There is an expansive change occurring in the demographics of most Michigan communities. Not only are the needs of households changing, but work trends are changing as well. These changes can present challenges and opportunities to communities. The US Bureau of Census reports that in 2010, 4.2 million more people worked at home than the previous decade. This means that at least 13.4 million people, or 9.5% of the workforce, work at least one day out of their home. As a local official, it is important to be aware of these trends and to know how to address resulting challenges that may affect your community’s needs in the near future.

Most communities are either ambivalent or negative about home-based businesses. To many, home-based businesses conjure up images of traffic on an otherwise quiet street or an unlicensed mechanic doing heavy vehicle repair out of his garage. But most businesses conducted out of the home are operated without detection whether permits have been obtained or not. And if there is a neighbor complaint, it is not surprising to find that it is unrelated to the operation of the home-based business.

Given the trends in the growth of home-based businesses and the potential for new sources of local economic development, local officials are advised to take a fresh approach toward home-based businesses. The next major business success may be starting in someone’s home in your community right now. After all, Apple Computers, Hershey’s Chocolate, and Mary Kay Cosmetics all started out as home-based businesses.

The increase in home-based employment is reflective of a greater economic shift to a knowledge-based economy. Businesses and workforces of the manufacturing economy have been tied to fixed locations focusing on transportation networks, proximity to markets, and available workforce. The knowledge-based economy places a higher demand on a creative, educated workforce and is driven by human capital. Greater flexibility is afforded to a workforce that can contribute regardless of where they are located. Working from home is an increasing option for companies wanting to attract an educated workforce.¹

While a significant number of home-based workers are telecommuters working for companies located elsewhere, nearly half are self-employed. It is the latter category that has specific implications for local economic development, specifically economic gardening.

Responding to the changing economy, there has been a dramatic shift in the approach to economic development in Michigan. Rather than focus all of the attention on attracting Fortune 500 companies and trying to snag the elusive “big score,” more emphasis is placed on nurturing smaller entrepreneurial companies. Popularized by the term “economic gardening,” this shift in focus is based on the fundamental idea that entrepreneurs drive economies.

So, how do home-based businesses fit in with the overall scheme of economic gardening? People start home-based businesses for a variety of reasons. It is logical to assume that many entrepreneurs “hatch” their dream business from their home due either to personal circumstances or to the lack of other cost-effective alternatives. Working from home may be the only way that either single- or two-parent families can balance raising their children and working. Home-based businesses also create opportunities for low and moderate-income individuals, especially if the costs of childcare or transportation are impediments.

When viewed in a more positive light, homes become (in effect) small business incubators which if allowed to flourish can represent a source of economic activity. The economic impact of a home-based business can be significant if that business grows and becomes successful. Most economic gardening programs target entrepreneurs who have started a venture that is between one and five years old and want it to grow, regardless of size. In the first instance, an increase in the owner’s disposable income is likely to be spent in their community. Secondly, as the business grows out of the home it is probable that the owner will relocate within their own community.

What specifically should local government do to nurture home-based businesses? The Orton Family Foundation promotes Heart and Soul communities that support local businesses and jobs. One of the goals of the Heart and Soul program is to reduce the barriers to starting and operating a business. More specifically, the Foundation recommends greater support for home-based businesses and cottage industries with the following:

“Technology and corporate practices are spurring a tremendous shift toward “homepreneurs”: individuals who work from home as freelancers, consultants, or remote employees. Other individuals are using technology to make or sell products from home and distribute them around the world. These home businesses and cottage industries are both impacted by local regulations such as “home occupation” policies and parking bylaws. Communities seeking to encourage this form of employment should review zoning and other bylaws to ensure that they are not overly restrictive.”

An important first step is for local leaders to recognize that home-based businesses exist in the community, probably many more than have actually received permits. Secondly, zoning regulations for home-based businesses should be demystified, giving both applicants and zoning administrators clear guidance as to what constitutes an acceptable home-based business.

Most zoning ordinances are pretty specific as to what constitutes acceptable uses in various zoning districts. For reasons that aren’t clear, the time and attention to use is not evident in most zoning regulations for home-based businesses. For example, the Home Based Business Council lists roughly 200 potential home occupations, including advertising, art instruction, credit checking, auditing, fashion consulting, dating service, medical billing, travel consulting, market research services,

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2 Heart and Soul: Supporting Local Business and Jobs. Orton Family Foundation.
tutoring, manicurist, massage therapy, and telephone answering service. No doubt, there are many more.\(^3\)

Since home-based businesses are located in residential areas, uses should be categorized by level of impact on the neighborhood. Uses that have a minimal impact should be permitted as-of-right, approved by the Zoning Administrator, while more obtrusive uses should either be a special use or not permitted at all. Nuisance aspects such as traffic, noise, odor, etc. should also be incorporated into the standards determining the acceptability of the use.

Moving forward, a few clear steps can turn your community into a place that incubates home-businesses from one that shuns them.

1. Clearly define what the parameters of a home-based business are
2. Scale applications and approval processes accordingly
3. Develop supports: social (networks) and economic (resources)
4. Identify and clearly communicate the benefits of application
5. Promote the process and program
6. Enforce the regulations

Providing sensible home-based business regulations can have a number of positive benefits for the community. Less-intimidating regulations and review processes will actually encourage compliance. Secondly, successful home-based businesses contribute to increased disposable income to be spent within the community with other businesses. The next major American success story may be being hatched in a basement or home office as we speak.

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\(^3\) Modernizing Zoning for Home Occupations. Patricia E. Salkin, AICP. APA Zoning Practice No. 9, September 2006.