

Chapter 10

ECONOMIC DEVELOPMENT

INTRODUCTION

The economy of a region is the driving force behind its evolution. However, while a strong economy does not necessarily relate to a heightened quality of life, a struggling economy almost always assures a decline in the quality of life. A fundamental element of the **Leelanau General Plan** is the establishment of policies to provide for a strong economy within the context of sustainable growth and development. Economic development does not have to occur at the expense of the natural or visual environment. Conversely, peninsula residents do not have to settle for a lower standard of living in the name of environmental protection. A basic premise of the General Plan is that a sustainable, healthy economy is dependent upon a healthy environment, and nowhere is this more true than on the Leelanau Peninsula. (See Working Paper #7 for more background information.)

A basic premise of the General Plan is that a sustainable, healthy economy is dependent upon a healthy environment, and no where is this more true than the Leelanau Peninsula.

ISSUES

As might be expected, residents are deeply concerned that uncontrolled development on the peninsula is negatively impacting the environmental and visual quality. This concern is being fueled by disconcerting economic trends and conditions.

Economic Trends

The peninsula's permanent population increased between 1% - 3% per year since 1990. Between 1990 and 2000, the County's population increased from 16,527 people to

21,119 – an increase of 28%. See Table 10-1. The County's population only grew approximately 3% from 2000 to 2010. See Table 10-2.

Between 1990 and 2000, the County's population increased from 16,527 people to 21,119 – an increase of 28%, and 2.8% between 2000 and 2010.

Most of the population growth experienced on the Peninsula has been the result of the in-migration of new residents, often retirees, from other counties – the number of senior citizens has steadily grown since 1960, particularly in Glen Arbor and Leelanau Townships. Others are often commuters who travel outside the County for work. Many in-migrating residents buy high-value property for retirement or seasonal homes, and many of the new residents come from urban areas with higher levels of public service. The higher property values and increased demands for public services result in greater tax burdens throughout the County, particularly impacting lower- and fixed-income households.

Significant year-round population increases result in the need for expanded services, such as health care and social services, and in the growth of the construction industry, in order to accommodate the demand for more homes. This is reflected in the County's employment patterns. Most of the County's job growth in recent years has been in the construction, service, and retail sectors of the economy. Many of these jobs are low-paying, seasonal, and fluctuate with the economy. In addition, Leelanau County's employees are earning less than their counterparts in the region and the state. And, with the growing population, competition for these jobs will increase as well. The County's labor force grew by about 18% between 1993 and 2003. With limited year-

Table 10-1
2000-2010 Census

Jurisdiction	Population		Population Change, 2000-2010	
	2000	2010	Number	Percent
Bingham	2,425	2,497	72	2.97%
Centerville	1,095	1,274	179	16.35%
Cleveland	1,040	1,031	-9	-0.87%
Elmwood	4,264	4,503	239	5.61%
Empire	1,085	1,182	97	8.90%
Glen Arbor	788	859	71	9.00%
Kasson	1,577	1,609	32	2.00%
Leelanau	2,139	2,027	-112	-5.20%
Leland	2,033	2,043	10	0.50%
Solon	1,542	1,509	-33	-2.10%
Suttons Bay	2,982	2,982	0	0.00%
Empire Village	378	375	-3	-0.80%
Northport Village	648	526	122	18.80%
Suttons Bay Village	589	618	29	4.90%
Traverse City	149	192	43	28.90%
TOTAL	21,119	21,708	589	2.80%

round employment opportunities found within the County, a large portion – about 46% – of the County's labor force commutes outside the County for work, mainly to Grand Traverse County. See Map 10-1. Without diversified economic opportunities, it is likely that the trend towards commuting to work outside of the Peninsula will continue, which will result in increased congestion and traffic safety hazards.

