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Sent: Friday, July 30, 2010 12:16 PM

Subject: Why our growing firm may have to leave Michigan.

All,

I hope you find this essay of interest/value. It's probably something you've heard a million times but I thought I ought to at least try to vocalize it rather than silently surrender.

We have a patent law firm in Troy. In 2006, our firm's legacy domestic automotive business collapsed. We rebuilt our practice with out-of-state clients in a range of industries, including clients like Google, Nissan and Abbott Labs, located in the US, Japan, Europe and China.

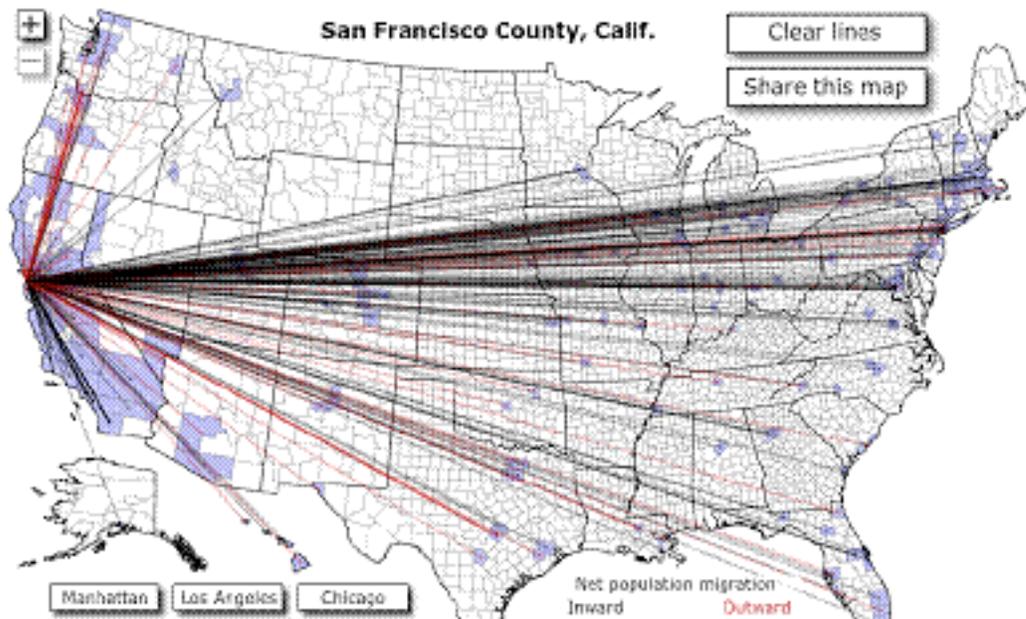
Today, we have 40 highly-paid employees and much of our work now comes from out of state. This makes us a service exporter. We are very proud of the contribution our firm makes to the local economy. We also created a not-for-profit incubator using excess space in our office. The incubator is home to 4 start-ups, all of which are generating revenue and two of which have started employing people. This is something we do without charge as a charity to help the state.

We'd like to stay in Michigan, but we have a problem. It's not taxes or regulations. There's lots of talk about these issues but they have no impact on our business. We spend more on copiers and toner than we do on state taxes.

Our problem is access to talent. We have high-paying positions open for patent attorneys in the software and semiconductor space. Even though it is one of the best hiring environments for IP firms in 40 years, we cannot fill these positions. Most qualified candidates live out of state and simply will not move here, even though they are willing to relocate to other cities. Our recruiters are very blunt. They say it is *almost impossible* to recruit to Michigan without paying big premiums above competitive salaries on the coasts.

