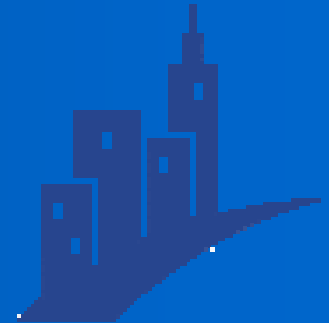


# The Brookings Institution

Metropolitan Policy Program  
Bruce Katz, Vice President and Director



## The Future State of the State: Why Michigan Needs a New Model

Presentation to the Michigan State University Land Policy Program  
Planning for Prosperity Summit  
March 27<sup>th</sup>, 2006

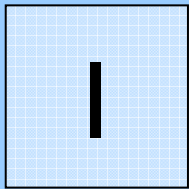
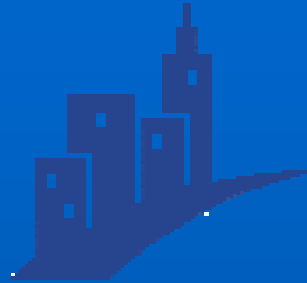
# Unleashing the Potential of Michigan's People and Places

I

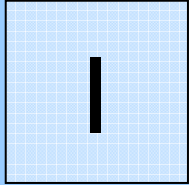
What factors drive economic growth and prosperity?

II

What policies can Michigan pursue to help move toward a brighter economic future?



What factors drive economic growth and prosperity?



## What factors drive economic growth and prosperity?

Education is the key to economic competitiveness and growing incomes

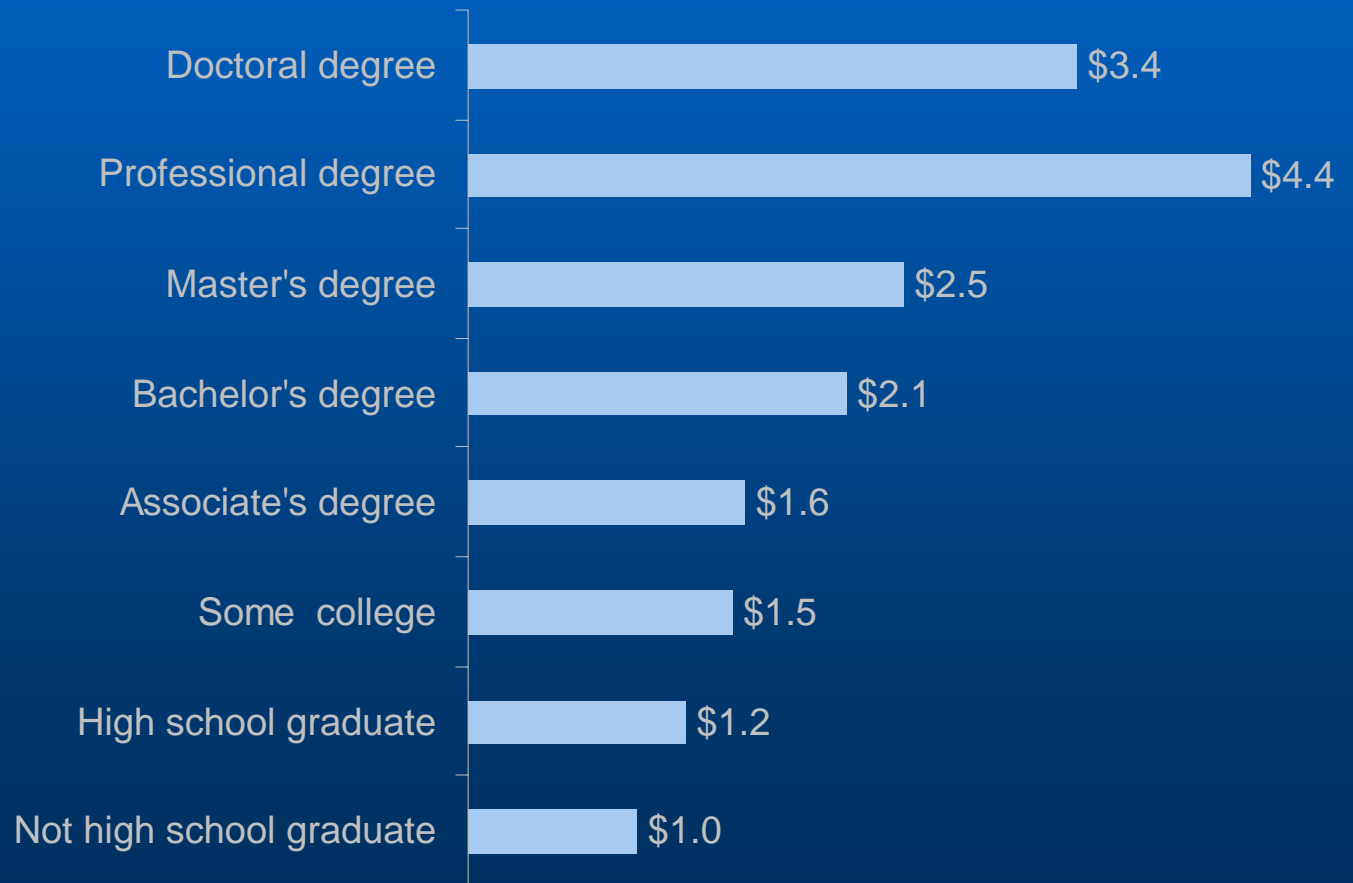
More compact development patterns increase economic productivity

Less government fragmentation means greater agility and competitiveness

# Nationally, the more you learn, the more you earn

Work-life earnings estimates (millions), 1997-1999

Source:  
“The Big Payoff:  
Educational  
Attainment and  
Estimates of Work-  
Life Earnings,”  
U.S. Census Bureau





## Educated metro areas win in the new economy

→ Each additional year of education of workers in a metro area leads to another 2.8 percent growth in productivity

Rauch (1993)

→ The cities and metros with highly skilled workers in the 1990s also had high population and income growth

Glaeser et al (2000)

→ The metro areas that have high proportions of skilled, educated labor are better able to reinvent themselves and adapt to changing economic needs

Glaeser et al (2003)



Michigan's educational performance lags on several key indicators



## The share of Michigan residents with BAs falls well behind the national average

### BA Attainment Rate and Rank by Age Group, 2000

Source:  
U.S. Census Bureau

|                          | Over 25 | 25-64 | 25-34 |
|--------------------------|---------|-------|-------|
| <b>Pennsylvania Rate</b> | 22.4    | 25.5  | 29.1  |
| <b>PA Rank</b>           | 30      | 24    | 16    |
| <b>Michigan Rate</b>     | 21.7    | 23.9  | 26    |
| <b>MI Rank</b>           | 34      | 36    | 29    |
| <b>Ohio Rate</b>         | 21.1    | 23.3  | 25.9  |
| <b>OH Rank</b>           | 39      | 39    | 30    |
| <b>United States</b>     | 24.4    | 26.5  | 27.5  |





