

**Report:**  
**GREATER DETROIT CREATIVE CLUSTERS INCENTIVES STRATEGY**






 **AngelouEconomics**  
technology-based economic development



**Presented to:**  
**DETROIT RENAISSANCE**

# REPORT II:

## Creative Cluster Incentives Strategy

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## “A creative economy is the fuel of magnificence” Ralph Waldo Emerson

In this new economy based on innovation and globalization, progressive leaders recognize that creativity now drives global competitiveness. Globally, creative industries are estimated to account for more than 7% of the World's GDP and the annual growth of the creative industries is twice that of the service industries and four times that of the manufacturing industries. Thus, those communities that can develop and sustain an environment in which its creative talent can thrive will be able to most effectively drive economic development success - both because of job growth in specific creative industries and because communities with a dynamic, creative soul attract high-impact employers and talented, skilled employees.

Detroit Renaissance recognizes this new economic paradigm. As part of a broader region-wide collaboration that is launching a variety of strategies to transform the region's economy, the organization has embarked on a focused and comprehensive Creative Economy Initiative. The goal of the initiative is to define, designate, and develop a formalized creative industries cluster in the region and ensure that the creative economy is networked to the Greater Detroit community and recognized nationally.

**Specifically, this initiative is about stimulating economic growth and driving job creation via the creative community.** Thus, a key strategy within the larger initiative is the development of a Creative Business Attraction Strategy.

### PURPOSE OF CREATIVE BUSINESS ATTRACTION STRATEGY

Future prosperity in Detroit will require an actionable strategy of economic diversification that stresses the development of industries immune to the threats facing the region's manufacturing base. Industries within the Creative Cluster offer Greater Detroit an opportunity to advance a policy of economic development that is at once vibrant, enriching, and sustainable.

Ultimately, the goal of the Creative Business Attraction Strategy is the development of policies and incentives attractive to those creative firms and individuals specifically targeted for retention, expansion, and recruitment. While often necessary for the initial development of a vibrant Creative Cluster, however, incentives alone are rarely sufficient to sustain long-term success. Ultimately, incentives aimed at ensuring the retention and recruitment of creative industries must be complimented by additional support mechanisms. Thus, this project will also highlight other supporting creative initiatives in which the Detroit Renaissance Foundation can potentially provide a valuable leadership role.

### OUR METHODOLOGY

As creative economy research becomes more and more widespread, the term “creative economy” has taken on different meanings to different communities. In order to refine the definition for the purposes of this business attraction strategy, AE identified six primary “creative economy” sectors that were examined for their potential suitability as appropriate targets for the Greater Detroit region: Advertising and Public Relations, Media and Publishing (including Digital Media), Design,

# INTRODUCTION

Film Production and Distribution, Music Production and Distribution, and Performing and Visual Arts. The terms “Detroit” and “Greater Detroit” are used throughout this report and are intended to represent the entire Detroit metropolitan statistical area as defined by the U.S. Census Bureau, including Lapeer, Livingston, Macomb, Oakland, St. Clair, and Wayne County.

AngelouEconomics used a variety of sources to collect the quantitative and qualitative information used in our analysis. Quantitative data was collected from national and state sources, including the U.S. Bureau of Labor Statistics, the U.S. Census Bureau, Decision Data Resources (Demographics Now), the National Science Foundation, and numerous previously conducted studies. AngelouEconomics also gathered qualitative data through one-on-one interviews, community tours, and sector-based focus groups.

## PREVIOUS REPORTS

This first report developed by AngelouEconomics, the *Creative Cluster Regional Assessment*, was a comprehensive examination of Greater Detroit’s creative industries, and produced a detailed understanding of the relative regional strength of individual creative industries. It analyzed the relative health of Greater Detroit’s creative industry sectors, contextualized the importance of the creative sectors within the overall regional economy, and **identified primary target industry sectors as Architecture and Design, Media and Digital Media, and Advertising, PR, and Marketing**, along with secondary targets in Film, Music, and Performing and Visual Arts. The targets were prioritized based on average wages, industry job growth, local assets, and potential spin-off effects.

## THE CREATIVE CLUSTER INCENTIVES STRATEGY

The purpose of this report, *The Creative Cluster Incentives Strategy*, is to develop a comprehensive incentive strategy aimed at promoting the development of creative industries throughout Greater Detroit. This report is divided into three sections:

- Identifying best practices in American and Europe communities that have successfully targeted creative industries through incentive strategies;
- Inventorying the current incentives programs offered at a state, regional, and local level for creative industries;
- Developing a comprehensive incentives strategy designed to attract, retain, and expand creative businesses in Greater Detroit, with particular emphasis on the City of Detroit’s Creative Corridor along Woodward Avenue.

## NEXT STEPS

**Creative Cluster Prospect Report:** AngelouEconomics will develop a target industry database containing specific companies within each of the target industries. This database will identify key companies from each primary target industry that Greater Detroit should aggressively target and recruit, along with contact information and revenue growth history.

The first section of the Greater Detroit Creative Cluster Incentives Strategy outlines best practices being used in the U.S., Canada, and Europe to attract creative economy investments and, when available, specifies the relative success of each practice.

The best practices are divided into three categories:

- **Artist-Targeted Tax Incentives:** The goal of artist-targeted incentives is to foster the presence of artists within a community. As opposed to other types of cultural incentives, artist-targeted tax incentives are often provided to individuals regardless of location or artistic pursuit. The most common types of artist-targeted incentives generally involve tax exemptions on income derived from the sale of artwork or from royalties.
- **Place-Targeted Tax Incentives:** Place-targeted tax incentives seek to precipitate revitalization of a localized area through the creation of a Creative District. As the stated goal of the Detroit Renaissance Foundation is the creation of a “Creative Corridor,” place-targeted tax incentives will be integral to the Creative Cluster Strategy. Examples of place-targeted tax incentives include tax exceptions and property tax abatements for industries within the Creative Cluster provided that the firms located within a specifically sanctioned geography.
- **Industry-Targeted Tax Incentives:** Industry-targeted incentives are designed to promote those creative industries that are comparatively capital-intensive. Film and television production are the two most commonly creative sectors courted through industry-targeted tax incentives. Due to escalating costs and increased risk, the television and film industry is increasingly sensitive to production costs.