Importance of Tourism and Seasonal Residents

While the tourism industry is most active in the warmer months, it impacts the economics of the peninsula all year. Many of the area jobs are seasonal and do not provide year-round income for workers nor generate year-round sales taxes. Still, tourism dollars continue to increase within the peninsula, which indicates a growing tourism economy. However, due to

Table 10-2
**Projected Population
and Households**

	Projected Population	Projected Households
2020	24,165	10,597
2030	26,477	11,544

difficulties in tracking seasonal populations, there is no clear understanding of the impact of tourism and how it influences individual sectors of the Peninsula's economy. While the full impact is not known, some indicators are insightful.

Due to difficulties in tracking seasonal populations, there is no clear understanding of the impact of tourism and how it influences individual sectors of the Peninsula's economy.

In 1996, the Northwest Michigan Council of Governments prepared a study entitled, "Northwest Michigan Seasonal Population Model," which attempted to quantify the impact of seasonal residents and visitors on the region. Based on overnight visits, the study estimates that, during the summer months, Leelanau County's population nearly doubles. See Figure 10-1. The number of visitors to the County would be much higher if "day trippers" were accounted for. These visitors have an enormous impact on the region's economy. Studies by Michigan State University indicate that seasonal homeowners and visitors to the region spent about \$61 million in 2000.

A large portion of the Peninsula's seasonal population, and a significant economic contribution, can be attributed to seasonal homes. Of the County's 14,935 housing units in 2010, about 4,681 were classified as "seasonal." County-wide, this is about 31% of the housing stock, and in some areas the percentage is much higher. For example, in Glen Arbor Township, 67% of the housing stock is classified as

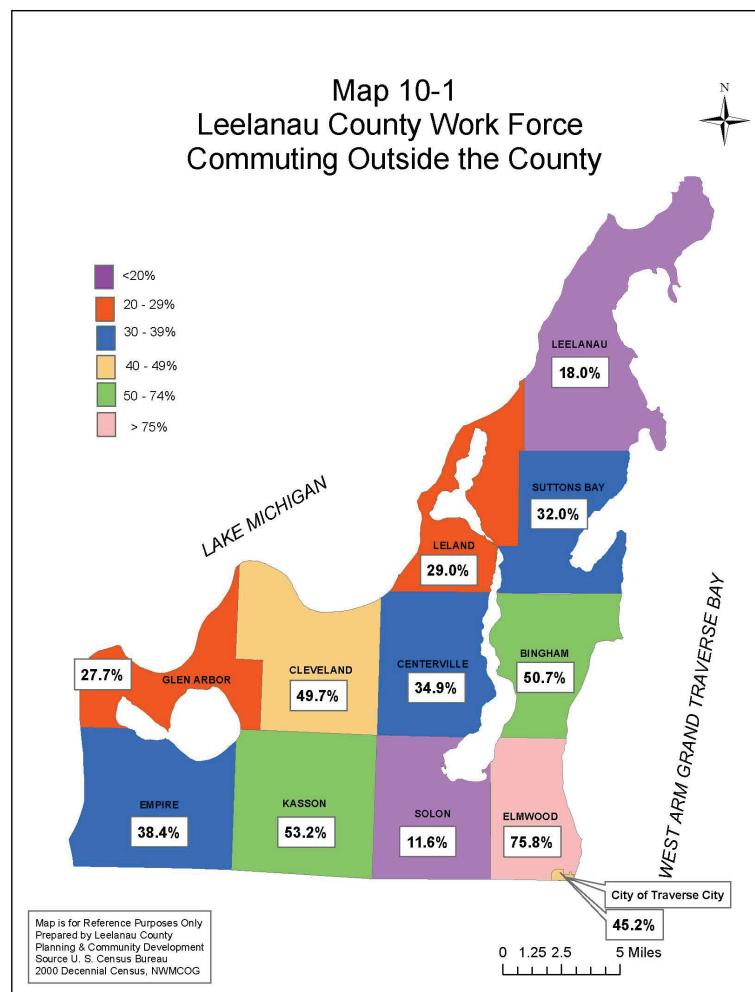
seasonal, and 46% of Leelanau Township's housing stock is seasonal.

