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**REGIME THEORY REVISITED: THE ROLE  
OF NONPROFITS IN URBAN ECONOMIC DEVELOPMENT**

by

**MICHELLE L. WOODDELL**

**DISSERTATION**

Submitted to the Graduate School

of Wayne State University,

Detroit, Michigan

in partial fulfillment of the requirements

for the degree of

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2014

MAJOR: POLITICAL SCIENCE

Approved by:

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Advisor

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Date

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## CHAPTER 1 POWER AND POLITICS IN AN URBAN CONTEXT

By the start of the 21<sup>st</sup> century, Detroit was a troubled city on many fronts. The black-white segregation index was the highest in the nation (Darden and Kamel, 2000), the violent crime rate was nearly six times higher than the national average (U.S. Census, 2000), and the poverty rate was 26%, significantly higher than the national average of 11% in 2000 (U.S. Census, 2000). In at least one section of the beleaguered city, however, a quiet revolution was taking place, one that would largely be orchestrated by some of the most prominent leaders of Detroit's nonprofit sector.

Originally formed as a nonprofit organization in 1976, the University Cultural Center Association (UCCA), which is today known as Midtown Detroit, Inc. (MDI), approached the new millennium with a sense of renewed excitement and optimism. Led by an activist executive director and a board comprised largely of leaders drawn from other nonprofit organizations in the area, UCCA/MDI boldly took as its mission the redevelopment of a 2.8 square mile section of the city. The results speak for themselves: During the first decade of the 21<sup>st</sup> century, UCCA/MDI raised more than \$55 million in support for projects in the area, launching economic redevelopment projects that drew residents and visitors to this small pocket of success within a troubled larger city.

These results from a relatively small nonprofit organization would have been remarkable under any circumstances, but given Detroit's continued decline over the ten years in question, the outcomes are nearly astounding. By 2010, Detroit's average household income ranked second lowest amongst major cities in Michigan (Citizens Research Council, 2013), its crime rate had soared by 36% since 2000 (U.S. Census, 2010), and two of the region's major employers, General Motors and Chrysler, had only barely survived near-death experiences. Detroit's city

government fared no better during this same time frame, as the city's general obligation debt reached a staggering \$1 billion, and by 2009, both the mayor and city council president were forced to resign from office to fight corruption charges. Into this challenging landscape and significant leadership vacuum stepped the nonprofit leaders of UCCA/MDI, leading the charge to ensure that their small section of the city was able to grow and thrive amidst the chaos.

While quite a bit has been written about the policymaking roles played by government and business actors, much less attention has been paid to the ways in which the U.S. nonprofit sector contributes to policy outcomes in urban areas. Given the tremendous growth experienced by the nonprofit sector during the last decade, as it grew to become the third-largest labor force in the country behind retailing and manufacturing, the lack of interest shown to the impact of nonprofits on urban policymaking provides a tremendous opportunity for new avenues of scholarly inquiry (Salamon et al., 2010).

The dominant theory of urban governance, regime theory, has thus far marginalized the policymaking importance of nonprofits in urban areas, arguing that their role has largely been restricted to that of interested observer and occasional assistant rather than forceful actor or active partner. Those researchers who have actively included nonprofits in their case studies have generally focused primarily on so-called "governing nonprofits" – private organizations such as chambers of commerce or community development corporations that are expressly designed to bring together disparate community elements community in a search for policy solutions (Hula, Jackson, and Orr, 1997; Hula and Jackson-Elmoore, 2001).

In certain urban policy arenas, however, I believe that the active participation of the nonprofit sector and its leaders can be a critical factor in the achievement of desirable policy outcomes, as government and business actors alone are not able to mobilize the resources

necessary to accomplish policy goals. By examining the actors, processes, and outcomes in selected policy arenas in a major American city during the first decade of the 21<sup>st</sup> century, my research will assess the degree to which the nonprofit sector can and often does play a collaborative and leadership role in urban policymaking. I expect to find that the nonprofit sector and its leaders play a significant, but thus far largely unmeasured, role in helping achieve the realization of policy goals in the area of economic development. My guiding hypothesis is that instances where nonprofit organizations are actively engaged with other stakeholders in identifying, developing, and implementing policy alternatives will have a higher rate of success when compared with instances that do not involve nonprofits in the process. Specifically, I will analyze six economic development projects within the city of Detroit during the time period 2000-2010 to test this hypothesis.

### **Perspectives on Urban Governance**

The desire to understand urban politics has occupied researchers for more than half a century. By the mid-1950s, research into the intersection between community power structures and policymaking outcomes was dominated by what came to be known as “elite theory.” In their seminal works on the subject, sociologists Floyd Hunter and C. Wright Mills offered their perspectives that economic and social elites dominated policy decisions, exerting influence at both the local and national levels (Hunter, 1953; Mills, 1956). Elite theorists maintained that community power is concentrated in the hands of a relatively small number of economic and social elites, resulting in public policies that are heavily weighted in favor of economic development and the desires of the upper class (Schumaker, 1991). The viewpoints and needs of community organizers and the lower classes are significantly under-represented in this scenario,



with the elite group able to hold its positions long term through a type of class warfare that restricts access to power and allows little opportunity for “outsiders” to penetrate the class-based power structure.

The notion that an elite group of actors controlled economic, military, and government decision making in America was challenged by one of the most preeminent political scientists of the period, Robert Dahl, who offered a competing theory rooted in the idea of pluralism. In his influential 1961 study of decision making in New Haven, CT, Dahl examined power relationships in the city and concluded that there were multiple centers of power in the community that jockeyed for political influence (Dahl, 1961). In sharp contrast to the views of elite theorists, pluralists view elected government officials as possessing the most power, with their need to be responsive to voting constituencies driving their decision making. Under this framework, policy issues tend to be resolved through compromise and collaboration, with the ability for multiple voices to be represented.

The elitist-pluralist debates about power concentration and policymaking influence have never been fully resolved, but by the late 1980s, a new theory began to dominate discussions about power and local governance. With the publication of *Regime Politics*, Clarence Stone (1989) offered new insight into local governing models and developed a theoretical framework that would come to be recognized as one of the most influential theories in urban governance. Built largely upon the idea that public and private actors come together to create long-standing alliances that facilitate local governance, regime theory challenged traditional notions of elitism and pluralism by arguing that achieving governing capacity requires long-term collaboration between government and business leaders. Regime theory also differed in that Stone’s model was one of social production, whereby successful urban regimes are more concerned with

gaining the power to act, not power over others (Stone, 1989). As explained by subsequent researchers, in urban regimes, “the power to govern is the ability to produce certain desired policy results, not to dominate the mass public” (DiGaetano and Klemanski, 1993, 372). By focusing on the interaction between the state (government sphere) and the market (business community), regime theory offered a unique political economy perspective on urban power and governance, moving beyond traditional notions of the command and control of community resources that dominate elitist and pluralist arguments.

Since the publication of Stone’s book, regime theory has been the dominant framework for analyzing urban power and politics. Stone’s approach emphasized the need for cooperation between economic and political bodies and has been further refined by numerous researchers, as they developed methodologies and frameworks for investigating regimes (Kilburn, 2004), offered a typology for comparing regimes (Kantor, Savitch, and Haddock, 1997), and applied regime theory to numerous localities and cases (Orr, 1992; Nickel, 1995; Orr and Stoker, 1994). In addition, numerous researchers have offered glimpses inside failing or disintegrated regimes, most notably Joel Rast (2006) in his exploration of the “regimeless” city of Milwaukee.

In spite of the growing body of research in this area, however, many urban regime theorists have overlooked a key player in the power conceptualization of many communities – the nonprofit sector. Those researchers who have included nonprofit and voluntary organizations in their analyses have largely viewed them as vehicles through which business elites participate in the public sphere, as opposed to viewing them as independent actors in their own right. In his analysis of Atlanta’s power structure, for example, Stone wrote about the role that the Central Atlanta Progress organization played in bridging the public-private divide, arguing that it exerted significant policy influence within the community, but he noted that its leaders were some of the

region's top business leaders (Stone, 1989, 142). Other scholars have examined the role of similarly positioned organizations in Cleveland (Keating et al. 1989) and Baltimore (Orr, 1992; Stoker, 1987). More recently, a 2002 article on the role of business leadership coalitions in urban regimes called for further investigation into the ways in which business leaders may attempt to co-opt these ostensibly community-based organizations and may actually be serving private interests over the public good (Austin and McCaffery, 2002).

Some authors have attempted to incorporate certain segments of the nonprofit sector into the central framework of their analysis. Barbara Ferman (1996) demonstrated the role that neighborhood coalitions played in the successes and failures of urban regimes in both Chicago and Pittsburgh, while Stephen McGovern (2009) looked at the role that grassroots activists and their organizations played in the growth of a new regime in Philadelphia. A 2007 study of educational policy in Philadelphia noted the critical role that private sector organizations, including several notable nonprofit organizations, played in the development of a new regime (Bulkley, 2007). Even Clarence Stone (1989, 170) briefly mentions the importance of the nonprofit sector, as he recognizes that business leaders often view participation on voluntary boards and associations as a means of providing service to their community. Overall, though, much more research into the ways in which nonprofit organizations participate in local governance is needed in order to provide a foundation for understanding how the sector and its leaders can affect policy outcomes in urban areas.

### **The Nonprofit Dimension**

Although the importance of America's voluntary associations was noted by early 19<sup>th</sup> century observers, including Tocqueville, the concept of an organized nonprofit sector dates only to

1954, when the Internal Revenue Service revised the tax code to recognize the existence of charitable institutions that were exempt from taxation (Dobkin Hall, 1992). Since that time, nonprofit practitioners, observers, and researchers have struggled to define and categorize the sector, to say nothing of the issues these same individuals faced in trying to explain the ever-changing roles of nonprofit organizations and their leaders in the policymaking process. By 1990, consensus seemed to have emerged that nonprofits do play an important role in expanding the menu of options available to policymakers in search of solutions to societal problems (DiMaggio and Anheier, 1990). However, this view of nonprofits as capable servants to the state's agenda was challenged, when Bryce (2006, 311-312) proposed that:

Nonprofits should be seen as social capital assets... that are endowed with intangible cognitive or sociological social capital, serving in a principal-agent relationship with the public as principal, and performing this function in the public policy process.

By defining the central relationship of nonprofits as one of independent public service to the larger community (and not to government itself), Bryce and his adherents have challenged the traditional notions of nonprofits as limited policy actors, called upon only in times of great need by government agencies to engage in the policy process.

Prior to the 1990s, the role of nonprofit and voluntary organizations in enhancing local civic cooperation and effective governance was largely overlooked by many social scientists, despite the fact that these organizations were often involved in delivering government services through government grantmaking. However, largely as a result of budgetary and political pressures, governments gradually began devolving more responsibility to nonprofits (Milward and Provan, 2000; Kettl, 1993; Smith and Lipsky, 1993), and as the sector grew in both size and professionalism (Skocpol, 2003), researchers slowly turned their attention to the often unique and important roles that voluntary associations play in society. Sociologists who engaged in elite

theory research began to examine the ways that nonprofit organizations offered additional opportunities for elites to extend their power and influence (Perucci and Pilisuk, 1970; Abzug, 1996). Other scholars focused on the ways in which nonprofit organizations were an important voice in ongoing policy debates (Salamon, 1995; Marwell, 2004).

A substantial body of research has also focused on the importance of nonprofit governance. Presiding over every nonprofit are volunteer trustees – boards of directors who are charged with ensuring that the organization acts in accordance with its stated mission and the goals of the community at large. A large volume of research has been directed at examining the roles and responsibilities of governing boards, from their fiduciary responsibilities to their organizational policymaking and programmatic activities (Provan, 1980; Stone and Ostrower, 2007). In addition, numerous scholars have applied resource dependency theory as a mechanism for understanding the role of nonprofit boards, arguing that board members are a critical resource for nonprofit organizations' needs for funding and influence (Pfeffer and Salancik, 1978; Hillman and Dalziel, 2003; Bielefeld, 1992).

Urban policy researchers have slowly begun to recognize that nonprofit organizations, given their ubiquity and the composition of their boards, may play a largely unrecognized role in urban policymaking and outcomes. In particular, the role of nonprofit community development corporations (CDCs) in urban politics has been noted, as these uniquely positioned entities work to revitalize distressed neighborhoods, often independent of government (Sviridoff, 1994; see also Silverman, 2003). Overall, however, much more work is necessary in order to understand how nonprofit organizations and their leaders influence and, at times, direct policy change in urban areas.

## **Detroit: Regime Politics in Perspective**

The city of Detroit provides an exceptional laboratory for the study of urban governance, as numerous researchers have discovered. From its halcyon days as the “city where life is worth living” at the turn of the 20<sup>th</sup> century to its role as both the nation’s Motor City and its Arsenal of Democracy, the city of Detroit represented one of America’s greatest success stories of the first half of the 20<sup>th</sup> century. By the late 1960s, though, the city, as well as the greater Detroit metropolitan region, was facing serious challenges in terms of racial and social issues, the effects of deindustrialization, and a loss of central city population (DiGaetano and Klemanski, 1993; Sugrue, 2005; Darden et al, 1987). Economic decline in the urban core, combined with an often confrontational political landscape, have challenged the region’s private and public leadership for decades (Bockmeyer, 2000; Hill, 1986; Orr and Stoker, 1994).

Detroit’s postwar plight has proven to be fruitful ground for urban researchers, many of whom have examined the city’s leadership and governance through the lens of regime theory. In a series of research articles and projects, Alan DiGaetano and John Klemanski (1993) investigated regime formation and capacity in the industrial cities of both Birmingham, England, and Detroit, arguing that Detroit was typical of a “developmental” regime, in accordance with Clarence Stone’s typology. Marion Orr and Gerry Stoker (1994) found that urban regime capacity in Detroit was limited, with successful public-private partnerships proving elusive in the long term. This view of Detroit’s limited success at building a powerful urban regime was echoed in a 2004 comparative evaluation of 14 regimes throughout the United States (Kilburn, 2004).

There is evidence that, as adherents to regime theory would suspect, public-private partnerships have been successful in Detroit at effecting change in the city throughout the past

several decades. In their book, *The Sustaining Hand*, Jones and Bachelor (1993, 249) concluded that Detroit's business and government leaders were able to combine forces to push an economic development plan, noting, "In the case of Detroit, informal arrangements between Mayor Young and the executives of automobile companies and other manufacturing corporations were the characteristic feature of the regime." The authors also note that peak bargaining among sectors is a common means of solving problems in the city. In Detroit, they argue, peak bargaining "consists of interactions between political leaders and the leaders of the individual corporations" (Jones and Bachelor, 1993, 239).

As is typical with many regime theory analyses, however, little attention has been paid to the role of nonprofit and civic organizations in Detroit's urban governance. In much of this research, the exploration of nonprofits' impact on policymaking decisions has been reduced to a cursory examination of the ways in which small, poorly-organized neighborhood groups participate or the means by which larger civic organizations, such as economic development corporations or chambers of commerce, were utilized by the business community to further their goals. Beyond these two extremes, researchers have tended to ignore the participation and contributions of nonprofit organizations.

Orr and Stoker (1994, 62-63) noted that, "Detroit has a history of weak and relatively ineffective civic organizations" and that Detroit's "civic organizations have not fully succeeded in providing a base for cooperation." Bachelor and Jones acknowledged that some involvement from civic organizations played an important role in the case of GM's Poletown Plant, but they attributed this participation directly back to the business sector. Using high-profile examples such as wealthy industrialists and philanthropists Henry Ford II and Peter Stroh, they argue:

The leaders of business do not always act simply and directly as heads of the corporations they run. While we have emphasized this aspect of

business-government interactions, it is also true that corporate heads can spearhead civic and investment initiatives even though it is not in the direct interest of their business to do so (Jones and Bachelor, 1993, 236).

Thus, the authors discount the role of these civic organizations as entities unto themselves, attributing their involvement in policymaking to the prerogatives of individual leaders. In general, though, the nonprofit organizations noted through their research were small, poorly organized neighborhood coalitions with limited power and influence, and they ultimately lost their battle to save their neighborhoods.

Ignoring the role that nonprofit organizations play in urban policymaking leads to an inaccurate picture of how policies are formulated and enacted. Increasingly, government entities and business leaders are being joined at the policymaking table by the nonprofit sector and, at times, these actors are taking the lead in developing and implementing local policies. The city of Detroit during the early part of the 21<sup>st</sup> century provides an interesting laboratory through which to view this phenomenon, as both city government and the business community suffered through significant periods of stagnation and struggle, all of which helped enhance opportunities for other actors to become involved in effecting policy outcomes.

### **Research Question**

Questions about the roles that nonprofit organizations and their leaders are playing in urban governance are only beginning to be asked by practitioners and academics alike, and more research into the ways in which the organizations and individuals of the so-called third sector participate in policymaking is sorely needed. In my dissertation, I intend to use qualitative research techniques to explore the ways in which nonprofit organizations have influenced policy



outcomes in Detroit during the first decade of the 21<sup>st</sup> century, in an attempt to answer the following question: Does the involvement of an active nonprofit organization in a particular policy initiative lead to more successful and positive policy outcomes? My hypothesis is that instances where a nonprofit organization is actively involved in the implementation and leadership of a policy project will result in a higher level of significant positive outcomes. Conversely, instances where there is little or no involvement of nonprofits in policy activities will recognize fewer successes.

	Actively Engaged Nonprofit	No Nonprofit activity
Positive Outcome	X	
Negative Outcome		X

**Figure 1.1 – Hypothesized Outcomes**

The answers to this question will provide increased insight into roles that nonprofits and their leaders play in both influencing and leading policy change in urban areas, while also re-conceptualizing our notion of what sectors of society are critical in urban governance.

## **Methodology**

In seeking to demonstrate that Detroit’s nonprofit sector is actively engaged in the successful implementation of policy goals, this research project will use qualitative methods. Due to time and resource constraints, the research will focus on one distinct policy arena within the city of Detroit: economic development. Although I originally considered a number of potential policy arenas for study, I ultimately chose to research the area of economic development, as the need to stimulate economic development in the city of Detroit has been one of the most important issues affecting Detroit during the last fifty years, including the period I

chose to study. This policy arena has been utilized by numerous previous researchers in their focus on policymaking and regimes in other cities and thus provides a good starting point for my research (Ferman, 1996; Safford, 2004; Metzger, 1998; Lawless, 2002).

My time frame for study was the period between 2000 and 2010, and I researched six policy initiatives in the area of economic development, which were randomly selected from a list of 12. These 12 policy initiatives by no means represent the full scope of economic development projects in the city of Detroit during this time period, but they were the 12 economic development issues in the city of Detroit that received the most coverage in Detroit's major media outlets during the period 2000 – 2004, as defined by the number of articles that were written about them. The list of 12 potential cases is contained in Appendix A.

The six cases that were selected are:

- The redevelopment of Eastern Market
- The development of mass transit along Woodward Avenue
- The redevelopment of Midtown
- The redevelopment of the Jefferson East area
- The redevelopment of the Riverfront area
- The redevelopment of the area around Detroit City Airport

For each case, I conducted a multi-source investigation to identify the key actors and institutions within the city of Detroit that were actively engaged in these policy areas, specifically focusing on the roles that government, business, and the nonprofit sector played in each case. Through an examination of multiple sources and a series of focused interviews with key governmental, business, and nonprofit actors, my goal was to develop a greater understanding of the ways in which actors from the various sectors were involved in each case. Ultimately, the goal of this

research project was to determine the degree to which any nonprofit organization(s) played a leadership role in both the policy decision making and the resulting outcomes for each of my six cases.

Determining a mechanism for defining and evaluating policy success is a challenge for nearly every researcher, and my dissertation was no different. For the purposes of this dissertation, positive policy outcomes were defined in a number of ways. For many of my cases, it was difficult to determine specific policy goals, so I chose to gather information about population and residency rates, crime rates, new businesses, and other similar demographic information. In addition, I gathered subjective information from my interviewees and other published sources about their perceptions of what occurred in each case during the time period under study. I also gathered information about the nonprofit organizations, businesses, and government entities that were involved in each project in order to develop a portrait of how the case developed and the development, if any, took shape.

I began my research by identifying a few key actors and conducting positional interviews, seeking both information about the policy area/case and recommendations of other individuals who should be interviewed. This method of snowball sampling has been used successfully in social science research to significantly widen the pool of potential interviewees (Lindsay, 2008), but it is also widely used by power elite researchers to construct an understanding of the power structure in a given city or region (Domhoff, 1983; Hawley and Svara, 1972).

### **Outline of the Dissertation Chapters**

Over the next two chapters, I will outline the relevant research surrounding theories of urban governance and the roles of nonprofits in policymaking. Specifically, I will examine

theories of elitism, pluralism, and regime theory, as well as the research on community power structures. In addition, I will explore the roles of voluntary associations in American social and political life, with an emphasis on the ways in which nonprofit organizations have begun to play a more active role in urban policymaking over the past two decades.

Chapter 4 will explain my methodology and research design, as well as the facets of qualitative research and case studies that were important in my research. Chapters 5 and 6 will present the findings of my research and will provide an in-depth examination of each case. I will provide information to help the reader understand the key individuals and institutions that were involved in influencing each case. Chapter 7 will serve as the concluding chapter and will explain the significance of the data results, placing them in context for both the city of Detroit and the larger nonprofit sector. It will also offer recommendations for future avenues of research.

## **CHAPTER 2: THEORIES OF COMMUNITY POWER AND URBAN POLICYMAKING**

### **Introduction**

A desire to understand the process of governance and decision making in local communities has occupied social science researchers for more than half a century. Recent research that has focused on “who” or “what” governs local politics has challenged numerous scholars and students of local government to think critically about how policymaking occurs at the local level and who exercises power and influence in the process. That the answers to these questions are important is almost inarguable; as one scholar succinctly put it, “the functions of government that have the most impact on citizens’ daily lives” occur at the local level (Oliver, 2001, 44). But whether or not these questions can be answered at all remains a subject of much debate and, after more than eight decades of research, the search for definitive answers about community power remains a daunting challenge. In addition, past and current research into community power structures and decision making have largely ignored the increasingly powerful nonprofit sector, with past efforts to include them in analyses offering little information about their role in local policymaking.

In this chapter, I will explore the relevant literature associated with community power research, including elite theory, pluralism, the “city limits” theory, and regime theory. After exploring these theories, I will describe how past studies have largely ignored the nonprofit sector’s role in community power structures and policymaking, a flaw that I believe leaves a large gap in our knowledge of how policymaking occurs in urban areas.

## **Community Power Defined**

Before reviewing some of the most important research that has been done in the area of community power structures, it is first important to attempt to define the term “community power.” That it is a critical concept in political science is unmistakable; as recently as 2006 the American Political Science Association devoted a special conference themed to the topic of “Power Reconsidered” that implored political scientists to devote more time and attention to the importance of understanding the uses of power and influence (Orr and Johnson, 2008). But power has always been an elusive concept, one that has proven difficult to define and even harder to determine. Famed sociologist Max Weber offered the following definition of power: “the probability that one actor in a social relationship will be in a position to carry out his will despite resistance, regardless of the basis on which this probability rests” (Weber and Parsons, 1997, 152). Polsby offers a similar definition: “one can conceive of power – “influence” and “control” are serviceable synonyms – as the capacity of one actor to do something affecting another actor, which changes the probable pattern of specified future events” (Polsby, 3). Clarence Stone offers the simpler and, perhaps, more elegant notion that power is when “A gets B to do what B would not otherwise have done” (Stone, 1980, 980).

All of these definitions of power have several items in common. First, the use of power is set up as a conflict between two opposing forces, actors that are attempting to assert their own will. Second, there is a tangible and visible outcome that is generated and that theoretically can be seen and measured if only we had the right tools. Even within these remarkably similar definitions of power, questions about the “who” and the “how” remain potent potential topics for researchers.

The search for an understanding of the exercise of power in local communities can be traced to a landmark study of Middletown (Muncie, IN) conducted in the 1920s and 1930s. In their examination of how policymaking occurred in this town, the researchers looked at the roles played by elected officials, business leaders, and other socially respected community actors and attempted to determine the extent to which each set of actors was able to wield power (Lynd and Lynd, 1929). The researchers found that business interests dominated the Middletown community to the extent that leaders of local enterprise alternatively controlled or ignored elected officials. They wrote: “the business class have...little respect for local politics and politicians, viewing them as a necessary evil which business supports and controls only enough to ensure cooperation in necessary matters” (Lynd and Lynd, 1929, 36). Research in the following decades by other prominent social scientists would also focus on the degree to which social and economic elites participate in, and often dominate, local communities and policymaking (Baltzell, 1958; Hollingshead, 1949; Warner, 1949). Thus, perhaps unwittingly, the Lynds’ work helped define what would become the main thrust of power research for the next half-century and beyond, as future researchers would generally focus their attention on the interactions between business interests, the governmental system, and social notables.

### **How to Study Community Power**

As questions about what types of actors participate in exerting power within local communities began to be asked, a secondary emphasis for researchers also took hold – the notion of how to design and implement a methodology that will allow for the testing of power and influence in a systematic and measureable way. Much of the earliest research into community power structures focused primarily on single city cases (Lynd, 1929; Hunter, 1953; Dahl, 1961).

This type of research allowed for in-depth understanding of the case under review and provided opportunities for significant analysis of the actors, decisions, and outcomes, yet the generalizability of these results was often considered suspect. Gradually, this methodology gave way to cross-city analyses, where power relationships in two or more cities were compared and contrasted (Ferman, 1996; DiGaetano and Klemanski, 1993). This type of analysis proved quite difficult and costly to produce, however, and given the complexity of individual cities and their governmental systems, histories and individual factors, it also proved difficult to isolate enough variables to provide for effective comparisons. Other researchers have adopted a different approach, where a number of cities are studied on one factor that is of most interest to the researchers, as they attempt to build upon prior theories and knowledge (Browning, Marshall, and Tabb, 1984; Eulau and Prewitt, 1973).

Another longstanding issue in community power research concerns the researcher's approach to identifying, classifying and analyzing actors and outcomes. In general, three main approaches have been identified and utilized, each with notable positives and identifiable shortcomings. The reputational approach focuses on interviewing local actors who then assist the researcher in determining who is influential in the policymaking arena. In this sense, a "reputation" for wielding power is in many ways more important than the actual influence a person had on policy decisions – something which critics of the reputational method point to as one of its key weaknesses. In addition, critics also charge that the most powerful people are often "successful at keeping themselves out of the limelight," thus their influence might be overlooked by a researcher who utilizes a reputational method of analysis (Badie et al., 2013). Interviewees also provide the researcher with the names of other individuals who can provide



additional insight into the power structure, which allows the researcher to utilize a snowball method of sampling to complete their research.

A second method of studying community power is the positional approach. Researchers utilizing this approach analyze the positions that individuals occupy in society, looking for overlapping spheres of influence and individuals who hold multiple positions in society. This method was ultimately criticized on a number of levels, including the idea that many wealthy individuals do not hold visible positions in society and the notion that an individual's position in society is not a indicator of the degree to which they are able to effectively utilize and wield that positional power.

A third approach, the decisional approach to the study of community power, was largely introduced by Robert Dahl (1961). Researchers utilizing this approach study major decisions that were made in a local community and attempt to identify the individuals and organizations that were prominent in the decision-making process. This method generally requires that researchers limit their investigation to a set number of issues or policy decisions and that they rely upon the memories and records of community members to determine what happened. However, one of the main criticisms of the decisional approach is that the researchers can only focus on what actually happened; left unknown and unexplored are the hidden aspects of power that keep items off the agenda and stop decisions from happening.

Debates about which method is the most reliable and produces the most accurate picture of the power structure in a community have largely been subsumed by a growing recognition that there are great similarities among the methods (Kadushin, 1968; Domhoff, 1978). In addition, research has demonstrated that the methods generally yield similar results (Thometz, 1963;

Perrucci and Pilisuk, 1970). Today, researchers in this area generally attempt to utilize as many methods as they can – given the specifics of their study.

The idea that power is a multi-dimensional concept that can be difficult to study is unquestionable, but in 1962, two researchers provided great insight into the concept of power's hidden dimension, and in the process they revolutionized the definition of power. Bachrach and Baratz (1970) offered the thesis that there are “two faces” of power, which they went on to define more fully in their book. The first face of power is a visible one that is relatively easy to identify and can be viewed in the decision-making process and by understanding the positions that were involved in the outcome. However, the second face of power is largely invisible, in that this power is wielded behind the scenes and is often utilized to keep items off the agenda. Measuring what didn't happen is understandably quite difficult, yet Bachrach and Baratz and their adherents would argue that this is the only way one can truly understand the multiple dimensions of power in society.

### **Elite Theory**

One of the earliest and most influential social scientists to investigate sources of community power and influence was Floyd Hunter. Writing about post-World War II Regional City (Atlanta, GA), Hunter's *Community Power Structure: A Study of Decision Makers*, laid the groundwork for the formation of a theory that would come to be known as “elite theory” (Hunter, 1953). Although his original hypothesis was that power in Regional City would be shared between governmental and economic authorities, his findings did not support that conclusion. Hunter cited overwhelming evidence that business leaders and their interests reigned supreme in Regional City, much of it gleaned from interviews with leaders and a review of

media reports, personal correspondence, and other decision-making documents. In addition to his findings about the power wielded by the business community, Hunter also found that the people most empowered to act on behalf of the community's interest – the elected leaders – were marginalized at best and co-opted by the economic elites at worst.

After documenting the ways in which these business leaders both directly and indirectly affect community decisions, Hunter went on to analyze the type of policy problems that were most likely to draw the attention of these elites. Somewhat naturally, economic interests, particularly the maintenance of a low rate of taxation and restrictions on governmental interventions in the marketplace, dominated the policy leanings of Regional City's business leaders. Less critical were policies aimed at addressing social ills, and Hunter provides numerous examples of instances where Regional City's social agency leaders and other professional workers who pushed for change too vociferously were dealt with harshly. Eventually, though, Hunter concluded that the structure of power in Regional City was so concentrated that many community issues received scant attention, if for no other reason than the enormous time constraints placed on the relatively concentrated number of elite leaders. Necessarily, this restricted the potential for community leaders to act upon issues outside of a very well-defined scope.

Hunter recognized the inherently troubling nature of this type of concentrated exercise of power, particularly in a democracy like the United States. After concluding that the average citizen in Regional City is largely excluded from policy discussions and decision making, Hunter cautioned that this type of community power structure could pose a significant threat to the very foundation of a democratic system. Acknowledging that it was unlikely that average citizens would ever be able to exercise community power in the manner of economic elites, Hunter

advised that communities who wished to maintain some semblance of democratic participation should take steps to ensure that individual needs and desires have an outlet in community associations and institutions.

Writing three years after Hunter, C. Wright Mills extended the research into the exercise of community power with his book, *The Power Elite* (Mills, 1956). Although his focus was on decision making at the national level, Mills' provocative work reinforced the concept that power in society rests largely in the hands of an elite class that wielded tremendous influence. For Mills, national economic, military, and political structures within America were dominated by an elite class that ruled with relative autonomy and he christened them "The Power Elite." Elected officials, according to Mills' argument, were often beholden to the wealthy economic and social elites who helped fund their elections, rendering them relatively powerless in terms of their ability to act with absolute authority.

Mills' argument has been challenged by numerous sociologists and political scientists, with arguments ranging from those who challenged everything from Mills' methodology (Merelman, 1968; Dahl, 1958) to those who took issue with his definition of control and conception of power (Parsons, 1968). Even those researchers who supported Mills' underlying theory often lobbed criticisms about Mills' failure to examine fully the contradictions inherent in the development of an elitist power structure in a democracy (Lynd, 1956).

### **Pluralist Theory**

In stark contrast to Mills' argument, pluralist theories are rooted in America's unique version of democracy and center on the idea that there are multiple centers of power that jockey for political influence. Another important theory in urban policymaking is epitomized by Robert

Dahl's theory that local policymaking is primarily the result of political considerations. Pluralist theory focuses on the role that political actors and considerations play in local policy outcomes. Under this theory, policymaking is the result of bargaining among participants throughout the community, with outcomes being seen as the result of preferences of the majority of residents.

In sharp response to the work of Hunter and Mills, in 1961 sociologist Robert Dahl published his classic *Who Governs?* – an influential study of power and influence in New Haven, CT that would help define power structure research for the next several decades (Dahl, 1961). In Dahl's New Haven, the politician is not marginalized or co-opted by outside interests, as Hunter and Mills would have us believe. Instead, he (and in Dahl's New England, the politicians were all male) is a vibrant actor who influences and executes policy with the support of an ever-expanding coalition of actors drawn from different segments of the community. Dahl dismisses what he calls the "Social Notables" and "Economic Notables" of New Haven, arguing that their influence has waned significantly during the town's three centuries, as other groups have risen to positions of prominence in the region.

Dahl's notion of dispersed power and influence formed the backbone of pluralist theories of community governance and his methodology introduced a new way of studying power that came to be known as decisional mapping. Dahl used cases studies of individuals and organizations that try to influence the outcome of the policymaking process as a means of determining who exercised power in the decision-making process. However, Dahl's critics contend that his focus on implemented decisions as a proxy for influence does not take into account the use of behind-the-scenes power to keep items off the agenda. Dahl himself acknowledged that it can be difficult to measure indirect influence, stating:

Unfortunately, one cannot measure influence so precisely; although the diagrams are convenient illustrations, they leave us with ambiguities in the

relations of leaders and constituents which are extremely difficult and probably impossible to resolve satisfactorily at present by appeal to direct evidence. (Dahl, 1961, 164)

At the time, Dahl's work was widely hailed as a revolutionary study, but its critics also challenged both his conclusions and his methodology. Domhoff issued a strong challenge to Dahl in his re-examination of New Haven and Dahl's original study (Domhoff, 1978). Criticizing Dahl's methodology as characterized by an overreliance on interviews with individuals who may have had a vested interest in slanting their involvement in a certain way, Domhoff also argues that Dahl did not access the important documents that would have demonstrated a deeper understanding of the decision-making process in New Haven. Ultimately, Domhoff concludes that "contrary to *Who Governs?*, there is a power structure in New Haven, with Yale, the First New Haven National Bank and the Chamber of Commerce at its heart" (Domhoff, 1978, 113).

Domhoff's work also helped shift the focus of power structure research from one focused on individuals to one focused on institutions. Domhoff saw institutions as the main mechanism for control and power assertion in society and implored political scientists to focus more on the networks and interlocks that exist between major organizations in society. As explained in a volume that he co-authored with Thomas Dye:

Organizational theory is concerned with the interorganizational environmental within which organizations must seek out the resources they need in order to reach their goals. Power Structure research conceptualizes this interorganizational environment as the power structure itself and suggests that the necessary resources – whether money, expertise or raw materials – are properties of the power structure as a whole as well as assets and needs of individual organizations within it. (Domhoff and Dye, 1987, 15)

Since the late 1980s, numerous other researchers have examined the ways in which private institutions and public organizations influence the power structure and, in particular, provide

mechanisms by which elites in society can wield power and influence policy decisions. Soloway (1987) and Baltzell (1958) explored the ways in which private schools can act as feeders for the power structure, while Useem (1979) and Miliband (1969) focused on the ways in which corporations and government agencies become tools of the elites in society.

### **The “City Limits” Approach**

In sharp contrast to the pluralistic viewpoint that political actors are the key contributors to policymaking outcomes, Paul Peterson’s revolutionary book, *City Limits*, views local power and policymaking through an economic lens (Peterson, 1981). Built largely upon Charles Tiebout’s (1956) public choice theory, Peterson extended the idea that local communities are constantly trying to satisfy the needs of their residents in an effort to ensure that those residents do not make a choice to locate in a different community that better meets those needs. In Peterson’s world, America’s federal structure and division of powers through multiple layers of government have rendered localities particularly sensitive to economic concerns. Cities are in constant competition to attract desirable residents and businesses, and this need to provide the right mix of policies and services that will ensure a city’s competitiveness becomes the main driving force behind political decisions. Specifically, Peterson believed that successful cities will pursue policies that promote economic development and growth in attempts to build the local community.

Peterson’s city limits argument quickly became the dominant theory for scholars of urban politics throughout the 1980s (Wolman, 1996; Basolo and Huang, 2001). Numerous scholars attempted to further this argument, most notably Mark Schneider, who focused more narrowly on the types of residents that cities would like to attract and retain. He asserted that “It is the

relationship between the above-average income community member and the local benefit-cost ratio which informs the interest of local governments” (Schneider, 1989, 201). A number of other scholars have explored the connection between economic development, policymaking choices and competition between cities, with results that generally show some level of connection, although the results are somewhat mixed (Basolo, 2000; Wolman, 1996; and Reese, 1999).

### **Regime Theory**

Paul Peterson’s city limits theory was eclipsed in the late 1980s by Clarence Stone’s regime theory, which has since become one of the most important theories in urban governance (Stone, 1989). Stone’s theory focused on a set of relationships that exist in cities between government interests and the business community, arguing that the patterns and control mechanisms in place between these entities are some of the most important aspects in determining local policymaking. Regime theory is built on the notion that government and business engage in a set of long-term interactions, and in his exploration of Atlanta politics over a 40-year span, Stone found that business interests generally were implemented consistently, even over the objections of the masses. In Stone’s Atlanta, the business community was actively engaged in formulating policy, helping set the agenda and in implementing key initiatives.