### I. ARTIST TARGETED INCENTIVES

#### PHILADELPHIA CREATIVE INVESTMENT FUND

In November 2007, Innovation Philadelphia announced the creation of a Creative Economy Investment Fund. Innovation Philadelphia is a non-profit economic development organization serving the Greater Philadelphia region. Currently, Innovation Philadelphia focuses on four primary strategies aimed at fostering regional economic growth: to establish Philadelphia as a global hub for creative businesses and talent; to position Philadelphia as an international destination for knowledge-based industries; to attract and retain young professional knowledge workers; and to foster and support new ideas for the future of Philadelphia. The Creative Economy Investment Fund is one of many programs aimed at developing the creative economy in the region.

Recognizing that successful small businesses are crucial in sustaining the region’s creative industries, Innovation Philadelphia provides pre-seed and early-stage investments to creative economy businesses in the Greater Philadelphia Region. Individual investments range from \$25,000 to \$150,000.

Eligible companies must be involved in creative industries, including architecture, communications, design and merchandising, digital media, engineering, fashion design, music, video, film and film production, graphic arts, information technology, interior and industrial design, marketing, multimedia design, photography, planning, product design, and software development.

Applicants to the Creative Economy Investment Fund are screened by an administrator and judged according to a variety of factors. Important criteria include the presence of a strong management team and a promising business plan.

### IRELAND ARTIST TAX EXEMPTION

Nearly 40 years ago, Ireland introduced one of the world's most generous tax policies specifically aimed at supporting artists and other cultural figures. Under the Ireland Artist Tax Exemption, most income earned by artists, writers, composers, and sculptors is exempt from taxes.

The Ireland Artist Tax Exemption precludes the application of income tax on artists earnings derived from the sales of work. In order to qualify for the exemption, artists must receive formal approval from the government. The agency approves tax exemptions for individuals recognized as creating original works with cultural or artistic merit. The exemption is limited to earnings gained from the initial production of artistic works. Earnings from music royalties, for example, are exempt from income tax. Earnings from tour performances, however, remain subject to tax. Artists must also reside in Ireland.

Formally, the exemption applies to works such as books, plays, musical compositions, paintings, and pictures. In practice, however, the tax has been extended beyond these traditional mediums to include a wide array of visual arts, including film and video productions. Interpretative artists such as dancers, actors, and performers are not eligible for tax exemptions.

Since its creation, the exemption is widely credited with encouraging many artists, musicians, and writers to move to Ireland. Since its inception, the Ireland Artist Tax Exemption has been extended to 6,300 artists, helping further support the country's flourishing environment for the arts.

### PADUCAH ARTIST RELOCATION PROGRAM

By most accounts, Lower Town in Paducah Kentucky seemed an unlikely artist destination. Although the neighborhood, immediately adjacent to downtown, featured historical housing stock built in historic styles, the area had suffered neglect since the end of World War II. Former mansions had been subdivided into smaller units, with 70 percent consisting of rental housing. Other homes were abandoned altogether. The decline of the neighborhood's fortunes was further illustrated by the prevalence of drug dealing. Despite these challenges, today Paducah's Lower Town is widely recognized a forbearer in efforts to leverage the arts to foster economic growth.

Paducah's Lower Town owes its recent revitalization to the Artist Relocation Program. Initially envisioned by Mark Barone, an artist who moved to city in 1989, the Artist Relocation Program ultimately became a model of cooperation between public and private enterprises.

From his own experiences, Barone immediately recognized Paducah's potential appeal to other artists. Just as the city's historic housing stock and affordable cost of living proved irresistible to his own needs, Barone believed other artists could be lured from outside areas facing rising gentrification pressures. Artists in other cities, for example, were increasingly threatened by the unavailability of affordable workspaces. Many of the historic homes in Lower Town Paducah, however, were an ideal space to both live and work. Thus, the planning agency established a historical mixed-use zone so that business and residential uses could occur in the same area.

To further encourage artists to purchase homes, the Paducah Bank offered generous mortgage terms to relocating artists that purchased homes within the area. The bank agreed to provide 100% financing for up to three times the appraised value of any property bought by an artist. Aggressive interest rates would be further subsidized by the City. Additionally, the City also agreed to pay for limited architectural improvements and exempt taxes on all materials used for construction.

Thanks to a tremendously integrative and creative strategy devised by various community stakeholders, Paducah has recruited dozens of artists to become new residents of Lower Town. The tremendously progressive ownership strategy gives these artists a vested interest in the community, and in the process, the neighborhood has become a thriving element of Paducah's social, economic, and geographic fabric.

### UNITED KINGDOM CREATIVE ADVANTAGE FUND

Advantage Creative Fund is a publicly funded, £5 million venture capital fund set up specifically to assist the growth of the creative industries in the West Midlands region of the United Kingdom by investing in creative businesses. Through 2006, the Fund made 30 investments in 28 businesses and invested £2.3 million. This includes creating 132 new jobs, safeguarding 145 jobs, and investing in 11 start-ups and 17 expanding businesses. This number is set to rise to over 50 investments by the end of 2008.

The Fund invests up to £250,000 into a business and in return takes a small equity stake. The Fund's investments have covered a wide range of creative industries from film production and animation companies to orchestras and software companies, from television and new media businesses to less 'traditional' creative businesses such as Touchline Pro, a design company who have designed and produced a portable dugout for sports fields.

## II. PLACE TARGETED INCENTIVES

### MARYLAND ARTS AND ENTERTAINMENT DISTRICT

In 2007, Maryland became the first state in the country to implement an Arts and Entertainment District program on a statewide basis. After passage of the program by the Maryland General Assembly, the Maryland Department of Business and Economic Development began encouraging communities to use available tax benefits as a means of promoting artists and arts organizations and businesses within their jurisdiction.

Under the guidelines of the Arts and Entertainment program, the Department of Business and Economic Development can designate a maximum of six districts each calendar year. Formal

designation as an Arts and Entertainment District allows communities to provide income tax breaks to artists working in the districts. Additionally, developments for artist live/work spaces can be exempt from paying certain property taxes on the value of renovations for up to a decade. Finally, designated districts are exempt from state admissions and amusement taxes. Since the creation of the program, 15 communities have been formally designated as Arts and Entertainment Districts in Maryland.

Importantly, Arts and Entertainment Districts not only serve as vital economic generators; they also support the state's Smart Growth policies. Created in 1997, Maryland's Smart Growth initiative precludes public funding of wasteful and sprawling development. When adopting the program, state officials specifically cited the definition of an arts and entertainment district promoted by Americans for the Arts, a national arts advocacy group. According to Americans for the Arts, functional arts and entertainment districts must be in well-recognized, labeled, mixed-use areas of a city in which a high concentration of arts and cultural facilities serve as the anchor attraction. By incorporating physical design criteria into the program's considerations, Maryland has furthered the interests of both artists and communities.

