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2022 CO-LEARNING PLAN SERIES

COMMUNITY REVITALIZATION DISTRICTS

ENGAGING PONTIAC NEIGHBORHOODS FOR DOWNTOWN ECONOMIC RESILIENCY

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Community Revitalization Districts:

Engaging Neighborhoods in Pontiac's Economic Development

Michigan State University EDA Center for Regional Economic Innovation

Co-Learning Plan

Sean Kammer

Contents

About the Author ... 2
Abstract ... 3
Community Description ... 4
Market Study: An Absence of Effective Demand ... 4
The Failed Approach to Solving Downtown Pontiac's Challenges ... 8
Trials and Errors of Downtown Revitalization ... 10
Access to Capital and Supply-Side Subsidies ... 11
Opportunity Zones: Incentives for More Capital ... 14
Downtowns as Public Spheres and the Privatization of Space ... 15
Gentrification: Importing Consumers to the Destination Downtown ... 16
Cultivating Local Demand for Downtown ... 19
The Limits of Existing Programs ... 19
Revenue Sharing: Outside Resources to Fight Downward Spirals ... 20
Community Revitalization Districts ... 22
Funding, Qualifications, Structure, and Representation ... 24
References ... 27

About the Author

Sean K. Kammer possesses a master's degree in public administration, a master's degree in political science and graduate certificates in peace and security studies and economic development from Wayne State University. Kammer's published academic work includes a study titled Legislative Oversight of State Government Contracts, funded by the Levin Center at Wayne State Law School.

Kammer lived as a resident of Pontiac for approximately ten years and previously served as the Executive Director of the Birmingham Shopping District as well as Downtown Manager for the City of Royal Oak. Kammer also worked on relief and recovery efforts in the Flint Mayor's Office during the water crisis, notably applying for and receiving a Michigan FDCVT grant in the amount of two million dollars to reconnect the Flint Water system to the Detroit Water system. Kammer currently works at the Michigan Economic Development Corporation as a Business Development Project Manager.

Kammer was recognized by Oakland County's Elite 40 Under 40 Program in 2019. He was later awarded a National Main Street Forward Award in 2021 for programs he developed to support Royal Oak in response to the Covid-19 pandemic.

Kammer has performed consulting work for the City of Pontiac related to the Pontiac Youth Millage Plan, and marketing consulting for various small businesses throughout metro Detroit. Kammer lives in Clarkston, Michigan with his two small children.

Abstract

This paper explores a *demand-side approach* to downtown development that looks at engaging the existing local community, residing in the City of Pontiac's immediate and adjacent neighborhoods.

This paper proposes the creation of Community Revitalization Districts to revitalize downtowns in distressed communities. Engaging with local neighborhoods, however essential, is insufficient to catalyze downtown revitalization because of a severe lack of effective demand stemming from a shortage of disposable income. To resolve this, Community Revitalization Districts are proposed, utilizing statutory revenue sharing, which would possess broad powers to intervene in the downward cycles of poverty and disinvestment. This hypothetical zone could be empowered to oversee economic development catalyst projects that improve the quality of life and contribute to the emergence of a functioning market.

Potentially, boosting effective demand could send positive market signals which could help attract more firms to open in downtown. Additionally, the effects of this serves to encourage local business ownership, thereby building wealth within the community and contributing to the development of social capital.

The outcomes this Co-Learning Plan includes developing ways to resolve issues with which cities like Pontiac have long struggled. It also seeks to engage the existing population in the adjacent neighborhoods to downtown to participate in the economy, guarding against what is pejoratively referred to as gentrification. It is hoped that the outcomes will set the stage for more locally owned enterprises to emerge.

Community Description

The City of Pontiac is a community in central Oakland County, located north of Detroit. Pontiac has a heritage of industry and manufacturing, however the city has significantly de-industrialized due to the loss of major automobile parts factories. According to the Federal Reserve Bank of Chicago, which conducted a study in 2014 called the *Industrial Cities Initiative*, Pontiac has suffered a 30% decline in population since 1970 (Federal Reserve Bank of Chicago, 2014). Additionally, while Oakland County is one of Michigan's wealthiest counties, Pontiac is one of Michigan's most impoverished cities (Federal Reserve Bank of Chicago, 2014).