Regime theory also posits that the relationships between public and private interests are long term and relatively stable over time. Because these entities will engage with one another again and again over time, each has an interest in maintaining at least a working relationship with the other. Business depends upon government officials and institutions to enact its



preferred policies, while government entities depend upon business leaders for resources, support, and ideas. Cooperation, not competition, is the key to a successful regime.

Subsequent to the publication of *Regime Politics* in 1989, Stone offered a typology of different regimes, in an effort to help urban scholars and practitioners understand how different arrangements between government and business can produce different policy results (Stone, 1993). Stone went on to identify four types of regimes:

*Maintenance Regimes* – exist when there is very little motivation by either the business or government community to introduce new policies.

*Development Regimes* – operate in ways that promote economic growth or seek to alter economic policies to promote development.

*Middle Class Progressive Regimes* – focus primarily on social progress and initiatives that are generally associated with elite desires, with government and business interactions being less voluntary than the other regimes.

*Regimes dedicated to lower-class opportunity expansion* – interested in promoting economic achievement for the less fortunate in society, largely through job training, education policy and housing coalitions. (Stone, 1993, 212).

After defining the regimes, Stone went on to classify them further by exploring their resource needs, visibility and ultimate viability in society.

Stone's concept of urban regimes as a merging of the interests of government and business in order to carry out policy initiatives proved to be the launching point for much of the urban studies research completed in the decades after the publication of *Regime Politics*. His initial conception of regimes gave way to numerous studies that helped further the conversation about local governance. As noted in a 2004 analysis, a comprehensive body of regime theory

has been somewhat challenging to build, as the governing arrangements in cities are often quite dissimilar and difficult to compare (Kilburn, 2004). In particular, regime analysis is hampered by the fact that most research in this area focuses on case studies, which, as one researcher noted, “provide a rich historical analysis of the coalition building and policy agendas of civic leaders, yet...also contain well-acknowledged inferential limits” (Kilburn, 633). Even Stone’s groundbreaking analysis focused on a single city (Atlanta) and a specific time period.

Despite these limitations, urban scholars have produced many notable studies of regimes and governing structures in cities across the world. From studies of “regimeless” cities (Rast, 2006) or “reluctant” regimes (Bauroth, 2011) to comparisons of multiple cities (Mittra and Frick, 2011), urban researchers have developed numerous methods for applying regime theory to the study of local governance. In addition, several researchers have studied the concept of regimes that form around certain policy areas, such as educational reform (Stone, 1998; Henig, et al., 1999) or AIDS policy (Brown, 1999).

### **The Case of Detroit**

Detroit has proven to be a fascinating laboratory for urban social scientists and modern power structure researchers. In the 1970s, a local researcher attempted a study of the class structure of Detroit and ended up producing a comprehensive portrait of power relationships in the region (Ewen, 1978). She concluded that Detroit was indeed governed by a ruling class, although the makeup of this class had changed over time. Ewen found that, up until the mid-1950s, the city’s social and economic circles were controlled by a small number of families that had helped found and develop the city during the 18<sup>th</sup>, 19<sup>th</sup> and early 20<sup>th</sup> centuries, and those forces also exerted political power. In the second half of the 20<sup>th</sup> century, though, the power

structure began shifting, ultimately fraying under the weight of difficult and perhaps unrealistic expectations.

Alan DiGaetano and John Klemanski (1993) compared the industrial towns of Birmingham, England and Detroit, ultimately concluding that Detroit was representative of a “development” regime, in accordance with Clarence Stone’s typology. However, they expressed concern about how successful government and business had been at establishing long-term working relationships. Marion Orr and Gerry Stoker (1994) similarly found that urban regime capacity in Detroit was limited, with successful public-private partnerships difficult to sustain over time. This view of Detroit’s limited success at maintaining a powerful urban regime was also noted in a 2004 study of 14 U.S. cities (Kilburn, 2004).

One of the most definitive portraits of Detroit’s urban policy regime was by Jones and Bachelor in their book, *The Sustaining Hand* (Jones and Bachelor, 1993). Using the case of General Motors’ search for a new factory site as their impetus for study, the authors describe the ways in which government and business interactions drove decision making, noting that numerous government-led machinations were necessary in order to keep the business community pleased. They also focus on the role that organizations, as opposed to individuals, played in the case, noting:

In an industrial city such as Detroit, community power is structured into large-scale organizations. The major organizations are those of commerce and industry, government, the media, labor and the church. Those who wield power hold commanding positions in these organizations. They do not act as individuals; they act as representatives of organizations. Some of these leaders are more adept than others. Some have more resources than others and are able to translate these resources into political influence more efficiently than do others. A very limited few are able to exercise power even though they do not represent any major organization. Power for most people, however, is intimately connected to positions in an organization. (Jones and Bachelor, 1993, 241)

They conclude that Detroit during the 1980s was marked by a fairly stable development regime in which the local government was generally focused on meeting the needs of the business community in a way that would encourage and stimulate economic development, ultimately concluding that “in the case of Detroit, informal arrangements between Mayor Young and the executives of automobile companies and other manufacturing corporations were the characteristic feature of the regime” (Jones and Bachelor, 1993, 249).

A few years later, in his award-winning book, *The Origins of the Urban Crisis*, Thomas Sugrue provided an in-depth look at how Detroit’s urban crises were rooted in long-standing historical issues that revolved around both the economic and political structures in the city (Sugrue, 1996). His period of study was the 1940s–1980s and he focused on de-industrialization and discrimination as two keys for Detroit’s decline. These factors were rooted in a confluence of factors that caused the automotive industry, the UAW and city government to implement policies that worked to keep the city’s African American population marginalized.

A 2002 article that focused on economic development in Detroit and Jersey City featured interviews with 15 key players in Detroit’s government, business and civic community (Lawless, 2002). The researcher questioned whether or not a regime even existed in Detroit (Lawless, 2002, 1342) and questioned whether or not the city could ever be successful in reinventing itself, noting that:

There is at times a surprising degree of conflict, especially in Detroit...  
Department heads criticize the quality and motivation of staff and the systems  
and personnel with which they work. The private sector distances itself from  
the “bureaucratic morass” which some suggest surrounds city hall (Lawless, 2002, 1344).

Another recent publication noted that the city’s governmental entities and business community leaders have struggled to move the city forward in significant ways, writing that, “the city’s

political and business leaders political and business leaders do not self-consciously speak with one voice” (Eisinger, 2003, 91).

### **A New Element: The Nonprofit Sector**

Power structure researchers have focused primarily on the roles played by individuals and organizations in policymaking, with organizations largely defined as either government or business entities. However, by the mid-1960s, the importance of the nonprofit sector could no longer be ignored and, over time, power structure researchers have begun to recognize that charitable organizations could potentially play a large role in policymaking at the national, state, and local levels. This recognition has proven difficult for many political scientists and urban scholars to accept, however, as Domhoff and Dye acknowledged in the preface to their book on power, writing, “The focus on nonprofit organizations as important parts of the power structure is perhaps the most controversial claim of power structure research” (Domhoff and Dye, 1987, 13). However, as will be highlighted in the next chapter, the size, influence and reach of the nonprofit community has helped propel its organizations and leaders into positions of power within society.

At the time of the elitist-pluralist debates of the mid-20<sup>th</sup> century, America’s nonprofit sector was still relatively small and inconsequential in terms of its ability to participate fully in local policymaking. However, as the nonprofit sector grew larger during the latter part of the 20<sup>th</sup> century, researchers began to take tentative steps towards the inclusion of nonprofit organizations and their leaders in community power research (Salamon, 1995). Elite theory researchers began to investigate the ways in which societal leaders utilized their participation in nonprofit organizations as a mechanism for spreading their influence wider (Perrucci and Pilisuk, 1970). A 2002 study examined interlocking directorates between government, business and civic organizations, concluding that the number of linkages between these disparate sectors of society is increasing (Moore et. al, 2002).

Several researchers have also turned their attention to Detroit's elites and their participation in civic affairs. In their examination of the city of Detroit during the 1980s, for example, Jones and Bachelor note the importance of two community leaders, Henry Ford II and Peter Stroh, in civic affairs, writing, "It is also true that corporate heads can spearhead civic and investment initiatives even though it is not in the direct interest of their business" (Jones and Bachelor, 1993, 236). Several years later, scholar Rikki Abzug was among the first to publish findings about the prevalence of an elite ruling class among local nonprofit boards of directors, with results suggesting that local elites have dominated nonprofit governance since at least 1931 (Abzug, 1996).

A 2002 study of the U.S nonprofit, corporate and government sectors was one of the first to apply network analysis to the topic of how elites dominate local nonprofits, as the researchers traced the interlocking connections between these three sectors (Moore et al, 2002). Their findings demonstrated that there is often tremendous overlap between businesses and civic organizations in the membership of their boards and staff leaders. As recently as 2011, a researcher applied network analysis to a study of the ways in which the city of Detroit's business, philanthropic, and civic communities participate in economic development, concluding that there are significant connections between the sectors and their leadership (Ficenec, 2011). This researcher's work also demonstrated that the traditional powers in the metropolitan Detroit region, the automobile companies and the unions, played only a small role in economic development within the city during the first part of the 21<sup>st</sup> century (Ficenec, 2011, 34).

As noted in Chapter 1, other community power researchers have also acknowledged the presence of the nonprofit sector in urban areas, if not their importance. Clarence Stone documented that civic organizations such as the Urban League, neighborhood associations, and

historic preservation groups were indeed present at the policymaking table during Atlanta's redevelopment efforts, but he characterizes their involvement as being critical to creating the appearance of inclusivity and is quick to point out that they had no real power on their own to effect change (Stone, 1989, 132). Similarly, research focused on Cleveland's redevelopment described the role of Cleveland's nonprofit sector in passive, rather than active, terms (Keating, 1996).

However, years after the publication of *Regime Politics*, Stone expanded his definition of potential regime partners to acknowledge the role that civic organizations might play in coalition building, noting that in different localities, different actors may play important roles (Stone, 2005, 330). In addition, numerous researchers have attempted to show that the nonprofit sector's influence can be important in policy areas other than economic development. Stone's own research into urban education produced the conclusion that coalition building in urban education requires the collaboration of multiple partners, including those from the nonprofit sector (Stone, 1998). Research into educational reform in El Paso noted that success in part came from "a cadre of community leaders and parents" who formed a nonprofit collaborative to effect change (Navarro and Natalico, 1999, 599). Another study (Bailey 1999) focused on the ways in which traditional regime theory may only be useful in explaining how policymaking occurs within the world of economic development by exploring how civic organizations and community-based coalitions around the politics of identity (such as the gay and lesbian movement) could have influence in certain areas of social policy.

Overall, there appears to be a slowly growing level of recognition among urban policy scholars that the nonprofit sector may increasingly play a role in policymaking, yet no systematic large-scale research has been conducted into the role that nonprofit organizations play in urban



policymaking. In addition, the idea that nonprofit organizations could play a lead role in policy formulation and implementation has not been a topic that researchers have engaged. The focus for most, if not all, urban researchers remains on the way in which governmental and business actors work in concert to govern. If nonprofit organizations are mentioned, they are discussed primarily as collaborators to the larger agenda, playing roles assigned to them by other actors.

However, the tremendous growth of the nonprofit sector over the past two decades has necessitated a reevaluation of its role in urban policymaking. With nonprofit scholarship still in its adolescence and urban researchers firmly focused on government and business actors, a significant gap exists in the exploration of the ways in which the nonprofit sector participates in, and perhaps leads, economic development efforts in urban areas. Clearly, more research in this area needs to be done and my dissertation will stand as one of the first efforts to inquire specifically about the role of the nonprofit sector in urban policymaking in the area of economic development. Before explaining my research design, methodology and results, however, I will utilize Chapter 3 to explore the literature on nonprofits more in depth, including a dissection of the variety of different types of organizations operating in the sector.

## CHAPTER 3: THE NONPROFIT SECTOR'S ROLE IN URBAN GOVERNANCE

### Background and Overview

The tremendous growth of the U.S. nonprofit sector throughout the past several decades has necessitated a reexamination of the sector's role in influencing public policy outcomes. Traditional regime theory, as discussed in Chapter 2, has been the dominant theory of urban policymaking for several decades, but it severely discounts the potential role that nonprofit and community organizations can play in many areas of urban policy change, including economic development. Further research into the ways in which the nonprofit sector participates in urban policy discussions and influences policy outcomes is sorely needed. However, in order to understand this role, we must first better understand the sector itself, its history and the ways in which scholars have, to date, recognized its impact on public policymaking.

### The Challenge of Defining the Nonprofit Sector

In many ways, the nonprofit sector in the United States resists definition and classification. Indeed, the sector's very name has been something of a work in progress, with various scholars offering alternative labels to help better define the sector, including the *third sector*, the *voluntary sector* or the *philanthropic sector* (Golensky, 2011; Grobman, 2004; O'Neill, 2002). Outside of the United States, nonprofit organizations are generally referred to as nongovernmental organizations (NGOs). For purposes of this dissertation, I will refer to them as nonprofit organizations, or nonprofits.

Salamon and Anheier (1992) provided a definition of the nonprofit sector based on what they call "structural/operational" characteristics. They note five basic structures that all

nonprofits share: the fact that they are formally organized; private in terms of their governance; non-profit-distributing; governed by a separate board of directors; and voluntary in nature. Their categorization has come to serve as a standard way of identifying and classifying nonprofit organizations and for purposes of this dissertation, I will follow their guidelines in determining whether or not an organization should be categorized as a nonprofit.

The Internal Revenue Service (IRS) categorizes nonprofits into 30 distinct types under section 501c of the U.S. tax code. Securing this designation allows the organization to be exempt from federal income taxes and, in many cases, qualifies it for exemption from state taxes as well. Within the range of 501c organizations, there are two broadly defined types of nonprofits – public charities, which fall into section 501c(3) of the IRS code, and member-serving organizations, which have numerous different designations. Public charities represent more than three-fifths of the nonprofit organizations registered by the IRS, totaling nearly one million organizations in 2011 (Roeger, Blackwood, and Pettijohn, 2012).

In 1967, there were 309,000 nonprofits in the United States, but by the turn of the 21<sup>st</sup> century that number had swelled to more than 1 million (Giving USA 2013, 3). The continued growth of the nonprofit sector through the first decade of the 21<sup>st</sup> century has also been nothing less than astounding. In 2011, approximately 1.58 million U.S. nonprofit organizations were registered with the Internal Revenue Service, an increase of 21.5% since 2001 (Roeger, Blackwood and Pettijohn, 2012). This number undercounts the true number of nonprofit and charitable organizations in the nation, as religious congregations and nonprofit organizations with less than \$5,000 in annual revenue are not required to register.

Accounting for 5.6% of the nation's GDP and 9.2% of all wages and salaries paid in the United States in 2011, the sector unquestionably plays an important role in the U.S. economic

landscape (The Nonprofit Almanac, 2012). In addition, American nonprofit assets totaled more than \$4.63 trillion in assets in 2011, receiving more than \$136 billion in charitable contributions during that same year (Giving USA, 2013, 3). Internationally, the sector is even larger, totaling 7.4% of the world's workforce, according to 2012 statistics (Hrywna, 2013, 1).

### **Origins of the Sector**

The concept of organizing for collective action has always been an important one in the United States. No less an observer than Alexis de Tocqueville was one of the first to chronicle America's long love affair with voluntarism and the creation of institutions outside of the traditional sectors of government and business, writing:

Americans of all ages, all stations in life, and all types of dispositions are forever forming associations... Americans combine to give fetes, found seminaries, build churches, distribute books and send missionaries to the antipodes. Hospitals, prisons and schools take shape that way. Finally, if they want to proclaim a truth or propagate some feeling by the encouragement of a great example, they form an association. In every case, at the head of any new undertaking, where in France you would find the government or in England some territorial magnate, in the United States you are sure to find an association (Tocqueville, 1969, 243).

Tocqueville was also among the first to describe the impact of this collective action on America's political system, arguing:

Nothing, in my view, more deserves attention than the intellectual and moral associations in America... If men are to remain civilized or to become civilized, the art of association must develop and improve among them at the same speed as equality of condition spreads (Tocqueville, 1969, 243).

Since Tocqueville's time, this sentiment has been echoed by numerous authors and scholars. Edwards and Foley (2001) that "the associations of civil society are thought to play a major role in building citizenship skills and attitudes crucial for motivating citizens to use these skills." A few years earlier, a team of authors conducted a study on the effects of participating in voluntary organizations, concluding that "citizens learn citizenship partly through public-spirited activity

and partly through bringing their experiences to bear on the consideration of public questions in open debate” (Alexander, Nank, and Stiver, 1999). In addition, one of the foremost researchers in the world of nonprofit organizations, Lester Salamon, has outlined several ways in which nonprofits contribute to the development of a democratic civil society, noting their roles as “value guardians, service providers, advocates and builders of social capital” (Salamon, 1997, 5). More recently, management guru Peter Drucker wrote that “nonprofit organizations of the so-called third sector create a sphere of effective citizenship” and a “sphere of personal achievement in which the individual exercises influence, discharges responsibility and makes decisions” (Drucker, 1989, 204). He goes on to argue that “individuals, no matter how well-educated, how successful, how achieving or how wealthy, can only vote and pay taxes. They can only react and be passive. In the counterculture of the third sector, though, they are active citizens” (Drucker, 1989, 204). Clearly, the concept of utilizing the nonprofit sector as a means to engage and activate citizens is not a new idea, and more than two centuries of American political, economic, and cultural observers have pointed to this sector as an important factor in the development of the American republic.

During America’s colonial era, voluntary associations flourished as educational institutions, trade associations, and religious organizations were formed to unite colonists in endeavors considered too large for one individual or family to undertake alone. Many of the most important civic duties and pre-revolutionary actions of the time period were performed by voluntary groups of average citizens. As political historian Peter Dobkin Hall noted:

The American Revolution drew on all these intellectual and organizational development: religious revivals and political theories that affirmed the importance of individual rights, experience in organizing voluntary associations, and the use of associations in politics. Groups like the Sons of Liberty and the Committees of Correspondence helped mobilize citizens to fight for American independence (Dobkin Hall, 1992).

In addition to these civic-minded groups, colonial residents also formed significant trade associations as a means of asserting their independence from their colonial rulers. From the 1723 approval of the Constitution of the Freemasons to the 1765 formation of the Medical Society of Massachusetts, the growth of guilds and organizations organized around various professions flourished in the colonies, providing numerous opportunities for citizens to develop organizational skills and an understanding of collective action (Dobkin Hall, 1992).

Of course, it is nearly impossible to talk about early colonial societies without discussing religion and there is no question that religious organization also provided the opportunity for colonists to seek out voluntary associations with one another. In a 1710 missive to his fellow worshipers, Cotton Mather implored them to form societies for the study and propagation of goodly deeds. As historian Peter Dobkin Hall writes:

His emphasis on the individual's capacity for self-reform, the use of voluntary groups to facilitate this process and the capacity of such groups to produce a network of such organizations was extraordinarily insightful...Mather presents a holistic model of society in which all activities are both knit together and, as such, subject to the moral force of individuals and associations. It is nothing less than a map for social change (Dobkin Hall, 2003, 7).

For many early colonial settlers, then, there is almost no question that religious organizations provided a means of organizing themselves and their neighbors for collective action that was independent of government.

Throughout much of the 19<sup>th</sup> century, America witnessed a tremendous growth in both the number of nonprofit organizations and the number of Americans who actively participated in them. As the nation grew and a sense of liberalism flourished in economic and political circles, voluntary associations were helping citizens realize their potential in society, while also serving to bind together a diverse nation. As historian Peter Dobkin Hall writes, "As Americans became

concerned about slavery, drunkenness, violation of the Sabbath, treatment of the insane and other causes, voluntary associations, organized on a national basis with state and local chapters, became the preferred vehicles for social movements promoting reform” (Dobkin Hall, 2003, p. 8). In addition to the temperance movement, a variety of religious movements also swept across the nation, with hundreds of thousands of Americans joining churches and organizing missions and new congregations. This Second Great Awakening also provided new opportunities for women to participate in society, as historian Kathryn Sklar explains, “Because they were the majority of churchgoers, women were likely to be drawn into reform crusades grounded in religious ideals and networks and they had room to assert themselves amid the contending denominations” (Sklar, 1981). In a society that allowed them few opportunities for active societal participation, women found refuge and unprecedented opportunities in voluntary associations.

For all its devastation, the American Civil War provided Americans with new opportunities to become involved in civic society. In addition to the nearly all-volunteer armies, the Civil War brought about the creation of America’s largest nonprofit association to date – the U.S. Sanitary Commission. As historian James McPherson explains, the commission:

grew from a fusion of local soldiers’ aid societies that had sprung up within days of the firing on Fort Sumter. Women took the lead in forming these associations, drawing upon their sense of commitment and previous experience in societies advocating the abolition of slavery, women’s rights, temperance, education, missions and the like” (McPherson, p. 313).

After the end of the Civil War, voluntarism in America continued to grow, with newly freed African Americans joining their countrymen in the tradition of service to their country through the non-profit community. Even as the nation struggled through Reconstruction and African

Americans saw their rights to vote, hold jobs and participate in politics restricted, they found outlets available through voluntary associations. As Theda Skocpol explains:

The moment southern states started to become emancipated, transregional African American associations expanded in numbers and membership. Dozens of new African American fraternal and mutual aid federations, many of them involving women along with men, were launched in the decades after the Civil War...After the end of Reconstruction in 1876, blacks faced increasingly fierce repression if they tried to vote or join labor unions, yet they never lost their right – or their will – to form and join churches and fraternal groups. (Skocpol, 2003, 128)

Nearly 100 years later, African Americans would again use voluntary associations to fight for their rights to participate fully in society, launching the Civil Rights Movement through volunteer efforts and organizations of like-minded citizens.

By the 1920s, America's nonprofit sector was providing a number of critical services to the American people, both in terms of the types of program offerings available and the opportunities for voluntarism. However, as the onset of the Great Depression threatened the very fabric of the nation, it also brought challenges to the third sector's ability to serve as a uniting force for a nation of very disparate individuals. Despite their many differences, Herbert Hoover and Franklin Roosevelt were united in their belief that a strong voluntary sector could help grow and sustain American nationalism. A strong proponent of Lockean liberalism, Hoover also believed firmly in the importance of the nonprofit sector; numerous authors and historians have written of his desire for an associative state that would provide Americans with opportunities to solve their problems without government intervention. Hoover himself was upfront in his 1922 book about his faith in the ability of voluntary organizations to provide outlets for the development of the American spirit. He wrote:

The vast multiplication of voluntary organizations for altruistic purposes are themselves proof of the ferment of spirituality, service and mutual responsibility. These associations for advancement of public welfare,



improvement, morals, charity, public opinion, health, the clubs and societies for recreation and intellectual advancement, represent something moving at a far greater depth than “joining.” They represent the widespread aspiration for mutual advancement, self-expression and neighborly helpfulness. (Hoover, 1922, 27-28)

Throughout his years in government service, Hoover tirelessly looked for ways to empower the sector.

Throughout the latter part of the 20<sup>th</sup> century, the role of nonprofit organizations in American society transformed from governmental partner to competitor. In the post-New Deal world, America once again turned to voluntary associations to perform certain functions that government either could not or would not do. Tremendous opportunities opened up for nonprofit organizations and by 1980, the federal government’s allocations to non-profits through direct grants and fees-for-service were approximately \$40.4 billion (Salamon, 1995). While this allowed many nonprofits to flourish, it also caused a tension between the two sectors that some observers believed threatened the very fabric of American society. Writing in 1960, just as the government-nonprofit relationship was changing again, sociologist Robert Nisbit wrote:

The conflict between the central power of the political state and the whole set of functions and authorities contained in church, family, guild and local community has been, I believe, the main source of those dislocations of social structure and uprooting of status which lie behind the problem of community in our age. The real conflict in modern political history has not been, as is so often stated, between state and individual, but between state and social group (Nisbit, 1962, 142).

The result of this conflict, Nisbit would go on to state, would be a serious deterioration in the sense of community that exists in the modern world. In his mind, nonprofits who partnered with government eventually became dependent on that relationship for their very survival, a development which would link government more closely to the voluntary sector and thus

threaten the historic role of nonprofits as an independent vehicle for civil expression and societal development.

Numerous scholars point to the 1960s as a significant turning point in the nonprofit-government relationship (Marwell, 2004; Salamon, 1995; Hammack, 2001). Lyndon Johnson's War on Poverty combined with the Civil Rights Movement's opening up of new avenues for social participation by formerly disenfranchised individuals helped give rise to a plethora of social programs that were far beyond the capacity of government to deliver. New avenues for privatization and devolution of publicly-funded services expanded in the 1980s, as Ronald Reagan quietly led a revolution to redefine the roles of both nonprofits and governments in social service delivery (DeHoog, 1984; Chubb, 1985; Seidenstat, 1999).

### **Nonprofits and Government: Partners or Competitors?**

The complex intertwining of the nonprofit sector with the government sector over the past three decades has been the subject of numerous inquiries by political and social scientists. Public administration scholars have written about the rise of government's contracting out of services during the last thirty years, and observers have voiced concerns about the "hollowing out" of the state (Milward and Provan, 2000; Kettl, 1993; Smith and Lipsky, 1993). In the minds of these scholars, government's increasing reliance on nonprofit organizations as a mechanism for service delivery calls into question both the independence of those nonprofits and government's ability to be responsive to its citizens. It also has led to an increasing complexity in terms of public service delivery.

Public policies and programs in the United States and elsewhere are being administered...through complicated webs of states, regions, special districts, service delivery areas, local offices, nonprofit organizations, collaborations, networks, partnerships and other means for the control

and coordination of dispersed activities (Lynn, Heinrich and Hill, 2001, 1).

In addition to raising concerns about the ability of citizens to hold their representatives accountable, however, this trend toward replacing government services with those provided by contract workers (either through private corporations or non-profit organizations) has also had significant implications for the nonprofit organizations themselves. Salamon notes the ways in which increased privatization of public services necessitates a greater emphasis on collaboration between the two sectors (Salamon, 1995). Other scholars have noted the ways in which increasing connections between the two sectors can bring about synergies that can benefit both (Brooks, 2000, Rainey, 1997 and Weisbrod, 1997).

A more formal type of nonprofit-government interaction is characterized by the term “public-private partnership.” This term implies a relationship that represents more than the privatization of services; instead, organizations from the two sectors work together to solve community problems. Peters outlined a number of elements needed to identify a public-private partnership, including the need for there to be a partnership that exists long term, so that the parties are not dependent upon transitory grants and contracts to maintain the relationship (Peters, 1998). In a 1987 study that focused on non-profit-public partnerships in three Southern cities in the United States, Ann O’M. Bowman found that there was tremendous variation in the goals, partnership tactics and outcomes of economic development partnerships between public institutions and nonprofit development corporations (Bowman, 1987).

### **The Role of Nonprofits in Policymaking**

Whatever label is chosen to characterize the nonprofit-government relationship, nonprofits are increasingly becoming active in more than just service delivery and researchers

are beginning to take note. A substantial body of literature has been devoted to the roles that nonprofits play in both policy advocacy and implementation (Baumgartner and Leech, 1998; Boris and Mosher-Williams, 1998; Jenkins, 1987; Rich, Giles and Stern, 1998; Smith, 1997). However, the role of nonprofits in both leading and driving policy change is a topic that is only beginning to occupy social scientists within numerous disciplines. Some (Hecl, 1978; Nyland, 1995) have argued that nonprofit organizations play an informal role in policy decisions through the use of issue networks. Covey (1992) noted that nonprofit organizations are often at the forefront of policy innovations, piloting new programs that are then adopted by government agencies.

In 1994, Miller attempted to develop a typology of nonprofits' involvement in public policymaking (Miller, 1994). He noted that nonprofit organizations are often uniquely capable of serving as important mechanisms for policy change, particularly for previously disenfranchised groups. He also explored the ways in which nonprofit organizations can play a key role in sustaining collaboration among numerous actors. Finally, he noted that nonprofits were often at the forefront of educating citizens on issues and their roles in a democratic system.

In a further effort to provide structure around the intersection of nonprofit organizations and public policymaking, Ferris described four types of nonprofits that are generally involved in the policy process (Ferris, 1998, 142-143). They are:

- *Civic Nonprofits* – those organizations that generally serve as government watchdogs and provide oversight;
- *Policy Advocates* – organizations that attempt to shape policy by offering policy alternatives and monitoring implementation;

- *Policy Implementers* – nonprofits who provide community services on behalf of government agencies;
- *Governing Nonprofits* – Nonprofits that act largely independent of government and serve an important coordinating function in the policymaking arena.

Building upon Ferris' work, Jackson offered research to demonstrate that governing nonprofits pursue broad policy agendas that allow them to build extensive coalitions (Jackson, 1997). That same year, a trio of researchers built upon the concept of governing nonprofits to show that these organizations can play an active role in restructuring political agendas, using case studies of Detroit, Baltimore and Los Angeles to test their theories (Hula, Jackson, and Orr, 1997). Their research showed that successful governing nonprofits are able to develop strong linkages with political leaders without being co-opted by the political establishment. The importance of this type of nonprofit organization cannot, in their view be overstated, as they conclude:

If governing nonprofits were able to forge viable coalitions, U.S. cities might be presented with an alternative means of addressing their most pressing problems... they represent avenues by which to begin to develop and foster the social capital necessary to prepare city governance for the 21<sup>st</sup> century” (Hula, Jackson, and Orr, p. 465).

Another type of nonprofit active in urban policy arenas, albeit with a bit more narrow focus, are community development corporations (CDCs). One of the most widely recognized definitions of a CDC was offered in 1994:

A non-profit, community-based organization governed by a board consisting primarily of neighborhood residents and business leadership, generally found in distressed neighborhoods and dedicated to the revitalization of a discrete geographic area usually defined by traditional neighborhood boundaries. (Sviridoff, 1994, 92)

The creation of many of America's earliest CDCs was funded by the foundation community, particularly the Ford Foundation (Bockmeyer, 2000). However, the role of some CDCs has also

been criticized as an inadequate model for community redevelopment. Most notably, Stoecker (1997) offered a stinging critique of CDCs that forced a reevaluation of this type of organization's ability to successfully effect policy change in an era of limited resources. In response to Stoecker, several subsequent researchers argued that CDCs gained legitimacy in local policy development and implementation over time (Yin, 1998) and that increased networking has helped CDCs gain bargaining power over time (Rubin, 2000).

Of course, the importance of traditional nonprofit organizations in community policymaking has also been an area of interest to researchers. The involvement of nonprofits in social service provision has been well documented (Marwell, 2004; Fabricant, 2002; Gronbjerg, 2001) and the involvement of neighborhood groups in political issues has also been studied (Rabrenovic, 1996; Ferman, 1996; DeSouza Briggs et al., 1997). In addition, numerous studies focused on only a single aspect of policymaking have involved nonprofits in the conversation about policy implementation. Scholars of educational reform, for example, have focused on the often critical role of nonprofit civic organizations in bridging the gap between families and the public education system (Epstein and Sanders, 2000; Mitra and Frick, 2011; Coburn, 2005). Other researchers have focused on the ways in which cultural institutions, which oftentimes are nonprofit organizations, have played a key role in downtown development strategies (Strom, 1999; Holcomb, 1993; Whitt, 1987). In addition, observers have noted that individual cultural organizations can help an urban area attract and retain highly skilled workers who value urban amenities (Strom, 2002).

Other researchers have noted the importance of CEO organizations (essentially private nonprofit organizations whose members are a community's business leaders) in moving an economic development agenda forward, although there may be evidence that this importance is

lessening over time. The results of a national study on the role of civic elite organizations and their role in urban policy concluded that this type of organization's influence has diminished since its heyday in the 1970s and 1980s (Hanson et al., 2010). They noted that the makeup of these organizations has shifted over time as well, offering:

These organizations typically allowed only CEOs of the largest corporate employers to be the members. The banks, utilities, newspaper, department stores, and manufacturers were the mainstays. Professional partnerships and real estate developers often were excluded, and CEOs of nonprofit institutions – universities, hospitals, and foundations – were rarely invited to join... As the extent and nature of CEO engagement in civic associations has changed, so too has the composition of their memberships. The nonprofit sector – particularly universities, medical centers and foundations – has provided a substantial component of the growth in the service employment in both regions, and its engagement in civic affairs has been increasingly important to CEO organizations and the communities they serve (Hanson et al., 2010, 11).

Clarence Stone extends the idea that more actors are being called to the table in a recent paper that offers a theory about the hybridization of urban governance (Stone, 2013). Specifically, Stone recognizes that:

The joined business-city hall pursuit of physical redevelopment has given way to a more open-ended agenda, but now there is also less cohesion among elite players... in many cities the philanthropic sector has taken a more active part in governing and thereby added to the variety of resource-rich players” (Stone, 10).

This recognition that business and government are now joined at the planning table and, at times, are supplanted by, other civic actors is a significant one, but one that has not received much attention to date in terms of systematic research.

### **Nonprofits in Detroit**

As noted in earlier chapters, Detroit's history has included significant highs and almost unimaginable lows. From its days as the Arsenal of Democracy in the 1940s to its descent into civil unrest in the 1960s, Detroit's destiny has been determined by a mixture of social, economic

and political factors that have combined to help make it a fascinating urban laboratory for researchers and scholars. The role that nonprofit organizations have played in the city's development and growth has been under-evaluated, however, despite the fact that Detroit's governance has been the subject of numerous studies and report.

In a 2001 report to then-Mayor Elect Kilpatrick, more than one dozen community leaders from the foundation community and local government implored the newly-elected mayor to focus on the important role that nonprofits have played and could play in the city's rejuvenation (City Connect, 2001). This report, which was prepared under the signature of the leaders of every significant philanthropic foundation in the region, noted the ways in which nonprofits have helped bring federal, state and philanthropic dollars into the city for a variety of projects. They also discuss opportunities for the city to develop increased partnerships with the city's nonprofit organizations, to help grow Detroit's social and economic landscape. A number of specific nonprofit organizations are discussed in the report, including City Connect Detroit, an organization designed to help facilitate public-private partnerships in the city.

In their cross-city comparison of Baltimore, Detroit and Los Angeles, Hula, Jackson and Orr trace the trajectory of one governing nonprofit in each city; in Detroit, they examine the role that the New Detroit Committee played in attempting to re-invent the city after the 1967 civil unrest (Hula, Jackson and Orr, 1997). While the committee's work was organized around five specific task forces, its overall mission was broad – “to mobilize and help coordinate all resources available in the effort to find solutions to our community's many problems” (New Detroit Committee, 1968, 2). In August 1968, the organization formally incorporated as a nonprofit and the number of board members and staff members increased dramatically. As Hula, Jackson, and Orr demonstrate, however, New Detroit's ability to affect widespread policy



change was undercut by its over-reliance on the time and talents of white business leaders. They also note that relations between New Detroit and the city of Detroit's government were strained and, at times, confrontational. Today, New Detroit focuses on promoting educational and economic opportunity within the city of Detroit through open dialogues about key topics within the region, but their focus has almost been exclusively on the social and political aspects of those issues.

Researchers Hula and Jackson-Elmoore provide insight into another broad governing nonprofit within the city of Detroit – Detroit Renaissance (Hula and Jackson-Elmoore, 1997). This group of highly connected business leaders focused primarily on economic issues within the city, prioritizing the need for greater local investment and market-based solutions to Detroit's problems. In the 1980s, Detroit Renaissance sponsored the creation of a strategic plan for the city and the plan, which was released in November 1987, contained 42 specific recommendations for restructuring Detroit's political, social and economic systems. However, few of the recommendations were implemented and even those that were often had difficulty sustaining their impact (Orr and Stoker, 1994; Neill, 1995; Jelier and Hula, 1999). In 2009, Detroit Renaissance transformed into a new organization (Business Leaders for Michigan) with a broader, statewide focus (Welch and Lane, 2009).

Other researchers have noted the importance of active, broad-based nonprofit organizations focused on economic development within the city of Detroit, although their independence from city government is sometimes questionable. In their exploration of Detroit's urban regime capacity, DiGaetano and Klemanski (1993) document a trio of nonprofit organizations that influence outcomes in the area of economic development within the city. Specifically, they point to the importance of the Downtown Development Authority (DDA), the

Economic Development Corporation (EDC), and the Detroit Economic Growth Corporation (DEGC) in providing support for economic development projects during the 1980s and 1990s. DiGaetano and Klemaski note that, “these quasi-governmental development agencies have facilitated the consolidation of the city’s political and business leadership into a cohesive governing coalition” (DiGaetano and Klemanski, 1993, p. 375).

More recently, a researcher completed a social network analysis focused on the organizations involved in economic development in the city of Detroit (Ficenec, 2011). Her findings demonstrated that a number of nonprofit organizations play a key role in the network of organizations involved in economic development in the city. Most notably, she found that the boards and staff members of the United Way for Southeastern Michigan, the Detroit Symphony Orchestra, and the Detroit Institute of Arts all contained a significant degree of interconnectedness to the largest companies and foundations engaged in the city’s economic development processes (Ficenec, 2011, 26). Another researcher found that a number of Detroit’s cultural nonprofits have helped create an “Entertainment-led Regeneration” in Detroit (McCarthy, 2002). These nonprofits have engaged with business leaders and the City of Detroit to help generate “entertainment and sports-based schemes to achieve aims for regeneration” (McCarthy, 2002, 110).