### RHODE ISLAND TAX FREE ARTS DISTRICTS

For the past decade, arts districts have helped revitalize Rhode Island's cities and towns with the help of a state sponsored tax incentive program. In 1998, the Rhode Island General Assembly passed legislation to provide tax incentives for artists to live and work in specific districts within nine Rhode Island communities. In establishing arts districts, the General Assembly stated that "the development of an active artistic community, including artists in residence, will promote economic development, revitalization, tourism, employment opportunities, and encourage business development by providing alternative commercial enterprises."

According to the initial legislation, arts districts are afforded three different kinds of financial incentives: artists who live and work within a specified district are exempt from paying sales tax on the sale of work created within the district; artists who live and work within a specified district are exempt from paying any state personal income received from the sale of work created within the district; art galleries spaces located within the boundaries of a specified district are exempt from state sales tax on the sale of original, one-of-a-kind works of art. The state tax administrator grants tax-free status to eligible painters, writers, sculptors, those producing traditional or fine crafts, and anyone composing or performing music, dance, plays or films.

### CHARLESTON DIGITAL CORRIDOR

The Charleston Digital Corridor is comprised of four distinct geographic districts on peninsular Charleston and Daniel Island. The Digital Corridor's goal is to facilitate a business, cultural, and social environment where technology companies thrive. In order to achieve that goal, Corridor specific incentives have been developed to encourage the relocation of technology companies within the four designated districts:

- Companies located in the Charleston Digital Corridor offering computer programming services and prepackaged software are provided dramatically reduced business license fees.



## BEST PRACTICES

- In order to streamline the City's permitting process, the Corridor has a designated project manager within City Hall to provide one-on-one assistance to relocating companies.
- The Charleston Digital Corridor will facilitate securing parking for qualified technology intense companies at prevailing parking rates or at discounted rates at limited public parking facilities. Occasionally, the Corridor will provide companies with a small parking subsidy.
- Qualified companies locating in a "Digital Corridor" building that may require renovation are exempt from City regulatory, building permit and building inspection fees.

As a result, the number of companies in the Digital Corridor has grown from 18 in 2001 to nearly 80 in 2007, with an average wage of \$67,000.

### PEEKSKILL, NEW YORK ARTIST DISTRICT

The Peekskill Downtown Artist District was established with the specific purpose of designating 2nd floor commercial space as live/work space for artists. Within the district, landlords are offered tax incentives, grants, facade improvements, and loans to renovate buildings that can be used as live-work spaces by artists. To obtain one of these artist lofts for living and working, the Peekskill Arts Council or the City's Artist Certification Committee must certify an individual as an artist. The City of Peekskill Department of Planning and Development currently manages the developmental process to maintain and grow live-work spaces for artists on the second floors of commercial buildings.

## III. INDUSTRY TARGETED INCENTIVES

### MADE IN NEW YORK FILM INCENTIVE PROGRAM

New York City created one of the most sophisticated incentive programs in the country under the moniker 'Made in NY.' Importantly, New York City officials do not attempt to compete with other locations on cost alone, as such a strategy will almost always favor the competing location. Instead, New York City officials focus on retaining a disproportionate share of ongoing productions. To qualify for a tax incentive, for example, at least 75% of all stage work must be performed in one of the city's five boroughs. Once a film production meets the minimum requirements of the incentive program, it becomes eligible for tax credit refunds from both the state of New York and New York City.



*Made in NY Advertisement in Times Square*

In an innovative extension of the program, participants of New York City's incentive package also qualify for a marketing credit. Film and television productions that agree to co-branding advertisements in support of the 'Made in NY' strategy receive free outdoor media placements valued at 1% of production costs. Such advertisements include the use of municipal operated properties, such as bus stops. For those film and television productions that choose not to participate in the 'Made in NY' advertising campaign, the city offers an interesting alternative—in place of a marketing credit, companies can make a

cultural donation equal to .1% of production costs. The donation, which must be given to a non-profit group, is intended to further strengthen New York City's creative industries.

### LOUISIANA FILM, MUSIC, & DIGITAL MEDIA TAX CREDITS

In 2002, the state of Louisiana passed the LA Film Tax Credit, one of the country's most aggressive tax incentive packages for motion picture, sound recording, and digital media productions. Incentives include generous tax credits for investors as well as additional credits for hiring local workers. Thanks to the presence of these tax credits, film production has become one of the fastest growing economic engines within Louisiana.

To receive tax credits, motion picture production companies must submit a cost report of production expenditures audited and certified by an independent certified public accountant to the Governors Office of Film and Television Development, a division of the State Department of Economic Development. Once the production is certified by the state, film investors are granted a tax credit of 25% of the base investment made in Louisiana. Film productions can receive an additional 10% credit for hiring Louisiana labor and a 40% credit for infrastructure development such as the construction of sound stages.

Importantly, film tax credits can be sold to Louisiana residents. For example, a film company might receive \$10 million in tax credits for a local production. If the film company is located outside the state, it may have a minimal tax liability within Louisiana. As a result, the film company might then decide to sell the credits for \$8 million to a Louisiana resident with a large tax liability. Ultimately the exchange would decrease the film company's production costs by \$8 million while saving a Louisiana resident an additional \$2 million in taxes.

In the five years since the passage of the tax incentive program, film production has exploded in Louisiana. In 2007, an estimated \$400 million dollars of film and television production occurred in Louisiana. The upcoming film *The Curious Case of Benjamin Button*, a \$150 million dollar movie starring Brad Pitt, was originally written for production in Baltimore. After realizing the potential savings of moving production to Louisiana, however, the film studio rewrote the screenplay and moved production to New Orleans.

The success of tax credits in securing film productions has led the state legislature to extend similar credits to other creative industries such as music and digital media. Music and sound recording companies are now eligible for a 25% tax credit on production and infrastructure costs. Digital Media companies, such as video game developers, are also eligible for tax credits, including a 20% tax credit against expenditures in Louisiana.

### ONTARIO MEDIA DEVELOPMENT CORPORATION INCENTIVES

Canada's Ministry of Culture is home to one of the most remarkable governmental agencies tasked with supporting cultural institutions. The Ontario Media Development Corporation (OMDC) is responsible for ensuring a thriving arts and entertainment within the province and provides financial, organizational, and marketing support to the areas book publishing, film and television, interactive digital media, magazine publishing and music industries.

