



# Bold Leadership and the Future of American Cities: **Drawing on Detroit**

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ABOVE: *From a panel of one of Diego Rivera's Detroit Industry murals located in the Detroit Institute of Arts*

# Urban Crisis as Opportunity

Detroit has become a source of inspiration and solutions for other challenged American cities and even other municipalities looking for innovative new models of urban governance.

BY JAMES M. FERRIS & ELWOOD M. HOPKINS

**C**ities in crisis can be crucibles for innovation, and few illustrate this fact as vividly as Detroit. The city was already an archetype of urban decline when the nationwide economic downturn began in 2007, followed by bankruptcy in 2013 and its emergence in 2014. Along the way, local leaders from every sector have been stepping up with bold leadership and a range of inventive strategies that continue to fuel its recovery today. In the process, these leaders are overturning entrenched assumptions about how urban problems can be solved and pushing the envelope on conventional practices.

Although some of the strategies remain fragile or are yet unproven, it is not too early to ask: Are the revitalization efforts in Detroit, where philanthropy and the private sector have been instrumental, applicable to other cities? That was the question that led The USC Center on Philanthropy and Public Policy, in partnership with The Kresge Foundation, to conduct an inquiry into Detroit's revitalization efforts from 2007 through 2015, and to sponsor this supplement highlighting its findings. The inquiry, which included roundtable discussions among local change makers from Detroit and other cities, researchers, scholars, and national thought leaders, led to a national forum held in May 2016. (See "A Four-Stage Inquiry" on page 4 for more detail about its structure and processes.)

## THE INQUIRY'S GOALS

The inquiry had two goals. Its first was to consider the evolving ideas at work in

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Detroit in the context of the problem-solving processes of other cities facing similar challenges, particularly those in America's Rust Belt that are also confronting the protracted impacts of deindustrialization.

Alan Mallach, a senior fellow at The Brookings Institution, has called these Rust Belt communities "legacy cities" because of their central role in creating American industry and the inherited infrastructure they still possess today.<sup>1</sup> The majority of them are in Ohio, Michigan, New York, and Pennsylvania, but they also include Southern cities such as New Orleans; Macon, Ga.; and Birmingham, Ala.

The opportunities revealed by the work going on in Detroit are especially potent in these legacy cities, which might be collectively poised, as Mallach argues, to represent this country's urban future. But all American cities, including newer and more prosperous ones, can learn a great deal from Detroit.

Some initiatives, such as the Detroit Land Bank Authority, Eastern Market, and the Detroit Innovation District, in fact represent creative variations on parallel strategies already underway in many parts of the country. For these ideas, the opportunity clearly exists to create mutual, cross-city learning and to view the local innovations as a set of varied but parallel experiments.

Other initiatives, such as the Grand Bargain, M-1 RAIL, and Gilbertville, are more difficult to parse. These initiatives were developed in response to unusually desperate circumstances, and as such, they're like hot-house orchids in that they must be tested in different urban settings—different urban laboratories—to assess whether they can take root elsewhere, and if so, what the core elements of successful replication will entail.

The inquiry's second goal was to consider the potential relevance of Detroit's experience to national urban policy and practice.

In that spirit, there was an effort to stimulate a conversation about opportunities and challenges of replicating and expanding solutions within and across all cities looking to rebuild or revitalize. Ultimately, as the inquiry found, Detroit's experience offers highly relevant insights for all cities to chart brighter futures. To be sure, Detroit is a unique place that had reached an unusually desperate state of affairs. But as Rip Rapson, president and CEO of The Kresge Foundation, noted, "Detroit is both the exceptional case and the emblematic one."<sup>2</sup>

## THE INSIGHTS—AND QUESTIONS—EXPLORED IN THESE PAGES

Four sets of insights—and a host of ancillary questions—emerged from the roundtable discussions, framed the forum, and are highlighted in the other articles in this supplement. They are as follows:

**First, traditional roles must be recalibrated in order to solve urban problems.** | The unconventional approaches to revitalization in Detroit encompass public works, place making, business development, and urban redevelopment. Cumulatively, these inventive approaches and strategies represent a new framework for urban governance in which the roles and responsibilities of philanthropy, business, and the public sector are rethought and rearranged, and leaders adapt and collaborate to solve problems. Urban planner Elwood Hopkins explores this topic in "Inventive Approaches to Urban Problem Solving" on page 6.

**Second, philanthropy can be a catalyst for change.** | Although they do not always exercise their ability to do so, philanthropic leaders are relatively unfettered to take risks. Foundations, then, are uniquely positioned to play catalytic roles in cities; they can spark new action within government and the market, help negotiate partnerships, coordinate

fragmented resources, and strengthen the capacity of civic leaders to carry out complex, sustained revitalization initiatives. As Detroit illustrates, foundations can even catalyze solutions to fiscal emergencies that create a more hopeful future. USC professor James Ferris explores how these varied roles challenge conventional philanthropic approaches, strategies, and practices in “Philanthropy as a Catalyst” on page 10.

**Third, economic flywheels enable regional economic growth.** | Urban planners and policy makers are preoccupied with attracting major growth industries to economically stagnating regions. The strategy in Detroit, however, began by emphasizing small businesses and the creation of small retail districts where business communities could form and the effects of revitalization be dramatized. But larger questions remain: To what extent can small businesses be connected with anchor institutions, regional industries, or global trade to contribute to the overall resurgence of Detroit’s economic base through a flywheel effect? And, how can Detroit ensure that its economic development does not lead to gentrification or inequity that may make it difficult for working families to stay or return? Amy Liu, vice president and director of the Metropolitan Policy Program at The Brookings Institu-

tion, writes about “Building Economic Flywheels” on page 14.

**Fourth, cross-sector leadership must become the norm.** | Detroit has fundamentally challenged notions of what urban leadership looks like. Detroit’s experience demonstrates that public, business, and philanthropic leaders can work together in new ways. It has demonstrated a critical need to balance traditional leadership structures, where a few individuals with formal roles wield considerable power, with more distributed (pluralistic) leadership models, where individuals and institutions work collaboratively to solve critical public problems based on shared power and responsibility and the willingness to adapt as circumstances unfold. In the article “Roundtable: Cross-Sector Leadership in Detroit” on page 18, prominent Detroit leaders from the sectors who have worked to revitalize Detroit and create a hopeful future—Rip Rapson, president of The Kresge Foundation; Kevyn Orr, Detroit’s emergency manager during the bankruptcy; and Matt Cullen, president and CEO, Rock Ventures, LLC—share their perspectives on the leadership necessary for governing Detroit and the lessons it might hold for other

**Quicken Loans’ headquarters abuts popular Campus Martius Park in Downtown Detroit.**

cities in a conversation with Jennifer Bradley, director of the Aspen Institute’s Center for Urban Innovation.

## CHARTING A BRIGHTER COURSE FOR AMERICA’S CITIES

Detroit still has a long way to go. Indicators of unemployment, crime, homeownership, land vacancy, educational attainment, and other socioeconomic markers all describe a city continuing to struggle. In a city that encompasses 139 square miles, many of the most promising early initiatives and investments remain concentrated in a limited number of small geographic areas. Even the city’s most optimistic leaders worry about overly romanticizing the profusion of local innovations. After all, there is a daunting job still ahead as Detroit restarts economic growth and ensures equity in the distribution of that growth in the aftermath of the city’s bankruptcy.

But like an ocean liner turning from an iceberg, the city is applying enormous force, carefully and steadfastly over a sustained period, to reverse its direction. So while Detroit may still be far from where its leaders would like it to be, it has already demonstrated success at averting disaster and charting a new course forward.

Understanding how this shift occurred is, at its deepest level, an exercise in mapping how Detroit has worked as a system. Philanthropy and government are often concerned with systems change, but they most often use the term to refer to things like the health system or the education system. The inquiry



reminds us that we must also understand geography as a system and appreciate how the inter-relationship of institutions and leaders within that geography functions as a distinctive ecology. That system was knocked out of equilibrium by crisis but has demonstrated a capacity to recalibrate the roles and responsibilities across the sectors moving toward a new equilibrium.<sup>3</sup>

How did that system in Detroit mount a comeback that many thought would be impossible? What was it about the relationships among leaders and institutions that gave it the capacity to adapt? What frameworks and approaches rose to the surface during the inquiry, suggesting the outlines of an effective and replicable new model for urban governance? Two sets of lessons emerge from examining Detroit's experience: one is about leadership, and the other is about frameworks and approaches.

**LEADERSHIP**

**Cross-Sector Leadership** | Knowing that complex problems require diverse forms of intelligence and ingenuity, Detroit has fostered the development of leaders, institutions, and ideas from all sectors and all parts of the city. Some solutions, like the

Grand Bargain or the Detroit Future City Strategic Framework, are citywide. Others, like the entrepreneurial workshops or retail storefronts that appeared in abandoned buildings, are smaller in scale. But all contribute to the pool of inventive ideas from which leaders can draw, creating a shared sense of momentum and a can-do spirit, powered by an adaptive approach, that has written a new narrative that has come to characterize the city as a whole.

**Exemplary and Visionary Leaders** | While it is important to have a vast and diverse base of leaders to draw upon, it is equally important to have a handful of leaders who can stand out as exemplars to others. These outstanding individuals need to embody such perseverance, vision, and integrity that they inspire other leaders, model behaviors, and make it difficult for anyone to sit back and do nothing. The mix of leaders in this core group should represent the public, private, and philanthropic sectors so that they can model constructive cross-sector collaboration. And ideally, they will have a deep history of collaboration that establishes relationships well before the crisis.

**Flexible Roles** | As Detroit's city government grew weaker, philanthropy and

the private sector began to step into roles traditionally played by the public sector. Now that the city has begun to move to a new normal, the public sector is resuming and reclaiming some of its normal functions. But the lesson learned by leaders in Detroit is that these key functions can and should be managed flexibly, with different sectors stepping into and out of roles, depending on their relative capacities and the circumstances at hand. Even outside of a crisis environment, roles need not be rigid. There can be a more fluid system where roles are adjusted on an ongoing basis, as long as there are trusting relationships among key leaders in each sector. It is also important that leaders in each sector look for ways they can support or reinforce the role of the other sectors at any given time.

**Valued Formal and Informal Networks** | Leadership is not only about formal, official powers; it is often about the soft power of persuasion and influence that enable individuals to negotiate and nurture collaboration, and a range of stakeholders to coalesce around shared objectives. Governance—making collective choices to solve public problems—is a blend of formal and informal institutions. In this arrangement, informal

## A Four-Stage Inquiry

The inquiry undertaken by The USC Center on Philanthropy and Public Policy in partnership with The Kresge Foundation is designed as a series of stages that build logically and cumulatively on one another, leveraging the perspectives, expertise, and experience of leaders from across the public, private, and philanthropic sectors who are focused on cities, as well as thought leaders, scholars, and practitioners.

**NATIONAL ADVISORY COMMITTEE**

In fall 2015, a National Advisory Committee was created, comprising foundation presidents, former mayors and policymakers, and national thought leaders. Its purpose is to help situate the inquiry in a national context, verify its underlying assumptions, identify the significant ideas, suggest relevant questions to be asked, and recommend participants to be engaged in subsequent steps such as the roundtables and the forum.

**ROUNDTABLES**

In early 2016, five small-group discussions were facilitated around issues that have been approached in unorthodox ways in Detroit, originally based on conversations with The Kresge Foundation and its Detroit team and refined by interviews with the National Advisory Committee: (1) the catalytic role of philanthropy; (2) art, culture, and place making; (3) land use and spatial planning; (4)

economic development and entrepreneurship; and (5) cross-sectoral leadership. Each identified specific strategies of interest to other cities, as well as cross-cutting insights.

**NATIONAL FORUM**

In May 2016, a major forum, Drawing on Detroit: Bold Leadership and the Future of America's Cities, was held in Los Angeles. It flowed directly from the roundtables, highlighting both specific strategies and generalizable principles of urban problem solving suggested by the conversations and insights from the roundtables. Attendees included leaders from cities around the country, as well as institutions and networks concerned with urban practice and policy.

**CROSS-CITY EXCHANGES**

Immediately following the forum, delegations from more than a dozen communities engaged in discussions with their counterparts from Detroit to understand what ideas from the Detroit experience might be applicable to their communities, providing a laboratory in which to test the applicability of smart, inventive approaches for revitalization that will contribute to a new model of urban governance.

For more details about the inquiry, see: <http://cphp.usc.edu/forums-roundtables/drawing-on-detroit/>.

institutions reinforce the rules and regulations of formal institutions and occasionally challenge them in constructive ways.

