



Chapter 4: Local Economy and Market Strategies

Introduction

A strong diversified economy in Midland and the surrounding region is critical to the well being and future success of the city. Midland has several unique advantages – two Fortune 500 companies’ global headquarters, a nationally recognized public school system, a regional hospital affiliated with University of Michigan, and beautiful natural features – that make it a wonderful place to live, work and play. The community draws from several supporting organizations to bring projects together and make them a success. These partners include several local foundations, non-profits and governmental agencies. The City’s Master Plan is based on the understanding of a desired economic future for the city of Midland. Through careful thought and planning, Midland can continue to chart its unique course while providing for its citizens and local businesses.

Every community seeks to provide a strong economic base so that its residents can prosper and that community services are available. The residents of the City of Midland recognize the importance of providing for commercial and industrial economic growth while creating additional tax-base and preserving significant natural features for the community. In today’s global market place where transportation and telecommunication are no longer major hurdles, start-up companies are realizing that their success is based upon a talented and educated workforce, creative ideas and innovation and the ability to adapt at a rapid pace. As an aggressive and enthusiastic supporter of industrial and manufacturing growth, Midland has the ability to attract and retain businesses which support the local economy.

Existing Conditions

Employment Sector Profile

As of March 2012, the number of people in the City of Midland’s civilian labor population aged 16 and over totaled 19,114. Table 4.1 shows the employment in Midland County by industrial NAICS code.

Figure 4.1: City of Midland Employment by Industry NAICS Code, 2Q 2011

NAICS Code	Industry	Employment
31-33	Manufacturing (Continuing Growth Area)	4,654
61,62	Educational services, and health care and social assistance (Continuing Growth Area)	4,457
44-45	Retail trade	2,165
71, 72	Arts, entertainment, and recreation, and accommodation and food services	1,786
54, 55, 56	Professional, scientific, and management, and administrative and waste management services (Continuing Growth Area)	1,256
81	Other services, except public administration	981
52, 53	Finance and insurance, and real estate and rental and leasing	978



23	Construction	926
22, 48-49	Transportation and warehousing, and utilities	527
92	Public administration	451
42	Wholesale trade	436
51	Information	346
11, 21	Agriculture, forestry, fishing and hunting, and mining	151

Source: US Census Bureau, American Community Survey, 2008 - 2010 Three-Year Survey

These data clearly show that Midland’s economic base is the manufacturing sector, followed closely by the healthcare, educational and retail trade industries.

Future Trends

Future Employment Trends

Midland continues to be a hub of chemical and technology manufacturing. The Dow Chemical Company and Dow Corning Corporation both have their global headquarters in our region, and both maintain significant manufacturing plants in Midland. Over the past five years, both companies have invested heavily in their local manufacturing operations: Dow Corning’s Midland Plant invested \$180 million in site improvements and upgrades while maintaining local employment at 1,350 people, while Dow Chemical has invested almost \$1 billion, including \$132 million from Dow AgroSciences to support manufacturing of existing products and production of new molecules.



Midland is positioned well to capitalize on a burgeoning global technology manufacturing economy. Our chemical and materials manufacturing expertise translates well to advanced technology manufacturing operations, particularly in the alternative energy manufacturing sector. In the past two years, Dow Chemical has announced three major local projects that will drive our future business growth:

- **Dow Solar Solutions**, which manufactures the DOW™ POWERHOUSE™ Solar Shingle. This \$250 million plant is projected to employ over 1200 people.
- **Dow Kokam**, which manufactures advanced lithium-ion batteries for hybrid vehicles. This facility will employ 600 local people.
- The **Dow Business Process Service Center**, a partnership with Tata Consultancy Services, employing over 1200 people, and invest \$45 million into the community.

Moving forward, we see potential employment growth in the community being driven by these expansions into solar and battery manufacturing, with suppliers and bolt-on investment coming to the community to support these growing sectors. High-tech manufacturing and ancillary support services will be crucial to our ongoing employment growth, which follows logically from the numbers in Chart 4.1.



In addition, two other areas of the economy will be important drivers of Midland’s employment growth: health care and business support services. Health care currently contributes to Midland’s second-highest employment number in Chart 4.1, and has undergone significant expansion in the past five years, with a \$115 million addition to MidMichigan Medical Center–Midland and important upgrades to their oncology and cardiology services. Meanwhile, business support (noted as “professional, scientific and management” on Chart 4.1) will continue to expand both at the Dow Business Process Service Center and in related areas to support our other major manufacturers and their investments.

Future Economic Trends and Cluster Development

Industry clusters are groups of interconnected companies in a particular field that are present in a region. The companies involved in a cluster may include suppliers, service providers and supporting educational facilities. Clusters are typically export oriented and have a regional concentration that is higher than the national average, such as chemicals or plastics in Midland’s case, as well as the emerging alternative energy sector. The theory behind clusters is that companies of all sizes can achieve more by assisting one another.



A “cluster analysis” of these particular companies can be useful when describing Midland’s current economic status and planning for future growth. However, the industry clusters in Midland do not only refer to the city, but to the entire county. Midland Tomorrow, the county-wide economic development agency, works to develop resources within the community to attract new firms to these clusters in Midland County.



