

Promoting Redevelopment: Recommendations for State Policies

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Abstract

This document identifies strategies for redeveloping communities in Michigan. It specifies how the state can provide the tools and environment to promote redevelopment.

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Executive Summary

The state plays a pivotal role in aiding efforts to revitalize previously developed communities. Local governments have learned to use fewer resources more efficiently as federal funding levels decline and funding requirements become more strict. However, as funding for programs become smaller and less flexible, gaps develop in even the best redevelopment strategies. The state must make a commitment to fill these gaps and provide additional resources for local governments to address their locally identified needs.

The strategy identified in this report is centered on these three components or “systems”:

- Incentive system: Monetary and non-monetary resources available to a local government for financing the redevelopment and/or maintenance of a previously developed area.
- Institutional system: Regulations and guidelines from which a local government works to promote the redevelopment and/or maintenance of a previously developed area.
- Human-resource development system: Policies and programs that promote relationships among service providers, residents and/or local governments within a previously developed area.

State policy to revitalize communities should include incentives for investment, institutional cohesiveness and human-resource development. This report makes recommendations about how — by addressing these three systems — the state can provide the tools and environment needed to spur redevelopment.

In recent decades, the vast majority of household and job growth occurred at the fringe of urbanized areas and in rural communities. While real growth in the region mostly went to these outlying areas, many previously developed communities lost people, jobs, capital and investment. SEMCOG anticipates that the region will continue to grow in future decades. From 1995 to 2025, predictions indicate a 15 percent population increase, a need for 360,000 new and replacement housing units and for 310,000 new jobs (*The Past and Future Growth of Southeast Michigan: Population, Households, Jobs and Land Use, 1965 to 2025*, SEMCOG, October 1998). The majority of this growth will most likely continue to occur at the fringe and in rural areas. It is crucial that previously developed communities, which did not capture the growth of past decades, capture some of the region's future growth. Incentives must be provided and the institutional system adjusted to entice private investment and people back to previously developed communities. The playing field must be leveled so that these communities can offer opportunities for redevelopment that are as economically viable as a new greenfield development.

This report makes specific recommendations on the following issues:

- Establishing a coordinated set of statewide goals and programs to guide land use,

- growth and infrastructure-spending decisions.
- Identifying and mitigating regulatory/fiscal subsidization of expansion and disincentives to redevelopment.
- Providing additional financial incentives to strengthen brownfield redevelopment.
- Increasing development of affordable housing and improving quality of the housing stock.
- Promoting building reuse and rehabilitation.
- Enhancing the ability of community-based organizations to assist local governments in redevelopment.
- Improving the mobility of workers to and from places of employment.
- Strengthening established downtowns and neighborhood commercial and service centers.
- Promoting collaborative arrangements among local governments and other redevelopment stakeholders.

Successful redevelopment requires an educated workforce possessing the skills necessary for today's technology-based jobs. However, in these communities many personal and organizational impediments prevent many residents from acquiring needed skills and participating in the workforce, resulting in a continued drain on the economic vitality and performance of a community. Businesses depend on schools to prepare students to enter the workforce. Education must be approached as a continuous, life-long endeavor — preparing a workforce for a changing economy. To accomplish this, specific recommendations are made on the following issues:

- Ensuring adequate financing of public education.
- Promoting collaboration among school districts.
- Promoting early childhood readiness, ensuring all children enter school ready to learn.
- Supporting school improvements.
- Promoting collaboration between school districts and social/health-service agencies.
- Promoting life-long learning.

SEMCOG hopes that the information in this report will guide a statewide policy to provide local governments with the tools and the environment to revitalize communities.

Preface

This paper reflects the expertise of members of SEMCOG's Urban Policy Task Force (a task force of CEDAC, the Community and Economic Development Advisory Council). Many of the findings in this document draw from and reflect changes in SEMCOG's 1994 report, *Revitalizing Urban Communities: An Action Strategy*. Since the 1994 report was published, revitalizing previously developed areas has been recognized as a key strategy for addressing environmental, economic and quality of life concerns in Michigan. Legislation, along with new policies and programs, have changed the environment for redevelopment activities. This changed environment, motivated the review and revision of the issues outlined in the 1994 report.

SEMCOG's Urban Policy Task Force reviewed and commented on *Revitalizing Urban Communities: An Action Strategy*, identifying issues and recommendations which have developed since 1994. Subsequently, the Task Force suggested revisions to existing recommendations. Additional discussions assisted in identifying new issues which were incorporated into the revised report.

The purpose of this paper is to stimulate further statewide discussion among parties interested in a redevelopment strategy for Michigan.

Introduction

In recent years, state programs have started focusing on locally identified needs. Although these programs are becoming more flexible in assisting communities in redevelopment, they still have a long way to go. The state plays a pivotal role in determining the success or failure of redevelopment efforts through a commitment to filling the gaps left by the federal government and by providing additional resources. This enables local communities to customize efforts based on locally identified needs.

