



# FOLLOW THE Money

UNCOVERING AND REFORMING  
MICHIGAN'S SPRAWL SUBSIDIES

Michigan  
Land Use  
Institute

SMART GROWTH WORKS

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# Follow THE Money

*Citizens pay heavy price for state's sprawl subsidies*

THE MICHIGAN LAND USE INSTITUTE AND UNITED CEREBRAL PALSY OF MICHIGAN BEGAN this project believing that state spending was the most important cause of Michigan's sprawling patterns of development and its many ugly side effects — urban decay, environmental degradation, poor public transportation services, and increased hardships for people in general and those with disabilities in particular. Our findings, the culmination of a peculiar sort of fiscal archaeology, confirm that conviction. Sifting through dozens of local and state spending accounts, we found that a significant portion of the billion the state spends each year in taxpayer-supported economic development programs — a system of grants, subsidies, tax abatements and incentives, loans, bonds, and direct outlays — is giving Michigan one of the nation's worst cases of sprawl.

*Follow The Money* documents a pervasive pattern of public investments for roads, jobs, government offices, and business development that encourages runaway sprawl. In almost every category of state economic development spending, cities and older suburbs lose and new suburbs win. And while it is the residents of older cities and suburbs who must dig deep into their own pockets to keep their communities afloat as needed state money flows elsewhere, every Michigan citizen ultimately pays.

- Once-rural Garfield Township, in northern Michigan's Grand Traverse County, received more than \$20 million in state and federal support to execute a business development strategy that encouraged sprawl. This has triggered an expensive traffic congestion problem and forced the township to double its sewer rates to keep up with growth. Residents of Grand Rapids, in contrast, used only modest amounts of state support for its \$2 billion redevelopment program, which has revived business,

housing, jobs, the arts, and the civic spirit of Michigan's second largest city.

- Daimler Chrysler and two Japanese partners are building two new engine plants, worth \$700 million and employing 600 people, in a 245-acre field in rural Monroe County. Michigan kicked in \$53.65 million in business tax credits and property tax abatements, plus job training, community development, and road construction grants. Governor Jennifer Granholm heralded the plants as "great news" at a time of severe manufacturing sector job losses. Michigan did try to promote some urban sites, but the companies were not interested. At \$90,000 per job, state spending is better directed to small businesses and suppliers ready to locate in cities.

- The Southeast Michigan Council of Governments directs more than \$600 million annually to the Detroit region for transportation, much of it to modernize and maintain roads in the outer suburbs, where half of the seven-

county region's residents live. Meanwhile, the 2.4 million people in Detroit and its inner suburbs cope with substandard streets and public transportation that limit their mobility and job prospects. Richard Bernstein, a Wayne State University trustee who has been blind from birth, says: "If you can't drive, and you can't afford someone to drive for you, you don't have a life here."

*Follow The Money* informs citizens about how public investments accelerate sprawl and provides state lawmakers with a new way to look at pro-suburban spending decisions: They exacerbate state and local budget deficits, harm Michigan's overall economic competitiveness, and make communities less, not more, supportive of people in general and people with disabilities in particular.

Myron Orfield, a researcher and former Minnesota state senator, concluded last year in a report for the Mott Foundation that nearly two-thirds of southeast Michigan residents live in





Above: Northern Michigan's Garfield Township. Below: Pontiac, Michigan

communities that are sliding toward a future of limited economic opportunity. That future eerily resembles what Detroit and its older suburbs already endure: Growing poverty in public schools, weak or declining tax bases, inadequate roads and sewers, and stagnant household incomes. The same patterns, said Mr. Orfield, are also occurring around Grand Rapids, Lansing, Flint, Kalamazoo, Saginaw, and Traverse City.

The state's failure to use public dollars to encourage smarter economic development hurts every Michigan resident. Traffic congestion is increasing, even though Michigan is among the nation's slowest-growing states. Water pollution from sewage treatment plants, overwhelmed by sprawl's heavy stormwater runoff, threatens public health in dozens of cities. Michigan residents spend 20 percent more for school construction than they did 10 years ago, even

though the student population increased by less than 4 percent. And state and local budget deficits continue to grow, due to the exploding cost of building and maintaining public infrastructure and services across a spread-out domain.

During her 2002 gubernatorial campaign, Jennifer Granholm called for ending subsidies that cause sprawl. After her election Governor Granholm said she would strengthen cities. *Follow The Money* is a valuable tool for helping her accomplish both goals. This report documents a profoundly misguided investment strategy that harms Michigan's quality of life by subsidizing sprawl. Only when that strategy improves will Michigan be able to conserve its natural resources, produce more job opportunities, enjoy great cities, and restore our rapidly diminishing sense of community — bedrock necessities for competing successfully in the 21st century. ■

Many of the billions that the state spends each year in economic development programs are giving Michigan one of the nation's worst cases of sprawl.



## Sprawl Disables Everyone



Four years ago, United Cerebral Palsy of Michigan and the Michigan Land Use Institute began collaborating on a transportation project funded by the Michigan Developmental Disabilities Council. We teamed up because UCP and the Institute strongly support greatly improved public transportation, a critical need for people with disabilities who don't drive. But we now realize that our commonality is even greater: Land use policy itself is a disability issue.

Sprawling communities, automobile dependence, a lack of curb cuts on sidewalks, and strip mall stores separated from bus stops by oceans of parking: All form signif-

icant barriers to basic mobility for many people with disabilities. Worse, sprawl's rush to the suburbs is decaying the urban core, often the only place people with disabilities can find affordable housing. This raises significant safety issues for people with certain kinds of disabilities. It raises sizeable employment issues, too, as jobs move to the suburbs, where they are out of reach of people who cannot drive and lack access to good public transit.

The sheer cost of sprawl is also crucial to the disability community. Soaring infrastructure costs draw critical dollars from programs like transit and accessible housing that help people with disabilities live more independently. We need communities that are compact and equipped with readily accessible sidewalks, public transportation, and affordable housing. A community that works well for people with disabilities works extraordinarily well for everyone. It is a goal we must all share and work towards.

# Greenfields, Brownfields AND Red Ink

*State records reveal Michigan's heavy investment in sprawl*

WHEN SOMEONE TELLS YOU THAT SPRAWL IS THE FREE market at work, don't believe it. Sprawl cannot exist without massive public spending for roads, water, sewers, public buildings, and business development. These taxpayer-financed market intrusions distort the landscape, ruin central cities, harm the environment, and reduce the quality of life.