## **Conclusion**

While the size and scope of the nonprofit sector has grown tremendously over the past several decades, research into the ways in which the sector has impacted policy change has not kept pace. Specifically, regime theorists and urban scholars have generally been slow to recognize the often critical role that these organizations and their leaders play in effecting change

in urban areas. In Detroit, there has been no systematic study of the ways in which nonprofits are involved in economic development; if anything, the research to date has marginalized their contributions. In Chapter 4 of this dissertation, I will lay out my plan to test the hypothesis that nonprofit organizations are increasingly impacting policy outcomes in urban areas.

## **CHAPTER 4: METHODOLOGY AND RESEARCH DESIGN**

### **Introduction**

Despite more than one half century of research into the ways in which community power is distributed, harnessed and utilized to achieve policy goals, the need to continually reexamine the ways in which local policies are implemented remains. Although the dominant theory in urban governance for the past 30 years has been Clarence Stone's regime theory, the increasing role of nonprofit organizations in every aspect of community life necessitates a reassessment of the key organizations and institutions that are involved in urban policymaking. Developing and implementing a research plan to test my hypothesis that nonprofit organizations are having a substantial influence in urban policymaking required a comprehensive and multi-layered approach that relied primarily on qualitative research techniques, which I will describe in detail in this chapter.

### **Research Design and Methodology**

The goal of my research was to develop a thorough understanding of the ways in which nonprofit organizations are influencing change in the area of economic development within the city of Detroit. Although I originally considered a number of potential policy arenas for study, I ultimately chose to research the area of economic development as the need to stimulate economic development in the city of Detroit has been one of the most important issues affecting Detroit during the last fifty years, including the period I chose to study. This policy arena has been utilized by numerous previous researchers in their focus on policymaking and regimes in other cities and thus provides a good starting point for my research (Ferman, 1996; Safford, 2004; Metzger, 1998; Lawless, 2002).

My time frame for study was the period between 2000 and 2010. I conducted a multi-method investigation to identify the key actors and institutions within the city of Detroit that were actively engaged in effecting and implementing economic development during this time frame. My goal was to locate cases that allowed me to examine in depth the policymaking activities of governmental, business and nonprofit actors.

Despite the fact that economic development is often a regional imperative, I chose to focus my research on cases exclusively within the city of Detroit. This was done in order to concentrate my focus and ensure that I could develop a thorough understanding of the key actors, institutions, and policy goals for each case. In addition, there were more than enough potential economic development projects that were proposed for the city of Detroit to provide my research with enough variety and to allow me to randomize my case selection to some degree. My interviews were conducted almost exclusively with individuals who work or live within the city of Detroit, with numerous interviewees having key knowledge of more than one economic development case. At the outset of my research, I expected to interview government, business or civic leaders whose scope and responsibilities extended beyond the city limits but that proved not to be necessary.

## **Hypothesis**

My guiding hypothesis is that the active involvement of a nonprofit organization in an economic development project will increase the likelihood that the project will be defined as successful. Conversely, in instances where a project was attempted or even implemented without the active participation of a nonprofit, I would expect to see policy outcomes that were

less positive. Essentially, if my hypothesis was correct, I would expect to see cases fall into the following pattern:

	Actively Engaged Nonprofit	No Nonprofit activity
Positive Outcome	X	
Negative Outcome		X

**Figure 4.1 – Hypothesized Outcomes**

### **Defining Success**

With each case in my research study, one of the key challenges was to define “success” and, as evidenced by the findings detailed in chapters 5, 6 and 7, that definition was different for each case and was generally the result of a mixture of quantitative and qualitative measurements. Some cases were relatively straightforward in terms of defining what a successful outcome might be, in that it was easy to identify stated policy goals and objectives. This, in turn, made it easier to judge whether or not success had been achieved. However, other cases presented challenges in terms of the policies that were desired and whether or not there was agreement across multiple constituencies that these goals were valid and desirable. In some cases, different groups of actors were pursuing different policy goals and, in these instances, I noted the competing perspectives and attempted to identify as many of the goals as possible. In addition, in instances where little progress was made in moving a project forward, I attempted to discern whether or not this was the result of the absence of a nonprofit organization, as my theory would suggest, or whether there were other valid factors that might have inhibited development.

## Case Identification and Selection

Decisions about how to select and define cases for study were guided by a review of the literature surrounding both the nature of qualitative research and the importance of proper case selection. Indeed, the need for researchers to exercise great care in the selection of a strategy to identify and choose cases for study cannot be overstated, particularly in research designs, like my own, that rely on relatively small sample sizes. As one researcher puts it, “the chosen case is asked to perform a heroic role; to stand for (represent) a population of cases that is often much larger than itself” (Seawright and Gerring, 2008, 294).

At least seven different types of potential case categories have been identified through a variety of qualitative case studies, as summarized in an often-cited book on qualitative research (Gerring, 2008):

1. *Typical Case* – selection of a case because it is considered a representative of the population that is under review
2. *Diverse Cases* – selection of two cases (at a minimum) that represent the full spectrum of values characterizing the relationship under study. Examples include George and Smoke (1974) and Patton (2002).
3. *Extreme Case* – a case that is considered to be an extreme value on either the X or Y variable is selected; the rareness of the case is what solidifies its value (see Emigh, 1997; Mahoney and Goertz, 2004; Ragin 2000, 2004).
4. *Deviant Case* – the selection of a case that defies conventional wisdom about the type of responses that would be expected, given what is already known about the issue under study.

5. *Influential Case* – the selection of cases is centered on finding cases that support the assumptions of a larger, cross-case theory; measurement of Cook’s distance can play an important role in this type of case study.
6. *Most Similar Cases* – selection of two cases (at a minimum) that are similar in every way except for the independent variable. This type of case study has been widely used in the social sciences, dating back to the late 19<sup>th</sup> century (Mill, 1872).
7. *Most Different Cases* - selection of two cases (at a minimum) that vary greatly in every variable except one independent variable and the dependent variable. All other independent variables are then studied in-depth to determine causation.

My case selection method for this research project is rooted in technique #1, as I chose cases that best represent some of the key economic development policy goals of the city of Detroit at the turn of the 21<sup>st</sup> century.

In many ways, the use of the city of Detroit as the urban laboratory for my cases could easily be construed as selecting an “extreme case” at the macro-level of analysis. According to the definition offered by Gerring, (2008, 297), extreme cases are unusual and perhaps not representative of the entire population, but they still have value in helping us understand how the independent and dependent variables under study behave in rare circumstances. The fact that the city of Detroit, as well as several key business actors, struggled in unprecedented ways during my time period of study made for not only a unique investigation, but also sheds light on how individuals, institutions, and entire sectors behaved before, during and after the crisis.



## Case Selection Techniques

I am employing a multiple case study method, having ultimately selected six economic development projects within the city of Detroit during the first decade of the 21<sup>st</sup> century. As Yin (1994) suggests, a multiple case study technique is more advantageous to the social science researcher than a single case study because theory building can begin to take place when similar themes and outcomes arise within the data generated from those numerous cases.

A number of researchers have provided alternatives for how cases should be selected for qualitative research projects. While some social scientists subscribe to the idea that only rigorous statistical sampling can produce “pure” results (as noted in Glaser and Strauss, 1967; Strauss and Corbin, 1990), other researchers have embraced the notion that qualitative research requires case selection techniques that may differ dramatically from those employed in quantitative projects.

Issues of selection bias are almost inevitable in the use of a purposive sampling strategy (Achen and Snidal, 1989; Collier and Mahoney, 1996; King, Keohane, and Verba, 1994), but selecting cases randomly also has its issues. As Gerring (1994) points out, by conducting a small comparative study of drawing cases for a small-n study through both randomization and purposive techniques, “For a comparative case study composed of five cases (or less), randomized case selection will often produce a sample that is substantially unrepresentative of the population... the argument for some sort of purposive case selection seems strong.” (Seawright and Gerring, 2008, 296).

Stake (1994) contributed to the discussion over how cases should be selected by explaining that there were basically two options with respect to case selection. The first style is *intrinsic* – which he defines as instances where the cases are predetermined given the topic that is

under study. The second selection style is *instrumental*, which Stake defines as causing researchers to choose one or more cases from a number of possible alternatives. Based on these criteria, the selection of my cases would be defined as instrumental, in that I have identified a number of potential alternative economic development projects for study and ultimately selected my cases from among those possibilities.

Miles and Huberman (1994) offered one of the most definitive frameworks for selecting cases, arguing that sampling strategies should be evaluated by utilizing six different attributes to judge cases as relevant and important for study:

1. Selection of a sampling strategy that is relevant to both the theoretical framework of the research and the question under study;
2. Selection of a sampling strategy that is likely to yield “rich information on the type of phenomena to be studied” (Miles and Huberman, 1994, 34);
3. Creation of a sample that enhances the generalizability of the research;
4. Selection of cases that produce believable descriptions and explanations for what occurred;
5. Consideration of the ethics of pursuing a particular sampling strategy; and
6. Consideration of what type of sample is feasible given the limitations of the researcher.

When viewed through the lens of Miles and Huberman’s framework, my methods for case identification place emphasis on questions #1, #2, #3 and #6, in that my selected cases are diverse enough to yield rich information about the subject, allowing for the creation of believable descriptions of what occurred and the role that a variety of organizations and individuals played in affecting the policy outcomes. However, there is also no question that my research was

limited by my geographic and financial limitations in terms of study, as well as my desire to complete the project in a timely manner.

I utilized a purposive sampling technique to generate a list of potential cases, then randomly selected six cases from that list to study. In order to generate a list of potential economic development projects within the city of Detroit at the turn of the 21<sup>st</sup> century, I conducted an initial stage of research to establish the 12 economic development issues in the city of Detroit that received the most coverage in Detroit's major media outlets during 2000–2004, as defined by the number of articles that were written about them in major print media outlets in Detroit. The list of 12 appears in Appendix A.

I then randomly selected 6 of the 12 cases for study:<sup>1</sup>

- The redevelopment of Eastern Market
- The development of mass transit along Woodward Avenue
- The redevelopment of Midtown
- The redevelopment of the Jefferson East area
- The redevelopment of the Riverfront area
- The redevelopment of the area around Detroit City Airport

In general, these cases appear to align well with some of the most important policy needs of the city of Detroit, specifically the desire to revitalize key sections of the city and to create areas of the city that attract residents, businesses and visitors. Geographically, my cases were concentrated along the Woodward Corridor and Detroit's east side, but that was the result of random selection.

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<sup>1</sup> On August 4, 2013, I wrote the names of all cases on small sheets of paper and placed them in a paper bag. I then drew six slips of paper out of the bag and those six became my cases of study.

## **Data Collection**

For each of the above cases in the area of economic development, I utilized a mixed method approach to data collection. In the first phase of my study, I conducted a thorough analysis of documents and primary sources relating to each case. These sources included meeting minutes, policy papers, media reports, annual reports, marketing materials, strategic plans, and any other planning and organizational documents that I was able to identify as potentially relevant and salient to the case. Where possible and practical, I obtained information from the period 2000–2010, although documents from the first part of the century were more difficult to identify and find. In addition, this phase of the project allowed me to identify the boundaries and scope of each project.

My goal was to gain a thorough understanding of the policy goals that were articulated for each case (if any) and the degree to which those goals were ultimately achieved. This phase also allowed me to gain vital information about the organizational and individual actors that featured prominently in the decision making for each policy arena's cases. Employing a technique demonstrated by other researchers, I also used my document analysis to generate potential interview questions (Goldstein and Reiboldt, 2004).

On balance, document analysis provides the researcher with numerous advantages in terms of completing a research project efficiently. Numerous researchers have articulated these advantages, including the method's cost effectiveness (Bowen, 2009), the general availability of documents (Merriam, 1998) and their exactness in terms of identifying people and places involved in the issue (Yin, 1994). Of course, there are also limitations to document analysis, including the concern that documents may contain insufficient detail (Bowen, 2009) and that they may be biased in terms of the document's originator (Yin, 1994).

## **Interviews**

In phase 2 of the project, I conducted semi-structured interviews with key institutional actors who can provide insight into the selected cases. Identification of these interviewees was accomplished through a purposive, snowball sampling technique. Prominent actors identified through the phase 1 data analysis were contacted and asked for an interview. My goal was to interview 4-6 interviewees for each case. The majority of these interviews were conducted at a location convenient to the interviewee, often their workplace. I received approval from Wayne State University's Institutional Review Board during Winter 2014 to conduct this research.

The goal of these interviews was to gain a better understanding of how various individuals and organizations affected the development of the individual cases under study. Specifically, I sought to understand their perspective about the role that they (and their institutions) played in the development of the specific case during the time under study. In cases where they were not actively involved in the project, I asked questions designed to garner information about their observations of the project, as well as the players and organizations involved. Interviewees were promised confidentiality, but not anonymity and each individual was required to sign an informed consent document prior to their interview. Each participant was assigned a code number that was known only to me and a master list of the interviewees was kept in a locked box in my office.

Questions were structured but open-ended in order to allow me the opportunity to follow up on potential avenues of inquiry as necessary. A copy of the interview instrument is attached in Appendix B. In keeping with the best practices of qualitative researchers, I revised my interview questions as time progressed, recognizing that emergent detail can sometimes lead to the most successful information gathering opportunities (Creswell, 2007). In addition, I sought

recommendations from each interviewee about other individuals that should be contacted, which allowed me to greatly expand my potential interview list. In the end, I completed 26 interviews. A list of the organizations represented by my interviewees is attached in Appendix C.

Utilizing a technique that is standard in qualitative research, I recorded all of the interviews and transcribed them as soon as practical after the interview had been conducted. In addition, I made notes about my impressions of the interview both during and after the interview, a technique recommended by numerous scholars (Glaser and Strauss, 1967; Field and Morse, 1985; Morse, 2002). Overall, I recorded 32.5 hours of interviews.

### **Data Coding and Analysis**

In terms of conducting an analysis of the documents gathered for each case, I followed best practices in social science research. Formal document analysis requires that “data be examined and interpreted in order to elicit meaning, gain understanding and develop empirical meaning” (Bowen, 2009, 27). Other researchers have defined document analysis as a method of triangulation, wherein the researcher must utilize multiple sources of data in order to provide evidence that can corroborate assertions (Denzin, 1970; Eisner, 1991).

I utilized two levels of analysis for the documents obtained. First, I conducted a thematic analysis, which is a type of pattern recognition that allows emerging themes in the data to be identified and to provide categories for further analysis (Fereday and Muir-Cochrane, 2006). From this initial analysis, I constructed categories that allowed me to identify themes in the data. As a second stage of document analysis, I performed a full content analysis in accordance with the principles of grounded theory research, as explained in Glaser and Strauss’ seminal work on

the subject (Glaser and Strauss, 1967). A thorough and systematic review of the documents, along with my ability to organize them into categories, was critical at this stage of the project.

The second phase of my research, the interview phase, also required a formal content analysis to be performed. In a seminal article on qualitative research, the need for a researcher to collect and analyze data concurrently was cited as one of the key indicators that a qualitative research project would have a high level of reliability (Morse, 2002). Specifically, the author cited the mutual dependence between what is known and what still needs to be known as one of the most important reasons for a researcher to conduct a preliminary analysis even as interviews are ongoing. Accordingly, I performed a content analysis of each interview immediately after it was conducted, using both my interview notes and the transcript. Again, once an interview was conducted, it was transcribed by an external firm as soon as possible and analyzed for categorization and a formal content analysis was performed.

## **Conclusion**

Although I made every effort to conduct my dissertation research according to current qualitative research standards, there is no question that this type of research is part art and part science. Two of the most cited scholars in the field of qualitative research offer this conclusion about the nature of this type of research:

Qualitative analysis is many things, but it is not a process that can be rigidly codified. What it requires, above all, is an intuitive sense of what is going on in the data; trust in the self and the research process; and the ability to remain creative, flexible and true to the data all at the same time. Qualitative analysis is something that researchers have to feel their way through, something that can only be learned by doing (Corbin and Strauss, 2008, p. 16).

The results of my research are contained in Chapters 5, 6 and 7 of this document.

## **CHAPTER 5: THE CASES OF MIDTOWN, EASTERN MARKET AND DETROIT'S RIVERFRONT**

### **Introduction**

In Chapter 5, I will examine the economic development landscape in Detroit during the period 2000-2010, highlighting some of the key actors and explaining their various roles in the region. Contextual information about the city of Detroit's struggles during this time, the state of the business community, and the decline of city government will also be provided, as will background information about the nonprofit and philanthropic sectors active in the city and the region. I will also provide summaries of the first three of my six cases, redevelopment in Detroit's Midtown district, the transformation of Eastern Market, and the redevelopment of Detroit's riverfront.

### **Background**

In the year 2000, the City of Detroit published a yearbook highlighting recent economic development projects in the city. At the time, Detroit was the ninth-largest city in the United States, with approximately one million residents. Numbering 28 pages, the yearbook's highlighted projects provide a unique window into the dire economic straits that the city was experiencing. Prominently displayed in a listing of private developments in the city over the decade from 1990-2000 was the touting of a new Bennigan's restaurant – a mid-size, chain restaurant that opened one location in Detroit's Greektown district (City of Detroit Annual Economic Report, 2000) That a city Detroit's size would consider the opening of an 80-seat restaurant worthy of special mention in its annual yearbook demonstrates the challenging climate of economic development that local leaders faced at the turn of the millennium. Three years later, when the highly celebrated Bennigan's closed its doors amid much less fanfare than its



opening caused, the city's economic conditions during the first decade of the 21<sup>st</sup> century were even more difficult. However, as this chapter will demonstrate, not all projects in the city of Detroit during 2000-2010 were unsuccessful; in fact, in key areas of the city, transformations were occurring that would receive national and even international recognition. Before we look deeper into these cases, however, it is important to understand some of the important institutional actors in the city during this time frame.

### **City of Detroit Historical Context**

Founded in 1701 by a French explorer, the city of Detroit has occupied a unique position in America's history. From its days as a frontier town that was part of both the French and British empires to its days as a final stop on the Underground Railroad, Detroit's first two centuries were marked by steady, if slow, progress. By the end of the 19<sup>th</sup> century, however, Detroit was an industrial boomtown, with the shipbuilding and stovemaking industries revolutionizing the population. Throughout the 20<sup>th</sup> century, it was the center of the nation's automotive industry and the creativity of its citizens brought us the unique sounds of Motown. However, many of Detroit's successes had turned sour by the latter half of the 20<sup>th</sup> century, as racial tensions and civil unrest strained the social fabric of the city and its surrounding suburbs and the globalization of the automobile industry helped push the city's economy to the breaking point.

Occupying just less than 143 square miles, the city of Detroit is the anchor in a region that is known as southeastern Michigan. While the city of Detroit's population numbered approximately 900,000 in 2000, the southeastern Michigan region was home to more than 4.2 million people (U.S. Census, 2000). During the ten years from 1990–2000, the city of Detroit lost 7% of its population, while the population in its surrounding suburbs increased 8%

(Brookings, 2002). In addition, the poverty rate was 26.1% in 2000, ranking it 88<sup>th</sup> in household income among America's 100 largest cities (Brookings, 2002). In sharp contrast to the abject poverty in the city of Detroit, immediately to the city's north sits Oakland County, one of America's wealthiest counties.

The first decade of the 21<sup>st</sup> century was not kind to Detroit. The city experienced a nearly 25% drop in population from 2000–2010, falling from 951,270 residents in 2000 to 713,777 in 2010 (U.S. Census Bureau, 2000, 2010) In addition, the number of occupied houses also fell by 10% (Detroit Drill Down Report, 2010). In one twelve-month period, Detroit ranked as the second worst city in the nation for jobs, saw its housing market become the weakest in the nation, and in the space of one week was crowned both the most murderous city in the U.S. and America's most miserable city (Alexander et. al, 2008). Two of its most important employers, General Motors and the Chrysler Corporation were forced to seek government assistance and declare bankruptcy in order to sustain operations. Three years into the next decade, in 2013, Detroit became the largest American city in history to file for bankruptcy protection.

Within this larger picture of difficulty, however, several bright spots are visible. The Midtown Detroit district, home to many of the region's anchor organizations and cultural institutions, has been hailed as an example of exemplary redevelopment efforts, while Detroit's riverfront has experienced a renaissance that few would have predicted in 2000. The city's Eastern Market, an open-air public marketplace located just east of downtown Detroit, has been revitalized and is now a leader in ensuring that the city's residents have access to fresh produce. However, at the same time that Midtown, the riverfront, and Eastern Market enjoyed growth, the city's far east side has struggled to gain traction in its redevelopment efforts, and vast stretches of the city, including the neighborhood adjacent to Detroit City Airport, have experienced

significant declines. In addition, the city has struggled to enact a long-planned light-rail transit plan for its main thoroughfare, Woodward Avenue. The reasons behind these successes and failures are myriad, but, as my research will show, there are some key commonalities amongst the cases with respect to the actors involved, the processes utilized and outcomes that were realized.

### **The Detroit Governmental Landscape from 2000-2010**

One of the core elements of regime theory is the idea that local government officials play an active role in the setting of an urban agenda and the enactment of strategies to achieve those goals. They do this, of course, in coordination with an active and engaged business community, but the first key element is the role of government. Detroit in the first decade of the 21<sup>st</sup> century faced numerous challenges and perhaps none were greater than the leadership issues faced in city government. During the period from 2000-2010, Detroit was governed by four different mayors, saw a mayor and city council president indicted on corruption charges, and watched as its legislative and executive bodies constantly fought over the direction of the city (Bonisteel, 2008; Crain's Detroit Business, 2009; Davey, 2009).

On November 6, 2001, Kwame Kilpatrick was elected as the youngest mayor in Detroit's history. Entering office with the support of the business community, great things were predicted for both the new mayor and his city. A 2008 profile of Kilpatrick noted:

As city leader, Kilpatrick largely charmed metro Detroit businesspeople, who contributed hundreds of thousands of dollars to his campaigns and various political funds -- some of which have come under question -- and were among the last to speak out against his behavior. He cast a spell on Wall Street analysts, who generally approved of his efforts to stabilize Detroit's fragile budget, which included borrowing tens of millions of dollars (McGraw, 2008, 1).

During his tenure, the city of Detroit enjoyed great successes, and there is evidence that his work helped spur economic development in some areas. One of the city's most influential business leaders, Dan Gilbert, was quoted in 2007 as saying, "Mayor Kilpatrick simply gets it. Unlike a typical politician, he is about the what, not the who. He is a man committed to reviving the city" (McGraw, 2008, 1). Several of my interviewees also noted the role that his administration played in one of my cases, the redevelopment of the Riverfront district.

However, by the end of the decade, Kilpatrick had been forced to resign his office and had been indicted on federal corruption charges (Wattrick, 2010). In addition to accepting bribes and cash gifts from contractors, Kilpatrick was eventually found guilty of attempting to influence economic development projects in the city and of accepting bribes and kick backs from contractors working on projects in the city. As detailed in news articles at the time, the indictment noted:

Kilpatrick is also alleged to have pressured development officials to give contracts to (his friend) for the Book-Cadillac restoration and Tiger Stadium demolition, even though he was not the low bidder. The board of the Economic Development Corporation voted to award the Tiger Stadium contract to a lower bidder at the recommendation of the Detroit Economic Growth Corporation. In response, the indictment alleges that Kilpatrick Chief of Staff Kandia Milton demanded a DEGC official resign. The unnamed official refused. (Wattrick, 1)

Kilpatrick was eventually found guilty on 24 counts of racketeering, extortion, bribery and federal income tax evasion (Fisk, Church, and Raphael, 2013). Upon his resignation, City Council President Ken Cockrel served as interim mayor until a special election could be held, with Detroiters eventually electing former NBA star Dave Bing as mayor.

During my interviews, no interviewee mentioned that any kind of corruption or inappropriate activities took place with any of my cases. However, it is important to understand that a general instability in city leadership took place during the end of the time period of study

and that there may be questions about the degree to which Detroit's city government, particularly with respect to economic development, functioned ethically and reasonably during the time period in question.

In addition to the political challenges facing Detroit during the 2000-2010 time period, there is also evidence that the city's economic conditions were rapidly deteriorating. As previously noted, in 2013, the city of Detroit became the largest U.S. city ever to file for bankruptcy protection. An in-depth analysis of the city's fortunes during the end of the 20<sup>th</sup> century and the beginning of the 21<sup>st</sup> century shows that a number of factors combined to make Detroit a cautionary tale in terms of financial management (Bomey and Gallagher, 2013). Some of their key findings included:

- Detroit went on a borrowing binge starting around 2000 to close budget holes and to build infrastructure, more than doubling debt to \$8 billion by 2012. Under Mayor Archer, Detroit sold water and sewer bonds. Kilpatrick, who took office in 2002, used borrowing as his stock answer to budget issues, and Bing borrowed more than \$250 million.
- Detroit's spending on retiree health care soared 46% from 2000 to 2012, even as its general fund revenue fell 20%
- The total assessed value of Detroit property fell a staggering 77% over the past 50 years in 2008 dollars (Bomey and Gallagher, 2013, 4-5).

During the time period in question, the city of Detroit was clearly under a significant financial strain, and all of my cases were undoubtedly affected by this in some way. Many of my interviewees noted that, even in instances where the city government was actively involved in a project, the city always faced funding challenges.

## **The Economic Development Landscape in Detroit**

The phrase “economic development” is one that is at the same time broad enough to encompass numerous types of activities, yet also specific enough to apply to specific instances of economic projects. A report by the Citizens Research Council of Michigan (CRC of MI) defines economic development as encompassing the following activities: strategic planning; promoting the development of new projects and services; business attraction; business retention; workforce development; provision of support systems and technical assistance; and advocacy (CRC of MI, 2007). In that same report, the CRC of MI expressed the challenge of evaluating the success or failure of economic development initiatives, noting:

The complexity of determining the effectiveness of economic development efforts is exacerbated by the fact that success by one definition could be judged failure by a different definition... The particular measurements collected and used must be appropriate to the goals and programs that are adopted. While jobs and income are widely shared measures, other typical measures include investment and output such as gross state product (CRC of MI, 2007, 12).

I certainly encountered challenges in defining and measuring the success of economic development initiatives in my six case studies and for each of my cases I begin by defining the goals for each initiative and attempting to identify appropriate measures for those cases. Before I review my six cases, however, it is important to understand the general landscape of economic development in Detroit and the key organizations engaged in this type of activity in the city.

## **The Role of Government in Economic Development**

Although the United States has a strong tradition of private sector participation in economic development, there is also unquestionably a role for government to play. The CRC of MI defines the following potential roles for government to play in encouraging economic development: tax policy; infrastructure investments; land use and zoning policies; workforce development; regulation; and educational initiatives (CRC of MI, 2007). In 1999, the State of

Michigan, in cooperation with several local communities, created the Michigan Economic Development Corporation (MEDC).

The function of MEDC is to develop an environment that is conducive to business growth, to create opportunities to entice other economic development to occur, and to market Michigan as a great place to do business. Account managers at the MEDC provide direct assistance to businesses, including acting as a pro-business liaison to state departments and promoting a fair and uniform business climate. The agency provides a variety of special programs, including workplace safety consultation and education, market expansion and international trade assistance, job training, labor market information, government contracting advice, and strategic planning and technology consulting, as well as information on financing, sites, each county, taxes and fees (CRC of MI, 2007, 22).

In the Detroit area, the MEDC provides loans and grants to economic development initiatives in the city and it was mentioned as a contributor in several of my case studies.

An additional form of quasi-governmental economic planning organizations are metropolitan planning organizations (MPOs), which are sometimes known as councils of governments (COGs). The largest MPO in Michigan is the Southeast Michigan Council of Governments (SEMCOG). With its headquarters located in the city of Detroit, SEMCOG serves as the regional planning organization for the seven counties of southeastern Michigan in the areas of transportation, environment, community and economic development, land use and education (CRC of MI, 2007). For my cases studies, SEMCOG was mentioned as playing a role in several of them, although no one that I interviewed felt that they were a major player in any of the city-specific projects I researched, which is perhaps understandable given their regional focus.

### **Detroit's Community Development Corporations**

CDCs, which were also discussed in chapter 3, are nonprofit, community-based organizations that work in neighborhoods to achieve community and economic development goals. The Detroit region has a strong tradition of community development corporations (CDCs), with more than 100 in existence in 2013 (Community Development Advocates of Detroit, 2013). In addition, two large associations of CDCs exist in Detroit. The first, the Detroit Eastside Community Collaborative, exists to promote economic development on Detroit's eastside and is a consortium of 18 different CDCs, while the second, the Southwest Detroit Development Corporation focuses on development projects in Southwest Detroit (Ash et al., 2009). Most of the CDCs in Detroit have a relatively small annual budget (under \$500,000), so their impact may not be as great as their overall numbers would suggest (Ash, et al., 2009). A report on the state of Detroit's community development corporations found that the most common activity for these organizations was community organizing and the provision of affordable housing, with commercial development ranking a close second (Ash, et al., 2009).

Throughout my investigation and research into my six case studies, I encountered numerous CDCs working in the area of Detroit's economic development, including the Warren Conner Development Corporation, the Jefferson East Business Association, Creekside CDC, and others. I had the opportunity to interview representatives from many of these organizations and, where appropriate, their work is detailed in my analysis of each case.

### **The Impact of LISC in Detroit**

In 1980, the Ford Foundation established the National Local Initiatives Support Corporation (LISC) to serve as an intermediary to assist communities with grassroots economic development activities (Ford Foundation, 2006). Detroit's LISC focuses primarily on providing



loans and grants to nonprofits and for-profit entities and between 1990–2009, they invested approximately \$125 million towards community development projects in the city (Ash, et al., 2009). In addition, Detroit LISC focused funding on four key Strategic Investment Areas (SIAs) during the early 2000s, but none of my cases fall geographically into areas that were located in any of the SIAs (Ash, et. al, 2009).

### **Nonprofit Development Organizations**

Within the city of Detroit, the Detroit Economic Growth Corporation (DEGC) is the leading private nonprofit agency whose mission is to help develop public-private economic development partnerships within the city. Founded in 1978, the organization works with businesses that wish to locate in Detroit and helps the business community access the following tools: tax abatements; financing; workforce development; and empowerment zone and renaissance zone location services. (Detroit Economic Growth Corporation, 2013). With a board of directors drawn from the business, civic and government sectors, the DEGC also undertakes its own development projects, largely in response to the needs of Detroit's government. DEGC is one of the largest economic development entities in the city; for the fiscal year ending on June 30, 2010, the organization had revenues of \$5.5 million (Detroit Economic Growth Corporation, 2010). Housed within the DEGC, however, are a number of quasi-governmental agencies, including Detroit's Downtown Development Authority, the Detroit Brownfield Redevelopment Authority and the Local Development Finance Authority. Complicating the landscape further, each of these boards and authorities has its own board of advisors, with a mixture of government and business leaders involved.

Detroit is also home to a regional chamber of commerce that, during the 2000-2010 time period, was touted as one of the largest in the nation (Detroit Magazine, 2007). With a board comprised of top business leaders, the Detroit Regional Chamber hosts an annual policy conference focused on economic and political topics facing the southeastern Michigan region and operates the largest leadership training academy for professionals in the region, Leadership Detroit. Their role in economic development within the city and region is largely one that involves public relations and promotion of the region as an excellent place to work, live and play. As one interviewee put it, “The Chamber is a great cheerleader for projects, but that’s really the extent of their role.”

Founded in 1992, another nonprofit organization, the Downtown Detroit Partnership (DDP), works in the areas of economic development, policy advocacy, and physical improvements to help promote downtown Detroit as a destination for businesses and residents. During the research into my six cases, the DDP was mentioned several times as a key player, particularly in the revitalization of Detroit’s riverfront and the recent efforts to redevelop the easternmost area along Jefferson Avenue. In 2010 the organization reported revenues of more than \$5.7 million, with the majority of those funds (approximately \$4 million) coming from contributions and grants (Downtown Detroit Partnership, 2010). The majority of the organization’s work was in the development and institution of programs that promote living and working downtown, although they also work in the areas of code enforcement, streetscaping, and housing programs (Downtown Detroit Partnership, 2012). During my research, I interviewed both staff and board members of the DDP, gaining insight into their role in economic development in Detroit, as well as their work in several of my cases.

## **Detroit's Philanthropic Community**

The growth in the nation's nonprofit sector over the past few decades, which was noted in chapter 3, was matched by tremendous growth in the philanthropic sector. In the 20-year period between 1985–2004, total charitable expenses (grants) by private foundations grew from \$9.7 billion to \$32.1 billion, while the number of private foundations filing a 990 form with the IRS grew from 31,170 in 1985 to 76,897 in 2004 (Arnsberger, et al., 2008, 132).

Detroit's philanthropic sector is relatively robust, home to large local, regional and national foundations. The Community Foundation for Southeast Michigan is among the largest in the nation, ranked as the 22<sup>nd</sup> largest community foundation in the nation in total assets in 2012, with more than \$655 million (Foundation Center, 2012a). The Kresge Foundation, the nation's 17<sup>th</sup> largest private foundation in terms of 2012 assets, is located in suburban Detroit (Foundation Center, 2012b). Other local foundations of note in the Detroit area include the McGregor Fund, with more than \$154 million in assets in 2012, the Hudson-Webber Foundation, with more than \$167 million in assets in 2012, and the William Davidson Foundation with more than \$449 million in assets in 2012 (Crain's Detroit Business, 2013). As will be evident from the case studies, several of these large foundations played a unique and focused role in Detroit during the first decade of the 21<sup>st</sup> century.

Another interesting actor from the philanthropic community emerged on the scene in Detroit during the time period studied. Established in 1936 with a gift from Henry Ford's only son, Edsel, the Ford Foundation ranked as the second largest foundation in the United States in 2012, with more than \$11 billion in assets (Foundation Center, 2012c). Despite its Detroit ties, the Ford Foundation granted only \$38 million to the region from 1997 – 2006, a relatively paltry sum given its vast resources (Whyte, 2014). However, during the time period between 2007 –

2013, the Foundation gave 81 grants to Detroit-based initiatives, with the grant amounts totaling over \$100 million (Ford Foundation, 2014). The presence of a robust philanthropic sector was undoubtedly one of Detroit's primary assets during the time period of my study and, as is evidenced by my case studies, they often played a vital role in economic development efforts.

### **Role of the Business Community**

Business leaders have made a notable contribution in economic development across the nation, both on behalf of their own firms and through nonprofit CEO organizations that encourage and stimulate corporate citizenship. In Detroit, the "peak business organization," as identified in a national survey of such organizations, is Detroit Renaissance (Hanson et al., 2010, 4). Founded in 1970 in the aftermath of the city's civil unrest in 1967, this organization brings together executives from throughout the region in an effort to provide focus and support for regional projects.

In 2006, Detroit's business community, utilizing the vehicle of Detroit Renaissance, launched an initiative to accelerate economic growth for the entire Detroit region. This initiative, entitled Road to Renaissance, centered on six strategies to grow the region. By the organization's own admission, however, the results were decidedly mixed, with some efforts having marginal success while others were abandoned (Business Leaders for Michigan, 2011). The Road to Renaissance program was built on work done by 15 previous regional studies of economic development initiatives in Detroit, as well as benchmark data from six other U.S. metropolitan areas. While some of the plan's goals were achieved, most notably the creation of an aerotropolis and the launching of a venture capital fund for entrepreneurs, other goals struggled to be realized. In particular, efforts to strengthen the future talent base and to become

the world's leader in global mobility were not fully achieved (Business Leaders for Michigan, 2011).

The Road to Renaissance effort was also notable in its effort to paint a picture of the interrelationships between government, business and other sectors in the economy in Detroit. As part of the project, a survey of more than 380 community and business leaders was completed and some interesting findings were revealed, including:

- 62% of respondents were very dissatisfied or dissatisfied with the relationships that existed between local government and the business community.
- One of the top five negative attributes of the community that was mentioned by survey respondents was government efforts at all levels – from the city of Detroit to the state of Michigan
- Concerns about the culture of negativity that exists in the region and the lack of emphasis on a skilled workforce were also mentioned as impediments to economic development (Detroit Renaissance, 2006).

Despite the fact that 30 of the more than 380 respondents identified themselves as being from the nonprofit sector, no specific questions in the survey focused on the role of the nonprofit community in assisting with economic development.

Beyond those nonprofit organizations dedicated to economic development, however, there appear to be others organizations from the sector that play a role in economic development efforts within the city. Specifically, the role of neighborhood-based nonprofits and community organizations in Detroit's economic development was noted in a 2007 report commissioned by the Community Foundation for Southeastern Michigan. It noted the importance of what it called: "a network of nonprofit organizations committed to area neighborhoods" (Urban

Ventures Group Report, 2007, 37). Specifically, it reported, “In general, neighborhood associations and nonprofit development organizations are a significant positive force” in economic development, going on to specifically mention the Warren Conner Development Coalition and the UCCA/MDI in Midtown as examples (Urban Ventures Group Report, 2007, 37).