SEMCOG has identified three components or “systems” of an efficient, effective and comprehensive state redevelopment strategy. Local communities can only promote effective redevelopment if they have both the right tools and the right environment. The three systems are identified below.

- Incentive system: Monetary and non-monetary resources available to a local government for financing the redevelopment and/or maintenance of a previously developed area.
- Institutional system: Regulations and guidelines from which a local government works to promote the redevelopment and/or maintenance of a previously developed area.
- Human-resource development system: Policies and programs that promote relationships among service providers, residents and/or local governments within a previously developed area.

These systems provide a framework for policy makers at the state level to analyze and develop strategies for redevelopment in these previously developed areas. Any policy focusing on revitalization efforts will potentially affect any, if not all, of these systems.

The detailed program and policy recommendations of SEMCOG’s Urban Policy Task Force follow. State strategies and programs should assist communities in addressing these recommendations.

Incentive and Institutional Systems

In recent decades, the vast majority of household and job growth occurred in the outlying areas of the region. At the same time, many previously developed communities lost people, jobs, capital and investment. In some previously developed communities, buildings have become blighted and abandoned and in many industrial areas, buildings are left not only abandoned, but contaminated. In addition, the older infrastructure in these communities is often inflexible for current needs and expensive to upgrade and maintain.

SEMCOG predicts that most future growth will likely continue to occur at the fringe and in rural areas of the region. It is crucial that previously developed communities, which did not capture the growth of past decades, capture some of the region's future growth. The state must aggressively provide incentives and change the institutional system to promote investment in these communities. These communities must entice private investment and people to return by offering opportunities for redevelopment that are competitive with new greenfield development.

This report recommends that the state should:

- Link land use, growth management and infrastructure planning more closely. Legislation is needed to enhance the legal authority of local governments to make land use decisions and to manage growth.
- Consider impacts on urban areas for all new legislation, regulations, grants, loans and technical assistance. It is also essential to use the most accurate measure of eligibility for legislation which targets distressed communities.
- Enhance its status as a national model for brownfield redevelopment by providing new incentives and streamlining the current process, further making brownfields an option for private investment.
- Provide additional resources and incentives to expand the supply of affordable housing and assure its residents of the quality of these homes. Improved coordination between local communities and state-funded housing developers is needed.
- Provide additional financial incentives for reusing and rehabilitating buildings. Legislation should support aggressively pursuing blighted buildings for rehabilitation and provide flexibility in state construction codes for more economical rehabilitation and more reuse options for historic buildings.

- Promote local government's role in building the capacity of emerging groups and complementing the efforts of established groups, thus providing a conducive environment for redevelopment efforts.
- Take steps to remove transportation barriers between those who need jobs and those who need workers. Incentives for alternate means of transportation and increased funding for public transit is needed.
- Provide for the promotion, tools and financing to preserve and enhance the economic vitality of established downtowns and neighborhood commercial and service centers.
- Promote collaboration among communities and other redevelopment stakeholders.

Establish a Coordinated Set of Statewide Goals and Programs to Guide Land Use, Growth and Infrastructure-Spending Decisions

The state should link land use, growth management and infrastructure planning more closely. Legislation is needed to enhance the legal authority of local governments to make land use decisions and to manage growth.

State funding and support should maintain existing infrastructure before building new infrastructure by promoting a policy of infill development and redevelopment. For areas experiencing new development, the state should act to preserve farmland, open space and sensitive environmental or natural resource lands. Additionally, the state should work with local governments to review and strengthen the role of development agreements.

Local governments need enabling legislation to levy development-impact fees. These fees enable communities to account effectively for the cost of expanding services to new developments by providing an important funding source for the public facilities and services needed for new development. Additionally, such an initiative would also free up more funds for maintaining existing infrastructure.

Local governments also need legislation enabling them to link approval of new development to the expanded need for public facilities and services. Increases in the tax base resulting from new development rarely cover the costs of the additional demand for infrastructure and services. Concurrency ensures that new development does not outrun the capacity of services and facilities. Concurrency ties approval of a new development with the ability of the local government to serve the increased needs resulting from that development. The development is not built unless the developer provides for the necessary increase in infrastructure capacity or until the local government is able and willing to do so.

The legislature should enact into law the use of "official maps." Official maps require all

municipalities to map out the location of existing and future public facilities. These maps are legally binding and need to be amended periodically. Official maps would help state and local governments spend public dollars for capital improvements more wisely and to guide growth effectively.