Young people, the poor, the elderly, and people with disabilities bear the brunt of spread-out growth patterns, largely because they can't drive and public transit in most regions is dismal. These patterns make it difficult for already poorly funded bus systems to offer the kind of convenient and effective service common in well designed cities. Everyone suffers as government deficits balloon, infrastructure crumbles, and global competitiveness fades. Conversely, investments in urban cores often pay handsome dividends.

Michigan, like other states, spends plenty on sprawl. In 2001, the latest year for complete figures, state and local governments invested \$11 billion for roads, buildings, schools, water, sewer, public safety, and other infrastructure and services without which sprawl cannot proceed. In addition the state spent \$507 million for economic development and awarded over \$1 billion in tax credits for redeveloping old and contaminated industrial sites. While there is significant public spending in central cities, a growing percentage of such public investment goes to luring jobs, homes, and businesses to the countryside.

For example, the Legislature established the state Transportation

Economic Development Fund in 1987 to invest in highways, roads, streets, and other infrastructure that support new jobs. Of the \$382 million spent since 1988, 78 percent, or \$297 million, went to new suburbs and rural areas; just 22 percent, or \$85 million, went to core cities.

The big winner was Auburn Hills, an upscale suburban Oakland County community of 20,000 people. It received more than \$25 million, or \$1,250 per resident, for streetscape improvements, new roads, a bicycle path, and other amenities. That was \$5 million more than Pontiac, which received just \$303 for each of its 66,000 residents, and \$2 million more than Detroit, which received a miserly \$25 for each of its 920,000 residents. Meanwhile, thousands of people in both Detroit and Pontiac have no good way to get to jobs they desperately need.

## One Way Out

Because public investment in infrastructure and economic development is the most important engine driving sprawl and the most critical factor in redeveloping cities, the only way that Michigan will ever fix its ruinous land use patterns is to redirect that spending to new, more economically efficient strategies. Pointing public investments

inward toward existing communities builds neighborhoods instead of tearing them apart, conserves natural resources, slows the ever-outward spread of expensive infrastructure, and boosts use of existing bus systems.

The need for this change in Michigan is urgent. The tide of red ink inundating government in Michigan is due in large part to the costs associated with how we grow. Adding just one lane to a divided highway can cost \$20 million a mile. Maintaining that highway costs thousands of dollars annually. Continuing to grow outward and laying down evermore miles of expensive roads and sewers — and further stretching our underfunded public transportation systems — makes little economic sense.

Reversing Michigan's half-century of outward bound investment requires a concerted drive by cities, business leaders, and Smart Growth advocates. The challenge may be great, but so is the need. For example:

- A five-year-old change in the state's revenue sharing formula, which provides nearly half of the income for communities, penalizes central cities and older suburbs by directing most public funds to encouraging growth in new suburbs. Of the top 20 communities receiving the largest increases in payments from 1998 to 2006, only one is a city.

- Local governments, particularly suburban communities, issue tax abatements each year to industrial employers on roughly \$3.3 billion of property in the hope of attracting new jobs, according to the state. The payoff



during the 1990s was just 14,000 new jobs a year, a subsidy of over \$6,500 per job. Worse, the abatements sharply cut local property tax revenues — almost \$100 million a year — worsening county, city, and township deficits.

- The state Department of Transportation continues to press for bigger highways to aid the suburbs and rural areas while freezing the budget for public transit, the lifeblood of successful cities. The trend is most apparent in the Detroit region, where the regional planning agency proposes spending more than \$60 billion in highway construction, half of it with no apparent source of revenue, while public transit budgets stagnate. Less than \$200 million, or 6 percent, of the state's \$3 billion annual transportation budget supports public transit, an amount that only becomes more insufficient as the state continues to sprawl.

- The state directed over 50 percent of its community economic development block grants — \$94 million of \$185 million — to industrial parks and other business infrastructure in areas outside, and in many cases far outside, existing communities.

### Smart Spending, Big Dividends

Meanwhile, public investment programs designed to aid central cities and older suburbs actually accomplish much of what they set out to do:

- The bulk of the \$50 million in state funds authorized in 2000 for “core communities” to expand high-tech businesses, promote land assembly and acquisition, and redevelop waterfront property actually went to cities. In addition, since 2000, Michigan cities reinvested \$77.5 million in their central business districts through tax increment financing, which captures the extra taxes from the increased property values that improvements in streets, sidewalks, riverfronts, and other public infrastructure generate. The state also issued \$235 million in single business tax credits meant to spur more private investments in downtowns.

- Federal and state tax credits for redeveloping abandoned or neglected historic structures have spurred \$1.7

billion in private investment, added 20,252 jobs to Michigan's economy, and returned almost \$32 million in once-abandoned properties to local tax rolls since 1971. Most of this activity occurred in older, more urban settings.

- Michigan's brownfield redevelopment program, intended to hasten redevelopment of old and contaminated industrial sites, has spurred \$4 billion in new development since 1995, 70 percent of it in core cities.

In other words, Smart Growth investments offer a far less expensive,

more effective approach: Reinvest in what's already been built. If Michigan did that, instead of investing in new infrastructure that allows developers to scatter homes and businesses across the land, the state would save tremendous amounts of money, conserve its open land, enjoy the rebirthing of its many neglected and downcast cities, dramatically increase the viability of public transportation systems, and attract far more of the innovative companies that are looking for smart places to invest, build, and hire. ■

One state program funding transportation infrastructure heavily favors suburbs over core cities. Some examples:



Since 1988 Auburn Hills received \$1,250 per resident...



Pontiac received \$303 per resident...



and Detroit received \$25 per resident.





*Metro Detroit's expressway building boom spurred one of the nation's worst cases of sprawl and contributes to an unprecedented obesity epidemic.*

# Southeast Michigan's High-Priced Spread

*Decades of highway subsidies strangle transit and region's future*

IT'S BEEN 43 YEARS SINCE JANE JACOBS EXPLAINED IN HER seminal book, *The Death and Life of Great American Cities*, that the highway-building, neighborhood-flattening, cul de sac-spreading joyride then beginning to sweep the nation was a titanic error that would ruin American cities and roll over the suburbs, too. Ms. Jacobs, who now lives in Toronto, insisted that it is investments in sidewalks, storefronts, parks, affordable homes and offices, safe streets, public transit, and good schools that make a city work so well that people are pleased to be there.