# This has consequences at the metro level, where low BA attainment leads to lower income

Source:  
Glazer, 2004, with data  
from the BEA and 2000  
Census

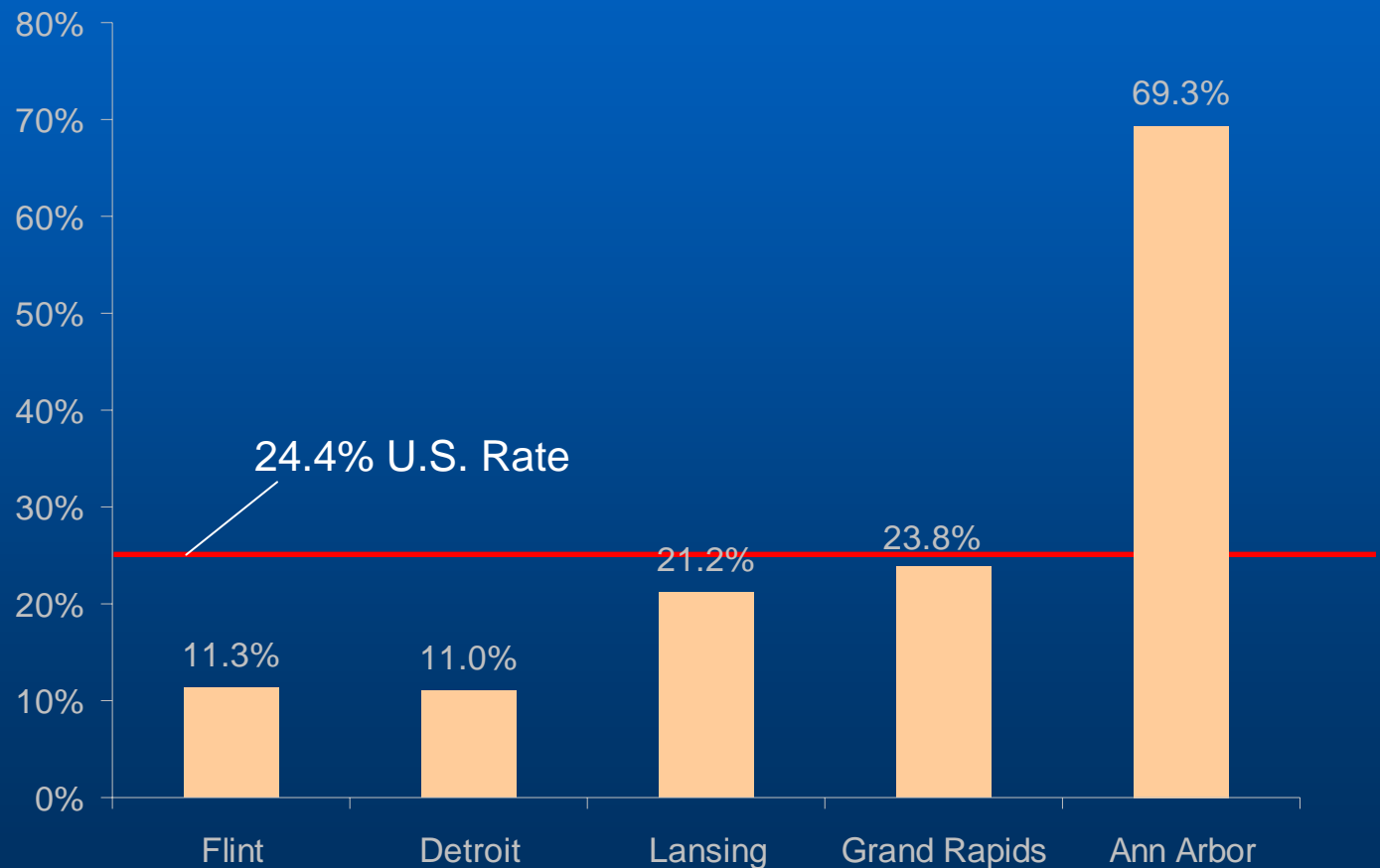
|                                     | Per Capita Income |                                   | Share of Earnings, 2001 NAICS Basis |                                     | Share of population 25-34 with BA degree or more in 2000 |
|-------------------------------------|-------------------|-----------------------------------|-------------------------------------|-------------------------------------|--|
|                                     | Level in 2001     | Change 1969-2001 relative to U.S. | Manufacturing                       | High-pay knowledge-based industries |  |
| <b>U.S.</b>                         | \$30,527          | N/A                               | 13.80%                              | 23.32%                              | 27.5%  |
| <b>Detroit-Warren-Flint</b>         | \$33,151          | -9.52%                            | 18.53%                              | 23.72%                              | 23.8%  |
| <b>Grand Rapids-Wyoming-Holland</b> | \$27,372          | -7.70%                            | 31.53%                              | 13.45%                              | 27.2%  |
| Boston CMSA                         | \$40,457          | 20.90%                            | 13.50%                              | 33.52%                              | 43.2%  |
| Denver CMSA                         | \$38,859          | 20.54%                            | 8.11%                               | 33.05%                              | 38.1%  |
| Minneapolis CMSA                    | \$36,355          | 7.88%                             | 15.12%                              | 27.81%                              | 39.9%  |
| New York CMSA                       | \$40,840          | 5.92%                             | 7.37%                               | 39.96%                              | 36.4%  |
| Washington DC CMSA                  | \$39,298          | 13.64%                            | 4.38%                               | 30.12%                              | 40.9%  |



## And with the exception of Ann Arbor, BA attainment rates in Michigan cities lag the nation

Share of adults w/  
bachelor's degree,  
2000

Source:  
U.S. Census Bureau





A major factor in Michigan's low BA attainment is that the state's graduating high school students are ill-prepared for college

→ Only 32 percent of Michigan high school students graduate with college-ready transcripts

→ This compares to a national average of 36 percent, and lead states average 49 percent

→ Only 15 percent of Hispanic youth and 18 percent of black youth are college-ready

Source: Austin et al, Background Briefing for Higher Education and Economic Growth Commission, 2004.



Thus, college completion rates are very low

→ Less than 20 percent of Michigan's full-time, 2-year degree students at community colleges graduate within 3 years

→ Only 10.5 percent of Michigan postsecondary students enrolled in vocational programs earn a degree or certificate

→ The overall completion rate at Michigan 4-year institutions is 50 to 55 percent, while strong competitor states are higher

Source: Austin et al, Background Briefing for Higher Education and Economic Growth Commission, 2004.



The amount of post-secondary public and private institutions is not a problem—Michigan ranks quite high nationally on this indicator

Institutional  
Count, 2002

Source:  
National Information  
Center for Higher  
Education Policymaking  
and Analysis

Postsecondary Institutions  
(Public 4-year)

|                     |    | Rank |
|---------------------|----|------|
| <b>Pennsylvania</b> | 46 | 1    |
| <b>Ohio</b>         | 24 | 5    |
| <b>Michigan</b>     | 15 | 10   |

Total Institutions  
(Public & Private, 2- & 4-  
year)

|                     |     | Rank |
|---------------------|-----|------|
| <b>Pennsylvania</b> | 263 | 3    |
| <b>Ohio</b>         | 175 | 6    |
| <b>Michigan</b>     | 108 | 13   |



## But spending on research and development slightly lags the national average

### Research and Development Expenditures, 2001

Source:  
National Information  
Center for Higher  
Education Policymaking  
and Analysis

#### Total R&D Expenditure

|                      | Per Capita     | Rank |
|----------------------|----------------|------|
| <b>Pennsylvania</b>  | \$136.8        | 10   |
| <b>Michigan</b>      | \$110.2        | 24   |
| <b>Ohio</b>          | \$87.2         | 36   |
| <b>United States</b> | <b>\$113.2</b> |      |

#### Federal R&D Expenditure Per Capita

|                      | Per Capita    | Rank |
|----------------------|---------------|------|
| <b>Pennsylvania</b>  | \$92.8        | 7    |
| <b>Michigan</b>      | \$61.8        | 23   |
| <b>Ohio</b>          | \$49.1        | 30   |
| <b>United States</b> | <b>\$66.4</b> |      |

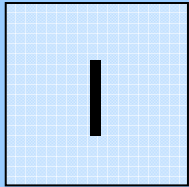


## And Michigan is among the most unaffordable states for public higher education

Percentage of Family Income Needed to Pay for College at Public 4-Year Institutions (%), 2001

Source:  
National Information Center for Higher Education Policymaking and Analysis

|                      | Percentage of Family Income needed to pay for college | Rank |
|----------------------|---|------|
| <b>Michigan</b>      | 25.6  | 37   |
| <b>Ohio</b>          | 28.9  | 44   |
| <b>Pennsylvania</b>  | 29.6  | 47   |
| <b>United States</b> | 24.2  |      |



## What factors drive economic growth and prosperity?

Education is the key to economic competitiveness and growing incomes

More compact development patterns increase economic productivity

Less government fragmentation means greater agility and competitiveness





## Density contributes to productivity

→ Average labor productivity increases with more employment density

Ciccone and Hall (1996)

→ “Accessible” cities with efficient transportation systems had higher productivity than more dispersed places (47 metro areas)

Cervero (2000)

→ Compared to others, growth management metros were likely to see improvements in metropolitan level personal income

Nelson and Peterman (2000)



## Density contributes to innovation by attracting young, educated workers

→ High density brings with it amenities that create a high “quality of place” that attracts young knowledge-workers

→ Ideas, innovation, and creativity now drive the economy

→ Economic success requires large numbers of people with a college education and high skills



## Density enhances innovation by increasing interactions and knowledge-sharing among workers

→ Dense labor markets, efficient transport, and high clustering of jobs lead to knowledge spillovers, both within and across industries

→ Denser local economies have been linked to increased patenting

Carlino (2001)




# Compact development is more fiscally responsible

Low density development increases demand for facilities:

- New schools
- New roads
- New public facilities
- Sewer and water extensions

Low density development increases the costs of key services:

