

Blue Cross Blue Shield of Michigan's Downtown Consolidations

*The Economic Impact of Investing in Lansing, Detroit,
and Grand Rapids*

Commissioned by:
Blue Cross and Blue Shield of Michigan
Prepared by:

Alex Rosaen, Consultant
Scott Watkins, Senior Consultant

Anderson Economic Group, LLC
1555 Watertower Place, Suite 100
East Lansing, Michigan 48823
Tel: (517) 333-6984
Fax: (517) 333-7058

www.AndersonEconomicGroup.com

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I. Executive Summary

PURPOSE OF REPORT Blue Cross and Blue Shield of Michigan (BCBSM), a major provider of health insurance plans to businesses, government units and private individuals in the state of Michigan, and its subsidiary, Accident Fund Insurance Company of America (AFICA) are in the process of relocating and consolidating workers in Lansing, Grand Rapids, and Detroit and their suburbs to downtown locations in those cities. In addition to consolidating its existing workers, AFICA will add over 500 new workers to its Lansing-area work force. In all, BCBSM and AFICA will have moved workers from nine suburban and urban worksites to five urban worksites, investing significantly in constructing and renovating the new sites. These relocations are part of Blue Cross’s desire to contribute to enhancing the vitality of Michigan’s urban cores.

BCBSM has retained Anderson Economic Group, LLC (AEG) to assess the effects of these three downtown consolidations of workers. In this report we discuss the benefits that these plans will have in terms of both quantitative economic measures, such as employment, earnings, and tax revenue, and the important signaling, cultural, and place-making effects of having a large, stable employer in these cities’ downtowns.

OVERVIEW OF FINDINGS

1. BCBSM and AFICA have made a significant commitment to bring jobs into Michigan’s urban cores.

When BCBSM and AFICA complete their consolidations, *nearly 100 percent of their employment in Detroit, Lansing, and Grand Rapids will be in urban cores.* This compares to the pre-consolidation employment distribution of just 52 percent in urban cores. See below for a summary. There is a more detailed discussion at “BCBSM’s Changing Employment Footprint” on page 5.

TABLE 1. BCBSM and AFICA Employee Counts in Detroit, Lansing, and Grand Rapids Markets

	Pre-Consolidation	Post-Consolidation	Net Change
Downtown Detroit	2,975	5,949	+2,974
Downtown Lansing	551	1,343	+792
Downtown Grand Rapids	0	242	+242
Non-Downtown Areas	3,695	224	-3,471
<i>Share in an Urban Core</i>	<i>49%</i>	<i>97%</i>	

Source: Blue Cross Blue Shield of Michigan, 2010; Accident Fund Company of America, 2010

2. The workforce being brought to the downtowns, and the investments the companies are making, have important positive signaling, quality-of-place, and cultural impacts on the host cities.

Strong urban cores and developing vibrant and attractive downtowns can be key elements in economic renewal strategies. As Blue Cross continues its investments in three of Michigan's major urban centers they will be contributing to strengthening these economies in a number of ways, including:

- Diversifying the employment base.
- Supporting each city's cultural offerings by drawing employment and residents nearer to the city center.
- Helping support and renew each city's residential base by bringing more employment near city neighborhoods.
- Strengthening the confidence of investors in the downtown commercial property market by making visible, long-term investments.
- Adding to each city's community of "new economy" employers.

See "Additional Benefits of Strengthening Urban Cores" on page 12 and "Local Benefits of BCBSM's Urban Core Strategy" on page 18

3. These investments have significant employment, earnings, and tax revenue implications for each downtown.

Expenditures on renovations and construction at each new BCBSM and AFICA site, plus the ongoing spending generated by business operations and employee wages, are of great value to each downtown. Below is a summary of these quantifiable impacts in each of the downtowns. The tables on page 4 also present the summary level findings, and a more complete discussion begins on page 9.

Economic and Fiscal Impacts in Detroit. BCBSM's \$32 million investment to renovate office space in downtown Detroit, the spending by their consolidated operations in the city, and targeted new uses of their space in Southfield is anticipated to:

- Create 733 job-years¹ in Wayne County from expenditures on renovating space in the Renaissance Center. These jobs will bring \$25.1 million in new earnings to the area.
- Create an additional 865 new full-time jobs in Wayne County and Southfield. This includes 744 jobs from new businesses that will occupy the BCBSM buildings in Southfield, as well as 121 new jobs in the region from multiplier effects.²

1. This represents jobs of varying durations that are equivalent to 733 full-time jobs of one year duration.

- Generate over \$99 million in earnings to the region (Wayne-County-Plus-Southfield) from the 805 total new jobs generated by BCBSM activities in Detroit and new business activity at the BCBSM buildings in Southfield.
- Generate \$1.36 million in new tax revenue for the City of Detroit from new property taxes, and another \$2.7 million from city income taxes on an annual basis.³

Economic and Fiscal Impacts in the City of Lansing. Both BCBSM and AFICA have committed to major investments in Lansing that will create significant employment from construction. The main ongoing effects come to the City of Lansing from BCBSM moving downtown and AFICA adding a significant amount of new workers to its new Lansing headquarters. Specifically:

- Construction expenditures of \$106 million by AFICA and \$7.5 million by BCBSM in the City of Lansing will create 489 new ongoing jobs in the City of Lansing and \$15.9 million in new earnings from construction.
- The operations of BCBSM and AFICA in Lansing will bring 569 new full-time jobs and \$48.6 million in new annual earnings to the city. This includes 32 jobs created through multiplier effects of expenditures by BCBSM, AFICA, and their workers.
- Generate \$3.04 million in new tax revenue for the city from new property taxes, and another \$275 thousand from city income taxes on an annual basis.⁴

Economic and Fiscal Impacts in Grand Rapids. BCBSM's investment in the Steketees location in downtown Grand Rapids has had an impact on employment mainly through its \$6.7 million expenditure renovating the new facilities, whose previous occupants included a series of retail stores that closed down. While its move signaled an important commitment to the Grand Rapids core, the ongoing effects on employment in Grand Rapids will come from the signaling and other benefits to the downtown discussed in Section 4 of this report but not quantified. Among the quantifiable benefits:

- BCBSM's \$6.7 million investment in renovating the Steketees building in downtown Grand Rapids created 44 job-years in the City of Grand Rapids. These jobs brought an additional \$1.6 million in earnings to the City of Grand Rapids.

-
2. BCBSM is actively working with developers to attract new tenants to its Southfield office space. Our analysis assumes that 75% of the economic activity associated with occupancy of this class A office space will simply substitute for other activity in the region, but that 25% represents genuine new activity in the Wayne-County-Plus-Southfield region.
 3. The city of Southfield will also see property tax benefits as the BCBSM space there is currently not subject to property taxes, but will be as soon as BCBSM is no longer the occupant.
 4. This figure accounts for increases in the property tax base due to investment by BCBSM and AFICA in construction and renovation, as well as the removal of one facility at 232 Capitol Avenue from the tax base as it goes from for-profit ownership (by AFICA) to non-profit ownership (by BCBSM).

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- Generate \$162 thousand in new tax revenue for the city from new annual property taxes.

TABLE 2. Net Economic Impact of Construction and Renovation

	Job-Years^a	Total Earnings (millions)
Detroit Area ^b	733	\$25.1
City of Grand Rapids	44	\$1.6
City of Lansing	489	\$15.9

Source: Anderson Economic Group analysis of data from BCBSM

a. Employment equivalent to one person employed full-time for one year.

b. Defined for this analysis as Wayne County plus Southfield.

TABLE 3. Net Economic Impact of BCBSM and AFICA Operations

	Jobs	Annual Earnings (millions)
Detroit Area	865	\$99
City of Lansing	654	\$65.5

Source: Anderson Economic Group analysis of data from BCBSM

TABLE 4. Summary of Tax Revenue Impact

	Detroit	Grand Rapids	Lansing
Net Additional Property Tax Revenue	\$1,363,845	\$161,745	\$3,047,297
Total Additional City Income Tax Liability	\$2,722,547	\$0	\$275,423

Source: Anderson Economic Group analysis of data from BCBSM

ABOUT ANDERSON ECONOMIC GROUP

Anderson Economic Group, LLC was founded in 1996 and today has offices in East Lansing, Michigan and Chicago, Illinois. AEG is a research and consulting firm that specializes in economics, public policy, financial valuation, and market research. See Appendix B, “About AEG” on page B-2 for a list of past clients.

Please visit our website at www.AndersonEconomicGroup.com for more information.

II. BCBSM's Changing Employment Footprint

BCBSM is a non-profit health insurance provider operating throughout the state of Michigan. Founded in 1975, it provides individual, group, Medicare, HMO and a variety of other plans and services. As Michigan's insurer of last resort, BCBSM is required to provide insurance to individuals regardless of their status. BCBSM's subsidiary AFICA, headquartered in Lansing since 1912, is the 9th largest workers compensation insurer in the United States.

BCBSM and AFICA have a total of 6,406 direct employees, plus over 800 leased or contract employees, in nine facilities in suburban and downtown Detroit, suburban and downtown Lansing, and suburban and downtown Grand Rapids. BCBSM is consolidating eight of these nine sites into core employment centers located in downtowns. Table 5 below summarizes these changes.

