# the review

May/June 2016

the official magazine of the m michigan municipal league

# Generate Sturgis

Building a Culture of Entrepreneurship

The Soft Side of Entrepreneurship Matters Most

- Propelling Small Business Success
- Detroit Plays Matchmaker
- eCities Project
- Triple Bottom Line Enterprises

#### **Features**

6

Entrepreneurship and Community: It's the Soft Side that Matters Most

By Jeffrey Aronoff

10

Propelling Small Business
Success: How the Michigan
Small Business Development
Center is Serving
Entrepreneurs Statewide
By Hanna Burmeister

14
Detroit Plays Matchmaker to
Fuel Economic Growth
By Michael Forsyth

17
Fostering Entrepreneurship:
eCities Project Showcases
Best Practice Communities
By Timothy Davis

20
The Starting Block Kitchen Incubator
By League Staff



#### On the Cover:

Generate Sturgis members Cathi Abbs, Mike Hughes, John Wiedlea, and Amy Frost have helped numerous local entrepreneurs build their businesses. Amy's eStudio Design—a website design company—will be one of several businesses moving into the new Moso Village.

Cover photo by Amy R. Frost of eStudio Design, LLC



The official magazine of the Michigan Municipal League



24
2016 Capital Conference
Highlights

Revving the Entrepreneurship Engine: Generate Sturgis
Powers Up Local Businesses
By Lisa Donovan

32
Triple Bottom Line
Enterprises: A New Way
to Increase Community
Prosperity
By Bill Stough & Terry Link

35
TechBrewery: 19th Century
Architecture, 21st Century
Innovation
By Samantha Audia

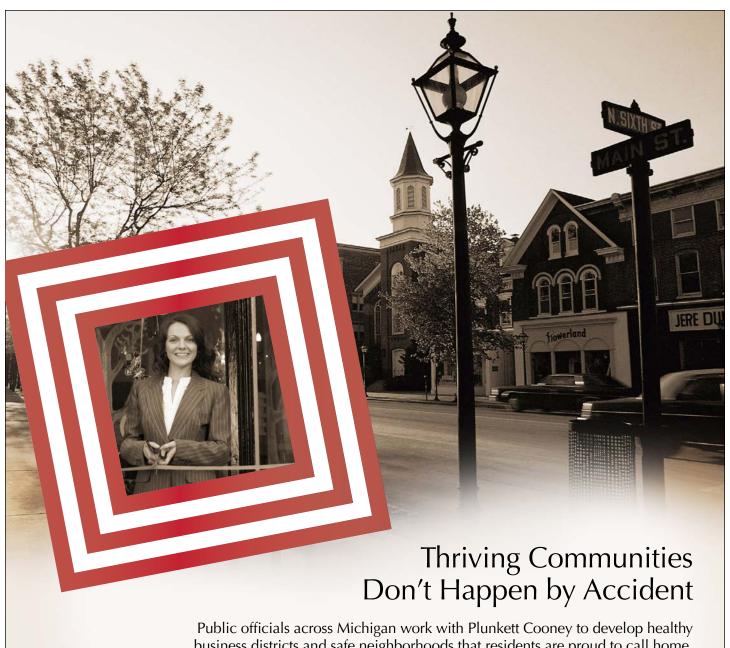


#### Columns

- 5 Executive Director's Message
- 38 Municipal Finance
- 40 Northern Field Report
- 42 Legal Spotlight
- 46 Municipal Q&A







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The official magazine of the Michigan Municipal League

Volume 89, Number 3

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The Review (ISSN 0026-2331) is published bi-monthly by the Michigan Municipal League, 1675 Green Rd, Ann Arbor, MI 48105-2530. Periodicals postage is paid at Ann Arbor MI. POSTMASTER: Send address changes to THE REVIEW, 1675 Green Rd, ANN ARBOR, MI 48105-2530.



#### Entrepreneurs Play a Vital Role in Communities

hroughout most of the 20th century, Michigan was the toast of the world as it led the way through cutting edge innovation in manufacturing and the auto industry. But eventually, optimization settled in, the status quo provided the good life, and we became somewhat impervious to the economic changes surging around the globe. It reminds me of a quote I came across in the Urban Prospector blog that I think sums it up well: "Standardization is the father of stagnation."

Fast forward sixteen years into the 21st century and Michigan is once again in the driver's seat, as communities, industries, and small businesses redefine what it takes to be relevant and thrive in a global economy. And this means an economic growth strategy focused at the local level.

It's the economics of place that matters! (Sound familiar?) It's investing in our communities and creating places where people choose to live and work. Entrepreneurs play a pivotal role in creating a unique sense of place that enhances a community's quality of life. Because they tend to live in the community, entrepreneurs also become deeply invested not only as business owners, but as residents as well. Although large companies can still be very important economic drivers in communities, it's the investment in start-ups and small businesses that will assure economic stability for the long haul. And the data bears this out.

For every \$1 spent at an independent business, \$.68 is generated back into the local economy, compared to \$.43 for a chain competitor. A study shows that money spent locally returned more than three times as much money to the local economy as a chain or franchise.

Local governments can be instrumental in fueling the growth of an entrepreneurial culture. Evaluating internal systems, streamlining the government processes for start-ups, becoming more open to risk, and connecting with external stakeholders, can all create a supportive environment for entrepreneurs.

In this issue, we have some great examples illustrating Michigan's growing entrepreneurial culture, and showing how local governments can encourage and support entrepreneurs and help make those important connections in the community.

The city of Sturgis is helping new and existing entrepreneurs grow ideas into businesses and Ann

Arbor's Tech Brewery, an Ann Arbor technology business incubator, has created an innovative and supportive environment where startups can thrive. A new report highlights the value of attracting and retaining triple bottom line enterprises—businesses that simultaneously seek to improve environmental, social, and economic outcomes.

eCities is an annual study by UM-Dearborn that evaluates Michigan communities on their efforts to foster entrepreneurial growth and economic development. Through an online portal, cities show off the "pitch" they make to businesses, and offer their strategy for working with companies.

Through Motor City Match, funding is provided both to landlords in Detroit's old commercial corridors and start-up entrepreneurs who need space to operate—and often provides matchmaking services to bring them together.

The Michigan Small Business Development Center, with 11 regional offices across the state, offers one-on-one counseling and business education services for startups, growth companies, and entrepreneurs of all states. Here they share some of their success stories.

In 2014, Michigan was one of the first states in the country to pass an investment crowding law, MILE (Michigan Investment Local Exemption). This law allows individuals to invest in businesses and causes similar to how individuals purchase stock in publicly held corporations. Tecumseh Brewing Co. was the first out of the gate to raise funds under the law. Find out where they are now.

One final note, I would encourage you to attend the CNU 24th annual conference (Congress of New Urbanism) coming up in Detroit from June 8-11. This is a great opportunity to experience firsthand the work that CNU does, and witness the on the ground work that is spurring Detroit's rebirth. You will also hear some influential thought leaders from around the world. Go to www.CNU.org to learn more and register!

Daniel F. Librartin

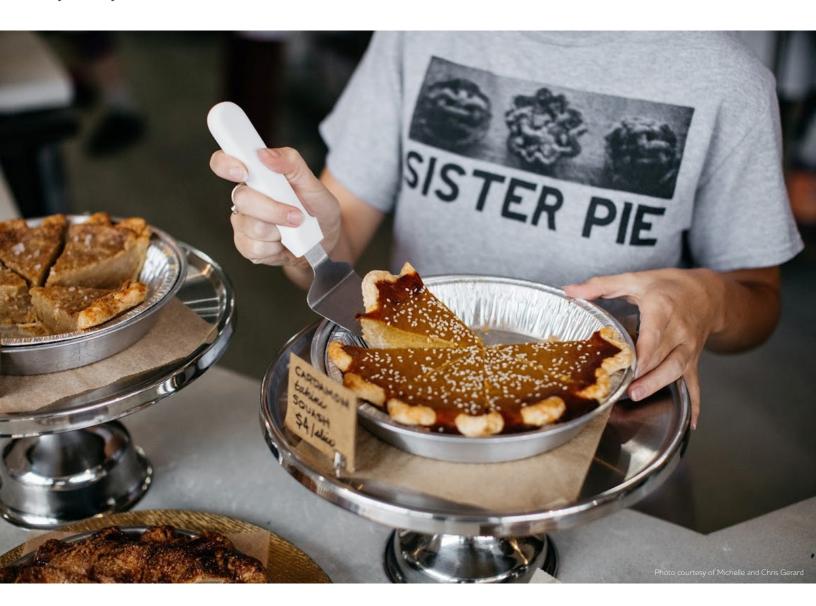
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# Entrepreneurship and Community

It's the Soft Side that Matters Most

By Jeffrey Aronoff



hen it comes to local government, we often focus on the "hard" side of things—those tangible outputs or impacts that can be identified and measured easily. This makes sense, as local governments serve citizens who often want the most tangible facts, the most concrete services, and the most pronounced data. When it comes to community entrepreneurship though, the "soft" side of things—the more abstract activities and

outcomes that are harder to pin down, but are nonetheless just as real—may matter most.

Let's address the hard side by briefly discussing the tangible community impact of entrepreneurship, and the tangible ways in which communities can assist entrepreneurs. Regarding impact, local entrepreneurship can be an important piece of a community's economic development strategy. Local retail, restaurant, or small manufacturing, which tend to be

capital intensive and involve a brick-and-mortar presence, have a direct impact on tax base. Local entrepreneurship also creates local jobs, which has a well-established economic development effect. Regarding support tactics, we know local governments can accomplish a lot by maintaining business-friendly planning and zoning practices. They can ensure their regulatory structure is accessible and user-friendly. To the extent they have the capacity and authority to do so, they can offer capital assistance and develop infrastructure that makes life easier on entrepreneurs. There is a generation of research and theory on the hard side of entrepreneurship in communities. Fascinating stuff. But the soft side is where the magic happens.

