

# VACANT TO VIBRANT

2016

## RE-ENERGIZING NEIGHBORHOOD RETAIL IN DETROIT



A Report by Pierre A. Batton

University of Michigan Urban +  
Regional Planning Winter 2016

Figure 2: W. Vernor Highway and Springwells



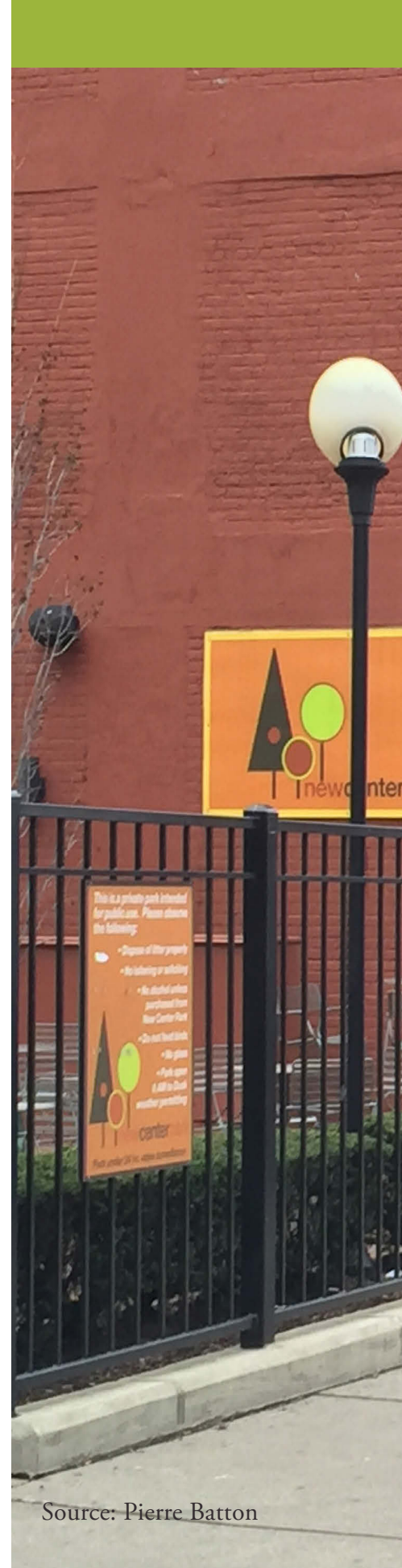
Source: Pierre Batton

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Source: Pierre Batton


**New Center Council Facilities Project**  
New Center Park • Boulevard West Building  
Developed By: New Center Council, Inc.


Funding Provided By:

  
United Way  
United Way Nonprofit  
Facilities Center

**THE KRESGE FOUNDATION**

  
LISC  
Detroit  
INCORPORATED 1950



Architect: Steven C. Flam, Inc.  


CAFE  
CON LECHE  
NORD

DETROIT  
FUTURE  
CITY

*Pace*  
734-397-8677

park



Figure 4: Hubbard Richard



# ACKNOWLEDGEMENTS

First and Foremost I would like to thank my community partner ProsperUS Detroit. Without your guidance, support, patience, assistance, and expertise **VACANT TO VIBRANT; RE-ENERGIZING NEIGHBORHOOD RETAIL IN DETROIT** would still just be a thought. This report was only possible because of your team. I recognize each of your individual contributions and input:

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<b>Michelle Merritt</b>	Communications Coordinator ProsperUS Detroit

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**Lisa Johanon**, Executive Director, Central Detroit Christian CDC

**Lydia Rae Levison**, Planning & Technical Program Manager, MCR

**Greg Mangan**, Real Estate Advocate, Southwest Detroit Business Association

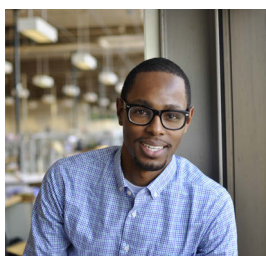
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**Robbie Walker**, Commercial Portfolio Manager, Southwest Housing Solutions

**Theresa Zajac**, Vice President, Southwest Detroit Business Association

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Lastly, I would like to thank professors Eric Dueweke and Scott Campbell at the Taubman College of Architecture & Urban Planning at the University of Michigan for your insight, unwavering support, and belief in me. This report would not be possible without your combined stewardship.



*Sincerely,*

*Pierre A. Batton, Master of Urban Planning Candidate Winter 2016  
Concentration In Housing, Community+ Economic Development*

Source: Pierre Batton

# EXECUTIVE SUMMARY

## VACANT TO VIBRANT: RE-ENERGIZING NEIGHBORHOOD RETAIL IN DETROIT

is the result of a collaborative effort between the University of Michigan Urban and Regional Planning Program, ProsperUS Detroit, and Southwest Economic Solutions to address neighborhood commercial vacancy throughout the city of Detroit. The city of Detroit has begun to bounce back after decades of decline. The downtown is undergoing substantial redevelopment, but neighborhood commercial vacancy remains a top concern throughout most of the city. As of December 2015 7,300 commercial properties are vacant, a little over 29%, of all business addresses within the city of Detroit, and 5,300 of those addresses have been vacant longer than 36 months. Commercial vacancy has posed a serious threat to neighborhood redevelopment. This report is a call to action aimed at tackling neighborhood commercial vacancy through policy and programmatic change.

## BACKGROUND

ProsperUS Detroit (PUD) is an economic development program, housed under the Southwest Economic Solutions (SWES) umbrella. PUD provides entrepreneurship training, technical assistance and micro-loans to low income Detroit residents and entrepreneurs. As of April 2016, PUD has over 400 graduates of its entrepreneurship training program, has provided over \$40,000 worth of technical assistance, and has approved over \$420,000 in micro-loans. PUD graduates and other micro enterprise business development organizations and programs have encountered a number of barriers in assisting micro-enterprises with regard to locating and entering vacant neighborhood commercial spaces in Detroit. In a city that appears to have an immense amount of vacant commercial properties, this issue has prompted PUD to take a deeper dive into the causes of neighborhood commercial vacancy and solutions needed to disrupt neighborhood commercial vacancy in Detroit.

## RESEARCH PROCESS

In August of 2015 PUD & SWES commissioned my services as a University of Michigan Urban and Regional Planning Graduate Student to complete a report aimed at answering the question “Why are neighborhood commercial vacancies so difficult to fill in Detroit?”. Over a 9 month process I interviewed and surveyed community stakeholders, business owners, and commercial property owners. The Southwest

and NorthEnd neighborhoods were used to observe whether business owners and building owners in demographically dissimilar Detroit neighborhoods encountered the same challenges.