## FRAMEWORKS AND APPROACHES

**Organizing Ideas** | A climate of hyper-innovation can lead to a flurry of ideas that can result in chaos if there is no way to align, coordinate, or integrate them. It is therefore crucial to recognize how individual initiatives can fit into a larger system, operating in a logical sequence and generating synergies, such as the economic flywheel effect, where possible. The Detroit Future City Strategic Framework, for example, was broad enough to encompass many diverse efforts, enabling individual leaders and organizations to see where they fit into the big picture and how they might best channel their energy. The systematic revitalization of downtown as well as the restoration of Woodward Avenue as a spine for economic activity illustrates the value of organizing frames.

**Early Groundwork for Long-Term Strategies** | Long-term strategies such as the redevelopment of vacant land, industry attraction, or the creation of a regional transit system may seem wildly out of reach to a city that is struggling to emerge from a crisis. It is nevertheless important that the city's leaders and stakeholders contemplate and pursue these strategies as early as possible. They should also incorporate these ideas into a shared narrative about where the city is headed to help other leaders and residents build confidence in their future. It is easier to make short-term and mid-term decisions when it is clear how those decisions fit into a long-term vision; such visions provide a place for people to invest their belief in the future. They also help a city's leaders prepare to hit the ground running with purpose when the most acute stages of a crisis recede.

**A Protected Environment** | In order for long-term visions to take shape, it's important that the city as a system be insulated as much as possible from threatening or chaotic forces, even if only partially or for a limited period of time. It is difficult for leaders to think freely, extend themselves in new ways, and take risks when they are preoccupied with survival issues. Detroit had the benefit of an unusual arrangement: a hiatus during which democracy was suspended, an emergency manager was put in place, and the city was protected from the pressures of financial institutions holding

debt or pensions that needed to be paid. Like a boat in dry dock, it was temporarily sheltered from further damaging currents. But a similar effect can be achieved if established anchor institutions with sacrosanct sources of funding can act as the catalyst or custodian of the long-term vision. Durable institutions like universities and privately funded partnerships can all contribute to this sort of incubating environment.

### **A Tangible Effort to Build (or Repair)**

**Public Trust** | In any city that reaches the state Detroit found itself in during the Great Recession, distrust and cynicism can run rampant. The high stakes and scale of the problem breed contentiousness. No matter what idea a leader puts forth, it will likely be met with opposition—especially if that leader was not ordained through formal democratic processes or institutions. In that light, some of the most important traits a leader can demonstrate are an openness to listen, a transparency in communication, and a sincere willingness to work in good faith. Even if an individual or interest group does not support a specific idea, they will be less inclined to actively block it if they are convinced that the leadership is making a good-faith effort to achieve worthy goals. Such forbearance will not last forever; the window of trust will close. But it creates a short-term opportunity to break the stalemate and get some traction.

## PREPARING FOR CRISES BEFORE THEY OCCUR

In studying the revitalization strategies at work in Detroit, the inquiry homed in on the underlying leadership mind-sets driving those strategies. In doing so, we recognized a new, bold brand of leadership that values partnerships, distribution of responsibilities, inclusion of different sectors and perspectives, a healthy disregard for conventional boundaries and roles, and shared credit for success. This unorthodox mind-set—while it undoubtedly arose in pronounced form in Detroit given the magnitude and urgency of the crisis—is finding expression in other cities as well, especially those experiencing the long, slow decline that confronts all postindustrial regions. And as more cities confront bankruptcy or fiscal austerity measures, bold and inventive urban leaders will become more important.

We need leaders who can reframe policy issues around narratives that depict a positive future. More than any innovative strategy, the

cultivation of this leadership mind-set will be crucial to guiding America's cities through the transformations that lie ahead. If there is one critical takeaway from the Detroit experience, it is that thoughtful urban leaders should attempt to act as if their city is in crisis even before that crisis comes—putting in place the leadership skills, institutional capacities, and relationships across the sectors that will enable it to weather a storm.

Crisis can come in many forms: fiscal collapse and bankruptcy, the dysfunction of governmental regimes, riots and civil unrest, terrorist attacks, industrial accidents, and natural disasters. Regardless of the source, when a crisis hits, it disrupts the expectation that someone else will provide a needed service or solve a problem. As a result, new ideas come from many quarters, not just traditional leaders. Further, the sheer scale of many urban crises compels people to think in bolder ways than they might otherwise feel free to do. But the dynamics of idea evolution are inextricably linked to the trajectory of a crisis. What's needed is an environment that fosters innovation in the absence of acute need.

It is our hope and intention that the inquiry, and this supplement, will lead to a broader conversation about the new problem-solving mind-sets and leadership styles that come with a recalibration of roles across the sectors. We believe that such bold leadership will give rise to a new model of urban governance that will ensure a vital future for American cities. ●

## Notes

- 1 Alan Mallach, *Rebuilding America's Legacy Cities: New Directions for the Industrial Heartland*, New York: The American Assembly, 2012.
- 2 Rip Rapson, "Detroit's Bold Urban Future: Connecting Downtown and the Neighborhoods," an address to the International Downtown Association: Midwest Urban District Forum, June 25, 2015.
- 3 Understanding the city as a system has implications for national urban policy. In fact, the US Department of Housing and Urban Development (HUD) learned so much about Detroit during the city's crisis that it reshaped many of the ways it works. To help streamline and integrate various government funding sources and programs, HUD helped create a cross-department government team for Detroit. The effect was to ensure that more funding and technical resources reached Detroit in a more coordinated way and with greater flexibility for use by local leaders. This structure became a model for Strong Cities/Strong Communities, an initiative that HUD has rolled out nationwide. Recognizing the need for local partners in a metropolitan area to be able to work together, HUD now makes this a prerequisite for certain federal programs.

# Inventive Approaches to Urban Problem Solving

Detroit's experiences hint at a model where philanthropy and business routinely supplement and complement government.

BY ELWOOD M. HOPKINS

**M**any of Detroit's most pressing public problems are—by necessity—being solved outside of the public sector. As prolonged financial troubles and the consequent bankruptcy prevented city government from performing its core functions, Detroit's private, philanthropic, and nonprofit organizations have stepped in to play substantial roles.

This is a significant and perhaps prophetic state of affairs. The assumption of new roles by these sectors might never have happened were it not for the magnitude of the financial crisis. Detroit's bankruptcy shook leaders from all sectors out of complacency and compelled them to think in more audacious terms. The crisis also compelled authority figures in governmental roles and beyond to permit more out-of-the-box solutions and remove many of the disincentives to risk taking. In this environment, new ideas could—and did—spring from all types of city stakeholders.

Importantly, however, prior to Detroit's bankruptcy, the city had already established a tradition of collaboration among foundation presidents, government leaders, and corporate CEOs. An existing scaffolding of informal working relationships and communication channels allowed these actors to respond to the acute crisis in a coordinated way. Prior to the crisis, there were only a few partnerships designed to formally distribute responsibilities between government and other sectors. But there was a culture capable of incubating and supporting such solutions. Leaders had already learned how to overcome frictions inherent in cross-sector collaboration, and to complement one another, strategically aligning the

strengths of each sector. These were critical, if nascent, capabilities. And as more US cities look for unconventional approaches to solve their most pressing problems, these capabilities may hold the key to success.

## UNCONVENTIONAL APPROACHES

It is not surprising, then, that foundation and business leaders were poised to make unprecedented moves to address Detroit's challenges. The Grand Bargain, the agreement in which foundations contributed \$370 million to limit pension fund reductions for city employees and retirees, preserve the Detroit Institute of Arts and its world-class collections of art, and protect the city from lawsuits, is only the most dramatic instance of the unconventional approaches to problem solving we've seen in Detroit. There are other illustrative examples of the philanthropic and private sectors stepping in to help Detroit's city government—most notably the eight listed below.

**Eastern Market** | Eastern Market, the largest historic public market district in the country, has served as a center for the sale of meat, produce, spices, and other products in Detroit since the early 19th century. For most of its history, the market was managed by the city. But in 2006, as funds dwindled, a coalition of market vendors urged the mayor and city council to transfer management of the market to a new nonprofit, the Eastern Market Corporation. The corporation's board was carefully composed to include public, private, and civic leaders. This arrangement has been able to mobilize more resources, renovate infrastructure, increase and diversify the customer base, and catalyze development in surrounding neighborhoods. Whereas similar markets in other cities have become trendy, high-end retail centers, Eastern Market remains a functioning hub for the city's food economy.

**Detroit Future City** | At the depths of the Great Recession, Detroit needed a visionary new master plan; many considered the city's existing plan, approved in 1992, to be out of touch with current realities. Knowing that the city's Planning and Development Department lacked the resources to create one, a group of foundations stepped into the breach. Together with the Detroit Economic Growth Corporation, these foundations undertook a large-scale community engagement and visioning process, overseen by a steering committee established by Mayor Dave Bing. The result was the Detroit Future City (DFC) Strategic Framework. The plan pragmatically accepts a reduced population, consolidates housing in a smaller footprint, and designates some of the most abandoned areas for agriculture or parkland.

In 2014, mindful of the pressures still straining city government, a consortium of public agencies and foundations formed the DFC Implementation Office to handle its execution. This quasi-independent entity is intended to fulfill the vision in close coordination with the city, and yet remain unhindered by resource constraints and short-term political exigencies. It also aims to sustain citizen engagement through the implementation phase. For example, a property-blight-abatement task force recommended by DFC recently enlisted 125 youth with smartphones to document all 390,000 land parcels in the city.

**Gilbertville** | The Detroit Downtown Development Authority continued to advance projects during the bankruptcy, including a federally funded entertainment complex. But overall downtown revitalization, dependent on local tax base reinvestment, remained out of reach. With \$2.2 billion of his own money, Dan Gilbert, founder of Quicken Loans, purchased and refurb-

ELWOOD M. HOPKINS, an urban planner, is founder and managing director of Emerging Markets, Inc., a consulting firm that helps supermarket chains and financial institutions open stores and branch locations in low-income neighborhoods.

bished more than 90 properties, mostly in Downtown, including landmarks such as One Woodward, One Detroit Center, Chrysler House, the State Savings Bank building, and dozens of structures lining Woodward Avenue and clustered near the Grand Circus, Campus Martius, and Capitol Parks. In the first wave, Gilbert moved 1,700 Quicken employees into the area and persuaded other companies to do the same.

Today, 15,000 employees of Quicken or its related companies work downtown. And Gilbert recruited 160 business tenants, including start-ups financed by his venture capital firm. The revitalization has created an estimated 8,000 new jobs. This bold

small developers and business owners from redeveloping properties. To ease those constraints, Detroit agreed to designate a limited number of Pink Zones, where many of the normal rules don't apply and there's much less red tape. The Knight Foundation has funded the Department of Planning and Development to recruit designers and planners to create a general framework for anyone who wants to start a new business or build in those areas, with preapproved template plans that can be used by builders to speed up a new development. Outside

the Pink Zones, similar efforts permit bottom-up business development and urban design projects to emerge with little

neither finance such a project on its own nor successfully unlock available state and federal resources. In response, a consortium of foundations and businesses entered into a public-private partnership with local government, the State of Michigan, and the US Department of Transportation to get the job done. In 2009, a grant of \$35 million from The Kresge Foundation liberated \$25 million in matching support for public transit from the US Department of Transportation. The city council then approved the sale of \$124 million in bonds. Together, the private investors provided the funding to establish M-1 RAIL, a nonprofit organization that is overseeing the design, construction, and operation of the 3.3-mile \$140 million circulating streetcar line along Woodward Avenue.

At one point, the federal government withdrew support for the rail line in favor of a regional bus system. But the private investors remained committed to the project. In 2016, the rail was renamed the Q line in recognition of major support from Quicken; and the Penske Tech Center, named for M-1 RAIL Board Chair Roger Penske, was opened to house administrative, operating, and maintenance services for the streetcars.

**Detroit Land Bank Authority** | While many cities have land banks, the sheer scale of Detroit's vacant and abandoned land inventory required a larger-than-usual institution with extended reach. Funders and other partners mobilized to expand the Detroit Land Bank Authority (DLBA) to a staff

undertaking required that Gilbert's development company, Bedrock Real Estate Services, build in-house planning and project management capacity comparable to that of a public development authority. The consolidated land ownership and resulting gentrification have stirred controversy, leading some to redub Downtown as "Gilbertville." But approximately 66 percent of occupants in the buildings that Gilbert redeveloped are not his own companies, and the acceleration of downtown redevelopment is undeniable.