### Why Is Entrepreneurship Important To Communities?

#### Entrepreneurship and "Third Places"

Local entrepreneurship is the unsung hero of placemaking. We often adopt a narrow definition of "place," which limits it to public spaces. Certainly, public spaces are an important element of place, but that's not where the placemaking story ends. Placemaking is about cultivating "third-places" that are not one's home or office—places that create joy. Entrepreneurs operate in places that create joy. Brick-and-mortar entrepreneurs create joy in obvious ways. Bars, restaurants, and coffee (or tea!) shops provide venues where people engage in the most natural form of human joy: sharing food and drink. Retail and craft businesses provide people with space to wander and treat themselves and others to gifts large and small.

#### People Make Place

Even the non-brick-and-mortar entrepreneurs have an important role in placemaking. They might not offer duck confit flatbread on candle-lit patios, but they, along with their brick-and-mortar counterparts, sustain the most basic currency of place: Talent. People.

We often view people as the beneficiaries of place. We forget that people are also contributors to place. A place becomes joyful when it's occupied by people who are doing interesting things. Entrepreneurs do just that, and with some growth, they bring others along. The presence of entrepreneurs in a community is palpable. It seeps into the stories at open mic night. It pumps up the vibe at happy hour. It colors the chatter in between sets at the concert in the park. If you spend time in places surrounded by people who are taking risks, experimenting and creating, you just know it. When entrepreneurs have a significant presence in a community, they provide human texture to a place much the same way that public art and greenspace provide physical texture.

A place becomes joyful when it's occupied by people who are doing interesting things. Entrepreneurs do just that, and with some growth, they bring others along.

## What Can Local Governments Do To Support And Encourage Entrepreneurs? Open the Front Door

Assistance to entrepreneurs starts with simply providing human support. Anyone who has been an entrepreneur or worked closely with entrepreneurs knows how emotional and exhausting it is to build a business. Local governments can pluck some low-hanging fruit by simply being supportive—personally. It can do wonders to designate appropriate staff to serve as business ambassadors. Typically, these are people in roles that already have some interaction with entrepreneurs (planning and development, DDA, etc.). Their role as ambassadors is to stay informed about business resources in the community and offer a listening ear and basic guidance to entrepreneurs trying to make their way. Maybe an ambassador makes a phone call on an entrepreneur's

behalf or an email introduction to spark a connection. Local governments are ideal institutions to provide this "front door" service to entrepreneurs because they are physically accessible, naturally connected to the business community, and already have many of the necessary resources for entrepreneurs, even if they don't realize it. It can be surprising to discover how simple entrepreneurs' needs are, and how little investment it takes to meet those needs. Most often, entrepreneurs simply need the name or phone number of the right person to call for help with a problem or advice on a decision.

If offering assistance to entrepreneurs is new territory for your community and you don't know exactly what to do, simply ask entrepreneurs what they need and listen to what they say. In fact, this conversation should inform more than your initial offerings. It should be a fixture going forward. The entrepreneur, in this case, is your customer, and you should create a feedback loop to keep your staff and leadership aware of what that customer needs. Incidentally, entrepreneurs do a good job providing useful customer feedback. They understand how valuable feedback is to their own business, so they tend be helpful when they are in the

role of customer and asked to describe their needs or provide their opinions.

#### Market Yourself

Whatever your local government decides to be for entrepreneurs, make it known. Declare yourself the friendly front door, if that's the identity you choose. A local government that has made entrepreneurship a priority must be all in. It must make support for entrepreneurs a centerpiece of its brand and an important element of how it defines place.

Jeffrey Aronoff is principal of Miller Canfield and founder of Sidewalk Ventures. You may contact him at 313-496-7678 or aronoff@millercanfield.com.



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Shifman, has represented many cities, counties and townships. He has been involved in legislative initiatives including the drafting of Act 312 and other legislative reforms, as well as being recognized by the Michigan Municipal League with a Special Award of Merit for his dedication to the cause of local government.

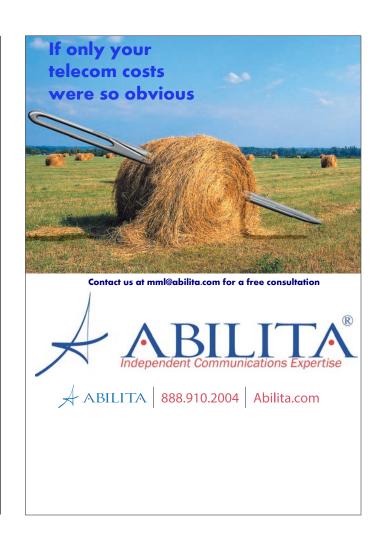
Mr. Shifman is aided by Brandon Fournier who has extensive experience in municipal operations, including both public safety and general municipal operations. Prior to joining the firm, Brandon served as the City Administrator for the City of Southgate.

Also with the firm is Attorney Robert J. Nyovich with over 30 years of experience in public sector labor and employment law. Prior to joining the firm, Mr. Nyovich also served previously as a public safety officer and as the Oakland County Undersheriff.

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ichigan has always been home to dreamers, doers, innovators, and entrepreneurs. It's a state with vast natural and intellectual resources, home to some of the most creative minds, and the sort of place where ideas can turn into action. It's no wonder why so many small businesses choose to make Michigan their home.

The Michigan Small Business Development Center (SBDC) exists to support these entrepreneurs and small business owners, making sure they have the resources and knowledge to successfully start and grow their businesses. Funded by the U.S. Small Business Administration and the Michigan Economic Development Corporation, the Michigan SBDC offers no-cost business counseling, training, and market research to small business owners. Whether someone has the start of a business idea, or wants to expand their established company, the Michigan SBDC's team of small business experts can help.

Some of the Michigan SBDC's areas of expertise include business plan development, market research, raising capital, technology commercialization, financial management, export strategy, strategic planning, and in-person and online training. The organization's 90-person team is based out of 11 offices around the state, serving all 83 counties of Michigan. Local universities, community colleges, and economic development offices host the SBDC's regional offices.

In 2015, the Michigan SBDC provided business counseling to 5,177 businesses around the state. Over 58 percent of the businesses counseled were existing businesses, utilizing services like financial management, export strategy, and strategic planning, while 42 percent of the businesses counseled were startups that accessed services like business plan development, market research, and access to capital. In fact, in 2015 the Michigan SBDC helped 347 businesses start.

"The Michigan SBDC has the honor of working with some of Michigan's most talented entrepreneurs," said Keith Brophy, state director of the Michigan SBDC. "In 2015, the

while we were working on projections with our counselors at the MI-SBDC, some of these goals seemed so out-of-reach. Now that we are hitting these goals, we are in awe.

businesses we counseled added 2,484 new jobs to Michigan's economy. The SBDC also helped generate \$233,515,752.00 in capital formation for small businesses. We are honored to serve entrepreneurs that have such significant impact on Michigan's economy."

#### **Brewing Energetic Success**

What makes the Michigan SBDC truly unique is its statewide network of business consultants. These consultants have the skills and expertise to help businesses at any stage. One business whose relationship with the Michigan SBDC has flourished is Witch's Hat Brewing Company.

In 2011, Ryan and Erin Cottongim opened Witch's Hat Brewing Company in South Lyon. In order to prepare, they worked with the MI-SBDC to develop their business plan and receive funding to open their brewery. Their continued growth has been significant and they now employ 15 individuals in South Lyon and regularly serve 12-20 craft brews on tap.

"Our growth has been truly unbelievable," said Erin. "While we were working on projections with our counselors at the MI-SBDC, some of these goals seemed so out-of-reach. Now that we are hitting these goals, we are in awe."

The MI-SBDC also works with a wide variety of established companies that are looking for assistance to hit their next phase of growth.

An entrepreneur that fits that description is Carla Walker-Miller, owner of Walker-Miller Energy Services in Detroit, which provides energy audit and efficiency services to commercial, residential, school, and government facilities. Carla began working with the SBDC in 2008 after suffering a major loss in business during the real estate crisis. Carla's SBDC consultants helped her access a line of credit to continue growing her business.

Walker-Miller now employs over 50 individuals in the Detroit area, and has averaged 40-percent growth for the past three years. A strong advocate for the city of Detroit, Walker-Miller Energy Services has received many awards, including *Crain's Detroit's* 18 Coolest Places to Work, Michigan 50 Companies to Watch, Habitat for Humanity's 2014 Community Partner of the Year, and the 2015 SBDC Main Street USA award.

"Allowing and encouraging us to look at business differently and more aggressively has been a factor in our growth," Walker-Miller said.

#### **Original Programming**

The MI-SBDC also responds to the emerging needs of businesses by creating innovative programs and initiatives. Recently, the MI-SBDC developed an online training tool



(found at www.SmallBusinessBigThreat.com) aimed at increasing awareness about cyber security.

Since its launch in December 2015, the cyber security assessment has engaged over 3,500 unique users, resulting in nearly 500 individuals completing the cyber security quiz, all contributing towards the goal of informing entrepreneurs of the risks of cyber-attacks.

"Increasing the cyber security awareness of small business owners makes for a safer, more vibrant business economy," said Zara Smith, Michigan SBDC strategic programs manager. "We are confident that Michigan small businesses will benefit from this tool and be more prepared to fight cyber threats."

In addition to the online assessment, cyber security workshops will also be scheduled throughout the state to give small business leaders the opportunity to learn more about the risks of cyber threats and how this assessment can help.

"The ultimate goal is to arm small businesses with information, an assessment of their awareness, and an action plan," Smith said. "The assessment tool is the starting point, but we're hopeful that our webinars, in-person training, and action plans will help protect Michigan small businesses against cyber-attacks."

Know a business that might be interested in working with the Michigan SBDC? Visit www.SBDCMichigan.org to learn more about the SBDC's services and to connect with an office near you. You can also find the Michigan SBDC on Twitter (@ MichiganSBDC).

Hanna Burmeister is the marketing manager of the Michigan Small Business Development Center. You may contact her at 616-331-7489 or burmeish@gvsu.edu.