This report pinpoints the challenges that business owners, commercial property owners, and stakeholders are experiencing in their attempts to reactivate vacant neighborhood commercial properties and delivers a set of recommendations aimed at overcoming these identified challenges.

## CHALLENGES

- *Bureaucracy and Red Tape*
- *Inadequate Cash Flows*
- *Access to Capital*
- *Commercial Readiness*
- *Customers*

## RECOMMENDATIONS

### **RECOMMENDATION #1: OFFER FIRST RIGHT OF REFUSAL ON VACANT COMMERCIAL PROPERTIES TO CDCS**

CDCs are the first line of defense in the fight against neighborhood commercial vacancy. These organizations are the first to take notice when an area is witnessing rapid growth or decline. CDCs have a long term interest in the areas they serve which makes them the ideal organizations to lead the revitalization of neighborhood retail. A vetting process will be created to ensure CDCs have the resources and experience required to successfully redevelop the commercial properties they undertake using first right of refusal.

### **RECOMMENDATION #2: DOUBLE PROPERTY TAX FOR VACANT COMMERCIAL PROPERTIES AND TRIPLE PROPERTY TAX FOR BLIGHTED COMMERCIAL PROPERTIES**

When commercial properties remain vacant and blighted for years it sends a damaging message about the quality of the surrounding neighborhood. To help combat this problem the city of Detroit needs to double the property tax assessment rate for vacant





commercial properties and triple the property tax assessment rate for blighted commercial properties. The nation's capital, Washington D.C., has gone even further, assessing blighted properties at nearly 6x the normal property tax assessment rate. Using the nation's capital as a case study Detroit could avoid pitfalls D.C. encountered, while positively impacting neighborhood commercial redevelopment throughout the entire city of Detroit. The additional revenue generated by the increased assessment rates will be used to create a citywide commercial redevelopment loan fund.

***RECOMMENDATION #3: CREATE A COMMERCIAL READINESS ASSESSMENT TOOLKIT FOR MICRO-ENTERPRISES***

There is a serious need for the creation of a toolkit that clearly and effectively tracks a business and gives a general assessment of its ability to succeed in a commercial space. While stakeholders may know a commercial ready business when they see it, such a toolkit would provide micro enterprises with a time line and unmistakable milestones that will help guide these micro enterprises to the point of commercial readiness.

***RECOMMENDATION #4: DEVELOP A CITY WIDE COMMERCIAL PROPERTY OWNER EDUCATION PROGRAM***

Low priced commercial properties have allowed new and inexperienced commercial property owners to enter the Detroit commercial real estate market for decades. This has in turn created a knowledge gap on what it means to actually be a landlord or manage a commercial property

during the redevelopment process. Furthermore, property owners need additional training in terms of marketing, how to deal with tenants, etc. This program will consist of 2-4 sessions and be completely optional.

However, property owners that complete the program will be eligible to apply for redevelopment financing through the new loan fund that was created from the increase on property tax assessed from vacant and blighted commercial properties.

***RECOMMENDATION #5 TURN ALL THE "GIGS" INTO BIZ***

What used to be known as "side hustles" are now called "Gigs". This gig economy has been disrupting the traditional marketplace and this disruption is something that disinvested communities can capitalize on. For years these "side hustles" have provided much needed additional income for low income minorities living in the city of Detroit. A major push to turn "gigs" into full time businesses will have numerous positive implications for the entrepreneurs and the city as a whole.

Consumer shopping patterns have shifted since the advent of the internet, and this strategy provides micro-enterprises accessibility to markets and customers by leveraging the marketplace of the "gig" economy with the shop local movement. Additionally, transitioning "gigs" into businesses creates a future pipeline of business that will need commercial space.

THIS REPORT WAS CREATED ON BEHALF  
OF SOUTHWEST ECONOMIC SOLUTIONS  
AND PROSPERUS DETROIT



TAUBMAN COLLEGE  
architecture + urban planning  
University of Michigan



Southwest Solutions



Figure 6: Cadillac Place (1981)



# Background/Overview

*The city of Detroit holds the notable distinction of being the only central city to have been designated for every major urban redevelopment program since 1949.<sup>1</sup> From Urban Renewal and Model Cities, to Community Development Block Grants and Empowerment Zones, the city of Detroit has remained under the federal, state and local economic development lens for the last 60 years.<sup>1</sup>*

However, despite such attention Detroit has struggled to overcome a number of challenges that led to the city becoming the poster child of urban decline in the United States.<sup>4</sup> These challenges have hindered the city's growth and market competitiveness over the past six decades. Detroit's population dropped from its peak of 1.86 million in 1950 to 680,250 in 2015.<sup>2</sup> This population loss was fueled in part by "White flight" to the suburbs,<sup>3</sup> and the relocation of automotive manufacturing facilities from Rust Belt cities to the South and West regions of the United States during the 1970's and 1980's as a means of lowering labor costs. Between 2000 and 2014 50 percent of the manufacturing jobs in Detroit were eliminated. The loss of jobs and residents left the city with no slack to financially endure the effects of the 2006 housing market collapse that led to the Great Recession.<sup>4</sup> In addition to these problems the federal government was called upon in 2009 to "bail out" Chrysler and General Motors.

These are just a handful of the many events that led to Detroit becoming the largest U.S. municipality to ever file bankruptcy in the United States. In the face of these challenges the city has remained optimistic about its future. The rebirth/revitalization of Detroit has remained a theme for decades. The Renaissance Center, built in 1971 can be credited with making renaissance and Detroit synonymous. After the completion of the first phase of development for the Renaissance Center Henry Ford II, then CEO of Ford Motor Company and the mastermind of the development, famously said "Detroit has reached the bottom and is on its way back up..."<sup>5</sup> Since Ford's statement in '71 the "Detroit Renaissance" theme has been attached to everything taking place in the city from the Stanley Cup Finals and the 1980 Republican National Convention to 2006's Super Bowl XL and the recent bankruptcy.<sup>5</sup>

However, many believe these events, the Super Bowl and bankruptcy specifically, have led way to the city of Detroit finally experiencing a rebirth that is more than a marketing push. The 2006 Super Bowl brought about a plan to spend \$128 million on down town improvements.<sup>6</sup> The Detroit Economic Growth Corporation (DEGC) made it the mission to focus on improvements that would lead to a permanent transformation of the downtown instead of a slew of temporary

improvements for a one weekend event. A strategy that has been embraced by the private sector, city of Detroit government, and non-profit sector the past decade.