**Pink Zones** | Struggling to revitalize aging retail areas, the city found that its own regulations—minimum parking requirements, costly rezoning processes, and environmental impact reports—were impeding

regulation and no public funding. With the approval of the Department of Planning and Development, for example, Human Scale Studio is working on urban design improvements, including lane closures and bike lanes, in the Corktown neighborhood. Similarly, Revolve Detroit, a partnership between Detroit Economic Growth Corporation and community groups, encourages artists and entrepreneurs to immediately populate otherwise vacant properties.

**M-1 RAIL** | For years, the city had recognized the need for public transit to connect the Downtown, Midtown, and Center City areas and catalyze economic development in all three. By 2007 it was evident that the Detroit Department of Transportation could

of almost 100 employees. With nearly 95,000 unused parcels in the city, it has auctioned and sold more than 500 houses to new owners. It has piloted innovative "side lot fairs," expediting the sale of nearly 3,000 vacant side lots that are adjacent to owned properties. DLBA has mobilized community groups and residents to identify dangerous nuisance properties, and DLBA's Nuisance Abatement Program has filed lawsuits against absentee landlords, with more than half of those cases already resolved in the city's favor. It has also formed a network of community-based nonprofits and churches, encouraging them to buy, refurbish, and sell portfolios of contiguous or proximate properties to be redeveloped, creating a critical mass of revitalization

*Eastern Market has become a destination for food shoppers from throughout Detroit.*



and a positive spillover effect. Alternatively, the groups are enlisted to prescreen and recommend bidders from among their constituents or parishioners.

**Detroit Innovation District** | While many cities have departments focused on attracting and retaining new growth industries, Detroit historically depended on the dominance of the auto industry to fill that function; it lacked a dedicated department with that focus. Now, the New Economy Initiative (NEI), a collaborative of foundations and other partners, is on the job. Formed in 2007, NEI began funding activities designed to incubate new economic ventures with the potential to spark the growth of new industries. To date, it has concentrated its efforts in an approximately four-square-mile geographic area that it hopes will serve as a magnet for new, future-oriented business activity.

NEI refers to this district as a “platform,” not a “place,” because it is focused on the potential of networking. It has aimed to cluster start-up businesses around anchor institutions such as universities and hospitals, and to drive connectivity among them through a highly wired business incubator called TechTown, formed in conjunction with Wayne State University. The process mimics the way agglomerative economies have formed throughout urban history. In 2014, Mayor Duggan gave the district a formal city designation—the Detroit Innovation District—and appointed an advisory committee to oversee its development. The district occupies only 3 percent of the city’s land mass but currently provides 50 percent of its jobs.

**Data Driven Detroit** | As new players pursued more active roles in addressing Detroit’s challenges, they needed up-to-date data and analytics to inform their decisions. But municipal departments were limited in the extent to which they could respond to data requests. In 2008, foundations invested \$2 million to create Data Driven Detroit (D3), an independent platform designed to democratize access to information. D3’s interactive platforms provide easy access to data and generate maps, charts, and graphics. The interactive Student Dispersion map, for example, displays data on the city’s schools, including where students from each school live. Another interactive platform, Motor City Mapping, provides detailed data on every land parcel in the city,

including the aforementioned photographs taken by youth at every site. Neighborhood Asset maps plot strategic resources that can be accessed for a range of social service and community organizing projects, while customized maps disaggregate key citywide indicators to display where problems or opportunities are concentrated.

Through hands-on workshops, users can learn methods for combining, synthesizing, and analyzing datasets in order to reveal practical insights. Clients include city agencies, foundations, nonprofit organizations, private businesses, resident associations, and individuals. Incubated at a nonprofit intermediary called City Connect, D3 was taken over by the Michigan Nonprofit Association in 2012. In 2013, it was incorporated as a private entity: a low-profit limited liability company.

#### **BENEFITS AND CONCERNS IN A BRAVE NEW WORLD**

These examples only begin to suggest the widespread transformation in urban governance that is underway in Detroit. Taken to their logical conclusion, they hint at a future Detroit where philanthropy and business routinely supplement and complement government, bringing their distinct resources and competencies to the table. And given the continuing trend toward fiscal austerity in cities nationwide—not to mention the lengthening list of municipalities confronting bankruptcies—the involvement of philanthropic and private sector partners in public problem solving suggests that a sector-agnostic approach to running cities may become the norm.

But while the primary impetus in Detroit was financial necessity, each one of the inventive strategies has demonstrated benefits that do much more than achieve efficiencies. They suggest that higher-quality problem solving may need to occur outside the constraints of governmental bureaucracy, especially during times of paralyzing crises and political upheaval, when new ideas are often stifled. These unconventional collaborative groups created new, protected spaces for hammering out solutions, bypassing competitive bidding in favor of executive decisions, and allocating resources freely without concern for government cost-control standards or budget scrutiny. The novel ideas they generated often drew on a caliber of national talent or expertise that is common in

the foundation and business world but would be difficult for a city treasurer or municipal accountant to justify.

The benefits notwithstanding, this brave new world of urban governance raises fundamental questions and concerns. As a society, we are deeply invested in the boundaries that distinguish the sectors and define their identities. Blurring the edges between public, private, and philanthropic enterprise can be disconcerting at best and downright alarming at worst. Conflicting and contentious views of multisector involvement and leadership are already coming to the fore as Detroit struggles with one of its greatest unmet challenges: a woefully inadequate and failing school district.

Further, creative strategies that freely combine public, philanthropic, and market solutions often depend on loose-knit, time-limited, or informal collaborations across sectors. Collaborations such as these can be difficult to sustain when the crisis that led to their creation fades.

And what does it mean for democratic process when programs or services that were previously the domain of government are undertaken outside the traditional framework of public accountability? Foundation presidents are, after all, not elected. And foundation boards are sometimes viewed as “private legislatures” that establish and carry out their own agendas. Meanwhile, the private sector, of course, has its own accountability structures that are based on profits and shareholder returns, not on voter mandates. When these imperatives coincide with public objectives, the potential for positive outcomes is enormous. But what if they cease to align or come into conflict? Can these unorthodox partnerships maintain stability and consistency and continue to achieve public goals?

#### **NEW INSTITUTIONAL STRUCTURES**

If Detroit is any indication, some of the answers to these challenges lie in the creation of new institutions and structures that formalize and manage cross-sector interactions. Entities such as the DFC Implementation Office, Eastern Market Development Corporation, and the M-1 RAIL are all nonprofits dedicated to discovering productive points of collaboration among sectors. D3 is a limited profit firm that circumscribes its own profit making by limiting it within a social mission. These entities are guided by governing

boards composed of leaders from multiple sectors, and cooperative arrangements and protocols have been put in place for how they will coordinate with city government.

To reinforce their credibility and legitimacy, some of these new institutional structures have invented accountability measures that mirror those in the public sector. The massive community engagement process undertaken by DFC, for instance, touched tens of thousands of households, a scale of resident input to which any city government would aspire. And D3's open sourcing and access ensures that anyone can contribute to the accuracy of its database and interpret the information freely.

Further, the governance structures for these efforts have been composed with an awareness of the need to strike a balance between optimizing the freedom of the private and philanthropic sectors and maintaining coordination with city government. The legal and advisory boards of DFC, M-1 RAIL, and Eastern Market Corporation are self-consciously representative of the city's diverse array of stakeholders and are explicitly committed to inclusion and equity.

#### **NEW FORMS OF LEADERSHIP**

Another piece of the puzzle involves the emergence of new leadership styles among foundation presidents and corporate CEOs. In Detroit, many are acquiring greater sensitivity to the nature of government bureaucracies and more patience with the slow pace of systems change. They are becoming educated in complex questions of public finance and urban policy. And they are learning how to identify their strengths relative to government, offering up these strengths in strategic ways. At its best, philanthropy can bring its freedom to focus on the long view, a comfort with unorthodox approaches, an appetite for risk, and an ability to use funds flexibly. Business has the potential to contribute vast capital reserves, operational efficiencies, an aggressive focus on goals, and an entrepreneurial spirit.

The most important factor in sustaining cross-sector solutions may be found in the governmental leaders themselves. As Detroit's city government returns to a new normal, public officials are learning how to recalibrate their roles to orchestrate the contributions of players over whom they have no direct authority. The mayor and council members are learning to forgo command-

and-control models of leadership, embracing instead more delicate approaches based on influence or negotiation. Governmental agencies accustomed to being self-contained bureaucracies are utilizing partnerships to get things done or allow other sectors to embed new talent into their organizations. Sometimes, the role of government may even be to simply step out of the way.

This shift in leadership style is no small feat in Detroit, and it would not be easy in any American city. From the days of George B. Cox's Cincinnati in the late 19th century, the rise of "bossism" was not only a very practical response to the rapid urbanization in this country; it became our signature style of urban governance. It was based on a political machine in which strong mayors and councilmembers maintained patron-client relationships with voter blocs while engaging in a kind of brokerage relationship with big business. In Detroit, which was built in large part by the three automotive giants, labor unions, and a succession of strong-willed mayors, the tendency to centralize power runs particularly deep. But the enormity of problems facing cities today requires a much greater degree of distributive leadership, with ideas and resources coming from all over.

In the end, flexibility and adaptability are key. Leaders in Detroit hasten to emphasize that the goal is not to replace one rigid system of defined roles with another. Instead, it is about ensuring that leaders in all sectors—public, private, and philanthropic—trust each other enough to periodically redefine divisions of labor among them based on realistic assessments of each sector's strengths and capabilities. The governance structures of partnership configurations should include leaders who can continually assess whether a structure is working or whether roles need to be reassigned. As Detroit's government returns to a relative state of equilibrium and some functions are restored to the municipality, the flexibility of the partnerships is being tested.

#### **NATIONAL URBAN POLICY**

If cross-sector solutions are an aspiration we hold for all American cities, it will need to be reflected at the highest policy levels and in the methods through which federal agencies fund cities. The US Department of Housing and Urban Development (HUD), was quick to recognize the reshuffling of responsibilities among sectors and eager to be

supportive. Importantly, before deploying funding and technical assistance to Detroit, HUD looked for evidence that cross-sector partnerships were genuine and based on trust. HUD acknowledged and rewarded this trust building by providing maximum flexibility in the way Detroit used its funds.

Nationally, HUD increasingly stipulates that cities assemble stakeholders from the various sectors and clarify the division of labor among them as a prerequisite to funding. It seeks to mirror that coordination by streamlining its local interactions with other federal agencies, such as the Department of Justice, Department of Education, and Department of Transportation. Through its Strong Cities, Strong Communities (SC2) initiative, an enlargement of the practices it developed in Detroit, HUD aims to support top-down partnerships among federal agencies that can reinforce local cross-sector solutions in cities around the country.

#### **TOWARD STATE-OF-THE-ART URBAN GOVERNANCE**

At present, we still have little precedent for situations where nongovernmental actors play such a direct role in running cities. Detroit's efforts to avoid financial collapse offer crucial lessons. So, too, does New Orleans in the aftermath of Hurricane Katrina, or Baltimore after its recent wave of civil unrest.

But there have been few learning networks for cities solving problems outside the public sector. Many of the most recognized programs celebrating innovative urban problem solving, such as Harvard University's Innovations in American Government Awards or the Bloomberg Foundation's What Works, have highlighted state and local government interventions. There have simply been fewer settings for lifting up solutions arising at the edges of government, where public leaders team up with their counterparts in philanthropy and the market. Nevertheless, efforts by the Aspen Institute Center on Urban Innovation and The Kresge Foundation's American Cities Practice are broadening that dialogue.

In the end, if we are to fully absorb the implications of Detroit and combine the lessons learned there with those in other cities nationwide, we will need to broaden our definition of what state-of-the-art urban governance looks like in the 21st century. And we will need to learn how to create such governance in cities long before crisis arrives. ●

# Philanthropy as a Catalyst

Foundations aspiring to make a difference in challenged cities have much to offer beyond grantmaking—if they are willing to embrace new roles that may fall well outside their comfort zones.

BY JAMES M. FERRIS

**P**hilanthropy has acted boldly in reimagining Detroit: taking a leadership role in its revitalization, making big bets on the city's future, and acting as a catalyst for others' efforts. And in the process, these committed leaders have also reimagined themselves—recalibrating their roles vis-à-vis the government and the for-profit world. They have developed new rules of engagement across the sectors, and—given the impact their work is having—they are also suggesting new ways in which philanthropy might contribute to building stronger communities elsewhere.