In addition, economic development in Detroit has been intertwined with other socio-economic and political issues surrounding the city and this certainly appears to be true during my time period of study. In a 2007 study of community stakeholders, concerns over the ability of Detroit’s actors to surmount these issues in order to achieve economic development goals were voiced:

Issues of race and class were woven throughout many of the conversations about revitalization opportunities. In a few instances, we saw clear skepticism about the feasibility of creating communities that were racially inclusive and that enabled people of different income levels to live and work together in harmony (Urban Ventures Group Report, 2007, 44).

Historical factors, including legacies of racism and class warfare, are also difficult to ignore when studying present-day economic development. Thomas Sugrue’s (1996) portrait of Detroit from 1940–1980 utilized historical background and context as a starting point for modern-day analysis and, when researching my cases, I often found it important to delve beyond my time frame to ensure that I thoroughly understood my cases and the actors involved. In four of my cases, this required looking back in time, understanding the historical factors that led to the behaviors and actions I documented during 2000-2010. In other cases, though, I extended my analysis by several years in order to highlight significant changes that occurred after my formal period of study.

Finally, one of the most interesting issues I confronted in doing my research was the separation between individual actors and institutional entities. In many of my cases, particularly the ones where I observed significant economic growth, my interviewees had a difficult time separating the actions of individual leaders from those of the organizations they represented. Where possible and practical in the write-ups of my cases, I have attempted to attribute actions and decisions to either specific individuals or their organizations, but at times it was difficult to separate the two. Two researchers whose book on Detroit economic development has come to be regarded as a classic illustrated this conundrum best when they wrote:

In an industrial city such as Detroit, community power is structured into large-scale organizations. The major organizations are those of commerce and industry, government, the media, labor and the church. Those who wield power hold commanding positions in these organizations. They do not act as individuals; they act as representatives of organizations. Some of these leaders are more adept than others. Some have more resources than others and are able to translate these resources into political influence more efficiently than do others. A very limited few are able to exercise power even though they do not represent any major organization. Power for most people, however, is intimately connected to positions in an organization (Jones and Bachelor, 241).

Therefore, as I explored and researched my cases, conceptions of power, the wielding of that power and the importance of individual leadership could not be ignored.

### **The Individual Cases**

As noted, I selected six economic development projects within the city of Detroit during the period from 2000 – 2010 to examine. I will examine two of these cases in Chapter 5, three in Chapter 6 and my final case in Chapter 7. In addition to providing insight into the ways in which nonprofit organizations in the city participated in economic development, I believe that these cases also provide examples of how the mixture of politics, economic pressures, leadership

issues and the changing nature of philanthropy combined in Detroit to both help and hurt certain projects, neighborhoods and plans.

### **Introduction to The Midtown Case**

The first of my cases focuses on an area of Detroit that is known as Midtown. As my results show, this district has enjoyed quite a bit of success during the first decade of the 21<sup>st</sup> century despite the difficulties faced by the city of a whole. An examination of the reasons why this occurred lend support to the theory that the involvement of an active and engaged nonprofit organization can lead to successful policy outcomes.

### **The Case of Midtown**

One of Detroit's most renowned districts, by nearly all accounts Midtown Detroit underwent a tremendous transformation during the first decade of the 21<sup>st</sup> century. Home to two large hospitals, two institutions of higher education, and a number of the city's largest cultural organizations, Midtown has long been a destination for residents of metro Detroit and visitors to the region. Despite the challenges that the city of Detroit as a whole faced during 2000–2010, the area known as Midtown experienced a pace of growth that saw it develop into one of Southeastern Michigan's most vibrant neighborhoods. In order to understand how and why this happened, I conducted a series of interviews with individuals from Detroit's government, business, nonprofit and philanthropic communities. I also spoke with residents who live in the area, representatives of the major anchor organizations centered in Midtown, and staff and board members of the leading economic development organization in the area, a nonprofit organization which is known today as Midtown Detroit, Inc. I also reviewed both publicly available and



private organizational documents related to Midtown's history, its development during the time period of my study and recent activities.

## Defining Midtown

The boundaries of the area defined as Midtown Detroit have shifted over time and greatly expanded during the time period under study. For purposes of my study, the area of Midtown was defined as being bordered by I-75 on the east and south, M-10 on the west, and the Ford Freeway or Grand Blvd. on the north. Woodward Avenue is the main north-south thoroughfare through the city of Detroit and it also forms the heart of the Midtown district, serving as home to many of the area's most important institutions.



**Figure 5.1 – Map of Midtown Detroit**

Source: Detroit Metro Convention and Visitors Bureau

In 2010, the total population of the area defined as Midtown was 14,550 (U.S. Census Bureau, Census 2010 Summary File) and the area welcomed more than 2 million visitors annually (Midtown Detroit Inc., 2012). The area is home to more than 80 restaurants, 13 theatres, 12 art galleries and some of the region's largest cultural institutions. The mean household income for Midtown in 2010 was \$25,929, however this number was undoubtedly skewed due to the number

of college students residing in the area (U.S. Census Bureau, American Community Survey, 2010). Unlike many other areas of Detroit, the occupancy rate of housing units in 2010 was relatively high at 74.7%, although the percentage of renters in the area was also quite high (68.4% of occupied units) (Data Driven Detroit, 2013). Again, this is likely due to the presence of Wayne State University and the College for Creative Studies.

### **Anchor Institutions**

One of Midtown Detroit's most obvious assets in terms of attracting residents and businesses is the presence of educational institutions, major health systems and cultural institutions. Specifically, Midtown is home to the Detroit Medical Center (DMC) which consistently ranks as one of Detroit's largest employers, with more than 12,000 employees, and the Henry Ford Health System, with more than 9,000 employees (Midtown Detroit, Inc., 2012). In addition, Wayne State University and the College for Creative Studies, two institutions of higher education, reside within the Midtown district. Wayne State's enrollment in 2000 was 28,640 students, a number which rose to 29,692 by 2009 and it employed just under 6,000 individuals (Wayne State University, 2009). The College for Creative Studies enrolls approximately 1,300 students annually and employs several hundred faculty and staff members, according to an interviewee with whom I spoke.

A number of the region's large cultural institutions are also present in the Midtown district. The Detroit Institute of Arts, one of the largest and most highly respected art museums in the nation, is located in Midtown, while the Detroit Symphony Orchestra sits on Woodward Avenue within the southernmost portion of Midtown. In addition, the Detroit Historical Museum, the Detroit Science Center, the Charles H. Wright Museum and the Detroit Children's

Museum are located in the district. Together, these institutions bring hundreds of thousands of people to the Midtown district on an annual basis.

Major private business employers in the Midtown district are hard to find. Instead, the district is comprised largely of small retail shops and restaurants, with budgets ranging from \$500,000 - \$1.5 million, according to a staff member at UCCA/MDI. Small entrepreneurial stores and enterprises dot the landscape, which was described by one interviewee who worked for more than two decades in the district this way:

You'll see a barometer of the economic growth from a small business perspective. Currently, there are a number of restaurants, small retail shops, a woman's store, a coffee shop... The biggest impact in Midtown is to be able interest entrepreneurs and sustain most of them. That is a big change. As far as businesses in the neighborhood that have persevered, I think of small places like The Traffic Jam, places that have been around through the good times and bad. Places that are still hanging in there; some of these small diners that are in the neighborhood.

Midtown's main business district is generally along Woodward Avenue, although developments radiating out to Cass Avenue one block west of Woodward have recently begun to develop.

### **Midtown Detroit, Inc.**

One of the most visible and unique features of Detroit's midtown area is the presence of a private nonprofit organization that is solely dedicated to ensuring the success of the area. The organization that is today known as Midtown Detroit, Inc. (MDI) was founded in 1976 as the University Cultural Center Association (UCCA). The organization's initial focus was on special events, public awareness campaigns and the planning and development needs of the area (Midtown Detroit, Inc., 2014). Over time, however, the organization has positioned itself as the single most important actor in the area. A report on the redevelopment of the Woodward Avenue corridor described MDI this way:

Over the years, MDI has positioned itself as an intermediary for all district-related developments and has operated as a 501c3 organization.

Midtown Detroit, Inc. seeks to establish and maintain these neighborhoods as thriving, vibrant, culturally diverse and economically stable urban centers of Detroit (Woodward Corridor Initiative, 2012).

Since 1990, MDI has been led by Susan Mosey, an urban planning professional who has come to be known as, “The Mayor of Midtown” (Welch, 2013). Speaking about the impact that Mosey has had on the development of Midtown, Katy Locker of the Hudson-Webber Foundation noted that, “There were periods of time when we could have lost historic buildings, where businesses that have long served Midtown could have left. (Mosey) has quietly worked to keep those here” (Welch, 2013). Echoing the importance of Midtown Detroit, Inc. and Mosey, a recent Detroit publication noted that:

Midtown Detroit has earned a national reputation as a very different part of Detroit where entrepreneurial spirit is high and crime is relatively low. People almost universally attribute this to the work of Mosey and MDI, which is known today as a one-stop shop for the local urban lifestyle, equipping the single resident, small business, huge developer, and anyone in between with resources to be successful in an otherwise difficult city (Mercer, 2013).

The degree to which MDI is seen as the critical resource operating in the Midtown Detroit district was clear, as 100% of my interviewees believed that it was the critical organization during that time frame.

### **Other Unique Factors of the Midtown Case**

Throughout the time frame of my study, there were numerous federal initiatives to help revitalize neighborhoods in Detroit. In 2000, more than 18 square miles of the City of Detroit were declared part of the city’s Federal Empowerment Zone (EZ), a designation that remained in place until 2009. The city of Detroit as a whole also benefitted from another federally-funded economic development program entitled Renewal Communities (RCs). Detroit’s RC covered approximately 25 square miles and included more than 191,000 residents and nearly 2,800

businesses. However, the areas around Midtown were not included in either the Empowerment Zone or the RC program, which on the face of it would make the Midtown neighborhood less attractive for development during this time period.

Clearly, these programs represent government efforts to stimulate economic development and to rejuvenate key urban areas, but when interviewees were questioned as to why Midtown was specifically left out of the mix, responses generally noted that the area was developing too rapidly on its own to qualify for federal assistance. One interviewee who was a member of the Midtown Detroit, Inc. organization's board during this time commented, "Midtown was left off the list of areas in Detroit that were most in need of revitalization – largely because we were making too much progress on our own." This view was echoed by a city of Detroit staff member who cited the need to divert resources to other areas of the city that did not have a strong organization like Midtown Detroit, Inc. to advocate for them. "In many ways, Midtown was too successful to qualify for some of the funding." Thus, traditional federal government efforts to stimulate economic development were not at work in the Midtown Detroit case.

### **The Transformation of Midtown – 2000-2010**

In order to understand what happened in Midtown Detroit during the first decade of the 21<sup>st</sup> century, I consulted a number of sources and conducted a series of interviews with specific actors who could provide me with information and context about the economic development activities that took place during this timeframe. In addition, I reviewed archival materials from Midtown Detroit, Inc. and accessed a number of newspaper and magazine articles that chronicled development efforts during my timeframe of study.

### **Identifiable Policy Goals**

Regime theory focuses on the interaction between government and business, largely in terms of agenda setting and decision making. However, my focus in this study was on the implementation of policy goals and the success with which those goals were achieved. In order to do this, however, I first needed to determine the extent to which goals for a particular case could be identified. In addition, I had to explore the potential for competing goals to exist or the potential reality that no goals might have been set with respect to the identified case or area of Detroit.

It was difficult to identify any specific and enumerated goals in relation to the redevelopment of the Midtown area during this time frame. I was not able to uncover any planning document or report that proclaimed the ways in which the government, region, anchor organizations, or UCCA/MDI were hoping that the area would develop. A representative of the Mayor's Office spoke about the importance of the city's hosting of the 2006 Super Bowl as a driving force for projects between 2000–2010 within the city, stating: "A lot of things in that time frame specifically was really driven by the whole Super Bowl experience. Everyone wanted to put their best foot forward for 2006." A member of the UCCA/MDI board during that time described the organization's planning process at the beginning of the 21<sup>st</sup> century this way: "Basically what they determined was that Midtown, which already has the majority of the cultural assets of the city, with those 3 anchors, had the opportunity to leverage that in terms of local buying power, employees living or renting in the area, increased traffic and activity."

There were certainly several key initiatives from 2000–2010 that speak to the goals of Midtown enacted during the timeframe. In addition, information gleaned through interviews

with those involved helped me to identify potential policy goals. Specifically, I believe that the following goals were important in the Midtown case:

- *Increased residential housing opportunities and residents.* Attracting new residents to the area and increasing the quality and quantity of the housing stock is generally important in any urban redevelopment effort outside of a Central Business District.
- *Leveraging the power of the cultural institutions and anchor organizations in the area.* Given the prevalence of key large-scale institutions in the Midtown area, it is difficult to imagine a development strategy that did not involve them. In fact, there is substantial evidence that they were always considered critical to any effort to stimulate the area.
- *Increased small business growth.* Much of the Midtown district is comprised of small storefronts and retail shops, as opposed to industrial space, for example, so measureable commercial growth in this area would be an important goal in any redevelopment effort.
- *Increased attention to streetscapes and façade improvements.* In the mid-1990s, the board of UCCA/MDI identified the need to create an area-wide directional signage program as one of its key strategic goals for the next ten years (Midtown Detroit, Inc., 2011).

Beyond these specific goals, however, is a more intangible part of the economic development equation – the “buzz” surrounding a particular area. The Project for Public Spaces recently explored the importance of “placemaking” as a vital component of community development.

They define the concept in this way:

Placemaking is how we collectively shape our public realm to maximize shared value. Rooted in community-based participation, Placemaking involves the planning, design, management and programming of public spaces. More than just creating better urban design of public spaces, Placemaking facilitates creative patterns of

activities and connections (cultural, economic, social, ecological) that define a place and support its ongoing evolution (Project for Public Spaces, 2014).

In addition, numerous scholars and urban planning institutes have documented the importance of developing urban areas into sought-after destinations for residents, businesses and visitors, noting the economic impact and development of social capital that such areas can facilitate (MIT, 2013; Gadwa Nicodemus, 2012; Semenza, et al., 2007). Although not every neighborhood redevelopment effort needs to generate successful outcomes in terms of placemaking or “buzz,” if there were evidence that the Midtown case had achieved a certain level of recognition with respect to this intangible but often sought-after quality, it could certainly be considered as supporting the idea that Midtown redevelopment efforts were successful.

### **Should Midtown be considered a successful case?**

Evaluating the progress made in Midtown Detroit from the time period between 2000–2010 requires a mix of qualitative and quantitative analyses. Measuring the growth of residential development, façade improvements, and the number of small businesses operating in the district is relatively straightforward, but measuring the impact of these changes requires a closer look at what occurred and the ways in which these developments affected Midtown.

In terms of residential development, there is evidence that the area experienced significant growth in the number and quality of its offerings. Lofts, apartments and housing constructed during the time period of study include a renovation of the Park Shelton apartment building (\$15 million), construction of The Ellington Lofts (\$35 million) and construction of the new Studio One apartments (\$55 million). Overall, during the time period of study, \$233.55



million in new or renovated construction in Midtown was focused on the development of residential or mixed use developments (Midtown Detroit Inc., 2014).

The involvement of the anchor organizations and other cultural institutions was also quite high. I spoke with representatives from most of the major institutions and Midtown Detroit, Inc. and it was clear that the medical centers and universities were highly involved in the process of growing the area. During the time period of study, Wayne State University completed a number of successful development projects, including renovations to the Maccabee's Building that totaled \$17.3 million and the creation of new dormitories that totaled \$98 million (Midtown Detroit, Inc., 2014). The College for Creative Studies completed an ambitious project that renovated the Argonaut Building (\$145 million), and the Detroit Medical Center undertook a number of significant renovations to its surgery center, Karmanos Cancer Institute and Brasza Outpatient Center (Midtown Detroit, Inc., 2014). A member of the philanthropic community described the involvement of the anchor organizations this way:

By 2009, Henry Ford Health System and Wayne State University in particular had come to understand that they needed to contribute to the larger community. U3 Ventures prepared a report that showed (their) leadership that in other communities, educational institutions and health care centers were making a significant impact in the larger neighborhood.

Projects by the Detroit Symphony Orchestra, the Detroit Institute of Arts, the Museum of Contemporary Arts Detroit, and the N'Niamdi Contemporary Gallery were also completed during this time.

There is evidence that efforts to encourage small businesses to locate in Midtown during the time period of study were successful. Specifically, 47 commercial ventures under \$1 million were launched during the time frame, with businesses as diverse as a dog sitting service, hair salons and an independent bookstore all starting in Midtown (MDI, 2011). In 2005 alone, more

than 10 new retail businesses opened their doors in Midtown. Several interviewees also mentioned the growth of small businesses (MDI, 2011). An MDI board member commented on one block along Woodward Avenue: “If you look at one section alone, there are two restaurants, one small retail shop, a coffee shop and a woman’s store. All of that happened within a few years.” A formal mayoral appointee and consultant to the city of Detroit spoke this way about the importance of developing and nurturing entrepreneurs: “The small business that’s developed in Midtown is hugely important by giving it street traffic, giving it life, helping the small entrepreneurs, making it an urban place that’s cool and interesting. You discover new stuff, which it didn’t used to be.”

The Midtown district also saw an increase in expenditures on streetscapes and façade improvements during this timeframe. In accordance with its strategic plan, UCCA/MDI designed and installed a wayfinding system for the Midtown district, installing more than 120 signs during 2000-2010 (Midtown Detroit, Inc., 2011). In 2006 alone, \$3.7 million was spent on streetscape improvements (Midtown Detroit, Inc., 2014). Several interviewees remarked on the importance of the streetscapes and façade improvements and the impact that it had on the area’s identity. One employee of a Midtown cultural institution commented:

The other thing that I think has helped with that economic impact is that all of those businesses appear to be things like signage and operation. Before you’d have, figuratively speaking, hand-written signs in a window. Now there’s a common look and feel in the buildings. You see a lot more sensitivity to some of the façade improvements that Midtown Detroit, Inc. helped fund. You see some installation of things like bike racks, benches and the outdoor lighting that’s in the neighborhood and pathways; has made a big difference in bringing some continuity and identity to the neighborhood.

Based on the data gathered about streetscape and façade improvements during this timeframe, I think that it is accurate to conclude that this goal was achieved.

Finally, Midtown Detroit's success in terms of the buzz surrounding the area and its ability to become a destination of choice for residents and businesses alike must be evaluated. This is perhaps one of the most subjective portions of my research in that there are not necessarily concrete measures to help evaluate these items. One thing that is clear, however, is that Midtown's development has generated an enormous amount of attention in the mainstream press. Articles from sources as diverse as *The New York Times*, CNN, *Time* magazine and *Crain's Detroit Business* have chronicled Midtown's success and the excitement surrounding the area (Gregor, 2010; Bare, 2013; Welch, 2013). In addition, Sue Mosey has personally been recognized with numerous awards and accolades for her work in leading UCCA/MDI.

Despite the evidence that Midtown has had great success in certain areas, there is also evidence that some challenges remain. The staff member and board members that I spoke with during my interviews were quick to point out that much work remains to be done. Specifically, attracting more mid-size businesses to the area, expanding development beyond the Woodward Avenue corridor and ensuring public safety were all cited as ongoing issues.

Overall, though, I believe that based on the qualitative and quantitative information that I gathered during my research, the re-development of Midtown Detroit during the time period from 2000-2010 should be considered a successful case. The next step in my research was determining the key factors that led to this success.

## **General Findings**

Based on my research of the area known as Midtown Detroit during 2000–2010, there are several key findings based on my observations and the data collected. The one piece of data that was mentioned by every interviewee and cited by numerous media and institutional sources was

the important role played by the organization now known as Midtown Detroit, Inc. All of the interviewees (18 in total) with knowledge of the Midtown case cited this nonprofit organization as the single most important actor that played the most central role in the development of Midtown during the period under study. Business leaders, residents, representatives from Midtown institutions and anchor organizations, city employees and consultants all agreed that Sue Mosey and Midtown Detroit, Inc. were the most critical catalysts for the growth of Midtown during the period of study.

In response to my direct question about which one organization or individual was most responsible for what happened during 2000-2010 in Midtown, every single interviewee responded that it was either Sue Mosey or the UCCA/MDI. Some of the comments about the impact of Midtown Detroit, Inc. included:

Coalitions don't happen by accident, without a coordinating agency. It starts with the board of the UCCA, which was early on a forum for people talking and connecting developers to non-profits and government in the planning stages without the kind of planning that they've done. You have to have a nonprofit to leverage the investment of the foundations. They're not going to give it to a city. They're not going to give it to a business. Midtown Detroit, Inc. has really been the lead, the driver, the convener, the cajoler, the patient, persistent force to keep that going.  
-a former Mayoral appointee and consultant to the city of Detroit

Revitalizations like what happened in Midtown rely on an organization like Midtown Detroit, Inc. that is focused on getting things done and not just talking about getting things done and convening, but physically transforming a place and owning that and doing it in a way that is responsive to the community and recognizes the community.  
-a representative of the philanthropic community in Detroit

My findings provide evidence that supports my hypothesis that the successful developments in Midtown Detroit during the first decade of the 21<sup>st</sup> century were made possible through the active involvement of a nonprofit agency, Midtown Detroit, Inc.

Additional findings include:

- Most interviewees also cited the lack of a significant role for the city of Detroit, although several interviewees and reports mentioned that the State of Michigan was influential in the area through the Michigan State Housing Development Authority;
- Two large foundations (The Hudson-Webber Foundation and the Kresge Foundation) were cited as being influential in assisting UCCA/Midtown Detroit, Inc. in accomplishing its goals;
- The lack of a significant business presence (with the exception of small retail shops and restaurants) was noted by every interviewee; and
- Nearly every interviewee mentioned the importance of the nonprofit anchor organizations that are present in Midtown.

### **The Role of Government in Midtown**

Traditional regime theory would predict that the success witnessed in Midtown Detroit during my period of study would be largely the result of collaboration between local government entities and representatives from the business community. Within the city of Detroit, the responsibility for economic development in Midtown falls to the Department of Planning and Development, assisted by the nonprofit development authority, the Detroit Economic Growth Corporation (DEGC). However, several of my interviewees voiced their belief that the DEGC's role was largely supplanted by UCCA/MDI's efforts. Although staff and board members of UCCA/MDI noted that the DEGC was a partner at times and on certain projects, it is clear that UCCA/MDI was leading the way. Even a high-level member of the Mayor's Office commented that UCCA/Midtown Detroit, Inc.'s role in the area's growth was the key factor in the development of the area during my timeframe of study:

It truly is so UCCA and Midtown, Inc. They're the ones that coalesced

and helped everyone else's agendas, without getting one more than the other. They still had Midtown as the customer, using that term. I'd also include the DEGC, although to a much lesser extent.

Other interviewees, including a former mayoral appointee and consultant to the city, acknowledged that the city of Detroit's difficulties during the first decade of the 21<sup>st</sup> century helped smooth the way for organizations like Midtown Detroit, Inc. to be more successful:

The city has not had the power to be able to make things happen for a very long time. It has had the power to influence things and therefore, slow them down, move them in different directions, make them more complicated, and make it difficult for things to happen. I say that with all sympathy for the city and the people they represent politically and otherwise, but I think it also is a truth. The city through a combination of not being quite the power player it wanted to be, all kinds of issues about not invented here, very suspicious of other people doing things, particularly people from outside, and then of course the corruption of Detroit on every level, which unfortunately had just become part of the culture.

Several interviewees also noted the role that the state of Michigan played in Midtown, specifically the Michigan State Housing Development Authority (MSHDA). This organization, which is dedicated to supporting efforts to development affordable housing in the state, was instrumental in assisting with the redevelopment of residential housing in the area, providing grants and loans to developers working in Midtown. An interviewee with substantial knowledge of residential housing development in Midtown during this timeframe described it this way:

In the redevelopment of Midtown's residential housing stock, MSHDA came to the table financially and organizationally, because the city of Detroit wasn't able to do much to support efforts...they stepped up and began funding UCCA/MDI as a strong capable delivery partner at the local level, they were comfortable supporting urban redevelopment and good plans.

If interviewees mentioned a particular role for the city of Detroit, it generally was in the area of permitting and approvals for projects. Most interviewees acknowledged that it was not practical for the city to truly be removed from the economic development process, but no interviewee

claimed any knowledge of how the city had participated in an active way. One interviewee who worked in a quasi-governmental development organization during this timeframe noted:

You can never remove government, but in the case of Midtown I don't think that it was focusing on any particular effort. The only way that the City of Detroit focused on anything in Midtown was if one of the anchor institutions or UCCA/Midtown Detroit, Inc asked them to do it and pursued it. The government was definitely not leading the work.

Another interviewee noted:

The city had increasing financial challenges during that time and their increasing inability to provide services, so if they had someone like a Sue Mosey, they were more than happy to let Sue have full responsibility. Now, did they always give her what she needed to be successful, no, but they were more than happy to shift responsibility to Sue's operation.

Based on my analysis of the case of Midtown Detroit during the period 2000-2010, there is very little evidence to support the idea that local government entities or their representatives were involved in any significant planning or implementation of the area's economic development activities.

### **The Role of the Business Community**

Again, traditional regime theory would predict that economic development would, at least in part, be driven by the desires of the business community to provide opportunities for private investment and growth. As previously mentioned, the business community in Midtown is comprised largely of small retail storefronts and restaurants, with no large corporate employer cited as being critical by any interviewee or secondary source that I reviewed. Indeed, many of the types of improvements that one would normally attribute to the business community, from façade improvements to streetscapes were completed by UCCA/Midtown Detroit, Inc. One interviewee who was closely aligned with a Midtown anchor organization commented:

The group known as Midtown Detroit, Inc, formerly the UCCA, has been the leader in keeping up the neighborhood, helping small businesses navigate the city permitting system and maintaining signage and façade improvements. These would normally be things done by the city or the business itself, but in our case, Sue Mosey and her team stepped into the void.

Another interviewee noted the involvement of the traditional development community in the redevelopment of the area, commenting, “There was always a small set of developers down there who were trying to renovate buildings. Some of them worked for years and never made it, and some of them are just starting to have success [in the post-2010 period].” This interviewee was quick to point out, however, that these developers relied on the Midtown Detroit, Inc. organization to organize the efforts and advocate with the city government. A staff member from UCCA/MDI offered the perspective that helping small businesses navigate the city bureaucracy was one of the most important goals of the organization: “Our goal is to help small businesses find their way through the city system. Permitting, zoning, inspections – those are all things that we help them complete.”

In general, I found little evidence that Detroit’s business community participated in the redevelopment of Midtown at a level that would be consistent with their expected level of involvement under traditional regime theory. Certainly, small businesses and entrepreneurs utilized redevelopment opportunities as a vehicle for achieving their own goals, but large-scale, community-wide businesses were not directly involved in the redevelopment efforts.

### **The Role of the Philanthropic Community**

Detroit is home to some of the nation’s largest and most significant foundations, while also enjoying a robust local foundation community. The Community Foundation for Southeast Michigan is one of the nation’s largest community foundations in terms of assets and the



globally-minded Kresge Foundation is located in a Detroit suburb. In addition, one of the largest international foundations, the Ford Foundation, was founded by a scion of one of Detroit's most notable families and during the first decade of the 21<sup>st</sup> century the Foundation began making sizeable grants to Detroit. Locally, the Hudson-Webber Foundation and the McGregor Fund provide high level support to a number of Detroit-based organizations and projects. Thus, in order to gain a complete picture of Midtown's redevelopment efforts, it is important to analyze the role that these organizations might have played.

85% of my interviewees commented on the important role that the foundation community played in providing capital for projects in Midtown during the time period of study. A representative from the Community Foundation for Southeastern Michigan spoke at length about the number of grants that the organization made to UCCA/MDI, small nonprofits in the Midtown area and the larger anchor institutions. Numerous interviewees also mentioned the impact of the Hudson-Webber Foundation's 15x15 program, which was designed to increase the number of young professionals living along the Woodward Corridor and in surrounding neighborhoods. The program, which was launched in 2008, was a collaboration between the philanthropic community and three of Midtown's key anchor organizations, Wayne State University, Henry Ford Health System, and the Detroit Medical Center. In the Hudson-Webber Foundation's own words:

15×15 is a shared vision to attract 15,000 young, talented households to Greater Downtown Detroit by 2015. Although sometimes referred to as a talent strategy, 15×15 is much more a place-based strategy, working in a targeted geography to make it the kind of place young talent wants to be. By focusing on talent attraction and retention, ultimately issues that are critical to achieving that end goal arise – housing, jobs and business opportunities, retail and third places, and safety and perceived safety (Hudson Webber Foundation, 2009).

In addition to direct programs that were supported by foundations, a number of interviewees also commented on how the inclusion of nonprofit organizations as active participants or leaders of development projects can be critical to ensuring the continued flow of philanthropic dollars. As one interviewee put it:

Why do you need a non-profit? There are lots of ways to get lots of things done. I hate it when people call a 501C3 a business structure, I mean a business model. It's not a model, it's a structure. At the end of the day, all a 501c3 is is a way that money can get given and individuals can get a tax write-off if they choose to itemize; many don't, but wealthy individuals certainly do. Foundations can give because they can't give to something that's a for-profit, and they tend to never like to give to government. You have to have a non-profit to be able to aggregate funding to be able to do something.

Midtown Detroit, Inc. certainly was able to leverage support from the philanthropic community to achieve its goals during this time period.

### **The Role of the Nonprofit Community**

As noted earlier in this dissertation, regime theory has largely ignored the role that nonprofit and community-based organizations play in effecting policy outcomes, but in the case of Midtown Detroit, there is clearly evidence to suggest that nonprofit organizations played significant and leadership roles in the achievement of successful policy outcomes. The role of UCCA/Midtown Detroit, Inc has been well-documented throughout this section of my dissertation, but it is worth noting that other nonprofit organizations in Midtown also played significant roles. Certainly, the presence of Wayne State University, the Detroit Medical Center and Henry Ford Health System (all nonprofit organizations) in Midtown, as well as their active involvement in projects like the 15x15 initiative, helped increase the district's likelihood of success. In addition, capital projects by a number of nonprofit cultural institutions helped stimulate economic development in the area.

It also seems clear that the leadership and active involvement of the nonprofit community in Midtown helped achieve other tangential goals beyond pure economic development expenditures. As noted by approximately half of my interviewees, Midtown Detroit, Inc., for example, took on roles that have traditionally been the purview of government or the business community when it led the charge on façade improvements, lighting and streetscape initiatives. Equally as important, many interviewees also noted the role that MDI and Wayne State played in delivering public safety, which is traditionally a service performed by government. By supplementing or replacing city government efforts in key areas in Midtown Detroit, entities within the nonprofit sector stepped up to deliver essential programs and services that were deemed critical to the redevelopment efforts.

In evaluating whether or not causes other than MDI's active involvement might have led to the Midtown district's success, I searched for other changes that occurred in the district during the time. For example, numerous interviewees mentioned the importance of the anchor institutions in Midtown as playing a key role in the district's success. However, these anchor institutions were present in the time periods before, during and after my study, so I could find no justification for concluding that their participation alone made a difference. Instead, it seems more likely that their engagement in the area was spurred on by MDI's activity level and recruitment of the anchor organizations to play a larger role in the district.

### **The Case of Midtown Detroit - Conclusions**

The case of Midtown Detroit's development during the first decade of the 21<sup>st</sup> century provides an excellent test of my thesis that the involvement of the nonprofit community in local policy implementation enhances the likelihood of achieving a successful outcome. Based on my

interviews and external research, it is clear that the nonprofit organization known as Midtown Detroit, Inc. was at the forefront of achieving the economic development goals that were realized during the time period of study. It also seems evident that the economic development that occurred in this area of Detroit was significant, particularly when compared with the general decline suffered by the rest of Detroit.

However, it is also important to note that traditional regime partners, specifically the local government and the business community, were largely absent from the process of re-developing Midtown. The nonprofit community was not just another voice at the policy making table; it was the only voice at the table, except for the philanthropic community's involvement. Government leaders were supplemented by the staff at UCCA/MDI and the roles traditionally played by the business community were embraced by UCCA/MDI and the nonprofit anchor institutions that were located within the district.

Recently, the work of Midtown Detroit, Inc. was recognized with the world's most prestigious real estate development honor, the Urban Land Institute's Global Award for Excellence and Midtown's development has come to be seen as a guidepost for other cities and neighborhoods. One of MDI's key partners, Rip Rapson of The Kresge Foundation commented:

Midtown Detroit Inc. has helped redirect the trajectory of Detroit's reimagination. It has been formative in transforming a significant geography in the heart of Detroit into the kind of dense, vibrant and diverse neighborhood that is essential to Detroit's renewed stability, health and growth. Its successes have not only altered Detroit's approach to urban development, but also hold the promise of informing the practices of countless other cities throughout the country (PR Newswire, 2013).

Overall, this case provides excellent evidence to support my hypothesis.

## **Introduction to the Eastern Market Case**

Prior to 2006, Detroit's historic Eastern Market was owned and operated by the city of Detroit, a period that was marked by a widespread sense of dissatisfaction among many community leaders regarding the ways in which the market was being run. When asked to recount what it was like during the time of the city's operational control, a member of the philanthropic community who had been asked to fund the Market offered this example:

The city of Detroit wasn't running it very well. There were six employees who were in five different unions. The woman who cleaned (the entire Market) didn't have anything but a broom. I went to one ceremony where the vendors and farmers chipped in together \$400 and bought her a cleaning cart and presented it to her one Saturday and she cried. She couldn't get the Market clean.

By the end of 2006, while the city retained ownership of the Market, the Detroit City Council had voted to transfer operational control of the Market to the Eastern Market Corporation (EMC), a nonprofit that was formed out of the merger of two independent nonprofit organizations, the Eastern Market Merchants Association and the Eastern Market Advancement Corporation. The Eastern Market Merchants Association was a membership organization that allowed merchants operating in the Market to act collectively, while the Eastern Market Advancement Corporation was a loose coalition of community activists drawn from throughout the city who believed that the Market was a tremendous resource for the city. Neither organization, according to several interviewees had either the connections or power to effect change in a dramatic way. The transformation of the Market since that time has been substantial in the minds of many onlookers, including 100% of the interviewees, and has helped make Eastern Market into one of the city's most important gathering spots. In examining the factors behind the significant change in the Market's fortunes, more evidence supporting my hypothesis that an active and engaged nonprofit can significantly affect policy outcomes can be seen.

## **The Case of Eastern Market**

In conducting my examination of the transformation of Eastern Market from 2000-2010, I interviewed current and former staff members of the Market, board members of the Market, city officials, and business leaders, including a merchant and wholesaler operating in the Market. I also reviewed publicly available documents, including Eastern Market's strategic plans, news reports from the time of the operational transfer, a number of community development plans and reports, and the Memorandum of Understanding that was signed between the city of Detroit and the Eastern Market Corporation.

## **History of Eastern Market**

Originally founded in 1891, Detroit's Eastern Market is the largest continually-operating open-air public marketplace in the nation, where more than 250 wholesalers, merchants, and vendors sell some of the most unique food offerings available in the city. Covering six city blocks and approximately 43 acres, the public market is surrounded by shops, restaurants, and unique live-work spaces that offer year-round opportunities for residents and visitors alike. On weekends, Eastern Market comes alive with thousands of visitors and area residents and it is estimated that approximately one million people visit the Market annually (Ali et al., 2013). It was added to the Michigan Register of Historic Places in 1977.

The boundaries of the Eastern Market district are generally defined as being bordered by Gratiot Avenue on the south, Mack Avenue to the north, I-75 to the west and Orleans Street to the east, although the formal portion of Eastern Market that is operated by the Eastern Market Corporation occupies a smaller square footage, as shown in the map below.



Figure 5.2 – Map of Eastern Market and Surrounding Area  
Source: Eastern Market Corporation

Eastern Market’s most prominent structures are its open-air sheds, which house the popular Saturday markets and annual events such as Flower Day in May. These sheds, and the land upon which they sit, have belonged to the city of Detroit for more than 100 years.

Eastern Market’s community is best described as a mix of retail shops, small commercial enterprises, galleries, restaurants and light industrial. The average size of a business in the Eastern Market district is 16.5 full-time employees, when excluding the largest business that employs 1,000 employees (Thompson, Stokan and Maniaci, 2008, 7). Commercial rents in the district are commensurate with rates in other parts of Detroit (Ali et al., 2013) and residential development is concentrated primarily in loft conversions and apartments that sit on top of storefronts.

Eastern Market is also one of the areas of the city that is considered a regional asset. More than one interviewee mentioned the “democratic” nature of the Market, with one describing it as “neutral turf” within the city. Another offered the following perspective:

One of the great things about Eastern Market, it is the place in the city that is democratic, everybody’s here; every age, every economic level, they’re all here buying their Christmas trees, buying their flowers, getting their vegetables. The whole thing about getting the food trucks, the programming that’s been done and all of that. What’s wonderful is that Eastern Market Corporation has also created

the vehicles by improving the sheds for other non-profits to be able to use this as a site. As noted by the above interviewee, Eastern Market is a unique resource in the city and, increasingly, the Eastern Market Corporation is being hailed as the key organization behind its development.