Geographically, the downtown remains an island surrounded by a five-lane highway known as the 'Woodward Loop.' Built in 1964 to improve the efficiency of traffic flow, the loop served as a barrier that prevented pedestrians from engaging with their downtown. The downtown is bypassed by traffic, cutting off potential economic activity. The loop physically isolated downtown from the adjacent neighborhoods (Laitner, 2022). By contrast, many vibrant downtown areas in Oakland County have strong connections to their adjacent neighborhoods. Additionally, many prosperous Oakland County downtowns have a strong residential population within it. Pontiac, on the other hand, has very limited housing within the boundaries of the Woodward loop, and thus a very low population density. In early 2022, the Michigan Department of Transportation (MDOT) announced that it would abolish the Loop, replacing it with a two-way street on one side of the downtown (Laitner, 2022). This offers significant potential to reconnect downtown to the adjacent neighborhoods.

Market Study: An Absence of Effective Demand

According to the Federal Reserve Bank of Chicago's study, called the Industrial Cities Initiative, which studied ten cities that were considered twentieth century manufacturing centers, Pontiac is one of the most impoverished cities in the state of Michigan. General Motors (GM) alone closed eight facilities in Pontiac (Brugeman, Hill, & Cregger, 2011), which dealt devastating blows to the local economy and contributed to the city's decades-long decline.

In 1994, Pontiac's West Assembly Plant closed and in 2009 Pontiac's East Assembly Plant closed (Federal Reserve Bank of Chicago, 2014). A 2011 Crain's Detroit article states that since 1979, more than 61 automotive assembly plants have closed in the metro-Detroit area (Duggan, 2011). This has had a significant negative effect on the working-class populations in southeastern Michigan. Relevant to this study is the effect this had on disposable income for the residents of Pontiac. Reduced disposable income meant less money spent on goods and services, notably in Pontiac's downtown.

Information provided by the United States census shows the severe poverty rates that exist in the downtown area today, which is geographically part of census tracts 1416 and 1422. The overall poverty rate in the city is 27.9%. The overall median income in the city of Pontiac is approximately $35,000 per year. However, in the census tracts that include the downtown area, median incomes drop sharply to $26,000 per year in tract 1416 and $14,000 in tract 1422 (United States Census Bureau). Similarly, the population in these tracts is lower and less dense, contrary to expectations that density ought to increase nearer the downtown. The city suffers from an alarmingly high unemployment rate of 8%, nearly twice the rate of the Michigan average, and a low-performing school system (US News, 2020-2021), which discourages residential and neighborhood investment.

Other affluent Oakland County downtowns are known for their proximity to strong neighborhoods, characterized by high home values, high rates of ownership, and high median incomes. This is not the case in Pontiac, where approximately 70% of households rent and 30%

are owner-occupied. On average, Michigan as a whole has the inverse statistic, where 70% of households live in owner-occupied homes and 30% are renters. See the chart below comparing the census tracts that include and/or are adjacent to the respective downtowns of Pontiac and neighboring Royal Oak.

Comparing Home Ownership Rates and Income between Census Tracts in Pontiac and Royal Oak, Mich.

Census Tracts in Pontiac	**Home ownership %**	**Median income 2020**
1416	41%	$26,341
1417	23%	$30,585
1421	32%	$32,806
1422	21%	$14,195
1427	42%	$40,292
1424	44%	$35,750
Census Tracts in Royal Oak	**Home ownership %**	**Median income 2020**
1841	63%	$91,077
1842	55%	$101,235
1844	50%	$152,363
1845	65%	$103,403
1846	51%	$95,221

Information courtesy of the United State Census. Percentages calculated by author.

The above table demonstrates the stark differences between two Oakland County communities. For example, census tracts in and around Royal Oak's downtown have higher rates of home ownership and higher median incomes. Often, researchers attempt to demonstrate the positive impact that mixed use, walkable downtowns have on the adjacent neighborhood's housing values. Indeed, there is a correlation between vibrant downtowns and strong neighborhoods, however, what is unclear is the directional causation. Do vibrant downtowns have a positive impact on neighborhoods or do the strong neighborhoods affect the vibrancy of the downtown? I contend that the causation is mutual, however this economic development program is aimed at improving existing neighborhood conditions that will improve the desirability of firms to locate in Pontiac's downtown. This is because firms want to locate near areas where consumers have disposable income that can be spent on their products and services.

Conventional approaches to downtown revitalization rely on the reuse of historic buildings for new commercial enterprises. New businesses locating in downtown Pontiac have a track record of boom- and-bust cycles; businesses open to much acclaim and fanfare, even leading many to believe that the downtown is "turning a corner." This torturous cycle is a result of the absence of effective demand, which is the spending power of customers in the local area.