Consider Detroit's Grand Bargain—the initiative that brought the city out of bankruptcy. In response to the bankruptcy mediator's request for “fresh money,” a group of foundations negotiated agreements that led to \$370 million in donated funds to shore up the city's finances. That bold move enabled Detroit to emerge from bankruptcy a mere 18 months after filing and set a promising trajectory for revitalization. (See “Detroit's Grand Bargain” on page 12.)

The Grand Bargain has gotten a considerable amount of well-deserved press. But even before it was made, many of the participating foundations had become instrumental in shaping Detroit's revitalization efforts in unorthodox ways. The New Economy Initiative (NEI), which aggregates capital to promote small-business development, represents the work of 10 foundations that have collaborated since 2001, stepping outside of traditional philanthropic boundaries to take on a role traditionally played by local government and financial institutions.

Detroit Future City (DFC), an urban planning and land use framework, provides

another example. Developed with support from The Kresge Foundation, the W.K. Kellogg Foundation, and the Detroit Economic Growth Corporation, in cooperation with city government, DFC is being implemented outside the auspices of the local planning department with the support of an expanded group of foundations and public agencies.

The M-1 RAIL, the streetcar set to open in 2017 along the Woodward Corridor in the heart of Detroit, is another exciting philanthropy-driven initiative. Championed by The Kresge Foundation as well as by prominent business leaders and private institutions, it has the potential to become the backbone of a regional transit network that sparks new economic growth as it connects people to jobs, education opportunities, shopping venues, and other resources that signal urban vibrancy.

These efforts are emblematic of the var-

to happen) because of the caliber of philanthropic leadership at work in Detroit.

## PHILANTHROPIC LEADERSHIP AS COMMUNITY ANCHOR

In a previous era, business leaders often provided the continuity to ensure consistent, effective leadership across city administrations. This was particularly true in Detroit, where the auto industry was deeply entrenched in the city's urban communities. But the crosswinds of globalization and the auto industry's economic struggles impacted the private sector's ability to play this role, leaving a void. Philanthropic leaders stepped in to serve as an anchor, but they did so knowing that it would take the collaborative efforts of philanthropy and business to serve as a sustainable anchor. They knew that new models of urban governance would require both *adaptive* and *distributed* leadership.

THE SCALE OF THE PHILANTHROPIC RESPONSE IN DETROIT WAS NEVER A GIVEN, NOR WAS IT EXPECTED. IT HAPPENED (AND CONTINUES TO HAPPEN) BECAUSE OF THE CALIBER OF PHILANTHROPIC LEADERSHIP IN DETROIT.

ied ways that philanthropy can serve as a catalyst for action in cities—sometimes as the first mover, sometimes as a partner to business and government, and sometimes as the nudge that gets government moving.<sup>1</sup> No doubt the exceptional circumstances in Detroit created opportunities for philanthropy to step in and step up in areas where we commonly expect the government and business to lead, such as business and economic development, urban planning, and public infrastructure. But the scale of the philanthropic response in Detroit was never a given, nor was it expected. It happened (and continues

*Adaptive leadership* is essential when a mission (such as rebuilding a city) necessitates responding in a nonlinear way to unpredictable and unanticipated circumstances across a number of arenas.<sup>2</sup> Leaders must be open to learning from dynamics on the ground and adapting their efforts accordingly. They have to be willing to wade into a world that is messy and ambiguous, be diplomatic in the context of politics and issues of race and class, and still persevere. *Distributed leadership* is equally important in that no single actor or sector is going to be able to drive change in a complex system of

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such a grand scale as Detroit. Multiple leaders, from multiple sectors, have to work together, both formally and informally, to give the city's transformation efforts the consistency they need to take hold.

In the case of the Grand Bargain, adaptive and distributed philanthropic leadership across a set of foundations provided the vision and commitment needed to help the city emerge from bankruptcy by cushioning reductions in pensions, preserving the art of the Detroit Institute of Arts, and at the same time laying the groundwork for the restora-

tion of public services. Working well outside of their comfort zones, and without a playbook to guide their actions, these foundations were able to create a mechanism in a matter of months—the Foundation for Detroit's Future, housed at the Community Foundation for Southeast Michigan—for pooling their contributions and developing a process for holding the city to the agreement and contributing to the pensions over the next 20 years.



As Rip Rapson, president and CEO of The Kresge Foundation, noted: “The enormity of the bankruptcy challenge tore at

the outer limits of philanthropy's long-established risk envelope. The stakes were so high and the risks of inaction so great that the practices of the past would simply not get us where Detroit needed to go. We had to tap our corpus for \$100 million—our largest grant ever—and not simply redirect money pre-allocated to rebuilding Detroit's physical, social and cultural fabric. We had to arc to the dream of a city reborn, not simply measure the situation against fine-tuned program priorities. We had to condition our

support on fiercely negotiated conditions, not simply create a pool of unrestricted capital. We had to actively lead.”<sup>3</sup>

Adaptive and distributed leadership also led to the development of the M-1 RAIL. The Kresge Foundation has provided leadership for the project together with the business community—Rock Ventures, Penske, General Motors, and other businesses—as well as a number of academic and health institutions such as Wayne State University and Henry Ford Health System. This group was able to press on even as the city backed off in the face of the Great Re-

cession. As Matt Cullen, president and CEO of Rock Ventures, noted: “I get the skeptics . . . but this is the right group of assembled leadership. [T]o use a train analogy, once it gets moving, gets momentum, it's difficult for people to stand in front of it. I analogize it to the Riverfront: you get the right people in the room and are inclusive in the process, and get people enthusiastic about it, and you can get things done.”<sup>4</sup>

*Capital Park Historic District in Downtown Detroit, site of several architectural gems.*

Similarly, DFC, launched in 2010, is succeeding as a result of the efforts of philanthropic

leaders, a quasigovernmental agency, and community members. The project engaged city leaders, technical experts, city residents, and other stakeholders to develop a strategic framework for Detroit, and published that framework in January 2013.<sup>5</sup> Subsequently, the DFC Implementation Office, created in January 2014 with the support of an expanded group of foundations and state and local authorities, is working to bring that vision to reality.

In each of these examples, philanthropy was able to lead, not by dollars alone, but by leveraging all of its assets—expertise, reputa-

tion, and networks—to address public problems. These foundations purposefully forged relationships and networks with stakeholders in the community. They also consciously developed intellectual capital about programs and places. That latter behavior brings to light another important reason why they have proven effective leaders. In addition to embracing adaptive and distributed leadership, these philanthropies have risked developing and advancing a point of view. Foundations that aspire to be changemakers must be much more than grantmakers. The conventional view that “it is not about us” must give way to the willingness to set a course and stand by it. Foundations can create and maintain a point of view to great effect, as long as they are credible and transparent.

### ENABLING APPROACHES AND PRACTICES

As philanthropy assumes a bold leadership role, it also challenges many of its conventional practices. It is imperative that foundations embrace new approaches that enable and support the catalytic role they aspire to fill. Doing so includes: establishing new rules of engagement that establish *credibility and legitimacy*; embracing an *elasticity of roles*; developing new frameworks that account for the *complexity of cities*; designing strategies to build *civic capacity*; and adopting practices that build *trust*. There are glimpses of all these in philanthropy’s efforts to help revitalize Detroit.

**Credibility and legitimacy** | As philanthropy enters into new territory that has

traditionally been the province of government, it will need to learn how to excel at community engagement. The DFC process and the community’s embrace of the framework it produced owes much of its success to the fact that a large number of residents and stakeholders from across the neighborhoods of Detroit were included and involved in the work. The willingness of philanthropy to endure the bumps in the road that characterize the unpredictability and messiness of authentic community engagement was essential to what DFC has been able to achieve. Community engagement is not really a choice if philanthropy is going to step into traditionally public roles; in the absence of the transparency and accountability of government, it is a necessity.

## Detroit’s Grand Bargain

In March 2013, Michigan’s governor, concluding that the City of Detroit was in dire financial straits, declared a financial emergency under state law and appointed Kevyn Orr as emergency manager. And in July 2013, after wrestling with fiscal obligations and the projected revenues, Orr filed for bankruptcy in federal court. This move allowed the court and its mediators, led by Judge Gerald Rosen and Eugene Driker, to create the terms upon which the city’s creditors’ claims could be resolved, and they did so—laying the groundwork for the restoration of the city’s public services and creating the opportunity for revitalization.

It was a chance encounter in a deli between Judge Rosen and Mariam Noland, president and the CEO of the Community Foundation for Southeast Michigan (CFSEM), that galvanized the efforts to pull Detroit from the brink of disaster quickly. That encounter led to a meeting on November 5, 2013, of a group of foundations and the court’s mediators to explore the ways in which they might be able to work together to end the bankruptcy as soon as possible. That meeting led to the commitment to provide “new money” that would soften the reductions in retirees’ pensions, avert the potential sell-off of the art of the city-owned DIA, and also resolve other claims against the city.

The new-money idea was not the brainchild of philanthropy. But importantly, it reflected recognition on the part of others—in this case the judge who was the mediator in the bankruptcy case and the city’s emergency manager—to see philanthropy as a key to solving a problem for a city in a fiscal crisis. The foundations came to understand that their actions could lead to other contributions and agreements that would not only make it possible to resolve claims against the city without years of litigation, but also create opportunities to collaborate on other initiatives supporting the revitalization that would expand the city’s tax base.

A mere two months later, on January 13, 2014, Judge Rosen announced that nine foundations—CFSEM, Kresge, Ford, Knight, Davidson, Erb, Hudson-Webber, McGregor, and Mott—had

pledged a total of \$326 million. They varied considerably in size, history, and mission—representing national foundations with roots in Detroit and Michigan, as well as local foundations with a focus on Detroit—but they shared the belief that building a stronger Detroit and improving the lives of its residents was an important role for philanthropy to play.

The fund subsequently grew to \$370 million with Kellogg and Skillman signing on, and the Fischer and Schaap foundations making contributions totaling \$7.5 million credited as part of the DIA commitment. The foundations created the Foundation for Detroit’s Future, housed at the CFSEM, to serve as a conduit for funds over a 20-year period, including the oversight needed by the foundations to hold the city accountable for meeting the terms of the agreement.

With philanthropy stepping up, the mediator was able to persuade the governor to spearhead a Republican legislature to appropriate \$190 million (the equivalent of \$350 million over a 20-year period) and persuade the DIA to commit \$100 million (including significant contributions from a number of leading corporate citizens, national foundations with a sharp focus on the arts, and committed art donors). With over \$800 million from the Grand Bargain, the city was able to resolve the bankruptcy, with retirees agreeing to reductions in their pension benefits and private sector creditors settling their claims with the city.

Philanthropy’s contribution was the catalyst that led to this Grand Bargain. Detroit emerged from bankruptcy on November 7, 2014, staving off years of litigation about the pension reductions, preserving the DIA collections through an independent entity, and having a “plan of adjustment” that creates a road map for the city’s future finances.

The city could have been embroiled in the courts for years, incurring legal costs and discouraging investment. Instead, the Grand Bargain has given Detroit an opportunity to write a narrative of hope for the future. ●

**Elasticity of roles** | Developing elasticity is another element of success. Philanthropy must be able to rise to the occasion when needed, bending conventional practices as necessary to do so, and then be willing to pull back and play a supporting role when government is able and willing to reassert itself. The real challenge is getting the timing right. The DFC is, again, illustrative. Philanthropy played a pivotal role in launching and supporting the planning process. But as the plan is implemented, philanthropy needs to be ready to shift gears once again. As the implementation unfolds, in fact, government will have an important role to play, as there are formal rules and policies integral to implementing some aspects of the framework.

times and on different issues to provide anchor leadership for the city.

In addition, the manner in which foundations acted to achieve the Grand Bargain, and the role of The Kresge Foundation and its private sector partners in the M-1 RAIL initiative, demonstrate a capacity to be nimble, flexible, and adaptive and to act as conditions unfold on the ground. In a world of strategic philanthropy, leaders take time to develop and refine their approaches before taking action, but that path isn't always possible when the goal is system change. In these cases, Julia Stasch, president and CEO of The MacArthur Foundation, suggests adopting a "design-build" approach that combines thinking and planning with doing. This sort of approach requires a

ties. It's critical to recognize and address the distrust and skepticism present in many distressed areas; if foundations don't do this, they are much more likely to repeat the mistakes made by previous programmatic and place-based initiatives. Gaining the genuine input and support of a broad public opens up channels of communication for critical feedback, and it can go a long way toward legitimating a foundation's leadership position.