# MOTORCITYMATCH

DETROIT'S BUSINESS CHALLENGE



# DETROIT PLAYS MATCHMAKER TO FUEL ECONOMIC GROWTH

By Michael Forsyth

easha Rigsby and Vallery Hyduk know the value of a perfect match. They wanted to apply the same spark that brought them together as friends to their relationship as co-owners of Beautiful Bridal with Keasha, Detroit's one-and-only bridal boutique.

Rigsby was a bridal consultant on TLC's reality TV show "Say Yes to the Dress." Hyduk was supervising producer on a spinoff of that show, "Keasha's Perfect Dress." Today, the two are business partners, and since February have offered one-on-one consultations by appointment at their upscale store showcasing a custom collection of designer gowns.

"We're thrilled to be fulfilling our dream of owning a bridal boutique and really excited about helping couples fulfill their dream of finding the right dress for the perfect wedding," Rigsby said.

Their dreams for Beautiful Bridal didn't always match up with reality, however. Although they found the perfect location to lease—an 1889 French Renaissance Revival mansion at 2921 E. Jefferson Ave.—after paying for renovations, they didn't have enough money to buy the extensive inventory required.

"We needed lots and lots of gowns for customers to choose from, but these gowns are very expensive," Hyduk said. "Our budget was just a bit short—we needed gap financing."

That's when Detroit's unique economic development tool, Motor City Match, came through with a \$50,000 grant late last year.

"Motor City Match allowed us to start with a much stronger inventory, making us more competitive in a very competitive industry," Hyduk said.

#### **Perfect Pairs**

Motor City Match's main mission is to pair Detroit's best available real estate with entrepreneurs from Detroit and around the world who want to start or expand a business in the city. The goal is to provide the services and create the jobs needed to revitalize the city's neighborhood commercial corridors.

"Each quarter, Motor City Match helps nearly 100 businesses get started in Detroit," said Rodrick Miller, CEO of

the Detroit Economic Growth Corp., which administers the program. "Not all are ready to open right away—some need help covering gaps in financing or finding the right location—but all of this activity is building a pipeline of entrepreneurs, which is what thriving cities need."

The program focuses on areas outside of Detroit's alreadybooming downtown and Midtown, fostering businesses in the heart of Detroit neighborhoods challenged with renovating long-abandoned properties.

Motor City Match provides various forms of assistance, including \$500,000 in matching grants each quarter. The program has awarded \$1 million to winning applicants during the first two rounds of awards. That investment, in turn, has helped winning companies leverage some \$6 million in public and private funds.

#### On The Right Track

Like any good match-making service, the program vets participants to ensure that the businesses and properties paired have the best chance of long-term success. As in love, such matches might eventually happen by chance, but Motor City Match makes the process more efficient and effective.

It does that by having people with vacant Detroit properties who are looking for quality new tenants compete for grants, loans, and technical support in the Building Owner Track.

People who want to start or grow their business in Detroit compete for similar assistance in the Business Owner Track.

Each quarter, top applicants in each track compete for the assistance they need, depending on where they are in developing their business. The various levels of assistance

As in love, such matches might eventually happen by chance, but Motor City Match makes the process more efficient and effective.



and successive rounds of awards help business owners and building owners progress through the various stages to ultimately opening their doors.

"There's pent-up demand for retail, restaurants, manufacturing, and other businesses in Detroit neighborhoods, and the aim is to encourage entrepreneurs to fulfill that need," Miller said. "Motor City Match is breaking down barriers and harnessing that energy to build vibrant commercial corridors throughout the city."

#### **Winning Combination**

The first two rounds of awards attracted 780 applicants, about two-thirds of whom were minority-owned or womanowned. Two out of three were Detroiters. Round III winners were announced in mid-April.

From Round I and II applicants, 196 winners were selected:

- 20 including Beautiful Bridal won cash grants of between \$10,000 and \$100,000 to match their own investments and help cover funding gaps
- 14 received Design awards for architectural services and permitting assistance to get their location ready to open
- 63 received Space awards, which help match businesses with vacant Detroit real estate and provide financial planning assistance
- 99 won Business Plan awards for a free business planning course

Motor City Match, with an annual budget of about \$2 million, is a partnership between the City of Detroit and several public entities. The Economic Development Corporation of the City of Detroit administers the program with staff from the Detroit Economic Growth Corporation.

Funding for technical support services for award winners comes from Community Development Block Grants allocated to the city from the U.S. Department of Housing and Urban Development. The competitive financial assistance is provided

by a broad partnership of Southeast Michigan foundations and financial institutions. They include the John S. and James L. Knight Foundation, Fred A. and Barbara M. Erb Family Foundation, Kresge Foundation, JPMorgan Chase Foundation, the New Economy Initiative for Southeast Michigan, Bank of America, and Fifth Third Bank.

"Detroit is the land of opportunity for entrepreneurs and Motor City Match is making entrepreneurs' dreams possible," Hyduk said.

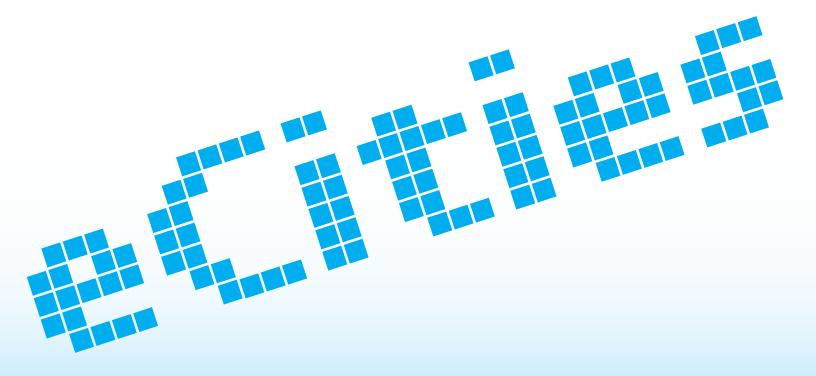
Beautiful Bridal is already booked through the spring, with brides coming from across Michigan. The grand opening was April 30.

"When I walk into the boutique, I still get teary-eyed," Rigsby said of finally realizing her dream. "It doesn't even feel like work. We feel so optimistic every day, it's almost scary."

More information about the Motor City Match program and its awardees is available at www.MotorCityMatch.com. Information about Beautiful Bridal, including store hours and appointment requests, is available at www.BeautifulBridalwithKeasha.com.

Michael Forsyth is the Motor City Match program manager for the Detroit Economic Growth Corporation. You may contact him at 313-963-2940 or mforsyth@degc.org.





# Fostering Entrepreneurship

eCities Project Showcases Best Practice Communities

By Timothy Davis

conomic development is challenging. It takes leadership and innovation to ensure a community is successful in meeting the needs of their constituencies. But as you know, there isn't a one-size-fits-all approach to fostering and cultivating economic growth. While there are many toolkits offered to leaders, knowing what tools to use and when to use them is often the most daunting task. Likewise, entrepreneurs face similar challenges. As they open and grow their businesses, they face a multitude of managerial and leadership issues, in addition to the array of local factors that may impact their businesses. And, like economic developers, they cannot use a one-size-fits-all approach, either.

Being sensitive to this, University of Michigan-Dearborn's eCities project assists city leaders, economic developers, and entrepreneurs alike. eCities is a particularly useful resource for municipal staff members because of its focus on community-level factors that influence entrepreneurship, economic development, and job growth.

Moreover, eCities is aware of the challenges government leaders face, and while there are no shortages of tool-kits,

eCities provides a different approach: it looks at multiple factors—both quantitative and qualitative—to examine community-level factors that contribute to economic development. More importantly, it's a resource offered at no charge to participating communities, and we welcome more to join us in the next annual study in 2016. (You can learn more by going to our website: http://www.umdilabs.com/ecities.)

#### **eCities**

Established in 2007 by UM-Dearborn's Center for Innovation Research (iLabs), eCities was created to empirically examine community-based factors that influence entrepreneurship, economic development, and job growth. The research has captured information about local communities to showcase exactly how they are dealing with challenges that impact their communities. This allows them to examine how communities are utilizing innovative approaches to enhance job growth. eCities has grown from 14 to nearly 200



Timothy Davis, director of iLabs, (far right), presenting a 2015 award to the leadership of Sault Ste. Marie

participating communities, with over 300 communities invited to participate each year. As communities continue to show interest, we continually update the way we benchmark their efforts.

Historically, local planning has focused on zoning, design, and code enforcement issues. Yet, community planning efforts have become more diverse to include efforts to revitalize and grow communities and regions. Many communities, for instance, have taken a broader view of planning to address the environmental, social, and economic issues they face. eCities takes this into consideration. This is why eCities uses the community as the unit of measurement rather than using state and regional-level data, as most studies do.

#### Multi-Method Approach

Further, eCities takes a multi-method approach. The eCities index analysis is comprised of a six-factor, 32-item analytical tool and is the project's key instrument. This tool compares and weights factors to identify strengths of communities, and looks at such things as concentrations of business property and municipal investments; financial incentives; economic growth; economic development tools; socioeconomic/ cultural factors; and education levels. This ensures that the research looks at multiple factors within each community, and that the size of a community will not give anyone an unfair advantage. In the next stage of research, communities receive benchmarking reports by our judges that showcase their performance. Taken together, the focus of the project is to learn and share strategies across local communities, creating ways to better understand how to attract entrepreneurial development and growth in the state of Michigan. This, in turn, will allow us to better understand what works and what doesn't

#### **Best Practices**

In 2015, eCities continued to evaluate communities with a new panel of entrepreneurs, researchers, and experts.



UM-Dearborn Provost Catherine Davy welcoming local leaders to the 2015 eCities program

eCities highlights how local governments and community leaders from across Michigan are growing their communities and supporting local businesses.

The 2015 study recognized six Best Practice communities based on their innovative and successful efforts at fostering entrepreneurship and encouraging economic development. Each community, once they completed the quantitative survey, was eligible to respond to the Best Practice survey. This allowed us to collect qualitative information on how communities were engaging in innovative practices. Our Best Practice communities for 2015 were the City of Grand Blanc, the City of Madison Heights, the City of Oak Park, Pittsfield Charter Township, City of Sault Ste. Marie, and the City of Tecumseh.

