

# DETROIT, MI CASE STUDY



*Woodward Avenue in Detroit, MI (Photo: Rebecca C Cook, Reuters)*

**HOW CAN CITIES BUILD INCLUSIVE LOCAL INNOVATION ECOSYSTEMS?**

# **DETROIT, MI STATS**

**675K**

**Population**

**139 SQUARE MILES**

**Geography**

**BLACK 82%, WHITE 8%,  
HISPANIC 7%, ASIAN 2%**

**Demographics**

**FOODTECH, HEALTHTECH,  
EDUCATION/EDUTECH,  
FINANCE/FINTECH**

**Business Growth Sectors**

# ABOUT DETROIT

Detroit is a relic of America's 20th century struggles to reconcile two racially divided societies that date back to the passage of the 14th amendment, which conferred constitutional American citizenship to black people in 1868, just three years after the Civil War. This act of Congress took two years of political battles and the threat of continued military occupation of many southern states to coerce two-thirds of the 37 states of the union to ratify the proposed amendment.

The fallout from that political battle spilled into the streets of American society and established two permanently separate and unequal landscapes. Detroit's booming manufacturing economy was a major attraction and became a destination for many black Americans heading north and west to escape the hostilities of southern states during the Great Migration. And as the 90% white population of Detroit grew more diverse, racial tensions flared.

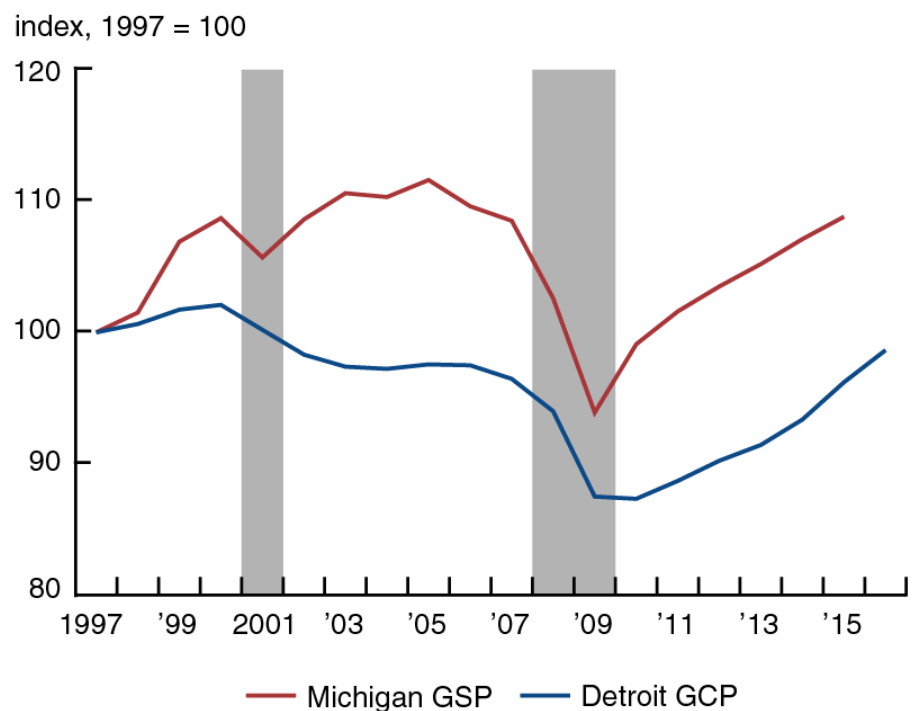
One hundred years later in 1968, the year Dr. Martin Luther King was killed, Detroit had undergone a massive population metamorphosis. It had transformed from a city built upon a foundation of wealthy industrial manufacturing, with a white population of more than 90 percent, to a city in economic crisis and social chaos that had endured two of the biggest race riots in US history.

The city was bleeding residents in huge chunks each year as white Detroiters fled while refugees from the Great Migration continued to settle in the Motor City. Today, the city reflects a complete flip in population demographics from its pre-WWII status. The economy also represents a flip, from robust to restoration.

## STATE OF LOCAL ECONOMY

The economy in Detroit, as measured by the Federal Reserve, is rebounding but remains lower than its measured 1997 level.

A major challenge still facing the Motor City is its unfinished transformation from an economy driven by auto manufacturing to a tech-based innovation economy.

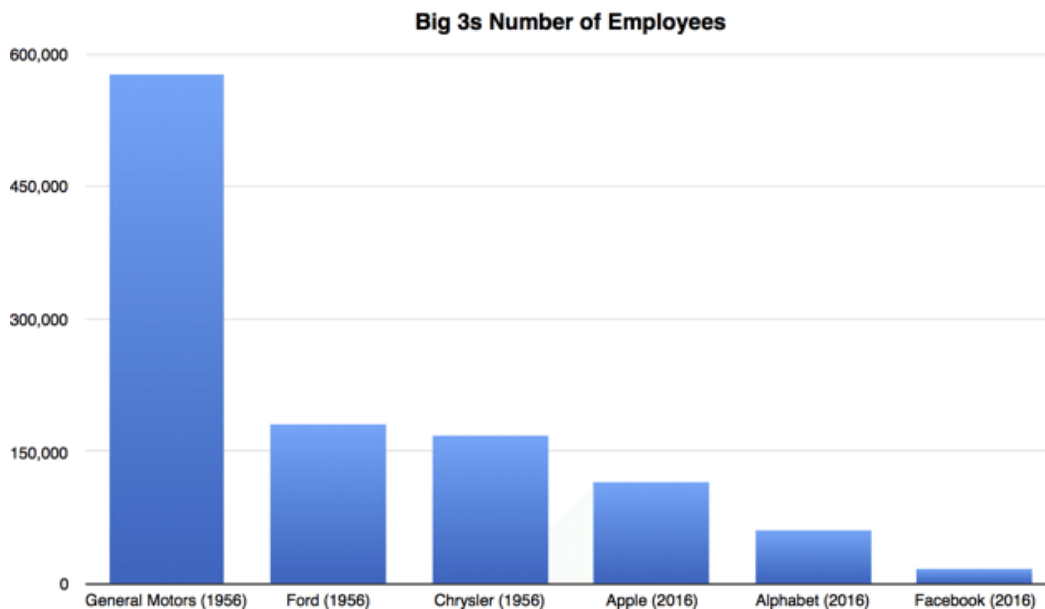


The tech economy, which cuts across myriad industry sectors, like food tech, health tech, edu tech, energy and others, offers only a fraction of the jobs previously produced by the auto industry.

Ironically, this trend of shedding jobs began during the heyday of the auto manufacturing economic boom.

“Between 1948 and 1967—when the auto industry was at its economic peak—Detroit lost more than 130,000 manufacturing jobs,” writes [The Atlantic](#) in a quote taken from historian Thomas J. Surgue.