## RECALIBRATING PHILANTHROPY'S ROLE

These new roles for philanthropy in Detroit suggest a recalibration—not a redefinition—along with associated rules of engagement. That is, foundations aspiring to take on bolder civic-leadership roles need to continue to build from their strengths, and also seek to understand and leverage the great value of the resources they can muster beyond the grants they provide—their relationships and networks, their independence, and their ability to inspire confidence in the future.

The ability of a set of foundations to come together to provide the opportunity for a more prosperous future for Detroit through the Grand Bargain, or to work with the city on a new framework for land use, or to promote business development through NEI, or to get the M-1 RAIL off the ground, is testament to how philanthropy can act on its aspirations. By stepping outside of its traditional roles and adopting new ways of working, philanthropy can contribute to a new model of urban governance. Philanthropies supporting other challenged cities take note: catalytic, transformative work is within your grasp. ●

### Notes

- 1 Two other notable examples are the Detroit Neighborhood Forum, a monthly meeting of leaders from the philanthropic, banking, nonprofit, and public sectors, focused on discussing community priorities, and the coordinated investments of the Knight, Erb, Hudson-Weber, McGregor, and Kresge foundations in the arts and culture ecology of Detroit.
- 2 Ronald A. Heifetz, John V. Kania, and Mark R. Kramer, "Leading Boldly," *Stanford Social Innovation Review*, Winter 2004.
- 3 Rip Rapson, "A Treatise on the Future of Philanthropy," *The Kresge Foundation Annual Report*, 2014.
- 4 "M1 Rail Chief Cullen: The Right People Are in the Room, Money Is There," Model D, March 16, 2010. The reference to "the Riverfront" is another successful cross-sectoral effort in Detroit; for more background, see: [www.detroitriverfront.org](http://www.detroitriverfront.org).
- 5 [www.detroitfuturecity.com](http://www.detroitfuturecity.com).
- 6 Elwood M. Hopkins and James M. Ferris, *Place-Based Initiatives in the Context of Public Policy and the Market: Moving to Higher Ground*, The USC Center on Philanthropy and Public Policy, March 2015.

## AS PHILANTHROPY ENTERS INTO NEW TERRITORY THAT HAS TRADITIONALLY BEEN THE PROVINCE OF GOVERNMENT, IT WILL NEED TO LEARN HOW TO EXCEL AT COMMUNITY ENGAGEMENT.

The development of the M-1 RAIL is a good example again here, too. Philanthropy and the private sector stepped up in 2008 when the need for connecting the Downtown, Midtown, and City Center areas was evident and the fiscal climate made it impossible for the city to meet that need. But their roles are likely to recede somewhat when the streetcar begins operating in 2017.

**Complexity of cities** | Aside from adjusting to changing rules of engagement, philanthropy focused on rebuilding cities needs to rethink how it frames its work. That is, it is important to conceptualize the city as a geographic system that requires concurrent work on a number of interdependent fronts, such as the built environment, transportation, economic development, and public services. Foundations must figure out how to intervene in a coordinated way that also recognizes the influence of markets and public policy.<sup>6</sup> Think of it this way: Some foundations that focus on particular programmatic areas, such as education, have come to understand that they can expand their impact by working on the education system, and the same principle applies to places. Such an approach only reinforces the need for distributed leadership, where different foundations, businesses, and community groups step up at different

more formal commitment to learning and a recognition of what is not known. It also requires the ability and willingness to develop, challenge, and modify hypotheses continually—even if doing so represents a significant mind-set shift.

**Civic capacity** | At the same time that philanthropy is stepping up to lead, it is important to ensure that it does not totally supplant government. Philanthropy can help build capacity in cities by supporting infusions of resources in building particular public systems, such as schools or social services, as well as help build the civic infrastructure, including the capacity of government. For example, in Detroit, philanthropy placed its own hires in city government offices to help city employees develop processes to make their work more effective and efficient, and, in many cases, simply to help out. Philanthropic staff assisted the city in performing management audits, tapping federal formula dollars, and improving the permitting process to facilitate better economic development outcomes.

**Trust** | A more proactive and visible philanthropy will inevitably find its credibility challenged. To meet those challenges head on, foundation leaders and staff must engage in open and authentic ways across diverse and varied neighborhoods and communi-

# Building Economic Flywheels

Concentrating investments along key corridors in the Motor City can generate market activity, but more effort must be made to create self-sustaining momentum that propels communities towards broader prosperity.

BY AMY LIU

**Y**ou'll most commonly find a flywheel in a toy car. One push and the car's wheels transfer energy to its flywheel, which, spinning continuously, powers the car for a greater distance than what one might expect. Setting the flywheel into motion converts a finite boost of energy into lasting momentum. It's fitting that revitalization efforts in Detroit—the Motor City—are testing the potential of this concept.

Some of Detroit's leaders have described the unprecedented series of reforms and investments in the city following the Great Recession as attempts to create "economic flywheels" there.<sup>1</sup> As the thinking goes, given the size and scope of the city's challenges, including its mammoth physical footprint of 139 square miles, concentrating investments along key corridors can generate needed market activity and spur momentum—a flywheel effect—to the point where the market takes over and continues to propel communities toward broader prosperity. As of this writing, there are promising signs that this approach is working. Thanks to numerous strategic investments by the philanthropic, private, and public sectors, the Detroit region is on the rebound.

It has often been said that Detroit's unique history and unprecedented level of investment in its post-recession recovery defy easy comparison. However, the city is not alone in grappling with industrial restructuring, abundant vacant land, and extreme poverty. Detroit's resurgence also results from a new and creative approach to problem solving that is emerging in many US cities—one that depends upon actors from multiple sectors coming together to move communities forward. If the Motor

City can evolve from economic fragility to health via flywheels, it can offer important lessons in urban revitalization for others experimenting with or considering the same sorts of collaborative actions.

This article begins with a brief summary of Detroit's economic crisis that spurred leaders to think anew about their economic strategy. It then describes the series of interventions that comprise the flywheel and their effect to date in Detroit. It closes with thoughts about what the city and its stakeholders need to do in the coming months and years to ensure that market momentum continues and results in wider gains for residents and neighborhoods throughout Detroit.

## DETROIT'S ECONOMIC TSUNAMI

Like many older industrial cities, greater Detroit had been working hard to strengthen its manufacturing-based economy amid greater global competition and technological change. The Great Recession—with the simultaneous collapse of the automotive, financial, and real estate industries—dealt a major setback to these efforts, devastating the region's economy.

Metropolitan Detroit lost an astounding 463,000 jobs between 2000 and 2009, more than 20 percent of the total jobs in the region.<sup>2</sup> The region's economy shrank by nearly 18 percent during that time period, even as the broader US economy expanded by 13 percent. Only five other metro areas among the nation's 100 largest also saw their economies contract—Grand Rapids, Mich., and Cleveland, Dayton, Toledo, and Youngstown, Ohio.<sup>3</sup>

The mix of job loss, declining wages, and foreclosures hit the city of Detroit especially hard. During the first decade of the 21st century, the number of Detroit residents living in poverty increased by more than 25 percent—an additional 60,000 residents.

Local leaders and many national philanthropies knew it was time to be bold. They knew that given the complexity of the challenge, they needed to work collectively and collaboratively, and that their efforts had to be transformative.

## THE TURNING POINT

To create a flywheel effect, investments need to exert a sizable force on the economy. With weak business and consumer spending in the wake of the Great Recession, Detroit needed its own stimulus package. And such spending could not be scattershot. To have maximum impact, it had to be targeted in purpose and geography.

The Herculean efforts of philanthropic, corporate, and other local leaders cannot be adequately captured in this short article. Recent philanthropic efforts began in 2007 when 10 local and national foundations came together to create the New Economy Initiative (NEI). NEI launched with an initial \$100 million investment to "return Detroit to its position as a global economic leader."<sup>4</sup> The initiative placed an emphasis on innovation, entrepreneurship, and creative industries.

Then, in 2010, the city launched a visioning process with strong support from the philanthropic community that resulted in Detroit Future City—a plan and an implementation office within the Detroit Economic Growth Corporation to advance community objectives for decades to come.

At each opportunity, leaders focused investments primarily on key corridors in the urban core, from Downtown and Midtown Detroit to the Riverfront. Rather than grow regional industry clusters through business attraction, their efforts supported start-ups and existing small businesses. Philanthropic investors hoped that such entrepreneurs could create jobs in the near

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term, populate abandoned buildings, revitalize neighborhoods, and produce next-generation products and services.

Initiatives to revitalize Downtown Detroit have varied greatly in approach. One early strategy was to designate Downtown and Midtown Detroit as an Innovation District.<sup>5</sup> The announcement by Detroit's mayor and the governor of Michigan reflected a commitment to establish and nurture startups in technology, health, and the arts. The innovation would play off key anchor institutions in the urban core, such as the busi-

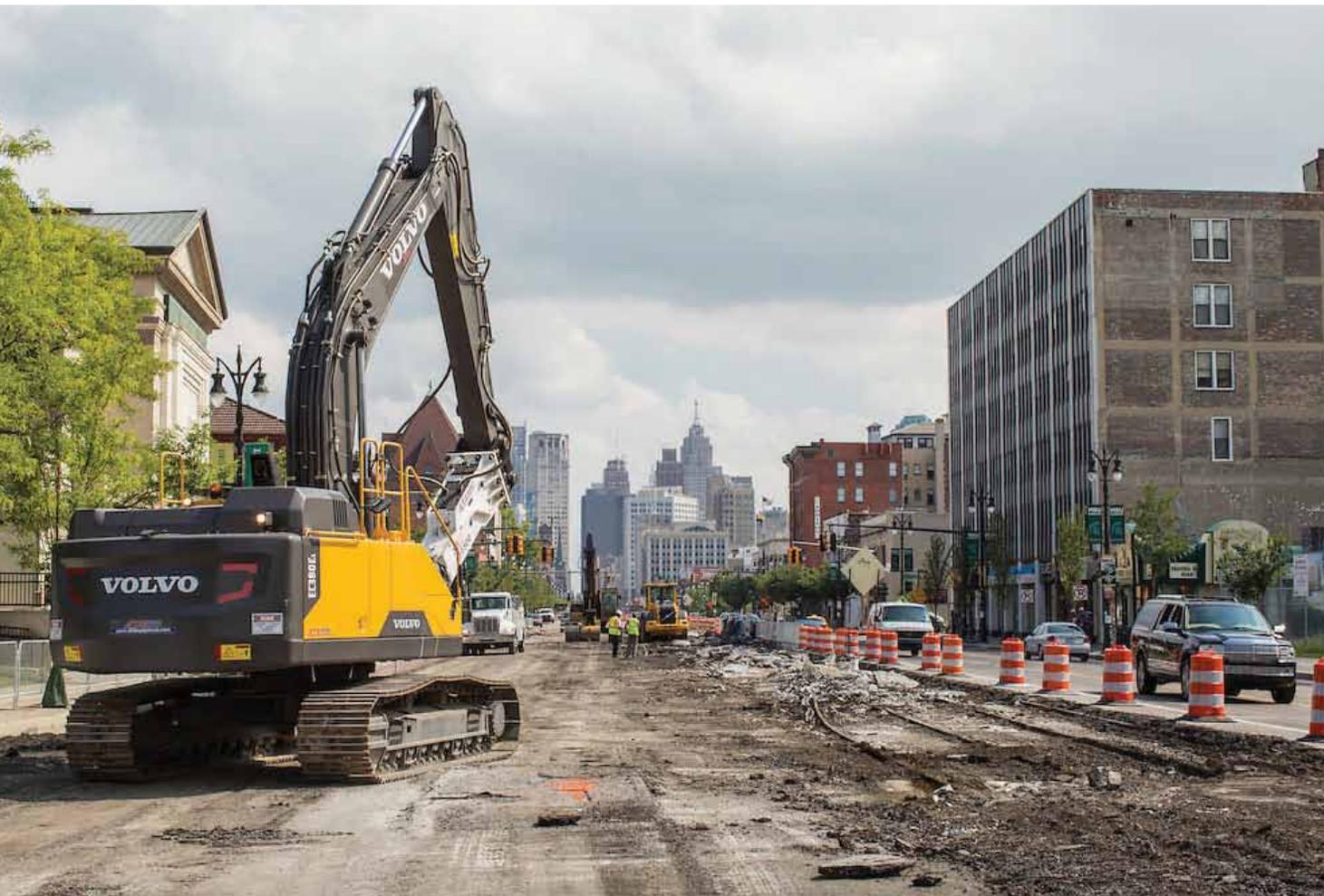
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*A new light rail line, M-1 RAIL, is being built along Woodward Ave. one of Detroit's main arteries.*



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ties, including dozens of skyscrapers, and have invested an estimated \$2.2 billion in the city.<sup>12</sup> Other corporations have jumped at the opportunity to move into Detroit as well. In 2011, Shinola, a luxury watch and goods manufacturer whose financial backers hail from Texas, opened its manufacturing facility Downtown. Shinola uses a space provided by the College for Creative Studies in a building that was a former automotive research lab.