#### **Examples of Best Practice Communities**

The City of Sault Ste. Marie, for instance, created a partnership with local community stakeholders, developing what they called The SSmartZone, a collaborative partnership between the city, Lake Superior State University, Michigan Economic Development Corporation, and Michigan Small Business Development Center. Together, they leverage a network of resources within the community to assist entrepreneurs in launching businesses while connecting them with other services. The SSmartZone, in turn, utilizes the expertise of the university and merges it with the community and local businesses.

The City of Tecumseh, another Best Practice community that was also recognized, implemented an innovative approach to boost talent by launching the Southern Michigan Center



Timothy Davis, far right, presenting a 2015 award to the leadership of Tecumseh

for Science and Industry (SMCSI). Through a partnership with Tecumseh's public schools and various industrial partners, SMCSI works to develop a pipeline of talent through workforce development programs. This provides real-world experiences within a unique learning environment.

While there is no single solution for every community, the Best Practices portion of eCities allows communities to examine the strategies that others are engaging in, helping communities benchmark their efforts and gather best practices from across the state.

#### Conclusion

eCities highlights how local governments and community leaders from across Michigan are growing their communities and supporting local businesses. As a university, UM-Dearborn wants to share the successes and educate leaders about the best practices that can be used by other communities in the state. As the nature of economic development evolves, eCities, as a resource, helps local governments demonstrate their role in the changing economy. These governments are supporting unique and innovative efforts locally, while collaborating regionally to help Michigan businesses compete in an ever-changing business climate.

We would like to invite you and your communities to join the eCities project for the upcoming year. To learn more about eCities, please contact us at ecities-umdilabs@umich. edu or 313-593-3991. eCities 2016 will launch in May 2016. Visit www.umdilabs.com/ecities for updates.

Timothy Davis is director of iLabs, the University of Michigan-Dearborn's Center for Innovation Research, and lecturer of Entrepreneurship and Business Administration at the University of Michigan-Dearborn College of Business. You may contact him at 313-593-3991 or tadavis@umich.edu.







## The Starting Block Kitchen Incubator

By League Staff

he Starting Block is a nonprofit kitchen incubator that helps small businesses become long-term sustainable companies in the food systems and natural resources sector.

A major agriculture issue in the Oceana County Region in West Michigan—where Hart and The Starting Block Kitchen and Business Incubator is located—is the difficulty of small, family-operated farms to remain profitable and stay in business long-term. One method to increase profitability is to create value-added and processed farm products, which can sell for a higher price but also have higher start-up costs. The Starting Block provides licensed kitchen facilities at an hourly rate to allow individuals to pursue their entrepreneurial aspirations and create innovative food products.

The Starting Block is committed to assisting individuals who want to take a special recipe to market or create a food or natural resource business. Specifically, it's for businesses just starting out, or companies outgrowing their

current facilities. The Starting Block has multiple commercial licensed kitchens available 24/7 at affordable rates to help clients grow their food production business without the initial investment in costly facilities and equipment.



#### Accomplishments

- The Starting Block is the first commercially licensed kitchen incubator in Michigan.
- Since starting in 2006, about 150 to 200 clients have used The Starting Block facilities. And 22 clients "graduated" from the program by moving on to their own facilities and even building their own licensed kitchens.
- An estimated two to three jobs are created by each client.
   Success stories include Good Life Granola, Uncle Gene's
   Backwoods Pretzels, Wee Bee Jammin', and Mother Mary's
   Canning.
- There are currently about 30 clients who use The Starting Block on a regular basis.
- To get started, with the assistance of the Michigan Food and Farming Systems (MIFFS), The Starting Block applied for and received a \$283,700 grant in 2003 from the U.S. Department of Agriculture (USDA). It also received a \$40,000 planning grant from the Michigan Economic Development Corporation (MEDC).

- The organization is a USDA-inspected meat processing facility, making it just one of a few such kitchen incubators in the nation that are able to process meat products, such as jerkies, sausages and meat-filled products. A \$225,000 Grant from the MI Economic Development Center was received in 2012 in part to construct a separate meat-processing building on site.
- The organization is also unique in that its facility is registered as an FDA Food Facility, with the ability to produce acidified foods, such as pickles, barbecue sauces and salsas.

#### **Participation**

- The Starting Block was launched by Ron Steiner, a retired computer marketing entrepreneur, who also served as the executive director of Oceana County's Economic Development Corporation, with the assistance of Jane Dosemagen and Jim Henley, former restaurant operators, and support from multiple organizations and individuals.
- The City of Hart and Hart City Manager Stanley Rickard were particularly helpful in getting the program started and





securing the facility. A Michigan Community Development Block Grant (CDBG) of \$250,000, closely matched by an Economic Development Administration (EDA) grant in 2008, applied for with The City of Hart, provided the cost of the building and start-up equipment.

- A seven-member board of directors oversees the non-profit organization making big-picture decisions.
- Other key participants and supporters included Michigan Partnership for Product Agriculture (MPPA); Michigan Food and Farming Systems (MIFFS); the USDA; Michigan State University's Project Green; MSU's Product Center; and West Shore Community College.
- Dosemagen and Henley said Cathy Martin, licensing inspector for the Michigan Department of Agriculture and Rural Development (MDARD), has been particularly helpful on licensing issues not only for The Starting Block, but also for each client that must get licensed by the MDARD before producing product at the kitchen incubator. They added that having a good relationship with the local MDARD inspector is vital, and also credit the MDARD Dairy Inspector, Shawn Lee, with being very helpful.

#### **Budget**

A feasibility study estimated a total cost of \$1.2 million to get The Starting Block off the ground, but Steiner, Dosemagen and Henley were able to start it for one-third of that (approximately \$400,000). Key to this was extensive networking, pooling their interests and talents, and buying used equipment.

#### **Funding**

Initial funding for The Starting Block came from a federal USDA Rural Development grant, and state grants from the Michigan Economic Development Corporation and MIFFS.

#### How to Start a Kitchen Incubator

- Study. A feasibility study into the viability of a kitchen incubator in the Hart area was conducted as part of a requirement to get the initial USDA start-up grant.
- Research. Do research to learn from others. Before making any major decisions about the facility, Steiner, Dosemagen and Henley visited one of the first kitchen incubators in the nation—the Appalachian Center for Economic Networks in Athens, Ohio.
- Collaborate. Create an entrepreneurial atmosphere that is conducive to sharing, networking and collective problem solving. Two elements that drive this type of atmosphere are the culture and the leadership.
- Help when asked. The Starting Block staff give an initial training to new clients but then get out of the way. Their approach is to help when clients ask. Clients are encouraged to share successes and failures and learn from each other.

#### **Lessons Learned**

- Collaboration is key. Working with others and networking is an important part of The Starting Block's business philosophy. Buy used equipment. It was more work, but buying used equipment instead of new saved the program tens of thousands (possibly hundreds of thousands) of dollars.
- Hire people who can do the work. Steiner knew Jane Dosemagen and her husband, Jim Henley, because he would dine at the restaurant they owned in Hart. Steiner knew their restaurant experience would be invaluable.
- Purchase only what you need. Some incubators purchase too much equipment at the beginning. It's important to have the basic equipment, but then add other equipment as you go.

For more information on this Case Study, contact Matt Bach, director of media relations for the League, at 734-669-6317 or mbach@mml.org. To see the complete Starting Block Case Study, and a full listing of the League's Case Studies, please visit placemaking.mml.org.





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## CAPITAL CONFERENCE

#### Legislator of the Year Awards



State Representative Andy Schor (D-Lansing) and State Representative Dave Maturen (R-Vicksburg)

#### Legislative Staffer of the Year



Craig Ryan, director, Senate Majority Policy Office

#### Honorary Lifetime Membership **Award**



Colleen Layton, director of policy development, Michigan Municipal League

#### Community Builder Award



Marja Winters Farrow, former Benton Harbor assistant city manager and director of community and economic development

#### Jim Sinclair Exceptional Service Award



Lois Allen-Richardson, mayor pro tem, Ypsilanti and Scott Erickson, city manager, Ironwood

#### Michael A. Guido Leadership & Public Service Award



George Heartwell, former mayor, Grand Rapids with Rosalynn Bliss, current mayor, Grand Rapids

#### **Ambassador Award**



Suzanne Pixley, mayor, Eastpointe

### 2016 AWARDS

#### Level 1 Graduates



Scott Kincaid, Jacqueline Poplar, Monica Galloway, Yvonne Ridge, Alan Kideckel, Brenda Moore (in back), Cardi DeMonaco, Sandra Howland (in back), Andrea Karpinski, Andy LeCureaux (in back), Lisa Hicks-Clayton, Mickey Carothers. Not pictured: Victoria VanBuren, Eric Mays, Wantwaz Davis, Willard Redman.

#### Level 2 Graduates



Andy LeCureaux, Brenda Moore, Rusty Showalter

## CAPITAL CONFERENCE

#### Capital Conference 2016 Recap

The League's municipal finance reform campaign was the theme at this year's Capital Conference. Flint and Detroit are prime examples of the need for reform. Flint Mayor Dr. Karen Weaver reminded the audience that her city will need substantial financial help, but they are determined to rise again. A panel of judges involved in Detroit's bankruptcy shared the intricacies of some of the deals that brought the city out of bankruptcy.













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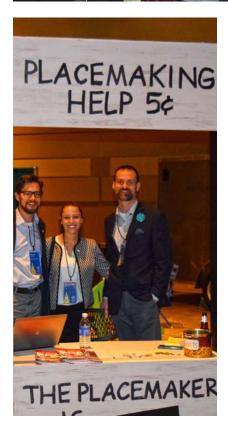
















Attendees got a knowledge boost on many other topics—everything from neighborhood revitalization and evaluating municipal programs to the new mobility industry and Dark Stores. In between sessions, there was plenty of time for networking with colleagues and visiting all the vendors in the Expo Hall. Members even had a chance to get up close and personal with a lynx and several other wild animals.