If we assume that Pontiac's census tracts around the downtown also served as its primary trade area, then the following is how much money could be spent per household on goods and services (Bureau of Labor Statistics, 2020-2021).

Midwest Average Household Spending on Goods by Income Category per year

Item	Total Midwest	Less than $15,000	$15,000 - $29,999	$30,000- $39,999	$40,000- $49,000	$50,000- $69,000	$70,000- $99,000	$100,000 - $149,000
FOOD AT HOME	$4,571	$2,648	$2,849	$3,896	$3,640	$3,848	$4,886	$5,922
FOOD OUT OF HOME	$2,731	$1,435	$1,364	$1,729	$1,931	$2,099	$2,815	$3,815
APPAREL	$1,636	$1,053	$911	$1,120	$1,025	$1,472	$1,349	$2,083
ENTERTAINMENT	$3,992	$1,183	$1,419	$2,016	$2,188	$2,582	$3,114	$5,470
ALCHOLIC BEVERAGES	$538	$203	$201	$272	$330	$422	$539	$730
MORTGAGE INTEREST	$2,333	$351	$676	$1,166	$1,124	$1,891	$2,902	$3,928
RENTED DWELLINGS	$3,001	$3,999	$3,570	$3,593	$3,862	$3,080	$2,703	$2,170

Information from the Bureau of Labor Statistics

The above table demonstrates the spending habits of different income categories throughout the midwestern United States. The first column lists the good or service, while the second column shows the midwestern average. Every income category in the columns to the right show average annual spending per category based on income groups. Areas highlighted in light gray show that spending is below the midwestern average. It may be that below average spending in these categories accounts for the inability for downtowns like Pontiac's to retain businesses. Note that spending on rented dwellings declines as income increases, indicating that it may be an inferior good. Also, note that apparel expenses are higher for the lowest income group, indicating that the category may be a regressive economic burden.

The Failed Approach to Solving Downtown Pontiac's Challenges

Pontiac was placed under state-appointed emergency financial management from 2009 to 2013 as it went into receivership during the Great Recession. Under the passage of Public Act 4 in 2011, the emergency manager, who was appointed directly by the governor, was granted expanded powers that gave him significantly more authority over the local government. The emergency manager was able to break contracts (specifically labor contracts), suspend the local elected government, and sell off public assets to private firms and individuals (LaFaive, 2012).

The underlying theory behind emergency management was that in growing economies, democratic governance worked well to allocate the growing pie of surpluses. However, in declining economies, democratic (pluralist) governance was expected to break down because there was too much political conflict surrounding the allocation of cutbacks (Levine, Rubin, & Wolohojian, 1981). Therefore, an emergency manager could circumvent the political dysfunction associated with declining economies and effectively *right-size* the budget to fit existing revenues and ideally return the local government to a condition of solvency, in which it could continue to provide basic services. It was a short-term solution intended to solve short-term budget problems; however, it could not address the larger economic forces that had contributed to the present crisis.

This approach may have accelerated further decline through austerity and stripping the community of once-commonly held assets, which were now sold off to private owners. In these situations, local economies are subject to either virtuous or vicious cycles that they cannot escape by their own means. Communities end up becoming path dependent to attract more and more investment or suffer year after year of disinvestment. It can be argued that emergency financial management may have balanced the books in the short-term but contributed further to the cycle of disinvestment by disposing of assets that could be leveraged for economic development.

Trials and Errors of Downtown Revitalization

Since the late 1970s and early 1980s, downtown revitalization has been characterized by urban renewal, which included demolishing entire city blocks to make way for large-scale public projects. Later, tactics emerged to compete with the advent of shopping malls, which significantly hampered locally owned retail. To preserve their economic relevancy, many economic development practitioners approached downtowns as if they were managing a shopping mall. On the surface, the comparisons are seemingly obvious. In both malls and downtowns, there are private businesses who rent space in privately owned buildings, and in both scenarios shops and restaurants depend on foot traffic. Tactics have been tried to get downtowns to emulate malls as much as possible, including even closing streets for pedestrians. The results proved a failure. Nationally, out of 125 pedestrian malls that were created from closed streets, only 43 remain today Schmidt, 2021) The lessons are that closed streets do not generate their own foot traffic, and emulating shopping malls does not replicate the same level of attraction from visitors.

Since then, innovations in the approach to downtown revitalization has seen many advances, including creating more human-scaled environments as opposed to those designed around the automobile. Additionally, there have been a myriad of economic development tools created that are intended to help redevelop real estate and market downtowns. These include Downtown Development Authorities (DDAs), Business Improvement Zones (BIZ), and Principal Shopping Districts (PSDs), which utilize creative funding mechanisms to attempt to prevent spiraling degradation of property values.

