activity in Ferndale's Rust Belt Market

Rust Belt Market is a redeveloped vacant commercial building in downtown Ferndale that is now home to more than fifty small business owners. Local entrepreneurs rent an area in the large, renovated building and operate their retail stores alongside other small businesses. The indoor market allows entrepreneurs to pool space and resources to keep costs low, while attracting a range of shoppers and pedestrians.³⁸

Neighboring Ferndale storefronts and Rust Belt Market entrepreneurs mutually benefit from each other's foot traffic and help promote the city as a shopper's destination in Southeast Michigan. Rust Belt also uses the building's communal space to host concerts and community events, improving the city's social offerings and activities.³⁹ To learn more about Ferndale's Rust Belt Market and other placemaking projects around the state, visit placemaking.mml.org.

► **Economic Impact:** Transit and Transit-Oriented Development

Developing effective public transit options across Michigan is a necessary tool for attracting and retaining residents, workers, and businesses. People across the country are choosing to live in places that are more walkable and have easier access to multiple transportation options. About 66 percent of Millennials said access to high quality transportation was a top criterion in deciding where to live⁴⁰ and 90 percent of Millennials, NextGens, and Baby Boomers say they no longer want to live in traditional, auto-dependent communities.⁴¹

The talented and educated individuals Michigan needs are moving to places with effective public transit. A recent study shows that over 30 years, the percentage of people with college degrees significantly increased in areas within a few blocks from public transit stops.⁴² Property values tend to increase near transit lines⁴³ and public transportation gives residents a stronger connection to their communities.⁴⁴

Transit-oriented development (TOD) concentrates housing, employment, and retail near transit stations. Across the country, cities are seeing areas grow faster through TOD. Benefits of TOD include reduced environmental impacts, improved walkability, a reduction in local infrastructure costs, and an increase of private development projects.⁴⁵ Nationally, expanding transit services in metro areas produced an economic benefit ranging from \$1.5 million to \$1.8 billion, depending on the size of the city.⁴⁶ With Michigan's large metro areas, the impact of an improved transit system could be enormous on the local economy.

Additionally, buying, insuring, and maintaining a personal vehicle is a huge expense for Michigan residents. It's estimated that car owners spend about

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\$9,000 a year on their vehicle.⁴⁷ Individuals relying on an unlimited transit pass spend only about \$1,000 each year on transportation, giving them more spending power in the local economy.⁴⁸

Motor vehicle crashes also have a negative effect on the nation's economy. In 2010, accidents cost an estimated \$871 billion in economic loss and social harm.⁴⁹ The same year, 13.6 million motor vehicle crashes resulted in 3.9 million injuries and approximately 33,000 deaths nationwide.⁵⁰ Reducing motor vehicle usage across Michigan can save lives, improve the economy, and give residents more spending power.

Expanding Transit in Michigan Communities

Michigan is greatly lacking an effective transit system, but some communities are leading the way in transit development. In May, 2014, 71 percent of voters in Ann Arbor, Ypsilanti, and Ypsilanti Township passed a tax increase to expand transit services between the communities. The additional funding will put more buses on the road, expand hours, add routes, and broaden technology services.⁵¹

The Grand Rapids area is also planning to put a more complete bus system on the streets by August, 2014. The Silver Line bus rapid transit project will connect Grand Rapids, Kentwood, and Wyoming and aims to compete with cars to get suburban workers downtown.⁵² The buses will communicate with traffic lights and use their own traffic lane to quickly bring people where they need to go. Both projects are estimated to have a positive impact on the communities' economic development and increase revenue for local businesses.

► Conclusion

Thriving communities are key to Michigan's long-term success and sustainability. Placemaking helps build communities that attract and retain talent, improve walkability, promote entrepreneurship, and expand transit. State and local leaders in both public and private sectors must work together to implement these initiatives and improve the state's overall economy. With 37 percent of Michigan residents interested in leaving the state,⁵³ leaders must act quickly to promote placemaking and improve the state—one community at a time.

The Soul of the Community report makes it clear—residents want to be active, connected, and engaged.⁵⁴ Improving communities shouldn't be controversial or political and research should clearly direct leaders towards priorities in Michigan's future. State and local leaders must focus on small and large-scale place projects to improve economies and rebuild Michigan communities.

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The Michigan Municipal League is the one clear voice for Michigan communities. Through advocacy at the state and federal level, we proactively represent municipalities to help them sustain highly livable, desirable, and unique places within the state. We create and offer our members services and events that range from traditional to cutting edge, in order to help educate and inspire them to remain focused on their passion for the area they represent. We are a nonprofit, but we act with the fervor of entrepreneurs; our people are dynamic, energetic and highly approachable, passionately and aggressively pushing change for better communities.

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