### **The Eastern Market Corporation**

Formed in 2006 through a merger of two Eastern Market-based nonprofit organizations, the nonprofit Eastern Market Corporation (EMC) has played a significant role in the development of the Market during the second half of my time period of study. Initially, the organization focused on managing the stalls and working with the Market's vendors. However, its role has expanded over time, and in 2013 it offered a range of programs from grant initiatives for merchants to Sunday programming for families. Most notably, it has also begun to play a major role in one of the most pressing issues in Detroit – the lack of fresh produce and grocery stores within the city. In 2011, the EMC unveiled a new strategic plan, *Eastern Market 360 degrees*, that expands the organization's mission to include creating more opportunities for fresh food consumption within the city. Several of the individuals I interviewed noted that some of the more recent projects that the EMC has undertaken would be difficult for them to complete if the Market were still operated by the city of Detroit, with one noting that, "a nonprofit has the ability to be a little broader in what they look at and do."

The Eastern Market Corporation has also been responsible for numerous capital improvements to the district. In 2008, renovations to Shed 2 were completed under their leadership, and in 2009, Shed 3 was transformed into a semi-enclosed year-round space for vendors. More recently, Shed 5's renovations are nearing completion and the organization just



secured a \$750,000 commitment from the DTE Energy Foundation to construct a 200-seat outdoor plaza in the Market (Gallagher, 2013). All of these initiatives were undertaken after the transfer of operations from the city of Detroit to the Eastern Market Corporation.

Since 2007, the EMC has been run by Dan Carmody, a community development professional with an urban planning background. His role in moving the EMC forward during the time period of study appears critical to its success and most of my interviewees had difficulty separating Carmody's actions from those of the organization he governs. "Dan's leadership has been key," remarked one interviewee. "Dan's commitment and menu of programs is driving the plan [for the Market]," remarked another. Carmody's work at the Market was recently honored when he was awarded the 2013 Eleanor Josaitis Unsung Hero Award, a local initiative that annually recognizes a community member whose contributions are above and beyond the expected level in terms of making a difference in the community (Lawrence, 2013).

Overall, 100% of my interviews cited the Eastern Market Corporation as the organization that played the most important role in the development of the Market during my timeframe, with many of them mentioning Dan Carmody's leadership specifically as important to the process.

### **The Transformation of Eastern Market from 2000-2010**

By 2005, the city of Detroit was seeking ways to streamline its operations and as part of that transition it began to investigate ways to "spin off" certain departments and functions. In early 2006, the city transferred operational authority of the Detroit Zoo and the Detroit Historical Society to nonprofit entities and a similar plan was under consideration for Eastern Market (Ankeny and Begin, 2006). Several of my interviewees noted that Katherine Beebe, an urban planner working with the nonprofit Downtown Detroit Partnership at the time, was instrumental

in developing the plan to transfer operational control of the Market to the newly-formed Eastern Market Corporation. Key to her plan were commitments by the philanthropic community to provide funding for the Market, which was described this way by an interviewee who was involved in the process:

The financing for the spin off came from foundations, like the Kresge Foundation. The spinning off would not have happened without the Kresge Foundation. As I recall they put two million dollars on the table. They set a deadline and said, "You either buy this or you don't." That was essential to having city council accept the deal. There was some real money behind it that they were going to leave on the table if they didn't accept the plan.

Other funding was also in peril if the city council did not act, including \$1 million from the Kellogg Foundation and \$700,000 from the State of Michigan (Ankeny and Begin, 2006)

Although none of my interviewees described her as such, it is easy to see Ms. Beebe in the role of "policy entrepreneur," in the tradition of Kingdon's description (Kingdon, 1995). He defines a policy entrepreneur as "people willing to invest their resources in return for future policies they favor" (Kingdon, 1995, 155). One observer from the philanthropic community described Beebe's actions this way:

It was Kate Beebe. She put her shoulder to the wheel before Dan Carmody got there. She handled the politics beautifully and really, by sheer force of will, made it all happen. She got the operating agreement through city council and they really recognized that each city council member individually wants to know what is happening and to have their questions answered.

The result of Beebe's efforts was an 8-0 vote by the city council to support the transfer of operations to the EMC.

The importance of this transfer in opening up opportunities for the nonprofit EMC to assume day-to-day control of the market was echoed by every interviewee with whom I spoke. One funder noted how the change from city operations opened up the Market more to becoming

a regional asset, which in turn makes it more attractive to philanthropic funding sources. This interviewee offered that the Eastern Market Corporation is:

growing some interesting programming that supports a lot of these entrepreneurs that are jumping up all over the place and being a point where the region feels engaged in what's happening in Detroit. That for us has been a really important role for the Foundation because we're regional. We've been doing a lot on how to engage people from out counties; even western Wayne, Macomb, Oakland, Livingston, and Washtenaw. How do you engage them? Eastern Market is the place people love to come on Saturday morning. It's an entrée into other activities happening in Detroit.

Through a series of innovative ideas and new approaches to solving problems, the Eastern Market Corporation has clearly been at the forefront of developing the district since assuming control in 2006.

### **Identifiable Policy Goals**

As with the Midtown case, it was difficult to identify set policy goals for Eastern Market during this time frame. No planning documents were uncovered that established objectives for the growth and development of the Market and, with the city of Detroit so firmly in control of the Market for the first five years of my period of study, any goals would have to have been identified, or at least blessed, by them. Of course, the goals of a public market in general are potentially different than the goals of other public departments and one of the challenges in this case in terms of policy identification was that, in the words of one interviewee, "the city just didn't know what to do with the Market." Thus, a formal strategic plan for its operations was not available for review.

Given these limitations, I have chosen to utilize general economic development measures that would be appropriate for a public entity such as Eastern Market:

- *Increasing commercial rental rates and occupancy.* Eastern Market's success is built upon the number of wholesale vendors that rent space in the sheds and the density of shops, restaurants and other small businesses that make it a favored destination.
- *Increasing staffing and budget in order to expand operations.* Although there is some debate amongst public administration scholars about bureaucrats' desire to broaden their scope and impact through increased resources, in the case of Eastern Market, several of my interviewees mentioned that the Market was severely under-budgeted and understaffed during the first several years of the 21<sup>st</sup> century.
- *Ensuring that operations are being run effectively.* The administrative aspects of running Eastern Market were constantly discussed by my interviewees, both before and after its transition to the Eastern Market Corporation, so I believe that this is an important objective that should be considered.
- *Providing a better experience for visitors and, as a result, increasing attendance.* As a public location that is built on attracting patrons, Eastern Market would necessarily need to ensure that its offerings were attractive, clean and that patrons felt safe visiting the location.
- *Completing physical improvements to the structures of Eastern Market.* Maintaining and improving the physical infrastructure of the Market is essential in order for it to continue operations in a safe and effective manner.

These measures are among the economic development activities described as being among standard best practices in a 2007 report by the Citizens Research Council of Michigan (CRC of Michigan, 12).

### **Should Eastern Market Be Considered a Successful Case?**

Evaluating whether or not Eastern Market's progress over the period of study qualifies it as a successful case of economic development requires a mix of qualitative and quantitative methods. For some of the goals articulated above, measurements are relatively easy, while others, like the overall quality of the experience that visitors enjoy, require a bit more thought and care. In addition, it was difficult to obtain specific information about Eastern Market and the district surrounding it from the year 2000, so in many cases, I compared the Market district's data to information about other parts of the city.

In terms of the commercial rents enjoyed by property owners in the district at the end of the first decade of the 21<sup>st</sup> century, there is evidence that Eastern Market's rental rates are among the highest in the city, even with 95% occupancy (Ali, et al, 2013). Rental rate information was not available for 2000, so the evaluation between Eastern Market and other areas of the city is the benchmark I utilized. In addition, a staff member from the Eastern Market Corporation confirmed that rental rates for stalls in the Market had increased at a rate higher than annual inflation.

In terms of the expansion of staff and budget expenditures in Eastern Market during the decade of study, the transition from the city of Detroit management to the EMC seems to have made a difference and it is possible to conclude that the overall amount of resources expended on the Market increased during this time frame. During the period from 2000 – 2005, the city of Detroit's average budget for Eastern Market was approximately \$1.6 million, according to an official in the city's Finance Department. By contrast, for the fiscal year ending June 30, 2010,

the EMC realized revenues of \$2.8 million against expenses of \$1.9 million, with just over \$40,000 in funding from governmental entities (Eastern Market Corporation, 2011).

The evaluation of whether or not Eastern Market was an efficiently managed operation is a bit more problematic, especially given the transfer of operational responsibility that occurred during the time period of study. That being said, every interviewee mentioned that the transfer had a significant impact on the Market's operations, with comments like the following being shared by numerous interviewees:

The only thing I'd say is how that (the nonprofit) removes red tape, being able to redo some of the structures and do capital improvements that were needed and explore programs like the Double Up Food Bucks as a pilot site. Things move faster. That's something we see here a lot with other projects. There's some other dollars we end up managing here (at our Foundation) for that same reason. That's the biggest change. I've only heard positive things because of that change. Certainly there are more partnerships and less territorialism.

A merchant from the Eastern Market district also noted that the EMC was more responsive to their concerns than the city ever was: "I never spoke with anyone from the city, except the police and fire." This person went on to explain that Dan Carmody and the Eastern Market Corporation staff were very visible in the district and that they had interacted with them on numerous occasions. A 2008 report on Eastern Market's Reinvestment Strategy that interviewed 134 businesses and vendors associated with the Market, noted that:

The majority (74.4%) of businesses and vendors surveyed rated the Eastern Market Corporation's (EMC's) effectiveness in operating the Saturday Market as either 'somewhat effective' or 'very effective.' This finding was supported by interviewee data where, when asked to rate how well the EMC had strengthened management of the Market, the average rating given was 4.75 on a scale from one to five with five being the highest (Thompson, 2009, 3).

That same report also noted:

Respondent consensus was that Market operations have improved "tremendously," since the EMC took over control from the City of Detroit. This improvement in management spans physical improvements ('cleaner' and 'they've brought equipment and staff') to outreach ('better relationship with vendors'). In the words of

one respondent: ‘They’ve done a terrific job. It [the Market] runs much better. It’s cleaner. There’s better security,’ and another adds “The new manager is exceptional. He knows about economic development and knows how to work with people. He meets stakeholders every day.” (Thompson, 2009, 19)

Overall, I conclude that there is evidence to support the contention that the Market is more effectively managed under the EMC than under the City of Detroit.

Providing a better customer experience is also a difficult thing to measure, as I could find no data documenting how visitors to the district felt about Eastern Market at the beginning of my time period of study. However, there is evidence that customers to the Market were satisfied at the end of the decade. The results of a 2011 survey of visitors to Eastern Market show that fewer than 5% of respondents reported being either “very dissatisfied” or “dissatisfied” with the Market (Reinhardt, 2013). In addition, a 2012 document produced by the city of Detroit noted that during the time period from 2008-2011, attendance at the market and the number of vendors increased every year (City of Detroit, 2012).

Evaluating the progress of physical improvements to the Market is in many ways easier to evaluate than social goals like satisfaction and management effectiveness. As previously noted, the EMC completed a number of capital improvements at the Market during the time period of study. Specifically, Shed 2 and Shed 3 were completely renovated, with additional projects taking place in the period from 2010 – 2014. The impact of these changes was noted in a 2008 survey of Eastern Market staff, vendors and businesses, with one respondent offering, “The renovation of Shed Two is a start: people were confused; it was a mess; it was dirty. It has been recreated.” (Thompson, 2009, 14).

Overall, I believe that based on the qualitative and quantitative information that I gathered during my research, the project to improve Eastern Market during the time period from

2000-2010 should be considered a successful case. The next step in my research was determining the key factors that led to this success.

### **General Findings**

Based on my research of Detroit's Eastern Market district during the time period from 2000 – 2010, there are several key findings that I can confidently report. The one piece of data that was mentioned by every interviewee and cited by numerous media and institutional sources was the important role played by the nonprofit Eastern Market Corporation. 100% of the interviewees (18 in total) with knowledge of the Eastern Market case cited this nonprofit organization as the single most important actor that played the most central role in the development of the district during the period under study. Business leaders, Eastern Market vendors, staff and merchants, city employees and consultants all agreed that Dan Carmody and the Eastern Market Corporation were the most critical catalysts for the growth of the Market during the period of study.

Additional Findings include:

- Numerous interviewees mentioned the important role that the philanthropic community played in both the transfer of operations from the city to the EMC and the formative years of the EMC.
- The lack of involvement of the general business community in the development of Eastern Market was noted, although the role of the merchants, wholesalers and vendors must be considered.



- The city of Detroit's management of Eastern Market was a poor fit from a management perspective, but as the owner of the Market's assets, the city remains a key stakeholder even today.

### **The Role of Government**

Traditional regime theory would predict that the success witnessed in Eastern Market during my period of study would be largely the result of collaboration between local government entities and representatives from the business community. However, the city of Detroit's role in the Market's operation decreased dramatically during the time period in question and there is much evidence to suggest that this decrease in city involvement was one of the key reasons that the Market was able to succeed. As previously mentioned, from 2000-2006, the City of Detroit served as both the owner and day-to-day operator of Eastern Market. In 2006, the city provided \$1.7 million in funding for the Market (Kaffer, 2009). Most of the individuals I interviewed with knowledge of the case expressed their belief that the city was ill-equipped to operate the Market. One interviewee commented, "The city had declining resources and hadn't invested in the operations. There were no lease agreements with vendors and all bills and receipts were on paper – no computers." Several interviewees remarked that responsibility for the management of Eastern Market bounced from several different departments through the 1980s, 1990s and early 2000s. One staff member of a quasi public development organization offered this perspective, "It (Eastern Market) floated around the city budget for a while; no one knew where to put it. It was kind of this anomalous thing. It was in DPW (Department of Public Works) for a while. Then the Recreation department. Then the Cultural Affairs department."

It appears that the city of Detroit's leaders also had some concerns about their ability to run the market. A high-level official from the city of Detroit's Mayor's Office summed up the spin-off of Eastern Market this way: "what we're looking at is what the city should and shouldn't be doing; running a for-profit market may not be the right thing. We can influence the development and economic development, but that shouldn't be a recreation function." Former Detroit City Council member Sheila Cockrel, who voted in favor of the plan to transfer operations to the Eastern Market Corporation offered this opinion about the win-win nature of the deal:

Where we have these critical major cultural icons or symbols of the city's identity, and they can be supported, maintained and improved while relieving the city of the financial obligation of general fund support, it makes sense to me to proceed. It's like keeping an important asset and symbol of the city's position, while being able to share the burden on a regional basis. It's a smart move (Kaffer, 2009).

By 2006, a majority of the members of the City Council agreed with this perspective, voting 8-0, with one abstention, to transfer day-to-day operational control of the Market to the Eastern Market Corporation.

After the transfer, the city continued to own the assets of Eastern Market, including the land and the buildings that form the heart of the space and, as such, they continued to play a role in the overall health of the Market. However, as has been noted in many other areas of this dissertation, the city's ability to govern and its financial situation were solidly declining during this time frame. A current staff member of the Eastern Market Corporation who has been with the organization since just after the transfer summed up the city's role during the late 2000s this way:

Initially, they provided a lot of in-kind services. Waste removal. Police. Water. Electric. But over time we weaned ourselves off of most of their support... The city also, in our capital projects, early on, was providing about 40 – 50% of the funding. Now, though, the funding is much more diversified.

Today, the Eastern Market Corporation reports to the city's Recreation department, submitting an annual budgetary request through the city's process. The city also has one-third of the seats on the Eastern Market Corporation's governing board, with both City Council and the Mayor's Office appointing members. A high-level staff member at the EMC noted that the city is a "key stakeholder" for the organization.

### **The Role of the Business Community**

Again, traditional regime theory would predict that economic development would, at least in part, be driven by the desires of the business community to provide opportunities for private investment and growth. There is little evidence, however, that the greater Detroit business community was actively involved in the development of Eastern Market during the time of the study. No interviewee mentioned a role for the traditional corporate players in town and no documents that I reviewed showed their involvement or interest in the project at a significant level. When pushed, most interviewees mentioned a role for the corporate community in supporting the Eastern Market Corporation through grants and sponsorships, but no interviewee could point to a significant role for the larger corporate community. In terms of their ability to access corporate funding sources, the EMC did not hire a fundraising staff member until 2013, so donations and sponsorships were necessarily limited.

Within the Eastern Market district, there are a large number of merchants, retailers, wholesalers and small business owners whose lifblood is through the Market and who participate in the Market's activities. One interviewee described it this way: "Although they are relatively small, the businesses are the fuel that drives the Market." Another interviewee who operates a storefront in Eastern Market stated that the merchants are generally supportive of the

EMC, noting that the organization has served as a conduit for philanthropic funds that merchants can access for façade improvements and streetscaping. The vendors who exhibit in the Market are a somewhat less important and involved constituency, according to several interviewees. Many of them live outside of the Detroit metropolitan area and their concerns are generally limited to issues that directly affect their ability to sell their goods at the Market.

A community activist who lives on the outskirts of the Eastern Market district expressed concerns about the degree to which the views of wholesalers and retailers are represented through the EMC and noted the fact that this segment includes business owners from outside the greater Detroit area:

One of the interesting things about the business community in Eastern Market is the variety of ethnic interests that it has and the different definitions it has in terms of wholesale versus retail. One of the issues that are coming up now is a gentrification which I know that the business community, having talked to one of the market stalls people that I've gone to for years and years are not quite as happy. I've talked with Dan about this on the fact that it's sometimes a conflict of how they do things and where they go. Also, the business community has out-of-towners. It is not just a Detroit-based community either in terms of their wholesale businesses, which are often arms of larger corporations and other places, and their retail sales people who come from all over the state.

Overall, while there is evidence to suggest that the Eastern Market community of businesses was supportive of the development effort in the district, there is no evidence that they participated in a significant way. In addition, there is little evidence that, as regime theory would predict, the greater business community was involved in the re-development of the district.

### **The Role of the Philanthropic Community**

As mentioned previously mentioned, the philanthropic community played an important role in helping force the Detroit City Council to act on the plan to transfer operations to the EMC. The threat of losing critical philanthropic funding for the Market if action wasn't taken by

June 30, 2006 was one of the key components in getting the transfer completed relatively quickly. In addition, the foundation community has supported the EC from its inception. As one interviewee noted, “When I was at the \_\_\_\_\_ Foundation we did make a couple of grants to the Eastern Market Corporation, to try and get that nonprofit off the ground and try and support their efforts to be a destination in a community center.” An Eastern Market staff member noted that the current funding structure for Eastern Market is somewhat skewed when compared to other public markets across the United States. This interviewee noted that the ratio of earned revenue to contributed revenue (philanthropic dollars) is “flipped” for the Market right now. Traditionally, this interviewee noted, earned revenue is approximately two-thirds of a public market’s revenue, while contributed dollars make up only one-third. In the case of Eastern Market, however, those percentages are reversed, which demonstrates the important role that the philanthropic community has played in Eastern Market’s re-development since the transfer.

### **The Role of the Nonprofit Community**

As previously mentioned, 100% of the interviewees with knowledge of the Eastern Market case stated that the nonprofit Eastern Market Corporation was the most important entity in terms of the Market’s successful transformation. Several observers noted that it was a necessity that the EMC be structured as a nonprofit in order to secure philanthropic dollars. “No foundation in their right mind would have contributed to the city of Detroit to support the Market,” observed one philanthropic leader. Another funder flatly answered, “No” when asked if he would have endorsed a proposal to fund Eastern Market while it remained under the control of the city of Detroit.

Beyond the role of the EMC, though, there is evidence that other nonprofit organizations in Detroit are active in helping to ensure the district's success. Still others see Eastern Market as a catalyst to spur other development in the city. A staff member from the nonprofit Downtown Detroit Partnership commented, "People around the country are jealous of Eastern Market. They try to replicate it in their cities. The idea that you can live in a dense area and not have to have a car, that the area is walkable and that it is safe and secure. That's what we're all working for." One interviewee also commented that the assets that Eastern Market brings to the city are attractive to a young workforce, adding that "the talent wants to be there." In essence, other organizations, including citywide governing nonprofits, are able to utilize Eastern Market as a means for attracting talent and resources to the city as a whole.

### **Conclusions from the Eastern Market Case**

The case of Eastern Market's transformation during the first decade of the 21<sup>st</sup> century provides another excellent test of my thesis that the involvement of the nonprofit community in local policy implementation enhances the likelihood of achieving a successful outcome. Based on my interviews and external research, it is clear that the nonprofit organization known as the Eastern Market Corporation was at the forefront of achieving the economic development goals of the district that were realized during the time period of study.

It is also important to note that traditional regime partners, specifically the local government and the business community, were largely absent from the process of re-developing Eastern Market. The business community, with the exception of those located in the district, was not an active participant in the process and I believe that a case can be made that it was the government's exit from active policymaking in terms of the operations of Eastern Market that

helped propel the district forward with a new vision and leadership team. Much as we saw in the Midtown case, the nonprofit community was not just another voice at the policymaking table; it was the leading voice at the table.

### **Introduction to The Case of the Redevelopment of Detroit's Riverfront**

In many ways, the case of the redevelopment of Detroit's riverfront during the period from 2000–2010 exemplifies the type of project that urban social scientists would point to as an example of how stable coalitions comprised of actors from multiple sectors can work together to achieve policy goals. Local government officials and local business leaders worked in partnership with the philanthropic and nonprofit communities to achieve a number of redevelopment goals, with each sector contributing its own resources and talents to the project. As we will see, there was a unique role for every sector and by working together they were able to achieve the successful redevelopment of one of Detroit's most notable spaces.

### **Background and Development Prior to 2000**

The city of Detroit is situated on the Detroit River, a 32-mile long waterway that connects Lake St. Clair on the north to Lake Erie on the south. Since the city's founding in 1701, the Detroit River has been central to Detroit's economy and society, from the city's days as a fur-trading port to its development of significant industries that utilized the river to transport their goods. It is home to the only international wildlife refuge in North America and is one of the busiest ports on the Great Lakes (Nolan, 2003).

Plans to develop Detroit's riverfront into a platform for economic and community development date back to the 19<sup>th</sup> century. In 1890, Mayor Hazen Pingree proposed utilizing the

riverfront to create a civic promenade, but the plan was ultimately shelved due to economic recession (Ferry, 1980). In the late 1940s and 1950s, Detroit called upon noted architects Eliel and Eero Saarinen to redevelop the riverfront through the creation of a civic promenade that linked buildings along the river to the water (Desiderio, 2009). Much of that plan was ultimately realized through the creation of Cobo Hall, Cobo Arena and Ford Auditorium, all located in Detroit's downtown.

One of the first plans to create a waterfront park or riverwalk along the Detroit River emerged in the mid-1960s with the publication of a planning report by the City Planning Commission. This report proposed the creation of a greenway between Belle Isle and the Ambassador Bridge that would provide "a way to orient oneself in the city" and encourage waterfront activities that would help connect residents and visitors to the river (Detroit City Planning Commission, 1968, 93). In the wake of the civil unrest of 1967, however, this plan was not implemented and Detroit's riverfront remained a mix of empty spaces, warehouses, factories and other buildings.

In 1970, the nonprofit organization Detroit Renaissance was founded by prominent businessmen who were active in the region. Its purpose was to "plan how to reinvigorate downtown, bring new businesses to the city, and fashion a new image for Detroit" (Desiderio, 2009, 85). One of the group's first initiatives was to develop a signature project situated along Detroit's riverfront and they challenged Henry Ford II, chairman of Ford Motor Company, to get involved. The result was the building of the Renaissance Center, a 73-story hotel tower surrounded by four office buildings that contained more than 2.2 million square feet of office space (Desiderio, 2009 97). Although the building certainly had its critics, it became for many the symbolic building in Detroit's skyline. The building's importance to the city of Detroit's



economy waxed and waned over the years, but got a significant jolt in 1996 when General Motors announced that they were purchasing the Renaissance Center and moving their headquarters downtown (King, Raynal, and Phillips, 1996).

### **The Move for Casinos on the Riverfront**

In November 1996, Detroit Mayor Dennis Archer announced the formation of a Casino Advisory Committee to provide recommendations to the city of Detroit about how to bring casino gaming to the city. This move came after statewide voters had approved the building of three casinos in Detroit (Michigan Policy Network, 2008). This vote came after significant public discussions about ways for the state's largest city to increase its revenues without raising taxes. A member of the Casino Advisory Committee with whom I spoke had this to say about the process:

The main recommendation was they should all be together. Gamblers like to be together. I think the number was they had to walk 900 feet?...We suggested a system the Canadians had used where you allow private people to cobble together the acquired space and then offer it on a bid basis, so you could have all the casinos together. That was not followed.

Instead of following the recommendation of the committee, Mayor Archer announced his intention to allow the building of three permanent casinos along Detroit's East Riverfront, and in January 1999, the Detroit City Council approved this plan (Michigan Gaming Control Board, 2000).

This move to locate casinos along Detroit's riverfront proved to be both controversial and costly for the city. In August 1999, the city of Detroit filed suit in Wayne County Circuit Court to seize 47 privately-owned parcels of land along the riverfront in a case of eminent domain, but in December 1999 Chief Circuit Judge Michael Sapala ruled in favor of the defendants and the

city lost (Crain's Detroit Business, 1999). However, Archer's attempted takeover had the effect of stifling business development in the area during this time period, as several of my interviewees pointed out. One interviewee who served on the Mayor's Casino Advisory Committee termed it a "disaster," while another interviewee offered this perspective:

Archer tried to put the casinos on the river. At the time that he tried to do that there was a pretty good restaurant entertainment district that had been developing in that area just east of the RenCen. When he decided that's where the casinos were going to go and the city started assembling land there, that killed that district. It just died. Then of course, it ended up not being the casino district. In that period I don't know if there was anything coming back. That was an area where government destroyed an entertainment district on behalf of an economic development scheme that was never realized.

In the spring of 2001, Detroit's city council effectively ended Mayor Archer's desire to relocate all three casinos to a space along Detroit's riverfront, voting 6-3 against the proposal (*The Detroit News*, 2001). A new plan for the Riverfront was needed and, in the end, Archer's aborted effort would prove to be quite fortuitous for the redevelopment efforts.

### **The Transformation of the Riverfront, 2000-2010**

A 1999 report that urged transformation of Detroit's riverfront cited examples of successful riverfront redevelopment in other American cities, including Minneapolis and Cleveland (Greenway Collaborative, Inc., 1999). This report noted the potential for using the riverfront as a catalyst for revitalization and economic development. In 1997, the Greater Downtown Partnership, a nonprofit organization founded to accelerate the physical development of greater downtown Detroit, published a report on the economic development goals for the Lower Woodward *District*. This area, as defined in the report, encompassed the central business district and surrounding areas, including Detroit's riverfront. In their examination of the options for

spurring economic development along the riverfront, the consultants who completed the project outlined the following issues and goals:

- the introduction of a public riverfront promenade;
- the need to define a strategy for development from the Ambassador Bridge to the Belle Isle Bridge; and
- promoting a mix of year-round events, festival and activities to stimulate use of the area (Greater Downtown Partnership, 1997, 4)

In an addendum to the report, however, the consultants noted that any strategy for the riverfront could only be implemented once the three planned downtown casinos were sited (Greater Downtown Partnership, 1997). However, after that project was abandoned, the riverfront became open for new redevelopment ideas.

In 2002, Detroit Mayor Kwame Kilpatrick established the East Riverfront Study Group, a blue-ribbon commission that was tasked with developing a strategy to revitalize Detroit's east riverfront, which was generally defined as the area between the Belle Isle Bridge and the Ambassador Bridge. Leading the Study Group were the city's Chief Administrative Officer, Derrick Miller, and a high-level executive at the General Motors Corporation, Matthew Cullen. After a 90-day planning period, the group unveiled a multi-layered plan that Cullen described as making "an unparalleled contribution to the image of Detroit as a destination, as our home and as host to global-reaching events like Super Bowl XL, NBA Final Four and Major League Baseball's All-Star Game" (DFRC, 2003, 1).

However, numerous insiders with intimate knowledge of the development of this phase of the riverfront plan described the origins of the project a bit differently, noting that the decision to create the East Riverfront Study Group was made after the plan to create a RiverWalk was

already proposed and vetted behind closed doors. One individual who actively participated in the development described it this way:

The President of the Kresge Foundation, John Marshall, had decided to his great credit that the Kresge Foundation should increase its investment and profile in Detroit. They had done peanut butter investments, a little here and there spread thinly. They wanted to really have an impact in the investment. (We) went out there and met with John. There were one or two other people in the room. We started wandering around the city of Detroit. John didn't name a number at that time, but he said, "Where can I really have an impact?"

This interviewee noted that projects on Belle Isle and Historic Fort Wayne were briefly considered, but talk quickly turned to the riverfront. When John Marshall and the Kresge Foundation decided to invest, another entity was brought to the table, General Motors Corporation, the new owners of the Renaissance Center. A high-level GM executive, Matthew Cullen, was brought into the process. Another interviewee offered the following analysis of what happened in the time period prior to Kilpatrick's 2002 announcement, noting the role that the business and philanthropic community played in the development:

They [General Motors, The Kresge Foundation and the Community Foundation for Southeastern Michigan] went to the Mayor with this baked project. Then the Mayor announced a new blue-ribbon panel to do the feasibility on this project. Then it became a community wide effort and there were representative city government on this planning committee. They went through a whole other project of feasibility work and planning work. Really it was a baked project. It was a well thought out, planned project before it was handed to the Mayor; the mayor then announced, "I'm thinking about doing this." He got a whole other group of people together, which included the planning committee that had been set up. Then this whole new group went out and did a bunch of due diligence and announced the project. The city could have never had done it. Since the city was required, you couldn't do it without the city; the foundations developed, did the planning, handed it to the city. Then the city adopted it and acted like it was their idea.

This description of the behind-the-scenes machinations that were part of the early decision-making process is evocative of the types of politics that are predicted by regime theory. In this instance, however, the players also included the philanthropic community as a lead actor. This

interviewee's perspective was contradicted by a representative of the Mayor's Office who, while acknowledging the involvement of General Motors and the Kresge Foundation, placed credit for the project's development squarely in the hands of the city administration, commenting that "the whole project was driven by the Mayor's Office." This individual was not involved directly in the meetings, however, so these comments are based on impressions, rather than direct knowledge.

However the initial planning for the project occurred, it is clear that Detroit's business community was represented through the presence of General Motors and other high-level business leaders, the government was represented through co-chair Derrick Miller and other participants from the city and the philanthropic community, in the form of the Community Foundation for SE Michigan and the Kresge Foundation were participants. As one interviewee commented, all three sectors had a role to play, but their roles were not necessarily equal:

You could say one's more important than the other; the money is more important than the concept. The reality is you drop any of those pieces and it falls apart. This really is a three-legged stool and it can't balance on two legs. You need all three; you need the corporate and the city. We could say within that three-legged stool those are not even legs. That is clear. I would say the philanthropic and the private played a bigger role than the city's role. That had a lot to do with capacity. The city did try to bring everything that it could to the table.

This planning model appears to have left out the nonprofit sector as a key actor, but by early 2003 that began to change.

### **The Creation of the Detroit Riverfront Conservancy**

As the planning took shape for the redevelopment of the riverfront, it quickly became clear that an entity was needed to manage both the start-up of the project and the intended Riverwalk. The planning team decided to create the Detroit RiverFront Conservancy (DRFC), a nonprofit conservancy modeled on successful conservancies in other cities. One of the key

individuals involved in this phase of the project spoke about the decision to create the DRFC this way:

In other parts of the country the parks that had gone to the conservancy model to supplement city funding, not to replace city funding, were the ones that were healthy. I've interviewed the Prospect Park Alliance and the Central Park Conservancy. There are a couple of other Olmsted Park Conservancies; I think there's one in Atlanta that I interviewed, one in St. Louis that I interviewed, I interviewed at least seven or eight park conservancies, Forest Park Conservancy was one. It was mostly out of a concern that the city had its hands full funding the park space that it already had. The parks were maintenance starved and we didn't want to add to that burden when the tax space was shrinking.

Another funder offered this perspective on the creation of the DRFC, noting:

Nobody was going to give the city money to do it. Simply the lack of confidence; not just that, that's pretty harsh, but it's true. The other reason is because it was a sense that the management of the Riverfront needed to be independent of city politics.

It is possible of course, that some other reason existed that made potential backers uncomfortable about turning the management of the project over to the city government. As noted earlier in this study, this era would later be shown to be rife with corruption in both the mayor's office and the city council. In addition, although no interviewee mentioned it outright, other researchers have noted the role that racial politics plays in the city (Sugrue, 2005; Jones and Bachelor, 1993). Regardless of the reasons, however, it does appear clear that the creation of the DRFC was spurred at least in part because of concerns over the city of Detroit's ability to manage the project given its other immense challenges.

Another factor behind the decision to create a nonprofit to manage the project was to leverage funding from private sources. The Kresge Foundation was the single largest investor in the project, and a representative from the Foundation answered this way when asked whether they could envision a scenario where Kresge would have provided those funds to the city of Detroit to create the Riverwalk:

No, I can't. I think that is really difficult because most foundation boards feel that city government should be paid for by tax revenues. They have the power to tax and that should be how it happens. In fact, even funding public space and public infrastructure through a conservancy raised some eyebrows. In a lot of the financially healthier cities in the country this would have been a city owned project. They would have issued bonds. We've done things in Detroit that we don't do at other places because of the 60 years of shrinking tax space, shrinking population, and the fact that this is our home.

Another funder laughed out loud when asked if they could imagine providing a grant to the city of Detroit for this project, while one other funder offered this perspective, "I think people have to be comfortable in giving their money to an entity that's going to be well managed. Unfortunately with the city there are a lot of concerns about that."

The DRFC was designed to operate with a board of directors comprised of stakeholders drawn from the community, as well as a small staff led by a president and CEO. In late 2003, the DRFC selected its first staff leader, Faye Alexander Nelson, who remained in the position through 2013. As was evident in several other cases, nearly 100% of the interviewees mentioned the critical role that Nelson's leadership played in the success of both the DRFC and the redevelopment of the Riverfront. Nelson's political and negotiating skills were mentioned by numerous interviewees, while others focused on her leadership and vision. This response, from one of DRFC's partners in the project, was typical of the types of comments I heard about Nelson's leadership:

My observation is that Faye was the exact right choice of recognized leader in the community. She was a very effective fundraiser and communicator about what they were doing, and never lost focus... I believe Faye's an attorney; knowledge about the legal setup, all the cleanup work, very complex things that cost a lot of money, but aren't particularly sexy to talk about. Faye managed to maintain the focus on we're going to have this beautiful thing and get some hard work done.

In her start-up efforts, Nelson was supported in her efforts by a number of loaned executives from the business community, as members of the board of directors provided temporary staff to the project.

### **Should the Riverfront Be Considered a Successful Case?**

The redefined goals of the redevelopment of Detroit's riverfront were articulated by one of the city of Detroit's highest-level executives, Derrick Miller, as follows: "All of this is intended to be setting the stage for economic development. We want to send a clear signal to potential investors that our overall vision of a busy urban waterfront is really going to happen." (DRFC, 2003).

Ten years after Miller's declaration, an economic impact study focused on the riverfront development reported the following:

- \$1.55 billion in total public and private investment along or near the riverfront during that time
- annual spending by visitors, employees and residents to the riverfront is estimated to be approximately \$43.7 million
- tax revenue generation from riverfront activity is estimated at \$4.5 million
- riverfront improvements have supported approximately 16,700 construction jobs, with ongoing annual support for 1,300 jobs
- an estimated \$600,000 in positive exposure annually for Detroit as a result of coverage of Detroit's riverfront improvements (CSL, 2013, 9)

Beyond these figures, however, 100% of my interviewees, 20 in all, with knowledge of the riverfront project commented that the transformation of the riverfront was nothing less than



spectacular. One interviewee commented, “It was a huge success,” while another called it “transformative for the city and the region.” A 2012 survey of more than 1,500 Detroit residents and visitors found that 91% of respondents felt that the riverfront had a positive impact on their perception of Detroit (CSL, 2013).

In terms of infrastructure, the redevelopment of Detroit’s riverfront created significant assets for the city of Detroit: 3.5 miles of paved RiverWalk have been opened to the public, with such notable features as a carousel, a riverfront promenade and a dock for pleasure boats. The project’s initial success also spurred the involvement of other entities, including the state of Michigan. In 2004, the state of Michigan took over a 31-acre parcel along Detroit’s riverfront, renaming it Milliken State Park and in 2009, the Park officially opened to the public (DNR, 2014). This represented the first time that the state of Michigan created a park inside an urban area, and it was another key endeavor along the riverfront that was led by the DRFC, although the management of the park is through the State of Michigan’s Department of Natural Resources. In addition, the RiverWalk has become a gathering place for walking clubs, yoga and fitness enthusiasts and community meetings and a large annual event, the Detroit River Days festival, brings more than 1 million visitors to downtown every summer. Future plans to redevelop more of the riverfront are ongoing, as evidenced by the figure below.



Figure 5.3 Map of Detroit's Existing and Future RiverWalk  
Source: Detroit Free Press

Overall, I believe that the efforts to redevelop Detroit's riverfront during the first decade of the 21<sup>st</sup> century were successful, with significant progress being made in the areas of infrastructure investments and economic development.