History proves she was right. In the 1950s, while Michigan began pouring hundreds of millions of dollars into building the Lodge, Ford, Chrysler, and Southfield expressways to hurry people from Detroit to the suburbs, Toronto instead built a subway. It was among the many smart, human-scale public investments that Toronto made to preserve its downtown from ruinous freeways and make its urban neighborhoods among North America's nicest. Detroit, meanwhile, lost more than half of its population and now has fewer residents than it did in 1920. Its suburbs are so spread out that its roads are the nation's tenth most congested, according to the Texas Transportation Institute. Transportation has become so stressful and expensive that people are moving in droves to the state's forested northern Lower Peninsula, now the Midwest's fastest-growing region.

Congestion, though, is just one measure of the exploding financial and personal costs of sprawl in southeast Michigan. According to the Federal

Centers for Disease Control and Prevention, the region's population is among the most obese in the nation, largely a result of the sedentary lifestyles auto culture encourages. Suburban Detroit also has among the nation's worst flooding and sewage contamination problems; stormwater runoff from its heavily paved-over landscape inundates treatment plants.

Since growth follows money, solving the Detroit region's severe sprawl problem greatly depends on changing public investment patterns. Few other metropolitan areas' public spending patterns have produced such a clear set of winners and losers. From 1969 to 2000, Michigan's patterns focused on suburban development, with dramatic results: Oakland County and its five neighboring suburban counties added 1.1 million new jobs, a 146 percent increase; but Wayne County, including Detroit, lost 209,000 jobs, a nearly 20 percent reduction.

This striking imbalance harms the region's economic performance, in turn limiting the state's competitiveness:



- Southeast Michigan's dogged devotion to highways and refusal to develop regional rapid transit means that 94 percent of Detroit-area workers commute by private vehicle, overwhelming the region's roads. A big budget crunch is approaching, according to a current Southeast Michigan Council of Governments study: New roads will cost \$60 billion over the next generation, but just \$40 billion is available without raising taxes.

- The region's vehicle dependence costs about \$6,000 per year per car and often tops housing in family budgets.

- The Detroit region is growing more slowly than almost any other major American metropolitan area. It is shedding manufacturing jobs by the thousands and losing droves of young adults tired of bad traffic, dead end jobs, and centerless suburbs. Many of the more than 200,000 young people who





Reconstructing the Lodge Expressway at I-94 in midtown Detroit

Urban renewal leveled thousands of homes and triggered massive "white flight," which was in turn facilitated and accelerated by ambitious expressway construction programs.

left Michigan in the 1990s came from metropolitan Detroit, literally making it the national brain drain champion.

- Executives of major southeast Michigan companies complain that recruiting top talent is difficult because other areas offer more opportunities for recreation, culture, housing, and transit. In 2003, Forbes Magazine ranked the region's growth and career opportuni-

ties 141st out of the 150 largest metropolitan areas in the United States.

### Blaming the Victim

Yet Michigan business and political leaders, including many suburban Detroit state lawmakers, still believe that Michigan's taxpayers should continue to pay for more of the same. They propose spending at least \$550

million, and likely billions more, to widen Interstate 75 in Oakland County from Eight Mile to Auburn Hills. They favor spending \$1.2 billion to widen Interstate 94 in downtown Detroit, a project that officials readily acknowledge is mostly about moving suburban commuters and international freight. A proposal to extend Interstate 375 in downtown Detroit a few blocks to the Detroit River would cost \$60 million. Another proposal would add a third Detroit River vehicular crossing and expand a freight rail yard; both could flatten homes and businesses in southwest Detroit, where 100,000 people enliven the city's fastest growing neighborhood.

L. Brooks Patterson, the influential Republican Oakland County Executive, is an important booster for new highways; he says they are critical to the business climate and quality of life in his slowed-to-a-crawl suburbs.

"Cities declined because they squandered their assets," Mr. Patterson wrote in a widely read article last year. "High crime rates, high taxes, failing schools, foul air, and a lack of open green spaces forced people to move. Sprawlers, like me, simply wanted a home with green grass on a safe, well maintained street, a quality neighborhood school that actually educated their children, a good job, nearby parks and recreational spaces, and a local government that actually delivers the services their taxes paid for... they wanted a place like today's Oakland County."

While Mr. Patterson is right about why people choose suburbs, he's wrong about what it takes to build economic competitiveness in the 21st cen-

## Ferndale Sues Regional Council

*City manager says region needs more transit, not highways*

Tom Barwin, Ferndale's city manager, is dead set against widening I-75.

"While it's under construction it will turn this county into a mess," he said. "And when it's done it will increase congestion."

He believes constructing commuter rail lines would be a superior investment. In the more than 20 American cities that have done so since 1992, ridership has consistently exceeded estimates and the systems generate billions in employment, construction, and tax dollars.

Last year Mr. Barwin convinced Ferndale to sue the Southeast Michigan Council of Governments, which annually distributes more than \$600 million for transportation projects. Mr. Barwin contends that SEMCOG's transportation spending favors white, upwardly mobile outer suburbs and ignores Detroit and its inner suburbs. The suit, now on appeal, asserts that SEMCOG's voting structure is unfair. For example,

three committee votes represent Detroit's 900,000 people, while four represent Monroe County's 150,000.

"We simply seek equal voting rights for all citizens," he said.

Mr. Barwin favors building light rail along Woodward Avenue between Detroit and Pontiac, reviving a line that once was part of the country's largest regional rail network. He says it would cost \$35 to \$50 million a mile and attract thousands of riders; a SEMCOG study confirms it would serve some of the region's most vital areas.

Events back Mr. Barwin's claim that there is strong support for transit. Grand Rapids' regional system added 200,000 riders this year; Lansing's has doubled its count since 1998; Detroit's suburban system is growing steadily. In August 2004, citizens in 13 out of 14 Michigan counties voted for property taxes to support their buses, mostly by landslides.





*Long-abandoned apartments in Detroit*

ture and what causes urban decline, particularly in Detroit. Racial, political, economic, labor, housing, government, and manufacturing trends prompted the Motor City's long slide; in some cases city residents and leaders encouraged it; in others, business executives and political bosses in Washington and Lansing did.

#### **'That Makes No Sense'**

Just two Washington-fostered, big spending economic development programs — urban renewal and highway construction during the 1950s and 1960s — triggered much of the city's turmoil. Urban renewal leveled thousands of homes occupied by African Americans, forcing them to move to white neighborhoods. This touched off massive waves of "white flight," which the concurrent highway construction both facilitated and worsened as it demolished still more of the city. Gloria Jeff, an African American who now directs the state Department of Transportation, remembers it well.