Detroit’s transition into a tech-driven innovation economy inevitably means there will be fewer jobs. Entrepreneurship, and the ability for residents to create their own job, will be a key component of any successful economy recovery effort.



*Detroit's Golden Age Big 3 vs Silicon Valley's Big 3 (Source: [The Atlantic](#))*

That recovery will have to address the current socioeconomic challenges inherited from the past, which shaped the dire economic conditions Detroit faces today. The quotation above marked a key point in Detroit history that continues to impact the city today.

In 1967, Detroit experienced the largest of 159 race riots across the nation that year, during the height of the Civil Rights Movement.

In the immediate aftermath of the '67 riot, 67,000 white residents left Detroit. Another 80,000 followed the year after, many lured by the federal government's

FHA guidelines that guaranteed home loans to whites who moved to the suburbs while simultaneously denying such loans to black residents, said Detroit Mayor Mike Duggan in a summer 2017 presentation to business leaders at the Mackinac Policy Conference.

**WATCH THIS VIDEO: Detroit Mayor Mike Duggan presents the segregationist history of Detroit to an audience of economic leaders.**

The combination of federal, state and local policy biases favoring white residents, alongside racial animus and fear, coupled with job losses in a declining manufacturing industry, resulted in a toxic economic environment across the Motor City.

When white residents fled Detroit, it flipped the population from 90 percent white (in the 40s and 50s) to a majority black city in the 70s (end of the Great Migration era, 1916-1970).

Over the next several decades, through the turn of the century and into the Great Recession of 2007-2009, manufacturing jobs would continue to plummet and black residents would flee the city to surrounding suburbs, further reducing Detroit's dwindling population while increasing the concentration of black residents left in the city to its present-day 82 percent.

The loss of jobs, rapid diminishing of the auto manufacturing industry, and flight of white and subsequently black residents from Detroit, all contributed to depleting the economic base that set the city on a track toward bankruptcy.

## **BROKE ENGINE**

The historic announcement of Detroit's Bankruptcy in the summer of 2013 shocked the nation. But it also reset the scale and allowed Detroit to rebound in a way that attracted new investments in the city, which included Quicken Loans founder Dan Gilbert, and accelerated its economic growth. The Federal Reserve offered this insight:

- Detroit entered bankruptcy in July 2013 and exited bankruptcy just 18 months later, in December 2014. This made it not only the biggest municipal bankruptcy by debt (estimated at \$18 to \$20 billion) in U.S. history but also one of the fastest resolved.
- In 2013, years of declining economic output and falling personal incomes made it seem inevitable that Detroit was headed for bankruptcy; and investors, betting on an eventual recovery, started to acquire large areas of the city. For instance, Detroit native and founder of Quicken Loans Dan Gilbert had already



embarked on a project to revitalize a two-square-mile area of downtown Detroit prior to the bankruptcy. By April 2013, Gilbert had invested \$1 billion to acquire nearly three million square feet of real estate in the downtown area.

- The influx of new capital and an improved attitude about Detroit's recovery following its bankruptcy started to pay early dividends for the city. In fact, while Detroit's municipal government was still working out the details for exiting bankruptcy, the city's economic conditions were already starting to improve.

## INITIAL CORE FOCUS

Detroit's strongest assets in the bankruptcy era were in its infrastructure. While the people could move away from the city, the buildings remain rooted. Dan Gilbert purchased 90 buildings in the Midtown area of downtown Detroit and placed the management of them under Rock Ventures which governs his portfolio of companies.

## TECH-CENTRIC MIDTOWN

One key component of the economic recovery plan for Detroit centers on a tech-centric Midtown area as an initial buildup to build out. It plans to feature clusters of tech-based startups, Fortune 500 companies, entrepreneurial resources and a walkable vibrant entertaining downtown environment. Microsoft has committed to occupying a 40,000 square foot building downtown starting in 2018.

From its Midtown core, Detroit is investing outward in holistic development of targeted regions that will connect those communities to the downtown core. (Learn more in the Policy section)

# INNOVATION COUNCIL

One of the initial steps Forward Cities takes in assisting member cities develop an inclusive innovation ecosystem is to form an Innovation Council comprised of a cross-section of community stakeholders, elected and appointed leaders, economic development and urban planners, educators, investors, business leaders, entrepreneurs and activists. In Detroit, Forward Cities learned that a version of the Innovation Council was operating under the auspices of the New Economy Initiative (NEI). Due to its significance in developing an entrepreneurial ecosystem at the community level, we highlighted NEI in the Strategy section of this study.

## FORWARD CITIES-DETROIT INNOVATION COUNCIL & NEI WORKING TABLES

Forward Cities convened 40 leading stakeholders in a series of meetings to discuss the development of a local Innovation Council. Participants included:

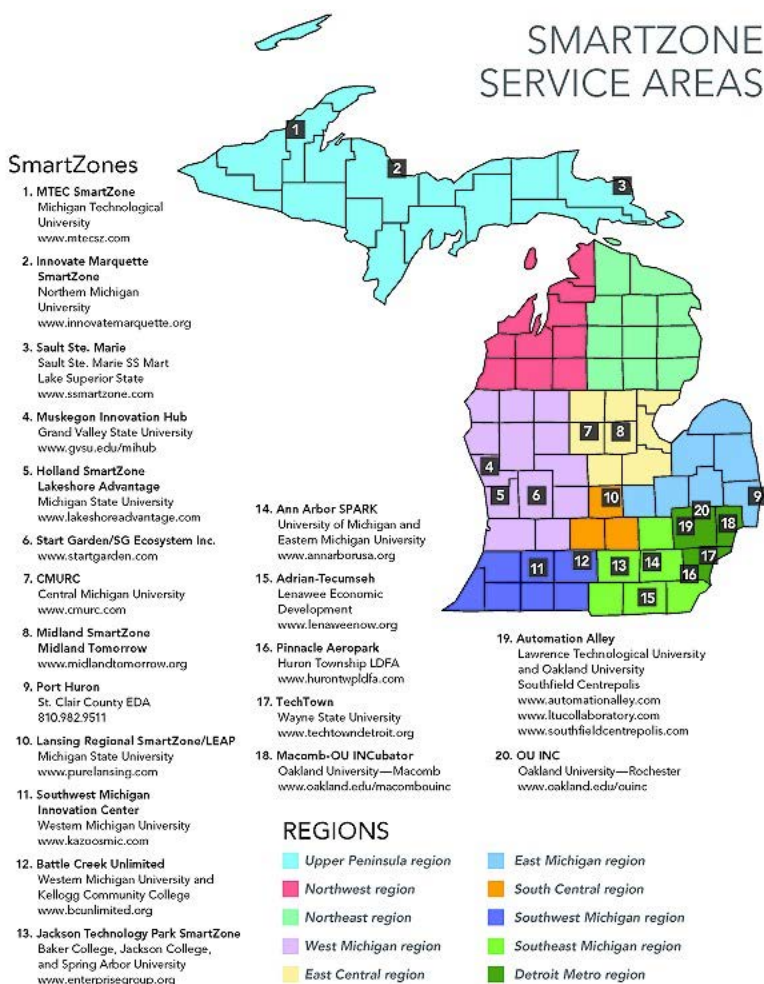
- ACCESS Growth Center
- BUILD Institute
- Issue Media Group
- TechTown Detroit
- Eastern Market Corporation
- City of Detroit
- ProsperUS Detroit
- Brand Camp University
- Grandmont Rosedale Development Corp.
- Penske Automotive Group, Inc.
- Southwest Economic Solutions
- The Case Foundation
- Skillman Foundation
- BMe Community
- Goldman Sachs Foundation
- New Economy Initiative
- Bizdom
- Wayne County Community College
- Detroit Area PreCollege Engineering Pgm.
- LOVELAND Technologies
- Henry Ford Health System Innovations
- Data Driven Detroit
- Michigan Community Resources
- Wayne State University
- Detroit Economic Growth Corp. (DEGC)

