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THE JOURNAL REPORT: ECONOMIC DEVELOPMENT

Class Act

Kalamazoo's lesson:

Educate and they will come

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By Jeff Bennett

More than a year ago, Kaiser Aluminum Corp. was looking for a spot to build an \$80 million office-and-research center that would employ 150 workers.

After considering cities in three different states, the maker of aluminum products settled on Kalamazoo, Mich., a once-prosperous manufacturing city that had lost thousands of jobs in the last decade or so.

One of the draws: The Kalamazoo Promise, a program that provides at least partial college tuition to all graduating seniors who spent their high-school years in the city's public schools.

Just as Kaiser was gearing up its search, a group of wealthy philanthropists who have remained anonymous unveiled the Promise as a gift to the city. The lure of the program as a benefit for Kaiser employees, and its potential to produce a highly educated work force, proved a big attraction, says Martin Carter, vice president and general manager of common alloy products at Foothill Ranch, Calif.-based Kaiser.

"We are building a sophisticated facility with new technology, and we want well-educated people who will work with us and want to live in Kalamazoo," Mr. Carter says. "Some of the other sites gave a lot of talk about future education plans, but in the case of Kalamazoo, they already had a commitment to developing a well-educated community." Kaiser says its Kalamazoo center will be fully operational in the first quarter of 2009.

Introduced in November 2005, the Promise was designed to stimulate Kalamazoo's economy and lure both business and people back to the city. It covers 65% of tuition costs at public colleges and universities in Michigan for students who spend at least their high school years in the Kalamazoo Public School district. Students who go all the way from kindergarten through 12th grade get a free ride. Bills are paid by the program directly to the college. Roughly 1,200 students have taken advantage of the program so far.

Signs of Rebirth

"What we had here was a traditional inner city that was dying," says Ron Kitchens, chief executive of Southwest Michigan First, a regional economic-development organization. "We had the traditional institutions like hospitals, schools and museums, but the population was leaving and those that remained were paying more taxes."

Kalamazoo sits in western Michigan, a state that led the nation last year in unemployment as auto companies cut jobs amid slumping sales. Michigan's unemployment rate was 7.2%, compared with the national average of 4.6%. The Kalamazoo area has been hard hit by job cuts at one of its largest employers, drug maker Pfizer Inc. Since July 2005, the company has eliminated 2,000 high-paying research jobs, reducing its staff in the area to less than 3,000.

Over the past 18 months, however, Kalamazoo has shown some signs of a rebirth. Four-hundred families from 88 Michigan communities, 32 states and nine foreign countries have moved into the Kalamazoo school district, boosting school enrollment 12% to 11,530 this year from 10,337 in 2005. Graduation rates have risen, too, jumping 21% to 567 students in 2007 from 467 students in 2005. (The district reports 485 graduates so far for 2008, but the final tally won't be known until summer school is over.)

Other companies besides Kaiser have unveiled plans to create jobs in Kalamazoo, with some saying the Promise played a role in their decision. Among them is MPI Research, a privately held preclinical drug-testing company in Mattawan, Mich., which in April announced plans to create 3,300 jobs in southwestern Michigan -- including 400 in downtown Kalamazoo -- over the next five years as it moves into laboratory and office space once housing Pfizer.

Fabri-Kal Corp., a Kalamazoo producer of custom and food-service plastic products, is expected to create 160 jobs by expanding and relocating its current manufacturing operations to a vacant Mead Paper facility located southeast of downtown Kalamazoo. Other expansions or new business openings include W. Soule & Co., a stainless-steel fabrication business employing 25 people; Tourney Consulting Group, a concrete testing lab employing 12 people; and Polymer Solutions Inc., a plastics recycling company with 50 workers.

"We are experiencing job growth and families are moving back and stabilizing the area," Mr. Kitchens says.

The Promise also has turned the Kalamazoo School District into a hot spot for real estate.

Home builder Greg DeHaan, co-owner of Allen Edwin Homes, hadn't built a home in the Kalamazoo School District in the 12 years before the Promise was announced. Now, home sales in the district account for 20% of Allen Edwin's overall business, with the company building and selling 87 homes last year, compared with 47 the year before. The average home price is \$130,000 to \$140,000.