When discussing seasonal populations, it is worthwhile to note that many "seasonal" residents may very well become permanent residents upon retirement or other lifestyle changes. The majority of in-migrant population growth is largely attributed to retirees. In a 1995 study conducted by Michigan State University, about 40% of seasonal homeowners in Leelanau County noted that they were likely to convert their seasonal homes to permanent residences. See Figure 10-2 for changes in housing units.

Proposal A

In March of 1994, the voters in Michigan approved Proposal A, a law which involves differences in tax rates for homestead and non-homestead properties. Properties identified as

a primary residency, and properties with an agricultural exemption, are classified as homestead. Other properties, such as seasonal homes, vacant land, and second homes are classified as non-homestead. Proposal A allows school districts to levy up to 18 mils on property classified as non-homestead, if approved by the voters in the school district. In addition, all properties are levied 6 mils for state school tax. Therefore, a non-homestead property could be levied school taxes to a maximum of 24 mils, while homestead properties pay no more than 6 mils. Homestead vs. non-homestead classifications create major disparities between tax rates of these types of properties. In some cases, owners of non-homestead properties pay over twice the taxes that homesteaders pay. See Figure 10-2. Although some non-homestead properties are owned by year-round residents (such as those with vacant properties, rental units, or two homes) much is owned by seasonal residents,



who don't require as many services as year-round residents, and don't have children attending local schools. See Figure 10-3.

Importance of Agriculture

Leelanau County is number one nationwide for the production of cherries. In Northwest Michigan, 85% of the sweet cherries grown are grown in Leelanau County. There are approximately 7,700 acres in Northwest Michigan in sweet cherry production and 4,000 of those acres are located in Leelanau County. The county also has 23% of the tart cherry acreage, and 4% of Michigan apples. The county's climate, proximity to Lake Michigan, rolling hills (drainage), and sandy soils make it ideal for fruit production. These areas so ideally suited for fruit production are also some of the most valued properties for residential home sites.

Agriculture is a major element of the County's economy. In 1997, the Census of Agriculture reported that the market value of agricultural products in Leelanau County was \$29 million. The actual economic impact of agriculture is likely much higher, when spending, support services, and tourism, are accounted for. "Agricultural tourism," such as heritage tours and visits to wineries, has become an important part of Michigan's tourist economy over the last few years, and Leelanau County has seen significant growth in that market as well. The 1998 Leelanau County Tourism Profile from MSU Extension shows Leelanau County ranking as third in the state for number of agricultural markets/wineries/u-picks per 1,000 residents. These types of agricultural activities – referred to as "value added" agriculture – play the dual role of creating greater economic opportunities for farmers while "marketing" the County and attracting additional tourism. The Peninsula is seeing increases in other types of value-added agriculture as well, such as organic farming, on-farm processing, specialty meat production, farm markets, and hydroponic farming. The growth of value-added agriculture will likely play an important role in Leelanau County's agricultural and tourist economies.

Nevertheless, agriculture is subject to a significant amount of pressure due to the instability of the agricultural economy, increased residential development, the rising market demand for rural lots, rising costs of production, and higher taxes. As these pressures grow, there is a greater incentive to sell farmland for its development value, taking more farms out of operation and reducing agricultural employment and revenues.

The 1998 Leelanau County Tourism Profile from MSU Extension shows Leelanau County ranking as third in the state for number of agricultural markets/wineries/u-picks per 1,000 residents.

Geographic Isolation

The peninsula is a destination location. Normal transportation routes do not "pass through" the peninsula due to its geographic location. As a result, the potential pool of consumer dollars is limited to only those persons who are traveling to or living in the peninsula. The indirect surface travel and comparatively limited air and water service further add to the challenges for economic development.