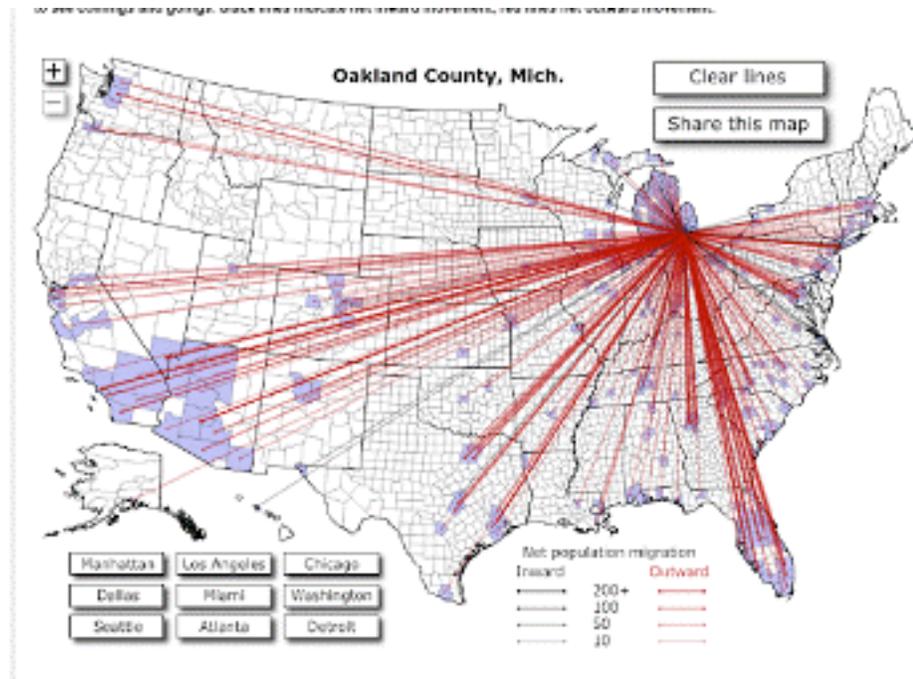
It's nearly a certainty that we will have to relocate (or at a minimum expand) our business out of Michigan if we want to grow.

People – particularly affluent and educated people – just don't want to live here. For example, below are charts of migration patterns based on IRS data Black is inbound, red is outbound. Even though the CA economy is in very bad shape, there is still a mass migration to San Francisco vs. mass outbound migration from Oakland County (most notably to cities like SF, LA, Dallas, Atlanta, NY, DC, Boston, and Philly) San Fran only seems to be losing people to Portland, a place with even more open space and higher quality urban environments.



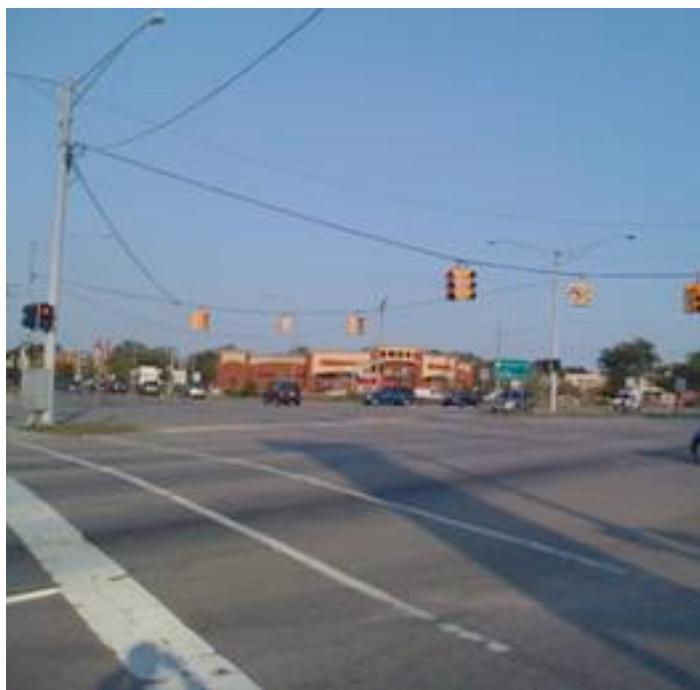
This situation for Michigan is even worse than it seems because those lines are *net* migration. You can click on the links and see the composite of outbound and inbound. I went through many links, and in most cases, the average income of the *outbound* from Oakland County is high (e.g. \$60K, and the average income of the *inbound* is low (e.g. \$30K). Recession or no, isn't it screamingly obvious that people with choices in life – *i.e.* people with money and education – choose *not* to live here? We are becoming a place where people without resources are grudgingly

forced to live. A place without youth, prospects, respect, money or influence.



There's a simple reason why many people don't want to live here: it's an unpleasant place because most of it is visually unattractive and because it is lacking in quality living options other than tract suburbia. Some might call this poor "quality of life." A better term might be poor "quality of *place*." In Metro Detroit, we have built a very bad *physical place*. We don't have charming, vibrant cities and we don't have open space. What we do have are several thousand of miles of streets that look like this:





Having moved here from California five years ago, I will testify that Metro Detroit is a very hard *place* to live. Ask any former Detroiter in California, and you will hear a consistent recital of the flaws that make Metro Detroit so unattractive. Things are spread too far apart. You have to drive everywhere. There's no mass transit. There are no viable cities. Lots of it is really ugly, especially the mile after mile of sterile and often dingy suburban strip shopping and utility wires that line our dilapidated roads (note above). There's no nearby open space for most people (living in Birmingham, it's 45 minutes in traffic to places like Proud Lake or Kensington). It's impossible to get around by bike without taking your life in your hands. Most people lead sedentary lifestyles. There's a grating "car culture" that is really off-putting to many people from outside of Michigan. I heard these same complaints when I left 25 years ago. In a quarter century, things have only gotten considerably worse.