Individuals like Quicken Loans cofounder Dan Gilbert, who has invested over \$1.6 billion into the downtown area since 2010.<sup>6</sup> For a number of new investors bankruptcy has amplified private sector investment in the city because it brought certainty. The DEGC created the Revolve Detroit and Motor City Match(MCM) programs to assist with the city's need to rebuild in an inefficient market. As of April 2, 2016 the MCM program has issued \$1.5 million in grants since the program's creation in Mid-2015.

These investments and programs have reduced vacancy and pushed up rents in the Central Business District (CBD) and the surrounding 7.2 square mile communities. The rebuilding of the CBD has also reintroduced a major theme pervasive in every Detroit Renaissance attempt since the 1970's, namely the competing demands of neighborhood development vs. downtown development.<sup>1</sup> In the past this tension has proved too overwhelming for the city and private sector to face. Routinely stymieing redevelopment efforts before they could ever truly take off. The question of how the city, communities, private sector, and organizations will work together to "redevelop" Detroit's neighborhoods, is a question that is no one has a clear answer to yet. What is clear that as the downtown rapidly moves toward market efficiency, the aforementioned groups must look to the city of Detroit's neighborhoods to maintain momentum and stabilize the marketplace at the citywide level.

Commercial Vacancy remains a major problem that continues to destabilize neighborhoods, create a cycle of financial disinvestment, and decrease employment opportunities for residents. Going forward Detroit must directly address neighborhood commercial vacancy. This will involve leveraging the public, private and non-profit sectors to create systematic changes that allow businesses to thrive in underserved minority majority neighborhoods throughout the city. The city of Detroit has the unique opportunity to maintain, grow, and enhance the neighborhoods within its 135 square mile borders by restoring neighborhood walkability through neighborhood retail access.

Figure 7: Map of Detroit (background Image)



Figure 8: Vacant Commercial Property in NorthEnd Detroit

Source: Pierre Batton

## What is Commercial Vacancy?

*To answer this question it's important to understand the differences between vacancy, which occurs in all commercial real estate markets, and abandonment. Though these two terms are similar, abandonment and vacancy are not inherently the same thing.*

As the city of Detroit, organizations and private sector investors look to implement strategies aimed at increasing commercial occupancy in the city of the Detroit knowing the difference will assist these entities in determining the optimal strategy to use.

A vacant commercial property is one that is currently unoccupied by a tenant and is zoned for or recently has contained commercial or retail uses. Commercial properties can range from big box stores such as a Meijer or Best Buy to small strip malls or downtown office spaces. A brick and mortar store front may be vacant for a few days, weeks or years before a new tenant occupies the space. The vacancy may be due to the need for rehabilitation before the commercial space can be put back on the market and shopped to potential tenants.<sup>11</sup> A property may be vacant for any number of reasons. For example, a commercial property may be recently have become vacant due to a previous tenant leaving due to changes in the market or perhaps a business needed to move to increase or decrease the size of square footage to grow the business or reduce costs.

Abandonment differs in that, an abandoned commercial property is one where an owner ceases to continue carrying out at least one of the “significant responsibilities” of property ownership. These include payment of property

***In December of 2015  
there were 7,301 vacant  
commercial addresses in  
the city of Detroit***

taxes or other municipal charges and maintaining the property in accordance with local ordinances and codes.<sup>12</sup> Inadequate cash flows, unsuitable location due to business shifts or obsolescence of industries, and high redevelopment costs are a few of the many reasons property owners choose to abandon commercial properties.<sup>5</sup> While it is possible to have abandonment without vacancy, abandonment is typically preceded by vacancy.

# City of Detroit Commercial Vacancy

December 2013 to December 2015

29,836

Total # of Business  
Addresses (2013)

29,886

Total # of Business  
Addresses (2014)

30,200

Total # of Business  
Addresses (2015)

28%

% of Bus Addresses  
Vacant (2013)

29%

% of Bus Addresses  
Vacant (2014)

29%

% of Bus Addresses  
Vacant (2015)

1,426

Avg. # of Days Vacant  
(2013)

1,851

Avg. # of Days Vacant  
(2014)

2,056

Avg. # of Days Vacant  
(2015)

4,789

# of Addresses Vacant  
36 mos + (2013)

5,026

# of Addresses Vacant  
36 mos + (2014)

5,347

# of Addresses Vacant  
36 mos + (2015)

7,345

Total # of Vacant Bus  
Addresses (2013)

7,465

Total # of Vacant Bus  
Addresses (2014)

7,301

Total # of Vacant Bus  
Addresses (2015)

Figure 9: Hubbard Farms area of Southwest Detroit



Source: Pierre Bacon

Reducing neighborhood commercial vacancy is important for a number of reasons. First, the absence of stores has a direct impact on the overall perception of a neighborhood. Whether a commercial corridor or neighborhood shopping center, neighborhood commercial retail serves as the “front door” to a particular community. If the appearance of the retail area is in poor condition, abandoned, or vacant this sends a damaging message about the quality of the entire neighborhood. Conversely, the reverse can also be true. If a neighborhood commercial node or district is improving it gives off the image that the neighborhood is up and coming or bouncing back.<sup>13</sup>

Second, a vibrant commercial area can increase the quality of life for the neighboring members of the community by providing access to goods and services, employment opportunities, and increased social and political connectivity.<sup>11</sup> Such commercial vitality also helps the city of Detroit in correcting the spatial mismatch occurring in many neighborhoods throughout the city. A spatial mismatch is caused by jobs being located in areas that are inaccessible for residents. In Detroit’s case the mismatch is not just economic but also consumer related. Residents often lack retail options and accessibility.

