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Senate Fiscal Agency

COOL CITIES

by

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INTRODUCTION

The Cool Cities program was announced by Governor Jennifer Granholm in 2003 as a tool to revitalize Michigan communities, with special emphasis on urban neighborhoods and downtown areas. The purpose of the program is to create mixed-use, pedestrian-friendly cities that will be attractive to residents and to new businesses that will create jobs.

The program relies on collaboration between the State and municipalities. Priority in project selection is given to communities that can demonstrate local support for a project and that have a Local Cool Cities Advisory Group. These local advisory groups are a requirement for participation in the program and must try to represent the diversity and creativity of the respective population. For example, these groups consist of historical preservation professionals, retail and restaurant owners, downtown development officials, students, and/or representatives from cultural and religious organizations. The advisory groups are charged with identifying characteristics of their local area that have the potential to make it "cool" and ways the State could help in achieving this goal.

At the State level, there is an effort to coordinate resources that are available across several State agencies and to identify State programs that can be combined with local and private funding to complete a project. In 2003, a review was done of all existing State grant and loan programs to identify those geared toward community improvement. These programs form a "resource toolbox" for eligible communities. The initiative prioritizes those State resources included in the toolbox for some cool cities communities and projects, and provides assistance in finding other State programs that could be used to support a project.

This program is administered in the Department of Labor and Economic Growth (DLEG) but involves programs from various State departments. The cost of administering the Cool Cities program is minimal and primarily includes the cost of one full-time equivalent employee in DLEG who is charged with coordination and oversight of the program. The majority of the individual programs used for this initiative existed previously in the various departments and so administrative costs already were being incurred.

COOL CITIES PROGRAMS

There are four Cool Cities programs: Neighborhoods in Progress, Michigan Main Streets, Blueprints for Michigan Downtowns, and Blueprints for Michigan Neighborhoods. These programs offer technical assistance for revitalization, and in the case of the Neighborhoods in Progress Program, cash grants for specific revitalization projects and priority access to other State programs.

Each of these programs and the State funding used for them are described below, based on information in the Cool Cities Grants and Planning Programs Requests for Proposals and information provided by staff from DLEG, the Michigan State Housing Development Authority (MSHDA), and the Michigan Economic Development Corporation (MEDC).

Cool Cities Neighborhoods in Progress

The Neighborhoods in Progress program is open to municipalities, nonprofit organizations, and for-profit companies in conjunction with a nonprofit or a municipality. This program originally was titled the Pilot Program in fiscal year (FY) 2003-04. This is the largest of the Cool Cities programs and the only one making direct cash grants, called Catalyst Grants. Since its inception, the program has awarded 46 Catalyst Grants in 28 cities for a total of \$4.4 million. An additional four cities received no funding but were designated as Cool Cities Neighborhoods in Progress. Five cities -- Detroit, Flint, Grand Rapids, Lansing, and Kalamazoo -- have received grants for more than one project.

A Neighborhoods in Progress award provides an area or entity with the "Cool City" designation, a Catalyst Grant of up to \$100,000, priority access to the Resource Toolbox for three years, and ombudsman-like services offered by a State neighborhood "champion" assigned to the project. These champions are primarily staff from MSHDA's Community Assistance Team (CATeam) or Office of Community Development. For communities that received the designation without the cash grant in FY 2005-06, priority access to the Resource Toolbox for three years and the assignment of a neighborhood champion also will be provided.

The Resource Toolbox includes a listing of all State programs that provide grants, loans, tax credits, or services available to support neighborhood revitalization efforts. Cool Cities still must meet all eligibility requirements for toolbox programs, but if they qualify, their applications may receive extra points, giving Cool Cities' applicants preference within the confines of State or Federal law. Some of these programs include Council for Arts and Cultural Affairs Grants, MSHDA community development programs, neighborhood preservation and housing programs, historic preservation and community assessment programs, technical assistance for Farmers' Markets, land use, and various waterways programs.

The types of projects that are eligible for funding include improvements of facades, infrastructure, streetscaping, public art, renovation of buildings, greenspace, farmers' markets, and outdoor recreation facilities.

To qualify for a grant, the applicant must demonstrate that the project meets a number of criteria, including a 50.0% cash match, the ability to sustain the project, adherence to the Talent, Innovation, Diversity and Environment (TIDE) model of community development, a neighborhood action plan, and the amount of current and expected public and private investment. A neighborhood may not receive more than one Catalyst Grant, but another grant may be awarded to a different neighborhood within a single city.

