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## Google plan underscores Ann Arbor's economic status

BY SARAH KARUSH  
Associated Press Writer

ANN ARBOR — Most people know Ann Arbor as a funky college town and the home of Wolverine football. Increasingly, it's also an economic engine for the state — a fact underscored this week by Google Inc.'s decision to locate a major facility in the area.



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In announcing Tuesday that it would open a 1,000-person office for its AdWords division in the Ann Arbor area, Google joined a growing number of high-tech employers in and around the city of about 113,000.

Toyota Motor Corp. and Hyundai Motor Co. both recently announced plans to add hundreds of research jobs in Washtenaw County. And other knowledge-based industries like pharmaceuticals and information technology — the kinds of jobs touted by Gov. Jennifer Granholm as an alternative to Michigan's declining manufacturing sector — are thriving here.

The city's success comes as the state continues to be stuck in the economic doldrums. Michigan's unemployment rate was 6 percent in May — an improvement over the previous month's 7.2 percent but still far above the national rate of 4.6 percent. Meanwhile, the domestic auto industry, long the nucleus of the state's economy, is shrinking as General Motors Corp. and Ford Motor Co. shed jobs as part of their turnaround plans.

The Google announcement is part of "this longer-term transition from the traditional industrial economy to a more knowledge-based economy," University of Michigan economist George Fulton said Wednesday. "It's not terribly surprising that Ann Arbor's in the heart of that."

Fulton's own employer is the county's biggest, with about 32,000 workers. That includes University of Michigan Health System, which has nearly 18,000 employees.

Google officials have said Ann Arbor's highly educated population was a major factor in the decision to locate there.

In a ranking of the "brainiest" cities based on 2000 census data and published last month by American City Business Journals, Ann Arbor was the most educated city among those with 50,000 to 100,000 residents over age 25. Some 69.3 percent of residents over 25 had at least bachelor's degrees, compared with 24.4 percent nationally, according to the census.

Lifestyle factors are also a big draw for many companies. In a region known for freeways and urban sprawl, Ann Arbor has a walkable downtown packed with restaurants and cultural attractions. Its school district is considered one of the state's best.

"Ann Arbor is a great brand," said Michael Finney, president of the Washtenaw Development Council and Ann Arbor Spark, another regional development group.

Indeed, while Ann Arbor is just 35 miles west of Detroit, it has an identity — and an economy — all its own.

When state officials track job numbers, they look at the Ann Arbor region — Washtenaw County —

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as its own statistical area. Its unemployment rate in May was 4 percent, the lowest of the state's 17 areas.

In contrast, the Detroit area, where May unemployment was 7 percent, is a fuzzy concept, encompassing Wayne, Oakland, Macomb, Lapeer, Livingston and St. Clair counties. The definition takes into account decentralized commuting patterns that have followed the Motor City's decline.

Though Detroit is still the traditional capital of the U.S. auto industry and still home to General Motors Corp., the world's biggest automaker, many companies fled the city for the suburbs along with much of the middle class in the second half of the 20th century.

Meanwhile, some once-rural Washtenaw County communities are beginning to resemble suburbs of Ann Arbor, a local businessman said.

"You look at the outlying communities, they were just little dots on the map — the Salines, the Dexters and Chelseas," said Greg Copp, vice president of J.S. Vig, a Taylor construction company that does much of its work in the Ann Arbor area. "They've really developed into more than just bedroom communities."

Many of the recent jobs additions are actually happening outside Ann Arbor, which is already fairly dense. Toyota, which has a technical center in the city, is due to start construction on a second, \$150 million campus in nearby York Township. Hyundai plans to invest \$94 million in its existing research center in Superior Township.

The auto industry, including manufacturing, still accounts for a large number of Washtenaw County jobs, but information technology and life sciences companies are gaining prominence. The blockbuster cholesterol drug Lipitor was developed in Ann Arbor, and its maker, Pfizer Inc., spent \$1.3 billion in 2004 to acquire local startup Esperion Therapeutics, whose researchers had developed a drug to reduce plaque along artery walls. Work on the drug, still years from market, continues in Ann Arbor.

Ann Arbor is more or less evenly matched with Oakland County as the state shifts away from manufacturing to knowledge-based industries, Fulton said.

While the state's economy continues to lose jobs, Ann Arbor added 1,600 jobs in 2005, he said.

Dana Johnson, chief economist for Comerica Inc., said it would be a stretch to say that Ann Arbor is becoming the state's economic hub. But he said the city is a good example of how the state can capitalize on the intellectual wealth of its universities.

"Having a strong group of universities around the state is a terrific source of economic energy," said Johnson, who lives and works in Ann Arbor even though his bank is based in Detroit.

The city, he said, "is doing a lot of things right. But it's a small part of the state economy in terms of the number of people."

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