Fiscal Implications

The growth of the peninsula's population is altering land values as well. The percentage of land in farms, by State Equalized Value (SEV) has been steadily decreasing since 1974 while residential valuation has been steadily increasing. See Figure 10-4. While the peninsula's total SEV has increased from approximately \$225 million in 1980 to \$878 million in 1993, and \$1.5 billion in 1999, more and more national studies are beginning to suggest that new residential development, contrary to traditional thinking, does not "pay for itself" across the board, and that, in fact, the additional public services to meet the demands of new residential development often cost more than the additional taxes collected. If true in Leelanau County, the current trend in land use could seriously undermine balanced economic development efforts by presenting public service financial challenges that cannot be met without

burdening future generations. This could mean higher taxes by present and future residents to meet new public service needs created by new residents.

Though service, retail sales, agriculture, and construction are the peninsula's export industries, it is clear that the comparative lack of commercial and industrial development on the peninsula places the tourism industry in that much more of a dominant role. To provide for a more balanced economy is particularly difficult on the Peninsula as public services and infrastructure are limited. (See Working Paper #15 for more background information).

FRAMEWORK FOR FUTURE POLICY

It is a goal of the **Leelanau General Plan** to encourage a balanced peninsula economy. This balance hinges upon the ability to realize the large economic potential of the peninsula's resources while, at the same time, recognizing the fragile nature of these resources and taking strong protective actions to ensure their

perpetuity. Sustainable growth and development, with environmental protection, and a more diversified economic base are the linchpins for a balanced peninsula economy. The absence or failure of any one of these three elements makes the others of little value or, in the worst case, a destructive force. The increasing significance of income circulated by seasonal residents, and property taxes paid by them, must also be acknowledged as an important part of the economic base of Leelanau County.

To achieve a balanced economy, a clearer understanding of the impacts of the tourism industry on the Peninsula is critical. New research must be directed to document the economic impact of seasonal populations. While Working Paper #15 is a good start, additional research should be undertaken when feasible. New research should assist in identifying the appropriate role of tourism on the Peninsula, and the character that future tourism development should reflect. This research and data collection should include the establishment of

Figure 10-2
Percent Change in Housing Units

	2000 Census	2010 Census	% Change
Total Housing Units	13,297	14,935	12.3%
Occupied	8,436	9,255	9.7%
Vacant	4,861	5,680	16.8%
For Rent	361	289	-19.9%
For Sale Only	79	274	256.0%
Rented or Sold, not occupied	130	56	-57.0%
Seasonal, Recreational	4,111	4,681	13.9%
Migrant Housing	37	39	5.4%
Other Vacant	143	341	138.5%

Figure 10-3 2011 Total Millage for Homestead & Non-Homestead Properties in Leelanau County