TABLE 5. Pre-Consolidation Sites and BCBSM and AFICA Employee Counts

City	Site Name	Pre-Consolidation Employees	Post-Consolidation Employees	Net Change
Detroit	BCBSM Tower	2,035	2,035	
	Jefferson Building	285	285	
	Bricktown Customer Service	385	385	
	Renaissance Center 500 and 600	0	2,974	
Southfield	Towers 100, 200, 300, and 400	2,799	0	
	Omni Center	175	0	
<i>Total Detroit Area:</i>				<i>0</i>
Lansing	Creys Road Regional	37	0	
	Lansing Regional Center	218	0	
	Legal & Legislative Office	8	0	
	Current Accident Fund Building	544	263	
	AFICA Building (Ottawa Power Station)	0	1,080	
<i>Total Lansing:</i>				<i>537</i>
Grand Rapids ¹	Glenwood and Kraft (closed 2004)	242	0	
	Steketees Building	0	242	
<i>Total Grand Rapids:</i>				<i>0</i>

Note: Includes direct employees and leased workers

Source: Blue Cross Blue Shield of Michigan, 2010; Accident Fund Company of America, 2010

1. BCBS also has a facility on Cascade Parkway in suburban Grand Rapids with 224 workers who are not part of these consolidations.

BCBSM'S DOWNTOWN STRATEGY

BCBSM has several motives for making these plans to centralize its workforce in urban locations. Their workforce in these locations is predominantly new economy or knowledge workers. As we will discuss in later sections, knowledge workers are highly preferential toward urban work and living environments. As younger knowledge workers enter the workforce, BCBSM must compete on the national scale for high performing employees, so locating in communities where live/work/play options exist and meet the preferences of these young workers makes good sense.

Responding to the challenges of a resized economy, and to the changing national healthcare environment, BCBSM's plans will also reduce its real estate holdings and consolidate its workforce. In this way, BCBSM will become a leaner, more efficient company, and a model for Michigan businesses working to improve the Michigan business climate.

AFICA is using this process to greatly improve its presence in downtown Lansing, and restate its commitment to Lansing's urban core. Its new headquarters, utilizing and repurposing the historic Ottawa Power Plant, will include an atrium, top floor meeting room, café/gathering space, wellness area and cutting edge technology including multimedia capabilities for customer presentations and other business functions. Additional improvements include dismantling and removing the power generation apparatus and rebuilding a portion of the adjacent parking ramp that currently extends over Grand Avenue. Upon completion of the project, Accident Fund will pursue a listing for its new headquarters on the National Register of Historic Places and also LEEDTM (Leadership on Energy Efficient Design) certification by the U.S. Green Building Council.

INVESTMENT IN DETROIT

In Detroit, BCBSM plans to move 2,974 employees from the Southfield offices to new space in the Renaissance Center in downtown Detroit. This will give BCBSM four work sites within 0.5 miles of each other in the core of the city.

BCBSM's consolidation plan calls for shifting its Southfield employees to newly leased space in the Downtown Detroit's Renaissance Center. When the consolidation is complete, BCBSM's downtown Detroit presence will include:

- 2,035 employees located at the BCBSM Tower, 600 E. Lafayette Boulevard
- 582 employees at the Jefferson building, 441 E. Jefferson Avenue
- 358 employees at the Bricktown Building, 500 E. Lafayette Boulevard
- 2,974 employees located at the Renaissance Center, 500 Renaissance Center
- This will bring the projected employee count in downtown Detroit to 5,949, and position BCBSM as one of the largest employers in the downtown. It will also bring \$32.5 million in investment into renovating the newly-occupied space.

**INVESTMENT IN
GRAND RAPIDS**

In Grand Rapids, BCBSM created an urban worksite in 2004, when they occupied the newly refurbished Steketees building. Currently there are 242 employees at this site. BCBSM also has a suburban worksite in Grand Rapids, at 611 Cascade West Pkwy. SE, with 224 employees. However, BCBSM has no plans to consolidate these employees with those in the Steketees Building, so they are not part of the workforce under consideration for this report.

**INVESTMENT IN
LANSING**

In Lansing, BCBSM intends to consolidate three offices into downtown space being vacated by AFICA. It will relocate 37 employees from the Creyts Road regional Center, 218 employees from the Lansing Regional Center (also on Creyts Road), and eight employees from the Ionia Street Legal and Legislative office. The Lansing Regional Center facility on Creyts Road will be acquired by Auto-Owners Insurance, which plans to maintain its existing facility across the street and expand into the former BCBSM building.⁵

BCBSM's consolidation plans for Lansing include relocating 255 employees from suburban Delta Township, and eight employees in a small downtown office into downtown space being vacated by AFICA. The consolidation plan also calls for relocating 536 AFICA employees into new space rehabilitated from the old Lansing Board of Water and Light power plant, and a new office building that has been constructed to the north of the existing structure. The redevelopment also includes significant landscaping and new public access to the riverfront. Upon completion the project will provide AFICA with 219,290 square feet in the power plant building and 105,000 square feet in the companion building for a total of 324,290 square feet in the facility.

Investment into the new AFICA building, which will be the firm's national headquarters, is projected to be \$128,900,000 from the developer (Christman Corporation) and an additional \$16,000,000 in personal property investment from Accident Fund.⁶ The company will bring 536 additional workers to the area as part of the consolidation, bringing its total employment in Lansing to

5. Our analysis assumes that Auto-Owners will occupy the facility with roughly the same number of workers as BCBSM currently has there. As detailed in Exhibit 1c in the appendix, we assume that 75% of this employment will simply be substituted for other employment that otherwise would have occurred in the region, but that the remainder is genuine net employment in the Lansing/Delta area.

6. Christman Capital Development Company, Briefing Memo, Brownfield Project # 39, Former Ottawa Power Station, March 4, 2008.

1,080. Through this project the City of Lansing is projected to gain \$18,458,195 (net) in brownfield tax capture over the 30 year life of the tax increment district.

TABLE 6. Developer Investment

Demolition	\$3,900,000
Construction	\$105,000,000
New Chilled Water Plant	<u>\$20,000,000</u>
Total Developer Investment	\$128,900,000

Source: BCBSM and AFICA

The space BCBSM, which will bring over \$7.5 million in renovation expenditures to the area, will occupy, at 232 South Capitol Avenue, is a ten story modernism building constructed in 1935, and remodeled in 1987. It sits one block south of the Michigan State Capitol building, and across the street from Cooley Law School. Neighbors include Boji Tower, a 23 floor office tower, several state and municipal office buildings, and the offices of various lobbying groups and trade associations.

III. Employment, Earnings, and Tax Revenue Impact

This section provides a quantitative analysis of the impact of these BCBSM investments on the employment, earnings, and tax revenue of these cities. The impact on the employment and earnings of these cities comes from two sources:

- Employment and expenditures on construction and renovation of the new sites.
- Employment and operations expenditures at the new downtown facilities, as well as operations drawn to the Detroit Metro area by the newly-available prime office space vacated by BCBSM.

NET IMPACT DEFINED

We define “net economic impact” as the change in the employment and earnings in an area caused by BCBSM’s and AFICA’s investments in renovation and construction and their movement of workers. We follow a rigorous methodology that separates costs from benefits, does not double-count benefits, and considers substitution.

IMPACT ON EMPLOYMENT AND EARNINGS IN THE DETROIT AREA

BCBSM’s Detroit area consolidation will create jobs through investment in renovating its new Renaissance Center facilities, and will bring jobs and expenditures to the area. One key factor contributing to its impact is the creation of new premium office space in the area. By moving to newly-renovated space while leaving its existing premium space in Southfield, there is a net increase in top-end commercial office space in the region as well. To capture the effects of BCBSM’s actions in Southfield and the City of Detroit, this analysis uses “Wayne-County-plus-Southfield” as its area of analysis. Though the City of Southfield is in adjacent Oakland County, the city borders Wayne County and has economic integration with both counties equivalent to if it were on the other side of the county line. Compared to analyzing the Wayne and Oakland County together (or the 3-county Metropolitan Statistical Area, or MSA), this approach has the advantage of allowing our analysis to locate the benefits of these actions in a region more closely centered on the City of Detroit.

Impact on Detroit Area During Construction

We find that BCBSM’s \$32 million investment in renovating its new space in Detroit will create 733 job-years in Wayne County (i.e. jobs of varying durations that are equivalent to 733 full time jobs of one year duration). These jobs will bring an increase of \$25.1 million in earnings to the area during the construction period. See Exhibit 2b in the appendix.

Ongoing Impact on Detroit Area After Relocation

BCBSM’s Detroit area consolidation will create jobs and earnings in the region through both direct employment of workers and the indirect effects from the spending of workers and BCBSM. We find that the operations of BCBSM and new occupants of their Southfield facilities will bring 865 full time jobs and

over \$99 million in earnings to the region (Wayne-County-Plus-Southfield). This includes 121 jobs created through multiplier effects of expenditures by BCBSM and its workers.

**IMPACT ON
EMPLOYMENT AND
EARNINGS IN THE
CITY OF GRAND
RAPIDS**

BCBSM's investment in the Steketees location in downtown Grand Rapids has had an impact on employment only through its \$6.7 million in expenditures on renovating the new facilities. While its move signaled an important commitment to the Grand Rapids core, the process did not create additional prime office space in the region, and BCBSM reports that its employment and expenditures in the City of Grand Rapids are nearly identical before and after the move. Therefore, the ongoing effects on employment in Grand Rapids will come from the signaling and other benefits to the downtown discussed in Section 4 of this report but not quantified.

Impact on Grand Rapids During Construction

BCBSM's \$6.7 million investment in renovating the Steketees building in downtown Grand Rapids created 44 job-years in the City of Grand Rapids. These jobs brought an additional \$1.6 million in earnings to the City of Grand Rapids.

**IMPACT ON
EMPLOYMENT AND
EARNINGS IN THE
LANSING AREA**

Both BCBSM and AFICA have committed to major investments and consolidations of workers in downtown Lansing. These actions will create significant employment in the Lansing and Delta Township area through investment in construction and renovation, as well as ongoing effects of having more workers and expenditures in the area. While the Lansing area facilities being vacated by BCBSM as it consolidates downtown have high-quality tenants lined up, we conservatively assume that 75% of the workers at the Delta Township facility being occupied by Auto-Owners does not increase the employment in the broader area. As a result, the main ongoing effects come to the City of Lansing from BCBSM moving downtown and AFICA adding a significant amount of new workers to its new Lansing headquarters.

