



## Assessing the Investment: The Economic Impact of the Great Lakes Restoration Initiative

### A Case Study of Muskegon, Michigan

SEPTEMBER 2018

In Muskegon, MI., Great Lakes Restoration Initiative-funded improvements have been an influencing factor in numerous economic benefits.

- **Development:** The city has logged \$47 million in completed waterfront developments, and another \$300 million in planned or proposed waterfront developments.
- **Recreation:** Interest in water-based recreation has surged, with the customer count at the city's marina increasing by 19 percent just since 2013.
- **Tourism:** Water-based recreation and new waterfront festivals have driven a major increase in tourist activity, and revenue from Muskegon County's tax on hotel rooms has increased 45 percent since 2010.

Dave Alexander's description of Muskegon, MI, as it was when he moved there 35 years ago, is not particularly inviting.

"It was an old factory town," says Alexander, executive director of Downtown Muskegon Now. "Smelly, heavy industry, not real pleasant."

That uninviting atmosphere was perhaps best represented by the troubling condition of Muskegon Lake, located between Lake Michigan and the Muskegon River on Muskegon's northern shore. Numerous industries, including foundries, chemical and petrochemical companies, sawmills, and a pulp and paper mill, were situated on or near the lake, and improper wastewater disposal practices led to heavy contamination of the water. Contaminated sediments, algal blooms, and low oxygen levels were all observed in the lake. Industrial development also significantly "hardened" the shoreline with bulkheads, seawalls, and chunks of concrete and stone, negatively affecting shallow-water fish habitat and making it difficult for residents to access the lake.

However, Muskegon Lake and the city of Muskegon have seen a significant turnaround in recent years thanks in part to \$34 million in federal Great Lakes Restoration Initiative (GLRI) funding. GLRI-funded projects in Muskegon included numerous habitat restoration initiatives, removal of slab wood and sawmill debris, "softening" and restoring shoreline and remediating the former Zephyr oil refinery site.

Restoration of the lake has caused what Alexander describes as a "transformation from the industrial era to a quality-of-life era." The city has seen major increases in water-based recreation and waterfront business and residential development, while many of its industries have relocated away from the water. These days, Alexander describes his town much more fondly.

"We're not a stinky foundry town anymore," he says. "We are a place that has industry, that has commercial and residential and recreational uses of our waterfront, but all of those things are working in concert with

each other. They're not in conflict as they may have been in the past."

### An explosion of development

Muskegon has seen a true explosion of waterfront development since GLRI-funded work began in 2010. The city has logged \$47 million in completed waterfront development projects. Those include educational projects like Muskegon Community College's new downtown campus and fitness center; residential developments like Highpoint Flats, a 47-unit luxury apartment building; and public developments like the new Rotary Park. Berkshire Muskegon, a \$16-million, 84-unit senior housing community, also opened just blocks from the waterfront in early 2018.

These major investments come as numerous industrial facilities along the waterfront have been vacated and, in many cases, demolished. Muskegon County economic development coordinator Jonathan Wilson describes those facilities as "the last remnants of the industrial history along the waterfront."

"Now we're in the process of redefining what we want to see on the waterfront," he says. "And that's going to include a lot of recreational amenities, a lot of public access points, and a lot of residential and mixed-use."

Multiple other waterfront residential developments are also underway in Muskegon. Those currently under construction include Terrace Point Landing,

a 70-lot condo development that has built out 23 waterfront units at \$400,000 to \$800,000 apiece; and the Watermark Center, an ongoing mixed-use development including residential units and an event venue expected to cost over \$30 million in private investment.