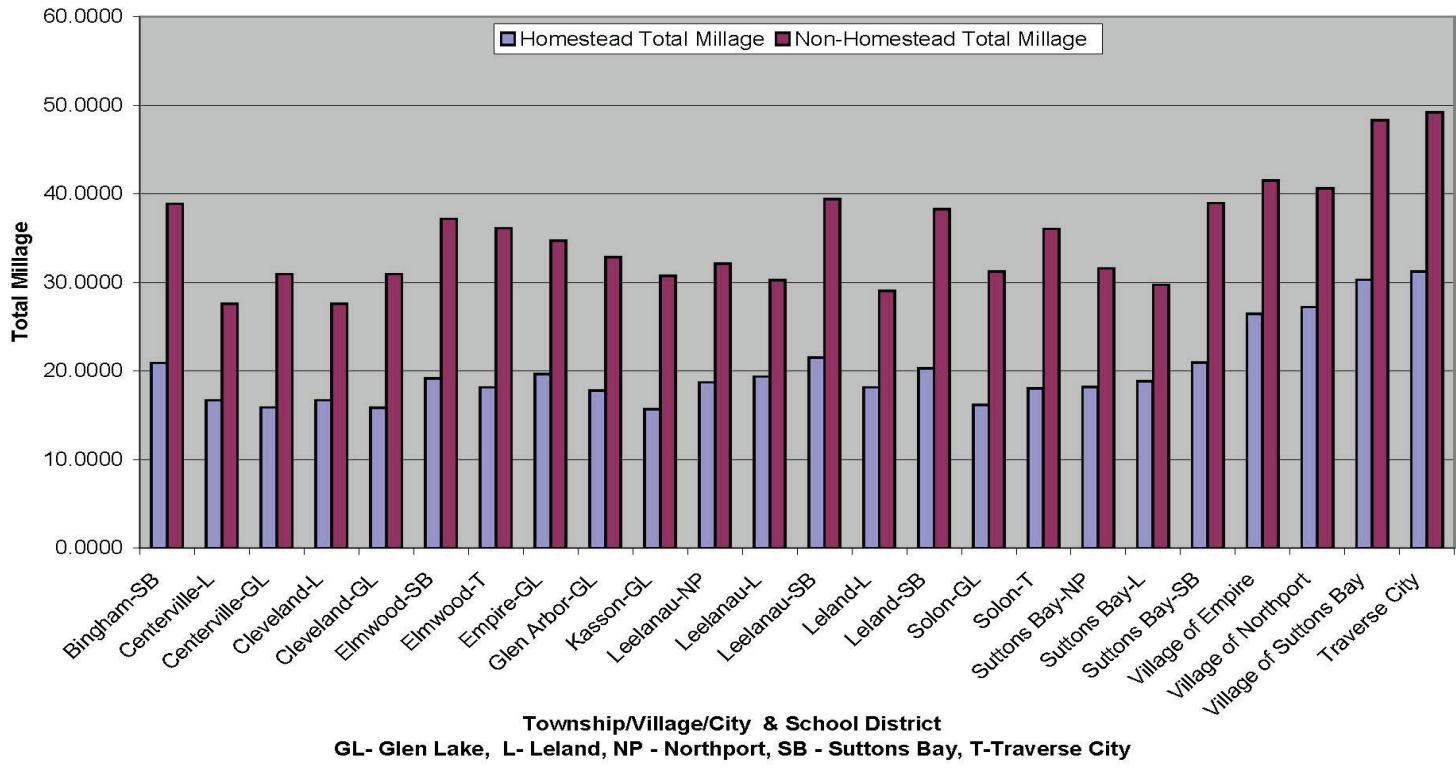
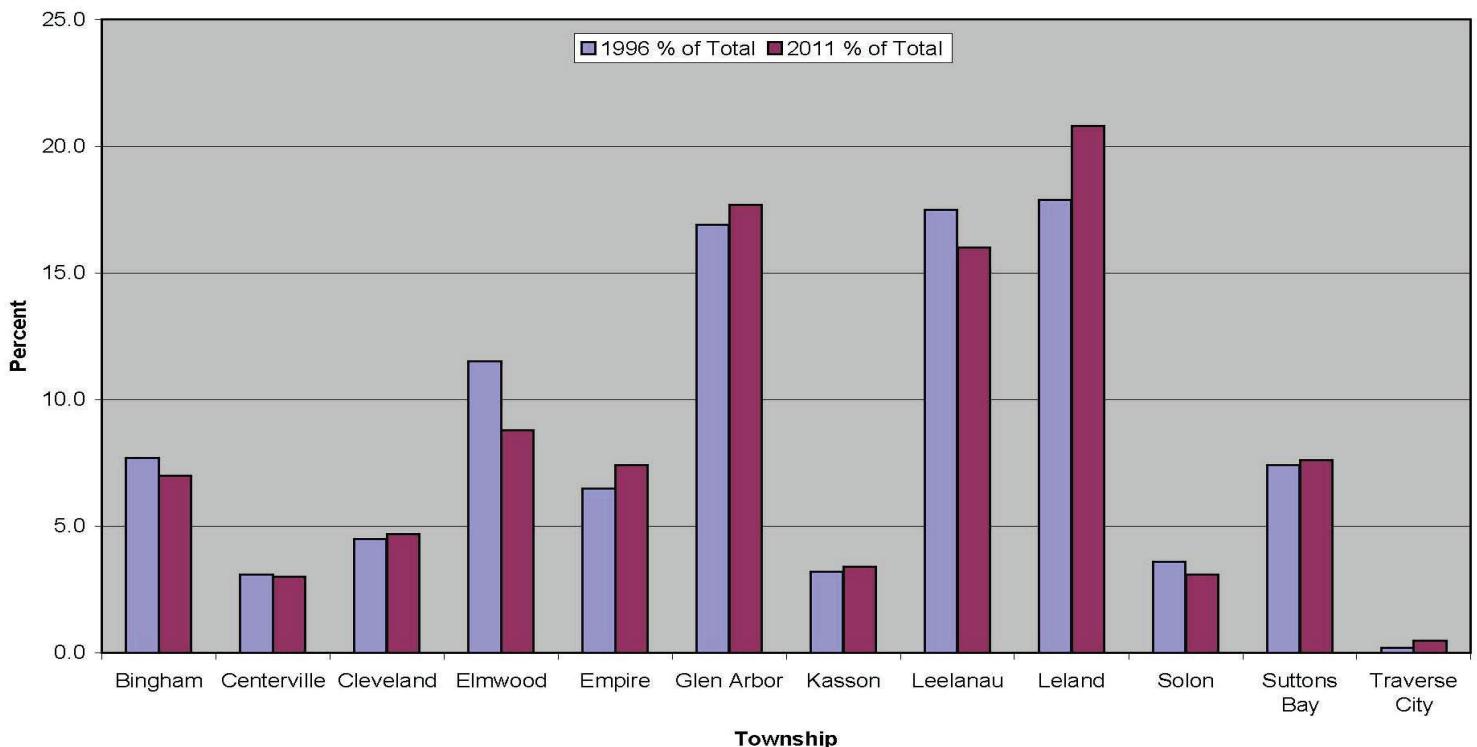