Finally, commercial vacancy may have a negative affect on the health of nearby residents. A 2013 study looking at the relationship between the accessibility of neighborhood retail and adolescent obesity found that the absence of general retail (refers to retail of any kind)

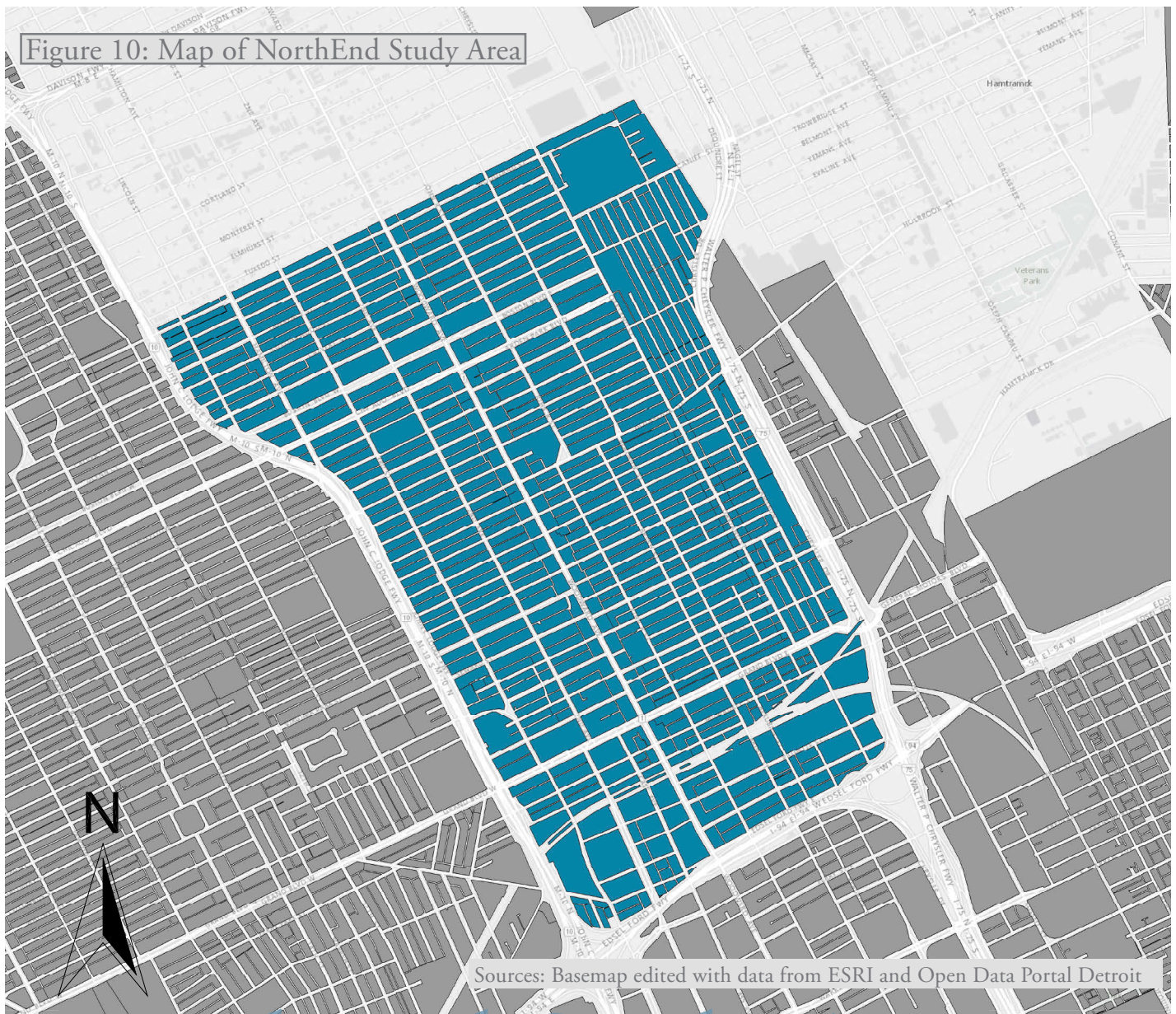
may lead to an increase in obesity amongst teenagers.<sup>15</sup> The type of retail establishment made no difference, what was important was the distance of available retail establishments to where the adolescents being studied resided.

## WHY DOES THIS MATTER TO DETROIT?

Detroit is a city poised for recovery, however many obstacles still stand in the way of budding business owners entering neighborhood brick and mortar retail spaces throughout the city. There has been a great deal of anecdotal evidence presented when discussing challenges the city faces in reducing to commercial vacancy. To date no report has quantified these challenges as a means for producing a set policy recommendations and solutions directly aimed combating neighborhood commercial corridor vacancy.

This report aims to sustain the progress taking place in the city today, by building on the 2015 Revitalizing the Corridor: An Analysis of Commercial Markets in Detroit Neighborhoods report produced by Michigan Community Resources in conjunction with ProsperUS Detroit. By taking a deeper dive into neighborhood commercial vacancy from the perspective of stakeholders, property owners, and business owners this report will outline actionable steps that if taken will guide the transition from redevelopment of the CBD to neighborhoods. This report is meant to facilitate action.

# STUDY AREAS



# NorthEnd Study Area

*The North End Detroit Study Area included specific parts of the traditional NorthEnd Central Woodward neighborhood. This included the Central Woodward Commercial Study Area (CSA) referenced in the Michigan Community Resources “Revitalizing the Corridor” report. The Study Area observed in this report consisted of the following NorthEnd/Central Wood census tracts: 5119,5323,5324,5325. All census tracts were located within the 48202 zip code. The NorthEnd study area is 1.44 square miles. (See Figure 10)*



## PEOPLE AND HOUSING

The population of the NorthEnd Study Area (SA) declined from 9,261 residents in 2,000 to 7,503 residents in 2014.<sup>[2][19]</sup> This 24% decline in population in the NorthEnd SA mirrors the 27% decline witnessed by the city of Detroit during the same time period. Also During the same time period the median household income fell from \$27,604 to \$19,409 for the NorthEnd SA.<sup>[2][19]</sup> The decrease in household income disproportionately impacted Black households, which saw a drop in median household incomes from \$27,321 to \$18,470.

While, median household incomes rose for White and Latino households, from \$32,352 to \$41,475 and from \$32,352 to \$41,475.<sup>[2][19]</sup> In 2014 the white population in the NorthEnd SA had nearly doubled from its year 2000 level. This increase in population could be due to renewed interest in the neighborhood brought by its proximity to Midtown.