When the City of Detroit declared bankruptcy in July 2013, hobbled by steep pension obligations and a severely eroded tax base, nonprofit and corporate philanthropies and the state stepped in. Dubbed the “Grand Bargain,” this pledge of hundreds of millions of dollars helped stabilize the city’s finances.<sup>13</sup> But more important, this pledge

continuously shrunk in the years leading up to the financial crash.<sup>17</sup>

These macro signs indicate that the market is responding positively to the surge of concentrated investments in central Detroit. The rebirth of the auto industry, enabled by the early federal bailout, has also been essential to the region’s recovery.

**CREATING WIDER MARKET DEMAND**

Detroit’s progress is remarkable but still nascent. The renewed market activity in Downtown and Midtown Detroit has yet to spill over to other neighborhoods or workers. Indeed, local leaders understand the urgency of investing outside of Downtown, and many worthwhile efforts are underway to eliminate neighborhood blight, reform schools, and open up opportunities for

whose employment rate increased to 73 percent, saw their median wage grow by 7.4 percent during that period, widening income disparities in the region. Similarly, a disproportionately large share of workers of color are employed in low-wage jobs. In 2014, more than one in three workers of color in metropolitan Detroit earned extremely low wages, compared with one in four white workers.<sup>20</sup>

Furthermore, our research finds that in metropolitan Detroit, nearly 12 percent of black teens ages 16 to 19, and a quarter of all black adults ages 20 to 24, are neither working nor in school.<sup>21</sup> These figures are higher than the national averages of 8 percent and 17 percent for black youth, respectively.

Local philanthropies, such as the Skillman Foundation, are already deeply involved in addressing these issues through their collective investments in training, minority entrepreneurship, and early childhood education. But ultimately, the city needs an even more muscular effort, one that partners with employers to help residents acquire the skills they need to get good-paying jobs. Those jobs, in turn, will allow residents to spend more money locally to sustain neighborhood economies.

**Connect to specialized industries** |

Firms in global industries, such as automotive manufacturing and financial services, drive the bulk of income growth in a region. They seek new technology capabilities, high-quality materials, process solutions, and skilled labor in order to innovate and expand. The opportunity is meeting that demand with local businesses and workers.

Detroit Future City has prioritized the growth of digital and creative industries, entrepreneurship, and traditional manufacturing as part of its economic strategies. The good news is that the future of innovation requires the blending of these capabilities, and metropolitan Detroit is emerging as a leader.<sup>22</sup> Over one-quarter of metropolitan Detroit’s economic output is generated by its advanced industries—the tech- and research-oriented sectors that power the global economy—positioning Detroit seventh among all US metro areas.<sup>23</sup> In addition to automotive parts and vehicle production, greater Detroit’s advanced industry specializations include engineering, computer systems design, R&D services, and data processing. What’s more, the Michigan

DETROIT'S PROGRESS IS REMARKABLE BUT STILL NASCENT. THE RENEWED MARKET ACTIVITY IN DOWNTOWN AND MIDTOWN DETROIT HAS YET TO SPILL OVER TO OTHER NEIGHBORHOODS OR WORKERS.

helped protect these early flywheel investments in Detroit’s core, shoring up market confidence in the city’s future.

**DETROIT’S ECONOMIC RECOVERY**

These philanthropic and private sector investments are taking hold. The Detroit economy has reversed direction and, like a flywheel, is picking up speed. The Detroit metro economy expanded by 18.1 percent between 2009 and 2014, ranking ninth best among US metro areas, a stark contrast to the decade prior.<sup>14</sup> During that time, the region’s employment rate rose 7.7 percent, the largest increase of any large US metro area. Detroit’s output per capita, a common measure of standard of living, rose 18.5 percent, which trailed only San Jose among all large metro areas. There are also signs that benefits are reaching lower-income residents, as the share of workers earning extremely low wages in the region dropped 2.4 percent.<sup>15</sup>

Wayne County, which encompasses Detroit, is also on the road to recovery. The county lost jobs every year between 2000 and 2010; between 2010 and 2014, the county gained jobs each year.<sup>16</sup> Similarly, the county’s economy grew by 12.7 percent in the five years since 2009, after having con-

tinuously shrunk in the years leading up to the financial crash.<sup>17</sup> residents to acquire marketable skills. But in order for economic progress to broaden and accelerate, there simply must be more market demand. To that end, Detroit’s leaders should consider setting the following three goals:

**Increase resident income levels** |

Entrepreneurs and small business owners need customers with disposable income to buy their products and services so they can thrive. And if new investments improve neighborhoods and property values increase, existing residents need sufficient earnings to be able to afford to stay.

Unfortunately, between 2009 and 2014, the region’s median wage shrank by 1.4 percent.<sup>18</sup> This figure actually compares favorably with the figure for the nation as a whole, which saw the median wage drop by 5 percent during that period, but in Detroit there’s another, more pressing issue: wages have moved in different directions for people of color and whites. The share of working-age people of color in metropolitan Detroit who have jobs rose from 52 percent to 60 percent between 2009 and 2014, but as more people of color entered the labor market and found jobs, their median wage dropped by 3.7 percent to \$25,211.<sup>19</sup> In contrast, white workers,

manufacturing industry has sought to hire more computer programmers than mechanical engineers since 2010, demonstrating a sizable shift toward digital skills.<sup>24</sup> It is estimated that the advanced industry ecosystem in greater Detroit directly employs more than 300,000 full-time workers, and an additional 240,000 people indirectly due to their multiplier effect.<sup>25</sup>

But more work can be done to connect that demand to the supply of workers and entrepreneurs in the core city. Detroit could be the center of “autotech” and “fintech,” connecting its emergent start-up scene and small business networks—as well as its digital skills training programs—to legacy manufacturers and the financial services industry. Bizdom, a Detroit-based start-up incubator and tech accelerator developed by Quicken Loans’ Gilbert, is an emerging example. And model programs in other cities offer inspiration. FirstBuild, for example, is a collaboration between GE Appliances and Lighting and the University of Louisville that allows community members to work alongside company and university engineers to design and develop ideas for the home appliances industry.<sup>26</sup> One light on the horizon: Ford Motor Company’s collaboration with TechShop, a makers space and incubator, could expand its presence in Dearborn to Detroit, broadening its engagement with the city’s entrepreneurs and tinkerers.<sup>27</sup>

**Invest more fully in neighborhoods** |

At an event at The Brookings Institution earlier this year, Stephen Henderson, an editorial page editor for the *Detroit Free Press*, highlighted the need to help Detroit residents who live in high-poverty, isolated neighborhoods.<sup>28</sup> Research has shown that high-poverty neighborhoods exacerbate inequities and lower the prospects of all residents, not just those who live in poverty.<sup>29</sup> And our research shows that over the past 15 years, poverty has not only increased in Detroit but become more concentrated. In 2000, there were 35 neighborhoods in the city in which 40 percent or more of residents lived below the poverty line; a decade later, the number of extremely poor neighborhoods increased more than fourfold, to 159.<sup>30</sup>

Revitalizing such neighborhoods requires a delicate balance of top-down and bottom-up engagement, where city and pri-

vate sector actors work together alongside neighborhood organizations and residents to promote new avenues for growth. Getting to market scale is not easy, but a few emerging approaches, such as the Greater Chatham Initiative in Chicago, are showing great potential as models for other neighborhoods. The Greater Chatham Initiative is a comprehensive neighborhood development plan that seeks to link four historically middle-class, black neighborhoods on the South Side of Chicago to the regional economy. The initiative brings together disparate economic, workforce, and community development efforts—including small business and industry cluster strategies, youth summer jobs programs, workforce training, housing and commercial redevelopment funds, and public transportation linkages—and applies them to these neighborhoods to improve residents’ opportunities and well-being.<sup>31</sup>

Detroit is still one of the poorest cities in the United States. About one in four properties in the city—95,000 lots—remain abandoned.<sup>32</sup> Approximately 23 square miles of the city’s 139-square-mile footprint is vacant, more than the size of the island of Manhattan.<sup>33</sup> There is a long way to go.

And yet the seismic, targeted investments by the private and public sectors are creating market traction where there was once none. If leaders in philanthropy, government, and business continue their work apace, the flywheel momentum will reach more residents and neighborhoods until Detroit achieves self-sustaining, inclusive growth. ●

*NOTE: The Kresge Foundation, the GE Foundation, Goldman Sachs & Co., and JPMorgan Chase are donors to The Brookings Institution. This article reflects the sole views of its author.*

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ROUNDTABLE

# Cross-Sector Leadership in Detroit

A roundtable discussion on the role that leadership from across sectors played in revitalizing Detroit—with **MATTHEW CULLEN**, **KEVYN ORR**, and **RIP RAPSON**, moderated by **JENNIFER BRADLEY**

**Jennifer Bradley:** In preparing for this conversation, I was reflecting on the concept of leadership and what it really means, particularly in the Detroit context. What I've noticed in my years in the field is the power of the hero narrative. People spend a lot of time looking and hoping for a single leader, whether it is the mayor, or the school superintendent, or the business leader who can turn around a city. But if you look at the research around complex problem solving and innovation, it suggests that as a problem or a system becomes more complex, you need more minds to solve the problem.

Detroit's bankruptcy was not a one-day or even a one-year event. It was a long arc that was decades in the making. It was also a highly complicated problem, so it makes sense that the leadership needed to solve that problem would have to be multifaceted. When you consider the traits that leaders would need to embody to address this kind of problem, it's hard to imagine finding that in one person. For example, it is not often the case that the visionaries are also the people who are hyperfocused on efficient execution. It's not often that the stewards of a strategy—the ones who protect the long-term view—can also come up with a radical, out-of-the-box approach to the problem.

It makes sense, then, that the story of leadership in Detroit is resolutely plural. Once we acknowledge the importance of a pluralistic endeavor, then we can go a step further and ask whether we have everyone we need on the team or whether we're leaving out the people who might have powerful insights into the real problems or bring the kind of creative solutions that were brought to bear on Detroit's bankruptcy.

This is a great opportunity to have a conversation about multi-sector leadership and the different shapes and voices and perspectives that it can take. We have **Rip Rapson**, president and CEO of The Kresge Foundation; **Matthew Cullen**, president and CEO of Rock Ventures; and **Kevyn Orr**, partner at Jones Day and former emergency manager of the City of Detroit during the bankruptcy. [Jennifer Bradley, the moderator, is the director of the Aspen Institute's Center for Urban Innovation.] I'm going to ask each one to speak to the idea of leadership, why broader or distributed leadership has been important to Detroit, and what it means for other cities.

Kevyn, I'll start with you. What were some of the new or unusual traits that you saw Detroit leaders demonstrate during the city's crisis?

**Kevyn Orr:** First, there was a high level of perseverance and commitment. Matt and Rip have both been at this for over a decade. Rip, along with his colleagues in the philanthropic community, pumped more than a billion dollars into Detroit 10 years before the financial emergency was declared. Matt, now at Rock Ventures, brought with him leadership skills from his time at General Motors, the creation of the M-1 RAIL, and the revitalization of both the Detroit Riverfront and Woodward Avenue. When people ask what role leaders served in Detroit, I respond by saying: Imagine what the city would have been like without them. Imagine the Riverfront without Matt's guidance. Imagine the neighborhoods without Kresge, without Ford, Kellogg, or the Community Foundation for Southeast Michigan.

Second, there was a high level of collegiality and cooperation in that tier of philanthropic, business, and civic leadership—and during some very trying circumstances. I think Matt and Rip will agree that Mayor Kilpatrick's reign was a trying circumstance. It was hard for these civic leaders to witness what was a historical level of defalcation and incompetence. But they persevered through that and over time worked cooperatively with others to change the city's direction. Matt and Rip exemplify tremendous perseverance, cooperation, and courage.

**Bradley:** Matt, as Kevyn pointed out, you've been at this for a while. Were there leadership traits that the bankruptcy called out in people that you hadn't seen previously?

**Matt Cullen:** Yes, no question. What happened first was the unusual convergence of philanthropic and business leaders. We started working on significant projects together, in part because people in government were just not taking responsibility for things. We needed to take on a broader role than we typically would have chosen—or been allowed to take on, honestly.