Additionally, understanding the supply chains for cluster industries and specific companies can increase the effectiveness of international business attraction efforts, through identifying gaps in the chain and being more targeted in attracting related investment.

Midland Tomorrow works closely with economic base companies and accesses other resources in the county to understand the relevant supply chains, with the goal of accelerating strategic business attraction activities through focusing on companies that complement industry/cluster strengths or fill supply chain gaps.



Focused international business attraction will be directed initially toward Japan, driven by an emerging foundation of investment activity in the county, coupled with long standing business relationships and a 30-year Sister City



partnership with Handa City, Aichi Prefecture, which can be leveraged for additional foreign investment opportunities.

Other Trends and Opportunities

Economic Development Zone: Midland’s industrial complex consists of nearly 5,000 acres of existing chemical manufacturing facilities, power generation, research and development, and manufacturing support services. As noted, this area has recently seen new development of over \$1 billion in new manufacturing facilities for alternative energy technology and strategic development of new manufacturing support services. This growth provides an unprecedented opportunity for the community to develop new development tools to build on and encourage new growth in creation of an economic development zone.

In 2012, work commenced in creating the zone through a residential property purchase program within the boundaries of the industrial complex within the City of Midland. These fifty residential areas are surrounded by industry and landlocked by major transportation corridors of Business US-10/M-20 and Saginaw Roads. The Dow Chemical Company launched the property purchase program in partnership with Midland Tomorrow. The properties will be prepped for redevelopment by Midland Tomorrow, and then sold to developers for industrial uses. Other commercial and industrial properties that become available will be strategically evaluated for acquisition by Midland Tomorrow based upon the location within the zone and the overall harmony with adjacent uses.

Additionally, Midland Tomorrow is working with the State of Michigan, the Michigan Economic Development Corporation, and regional and local partners to establish a unique set of tools for use in the zone to expedite new venture formation, technology commercialization, attraction of international technology companies, and establishing new University linkages.

Downtown Development. Midland’s downtown is the heart of this unique community. With the new minor league baseball stadium, the downtown area is poised for growth. Midland’s Downtown Development Authority has been active in beautification projects, including streetscape improvements and building façade programs. Additionally, the DDA is active in sponsoring events such as the Chili & Salsa Taste-Off, Cruise ‘n Car show, Farmer’s Market and several sculpture exhibits, all of which encourage residents to take advantage of downtown dining and shopping.

The Downtown Development Authority has been successful in attracting new investment over the past 5 years. The new \$35 Million restaurant and bar development at The H Hotel has considerably enhanced Main Street and serves to draw additional patrons for dining and entertainment. Two buildings on Main Street have been acquired by a developer and will see demolition and redevelopment in 2012/2013 timeframe. A major remodel and expansion at St. Brigid’s Catholic School, costing \$2 Million, has brought an additional 100 school children to the Downtown on a daily basis.





With the creation of the Great Lakes Loons, the minor league baseball team, and the construction of the Dow Diamond Baseball Stadium, downtown Midland has even more possibilities for retail growth as well as residential housing and mixed-use opportunities. The adjacent, 100 year-old, printing building operated by McKay Press, became vacant and available when the firm moved to a modern state of the art printing facility in Midland. The property has been acquired by developers with a planned 230,000 square foot office and retail complex designed to complement the Dow Diamond. This \$49 Million development is slated to start construction in 2013 and will provide the impetus for additional residential and commercial development.

New Commercial Development. Midland residents crave increased shopping and dining options, particularly in the area close to the Midland Mall, located on the north side of the city between Eastman and Jefferson. Desired retail opportunities in particular include furniture retailers; men’s and women’s clothing stores, and diversified family restaurant selections. Proactive marketing of the City and its market opportunities to leaders within these retail sectors can help to get the attention of those seeking new market and expansion locations. The City can be proactive in recruiting new businesses by providing necessary utility infrastructure, well-maintained transportation corridors and a streamlined planning review process, in areas that currently are not development ready.

The Circle, Center City Corridor

Improvement Authority The area known fondly as “The Circle” in Midland is home to several unique businesses. The Circle can be defined as the commercial district at the intersection of South Saginaw, Ashman Street and Jefferson Avenue. On May 12, 2008, the City of Midland adopted Ordinance #1657 to create a Corridor Improvement Authority along Saginaw Road from the Circle south to Patrick Road. In August of 2008 the City appointed a board of Directors to carry out the intent of the ordinance. A Development Plan was adopted in 2010, outlining proposed improvement projects. A Tax Increment Financing Plan was adopted in 2012, providing one source of funding for the District. The Authority is working to analyze the demographics and business statistics of this area and develop long-range plans to promote its economic growth, primarily through acquisition and construction of public facilities and renovation of existing buildings to spur economic development there. The Authority may finance its activities through rent and leases, donations, special assessments, revenue bonds, and tax increment financing (TIF) plans.