Figure 10 - 4
Residential SEV as Percentage of Total SEV Comparing 1996 & 2011



a monitoring system to identify tourism and seasonal population trends and conditions on the peninsula and its local and regional impacts.

To the extent that tourism continues principally as a summer activity, efforts should be directed at attracting new opportunities which are generally of low intensity, and require limited landscape alterations. Opportunities to be pursued in this regard could include marina expansions, the enhancement of the Manitou Bottomland Preserve, historical tours, continued support and protection of the Peninsula's special natural tourist attractions, bike tours, and facilities, and the expansion and promotion of nature appreciation and interpretation facilities.

The economic base should be diversified. Opportunities for additional economic development must be provided which can operate within, and be compatible with, the sensitive resource base which characterizes the peninsula. At the same time, these resources must be recognized for their long term non-economic benefits and should be approached in a responsible manner with a strong sense of stewardship.

In striving for this economic future, a major effort should be made to create more year-round jobs in businesses and industries which have demonstrated a commitment to environmental protection or which by their nature do not pose threats to the peninsula's environmental integrity. Location criteria should include proximity to public services, utilities, transportation, work force, and associated logistical elements. Potential individual industrial sites on the peninsula should be evaluated for future use consideration. Equal efforts should be directed at expanding the local business base through a variety of initiatives including the development of a business list.

It is of particular importance that economic development on the peninsula is not encumbered by the duplication of services among the many agencies involved. A data base should be developed which identifies the agencies and of-

fices offering economic development assistance in the peninsula and these agencies

Sustainable growth and development, with environmental protection, and a more diversified economic base are the lynchpins for a balanced peninsula economy.

should be regularly contacted to uncover new programs and other support information. The Leelanau County Economic Development Corporation and local economic development task forces should form an active link with the Traverse Bay Economic Development Corporation, with the purpose of coordinating economic development activities from within and out of the peninsula, distributing marketing materials, and providing specialized training programs. There is a need for consistent, long-term economic development leadership in the peninsula and coordinated economic development services for the business community.