Access to Capital and Supply-Side Subsidies

There has been a revolving door of programs, organizations, and policies dedicated to strengthening private sector firms in Pontiac. Numerous initiatives have attempted to alter the structure of incentives to make the prospect of investing in Pontiac a rational economic decision. There have been repeated attempts to create special development districts such as DDAs, opportunity zones, and speculative developments to spark a virtuous cycle of economic growth. These are intended to adapt Pontiac to the demands of the global economy in a way that would create rational investment opportunities, from which the extraction of profit would be expected.

The conventional wisdom is that businesses in Pontiac are continually failing because they lack access to capital, training, competent marketing skills, and reliable customer service. This study aims to demonstrate that this is a misdiagnosis. Access to capital is not the sole factor that needs to be addressed, but it has been treated like the silver bullet in community after community by economic development professionals. Conversely, this paper attempts to bring light to the underlying problems commonly facing downtown districts in post-industrial cities like Pontiac, namely, the absence of effective demand due to a lack of disposable income.

There has been a persistent pattern of boom-and-bust revitalization in downtown Pontiac. In 2013, there were significant investments in the downtown to renovate a theater, a grocery store, and a concert hall. However, after a few years, the grocery store changed its operating model to focus more on catering due to lack of customers. It eventually closed. Similarly, a well-known barbecue restaurant in metro Detroit opened a third location in Pontiac, next to a theater. It similarly closed after a short duration (Selasky, 2017). No matter how many businesses open in downtown Pontiac, no matter how many programs help to capitalize them; each faces the same problem of supply exceeding the existing level of demand in the area. The results are the same- lots of businesses gain access to capital, yet few survive due to the lack of customers with sufficient buying power.

In cases like Pontiac, a downtown that strives to offer shopping, dining, and entertainment amenities will need a steady flow of income from some population of consumers in the market. If household income is below a threshold that can support the firms at a given price, theoretically the price will drop to a level that the customer base can afford. This level is also below the threshold required to keep a firm in business.

A major focus for downtown management organizations and their patron cities is to approach business retention and attraction with supply-side subsidies. It seems most programs are geared toward providing tax breaks, grants, special loan packages, labor and other types of financial assistance that ease access to capital to make businesses more viable in a struggling economic environment. Other programs are educational, which aim to sharpen the business acumen of entrepreneurs, often teaching them about social media strategies or how to effectively employ digital programs like Constant Contact.

What these approaches have in common is that they are focused on aiding businesses to become more attractive, organized, efficient, or sometimes just giving them an infusion of additional capital. These are supply-side approaches, and the unspoken axiom is that the landscape of the demand environment is constant across a featureless geographical plane. Affluent communities seeking to revitalize their antiquated and functionally obsolete downtown buildings find that these supply-side approaches appear to work, where individuals possess much more buying power. Trendy new restaurants or small retail shops open in oft-forgotten downtowns, which had sometimes been the victim of "route 66" syndrome or otherwise emaciated by the competition of an indoor mall by the expressway.

In downtowns with affluent residents nearby, new firms may expect to see the steady flow of residents come through their doors with fistfuls of cash seeking nuanced experiences that can be consumed onsite. Indeed, many downtown revitalization success stories are replete with examples of well-capitalized entrepreneurs who build a unique gilded-age-esque lore around their local downtown, string incandescent lights and attract nearby customers to shop and dine from the nearby subdivisions. In locations proximate to neighborhoods where people *do* have fistfuls of cash, this is often an easy reality to achieve. It has worked in many towns across the country, but only where disposable income exists and where it can be easily redirected. These successes have led to numerous examples of "silver bullet" approaches that extoll historic preservation, placemaking, urban design, and the revival of mixed-use, human-scaled architecture as the missing ingredients of ailing downtowns. Make no mistake, these elements have succeeded in revitalizing many downtown communities, but they are not the first cause. The first cause is the availability of disposable income.

This approach assumes that a functioning market self-organizes as soon as the entrepreneurs arrive, and that the only perceptible barrier is access to capital. Another assumption is that the market will default to a stable equilibrium after a disruption. It gives no consideration to the buying power of residential consumers. If there are no affluent neighbors, no ready population of college kids who are finally out on their own with a limited degree of economic autonomy, there will be no 'revitalization' of the forgotten historic downtown.

