

**ACTING AS ONE**  
A Challenge to Saginaw County's 30 "Little Boxes"  
Remarks of David Rusk<sup>1</sup>  
to the Economic Summit sponsored by  
The Ezekiel Project  
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The themes of this meeting – economic development, workforce development, and transportation – are linked, interconnected, correlated.

There is another relevant correlation – the correlation between economic growth and metropolitan governmental structure. Dr. Jerry Paytas of Carnegie Mellon University has shown that the more fragmented an area's governmental structure, the slower its rate of economic growth.<sup>2</sup> Controlling for region of the country (Frost Belt vs. Sunbelt) and economic structure (manufacturing vs. services), "Big Box" regions (with strong, "elastic" central cities at their core) outperform "little boxes" regions (where an "inelastic" central city is ringed by many incorporated villages and townships). For example,

- the "Big Box" Columbus area outperforms the "little boxes" Cleveland area;
- the "Big Box" consolidated Nashville-Davidson area outperforms the "little boxes" Louisville area (which itself finally consolidated with Jefferson County two years ago); or
- the "Big Box" Raleigh area outperforms the Richmond area (where Richmond's boundaries have been frozen by state law since 1979).

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<sup>2</sup> Jerry Paytas, "Does Governance Matter? The Dynamics of Metropolitan Governance and Competitiveness." Working paper, Carnegie Mellon Center for Economic Development (2002). Available at [www.smartpolicy.org/publications.smtml](http://www.smartpolicy.org/publications.smtml).

The Saginaw-Bay City-Midland area is the epitome of a “little boxes” area (70 local governments) with three cities and 27 townships within Saginaw County alone.

Let me stop right here to emphasize that I’m not going to argue for consolidating Michigan’s 1,775 “little boxes” cities, villages, and townships into bigger boxes. Should you? Yes. Will you? No. Not in my lifetime nor in my children’s lifetime nor probably in my grandchildren’s lifetime. You’re going to keep playing the hand that the quirks of history dealt you.

The challenge for Saginaw County’s thirty “little boxes” is *not to become one* but *to act as one* on critical issues that transcend the boundaries of your little boxes. I’ll describe three such policies later.

### Fragmentation Slows Economic Growth

But why should whether an area is a “Big Box” area or a “little boxes” area have any impact on economic development? Let me suggest a half a dozen reasons.

- a “little boxes” area rarely has a unified economic development plan; certainly, its public officials do not speak with one voice in marketing the area to business prospects;
- “little boxes” often fight fiercely over business prospects; cut-throat in-fighting typically leaves winners as well as losers weakened in the long-run;
- lack of a coherent plan and fierce, intramural competition leads to duplication of costly infrastructure and services;
- conversely, “little boxes” areas cannot access and mobilize their area’s total assets. Consider Saginaw County’s property tax base. In 2004, this “little boxes” county was assessed at \$5.35 billion (that is, a market value of \$10.7 billion), but that was broken up into 30 slices. Saginaw City’s slice was only \$745 million, and the city’s bond rating was a mediocre A3. By contrast, Saginaw Township had the largest slice (\$1.3 billion) with an excellent AA1 bond rating (one step below blue-chip status). However, consider your competition. The city of Winston-Salem, for example, has about the same population (192,000) as all of Saginaw County (210,000). Winston-Salem’s tax base has a market value of \$14 billion and the city boasts a blue-chip, Aaa bond rating. Who is the more attractive public partner for private business – Aaa-rated Winston-Salem with twenty times the property tax base of your

signature community, A3-rated Saginaw City, or even with ten times the tax base of your best, Aa2-rated Saginaw Township?

- “Little boxes” areas typically do a terrible job of educating their future workforce. I’m not talking about children, for example, out in wealthy, exclusive Thomas Township. They’ll graduate from high school, go away to college ... and most will never come back. They’re not your future work force. I’m talking about the kids in the Saginaw City or Buena Vista Township school districts. They get a terrible education because they are racially and economically segregated. Despite slow improvement, the Saginaw area remains one of the USA’s dozen most racially segregated metro areas – and economic segregation tracks racial segregation. In fact, paralleling Jerry Paytas’s findings, Dr. David Miller of the University of Pittsburgh has shown that the more a metro area is fragmented into many “little boxes” governments and school districts, the more racially and economically segregated it is.<sup>3</sup>
- Having thirty stand-alone land use plans, combined with heavy local dependence on property taxes leads to indiscriminate, usually very spread-out urbanization. Over the past fifty years the Saginaw urbanized area (that is, the city and its contiguous suburbs) has expanded only 33 percent in population (from 105,000 to 140,000), but 207 percent in land area (from 24 sq. mi. to 74 sq. mi.). That’s gobbling up land at six times the rate of population growth. (The national average is 2 ½ to 1.) Sprawl has been consuming almost three acres of land for every net new household. Homes may be inexpensive here (maybe an asset for economic development), but your public infrastructure per home is very expensive (a drain on the area’s economic competitiveness). You are paying both for very low-density development on the outskirts and for steady abandonment of core communities.