For more details, visit our Capital Conference website. To learn about the League's municipal finance reform campaign, including the Revenue Sharing Data Lookup tool, visit SaveMiCity.org.

### flickr

For all the photos from this year's Capital Conference and other League events, go to mml.org/flickr.

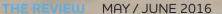
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Generate Sturgis Powers **Up Local Businesses** 

By Lisa Donovan

Our purpose is to test projects, try new things, and be creative and innovativejust like an entrepreneur would be.











1. Business Boost at State Line Golf Center 2. Michiana Millworks 3. Se-Kure Domes and Mirrors

winging golf clubs were on hiatus at State Line Golf Center in the spring of 2014. In their place was a swarm of volunteers from the Sturgis community, armed with hammers, saws, paint brushes, and whatever other tools they needed to help revive the once-popular entertainment venue. New owner Lori Owen was right in there with them, adding her own brand of labor and financial assistance to the mix.

For several months, more than 65 individuals and businesses donated labor, supplies, and expert services toward everything from roofing and siding to new range mats, landscaping, and signage. A marketing plan complete with a new website and Facebook page were also part of the deal.

"It has boosted everything! It's a total transformation. I got most of my five-year plan done in three months," said Owen, a Sturgis native who recently moved back to town. "I've had so many compliments and people really enjoy being out here."

Owen had won a lottery of sorts. She was the lucky recipient of the Generate Sturgis Business Boost, which City Manager Mike Hughes describes as a business version of Extreme Home Makeover. Business Boost was the brainchild of Phyllis Youga, a member of the Generate Sturgis team who led the project. The goal was to boost the potential success of an area business, increase awareness of Generate Sturgis as an entrepreneurial resource, and benefit the broader community.

"It was the easiest ask I've ever done," said Youga, marketing director for Sturgis Hospital. "People had fond memories of this place when they went there as kids and teenagers."

Michael Wilson, who chaired the Generate Sturgis team until recently, was more than pleased with the results of the project. "For less than \$5,000 in seed money, we were able to create \$60,000 in improvements," said Wilson.

#### **Launching Generate Sturgis**

Business Boost is one of many programs implemented by Generate Sturgis, a volunteer committee which got its start during a 2010 Michigan State University program called Creating Entrepreneurial Communities. Since then, the GS team has been comprised of representatives from the city, Sturgis Area Chamber of Commerce, Sturgis Improvement Association, and various local entrepreneurs and professionals.

"The group dynamic is always evolving. We decide which projects we're going to do, then figure out who we need to get it done," said Hughes. "We're very fluid. That's one of our benefits."

Generate Sturgis views itself primarily as a connector to resources, with the mission of creating a positive community culture that embraces, supports, and nurtures entrepreneurs. Under Michael Wilson's guidance, the team began by creating a strategic plan and holding focus groups with entrepreneurs to get a bead on what type of help they needed.

"A lot of entrepreneurs could have used a mentor. And a lot of businesses didn't know what they didn't know, so that got them in a pickle sometimes," said Wilson.

#### **Activating The Generate Sturgis Mission**

Entrepreneurs now have access to mentorship services through the Sturgis Area Chamber of Commerce's Business Advocacy Committee, which is comprised of professionals ranging from lawyers and accountants to bankers and real estate agents. These professionals are willing to meet with entrepreneurs at no charge and point out important factors they need to consider as they start or expand their business.

"People have dreams, which is great, but they need to have reality checks, too," said Cathi Abbs, the chamber's executive director. "We want people to know what they're getting into





4. Carey's Cakery 5. Limelight Photography

and what it will take to succeed. We're lucky to have access to that information."

Generate Sturgis also used information gathered from the focus groups to create some programming. One of the first programs put into motion was the Business Idea Contest. This event gave entrepreneurs an opportunity to pitch their plan for a new venture and earn cash prizes. At Entrepreneurial Coffee Chats, small business owners were invited to speak about their path to success, and representatives from schools and business assistance groups were on hand. Another spin on business support was the Buy Sturgis Holiday Expo, where local businesses ranging from manufacturing to retail came together to display their products and services.

"Our purpose is to test projects, try new things, and be creative and innovative—just like an entrepreneur would be," said Hughes. "We're always looking for new, cutting edge projects."

Perhaps Generate Sturgis' most successful project is Business Conduit—BIZCON for short—a partnership with radio outlet WBET and the *Sturgis Journal* newspaper. Each month, a local business is highlighted in both a radio interview and newspaper story to make area residents aware of all the great things happening in the business community. To date, more than 20 businesses have been featured in the BIZCON series, including Michiana Millworks, Carey's Cakery, Se-Kure Domes and Mirrors, and Limelight Photography.

BIZCON participants also receive a plaque, which is displayed at city hall. "We want people to see the whole wall of entrepreneurs in our community," said Hughes. "It shows how much we appreciate their investment and the risks they take."

All of the Generate Sturgis projects are funded in part by the Sturgis Improvement Association, a 100-year-old nonprofit organization focused on business and community development. Every year, the GS team presents SIA with their strategic plan, including projects and budgets, and follows that up with monthly updates.

"We fund projects that stay focused on the culture of entrepreneurism, touch as many people as possible in the community, and build an understanding of who entrepreneurs are," said John Wiedlea, who wears many hats in the community, including chairman of the Sturgis Improvement Association, member of Generate Sturgis, and founder and president of his own company, Automation Plus, Inc.

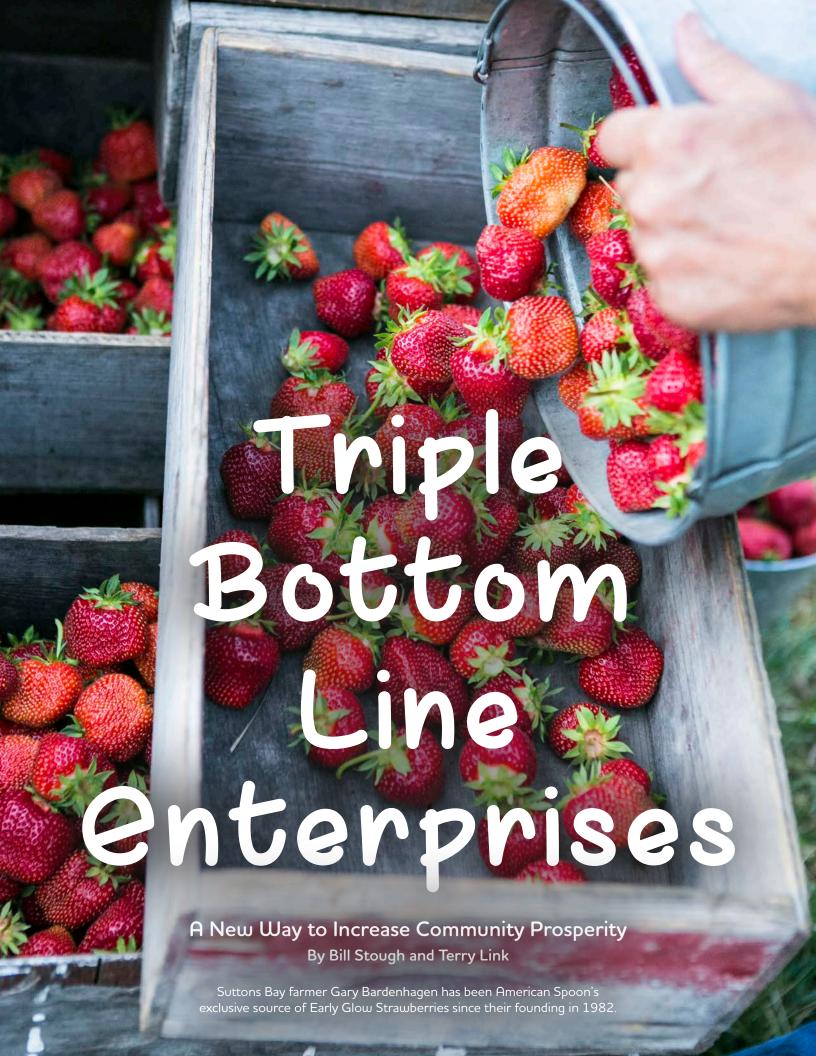
#### Ingrained In The Community

The entrepreneurship goals of Generate Sturgis have now become such an integral part of the community that the city has adopted similar goals as part of its own strategic plan.

"We've really embraced the cultural importance of entrepreneurs and the importance of growing businesses in Sturgis," said Hughes. "We have an open mind for things that aren't standard in local government. We take a hard look at how we do things to make sure we're not stifling small business growth."

The city's pro-business stance has not gone unnoticed, particularly by the Sturgis Area Chamber of Commerce. "Isn't it nice to have government wanting to help the business community?" said Abbs. "I've had other Chambers ask if we work with the city on events, and I say 'Yes, our city is here to help not hinder.' We're thankful for our people at city hall. We have a great working relationship."

Lisa Donovan is a communications coordinator and editor for the League. You may contact her at 734-669-6318 or Idonovan@mml.org.



newly emerging business model is quietly taking root in many communities throughout Michigan. Based on a triple-bottom-line (TBL) value system, these enterprises simultaneously pursue bottom line improvements in three areas: environmental, social, and economic outcomes for their businesses, their employees, and their communities.

A new report, "Attracting and Retaining Triple Bottom Line Enterprises: The Possibilities to Increase Community Wealth," recently found that economic development organizations are missing opportunities to increase community health and wealth by not identifying, nurturing, and promoting their local TBL businesses. The research, sponsored by the Center for Regional Economic Innovation at Michigan State University, posed the question, "What are economic development organizations doing to foster TBL enterprises?" According to all but one TBL company interviewed, economic development initiatives played no role in the success achieved by the entrepreneurs that started the enterprises studied. Given the loss of job growth reported in most communities, the report recommends that communities consider intentional programs for the growth of TBL entities.

### Why A New Approach With A Focus On Community Well-Being?

Most vital communities in North America have an economic development approach aimed at attracting and retaining businesses or other enterprises to help create jobs. So why should economic development concentrate on TBL enterprises? The simple answer is that, unlike imported businesses, the impact of TBL businesses on full community development tends to be stronger than non-TBL businesses because their commitment to community is embedded in their very existence. They are led by passionately involved leaders who see their success tied directly to the success of the communities in which they are located.