The state should increase the funding of its Purchase of Development Rights (PDR) Program (PA 233 of 1996). The program, which allows the state to purchase development rights on farmlands to preserve it for agricultural use, receives many more applications than can be purchased with existing funds. Incentives should also be provided and a funding mechanism established for local PDR programs. For local PDR programs, greater eligibility of properties should be allowed and the purchase of development rights expanded beyond farmlands to include open space and sensitive environmental or natural- resource lands. In addition, local governments should be encouraged to identify properties which must be preserved.

Local governments also need legal authority to use “transfer of development rights” (TDR). A TDR allows a property owner to transfer development rights to another parcel while retaining ownership. TDRs can be used to preserve farmland, historic structures and sensitive environmental or natural-resource lands, while encouraging higher density development where services are in place. The state should establish statewide uniform standards and procedures for transfers, and legislation should allow for cross-jurisdictional transfers.

Identify and Mitigate Regulatory/Fiscal Subsidization of Expansion and Disincentives to Redevelopment

The state should consider impacts on urban areas for all new legislation, regulations, grants, loans and technical assistance. It is also essential to use the most accurate measure of eligibility for legislation which targets distressed communities.

The legislature should mandate urban impact statements for all new state legislative and regulatory proposals. State departments should be required to consider the impact of grants, loans or technical assistance on promoting redevelopment and enhancing existing public facilities and infrastructure. State departments should encourage cooperation and coordination among local, regional and state jurisdictions. All state projects and local grants funded through state or federal funds should be compatible with local comprehensive plans and zoning ordinances where these projects will be located.

Because the list of distressed communities defined as “eligible distressed areas” under the State Housing Development Authority Act of 1966 (PA 346, Section 11) is used as a qualifier for many programs targeted to distressed urban communities, the state should ensure that it is accurate. The criteria for inclusion should be reviewed and flexibility added to allow for a portion or portions of a community to be eligible. A process should be established for continuously evaluating the criteria and updating the list, including input from local

governments. The state should use this list of “eligible distressed areas” for targeting all economic, community and infrastructure finance programs.

Provide Additional Financial Incentives to Strengthen Brownfield Redevelopment

The state should enhance its status as a national model for brownfield redevelopment by providing new incentives and streamlining the current process, further making brownfields an option for private investment.

Redevelopment of brownfield sites can be key to the economic development of previously developed areas. Brownfields are described as abandoned, idle or underutilized industrial or commercial urban properties where redevelopment is complicated by real or perceived environmental contamination.

The 1995 Part 201 amendments to the Natural Resources and Environmental Protection Act (NREPA) and the 1996 Brownfield Redevelopment Initiative package encourage and finance the cleanup and reuse of contaminated property. However, the state can further assist in leveling the playing field between brownfields and greenfields.

The state should approve the Brownfield Redevelopment Initiative package to:

- raise the cap on the Single Business Tax (SBT) credit with no limitations on the number of eligible properties for each taxpayer,
- extend the sunset on SBT credits and tax capture,
- eliminate penalties for resale of residential real property,
- allow landlords to pass the available SBT credit onto tenants,
- streamline the administrative requirements for forming a Brownfield Redevelopment Authority (BRA) and approving or modifying a BRA Plan and
- permit local governments to recover certain BRAs administrative and operating costs from capture of local taxes.

In 1999, the Michigan State Legislature passed a bill that would eliminate the SBT over 23 years. In light of the gradual elimination of the SBT, the legislature should identify other financial incentives for brownfield redevelopment. Financial incentives are crucial to attracting investment. Financial incentives used by other states include tax bonus refunds per job created or job-creation tax credits, state income tax credits and exemption from state-hazardous waste generator fees.

In addition to the resources offered through this program, the state should promote the involvement of private and public utilities. This could be accomplished by encouraging utility companies to provide incentives for firms investing in brownfield sites. (i.e. offering electrical

service at a reduced cost.)

The state should encourage county or regional agencies to establish a Geographic Information System (GIS) to maintain an inventory of specific information on brownfield sites. An accurate and detailed inventory would add to the redevelopment potential of brownfields.

Another way in which the state should aid in brownfi
for such agencies as approved USEPA brownfield pilot programs and organizations like the Consumers Renaissance Development Corporation (CRDC). The CRDC is a private non-profit corporation formed in 1996 to promote and provide assistance for brownfield redevelopment in Michigan. Funding has been provided, in part, from a state grant awarded by the Michigan Economic Development Corporation (MEDC) and is used to fund education and training for local governments. However, these funds only allow CRDC to work in non-entitlement Community Development Block Grant (CDBG) communities. Other funds must be utilized when services are offered to the larger “entitlement” CDBG areas. Funding, and therefore services in these areas is limited. More grant funding is needed to enable CRDC to expand services to “entitlement” communities.

Increase the Development of Affordable Housing and Improve the Quality of the Housing Stock

The state should provide additional resources and incentives to expand the supply of affordable housing and assure its residents of the quality of these homes. Improved coordination between local communities and state-funded housing developers is needed.