- Goldman Sachs Foundation
- Global Detroit
- Excellent Schools Detroit
- Data Driven Detroit
- Goldman Sachs 10K Small Businesses at Wayne State University
- Cornerstone Charter Schools

Through meetings with the above list of participants, it was learned that the vision, work and measured outcomes of the proposed Innovation Council already existed within the framework of the New Economy Initiative. NEI serves as a convener of five Working Tables in partnership with the Michigan Community Resource as part of a Neighborhood Business Strategy. (Learn more in the Strategy section).

According to MCR:

NEI convenes a collaborative worktable of neighborhood service providers to strengthen the small business ecosystem in the neighborhoods outside of Downtown and Midtown. The scope of work entails asset mapping, networking, and coordinating technical assistance and engagement opportunities between entrepreneurs and business service providers.



**SMART ZONES**

The NEI Working Tables also include state Smart Zone areas. Smart Zones provide distinct geographical locations where technology-based firms, entrepreneurs and researchers locate in close proximity to all of the community assets that assist in their endeavors. SmartZone technology clusters promote resource collaborations between universities, industry, research organizations, government and other community institutions, growing technology-based businesses and jobs.



New and emerging businesses in SmartZone technology clusters are primarily focused on commercializing ideas, patents and other opportunities surrounding corporate, university or private research institute R&D efforts.

Smart Zones include technology business accelerators that provide the services identified below and, partnering with tech transfer offices, facilitate the commercialization of technology emerging from research in Michigan universities and private companies. Accelerators help to mine technology from universities and private enterprise, assist companies and entrepreneurs in building business structures around the technology, conduct product development and help companies secure necessary start up financing.



*Detroit resident (Photo by Carlos Osorio—Associate Press)*

## **MAPPING DETROIT—MEANINGFUL MEASUREMENT**

Asset mapping is a key component of policymaking in every city. The decisions driven by unbiased comprehensive and disaggregated data help Detroit leaders better understand the depth and scope of problems that need to be addressed. Analysis of collected data can influence decision-making in budget allocation and the priorities placed on projects and programs that impact communities. Below are three key sources of data in Detroit: Loveland, Data Driven Detroit and Michigan Community Resources.

### **LOVELAND SHINES LIGHT ON UNEQUAL ECONOMIC RECOVERY**

Jerry Paffendorf mapped every parcel of land in the city of Detroit. Paffendorf

is founder of Loveland software, a Detroit-based data software company with a platform that empowers anyone anywhere in the nation to use the software to map every lot of land in their city or region. Data can reveal helpful information such as zoning and ownership as well as the ongoing problem of tax and mortgage home foreclosures.

Detroit homeowners experienced a double whammy in the down economy. Tax and mortgage foreclosures combined to gobble up real estate across the city.

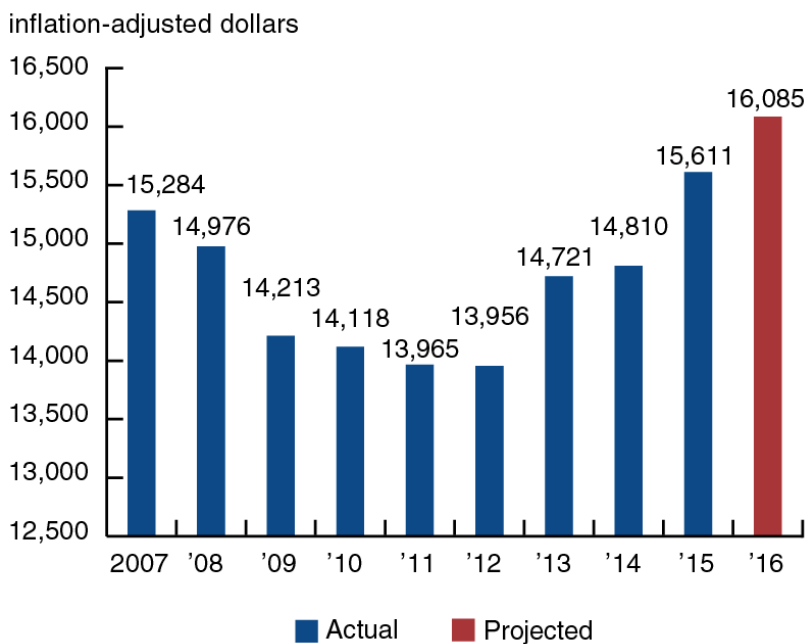
The city put homes on the auction block while banks repossessed homes of indebted residents. Out of 386,000 properties, banks today own 100,000. Another 150,000 homes were lost to tax foreclosure over this decade, with 10,000 this year alone.

For the first time in its history, Detroit surpassed 50 percent renters in its real estate market, said Paffendorf. Of those, at least 37 percent spend more than half of their income on monthly rent. It is a telltale sign of white equity investors buying properties and renting to primarily black tenants who once owned their own homes, he said. Paffendorf prefers a more strategic approach by the city and banks that empower residents to stay in their homes and retain ownership. The lack of jobs and income contribute to the problem.

## LACK OF JOBS

The improvement in Detroit's economy due to new developments in the Midtown and downtown areas, along with targeted development of adjacent communities has seen a slight rise in the jobs-to-population ratio. In 2010, there were 25 jobs per 100

residents. Today, that number has risen to 30 jobs per 100 residents. But the increase hasn't transferred to the black population of Detroit, which is more than 80 percent of the total. Of all the jobs in the city, 33 percent are held by black Detroiters. That's down from 36 percent in 2010, according to an Aug 29, 2017 article in the Detroit Free Press, quoting from a report published by Detroit Future City titled, "139 Square Miles."



The increase in jobs, albeit concentrated in both geography and among racial sectors, has also increased the per capita incomes of average Detroiters, according to Federal Reserve data.