The two primary sources of OMDC involve direct funding and tax credits. Under the auspices of the content and marketing fund, various creative companies can receive interest free loans of up to \$100,000 dollars. Film productions are also eligible for an additional repayable advance of \$400,000. While these sums may not be large enough to recruit many hundred million dollar Hollywood productions, they have ensured the continued vibrancy of Ontario's independent film community.

In addition to direct funding, OMDC also provides significant tax credits to creative industries across a wide array of mediums. The film credit program, for example, provides a 35% refundable tax credit based upon eligible Ontario labor expenditures incurred by a production company. For first time producers, this tax credit rises an additional 5% for the first \$240,000 of qualifying labor expenditures. To encourage filmmaking in locations outside of Toronto, rural productions receive an additional a 10% tax credit bonus on all Ontario labor expenditures. Similar tax credits are available for book publishing, interactive digital media, and sound recording productions.

### ANALYSIS

The incentives outlined above are credited with revitalizing the creative industries in each of their respective communities. It is difficult to determine the precise impact of tax incentives on economic vitality, although clearly, most have shown to increase jobs and investment. Perhaps more importantly, the presence of such incentives has fostered a "creative identity" for each locale, where none existed prior. Perhaps the most exceptional example of this was in Paducah, Kentucky, which literally developed a creative reputation from dust. In some ways, the fact that state, regional, and local leaders were willing to step out and proactively support creative businesses was the most important catalyst to developing the creative economy in these communities.



As seen through the best practices on the preceding pages, tax incentives and other inducements are an increasingly popular tool to promote the growth of creative industry sectors in communities across the world. Currently, however, the State of Michigan and the Detroit region have put little emphasis on the development of such incentives strategies.

In fact, there is only one creative industry-specific tax incentive or inducement that has an effect on Greater Detroit. Other generalized regional and state-level incentives and capital access programs, however, can also be beneficial to those within the six creative industry sectors. An overview of existing creative industry incentives in Michigan is highlighted below.

### CREATIVE INDUSTRY INCENTIVES

- **FILM INCENTIVES:** A film incentive package was adopted in 2006 that provides a graduated scale for tax credits depending on how much a company spends in Michigan. Between \$200,000 and \$1 million, a company receives a 12 percent rebate; between \$1 million and \$5 million, a 16 percent rebate; between \$5 million and \$10 million, a 20 percent rebate; and anything over \$10 million is a 20 percent credit on the first \$10 million spent. Rebates are limited to a total of \$7 million annually and are first come, first served. To qualify for the tax credits a film company must:
  - Spend at least \$200,000 in Michigan;
  - Submit an application to the Michigan Film Office and state treasury for pre-approval of credits; and
  - Not owe the state any money, guaranteed loans or be in default with the state.

As of early 2008, a strengthened set of film incentives is pending at the state legislature. Among other initiatives, the new package would include a 40% cash rebate, and a low-interest loan program and workforce development rebate for hiring and training Michigan workers.

### OTHER APPLICABLE INDUCEMENTS

- **21<sup>st</sup> CENTURY JOBS FUND:** Signed into law in 2005, the 21<sup>st</sup> Century Jobs Fund uses tobacco settlement revenue to provide funding for high-tech research and commercialization opportunities in Michigan. It is comprised of 3 primary programs:
  - Competitive-Edge Commercialization Program: Invests in basic research and technology transfer at universities and non-profit research institutions in four competitive-edge technologies: life sciences, alternative energy, advanced automotive (*including design*), manufacturing, and materials and homeland security/defense.
  - Capital Investment Program: Provides an infusion of capital to make investments in qualified equity, mezzanine and venture capital funds that will create or retain jobs in Michigan companies.



- Commercial Lending Program: Creates commercial loan enhancement programs in situations where a documented growth opportunity has been identified. Also re-establishes the Capital Access Program to help small businesses secure financing.

- **DETROIT DOWNTOWN DEVELOPMENT AUTHORITY PROGRAMS (through Detroit Economic Growth Council):** The City of Detroit Downtown Development Authority (DDA) is a public Authority established to correct and prevent deterioration in the downtown business district, to promote its economic growth and development, to increase property valuation and tax basis and to create and retain jobs in the downtown area. The DDA's operations are funded through an annual operating budget of approximately \$2.5 million; the DDA's capital investments are funded through its annual development budget of approximately \$33.0 million.

Several of the DDA's programs are especially helpful for small businesses:

- Revolving Loan Fund: A revolving loan program of \$4 million to stimulate additional, small-scale redevelopment and/or new construction projects within the Downtown District.
- Housing/Office/Retail Development Loan and Absorption Fund: This fund is designed to stimulate additional residential and commercial activities in the Downtown District with an average allocation of \$2 million.
- Lower Woodward Redevelopment Initiative: The DDA has allocated \$27 million for streetscape improvements, and \$12 million for Façade improvements along Lower Woodward. The façade grants require a matching amount from the property owners.

- **RENAISSANCE ZONES:** Greater Detroit, the City of Detroit, Wayne County, and Macomb County have designated Renaissance Zones within their boundaries. Most state and local taxes are abated in the Renaissance Zones. The following state and local taxes are abated for businesses located in a Renaissance Zone:

### Property Taxes

- Local Real Property Taxes - General property taxes on land and buildings are nearly 100% abated.
- Local Personal Property Taxes – These general property taxes are nearly 100% abated for the business' personal property that is located in the Renaissance Zone.
- 6- mill State Education Tax (SET) - The state property tax levy for schools is 100% abated.

### State and Local Taxes

- Michigan Business Tax – As of Jan 2008, the Michigan Business Tax replaced the Single Business Tax, and allows for enhanced credits to businesses. A tax credit is allowed against the Michigan Business Tax (MBT) for research and development, compensation credit for jobs created and retained, and an investment credit for capital asset purchases.
- Local Income Tax - City corporate income taxes, if applicable in the zone, are 100% abated.