The TIDE model represents an effort to apply economic development research such as that done by Richard Florida for his book, *The Rise of the Creative Class*, and modify it for use on Michigan's small and large cities. Under the Talent category, communities should review their population and identify the education level or creative backgrounds of the residents. For the Innovation category, communities should be looking at the amount and type of entrepreneurial activity such as patent applications, new business formations, or venture capital investments. Diversity is defined as populations from various cultures and the number of highly skilled immigrants relocating to an area. Finally, Environment includes new development or redevelopment projects, and the types of amenities available in a community such as arts, cultural, and recreational destinations. Also considered is "walkability", which is the attractiveness of the area to pedestrians, including factors such as retail, commercial, and residential options within close proximity.

Under additional requirements for the Neighborhood in Progress program, the focus neighborhood must be located in a city with a community college or university, have a Local Historic District Ordinance or a National Register Historic District, and have a Local Cool Cities Advisory Group as well as an active Local Arts Agency.

Neighborhoods in Progress applications are reviewed and scored by the Cool Cities Coordinating Team, which includes State employees representing various departments. This coordinating team makes recommendations to a selection committee consisting of the Director of DLEG, representatives from MSHDA, and a representative of the Governor's office. In FY 2005-06, 33 applications were submitted under this category; of them, 12 projects were chosen to receive cash grants, and four were designated as Neighborhoods in Progress without receiving cash. [Table 1](#) lists all of the projects that have received funding under this category and [Table 2](#) identifies the State fund sources for this program.

Table 1

COOL CITIES NEIGHBORHOODS IN PROGRESS CATALYST GRANTS	
Grantee	Total
<u>FY 2003-04</u>	
Alpena	\$100,000
Bay City	100,000
Detroit - Jefferson East Business Association	100,000
Detroit - Southwest Detroit Business Association	100,000
Detroit - Downtown Detroit Partnership (Eastern Market)	100,000
Ferndale Downtown Development Association	90,000
Flint - Uptown Reinvestment Corporation	100,000
Grand Rapids - Dwelling Place of Grand Rapids, Inc.	100,000
Grand Rapids - East Hills Neighborhood Association	100,000
Jackson	100,000
Kalamazoo - Smartshop	100,000
Marquette Downtown Development Association	100,000
Port Huron - Community Foundation of St. Clair County.....	99,000
Portland	100,000
Saginaw	100,000
Saugatuck - Saugatuck Center for the Arts	100,000
Sault Ste. Marie - Soo Theatre Project, Inc.	100,000
Warren Downtown Development Authority	100,000
Ypsilanti	100,000
Total	\$1,889,000
<u>FY 2004-05</u>	
Ann Arbor Cool Cities Task Force	100,000
Battle Creek Unlimited	100,000
Detroit - Greater Corktown Development Corporation	100,000
Detroit – New Center Council, Inc.	100,000
Detroit - University Cultural Center Association	100,000
Detroit - Woodbridge Neighborhood Development Corporation.....	100,000
East Lansing	100,000
Grand Rapids - Roosevelt Park Neighborhood Association.....	100,000
Grand Rapids - West Grand Neighborhood Association.....	100,000
Holland - Park Theatre Foundation	100,000
Kalamazoo	100,000
Lansing – Allen Neighborhood Center	100,000
Traverse City	100,000
Total	\$1,300,000
<u>FY 2005-06</u>	
Benton Harbor - Citizens for Progressive Change	100,000
Detroit - Arab American and Chaldean Council	100,000
Detroit - Focus: HOPE	100,000
Detroit - Grandmost Rosedale Development Corporation	100,000
Flint - Genesee County Land Bank Authority	100,000
Grand Rapids - Lighthouse Communities, Inc.	100,000
Howell	100,000
Ionia	100,000
Lansing - Economic Development Corporation of Lansing	100,000
Mount Clemens	100,000
Muskegon Main Street	100,000
Pontiac - Pontiac Growth Group	100,000
Total	\$1,200,000
Total, All Years	\$4,389,000

Source: Department of Labor and Economic Growth

Table 2

COOL CITIES NEIGHBORHOODS IN PROGRESS PROGRAM			
FUND SOURCES BY FISCAL YEAR			
	FY 2003-04	FY 2004-05	FY 2005-06
MSHDA, Restricted Revenue	\$1,339,000	\$550,000	\$550,000
MEDC Corporate Funds	400,000	600,000	---
Federal Community Development Block Grants	---	---	500,000
GF/GP (HAL, Arts and Cultural Grants)	150,000	150,000	150,000
Total	\$1,889,000	\$1,300,000	\$1,200,000

Source: Department of Labor and Economic Growth

Cool Cities Michigan Main Street Program

The goal of the Main Street program is to assist in the revitalization and long-term management of traditional downtowns. The Main Street program emphasizes incremental improvements in downtowns through historic preservation in combination with economic development. This approach was developed by the National Trust Main Street Center, which is part of the National Trust for Historic Preservation, a private, nonprofit organization formed in 1949 to save historic places and encourage community revitalization.