For TBL entrepreneurs interviewed in the report, place-based activities are an important reason to be in business; they love and support the communities where they live and want to create successful enterprises to take advantage of the close proximity of their extended family, circle of friends, and other social networks that enrich their lives. These are the very companies that are unlikely to be lured away because of tax incentives or other economic subsidies.

Thriving local TBL businesses share their wealth with the community. The report found that, once established, these companies are highly profitable, pay higher than average wages, invest in life and job skills of employees so that they can grow with the business, offer above-average benefits, and contribute generously to community institutions that work to improve the quality of life for all residents.

A key lesson learned from the report is this: Profit alone is not enough to satisfy the personal ambitions of TBL leaders. Once established and successful, TBLs are less likely to leave a community they are committed to from the start. They also tend to be better places of employment. Finally, their commitment to environmental stewardship improves the communities in which their employees and customers live and, along with other TBL businesses in the community, they serve as a more attractive magnet for retaining and drawing new talent to the community.

### Examples Of Community Wealth Generation By TBL Companies

American Spoon is a premium artisanal fruit preserve and condiment manufacturing and retail company located in Petoskey. As early as 1972, the founder started identifying high-quality fruit growers for their products. Today, they still work with their supply chain to educate and train them on organic growing principles and to optimize adherence to company values and mission, which maintains their high product quality standards and safeguards the unique fruit varieties and taste found in Northern Michigan. From an environmental and social perspective, the many small familyowned farms in the region may have long ago gone out of business without the steady demand from American Spoon to help their rural workforce and supply chain thrive.

Brewery Vivant was founded in 2010 in Grand Rapids and is celebrated as the first U.S. Green Building Council LEED certified commercial micro brewery in the world. It is housed in a refurbished historic funeral home, where the setting elicits the feel of an old world monastery where monks brewed Belgian beer. Most ingredients for their beer and food are from local sources. The company encourages workers to identify paid time to volunteer with community initiatives and shares its profits with workers. Beyond profits, Brewery Vivant also allocates 1 percent of sales to its local charity partners, including 25 percent of all fundraising donations to the local neighborhood association. This allows them to strategically cultivate relationships in the community and keep the money flowing in a circular manner, thereby enriching all.

Zingerman's, a world-renowned specialty food company that helped start the "slow-food" movement, started as a deli in 1982 but has evolved into other employee-inspired and -run businesses. They include a community training center called ZingTrain, restaurant, farm, candy manufactory, bakery, catering service, creamery, coffee company, and mail order company, all in and around Ann Arbor. The success of Zingerman's values-based approach has evolved into a self-incubator for employee-inspired opportunities for spin-off worker-owned and -operated businesses. One of the company's Guiding Principles states, "It is our chosen responsibility to make substantial and significant contributions in order to strengthen the health, social, educational, and cultural fabric of this community." Since 1988, the majority of corporate giving has focused on eliminating hunger in Washtenaw County.





#### How Can Your Community Take Advantage Of This TBL Entrepreneurship Trend?

No community should depend just on the traditional strategy of luring large out-of-region corporations to their area. Every community needs to create parallel development goals that focus simultaneously on developing local TBL businesses. To begin, ask if your community currently has:

- 1. A working definition of a TBL business
- 2. Identified businesses that meet this definition
- 3. Developed an inventory of TBL business needs
- 4. Identified incentives to promote TBL development
- 5. Created a TBL "Community Roadmap" to support and grow this emerging trend in local economic development

#### Are You Ready To Take The Next Step?

For a detailed presentation on the report's findings and to learn how your community can get started on new strategies that enhance your TBL economic development goals, contact the report's authors, Bill Stough and Terry Link.

Bill Stough is CEO of Sustainable Research Group. You may contact him at 616-301-1059 or bstough@sustainableresearchgroup.com.

Terry Link is president of Starting Now LLC. You may contact him at 517-651-2005 or link@msu.edu.





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DETROIT ANN ARBOR TROY LANSING KALAMAZOO GRAND RAPIDS CHICAGO



estled in Ann Arbor's historic Broadway district, TechBrewery plays host to a community of tech entrepreneurs and their colleagues who gather every Friday for Beer:30. This TechBrewery tradition gives its attendees time to give and receive input, crack open a cold one, and share a collective nod to the entrepreneurs who constructed the building as a brewery in 1886.

For Dug Song, TechBrewery's founder, Beer:30 is only one of the many things that sets TechBrewery apart from other, more traditional co-working spaces and fosters a culture of collaborative innovation among entrepreneurs. Having successfully piloted information security firm Duo

Security, his own startup, to success, Song understands that fledgling businesses are more apt to thrive in a supportive atmosphere. "In order to see companies grow here, we have to create environments in which they can," said Song. "It's about sharing, about giving to get, and we pay it forward as a business community and as a community of technologists helping each other."

The result of a joint effort between Dug Song and building owner Doug Smith, TechBrewery opened its doors in 2009 and now serves as a thriving hub for Ann Arbor's everevolving tech community.









#### From Unoccupied To Inventive

In 2009, Dug Song perceived that, although Ann Arbor had the potential to support a thriving tech community, Michigan's dominant culture of 'big company, big salary' business held the area back from fully embracing an entrepreneurial mindset. If Ann Arbor failed to foster companies that diverged from the state's traditional auto industry roots, it ran the risk of depending on California tech companies looking to outsource their cheaper labor needs to an economically desperate Michigan.

As a result, Song was eager to help create an ecosystem where startup founders and fledgling companies could find success. "It takes a community to raise and support a startup economy," said Song. "Create enough companies and the jobs will be there."

Enter Doug Smith, owner of Ann Arbor's historic Northern Brewery. While Song aimed to grow Ann Arbor's startup economy, Smith was faced with a quandary of his own: how to fill an office space in Northern Brewery recently vacated by online streaming service Zattoo. After Song, a former employee of Zattoo, approached Smith with his goal of spurring Ann Arbor's tech community forward, the two realized that they could team up and create a mutually beneficial arrangement.

One gentlemen's handshake later, TechBrewery opened its doors to local tech entrepreneurs looking for a relaxed yet

collaborative environment in which to grow their business. TechBrewery quickly became a staple of the Northern Brewery building, offering shared or dedicated desks to its many startups at \$75 per month and \$225 per month, respectively, to cover the aggregate monthly rent. Other costs, like shared office appliances and Friday's beer, are covered by a contributory model in which individual tenants chip in for items they'd like to use.

Over the past seven years, TechBrewery has grown and changed, and the startup population has fluctuated between low occupancy points and wait-list points. Smith indicates that it certainly hasn't been without its challenges, the most transformative of which was perhaps the real estate aspect. Smith explained that the needs of startups differ dramatically from the needs of a traditional long-term tenant. Startups grow and shrink erratically; a business present one month could be nonexistent by the next.

Despite the unpredictability, however, Smith says that more than half the building is filled with groups that have spun out of TechBrewery. Overall, he says, the experience has been great for business, self-sustaining, and even personally fulfilling.

#### Sustaining A Startup Culture

At TechBrewery, the co-working space is not the only thing that's held in common. Technologists also share their ideas,

unique talents, and most importantly, their support. When individuals reach out for help with things like marketing or tech specifics, they find a community eager to provide input. "They're all at a similar state of growth," says Song. "The kind of problems that companies deal with in the early stages may sound mundane but can really kill a company."

Scott Goci, TechBrewery community leader, calls a desk in the co-working space home. He oversees the space's basic operation, manages the website, and works as a web developer. Like Song, he indicates that having the support of those facing similar circumstances or obstacles can be reassuring, and tenants choose to call TechBrewery home for this very reason. "People are taking these risks into new ventures," says Goci. "They don't want to feel alone."

TechBrewery has moved almost 50 startups through its space, some of whom have dropped out of the game, but many others have attracted the interest of investors and remain in full operation. Of those startups still in existence, many, like Song's own business, are still in the Ann Arbor area and continue to support its growing tech economy. Others, like technical experts Alfa Jango, have even acquired their own space in the Northern Brewery building after outgrowing the TechBrewery co-working space.

"TechBrewery was perfect for us starting out as it provides a great atmosphere," says Steve Schwartz, Alfa Jango founder. "We were able to easily move into offices across the hall when we outgrew the co-working space, and then again down to our current office in the basement after we outgrew that."

Today, TechBrewery serves as an irreplaceable part of Ann Arbor's thriving and highly interconnected technology community, along with organizations like a2geeks, Ignite Ann Arbor, Ann Arbor Mini Maker Faire, and A2 New Tech Meetup. It's a cooperative space in which entrepreneurs diving into new endeavors can work together, sharing in each other's obstacles and triumphs.

Indeed, TechBrewery and its many occupants have put a new, interesting spin on Ann Arbor's historic Broadway district, turning it into a center of innovation dedicated to creating an economy in which they'd like to participate. But building-owner Doug Smith can't imagine Northern Brewery any other way. "We didn't design or build it," he says. "It just kind of grew."

Samantha Audia is an intern for the League. You may contact her at saudia@mml.org.





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# Disrupting Transportation

The Emerging Role of Ridesharing Services

By Rick Haglund

idesharing services Uber and Lyft have been operating in Michigan for only a few years. But they've already started to transform personal transportation in parts of the state and could eventually influence how local communities spend money on everything from parking structures to public dial-a-ride services.

Pretty impressive for companies that state officials say are operating illegally in Michigan.

Uber and Lyft use smart phone apps that allow people to arrange for rides from personal vehicle owners who contract with those companies. Their ridesharing services are highly popular, particularly among tech-savvy millennials. "In every way, rideshare appeals to the sort of innovative adaptability that my generation champions," Michigan Municipal League intern Samantha Audia wrote in a recent blog post.

#### Which Lane Are They In?

Uber and Lyft say they aren't transportation companies, but rather are developers of software that allow those seeking a ride to connect with those who want to provide it.