### General Findings

My research into the revitalization of Detroit's riverfront included interviews with members of the philanthropic community, the business community, local government and the DRFC. I also reviewed numerous reports, studies, press releases and news articles about the case. As a result of these inquiries, I believe that I can report the following:

- The successful outcome of this case represents a true collaboration between multiple sectors of Detroit's community. Most of my interviewees, when pressed to name a single actor or institution that was most responsible for the success of the Riverfront project were unable or unwilling to do so. Instead, they chose to name multiple parties, usually GM, the Kresge Foundation and the city of Detroit. This perspective is also supported by the records and data that I gathered.

- Although there appears to have been little to no involvement from the nonprofit sector during the planning and design phase of the project, the vehicle of a nonprofit was selected for its implementation.

These two key findings speak to the collaborative nature of the project to revitalize Detroit's Riverfront. The next step in my research was to examine the roles and responsibilities of each sector.

### **The Role of Government**

Regime theory would predict that any successful local economic development project would most likely result from an interaction between local government entities and the business community and, in contrast to other cases in this study, there is evidence that the city of Detroit played an important role in the process of redeveloping Detroit's riverfront. After a false start to establish a casino district on the riverfront, the city was supportive of a privately-led effort to develop the space. One interviewee who participated in the early discussions around the project that would lead to the RiverWalk described his interaction with a representative from the Mayor's Office this way:

As I recall the conversation of 12 years ago, (City Official) was quite receptive to the idea. (City Official) felt that the administration would be very interested in figuring out what to do down on the Riverfront. (City Official) also was quick to say, and this is quite characteristic of these kinds of discussions about what has the potential to be fairly controversial projects, we can't have our fingerprints on this. Is there a way that we can take a look at this stuff without it being attributed to the city administration?

Once the project was off and running, however, the city did bring significant resources to the table. A high-level official from the Mayor's Office, Derrick Miller, was a co-chair of the

project, and there is evidence that the city played more than a passive role. An interviewee described the need for the city's involvement this way:

It wouldn't have happened without the city. The city had to sign off on everything that was going to be done... There was a lot of city property in play that needed to be made available and the city was willing to do that in a variety of different ways; lease being the best example of that. The movement of the cement plants, you're actually moving in all three cases to a greater or lesser degree, they were all functioning. They were still operating plants. The movement of the cement silos meant that you're actually moving businesses out of the city and into other parts, and in some cases other communities. There needed to be an agreement that that was an acceptable use of the city's land. This was a very different way of thinking about the available land in the city than had been done before.

Because the land upon which the RiverWalk would sit was owned by multiple entities, the involvement of the city and the state was crucial. Clearing the land, invoking eminent domain and being prepared to re-think the ways in which land was utilized was critical to moving this project forward and for that, the city's involvement was necessary.

A member of the DRFC's leadership team also mentioned another role for the city, one that speaks to the very reason that government exists. This interviewee discussed the city's critical role in ensuring that all voices and perspectives are represented when large-scale projects like the creation of the RiverWalk are discussed. This individual noted, "The city's role in some ways is to give legitimacy and representative voice to the people. I think without that aspect of a public/private partnership it's a lot harder to demonstrate that what a foundation or business wants to do is really tied to the will of the people." Having the city leaders at the planning and implementation table helped the DRFC and the RiverWalk project combat any criticism that the project was being led by those outside the city or by individuals who did not represent the viewpoints of the average Detroiter.

## **The Role of the Business Community**

Again, traditional regime theory would state that leaders from the business community would come together with city leaders to set the agenda for economic development. In contrast to some of the other cases in my study, there is significant evidence that Detroit's business leaders were involved in this project. General Motors, which is headquartered along the riverfront, played a lead role in the project, with one of its high-level officers, Matt Cullen, co-chairing the planning committee and serving as the first chairman of the newly-formed DRFC. General Motors also provided significant funding for the project and participated in the building of the GM Promenade in front of the Renaissance Center. One interviewee described Cullen's involvement this way:

Matt was General Manager of General Motors at the time and was very much the driving force behind this. He was critically important both personally and remains so...He was the one to get General Motors to commit to building the patio at their expense, which of course becomes the showcase. You go out the Wintergarden and that's the beginning of the Riverfront.

Other members of Detroit's business community were also involved in the project by providing resources to the project. One interviewee commented, "A number of our principle corporate citizens, made sure that they were personally involved and financially involved as well." Detroit Renaissance, a nonprofit coalition of Detroit's business leaders, also got involved in the project, designating member funding to the project, according to multiple interviewees. As previously mentioned, several businesses loaned executives to the start-up portion of the project and several businesses continue to loan key executives to the DRFC.

## **The Role of the Philanthropic Community**

As we have seen in other cases in this study, Detroit's philanthropic community played a significant role in the development of the Detroit's riverfront. The impetus and vision for what would eventually become the RiverWalk sprang from the willingness of the Kresge Foundation and the Community Foundation for SE Michigan to commit significant resources to its design, planning and implementation. Every one of my interviewees noted the significance of the philanthropic sector, although no one believed that they could, or did, act alone to make the RiverWalk a reality. One interviewee did, however, put the importance of philanthropic contributions in perspective, noting:

This is not hyperbole, this would never have happened without a \$50 million dollar contribution from the private sector. No capacity like that existed; no motivation like that existed outside of the philanthropic community. What's nice is, and this is more of a general statement, the approach that many of our philanthropic brethren take tends to be much more academic; but it also tends to be much more thoughtful with respect to long-term planning and importance of infrastructure. I like to say 'putting the big rocks in the bucket' - understanding what are the important elements that are going to support the plans in the future. Kresge was the one who recognized the importance of that infrastructure and its potential support to downtown Detroit's revitalization.

That long-term vision and ability to think and act strategically about macro-level issues was another key aspect of the philanthropic community's involvement that was often mentioned.

## **The Role of the Nonprofit Community**

There does not appear to have been a significant role for the nonprofit community in the planning and design of the plan to revitalize Detroit's riverfront. However, there clearly was a significant role for the nonprofit sector in the implementation and ongoing management of the RiverWalk, through the creation of the DRFC. In this way, the nonprofit community became the vehicle through which the project could be fully realized. Most of my interviewees admitted that

little thought was given to the creation of the DRFC and most seemed surprised when I inquired as to why it was not structured as a separate private corporation or chartered as an independent agency of the city of Detroit. One interviewee noted, “I don’t think we ever debated it very much. I think it was just an assumption [that it would be a nonprofit].” In order to ensure that the RiverWalk was maintained long-term, other interviewees argued, it was critical that a new entity be created to oversee it. One noted:

Honestly when you talk about that level of commitment, it does merit its own full-time focus. The other thing is that we had a tendency to make investments in infrastructure or in assets, but not in the maintenance, care and feeding of these long-term...When Kresge came in, and again this is that longer-term view, they said “we’ve got to have somebody who wakes up every day thinking about how to build this thing, how to maintain this thing once it’s built, and what its broader role may be long term.” When you think about it in its aggregated form, this is hundreds of millions of dollars being deployed along a 3.5 mile stretch of the Riverfront. You want to make sure that it has appropriate governance, staffing and attention.

Thus, the creation of the DRFC and its chartering as a nonprofit entity were critical to the project’s ultimate success.

### **Conclusions from the Case of Detroit’s Riverfront**

In many ways, the project to revitalize Detroit’s riverfront supports both my hypothesis and regime theory. Regime theory would predict that a coalition of government and business leaders would come together to establish a vision for the riverfront and in the case of Detroit, that is essentially what occurred. However, a third partner, the philanthropic community, was also essential to the agenda-setting process, necessitating the expansion of regime theory to include additional actors. In terms of the implementation of the project and its successful completion, a nonprofit was actively involved; in fact, a nonprofit was created specifically for this purpose.

Evidence from my interviews and other data suggests that the creation of the DRFC was one of the most critical decisions that helped lead to the project's overall success.



## CHAPTER 6: THE CASES OF JEFFERSON EAST, M1 RAIL AND DETROIT CITY AIRPORT

### **Introduction**

This chapter examines three more cases within the city of Detroit during the time from 2000-2010. Each case provides more insight into the ways in which the government, business, nonprofit and philanthropic sectors participated in economic development within the city, although these cases had a much lower rate of success than the cases of Midtown and Eastern Market. In addition, two of the cases outlined in this chapter (Jefferson East and the creation of mass transit along Woodward Avenue) saw significant activity after the time period of study, so I have included information about the period from 2010–2014 where appropriate.

### **The Case of Detroit City Airport**

#### **Introduction**

When Detroit was awarded the hosting responsibilities for Super Bowl XL in November 2000, expectations swelled and planning for Detroit's moment in the international spotlight started almost overnight. In addition to efforts to ensure a safe and secure experience for visitors to the Motor City, plans for the arrival and transportation of out-of-town guests to the region also started. With its prime location just east of the city's Central Business District, Detroit's City Airport was expected by many to play a significant role in the festivities. The pilots and businesspersons who utilized the airport on a regular basis, as well as the businesses and residents in the neighborhoods adjacent to the airport, were hopeful that an infusion of government and/or private dollars to the airport might spur its development. However, very little of that initial promise was ever realized and, today, Detroit's City Airport remains an example of

neglect and desolation in a city that suffered tremendously during the first part of the new millennium.

### **Defining the City Airport Case**

The need to redefine and redevelop Detroit's City Airport has been an economic development problem whose solution has eluded numerous city administrations. Mayors Coleman Young and Dennis Archer each put forth plans for expanding the airport's runways and worked to attract and retain commercial airlines at the facility (McConnell, 2002; Wilkerson, 1988). In each instance, those efforts failed. In addition, the fate of the residential neighborhoods surrounding the airport has been unquestionably tied to the anchor institution situated in their midst, but the failure of the airport redevelopment plans prior to and after 2000 also had negative consequences for the surrounding neighborhoods.

Based on this information, I concluded that in studying the potential for redeveloping City Airport during the first decade of the 21<sup>st</sup> century, it was impossible to separate the fate of the airport from the fate of the neighborhoods surrounding the airport, so my analysis considers both aspects of the case. As shown in the map below, Detroit's City Airport is wedged into a residential neighborhood, with cemeteries on both the north and south ends of the airport.



Figure 6.1 – Map of City Airport and Surrounding Neighborhoods  
Source: The Detroit News Archives

In seeking information about this case, I interviewed business representatives in the area, city government leaders, community activists in the neighborhood, a pilot who is active in a nonprofit organization supporting the airport and members of the philanthropic and larger economic development community. I also reviewed data and information about the usage and management of the airport during this time period, news articles about the airport and its surrounding neighborhoods and information about intermodal transportation plans for the entire region.

### **History of City Airport**

Since it was built in 1927, Detroit's City Airport, which was officially renamed Coleman A. Young Municipal Airport in honor of the late Detroit mayor in 2003, has attempted to serve the air travel needs of the residents of southeastern Michigan. The airport is operated by the city of Detroit and contains two main runways, a 53,000 square foot hangar and its own fire station. During the late 1980s and early 1990s, Detroit City Airport served as the regional hub for Southwest Airlines, but that airline suspended its use of that airport in September 1993 (DET

Passenger History, 2000). In 1997, discount airline Pro Air utilized Detroit City Airport as its hub for flights to Chicago and Seattle, but the company's operations were grounded by the Federal Aviation Administration in 2000 (PR Newswire, 1999).

The conversations about Detroit City Airport over the past three decades have largely centered on the need to ensure the facility's viability through an expansion of the runways. A 1991 document produced by the City of Detroit's Community and Economic Development Department shows the city's attempt to acquire additional land near the airport in order to expand the operations and to create a safety buffer between the airport and the surrounding neighborhoods. The report noted that there were "125 residential structures (99 occupied), 3 occupied commercial properties, 3 occupied industrial properties, and a number of vacant privately owned properties" to be purchased (City of Detroit, 1991, 5). Several property owners sued the city and, ultimately the city was dragged into protracted litigation and was unable to acquire all of the necessary land (*MI Chrome and Chemical Company v City of Detroit*, 1991; *Merkur Steel Supply, Inc v. City of Detroit*, 1993). In the words of one observer, "a project expected to take 18 months took 13 years" and by 2007, the city was still attempting to buy all of the properties in what had become a desolate neighborhood (MacDonald, 2007).

The election of Kwame Kilpatrick in 2001 brought another round of discussions about the future of Detroit City Airport. With Kilpatrick declaring "Fix or Shut City Airport" in March 2002, the mayor and his team announced plans to seek \$400 million federal transportation funds to improve and expand the airport (McConnell, 2002). Those funds did not materialize. During the 2004 city of Detroit budgeting process, the City Council's fiscal analyst, Irwin Corley, Jr., noted that the airport operations were not meeting the city's financial goals and that, as an

enterprise agency of the city, the Airport Department was expected to be self-sufficient (Moore, 2004).

By the end of the decade, the neighborhood around City Airport had fallen into chaos and was considered to be one of the city's biggest problem areas. Former and current residents began a blog entitled "Going Home" – where they documented the challenges of living and working in the neighborhood (Voss, 2009). In 2013, the area around city airport was named as the third most dangerous neighborhood in the nation, with the analysts noting that 30.2% of the residential structures in the area were vacant and that residents had a one in eight chance of being a victim of violent crime in any given year (Neighborhood Scout, 2013). The reasons behind this decline, and the individuals and organizations responsible, are the focus of the next part of this analysis.

### **Identifiable Policy Goals**

In 2002, newly-elected Detroit Mayor Kwame Kilpatrick provided interested parties with a memorable quote about City Airport, declaring, "Either build a new runway and compete, or shut it down" (McConnell, 2002). This stark choice certainly can be viewed as a policy goal for the city of Detroit and, as the owner and operator of the airport, its policy goals would necessarily be most critical to understand. However, there is evidence that these goals were not necessarily in concert with the wishes of the residents and businesses of Detroit, key stakeholders whose goals must also be considered. There is ample evidence to support the idea that residents in the neighborhoods surrounding city airport were not in favor of expansion and preferred that City Airport's footprint in the community not expand. I could find no evidence to suggest that any business entity or organization felt that the development of City Airport was important to their short- or long-term goals. In fact, the "2020 Southeast Michigan Regional

Transit Plan's" section on aviation does not mention City Airport at all, focusing instead on Detroit Metropolitan Airport, Willow Run Airport and Troy-Oakland Airport as hubs for future air transportation needs (SEMCOG, 1997).

Given these mixed messages about goals for City Airport, I have chosen to accept Mayor Kilpatrick's declaration as a statement of the city's preferred policy goals – fixing or shutting the airport. In terms of "fixing" the airport, the following objectives might be among the potential goals:

- *Expand the runways and attract a commercial airline to provide passenger service.* The expansion of at least one runway at City Airport is considered essential for a commercial airline to locate its operations at the airport.
- *Develop a new operational model for the airport that will sustain a different type of commercial activity.* The suggestion of making Detroit City Airport a hub for freight transportation, for example, was noted by a number of my interviewees.
- In terms of "shutting" the airport, the City had several options for pursuing this policy goal, including:
  - *Close the airport.* This would require securing the facility and then, essentially, abandoning it. The city of Detroit has some history with this type of policy, as it closed numerous buildings, parks and other facilities during the past 30 years (Helms, 2011).
  - *Sell the airport.* Instead of shuttering the facility, the City of Detroit could have pursued a buyer from either the private or public sector.
  - *Transfer operational control of the airport to a private or nonprofit entity, while retaining ownership.* As we saw in the Eastern Market case in Chapter 5, the city of

Detroit does have some recent history of pursuing this type of policy option for certain projects.

Beyond the goals for City Airport itself, goals for the neighborhoods surrounding the airport must also be identified. Again, no specific policy data about the City of Detroit's goals with respect to the neighborhood surrounding City Airport could be identified, but a 2008 master plan for the City of Detroit identified the following goals with respect to housing and neighborhood development within the city:

- ensure financing for affordable housing;
- strategically target tax incentives;
- ensure fair lending for low-income and minority homebuyers;
- increase and improve rental opportunities;
- provide supportive housing;
- provide transitional housing; and
- coordinate community development efforts (City of Detroit, 2009)

Beyond these city-identified goals, it seems clear that stabilizing and growing Detroit's population and maintaining its housing stock in a manner that maximizes the potential for successful neighborhoods are two other goals shared by many in the city.

### **Should the Redevelopment of Detroit City Airport Be Considered a Successful Case?**

Evaluating the success or failure of the redevelopment of City Airport and its surrounding area is actually fairly straightforward and it was evident right from my earliest interviews. Three of my first four interviews for this project (I conducted 12 interviews for this case in total) were with high-level leaders from city government, the private sector and the philanthropic sector and,

with each interviewee, when I introduced the topic of City Airport, the reactions were undeniably similar. “A wasteland,” commented one interviewee. “An obvious example of ‘benign neglect’,” offered another. Altogether, 100% of my interviewees concluded that City Airport and its surrounding area had declined significantly during the time period under study, with most struggling to identify anything positive that had occurred in the area during that timeframe.

In terms of Mayor Kilpatrick’s stated goals to either fix or shut the airport, neither one was successfully achieved. Clearly, the airport has not ceased operations, nor has its ownership or day-to-day management been transferred to another entity. In terms of fixing the airport, the long-awaited expansion of the runways has not occurred and the airport did not attract a commercial airline during this time period. In addition, I could find no evidence that the airport has made any significant inroads in terms of becoming a freight hub. In fact, the only evidence I could find that the city had made any improvements to the airport during this time came from a pilot who utilizes the airport regularly. He offered, “In preparation for the Super Bowl, the city made some façade improvements to the airport’s entrance.” However, this interviewee also went on to note that the overall state of the airport has declined significantly since 2000, commenting, “They do not take care of the hangars; it’s a real mess right now.”

In evaluating whether or not the neighborhood around City Airport has improved during the time frame in question, there is both objective and subjective evidence to consider. In terms of the housing stock, data from 2010 suggest the depth of the issues surrounding the housing situation in the area. A summary of 2010 census data showed that there were 2,968 single family homes in the immediate neighborhoods around City Airport, of which more than 1,300 were considered uninhabitable due to fire damage, abandonment or other damage (U.S. Census,



American Community Survey, 2010). There were also 6,619 vacant lots in the same area (U.S. Census, American Community Survey, 2010).

Beyond these statistics, though, the plight of the neighborhoods both before and during this time frame has been well documented. In 1994, city planning officials spoke before the Detroit City Council about what became known as the “French Road Mini-Take,” a plan for the City of Detroit to remove more than 500 property owners from their land in order to create a safety buffer for the airport’s expansion (MacDonald, 2007). By 2007, only half of the project had been completed, but so many residents had been bought out or forced to move that the ratio of vacant homes to occupied homes became dangerous. Neighborhood residents have taken to documenting the disintegration in a daily blog on the website of *The Detroit News*. Writer Michael Happy, a former resident of the City Airport area, noted that when he returned to the neighborhood in the late 2000s, “His old house was completely gone and the lot was littered with debris – old tires, hubcaps, furniture and clothes. Of the 30 or so houses that made up our block back in the 70s, about a quarter of them were gone and another quarter were boarded up” (Garber, 2008).

Based on the data I found about the neighborhood surrounding City Airport, as well as the information about the lack of development of the airport facility during the time period of study, I believe that it is impossible to consider the City Airport case as a successful example of economic development. Very few, if any of the goals that might have been set for the case were achieved and it seems clear that the airport and its surrounding neighborhoods deteriorated during this time period. Understanding the reasons behind this lack of success was the next step in my project.

## **The Role of Government**

Regime theory would predict that city government would be one of the key players in any effort to redevelop City Airport and my findings support this contention, although in this case the government's involvement appears to have hampered development efforts. During the time frame of study, the city of Detroit owned and operated Detroit City Airport, making it the entity directly responsible for the airport's maintenance and development. 100% of my interviewees, however, were critical of the ways in which the city of Detroit managed this resource, and every interviewee with knowledge of the case spoke negatively about the city's role in moving the airport's development forward. An interviewee who was with the Mayor's Office during the middle part of the decade spoke this way about their efforts to revive City Airport and the surrounding area: "Our efforts were very minimal. We worked to resurface a lot of the community roads in conjunction with the Greenway Bike Path. We tried to do some tree planting and support. Pretty much that's it."

In terms of the city's influence on the neighborhoods surrounding the airport, my interviewees were quick to criticize the city, but the ascribed motives for the city's actions ranged from benign to sinister. Many of my interviewees acknowledged that basic city services were no longer functioning in the neighborhoods surrounding City Airport. One local business owner noted:

We cut all the grass in the local neighborhood park in the summer and every morning we send someone out to pick up garbage in the park and surrounding area. Normally, this would be taken care of by the city, but we stepped in. We never asked permission to do it and they've never said thank you. We just do it.

Failing to maintain basic city services like grass cutting and streetlights is a common complaint throughout Detroit and was present in several of my case studies. In the case of City Airport, at least one interviewee felt that the lack of city services directly impacted the neighborhood,

noting, “It’s a basic responsibility of a city to keep its residents safe. When that isn’t there, people move and that’s exactly what happened in this area.” Another interviewee expressed some amount of empathy for the city in terms of the lack of options available for the redevelopment of the area, adding:

The airport itself is not big enough for an economic model where commercially it could get traction and make it. The city of Detroit has not had enough money to be able to invest in City Airport, to really make it something that was an economic generator or could pay for itself. It’s one of those awkward things where you can’t close it and you don’t have the money to really run it right.

While some interviewees were relatively accepting of the lack of city participation in the redevelopment of the airport and the surrounding neighborhood, perhaps believing that it was no different in other parts of the city, other interviewees expressed doubts about the competency of the city in managing an airport. When asked why the city would neglect a potential resource, one pilot who flew out of City Airport and served as one of the leading advocates for the facility offered this analysis, with criticism for both the Mayor’s Office and the City Council:

The city truly wasn’t sold on the value of that investment. There are some 160 departments in the city and they didn’t realize that even without Southwest Airlines today the airport supports a good \$30 million dollars of commerce in the city and could be one heck of a lot more. I think it’s simply that the city council was not sold, there was no pressure, and there was no will or understanding...A comment once at the presentation that an airport advocate made to the city council, one of the city council members said, “Oh. Do we still have an airport?” That presentation did convince them to maintain the municipal budget of \$1.6 million dollars. But they didn’t care or understand the value of the airport.

At least one of my interviewees who is involved in direct service provision to the residents of the area also blamed the city of Detroit for the issues in the neighborhood, citing the ramifications of the ‘French Road Mini-Take,’ as described earlier.

The city developed a plan to expand the runways and then the city deliberately and specifically lowered the property values in the area. The city assessor would go out and lower the taxable values. The city emptied out the area around city airport. We were getting calls from residents, saying, ‘why did I just get my tax

bill and the assessed value keeps going down' ... They were lowering the taxable values so that they could buy the houses on the cheap. So, the city is responsible through a strategy of benign neglect.

Although I did not find any direct evidence that this type of systematic abuse of the tax system was occurring, it is clear that this interviewee believed that it was occurring. Residents of the area were also not shy in their criticism of the city with respect to the city's role, with one commenting, "They've screwed around so long, they could have bought people out years ago and made that a real airport. We've been seeing this for so long and nothing, nothing changes" (MacDonald, 2007).

Again, 100% of my interviewees believed that the city of Detroit is the entity that is most responsible for the decline, noting the lack of city services, planning and basic upkeep that endangered both the airport itself and the surrounding neighborhoods. This is in keeping with regime theory's idea that government is one of the most important actors in economic development projects, although in the case of City Airport and its surrounding neighborhoods, the impact of city government was such that the consequences of its neglect had an extremely negative impact on the area. The city's inability to develop and implement a strategy for City Airport and its surrounding neighborhoods during the first decade of the 21<sup>st</sup> century was clearly one of the most damning elements in the area's deterioration.

### **The Role of the Business Community**

Regime theorists would most likely predict that the business community would play an active role in deciding the fate of Detroit City Airport, as its major function during the first decade of the 21<sup>st</sup> century was as a resource by the business community for privately chartered flights. It was estimated at one point that more than 40,000 private individuals used the airport

annually during the early 2000s (Moore, 2004). However, somewhat ironically, the business community's role in developing City Airport was negligible and many of my interviewees struggled to recall a way in which the business community was active in the area.

One large industrial business is located adjacent to the airport and I spoke with two of the company's leaders about the airport and the surrounding neighborhood. One commented that the employees largely were "on their own" in terms of the area, noting, "If you call the police, cars are stolen, broken into, or anything like that, you have to wait a really long time. You may have to wait forever." This lack of basic city services in the area did not encourage businesses to have faith that any of the city's redevelopment efforts would be successful and I could find no evidence that there was any significant interaction between government and business representatives about the potential for redevelopment during this timeframe.

Detroit's City Airport sits near or adjacent to several major thoroughfares in the city, including Conner Avenue, Van Dyke Boulevard and Harper Avenue. However, in the areas surrounding City Airport, these streets are largely filled with abandoned commercial buildings in various states of decay. Small businesses that have remained in the area (several liquor stores, a florist) have significant challenges both in terms of attracting customers and maintaining their properties. I could find no evidence that they were involved in any sort of redevelopment effort in the area and none of my interviewees mentioned them as a significant actor in the area.

I could also find no evidence that the larger business community was involved in any efforts to redevelop the area. A pilot who regularly flies out of City Airport and witnessed its decline during the first decade of the 21<sup>st</sup> century commented, "It's didn't make sense to me that GM wouldn't use the airport. Anyone with a business downtown, really. The airport was five, six miles away at most." Instead, though, most large Detroit businesses used Detroit

Metropolitan Airport in Romulus or a local airport in Oakland County for their business trips, according to four of my interviewees. I could find no evidence that the issue of City Airport was one that made it to the policymaking agenda of any individual business or any group of business leaders (Detroit Renaissance or the Detroit Regional Chamber). Overall, the role of the business community in the redevelopment of both the airport and the area surrounding it appears to be negligible and there appears to be no significant interaction between government and business representatives during the time frame under study.

### **The Role of the Philanthropic Community**

As we have seen in other cases, Detroit's philanthropic community had the potential to play an important role in redevelopment efforts within the city during the time period of my study. However, I struggled to find any evidence of their participation in the redevelopment of city airport and its surrounding neighborhood. An interviewee from a large regional philanthropic foundation commented that funding for City Airport and the surrounding neighborhood was not on their radar screen, noting that there were no indications that the foundation would receive a good return on its investment, commenting:

It's hard to fight larger demographic trends. If we think about Midtown's situation, people had a good idea. It also coincided with very useful larger economic and demographic trends. Young kids want to live in cool, urban situations; that's a trend. Capital likes to move in to areas with opportunity where profitable investment can occur; that's a useful trend. There are no trends that suggest that developing the city airport area would be useful. Maybe we thought there were, but they didn't work out. We're looking back, so we have hindsight. There is an amenity there; there is an airport, but there's no other amenity... You just can't fight those larger economic and demographic trends. There's not enough money in the world.

These comments were echoed by other philanthropic leaders with whom I spoke. None could recall having made a significant investment in the area, and none could recall any organization

that requested significant funding for revitalization efforts. In addition, a review of annual reports from several local and regional foundations did not reveal any grants that had been made.

### **The Role of the Nonprofit Community**

Throughout the first two cases I studied (Midtown and Eastern Market), I presented evidence that a nonprofit organization was significantly involved in the transformation of those areas during the first decade of the 21<sup>st</sup> century. Again, my theory is that cases where a nonprofit is actively engaged in the redevelopment efforts will enjoy a significantly higher rate of success in terms of reaching their policy goals than in instances where a nonprofit is not involved. The case of Detroit's City Airport was not a successful redevelopment effort and the role of nonprofits in this case also appears to be negligible.

In the case of the redevelopment of City Airport and the areas surrounding it, I could find very little evidence that any nonprofit was actively working in the community. When pressed, my interview subjects suggested that I speak with the Warren/Conner Development Corporation, although their direct service area is south of I-94, while City Airport and its surrounding neighborhoods are north of the freeway. In speaking with a high level staff member from the Warren/Conner Development Corporation, I learned that there are some small community-based organizations working in the area, but when this individual was asked which nonprofit organization was most responsible for working in that area, he/she replied, "I don't think that there is one." During the course of my interviews, I learned that the Detroit Catholic Pastoral Alliance also provides support to residents of the City Airport neighborhoods, but their efforts are in the area of direct service provision. Again, no one could point to any nonprofit that was actively working to redevelop the area.

As previously mentioned, there is evidence that the residents themselves gathered together to both document and attempt to redevelop sections of their neighborhoods. A local resident nicknamed “Captain Edith” led a resident-driven effort to clean up Fletcher Park, a neighborhood baseball field (Garber, 2008). Other residents have participated in a neighborhood blog that documents both problems and opportunities in the neighborhood (Voss, 2009). However, these efforts have not been organized by any nonprofit or community-based organization.

## **Conclusions**

Based on this evidence, I have concluded that there was no nonprofit organization actively engaged in this case. This is in keeping with my hypothesis which states that cases where nonprofits are not engaged will not be as successful in achieving policy goals. However, the reasons for this lack of success are undoubtedly quite complicated and perhaps are not directly attributable to the lack of an actively engaged nonprofit.

A number of factors likely combined to stymie the redevelopment of City Airport and the surrounding neighborhoods during the 2000-2010 decade. One of the most important aspects of this case is the fact that the city of Detroit retained complete control of the airport throughout this entire time period. In many ways, the early years of the Eastern Market case echo the City Airport case: inattention from the city, lack of funds to enact a workable solution, diminishing staff resources, and a lack of policy direction. However, in the Eastern Market case, a viable nonprofit was formed to assume operational control of the city asset, a factor which was not present in the City Airport case. The lack of a policy entrepreneur (Eastern Market’s Katherine



Beebe) and a pre-existing nonprofit like the two in Eastern Market may also have been a difference between the two cases.

The lack of a significant role for the business community was echoed in other cases, but the lack of a role for the philanthropic community is something that is different about the City Airport case. The reasons for this lack of involvement may be more in line with funder priorities, of course, but it is also impossible to ignore the words of one of my interviewees from the philanthropic community who linked the importance of nonprofits with the ability to gain support from the philanthropic community:

Why do you need a nonprofit? At the end of the day, a 501c3 is a way that money can be given and individuals can get a tax write off if they choose to itemize; many don't but wealthy individuals certainly do. Foundations can give, because they can't give to something that's a for-profit and they tend not to like to give to government. You have to have a nonprofit in order to aggregate funder to be able to do something.

Is it likely, then, that the lack of a nonprofit pushing for the redevelopment of City Airport or the area around it was a factor in the lack of philanthropic support? It is impossible to know the answer to this question, of course, but as will be discussed later on in this chapter, when I examine the case of Detroit Far East neighborhood, there does seem to be a strong tie between the involvement of the philanthropic community and the need for a strong nonprofit working on this issue. Clearly, the strong nonprofit was not present in the City Airport case and philanthropic support from the foundation and business communities was also not present.

### **Introduction to the Jefferson East Case**

“Who is your Sue Mosey?”

This was the key question a potential funder asked in response to a request to provide support for the area of Detroit sometimes known as “East Jefferson,” on Detroit’s Lower East

Side. In Chapter 5, I described how Sue Mosey, the CEO of Midtown Detroit, Inc., played a transformative role in developing that area of Detroit. But throughout much of the first decade of the 21<sup>st</sup> century, no similar individual or organization existed on the far east side of Detroit. Instead, a number of small groups vied for territory and resources, with no one emerging as the main facilitator of projects in the area. By the end of the decade, though, a new leader had begun to emerge and with him came a sense of renewed hope for a revival of this long neglected area of the city.

### **Defining the Jefferson East Case**

Detroit's lower east side has been divided up into any number of neighborhoods and sections, depending upon the goals of the project and the entities involved in the planning and implementation. To say that the area is fragmented is probably a significant understatement; most current detailed maps of the area show no fewer than 20 distinct neighborhoods in what is essentially a 15-square-mile section of the city (LEAP, 2012; GREEN, 2012). As became evident through my investigation into the area during 2000-2010, one of the results of this segmentation has been that Detroit's lower east side has become factionalized, with numerous community organizations, block clubs, activists and neighborhood organizers involved in attempting to transform the area. In fact, several of the individuals with whom I spoke about this case compared it to Midtown, noting that Jefferson East's diversity in terms of geography, demographics and the mix between residential and commercial spaces made it somewhat difficult to define.

For my purposes, I chose a rather narrow definition of the area, largely confining my study to the area bounded by Alter Road on the East, the Detroit River on the South, Mt. Elliot

on the West and Kercheval Road on the North. At times, however, it was impossible to stop at the Kercheval Road boundary and some of my statistics, interviewees and observations include activities that took place as far north as I-94. The main artery through the district is Jefferson Avenue, a significant thoroughfare connecting downtown Detroit with the suburb of Grosse Pointe.

There are also a number of names for the area under study, with the most frequently mentioned being Detroit's lower eastside, the far east side, the East Jefferson corridor, and the eastern riverfront. More recently, with the establishment of Jefferson East, Inc, a nonprofit community and economic development organization, the area has come to be recognized as "Jefferson East." and this is the moniker that I chose for this case. In all of my interviews, however, I was careful to define the area in terms of the geographic boundaries noted above.

Within this section of the city, the largest employer is the Chrysler Corporation, which operates a significant manufacturing plant near the intersection of Jefferson and Conner Avenues. Beyond this company, the commercial strips consist largely of small businesses and retail shops. Residential and commercial developers were also mentioned by some interviewees as important to the area, although few, if any, of those developers live in the district.

The neighborhoods in the Jefferson East district are fairly diverse, with a mixture of relatively high-end developments and historically significant neighborhoods like Indian Village. Along the Detroit River, a section of waterfront mansions includes the official Mayoral Residence, the Manoogian Mansion, and musician Kid Rock's restored mansion. However, in other sections of Jefferson East, the residential housing picture is much grimmer, with a significant percentage of the neighborhoods being designated as "spacious residential," indicating that the majority of blocks in that section of the city are not densely populated

(LEAP, 2012). In 2010, the population in this area of the city was estimated to be just under 11,000 (U.S Census, 2010). Mean household income in the Jefferson East district in 2010 was \$40,792, a figure which was undoubtedly skewed by the presence of those living in the waterfront mansions, and 34.2% of the households were living below the poverty line (Data Driven Detroit, 2014).

### **Organizations Active in the Jefferson East District**

In order to understand the Jefferson East case, it is important to acknowledge the numerous neighborhood, community and economic development organizations working in the area. Some groups played a larger role than others in the period between 2000–2010, but all of them played some role in the setting of goals for the region and the efforts to see those goals realized, and all of them were structured as nonprofit organizations. The five largest in terms of organizational size and contributions to the case under study are:

- *Warren/Conner Development Coalition* - Founded in 1984, this organization's mission is to serve as a catalyst to improve the quality of life on Detroit's eastside. Although their main area of focus is in the area surrounding the intersection of Warren and Conner Avenues, their reach extends beyond that immediate neighborhood, in part due to their longevity as an organization and in part due to their executive leadership team. In 2010, their annual operating budget was approximately \$845,000 (Warren/Conner, 2011).
- *Jefferson East Business Association/Jefferson East, Inc.* – Founded in 1994, until 2008 this organization focused primarily on promoting business development on Detroit's eastside. However, as will be explored later in this case study, its transformation to

become Jefferson East, Inc. (JEI) has greatly broadened the organization's role in the region.

- The *Villages Community Development Corporation* is dedicated to accelerating economic development in a collection of neighborhoods located on Detroit's eastside, the boundaries of which are Mt. Elliott Road to Cadillac Road, and the Detroit River to Mack Avenue. According to my interviewees with knowledge about the area, this organization has gained in strength recently (post-2010) but was not much of a strategic actor during the time frame of study.
- *Creekside Community Development Corporation* is dedicated to promoting their southeastern Detroit neighborhood, which is defined as Jefferson Avenue on the north, the Detroit River on the south, Alter Road on the East and Clairpointe Road on the West. They are primarily active in the areas of housing and economic development (Creekside, 2008).
- *Jefferson-Chalmers Citizens District Council* is an organization of residents who live in the area near the intersection of Jefferson Avenue and Chalmers Road. Its mission is to improve the quality of life in the neighborhood (Jefferson-Chalmers, 2013). According to numerous interviewees, during the time period of study the influence of this group was uneven.

Beyond these major organizations, there were dozens of smaller community groups, social service-oriented nonprofits and religious organizations who participated in various initiatives and throughout the period between 2000-2010, they organized and re-organized into a variety of different collaborations.

### **The Jefferson East District from 2000-2010**

In attempting to understand the community and economic development activities that occurred in the area known as Jefferson East, I spoke to a number of business and community leaders, as well as individuals from the philanthropic community and city government. I also reviewed documents from that era, including annual reports, planning documents, news articles, and records of meetings.

Overall, the district struggled to gain any sort of significant traction during this time frame, with stops and starts that seemed almost endless. One outside observer described Jefferson East during this time frame as a failure, but also noted, “I’ve toyed with this notion, why did Jefferson East fail so badly when others have succeeded? It’s not for lack of trying or lack of money; bad timing?” Another community leader with whom I spoke recalled Jefferson Avenue during this time frame as a bit of a warzone, noting, “Jefferson was one of those main streets where you drive down and think, ‘Oh my God, how did this happen?’” The reasons for this lack of sustainable momentum are undoubtedly complex, but as I will explain in the next section, an outside force recently stepped into the conversation in a way that has significantly changed the dynamics in the area.