How badly has your economic development been affected? I could talk about jobs (your rate of job growth has been half the national average) or income (real family income has improved at only three-quarters of the national rate), but let’s focus on property wealth. In 1981, total state

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<sup>3</sup> See David Y. Miller. *The Regional Governing of Metropolitan America*. (Westview Press, 2002). His Metropolitan Power Diffusion Index (MPDI), a sophisticated measure of governmental fragmentation, is available at <http://www.gspia.pitt.edu/mpdi/>.

equalized valuation (SEV) within Saginaw County was \$2.2 billion; by 2004, it was \$5.4 billion. That sounds like a pretty impressive increase, but adjusted for the national rate of inflation, it was only a 19 percent increase in 23 years – less than one percent per year! This is what I call a “no-growth growth” area.

Moreover, if we dissect the overall increase, the SEV of everything outside the city grew 31 percent, but Saginaw City lost 44 percent of the real value of its tax base. Suburban “progress” was largely cancelled out by city decline. You’re spreading substantially the same households and assets over a larger and larger geography.

### Today’s Winners Become Tomorrow’s Losers

As uncontrolled suburban sprawl moves across a mosaic of fixed-boundary, “little boxes” cities and townships, today’s winners become tomorrow’s losers. Let’s look at trends of an index comparing a city or township’s average family income (median family income, to be precise) with Saginaw County’s average family income.

- In 1950, average family income in Saginaw City was a little higher (104) than the county as a whole; by 1970, it had dropped to 92; by 1980, to 80; by 1990, to 66; by 2000, it had slid further to 64;
- Buena Vista Township, an East Side, inner suburb: 94 (1970) to 85 (1980) to 77 (1990) to 71 (2000) – steadily sliding downhill;
- Bridgeport Township, another East Side suburb: its index rose steadily from 101 (1970) to 115 (1980) to 118 (1990), but then dropped precipitously back to 100 (2000) in the 1990s;
- Kochville Township, a West Side, second-ring suburb on the rise: 107 (1980) to 112 (1990) to 115 (2000);
- Tittabawassee Township, another West Side, second ring suburb really on the make: 117 (1980) to 122 (1990) to 143 (2000);
- and the Big Guy on the Block, first-ring Saginaw Township: 124 (1980) to 133 (1990) ... but slightly down to 130 (2000). Is that slight downturn just a momentary pause or has Saginaw Township peaked and beginning slow, long-term decline?

Such sharp disparities reflect where different income groups live. Many high-income professionals – doctors, lawyers, business executives – live in Saginaw Township, Tittabawassee Township, and Thomas Township even though they commute to hospitals, law offices, bank headquarters, etc.

still located in the city. Commuting is easy for them. They can readily afford whatever cars they need and pressure for building or expanding suburban roads to ease their commuting. Meanwhile, retail and service businesses expand in these suburbs to meet their growing market need.

But most of the lower-wage blue and pink collar workers needed by these growing suburban job centers cannot find affordable housing nearby. Little affordable housing is being built in these high-end townships. So they live in older, lower cost housing concentrated in Saginaw City and its East Side suburbs. For those that can afford cars, they face a reverse commute. For those that can't, they must rely on STARS, your bus system. This is a classic jobs-housing spatial mismatch.

### Three Plans for Progress

We've talked about the problems enough. Let's talk about some solutions, focusing on this spatial mismatch. I'll offer three solutions: Plan A – transit; Plan B – fair share workforce housing; and Plan C – county-wide, anti-sprawl land use and transportation planning.

**Plan A – public transit.** STARS buses to take some poorer city workers to suburban jobs, and even fewer poorer suburban workers to city jobs. STARS buses to take many elderly poor to health facilities and other services located in the city. (Three out of five elderly poor live in the suburbs.) Many poor people depend on STARS also for essential shopping. Your jobs, housing, and stores are so spread out that public transit is costly and inefficient, but it is an absolutely essential service for an important part of your community.