Impact on Lansing During Construction

Construction expenditures of \$106 million by AFICA and \$7.5 million by BCBSM in the City of Lansing will create significant new employment and earnings in the city. This includes 489 new ongoing jobs in the City of Lansing and \$15.9 million in new earnings from construction.

Impact on Lansing After Relocation

We find that the operations of BCBSM and AFICA in Lansing will bring 654 full time jobs and \$65.5 million in annual earnings to the City of Lansing and Delta Township. This includes 45 jobs created through multiplier effects of expenditures by BCBSM, AFICA, and their workers.

**IMPACT ON TAX
REVENUE FOR THE
CITIES OF DETROIT,
GRAND RAPIDS, AND
LANSING**

Both the construction and ongoing operations of BCBSM's and AFICA's downtown consolidations will increase the annual tax revenue available to the three host cities. In each city, the investments in construction and renovation create additional property value available to these cities. Note that since BCBSM plans to rent these facilities, their not-for-profit status will not affect the property tax liability associated with the investments because the building owners will be liable for property tax.

The additional employment and earnings in each city will also create additional tax liability as each host city has a city income tax for both residents and non-residents working in the cities. We do not attempt to quantify the tax impact of ongoing construction activity during the construction period.

Table 7 below shows the annual income and property tax revenue impact of BCBSM and AFICA's investments in the host cities.

TABLE 7. Summary of Tax Revenue Impact

	City of Detroit	Grand Rapids	Lansing
Net Additional Property Tax Revenue	\$1,363,845	\$161,745	\$3,047,297
Total Additional City Income Tax Liability	\$2,722,547	\$0	\$275,423

Source: Anderson Economic Group

IV. Additional Benefits of Strengthening Urban Cores

Many of America's urban communities have faced decline for several decades. The long-term trend of suburbanization has seen housing, employment, and retail centers drawn away from many downtown districts, and relocated to suburban markets. While the causes behind this are many, and varying by community, the results are most often abandoned properties, blight, population loss, and the host of social, safety, and community health problems that follow. Cities that have been subjected to these declines face continued challenges, including increased poverty, reduced tax revenues, environmental degradation, deteriorating infrastructure, and fewer opportunities for remaining residents.

Economists, urban scientists, and sociologists have also noted the paradigm shift that is occurring in the national and global workplace. Most commonly referred to as the "new economy," this shift is characterized by fewer manufacturing and production jobs and more knowledge workers. In the sections below, we discuss the opportunities that stem from the presence and concentration of knowledge workers and new economy businesses in urban communities, and how this can contribute to urban renewal answering the challenges that sprawl has helped create.

REVITALIZING URBAN CORE

Revitalizing downtown economies is necessary to reverse conditions of decline and restore the community and vitality to city cores. Revitalization tends to follow a predictable process from creating and offering economic opportunities, to physical rebuilding, to community building. The trigger for this process is often the infusion of people and resources and the demand they create for a better environment.

Rebuilding is often driven by working professionals who appreciate the affordability of urban neighborhoods and seek out places where they can build unique lives for themselves. Young professionals are particularly attracted to urban cultural amenities, transportation efficiencies, a broad access to goods and services, access to career and educational opportunities, the variety of entertainment and recreation venues, and the sense of community diversity that urban environments possess. A 2008 survey of graduates of Michigan colleges by Michigan Future, Inc. found that college graduates who left Michigan for work frequently cited "cultural and social activities" and the desire to live in an "urban area" as among the top reasons listed.⁷

Urban areas are also attractive to entrepreneurs because they tend to be depressed in value. For investments smaller than the norm, investors can locate

7. Michigan Future, Inc., "Michigan's College Graduates: Where do They Go and Why?," August 2008,

start-up and new economy businesses in central locations with decent access to amenities. From the seeds of these young professionals and entrepreneurs (often knowledge workers), community revitalization can take hold.

Attracting Knowledge Workers

Communities that want to encourage their new economy sector will actively provide the attributes attractive to knowledge workers. As the Land Policy Institute report states:

“Knowledge workers” are key drivers of place competitiveness in the New Economy. The estimated effects of the concentration of 25- to 34-year-olds (a group expected to possess the newest vintage of knowledge and talent and to be more mobile) support previous findings that knowledge and creativity translate into job creation in metro areas...⁸

Knowledge workers, their work habits, and their lifestyle preferences have been scrutinized by city leaders seeking to attract the next generation of talented professional workers and leaders to their communities. In 2007, Charles E. Grantham and James P. Ware of the Work Design Collaborative, LLC, prepared a paper for WIRED of West Michigan that identifies six community attributes that attract knowledge workers.⁹

1. **Design** includes “form” elements such as buildings, land development and use, transportation connectivity, and infrastructure, as well as “function” elements relating to aesthetics or appeal.
2. **Story** is how a community projects itself to the larger world. It includes the history of the region, and its current narrative.
3. **Symphony** includes the variety of opportunities, the interweaving of community events and programs, and the porousness of social boundaries.
4. **Empathy** refers to the community’s sense of equity, identification, and care for all its population segments, as well as diversity in population, availability of cultural events, and opportunities to be around people of different backgrounds.
5. **Play and recreational** opportunities are critical to accommodating the interests found among knowledge workers. Spectator, participatory, professional, pick-up, and individual recreational opportunities are all important.
6. **Meaning** includes opportunities to explore deeply held values, engage in social activism, and “give back” to the community and the environment. This includes engagement in civic associations and volunteerism.

8. Soji Adelaja, et al, “Chasing the Past or Investing in Our Future: Placemaking for Prosperity in the New Economy,” Michigan State University Land Policy Institute, East Lansing, 2009, p. 18.

9. Charles E. Grantham and James P. Ware, *What Attracts Knowledge Workers? Generating a Community Infrastructure for the Innovative Economy*, The Work Design Collaborative, LLC, March 2007.

URBAN RENEWAL AND THE NEW ECONOMY

Knowledge workers also value self-control and autonomy. The opportunity to choose among a range of alternatives is important to knowledge workers, in both their work and personal lives. Since knowledge workers are highly educated and keenly recruited, successful communities provide knowledge workers the optimal environment in which to work and live, as a complete package, designed with knowledge worker needs and values in mind.

As cities and communities adapt to the changing landscape of the new economy, they continue to build and adapt infrastructure and systems to provide the environments that knowledge workers seek. And, as knowledge workers gain footholds in communities, they will increasingly influence the priorities of community decision makers. As such, the renewal of urban cores can hinge on the ability of an urban center to attract knowledge workers and new economy businesses. Two important elements of attracting these workers and setting the foundation are discussed below.

The Importance of Place. The renewal of urban cores often begins with a shift towards a “knowledge-based” economy, which creates a draw for professionals and young people seeking employment and economic opportunity. However, communities across America compete to attract these demographics, so shifting to a knowledge-based economy has often come to involve concepts of urban planning and place making.

In their May 20, 2009 report, *Chasing the Past or Investing in Our Future: Placemaking for Prosperity in the New Economy*, the Michigan State University Land Policy Institute reports:

“Place” can be viewed in the context of a location, which is laden with the attributes that people want and view as important, and are willing to move there to attain those things. Therefore, a desirable, or “good” place, has a high concentration of things that are most important to knowledge workers and the necessary mobile capital to make them successful.¹⁰

Some of the components of “place” are inherent in land redevelopment as discussed above. Others relate to the intellectual, human, and community capital a place has. Access to universities and research institutions, opportunities to network with a diverse array of people, and the sense of community and engagement attract young knowledge workers. The Land Policy Institute further reports that “effective placemaking in turn attracts talented and entrepreneurial people that will foster a critical mass of such concentration to support the growth of new ideas and new growth.”¹¹

10. Soji Adelaja, et al, “Chasing the Past or Investing in Our Future: Placemaking for Prosperity in the New Economy,” Michigan State University Land Policy Institute, East Lansing, 2009.

11. Ibid.

Physical Renewal. Property investment is often the first form of physical revitalization to take place. Property investment, whether in commercial, residential, public sector, or retail properties infuses resources into the community, and, like blight, has a tendency to spread. New windows and doors, or new facades focus attention on the contrast with neighboring properties that are still in need of rehabilitation. This contrast then motivates neighboring owners to also invest in improving their property.

Property investment brings new people to an area. Businesses attract customers, funders, investors, city leaders, and competitors. Those looking for good property investment opportunities will take note of a revitalizing area and look for ways to participate in the growth. Workers will look for residential and recreational opportunities. Workers and visitors will create demand for shopping, dining, and retail services.

As revitalization takes hold, demand will increase for modern, efficient infrastructure and services. Increased tax revenues and increased social and political pressure for better services, prods local authorities to rebuild and replace out-moded infrastructure. This is most obvious at the street level as new open spaces, streetscapes, and transportation systems are planned and implemented. Less obvious are water, sewer, and drainage improvements, underground cabling and wireless systems, and programmatic changes such as revised transit routes. Some communities have been able to jump-start revitalization by upgrading infrastructure first with a “build it and they will come” mentality.

TANGIBLE BENEFITS OF STRENGTHENING URBAN CORES

The attraction of knowledge workers and new economy businesses has become the central component of urban revitalization strategies. BCBSM and its affiliate AFICA, through their decisions to concentrate employment in Michigan’s urban centers, are therefore stimulating stronger urban cores through their direct investments and employments. Their investments also create indirect benefits, including:

1) Industry and Job Growth

As the density of employment grows in urban cores, the level of spin-off development tends to intensify. This occurs both vertically and horizontally, as related firms enter the market to be in proximity to competitors and potential employees, and as suppliers enter the market to do businesses with others.