## **DATA DRIVEN DETROIT OFFERS INFORMATION ANALYSIS OF COMMUNITIES**

What do different people care about? This is the question Data Driven Detroit (a.k.a. D3) exists to answer, says Sylvia Tatman-Burruss, Director of Strategic Development and Outreach.

“Some people care about schools, crime, parks availability and restaurants in their neighborhood,” said Tatman-Burruss. “So we’re making more data available for people to make better choices about where they want to live, and look at trajectories that allow people to have better conversations around where neighborhoods are going. You can have a gut feeling about where a neighborhood is going but when you have data the conversation becomes a lot more direct and a lot more based in reality of what’s going on.”

### **WATCH THIS VIDEO: Intro to D3**

D3 is a unique L3C organization that provides high-quality information and unbiased analysis of hyperlocal data, which is made accessible to the general public. According to its website, D3 began as a data hub for community organizations, foundations, governments, and other organizations in need of reliable data to help them make better decisions about the future of Detroit and the surrounding region. Today, D3 also functions as a data intermediary and partner to socially-minded groups seeking data to drive decision-making processes.

In 2008, The Skillman Foundation and The Kresge Foundation awarded City Connect Detroit a \$1.85 million grant to incubate Data Driven Detroit (originally named the Detroit-Area Community Information System). Within its first year, D3 was selected by the Urban Institute to join the National Neighborhood Indicators Partnership (NNIP). NNIP is a select group of organizations that have built advanced and continuously updated data systems to track neighborhood conditions in their cities.

By December 2012, Data Driven Detroit became an affiliated program of the Michigan Nonprofit Association (MNA). This move strengthened D3’s operations and increased exposure to a statewide network of member nonprofits and philanthropic organizations. In October of 2015, D3 transitioned to the structure of a Low-Profit Limited Liability Company (L3C). An L3C requires its projects and partners to align

with the mission of D3.

**FORWARD CITIES REPORT:** D3 was chosen by Forward Cities to conduct a hyperlocal assessment of a target area of Detroit to determine its suitability for entrepreneurship and small business sustainability, growth and scale. D3 produced a report in December 2016 titled, “Forward Cities Detroit: North End/New Center District.”

From the report:

- The North End/New Center District was chosen based on existence of established businesses and community investment in the area combined with the potential for significant entrepreneurial engagement and community growth. In accordance with goals of Forward Cities, the area selected by the Detroit team has the potential to not only support local innovators and create a stronger neighborhood locally, but can also expand reach of local businesses regionally and even nationally.

The North End/New Center District contains active and potential nodes for public transit, commercial establishments, and residential housing.

- The target area also contains at least six entrepreneurial resources in or near the North End/New Center District out of 20 listed resources in the report. The D3 report and additional data,

maps and information can be found in the resource area of the Forward Cities website: <https://forwardcities.org/old/resources/>

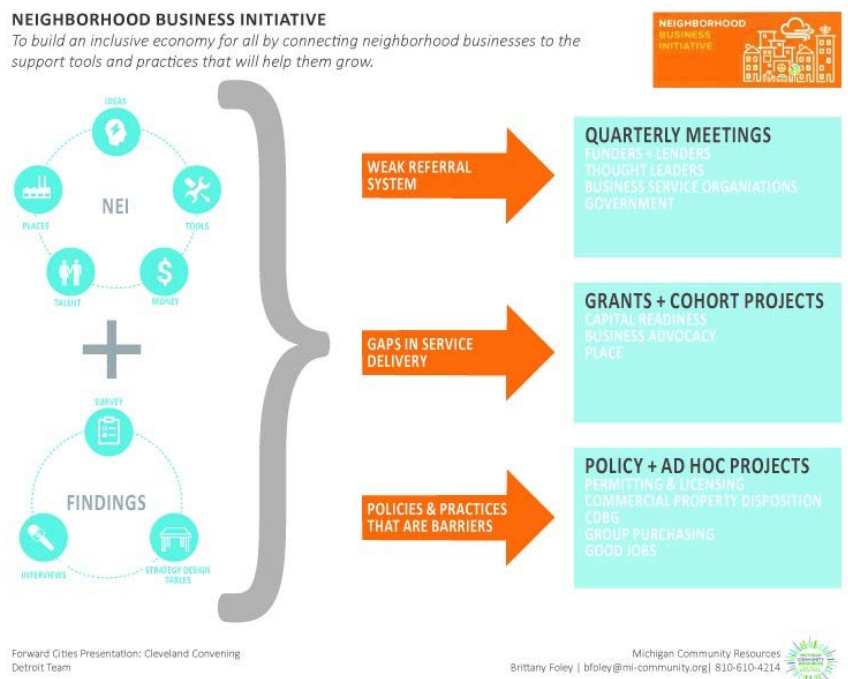


IMAGE: Forward Cities' framework for building an inclusive local economy.

## MICHIGAN COMMUNITY RESOURCES OFFERS ANALYSIS FOR COMMERCIAL CORRIDORS

Economic development of communities inevitably requires a strategic planning approach to building and sustaining commercial corridors that service a community's needs. Michigan Community Resources published an insightful report on several communities in partnership with ProsperUS, a non-profit organization targeting low opportunity communities to help them build capacity through small business enterprises.



## Revitalizing the Corridor: An Analysis of Commercial Markets in Detroit Neighborhoods

The report titled, "Revitalizing the Corridor: An Analysis of Commercial Markets in Detroit Neighborhoods," focuses on the five ProsperUS target areas: Cody Rouge, Grandmont Rosedale, the Lower Eastside, the North End, and Southwest Detroit. The report provides information to the place-based organization about how to attract, grow, and retain businesses in their community, as well as provide critical information to the ProsperUS entrepreneurs so that they may strategically site their businesses.