### **The Anointing of Jefferson East, Inc.**

Despite multiple attempts, there is evidence that a number of initiatives to stabilize and rejuvenate the Jefferson East area were unsuccessful during the time frame of study. One interviewee offered this perspective on what happened during the first decade of the 21<sup>st</sup> century:

For some reason neither the shopping center nor the housing ever took off. There was a Farmer Jack that closed and has been empty ever since. Most of the strip centers, the stores didn’t last very long; it’s mostly empty now. The housing development crashed and burned. There were several half-empty houses that had to

be demolished... I think that East Jefferson is a still a puzzle we're waiting to solve; mostly because it's so long. Midtown is about Woodward for a mile and a half, before Cass; whereas, East Jefferson goes mile after mile. It's five, six, or seven miles depending on where you're coming from; it had lots of abandonments. The two ends of it near the villages are beginning to show life, but in the middle it's still pretty blank.

The philanthropic leaders that I spoke with echoed these comments; however, they also pointed to a significant change that occurred in 2007-08, when a new leader was hired by the Jefferson East Business Association (JEBA).

Josh Elling is an urban planning professional with a background in commercial real estate who was hired as JEBA's third executive director in 2007. An interviewee with the organization at that time described the organization this way: "The board was primarily composed of stakeholders from the Jefferson Chalmers end of the core... You had some representation from the banks, but these were generally mid-level people, they weren't the higher corporate types." That was about to change, though, as an external funder largely decided that Elling and his organization were going to form the future of the district.

In 2008, the Community Foundation for Southeastern Michigan made a small capacity-building grant to the Jefferson East Business Association, which was followed by a much larger \$600,000 grant to the organization two years later. A representative from the Community Foundation spoke about the origins of the philanthropic community's interest in Detroit's east side this way:

The Ford and the Kellogg Foundations very generously agreed with us that nobody is talking about the eastside or Riverfront benefits accruing to the neighborhood. They generously provided us with a total of 15 million dollars. That amount of money was to focus on building institutions on the near east side. That was a pretty broad statement. Clearly you have a pretty clean template when you're working with that kind of description. We looked for institutions that could have beneficial and derivative impacts; not only build the institutions themselves, but have impact much broader than their physical footprint.

During the time period from 2005-2011, the Community Foundation for Southeastern Michigan also invested \$27.2 million into the region (Welch, 2011). However, as the Community Foundation's CEO commented, "There was not an organization like Midtown Detroit, Inc. on the near east side to do the bigger deals and bring together diverse interests" (Welch, 2011).

The focus of the philanthropic community's efforts quickly became Josh Elling and JEBA. Elling was tapped to run the East Jefferson Corridor Collaborative (EJCC), a broad-based "coalition of the willing," in the words of one interviewee whose organization was also a participant. The EJCC was not structured as a formal nonprofit; instead, it was housed within JEBA. More recently, JEBA also reverted to its original name, Jefferson East, Inc. and as a JEBA/JEI staff member explained:

Then we went back to JEBA's legal name, which was Jefferson East, Inc. We took out the business association portion of it. Part of that was Jefferson East had not been in business association for a long time; we did so much more. It led to a lot of confusion. We'd get people on the board who'd say, "I thought you were just supposed to help our businesses. Why are you working on this residential issue, or this other issue?"

Thus, in a relatively complicated maneuver that was largely orchestrated by the philanthropic community, JEBA was transformed into an organization that became a focal point for the Jefferson East district.

The selection of JEBA/JEI to play this role was not without its critics, however. Leaders from other community development organizations working in the area were skeptical about the sudden elevation of Elling and JEBA, particularly since Elling was a relatively new transplant to the area and does not live in Detroit.

When a Foundation decides that they want a revitalization of a street or area, then they pick the guy, then they tell the other foundations to fund the guy, then the guy hitches his star to that wagon...I don't get that. It is a great example of what happens when a top-down influence comes in.



This individual also expressed concerns about JEBA/JEI's long-term ability to be sustainable, commenting:

I don't know where the sustainability is. When Kresge loses interest in paying cops to moonlight, as opposed to a community based patrol that might last. When Roger Penske loses interest in paying clean Detroit to come in and pick up the litter...then it will be interesting to see what will happen to JEI.

This concern about long-term sustainability was echoed by a JEBA/JEI staff member that I interviewed who noted some of the limitations surrounding the organization's ability to transform itself into a Midtown Detroit, Inc.-type organization:

That is where I think the foundations all want us to go. I think you need to become the next Midtown Detroit, Inc. It's like, "Great! If you continue to fund me for 12 million dollars a year and I'll make that happen; and if you give me a bunch of institutional anchors." I think that's still the model we're going to go to.

While the long-term viability of JEBA/JEI may be in question, there appears to be no question that this nonprofit organization has been chosen as the central organizing influence for Jefferson East. However, its ability to consolidate all activities in the Jefferson East district under one umbrella only began near the end of the decade under study, so the organization's ability to influence policy during that time frame was understandably limited.

Unfortunately for my case study, JEBA/JEI's activity level during the time period of study were largely in planning and visioning for the area, as opposed to implementation. As we will see when we examine the policy goals and achievements, the organization's ability and opportunity to transform the region has come in the years following my study.

### **Identifiable Policy Goals**

In contrast to several of my other case studies, policy goals for the Jefferson East district were relatively easy to identify, based on a collaborative effort among community groups,

businesses and government. A 2003 study by the Detroit Eastside Community Collaborative (DECC) and funded by the Community Foundation for Southeastern Michigan offered a series of policy goals for the area, with a focus on establishing a greenway in the area. The DECC was comprised of 24 community organizations working in the area and the report was endorsed by the City of Detroit, DaimlerChrysler, and a number of independent agencies and departments within local and county government (DECC, 2003). The plan, which also sought the input of community residents and small business owners in the district, outlined the following as strategic priorities for the area:

- create a safe environment for using alternative modes of transportation;
- improve the economic atmosphere of Detroit's eastside;
- strengthen residential housing opportunities on Detroit's eastside;
- improve the appearance of Detroit's eastside;
- improve the physical health of the people who live on Detroit's eastside; and
- strengthen a sense of community, culture and history by linking neighborhoods (DECC, 2003, 11)

These policy goals, which offer strategic objectives for residents, businesses and the entire community, represent a set of community-wide objectives for Jefferson East and formed the benchmark against which I judged success in the region.

### **Should Jefferson East Be Considered a Successful Case?**

The Jefferson East district struggled quite a bit during 2000 – 2010 and 100% of my interviewees felt that the area had declined during that time. Comments like the following from someone who is actively engaged in the area were commonplace among my interviewees:

They don't have the benefit of a large anchor employer. It is one of the more de-populated areas of the city. Jefferson is a loop to Grosse Pointe. The shopping along Jefferson, there's some little pockets, but not a whole lot. There have been efforts over the years to try and create shopping centers and other stuff, but none of that has ever really gotten traction. They really have a high hill to climb because Jefferson East suffers from having less population, fewer businesses, buildings in worse condition along the whole stretch of Jefferson East. They're starting much later than Midtown; farther back in terms of the infrastructure and assets they have to deal with and with fewer power players. My sense is that it was slower and more focused around the part near Alter Road and Chalmers. It's really only been in the last 3-4 years that it's started to gain some traction.

While this perception of Jefferson East as slow to develop was shared by many interviewees, perception is not necessarily reality, so it is important also to review the data available for the area.

In terms of improving the economic atmosphere on Detroit's eastside, there is very little evidence that the area was successful. Jefferson Avenue, the main road in the district, is largely populated by small storefronts and locally-owned businesses and in the words of an interviewee from the Jefferson East Business Association, "The Great Recession hit our area hard," knocking out many small businesses in the area. In terms of larger developments during the time frame, there are two large strip malls in the district, one that has been moderately successful and another that failed during this time frame. In the words of one interviewee, "For some reason neither the shopping center nor the housing (development) ever took off. There was a Farmer Jack that closed and has been empty ever since. Most of the strip centers, the stores didn't last very long; it's mostly empty now." Overall, during 2000-2010, there appears to be a lack of sustainable business development in the Jefferson East area.

The goals of improving residential housing opportunities on the eastside and providing for a greater sense of community among the residents also appears to have fallen short. The focus of residential housing efforts in the decade between 2000 and 2010 was largely on

condemnation of houses in order to clear large swatches of the region for large-scale housing development and infill housing strategies in areas where there were some residential structures in place. The saga of construction efforts in Jefferson East during the late 1990s–2010 was captured in a book about urban design by Brent D. Ryan (2012) and the author concludes that the efforts in this area were a “fiasco” (Ryan, 2012, 120). This perception of eastside residential efforts as a failure was echoed in a 2011 newspaper article that labeled Detroit’s eastside as a “ghost town” (MacDonald, 2011). Certainly, an analysis of housing parcels from 2010 shows the devastation that existed in the area at the end of the decade. While 2,150 single family homes were located in the area, there were also 1,989 vacant lots (U.S. Census, 2010).

Goals related to creating a safe, healthy community on Detroit’s eastside also were not achieved, although several of my interviewees noted that safety concerns were improving in the period between 2011-2014 (after my period of study). One interviewee noted, “There’s still plenty of buildings in that corridor that look like they’re about to fall down,” while another commented after being pressed about changes in the area that, “The prostitutes have been cleaned up quite a lot.” In terms of the goal of adding new transportation options in the area, only 7.8% of residents in the area reported that they commuted by public transportation in 2009, while more than 73% relied on private cars, figures which did not change significantly during the time period of study (US Census, American Community Survey, 2000, 2010).

Overall, efforts to improve and sustain residential and commercial development in the Jefferson East area during this time frame were not successful. Other community-wide goals were also not achieved. However, the reasons behind this lack of success were undoubtedly multi-layered and investigation into the roles played by a variety of actors formed the next phase of my investigation into this case.

## The Role of Government

Traditional regime theory would expect that government was a critical actor in any redevelopment effort, but my investigation shows that government largely abdicated its role in redeveloping the Jefferson East area. Although there is evidence that various mayoral administrations attempted to work with developers to clear land for residential housing starts (Ryan, 2012, 110), community activists from the Jefferson East area also were critical of the government's efforts in this area. In describing the lack of success of what became known as the New Far East Side Development plan, one interviewee faulted the city of Detroit for depopulating the neighborhoods in a systematic way:

This was an initiative of the Mayor's Office...They were supposed to develop 1,200 new housing units in this area and so part of why this area emptied out was that the city was doing a lot of clearances. What happened was the city stated putting in some infrastructure to make this happen, but it was slow. Then 2007-08 housing crisis happened and everything stopped.

Certainly in a city the size of Detroit and facing challenges on so many fronts, policy choices have to be made, and a representative from the Mayor's Office flatly acknowledged that the east Jefferson area was not a strong priority area for the City, noting:

I really think the loss of population in that area helps dictate what you concentrate on sometimes. In my opinion these organizations never had a strong group themselves. Sometimes it's harder to help people that aren't ready to be helped. That's why I think they're still in turmoil. It's now changed; there used to be a river town, then there wasn't, now it's back because nothing is happening. There used to be the villages, now they're not, and then they came back, now they're trying to pull us all there. I think they're still looking at what they really want to do.

The city did appear to play a role as a partner with organizations working in the area, however. An interviewee with JEBA/Jefferson East, Inc. described his interactions with the city in a fairly positive light, noting that the organization had strong ties with both the Kilpatrick and Bing administrations. However, this interviewee also noted that the organization spent a fair amount

of its time on providing services that would traditionally be considered the purview of city government, noting:

In some ways what we really do is provide supplemental public services. We're doing our work with police officers. We're doing our trash pickup along Jefferson Avenue, 32 tons of trash. We're doing board ups, we're doing vacant lot cleanups; we're doing all that type of stuff. Advocacy work, helping businesses navigate permitting, we just do all that stuff.

In this way, the efforts and scope of JEBA/JEI are in line with the types of services that Midtown Detroit, Inc. is providing, stepping up to ensure public safety and security when the City of Detroit is unable to take care of these tasks.

The efforts of JEBA/JEI in stepping up to provide government-like services has become more prevalent in the period beyond 2010, as noted in a 2012 article about the district.

Since March, they have taken advantage of the Detroit Police Department's Secondary Employment enactment, which allows private companies to hire off-duty police officers. They have been employing trained police officers to patrol crime hot spots along the corridor. Since it's an expensive program, they can only fund 30 hours a week worth of coverage but even that has already brought a lawfulness back to the streets. These routine environmental practices and safety measures are actually solving major urban issues that have been neglected for decades. The JEBA and EJCC are working daily as liaisons, city scouts and employers to make people feel safe when they need to go to their corner store for a loaf of bread or so they don't have to hold their nose when visiting the dentist because of rotting trash outside. (Kanan, 2012)

Overall, there is very little evidence that the city of Detroit was engaged in leading the charge for either residential or commercial development in the Jefferson East district during my time period of study and the rise of JEI during the latter part of the decade only seems to have strengthened this contention.

## **The Role of the Business Community**

As we have seen in other cases, the traditional business community was not heavily involved in the Jefferson East district during 2000-2010. By most accounts, the major employer in the district, Chrysler Corporation, was not actively involved in the development of the area and one of my interviewees who resides on the eastside described their involvement this way:

When that plant is producing it has jobs. I noticed that when it has jobs the gas stations are open near it and bars are open near it; and used to be there were more prostitutes on the street...I think its role is as an economic driver, not as a community development driver. Another feature of that is you either work in the plant or you don't. It's not like a hospital or university that's bringing other people in and being a public presence. That's another factor with that of course it's obviously part of a major international corporation, it's just one little piece of the pie. It's not a local owned entity that's really going to be invested in that neighborhood.

Of course, Chrysler Corporation had its own issues during the time period of this study, averting bankruptcy by merging with Fiat Corporation.

Another potential role for the business community was in supporting efforts by community organizations to revitalize the area, but there is little evidence that this occurred during the time period in question. An interviewee from one of the largest employers on Detroit's eastside noted that they provide volunteers for service projects and small support in the form of grants for some community organizations. An interviewee from JEBA/JEI described the corporate community's participation in their organization this way during 2000-2010:

In 2007 the board of directors was primarily composed of stakeholders from the Jefferson Chalmers end of the core. Your corporate stakeholders on the board; you had people like (the developer) who owned the shopping center down here. You had some representation from the banks, but these were generally mid-level people they weren't the higher corporate types. Then you had a collection of some small business owners and residents.

So, while there is some evidence that business leaders from the Jefferson East community were engaged in lower level activities in the district, I could find no evidence that the business community was significantly involved in redevelopment efforts in the area.

### **The Role of Philanthropy**

In contrast to other more successful cases in my study, from 2000 to 2007, the large philanthropic donors in metro Detroit were largely absent from the Jefferson East area. Although local nonprofits and community organizing agencies continued to seek and receive small grants from foundations and corporations, the philanthropic community largely sat on the sideline during this time frame. However, as noted earlier in this dissertation, by the middle of the decade, several large-scale initiatives were implemented by the foundation community. The Community Foundation for Southeastern Michigan seems to have played the largest role in the district, sponsoring a Greenways Initiative (GREEN, 2012) and seeding the Detroit Neighborhood Fund that devoted the majority of its resources to efforts to redevelop the Jefferson East district. An example of how the fund worked in practice was described by an interviewee from the Community Foundation:

We gave the DEGC some funding (out of the Neighborhood Fund). The reason we gave DEGC some money was for a program called Retail Readiness. Initially it was to recruit businesses to the east side, again Jefferson Avenue being the principal. We didn't say recruit businesses on Jefferson, but because that Neighborhood Fund had a geographic focus, Jefferson ended up being the principal area of investment. Right after we awarded that grant in 2008, we all certainly know what happened in 2008 with the financial collapse and people shuttering their businesses and walking away as quickly as possible. Part of the Retail Readiness Program, and I don't know what the percentage was, became a bit of business retention.

By the end of the decade under study, the philanthropic community had stepped in to help organizations like the Detroit Economic Growth Corporation work on redevelopment efforts in the area.



Of course, the philanthropic community also played a role in strengthening JEBA/JEI during this time frame and establishing it as the “go to” organization in the district. A prominent member of Detroit’s philanthropic community offered this perspective on the creation of JEI:

The transition from JEBA to JEI absolutely reflects the influence of Midtown Detroit, Inc. and its merger of UCCA and New Center Council. It’s transition from big boards of interesting people, but not mega-leaders. Now JEI is chaired by John Stroh. It’s a big difference from whoever was chair of JEBA and I’ve never heard of before in my life. Absolutely the influence of philanthropy, the community foundations commitment, the creation of an Indian Village, organization, those are all influenced by philanthropy, largely by Community Foundation.

By funneling funding and resources to one organization, the philanthropic community signaled its implicit backing of that organization and its leader, which appears to have influenced other private, public and even government organizations to take notice. A representative from the city offered its perspective on the change in JEBA/JEI’s influence during this time, noting, “At first, they didn’t have the funding that they needed or the foundation support. I could see that start to change in 2008 or 2009.” Even city government recognized that support from the philanthropic community was critical to the area’s ability to successfully redevelop itself.

### **The Role of Nonprofits**

Traditional regime theory tends to discount the roles played by nonprofit organizations, but based on my investigation into the Jefferson East district and my interviews with individuals working and living in the area, I believe that perspective is not accurate in this case. On the contrary, the issue in the first six to eight years of my study seems to have been that there were too many nonprofit organizations working in the area, thus diluting their impact. One interviewee from an organization in the district noted that the amount of time spent talking about projects to ensure that everyone was on the same page was far greater than the amount of time

spent working on projects. This individual recounted an incident from mid-2007 that, in his/her mind, crystallized the challenges of having so many small organizations working in one area.

I went in first thing in the morning for (a collaborative meeting). Around the table was this cast of characters (from the nonprofit organizations). We all talked about collaboration and what we're doing. It was a 2 hour meeting. Then we have lunch and go to the Investment Area Initiative meeting; all the same people, like two different characters. I got to the end of the day and I asked (another leader), "Do you do any work or do you go to meetings where you talk about collaboration?" (The other leader) said, "That's what you do with the non-profit sector. You go around and you talk." What I realized on the east side is that no one wanted to give up any power and no one trusted anybody. You'd get collaboration grants and they'd be parsed up and go to the organizations, but there was no institution built that was going on.

With the efforts to establish JEBA/JEI as the lead organization in the Jefferson East district gaining traction by the end of the first decade of the 21<sup>st</sup> century, a new planning process under the umbrella of the East Jefferson Corridor Collaborative (EJCC) began. In a complicated set of behind-the-scenes maneuvers that no one outside of the main actors themselves seems to understand, JEBA became JEI and also subsumed the EJCC by 2012, with Josh Elling installed as the titular head of JEI. However, a separate planning initiative, the Lower Eastside Action Plan (LEAP) has also taken root, led largely by the Warren/Conner Development Corporation and other organizations who were not involved in the expansion of JEI's service scope and delivery area.

## **Conclusions**

The case of the Jefferson East district is a complex one. While government and business actors have largely been absent from the scene, the role of nonprofit organizations has been prevalent and active. However, during the time period in question, these nonprofit organizations were largely unable to achieve community-wide goals surrounding community and economic development. It wasn't until one nonprofit, spurred on by investments from the philanthropic

community, stepped up and established itself as the pre-eminent organization working in the region that the district began to gain momentum. Although clearly there are pockets of dissonance about how this was accomplished, JEBA/JEI's transformation during the period from 2008 forward has propelled it into the organization around which Jefferson East's fate largely rests. Every one of my interviewees from outside of the district answered that JEI was the organization that was currently having the most influence in the area and even those interviewees from within the district acknowledged that JEI has established itself as the organization to watch. Even those who were skeptical of the elevation of JEBA/JEI are starting to recognize that the district's success is tied into JEI's success. One community activist who has lived on Detroit's eastside for more than 40 years and was initially critical of the organization commented that there has been a significant change in the activity level and outcomes of JEBA/JEI during the time period since 2010, offering:

Now I'm seeing JEBA (Jefferson East, Inc.) take off, expanding, and looking at how they can take-hold of different concepts. From not just dealing with Jefferson Chalmers, but dealing with Indian Village; not just dealing with business development, lighting, street sides, and whether your stores look good, but also looking at how you get bicycles through. They've put together a number of organizations and I compliment them on that.

Overall, this case adds a layer of complexity to my overall theory about the importance of a nonprofit actor in urban economic development. The case of JEBA/JEI provides evidence that the size and community support for the nonprofit also matters, while also supporting the conclusions from the other cases about the importance of personal leadership.

## **Introduction to the Development of Mass Transit on Woodward Avenue Case**

A 2008 report on the state of transportation in the city of Detroit and its surrounding suburbs noted that Detroit is one of the nation's largest metropolitan areas without a mass transit system (RTCC, 2008). Although the reasons for this are varied, the drumbeat for the creation of a sustainable system of mass transit along Woodward Avenue in Detroit grew much louder during 2000–2010. Although no system had yet been built, by the end of the decade some important steps had taken place in order to move the project forward and the involvement of a host of public and private actors sheds significant light on how this particular economic development project brought together a diverse set of actors.

## **Defining the Woodward Avenue Transportation Case**

In many ways, Woodward Avenue forms the backbone of the city of Detroit. Stretching from the Detroit River to the city's suburban neighbors in Oakland County, this 9.8 mile stretch is home to many of Detroit's major employers, cultural institutions and government offices. An estimated 1,000 businesses are located on Woodward Avenue in Detroit (Woodward Avenue Action Association, 2011) and at the turn of the 21<sup>st</sup> century, an estimated 18,000–25,000 cars were utilizing the road daily in the city (*Crain's Detroit Business*, 2001). In 2002, Woodward Avenue was designated as Michigan's first National Scenic Byway and in 2009, the street was recognized by the U.S. Department of Transportation as an "All American Road" (Woodward Avenue Action Association, 2011).

Plans for the creation of a mass transit system along Woodward Avenue have been discussed by city leaders for several decades, but at the beginning of the 21<sup>st</sup> century, there was a renewed interest in creating a sustainable mode of transportation to stimulate economic

development and to move individuals more easily through the region. The Southeast Michigan Council of Governments released a report in 2001 calling for an investment of \$2 billion in rapid transit, ranking the metro Detroit area as 21<sup>st</sup> out of 25 major metropolitan areas in the nation for per capita transportation spending (SEMCOG, 2001).

Further impetus for the development of mass transit on Woodward Avenue came in 2002, when Detroit was awarded the hosting responsibilities for Super Bowl XL. One government official I interviewed offered this perspective on the importance of the Super Bowl in pushing plans forward: “The M-1 rail project was originally ‘Can we do this in time for the Super Bowl?’ We came into the office in 2002, and we asked, ‘Could we get some sort of transportation in the corridor along Woodward in time for the Super Bowl?’ We thought yes.” Unfortunately, that enthusiasm was not enough to move the project forward and by the end of the decade, the concept of mass transit on Woodward Avenue was still in the planning phase.

In analyzing this case I interviewed 19 business representatives, city government leaders, members of the philanthropic and larger economic development community and representatives from several nonprofits who work on transit-related programs or who were active along Woodward Avenue during this timeframe. I also spoke with several representatives from the M-1 Rail organization and the Regional Transit Authority. I reviewed data and information about the transportation plans for Detroit and southeastern Michigan, news articles about Woodward Avenue and the plans for mass transit and information about intermodal transportation plans for the entire region.

## **History of Mass Transit on Woodward Avenue**

Despite its 20<sup>th</sup> century identification with the automobile industry, Detroit has also had a long history with mass transit. In 1863, the city's first passenger rail system of horse-drawn trolleys began moving residents up and down Woodward Avenue, with electric powered streetcar service beginning in 1892 (SMART, 2014). This service was eliminated in 1956, as the recently-formed Detroit Department of Transportation (DDOT) converted all of its routes to diesel bus service (De Silva et. al, 2010). Since 1956, bus service has been the only means of public transportation along Woodward Avenue.

A number of government and private agencies have been working to increase public transportation options within both the City of Detroit and the region. In a regional transportation plan for southeast Michigan, the following larger-scale goals were cited:

- promote a safe and secure transportation system;
- provide accessibility and mobility for all people and goods;
- invest strategically in transportation infrastructure to enhance the vitality of the community; and
- protect and enhance the environment (SEMCOG, 1997, 4-5).

The plan advocated for a balanced investment across all modes of transportation to ensure the region's long-term success. It also noted that the region's investment in rapid transit would likely continue to grow over the next two decades.

Several years later, the Metropolitan Affairs Coalition (MAC), a public-private partnership that engages in policy planning on a regional level, produced a recommendation to grow rapid transit in the southeastern Michigan region (MAC, 2000). Specifically, MAC's report promoted the construction of a Bus Rapid Transit (BRT) system along major transportation

arteries in the city of Detroit, with lines extending regionally as possible (MAC, 2000, 7-8). However, one of the main issues cited in discussion about the proposed plan was the need for increased funding for a new system of transportation. Paul Tait, executive director of MAC, was quoted as saying that any new transportation system would need local funding, adding, “Right now transit in general is so under-funded, any new initiative would need another source of funding” (Kosdrosky, 1999).

### **Understanding Public Transportation Services in Detroit**

Throughout the time period of this study, public transit along Woodward Avenue in Detroit was confined largely to bus transportation. The Detroit Department of Transportation (DDOT) provides local bus service within the city, serving approximately 100,000 riders daily (Transportation Riders United, 2014). DDOT is a department of the city of Detroit and has been plagued with a number of issues, including unreliable service, maintenance problems and union disputes. DDOT has also struggled with revenue challenges, with one report citing that farebox revenue accounted for only 16% of DDOT’s operating budget (National Transit Database, 2009, p. 394). The state of Michigan contributed 31% of DDOT’s operating revenue, while the city of Detroit’s general fund made up the balance (U.S. Department of Transportation, 2009, p. 394).

A second provider of diesel bus transportation in southeastern Michigan is the Suburban Mobility Authority for Regional Transit (SMART). This system is responsible for bus service in Macomb, Oakland and Wayne Counties and provides commuter transportation into the city of Detroit, including along Woodward Avenue. The system serves approximately 35,000 riders daily (Transportation Riders United, 2014). Only 12% of SMART’s revenue in 2009 came from farebox revenues, however, with the remaining funds coming largely from a millage on

homeowners in all three counties and from the state of Michigan (U.S. Department of Transportation, 2009, p. 350).

In the mid-1980s, the Detroit People Mover (DPM) was built as part of a federally funded project to revitalize Detroit's Central Business District. Originally, the DPM was to form the basis of a rail public transit system that would connect Downtown Detroit with its suburban neighbors, but this plan never came to fruition. With 13 stations and 2.9 miles of track, the Detroit People Mover transports an estimated 2 million people annually (Detroit Transportation Company, 2013). It is operated by the Detroit Transportation Company, an independent agency of the city of Detroit and since its inception has been criticized for its service breakdowns, inefficiency and a lack of cost-effectiveness (Risen, 1985; Rich, 1999; Pianin, 2013).

### **The Development of Mass Transit along Woodward Avenue, 2000 – 2010.**

By the end of the decade under study, no mass transit had been built along Woodward Avenue, despite the fact that numerous public and private organizations were advocating for it and that numerous reports cited the potential advantages to the region (Politcha and Ohland, 2006). In fact, despite some early momentum for the project in 2001-2002, it took until 2008 before any substantial movement took place on this issue and, when mass transit along Woodward Avenue did begin to gain some traction, the planning process was clouded by miscommunication and entities working at cross purposes.

The years 2007 and 2008 were watershed ones for the idea of constructing mass transit along Woodward Avenue. One key observer from the philanthropic community described the early planning stages this way:

I was at the very first meeting. Coming off of the very successful Super Bowl project the big question was what would Roger Penske take on next? Roger talked a little



bit about homelessness, but he also talked about transportation. Right when that happened, (Kresge Foundation President Rip Rapson) had just moved here from Minneapolis. He had a very strong bias for how transit projects get built. He believes that you build the first piece, people get to see and experience it and they want more of it. That's the core idea. John Hertel had been named to the Regional Transit Coordinating Council and was building out the transit plan; and started convening Roger and Rip. He had this informal group called Detroit Regional Mass Transit that didn't exist anywhere legally. They decided that the first thing they were going to do was build what's now the M-1 Rail Project, it was called TRAIL - The Regional Area Initial Link. It was intended to be a catalyst for a system that would go all the way out Woodward to Pontiac.

The Regional Transit Coordinating Council (RTCC), in assistance with the nonprofit Downtown Detroit Partnership and funded with a grant from The Kresge Foundation, produced a report in 2008 that promoted the construction of curbside light rail along Woodward Avenue from the foot of the Detroit River to Grand Blvd. in Midtown, approximately a 3.4 mile loop (RTCC, 2008). In 2009, the Kresge Foundation made a grant of \$34.6 million to M1 Rail, a newly created nonprofit that was tasked with overseeing the implementation of the light rail project.

However, largely unbeknownst to the M1 Rail group, the city of Detroit was planning its own version of light rail along Woodward Avenue. In 2008, just as the RTCC was getting ready to release its comprehensive report, news broke that the city of Detroit had developed its own, competing version of light rail (Crain's 2008). The city's plan called for a center-of-street boarding on a commuter rail line that would run from the northernmost station of the Detroit People Mover (near Comerica Park and Foxtown) to the Michigan State Fairgrounds at the corner of Woodward Avenue and 8 Mile Road. One observer described the city of Detroit's actions as, "The city wasn't being public about this. They were doing all of this behind the scenes."

Throughout much of 2009, the private backers of the M1 Rail project and the proponents of the city of Detroit's project negotiated behind-the-scenes to merge the two projects, with a

formal announcement in late 2009 on the terms of cooperation. At the time, Matt Cullen, one of the M1 Rail project's chief backers, offered this about the merger of efforts: "We did make a conscious decision to change this from a pure private focus. It was a clear strategic decision to say, 'Hey, let's do this together'" (Shea, 2009). This cooperative effort ultimately resulted in a 2013 announcement by the U.S. Transportation Secretary Ray LaHood that Detroit's M1 Rail project would receive a \$25 million grant from the U.S. government (U.S. Dept. of Transportation, 2013). Although it ultimately represents only 10% of the funds necessary to complete the project, the securing of a federal commitment was a powerful signal that the project would go forward and encouraged others to believe that the project could become a reality.

### **Identifiable Policy Goals**

As previously stated, there was certainly no lack of data to review about the desire to build mass transit along Woodward Avenue during the first decade of the 21<sup>st</sup> century, and it is relatively easy to accept that this was the overarching policy goal for a number of entities, including, as regime theory would predict, prominent members of the business community and the city of Detroit. Beyond this larger goal, however, determining what type of transit to build, which entities had the power to participate in and control the process, and how best to organize the project also seemed central to goals.

During the conversations about building mass transit on Woodward Avenue during the time period of study, one key issue that kept cropping up in articles, data records and my interviews was the need for Detroit to determine not only the goals of its project, but also the best type of mass transit to accomplish those goals. Numerous interviewees mentioned the schism that existed between groups who viewed mass transit as a tool for local economic

development and those who saw its potential to transform commuter patterns in the region. One community activist who was involved in the project stated the dichotomy this way:

Broad-based picture is the conflict between the approach which saw the M-1 as an economic development perspective or transportation perspective. There's a conflict between the economic development approach and the transportation approach. The transportation approach looks at the downtown M-1 piece as part of the regional system. The economic development approach proponents were the business community who wants to improve downtown. They want maximum stops and ability for people to walk on and off... In transportation versus economic development, economic development won.

Ultimately, the M1 Rail project that was moving forward by 2010 represented a choice of rail that served an economic development purpose, as opposed to a commuter rail purpose. According to one of the key actors involved with the M1 rail project, this choice was deliberate and serves a long-term strategic purpose:

The whole side-running/center-running thing became a sticking point. Center-running is appropriate for commuter rail where you have people not wanting to stop very often, but it's not the kind of economic generator that stops every quarter mile; what we're trying to do with M-1 Rail is activate the streets and get more pedestrian traffic. That's antithetical to a commuter line. What people were thinking in the city was that people in the city were jobless and they saw this rail line as a way to get where the jobs were in the suburbs. The theory of change behind M-1 is to bring jobs into the city, not assume that the jobs are always going to be in the suburbs and the residential population is going to be in the city; that you can reorient the entire region to your strongest jobs corridor being at the core.

Overall, the policy goal that was ultimately selected as most desirable and viable was to orient mass transit to a curbside service that encouraged economic development goals within the city.

Another potential policy goal for this project was the ability to establish a working coalition of partners with the vision and perseverance to see the project through to fruition. As previously mentioned, Detroit's system of transportation-related organizations was quite fractured, with two different bus systems operating in the region, a state department of transportation with responsibility for significant portions of the Woodward Avenue corridor, a light rail transit system called the Detroit People Mover that was operated by a separate

organization, and several nonprofit organizations working on transit-related issues along Woodward Avenue, including the Southeastern Michigan Council of Governments, the Metropolitan Affairs Coalition and the Woodward Avenue Action Association. Beyond the city of Detroit, the potential for the development of a regional transit system that extends into surrounding communities was also a potential goal, one that would require the active involvement of even more partners and agencies. Getting all of these entities, as well as the leaders of the business and philanthropic communities in metro Detroit, on the same page was almost a prerequisite for the success of the overall policy goal of constructing a mass transit system along Woodward Avenue.

### **Should the Woodward Transit Project be Considered a Successful Case?**

In one sense, there is almost no way to consider the policy desire to construct mass transit along Woodward Avenue a success during the first decade of the 21<sup>st</sup> century. In short, despite numerous plans for bus rapid transit, light rail, commuter rail and even a brief flirtation with a subway concept, no infrastructure was built and nothing went beyond the planning process. However, by the end of the decade, there was evidence that the planning processes at the end of the decade, with the merging of a private plan with a public plan, might bear fruit in the next decade. Indeed, as I write this in 2014, plans for the construction of a light rail line along Woodward Avenue are scheduled to be implemented over the next two years, with the relocation of utility lines along Woodward already underway.

In terms of the additional policy goal of getting multiple entities on board and moving in the same direction, the success was somewhat mixed. Ultimately, the public and private plans for mass transit merged, although the process was not exactly easy and, as noted in a 2010 article

about the project, cooperation wasn't always the goal. The president of The Kresge Foundation was quoted as saying, "We began with the assumption that we (the philanthropic and business communities) could build it. It turns out you can't. The only way to build it is with federal blessing. It's a huge shift in the way this project was configured" (Shea, 2010). One of the project's co-chairs, Matt Cullen, noted:

We didn't know where we would end up. We (changed) it very consciously. We got involved to help the city. A lot of things have come together to allow us to see a different way to move forward...It has just been an evolution. You have to temper speed with the desired outcome. We could move on our own and do it, but it would not be the outcome we would all hope to get (Shea, 2010).

Ultimately, the merger of the privately-backed M1 Rail group with the city of Detroit's project brought together some of the key players in the transportation community.

The ability of the project to bring together actors outside of the city, however, was less successful. Despite initial plans that called for the extension of light rail into the suburbs, the plan could not muster the support of leaders outside of Detroit. Throughout the decade under study, Oakland County Executive L. Brooks Patterson, a critical suburban leader, has been an opponent of the creation of light rail along Woodward Avenue (Schneider, 2006). The state of Michigan has also played a role in disrupting efforts to coordinate regional transit issues, with then-Governor John Engler vetoing popular legislation that would have created the Detroit Area Regional Transit Authority in 2002 (University of Detroit Mercy, 2013). A leader from one of the key philanthropic agencies in Detroit that became involved in M1 Rail described the challenges of gaining regional cooperation for transit this way:

From the outside it became abundantly clear that we weren't going to implement a regional plan at scale because there wasn't any money and there wasn't the commitment. There wasn't a level of regional commitment, some people wanted it and some people didn't. If you don't have everybody signed up and on board, then it's not going to happen the way you want it to. There wasn't going to be a regional plan. Even focusing just on Woodward going beyond 8 Mile required

a multiple jurisdictional involvement. Obviously a couple of counties were also involved; six or eight municipalities beyond 8 Mile. There wasn't uniform agreement among all of those institutions as to whether or not that was an appropriate use of money.

Indeed, the current version of M1 Rail that is moving forward does not involve regional cooperation of any kind and the role of the state has thus far been limited, so it is difficult to say that the goal of achieving regional cooperation has been achieved.

Overall, the overarching policy goal of building mass transit along Woodward Avenue was not achieved during the time period studied, although there is evidence that it will be built sometime in the ensuing decade. Understanding the reasons behind this lack of success, as well as the roles of the government, business, philanthropic and nonprofit sectors, was the next step in my analysis of this case.

