

NATIONAL LEAGUE of CITIES | CASE STUDY

By Brett Common

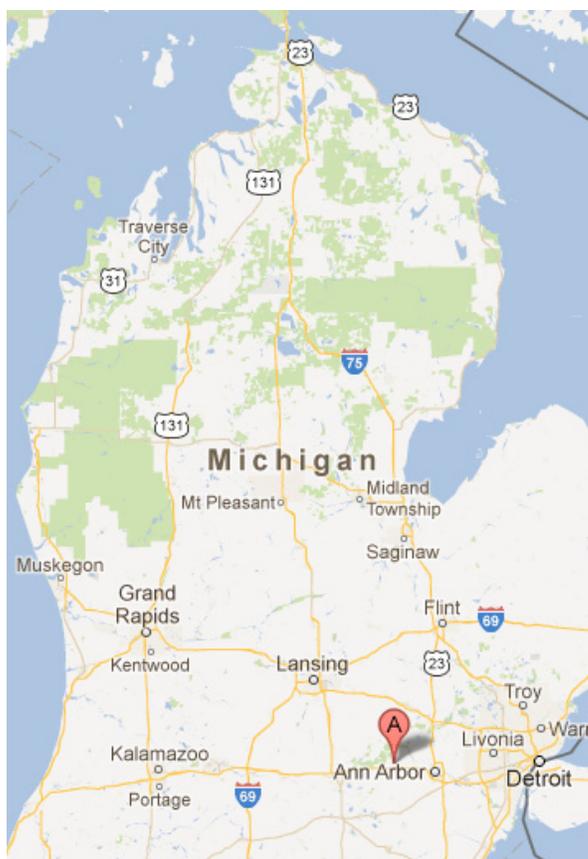
DOWNTOWN USA: Chelsea's Path to a Vibrant Downtown

Chelsea, Michigan, Population: 4,944

The last thirty years have been anything but easy for America's small towns. The reasons why are mostly due to macroeconomic factors beyond their control. Foreign competition and technological progress have hit the manufacturing sector especially hard, leaving factory towns reeling. The proliferation of big box retail has driven consumers out of downtowns and into malls. And the continuing trend toward urbanization is leaving the small town increasingly underrepresented in policy discussions.

Chelsea, Michigan – a small town about fifteen minutes west of Ann Arbor – felt these same effects. By the mid-1980s, the village (now a city) was losing its downtown. Small businesses were moving out, leaving storefronts vacant. To make matters worse, the businesses that were closing were retailers that offered useful staples – a drugstore, a grocer, and a department store. A new strip mall located closer to the interstate also created competition for businesses in the area, representing a new threat to downtown.

Today however, downtown Chelsea is thriving. It has evolved into a destination city with a blooming restaurant scene, independent retailers, and events that draw visitors into the city's core. Chelsea has been able to take advantage of its unique assets to promote growth while retaining the historic charm that visitors relish. Chelsea is not without challenges, but it successfully fought off the encroaching malady that was at its downtown's doorstep only a short time ago.



WHAT TURNED THE TIDE FOR CHELSEA? WHO WAS INVOLVED AND WHAT WAS THE PROCESS LIKE? HOW DID IT START?

This case study focuses on key elements contributing to Chelsea's success through its downtown development story. It closes with some lessons for cities that find themselves in similar circumstances.



REALIZING THE NEED TO CHANGE

There are almost always proactive leaders behind any positive change, and Chelsea is no different. In the early- to mid-eighties, a select few citizens, city leaders, and business owners became concerned about what was happening to their downtown. Two of these leaders included Ann Feeney, a former Chelsea mayor and current councilmember; and Mark Heydlauff, owner of a downtown [appliance store](#) and current member of Chelsea's [Downtown Development Authority](#) (DDA). They were seeing a downtown that was slowly dying, so with the help of other interested stakeholders, they formed a vision group and decided to do something about it.