The Main Street Center follows a four-point approach to redevelopment focused on organization, promotion, design, and economic restructuring. The organization component refers to establishing a local structure that can effectively develop and implement a consistent redevelopment plan for the area. The goal is to have a local Main Street Board led by a full-time downtown manager who can coordinate efforts. The promotion component helps to build confidence in an area in order to attract businesses, investment, customers, and residents. Design efforts are those that bring the downtown area into good physical condition through restoration, street appearance improvement, good maintenance practices, and creation of long-term plans for development. Economic restructuring includes making existing businesses more competitive and recruiting compatible businesses to diversify and expand the economic base of the area.

This program was implemented by the MEDC in FY 2001-02, came under the Cool Cities umbrella in FY 2004-05, and in FY 2005-06 was transferred to MSHDA within the Community Assistance Team as a result of budget constraints on the MEDC.

The Cool Cities Michigan Main Street program provides each community selected with technical assistance from the National Trust Main Street Center. These communities originally were eligible to receive this assistance for three years, but starting in FY 2005-06 the duration has been increased to five years. This assistance is valued at approximately \$166,000 per community and includes consultant services for downtown revitalization. Experts from the national center come to the community, work with local stakeholders to evaluate the area, make recommendations, conduct a real estate market study, and provide training for main street managers and community members in community-initiated development and the operation of voluntary organizations. Assistance also is provided to small businesses. Communities receive Cool City designation and access to the State Resource Fair, an information presentation on State programs to help identify resources that could be assembled to assist in the downtown revitalization.

Eligible applicants include any city, village, or township with a downtown business organization and what is considered a "traditional downtown". A traditional downtown is defined as a grouping of 20 or more parcels, including multistory buildings of architectural or historical significance, that has been zoned commercial for 50 or more years; consists primarily of zero-lot-line development; is pedestrian friendly; and has a downtown business association. Zero-lot-line development means that the buildings are built up to the edge of the lot; for example, a store or office building that is built up to the sidewalk. Eligible communities must hire a full-time Main Street Manager to coordinate the effort. Oakland County and Detroit operate their own Main Street programs and are not eligible for the State program.

Applications are evaluated on a number of criteria, including the characteristics of the main street area (its commercial importance to the area, manageable size), commitment to historic preservation, demonstrated community support including financial contributions, and involvement of a Local Cool Cities Advisory Group. The application must demonstrate a commitment to establishing a Main Street Board or changing the applicant's downtown development authority to this type of board, and to following the National Trust Main Street Program's four-point approach to revitalization.

Recipients of the Main Street services are chosen by the Director of the Community Action Team in MSHDA. Table 3 lists the communities that have been selected for the Main Street program.

Table 3

COOL CITIES MAIN STREET DESIGNATED COMMUNITIES			
Year/ Designated Community	Funding Source		Total Fiscal Year Funding
	CDGB	GF/GP	
FY 2002-03 Boyne City Calumet Marshall Portland	\$98,912	\$198,550	\$297,462
FY 2003-04 Clare Muskegon Niles	\$50,000	\$203,790	\$253,790
FY 2004-05^{a)} Grand Haven Howell Ishpeming Midland	\$219,215	\$70,955	\$290,170
FY 2005-06 Lansing Iron Mountain	\$180,000	\$70,000	\$250,000

^{a)} First year included in the Cool Cities program.

Source: Michigan Economic Development Corporation and Michigan State Housing Development Authority

Participating communities are required to submit a monthly report to the CATeam. The report must include changes in State equalized valuation (SEV), jobs, and occupied retail or office space, as well as the number of volunteer hours, businesses that open or close, and the amount of public and private investment.