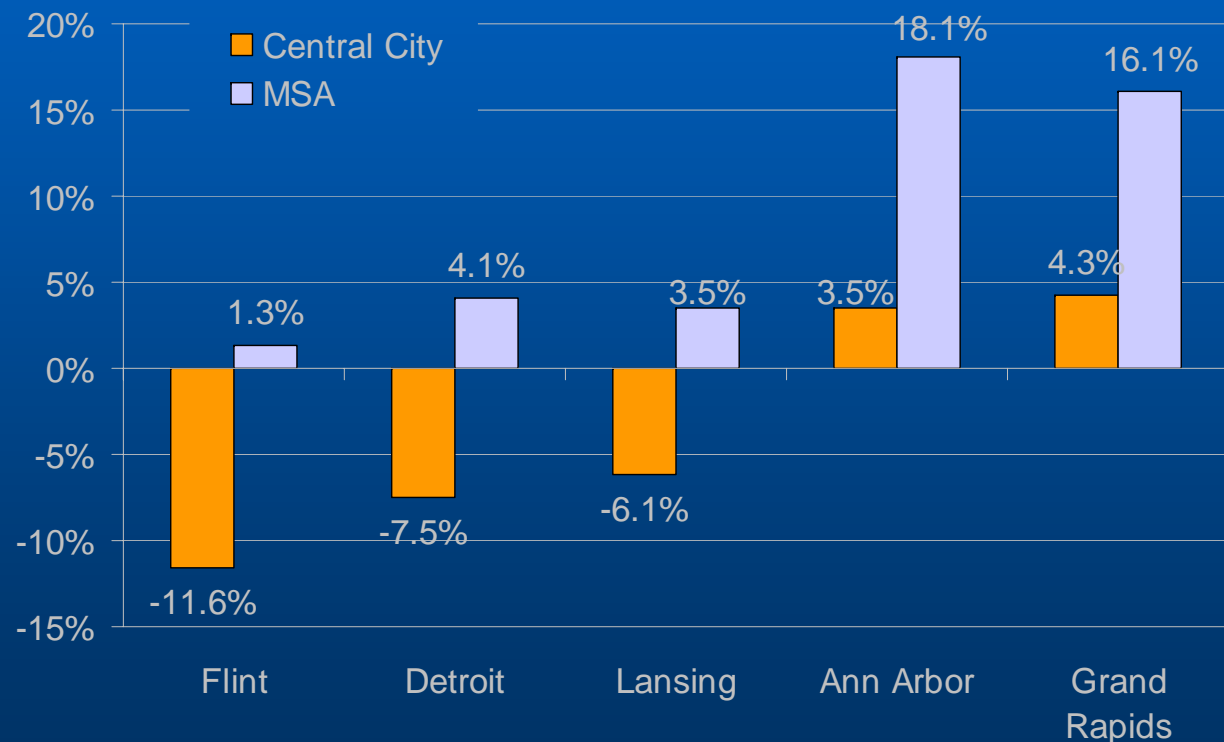
- Police
- Fire
- Emergency medical



But Michigan and its metro areas are growing in low-density decentralized ways

# In Michigan, strong suburban growth during the 1990s contrasts with particularly weak growth in central cities

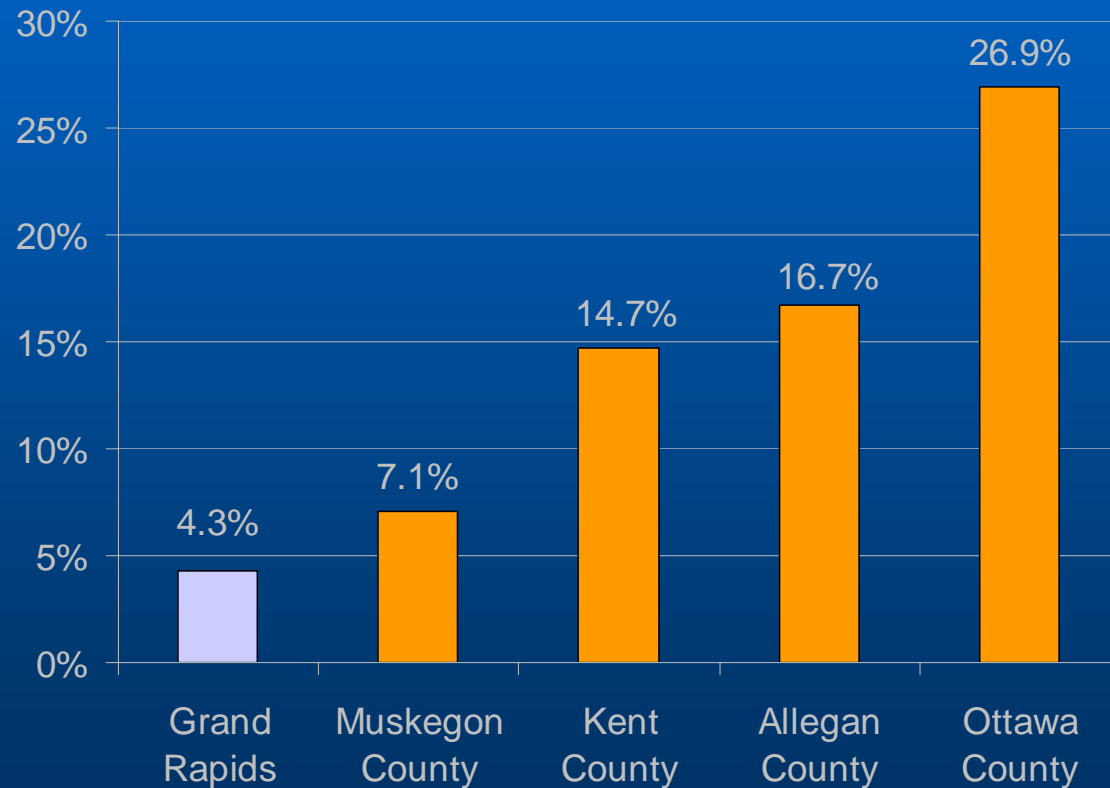
## Population Growth Rates, 1990-2000



Source: US Census Bureau

# While Grand Rapids grew moderately, counties north and south of the city experienced very strong growth

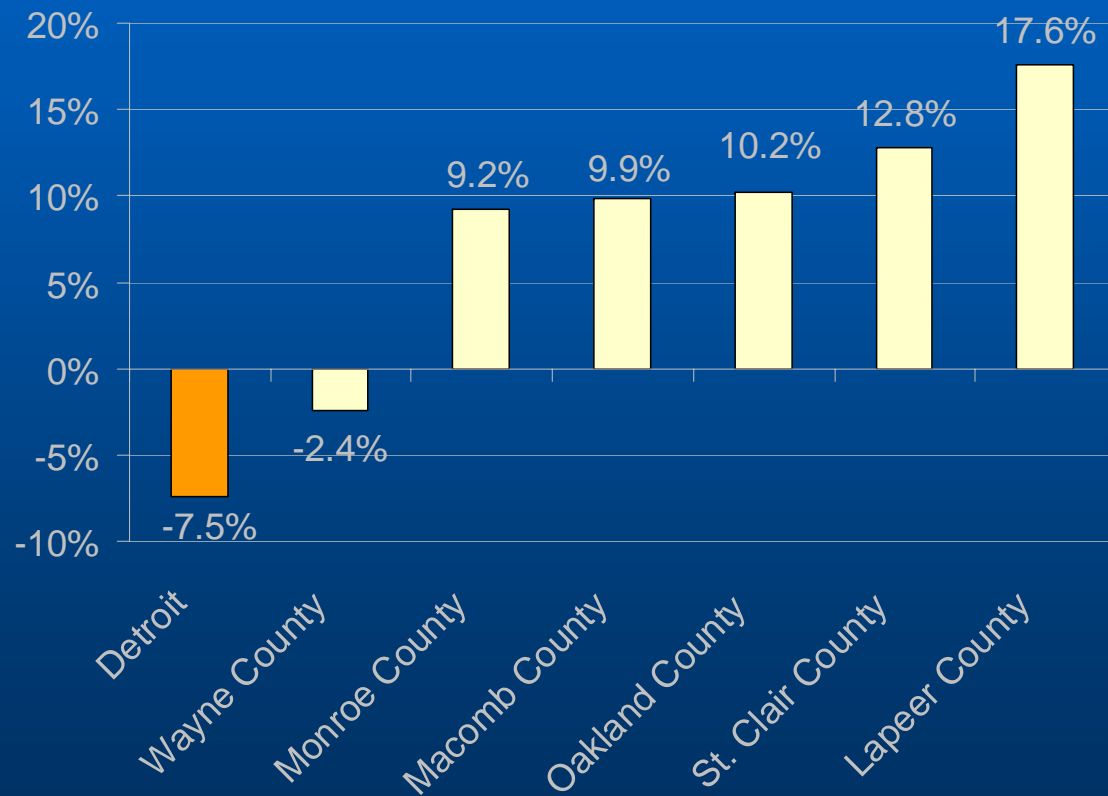
Population growth rates,  
1990-2000



Source: U.S.  
Census Bureau

# Detroit lost significant population, but counties to the north and west grew

Population growth rates,  
1990-2000

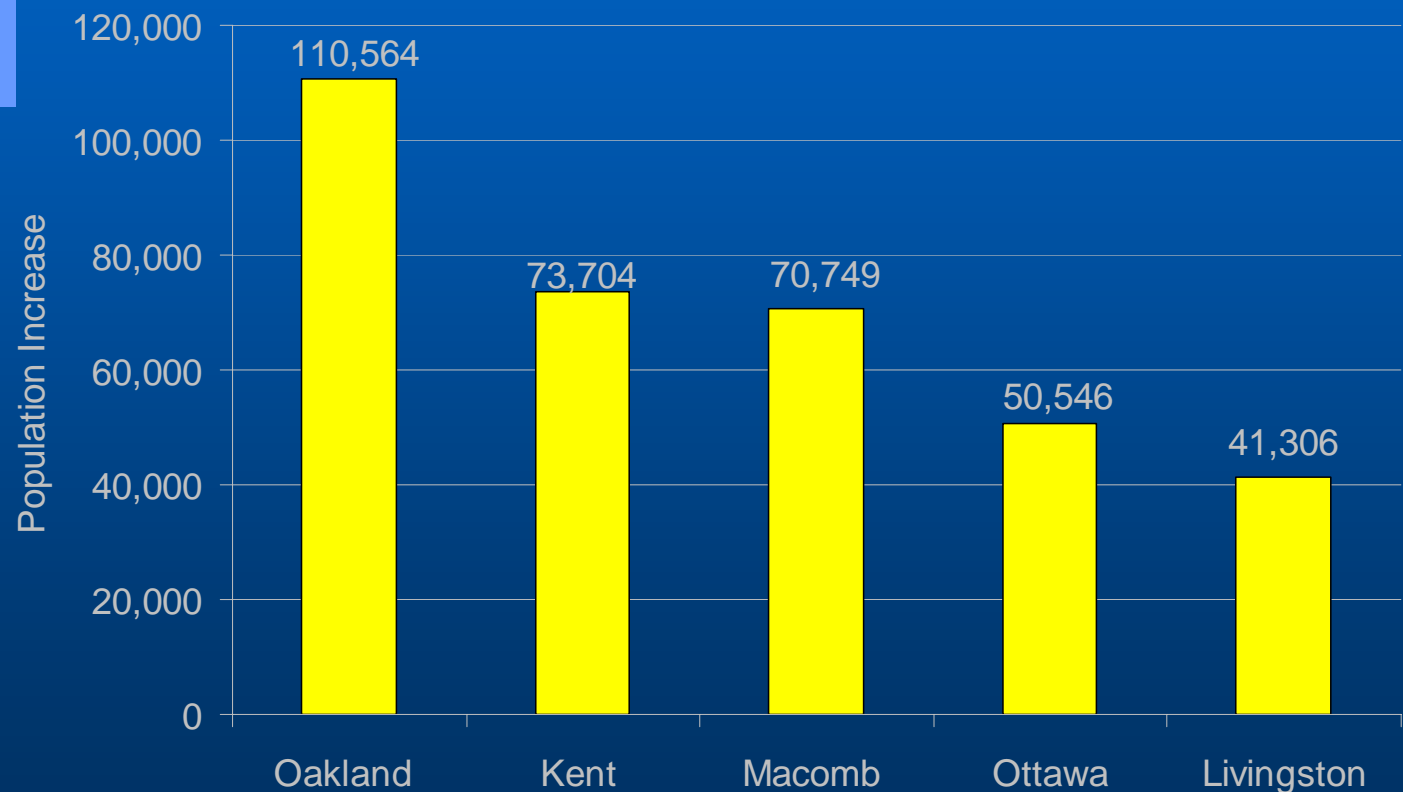


Source: U.S.  
Census Bureau



# The five counties with the largest growth in the 1990s were all located on the fringes of Michigan's metro areas

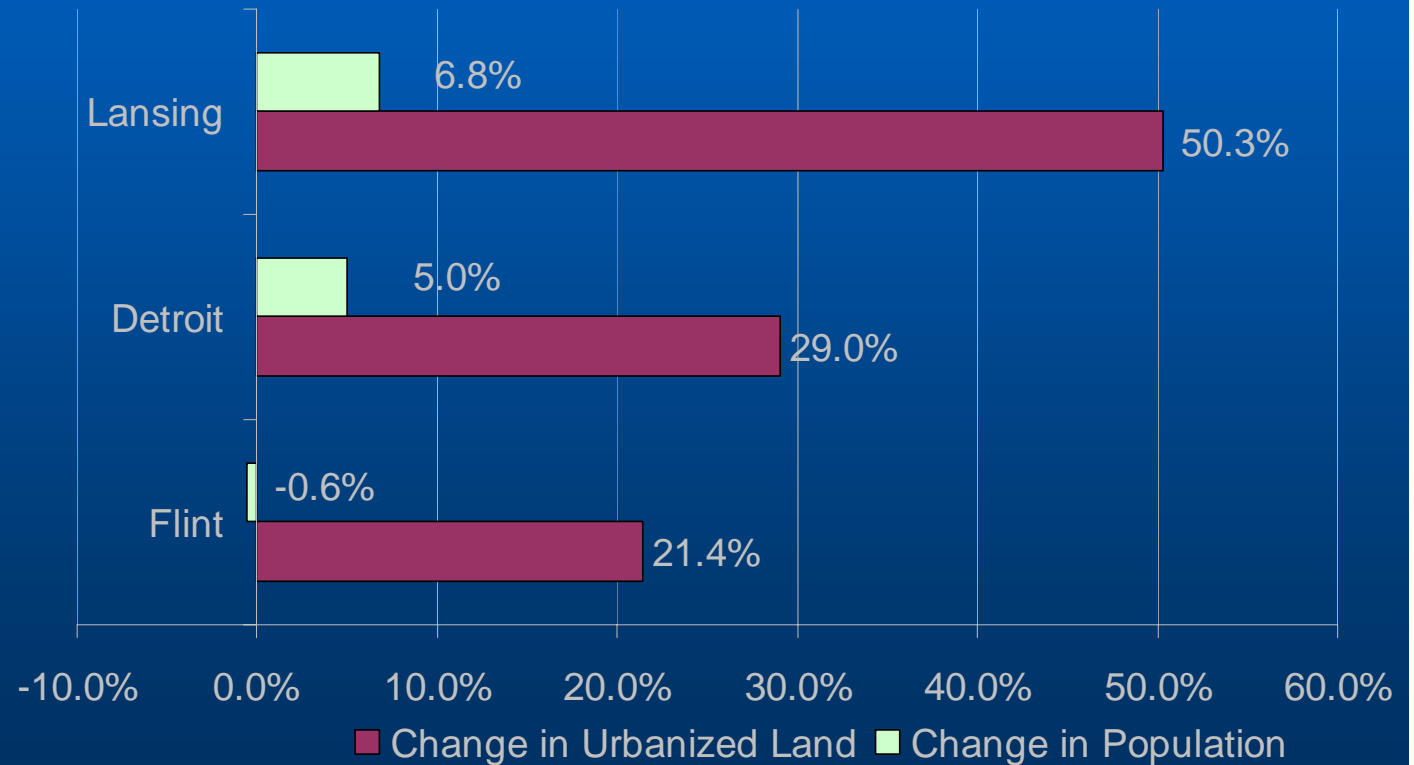
Population increase,  
1990-2000



Source: U.S.  
Census Bureau

# Michigan's metropolitan areas "de-densified" rapidly during the 1980s and 1990s

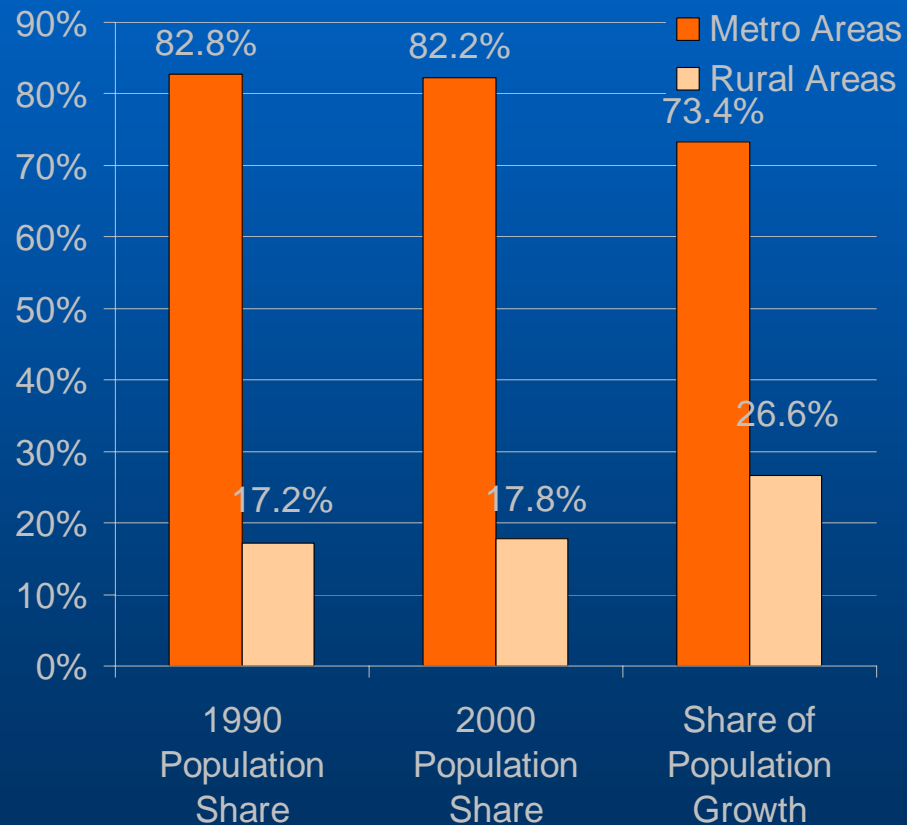
Change in urbanized land and change in population, 1982-1997



Source: Fulton et al., "Who Sprawls Most? How Growth Patterns Differ Across the U.S.," 2001

# Michigan's rural areas make up 18% of the state's population but garnered 25% of the population growth during the 1990s

## Share of population growth



Source: U.S.  
Census Bureau



# Decentralized growth is in part fueled by high levels of racial separation in Michigan's metros

|           | <i>Best</i> |                      | <i>Mediocre</i> |                         | <i>Worst</i> |                             |
|-----------|-------------|----------------------|-----------------|-------------------------|--------------|-----------------------------|
| Ranking   | 16          | Appleton-Oshkosh, WI | 80              | Canton-Massillon, OH    | 152          | St. Louis, MO-IL            |
| Racial    | 20          | Duluth, MN           | 82              | Erie, PA                | 153          | Cleveland-Lorain-Elyria, OH |
| Inclusion | 27          | Green Bay, WI        | 84              | Hamilton-Middletown, OH | 154          | Milwaukee-Waukesha, WI      |
| (N=157)   | 30          | Springfield, MO      | 103             | South Bend, IN          | 156          | Flint, MI                   |
|           | 33          | Madison, WI          | 108             | Ann Arbor, MI           | 157          | Gary, IN                    |