You've got to support transit. I'm reminded of the comment once made by Derek Bok, president of Harvard University: "If you think education is expensive, try ignorance." If you think public transit is expensive, try unemployment. Try being an employer who cannot get needed workers because they cannot get to the job site. I urge city voters to renew the millage for STARS on February 22 and for Saginaw Township to continue its modest subsidy for STARS. In fact, STARS ought to be supported by a county-wide or tri-county millage.

**Plan B – fair share workforce housing.** Many suburbs practice *exclusionary* zoning – that is, requiring large minimum lot sizes or high minimum square footage for houses, placing expensive requirements on apartments or even banning apartment construction outright. Suburban officials always have other, seemingly "objective" reasons for doing so, but

the result (and often the intent) is to exclude modest- and low-income (but usually working) families.

Some 135 cities and counties, however, have enacted mandatory *inclusionary* zoning laws. These require for-profit homebuilders to provide 10 or 15 percent affordable housing within their market-rate subdivisions and new apartments. To make the bottom line work for builders, local government typically grants “density bonuses” that allow construction of more homes than the underlying zoning would allow. Over 13 million people now live in communities that require inclusionary housing – that’s five percent of our country’s population. If Chicago and New York City adopt the inclusionary zoning laws before their city councils, that would raise the percentage to over ten percent.

Two-thirds of inclusionary zoning laws have been enacted not by central cities, however, but by suburban communities. The best, such as Montgomery County, Maryland (enacted in 1973), and Fairfax County, Virginia (enacted in 1990), make sure that their programs serve the full range of workforce housing needs. With adequate cost-offsets such as density bonuses, homebuilders can usually get their costs down to serve young teachers, police officer recruits, and new firefighters. Montgomery County and Fairfax County go beyond that. They direct their county public housing authorities to buy one-third of the affordable units as rentals for lower wage workers like nursing home aides, store clerks and cashiers who are also essential for any community. Providing affordable housing for the full range of workers needed has been a key economic development strategy. Their philosophy: “Anyone good enough to work here is good enough to live here.” Montgomery County (the 13<sup>th</sup> wealthiest out of 3,034 counties) is the world center of biomedical and genetic research and development and Fairfax County (the 2<sup>nd</sup> wealthiest) is the global capital of the Internet.

What if such an inclusionary zoning policy would have been in effect throughout Saginaw County? During the 1980s and 1990s, local developers built 14,000 housing units here. Applicable to new developments of ten or more units, a 15 percent set-aside would have resulted in 1,700 workforce homes scattered throughout growing suburban areas (500 in Saginaw Township, for instance, or 115 in Tittabawassee Township).

A note of caution. All inclusionary zoning ordinances thus far have been enacted in above-average cost housing markets. Would the economics of density bonuses work in a low-cost market like the Saginaw area? I don’t know. I would have to sit down with a group of builders and run the

numbers. If feasible, inclusionary zoning would both help close the jobs-housing spatial mismatch and improve workforce education. Mixed-income neighborhoods feed mixed-income neighborhood schools. Low-income children learn best when surrounded by middle-class children. Housing policy *is* school policy.

**Plan C - county-wide, anti-sprawl land use and transportation planning.** I have not analyzed the land use plans and zoning maps of Saginaw County's 30 "little boxes." I have done so for Kalamazoo County and Calhoun County (Battle Creek). I can guarantee you, though, that collectively your 30 "little boxes" plans don't add up to anything that makes sense for the county as a whole. State law requires counties to develop master plans, but makes it clear that cities, villages, and townships don't have to pay any attention to county plans. The result is near-chaos.

Ezekiel is working hard to change what is really a non-system. Together with its sister coalitions in the Detroit, Kalamazoo, and Battle Creek areas, we are proposing that the Granholm Administration designate a series of pilot Cooperating County Compacts. With the maximum flexibility that current state law would allow and state incentive funds, under county leadership, municipalities would be encouraged to sign on to develop a meaningful, county-wide land use plan that really counts.

This would not be some "intrusion" into a mythical "free market." The building industry is second only to the defense industry in its dependence on public policy and public spending. "Public policy dictates where development occurs," states the National Association of Home Builders' 1999 policy statement on Smart Growth. The issue is not "rules vs. no-rules" but replacing the current bad rules with good rules.