Ironically, California is supposed to be a sprawling place. In my experience they are pikers compared to us. Did you know that Metro Detroit is one half the density of Los Angeles County?

The fundamental problem it seems to me is that our region as gone berserk on suburbia to the expense of having any type of nearby open space or viable urban communities, which are the two primary spatial assets that attract and retain the best human capital. For example, I

noted sadly the other day that the entire Oakland Country government complex was built in a field 5 miles outside of downtown Pontiac. I find that decision shocking. What a wasted opportunity for maintaining a viable downtown Pontiac, not to mention the open space now consumed by the existing complex. What possibly could have been going through their minds? Happily, most of the men who made those foolish decisions 30 or 40 years ago are no longer in policy-making roles. A younger generation needs to recognize the immense folly that they perpetrated and begin the costly, decades long task of cleaning up the wreckage.

These are problems, sure, but they could be easily overcome, especially in Oakland County which is widely recognized as one of the best-run large counties in the country. But despite our talents and resources, the region's problem of place may be intractable for one simple, sorry reason: our political and business leadership does not view poor quality of place as a problem and certainly lacks motivation to address the issue. Indeed, Brooks Patterson -- an otherwise extraordinary leader -- claims to love sprawl and says Oakland County can't get enough of it. These leaders presume that the region has "great" quality of life (apparently defined as big yards, cull de sacs and a nearby Home Depot). In their minds, we just need to reopen a few more factories and all will be well. The cherished corollary to this is that Michigan and Metro Detroit have an "image" problem and that if only people knew great things were they would consider living or investing here. The attitude of many in our region is that our problems are confined to Detroit city while the suburbs are thought to be lovely.

We don't have a *perception* problem, we have a *reality* problem. Most young, highly talented knowledge workers from places like Seattle or San Francisco or Chicago find the even the upper end suburbs of Metro Detroit to be unappealing. I think long term residents including many leaders are simply so used to the dreary physical environment of Southeast Michigan that it has come to seem normal, comfortable and maybe even attractive. Which is fine so long as we have no aspiration to attract talent and capital from outside our region.

My fears were confirmed when I began trying to gather local economic development literature to use as a recruiting tool. The deficits which so dog our region are sometimes heralded by this literature as *assets*. For example, some boosters trumpet our “unrivaled” freeway system as if freeways and sprawl they engender are “quality of life” assets. In San Francisco, the place sucking up all the talent and money, they have removed -- *literally torn out of the ground* -- two freeways because people prefer not to have them. I noted one “Quality of Life” page of a Detroit area economic development website featured a prominent picture of an *enclosed regional shopping mall!* Yuck. It’s theater of the absurd. The people who put together that website must live in a different cultural universe from the high income/high education people streaming out of Michigan for New York, Chicago, and California. Not only is there no plan to address these issues, I fear that the public and their elected leaders in Michigan don’t even recognize the problem or want change.

We have at least one bright spot in the nascent urban corridor between Pontiac, and Ferndale, which is slowly building a critical mass of walkable urban assets. At the same time, there’s no coordinated effort to develop this. Indeed, MDOT officials lie awake at night thinking of ways to thwart the efforts of local communities along Woodward to become more walkable. Another symptom the region’s peculiar and self-destructive adoration of the automobile. Even though the Big Three are a tiny shadow of their former selves, Michigan is still locked in the iron grip of their toxic cultural legacy.

I’d like to hang on another five years. I feel like we’re making a difference. But by the same token, I don’t see any forward progress or even an meaningful attempt at forward progress. It’s almost like the people running things are profoundly disconnected from the reality that many if not most talented knowledge workers find our region’s paradigm of extreme suburbanization to be highly unattractive. It seems to me that we are halfway through a 100 year death spiral in which the forces in support of the status quo become relatively stronger as people with vision and ambition just give up and leave. As we descend this

death spiral, we must in my mind be approaching the point of no return, where the constituency for reform dwindles below a critical threshold and the region's path of self destruction becomes unalterable.

Thank you for considering my views. I welcome any opportunity to be of help to any efforts you may have to fix this.

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