Michigan lacks an adequate supply of safe, sanitary and affordable housing. To provide a flexible source of affordable housing capital, the state should enact into law a community-based affordable-housing fund for local governments and locally based non-profits. The capital from this fund would be used to create affordable rental and owner-occupied housing. Increasing homeownership should be one of the goals of this fund.

In recent years, assistance available for producing affordable housing units has come from many different sources. The increased use of multiple funding sources is due to both a decreased funding level to these programs and increased restrictions which are invoked by state and federal agencies for further “stretching” the limited resources. Both the limit in funding and the increased restrictions have made it harder for local governments and developers to coordinate these funds into a complete financial package for producing affordable housing. A dedicated state source of flexible gap financing for affordable housing would provide the necessary resources to alleviate the strain felt by local governments and housing developers.

The state should continue to create special “zones” that target funds in distressed areas to

promote the development and improvement of affordable housing. Michigan's Neighborhood Enterprise Zone Act (PA 360 of 1992) allows homeowners within a designated area to receive tax relief on new owner-occupied or rehabilitated homes. The intent of Neighborhood Enterprise Zones is to improve the housing stock within the identified area. The legislature should amend the Act to extend the sunset of 2002 and revise the eligibility criteria for determining zones. Local governments should be consulted regarding additional incentives and revisions to the Act which complement and reinforce local efforts.

The state should develop a system to notify local governments when affordable housing funding is being sought from the state. Often local officials find out about housing projects too late to provide assistance, resolve potential conflicts or even provide additional resources to planned housing developments. By requiring all developers requesting state housing funds to communicate information about the application for these funds locally, the state could help development through:

- an increased potential of coordination with other interested groups who may not be aware of the development efforts,
- an increased potential knowledge of additional resources that may be available but not widely known throughout the community and
- a decrease in the potential of local conflicts that may arise out of uncoordinated development efforts.

Promote Building Reuse and Rehabilitation

The state should provide additional financial incentives for reusing and rehabilitating buildings. Legislation should support aggressively pursuing blighted buildings for rehabilitation and provide flexibility in state construction codes for more economical rehabilitation and more reuse options for historic buildings.

Older communities are often the site of facilities that are no longer adequate for their originally intended use. These buildings are often abandoned, obsolete and blighted. Despite issues of contamination and the cost of repairing and updating these buildings, the value in the existing land, structure and infrastructure are significant factors to consider when duplicating these facilities elsewhere.

The state should provide a tax incentive that encourages property owners to rehabilitate obsolete commercial, industrial and residential buildings. The passage of time and changes in technology may make even a well maintained building obsolete and uncompetitive. For property owners who cannot afford to rehabilitate and convert an obsolete facility, the state should allow local governments to provide a tax abatement on the value of renovations to make the facility economically viable.

To prevent the spread of blight and increase the rehabilitation of blighted buildings, the state should adopt "spot blight" legislation. Legislation should allow local governments to identify

buildings contributing to the blight of surrounding properties and offer incentives for the donation of those buildings. This donation (with incentives) would enable the transfer of property without the time and cost of the condemnation process. The state should consider a modified condemnation process, giving a local government the right to condemn a property based on it fostering blight in an area.

Facilitating the preservation of historic buildings is also an effective way to reuse and rehabilitate existing buildings. Michigan Public Act 534 of 1998 provides a single business tax credit and Michigan Public Act 535 of 1998 provides a personal income tax credit for the rehabilitation of historic buildings. The state should do more to promote these types of incentives. Another way that the state can enable reuse of historic buildings is to provide specific building codes for historical buildings. When the statewide uniform construction code is put in place, some flexibility must be allowed for historic buildings. This flexibility would allow for the preservation of the historical character of the building and a more economical rehabilitation with more reuse options.

Enhance the Ability of Community-Based Organizations to Assist Local Governments in Redevelopment

The state should promote local government's role in building the capacity of emerging groups and complementing the efforts of established groups, thus providing a conducive environment for redevelopment efforts.

Both state and federal agencies have increased funding to and focused on community-based organizations in programs fostering redevelopment. Non-profit community-based organizations can play an important role in revitalizing and maintaining neighborhoods. By providing services and resources that are often overlooked by private industry and cannot be afforded by local governments, these groups can effectively close gaps in the redevelopment process. Because these groups often operate within limited areas of any one local community, they provide an effective means for both determining and addressing neighborhood needs. However, the operating capacity and success of these groups is widely varied and many groups can not incorporate the full community's interests. The state should assist local government in building the capacity of emerging groups and complementing the efforts of established groups thus providing a conducive environment for redevelopment efforts.