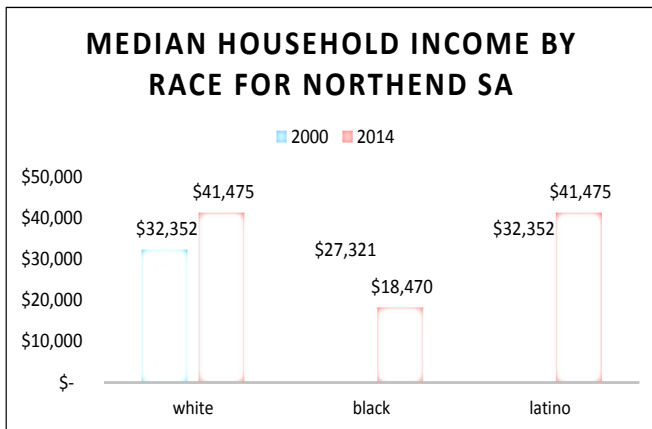


Figure 11: Median Household Income by Race for NorthEnd Study Area  
Sources: Social Explorer Tables, Census 2000,U.S. Census Bureau & Social Explorer; American Community Survey Tables: 2010-2014 ( 5- year estimates), U.S. Census Bureau

From a demographics standpoint the NorthEnd SA has remained predominately black, despite a decrease in Black residents from 89% of the total neighborhood population in 2000 to 83% in 2014. White households increased from 6.8% to 12.9% in the same time frame and Latino households decreased from 1% to 0.4%. Residential vacancy has more than doubled from 17% in 2000 to 36% in 2014. It is important to note that an additional 481 housing units were added to the NorthEnd SA between 2000 and 2014. This 19% increase in vacancy is due in part to the Great Recession, which took a toll on all neighborhoods in the city of Detroit.

Although, the median home value for owner occupied units dropped from \$119,417 in 2000 to \$79,753, the value of homes in the NorthEnd have maintained a greater median value than that of the city of Detroit as a whole. Detroit’s median home value fell from \$86,366 to \$45,851 during the same time period.

Median Gross rents rose from \$487 to \$574 for the NorthEnd neighborhood. This was a 8.9% increase in median gross rent as a percentage of income, compared with a 16.3% increase across the entire city of Detroit.

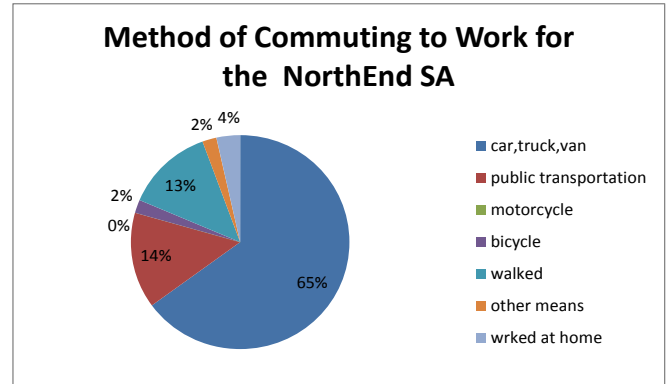


Figure 12: Method of Commuting to Work for the NorthEnd Study Area  
Sources: Social Explorer Tables, Census 2000,U.S. Census Bureau & Social Explorer; American Community Survey Tables: 2010-2014 ( 5- year estimates), U.S. Census Bureau

## EMPLOYMENT

As of 2014 the Highest Educational Attainment for the population age 25 and up stands at 15.1% having less than a high school diploma , 84.9% having a high school diploma , and 23.4% having a bachelor’s degree.<sup>2</sup> A little over 36% of the NorthEnd’s population works in one of the Management, Professional , and Related occupations. Occupations in this category include architects, social science occupations, healthcare practitioners, and business occupations. Service occupations make up the second highest class. Service occupations include law enforcement, food preparation, personal care, and maintenance occupations. The third most represented occupation class is for sales and office occupations.

The percentage of workers commuting 60 minutes or more to work decreased 6.7% since 2000. There was a decrease of 5.4% in the percentage of workers that commuted 20 to 29 minutes. The percentage of workers commuting 10 to 19 minutes to work saw a percentage increase of 9.3%. While all other work travel time categories saw below a 1% increase. The increase in workers commuting 10 to 19 minutes to work is notable because this shows that workers within the NorthEnd are finding employment opportunities closer to their homes than were available in 2000.

The percentage of workers living in the NorthEnd that commuted to work by way of a personal vehicle fell from 71% in 2000 to 65% in 2014. The percentage of workers using public transportation decreased as well, from 18.6% to 14.5%. During this time period alternative modes of commuting saw an increase. Walking to work jumped from 6.6% of workers in 2000 to 13% of workers



Sources: Basemap edited with data from ESRI and Open Data Portal Detroit



Sources: Basemap edited with data from ESRI and Open Data Portal Detroit

in 2014. Biking to work also increased from less than 0.7% to 2%. These changes in commuting patterns again highlight an increase of workers shortening their commute times in relation to where they live.

## **BUSINESS**

The NorthEnd SA contains 687 businesses that employ nearly 15,000 people.<sup>20</sup> According to the 2013 U.S. Census County Business Patterns there are a total of 429 establishments located in the 48202 zip code. 64% of the establishments located in this zip code had 9 or fewer employees, or in other words 64% of the establishments located in the 48202 zip code were micro enterprises. The vast majority of businesses with physical locations are clustered around the Grand Blvd. and Woodward Avenue area of the study area. (See Figure 14) MCR's report identified a smaller commercial node located on second avenue. This second node present opportunities for increasing neighborhood retail options. A little over

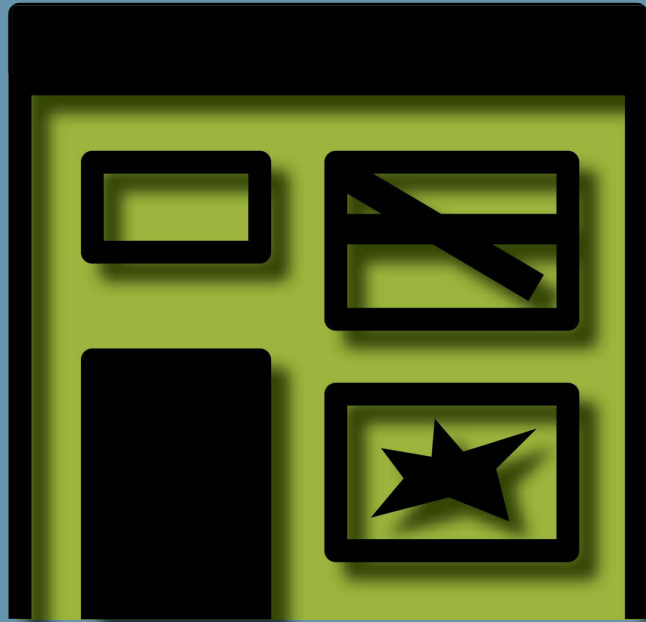
1/3 of the land located on the second avenue commercial node is vacant and in need of in fill development.