"One of the reasons I got into planning is that my godparents lived in Black Bottom," said Ms. Jeff, referring to Detroit's prime black neighborhood of that era. "There were three promises made to folks that lived down there when they moved them out. It was: We will build new housing. It will be affordable. And we'll move you back in. Well guess what? They did build new. It wasn't affordable for the folks they moved out. Urban renewal had much more of a detrimental impact than highways. The two in combination did very bad things to the city."

No wonder many now question

whether the path to the Detroit region's prosperity is more parking lots and highways, as so many leaders insist. Many great American cities are now dismantling their urban freeways. San Francisco took down the Embarcadero, which blocked the city's shoreline from the central business district. Milwaukee demolished a downtown freeway and replaced it with a thriving neighborhood. Boston buried its downtown freeways and built parks, housing and offices over it.

"If you look across the country and see which cities are doing well economically, they all have strong central cities," said Lou Glazer, president of Michigan Future Inc., a think tank in Ann Arbor, and author of *Revitalizing Michigan's Cities*, a 2003 study of urban economic development in Michigan. "It's hard to find a successful region in North America that doesn't have a successful rail system. If Detroit and its suburbs are talking about adding capacity to the highway system to make it easier for people to quickly go through cities, that makes no sense."

Because Detroit spawned so many 20th-century American hallmarks — cars, malls, freeways — it's appropriate to see Detroit representing what Michigan and the nation could well become in the 21st. But this new reckoning depends on where economic development investments are made. Detroit will either be the first city to smother its entire metropolitan region with the expense, pollution, congestion, and stress fostered by public spending that bows to freeways and drive-through culture. Or it will be at the vanguard of a new and uniquely

efficient design that relies on smarter public investments to generate jobs, build quality mass transit, produce safe neighborhoods, and encourage excellent public schools. Just as they have in Chicago, Portland, Seattle, and Boston, smarter public investments in Detroit would foster a region that celebrates its neighborhoods, conserves its clean air and water, and boasts an array of interesting jobs, cool destinations, safe streets, and good schools. ■



*Downtown Detroit's new Compuware building*

Metro Detroit will either smother in the expense brought on by bowing to freeway culture or invest in jobs, quality mass transit, and excellent public schools.

# Michigan's Comeback City

*In Grand Rapids, Smart Investments Spur Smart Growth*

JENNIFER IDEMA JUST OPENED HER CONEY GIRL HOT DOG stand in Monroe Center, the new, beating heart of downtown Grand Rapids. Starting a new business venture in Michigan's second-largest city is a carefully planned career step for this former California advertising executive and mother of one son. It's also a culinary test of the authentic Coney sauce that is a secret family recipe. "Business is great," Ms. Idema says. "People are coming back downtown, so I figured now was a good time to open the business."

Mrs. Idema's Coney stand, which opened in May, is both an example of one woman's bid for a better life and a colorful signpost marking the exceptional progress this city is making in a decade-long campaign to rebuild its economy and quality of life. Grand Rapids' government leaders, business executives, and citizens are working together to invest public and private dollars in ways that literally fill in the blanks of a civic landscape that until recently was being abandoned.

Office buildings now stand where parking lots lay for decades. Apartments enliven the upper floors of once-vacant warehouses; below them are restaurants and saloons. There are new parks and recreation and exhibition centers. The city now shows its best face to the Grand River instead of using it as a sewer. And while it still has much work to do, especially with its neighborhoods and public schools,

few American cities its size have done nearly as well recovering from the familiar cycle of urban decay and despair.

## **Big Aspirations, Big Results**

Just like Mrs. Idema, Grand Rapids is driven by big aspirations. Since 1990, private developers and government agencies have invested more than \$2 billion to rebuild the downtown. The projects range from a \$220 million state-of-the-art convention center to a \$530,000 park in the historic Heartside neighborhood. The \$72 million Van Andel Research Institute opened in 1999 to help cure cancer. A \$22 million transit center opened this summer. These big and small projects, a blending of public and private investments, are driving community spending towards the city center in order to nurture an urban area's economic competitiveness.

The strategy is clearly working:

- Grand Rapids has gained 6,000 more residents since 1990, while all but one of Michigan's other major cities — Ann Arbor — lost population.

- In the past decade, Grand Rapids' income tax revenues have more than doubled, to \$59 million annually. In the past 13 years, its taxable property values have nearly doubled, to \$8.7 billion; median household income has risen by more than \$14,000.

- Diversity is increasing; the central city's Latino population tripled during the 1990s. Meanwhile, demand for downtown housing is growing, according to an independent 2004 study of the local residential housing market.

Sidewalk eateries, a less precise but important measure of a city's success, have exploded. The Chinese restaurant up the block from the Coney Girl now sells fried rice to passing pedestrians. Most of the dozens of new spots offer alfresco seating.

## **Changing Times**

Incorporated in 1850, Grand Rapids thrived throughout its first century as first lumbering, then furniture making, auto parts manufacturing, banking, and insurance anchored the region's development. Its population peaked at 206,000 in 1966 and then quickly fell to under 180,000 residents by the end of that decade. But it will soon exceed





## CONEY GIRL

CONEY DOG	2.00
POLISH SAUSAGE	2.75
PLAIN HOTDOG	1.75
CHIPS	.50
FRESH SQUEEZED LEMONADE	1.50
BOTTLED WATER	1.00
POP	1.00
ITALIAN SAUSAGE Grilled onion and PEPPERS	2.75

*"People are coming back downtown," says Coney Girl owner Jennifer Idema, "so I figured now was a good time to open the business"*



# Grand Rapids Timeline

- 1960 State builds US 131 through downtown, demolishing hundreds of buildings and relocating more than 1,000 people.
- 1963 City adopts first Master Plan; north side demolished to build I-96.
- 1967 Eastbrook Mall opens in suburbs.
- 1968 Woodland Mall opens near Eastbrook Mall; Sears closes downtown store; Heritage Hill residents form city's first neighborhood association.
- 1969 Old City Hall razed despite citizen opposition.
- 1971 Heritage Hill neighborhood listed on National Register of Historic Places.
- 1979 City creates Downtown Development Authority (DDA).
- 1980 City adopts DDA's Tax Increment Financing and Development Plan.
- 1983 Amway Grand Plaza Hotel opens downtown.
- 1985 City expands Heartside Historic District to preserve South Division Avenue.
- 1987 City celebrates 150th anniversary.
- 1988 Grand Valley State University opens \$22 million downtown campus.
- 1990 New Grand Valley Metro Council begins regional planning coordination.
- 1991 Voters defeat proposal to raze historic Peck Building for parking lot.
- 1992 City builds \$1.5 million boardwalk along east bank of the Grand River.



