Revitalizing Michigan after years of recession

In just a few years, the Michigan Economic Development Corp. has helped Michigan go from bust to boom

BY MATT ALDERTON

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Just a few years ago, the city of Detroit seemed like a lost cause. Once the automotive capital of the world, its biggest industry was struggling to keep pace with foreign competition. Jobs were moved offshore, factories were shuttered, and prestige was lost. Then came the recession, which made an already festering wound deeper. During the economic downturn and the concurrent housing crisis, employment plummeted and foreclosures peaked, leaving the city with $18 billion in debt and its lowest population in more than a century.

Once teeming with life, the Motor City was now riddled with blight. So much so that in 2013, Detroit became the largest-ever US city to declare bankruptcy. But that was then.

In Six Years, Michigan Has

reduced unemployment by more than 9 percent

eliminated just under 2,000 burdensome regulations on businesses

created more than 420,000 jobs

increased GDP by more than $50 billion

increased per capita income by more than $6,500

Today, Detroit isn't falling. Instead, it's rising. Buoyed by a new mayor, state and federal support, and private-sector investment, the city and its economy are flourishing. As a result, employment is increasing, residents are returning, neighborhoods are developing, and businesses are booming.

As goes Detroit, so goes the rest of Michigan, according to **Jennifer Nelson**, a Michigan native who says the state—just like its largest city—is undergoing a radical transformation and turnaround.

"About six years ago, our unemployment rate was over 14 percent. Today, our unemployment rate has dropped to 5.1 percent," says Nelson, chief operating officer and general counsel of the Michigan Economic Development Corp. (MEDC), a quasi-governmental organization whose mission is supporting the Michigan economy by growing and attracting businesses, retaining talented residents, and revitalizing urban centers. "Clearly, a lot has happened in our state since the recession."

Governor Rick Snyder and the state legislature deserve a lot of the credit, according to Nelson, who says lawmakers have done a lot to stimulate the state's economy. In 2011, for instance, they passed sweeping tax reforms, including a new corporate income tax that's levied only on large corporations while exempting small businesses.

"Returning to a competitive tax structure here in Michigan was a tremendous change," Nelson explains. "It's something we needed to do not only to help our economy grow, but also to remain competitive nationally as businesses are looking for places to locate and expand."

In addition to tax reform, state lawmakers have passed measures improving fiscal stability and embracing regulatory reform. "Over the last six years, we as a state have eliminated just under 2,000 burdensome and unnecessary regulations that impacted businesses," Nelson continues. "A competitive tax structure, fiscal stability, and regulatory reinvention. Those are three dramatic, positive improvements that have gotten our state to where it is today."

Where it is today is impressive: more than 420,000 jobs have been created in Michigan since December 2010. Michigan leads the nation with 138,400 new manufacturing jobs since 2009. The state ranks first in the nation in concentration of industrial designers and engineers, research and development professionals, and skilled-trade workers. Michigan's GDP growth outpaced the national average in 2014, growing by 13.9 percent compared to the national rate of 10.7 percent.

And Michigan-based venture capital firms have $1.7 billion in capital under management, up 45 percent from five years ago.

Although lawmakers have been instrumental, MEDC has played a significant role as well in the state's turnaround. Established in 1999, the organization looks like a public body—it receives government appropriations, for instance, and is subject to government regulations and oversight—but behaves like a private enterprise: it has a board of directors, for example, receives supplemental private funding, and has the ability to manage its own procurement and determine its own programming.

This is key, according to Nelson. "Our structure provides us a little bit more flexibility. It also allows for more continuity. Because we are always seating new governors and legislators, having the MEDC means the state can maintain its momentum and keep delivering on its economic and community development initiatives."

Several current programs perfectly illustrate those initiatives and the contributions they're making to a new, stronger Michigan—not only in Detroit, but across the state.

The first is MEDC's public/private Pure Michigan Business Connect program. Launched in 2011, the multibillion-dollar initiative connects Michigan businesses with one another for the purpose of stimulating intrastate business-to-business commerce. Among the network's members are Michigan's two largest utility companies, DTE Energy and Consumers Energy, which have joined together on a multibillion-dollar purchasing increase with Michigan-based vendors and suppliers.

Pure Michigan Business Connect has generated more than $2.7 billion in new contracts for Michigan companies in a variety of industries, explains Nelson, who says the program helps Michigan not only support existing businesses, but also attract new ones. "As we work on attracting businesses to the state, it helps for them to see that there is a supply chain here that can help them deliver whatever goods or services they offer."

In the same way it helps them find suppliers, MEDC assists Michigan businesses with exporting, contract procurement, access to capital, and workforce development. Since 2011, MEDC's Michigan State Trade Export Program (MI-STEP) has helped more than 980 companies sell to overseas markets. MEDC's Michigan Defense Center, meanwhile, has helped dozens of Michigan-based defense contractors secure government contracts with the Department of Defense. Its Capital Access Program likewise has facilitated business growth by stimulating millions of dollars worth of small business lending by banks. Finally, its Career Jump Start, Michigan Advanced Technician Training, and Skilled Trades Training Fund programs assist companies in finding, training, and acquiring skilled workers.

"What we're hearing from companies right now is how much they need talent," Nelson says. "Through our programs, we identify what skills employers need and then work with community colleges to make sure there is training and education to prepare potential employees for the jobs of today and tomorrow."

Of course, employees don't need skills alone. They also need communities in which to live, work, and play. In addition to economic development, MEDC therefore has numerous programs stimulating community development.

"When they're locating or even expanding in a community, businesses want to make sure it's a place their employees want to live," explains Nelson. She highlights several community development programs of note, including the Michigan Community Revitalization, Downtown Infrastructure Grant, Community Development Block Grant, and Downtown Signature Building programs, which administer incentives, grants, and loans to assist developers in acquiring and developing real estate in downtowns and other vital commercial corridors.

"We've had great results encouraging revitalization in downtown areas in some of our larger cities, including not only Detroit, but also places like Grand Rapids, Flint, and Pontiac." Nelson says public spaces are another important focus for MEDC, which stimulates development of parks and plazas through Public Spaces, Community Places, a creative crowdfunding program whereby money raised for a community project is matched dollar for dollar up to a certain amount. "It's been wildly successful," says Nelson.

Although money is effective, it's not requisite. MEDC's Redevelopment Ready Communities program, for instance, certifies municipalities to make sure they're optimized for business investment in areas such as customer service and development approval processes. Administering it requires time and staff, but not financial incentives.

"We know we need to offer incentives to businesses to remain competitive nationally, but we've learned that there are a lot of other things we can do to meet the needs of growing companies," Nelson says.

This is especially important now, as MEDC was forced to lay off 65 employees in fall 2015 in response to a 27 percent cut in its 2016 funding.

"As the COO, I'm focused on making sure we're as efficient as we can be," continues Nelson, who says MEDC will be increasing its reliance on regional partners to execute more programs with fewer resources.

Even with fewer resources, Nelson expects Michigan and MEDC's momentum to continue thanks to recent success stories like Clemens Food Group, which broke ground on a new pork processing facility in Coldwater, Michigan, in July 2015.

"Clemens Food Group was a huge success this past year," concludes Nelson, who says the plant is expected to generate more than $256 million in private investment and create approximately 810 jobs when it begins operating in late 2017. "They chose Michigan based on state and community support, site feasibility, and labor force preparedness. So, the things we're trying to put in place are working."

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