In places like Pontiac, where the poverty rate is 27.9%, there is insufficient disposable income that can be redirected to support new businesses downtown (United States Census Bureau, 2022). In less desirable cities, which cannot be made immediately appealing to the affluent with restored red brick and five-over-one housing, this approach to renewal and revitalization is likely to prove to be an asset bubble, with a ghost city of above-rate housing constructed for a customer base who may never materialize or serves instead to conceal or wash investor assets but not to meet any tangible public demand.

It is not the unavailability of capital that is the recurring challenge of downtowns struggling with high vacancy rates, rather it is the lack of buying power of residents due to conditions of poverty. DDAs, PSDs, BIZs, and opportunity zones are typically focused on the supply-side: providing access to capital and reducing barriers to business. What needs to be considered is the demand-side of the market and the creation of special districts that can alleviate conditions of poverty.

Opportunity Zones: Incentives for More Capital

In addition to the local revitalization organizations listed above, opportunity zones are a federal level classification that was established by the 2017 Tax Cuts and Jobs Act, which aims to incentivize patient capital investments in low-income communities (MSHDA, 2022). Opportunity zones focus on incentivizing capital investment through capital gains tax reductions. Throughout the state, several zones exist where taxpayers can invest in qualified opportunity funds to receive significant discounts on capital gains tax. This money is later invested in real estate projects that aim to "attract high net worth individuals or corporations as investors" (MSHDA, 2022). These funds can be used to invest in low-income housing projects, commercial developments, and other developments.

Since they were created at the federal level, they are all over the country. Although there have been a few successes promoted on Michigan's Opportunity Zone website, this development program lacks features that make it an incomplete means of revitalizing a community's downtown. First, it relies on voluntary contributions from investors who are seeking a discounted tax break as well as payoff in the end. There are very narrow windows of opportunity for investors to invest capital and realize a profit and capital gains tax reduction. Secondly, opportunity zones, although novel, are glorified gentrification mechanisms. The website is very direct about developments aiming to attract high net worth individual and corporations. As stated above, this paper champions engaging the existing residents and neighborhoods in economic development. Lastly, it should be noted that the aim of opportunity zones is to make more capital available for projects and businesses when what should be considered is the demand-side.

Downtowns as Public Spheres and the Privatization of Space

It can be argued that the entirety of a mixed-use, walkable downtown, containing a typical range of amenities from family-oriented walk-up ice cream shops, custom home furnishing dealers, and ironically named breweries, is itself behaving more and more like a private luxury good. The expansion of private dining establishments into public spaces creates conditions of excludability of what would otherwise be an accessible public good. Further, the addition of limited outdoor seating in these spaces not only makes this good rivalrous but is an overall privatization of public space. Luxury goods, sometimes referred to as ultra-superior goods, are unique in the respect that demand for the good disproportionally increases with increases in income. Alternatively stated, the correlation between income and demand for luxury goods increases at an increasing rate.

Compounding problems with accessibility to revitalized downtowns include factors such as the rising costs of goods, rising rents, the privatization of public space, and the rollback of public services. In essence, the typical destination downtown is behaving more and more like a privatized good in the spirit of neoliberalism. Public spaces have been increasingly co-opted by privatization. Since the pandemic, the popularization of outdoor dining has given significant legal accommodation for firms to encroach upon public space. Functionally, the outcome is that mixed-use, walkable downtowns are increasingly seen as playgrounds for the affluent.

Gentrification: Importing Consumers to the Destination Downtown

The dominant approach to downtown development aligns with what has been described as the neoliberal paradigm because it is predicated on supply side economics, prioritizing capital, and emphasizes privatization. Capital flows much more easily to downtowns in wealthy communities or communities that can attract higher income visitors and generate a higher return on investment. Where local customers are scarce, one solution is to import affluent consumers, either from afar or as new residents. The premise behind a 'destination downtown' is to attract affluent consumers from outside of the community. These are typically the only consumers who can afford the goods and services in a community's urban core. Importing affluent residents is pejoratively known as gentrification. These controversial approaches attract new residents who have the disposable income to support local businesses. They perpetuate the idea that downtowns are private luxury goods for the affluent. They also serve to agitate class divisions. Although they certainly address the shortfall of effective demand, they do so at the expense of local engagement, alienating community members, rather than addressing root causes. They move problems around, rather than solving them (Hackworth, 2007).