*Above: One key to reviving downtown Grand Rapids was the restoration of its riverfront.  
Below left: New construction in downtown Grand Rapids*

200,000 residents again for the first time in 40 years.

What undid Grand Rapids were new interstate highways and towering glass office buildings that tore at the downtown's heart. Elected and appointed government leaders, business executives, clergy, and neighborhood leaders united in the late 1980s and began putting it back together again. Led by Mayor John H. Logie and others, they redeveloped old buildings, vacant lots, and abandoned industrial sites, financing them with a steady wave of well-planned public and private investments and incentives. They listened carefully to public input, used enlightened community planning, and are making Grand Rapids more prosperous and attractive.

An important player in downtown Grand Rapids' revival is Mike Devries, one of a handful of builders who have, together, spent more than \$600 million turning vacant lots and boarded-up buildings into new housing, restaurants, and office space. For years Mr. Devries and his colleagues endured the derision of their suburban builder friends, who wondered why anybody with a brain would invest in old ware-

houses on gritty inner city streets. Now the pioneering redevelopment work is attracting new investors.

"You have some major institutions that now are fully committed to this community — they can't leave because of the dollars they have invested," said Mr. DeVries. "So you have these pillars of economic activity and it just makes sense to start filling in around them with new residential and commercial projects."

## A Real City Again

The infilling is underway. The \$55 million Grand Rapids Art Museum will open in 2006 across the street from Coney Girl. Blue Cross Blue Shield of Michigan will soon move its 266-person regional workforce from the suburbs to a historic building downtown. "Moving literally to the heart of the state's second largest city makes a statement," says Blue Cross Blue Shield Vice President Dale Robertson. "We are here to stay and we wanted to send a signal that we are committed to this region. When you are downtown, with the people, the activity, the buzz of a city, I just think it will add something to our whole operation."







Few American cities have done as well recovering from urban decay and despair as Grand Rapids



Above: Enjoying star architect Maya Lin's eye-catching downtown park  
Below right: Grand Rapids' new downtown transit center

Down the block from Blue Cross, the aroma of Coney Girl's steaming sauce is in the breeze. Mrs. Idema's hot dog cart sits at the center of a \$15 million street reconstruction project that

transformed a bleak pedestrian mall into the focal point of Grand Rapids' revival, the Monroe Center. The three blocks of attractive urbanity boast heated sidewalks, a brick street, and an

## A History of Self-Inflicted Wounds

Like so many other unwary cities, Grand Rapids allowed itself to be dismantled by the American Dream of cars, suburban homes, and freeways. Its residents helped pay for emptying their town and facilitating the suburban boom.

In 1960, bulldozers cut a 500-foot-wide slash across the city's west side for an elevated freeway, U.S. 131, forcing more than 1,000 families from their homes and leveling dozens of historic buildings. Three years later, it happened again on the city's north side for I-96: Crews tore down warehouses, homes, and commercial and government buildings (including a historic City Hall), dug a 207-acre hole, and erected steel and glass office buildings and large concrete plazas. These massive, multi-million-dollar projects, financed largely by federal and state tax dollars, unleashed

powerful, unexpected economic and social consequences.

Before Grand Rapids' new highways, two-thirds of its metropolitan population lived in the city. Two generations later, the 197,000 people who live in the city account for less than 25 percent of the 850,000 people who live in the two surrounding counties. Of the 300,000 jobs in metropolitan Grand Rapids, approximately 7 percent are located downtown.

In a move recalling the federal government's simultaneous funding of tobacco farming and cancer research, 2004 saw the city opening a new \$22 million downtown transit center while the state finished its \$700 million South Beltline expressway, which will accelerate sprawl south of a downtown that's striving to remain the Comeback City.

- 1993 *Voices and Visions* plan proposes making downtown "the place you want to be."
- 1994 \$33 million Grand Rapids Public Museum opens downtown.
- 1995 Housing Task Force recommends doubling downtown residents by 2005.
- 1996 \$60 million Van Andel Arena opens.
- 1997 Developers invest about \$10 million in bars and restaurants near Arena.
- 1999 \$70 million Van Andel Institute for cancer research opens downtown.
- 2000 Metro Grand Rapids voters approve Interurban Transit Partnership and millage. GVSU spends \$71 million on downtown campus expansion.



- 2001 State transportation department opens Phase I of South Beltline. County builds \$60 million courthouse downtown. City renovates City Center for police and completes Rosa Parks amphitheater and Monroe Center pedestrian mall.
- 2002 Planning Commission adopts new City Master Plan.
- 2003 Region's voters support renewal and increase of transit millage by two-to-one margin. City buses provide record 5.8 million rides; \$220 million DeVos Center opens.
- 2004 Bus system opens \$22 million transit center. State completes \$700 million South Beltline.





*Grand Rapids is rapidly becoming a more diverse city.*

eye-catching elliptical park designed by Maya Lin, an internationally respected architect.

Real cities have Coney stands on street corners. Grabbing a chilidog, finding a park bench, and just watching people flow by is a classic urban experience. Mix in a beverage and a saxophone player and you've got what millions of people know as a great night on the town. Where there is food in the streets there are signs of intelligent and industrious life.

"Just look around," Mrs. Idema says. "This city really has begun to thrive. In a couple years I could have five or six carts." ■

## Blueprint For Redevelopment

Much of Grand Rapids' recent Smart Growth progress began with a July 1993 comprehensive downtown revitalization plan. Based on public forums and task force reports, the plan, *Voices and Visions*, set out a 10-year strategy to make Grand Rapids "the place you want to be."

It called for establishing "one-stop shopping" for downtown developers, as well as greenspace expansions, environmental improvements, cleaned-up streets and sidewalks, expanded bus service, and a modernized building code to encourage more downtown housing. The plan has had a direct and very positive effect on residents and business owners.

"We want developers to realize that they have a partner in the city," says Susan Shannon, Grand Rapids' economic development director. "We're not here to put up roadblocks. We want to work with them to get the project done."