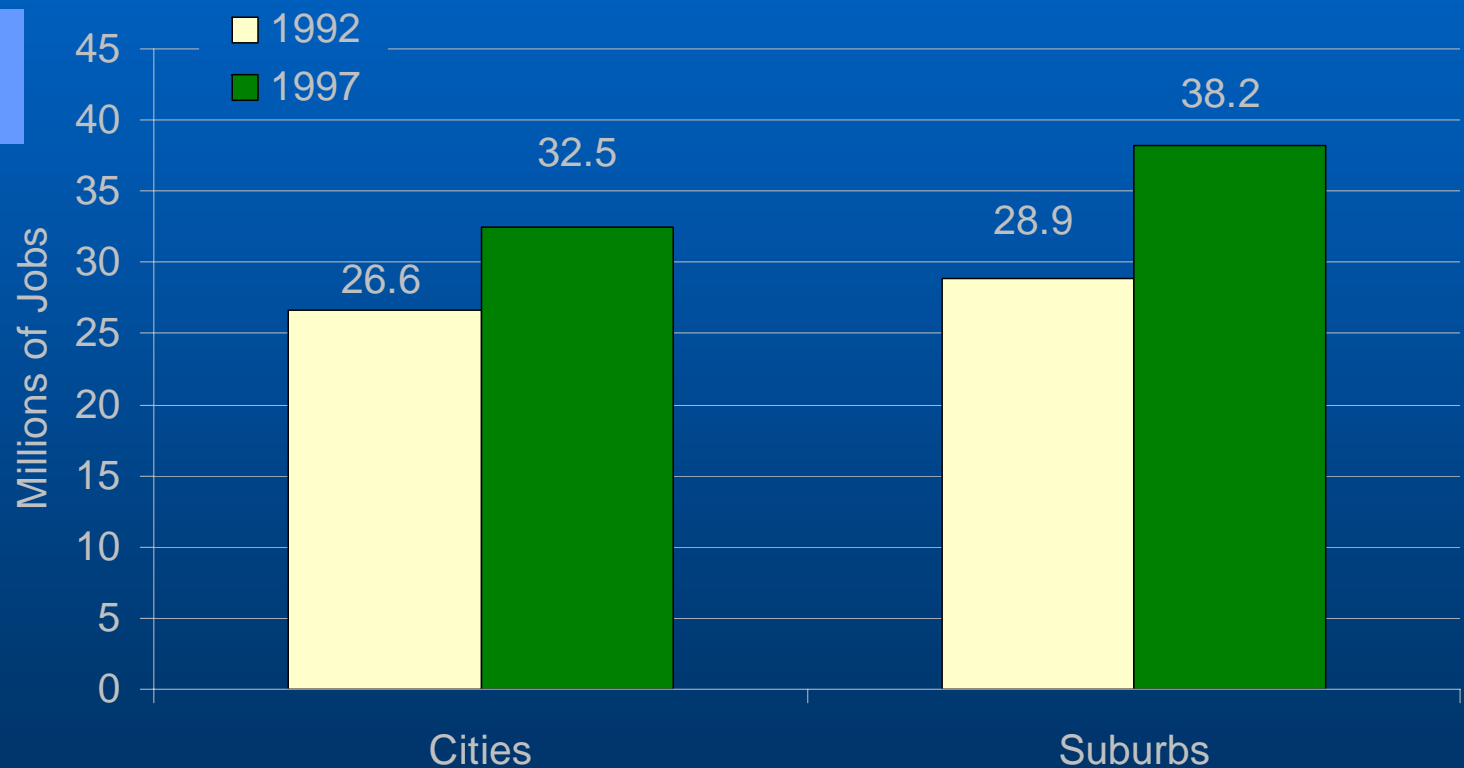
## Some Quick Census Facts

Source: U.S. Census Bureau; W. E. Upjohn Institute for Employment Research

- ➔ The Midwest had the highest level of segregation – 4 of 5 indicators
- ➔ The 10 most segregated large metros for Blacks are in the old “Rust Belt”: Milwaukee, **Detroit**, Cleveland, St. Louis, Newark, Cincinnati, Buffalo, New York, Chicago, and Philadelphia
- ➔ Cities with the greatest level of segregation in 1980 continued to be so in 1990 and 2000

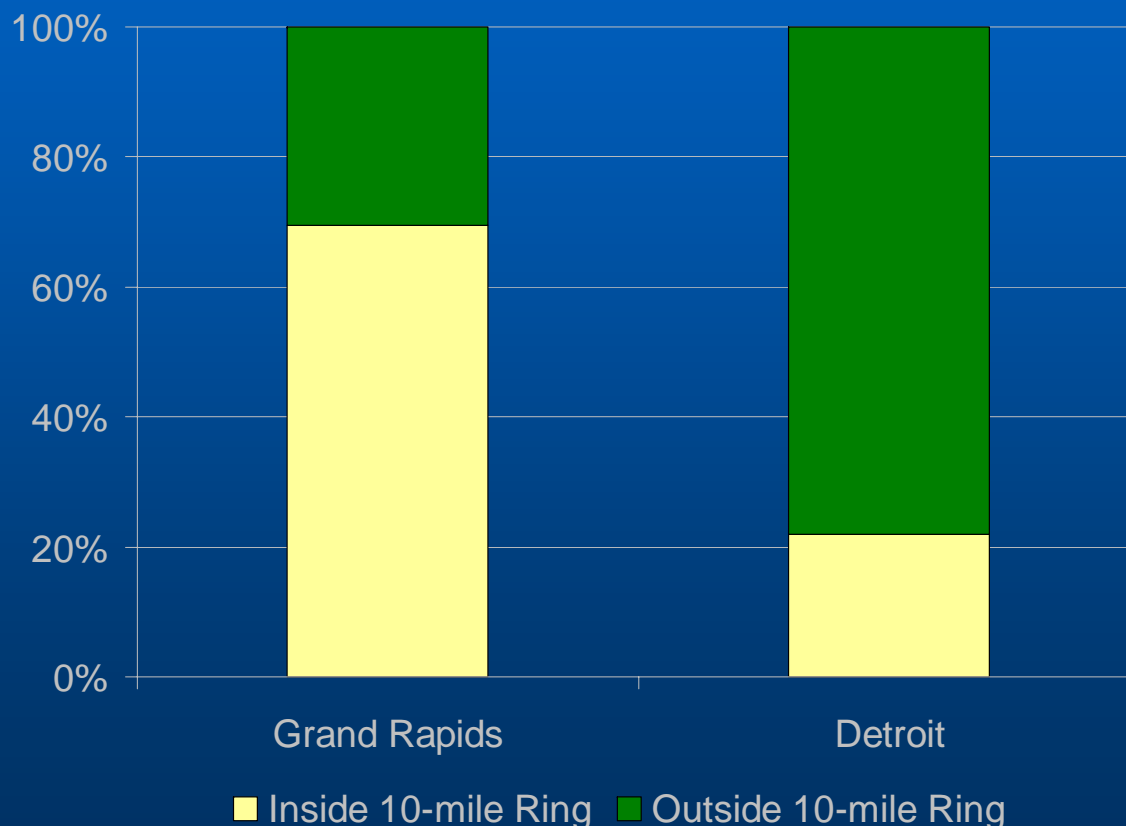
# Employment is also decentralizing. Cities gained jobs during the 1990s, but suburbs gained more

Aggregate data for 114 large cities



Source: U.S Department of Housing and Urban Development, *State of the Cities 2000*

On average, 65% of all jobs in metropolitan areas lie within 10 miles of traditional central business districts. In Detroit, only 22% do



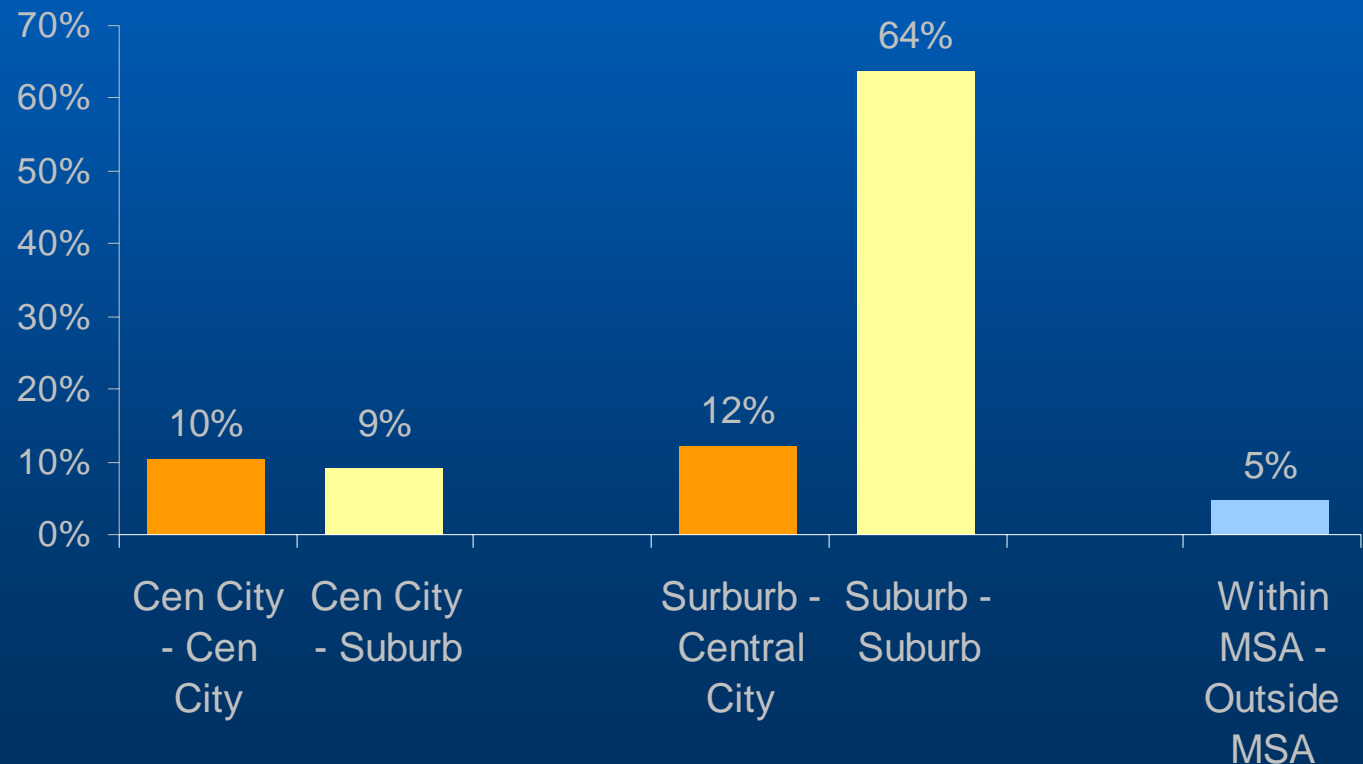
Source: Edward Glaeser. "Job Sprawl: Employment Location in U.S. Metropolitan Areas." Brookings, 2001.