Using ESRI's Business Analyst Online software I was able to identify the leakage<sup>21</sup> and surplus<sup>22</sup> data for the NorthEnd SA. This may help to identify unmet consumer needs in the area. Based on industry the groups the NorthEnd SA has a surplus of automobile dealers, liquor stores, gas stations, florists , and speciality food stores. There's a leakage in terms of grocery stores, home furnishing stores, lawn and garden supply stores, office furnishing stores, and miscellaneous store retailers.

The Central Detroit Christian Community Development Corporation (CDC CDC) has been working to address a number of these leakage items over the years. For example, CDC CDC opened Peaches and Greens produce market in 2008. Peaches and Greens is a niche produce store located in the heart of the NorthEnd SA on 3rd avenue.

Figure 15: Vacant Commercial Property in NorthEnd Detroit





# NE Study Area Commercial Vacancy

December 2013 to December 2015

# NorthEnd SA Commercial Vacancy

December 2013 to December 2015

1,023

Total # of Business  
Addresses<sup>23</sup> (2013)

1,006

Total # of Business  
Addresses (2014)

1,018

Total # of Business  
Addresses (2015)

16%

% of Bus Addresses  
Vacant (2013)

14%

% of Bus Addresses  
Vacant (2014)

14%

% of Bus Addresses  
Vacant (2015)

1,426

Avg. # of Days Vacant  
(2013)

1,757

Avg. # of Days Vacant  
(2014)

1,764

Avg. # of Days Vacant  
(2015)

106

# of Addresses Vacant  
36 mos + (2013)

89

# of Addresses Vacant  
36 mos + (2014)

100

# of Addresses Vacant  
36 mos + (2015)

164

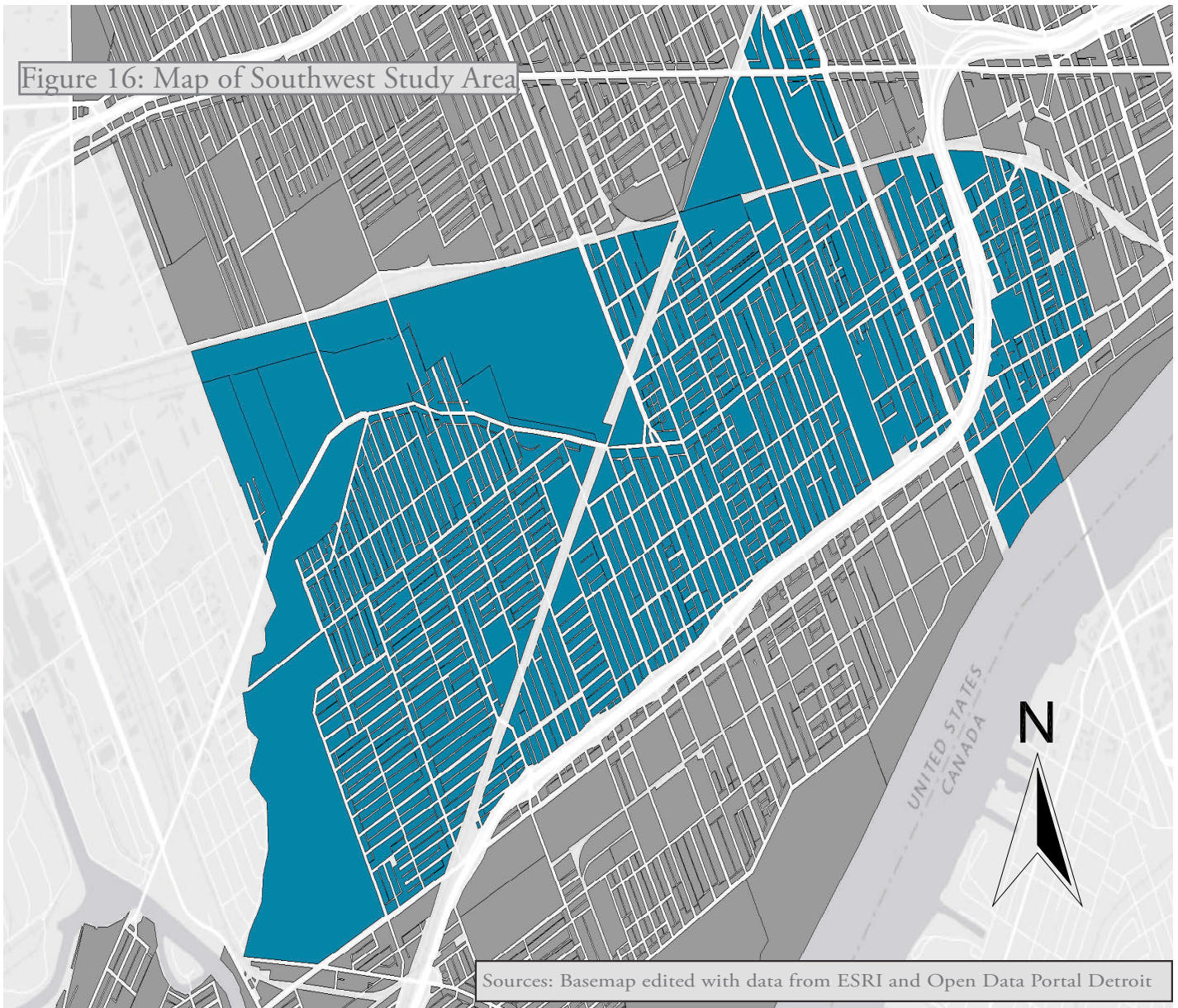
Total # of Vacant Bus  
Addresses (2013)

141

Total # of Vacant Bus  
Addresses (2014)

146

Total # of Vacant Bus  
Addresses (2015)



# Southwest Study Area

*The Southwest Detroit Study Area included specific parts of Southwest Detroit. This includes the Vernor/Springwells and Hubbard Southwest Commercial Study Areas (CSA), as referenced in the Michigan Community Resources “Revitalizing the corridor” report. The Study Area observed in this report consisted of the following Southwest Detroit census tracts: 5211, 5233, 5234, 5240, 5242. These census tracts are located within the 48209 & 48216 zip codes. The Southwest study area is 2.15 square miles.<sup>2</sup> (See Figure 16)*