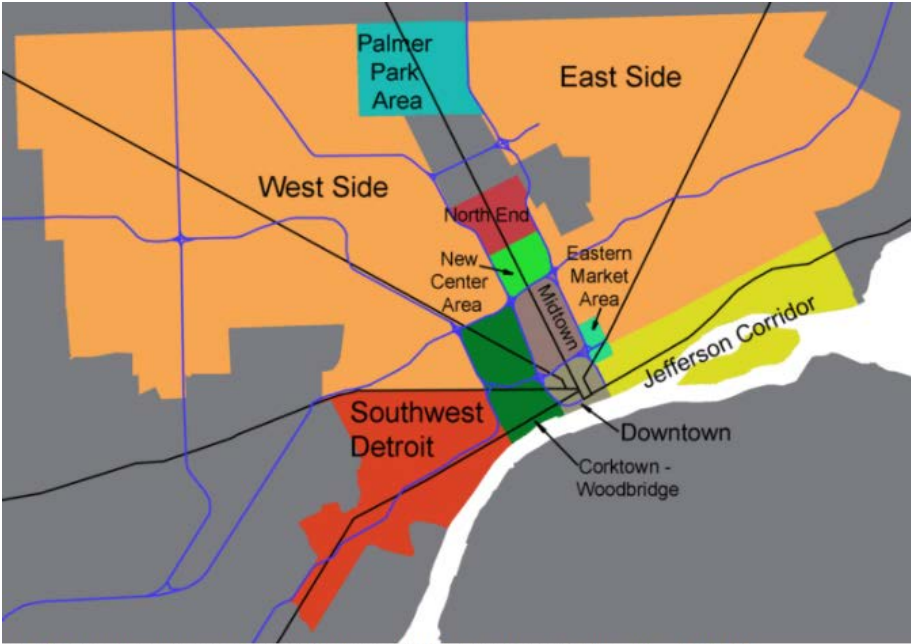


## STRATEGY—FROM URBAN CORE OUTWARD

When Mayor Duggan approached the daunting task of revitalizing an entire city that was blighted, abandoned and economically starved for decades, his first step was a FEMA-style approach in which he sought to ensure basic necessities, like water and safety were paramount priorities. As the desperation of daily needs became less of a burden on the city budget, Duggan began to work collaboratively with investors and foundations and expanded the priority list to urban core development.

The idea was to attract investors into the downtown district, starting with the Midtown area, and revitalize downtown as a tech-based, startup-dense environment wherein young, creative, artistic entrepreneurial-minded Millennials would live, work and play. Then, the city and its economic collaborators would expand the development to surrounding areas.

Dan Gilbert, founder of Quicken Loans, was a principal investor who joined efforts led by Midtown Detroit, Inc, Kresge Foundation, Techtown, The Integration Initiative and others targeting the urban core. Efforts to revitalize Midtown were accelerated, and the area continues to thrive and attract people back to Detroit. The next step in the strategic process, which Duggan calls an, **“Inclusive Growth Strategy,”** is to expand the development focus in targeted areas of NW Detroit and adjacent to downtown. There are plans to invest in a comprehensive



The Detroit metropolitan areas covers 140 square miles. [Andrew Jameson/Wikipedia](#), CC BY-SA

development of communities, which includes renovation of blighted buildings and lots, and establishment of mixed use properties and commercial corridors that include affordable housing units as a mandatory priority for investors who capitalize upon subsidized real estate investments and/or tax abatements.

But the city’s strategic approach to developing 139 square miles that encompass the City of Detroit needs help in accelerating the slow process beyond the downtown core. Individual influencers and community organizations are engaged on the front lines of the economic battle. But challenges remain in these laudable, but fragmented, disconnected and disparate efforts.

## BEYOND THE URBAN CORE

Within a few minutes’ drive of Detroit’s urban core, sits small building that is the first stage of a promising art district.



**James Feagin is a Detroit commercial real estate investor and community activist.**

James Feagin is the visionary and architect of a prospective creative district for local artists to connect, collaborate and do business with the public. He received funding to purchase a building and provide space for artists to showcase their talent in visual displays and events for performance art. The building is located in a blighted area near downtown. Feagin is concerned that the pace of development headed his way has already caused the real estate value to soar.

For an investor, rising real estate values is a welcome return on investment. For Feagin, who envisions the development of an art district, the rising prices may soon push him and his district dreams elsewhere. This dichotomous impact of Detroit's rebounding economy lacks a specific strategy.

As the speculative investors witness the renovation and rebirth of a once grand metropolis, complete with a rising tide of white, educated, entrepreneurial-minded tech-savvy artistic Millennials, the local residents of color find their entrepreneurial aspirations drifting away. Efforts are underway, however, to support the development of an inclusive Detroit for all.

## **NEI—DEVELOPING AN INCLUSIVE ENTREPRENEURIAL ECOSYSTEM**

The New Economy Initiative, a special project of the Community Foundation for Southeast Michigan, is the largest philanthropy-led economic development initiative working to build an inclusive regional network of support for entrepreneurs and small businesses. It was initially established in the face of unprecedented job loss. In lieu of a formal Local Innovation Council, NEI serves as a defacto connecting body between

the local communities of Detroit, the city and the greater regional economic leaders.

According to NEI, in the first decade of the 21st century, 50 percent of all jobs lost in America were in Michigan alone. The state lost 367,000 manufacturing jobs, and its income per capita rate fell from 18th in the nation to 39th.

IMAGE Source: W.E. Upjohn Institute for Employment research—July 2016 [\[READ NEI IMPACT REPORT\]](#)



## IMPACT

**GRANTS:** 215 totaling more than \$93M

**SUPPORT:** More than 1,600 companies

**PATENTS:** More than 700

**PEOPLE:** More than 160,000 exposed to entrepreneurial resources

**SPACE:** More than 1 million square feet devoted to entrepreneurial activities

**JOBS CREATED DIRECTLY:** 7,468

**JOBS CREATED INDIRECTLY:** 10,840

**TOTAL JOBS:** 17,490

**SECTORS:** Professional, Scientific, Technical

**AVG SALARY:** \$44K

- 88 percent of investments in stimulating/cultivating high-tech, high-growth startup companies
- Establish five state smart zones and connect them through Working Tables
- Build collaboration across the five state Smart Zones through the Working Tables
- Invest in TechTown, a business agnostic tech-based entrepreneurship incubator/accelerator
- Establish Michigan Innovation Competition (NEIdeas Challenge)

In 2006, with such an extraordinary economic catastrophe serving as a backdrop, 10 foundations pooled an initial \$100M to form an initiative (NEI) that would build a network of support for entrepreneurs across southeast Michigan. In 2014, another \$33.25M was added to support the work of NEI, plus two additional donor organizations increased the number to 12.

Today, NEI has 13 total donor organizations and is on track to sunset as an initiative in 2020 after completing a three-phase operation that has created scaffolding for entrepreneurial success in the region, said Pamela Lewis, who leads the initiative alongside Don Jones.

[READ FULL NEI IMPACT REPORT](#)

### PHASE I: \$100M

- Reignite a culture of entrepreneurship
- Focus on a defined region of seven counties
- 70 percent focus on Detroit



## **PHASE 2: \$33.25M**

- Establish and grow NEIdeas Challenge
- Invest in Global Detroit as a means of supporting immigrant entrepreneurship
- Encourage / cultivate and support immigrant entrepreneurship
- Encourage / cultivate and support US born minority entrepreneurship
- Support TechTown SWOT
- Develop Working Tables: Communication, Collaboration and Coordination
- Serve entrepreneurial ecosystem at community level
- Provide entrepreneurial concierge services and connection to resources
- Serve as ambassador for southeast Michigan's entrepreneurial ecosystem
- Lower barriers to entry for startup entrepreneurs
- Invest in real estate for entrepreneurs to have affordable sustainable places to exist and grow
- Attract businesses in target sectors that align with needs of communities
- Invest in companies as capital support, pre-seed, seed and early growth stages
- Develop relationships with local residents and bring them to Working Tables as advisors
- Prioritize inclusive entrepreneurship and business ownership