## Consequently, a majority of metropolitan commutes begin and end within the Detroit suburbs

Share of  
commuters, 2000

Source:  
U.S. Census Bureau

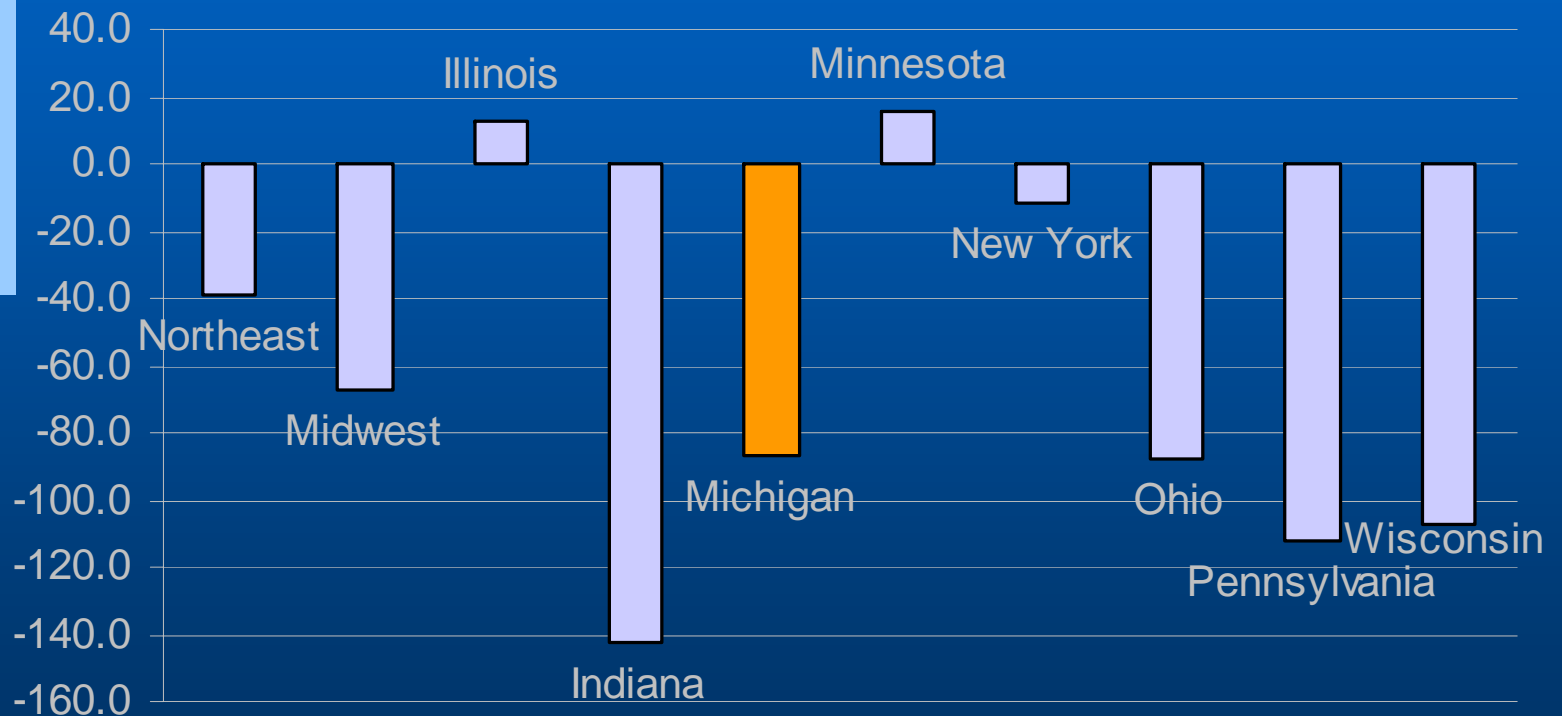




# Michigan's weak urban places are contributing to the loss of young, talented workers

Net migration rates for college-educated 25-39 year-olds, 1995-2000

Source:  
U.S. Census, 2000







Furthermore, Michigan's weak cities drive development patterns that impinge on the state's environmental assets

Decentralized development leads to:

Loss of Wetlands  Loss of Forests

Decreased Water Quality

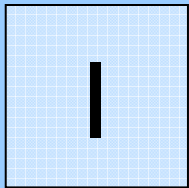
Decreased Open Space

Decreased Air Quality

Decreased Eco-Tourism



These all cost the state in terms of infrastructure costs, health care costs, and the loss of amenity-driven economic development opportunities



## What factors drive economic growth and prosperity?

Education is the key to economic competitiveness  
and growing incomes

More compact development patterns increase  
economic productivity

Less government fragmentation means greater agility  
and competitiveness



## High political fragmentation undermines fiscal and economic health

- **Miller et al (1995):** highly fragmented areas tend to reduce the fiscal health of ALL municipalities in a metro area over time
- **Paytas (2000):** highly fragmented regions saw their share of the total income generated in 285 metro areas slip between 1972 and 1997



## High political fragmentation undermines core economies

- **Lewis (1996):** high political fragmentation undermines regional development goals
  - Large numbers of decision points, actors, and units of government make it easy to block actions and ultimately preserve status quo
  - Large units of government and unified decision points (e.g. regional districts) function to promote growth, allow for progress, and reduce spillovers
- **Lewis (1996):** fragmentation results in decreased shares of office space in central business districts, less “centrality,” longer commute times, more “edge cities,” and more sprawl



Michigan is one of the most fragmented states in the country



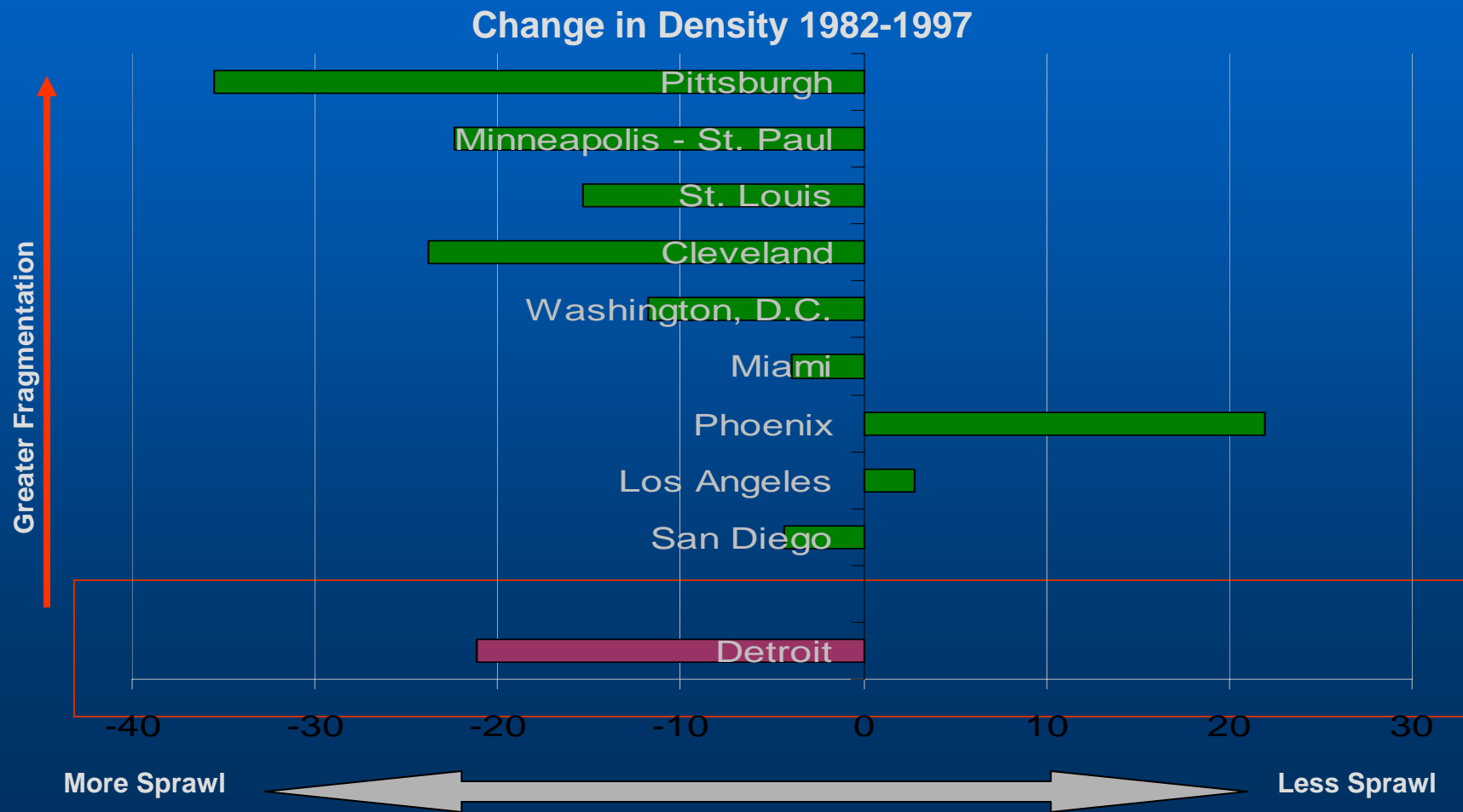
## Michigan has a high number of local governments