The increased economic development activity anticipated from these initiatives should be guided to those areas of the peninsula planned for village development and supported by the necessary public facilities and



Maple City

convenient to the work force. All capital improvements should be well planned, phased, and coordinated with adjoining municipalities and county projects. Model zoning language should be prepared which provides for planned and compatible mixed uses, small scale developments, and signage, which is sensitive to the surrounding natural and rural environment. Commercial areas should be pedestrian friendly and landscape amenities should enhance the village setting. Site development associated with new economic development projects should be guided by the recommendations of the Grand Traverse Bay Region Development Guidebook.

Opportunities for additional economic development must be provided which can operate within, and be compatible with, the sensitive resource base which characterizes the peninsula.

All businesses operating with heightened risks of environmental contamination should be monitored through the development of a regular and ongoing peninsula-wide monitoring system. Local municipalities should adopt environmental regulations included in the Grand Traverse Bay Region Development Guidebook to better protect future environmental integrity.

The **Leelanau General Plan** calls for an aggressive program to protect the peninsula's agricultural economy. A critical component of this program relates to the peninsula's future land use pattern, as discussed in Chapter 12. In addition, however, the General Plan encourages the expansion of marketing opportunities for farmers including the promotion of locally produced farm products, mail-order businesses for farm products, farmland tourism networks, organically grown products, and the examination of national and global marketing opportunities. The General Plan also encourages the development and expansion of small scale farming operations such as wineries, Christmas tree farms, small fruit operations, and Community Supported Agriculture (CSA) farms, as well as unique farming opportunities.

In addition, continuous monitoring of trends and conditions in crop production, P.A. 116 enrollments, conservation reserve programs, and other agricultural economic indicators should become routine and the data generated applied to current and future marketing initiatives.

Improved employment opportunities for many of the residents on the peninsula will remain out of reach without improved job skills. The training needs of target industries must be identified and appropriate training provided. The peninsula should become part of the Northwest Michigan Community College District to reduce tuition rates and gain easier access to needed training programs. Satellite centers should also be established to also provide easier access to training opportunities. These employment programs should not be reserved for adults only, but programs should be developed for the peninsula's children which encourage leadership and independence.

The Leelanau General Plan calls for an aggressive program to protect the Peninsula's agricultural economy.

The future evolution of the economy should be supported by an improved peninsula-wide information system. An integrated high-tech information network should be developed to expedite communications and improve education programs and access. This network should include high-speed internet access, a community/school access channel and a telephone system which ensures fast, convenient, and lower cost service than is currently available.

ECONOMIC DEVELOPMENT POLICIES AND ACTION STATEMENTS

The following policies, objectives, and action statements are intended to establish the blueprint for the General Plan's vision for future economic development.

VISION: To promote economic activity and strengthen the economy of Leelanau County.

Goal: While the effects of tourism are great in the peninsula, there is no recent, formal impact assessment of this sector of the economy. Without impact assessment, decisions on the balance between tourism and environmental protection will remain uninformed.

Objective:

Define the optimum role of tourism and tourism development in the peninsula consistent with protection of the natural environment.

Action Statement:

The County should cooperate with the Northwest Michigan Council of Governments in efforts to develop a data collection and monitoring system to continuously evaluate seasonal population changes as well as local impacts of tourism.

Goal: Much of the County's large tourism economy is dependent on the high quality of its natural resources and scenic beauty.

Objective:

Efforts to enhance the Peninsula's tourist economy should be directed toward attracting opportunities which capitalize on natural resources and scenic beauty while protecting and enhancing those same features.