It all coalesced when Kevyn, the governor, and ultimately Mayor Duggan came in, because then we had a three-legged stool: philanthropy, business, and government. We suddenly were at a moment in time



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**Jennifer Bradley**

when all three sectors were working together effectively. The governor took on the long-standing problem of insolvency and brought in Kevyn to drive the strategy. We had been kicking that can down the road for at least 20 years, so Kevyn's arrival was key.

**Rip Rapson:** What I find interesting about the last decade in Detroit is that it was divided into very discrete phases. What appears to be a moment in time actually wasn't. It was a stretch of time in which we had to move in and out and shape-shift according to the kind of complexity that we were facing at each phase.

During the first phase, 2005 to 2007, we had the luxury of being able to work at building relationships in a relatively low-stress environment. When I arrived at The Kresge Foundation in 2006, the "good" Mayor Kilpatrick was everywhere in evidence. There were cranes and construction projects Downtown and kinetic energy all around. I'll never forget some conversations Matt and I had with other civic leaders at that time about what constructive things we could do to supplement the city's relatively high level of performance. It took a couple of years for that to dissipate and fall apart, and it happened around the same time that the overall economy began to decline and the auto companies began their struggle with bankruptcy.

When the bottom fell out between 2008 and 2013, the conversation changed dramatically. We were suddenly caught in a crisis holding pattern. We asked ourselves what we needed to do—not what would be nice to do, but what we absolutely had to do to stabilize the situation so that we could move forward when everyone returned to their normal functioning. That's when we launched Detroit Future City, started the M-1 RAIL project, and augmented our commitment to the arts and cultural community. There was a whole suite of things that occurred in a crisis mode that we knew could not be fully realized at the time. They were in anticipation of normalcy returning.

The third phase, the bankruptcy, was its own creature, of course. All rules were thrown up in the air and fell back down again in a very different configuration. We're now in a fourth period. With the bankruptcy behind us and with the scaffolding that was created during that time of crisis, we can return to a new normalcy that permits us to build on what we started when times were most difficult.

**Bradley:** Rip, would it be correct to say that when the crisis occurred, there was already an infrastructure and a history of cross-sector collaboration that stood you in good stead?

**Rapson:** Yes and no. Matt may have a very different view, but my sense is that there were relatively few instances of true, hard-nosed collaboration in the pre-2008 period. We were definitely incubating relationships that would be important. General Motors and Kresge worked together very effectively to revitalize the Riverfront, for example. But corporate-philanthropic partnerships were still not the norm. There were also some formative collaborations among

foundations, but the foundation community as a whole was not particularly on the same page. We weren't meeting regularly or actively exploring joint projects. That higher level of collaboration was really precipitated by the crisis. It caused us to get together in a way that had not been typical.

**Cullen:** I agree, but Rip doesn't give himself enough credit for the degree of change he helped catalyze during the early phase. For a long time, foundations in Detroit were very passive in their engagement with others. In fact, foundation leaders seemed to pride themselves on staying in their office and responding to grant applications. They didn't bring their intellectual leadership into economic development discussions or other areas, nor did they seek to relate to

other groups as partners. In fact, they almost viewed it as a conflict of interest to be engaged in the fray or to be immersed in problem solving.

All that changed considerably at the time that Rip came in, prior to the bankruptcy discussion. Foundations began to exercise new collaborative muscles, to act like true partners. Relationships grew stronger, and we gained confidence and trust in each other. That was certainly demonstrated with the M-1 RAIL line. When the third leg of the stool, government, was able to join the discussion with the same level of capacity and integrity, we were finally in a position to take on serious issues like the bankruptcy.

#### **FLEXIBLE LEADERSHIP**

**Bradley:** It sounds like a key element of leadership was getting past the "That's not our job—we don't do it that way," mind-set.

I've been reading Nathan Bomey's book, *Detroit Resurrected*, and it's clear that there were a lot of times when people could have said, "Judges and mediators don't act like that," or "Bankruptcy managers overseeing the workouts need to stay within their box." Kevyn, how do you think leadership roles need to be rethought going forward to build on the momentum and keep from sliding backwards?

**Orr:** The key is maintaining flexibility and nondoctrine positions in terms of what you're going to encounter. Matt was dead-on when he said that traditional role models, expectations, and ways of doing things in the political sphere—such as rewarding your friends and punishing enemies—have to be thrown by the wayside. You simply don't have time to engage in that sort of folly. You also don't have time to worry about staying in your lane or making sure other people stay in their lanes. You have to think flexibly. When it comes to actually doing that, frankly, I got to cheat when I was the emergency manager. I had a state statute that suspended the regular order. And when we went into bankruptcy, I had a federal law which preempted state law. So I had considerable latitude to cross lanes.

At my first meeting with the Detroit City Council, the elected officials and I had frank discussions about the fact that some people were advocating for civil unrest as a way to express their dissatisfaction with the bankruptcy declaration. We all agreed we didn't want



If we wanted to avoid civil unrest, it was extremely important to engage the long-term residents who had held firm in highly destabilized neighborhoods.

**Kevyn Orr**

that to be Detroit's story. We set out to create an environment where everyone could say whatever they had to say, but where we would never let conflict get out of control. For my part, I pledged to be an honest broker. Everyone might not agree with everything I did, but they needed to know I was doing it for the right purposes.

And if we wanted to avert civil unrest, it was extremely important to engage the long-term residents who had held firm in highly destabilized neighborhoods. From 2005 to the time I came in 2013, the citizenry had been traumatized. I'm not even talking about murder rates, fires, blight, or poorly performing schools. They were fatigued from the city's inability to perform basic functions. We heard things like "I've paid my taxes at the highest rate, but I'm not getting services" and "I call the police, but they don't show up."

You also had a faith-based ecumenical community. Many religious leaders were advocating to their flock to stay involved in constructive ways. Some were quite vociferous in their opposition, but the majority were saying, "Let's at least try to cycle through this. Even in a state with a white Republican governor and a city with an 83 percent African-American population; let's see what we can do to work together." Finally, there was the press. They were all over the story but trying to handle communication responsibly and keep everybody on a good course.

**Rapson:** I want to be careful that we don't create the impression that thoughtful institutions of high integrity and flexibility simply joined together and functioned as a well-oiled machine. Even though there wasn't necessarily a cult of personality or the elevation of a single hero, there were at least three or four folks who modeled such extraordinary behavior that it almost left no room for the rest of the community to sit on their hands. Kevyn was certainly one. Judge Rosen, the mediator of the bankruptcy negotiation, was another. And there was Matt and Dan Gilbert. The role Quicken played will be viewed in future generations as one of the most extraordinary acts of corporate leadership that America has seen.

Now, that's not to say that leadership wasn't distributed broadly in the community or that there weren't many acts of heroism and leadership. But we first needed a small number of people to step up in exceptional ways to create a sense of possibility and optimism that other people could then follow.

### THE LEADER AS COMMUNICATOR

**Bradley:** It sounds like a key element here was the ability of leaders to communicate both within the negotiating rooms and outside, keeping the public in the loop. Rip, was that an important element of what was going on here, the need to make sure people knew what was going on in a time when things were actually unpredictable?

**Rapson:** Philanthropy is inherently unaccountable. We have the enormous privilege and luxury of being able to mobilize assets of all kinds in ways that are essentially immune from shareholders or the electorate. What weighed heavily on our minds throughout this process was a set of challenges: how to make our intentions clear; how to listen as carefully as possible to community voices; and how to ensure that we were ultimately investing in the growth of community capacity, because we were going to need that capacity when we come out on the other side of the crisis.

It's no coincidence that in the midst of the most difficult time, we invested heavily in a citywide planning process, Detroit Future

City, that was designed to engage as many citizens as possible in re-envisioning the city and determining how to manage vacant, blighted, and underutilized properties. This planning process paid dividends well beyond land-use strategy. It created an avenue for longtime residents to have a sense of buy-in to a new Detroit and a belief that we can build new opportunities using existing assets. More generally, it established a new pattern of trying to make sure we were treating all of our work as a "top-down, bottom-up, meet-in-the-middle" kind of exercise.

**Cullen:** Jennifer, you framed the role of Rock Ventures in Downtown Detroit in the context of buying properties. We did ultimately acquire more than 90 buildings, and there is an ongoing discussion about the relative merits of having a single owner hold so much downtown real estate. But we felt that this was an exercise not just in real estate purchases, but in contributing to the long-term health and stability of the community. I'd like to break down what we did into two components.

One component involved us stepping into roles government would typically play: land planning, tenant recruitment, blight abatement, and place-making work. Since these were traditionally public sector roles, we needed to communicate to the public why we were now playing those roles. We had to be able to respond to questions like, "Why are these guys even developing the Downtown?"

The second component involved communicating a general sense of optimism. I think it was Napoleon Bonaparte who said, "A leader is a dealer in hope." Dan took a leap of faith, because he believed that the turnaround of Downtown could be real and could have broad public benefit. It gave people a shot in the arm to think that smart people were spending billions of dollars to acquire vacant buildings. It also signaled to the market that there was a genuine investment opportunity. As we attracted more business activity, people began to realize that economic development did not have to be a zero-sum game. We could actually expand economic opportunity for all, and Detroit could have a future.

### CREATING VALUE PROPOSITIONS

**Orr:** I don't think we can overstate the importance of that value proposition [investing in Downtown Detroit] from a business standpoint. When I first came in as the emergency manager, I was immediately thinking ahead to the exit strategy: once we did the balance sheet transactions of straightening out the budget and right-sizing revenue to expenditures, what was going to follow? There needed to be a value proposition that attracted economic activity and rebuilt the tax base.

Every city has patrons: Dan Gilbert and the group at Quicken as well as the Ilitch family are patrons for Detroit. They viewed their profit motive as part of a much broader value proposition, something that went beyond traditional return on investment. Their concern for attracting others to help rebuild, provide jobs, and lift the tax base had an almost philanthropic bent. That is a sustainability model that will last beyond anything I did as emergency manager.

**Rapson:** The other factor that enlivened market activity was the fact that philanthropy funded improvements in infrastructure and public space. At The Kresge Foundation we got involved in funding this work, because the government couldn't do it; and we knew someone needed

to. These improvements encouraged, reinforced, and made slightly safer those market investments. I think it's no accident that the Quick-En folks chose to invest in Downtown after we had completed a thorough revitalization of the Riverfront, established a public spaces maintenance fund, and invested in a light rail system to connect employees into the larger region. Philanthropy can't create jobs. That's not our role, and we don't know how to do it properly. But we do know how to invest in public goods that over time can be an inducement to private sector investment. It was important that we step up and do that.

We received criticism nationally, as well as concerns from our own board, about why we were investing so heavily in infrastructure. If the private sector had not followed on those moves, those critiques would have been justified. We might have been left with a lot of brick-and-mortar projects that did nothing to prime the pump. To have Rock Ventures immediately demonstrate the value of those investments was an enormous affirmation of the role philanthropy can play.

### FALLING OFF A CLIFF TOGETHER

**Bradley:** It sounds as if everyone operated on the mind-set of, "Okay, somebody took the first step, so now I can come in and get us a little further down the line." You weren't sticking your neck out because you knew that others would support you.

**Cullen:** I'm not sure that's exactly right. We experienced success because we all had a deep trust in the integrity and capacity of our partners. That's true. But there wasn't a road map. There was no logical justification to buy a bunch of empty buildings or move 1,700 of our employees into the downtown area. There was no way for Kevyn to know that he had an exit strategy with sustainable revenue. These were leaps of faith. Rip took flak from elected officials who felt philanthropy shouldn't be playing public sector roles. None of us said, "Hey, you built the first quarter mile of road, so I'll do the next quarter." It was more of a moment-by-moment decision-making process that, to be honest, often felt illogical at the time. A better analogy is that it felt like we all stepped off the cliff together and then tried to figure it all out before we landed.

**Bradley:** Let's turn to where we are now. As Detroit's government returns to equilibrium, how do the various sectors recalibrate their roles? The urgent moment has passed. But the city is still not where you hope it will be. Matt, where does the private sector start to draw back? Where does it want to press a little farther?

**Cullen:** To be successful in the long run, we shouldn't attempt to define rigid, permanent roles again. We should focus on building good working relationships with each other that allow different leaders to carry the baton at different times. That's easier said than done, especially with strong-willed people who are accustomed to being in charge.