## **PHASE 3: \$25M (Next 3 years to sunset)**

- Strengthen Working Tables to become independent and sustainable
- Ensure capital readiness and access to resources of network
- Ensure success of Any Ideas Challenge
- Raise awareness—Storytelling
- Sustainability of Co-working spaces (Ford Resource Engagement Centers)
- Development of Micro-loans; \$5K to \$25K (Living Cities \$3M investment)

## **NEW ECONOMY INITIATIVE (NEI) ECOSYSTEM**

TechTown—TechTown was founded in 2000 by Wayne State University, Henry Ford Health System and General Motors. In 2004, it incorporated as a nonprofit and established its headquarters near the campus. Originally founded to support tech-based spinoffs from the university, its incubation and acceleration strategies for tech companies now help strengthen neighborhood small businesses and commercial corridors across Detroit. TechTown has full suite of entrepreneurial services for tech and neighborhood businesses, with its campus hub connected to satellite offices across the city. TechTown startups also connect to and serve the Midtown tech sector of the city.

BizGrid—provides an interactive directory of local business resources and networks to help connect the entrepreneurial ecosystem. It is funded by NEI with content contributions from DEGC, Rock Ventures and other major business support

organizations and networks.

Global Detroit—Originally funded by the New Economy Initiative of Southeast Michigan, the Detroit Regional Chamber of Commerce, and the Skillman Foundation, Global Detroit is a non-profit offering strategies that strengthen Detroit's connections to the world to make the region more attractive and welcoming to immigrants, internationals and foreign trade and investment as a means to produce jobs and regional economic growth. More than \$7 million in philanthropic, corporate, government, and individual funding has been raised for innovative initiatives identified in the Global Detroit study, which projects more than \$300M annually is infused into the southeast Michigan economy by immigrants.

ProsperUS—offers a place-based economic development strategy designed to empower low- and moderate-income, immigrant and minority individuals with training business services and micro-lending. Average household income is \$28K. 38 of the 39 startups funded are minority owned. Three-year-old organization serving primarily an unbankable population.

Build Institute—offers a suite of programs and educational resources for aspiring local entrepreneurs to learn first and then pursue their entrepreneurial aspirations. More than 1,000 Build students have gone on to pursue their dreams of owning a startup business.

Food Lab—catalyzes, cultivates and connects food-related businesses in Detroit to resources to help them grow and thrive.

Lifeline—provides consulting services offering education, coaching, mentoring and access to funding

Michigan Womens Foundation—deploys financial resources and expertise in service of the economic self-sufficiency and personal well-being of Michigan's women and girls

Detroit Demo Day—Managed by James Chapman as an initiative of Rock Ventures, Detroit Demo Day absorbed Bizdom, which was an entrepreneurial resource organization and incubator. Demo Day has a budget of \$2.5M and produces an annual \$1M startup competition designed to usher entrepreneurial concepts from ideas to action to impact in the market. The goal is to fund 1,000 businesses each year.

The pitch competition receives 600 applicants of which 20 are accepted into the

annual contest. Only eight will receive the prize of a zero percent interest loan, which is paid back over five years through five annual installments. This process allows the business a full year runway to ramp up its revenue to cover the first installment in repayment of the loan.

Chapman believes all ideas are created equal; and the role that Rock Ventures Demo Day plays is to serve the entrepreneurial ecosystem by stimulating, cultivating, developing, funding and growing local startup companies.

“Our goal is to start, grow and scale more businesses in Detroit,” said Chapman.

In addition to offering seed funding through its competitive process, Chapman says that Rock Ventures is committed to procuring services and products its needs from its portfolio of companies and local businesses. It encourages the businesses it funds and patronizes to also do business with one another. Rock Ventures also provides business development loans, mentoring and networking resources, as well as advocate on behalf of local businesses to reduce regulatory red tape in city bureaucracy.

## **WATCH THIS VIDEO: The Great Idea**

[NEIdeasDetroit.org](http://NEIdeasDetroit.org)

NEIdeas—Established by NEI as a stimulant to developing a network of existing businesses and supporting their growth, the NEIdeas Challenge has two entry points:

- The \$10k Challenge provides awards of \$10,000 each to 20 businesses grossing less than \$750,000 annually.
- The \$100k Challenge provides awards of \$100,000 each to 2 businesses that gross more than \$750,000 and less than \$5 million annually with ideas to grow ‘big.’

All businesses that apply become part of a network, regardless of whether they are chosen to receive an award. The network provides access to business resources and mentoring to the entire community of businesses within.



## **POLICY—MUNICIPAL AND REGION**

The strategies of economic growth in a city are reflected in the policy measures it deploys. Detroit Mayor Mike Duggan has an “Inclusive Growth” strategy that includes requirements for investors and developers partnered with the City to include local businesses in the development process and ensure affordable housing is part of the development of every community, thereby disrupting the historic pattern of geographic segregation.

### **FOCUSED DENSITY**

Michael Rafferty is VP of Small Business at the Detroit Economic Growth Corporation (DEGC), which serves as an arm to activate the mayor’s Inclusive Growth strategy. Rafferty describes the approach as “focused density” in expanding the core development outward into targeted communities to make capital improvements, fill vacancies, create attractive spaces and establish small business commercial corridors that serve the needs of communities.

DEGC hopes to attract local creative artistic entrepreneurs to start and own local businesses and buy homes in the same communities. It seeks to ensure at least 20 percent of all new developments in communities also contain affordable housing. Targeted communities include Fitzgerald and Cody Rouge. These are best opportunities for comprehensive development, said Rafferty, which aligns with the reporting of the Detroit Free Press in August 2017:

- Growth and redevelopment centered in midtown and downtown for organic reasons. Most simply, each area has resources—like major employers, educational institutions or hospitals—that attracted investment.
- Detroit Mayor Mike Duggan and city planner Maurice Cox believe the same



kind of strategies can benefit other Detroit neighborhoods—like Fitzgerald in northwest Detroit, where more than \$4 million will rehabilitate 115 vacant houses and create a new park and other amenities—chosen in part because of nearby anchor institutions like like Marygrove College and the University of Detroit-Mercy. It's a pilot program, one intended to serve as proof of concept that targeted investment can bear results outside Detroit's urban core.

## **MATCHING BUILDINGS AND BUSINESSES**

In partnership with DEGC, Motor City Match is an initiative that connects commercial building landlords with prospective business tenants seeking to lease space. Through loans and grants, including federal subsidies, MCM efforts seek to increase the occupancy rate of vacant buildings while serving the needs of small business owners to help them succeed. More than three-quarters of the 763 businesses served are minority owned, with 70 percent locally owned.