Reinforcing these approaches was the once-popular idea of Richard Florida's *creative* *class* as an engine of economic growth, which was seen to populate trendy restaurants and unique retail concepts that combined the buying power of young tech employees with a pioneering spirit to recolonize the long-neglected urban-scapes built in the heyday of American industrial prowess. This perspective has since fallen out of favor among many economic developers due to the severe cultural competency blind spots and naivety of its repercussions. The outcomes of this approach have reinforced socio-economic divisions, restricting access to urban public space, housing, and goods and services.

Many of the cities typifying the creative class theory of development, perhaps most infamously San Francisco, have become alarmingly divided between rich and poor (Hellerstein, 2020) and Florida himself seems to acknowledge the completely unsustainable and potentially explosive immiseration of workers spurred on, in part, by the neoliberal pattern of urban reinvestment and gentrification without proposing much in the way of tangible solutions in his own seminal work (Florida, 2012).

Additionally, it is clear from even a cursory reading of Florida that not every city will be able to compete for the fickle attention of what are essentially the college-educated or “some college” wing of the upper-middle class, which Florida’s creative class is essentially synonymous with. There can only be so many downtown theme parks consuming the resources of the same diminishing pool of recent college graduates with disposable income, unencumbered professionals, and startup executives with abstract or highly suspect business models.

Numerous factors have contributed to the erosion of spending power among individuals. Student debt is notably among the factors. It has sharply increased since the 1980s, (Hess, 2020) which, coupled with wage stagnation, (Shierholz & Mishel, 2013) has reduced the benefits of a college education for many graduates while simultaneously, many American cities have undergone extensive gentrification. The result has, ironically, been a downtown landscape that in many respects replicates the banality and homogeneity of the suburbs that it seeks to supplant, with innumerable post-industrial cities adopting millennial decor and architecture all in the hopes of becoming a miraculous hit to what is actually a declining class who are, generally speaking, financially incapable of replacing the “yuppies” (classically shorthand for “young urban professional”) of the 1980s as a consumer base.

Typically, downtown management organizations deal with the oversupply/demand-shortage crises in a narrow set of ways. The first option is to import customers from a greater distance- the so-called ‘destination downtown’ approach. This is done by artificially expanding the boundaries of the trade area to include populations outside of the city that have a larger amount of individual disposable income. This can be done through marketing, events, and other high-profile approaches that elevate the visibility of the downtown in the region to potentially more customers. In this mode of consumption, the downtown is a regional destination for shopping, dining, and entertainment amenities. This can succeed if the attractive gravity of the firm(s) is powerful enough to draw customers from a greater distance. Theaters, concert venues, and seasonal attractions, like large, haunted houses in Pontiac’s case, often benefit form marketing themselves as regional tourist destinations and entertainment districts, but it does not work so well to sustain coffee shops, diners, or breweries, on a daily basis generally. This is likely why the existing concert halls, theaters, and the haunted house have narrowly endured while almost every other business downtown has closed doors after years, sometimes only after months of struggling. The problem with this is that downtown becomes an entertainment district for people outside of the city. It does not foster any engagement of the local community, which perpetuates a culture of exclusivity, separation, and the perspective of downtown as a private luxury good. It is alienating for existing residents.

Cultivating Local Demand for Downtown

An alternative to gentrification is to enhance the quality of life of existing residents, therefore enhancing their buying power. This may be more complicated and require more time to cultivate, but it directly addresses the issues that lead to cycles of disinvestment. There are instances in which residents have been empowered to shop locally when given the means. For instance, during the pandemic, many downtowns experimented with electronic gift card programs to effectively manage a buy-local campaign. An example is the City of Royal Oak, Michigan, which distributed nearly $500,000 in the form of electronic gift cards that could only be spent in its urban core/downtown. A similar approach could be implemented as a marketing/buy local campaign that serves to create economic relationships between residents in adjacent neighborhoods and the businesses in the downtown area, but on a much broader scale, utilizing large pools of funding to help to stabilize the market. Participating businesses do not necessarily have to be brick and mortar stores. The program could include temporary pop-up shops and even a farmers market. The program could be used to steer spending in a particular direction in the downtown, even encouraging the patronage of resident owned co-ops to equitably build wealth in the community. Every one of these venues could be equipped to accept electronic gift cards as a method of payment.

The Limits of Existing Programs

Existing economic development programs are limited in the sense that they are restricted to using revenues extracted from local sources, where resources are already scarce. Further, the economic development tools with which they are equipped are aimed at the supply-side areas of the economy. These include Downtown Development Authorities, Business Improvement

Zones, and Principal Shopping Districts.