**Rapson:** It's impossible to overstate how complex it is to redefine civic roles and relationships after emerging from a crisis. The ten-

gency is to think that the crisis was such an aberration from the norm that you ought to revert to the norm when you've gotten through it. But that belief isn't going to serve Detroit well. We can't revert to the command-and-control system we've been accustomed to. There will be times when we just have to mud-wrestle this. In any given circumstance, there are certain things you do well and certain things I do well. Sometimes, I will need to hold back while you push forward. It may be a more complex metaphor than a relay race.

A good example is Mayor Duggan's suite of creative approaches to promote home ownership as a way of growing back urban space and repopulating the city. Low property valuations make it difficult to get loans against those properties. So he articulated a need for new financing instruments that could enable people to buy homes. He knew, though, that he didn't have the wherewithal to figure that out alone. So he went to philanthropy, local banks, and Treasury

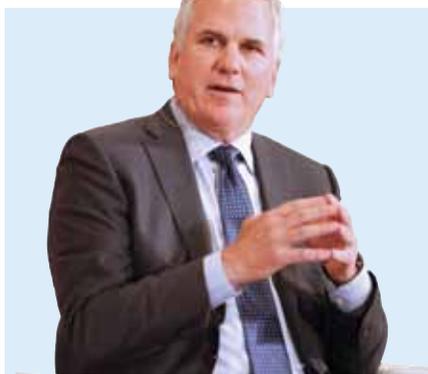
and asked them to use their tools to solve the problem. In response, Kresge put guarantee money on the table, small banks put together some rather unconventional loan capital, and Treasury waived regulations that were hamstringing the people trying to get the deals done. At the end, it required equal doses of the mayor's vision, Kresge's risk capital, and the flexibility of banks and Treasury. More and more, that's the approach that's required.

**Orr:** This kind of flexible role negotiation can only occur if you set aside a period of time that allows for breathing room. The whole restructuring effort was intended to give Detroit a hiatus from the regular order, to be walled off from the capital markets, and to suspend pension and health-care payments.

Home ownership has been an important issue to work through during this period. Before the crisis, Detroit had an exemplary level of home ownership, particularly in minority communities. Experiments like the one Rip just described are critical, because they produce sustainable models adapted to the current environment. Home ownership is also a way to ensure that recovery isn't just a Downtown, white-collar recovery, but that it is also a gray-and blue-collar recovery. From a political standpoint, residents need to feel invested, that they are circulating money in the local economy, and that they are getting the benefit from economic resurgence and the social covenant.

### PUBLIC ENGAGEMENT AND ECONOMIC INCLUSION

**Bradley:** Does this new phase create opportunities to be more inclusive and bring in people whose voices had previously not been heard, or only heard in an oppositional way? What's happening now to incorporate the communities that might not have been at the table previously, but who in many ways remain the most vulnerable and who have the most to lose—the residents who have stayed in Detroit through all of the ups and downs and who are being asked to make what for them are huge investments in home ownership and in the future of this city.



We should focus on building good working relationships with each other that allow different leaders to carry the baton at different times.

**Matthew Cullen**

**Cullen:** For starters, we're seeing a deeper level of political engagement by longtime residents who are taking it upon themselves to have a voice. As Kevyn observed, in 2014 they selected Mayor Duggan, both a write-in candidate and the first white mayor in predominantly black Detroit since 1974, and they did it because they had concluded that he was the right guy to get better outcomes. They also chose to change their city council elections from at-large to districts. They did that, I think, because they wanted a voice. And they elected a council that has a lot of talented people. They're going to have the opportunity to do it with a school board, too. Now residents are demanding outcomes and accountability, and they're using their franchise better. Without capable and willing elected officials who are backed by the people, we can't get much done.

**Orr:** I'd add that voter expectation of accountability directly translated into better government performance. Before the bankruptcy, the City of Detroit wasn't doing a very good job at ensuring public safety. In eight months, Police Chief Craig managed to get crime levels down by double digits. He didn't do this by hiring 2,700 new police officers. He did it by bringing leadership and accountability to the force he had. That to me is a tremendous testament to how important it is to have the right people running things in the right ways—and how responsive rank-and-file employees will be.

**Rapson:** The economic growth Kevyn and Matt referred to provides opportunities for a different kind of inclusion—economic inclusion—but it will be complicated. We are now in a position to pivot to address the complexities that attend to equitable neighborhood-based development and ensure that this inclusion occurs. It's tempting to think economic growth can just expand outward in concentric circles from the central business district to all neighborhoods. Even though we have to do some of that, it is not the complete answer. We need to leapfrog around Detroit in order to find nodes of strength where we can reinforce existing energy.

It is the purpose of the Detroit Future City plan—and the animating principle behind what we will be doing at Kresge in the coming years—to move capital, talent, and whatever resources we can into these nodes or neighborhoods to give them a fighting chance to get back on their feet and redefine their destiny. It's going to be more disruptive, louder, messier, and more halting. There's just no two ways about it. But it is the only path forward that makes any sense to me.

**Cullen:** Ultimately, Detroit Future City is about reengineering a city that has only a third of its peak population occupying the same sprawling land mass. If Detroit were a car factory, it would be operating at 30 percent efficiency. We're taking on issues that I don't believe have ever been taken on at this scale. Focusing on the nodes Rip mentioned means that we need to approach different parts of the city differently, figuring out how to convert blighted and abandoned properties to more productive uses and how to create areas of density where we can more effectively provide city services. Hopefully, we can maintain the confidence and trust we've built up, because it's going to be twice as difficult to take on these next challenges. These are decisions that affect people's homes and the neighborhoods they live in. I hope we can bring this same kind of leadership and this same kind of doing-good-while-doing-well approach.

**Orr:** I would add three points to what Rip and Matt have said. First, opposition is natural and a normal outcome within a democratic process. Some of that is appropriate and helpful, because it lends legitimacy to voices that otherwise would not be heard. I think that's a good thing as long as it's civil. Second, some opposition can yield productive solutions and working relationships. The Honorable Reverend Minister Malik Shabazz, who was quite vocal when I first came into the city, is now regularly seen with Police Chief Craig. The police chief has been trying to tamp down the plague of inner-city violence, particularly young male black-on-black crime. Shabazz wants to be a productive member even if his role remains outside of the formal political structures. That's a positive development. Third, people who start in opposition often evolve to become part of the orthodoxy, bringing their perspectives in constructive ways.

**Rapson:** It's tough for people to go toe-to-toe with an engineer who wants to run a road through their community or an official who wants to close a school. We've got to figure out what resources we can give people in communities they're going to need to engage constructively in the rebuilding of their community. We also need to double down on efforts to sustain the belief that we can all get along. Mayor Duggan has been very assertive in trying to make sure that folks stay positive in finding a different way forward.

**Orr:** That's why the mayor created the Office of Community Outreach. People need to feel they have a voice, access, and dignity throughout the process. What is sometimes needed is a cultural translator who can make sure that government and citizens understand that they are working toward the same goal, though possibly in different ways, and then broker a solution. As Eldridge Cleaver said, "You're either part of the problem or you're a part of the solution." We need to find ways that everybody can be part of the solution.

#### LESSONS FOR OTHER CITIES

**Bradley:** Let's pivot now to the lessons Detroit has for other cities. As you have said, Rip, Detroit is in some ways unique and in some ways a template for what's happening in a lot of places. Most cities are not going to be in bankruptcy. That's a good thing, of course; but it also means that they don't have this obvious reset point. Matt, what can other cities learn from Detroit's experience?

**Cullen:** Obviously, all cities won't go through bankruptcy. But I do think Detroit is still the canary in the coal mine for many cities—especially those experiencing the same systemic, structural issues we have. One of the key takeaways is understanding the kind of leadership that is necessary to ensure that a city does more than survive, but in fact thrives. We need capable people who can play nonrigid roles, collaborate across sectors, and create opportunities for inclusivity.

However, in sharing the lessons of Detroit, we need to be really clear—as we certainly are locally—that we're not at the end goal yet. We have yet to reach the Promised Land. Most of the exciting things we've been talking about are concentrated in eight or 10 square miles, while our city is comprised of 139 square miles. We have neighborhoods that are still losing population, we have job scarcity, and so on.

The ultimate lesson for other cities is to pay attention to what's going on around you, because these situations can creep up. And when they do, they hit like a freight train. Furthermore, even if you

don't have a crisis, it's sometimes important to act as though you do. Make sure you're pulling people together to tackle problems on a proactive basis, so you're not waiting for crisis to happen. And make sure you have the kind of collaborative, inclusive leadership that it takes to be successful whether you have a crisis or not.

**Rapson:** Almost all cities have blight and land-abandonment issues, small business and economic diversification issues, public space issues, and on and on. The equation varies from place to place, but the fact that certain roles need to be played doesn't change. Someone needs to set the table. Someone needs to facilitate the conversation. Someone needs to take the first step in de-risking complex transactions. Someone needs to build capacity where there is inadequate capacity. Getting different communities to talk about how they shape and sort those different responsibilities is of enormous value. Maybe what Detroit does is give people an opportunity or an excuse to get together and compare notes. We're [Kresge] now trying to create a cohort of a dozen or so cities so that folks can get together and throw some of these ideas around, realizing they will need to customize approaches.

**Bradley:** Kevyn, I can imagine people coming to you and asking, "What do we need to know from Detroit to avoid this pitfall, and how do we get ourselves in a more sustainable fiscal position?"

**Orr:** I'd have to start by reiterating the uniqueness of Detroit. For instance, I have yet to see the level of cooperation between different groups and subject areas that you've seen in Detroit. To see a predominantly white business community have the level of interest and commitment to Detroit, which is largely low- and middle-income African-American, is unique. Detroit was fortunate enough to have a number of people that were willing to do that at exactly the right time and in the right way. It remains to be seen if other communities will be as fortunate to have Detroit's profiles in courage.

But even so, I'd point to five things that are relevant to cities around the country: First, leadership is a function of courage and risk. Governor Snyder took up the issues facing Detroit starting in 2011. Many of his political supporters warned against it, claiming Detroit was the third rail of Michigan politics. But he asserted that it was his obligation to address the city's issues.

Second, I would point to the high level of cooperation. Matt's analogy of jumping off the cliff together and figuring it out before we hit the ground—that's pretty much the way it worked! When I got to Detroit, I had over 200 different stakeholder meetings. When they were over, I was left exhausted and wondering if I could run away. But we knew we all had to figure it out, and what made that possible was the tremendous level of cooperation.

Third, transparent communication and a continual process of pushing out information to the public is important. Some of that information may be arcane and technical, but you want it all to be out

there and available. Judge Rhoads and Judge Rosen were critical in updating people at every stage of the bankruptcy.

Fourth, there is a need for an exceptional level of talent across the board—creative people who are dedicated to coming up with solutions and who are willing to think out of the box. Fifth, a commitment to follow through even during the darkest days. People just kept pushing forward, determined to reach the end.

#### NATIONAL URBAN POLICY

**Rapson:** It's also important to recognize how extraordinary federal leadership was in Detroit. It's tempting to think that the Obama administration singled out Detroit as its one and only intervention, but that is actually not the case.

I do think they sought to model certain behaviors in Detroit. They created a multidepartmental team housed in Detroit that later became the basis for the national Smart City/Smart Community initiative. They experimented with lifting regulatory constraints, like CDBG [Community Development Block Grant] deployment rules. These policies were later extended to other communities. Even when it can't offer deep pots of resources, the federal government can still be a partner. This was particularly true under HUD Secretary Shaun Donovan. His team actively searched for ways to make federal agencies more directly connected to the problem-solving apparatus of the local government.

**Orr:** When I first came to Detroit, more than \$35 million in federal funding was being held up because the city had insufficient capacity to administer grants. Sonya Mays, on my team, took the lead to rectify this. By November, the federal government turned the spigots back on. But as Rip mentioned, it wasn't just going back to CDBG funds. They also started finding creative ways to loosen restrictions on how other funding could be used. They actually allocated some returning TARP money back to the city to help with blight.

**Rapson:** What Detroit has created over the last number of years is a set of distributive structures for innovation. New ideas are coming from all parts of the community. I worry, though, that we don't confuse recognition of that energy with a glamorization of it. There are a thousand points of light, and we're innovating up to our neck, but each and every one is a heavy lift.

And unless there is some attempt to create an organizing frame, it can be chaotic and spin out control. That's why it's important that we understand that we've worked hard to put in place some vessels to help hold that creativity, giving innovators confidence that somebody is paying attention to their ideas and is committed to helping propel them forward. The combination of the bankruptcy, a highly effective and focused municipal government, intermediating structures like the Detroit Future City plan, the leadership role in the central business district—particularly of Quicken—all provide a frame into which that creative energy can flow. ●



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**Rip Rapson**

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