Because knowledge workers are often on the cutting edge of their industry, high value is placed on the flow of their ideas and intellectual innovation. Cross fertilization of ideas and intellectual innovation attracts not only knowledge workers but venture and other capital that then leads to additional business development. Whether it’s by spin-off enterprises or unrelated investors, new economy businesses tend to cluster themselves in proximity to similar businesses. Access to career opportunities in parallel companies is valued by knowl-

edge workers, and business developers and managers value the creative environment of innovation clusters.

The growth of professional employment centers also stimulates growth in other sectors of the economy as opportunities arise to service the new businesses and populations. Goods and services necessary for daily life, such as food outlets, restaurants, cleaners, retail and entertainment venues, financial services, medical facilities, and personal care businesses all follow revitalization and redevelopment or urban centers. This creates new job opportunities across the economic spectrum.

2) Attracting More Knowledge Workers

While knowledge workers are highly mobile, it is still true that a concentration or clustering of new economy workers will “seed” a local economy. Adelaja, et al assert that:

Talent can drive new growth, and policies that enhance education, training and high-quality labor, and targeted talent development can pay significant dividends in long-term competitiveness and prosperity. Policies that target and promote venture capital will also have an impact on new growth and prosperity, as does the ability of the economy to foster entrepreneurial development and maturity.¹²

As a place revitalizes with new economy workers and opportunity, the attractive forces it commands increase. Collaboration and innovation lead to increased patents and business ideas. Entrepreneurs seek out and attract the attention of capital, enabling business growth. Business growth requires additional knowledge workers, who continue the cycle.

3) Future Workforce Development

The growth of new economy jobs and competition for knowledge workers is anticipated to be a major challenge to businesses and employment regions in the coming decades. Inadequate K-12 preparation, high tuition costs, a decline in science and math interests, and a lack of engagement between the education community and the workforce are some of the reason cited for the current and projected shortage of knowledge workers.¹³

By creating centers of new economy businesses and knowledge workers, however, communities can position themselves for a stronger future workforce. The adage that success breeds success proves true. A strong knowledge workforce provides a foundation for future generations, especially if professionals become

12. Soji Adelaja, et al, “Chasing the Past or Investing in Our Future: Placemaking for Prosperity in the New Economy,” Michigan State University Land Policy Institute, East Lansing, 2009.

13. Jobs for the Future, “The STEM Workforce Challenge: The Role of the Public Workforce System in a National Solution for a Competitive Science, Technology, Engineering and Mathematics (STEM) Workforce,” Boston, MA, April 2007, pp. 2-3.

involved in local schools, mentoring programs, or other aspects of the community that influence education attainment and curriculum focus. Visible economic reward and opportunities for prosperity, along with the attraction of the knowledge worker lifestyle, serves to attract others to new economy careers.

4) Innovation and Entrepreneurship

A strong clustering of diverse businesses that employ knowledge workers also provides for an environment that can support and encourage entrepreneurship and innovation. Large, established businesses like BCBSM are not commonly thought of as important to entrepreneurship. However, economies with significant numbers of large, established employers create an entrepreneurial safety-net of sorts. Entrepreneurial activities involve risk taking, as individuals are willing to take greater risk when alternatives for employment are readily available, and when possible customers are located nearby. As such, a concentration of new economy businesses in an urban center not only attracts and develops a workforce, but they also provide the existing workforce with alternative employment opportunities, and less risk associated with entrepreneurial activities.

5) Increase Infrastructure Usage

One of the greatest challenges facing urban centers is the cost of maintaining existing infrastructure. Roadways, water and sewer lines, public spaces, and even private buildings were often built to accommodate a larger population base than is currently in our urban centers. As costs for repair, maintenance, and replacement mount, governments are challenged to raise the funds needed for these projects as tax bases are notably smaller than was anticipated at the time the infrastructure was originally built. The attraction of additional businesses into an urban core results in more users of infrastructure, which brings more attention to the need for investment, and more tax base to share in the needed investments.

V. Local Benefits of BCBSM's Urban Core Strategy

The benefits of a strong urban core and the importance of developing vibrant and attractive downtowns can be key elements in renewal strategies. As Blue Cross continues its investments in three of Michigan's major urban centers they will be contributing to strengthening these economies in a number of ways. Below is an overview of just some of the benefits that have and likely will accrue as a result of these investments.

DETROIT

The city of Detroit is Michigan's largest city by population, and the hub of its metropolitan region. Downtown Detroit is home to many international and national companies, including General Motors, DTE Energy, Compuware, and Quicken Loans.

Detroit, perhaps more than any other American city, faces tremendous challenges in revitalizing its urban core. Urban abandonment has been prolific since the 1960s, and the city has struggled for many years with high unemployment, high property vacancy and neglect, an inadequate public education system, ineffective municipal government, and a tarnished image. Of course Detroit also has assets that make it an attractive place for new economy businesses, including a core of corporate stakeholders; changing political will to make Detroit a great city to live and work in; enviable architectural, cultural and recreational assets; leading colleges and universities; and a consistently improving image as a good place for cutting edge technology, business, and art.

BCBSM's Role in Strengthening Detroit's Urban Core

Detroit has worked hard over the last few years to overcome its obstacles, build on its strengths, and open itself to new opportunities. Detroit's opportunities for new economy growth are based upon its deep roots in automotive and engineering, as well as in other growing industries such as insurance and banking, entertainment, utilities, and IT. BCBSM's consolidation in downtown Detroit is part of this growth, adding to and broadening this core of talent and initiative, and the momentum being created in the city. Some specific examples of how BCBSM's commitment to the Detroit Urban Core will stimulate further redevelopment and growth are discussed below.

Diversifying the Base. Detroit is making progress in diversifying its economic base, a goal that the BCBSM consolidation plan directly supports. In addition to insurance, Detroit is actively engaging interested firms in the IT, finance, and entertainment industries, among others. The consolidation of BCBSM employees to downtown Detroit will add to a growing cadre of knowledge workers, stimulating the environment for additional new economy workers.

Stable anchors such as BCBSM, PricewaterhouseCoopers, General Motors, Compuware, Comerica Bank, and others provide the physical and social struc-

ture in which new economy entrepreneurs can flourish. Benefits such as affordable office space, venture capital, subcontracting project opportunities, intellectual and talent resources, mentors and role models, and community vitality are all stronger and more plentiful because of the support of large foundational companies.

Building Culture and Community. Detroit is also working hard on its culture and arts, and BCBSM has played a growing role in sponsoring events. Adding more employment in downtown Detroit will also help expose greater numbers of people to all of Detroit's offerings, thus increasing attendance and strengthening the city's cultural offerings. This, in turn, can help to draw even more businesses, residents, and visitors to the city.

Downtown Detroit has numerous venues for immersing in the city's arts and culture including the Detroit Institute of Arts, the Fox Theatre, Greektown, and the Detroit Opera House. Sporting venues in the downtown area include the Joe Louis Arena, Comerica Park, and Ford Field. Festivals and community events range from the International Auto Show and Thanksgiving Day parade, to the Motown Winter Blast and the Detroit International Jazz Festival, and also prevalent.

A new wave of events aimed at new economy workers and next economy innovators is also growing in Detroit. Events and organizations such as MakerFaire, Open Hack Night, WinterLAN, Detroit Synergy, and Open City Detroit are growing in popularity, and provide community-building platforms to young knowledge workers. These events and organizations provide the social context for young new economy workers, gathering spots in which to mingle and form relationships, and opportunities to find and explore opportunities for further learning, innovation, and development.

Renewing the Residential Base. Housing in downtown Detroit is diverse and plentiful. While most of the media portrays Detroit as an abandoned, decaying city with neighborhoods that are falling apart and homes ready for the bulldozer, downtown Detroit offers many opportunities for housing.

The knowledge workers that BCBSM will bring and attract to Detroit will be seeking out these opportunities for modern, live/work/play neighborhoods in Detroit's central neighborhoods. They will be looking for lofts, condos and apartments, including waterfront high-rises, historic rehabs, park-side studios, open lofts, townhomes, and single family homes. All of these housing choices are available in Detroit, and there is ample opportunity for more.

LANSING

Lansing is the capital of the state of Michigan, and the center of the mid-Michigan region. State government has always been the driving force of the downtown's economy, and automotive manufacturing has played a strong role in the community. Notable anchors, in addition to BCBSM and AFICA, in the down-

town are the City of Lansing offices, the Christman Corporation, the Lansing Center, the Lansing Lugnuts baseball stadium, and numerous offices of governmental, court, and lobbying agencies. Lansing's principal shopping district, Washington Avenue, contains numerous restaurants, shops, and nightclubs, and the Stadium District has grown into a natural expansion of the downtown area.

BCBSM and Strengthening Lansing's Downtown

BCBSM and AFICA have provided a notable stimulus to the continued renewal of downtown Lansing. The commitment and investment to the area by BCBSM has strengthened the confidence of other investors in the market. As a result the downtown core of Lansing has continued its shift toward new economy businesses, with the growth of IT, insurance, and health businesses. Some examples include:

- Arialink, a fiberoptic internet and service provider, has relocated its headquarters, and approximately 40 employees to downtown Lansing from suburban west Lansing.¹⁴
- In May 2010, Lansing was awarded EB-5 designation from the U.S. Department of Homeland Security.¹⁵ Tentatively called the International Business Investment Zone (IBIZ), the designation will encompass the entire city and focus on financing economic development projects in targeted sectors that include information technology, bioscience, advanced manufacturing, and higher education. Under the federal EB-5 program, a foreign national who invests \$500,000 or more in a Lansing business or project that creates a minimum of ten direct or indirect jobs becomes eligible for permanent residency in the United States. Lansing is just the third such designation in the state and one of only 93 EB-5 Regional Centers in the nation.
- The owners of the iconic Knapp's Building announced plans in 2010 to restore the 1937 former department store with retail, office and housing uses. The Lansing Economic Development Corporation will lease 10,000 square feet of the street level for use as a business incubator. Nineteen housing units are planned for the upper floors.
- The Lansing Farmers Market, in newly built facilities directly across the river from the new AFICA headquarters, caters to the urban foodie, offering organic, and locally grown fruits, vegetables, flowers, dairy products, bakery goods, other food products, and locally produced art. The facility was rebuilt in 2010, and plans to expand the project to incorporate residential and retail offerings are in the works.