"The Promise has just given us this renewed sense of optimism," says Mr. DeHaan, who grew up in Kalamazoo.

It also has brought educated people into Kalamazoo, sometimes from across the country.

Efeosa Idemudia was working as a personal banker at a J.P. Morgan Chase & Co. bank branch in New York and was preparing to buy an \$800,000 home in Brooklyn when he saw an evening newscast about the Promise.

Not sure he could believe the report, he used his TiVo digital video recorder to review the broadcast, spotted a telephone number on a real-estate sign and was out looking for homes in Kalamazoo a few weeks later. "I told my wife we are out of here," Mr. Idemudia says.

He now lives in the Kalamazoo School District, which means the college tuition for his 7-year-old son, 3-year-old daughter and 1-year-old son will be covered when they graduate from high school.

"When I went to college I had to work a full-time job and go to school," says Mr. Idemudia, who is now a Kalamazoo-based consultant with Pre-Paid Legal Services Inc., a network of independent law firms providing services at low costs. "I want my kids to focus on their education so they can do a whole lot better than I did."

Copying the Formula

While the developments bode well for Kalamazoo, it is too early to tell if the Promise will have a major, long-term impact on the area's economy, says Michelle Miller-Adams, a Grand Valley State University assistant professor and visiting scholar at the not-for-profit W.E. Upjohn Institute for Employment Research in Kalamazoo.

For that to happen, other big companies with high-paying jobs will have to follow Kaiser's path, says Ms. Miller-Adams, who is writing a book about the Promise.

"I wish I could say the economy is turned around but I can't say that yet," she says. "Economic changes take the longest to materialize."

Still, a growing number of groups throughout the country are betting Kalamazoo has the right formula. Inspired by Kalamazoo, Murphy Oil Corp. announced in January 2007 that it would put up \$5 million a year for the next 10 years to provide college scholarships to public high-school graduates in El Dorado, Ark., where the company is based.

Students who participate in the "El Dorado Promise" can use the scholarship at any Arkansas or out-of-state college. Scholarships are capped at \$6,010 and funds are paid directly to the institutions. After a 20-year decline, enrollment rose 3% in the El Dorado school district for the 2007-2008 year.

Groups in Peoria, Ill., Denver, and Pittsburgh are trying to craft similar programs. Last month, the Upjohn Institute sponsored a meeting in Kalamazoo that brought together 200 people representing 75 communities that have established or are interested in establishing programs similar to the Promise.

"I get about 40 to 50 calls a month asking about the Promise," Mr. Kitchens says. "Right now there are about 24 different communities that have similar programs."

The increased focus on education also has spilled over into surrounding communities such as Portage, which passed a \$119 million bond last year, its largest ever, to build and remodel schools. Portage, which has about 9,000 students in its school district, is located about 10 miles south of Kalamazoo.

The money will be used to build two new elementary schools, one high school and remodel a second high school. In the early 1990s, the district tried to pass a \$50 million bond, which at that time was the largest ever to be proposed. It failed.

"We may have not talked about the Promise to get the bond passed, but it was the elephant in the room," says Tom Vance, community-relations manager for the Portage Public School District.

Growing pains have accompanied the influx of people into Kalamazoo, forcing organizations and volunteers to stretch their already limited resources and time, Ms. Miller-Adams says.

"The Promise is generous in that it pays for tuition, but some families need help to buy college materials such as textbooks," she says. "There is also no new money to deal with the increase in [school] enrollment, and volunteers also have been needed to run meetings that teach students how to prepare for college."

As the community grapples with these issues and the initial wave of enthusiasm subsides, Mr. Kitchens says community leaders have a new goal -- keeping the educated in Kalamazoo. Among other things, Southwest Michigan First started a program offering internships at local companies.

"We have 40,000 college students right now. If we can keep them here, companies and entrepreneurs will build around them, and then we can become a community of promise," Mr. Kitchens says.

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