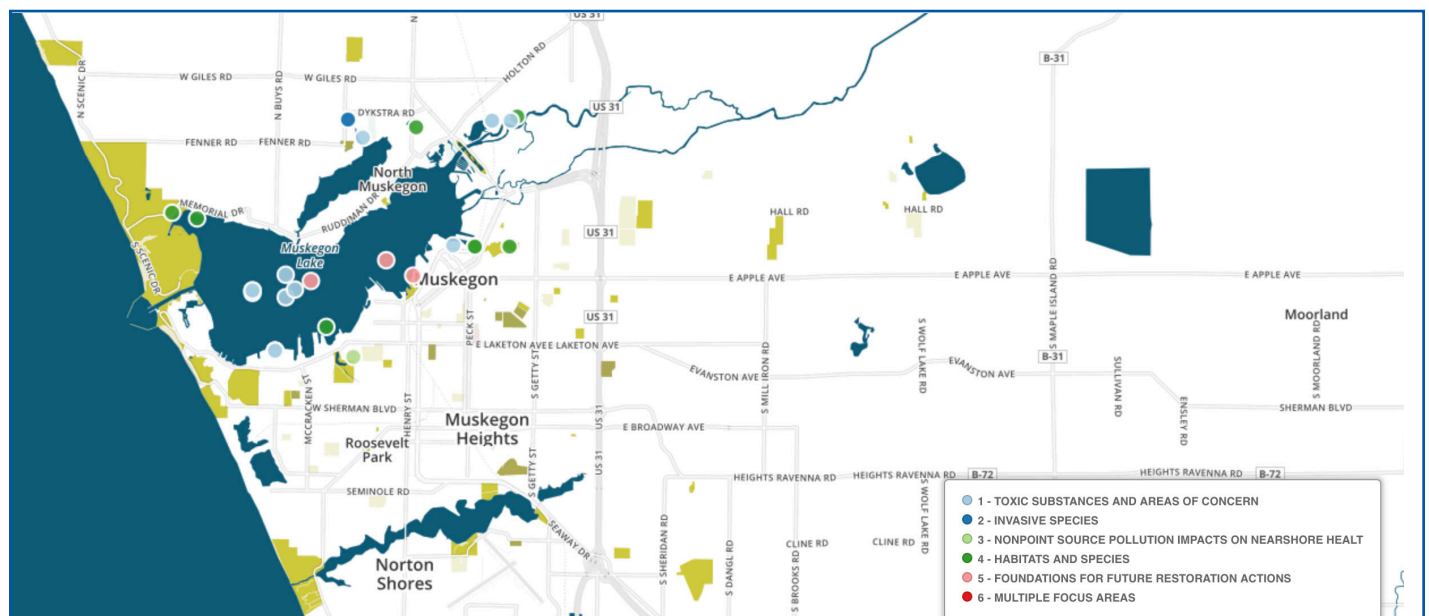
Completed developments and those under construction on Muskegon's waterfront are only the tips of the iceberg. The city charts nearly \$300 million in proposed developments along the Muskegon lakeshore.

"I see the pipeline as being really full right now for economic development in the future along the shoreline," says Muskegon Lake Watershed Partnership chair Dennis Kirksey.

### From kayaks to cruise ships

One recent waterfront development in Muskegon intersected with the city's burgeoning recreation industry in a unique way. When Muskegon-based kayak manufacturer KL Outdoors merged with Montreal-based GSC Technologies in 2017, the newly formed company became the world's largest kayak manufacturer – and it opened its new corporate headquarters on the shores of Lake Muskegon in 2018. KL Outdoors is expected to invest over \$9 million and create over 150 jobs in Muskegon by 2021.

"Those are the kinds of transformational business stories that are happening in our community," Alexander says. "A perfect example of combining our industrial heritage and might along with the recre-



Great Lakes Restoration Initiative projects around Muskegon, MI.

ational opportunities that are here for something like kayaks.”

Boaters of all stripes have begun to take advantage of those opportunities more than ever since GLRI work began in Muskegon. The yearly customer count at the city’s Hartshorn Marina has increased by 19 percent just since 2013. Kirksey notes that in his own capacity as the owner of a waterfront boat storage business, his revenue has increased 25 percent since 2010 (although he adds, demand for his boat storage service has increased much more, far outstripping his business’ capacity). And, he notes, the community has recently drawn interest from a business offering storage condominiums for larger boats.

“I’m sure cleaner waters, cleaner shores, is 80 to 90 percent of that decision,” Kirksey says. “They wouldn’t have come to Muskegon 20 years ago because it just was too dirty of a feel. The stigma just was there.”