Many community-based organizations form from an expressed need identified by the residents of that community. Unfortunately, the professional expertise within some of these organizations is either not available or cannot be financed. Local communities, finding themselves with the same financial constraints, are limited in their ability to assist these

groups. The state should remedy these concerns by providing resources through the local government, for these emerging groups so that capacity can be developed and maintained at the local level, and by providing assurances that efforts will positively contribute to the overall community needs. The state can accomplish this by initiating collaborative partnerships among these community-based organizations through enabling local government to increase a coordinative role in the process. By enabling partnership coordination through funds to the local community, community officials can afford assistance to these groups and assure that localized efforts are not only consistent with identified needs but also coordinated community wide.

At the same time, areas with established groups, who may not need technical support, have a need for flexibility with state regulations. State restrictions on resources have both limited the effectiveness of these groups' efforts and concentrated the benefits of these efforts on localized areas (i.e. a specific neighborhood). The state should provide greater flexibility for these groups by establishing a system which relies on locally determined, community wide needs.

Increasing the coordinative role of local governments in redevelopment efforts initiated by community-based organizations, will expand local government's ability to initiate redevelopment effectively. Local government coordination will also minimize duplicated efforts and the adverse effects that often occur when groups work independently.

Improve the Mobility of Workers To and From Places of Employment

The state should take steps to remove transportation barriers between those who need jobs and those who need workers. Incentives for alternate means of transportation and increased funding for public transit is needed.

Connecting workers to businesses is critical to the economic success of any community. Lack of adequate transportation is one of the principal barriers preventing people from becoming gainfully employed. With state financial incentives and support, transportation alternatives can help to eliminate this barrier.

The state should increase incentives for businesses to provide commuter benefits and services. There should be incentives for businesses that locate in previously developed areas and provide transportation alternatives like van shuttles for their employees. Employer-based alternative transportation programs serve to connect people to employment and transport workers during odd hours such as night shifts.

Increased car ownership improves the linkage of people to jobs. Car ownership enables low-income workers to seek employment in larger areas, at non-peak hours when transit might be limited and expands flexibility for child-care arrangements. In addition to purchase assistance,

education on insurance, maintenance and protection of a vehicle must be provided.

In order to provide improved service within developed areas, state funds should be directed to public transit systems. It is essential to increase the number of bus routes where people actually need to go. Routes must be direct and buses must run often enough so people can reach their destinations in a reasonable period of time. Connecting employment centers with residential areas should be a priority. The number of express buses should be increased. It is essential to coordinate local bus routes within the employment centers and residential areas with express buses.

Strengthen Established Downtowns and Neighborhood Commercial and Service Centers

The state should provide for the promotion, tools and financing to preserve and enhance the economic vitality of established downtowns and neighborhood commercial and service centers.

A comprehensive state program should be established to support redevelopment and help maintain the economic strength of established downtowns and neighborhood commercial and service centers. Downtowns provide a focal point of a community — a vital center — a sense of place. Many downtowns have unique architecture and historic value.

Competition from other commercial developments — stripmalls and regional shopping centers — has caused many established downtowns and neighborhood centers to lose economic vitality. Downtowns have competitive obstacles, such as providing parking and the inability of downtown buildings to house some large-scale stores. Therefore, the state should provide local governments with tools and financing for revitalizing and preserving downtowns of all sizes. Comprehensive downtown programs in other states should be explored as models.

The state should provide local governments with funds to obtain public space, eliminate blight, replace deteriorated infrastructure and, most importantly, acquire and restructure commercial buildings to suit the needs of private industry. This enables communities to initiate redevelopment efforts in established downtowns and leverage the interest and resources necessary for success.

After an initiative has started, the private sector can provide additional resources that complement redevelopment efforts. It is difficult for small businesses, often located in downtowns and neighborhood commercial service centers, to compete with large warehouse superstores and regional shopping centers that have the ability to offer more variety at lower prices. These small businesses need to set themselves apart, with such things as better service and unique hard-to-find items. The state should create a small-business development

program that provides incentives for business owners who cannot compete with such large scale developments.

By providing these resources, the state enables local governments to promote and support continual development and redevelopment of these established downtowns and neighborhood centers. Local community groups should have a central neighborhood-based location where services can be sought and provided — a true community center.

In cooperation with local governments, the state should begin developing solutions to problems rather than repairing their adverse effects. Although the ability for communities to develop downtowns is not an all-encompassing solution, it is most definitely part of the solution.

Promote Collaborative Arrangements Among Local Governments and Other Redevelopment Stakeholders

The state should promote collaboration among communities and other redevelopment stakeholders.

Cooperative arrangements can help communities maximize the benefits of service delivery, effectively improve infrastructure, and provide for better land-use and land development planning decisions. These arrangements result in cost savings, efficient use of resources and policy coordination. Previously developed communities, in particular, should be encouraged by the state to pursue opportunities for cooperative arrangements to enhance their public services and infrastructure.