The group got together in 1985 and outlined a vision ("Vision 1995") for the downtown, which was formulated around a very basic question: "What should the town look like?" They focused first on incremental changes intended to make Chelsea's downtown a more inviting destination – removing the electrical wiring from Main Street, improving the sidewalks, planting trees, and improving the lighting. To help fund these aesthetic improvements, Chelsea took advantage of a relatively new state law at the time that allowed for cities to designate downtown districts that could use tax increment financing (using additional revenue generated by a completed project to pay for development costs) to ["correct and prevent deterioration in business districts."](#) As a result, Chelsea's DDA was formally established in 1985.

Mission Statement



It is the mission of the Chelsea Downtown Development Authority to provide the mechanism and leadership necessary to keep Chelsea a desirable place to own a business, raise a family, work and recreate.

The DDA was created in 1985 with the following goals:

- A. To maintain the strength of the city center as an active marketplace-the community and retail center of Chelsea. It is important to capitalize on the historic character of the downtown.
- B. To continue to enhance the historic character of the downtown through restoration and renovation, while allowing the opportunities for healthy growth that complements the existing retail mix.
- C. Focus on the importance of off-street parking to gain a quality pedestrian shopping environment.
- D. Maintain the distinction of the different character and function of the highway commercial district (I-94 and M-52) and downtown Chelsea.

Objectives provide the framework for implementing the goals. The objectives include:

- A. Preservation of Chelsea's small-town character and historic image.
- B. Improve accessibility and directional signing to and from parking areas.
- C. Strengthen the "marketplace" economically.

Chelsea took cues from the city of Northville, a suburb west of Detroit, which had successfully built a vibrant downtown using its own DDA. Like Northville, Chelsea's DDA used a combination of tax increment financing and a tax of up to 2 mills on all property within the downtown district. Northville had more land to work with and its downtown was larger, but the idea was the same: implement an effective strategy to make the downtown the centerpiece of the destination.



MAKING IT HAPPEN THROUGH COLLABORATION

The glue that held the process together was the uncanny collaboration between all of the stakeholders involved. The DDA, elected officials, community banks, Chamber of Commerce, small business owners, and regulatory departments worked together, and were – and still are – fully invested in making Chelsea a better place. Chelsea's downtown development was truly a group effort. In order for everything to fall into place, all stakeholders had to be on the same page and committed to the plan.

Each institution in town worked together, but they also didn't step outside the bounds of what their core functions were. The DDA resisted the temptation to become a bank; it left that function to the community banks, which were committed to help fund new local businesses. The council was slow to get on board, but after it did, it became a reliable partner, consistently making it easy to operate downtown businesses by waiving fees if necessary and fast-tracking permit processes, among other actions. And the Chamber of Commerce heavily supported the development plan; after all, it would be good for business. The Chamber also helped by steering clear of political positions, focusing on serving as an intermediary between its members and the council instead, and seeking out strategic partnerships.

Chelsea's citizens had to be on board too, and they ended up providing a big boost. When the vision group was raising funds to implement the beautification plan, it came up a little short. The fully funded plan would cost about \$1.6 million, but they were only able to raise \$1 million through a traditional bond issuance. To fill the gap, the group ended up raising the extra funds through pledges by the citizens themselves, which, under the tax code were defined as tax deductible gifts. Councilmember Ann Feeney notes that business owner Mark Heydlauff literally "begged" for money from the community because he believed in the cause so strongly. Because Chelsea was able to raise funds directly from the citizenry, this demonstrated the significant community buy-in of the plan.



FINDING A CATALYST (OR TWO)

A cleaned up downtown is all well and good, but if there aren't open storefronts lining the streets, there's little point in spending money on aesthetic improvements. Chelsea needed a catalyst, and it got two. One was in the form of the [Purple Rose Theatre Company](#), a nonprofit theatre founded by actor/musician Jeff Daniels, a Chelsea native and long-time resident.

For the second catalyst, the group wanted a downtown restaurant to complement the theatre. Bob Daniels – Jeff Daniels' father and president of the Chelsea Lumber Co. – was appointed spokesperson and lead recruiter in the effort to bring a fine-dining restaurant to Chelsea. He approached Craig Common, a metro Detroit chef looking for a building to open his first restaurant (disclosure: Craig Common is my father). Common recalls Daniels being "very positive"



about the prospects of Chelsea's downtown and portrayed a clear vision as to what the town needed (and wanted) to be successful. Common took the plunge and eventually opened [The Common Grill](#) in an old vacant department store in the middle of the downtown. Both the theatre and restaurant, now Chelsea institutions, opened in 1991.