Cool Cities Blueprints for Michigan's Downtowns

The purpose of this program is to support selected cities, villages, and townships in a community planning process with a consultant to develop a three- to five-year plan to enhance a traditional downtown. Members of the community contribute to the strategy through community town hall meetings and volunteer activities. The final product of this effort is a specific action strategy for the community. A market study of the downtown also is completed. Selected communities share the cost of the revitalization consultant equally with the State, with the size of the municipality determining the amount of the community payments. For FY 2005-06, the dollar-for-dollar match requirement ranged from \$15,000 to \$32,500. The Michigan State Housing Development Authority selects and contracts for the consultant. Recipients may attend the State Resource Fair and, beginning in FY 2005-06, are designated as Cool Cities.

This program began in FY 2002-03 and, like the Main Streets program, was transferred from the MEDC to MSHDA in FY 2005-06 as a result of budget constraints. Since FY 2004-05, the Blueprints program has been considered part of the Cool Cities program.

Eligible applicants include any city, village, or township with a downtown business organization and a traditional downtown as defined above. According to the Request for Proposals, each recipient of these awards is required to report to the CATeam staff monthly and annually on the percentage change in SEV of the area, occupancy rate changes, investment, jobs created, and new business operations.

Priority is given to communities with a Local Cool Cities Advisory Group and a Process Committee that will include volunteers from the community. Applicants must demonstrate the ability to pay the match, implement the action strategy, and file with MSHDA monthly and annual reports of the same data as required from the Main Street communities.

Participants in Cool Cities Blueprints for Michigan's Downtowns also are selected by the CATeam. Cities selected to participate in Blueprints for Michigan's Downtowns are shown in Table 4.

Table 4

STATE FUNDING FOR COOL CITIES BLUEPRINTS FOR MICHIGAN'S DOWNTOWN DESIGNATED COMMUNITIES				
Year/ Designated Community	Funding Source			Total Fiscal Year Funding
	Community Development Block Grants	MSHDA Restricted Funds		
<u>FY 2002-03</u>		\$100,000	\$100,000	\$200,000
Battle Creek	Middleville			
Brighton	Mt. Pleasant			
Buchanan	Norway			
Cheboygan	Village of Jonesville			
Davison	Adrian			
Grand Haven				
<u>FY 2003-04</u>		\$100,000	\$100,000	\$200,000
Charlotte	Ionia			
Fremont	Linden			
Highland Park	Menominee			
Houghton	Saline			
Howard City	Wayland			
Imlay City				
<u>FY 2004-05^{a)}</u>		\$62,500	\$62,500	\$125,000
Big Rapids	Romeo			
East Tawas	Utica			
Grass Lake	Vassar			
Iron River	Whitehall			
<u>FY 2005-06</u>		\$65,500	\$20,500	\$86,000
Charlevoix				
Muskegon Heights				
Oscoda				
Petoskey				
Tecumseh				

^{a)} First year included in Cool Cities Program

Source: Department of Labor and Economic Growth

Total funding used for this program over four years is \$1,216,000, which includes \$611,000 from State Community Development Block Grant (CDBG) funding (from the Federal government) and MSHDA funds, with the remaining \$605,000 being provided through the local match.

Cool Cities Blueprints for Michigan's Neighborhoods

The Blueprints for Michigan's Neighborhoods program offers the opportunity for selected communities to work with an experienced consultant to develop a plan for revitalizing a neighborhood adjacent to or part of a downtown. The Michigan State Housing Development Authority and the State Historic Preservation Office in the Department of History, Arts, and Libraries (HAL) select a consultant to work with chosen local communities to identify local priorities and complete a neighborhood marketing analysis. The consultant formulates a development strategy for the community. The strategy includes a plan for marketing the area and recommendations for a public-private partnership to implement the plan. The community then is eligible to apply for CDBG funds for eligible infrastructure improvement activities to work toward achieving the goals assigned in the plan.

A goal of the program is to identify and develop projects that could qualify for Community Development Block Grants. Another aim of the program is to increase use of historic preservation tax credits and, in qualifying areas of Detroit, Federal Empowerment Zone tax incentives.

The program is limited to core communities, which are defined as the qualified local governmental units specified in the Obsolete Property Rehabilitation Act, Public Act 146 of 2000 (MCL 125.2782). The applicants must be eligible to receive Community Development Block Grants from the State (that is, they are nonentitlement cities and are located in nonentitlement counties that do not receive CDBGs directly from the Federal government). The neighborhood targeted must satisfy the U.S. Department of Housing and Urban Development requirements as a low-to-moderate-income area. Eligibility criteria also require that the neighborhood be facing safety issues due to abandoned or hazardous structures, demonstrate the ability to use zoning to resolve impediments to redevelopment, and demonstrate willingness to adhere to the Standards for Rehabilitation developed by the U.S. Secretary of the Interior.