Ezekiel is seeking to have Saginaw County designated as one of the pilot programs. That will require willingness by county government and city and township governments to collaborate to a degree unprecedented in Michigan to slow peripheral sprawl and core abandonment.

Why should they want to enter into such an arrangement? Why should Saginaw City? Perhaps the city government itself will need some convincing. On my previous four visits here, I have always found city government to be in a state of denial. But the 60,000 remaining city residents should be clear: the decline of the city will not be reversed until what happens *outside* the city changes, including changing how some of the city government's own policies abet its decline.

Case in point: water policy. The city controls the area's water supply system. For decades, the city has facilitated suburbanization by selling its water to suburban customers, tacking on a surcharge to add to city revenues. Occasionally, such a sale will be justified, such as the recent agreement to support Hemlock Semi-Conductor, which needs a very isolated location. For the most part, however, the city's pro-sprawl utility policies have contributed to its own decline. The recent agreement to provide water for a new, high-end sub-division in Tittabawassee in return for the customary surcharge and a one-time, \$2,000 per house payment is just the latest example. It's a penny-wise, pound-foolish policy.

By contrast, the City of Midland controls its area's water supply (drawn off the trunk line owned jointly with Saginaw). Midland's policy has always been "no annexation/no water." As a result, Midland continues to annex new development and is arguably Michigan's most successful central city. You don't find Midland planting the seeds of its own decline and then watering them.

The time for Saginaw to implement a Midland-type annexation policy is long past. However, in agreeing to extend vital water services, the city ought to negotiate for more than just money – for a fair share workforce housing policy, for instance, as part of new development or for signing on to the County Compact.

Another case in point: why should Saginaw City (or, for that matter, Buena Vista or Bridgeport or Zilwaukee) passively acquiesce in \$13.5 million of state and federal funds being spent to widen suburban Bay Road to six lanes? Surely the expansion isn't needed to accommodate current traffic but traffic anticipated from future development.

Overdevelopment erodes existing property owners' values. Those 14,000 new housing units that were built in the 1980s and 1990s in Saginaw County? Only 4,000 net new households were formed to fill them. Is it any surprise that during the 1990s over 2,300 city housing units just disappeared and almost 2,500 more stood vacant? Adjusted for inflation, the average value of city homes (that is, those that hadn't been knocked down) increased only six percent during the decade. A city homeowner would have been better off putting money into a passbook savings account!

City residents have plenty of reasons to support anti-sprawl land use planning. But what about Saginaw Township, the long-standing suburban Top Dog? In 2004, the city's SEV was \$32,000 per household; Saginaw Township's SEV was more than twice that – \$78,000 per household. That

sounds pretty good. But farther-out Tittabawassee's SEV was \$104,000 per household, and Kochville's SEV was \$182,000 per household!

Over the past six years the city experienced no net growth in inflation-adjusted SEV. Saginaw Township's real growth in SEV was 21 percent. But Tittabawassee's growth rate was 72 percent!

That's just one reason for concern. Here are 400 more. A gas station sits in Tittabawassee right across the road from Saginaw Township. The 40 acres around it is zoned for commercial development. Now Tittabawassee officials are considering enlarging that commercial zone to 400 acres. That's a huge chunk of commercial land – enough to steal away all of Saginaw Township's big box stores (just as Saginaw Township stripped the city of its retail businesses a generation ago). Under current state law, Saginaw Township can do nothing about it; in fact, they only know about it because state law now requires a jurisdiction to notify its neighbors about pending zoning decisions.

Is Saginaw Township still Top Dog? Or is slow decline setting in? Can township officials and residents afford to bet that the answer is no and do nothing until halting decline may be even tougher? Saginaw Township officials and residents alike may feel that they have total control over what is built within township boundaries, but if they have zero control over what happens one foot beyond their boundaries, what control over their future do they really have? How much of their autonomy within their boundary might they be willing to trade in order to gain real leverage outside their boundary? The proposed County Compact would offer that opportunity.

This is my fifth visit to Saginaw. My message has always been the same: you cannot keep doing the same old thing in the same old way and expect to get better results. You've been 30 "little boxes" each pursuing its own self-interest and "the devil take the hindmost." You know who the "hindmost" has been: Saginaw City. But the "hindmost" list is growing: Buena Vista, Bridgeport, Zilwaukee. Now Saginaw Township?

On key issues that cross city and township boundaries – land use/ transportation planning, housing policy, education/workforce development – you've got to start Acting as One.