- Utility Users Tax -This only applies to residents or businesses in the City of Detroit. The city levies a 5% tax on utility bills. Businesses located within the Renaissance Zone are exempt from this tax.
- **EMPOWERMENT ZONES:** The Detroit Empowerment Zone covers an 18.35 square-mile area that cuts across southwest, central, and near east sections of the city. Qualified businesses in the Empowerment Zone may receive employer wage credits, higher deductions for depreciable property and tax-exempt bond financing.
- **NEW MARKET TAX CREDIT:** The New Market Tax Credits are designed to stimulate business development in commercial districts. Tax credits are allocated over a seven-year period to qualified Community Development Entities (CDE) including the Wayne County-Detroit CDE. Each CDE will, in turn, award tax credits to investors who invest equity in the CDE. A CDE must work with businesses in low-income communities with a 20% poverty rate. To qualify for a loan, an equity investment, or technical assistance, a business must earn at least half its gross revenue by conducting business in a low-income community, 40% of its property must be within that community, and 40% of its services must be in that community.
- **DETROIT COMMUNITY LOAN FUND:** The Detroit Community Loan Fund is a private, for-profit fund that provides growth financing for companies located in the city of Detroit. The fund's focus is on companies that are unable to obtain financing from traditional sources. The loan amounts will average \$75,000 to \$100,000, and will be available for businesses that are less than five years old, have annual sales of less than \$1 million, and have less than 50 employees. The loans can be used for permanent working capital for expansion, equipment financing, accounts receivable financing, purchase order financing, business acquisition, marketing and sales expansion, new product development, physical plant expansion, improvements to manufacturing systems, and real estate pre-development.
- **OBSOLETE PROPERTY TAX ABATEMENT:** The purpose of this program is to redevelop functionally obsolete or blighted buildings. Once approved, the city allows an assessment of property taxes at their current value prior to rehabilitation for up to twelve years.
- **UNIVERSITY CULTURAL CENTER ASSOCIATION (UCCA) FACADE GRANT AND BUILDING LOAN PROGRAM:** The UCCA is offering 50% matching grants up to \$50,000 for facades of commercial buildings along Woodward Ave. between I-75 and I-94. A companion program, the Building Improvement Loan Program offers loans at two points below prime/five year terms for commercial buildings on Woodward Between I-75 and I-94.
- **HISTORIC BRUSH PARK FACADE EASEMENT PROGRAM:** The Historic Brush Park Facade Easement Program is funded through a City of Detroit's Community Development Block Grant. The program is designed to facilitate the rehabilitation of historic homes. Owners of eligible owner-occupied houses (or those houses to be occupied by owners upon becoming habitable) and investors, in exchange for a



forgivable loan, must agree to donate a perpetual facade easement to the Brush Park Development Corporation (BPDC), a non-profit organization. The program requires that homeowners renovate their homes to “minimum housing quality standards”, as defined by HUD. Since program funds can be used for the exterior renovation only, other funds must be contributed by the owner to provide matching dollars. The easement is donated to the BPDC to serve as a protection against future demolition or deterioration of the facade. The easement donation is intended to cover the exterior elements of the building only.

- **WOODWARD CORRIDOR DEVELOPMENT FUND:** The Woodward Corridor Development Fund was established to encourage the development of new and renovated, quality housing in Detroit’s Midtown. Initiatives that are supported are development projects with a predominance of housing. Mixed-use developments with an emphasis on housing and only a minor commercial component may also be considered. Uses of financing from the Fund may include pre-development activities (feasibility and planning studies, architectural and environmental plans, legal analysis and structuring), site improvements, renovation, and new construction.
- **CITY OF DETROIT BROWNFIELD REDEVELOPMENT AUTHORITY:** The Detroit Brownfield Redevelopment Authority (DBRA) was established in order to promote the revitalization of environmentally distressed areas, or brownfields, within the city of Detroit. The DBRA approves two types of brownfield redevelopment plans. Brownfield Redevelopment Authority Tax Increment Financing allows municipalities to implement brownfield redevelopment financing plans to capture state and local property taxes that result from the increased value of the redeveloped parcel. The Brownfield Investment Single Business Tax Credit applies a 10% Single Business Tax Credit to the cost of the redevelopment of a brownfield site. This includes demolition of an abandoned property, construction, or renovation of buildings on an eligible property, and site improvements.
- **HISTORIC PRESERVATION TAX CREDITS**
  - **Federal**

Historic Preservation Tax Credits permit owners of historic buildings to take a 20% income tax credit on the cost of rehabilitating buildings for rental housing or other income-producing uses. The rehabilitated building must be a certified historic structure and the rehabilitation must be certified as meeting the standards established by the National Parks Service. In addition, an often overlooked element of this program allows a 10% tax credit on the cost of rehabilitating buildings constructed at least 50 years prior that do not qualify for certified historic designation and will have a non-residential use.
  - **State**

Michigan state legislation has provided a 25% state investment tax credit for expenses incurred in the rehabilitation of a “historic resource”. The state tax credit can be applied to commercial and residential (income and non-income producing). All work must be done in keeping with the standards established by the National Park Service.



## CAPITAL FUNDING

- **VENTURE MICHIGAN FUND:** The Venture Michigan Fund was created in 2006 as a \$95 million fund to grow and develop venture capital funds that have a presence in Michigan and that target investments in Michigan-based start-up companies engaged in research, technology and new product development. Fund investments will benefit a variety of emerging technologies including advanced manufacturing and industrial technology (*could include industrial design*), alternative energy, health care and life sciences, homeland security and defense, and information technology (*could include digital media*). Venture capital funds receiving capital commitments will be required to invest in Michigan-based companies with at least an amount equal to the commitment received from the fund. Although the Venture Michigan Fund has not yet funded capital funds with an emphasis on digital technologies and other high-tech creative sectors, the opportunity exists for future investments.
- **DETROIT INVESTMENT FUND:** The Detroit Investment Fund provides capital of between \$500,000 and \$2 million to a broad range of industries in the following types of projects that have the potential to stimulate economic development in the City of Detroit:
  - Residential and Community Development
  - Commercial and Industrial Expansion or Relocation
  - Strategic Developments

Generally, the Fund focuses on manufacturing, distribution, and service companies with revenues of \$5 million to \$75 million that have a minimum of a three-year history of successful operations and require capital for expansion.

- **ORACLE CAPITAL PARTNERS, LLC:** Oracle is a private equity firm that invests in minority businesses throughout the State of Michigan, with a focus on industrial applications; retail and consumer products; technology; healthcare; and other commercial services. Investments typically range from \$2-\$3 million.
- **GREAT LAKES ANGELS:** Great Lakes Angels, a nonprofit corporation that invests in Midwest companies, hosts deal evaluation events for active investors ten times a year to evaluate business plans from a variety of entrepreneurs. Investments typically range from \$50,000 to \$250,000.
- **CAPITAL ACCESS PROGRAM:** The Capital Access Program (CAP) is one of the Michigan Economic Development Corporation's (MEDC) programs available to assist businesses with capital needs. It uses small amounts of public resources to generate private bank financing, providing small Michigan businesses access to bank financing that might not otherwise be available.