## **STATEWIDE VISION**

Michigan Economic Development Corporation—MEDC is a marketing platform for promoting the state of Michigan as an attractive environment for corporations and mature small businesses. It focuses on the following core industries:

- Advanced Manufacturing
- Aerospace (nearly 700 aerospace businesses are in Michigan)
- Automotive / Mobility
- Carbon Fiber / Composite Materials
- Agri-Business (Michigan is second behind California as one of America's largest contributors to the agriculture economy)
- Cybersecurity

- Defense (Michigan supplies 70 percent of everything a soldier shoots, drives, flies, wears, eats or uses in communications)

MEDC also connects entrepreneurs with needed resources, such as workforce talent, a broad range of capital resources, and global advocacy.

Business Leaders for Michigan—Business Leaders for Michigan (BLM), established in the 1970s in Detroit, is the state’s business roundtable composed of the chairpersons,

CEOs, and the most senior executives of the state’s largest job providers and universities. BLM’s members power one-third of the state’s economy and educate nearly one-half of the state’s university students, according to its website, which makes it a powerful driver for economic development and change.



BLM’s work is concentrated on developing economic competitiveness strategies, raising awareness, advocating policy and championing initiatives that grow jobs and the state’s economy. MLB produced the Building a New Michigan Plan, a comprehensive strategy for making Michigan a “Top Ten” state for jobs, personal income and a healthy economy.



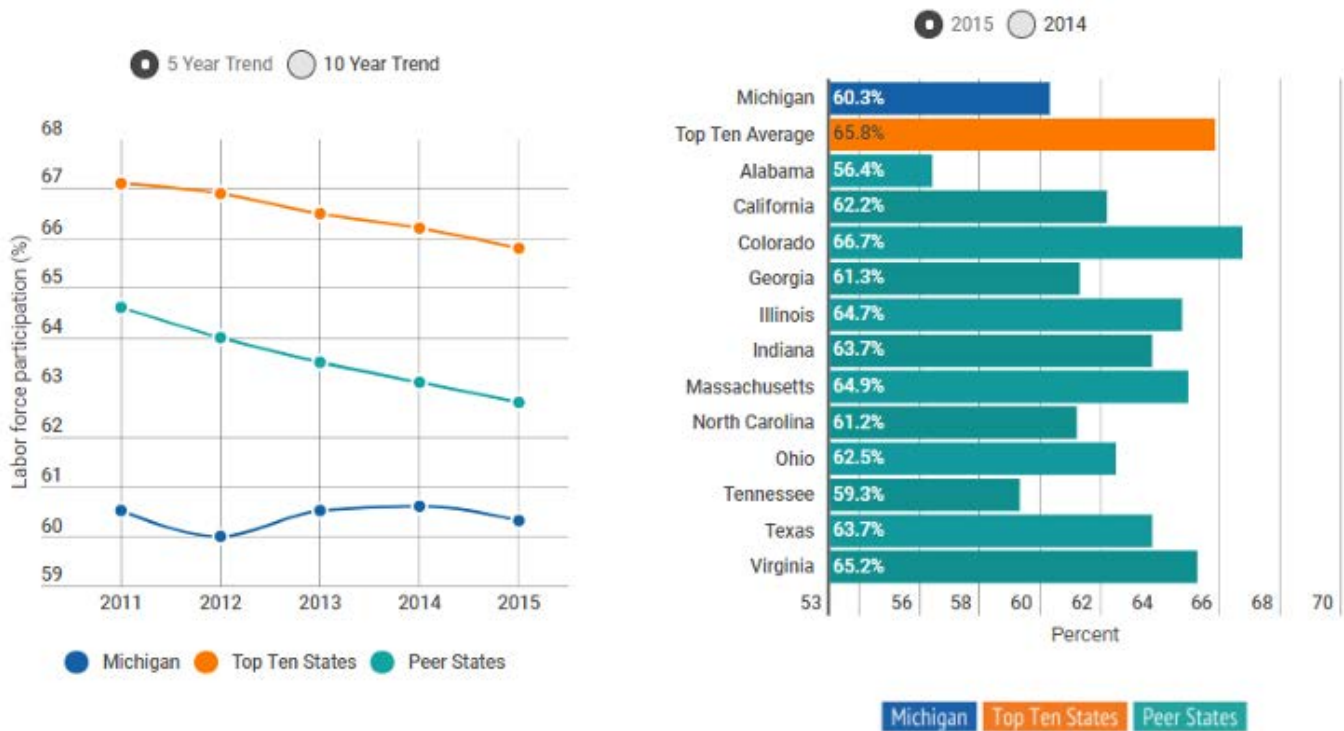
BLM also focuses on researching and benchmarking new data and competitiveness strategies that can help advance Michigan’s growth on par with Top 10 state economies.

For example, BLM found that if Michigan were performing economically like a Top 10 state some significant changes would be required to bolster a more healthy economy. For the Michigan economy to perform on par with the nation’s best regional economies:

- 72,300 more Michigan residents would be working
- \$9,200 more income per resident would be needed
- \$12,300 more GDP contribution per resident would be required

MEDC and BLM approach the economic development calculus of the state from a distinctly different approach than NEI, DEGC and the foundations invested in developing and nurturing entrepreneurship at the community level. The metrics used by BLM, such as GDP contribution, employment, unemployment, per capita personal income, etc. are not part of the process of developing entrepreneurship, job growth and sustained economic impact at the community level.

The measuring stick by which the state and cities are measured do not reach into the communities that produce the business productivity at the base level of entrepreneurial development.



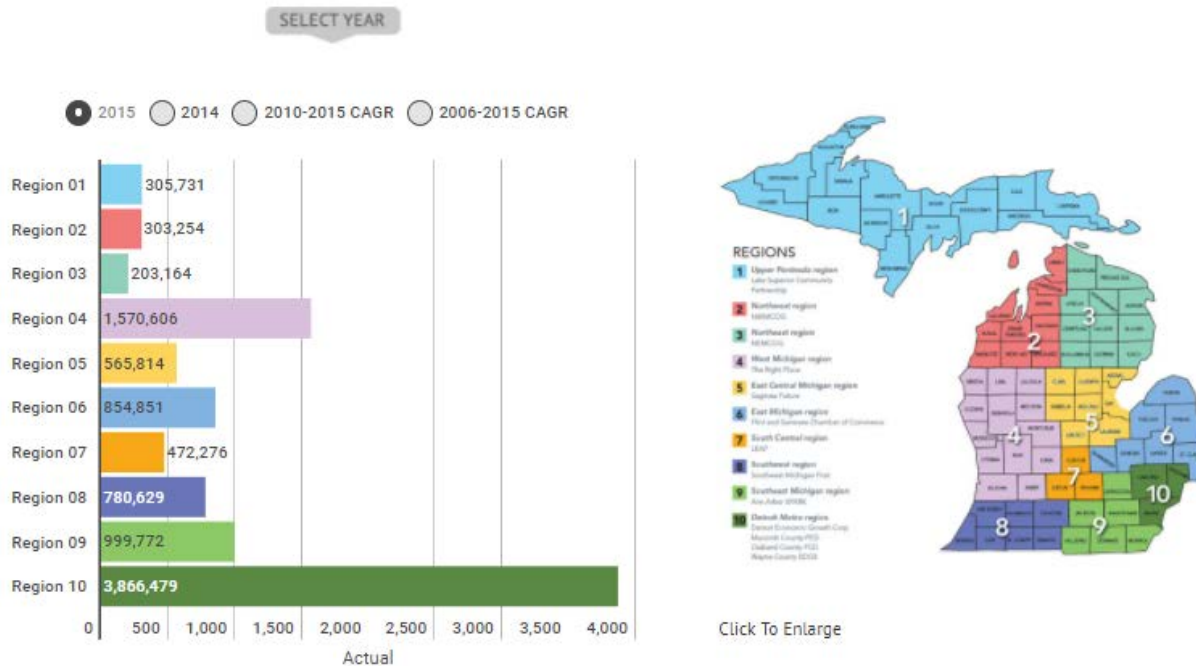
Source: Bureau of Labor Statistics (Local Area Unemployment Statistics)