The state should provide incentives for collaborative delivery of services at the state and local level. Funding is needed to expand state-level waivers, discretionary funds, capital investment, employee training, office improvements, technology updates and other identified benefits.

Incentives should also be provided for multi-jurisdictional collaboration in infrastructure planning. Deteriorated infrastructure works to dissuade investment, not only within a community but also in surrounding communities. Multi-jurisdictional collaborations for infrastructure financing can cut costs and provide additional funds. As an incentive for such activity, the state should give priority among those seeking public infrastructure funding to cooperative projects for existing infrastructure.

The state should encourage collaboration of local governments for land-use and development planning. Collaboration can have mutual benefits for all involved by effectively planning for activities that cross boundaries. Examples of such activities include corridor development, watershed protection, brownfield redevelopment and creation of recreational greenways. Cooperation between jurisdictions is necessary for the planning of large developments. Large developments have area-wide impacts affecting the roads, sewers, and police and fire

services of not only the community within which the development is located, but in neighboring communities and beyond. The state should legislate multi-jurisdictional reviews of major developments. Priority funding should be considered where collaborative planning exists.

Human Resource Development System

Successful economic development requires an educated workforce with the skills necessary for today's technology-based jobs. However, in previously developed communities experiencing disinvestment, such skills and resulting economic success are rare. A number of impediments — in both personal and organizational areas — prevent many residents from acquiring the skills needed for personal and economic success.

Their resulting inability to participate in the labor force significantly drains the economic viability and performance of these communities.

Parents, grandparents and other caregivers rank education critical to the “quality of life” of their children and themselves. The availability of a quality education is often key to a family's choice of where to live. If previously developed communities are to supply an educated workforce, every effort should be made to support educational programs suitable for these households.

It should come as no surprise that education also ranks high as a critical “quality of life” selection criterion for locating business activities. Two important factors contribute to this high ranking. First, businesses recognize employees' strong concerns about their children's education. Second, business success is also based on the increasing technical sophistication of both service and manufacturing industries and the need for better educated and multi-skilled employees.

In order to compete in a rapidly changing and uncertain work marketplace, businesses depend on schools to prepare students with the necessary skills, work attitudes and critical thinking abilities necessary to handle increasingly technical jobs. While demands for higher-skilled workers are increasing, opportunities for unskilled and semi-skilled workers are fewer than ever. The inability of large numbers of young people, as well as displaced older workers, to find adequate employment opportunities contributes to the increasing imbalance in our economy, rising demands on voluntary and government welfare programs, and various social problems prevalent in many of our communities.

Education must be approached as a continuous, life-long endeavor. Southeast Michigan residents will find it increasingly necessary to upgrade their existing knowledge base to remain marketable. A changing economy calls for a changing workforce. Propelling the transformation of the workforce are global competition and the continual introduction of new technologies. In this vein, increased usage of existing telecommunication systems, improvements in existing methods of automation, and increased emphasis on quality control will change our nation's job requirements and challenge our educators to evaluate their curricula and delivery methods.

Programs and policies must promote coordination of efforts at the local level so that redevelopment will have positive effects throughout the community. To prepare for that future, this report recommends that the state should:

- Dedicate sufficient monies to school-aid funds to implement Proposal A (PA 145 of 1993). The state's funding structure should ensure adequacy, equity, stability and predictability so that school districts can maintain rational financial planning.
- Support local school district and intermediate school district consortia as a means of providing higher quality and efficiency of education and assuring all students a broad range of educational opportunities.
- Support continued cooperation and integration of efforts to ensure that all children enter school ready to learn. Programs should be available that provide early intervention and prevention (i.e., prenatal care, nutrition programs) in the lives of children and their families.
- Continue to improve the state's education system and ensure a quality education for every Michigan child. Michigan's educational system must strive for continuous improvement — and be continuously evaluated and adjusted.
- Support unprecedented levels of cooperation and integration to permit coordinated early intervention efforts for at-risk students. Programs that integrate a variety of social services directly through public elementary school facilities should be considered.
- Provide all students — from preschool through higher and continuing education — with the knowledge, skills and training they need to prepare for the future and become active citizens through a seamless transition from high school to the world of work and further education.

Ensure Adequate Financing of Public Education

The state should dedicate sufficient monies to school-aid funds to implement Proposal A (PA 145 of 1993). The state's funding structure should ensure adequacy, equity, stability and predictability so that school districts can maintain rational financial planning.

The impetus behind Michigan's current funding structure for K-12 education was the adoption of Public Act 145 of 1993, which all but eliminated local property tax as the primary revenue source for public schools. The new funding structure dedicates revenue constitutionally and statutorily to the school-aid fund from various state revenue sources, including sales and use taxes, cigarette tax, real-estate transfer and state property tax.