After a three-year absence, the CAP was re-established in 2006 in an effort to assist small businesses in meeting their financing needs. The program can be used to finance most types of business (with the exceptions of construction, renovation, purchase of residential





or rental housing, or rental property). The only restriction on the loan size or term is a maximum loan amount of \$5 million.

Participating banks throughout Michigan offer the Capital Access Program directly to companies that need credit enhancement. Similar to a loan loss reserve fund, the bank, the company, and the MEDC pay a small premium into a reserve that makes it possible for the company to receive fixed asset and working capital financing.

- **ANGEL INVESTOR INCENTIVE:** In 2005, the state enacted a tax incentive for angel investors to fund Michigan entrepreneurs. It allows for a tax deduction for angel investors when the basis plus all or some portion of the profits from an initial qualified investment are rolled over into a subsequent qualified investment in a second certified technology company. Investments in specific types of digital media companies could apply under this framework.

### ANALYSIS

Although the State of Michigan and the Greater Detroit region offer a myriad of incentives programs, there are few that are dedicated to advancing creative industries. In comparison to other states' creative industry targeting programs, Michigan's fall behind. A number of states have also developed tax incentives aimed at promoting high technology research and development that allows for application by creative industries. Since the State of Michigan's target industries do not include most of the creative industry sectors, the benefits of these incentives are extremely limited to creative businesses.

As Greater Detroit contemplates the development of a robust creative economy, it is important that corresponding incentives and inducements be carefully crafted and funded in order to make the region as competitive as possible. The remainder of this report outlines the necessary components of such an incentives package.

As Detroit seeks to position itself as a creative economy hub through the development of specialized incentives programs, it is critical that the region's leaders understand the goals that these incentives serve to meet before evaluating the incentives themselves. The primary goals for the development of a creative economy incentives package is increased job growth in creative industry sectors by:

- Building **density** of creative businesses through the recruitment, retention, and expansion of creative economy industries in designated corridors and districts.
- Developing **state-wide support** for the targeting of creative economy jobs and make Michigan a nationally recognized center of creativity
- **Attracting and retaining creative talent** in the region by enabling them to find appropriate, financially attractive places to live and work
- **Spurring entrepreneurial job growth** in the creative industries through specialized creative industry start-up resources
- **Increasing the financial viability of existing companies** by eliminating and/or reducing operating cost barriers

Since these goals often overlap (e.g. young entrepreneurs need specialized resources for starting a business, in addition to finding appropriate, attractive places to live and work), the development of an incentives framework must be comprehensive and address some aspect of each of the five goals. This section outlines specific recommended incentives and inducement policies that should be evaluated for the ability to meet the comprehensive needs of Greater Detroit's creative industry sectors. AngelouEconomics recognizes that not all of these recommendations will be implemented and funded. This strategy is designed to be fluid and flexible and provide variation in recommendations that can be implemented when resources are available.

## **GOAL 1: BUILD DENSITY OF CREATIVE BUSINESSES THROUGH THE RECRUITMENT, RETENTION, AND EXPANSION OF CREATIVE ECONOMY INDUSTRIES IN DESIGNATED CORRIDORS AND DISTRICTS.**

Currently, few people outside of the Detroit region recognize the creative assets that Detroit possesses as creative assets and companies are scattered throughout the region. In order to develop a growing "buzz" around creative economy activity, the region should seek to formally situate creative economy activity in designated places in order to build density of jobs and activity.

These strategies are designed to contribute to the recognition of Greater Detroit's "creative soul," develop an identifying focal point for creative businesses that is recognized by residents and tourists alike, and increase street-level activity in focused, incremental areas.

### **Company-Targeted Strategies at "Corridor" level:**

1. At a city level, adopt and designate an official "Creative Corridor" that has place-based tax incentives for creative businesses. Currently, Detroit Renaissance is working through the identification and design of a Creative Corridor along Woodward Avenue, and incentives should be available along with Corridor and within the same boundaries as the City's

SmartZone. The Woodward Technology Corridor SmartZone is bordered by I-94 to the south, Euclid Avenue to the north, the Lodge Freeway (M-10) to the west and I-75 to the east.

2. Within the Creative Corridor:
  - a. Similar to the matching façade improvement grants, a matching “white box grant program” should provide matching grants up to \$30/square foot for business owners to fund electrical, plumbing, and finish-out work on 1<sup>st</sup> or 2<sup>nd</sup> floor business spaces that have not been updated by property owners.
  - b. Creative industry business owners that operate a retail component should be eligible for income tax and sales tax exemption on the sale of work.
  - c. Partial rent subsidies of up to 6 months should be made available to qualifying businesses that bring in a designated minimum number of jobs (10) and capital investment (\$1 million).

### Development-Targeted Strategies at “District” level:

1. At a city level, adopt and designate smaller “Creative Districts” within the larger 3-mile corridor that are eligible for place-based tax incentives to the property owners. The purpose of the district designation is to concentrate property improvements and begin to create “nodes” of dense activity within the larger corridor.
2. Within each Creative District:
  - a. Property owners should be eligible for property tax abatements if they rehabilitate buildings for live/work space.
  - b. Continue the matching façade improvement grant program in designated districts.
  - c. Develop a streamlined permitting process, along with reduced development fees, through the local departments of planning and development for improvements made to buildings within the creative districts. This would include identifying a point person at the City to handle all creative district requests.

**Administration:** The recommendations in this section rely on an official designation from the City of Detroit to create a Creative Corridor, whose boundaries would designate the location of companies eligible for targeted place-based incentives. Therefore, administration of these incentives would primarily fall to the DEGC, with gap financing provided by the Detroit Investment Fund (DIF) and Detroit Renaissance. The City should work with other private partners, including other community foundations, for additional funding.

**Marketing:** The marketing of these place-based incentives should come from the DEGC, DIF, and Detroit Renaissance and efforts should be focused on:

#### Website Development

- A new website for the “Detroit Creative Corridor” should be developed and all available incentives should be listed on the website (*in development by Crain’s.*)
- In addition to incentives information, the website should contain available real estate data within the Corridor, map and contact database of creative companies within the Corridor, profiles of success stories, a calendar of events for the creative community, and creative community blogs.

- DEGC, DIF, and Detroit Renaissance should promote and link to the new Creative Corridor website.