Although interest in traditional boating is on the rise, Kirksey says “the biggest uptick” has been in the presence of smaller non-motorized crafts including kayaks and stand-up paddleboards. The city has also recently seen its first attention ever from a much larger kind of watercraft: cruise ships. The

Pearl Mist cruise ship first docked in Muskegon in 2015 by accident, due to a scheduling conflict at its originally planned stop in nearby Holland, Mich.

“When they got here, they realized that it looks pretty good around here, there are things to do, and the water’s not dirty,” says Kathy Evans, environmental program manager for the West Michigan Shoreline Regional Development Commission. “Since then, they’re coming back and it’s expanding like crazy.”

The Pearl Mist made nine stops in Muskegon in 2016, 10 stops in 2017, and is scheduled for another 10 stops in 2018. Victory Cruise Lines made a test stop in Muskegon in 2017 and is expected to return in 2020. Muskegon County community development director Bob Lukens says the Pearl Mist spent \$50,000 in Muskegon in 2016 on docking fees, use of Muskegon’s downtown trolley, ship maintenance, and other directly verifiable costs. But he says the total the 200 passengers and 70 crew members on each boat spend at local businesses is far more than that.

“The first year that they were here, I took some of the crew on a trip, and they virtually bought out the wine section of one of the [grocery stores] here,” he laughs.



*Sailboats are one of many water-based recreational activities happening on Muskegon Lake today.*

Cruise ships aren't the only reason out-of-towners have begun to flock to Muskegon. A variety of new waterfront festivals and events have also provided a fresh injection of tourist activity in the city. Bass-master held a professional bass fishing tournament in Muskegon in 2013, and the Burning Foot Beer Festival debuted at Pere Marquette Park in 2015. The beer fest brought in 3,500 people in 2017 (up from 2,500 in 2015). 2018 brings the new Great Lakes Surf Festival, catering to surfers, kiteboarders, kayakers, and more, to Pere Marquette.

Another indicator of growing tourist activity in Muskegon is the consistent year-over-year increases Muskegon County has seen in its accommodations tax on hotel rooms. The tax collected \$1.2 million in fiscal year 2017, a 45 percent increase since GLRI work began in 2010.

"There was always a mindset locally that you could have one or the other. You could embrace industry, or you could embrace tourism," Kirksey says. "I've always suggested we could have it all."

### **A new generation gives back**

Changes in Muskegon's economy and built environment are also having an effect on the millennial generation. Although Muskegon's overall population has shrunk since GLRI work began in 2010, its population between the ages of 20 and 34 has shown a one percent increase. Millennials make up 24 percent of Muskegon's population, 4.5 percentage

points ahead of Michigan's overall population.

Residents say the local market is already responding to the millennial generation, and the generation is giving back. Lukens notes the proliferation of waterfront and downtown apartments and the frequency with which young tenants have filled them up.

"Because there are more things to do downtown and because people want to be close to the water, it's made our town more attractive to millennials and young professionals, myself included," Wilson says.

Those young professionals will help Muskegon's economy continue to grow – but they're also inclined to give back to the revitalized natural assets that have helped make the city's resurgence possible. Evans references several efforts young people have made to support ongoing waterway preservation efforts, including one recent crowdfunding campaign for a charity paddleboard trip across Lake Michigan.

"That sector is now becoming much more involved in the stewardship of our natural resources," she says. "They want to be very involved, they want to give back, and they want to be really hands-on with it, too."

*Information included in this case study was provided by the interviewees or obtained from Watch Muskegon, "\$1 Billion: Watch Us Grow!" (April 2018), <https://watchmuskegon.com/wp-content/uploads/2018/04/1-billion-dollar-investments-by-status-1.pdf>; the American Community Survey (2010, 2016); or other data sources.*

This case study is part of a project entitled "Assessing the Investment: The Economic Impact of the Great Lakes Restoration Initiative" (September 2018).<sup>1</sup> A summary report and other documents for the project are available at <https://www.glc.org/work/blue-economy/GLRI-economic-impact>.

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