Heydlauff claims that they didn't quite know what to expect when the Purple Rose and Common Grill opened downtown. Fine dining and fine arts aren't traditional small town staples. But it turned out that they were both instrumental in providing momentum to the town's development efforts. The theatre, combined with the restaurant, brought patrons into Chelsea's downtown from close by and from out of town and kept them there, allowing for pedestrian traffic in the shops on the main drag.



DOES A FRIENDLY BUSINESS ENVIRONMENT CREATE VIBRANCY, OR DOES VIBRANCY CREATE A HEALTHY BUSINESS ENVIRONMENT?

Chelsea's development strategy was about creating a vibrant downtown that was friendly to business, but would also provide a desirable quality of life. Bob Pierce, executive director of the Chelsea Area [Chamber of Commerce](#), alluded to the element of vibrancy and the importance of creating a sense of place when discussing the role of the Chamber in downtown development. The Chelsea Chamber, while focused on business, puts a lot more weight in community responsibility and a belief that if a community is desirable, vibrant, and offers a superb quality of life, business will follow.

In recent years, business has followed, particularly in the restaurant sector, bringing to Chelsea dining options not always associated with small Midwestern towns. Adding to the trend of the flourishing microbrew scene in Michigan, [Chelsea Alehouse Brewery](#) opened its doors in January. [Back to the Roots](#), a fair trade clothing store/knick-knack shop/tea and coffee house/sushi bar that gives at least 25 percent of revenues to charity opened in the summer of 2011. It's a creation that seemingly opened in the wrong location, opting for small town Chelsea instead of hippified Ann Arbor, only a few miles away. But one of the owners of the business finally moved to Chelsea after "[hearing about Chelsea as a destination](#)" from his business partner. And Chelsea just welcomed a barbecue restaurant, [Smokehouse 52](#), a homage to M-52, the road that cuts through downtown.

Phillip Tolliver, the man behind Smokehouse 52, is a Chelsea native and wouldn't think of opening his flagship restaurant anywhere else. He can testify to the incredible support he received from the city, as well as community residents, when preparing to open. In Tolliver's words, he "couldn't have asked for any more," from the city council and DDA. Anything he needed was done "instantly" and they were extremely helpful in guiding him through the paperwork process. Tolliver's commercial kitchen hood cleaner even remarked that the building department inspector must be his uncle, since they worked so well together.



The restaurants and independent retailers that line Main Street draw visitors into Chelsea's downtown, but the city has also focused on holding festivals and events that attract visitors from outside the area. One such example is [Sounds and Sights](#), an event held every Thursday throughout the summer in which impromptu stages are set up throughout the downtown for musicians, artists, and performers to entertain pedestrians that are shopping, eating, or just wandering. Also, an annual [Sounds and Sights Festival](#) draws a large number of guests into town each summer. These events are funded and operated mostly by Chelsea's private businesses in conjunction with the DDA and other public stakeholders.

MEASURABLE PROGRESS

In small towns, it is often relatively easy to see if the town is doing well just by strolling through its center. If there is a healthy amount of pedestrian traffic and minimal vacant properties, it is safe to say that the town is probably on firm economic footing. There have been some recent closings in Chelsea's downtown district, but for the most part, it is a bustling environment and most storefronts are filled. The Chamber of Commerce also captures tourist inquiries, queries for events, membership information, etc., and in Chelsea, these metrics have all steadily increased over time.

Raw data from Chelsea's downtown bears out the success of its development strategy. In 1985, the State Equalized Value (50 percent of market value) of the property in Chelsea's designated downtown district was approximately \$4 million, which is almost \$9 million in 2012 dollars. In 2012, the SEV of Chelsea's DDA property was approximately \$26 million – an increase of around 196 percent.

Today, Chelsea's downtown makes up 9.5 percent of the city's total tax base, up from 9 percent in 1985. According to city administrator Kim Garland, the reason why this figure has not increased dramatically is that the city outside the downtown has grown significantly in that time. So while the downtown district's slice of the economic pie has grown exponentially, the city's overall pie has expanded as well. This growth included an expansion of the local hospital (one of the city's biggest employers), a residential boom, and a new business plaza located outside of the downtown, among other developments.