The plan emphasizes:

- **Efficient Permitting:** In 2000, Grand Rapids established the Development Center to expedite approvals for proposed construction projects. The center, housed in a single office, provides permit applications,

building code and other technical information, and quick access to city staff, making construction permitting much easier. In 2003, Grand Rapids issued more than 1,700 building permits of all sorts; in 1991 it issued only 586. Since 1995, the city has added more than 1,800 residential units in its central district.

- **Private Investments:** The \$60 million Van Andel Arena opened in 1996. Since 2000, Grand Valley State University has spent more than \$152 million expanding its downtown campus. Spectrum Health is constructing a \$137 million cardiac center. In the past decade the medical community invested more than \$400 million building a world-class research hub on "Health Hill," which overlooks downtown.

- **Abandoned Property Recovery:** One city program encourages property owners to improve sidewalks through matching grants. Since 1990, the city has invested more than \$57 million to improve pedestrian paths, narrow the streets to calm traffic in neighborhood business districts, and reconstruct historic brick streets. Another program has encouraged the revival of nearly 70 old buildings through modest financial assistance for improving

exterior facades, utilities, or fire safety. According to Jay Fowler, director of the city's Downtown Development Authority, 40 small grants, costing the city less than \$1 million, have leveraged \$40 million in private investment.

- **Taxpayer investments:** Citizens are voting to invest in Grand Rapids. In November 2003, for the second time in three years, voters in the region overwhelmingly approved a property tax increase to further expand and improve their popular regional bus system, whose ridership increased by 36 percent after an initial millage in 2000 passed. This June city residents approved two bond proposals totaling \$165 million to renovate or replace 11 public school buildings, improve playgrounds, and purchase computers and buses.

- **Infrastructure Investment:** The city has invested more than \$150 million for new water and sewer lines, upgraded sewage treatment, and river crossings. Community leaders also have focused on improving public buildings. Two recent public projects, the \$60 million county courthouse and a \$4 million renovation of a building to house the Grand Rapids Police Department, were located in the heart of downtown. Since 1990 the city has also invested \$560 million in new parks, improved sidewalks, better streets, and multi-level parking lots.



# On Solving Sprawl, A Rare Unity OF Purpose

## *Bipartisanship marks path to progress in Michigan*

PROGRESSIVE ECONOMIC AND cultural reform in America follows a familiar path. The majority demands action. Leaders of both major political parties heed the call and a capable and courageous political leader finds a way to serve the public interest.

Michigan is nearing just such a breakthrough on sprawl. Public opinion polls consistently show the majority of residents embrace fixing existing roads before building new ones, consider public transit an effective antidote to traffic congestion, want more spending to limit pollution, and support redevelopment in Michigan's depleted cities and older suburbs.

The polls also show that citizens are intensely interested in improving Michigan's economic competitiveness and in closing state and local budget deficits. These concerns are not solely the province of Democratic urban residents. They also spark lively conversations in Republican strongholds along the coast of Lake Michigan and in the newer suburbs outside Detroit, Grand Rapids, and Traverse City.

Faced with growing public pressure to make Michigan a better place, Democrats and Republicans are making some progress in enacting Smart Growth measures. The parties cooperated extensively in the Michigan Land Use Leadership Council, which in 2003 recommended 160 steps the state should take to curb sprawl, improve the economy, and rebuild the state's cities.

During the final four months of 2003, Governor Jennifer M. Granholm

signed two executive orders and seventeen bills passed by the Republican-led Legislature that, among other things, empower municipalities to get tough on owners of blighted property, help expedite redevelopment of abandoned industrial sites, and raise the cap on bond money available for such projects. Other successful legislation encourages regional planning and permits townships to include open space in their mixed-use zoning laws.

In 2004, the Legislature passed, and the governor signed, 10 more Smart Growth measures — making such measures a rare arena of bipartisan cooperation.

### **Now, the Hard Work Begins**

But the truly hard work is yet to come. The real challenge in reining in sprawl, as we've described in this report, is changing the priorities of the big-ticket public spending programs that drive development, particularly the \$3 billion transportation budget and the more than \$1 billion revenue-sharing budget.

Governor Granholm understands how public spending drives the decisions that businesses, families, and individuals make about where they work, live, and play. In 2003, the governor and the Legislature agreed to indefinitely halt 17 highway projects in order to redirect \$250 million slated for new highways to fixing existing roads. In 2004 Ms. Granholm awarded \$100,000 "Cool Cities" grants to economic development projects in 17 cities. Her administration says that the grants signal a new willingness to

open to the state's cities and towns the billion-dollar treasure house of subsidies, grants, low-interest loans, and other economic development tools that were once reserved almost solely for luring factories and employers to Michigan.

Republican leaders also have ideas about spurring investment and slowing sprawl. In May 2004 Senate Majority Leader Ken Sikkema announced an eight-bill CORE package — Creating Opportunities for Renewed Economies. The package proposes "commerce centers" that channel state dollars to existing community centers, tax incentives for redeveloping historic neighborhoods, new procedures to speed construction inspections and permits, tax credits for rehabilitating old plants, and enabling legislation for downtown development authorities, neighborhood improvement authorities, and downtown parking bureaus.

Such ideas from both sides of the aisle are just the sort of courageous policymaking that Michigan needs to thrive in the 21st century. They demonstrate that both parties understand that how the state invests in economic development is crucial to what happens to our land. The question is: Will Michigan give cities and existing communities a much larger share of the economic development dollars than they've gotten in recent decades? Or will lawmakers make sweeping statements about curbing sprawl while still spending profligately to spur growth on the state's expanding urban edges?