Neighborhood Commercial. Several neighborhoods across the City contain old, often dilapidated former commercial-use buildings. Many were liquor stores or small grocery stores, as well as some light manufacturing or office. The City should encourage the reuse and redevelopment of these buildings to reestablish suitable neighborhood commercial opportunities. The City should also encourage the redevelopment of active neighborhoods by maintaining sidewalks and street lights to provide safe, clean and maneuverable walkways.

In new residential areas, zoning regulations should be reviewed to allow for and encourage new and appropriate neighborhood commercial uses, consisting of convenience stores and services for residential neighborhoods. It is important to assure the provision of adequate buffering and landscaping to make these uses compatible with a residential setting. The buffering techniques are also important to protect the value and character of adjacent homes.

Economic Development Tools

Economic Gardening – Local Business Assistance

Traditionally, and especially in Michigan, economic developers focus on expanding local companies and attracting new ones by making the business climate more favorable for those companies, usually by helping them secure incentives and assisting with their local and state permitting. Midland Tomorrow, the economic development corporation serving Midland County (including the City of Midland) still pursues this approach as a vital component of the assistance they provide local businesses.

However, this traditional model does not address the potential to assist companies in developing their growth entrepreneurially. To address these unique opportunities, Midland Tomorrow also maintains an “economic gardening” program to assist local businesses. Working directly with these companies, Midland Tomorrow helps them develop and commercialize any combination of new products, new customers and new markets, and address the key changes that they may need to make in order to grow, using a combination of in-house knowledge of business development and technology commercialization, as well as the knowledge of partner agencies throughout the region. This assistance can take many forms, including establishing connections with local marketing intelligence providers and other resources, vetting new ideas for commercialization, providing networking opportunities, and reviewing business plans to identify resources to drive growth.

The differences and complementary strengths of each approach are summarized in the following chart:

Traditional Retention and Expansion	Economic Gardening
Annual visits to many companies of all sizes	Focus on second-stage companies with the desire, capability and opportunity for growth
Focus on reducing costs	Assist with developing core strategy
Tools are primarily tax abatements and regulatory assistance	Tools are sophisticated business support services



Work with companies after they have identified their strategies	Meet frequently to build strategy proactively
Connect companies with local resources	Connect companies with local resources

Business Attraction

Most business site selectors will base initial decisions on factors which include transportation availability, facilities, work force, environmental considerations and community support. To remain competitive, Midland must continue to work to diligently in improving and maintaining the following areas.

Utility Infrastructure. Proper utilities, such as water and sewer, gas and electric lines, waste removal, wireless telecommunication coverage, and high speed Internet are all necessary for companies. Companies providing these services include Consumer’s Energy and Midland Cogeneration Venture, one of the largest cogeneration power plants in the US. Midland Cogeneration Venture, with a generating capacity up to 1,500 MW, is responsible for about 10% of the electricity used in Michigan's Lower Peninsula. Midland Cogeneration Venture is jointly owned by CMS Energy (49%), El Paso Corporation (44%), and Dow Chemical (7%)

Transportation. Access to major highways is imperative to the success of any businesses. Midland is conveniently situated adjacent to US-10, which runs east and west. This highway connects with I- 75 15 miles east of the city and with US-27 23 miles west of the city, which each connect with larger cities of Detroit and Lansing, respectively. In addition to the interstate and federal highway, Midland has several state highways that provide access to Mt. Pleasant, Bay City and Saginaw.

Along with the highway system, Midland has access to an international airport, seaport, rail transport and bus service.

- **Airport:** MBS International Airport, located in Freeland, eight miles southeast of Midland, is the fourth busiest airport, in terms of commercial use, in Michigan. MBS is a tri-government facility operated by the City of Midland, the City of Saginaw and Bay County. The City of Midland also owns and operates the Jack Barstow Municipal Airport, located north of U.S.-10, west of Eastman Avenue.
- **International seaport:** Customs port of entry is located 18 miles east of Midland and is connected by pipelines, rail and limited access highways.
- **Rail transport:** CSX, Inc. and Central Michigan Railroad. Amtrak Passenger Service is available in Flint (approximately one hour away).
- **Bus Service:** Dial-a-Ride bus service is available within the City of Midland. Greyhound Passenger service is available in Saginaw and Bay City (both approximately thirty minutes away).

Education. An educated workforce is necessary for the survival of any industry. According to the 2010 US Census, 42.9% of the population had obtained a bachelor’s degree, compared with 25% of the U.S.



population overall. The high percentage of college educated adults in Midland can most likely be attributed to Dow Chemical's and Dow Corning's workforce. Many employees of these companies have relocated to Midland to take high-tech and other professional jobs. Spouses of these employees also tend to be highly educated and seek highly-skilled employment locally. Additionally, Northwood University, a private four-year college is located in Midland and several public universities and community colleges are within a 30 minute drive of downtown Midland. Incentives and Enhancement Programs

The City of Midland offers tax incentives to local and incoming manufacturers and other businesses that meet the relevant criteria. The primary incentive tool is the tax abatement authorized under Michigan Public Act 198 of 1974, which grants a reduction of approximately 50% of real and personal property tax to a manufacturing business for a set period of time. Eligibility for P.A. 198 assistance and the use of these incentives is governed by the City's tax abatement policy enacted in 2011.