Michigan's funding formula for K-12 education is based on a "foundation" guarantee. Each school district is guaranteed a basic per-pupil allowance which is adjusted each year based on changes in revenue and student enrollment. Variations in per-pupil spending continue; however, the gaps among school districts are closing.

Michigan's school finance reforms were intended to accomplish four objectives:

- substantially reduce property taxes,
- increase the state share of total K-12 revenues,
- reduce interdistrict disparities in per-pupil revenues and
- assure all local districts a minimum level of per-pupil revenue with which to begin instituting state educational reforms.

The first two objectives have been accomplished. The third and fourth objectives have been accomplished in part. There are, however, six key areas that need to be addressed if educational reforms are to continue:

- accelerating the reduction of interdistrict disparities in per-pupil revenues,
- replacing reductions made in K-12 revenue via tax cuts or shifts,
- fully earmarking funds for K-12 education,
- equalizing debt levies,
- providing access to technology in schools and
- providing special-education opportunities.

Providing a quality education to Michigan children should be a priority of state government. The state should assume that the level of K-12 funding will neither drop from year to year, nor vary beyond a reasonable range among school districts. Adequate funding must be made available for each school district to provide a quality education to prepare students for lifelong learning.

The construction and maintenance of school buildings, as well as technological improvements, are paid for by local taxpayers through debt levies. How much one mill raises depends on the amount of property wealth within a school district. Property-poor districts must levy many more mills than property-wealthy districts to obtain the same amount of revenue. For equity of taxpayers and students in property-poor areas, this is an issue which needs to be addressed.

Promote Collaboration Among School Districts

Support of local school district and intermediate school district consortia should be a priority of the State Legislature as a means of providing for higher quality and efficiency of education and ensuring that all students are offered a broad range of educational opportunities.

There are 115 K-12 school districts within the seven intermediate school districts (ISDs) in Southeast Michigan. Of those 115 school districts, 42 have fewer than 2,500 pupils and, thus, are likely candidates for collaborative efforts.

Considerations for successful cooperative programming include:

- Assisting ISDs in developing and funding infrastructure for statewide networking programs to include state government, local government, state and local agencies, ISDs and local school districts. This network will bring essential services and equality to all ISD regions and to districts within an ISDs' regions.
- Supporting legislation for funding interactive communication systems such as microwave, satellite and cable. In addition, funding should also be provided for the acquisition and use of a variety of technologies, including telecommunications, cable TV networking, and microcomputer networking.
- Supporting legislation that not only allows school districts to consort or share programs without negative tuition consequences, but also provides incentives to those school districts undertaking such activities.
- Enhancing the professional development of teachers and administrators to ensure that students receive an education that will prepare them as lifelong learners.

Beyond collaborative efforts, a systematic process is needed for studying school district restructuring. This study could be undertaken by a Senate/House-appointed Task Force on Restructuring Education composed of all stakeholders. The duties of such a task force could include determining how existing resources may be used more efficiently to provide equity and quality for all Michigan schoolchildren. Other issues to be analyzed and considered include:

- distance learning,
- changes in technology,
- changes in communication,
- changes in transportation,
- cooperative programming and
- special incentives for school effectiveness.

Promote Early Childhood Readiness, Ensuring All Children Enter School Ready To Learn

The state should continue cooperation and integration of efforts to ensure that all children enter school ready to learn. Programs should be available that provide early intervention and prevention (i.e., prenatal care, nutrition programs) in the lives of children and their families.

The first national education goal for the year 2000 is guaranteeing that all children enter school ready to learn. Early childhood education is simply part of the broader intellectual, social, emotional, and physical development children need to succeed in the crucial

elementary grades. Family and other community supports play vital roles in ensuring that young children grow up in healthy environments that nurture continuous development.

An increasing number of children — particularly those living in poverty — are starting school without verbal, mathematical and basic life skills. These children are disproportionately affected by family instability, less likely to attend preschool, less likely to receive adequate healthcare and more likely to experience problems which impede educational performance and attainment. Families need support from schools, health clinics, childcare facilities, public-welfare institutions, businesses and religious organizations. High-quality, accessible support can enhance school readiness.

New research on brain development emphasizes the importance of the environment, both physically and emotionally, in the early years of a child's life. Studies regarding learning opportunities confirm the critical role of early intervention and prevention (i.e., prenatal care health screening, nutrition programs, immunization, lead poisoning prevention) in the lives of children and their families. These findings support early childhood programs that emphasize cognitive development rather than custodial care.

Support School Improvement Efforts

The state should continue to improve the state's education system and ensure a quality education for every Michigan child. Michigan's educational system must strive for continuous improvement — and be continuously evaluated and adjusted.