- Michigan has 2,816 local governments—the 14<sup>th</sup> most among states
- The state also ranks 7<sup>th</sup> in the nation in the number of general-purpose local units of government with 1,859:
  - 83 counties
  - 1,241 townships
  - 273 cities
  - 262 villages

Source: Citizens Research  
Council of Michigan, 1999



# Greater government fragmentation correlates with more sprawl



Source: William Fulton, et. al. "Who Sprawls Most? How Growth Patterns Differ Across the U.S." Brookings, July 2001.

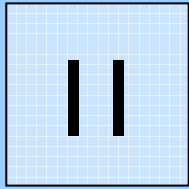
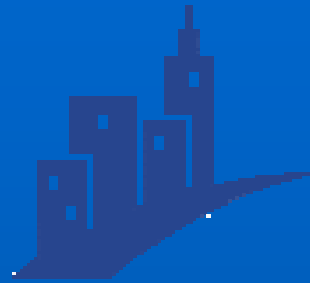
# Detroit is among the most fragmented metropolitan areas in the country.

| Political Fragmentation |           |                              |                         |   |
|-------------------------|-----------|------------------------------|-------------------------|---|
| Metropolitan area       | Counties  | Municipalities and townships | Total local governments | Local governments per 100,000 residents |
| Pittsburgh              | 6         | 412                          | 418                     | 17.7                                    |
| Minneapolis - St. Paul  | 13        | 331                          | 344                     | 12.3                                    |
| St. Louis               | 12        | 300                          | 312                     | 12.2                                    |
| Cleveland               | 8         | 259                          | 267                     | 9.2                                     |
| <b>Detroit</b>          | <b>10</b> | <b>325</b>                   | <b>335</b>              | <b>6.2</b>                              |
|                         |           |                              |                         |   |
| Miami                   | 2         | 55                           | 57                      | 1.6                                     |
| Phoenix                 | 2         | 32                           | 34                      | 1.2                                     |
| Los Angeles             | 5         | 177                          | 182                     | 1.2                                     |
| San Diego               | 1         | 18                           | 19                      | 0.7                                     |
|                         |           |                              |                         |   |
|                         |           |                              |                         |   |



Source: Myron Orfield. "American Metro Politics: The New Suburban Reality." Brookings, 2002.

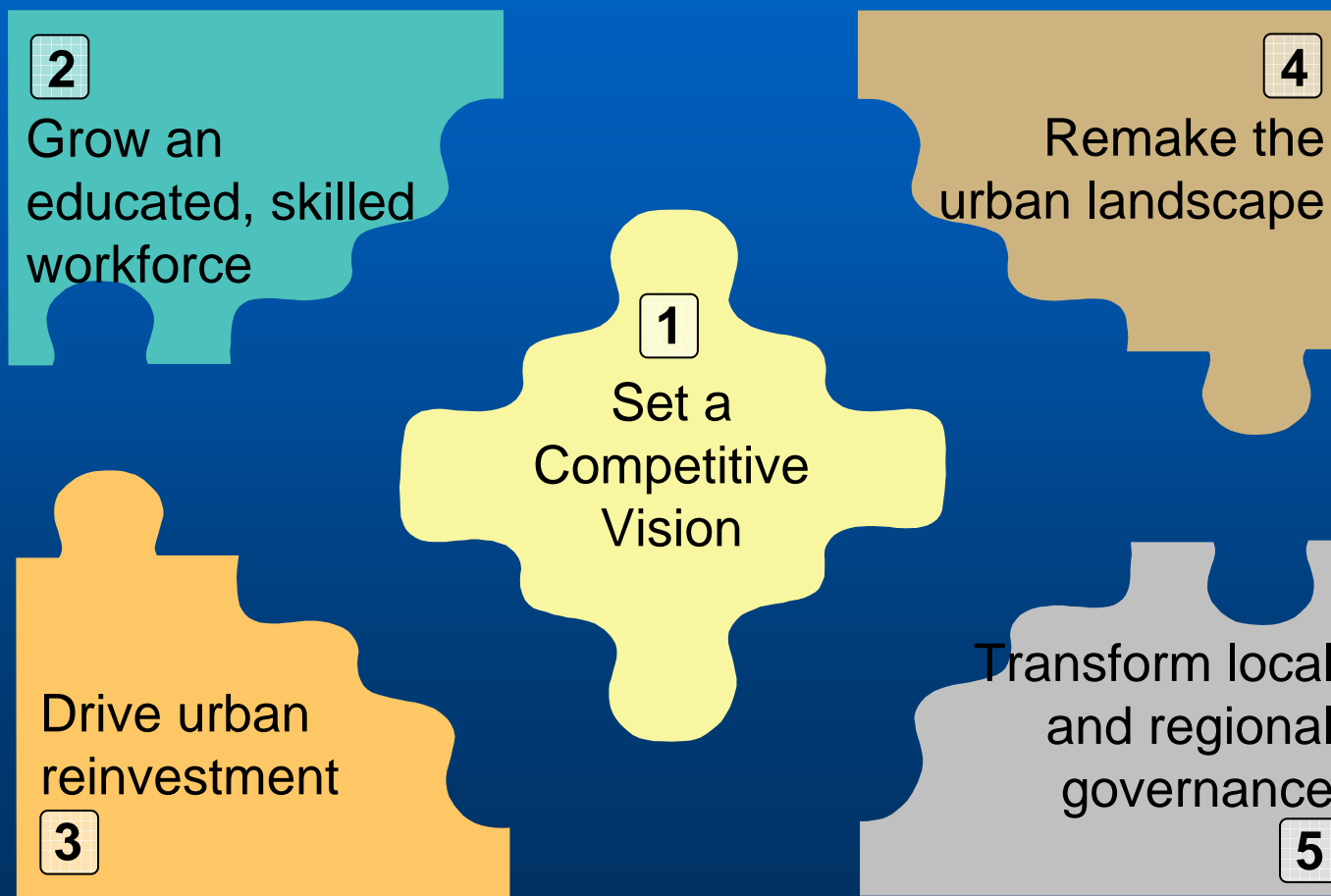




What policies can Michigan pursue to help move toward a brighter economic future?



# To unleash its economic potential, Michigan needs to:





## Set a Competitive Vision

*Idea:*



Establish regional visions for transitioning to the next economy of advanced manufacturing, knowledge, and innovation



## Set a Competitive Vision

### *Examples:*

→ Turin/Lyon regional vision

→ Research Triangle Region, North Carolina



## Set a Competitive Vision

### *Turin/Lyon Regional Vision*

→ New outlook was needed due to lost competitiveness in the 1970s and 1980s (Turin lost 200,000 manufacturing jobs)

→ To create a southern economic arc to rival the London-Paris-Frankfurt-Milan group, Turin and Lyon are presenting themselves as European Regional Capitals: The 'Alpine Diamond' and the 'Latin Axis'


→ The railway tunnel through the Alps has been a catalyst for cooperation – a typical European 'Grand Projét'

→ Lyon: 4 major universities with 100,000 students and new research centers in information, communications, technology, health, and bioscience. Turin: host of 2006 Winter Olympics, and a new leader in robotics and telecommunications




## Set a Competitive Vision


### *Research Triangle Region, North Carolina*




Five-year, \$5-million public/private partnership strategy to generate 100,000 new jobs in all 13 counties of the Research Triangle



Promotes the growth of industry clusters (particularly the technology and bio-tech sectors) and creates agile leadership networks to respond to market changes



Uses a balanced approach of targeted recruitment, business creation, and existing business retention




Integrates higher education into economic development efforts



## Grow an Educated, Skilled Workforce

### *Idea:*



Make Michigan's workforce "best in class" with high level academic and skills training



## Grow an Educated, Skilled Workforce

### *Examples:*

→ California Education Roundtable

→ Wisconsin Workforce Reform





## Grow an Educated, Skilled Workforce

### ***California Education Roundtable K-16 Coordination***

→ The California State University system accepts the top third of California high school graduates, but the students' performance has been lacking: 37% fail the math section of the CSU placement tests while 47% fail the English section

→ As a result, CSU worked with the California Education Roundtable to incorporate CSU placement standards with existing California high school standards tests and set scores that high school juniors need to achieve in order to be successful in college

→ The results of the test are sent to the students before their senior year, allowing lower-scoring students enough time to work towards meeting CSU's standards