# 10 STEPS TO PROSPERITY

*We urge Governor Granholm and the Legislature to thrust the sword of reform deeply and make the significant changes in spending that will end sprawl, build viable public transportation systems, rebuild cities, and turn Michigan into a greener, cleaner, dynamic state of opportunity. We also call on the governor and the Legislature to base their spending decisions on the recommendations of the Michigan Land Use Leadership Council. Specifically, the Michigan Land Use Institute and United Cerebral Palsy of Michigan urge the state to take these ten steps:*

1. Establish state land use goals and spending priorities that help the state's cities become better places to live and work and conserve the state's farmland and countryside.
2. Establish economic incentives that foster regional planning by local governments, collaboration on appropriate development, and proper use of their capital expenditures to follow those plans.
3. Authorize local governments to require "concurrency;" i.e., that adequate roads, sewers, and other infrastructure are in place before approving new development.
4. Point state financing for schools and other public facilities to urbanized areas whenever possible. Offer incentives for constructing and renovating public schools within neighborhoods and town centers and for sharing athletic facilities.
5. Reward local governments for capital spending that follows state land use goals. Establish urban investment boundaries that limit expensive infrastructure extensions, levy impact fees on open space development, and direct sewer and water investments away from sprawl locations. Require local cooperation through regional frameworks for decisions on large projects.
6. Establish Commerce Centers in existing communities that favor mixed use, density, transit, and open space protection in their master plans and actions. Facilitate their redevelopment with state and federal assistance and priority access to funding opportunities and development tools, and mandate quick local decision-making on public and private investment that meet land use goals. Direct public road, sewer, school, water line, and economic investments there, instead of into the countryside.
7. Expand market-rate and affordable housing opportunities through a state trust fund that helps developers build urban mixed-income home rental and ownership projects.
8. Respect community character by fixing roads before building new ones and adopting a citizen-guided, "context-sensitive design" process that promotes safe and innovative road, transit, bicycling, and walking designs and complements existing master plans.
9. Improve public transit and other transportation alternatives by fully funding them at the state's constitutional maximums; retain ownership of railroad rights-of-way for future trail and transit use; and encourage walking and biking to school through "Safe Routes to School" programs. Invest in walkable development patterns that make public transit more efficient and easier to use.
10. Support entrepreneurial farm and food system development, particularly small- and medium-sized operations, with business and technical training and assistance, economic development, and a state food policy council. Establish agricultural production areas with tax incentives that encourage farming and conversion fees that discourage land speculation and development. Use the conversion fees to finance the incentives and other farm preservation and viability programs. Require "concentrated animal feeding operations" to use waste-control methods that protect public health and the environment.

## Seeking a Formula for Success

Surely there is no way for the Legislature or the governor to avoid these questions; they are the political questions of the era. In 2006 and 2007, for instance, the governor and state lawmakers will have to decide whether to change the formula for distributing more than \$1 billion annually to cities, villages, townships, and counties. The source of the shared revenue represents 36.3 percent of state's sales tax receipts. In many communities revenue sharing is the single largest source of operating funds.

The payout formula for local governments was altered in 1998 under the rubric of spreading the money more fairly. But separate studies by the Citizens Research Council (2000) and researchers at Michigan State University (2002) found the 1998 formula turned townships and villages into winners, and older cities into big losers. According to the MSU analysis, 22 of the 50 fastest-growing communities received larger revenue sharing payments under the 1998 formula than they would have with the old formula. The council found that of the 104 largest communities, 52 lost money under the 1998 formula and 52 gained. Only 11 of the winners are old Michigan cities. The rest of the winners are sprawling townships and outstate cities like Mt. Pleasant and Marquette. Of the losers, 39 are cities and just 13 are townships, most of them in the Thumb region and the western Upper Peninsula.

The 1998 formula expires in 2007 and the entire revenue sharing system will be reconsidered by the Legislature. If she is reelected, Governor Granholm will have an opportunity at the start of her second term to work closely with the Legislature and local government leaders to adjust revenue sharing to improve the fiscal health of existing communities and make a real difference in slowing sprawl.

Clearly, where to invest the many billions of dollars that state and local governments spend each year for economic development is the most important conversation Lansing will have in this decade. ■



# Economic Consequences of Sprawl

*Government and academic studies consistently find that sprawl is much more expensive than compact patterns of development*

1974 – *The Costs of Sprawl*, a three-volume report by the Real Estate Corporation for the White House Council on Environmental Quality, concluded that compact development patterns were much less expensive and environmentally damaging than sprawling residential and commercial development. It is one of the most significant critiques of sprawl ever published.

1997 – *Fiscal Impacts of Alternative Land Development Patterns in Michigan: The Costs of Current Development Versus Compact Growth*, by Rutgers and Michigan State Universities, found that, in the 18 communities studied, land consumption and costs for infrastructure and municipal services were far less expensive when Smart Growth principles replaced sprawling patterns of development.

1997 – *The Cost of Sprawl*, published by the Maine State Planning Office, found that residents of fast growing “new suburbs” were paying many “hidden costs,” including higher taxes, homeowners insurance, and school construction costs. Although its student population declined by 27,000 from 1975 to 1995, the state spent \$727 million to construct and maintain new suburban schools. Although Maine’s population declined 10 percent in the 1980s, its residents drove 57 percent more miles, highway costs increased by a third, local governments added 100 miles of new roads annually, and police employment increased by 10 percent, even with a 20 percent fall in the crime rate. (<http://www.maine.gov/spo/landuse/docs/CostofSprawl.pdf>)

1998 – *The Costs of Sprawl – Revisited*, prepared for the National Research Council, analyzed nearly 500 studies of the fiscal, economic, and environmental effects of sprawl and concluded that while “most of the American public is not unhappy with the current patterns of development in metropolitan areas – it simply can no longer afford it.” (<http://www.nas.edu/trb/index.htm>)

2000 – *The Costs of Sprawl – 2000* concludes that even modest new Smart Growth policies would save 4.4 million acres of farmland, \$12.6 billion in sewer and water expenses, \$109 billion in road construction costs, and \$420 billion in private sector development costs. (<http://www.national-academies.org/trb/bookstore>, or to download full report [http://guliver.trb.org/publications/tcrp/tcrp\\_rpt\\_74-a.pdf](http://guliver.trb.org/publications/tcrp/tcrp_rpt_74-a.pdf))

2000 – *The Costs of Sprawl in Pennsylvania*, published by 10,000 Friends of Pennsylvania, reported that costs for infrastructure and housing are significantly higher in sprawling regions than in planned-growth areas. Compact development can save up to 25 percent of road and utility

construction and up to 20 percent of water and sewer costs. Applied to local road construction, “the savings would be \$52 million per year.” ([http://www.10000friends.org/Web\\_Pages/News/Costs\\_of\\_Sprawl\\_in\\_Pennsylvania.pdf](http://www.10000friends.org/Web_Pages/News/Costs_of_Sprawl_in_Pennsylvania.pdf))

2000 – *The Costs and Benefits of Alternative Growth Patterns: The Impact Assessment of the New Jersey State Plan*, published by Rutgers University, found a state plan that encourages settling in existing communities could save local governments \$161 million by 2020, conserve 100,000 acres of farmland, save \$870 million in road construction costs, and eliminate \$1.4 billion in water and sewer development.