14. Lansing State Journal, <<http://www.lansingstatejournal.com/apps/pbcs.dll/article?AID=/20101209/NEWS03/1209>>, accessed January 9, 2010.

15. Lansing Economic Development Corporation, City of Lansing Wins International Business Investment Zone Designation, May 25, 2010, <http://www.edc.cityoflansingmi.com/modules.php?name=Pages&sp_id=12>, accessed January 25, 2011.

Building Culture and Community. Downtown Lansing is the entertainment hub of the city, with the Lansing Lugnuts playing at Cooley Law School Stadium, several museums and theatres, and a strong core of restaurants and night-clubs. The investments by BCBSM and AFICA will continue to bring a growing base of professional employment to downtown Lansing, which creates further demands for arts, culture, and entertainment. Among the offerings in downtown Lansing that benefit from BCBSM's growing Lansing presence are:

- The Lansing Lugnuts play in Cooley Law School Stadium all summer long, providing a relaxing gathering event in the heart of the neighborhood and hometown spirit.
- The Lansing River Trail winds through downtown Lansing, connecting the banks of the Grand and Red Cedar rivers through 13 continuous miles of non-motorized trails. The park provides linkage to Brenke Fish Ladder, Potter Park Zoo, the MSU campus, and several other parks and recreation areas.
- Annual Lansing Downtown Zombie Walk, a cultural event tailor-made for the 20 to 35 year old demographic happens in September in downtown Lansing, and is a charity event for the Greater Lansing Area Food Bank.
- The Lansing Art Gallery and Education Center, located on Washington Square since January 2011, hosts artist exhibitions, classes and seminars, and special events for those interested in Michigan arts and artists.
- Riverwalk Theatre offers a broad spectrum of live performances ranging from children's theatre to adult drama and comedy.

Renewing the Residential Base. As more employees from BCBSM and AFICA call downtown Lansing home during the business day, more will also become exposed to residential options in the city, and elect to move closer to their place of work. This is especially true of young professionals who are known to seek a live/work/play environment.

Lansing has worked hard to supply a variety of residential options in the downtown area, including loft housing, apartments and condos in high-rises, and vintage single family homes in neighborhoods near the city center. The Lansing Economic Development Corporation estimates there were 450 lofts, apartments, and condos in downtown Lansing in 2009.¹⁶ Some notable residential offerings include:

- Several buildings in Lansing's stadium district boast recently constructed loft apartments above retail and entertainment venues.
- The iconic Knapp's Building, one block southeast of BCBSM's site, will be revitalized with 19 upper floor residential units, beginning in early 2011.¹⁷

16. Downtown Professionals Network, Downtown Lansing Market Study and Strategies, March 2009, p. 3.

17. Lawrence Cosentino, Knapp's Wakes Up, City Pulse, April 6, 2010, <<http://www.lansingcity-pulse.com/lansing/article-4177-knapprrs-wakes-up.html>>, viewed January 25, 2011.

- Across the river from Lansing Community College, the Riverfront Apartments offer two- and three-bedroom garden apartments fronting on the Grand River.
- Marketplace and Stadium North are planned developments that developer Pat Gillespie sees as "...two key elements of continuing to grow downtown: adding more people, and opening people's eyes to the Grand River."¹⁸ Plans for these developments project more than 85 apartments.

GRAND RAPIDS

Grand Rapids, Michigan's second largest city, is the hub of western Michigan and the gateway to the southeastern Lake Michigan beach communities. Known as the "Furniture City," key employers include American Seating, Steelcase, Herman Miller, Alticor/Amway, Spartan Stores, Meijer, MC Sports, and the Van Andel Research Institute.

BCBSM and Strengthening Downtown Grand Rapids

BCBSM occupies the historic Steketees Building at 86 Monroe Center St NW in downtown Grand Rapids, an eight story former department store, last updated in 2004 prior to BCBSM relocating there. Nearby neighbors to BCBSM include the Kendall College of Art and Design, Van Andel Arena, Grand Rapids Community College, the Grand Rapids Museum of Art, DeVos Place, and a large selection of retail, dining establishments, financial and commercial enterprises, cultural and entertainment venues, and other urban uses.

Attracting Knowledge Workers. Grand Rapids has been developing its creative and new economy sectors since the development of its Grand Vision plan in 1991, building on the considerable resources and community spirit of its prominent long time corporate citizens. It has recognized the necessity of attracting young professionals to its community and has worked diligently to do so. Being the hub of western Michigan and a gateway to southeastern Lake Michigan shoreline communities, Grand Rapids has effectively combined its assets as a center of tourism and leisure, with its efforts to attract knowledge and creative class workers.

New Economy Employers. BCBSM employees joined with a cadre of medical and technology workers in downtown Grand Rapids. Anchored by Spectrum Health, the area also holds the Helen DeVos Children's Hospital, the Lemmen-Holton Cancer Pavilion, the Fred and Lena Meijer Heart Center, the Van Andel Institute, and the new MSU College of Human Medicine.

Grand Rapids has done particularly well at involving its long-time corporate citizens. Meijer, Amway, Steelcase, and BCBSM have all contributed to Grand Rapids' renaissance, in its preservation and revitalization of its built assets, the

18. Pat Gillespie, in "What's next for downtown Lansing?", *CityPulse*, April 14, 2010, <<http://www.lansingcitypulse.com/lansing/article-4201-whats-next-for-downtown-lansing.html>>, viewed February 10, 2011.

development of cultural and educational attractions, the development of new economy support and development tools, and attraction of knowledge workers.

With the growth of the new economy sectors that BCBSM and others have fostered in Grand Rapids, the community now hosts a growing collection of start-up businesses. Supported by incubators such as The Factory,¹⁹ venture capital and training from organizations such as Momentum,²⁰ and advice from the Grand Valley State University Center for Entrepreneurship and Innovation,²¹ young entrepreneurs find Grand Rapids an inviting place to start a business, and knowledge workers find the city a rewarding place in which to live and work.

- Technology consulting firm C/D/H has added nine additional staff members in the past eight months and continues to seek talent that has technical expertise and business acumen.²²
- Over 70 aspiring entrepreneurs attended the recent Startup Weekend West Michigan, supported by The Factory, The Atomic Object, and other firms.²³
- Deloitte LLP plans to move to the downtown area in May 2011, underscoring their commitment to downtown Grand Rapids, the city center as a great place to live and work, and the needs and desires of their employees.²⁴
- The Michigan Accelerator Fund I is focused on early stage life science and technology companies based in the region, and expects to make 10 to 12 investments over the course of the its first \$6 million award.²⁵

Building Culture and Community. As noted with the other cities in this report, knowledge workers, such as BCBSM employees, have an appreciation for the arts that beyond traditional art genres. In 2009, Grand Rapids unveiled ArtPrize, a world wide art competition held over two days, with installations in multiple locations within the four square-mile downtown area. This event is unique in that the audience is the jury, rather than art collectors and professionals. The event drew over 200,000 visitors and 1,713 artists in 2010.²⁶

19. See The Factory website, <<http://workthefactory.com/>>.

20. See Momentum website, <<http://momentum-mi.com/>>.

21. Grand Valley State University website, <<http://www.gvsu.edu/businessresource/center-for-entrepreneurship-and-innovation-10.htm>>.

22. Rapid Growth, Wanted: Business and technology-savvy talent, February 16, 2011, <<http://www.rapidgrowthmedia.com/innovationnews/0217cdh.aspx>>, viewed February 18, 2011.

23. Rapid Growth, Weekend brainstorm drenches area with ideas, January 20, 2011, <<http://www.rapidgrowthmedia.com/innovationnews/0120wmswi.aspx>>, viewed February 18, 2011.

24. Rapid Growth, Deloitte to lease two floors of Grand Rapids' \$26M "Thirty-Eight," near capacity since April opening, January 20, 2011, <<http://www.rapidgrowthmedia.com/devnews/deloitte0120.aspx>>, viewed February 18, 2011.

25. Mlive.com, New Grand Rapids venture fund expects to raise \$12 million this year, February 17, 2011, http://www.mlive.com/business/west-michigan/index.ssf/2011/02/new_grand_rapids_venture_fund.html>, viewed February 18, 2011.

Community building supported by knowledge workers such as BCBSM employees is happening through other events and organizations designed to attract and build relationships between and among young workers. Consider:

- 5x5, being produced by Pomegranate Studios, is a monthly event taking place the last Tuesday of each month. Here, five presenters come to share an idea. They each get five minutes and a maximum of five slides. A prize of \$5,000 will be given to each evening's top presenter, judged by a panel of five judges.²⁷
- The Grand Rapids Inventors Network is a regional organization that helps its members further their creative ideas. Meeting monthly, the organization provides speakers, workshops, and networking events that encourage inventors.
- Grand Rapids' popular Zombie Walk, reported to be the largest in the world, adds a touch of weird to the city that attracts young, creative, and perhaps irrelevant new economy workers to the city.²⁸

Renewing the Residential Base. Demand for downtown housing in Grand Rapids has increased and developers have responded in the years since BCBSM moved to downtown. Renovations and re-purposing of existing buildings and new construction have responded to all the effort the community has invested in making the downtown a popular place to work and live. Just a few examples illustrate the growing opportunities:

- Renovation of three structures in downtown Grand Rapids will create 45 energy efficient apartments and live/work units in historic furniture factories.²⁹
- Metropolitan Park Apartments and 101 S. Division are newly built and former factories rehabilitated into modern downtown housing, again stressing the live/work model and catering to new economy workers.³⁰
- 38 Commerce, a 32 unit mixed use project was completed in the summer of 2010. It was completely leased out within a few weeks of becoming available.³¹

26. ArtPrize website, <<http://www.artprize.org/>>.

27. Rapid Growth, Pomegranate Studios Announces 5x5, January 27, 2011, <<http://www.rapid-growthmedia.com/features/012720115x5.aspx>>, viewed February 18, 2011.