→ Result: College freshmen better prepared to enter *and finish* college



## Grow an Educated, Skilled Workforce

### *Wisconsin Workforce Reform*

→ Wisconsin began addressing workforce reform issues early and is now considered one of the best systems in the nation

→ There is a sector-driven, customer-oriented system

→ They combine local Job Centers with state-level planning and Regional Training Partnerships


→ Wisconsin is now beginning to address performance management and measurement

Source: Barnow and King, 2000



## Drive Urban Reinvestment

*Idea:*



Make sprawl hard and urban and older suburban redevelopment easy



## Drive Urban Reinvestment

### *Examples:*



Maryland Priority Funding Areas



Urban Redevelopment in the UK



## Drive Urban Reinvestment

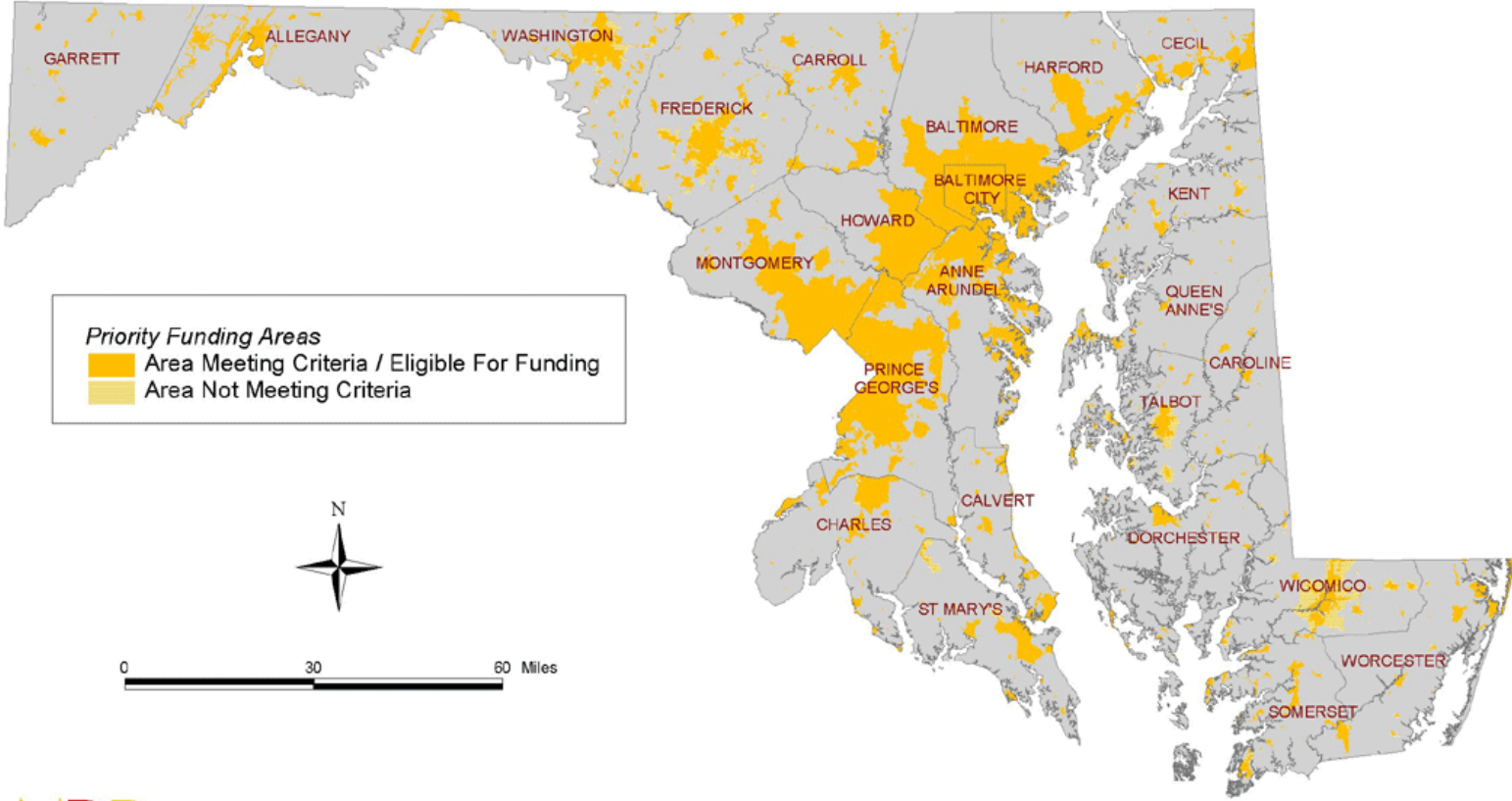
### *Maryland Priority Funding Areas*

→ Included in the Maryland Smart Growth and Neighborhood Conservation Act of 1997

→ Targets major state funding (e.g. transportation, housing, state facilities) to Priority Funding Areas

→ Priority Funding Areas include municipalities, inner beltway areas, enterprise zones, industrial areas, and new planned growth areas

# STATEWIDE PRIORITY FUNDING AREAS



**MDP** MARYLAND DEPARTMENT OF PLANNING  
COMPREHENSIVE PLANNING DIVISION  
NOVEMBER 2002



## Drive Urban Reinvestment

### *Urban Redevelopment in the UK*

→ Launched in 1998, the United Kingdom's Previously-Developed Land (PDL) project is working to inventory all vacant and derelict land in England and Wales

→ In addition, the national government has set a target that 60% of all the country's new housing should be built on previously-used sites by 2008

→ In 2001, 61 percent of housing built was constructed on brownfields or through the conversion of existing buildings



## Remake the Urban Landscape

### *Idea:*

Remake the physical landscape of cities to provide access to valuable assets (e.g., riverfronts) and undo the mistakes of urban renewal





## Remake the Urban Landscape

### *Examples:*

→ Public Housing Redevelopment in St. Louis

→ Milwaukee's freeway demolition



## Remake the Urban Landscape

### *Public Housing Redevelopment in St. Louis*

→ With state support, high-rise style low-income housing was replaced with mixed-income townhouses, garden apartments, and single-family homes

→ A partnership with corporate and philanthropic groups led to the improvement of the local elementary school, resulting in dramatically improved student reading levels

→ The new development resulted in an economically diverse community that has already attracted private residential and commercial investment in the surrounding area

→ Neighborhood incomes have increased 18% from 1989 to 1999 compared to 4% regionally while unemployment has fallen 35% in the same period of time (compared to a 3.7% city-wide increase)



## Remake the Urban Landscape

### *Milwaukee Freeway Demolition*

→ Removal of a little-used spur of the never-completed Park East Freeway began in 2002 to reclaim 11 blocks of downtown land

→ Renewal project will add commercial and residential development of mixed types, taking advantage of the unique features downtown (e.g. the river, entertainment venues, etc.)








## Transform Local and Regional Governance

***Idea:***



Create a streamlined, efficient and effective government that matches metropolitan geography



## Transform Local and Regional Governance

### *Examples:*

→ Minneapolis Metropolitan Council

→ Proposed “Rivers City”: Allegheny Co., PA





## Transform Local and Regional Governance

### *Minneapolis Metropolitan Council*

→ Holds significant control of infrastructure including the region's transportation and wastewater treatment systems

→ Provides affordable housing opportunities for low- and moderate-income individuals and families

→ Engages communities in planning for smart growth and provides planning, acquisitions and funding for a regional system of parks and trails



## Transform Local and Regional Governance

### ***Proposed “Rivers City”: Allegheny Co., PA***

→ 39 oddly-shaped, fiscally-struggling municipalities in Allegheny County, PA are considering merging into one “Rivers City”

→ “Rivers City” would become the third-largest city in Pennsylvania

→ “Rivers City” would replace the current 36 planning commissions and 361 elected officials in the area with a less fragmented government to coordinate economic development planning



# www.brookings.edu/metro

**The Brookings Institution**

## METROPOLITAN POLICY PROGRAM

Brookings > Metropolitan Policy

July 1, 2004

- Home
- News & Events
- Scholars
- Research Topics
- Programs
- Publications
- Bookstore
- Executive Education
- About Brookings

*Redefining the challenges facing metropolitan America and promoting innovative solutions to help communities grow in more inclusive, competitive, and sustainable ways.*

### ANNOUNCEMENT

#### Urban Center Becomes Metropolitan Program

In a major promotion, the Center on Urban and Metropolitan Policy this month became the Brookings Metropolitan Policy Program—and the first new Brookings department established since 1948. The new status reflects the rising importance of metropolitan issues to the domestic and global challenges Brookings seeks to address.

▶ read an open letter from Brookings President Strobe Talbott

#### METROVIEW

**Deficits by Design Plague Metro**  
by Robert Puentes  
*The Washington Times*  
June 21, 2004

[News Index](#)

#### METROPOLITAN GROWTH

#### Mechanisms for Market-Based Land Use Control

Using case studies and a national survey, this paper examines transfers of development rights (TDRs) and other market-based land preservation techniques like mitigation banking and density transfer fees.

#### IMMIGRATION

#### Washington Goes Polyglot

Metro Washington's "limited English proficient" (LEP) population

SEARCH BROOKINGS

Advanced Search

#### Metro Program

- Research by Topic
- Publications
- MetroViews
- Presentations and Events
- About Us

#### Metropolitan Policy Program

#### Greater Washington Research Program

SUBSCRIBE TO:  
**Metro Program Listserv**  
Stay on top of the latest releases, events, and web features.

First name:

Last name:

Email address:

[Access all lists](#)