## PEOPLE AND HOUSING

According to the U.S. 2010-2014 American Communities Survey the population in the Southwest Study Area (SA) is 17,621<sup>2</sup>, a 2.5% decline from a population of 18,075 in 2000<sup>2</sup>. During the same time frame, the city of Detroit saw a population decline of 27% from 2000 to 2014.<sup>[2][19]</sup> The median household income also dropped during this period in the Southwest SA from \$38,711 to \$26,246.<sup>[2][19]</sup> All racial groups witnessed a decline in median household income over this time period. Black household income experienced the sharpest decline during this time period, dropping from \$23,578 to \$13,062. Latino household income declined from \$46,750 to \$34,121 and White household income fell from \$37,874 to \$26,246.<sup>[2][19]</sup>

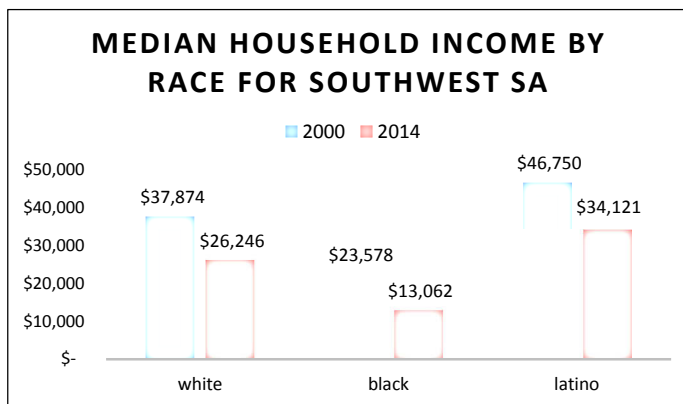


Figure 17: Median Household Income by Race for Southwest Study Area  
Sources: Social Explorer Tables, Census 2000, U.S. Census Bureau & Social Explorer; American Community Survey Tables: 2010-2014 (5-year estimates), U.S. Census Bureau

The Southwest SA has remained predominately Latino, with 67.3% of its residents identifying as Latino in 2014 compared with 63.5% in 2000. The white population increased from 50.3% to 68.4% during the same time span, while the black population increased from 8.2% to 10%. It is important to note that the U.S. Census Bureau does not consider Latino to be a set alone racial classification, therefore it is possible for individuals or households to be any racial classification and also Latino. Residential vacancy has been on the rise in the Southwest SA, increasing to 25% in 2014 from 11.1% in 2000. During the same time frame the median home value for owner occupied units declined from \$54,365 to \$40,830, a 24.9% decline, while owner occupied units for the city of Detroit as a whole saw a 46.9% decline.<sup>[2]</sup>  
<sup>[19]</sup> The Great Recession had a negative impact on home prices in Detroit. Few neighborhoods in the city have seen home prices climb above their pre Great Recession levels. While home prices have declined, gross median rent has increased by 18.5% from \$572 in 2000 to \$678 in 2014 for the Southwest SA. The gross median rent also increased by 14.9% for the city of Detroit from \$669 to \$769.<sup>[2][19]</sup>

## EMPLOYMENT

Educational Attainment for the population age 25 and up stands at 47.8% having less than a high school diploma, 28.6% with a high school diploma (an 1.8% increase from the year 2000 percentage), and 2.5% with a bachelor's degree (a 0.5% decrease from the year 2000). The percentages of the Southwest population with the highest level of Educational Attainment being a high school diploma or a bachelor's degree are below the city wide levels which sit at 32.4% for a high school diploma and 7.7% for a bachelor's degree.

A little over 28% of the employed population in the Southwest SA work in Service occupations. Occupations in this category include protective service occupations (fire fighting, law enforcement), Food preparation occupations, and personal care occupations. Production, Transportation, and Material moving occupations category made up the second highest class at 26% of the employed population. Occupations in this category

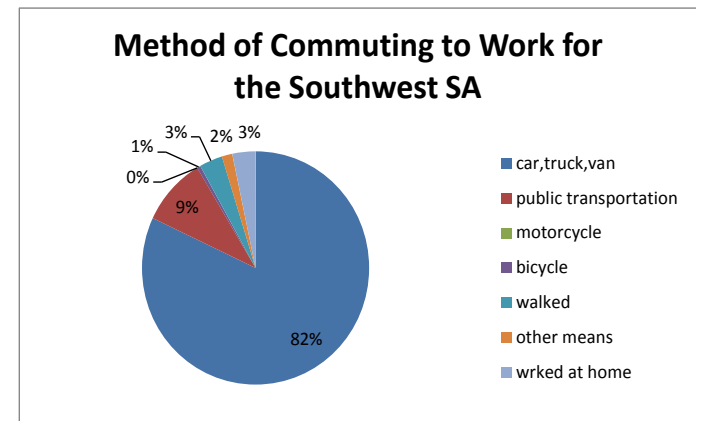
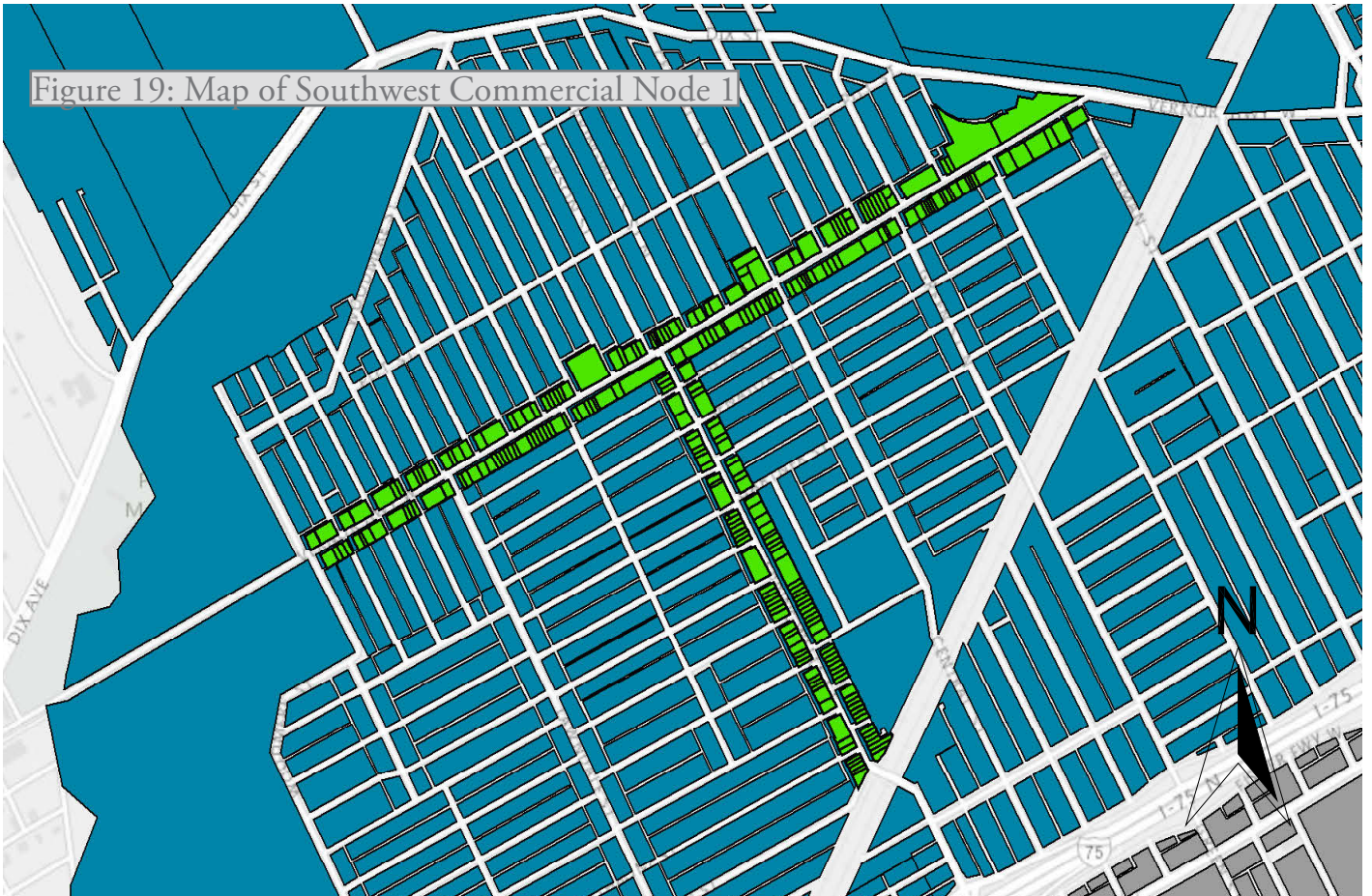