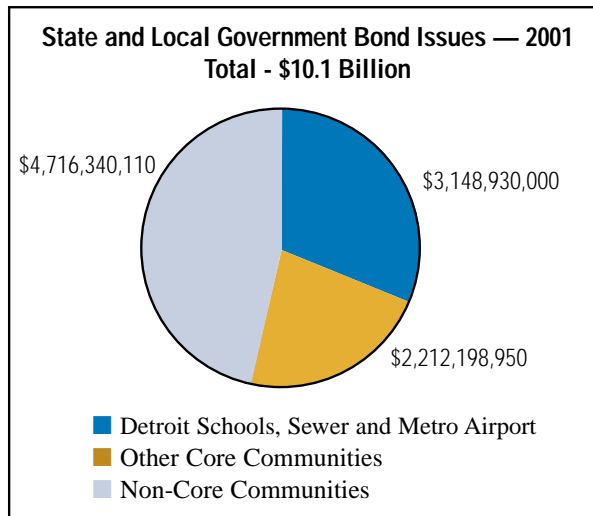
2002 – *Growth in the Heartland: Challenges and Opportunities for Missouri*, a Brookings Institution report, found that Pettis County, located near Kansas City, will gain 3.6 percent in tax revenue thanks to population increases and development. But its costs will rise 6 percent, generating a \$2.4 million deficit unless the county raises taxes. (<http://www.brookings.edu/es/urban/missouri/abstract.htm>)

2003 – *The Fiscal Cost of Sprawl: How Sprawl Contributes to Local Governments’ Budget Woes*, by Environment Colorado Research and Policy Center, concludes that “sprawling development does not generate enough tax revenue to cover the costs it incurs...If growth patterns do not change in the Denver area...sprawl will cost local governments \$4.3 billion more in infrastructure costs than Smart Growth.” ([http://www.environmentcolorado.org/reports/fiscalcostofsprawl112\\_03.pdf](http://www.environmentcolorado.org/reports/fiscalcostofsprawl112_03.pdf))

2003 – *The Jobs Are Back In Town: Urban Smart Growth and Construction Employment*, by the Washington-based research group Good Jobs First, found that metro areas with concentrated growth had 30 percent more construction activity than areas that encouraged sprawl, and concluded that Smart Growth generates more residential, commercial, and transportation construction jobs than sprawl does. (<http://www.goodjobsfirst.org/pdf/backintown.pdf>)

2004 – *Investing in a Better Future: A Review of the Fiscal and Competitive Advantages of Smarter Growth Development Patterns*, by the Brookings Institution, found that in Kentucky’s Shelby County, which managed its growth, the cost of additional police, fire, highways, schools, and solid-waste services for every 1,000 new residents added \$88.27 to an average family’s expenses. But in Pendleton County, which allows sprawling development patterns, those same services added \$1,222 per family — 13 times as much. ([http://brookings.edu/metro/publications/200403\\_smartgrowth.htm](http://brookings.edu/metro/publications/200403_smartgrowth.htm))

# A Perfect Recipe for Sprawl

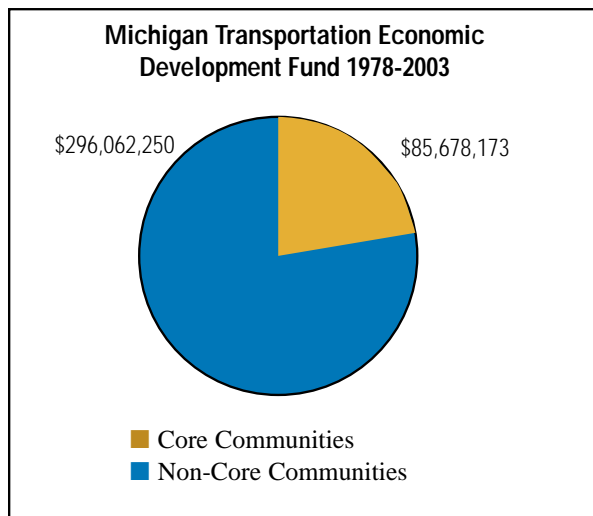


An in-depth analysis of several kinds of government spending since 1987 reveals how Michigan's public investments skew toward greenfields and away from urban areas.

The chart on the left recounts a year that is exceptional for bond issues because it includes huge, long-time projects rebuilding Detroit's sewer and water systems and public school buildings and the expansion of Detroit Metropolitan Airport. Separating out those special projects reveals the more typical statewide pattern, which favors suburban and rural areas over core cities by a two-to-one margin.

The next chart recounts direct loans and grants made by the state's economic development department to a plethora of projects. It shows at best an even split between urban and out of town spending, since most industrial park development occurs in greenfields.

The final chart recounts state spending for transportation improvement projects meant to enhance Michigan's ability "to compete in an international economy, to serve as a catalyst for growth," and "to improve the quality of life." The state favors rural and suburban areas by a three-to-one margin. (See page 5.) This is a perfect strategy for accelerating sprawl and slowing the recovery of core communities.



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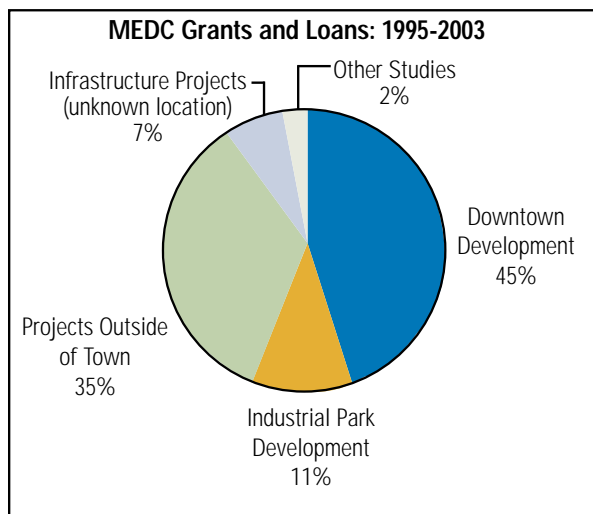
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*Follow The Money* documents a profoundly misguided investment strategy that harms Michigan's quality of life by subsidizing sprawl. Only when that strategy improves will Michigan be able to conserve its natural resources, produce more job opportunities, enjoy great cities, and restore our rapidly diminishing sense of community — bedrock necessities for competing successfully in the 21st century.

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