DDAs, with their use of tax increment financing, takes tax revenues from within the geographical district they are intended to serve and invest in catalytic economic development projects and programs (Michigan Legislature, 2017) They may offer tax breaks or reimbursements to new developments by starving other local governments of tax revenue. The problem with this approach is that in ALICE communities, DDAs run the risk of redirecting tax revenues from an already shallow pool of resources. Therefore, scarce revenues that would otherwise go to fund other essential services, like public safety or education, are repurposed in the hopes of scraping together enough capital to incentivize a would-be developer to invest in the community. This typically comes at the expense of services deemed essential to equip community members to escape conditions of poverty.

Other downtown management organizations like Principal Shopping Districts, Business Development Zones, or Business Improvement Districts, are funded through special assessments to commercial property owners, which behaves like an additional local tax (Michigan Legislature, 1961). These assessment bills are usually passed onto the commercial tenant, increasing rent costs for struggling business operators, who already contend with additional challenges of low consumer demand translating into low sales.

Revenue Sharing: Outside Resources to Fight Downward Spirals

Neoliberalism advocates communities pulling themselves up by their bootstraps. This cannot not work in communities that are trapped in cycles of disinvestment. The same year that Public Act 4 empowered emergency financial managers to reorganize Pontiac’s government through layoffs, and outsourcing, and selling off public property to private owners, the Snyder Administration also cut state revenue sharing by 33%. The state reduced revenue sharing to meet its own budget needs at the time (Minghine, 2014). This severely reduced the amount of revenue that cities like Pontiac were receiving from Lansing. “Recent House Fiscal Agency testimony estimates that statutory revenue sharing is only about one-third of what is specified in law” (Michigan Municipal League, 2019).

The downward spiral of declining revenues does not foster conditions of a self-correcting market. In these cases, the process amplifies deviations, not stabilizes them. It becomes a victim of circular causation. As the cycle continues over a series of iterations, the local economy does not tend toward an equilibrium. Conditions will become more and more extreme as the cycle progresses. The local economy is constrained by these conditions and is path dependent. Without external intervention, the cycle will continue. Consequently, the problem cannot be solved from within. An external force needs to intervene to counteract the cycle.

An ideal intervening mechanism should be homeostatic like a thermostat; activating when conditions worsen; switching off when the system has reached a desired state. The feedback process helps to shape a steady state even during times of disturbance.

Presently, Michigan has the Fiscally Distressed Cities, Villages, and Townships Grant, funded with revenue sharing dollars, which awards up to two million dollars for specific projects intended to reverse deteriorating economic conditions (Michigan Department of Treasury, 2022). This program is managed by the Division of Grants and Revenue Sharing for the purpose of intervening in situations where a downward local economic cycle exists. The existence of this program demonstrates that it is not without precedent to seek the use of state revenue sharing funds to intervene in communities where economic deterioration threatens stability.

Community Revitalization Districts

Given the barriers and downward spirals associated with cities in economic distress, a new development tool is needed. This new tool should operate differently from what already exists in terms of receiving funding from outside of the community, instead of from within. It must also target different areas of need than merely granting tax breaks or capital grants, which haven't proven to be sufficient to alter the course of many communities. A hypothetical Community Revitalization District (CRD) could be developed to utilize additional state revenue sharing to invest in programs, services, and projects aimed at intervening in the vicious cycle of disinvestment and establishing virtuous cycles of economic growth. If provided a share of increased statutory state revenue sharing funds, qualified services of the Community Revitalization District could include a comprehensive range of activities that could act in concert to reverse economic deterioration and alleviate the effects of poverty in ALICE communities. At a minimum, the Community Revitalization District should act to stabilize neighborhoods and the residential population, provide services that lower barriers to the workforce, support placemaking, building rehabilitation, blight reduction and infill development, pedestrian connectivity, marketing the community and communicating positive messages, and equitable economic opportunities.

In theory, stable neighborhoods surrounding the downtown, once in place, would improve economic conditions in the central business district. For instance, a Community Revitalization District could be established in an economically struggling city to include its downtown core (central business district), the residential areas in the downtown, as well as the neighborhoods immediately surrounding it. Once established, the zone could choose to initiate a housing development and improvement program, funded with state revenue sharing dollars that it receives as an annual block grant, which could assist with needed home improvements and repairs.

A Community Revitalization District could fund and manage blight reduction activities, incentivize infill housing developments to increase population density and income diversity, and assist in the creation of low income/affordable housing programs.

The zone could further be empowered to help transition renters to home ownership, thereby building wealth among the existing populations in the community and empower residents with buying power to commercially engage with the amenities in the downtown. Ideally, the services would be geared to improve conditions in and around the city's core while keeping the existing population intact.