To prepare students for competing in an ever-changing and uncertain marketplace, the state must continue to find effective, comprehensive ways to restructure the education system. This calls for an increased, long-term commitment to change on the part of everyone involved. School improvement efforts should focus on enhancing a comprehensive system of career-focused learning that provides students leaving high school with a path to employment and/or higher education.

The Michigan Department of Education should continue to create and maintain a database of quality, effective education programs and services which implement recent legislative initiatives. By establishing an information dissemination and retrieval network, this database could be made available to all intermediate and K-12 school districts.

In addition to researching new, effective programs, it is important to keep programs that work well, including accreditation, school-improvement plans, annual education reports, a core

curriculum, the expanding role of the intermediate school district, staff-development programs, teacher and administrator training/certification programs, and high school competency-testing programs.

While ongoing activities are working effectively, it is important to be open to systemic change and the positive options it brings to schools and communities in general. School personnel realize that they do not live in a static environment. If change is a part of the school-improvement process, funding for implementing those changes is equally vital.

These changes may also include new partnerships among education and industry, business, labor, government and the professions. Such partnerships can bring about marked improvement in the region's K-12 education system. The public and private sectors must form stronger ties with schools as they become increasingly recognized as crucial to the future well-being of our communities.

Promote Collaboration Between School Districts and Social/Health Service Agencies

The state should support unprecedented levels of cooperation and integration to permit coordinated early intervention efforts for at-risk students. Programs that integrate a variety of social services directly through public elementary school facilities should be considered.

A cooperative and integrated approach is needed that permits coordinated early intervention at the one site common to at-risk students — the neighborhood school. The forces of neglect, crime, poverty and drug abuse are attacking children on multiple fronts; it is a battle that no one entity, such as the K-12 education system, can handle alone. The problems of children cannot be treated in isolation. Instead, government and non-profit service organizations must join forces across functional lines. Educators need to familiarize themselves with other service providers, recognizing the interdependence of their ultimate goals — safe, healthy children and families.

Proper education and socialization of at-risk children depends upon four distinct elements:

- parents,
- K-12 education,
- city/county/state social service programs and
- non-profit community service programs.

Parents, educators and service organizations can provide coordinated early intervention for at-risk students by working together to battle the problems of neglect, crime, poverty and drug abuse. Two strategies for implementing such an integrated approach in the

schools have been successful elsewhere:

- opening the school building for longer hours and
- providing space within the building for one-stop access to intervention programs and staff.

There is proven value in early intervention as a foundation for educational achievement and for combating various social pathologies. Programs should be implemented that integrate a variety of social services directly into the public schools. Also, school buildings should become true community resources, with municipal, county and school governmental units cooperating to maintain them as centers for education, social services, health, recreation and socialization on a year-long basis. Such cooperation serves two purposes:

- improving the total support of children, including pre-school children, in a learning-oriented setting and
- conserving diminishing resources by coordinating municipal, county and school activities.

Promote Life-Long Learning

The state should provide all students — from preschool through higher and continuing education — with the knowledge, skills and training they need to prepare for the future and become active citizens through a seamless transition from high school to the world of work and further education.

Given the rapid rate of advancement in technology, education must be considered continuous, life-long endeavor. Despite the current emphasis on K-12 education, remains an adult sector of society, lacking basic educational qualifications, which cannot be neglected. Today's workers must upgrade their existing knowledge base to remain marketable. The combination of these growing needs and the absence of a coherent adult education strategy makes it essential that one is started now.

Adults should be equipped to think and learn independently and to be productive in society. Schools need to prepare people to:

- understand fundamental ideas in a number of disciplines,
- read, write, and use mathematical skills with great facility,
- think constructively and critically,
- know how to work in groups and
- continuously learn and adapt throughout their lifetimes.

New partnerships among universities, community colleges, K-12 schools and communities, in concert with business and labor, need to be created to apply what is already known about education, and to create additional knowledge about teaching, learning and educational systems to prepare for the next century. In addition, changes are needed in curriculum, hours

and locations of classes, calendar schedules and services available. This requires closer links between the workplace and educational communities.

In recent years, an increasing focus has been placed on providing students, (especially those in urban areas) with employability skills to better prepare them for the workforce. Proposed reforms need to integrate academic skills with technical skills to develop a smooth transition from classroom to work. Specific proposals intended to improve the transition include:

- fostering direct links between school cooperative-education and community college training programs to provide a continuous education path for students;
- supporting legislation addressing K-12 career-preparation reforms, such as establishing a statewide cabinet for professional and technical standards;
- developing activities such as a labor-market information councils and coordinating apprenticeship, internship and cooperative-education programs;
- promoting business/education partnerships at the school-building level that provide meaningful work-related experience,
- emphasizing the integration of academic and vocational education and
- developing a system of increased financial assistance for post-high school graduate education.

A comprehensive system of career-focused learning should be instituted that provides students leaving high school with a path to employment and/or higher education.