## Internal Marketing

Internal marketing efforts should include:

- Press releases to local business journals and newspapers (Crain's Detroit Business, Detroit Free Press, university publications, etc...)
- Presentations of creative initiatives at regional business councils, CCS, Creative Energy Alliance, Detroit Creative Technology Office, AdCraft, DAA, and other creative networking forums
- Face to face visits and/or receptions held for creative companies in surrounding communities

## External Marketing

External marketing efforts should include:

- Presentations at regional, national, and international conferences (IEDC, APA, SXSW, Creative Clusters, etc...)
- Editorial meetings with key creative industry publications
- Direct mail and email letters to creative company prospects
- 2-3 annual recruiting presentations to selected companies in key markets: Detroit, Cleveland, and Minneapolis
- "FAM" tours of the Creative Corridor to bring 5-10 selected companies to the region for a 2-3 day orientation of the Creative Corridor initiative

**Funding:** Funding for the strategies listed above should be divided into two pots: 1) Incentives Funding and 2) Marketing Funding.

## Incentives Funding

- Company-targeted funding pots should be based on an average of 10 companies per year in 6,000 square foot spaces.
  - White Box Program:  $10 \text{ companies} \times 6,000 \text{ sf} \times \$30/\text{sf} = \$1.8 \text{ million}$
  - Six-month rent subsidies:  $(10 \text{ companies} \times 6,000 \text{ sf} \times \$25/\text{sf}) / 2 = \$750,000$
  - Total pot of approximately \$2.55 million needed for company-targeted funding
- Funding needed for development-targeted incentives is less predictable, given the wide disparities in property values and conditions of buildings. Approximately \$12 million was raised for the Lower Woodward façade improvement program, and that amount would likely be appropriate for the additional creative district programs as new nodes are added over the next 5 to 10 years.

## Marketing Funding

- Based on comparable budgets at other AE "best practice" client organizations, funding for internal, external, and website marketing should be no less than \$500,000 per year.

## GOAL 2: DEVELOP STATEWIDE SUPPORT FOR THE TARGETING OF CREATIVE ECONOMY JOBS AND MAKE MICHIGAN A NATIONALLY RECOGNIZED CENTER OF CREATIVITY.

Perhaps more than any other industries, film, music, and digital media enterprises are drawn to states with state-level incentives packages. In order to be as competitive as possible, it is necessary that the STATE, and not just the Detroit region, formally recognize the value of the creative industries through target industry initiatives and comprehensive legislative packages. States such as Louisiana, New Mexico, and New Jersey, as well as Canadian provinces, have seen substantial investments made and jobs created through the adoption of such packages. The 2006 adoption of the statewide film tax incentives is the first step in this process, but should only be considered as such: the first step.

### Strategies:

1. Include "Creative Businesses" as a state-level target industry, in addition to Alternative Energy, Life Sciences, Homeland Security and Defense, and Advanced Manufacturing.
2. Adopt aggressive tax credit programs for music, publishing, advertising, design, and digital media companies, in addition to the currently adopted film credits.
  - a. The programs for expanded industries should be a flat 20-25% tax credit on base investment in Michigan on an annual basis.
  - b. The Ontario Media Development Corporation's programs are the best models for this package.
3. Expand the state's High-Tech MEGA tax credit to be available for any company within the creative industry sectors.
4. Extend Renaissance Zone eligibility to "Creative Businesses" companies.

**Administration:** The success of this goal relies on the ability of the Michigan Economic Development Corporation (MEDC) to adopt Creative Businesses as a state target industry. Lobbying efforts should come from a regional coalition of Detroit Renaissance, DEGC, and the Detroit Regional Economic Partnership. If approved, the administration of these incentives will be handled at the local level, through DEGC and the Regional Partnership. Lobbying efforts should begin immediately, but the development of an economic impact statement (as recommended under Goal 5) should be a key component of such efforts.

**Marketing and Funding:** Marketing and financing of these state-level incentives will be driven by MEDC, with continued promotion by local partners.

## GOAL 3: ATTRACTING AND RETAINING CREATIVE TALENT IN THE REGION BY ENABLING THEM TO FIND APPROPRIATE, FINANCIALLY ATTRACTIVE PLACES TO LIVE AND WORK.

The top creative regions in America provide their creative talent opportunities for personal and professional enrichment. Truly creative cities must produce and retain homegrown talent from area academic institutions, in addition to attracting skilled outsiders to further strengthen the local

workforce. Detroit performs relatively well in generating creative talent, with some creative-focused educational programs offered at all regional universities. However, local employers complain that it is difficult to RETAIN these graduates in the region, as well as attract top-notch talent from outside the region.

By developing targeted retention programs, marketing available jobs in the creative industries, and aggressively promoting its quality of life advantages in areas such as a low cost of living and affordable housing stock, Greater Detroit can leverage its primary assets to attract and retain creative talent and businesses.

## Strategies:

1. Develop a forgivable loan program to pay for up to \$5,000 in tuition for Detroit-area high school students entering a Detroit area university or college and majoring in one of the six creative industry sectors. If the student stays in Greater Detroit after graduation, secures a full-time job in one of the six creative industry sectors, and stays for at least 3 years, the loan is forgiven.
2. Provide low-interest, no down payment loan financing for the purchase of live/work space that will be used by the creative industry business owner as his personal home and business space.
3. Subsidize transit fares for employees of small, creative enterprise firms.
4. Sponsor a creative industry job fair that brings together high school students with the area's major colleges and universities to spotlight creative degree programs, as well as local graduating college students with local creative businesses seeking talent.
5. Develop a "Creative Detroit Jobs" website that highlights local job opportunities, allows employees to upload resumes, and provides information on job fair and networking events within the creative industries.
6. Identify and catalog the best "creative" live/work real estate space available throughout Greater Detroit and develop a website to promote these properties.

**Administration:** A variety of local organizations and community foundations should be responsible for the implementation of the strategies described above. Leveraging additional resources for educational programs has been an effective means of supporting such initiatives. The development of creative workforce development programs could be administered by Detroit Renaissance, DEGC, and the City's Workforce Development Department.

**Marketing:** All of the above, including the real estate database, should be included as part of the Creative Corridor website currently being developed by Crain's.

**Funding:** Community foundations should be asked to provide funding for local creative scholarship programs; community foundations and DIF could provide gap financing for live/work assistance and SMART could develop an additional employment program for subsidizing "creative enterprise" employers up to a certain amount each month.

## GOAL 4: SPUR ENTREPRENEURIAL JOB GROWTH IN THE CREATIVE INDUSTRIES THROUGH SPECIALIZED CREATIVE INDUSTRY START-UP RESOURCES

Entrepreneurs and small business owners are the economic engines of the community:

- They create jobs at relatively low capital cost, especially in the fast growing service sector.
- They serve as a source of innovation in products, services, and techniques.
- They provide a productive outlet for the energies of enterprising and energetic people.
- They develop a pool of skilled workers who serve as the basis of expansion.
- They contribute to the increased participation of all communities in the economic activities of a region.
- They serve an important social function by creating new career opportunities and fast upward social mobility.