The zone could provide wrap-around services that relieve pressures on the local workforce, such as workforce development/job training in emerging productive sectors, affordable childcare programs, and enhanced transit programs. This would stabilize the workforce and assist with job creation and retention.

The zone could also be permitted to use its funding for placemaking projects to enhance accessibility and quality of public spaces, reversing the trend of privatizing public spaces in the cores of local downtowns. In Pontiac's case, funds could be immediately used for improving public spaces in the downtown as well as developing pedestrian infrastructure to increase walkability. This would include improving access to the downtown from the adjacent neighborhoods across the Woodward Loop which has served as a barrier for decades. The result would be a downtown that existed in symbiosis with its neighborhoods. Downtown Pontiac's sparsely trafficked streets would see a revival in human activity traversing from its adjacent residential areas and newly built mix of housing stock downtown.

The zone could be empowered to conduct marketing services for the district, like any other currently existing downtown authority. It could even pursue activities to encourage local shopping among residents and visitors. In the examples cited above, e-gift card programs (such as in the case of downtowns such as Royal Oak and Birmingham) could be aimed at underserved populations rather than being seen as merely a 'discount program.' This could help boost local buying power at nearby businesses, thereby supporting entrepreneurial activity from within.

Like other economic development tools, this zone could be layered with other programs such as a DDA or a Principal Shopping district, which do provide *supply-side* incentives. However, the Community Revitalization District could be a potentially powerful tool in the economic developer's arsenal, capable of addressing complex problems with which local governments have struggled for years.

Funding, Qualifications, Structure, and Representation

The Community Revitalization District could be one of potentially many tools that help communities escape cycles of disinvestment and economic deterioration. CRDs could focus on programs that stabilize neighborhoods and improve the economic conditions of people already living in an area, reducing the likelihood of gentrification, and avoiding displacement.

By providing funding from outside sources rather than from within the district, the zone is liberated from the cycle of disinvestment. Resource scarce downtowns often cannot afford the burden of a special assessment. Public services that are already strained do not have to endure further hardship from diverted tax revenue, such as in the case of DDAs. Outside funding in the form of state revenue sharing could be disbursed to the CRD in the form of an annual block grant, which could then fund a combination of the services and programs described, managed by a local board.

Revenue sharing awards could be based on the extent to which a community deviates from the local median home ownership, unemployment rate, and/or income statistics.

To qualify for a Community Revitalization District, a downtown and its surrounding neighborhoods would have to demonstrate economic distress. The Michigan State Housing and Development Authority defines Eligible Distressed areas for many of their programs, and identifies them as cities, villages, or townships that meet all the following criteria:

1. The municipality shows a negative population change from 1970 to the date of the most recent federal decennial census.
2. The municipality shows an overall increase in the state equalized value of real and personal property of less than the statewide average increase since 1972.
3. The municipality has a poverty rate, as defined by the most recent decennial census, greater than the statewide average.
4. The municipality has had an unemployment rate higher than the statewide average unemployment rate for three of the preceding five years.[1] (Michigan State Housing and Development Authority, 2021)

Like a DDA's TIF plan, a CRD could operate based on a locally developed strategy and goals for a predetermined period. At the time of the expiration of the CRD, the local governing body would have the ability to renew the district if the area still qualified.

Certainly, values such as equity, representation, and accessibility should be incorporated into the structural design of the Community Revitalization District. Operating like an authority, it would be governed by interested community stakeholders. Ideally, the district's activities

[1] ELIGIBLE DISTRESSED AREAS. June 14, 2021. Michigan State Housing and Development Authority.

would serve to enhance the existing population in the community. Therefore, current residents would comprise 51% or more of the governing body of the Community Revitalization District. Like PSDs, and DDAs, board members would be appointed by the municipality's chief executive and confirmed by the municipality's governing body. Other board members could include interested business or property owners, leaders of community and civic organizations and community development nonprofits.

Like all public entities, the CRD would be governed by normal protocols of government, such as the Open Meetings Act, locally approved bylaws, municipal purchasing policies, and other applicable laws.

The details of a CRD's governance and regulations are an area where more academic scholarship and public policy advocacy can help define. Next steps could include engaging community and economic development professionals and professional organizations for candid feedback about the proposed usefulness of CRDs, including areas of further development and research.

Further, engaging elected officials in the legislature to introduce the concept and potentially attempt a pilot program in a locality would be beneficial to assess the practical applications of CRDs.

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