According to the Business Leaders of Michigan economic performance data, the required improvement in individual income and individual contribution to the GDP, in order for the Michigan economy to compete on par with the best in the nation, would have to occur in Region 10, which is the geographic footprint of NEI, DEGC and the local innovation ecosystem of the Detroit area. This is where a significant portion of the state’s population exists. It is where the strongest opportunity for entrepreneurial and business growth to occur.

The largest disconnect that must be bridged is in the education of Detroit residents. The education output is misaligned with the economic needs of the city, region and state. Twenty-two percent of Detroiters lack a high school diploma; 33 percent have

a high school diploma or a GED. Just 7 percent have an associate’s degree, and only 13 percent have bachelor’s degree or higher, according to the [Detroit Free Press](#) quoting from the Future City report.

### Regional Population



With two separate and distinct economic strategies at work in the city and region, along with an education sector that isn’t fueling the workforce and entrepreneurial pipeline needs of an increasing tech-based demand, the nascent efforts initiated a decade ago by area foundations to stimulate, cultivate and nurture an inclusive local economy could potentially run out of gas when the New Economy Initiative runs out in 2020.

## CONCLUSION

The approach by the NEI entrepreneurial ecosystem is working to cultivate business productivity at the community level and highest touch points to entrepreneurial activity. As an initiative, it is well-positioned to engage residents at the community level.

The question remains whether NEI, or some other organization, or authoritative initiative will intentionally connect the community level entrepreneurial efforts to city economic development plans, and the corporate and business leaders who steward the region and state’s economic competitiveness strategies and plans. An alignment



from the community level with the city, region and state economic benchmarks and investment priorities will provide more resources where needed, systemic measures of outcomes and a more sustainable economic ecosystem at all levels.

The intentional connection of regional *competitiveness* strategies and benchmarks with community level productivity, i.e. *community competitiveness*, could result in a deeper understanding and recognition of the economic impact of community level entrepreneurship and small business growth, which may lead to a broader range of investment resources (federal, state, regional, city, public-private partnerships, foundations) to scale up the success rate of local entrepreneurial activities and the growth of existing small businesses that serve Detroit's diverse communities.

## **RECOMMENDATIONS**

### **CONDITIONS FOR SUCCESS**

It is recommended that the ground NEI has tilled be used to develop a *permanent* Inclusive Innovation Council. The disparate, fragmented efforts at the community, city, region and state levels can be connected through a common core of collaborative groups and organizations managed by a permanent *convening authority* focused on inclusive ecosystem outcomes. NEI is currently doing this work.

NEI's *Working Tables* network is a foundation upon which to build a permanent *Inclusive Innovation Council*, which can serve as a local and regional convening authority that manages the alignment, coordination and collaboration of policymaking influencers.

Establishing the basic conditions for success of an inclusive innovation ecosystem requires intentional disruption of inherited 20th century segregationist policies and practices. These policies and practices remain rooted in the pipelines of productivity: education, workforce development, entrepreneurship. The Inclusive Innovation Council can be used as a platform for addressing these challenges and introducing solutions that support equitable pathways to opportunity with measurable outcomes.

### **HUMAN RESOURCES DEVELOPMENT**

It is recommended that the under-performing areas of the P-20 education pipeline be regarded as valued assets with untapped talent potential for both workforce and entrepreneurship pipelines of productivity.

It is recommended that prioritized investments target these institutions with strategies for measurable output incorporated into the collaborative fold of all economic plans. P-20 education pipelines, particularly for under-performing sectors of the city, can be infused with STEEAM (Science, Technology, Engineering, Entrepreneurship, Arts and Math) project-based curricula.

Examples: [Techaccess.org](http://Techaccess.org), [Wildfire-Education.org](http://Wildfire-Education.org) and [Level Playing Field Institute](http://LevelPlayingFieldInstitute.org).

## DATA COLLECTION/ANALYSIS

It is recommended that the myriad data collection sources throughout the city and region be compiled into a publicly available platform for use and analysis.

Adoption of the **Forward Cities Inclusive Competitiveness Index®** is recommended to inform planners and policymakers of the status of disconnected populations in both urban and rural communities, with select metrics and key performance indicators that result in an overall competitiveness quotient. Strategies to improve the competitiveness quotient of places and people can bolster the overall competitiveness of the city and region while improving the quality of life throughout.

## ALIGNMENT OF ECONOMIC STRATEGIES/PUBLIC POLICY

It is recommended that a *permanent* Inclusive Innovation Council steward the alignment process for economic strategies employed at all levels (community, city, region and state) to ensure they are interconnected, overlapping and aligned to attract and deploy investment capital and other resources seamlessly where needed to improve measurable outcomes that deliver value and benefits across the city, region and state economic ecosystems.

Communication is an essential component to collaboration between planners of economic development strategies, CEDS plans, regional development organizations and competitiveness managers. It is recommended that a common online platform, available to the public, be developed and managed to ensure continual communications and alignment across strategic frameworks.

## SUSTAINABILITY

A decades-long comprehensive economic strategy for is highly recommended at a community or council district level, which can ensure measurable pipeline outcomes in qualified workforce talent and entrepreneurship/business productivity at the ground-floor level. Cultivation of entrepreneurial activity and business stability and growth within communities and council districts is key to long-term economic viability and sustainability in Detroit.

## **STORYTELLING**

It is recommended that a branded media platform be built and maintained with a focus on telling the stories of development and stewardship of the city and region's inclusive innovation ecosystem.

Highlighting the good and bad with objective reporting by professionals is essential to understanding where strategies are working and where problems persist. Corporate media may be used, but are not a suitable substitute for this focused storytelling. Raising awareness of issues, by identifying problems and highlighting solutions, can provide a balanced platform of information that communities can use to become more engaged in building and maintaining vibrant cities.