Building a positive entrepreneurial climate is often more challenging than the tasks associated with the attraction or expansion of new or existing businesses, and yet, perhaps more than other industries, creative economy entrepreneurs are incredibly important to support and target. It is often easier to establish a small business in design, marketing, advertising, and other creative industries because capital and start-up costs are often lower than in more traditional industries. Creative types are also often less risk-averse and willing to take on new challenges. In order to fully capitalize on the job opportunities associated with creative entrepreneurial growth, targeted support programs should be established.

### Strategies:

1. Develop a creative economy accelerator/incubator (as being outlined by *New Economy Strategies*.)
2. Establish a Creative Economy Investment Fund that offers seed capital pre-seed and early-stage investment capital ranging from \$25,000 to \$100,000 to qualified, for-profit businesses in the six creative sectors.
3. Host a Venture Capital event around AutoWeek or another large, local event to increase the exposure of emerging companies to venture capitalists.
  - a. Ask a local corporation to use their corporate jet to bring in investors, producers, etc... as a familiarization trip.
  - b. Line up 3-5 successful, emerging start-ups to meet with them and use the opportunity to make a pitch.
4. Establish a Creative Economy Leadership Council comprised of local, successful creative entrepreneurs for leadership development, networking, and mentoring to up and coming entrepreneurs.

**Funding, Marketing, and Administration:** As part of the Creative Economy accelerator plan developed by NES, recommendations for new organizational structures are being included. AE recommends that the new organization responsible for the oversight of the accelerator take on the additional strategies highlighted above and become the go-to resource for creative entrepreneurs in the region.

## GOAL 5: INCREASING THE FINANCIAL VIABILITY OF EXISTING COMPANIES BY ELIMINATING AND/OR REDUCING OPERATING COST BARRIERS.

Experts estimate that up to 80% of all new job growth in a community will come from existing companies. Incentives programs often focus exclusively on recruitment of new companies into the area and miss out on investment opportunities that can be made by the retention of companies that may be looking to relocate and expand investment outside of the region. There are some specific financial and operational issues (city income taxes, difficulty in attracting talent, etc...) that are faced by Detroit area businesses and efforts must be made to remedy those challenges and encourage increased growth by these companies right here in Detroit.

### Strategies:

1. Develop an economic impact study of the impact of Greater Detroit's creative businesses on the regional and state economy. Use this report as the basis for new retention incentives.
2. Provide up to \$1,000 per each new job created or tax credits up to 5% of total payroll of new jobs for existing businesses planning to expand in Greater Detroit who are also looking outside of the region for relocation. If the state's High-Tech MEGA tax credit were extended to creative businesses, this strategy would be implemented.
3. Provide workforce development training grants of up to 50% of total training costs for participation in qualified workforce development programs sponsored by local providers to local creative industry businesses.
4. Ensure that DEGC's newly expanded business retention efforts continue to focus on local creative businesses. This effort should also focus on educating local employers on how to export services outside of the region.

**Administration and Marketing:** A variety of local organizations should be responsible for the implementation of the strategies described above. Detroit Renaissance should lead the development of a regional coalition to support the economic impact study and use as the basis for continued lobbying efforts.

**Funding:** Gap financing should be provided by DIF and other community foundations, and DEGC should continue to fund expanded retention efforts. An annual economic impact study would cost in the range of \$20-\$30,000.





Clearly, tax incentives and other inducements are an increasingly popular tool to promote the growth of creative industry sectors in communities across the world. Although it is difficult to determine the precise impact of tax incentives on creative economic vitality, the fact that state, regional, and local leaders are willing to step out and proactively support creative businesses was often the most important catalyst to developing a creative economy in other communities.

Although the State of Michigan and the Greater Detroit region offer a myriad of incentives programs, there are few that are dedicated to advancing creative industries. In comparison to other states' creative industry targeting programs, Michigan's fall behind. Compared to other states and provinces with more robust creative incentives programs, this sends a message that the creative community is not as desired in Michigan. As Greater Detroit contemplates the development of a robust creative economy, it is important that corresponding incentives and inducements be carefully crafted and funded in order to make the region as competitive as possible.

Based on an incentives analysis as well as the findings from the *Creative Cluster Regional Assessment*, the incentives package outlined in this report were designed to meet five overarching goals:

- Building **density** of creative businesses through the recruitment, retention, and expansion of creative economy industries in designated "creative corridors."
- Developing **state-wide support** for the targeting of creative economy jobs and make Michigan a nationally recognized center of creativity
- **Attracting and retaining creative talent** in the region by enabling them to find appropriate, financially attractive places to live and work
- **Spurring entrepreneurial job growth** in the creative industries through specialized creative industry start-up resources
- **Increasing the financial viability of existing companies** by eliminating and/or reducing operating cost barriers

The incentives package highlighted in the preceding section require substantial resources, oversight, and marketing. It is critical that Greater Detroit develop a very strong management and accountability plan as part of these initiatives in order to justify the funds expended. In order to do so, AngelouEconomics recommends that Detroit Renaissance, or an appropriate Creative Economy lead organization in the region, develop an annual Creative Industries Economic Impact Report. The report should highlight the number of individuals and businesses benefiting from creative economy incentives, the wage levels of such employees, increased capital investment made by these companies, and the spin-off effects felt in the region: housing starts, retail activity, growth in young professional population, media mentions, cultural venue attendance, etc...



Baseline **performance metrics** that should be measured on an annual basis to gauge the program's success include:

- 5-10 new companies within the Creative Corridor every year for the next 5 years, with an average of 10 employees each;
- 10% growth in private capital investment in the Corridor, year over year for the next 5 years;
- 10% rate of return on incentives (e.g. for every \$100,000 in public incentives, \$1,000,000 in new investment created);
- 10% growth in property appraisals over the next 5 years;
- Year over year increase in number of graduating college students in creative industry programs (begin measuring in 2008);
- Year over year increase in national media mentions of "Creative Corridor" and "Detroit" (begin measuring in 2008); and
- Year of year increase of "economic impact" of creative industries in Greater Detroit (begin measuring in 2008)

As Greater Detroit builds the case for investing in creative businesses, mitigates its uncompetitive position through the development of appropriate incentives and inducements, and proactively markets itself as a Creative Capital, benefits will begin to accrue and a Creative Economy will flourish.

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