28. Mlive.com, Rob Bliss' Zombie Walk returns, but moves to Grand River, October 2, 2010, <http://www.mlive.com/entertainment/grand-rapids/index.ssf/2010/10/rob_bliss_zombie_walk_returns.html>, viewed February 18, 2011.

29. Rapid Growth, Construction begins on \$13M downtown Grand Rapids Serrano Lofts, Division Park apartments, February 10, 2011, <<http://www.rapidgrowthmedia.com/devnews/Serrano0210.aspx>>, viewed February 18, 2011.

30. mlive.com, Developer plans 'work force housing' for old RHD Tire spaces on South Division in Grand Rapids, February 11, 2011, http://www.mlive.com/business/west-michigan/index.ssf/2010/02/developer_plans_work_force_hou.html viewed February 18, 2011.

31. Mlive.com, See what's hot, what's not in downtown Grand Rapids apartments, condos as sales begin rebounding, April 27, 2010, <http://www.mlive.com/business/west-michigan/index.ssf/2010/04/see_whats_hot_whats_not_in_dow.html>, viewed February 18, 2011.

Appendix A. Exhibits

Exhibit 1a. Summary of Construction Expenditures in BCBS and AFICA Consolidations

	Total	% in Region	Total In Region	Year Detail - Total			Year Detail - In Region		
Accident Fund - Lansing Area									
% in Region		70%							
Year Reference				2008	2009	2010	2008	2009	2010
Person Hours				19,384	257,936	392,082	13,569	180,555	274,457
FTE Employment	335	70%	234	10	129	196	7	90	137
Salary and Wage Expenditure	\$ 60,322,238	70%	\$ 42,225,567	\$ 1,746,762	\$ 23,243,547	\$ 35,331,929	1,222,734	16,270,483	24,732,350
Benefits Expenditure	\$ 10,502,917	50%	\$ 5,251,459	\$ 304,135	\$ 4,047,016	\$ 6,151,766	152,067	2,023,508	3,075,883
Materials	\$ 35,186,209	50%	\$ 17,593,105	\$ 1,018,894	\$ 13,558,056	\$ 20,609,259	\$ 509,447	\$ 6,779,028	\$ 10,304,630
	\$ 106,011,364		\$ 65,070,130	\$ 3,069,791	\$ 40,848,619	\$ 62,092,954	\$ 1,884,248	\$ 25,073,019	\$ 38,112,863
BCBSM-Lansing Area									
% in Region		70%							
FTE Employment	31	70%	22						
Salary and Wage Expenditure	\$ 5,673,750	70%	\$ 3,971,625						
Benefits Expenditure	\$ 1,134,750	50%	\$ 567,375						
Materials	\$ 756,500	50%	\$ 378,250						
	\$ 7,565,000		\$ 4,917,250						
Detroit Locations									
% in Region		80%							
FTE Employment	135	70%	95						
Salary and Wage Expenditure	\$ 24,412,500	70%	\$ 17,088,750						
Benefits Expenditure	\$ 4,882,500	50%	\$ 2,441,250						
Materials	\$ 3,255,000	50%	\$ 1,627,500						
	\$ 32,550,000		\$ 21,157,500						
Grand Rapids Locations									
% in Region		70%							
FTE Employment	28	70%	20						
Salary and Wage Expenditure	\$ 5,027,306	70%	\$ 3,519,114						
Benefits Expenditure	\$ 1,005,461	50%	\$ 502,731						
Materials	\$ 670,308	50%	\$ 335,154						
	\$ 6,703,075		\$ 4,356,999						

Source: BCBSM, AFICA
 Analysis: Anderson Economic Group

Exhibit 1b. Summary of Net Change in Operations Expenditures in Detroit, Grand Rapids, and Lansing Areas

	<u>Office Rent</u>	<u>Cleaning</u>	<u>Repairs and Maintenance</u>	<u>Utilities</u>	<u>Roads and Grounds</u>	<u>Admin</u>	<u>Parking</u>	<u>Total</u>
Detroit Area								
<u>Post-Consolidation</u>								
Detroit Locations	\$2,697,088	\$2,068,188	\$6,347,480	\$3,585,352	\$698,221	\$1,856,082	\$2,118,000	\$19,370,411
Southfield Locations	\$0	\$377,274	\$416,137	\$289,279	\$38,738	\$359,466	\$0	\$1,509,479
<u>Pre-Consolidation</u>								
Detroit Locations	\$0	\$1,469,867	\$2,423,138	\$2,346,928	\$212,788	\$2,004,468		\$8,806,551
Southfield Locations	\$0	\$1,509,096	\$1,664,547	\$1,157,117	\$154,951	\$1,437,863		\$6,037,915
Net Change in Area Expenditure	\$2,697,088	-\$533,501	\$2,675,932	\$370,586	\$369,220	-\$1,226,784	\$2,118,000	\$6,035,423
City of Grand Rapids								
<u>Post-Consolidation</u>	\$1,186,196	\$78,113	\$108,352	\$104,622	\$0	\$0	\$318,540	\$1,795,823
<u>Pre-Consolidation</u>	<u>\$1,862,553</u>	<u>\$169,754</u>	<u>\$27,846</u>	<u>\$221,018</u>	<u>\$12,813</u>	<u>\$107,567</u>	<u>\$423,887</u>	<u>\$2,825,438</u>
Net Change in Area Expenditure	-\$676,357	-\$91,642	\$80,506	-\$116,396	-\$12,813	-\$107,567	-\$105,346	-\$1,029,615
Lansing Area								
<u>Post-Consolidation</u>								
BCBSM	\$0	\$130,308	\$1,101,733	\$306,864	\$0	\$0	\$138,000	\$1,676,905
Auto Owners	\$210,879	\$43,724	\$26,879	\$63,912	\$31,190	\$132,512	\$0	\$509,096
AFICA	<u>\$543,777</u>	<u>\$53,888</u>	<u>\$374,593</u>	<u>\$899,803</u>	<u>\$0</u>	<u>\$421,600</u>	<u>\$0</u>	<u>\$2,293,661</u>
<u>Pre-Consolidation</u>								
BCBSM	<u>\$843,515</u>	<u>\$186,951</u>	<u>\$116,607</u>	<u>\$268,217</u>	<u>\$135,635</u>	<u>\$533,728</u>	<u>\$0</u>	<u>\$2,084,652</u>
AFICA	<u>\$0</u>	<u>\$0</u>	<u>\$317,313</u>	<u>\$0</u>	<u>\$0</u>	<u>\$685,092</u>	<u>\$0</u>	<u>\$1,002,404</u>
Net Change in Area Expenditure	-\$88,859	\$40,969	\$1,069,285	\$1,002,363	-\$104,444	-\$664,708	\$138,000	\$1,392,605

Source: BCBSM, AFICA
 Analysis: Anderson Economic Group

Notes:

- Detroit Area defined for this analysis as "Wayne County plus Southfield."
- Lansing Area defined for this analysis as "City of Lansing Plus Delta Township."
- Net new expenditures in the Lansing area for Auto Owners assumed to be 25% of current expenditures by BCBSM at that facility. This implies that the Creyts Road location will be operated by Auto Owners with expenditures approximately the same as BCBSM's current expenditures, but that 75% of the activity is simply substitutes for other area expenditures that would have occurred without BCBSM's actions.
- Net new expenditures in the Detroit area for Southfield location assumed to be 25% of current expenditures. This implies that the Southfield location will be occupied by tenants with expenditures approximately the same as BCBSM's current expenditures, but that 75% of the activity is simply substitutes for other area expenditures that would have occurred without BCBSM's actions.
- Pre-consolidation operations spending for Southfield locations includes towers 100, 200, 300, and 400, but not the Omni Center, which has approximately 5% of BCBSM's Southfield employment.

Exhibit 1c. Summary of Net Change in Employment at BCBS and AFICA Facilities in Detroit, Grand Rapids, and Lansing Areas

		<u>Employment</u>	<u>Wages and Salary</u>	<u>Fringe Benefits</u>	<u>Total</u>	
Detroit Metro Area	<u>Post-Consolidation</u>					
	Detroit Locations	5,949	\$399,517,235	\$99,879,309	\$499,396,543	
	New Occupants of Southfield Locations	744	\$49,440,343	\$12,360,086	\$61,800,429	
	<u>Pre-Consolidation</u>					
	Detroit Locations	2,975	\$201,873,138	\$50,468,284	\$252,341,422	
	Southfield Location	<u>2,974</u>	<u>\$197,761,372</u>	<u>\$49,440,343</u>	<u>\$247,201,715</u>	
	Net Change in Area	744	\$49,323,068	\$12,330,767	\$61,653,835	
	<i>Memo: City of Detroit Change</i>	2,974	\$197,644,097	\$49,411,024	\$247,055,121	
	Grand Rapids Downtown	<u>Post-Consolidation</u>	242	\$25,035,222	\$6,258,805	\$31,294,027
		<u>Pre-Consolidation</u>	<u>242</u>	<u>\$25,035,222</u>	<u>\$6,258,805</u>	<u>\$31,294,027</u>
Net Change in Area		0	\$0	\$0	\$0	
Lansing Area	<u>Post-Consolidation</u>					
	BCBS	263	\$14,378,265	\$3,594,566	\$17,972,831	
	AFICA	1,080	\$59,043,825	\$14,760,956	\$73,804,781	
	Auto Owners (Delta Twp)	64	\$871,306	\$217,827	\$1,089,133	
	<u>Pre-Consolidation</u>					
	BCBS - Delta Twp	255	\$13,940,903	\$3,485,226	\$17,426,129	
	BCBS - Lansing	8	\$437,362	\$109,340	\$546,702	
	AFICA	<u>544</u>	<u>\$29,713,258</u>	<u>\$7,428,315</u>	<u>\$37,141,573</u>	
	Net Change in Area	608	\$30,639,235	\$7,659,809	\$38,299,044	
	<i>Memo: City of Lansing Change</i>	792	43,271,470	10,817,867	54,089,337	

Source: BCBSM, AFICA
 Analysis: Anderson Economic Group

Notes:

- Post-consolidation use of Southfield location and Auto Owners expansion into former BCBSM location in Delta Township assumed to be at the same employment and earnings level as BCBSM. We assume that 75% of this employment is not net-new to the region, but rather is simply substituted for other employment that would otherwise have been elsewhere in the region.

