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Study faults state efforts to stimulate job growth

Incentives fund job growth where least needed, group says

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LANSING - The state's efforts to grow jobs hurts its cities, often sending a lopsided share of economic development incentives to outlying areas with less need for jobs and inadequate infrastructure to support them, a study released today by a Washington-based policy group found.

"Michigan's economic development incentives are shortchanging central cities and actively subsidizing new development in thinly populated, newly developing or already prosperous areas," concluded the study, financed by the Flint-based Charles Stewart Mott Foundation.

The research for "The Geography of Incentives: Economic Development and Land Use in Michigan," was conducted by Good Jobs First. The Washington-based national policy resource center promotes corporate and government accountability in economic development and smart-growth policies.

Researchers studied nearly 4,000 economic development incentives awarded by the state between 2001 and 2004 in four different programs. Along with the incentives, they analyzed local layoff notices filed with the state against population density.

They found that the incentives tended to support job creation and retention in the more affluent outlying areas, at the expense of six of the seven central cities studied.

The degree of negative impact varied, with Grand Rapids, Saginaw, Lansing and Detroit among those hardest hit, and Kalamazoo and Flin t to a lesser degree. Growing and relatively prosperous Traverse City received only training grants for urbanized areas that did not fuel sprawl.

Areas outside of the metro areas had 12 percent of the jobs lost between 2001 and 2004, but received an average of about 29 percent of the job incentives.

The central cities had almost twice as many of the job losses (22 percent), but received an average of only about 6 percent of the incentives.

The policies drain jobs from the cities, which already have the infrastructure, services and in some cases buildings to support them, researchers concluded.

"Looking at the list of plant closings, I refuse to believe that all are so inefficient, so old and antiquated, or so polluted that they can't be reused," said Greg LeRoy, an author of the study.

Mike Shore, spokesman for the Michigan Economic Development Corp. (MEDC), said the study failed to calculate efforts to reuse industrial sites known as brownfields. He said over the period studied there was more than $5 billion in private investment committed to brownfield redevelopment, as well as $700 million in state incentives.

Of the programs studied, Michigan Economic Growth Authority deals were overwhelmingly more likely to go to low-stress suburbs than to the metro areas. Twenty-eight percent of MEGA deals went to wealthier suburbs with little poverty, unemployment and affordable housing, while only 6 percent (seven deals) went to central cities.

"Our finding that MEGA deals were biased in favor of less needy communities parallels that of a 1999 study by the (Midland-based) Mackinac Center for Public Policy, which found that 60 percent of MEGA deals went to firms in counties with unemployment rates below the statewide average," the study said.

Researchers noted the Michigan Land Use Leadership Council, in a 2003 report, found that land consumption was outpacing population growth at a rate that would ultimately result in cities losing so much of their tax base they could no longer sustain services and infrastructure.

Researchers said the MEDC has been "historically passive in or irrelevant to the state's land use debate."

But the MEDC's Shore insisted, "Our first charge is to grow jobs and business investment, and that's particularly true in the current economic circumstance."

The study suggests the state:

- Review all state job subsidies for tendencies to create urban sprawl.
- Target subsidies to areas with existing infrastructure, to maximize efficiency.
- Give preference to deals that promote efficient land use.

The study examined four programs: Economic Development Job Training, which matches local funds for worker training; Michigan Economic Growth Authority, which awards business tax credits for new capital investment and/or job creation; Transportation Economic Development Fund, which finances road improvements to new or expanding job sites; and Industrial Facilities Property Tax Exemptions, which permits local communities to grant property tax exemptions to new or improved worksites.

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