THERE WILL ALWAYS BE SKEPTICS

Chelsea's development has not been without challenges. Whenever potential changes are introduced in any environment, there are bound to be stakeholders or residents that aren't willing to take risks or make drastic changes. In Chelsea's case, the city council, along with a smattering of local residents, were initially hesitant to disrupt the status quo.

Once again, local businessman and DDA member Mark Heydlauff proved resilient, visiting dissenting citizens individually to try to get them to understand what this whole process meant – that the downtown truly holds the town together. He understood that Chelsea was taking a big risk and making a huge investment, but the way the city was going, something had to give. And by creating a downtown worth visiting, this could potentially spur growth outside the downtown district, which would bolster the town's tax base.

The best way to change the opinions of skeptics is to produce visible successes. Once Chelsea's residents and Council started to see the positive changes that were taking place and the momentum it created, it was easy for them to be supportive.

WHAT DOES THE FUTURE HOLD?

Immense challenges lie ahead for Chelsea. While the city made it through the 2008 financial crisis relatively unscathed, macroeconomic pressures continue to mount. The recent closing of a longtime hardware store and the relocation of both the post office and a small independent market out of downtown is evidence that Chelsea is not – and may never be – out of the woods.

The closure and relocations has brought to light a challenge that all of the community leaders stressed is a daunting issue, which is losing the ability to bring citizens downtown to buy essential products. Heydlauff cautions against becoming a "restaurant row," where all other retail is conducted out of the central core at big box franchises. Feeney stresses the need to maintain downtown as a destination for the local population; it needs to be a place where people buy ordinary products. She makes clear that if a city doesn't have a credible plan for supporting local retailers, big box stores can and will have a negative impact.



LESSONS FROM CHELSEA

Like a lot of small towns, Chelsea has a lot of history and great architecture within its downtown district that provides a lot of charm. Also, one of the largest state parks in Michigan's Lower Peninsula is located right on Chelsea's doorstep. It's important to identify and preserve key assets that lie in or around a city's region. Chelsea made sure that these assets would be preserved alongside economic growth. Pierce says that the city can parlay these two assets to "balance nature and commerce," further contributing to Chelsea's sense of place.

Being a small town has some disadvantages, namely a lack of resources to initiate large-scale development projects, but it also has some great advantages that fly under the radar. Small towns can be more nimble in their business development practices. This means more quality face time with current and prospective businesses and quicker and more effective responses to questions or issues that arise. Chelsea's regulatory apparatus has taken advantage of this by expediting permitting processes and committing to exemplary customer service.

In Chelsea, because of its small size, everybody knows everybody else, and this isn't necessarily a bad thing. Its sense of community contributed to the unlikely procurement of funds from the citizens themselves. It also bred a collaborative and group mentality amongst the business owners and city leaders that ultimately led to a focused strategy for economic development. Heydlauff stressed the importance of Chelsea's development being funded with private dollars, which meant that the community had a stake in seeing positive returns on their investment.



Developing a lively downtown is a formidable challenge for small towns, especially when facing so many challenges in the short- and medium-term. But with a committed and passionate group of leaders, a collaborative can-do environment, buy-in from citizens, persistence in the face of skepticism, and a few key catalysts to get the ball rolling, a seemingly nondescript town can transform from empty storefronts to a regional destination in no time.

ABOUT THE NATIONAL LEAGUE OF CITIES

The National League of Cities is the nation's oldest and largest organization devoted to strengthening and promoting cities as centers of opportunity, leadership and governance. NLC is a resource and advocate for more 1,600 member cities and the 49 state municipal leagues, representing 19,000 cities and towns and more than 218 million Americans.

Through its Center for Research and Innovation, NLC provides research and analysis on key topics and trends important to cities, creative solutions to improve the quality of life in communities, inspiration and ideas for local officials to use in tackling tough issues and opportunities for city leaders to connect with peers, share experiences and learn about innovative approaches in cities.

Brett Common is a research assistant for the Finance & Economic Development Program in the Center for Research and Innovation at the National League of Cities. He can be reached at common@nlc.org.

