

# Stanford SOCIAL INNOVATION<sup>Review</sup>

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*Supplement*  
**Urban Crisis as Opportunity**  
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# 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

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 under way 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

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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 policymakers 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

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

hold for other 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.