Action Statement:

Local governments and citizen groups should identify historic preservation opportunities in the peninsula and develop a formal tour or

guidebooks including maps for historic features/trails.

Action Statement:

The County and local governments should consider the development of additional small parks in the peninsula, especially along lake-shores, streams, and ridges.

Goal: The peninsula needs more year-round jobs in industries which are sensitive to the environment.

Objective:

Economic development leadership should spearhead a business retention and development program for the peninsula.

Action Statement:

Local governments should develop model ordinances regarding small rural business opportunities and enact guidelines that promote the growth and development of small-scale (cottage industries) which retain rural character and do not overburden public services.

Action Statement:

The County, LEDC and MSU Extension should research and promote the development of agri-tourism opportunities, such as wineries and heritage tours, on the Peninsula.

Action Statement:

The LEDC should cooperate with local task forces to identify resource-friendly industries and projects that will enhance year-round em-



Farm market in Elmwood Township

ployment opportunities.

Goal: Maintain the stability of agriculture on the peninsula.

Objective:

The county and local units of government should initiate proactive measures to protect agriculture and farmland (see Land Use chapter).

Action Statement:

Local governments should enact policies supportive of farmland preservation efforts in order to allow landowners to participate in purchase of development rights programs.

Action Statement:

The County should work with the Leelanau Conservation District to devise an agricultural data base which more closely monitors crop production, P.A. 116 enrollments, conservation reserve programs, and other appropriate agricultural preservation/support programs.

Action Statement:

The County, local governments, and economic development corporations should encourage participation in programs offered by Michigan State University Extension that provide education, training, and resources to support the expansion of economic opportunities through value-added agriculture.

Objective:

Local economic development coalitions, local chambers of commerce, and/or regional economic development organizations should work closely together in order to coordinate economic development efforts within and outside of the peninsula and avoid duplication of efforts.

Action Statement:

The LEDC should establish links between local economic development committees and the Northwest Michigan Council of Governments to focus on tourism development, industrial development, small business/entrepreneurial skills, intergovernmental cooperation and any other topics deemed appropriate by the coalition. Local jurisdictions should become part of the coalition with the Michigan State University Extension Service providing leadership training, team building, and resource support.

Goal: Commerce activity needs to be located near business and residential centers and well-served by proper services.

Objective:

Development organizations should identify business and residential centers for concentrated development that provides efficiency in energy and service delivery.



Suttons Bay Village marina

Action Statement:

The County, local governments, and economic development organizations should focus economic initiative in or close to villages (where the people are) through the use of initiatives, guidelines, and zoning regulations.

Action Statement:

Develop in the county, with local government assistance, sample (model) zoning regulations which allow for planned and compatible mixed uses.

Action Statement:

The County should promote the establishment of high-speed Internet and cable services with Peninsula-wide access.

Objective:

Promote well-designed business facilities which blend with the environment and are not overly suburbanized in appearance.

Action Statement:

The County should provide technical assistance to local governments and promote the implementation of model sign ordinances which minimize the impact of signs on the landscape.

Action Statement:

Local governments should develop local site design guidelines to promote the establishment of native vegetation, wildflower fields, and native grasses over sod yards in commerce centers and to encourage the use of low impact development (LID) standards.

Action Statement:

Local governments should enact regulatory guidelines to integrate adequate parking with other access management techniques to minimize congestion and visual impact of commercial and industrial development.

Action Statement:

Local governments should coordinate prohibitions of strip development with zoning regulations of neighboring jurisdictions.

Action Statement:

The County and local governments should encourage private enterprise to upgrade and re-develop existing, aging commercial establishments and centers to arrest deterioration and maintain the appearance of the peninsula.

Action Statement:

Local governments should adopt regulations designed to promote small-scale development in service centers to blend with the rural character of the peninsula.

Action Statement:

Local governments should adopt regulations to require the design of commercial centers to be pedestrian-friendly with natural landscaping, pathway and amenity tie-ins.



Downtown Suttons Bay