- Fringe benefits assumed to be approximately equal to 25% of wage and salary paid by BCBSM, though it may be higher for direct hires and lower for contractors.

Exhibit 1d. Summary of Multipliers

		Final Demand Earnings Multipliers					Final Demand Employment Multipliers				
BCBS Expenditure Category	RIMS Industry	Wayne County	Reference: Kent County	Estimated City of Grand Rapids Multiplier	Reference: Ingham County	Estimated City of Lansing Multipliers	Wayne County	Reference: Kent County	Estimated City of Grand Rapids Multiplier	Reference: Ingham County	Estimated City of Lansing Multipliers
Operations Spending Categories											
Office Rent	Rental and leasing services and lessors of intangible assets	0.1769	0.3690	0.2952	0.0943	0.0754	6.0681	11.2201	8.9761	3.2292	2.5834
Cleaning	Administrative and support services	0.4188	0.6389	0.5111	0.3829	0.3063	15.8716	25.5576	20.4461	15.0830	12.0664
Repairs/Maint.	Administrative and support services	0.4188	0.6389	0.5111	0.3829	0.3063	15.8716	25.5576	20.4461	15.0830	12.0664
Utilities	Utilities	0.1657	0.2312	0.1850	0.1499	0.1199	2.8546	4.0941	3.2753	2.6957	2.1566
Roads/Grounds	Administrative and support services	0.4188	0.6389	0.5111	0.3829	0.3063	15.8716	25.5576	20.4461	15.0830	12.0664
Security	Administrative and support services	0.4188	0.6389	0.5111	0.3829	0.3063	15.8716	25.5576	20.4461	15.0830	12.0664
Admin	Administrative and support services	0.4188	0.6389	0.5111	0.3829	0.3063	15.8716	25.5576	20.4461	15.0830	12.0664
Parking	Administrative and support services	0.4188	0.6389	0.5111	0.3829	0.3063	15.8716	25.5576	20.4461	15.0830	12.0664
Construction Expenditure Categories											
Engineering	Professional, scientific and technical services	0.3610	0.5833	0.4666	0.4201	0.3361	7.7345	12.2645	9.8116	9.1310	7.3048
Materials	AEG composite*	0.3300	0.3500	0.2800	0.1800	0.1440	7.0000	7.5000	6.0000	4.5000	3.6000
Equipment	Rental and leasing services and lessors of intangible assets	0.1769	0.6389	0.5111	0.3829	0.3063	15.8716	25.5576	20.4461	15.0830	12.0664
Construction	Construction	0.3565	0.4686	0.3749	0.3227	0.2582	9.4768	12.6357	10.1086	8.4165	6.7332
Fringe Benefits	Insurance carriers and related activities	0.2670	0.4515	0.5111	0.3048	0.3063	5.8899	11.3525	20.4461	6.8669	12.0664
		Direct Effect Earnings Multiplier					Direct Effect Employment Multiplier				
BCBS Expenditure Category	RIMS Industry	Wayne County	Reference: Kent County	Estimated City of Grand Rapids Multiplier	Reference: Ingham County	Estimated City of Lansing Multipliers	Wayne County	Reference: Kent County	Estimated City of Grand Rapids Multiplier	Reference: Ingham County	Estimated City of Lansing Multipliers
Construction	Construction				1.5612	1.2490				1.7545	1.4036
BCBS and AFICA Operatic	Insurance carriers and related activities	1.574	2.0155	1.6124	2.1285	1.7028	1.8114	2.3847	1.9078	2.4768	1.9814

Source: RIMS II Input-Output multiplier series from U.S. Bureau of Economic Analysis
 Analysis: Anderson Economic Group

Notes:

Units of Final Demand Employment Multipliers is "jobs per \$1 million in final demand."

Cities of Grand Rapids and Lansing multipliers assumed to be 80% of county multiplier for this analysis.

* AEG composite multiplier created referencing multipliers for industries likely supplying construction materials, including concrete block manufacturing and fabricated metal product manufacturing.

Exhibit 2a: Lansing Area Employment Impact of AFICA Investment, Construction and Renovation

	2008	2009	2010	Total
Employment in Construction				
Direct construction employment in region	7	90	137	234
Direct-effect employment multiplier	* 0.4036	* 0.4036	* 0.4036	
Indirect employment in region due to construction	<u>3</u>	<u>36</u>	<u>55</u>	<u>95</u>
Total Employment Impact of Construction Labor	<u>10</u>	<u>127</u>	<u>193</u>	<u>329</u>
Earnings in Construction				
Direct construction earnings in region	\$ 1,222,734	\$ 16,270,483	\$ 24,732,350	42,225,567
Direct-effect earnings multiplier	* 0.249	* 0.249	* 0.249	
Indirect earnings in region due to construction	<u>304,461</u>	<u>4,051,350</u>	<u>6,158,355</u>	<u>10,514,166</u>
Total Earnings Impact of Construction Labor	<u>\$1,527,194</u>	<u>\$20,321,833</u>	<u>\$30,890,705</u>	<u>\$52,739,733</u>
Employment and Earnings Due to Non-Payroll Construction Expenditures				Total Spending in Region
<i>Construction Spending in Region</i>				
Materials	\$ 509,447	\$ 6,779,028	\$ 10,304,630	\$ 17,593,105
Expenditure-employment multiplier (per \$1 million)	* 3.6	* 3.6	* 3.6	* 3.6
Expenditure-earnings multiplier	* 0.144	* 0.144	* 0.144	* 0.144
Fringe Benefits	\$ 152,067	\$ 2,023,508	\$ 3,075,883	\$ 5,251,459
Expenditure-employment multiplier (per \$1 million)	* 12.0664	* 12.0664	* 12.0664	* 12.0664
Expenditure-earnings multiplier	* 0.3063	* 0.3063	* 0.3063	* 0.3063
Total Employment Impact of Construction Purchases	<u>4</u>	<u>49</u>	<u>74</u>	<u>127</u>
Total Earnings Impact of Construction Purchases	<u>\$119,939</u>	<u>\$1,595,981</u>	<u>\$2,426,010</u>	<u>\$4,141,929</u>
SUMMARY				
<i>Employment</i>				
Employment Impact of Direct Hires	10	127	193	329
Employment Impact of Purchases	<u>4</u>	<u>49</u>	<u>74</u>	<u>127</u>
TOTAL AREA EMPLOYMENT IMPACT	<u>13</u>	<u>176</u>	<u>267</u>	<u>456</u>
<i>Earnings</i>				
Earnings Impact of Construction	\$1,527,194	\$4,051,350	\$6,158,355	\$10,514,166
Earnings Impact of Materials Purchases	<u>\$119,939</u>	<u>\$1,595,981</u>	<u>\$2,426,010</u>	<u>\$4,141,929</u>
TOTAL AREA EARNINGS IMPACT	<u>\$1,647,133</u>	<u>\$5,647,331</u>	<u>\$8,584,365</u>	<u>\$14,656,095</u>

Source for base data and expenditure assumptions: BCBSM
 Analysis: Anderson Economic Group

Notes:

- Employment, earnings, and expenditures on construction estimated by AEG using data provided by AFICA. Non-payroll expenditures apportioned by year in proportion to direct construction employment based on monthly employment estimates provided by AFICA.
- The indirect employment and earnings effects are estimated using multipliers from the federal Bureau of Economic Analysis' RIMS II data series. See Exhibit 1d.
- All of the construction expenditures by AFICA and BCBSM are assumed to be new to the region. Traditional "crowding out" of construction is assumed to be negligible because the construction in question is taking place during a period when the construction industry is facing very unusually low demand.

Exhibit 2b: Employment Impact of BCBSM and AFICA Investments, Construction and Renovation

		Lansing	Detroit	Grand Rapids	Total
Employment	<i>BCBS Renovation</i>				
	BCBS Direct Expenditure on Renovation	\$4,917,250	\$21,157,500	\$4,356,999	\$30,431,749
	Final Demand Employment Multiplier (per \$1 million)	6.73	9.48	10.11	
	<i>Total Employment Impact of BCBS Renovation</i>	<u>33</u>	<u>201</u>	<u>44</u>	
	<i>AFICA Construction</i>				
	<i>Employment Impact of Construction (from Exhibit 2a)</i>	<u>456</u>			
	TOTAL AREA EMPLOYMENT IMPACT	<u>489</u>	<u>201</u>	<u>44</u>	<u>733</u>
Earnings	<i>BCBS Renovation</i>				
	BCBS Direct Expenditure on Renovation	\$4,917,250	\$21,157,500	\$4,356,999	\$30,431,749
	Final Demand Earnings Multiplier	0.26	0.36	0.37	
	<i>Total Employment Impact of BCBS Renovation</i>	<u>\$1,269,634</u>	<u>\$7,542,649</u>	<u>\$1,633,439</u>	
	<i>AFICA Construction</i>				
	<i>Earnings Impact of Construction (from Exhibit 2a)</i>	<u>\$14,656,095</u>			
	TOTAL AREA EARNINGS IMPACT	<u>\$15,925,729</u>	<u>\$7,542,649</u>	<u>\$1,633,439</u>	<u>\$25,101,816</u>

Source for base data and expenditure assumptions: BCBSM
 Analysis: Anderson Economic Group

Notes:

- Employment, earnings, and expenditures on construction estimated by AEG using data provided by BCBSM.
- The indirect employment and earnings effects are estimated using multipliers from the federal Bureau of Economic Analysis' RIMS II data series. See Exhibit 1d.