The Michigan Department of Transportation doesn't see it that way. MDOT says ridesharing services are subject to the Michigan Limousine Transportation Act, which requires MDOT to certify a third-party inspection of vehicles and for the vehicles to be properly insured. MDOT has issued cease-and-desist orders to Uber and Lyft, but does not have the authority to enforce those orders, which have been ignored, spokesman Jeff Cranson said.

#### To Regulate Or Not?

Meanwhile, the state Legislature has been grappling with proposed regulation of these services, which operate similarly to the heavily regulated taxi business. Taxi operators complain that ridesharing services have an unfair competitive advantage in pricing because they don't have to abide by the same rules and pay the same fees as cabs. Uber operates in Ann Arbor,

Flint, metro Detroit, Grand Rapids, Lansing, and Kalamazoo. Lyft operates in Ann Arbor and Detroit.

Pending legislation in the state House would require the state to license ridesharing services and would prevent local units of government from regulating these services. Backers say statewide rules would prevent a confusing patchwork of local regulations.

The state Senate has taken a different view. A bill in that chamber would leave regulation of ridesharing services up to local units of government. "They're at a standstill," said John LaMacchia, assistant director, state affairs at the Michigan Municipal League. "There's been zero movement in the past five or six months. We don't know where this will go."

Faced with inaction on the state level, municipalities are using a variety of tactics in dealing with ridesharing services, ranging from operating agreements to no regulation at all. Some say they want to encourage ridesharing services to serve their communities because of dissatisfaction with taxi services and spotty public transportation. "The transportation system in our region is disconnected and not fast," said Melanie Piana, Ferndale's mayor pro tem. "People are looking for other ways to get around."

The city of Detroit recently struck operating agreements with Uber and Lyft that require the services to conduct police background checks on drivers, provide proof that drivers have commercial-grade auto insurance, and establish vehicle inspection programs. The companies do not have to pay driver registration fees, which cost as much as \$2,000 for taxi drivers.

Communities in the Lansing area have taken a regional approach to ridesharing regulation. Lansing and East Lansing formed the Greater Lansing Taxi Authority in 2014 to streamline taxi regulations in the two cities. Since then, Delhi, Delta, Lansing, and Meridian townships, and Michigan State University have joined the authority.

The authority doesn't license ridesharing services, but East

Lansing City Clerk Marie Wicks told the Lansing State Journal that Uber plans to register with it and pay the authority's \$1,500 fee. The authority will be able to review Uber's records upon request, she said.

Uber has faced much criticism about the behavior of some of its drivers, including in the Kalamazoo area where Uber driver Jason Dalton is accused of killing six people and wounding two others while on duty.

Kalamazoo City Clerk Scott Borling said the city is waiting to see what the state might do before deciding whether to regulate ridesharing services. "We have a taxi ordinance, but Uber doesn't fit neatly into the pigeon hole of our ordinance," he said. "We're taking a wait-and-see approach."

Grand Rapids also doesn't plan to regulate ridesharing services, but at presstime was revamping its taxi regulations to "level the playing field" with Uber, said City Clerk Darlene O'Neal. Flint does not regulate ridesharing services. Ann Arbor, which has issued cease-and-desist orders to Uber and Lyft, has been trying to reach operating agreements with the services.

#### **Cost-Saving Alternative**

Experts say local governments, burdened with the rising costs of providing public transit, could benefit from partnering with lower-cost ridesharing services. Federal law requires transit agencies to provide expensive "demand response" services, such as dial-a-ride, for people with limited mobility.

A recent study by the Brookings Institution found that contracting with Uber and Lyft to provide those services could cut the cost of providing demand response trips in half. There are a number of potential roadblocks to such partnerships, though, including likely opposition from unionized transit drivers and a low penetration of smart phone use by elderly and disabled people who use dial-a-ride type services.

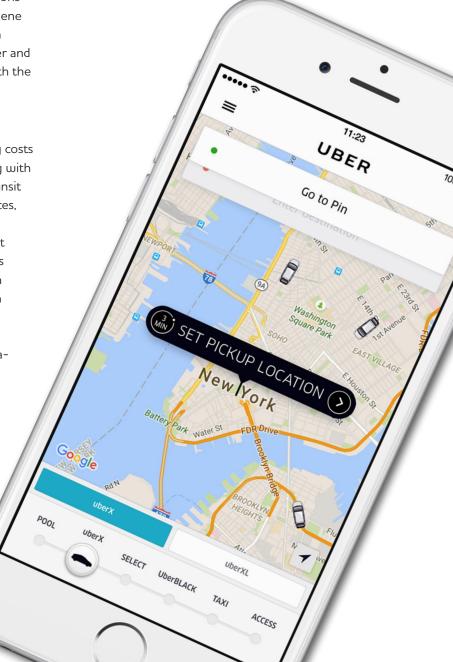
Longer term, ridesharing services and car-sharing services such as Zipcar could result in fewer cars on the road. That could result in local governments having to spend less money on road repair and parking capacity in downtown areas.

"As we look longer range, a combination of ridesharing, car-sharing, and bike lanes can create walkable communities where transportation is seamlessly interconnected. That could have an impact on how much we need to invest in building new roads," said Richard Murphy, a program coordinator

at the Michigan Municipal League. "Look at how much land is tied up in roads and parking, and how much downtown development authority budgets are poured into parking lots and garages."

Internet-based technologies have disrupted numerous industries, including travel agencies, retailing, and the newspaper business. Ridesharing services are likely to do the same thing to transportation, regardless of government attempts to regulate them.

Rick Haglund is a freelance writer. You may contact him at 248-761-4594 or haglund.rick@gmail.com.



#### Northern Field Report



Ray Johnson, CEO of Innovate Marquette SmartZone, moderates a panel discussion

## INNOVATE MARQUETTE SMARTZONE

#### A Launch Pad for U.P. Entrepreneurs

By B.J. Alden & Kristen Alden

Pechnology business acceleration and incubation have been a growing part of Michigan's economic ecosystem since the first SmartZone showed up in 2005. SmartZones are regionally based technology hubs designed to stimulate entrepreneurship and economic growth of Michigan's technology sectors through the promotion of resource collaborations between local universities, industry, research organizations, government, and other community institutions. Today, there are 16 of these districts in the state—all working in alignment with the Michigan Economic Development Corporation's mission to grow technology-based businesses and create jobs—with the new Innovate Marquette SmartZone rapidly picking up momentum in the Upper Peninsula as their 10-year strategic plan leaves the launch pad.

In September 2015, Marquette was introduced to serial entrepreneur Ray Johnson from Boulder, Colorado. As CEO of Marquette's new SmartZone, this experienced tech-industry executive is aiming to help Marquette—in his words—"build a world-class entrepreneurial ecosystem in support of existing business and new start up ideas in the area." He is the ideal leader for this important role, with over 20 years of high-tech industry experience and a proven track record of building, financing, leading, and scaling start-

up companies from the early proof-of-concept stage to successful global ramp and profitable exit.

#### Launching Innovate Marquette

Marquette has seen its new SmartZone's strategy start to unfold with great community receptivity—with some of Innovate Marquette's goals and strategies present in outreach events, such as their Entrepreneurs on Tap series held at the Ore Dock Brewing Company. This monthly collaboration with 40 Below, a Marquette networking group, is delivering the SmartZone's resources directly to Marquette's thriving young professionals, exposing them to ways to start and bring to market their business ideas. "From that first event alone, four people came forward with ideas suitable for the SmartZone's pilot 'Launch Pad' coaching program for start-up founders," said Johnson.

With so many organizations in the region already professing to be supporters of start-ups and entrepreneurs, it can be confusing to someone interested in developing their business. 'Where do I go with my idea?' is a common question. Innovate Marquette decided to directly address this confusion and—along with the Marquette Chamber of Commerce—organized the area's first Entrepreneur's Ecosystem Meet-Up event at Northern Michigan University

in January. "There is no wrong door," said David Ollila, participant and founding director of Invent@NMU. Since the meet-up, new entrepreneurs have been coming forward to Innovate Marquette and the other organizations, at the rate of 4 or 5 per month, with dreams, fresh ideas, and the confidence that support is not just available, but abundant.

#### Surviving the "Valley of Death"

In the past 25 years, over 90 percent of net new jobs created in the private sector are by companies less than 5 years old. "We need to figure out how to encourage, train and educate innovators to start companies, then support them through the most difficult point of the funding stage," said Johnson. This stage—referred to by entreprenership.org as the "Valley of Death"—is considered the most difficult step in the start-up process. This occurs after entrepreneurs have exhausted friends, family, and personal funds, but before they are ready for external funding. Innovate Marquette recognizes that entrepreneurs cannot do this alone. They need mentors, advisors, business development executives, low-cost legal help, early-stage investors, and the support of other entrepreneurs to help them traverse this harsh, dry landscape. You can't help each other if you don't know each other.

Which is why Innovate Marquette facilitates connections between the entrepreneurial community and the innovators and thought leaders of Marquette. In February, a well-attended Catalyst for Conversation event promoted by Innovate Marquette and co-hosted by NMU offered an insightful panel discussion by venture capitalists, local angel investors, and SmartZone company clients with Governor Rick Snyder in attendance via livestream. "What you're doing is awesome, and the opportunity that you have in front of you is incredible. So please, be fired up, stayed fired up, and keep moving forward," said Governor Snyder.

There are two SmartZone clients already gaining momentum with the help of Innovate Marquette. One is newly formed 906 Engineering, an engineering firm focused on designing unique snowplow controllers, hydraulic valves, and pumps. The other is NeuroTrainer, a virtual reality athletic training system to help athletes build game awareness and protect themselves from concussions. "Ray has raised close to \$100 million in his career so his hard-earned experience is extremely valuable as I enter this new world of start-up investment," said Jeff Nyquist, CEO of NeuroTrainer.