The selected communities also receive Cool Cities designation and are eligible to attend the State Resource Fair. These communities again are selected by the CATeam in MSHDA. In FY 2005-06, no applications were submitted; therefore, no awards were made. Participating communities are required to report annually on indicators including changes in the quality and type of housing stock, SEV, jobs, occupancy rates, and public and private investment. Communities in the Blueprints for Michigan's Neighborhoods program are listed in Table 5.

Table 5

COOL CITIES BLUEPRINTS FOR MICHIGAN'S NEIGHBORHOODS		
Year/ Designated Community	Funding Source	
	Community Development Block Grants	Total Fiscal Year Funding
FY 2004-05^{a)} Cadillac Kalamazoo Muskegon	\$1,180,000	\$1,180,000
FY 2005-06 None applied	---	---

^{a)} First year included in the Cool Cities Program

Source: Michigan State Housing Development Authority and Michigan Economic Development Corporation

In FY 2004-05, the State paid one-half of the consulting costs. The Blueprints for Neighborhoods program has been funded with Federal CDBG funds, which covered the cost of the consultant, planning, and the infrastructure improvements funds. In FY 2005-06, however, selected communities were required to pay the entire cost of the consultant.

COOL CITIES FUNDING SUMMARY

Although the program is administered in DLEG, funding for the program has come from a combination of sources in MSHDA, MEDC, and other State departments. In FY 2003-04 and FY 2004-05, funding came from MEDC corporate revenue, MSHDA restricted revenue, and Federal CDBG funds. Additionally, the Department of History, Arts, and Libraries reserved \$150,000 per year of the General Fund-supported Arts and Cultural Grants funding for cool cities projects for three years for the catalyst grants.

Federal CDBG funds are allocated each year to MSHDA by the MEDC. The Authority receives 25.0% of Michigan's CDBG allocation to support eligible housing projects, and an additional \$4.4 million is earmarked for community development efforts. Total program funding from State resources is summarized in Table 6 below. Both the Blueprints for Downtowns and the Blueprints for Neighborhoods programs included local funding, which has totaled \$775,000 for the three fiscal years, FY 2003-04 through FY 2005-06. Combined State and local spending on the initiatives in this program total \$7,095,170 since FY 2003-04.

Table 6

COOL CITIES				
TOTAL STATE FUNDING FROM STATE RESOURCES				
Fund Source	FY 2003-04	FY 2004-05^{a)}	FY 2005-06	Total
CDBG	0	\$1,461,715	\$745,500	\$2,207,215
MSHDA	\$1,339,000	612,500	570,500	2,522,000
MEDC Corporate	400,000	600,000	0	1,000,000
GF/GP	150,000	220,955	220,000	590,955
Total State Funding	\$1,889,000	\$2,895,170	\$1,536,000	\$6,320,170
a) First year that the Main Streets, Blueprints for Downtowns, and Blueprints for Neighborhood programs were included as Cool Cities Programs.				

Source: Department of Labor and Economic Growth, Michigan State Housing Development Authority, and Michigan Economic Development Corporation

CONCLUSION

The Cool Cities Initiative provides support to local efforts at each stage of the redevelopment process. The Main Streets and Blueprints programs concentrate funding and services at the planning stages of redevelopment while the Neighborhoods in Progress program, which provides funding and coordinated services, assists in filling a gap that may exist between other State programs and the project needs.

The Main Streets and Blueprints programs were implemented under the administration of Governor John Engler and have been continued as part of the Cool Cities Initiative during the Granholm administration. The only new program included in the Cool Cities Initiative is the Neighborhoods in Progress program, which has distributed \$4,489,000 over three years to selected communities. This program is primarily funded with existing revenue sources from programs that had been funding redevelopment-type projects previously, but were doing so independently.

One innovation of the Cool Cities program is the ombudsman-like approach to coordinating and targeting existing State programs to facilitate completion of a project. The coordination consists of both the compilation and publicizing of community development resources that are available in the various State departments and the single-point-of-access to State government provided to a local community through Project and Department Champions. This targeting of limited State resources is accomplished through the provision of priority access to State programs to Neighborhood in Progress program recipients. Additionally, the program has created a marketing tool that allows local communities to use the brand "Cool City" to spread awareness of local revitalization activities.