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Inventive Approaches to Urban Problem Solving
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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

Many 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-

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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

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.



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

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 under way 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" not only was 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 council members 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. ●