#### Tapping Into The Investor Network

Entrepreneurs aren't the only ones who benefit from heightened focus on start-ups in the U.P. Potential investors are also seeing opportunity. Innovation Shore Angel Network



Zach Meyer, associate with Varnum Attorneys at Law, presents at a recent Entrepreneurs on Tap session

(ISAN) is a newly formed group of experienced businessmen and women in the U.P. who put startups looking for funding through a four-stage validation process, which can lead to formal agreements between investors and startups to propel these young companies forward.

ISAN held its first investor "pitch" night in Marquette in March, where members heard the pitch presentations of three young SmartZone companies, including NeuroTrainer. "I'd been looking forward to the evening for months and was extremely proud to tell the group about my technology, the progress I have made, and my plan for commercialization," said Nyquist. "The last two years have been the most I've ever worked in my life, so to get to this point was gratifying. I was able to sit back for one brief evening and enjoy the fruits of my labors."

With the discussion ramping up around the community—coupled with a steady stream of informative events—the stage is set for Marquette's SmartZone's strategic plan to play out over the next decade. Innovate Marquette is central to a very tangible entrepreneurial energy that is surging along the North Coast of the U.P., and by serving entrepreneurs, creating new tech-based start-ups, collaborating with key strategic partners and stakeholders, providing community outreach, and sponsoring entrepreneurial education, "Innovation Shore" is poised to be a progressive and supportive start-up business region.

B.J. Alden is executive producer at North Coast Post. You may contact him at 906-226-9459 or bj@northcoastpostmedia.com.

Kristen Alden is art director at North Coast Post. You may contact her at 906-226-9459 or kristen@northcoastpostmedia.com.

#### Legal Spotlight

Sue Jeffers is a legal consultant to the League. You may contact her at sjeffers@mml.org.

# City ordinance prohibiting assault weapons upheld under Second Amendment attack

#### **FACTS**

The city of Highland Park, Illinois, had adopted an ordinance prohibiting possession of assault weapons or large-capacity magazines (those that can accept more than ten rounds). The ordinance defines an assault weapon as any semi-automatic gun that can accept a large-capacity magazine and has one of five other enumerated features. Some weapons were also prohibited by name such as AR-15s and AK-47s. Arie Friedman and the Illinois State Rifle Association sued, claiming that the ordinance violated the Second Amendment of the US Constitution. Friedman argued that the Supreme Court decision of District of Columbia v Heller which held that a law banning the possession of handguns in the home violates the individual right to keep and bear arms secured by the Second Amendment. The Heller court cautioned against interpreting its decision to cast doubt on "longstanding prohibitions," including the "historical tradition of prohibiting the carrying of 'dangerous and unusual weapons." Friedman argued that there is no "historical tradition" of banning possession of semi-automatic guns and large-capacity magazines since semi-automatic guns have been in existence for over a hundred years and the ordinance was enacted in 2013. The Heller court also noted that state militias, when called to service, often had asked members to come armed with the sort of weapons that were "in common use at the time" and that such were protected by the Second Amendment while military-grade weapons such as machine guns were not.

#### QUESTION NO, 1

Should a law that prohibits possession of semi-automatic guns and large-capacity magazines be overturned on Second Amendment grounds if there is no historical tradition of prohibiting such weapons?

## ANSWER ACCORDING TO THE SEVENTH CIRCUIT COURT OF APPEALS: NO. The Seventh

Circuit found that simply because semi-automatic rifles have been

marketed for civilian use for over a hundred years, Highland Park was not precluded from adopting an ordinance banning their use. The Court also noted that previous Supreme Court decisions contemplated that the type of weapons properly in private hands for militia use might change through legal regulation.

#### QUESTION NO, 2

Is a test that asks whether a regulation that bans weapons that were common at the time of ratification of the Second Amendment, i.e., 1791, or those that have "some reasonable relationship to the preservation or efficiency of a well-regulated militia," and whether law-abiding citizens retain adequate means of self-defense an appropriate inquiry as to the regulation's validity?

# ANSWER ACCORDING TO THE SEVENTH CIRCUIT COURT OF APPEALS: YES. The court held that

although the features prohibited by the Highland Park ordinance were not common in 1791, the weapons banned may have a relationship to the preservation of a state militia. Nonetheless, states, which are in charge of militias, should be allowed to decide when civilians can possess militia-grade weapons. The court further found that citizens still have adequate means of self-defense.

Friedman v City of Highland Park, No. 14-3091 (April 27, 2015)

EDITOR'S NOTE: On December 5, 2015, the United States Supreme Court denied certiorari to hear an appeal of the Seventh Circuit decision.

This column highlights a recent judicial decision or Michigan Municipal League Legal Defense Fund case that impacts municipalities. The information in this column should not be considered a legal opinion or to constitute legal advice.

#### Attorneys

# GARAN LUCOW MILLER P.C.

#### John J. Gillooly Municipal Law

jgillooly@garanlucow.com

313.446.5501

www.garanlucow.com
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#### Q. What is a local government charter?

A. A charter is similar to a local Constitution—it prescribes procedures to be followed in operating local government and establishes the powers and duties of elected officials. Michigan is a home rule state, and home rule gives the citizenry the right and responsibility to form its own government. This home rule authority is provided in our state Constitution (Article VII Section 22), the Home Rule City Act (PA 279 of 1909), and the Home Rule Village Act (PA 278 of 1909). A charter provides the mechanism for accomplishing the myriad tasks assigned to elected officials to govern their communities. Citizens write the charter and determine what the governmental structure will be to exercise those powers.

## Q. What is the difference between charter amendment and charter revision?

A. An amendment changes, or modifies, an existing charter provision. So, for instance, if your charter provides for the city clerk to be elected to office, and the feeling now is that the clerk should be appointed by the council based on qualifications, experience, etc., then you would change that one area of the charter through a charter amendment.

A charter revision is a tool to redo or completely rewrite an existing charter. It is recommended to use revision instead of amendment if there are many areas in the existing charter that need clarifying. And, it must be used to change the form of government.

# Q. How does a charter amendment or charter revision get on the ballot?

A. An amendment can be accomplished through action of the legislative body, and needs approval by the governor's office before it goes on the local ballot. Or, it can be initiated and prepared by citizens, through a petition.

To revise a charter, a charter commission must be elected from the city or village electorate. These commissioners wield the power of writing a new charter. They have three years to do so, and when a draft is ready it must be approved by the governor's office and then placed on the local ballot.

## Q. How much does it cost for a city to revise its charter?

A. Unfortunately, the League does not have much data on how much municipalities spend on charter revision. The Home Rule City (MCL 117.9) and Home Rule Village Acts (MCL 78.15) both require that the council shall fix in advance of the election of a charter commission the compensation of its members and the money for the expense thereof. The costs include supplies, meeting costs for commissioners, attorney

fees, administrative help, and printing costs. Some charter commissions retain the services of a charter consultant.

# Q. How long is the term of a charter commissioner? What are the qualifications of a charter commissioner?

A. The term of office for a charter commissioner is three years (MCL 117.18). The qualifications for charter commissioners are:

- 1) Home Rule City Act: An elector having a residence of at least three years in the municipality (the three-year residence requirement was held unconstitutional in *Mogk v City of Detroit*, 335 F. Supp 698, 1971). No city officer or employee, whether elected or appointed, shall be eligible to a place on the commission.
- 2) Home Rule Village Act: An elector, to be elected at large on a non-partisan ballot, having a residence of at least two years in the municipality.

The League's Information Service provides member officials with answers to questions on a vast array of municipal topics. Email questions to info@mml.org or call 1-800-653-2483.

#### LEAGUE RESOURCES

(available at mml org)

- Municipal Report: Charter Revision
- One Pager Plus Fact Sheets:
  - Charter Amendment— HRC Legislative Body Resolution
  - Charter Amendment —HRC Initiatory Petition
  - Charter Amendment—HRV Legislative Body Resolutior
- Charter Amendment—HRV Initiatory Petition

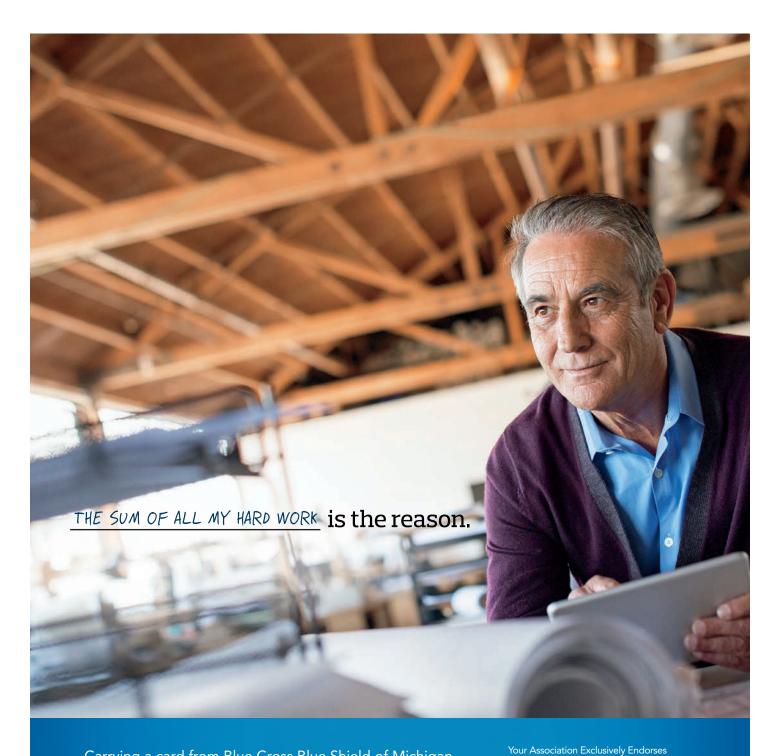
#### • Charter Commissioner Handbook:

Created by the Michigan Association of Municipal Attorneys for citizens on Charter Revision Commissions undertaking the monumental job of rewriting or creating home rule charters.

#### • Online charter database:

This one of a kind database includes information from all 276 home rule city charters on key concepts such as number on council, how the mayor is selected, terms of office of council, how vacancies are filled, fiscal year, etc. Search by geographication, population, and areas of duties/responsibilities.

• Customizable charter provision research (send requests to info@mml.org).



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