### **The Role of Government**

Regime theory would predict that a coalition between the business community and the government entities in the city of Detroit would be critical to enacting the policy goal of constructing light rail along Woodward Avenue. In examining the actual role that the city of Detroit played in the discussion and planning processes surrounding mass transit during 2000-2010, however, it is difficult to support the contention that the city worked in partnership with the business community (or any other sector). Indeed, as noted earlier in this case discussion, the city worked in relative secrecy to develop its own proposal for transit, despite the fact that a privately-backed plan was also being pursued. However, every one of my interviewees with knowledge of the case acknowledged that it was almost impossible to conceive of the construction of mass transit without the city's involvement. One interviewee offered, "Clearly it's on Woodward Avenue so both the city and the state have got to be involved in some way."

Another interviewee offered criticism for the city's involvement, even while acknowledging that the group of private investors was not being realistic in excluding the city:

At the time, the city was a real problem. It's my opinion that leadership was horrible. There was no consistent support of it. There was no leadership from the mayor or the head of the group at the time, a guy named Norm White... We were naive too. We came at this as 'screw the public sector,' we're going to do this ourselves. We'll raise the money for the private sector, philanthropic and corporate and put this in there right away and call it good. The (federal government) came back and said, "Isn't that a cute idea?" This is public right-of-way. We'll participate with you, but we're only going to do it through an appropriate public entity.

Norm White was the head of Detroit's Department of Transportation during this time frame and numerous interviewees with whom I spoke were openly critical of his role in the process. However, because he was the mayor's official designee in terms of transit projects, his role in voicing the concerns of the city of Detroit and its residents was something that other actors could not afford to ignore. In the end, the city's leaders ended up cooperating with the privately-backed entity, although the negotiations to make that happen were fraught with tension, as described by one interviewee who participated actively in the process:

In November of 2011 the city realized they didn't have the funding to build it, even with the \$100 million from M-1 Rail and with the New Starts federal funding they thought they would get. They realized they didn't have enough money to put in the local match. Without talking to the M-1 folks, they went to the feds and said that instead of building this (light rail) they were going to build bus rapid transit on Woodward. We knew that it would take 5-7 years to get bus rapid transit to the point of being built on Woodward. It fell way short of our vision of having a state of the art rail system in Detroit, and also have this circulating effect that had already driven hundreds of millions in development. So we reawakened it through communications efforts and advocacy with the mayor and governor... We had this big meeting on January 5<sup>th</sup> or 6<sup>th</sup> in 2012 in the mayor's office with all the parties present. When we came out of that meeting there was press in the mayor's anteroom. The mayor, governor, secretary of Transportation and Roger Penske all stood on camera and said there will be Light Rail on Woodward.

Ultimately, the coalition between the business community and the city of Detroit did occur, although it is still possible to conclude based on the data and information provided by the interviewees that the city was not an equal participant in shaping the outcome.

### **The Role of the Business Community**

In contrast to my other cases, prominent members of Detroit's business community were significantly involved in the push to build mass transit along Woodward Avenue. In this way, at least part of the prescribed coalition that regime theorists would deem necessary for significant policy action to occur was in place, although the business community did not have a strong partner on the governmental side. Instead, the business leaders allied themselves with members of the philanthropic community, forming a new coalition to bring the plans for M1 rail to fruition. One interviewee described the coalition this way:

This would not be happening without private business. This is maybe the best example; very unusual, very hybrid, stuck together with chewing gum kind of structure. Kresge Foundation put up a lot of money. DEGC put up money. Private businessmen put up money and Federal Government put up money. It's going to be managed as a private nonprofit, rather than going to DDOT or SMART. It's a pretty unusual structure; Rube Goldberg structure, more complicated than it needs to be. It would not have happened otherwise.

As noted by this interviewee, a number of organizations contributed financial resources to the project, although no one contribution would have been significant enough to fund the entire project. In addition, the fact that the project's implementation would ultimately be the responsibility of a nonprofit organization brought an additional sector to the table, one that certainly maximized the potential for continued revenue flow from the business and philanthropic sectors. Thus, instead of aligning with the city government to ensure the project's success, as regime theorists would predict, Detroit's key business leaders created a new coalition



that involved a number of private and public entities, turning to the nonprofit sector for the project's long-term success.

Of course, beyond the personal and organizational leadership of the business community, they also provided much needed financial resources for the project. As noted in a 2008 news article about the project, many prominent Detroit businesses were providing seed money for the project, including Mike Ilitch (Little Caesars Enterprises), Dan Gilbert (Quicken Loans), Peter Karmanos, Jr. (Compuware Corporation) and Roger Penske (Penske Corporation) (Shea, 2008). The private funds, which are estimated to be approximately \$100 million, are financial commitments that were given in exchange for the opportunity to advertise on the rail line's stations (Shea, 2011).

Overall, the involvement of the business community in the development of mass transit in Detroit was quite substantial, as they provided both visible and behind-the-scenes leadership to the project. For most of the years at the tail end of my study period, the business community worked in partnership with the philanthropic community to move the project forward. This is in contrast to the type of government-business partnership that regime theory would have predicted, although there is evidence that a government-business coalition did reluctantly form to get the project done when it was threatened.

### **The Role of the Philanthropic Community**

As was evident in other cases in my study, the role of the philanthropic community loomed large over the development of mass transit along Woodward Avenue. Most of the interviewees with knowledge of the case noted their belief that the project could not have been

furthered without the involvement of the Kresge Foundation. In addition to providing numerous grants for the project, the Kresge Foundation also provided a critical function in terms of organizing and sustaining the coalition, as noted by one interviewee:

To their great credit, the Kresge Foundation started funding both the idea of a much smaller, first investment and started engaging the institutions that are likely to benefit from it. That being the adjacent property owners; the Ilitch family with Comerica Park on one side, the Fox Theatre on the other side, and as you continue north you've got a number of other representative institutions. They started engaging all of those folks. It was my sense that there was great interest and sympathy for it, as long as we were talking about it being part of a larger strategy.

Another interviewee noted that Kresge also provided substantial staff support to the project, saying:

Kresge was at the heart of it, no question. They took a significant leadership role, even to the point of assigning their own staff to play a big role in the federal and city negotiations. They were fundraising from their fellow philanthropic colleagues and organizations. Without Kresge's leadership, and not just money; money is important. They have a big stake in this, but it was their leadership and absolute commitment this was going to get done that advanced it.

A representative from The Kresge Foundation explained the reasoning behind the organization's decision to provide not only funding and leadership to the project, but also loaned staff, saying, "It is very unusual for a foundation to lend staff into one of its grantees. [We] felt that this project is the lynchpin for a lot of what needs to happen in the city going forward and it's worth the time and effort." Overall, it is difficult to envision the M1 Rail project moving forward without the significant involvement of the philanthropic community, in this instance The Kresge Foundation.

## **The Role of the Nonprofit Sector**

The nonprofit sector played an interesting, although somewhat muted, role in the development of light rail along Woodward Avenue during the latter part of the 2000s. Most of my interviewees struggled to recount any kind of significant involvement by nonprofits other than the Detroit Economic Growth Corporation (DEGC) and the Downtown Detroit Partnership (DDP). Both of those nonprofit development organizations have seats at the planning table, with the DDP serving as the project's fiduciary for several years and the DEGC serving as the city of Detroit's primary means of involvement. As explained by one interviewee who participated in the process: "Mayor Bing asked DEGC to take the lead on it, since it was primarily an economic development play. DEGC had led a lot of the transit oriented development planning of the project. They are the ones who have a \$9 million dollar commitment (from the city) to fund it." Although the DEGC is an independent nonprofit organization, during the time period of my study it became clear that it was often tapped by the city of Detroit to serve as its representative for important economic development projects. The city compensated the DEGC for its time spent on these projects and numerous interviewees seemed to accept that the DEGC's statements and actions had the weight of the city behind them.

Beyond these economic development-oriented, two nonprofit organizations were mentioned by interviewees as playing small roles in the development of the project. The Woodward Avenue Action Association is dedicated to facilitating projects along Woodward Avenue, but much of its activity to date has been in Oakland County, north of Detroit. The Transportation Riders United organization is a nonprofit that advocates for sensible transportation planning with a focus on the needs of riders, but its small size and lack of significant community actors relegated it to a smaller role in the process.

Perhaps the most interesting way in which the nonprofit sector has been involved in the project came in 2010, when the organization known as M1Rail officially was chartered as a nonprofit. The M1 Rail organization, which will have responsibility for managing the construction project and operating the line once it is completed, has been structured as a nonprofit organization, instead of making it a division of the city of Detroit, a quasi-governmental agency, or a private corporation. The reasons for this choice were obvious to many of my interviewees. Among the comments I recorded on this issue were:

As you probably know, no transportation entity in the world pays for itself. There isn't a transportation agency, institution, or system, none, that actually pays for itself with its fares and transportation management. I'm assuming that the reason for the creation of the nonprofit is to ensure that it has access to philanthropic dollars as it moves forward and use that as a way to catalyze public investment.

-From a representative of a local charitable foundation

It's a 501C3. As an LLC they probably couldn't get the foundation money and as a 501C3 they can. The Kresge money is essential. Kresge put up 30-40 million dollars or something for this. As a nonprofit you have a certain public acceptance that you don't have if it's private.

-From an outside observer of the process

Kresge wouldn't have been able to put in \$40 million dollars if it hadn't been a charitable entity. We also think that there's a lot of value in having it be a charitable nonprofit initiative because then you take away a lot of the questions about whether business leaders are doing it out of their own self-interest and who does it serve. In order to be successful, it has to serve everybody.

-From a representative of The Kresge Foundation

In this case, it appears as though the backers of the M1 Rail project deliberately structured the project's leadership entity as a nonprofit, both to stimulate funding and to engender public support for and trust in the project. This is in keeping with the theory that suggests that business elites will utilize nonprofits as a mechanism for spreading their influence wider in the community (Perrucci and Pilisuk, 1970). Overall, though, it is difficult to conclude that the nonprofit sector played a significant role in the development of the M1 Rail project during the

time frame of study, although clearly the choice of 501c3 status for the governing organization will ensure that a nonprofit is actively involved during the next decade.

## **Conclusions**

As we have seen in other cases, the role of the philanthropic sector in catalyzing the development of mass transit along Woodward Avenue was significant, while the role of city government was insignificant at best and harmful at worst. This case was one of the first that included Detroit business community leaders in a significant way and the role of the nonprofit sector was negligible. Although on paper this case supports my hypothesis that an economic development project would be less successful without an actively engaged nonprofit, the information I gathered from interviewees suggests that there were numerous other factors at work in keeping M1 Rail from being built during the timeframe of my study, just as there are numerous factors for why the project has gained momentum recently. On the face of it, the recent movement towards building mass transit on Woodward Avenue looks like traditional regime theory in action with a partnership between the private and public sectors, but clearly the partnership is not equal and was dependent upon the active involvement of the philanthropic community.

## CHAPTER 7: CONCLUSIONS

In this final chapter, I will review the general and specific findings from each case, drawing conclusions about my theory where appropriate. I will also offer suggestions for future research into this and related topics, and will share some of the important takeaways from this research.

Overall, Detroit has proven to be a fascinating case study for my research into the ways in which nonprofit organizations participate in urban economic development. As we saw in Chapter 2, numerous researchers before me chose Detroit as their laboratory, studying the use of power, the city's policymaking structure and the roles of business and government leaders. Some concluded that a power elite exists within the city (Ewen, 1978), while others concluded that Detroit's power structure showed evidence of an urban regime where business and government came together to achieve policy goals (DiGaetano and Klemanski, 1993; Jones and Bachelor, 1993). Others were more skeptical about Detroit's long-term ability to sustain an urban regime (Orr and Stoker, 1994; Lawless, 2002; and Kilburn, 2004). To the long list of urban research into power and policymaking, I add my own study of Detroit in the early 21<sup>st</sup> century.

My goal with this research project was to explore the ways in which the nonprofit sector contributes to urban economic development, with the expectation that economic development cases that involve nonprofits as key leaders or contributors to the process will enjoy greater success than those cases that do not. My six cases in Detroit certainly demonstrated the wide range of activities in which nonprofits engage and helped illuminate the mechanisms by which the sector becomes involved in economic development activities. Although each case was

undeniably distinct in its actors, successes and outcomes, there are some general and specific findings that can be reported. In addition, I believe that this study opens up possibilities for future research and points out the need to expand traditional conceptions of regime theory beyond the lens of government and business interaction, as Clarence Stone himself recently acknowledged (Stone, 2013).

### **General Findings**

Although I will discuss the specific findings from my cases later in this section, there are also some overall takeaways from my research. One of the most important findings of this study was that the nonprofit sector often does have a role to play in urban policymaking and researchers who ignore that sector's impact do so at their own peril. My initial research into the economic development landscape in Detroit uncovered numerous actors from the nonprofit sector, from the Detroit Economic Growth Corporation to the organization of business leaders, Detroit Renaissance. Within many of the cases where successful outcomes were observed, nonprofits were active in achieving positive outcomes, with one nonprofit generally being identified by most of my interviewees as the critical actor in moving the area/project forward. In Midtown Detroit, UCCA/MDI was instrumental in both defining goals for the area and working to ensure their success, while the Eastern Market Corporation's work in the growth and development of Eastern Market was acknowledged by every interviewee with whom I spoke. The Riverfront project could not have been completed without the Detroit RiverFront Conservancy (DRFC), at least not in a manner that interviewees thought would have been as successful, while it was only after Jefferson East, Inc. (JEI) formed and became a presence in the Jefferson East district that the area began to gain some sort of traction. Although the roles they

played may have varied and their ability to lead, follow or contribute to the project was not uniform across the board, these nonprofits certainly demonstrated that they could effect change.

There is also evidence, however, that the size, scope and mission of the nonprofit organization made a difference in its ability to contribute successfully to the project it was undertaking. Both the Eastern Market Corporation and the UCCA/MDI expanded their scope and mission during my time frame of study, with the Eastern Market Corporation taking on a larger mantle of providing nutritional programming and information to Detroiters and UCCA/MDI pursuing both its own projects and serving as a conduit among developers, businesses and the city government. Similarly, Jefferson East, Inc. (JEI) only started to gain strength when it increased its scope to include a broader definition of both the area and its mission.

However, there is evidence that nonprofit organizations need to be careful about how they grow and define their missions. Numerous interviewees across multiple cases offered their theories that one of a nonprofit's greatest strengths was its ability to focus on one particular area, something that local government does not have the ability to do. One interviewee with whom I spoke put it succinctly:

Government by its very nature is constantly distracted. You have to understand; if you're the mayor of any city you go into work in the morning and think you're going to work on this, and some damn thing happens that's not even your fault and that becomes the center of your life for the next six months... Government has the uncomfortable role of trying to mediate the whole realm of the people who live here; not just the wealthy people or the hipsters who are increasingly occupying Midtown, but everybody. They're trying to make the dysfunctional functional, compensate for them, and get us all to work as a total society.

Nonprofits, by contrast, have the luxury of focusing on one key area, and several interviewees mentioned that this fact was critical to their support of the creation of the DRFC and the organization known as M1 Rail. Instead of asking the nonprofit Detroit Economic Growth



Corporation or the Downtown Detroit Partnership to take ownership of these projects, the decision was made to create new nonprofit organizations to oversee their implementation. “Focus, focus, focus,” commented one of my interviewees who sat on the planning committee for the Detroit RiverFront Conservancy, when asked to explain why the DRFC was created. “We don’t take the creation of nonprofits lightly, but in these cases it was a necessity,” added a member of the philanthropic community when speaking about the creation of both M1 Rail and the DRFC.

One of the most pervasive findings of this study was the important role that the philanthropic sector played in Detroit’s economic development during the first decade of the 21<sup>st</sup> century. At the outset of my study, I had not anticipated that this sector would play such a significant role in my cases, but it was clear from both my research and my interviews that the foundation community was critically involved in economic development within the city. In particular, the Kresge Foundation and the Community Foundation of Southeastern Michigan appear to have played large roles in both the agenda setting and implementation process. The idea that a city’s future direction and strategy could be driven by the desires of philanthropic leaders was not something that was prevalent in my review of the literature on urban policymaking, so their active participation was not something that I anticipated. Since the time frame of my study, however, it appears that the role that the philanthropic community played and continues to play in reshaping Detroit is garnering national attention. A recent article in *Philanthropy Magazine* quotes a noted philanthropy scholar as asking, “Have we now crossed a line where foundations are in fact picking up the slack for government?” (Perry, 2014). Other articles have noted the way in which the foundation community has stepped in after Detroit’s financial collapse to help negotiate a bankruptcy exit strategy for the city (Kennedy, Davey, and

Yaccino, 2014; Boyle, 2014). The way in which the foundation community has participated in solving Detroit's problems both during and after my period of study has made the sector a key actor in both the setting of a policy agenda for the city and the implementation of solutions to solve the city's most pressing problems.

The importance of individual leadership was also an unexpected finding. Although my research was designed to study the impact of institutions on economic development, many of my interviewees found it difficult to separate those organizations from their leaders. In four of my cases (Midtown, Eastern Market, Jefferson East and Detroit's Riverfront), individual leaders were repeatedly mentioned as critical to the economic development activities. Those four cases also happen to be the cases that evidenced the most success in terms of accomplishing their goals. In the two cases that were less successful during my time frame of study (City Airport and Mass Transit on Woodward), no clear leaders existed and, for the City Airport case, interviewees struggled even to suggest individuals who could speak knowledgably about what happened during my period of study. Of course, the importance of personal commitment and leadership in policymaking is a field of study all its own and it clearly came through in my study.

### **Agenda Setting vs. Implementation**

One of the most important decisions I made in undertaking this project was my desire to focus on the outcomes of the economic development projects, not the agenda setting mechanisms that were utilized to generate enthusiasm and momentum for the project. However, regime theory, as I learned, is a tool better suited to understanding decision-making processes than a study of how those projects get implemented. Even with my focus on successful implementation, however, the origin stories of my six cases were also important, with historical

analysis and detail often being necessary to present an accurate picture of the case in question. That being said, I found very little evidence that strong policy choices were made by any government or business entity with respect to my cases, with the exceptions of the redevelopment of Detroit's Riverfront and the construction of mass transit along Woodward Avenue. In the case of the Riverfront, business and government worked with the philanthropic community to establish a vision for the redevelopment, while in the case of mass transit on Woodward Avenue, the business and government leaders actually spent their time pursuing separate plans until they were forced by economic and political realities to work together. In my other four cases, I could find no evidence that any regime-type coalition had established goals.

That is not to say, however, that goals did not exist or that successes were not achieved. Instead, into the void created by the lack of government and business attention stepped the nonprofit and philanthropic sectors, bringing with them a vision and the willingness to work hard to achieve it. In the cases of Midtown and Eastern Market, the path forward was set largely by the strong nonprofits (UCCA/MDI and the Eastern Market Corporation, respectively) operating within those areas, with government and business playing a supportive role at best. In the case of the Jefferson East district, it appears as though the intervention of the philanthropic community was the key catalyst for the push to both define goals for the area and to work to achieve them. Even in the case of the Riverfront, although the agenda was largely set by the triumvirate of the business, government and philanthropic community, the nonprofit DRFC was called upon to implement the project and manage it longterm.

Overall, regime theory proved to be a useful guiding theory for my dissertation project, despite its emphasis on agenda setting as opposed to implementation. It provided a lens through which I could analyze the actions of government and business leaders, but I found that I needed

to look beyond those two sectors in order to gain a true picture of what was happening in my six cases.

### **Regime Theory Revisited**

The question of whether regime theory is still appropriate as a theory of urban governance is one that has been voiced by its original author, Clarence Stone. In a 2013 paper, Stone acknowledged that, “There is a need, then, for some reframing of what it means to govern the contemporary American city” (Stone, 2013, 2). Other researchers had previously suggested that it receive a fitting burial (Sapotichne, Jones, and Wolfe, 2007), but Stone instead argues for a “rethinking” of governing capacity and an expansion of the players (Stone, 2013, 3). I could not agree more.

I believe that my research has clearly demonstrated that actors beyond the traditional coalition of government and business are often involved in the achievement of policy goals. Specifically, both the nonprofit sector and the philanthropic sector in Detroit demonstrated that they were capable of carrying out significant projects that contributed to the overall health of the city. Their contributions were varied, as some worked to set agendas and then implement them, while others were brought in after a policy direction had been determined, but there should be no question that these sectors’ abilities to bring resources and focus to urban challenges is real and deserves recognition.

There is evidence that business and government leaders are starting to recognize the potential power that the nonprofit and philanthropic sector can wield and the resources that they can bring to the table in order to effect policy change. One prominent business leader with

whom I spoke put it this way when asked if he felt the nonprofit community had a role to play in urban governance:

I certainly do. I think that in this current situation I've seen improvements based on the fact that (the sector) has been coming to the party and coming to the party early. Seeing a need and seeing the importance of a vital cityscape and being innovative and being there, I think people are very respectful of that.

Interviewees from city government also acknowledged that they looked to the nonprofit and philanthropic community as active partners in projects. Again, even Clarence Stone acknowledges:

In many places the business role in governing has receded, and local government has the possibility of developing a more open-ended agenda that can bring marginal groups into consideration. Moreover, as the philanthropic and ed & med sectors have come to play a large part in governing cities, a hybrid form of governing has taken shape (Stone, 2013, 18).

Again, I believe that my research clearly supports this expansion of regime theory to include other players and partners, particularly from the philanthropic and nonprofit sectors.

When actors beyond the official government become involved in decisions about the agenda setting and implementation of solutions to urban problems, it is important to recognize the implications for democratic society. When the philanthropic, business and nonprofit sectors become involved in agenda setting, for example, questions of democratic accountability are inevitably raised. Although the nonprofit sector's charter through the IRS specifically requires that its organizations serve the community, the business and philanthropic sectors are governed by the personal and professional interests of their leaders and/or benefactors. Thus, a governing model that discounts the role of government, or marginalizes it to the degree that was evident in some of my cases in Detroit, should provoke concern and discussion about democratic accountability in that urban area.

A lack of democratic accountability in an agenda-setting process that is not led by the public sector may also have implications for the types of activities that are selected for action. Detroit's residents, for example, may have selected different priorities for redevelopment dollars and actions than the creation of a RiverWalk or the revitalization of Midtown, but they were not necessarily consulted during the process, nor were their appointed representatives in government leading the way. Instead, in many of my cases, individual leaders from the nonprofit, business and philanthropic sectors selected projects that were appealing to their constituents. This type of agenda-setting model challenges traditional notions of democratic accountability and does not necessarily ensure that the needs of the taxpayers are of utmost importance.

### **Analysis of the Six Cases**

My ultimate goal with this research project was to demonstrate that nonprofit organizations are influencing policy outcomes in the area of economic development and to provide insight into the ways in which those activities are occurring. In that respect, I believe that my project was successful. Two of my six cases (Eastern Market and Midtown Detroit) clearly showed that a nonprofit organization is the central player in the redevelopment projects in Eastern Market and Midtown, respectively. In two other cases, the construction of mass transit along Woodward Avenue and the redevelopment of Detroit's Riverfront, nonprofit organizations were created specifically to implement the policy goals, with organizers believing that the nonprofit sector would provide the right balance of focus and funding opportunities for the projects. In the case of Detroit's Jefferson East district, the anointing of the nonprofit Jefferson East, Inc. as the "go-to" organization in the area appears to be an important moment in the transformation of the district, but more time is needed in order to adequately judge its long-term efficacy. In my final case, Detroit's City Airport, the complete absence of any nonprofit actively

working in the area was noted by multiple interviewees. While this does provide support for my hypothesis, the complete absence of the business, government and philanthropic sectors from this case was also evident.

The degree to which the collapse of Detroit's city government affected the outcome of my six cases was also a factor, I believe, in the ability of the nonprofit sector to participate in economic development activities within the city during my time period of study. As noted in Chapter 4, Detroit is an extreme case in many ways, with the complete deterioration of the city's financial state occurring largely during my study. No interviewee contradicted the conventional wisdom that the city was in dire straits during the first decade of the 21<sup>st</sup> century and certainly some of the evidence presented in Chapter 5 shows that the city's financial condition was exceptionally bad during the period under study. The degree to which that allowed the nonprofit sector to step into the policy leadership void created as a result of the city's struggles in unknowable, although it is probably significant.

Equally significant is the lack of general participation by the leading private and public companies in Detroit in most of my six cases. Of course, no sector participated in activities surrounding Detroit's City Airport, but three of the other five cases also show little evidence that the business community was involved at a significant level. The Eastern Market, Midtown Detroit and Jefferson East cases were all marked by low-level participation by the business community, with the exceptions being the small businesses that populate those areas. In the cases of M1 Rail and the Riverfront, the traditional business community of large employers, banks and the automotive companies were active participants, although their main collaborators were the philanthropic sector, not local government.

In terms of whether or not a developmental regime existed in Detroit during this time frame, I believe that my six cases demonstrate that business and government were not engaged in a long-term strategic partnership that pursued development policy goals. Both sectors struggled mightily during the time period of my study, but even if they were stronger, any governing coalition would have undoubtedly needed to include the philanthropic sector, particularly in the time period after 2006. The arrival of Rip Rapson to head The Kresge Foundation, combined with initiatives like the Hudson-Webber Foundation's 15x15 program and the increasingly visible role of the Community Foundation for Southeastern Michigan, led to an increased prominence for the philanthropic community within the region. Resources were scarce in Detroit during this timeframe, as the city and major employers shed workers and cut budgets, so the flow of philanthropic dollars helped ensure that foundations were given a seat at the table.

### **Challenges and Opportunities of My Project**

In completing the interview phase of my research, I feel that I was successfully able to secure interviews with most of my intended interviewees, with one notable exception. Despite numerous referrals and introductions facilitated by other interviewees, I was unable to conduct an interview with a current or former member of Detroit's City Council. I approached four different former councilpersons for interviews, and two agreed to speak with me. However, neither one ever showed up for our appointments, with one cancelling four different meetings with me. Although I am disappointed not to have included their perspective in my research, I feel as though I made the best possible effort to include them. Detroit utilizes a mayor-council form of government, with the mayor's office holding significant budgetary and implementation responsibility, so the perspective of city council members would have added another dimension



to the views about how the city of Detroit was involved in each of my cases. Their perspective on the involvement of the mayor's office in economic development, as well as the degree to which they were accepting of the changing role of the nonprofit sector would also have been interesting. Although I cannot be certain, my hypothesis would be that many of Detroit's city council members would express skepticism about nonprofits playing a leadership role in large-scale projects within the city.

Another interesting feature of my research that emerged during the interview phase was the multiple roles that individual interviewees played in the community. During the course of my research, I conducted interviews with 26 individuals but they represented more than 47 different organizations that were involved in the cases under study. A list of these organizations is represented in Appendix C. As one interviewee put it, "The business leader was the person who chaired the DRFC and worked actively on the transit project [M1 Rail]." Another interviewee was a business leader from one of my areas of study who also served on the board of a local foundation, chaired a cultural organization located in Midtown, and served on the Mayor's Commission for the East Riverfront. Very few of my interviewees were able to provide information about only one of my cases. Although my research was not explicitly focused on the degree to which an elite power structure might exist in Detroit, the discovery of individuals who serve as the key links between organizations in the community might warrant a more in-depth analysis through social network analysis or another form of power structure research.

Another challenge of my research was the difficulty in developing mechanisms for measurements to gauge the success or failure of my cases. Before beginning my research, I knew that my study would produce a mixture of quantitative and qualitative data and while that proved to be true, I was not completely prepared for the difficulty that I would have in

developing appropriate measures by which to judge my six cases. Only the case of the Riverfront provided me with clearly articulated goals; in the other cases, I was left to scour obscure policy documents and attempt to read between the lines of news reports and budget documents to determine goals. However, once I determined appropriate policy goals for each case, I was still left with the need to measure progress towards those goals and in this effort I was often thwarted by a lack of data about the state of Detroit in 2000. The 2008 founding of a nonprofit organization called Data Driven Detroit proved to be a treasure trove of information about 2010 Detroit, but no similar organization existed in 2000 to compile a wealth of detailed information about the city and its residents. Although the U.S. Census's American Community Survey did capture some of the information that I sought, Data Driven Detroit's capabilities, undoubtedly driven by technological advances made throughout the decade, will aid future researchers who are undertaking research projects within the city.

Finally, the usefulness of regime theory as a guiding theoretical framework for studies of the implementation of projects in urban areas is worthy of future study. As I learned during the course of my review of relevant literature, much of the scholarly research into regime theory has studied its applications in the decision-making and agenda-setting processes in urban areas. However, my focus, and the focus of numerous researchers in public administration, is on the implementation of solutions to urban problems. Regime theory's ability to be re-purposed in studies of this kind remains to be seen and presented me with several challenges throughout my work. I would argue, though, that it is the ability of governing coalitions to implement successful solutions to urban problems that will be of most importance in the fast-paced, resource-challenged 21<sup>st</sup> century, so the expansion of regime theory to this set of inquiries, or the

development of a new theory of how various sectors become involved in problem solving in urban areas is needed.

### **Opportunities for Future Research**

Initially, my study was going to compare and contrast the roles of nonprofit organizations in multiple policy areas, but in the interest of completing my dissertation in a timely manner, I decided to concentrate on economic development cases. However, future research studies could be undertaken that would look at how nonprofits participate in other policy areas, including neighborhood revitalization, education and social policy. As noted in Chapter 3, research into the ways in which nonprofit organizations are influencing policy areas is ongoing (Epstein and Sanders, 2000; Mitra and Frick, 2011; Coburn, 2005; Strom, 1999; Holcomb, 1993; and Whitt, 1987). In the case of Detroit, the struggle between neighborhood revitalization and economic development in more commercially-oriented areas of the city has been part of the conversation for decades, so I would encourage future researchers to begin in that direction.

Of course, extending this research to other cities might also provide insight into the ways in which the outcomes I saw have been realized in other localities. As I noted, Detroit was in many ways an extreme case and studying less distressed cities would be an important step in establishing my findings as reliable. In particular, the examination of similar types of cases (the creation of mass transit, for example, or the redevelopment of a waterway) would be extraordinarily relevant to building confidence in the results evidenced in Detroit's cases.

The role of the philanthropic sector in urban policymaking is surely a topic that is worthy of future study. In many of my six cases, the foundation community took a strong role in both setting the agenda for projects and in selecting the method of implementation through their

grantmaking capacity. Research projects focused on the governance and leadership models of private foundations and their ability to influence policy directions would provide more insight into this sector's capacity to contribute long-term.

Another future research project that might lend new understanding to the ways in which nonprofits are influencing policymaking would be to re-visit the same six cases in 2020 in an effort to determine whether or not the momentum enjoyed by some organizations such as Eastern Market and Midtown Detroit Inc was sustainable and led to long-term results. In addition, looking at whether or not the backing of the nonprofit Jefferson East, Inc proved to be a smart move by the foundation community and if the M1 Rail project was able to fulfill its vision of stimulating economic development along its route might provide further insight into the ultimate success or failure of these cases.

## **Summary**

While I believe that regime theory is still an effective lens through which to view urban policymaking, my research demonstrates that the term regime needs to be expanded to make way for the inclusion of nontraditional actors such as the nonprofit and philanthropic sectors. My work in Detroit demonstrates the potential success that new policymaking alliances comprised of actors from multiple sectors can enjoy and researchers who continue to look only at government and business when studying urban governance are likely missing a significant portion of the picture of modern urban affairs. This project, while relatively small in scope, has contributed to the literature on urban governance by demonstrating that actors from the nonprofit sector can participate significantly in areas of urban economic development, whether they are leading the project or supporting the efforts of an ongoing policy alliance. In addition, this project has

focused attention on the increasingly important role that the philanthropic sector plays in urban governance, as they often bring significant resources and long-term vision to the urban landscape.

**APPENDIX A**

Top 12 economic development issues in Detroit at the turn of the 21<sup>st</sup> century.

My six cases were selected randomly from this initial list.

- SW Detroit Redevelopment
- Construction of the Downtown Transit Center
- Development of Eastern Market
- Foxtown Development
- Riverfront Development
- Midtown Redevelopment
- Jefferson East Business Development
- City Airport Redevelopment
- Construction of Light Rail along Woodward Avenue
- Development of Livernois Business District
- Campus Martius Redevelopment

**APPENDIX B**

## Preliminary Interview Questions

1. Please describe your professional role in Detroit during the early 21<sup>st</sup> century (2000 – 2010)?
2. What was your formal job title(s) during that time?
3. How were you involved in economic development within the City of Detroit during the time period from 2000-2010?
4. Specifically, how were you involved with \_\_\_\_\_ project? (*Insert a description of the specific case that I am studying.*)
5. During the ten year-period from 2000 – 2010, please describe any changes you believe occurred with respect to \_\_\_\_\_ project?
6. Who were the major organizations that were actively working on \_\_\_\_\_ project during that timeframe?
7. What specific roles do you believe that they played in \_\_\_\_\_ project?
8. Who were the main individual actors involved in \_\_\_\_\_ project, either on their own or through their organization?
9. What specific roles do you believe that they played in \_\_\_\_\_ project?
10. Were any government entities involved in \_\_\_\_\_ project? If so, what was their role?
11. Were any businesses involved in \_\_\_\_\_ project? If so, what was their role?
12. Were any community-based or nonprofit organizations involved in \_\_\_\_\_ project? If so, what was their role?
13. If I was interested in learning more about \_\_\_\_\_ project, who would you recommend that I speak to about that project?

## APPENDIX C

### Organizations Represented Through My Interviews

#### Case-Specific Interviews

- College for Creative Studies Board Member
- Detroit Artists Market Board Member
- Detroit City Airport Flying Club Board Member
- Detroit Historical Society Staff and Board Member
- Detroit RiverFront Conservancy Board and Staff Members
- Detroit Science Center Staff Member
- Detroit Symphony Orchestra Staff and Board Member
- East Jefferson Resident
- Eastern Market Corporation Board and Staff Members
- Eastern Market Merchant/Retailer
- Jefferson East Business Association/JEI Board and Staff Members
- Junior League of Detroit Board Member
- M1 Rail Board and Staff Members
- Midtown Detroit Resident
- Pewabic Pottery Board Member
- UCCA/MDI Board and Staff Members
- Warren/Conner Development Corporation Board and Staff Members
- Woodward Avenue Action Association Board Member



**Government Agencies and Organizations**

- City of Detroit Mayor's Office Staff Member
- City of Detroit Planning Commission Board Member

**Philanthropic Community**

- Community Foundation for Southeastern Michigan Staff Members
- New Economy Initiative Staff Member
- The Hudson-Webber Foundation Staff Member
- The Kresge Foundation Staff Member
- The John S. and James L. Knight Foundation Staff Member
- The McGregor Fund Board Member

**The Business Community**

- Bank One Staff Member
- CoStar Real Estate Group Staff Member
- Detroit Investment Fund (Private Equity Fund) Staff Member
- HP DevCo Incorporated
- Miller Canfield Law Firm, Nonprofit Division
- PNC Bank Economic Development Staff Member
- PVS Chemicals Staff Members

**The Media**

- Detroit Media Partnership Staff Member

**The Greater Nonprofit Community**

- Citizens Resources Council of Michigan Staff Member
- Coalition for Detroit Land Bank Staff Member
- Community Legal Resources Staff Member
- CultureSource Staff Member
- Data Driven Detroit Board Member
- Detroit 300 Conservancy Board and Staff Member
- Detroit Renaissance Board and Staff Members
- Downtown Detroit Partnership Staff Member
- Invest Detroit Staff Member
- Local Initiatives Support Corporation Staff Member
- Michigan Housing Trust Fund Board Member
- New Center Council Staff Member
- United Way of Southeastern Michigan Board Member

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**ABSTRACT****REGIME THEORY REVISITED: THE ROLE  
OF NONPROFITS IN URBAN ECONOMIC DEVELOPMENT**

by

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While quite a bit has been written about the policymaking roles played by government and business actors, much less attention has been paid to the ways in which the U.S. nonprofit sector contributes to policy outcomes in urban areas. The dominant theory of urban governance, regime theory, has thus far marginalized the policymaking importance of nonprofits in urban areas, arguing that their role has largely been restricted to that of interested observer and occasional assistant rather than forceful actor or active partner. In certain urban policy arenas, however, the active participation of the nonprofit sector and its leaders can be a critical factor in the achievement of desirable policy outcomes, as government and business actors alone are not able to mobilize the resources necessary to accomplish policy goals. By examining the actors, processes, and outcomes in selected policy arenas in a major American city (Detroit) during the first decade of the 21<sup>st</sup> century, my research assesses the degree to which the nonprofit sector plays a collaborative and leadership role in urban policymaking.

## **AUOTBIOGRAPHICAL STATEMENT**

Michelle earned her bachelor's degree in political science from The University of Michigan, her master's of public administration from New York University's Robert F. Wagner School of Public Service and her doctorate in political science, with an emphasis in public administration and nonprofit management from Wayne State University. She also has extensive work experience in the nonprofit sector, including eleven years at the Detroit Historical Society where she served as the Chief Operating Officer and Director of the Comprehensive Campaign. In 2013, she formed her own firm, Cobblestone Solutions, LLC, to assist nonprofit organizations with project-based fundraising, marketing and management needs. In August 2014, she will join the faculty of Grand Valley State University, as an Assistant Professor in the School of Community and Public Service's Department of Public, Nonprofit and Health Administration. Her research interests include nonprofit management, the intersection of the public, private and nonprofit sectors and fundraising efficacy.