Exhibit 3a. Annual Net Economic Impact in Lansing Area of BCBSM Operations

Annual impact in nominal dollars once fully operational

Expenditure Category	Net New Direct Expenditures in Lansing Metro(a)	Final Demand Multipliers		Indirect Impact	
		Earnings	Employment*	Earnings	Employment*
Office Rent	\$ (88,859)	0.0754	2.5834	\$ (6,700)	0
Cleaning	\$ 40,969	0.3063	12.0664	\$ 12,549	0
Repairs/Maint.	\$ 1,069,285	0.3063	12.0664	\$ 327,522	13
Utilities	\$ 1,002,363	0.1199	2.1566	\$ 120,183	2
Roads/Grounds	\$ (104,444)	0.3063	12.0664	\$ (31,991)	-1
Admin	\$ (664,708)	0.3063	12.0664	\$ (203,600)	-8
Parking	\$ 138,000	0.3063	12.0664	\$ 42,269	2
Earnings & Fringe Benefits Paid to Employees	\$ 38,299,044	0.7028	0.9814	\$ 26,916,568	38
<i>Subtotal: Indirect Impacts</i>				\$ 27,176,800	45
<i>Plus: Direct Impact</i>				\$ 38,299,044	608
Total Annual Impact of Consolidated BCBS Operations on Lansing Metro Area				\$ 65,475,844	654

Source: Blue Cross Blue Shield Michigan
Analysis: Anderson Economic Group

Notes:

- * Employment multiplier is number of jobs per \$1 million change in output delivered to final demand
- Direct expenditures are the spending that occurs by Blue Cross Blue Shield and AFICA to city vendors of services and goods. Adjustments to expenditures for transport costs and wholesale margins were made for expenditure categories that include goods. All expenditures in the region are considered to be "net new" because it is associated with (1) expenditures by BCBS in buildings that were not in commercial use and were not likely to have a commercial use for at least several years, or (2) the new tenants of buildings in the area.
- Final Demand Multipliers are based on the U.S. Department of Commerce Regional Input-Output Modeling System (RIMS II) for the Ingham County (1997/2006 series). AEG used professional judgment to estimate the Ingham County multipliers for use with the Lansing area.

Exhibit 3b. Annual Net Economic Impact in Detroit Area of BCBSM Operations

Annual impact in nominal dollars once fully operational

Expenditure Category	Net New Direct Expenditures in Detroit Metro(a)	Final Demand Multipliers		Indirect Impact	
		Earnings	Employment*	Earnings	Employment*
Office Rent	\$ 2,697,088	0.1769	6.0681	\$ 477,115	16
Cleaning	\$ (533,501)	0.4188	15.8716	\$ (223,430)	-8
Repairs/Maint.	\$ 2,675,932	0.4188	15.8716	\$ 1,120,680	42
Utilities	\$ 370,586	0.1657	2.8546	\$ 61,406	1
Roads/Grounds	\$ 369,220	0.4188	15.8716	\$ 154,629	6
Admin	\$ (1,226,784)	0.4188	15.8716	\$ (513,777)	-19
Parking	\$ 2,118,000	0.4188	15.8716	\$ 887,018	34
Earnings & Fringe Benefits Paid to Employees	\$ 61,653,835	0.574	0.8114	\$ 35,389,301	50
<i>Subtotal: Indirect Impacts</i>				\$ 37,352,943	121
<i>Plus: Direct Impact</i>				\$ 61,653,835	744
Total Annual Impact of Consolidated BCBS Operations on Detroit Metro Area				\$ 99,006,778	865

Source: Blue Cross Blue Shield Michigan
Analysis: Anderson Economic Group

Notes:

- * Employment multiplier is number of jobs per \$1 million change in output delivered to final demand
- Direct expenditures are the spending that occurs by Blue Cross Blue Shield to city vendors of services and goods. Adjustments to expenditures for transport costs and wholesale margins were made for expenditure categories that include goods. All expenditures in the region are considered to be "net new" because it is associated with (1) expenditures by BCBS in buildings that were not in commercial use and were not likely to have a commercial use for at least several years, or (2) the new tenants of buildings in the area.
- Final Demand Multipliers are from the U.S. Department of Commerce Regional Input-Output Modeling System (RIMS II) for the Wayne County (1997/2006 series).

Exhibit 4. Annual Tax Revenue Impact on Lansing, Detroit, and Grand Rapids of AFICA and BCBSM Operations

		Detroit	Grand Rapids	Lansing
Additional Property Value From Construction and Renovation	a/	\$32,550,000	\$6,703,075	\$129,576,364
Additional Taxable Value (1/2 of Market Value)	b/	\$16,275,000	\$3,351,538	\$64,788,182
Less Property Becoming Non-Taxable	c/	<u>\$0</u>	<u>\$0</u>	<u>-\$2,397,300</u>
Net Additional Property Taxable Property Value		\$16,275,000	\$3,351,538	\$62,390,882
Tax Rate	c/	<u>8.38%</u>	<u>4.83%</u>	<u>6.49%</u>
Gross Additional Property Tax Revenue		\$1,363,845	\$161,745	\$4,047,297
Tax Credits Affecting Property Tax Liability	d/			-\$1,000,000
Net Additional Property Tax Revenue		\$1,363,845	\$161,745	\$3,047,297
Additional Earnings in City Tax Boundary(From Exhibits 1c and 3a-3b)		\$197,644,097	\$0	\$43,271,470
Proportion to Residents	e/	16%	28%	34%
Additional Income Tax Base (accounting for exemptions)	f/ 5%	\$30,041,903	\$0	\$13,976,685
City Income Tax Rate on Residents		<u>2.50%</u>	<u>1.50%</u>	<u>1%</u>
<i>Additional City Income Tax Liability of Residents</i>		\$751,048	\$0	\$139,767
Proportion to Non-Residents		84%	72%	66%
Additional Income Tax Base (accounting for exemptions)	g/ 5%	\$157,719,989	\$0	\$27,131,212
City Income Tax Rate on Non-Residents		<u>1.25%</u>	<u>0.75%</u>	<u>0.50%</u>
<i>Additional City Income Tax Liability of Non-Residents</i>		\$1,971,500	\$0	\$135,656
Total Additional City Income Tax Receipts		\$2,722,547	\$0	\$275,423

Source: Blue Cross Blue Shield Michigan
Analysis: Anderson Economic Group

Notes:

- a/ For the Detroit and Grand Rapids regions, the additional property value is assumed to be the amount of the investment in construction and renovation by BCBSM as shown in Exhibit 1a. For Lansing, the construction investment amounts by BCBSM and AFICA (from Exhibit 1a) is supplemented by an additional \$16 million in planned personal property investment by AFICA, according to the developer of the AFICA headquarters site, which sent a briefing memo to the City of Lansing on the work plan associated with their Brownfield Redevelopment Authority request. Source: Briefing Memo on "Brownfield Project #39 Former Ottawa Power Station" sent March 4 2008 from Christman Capital Development Company.
- b/ Taxable value assumed to be same as State Equalized Value, which is 1/2 of additional property value added.
- c/ Property previously occupied by AFICA at 232 S. Capitol in Lansing is moving from ownership by AFICA, which is a for-profit company that is liable for property taxes, to BCBSM, which is not required to pay property taxes on buildings it owns.
- d/ 2009 millage rates from Michigan Department of Treasury. Assumes Detroit City School District, Grand Rapids City School District, and Lansing Public School District.
- e/ The brownfield development authority plans to capture \$33,300,889 in tax increment over the first 30 years of the project. We assume a \$1 million annual impact on the City of Lansing property tax revenue a representative annual amount over this period.
- f/ AEG analysis of information from BCBS on current city of residence for current employees working in Southfield, Steketees, and Lansing locations.
- g/ Exemptions assumed to reduce income tax base by 5% of earnings.
- h/ See note e/.

Appendix B. About AEG

Anderson Economic Group, LLC was founded in 1996 and today has offices in East Lansing, Michigan and Chicago, Illinois. AEG is a research and consulting firm that specializes in economics, public policy, financial valuation, and market research. AEG's past clients include:

- *Governments* such as the states of Michigan, North Carolina, and Wisconsin; the cities of Detroit, Cincinnati, Norfolk, and Fort Wayne; counties such as Oakland County, Michigan, and Collier County, Florida; and authorities such as the Detroit-Wayne County Port Authority.
- *Corporations* such as GM, Ford, Delphi, Honda, Taubman Centers, The Detroit Lions, PG&E Generating; SBC, Gambrinus, Labatt USA, and InBev USA; Spartan Stores, Nestle, automobile dealers and dealership groups representing Toyota, Honda, Chrysler, Mercedes-Benz, and other brands.
- *Nonprofit organizations* such as Michigan State University, Wayne State University, University of Michigan, Van Andel Institute, the Michigan Manufacturers Association, United Ways of Michigan, Service Employees International Union, Automation Alley, the Michigan Chamber of Commerce, and Detroit Renaissance.

Please visit www.AndersonEconomicGroup.com for more information.