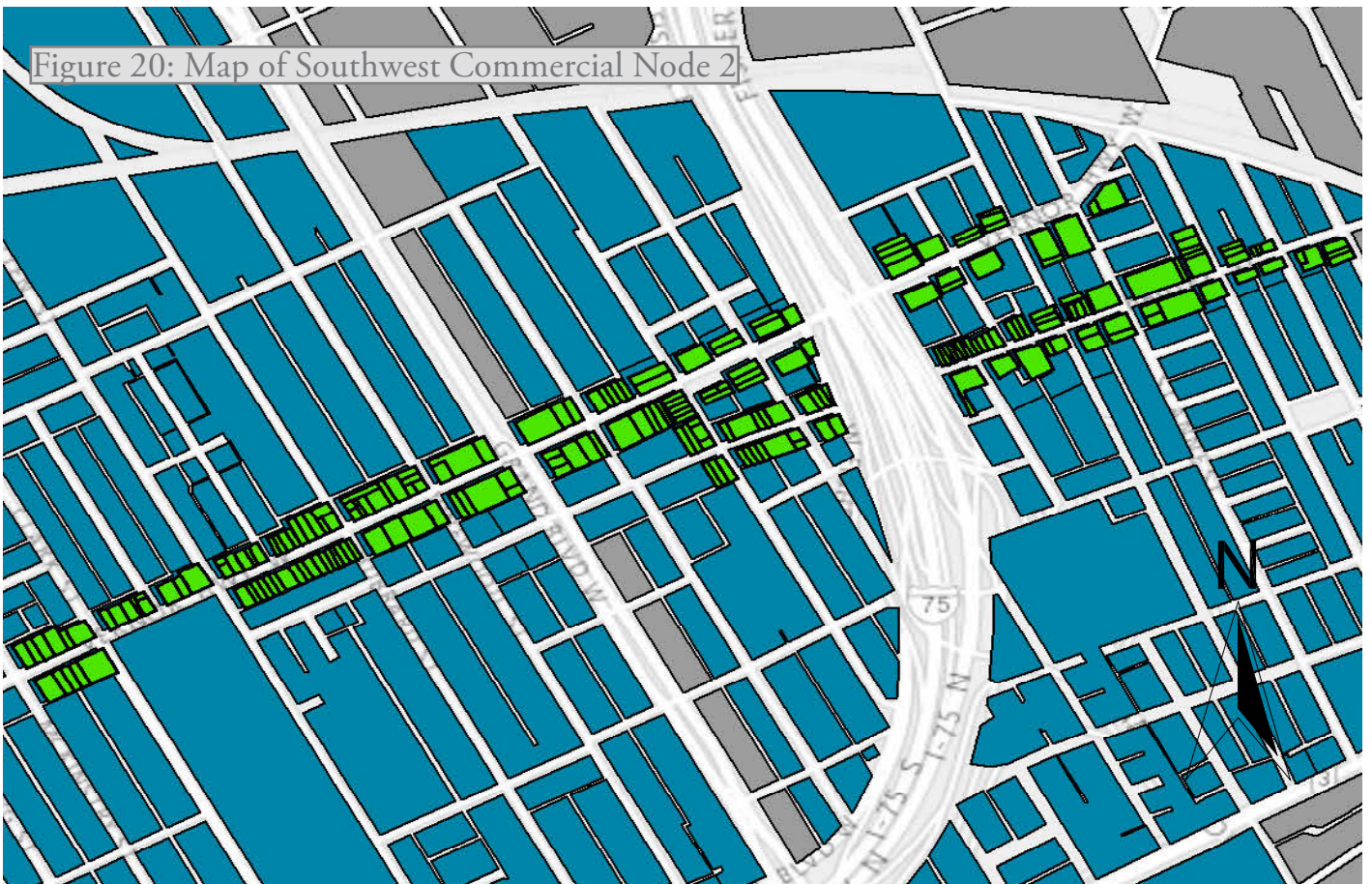
Figure 18: Median Household Income by Race for Southwest Study Area  
Sources: Social Explorer Tables, Census 2000, U.S. Census Bureau & Social Explorer; American Community Survey Tables: 2010-2014 (5-year estimates), U.S. Census Bureau

include Transportation workers, aircraft/traffic occupations, and other transportation occupations. The third most represented occupation class was the sales and office occupation, which represented 18.1%.

The percentage of workers commuting 20 to 29 minutes and 30 to 39 minutes decreased to 2.1% and 5.2% from their year 2000 percentage levels. The percentage of workers commuting 9 minutes or less saw a 3% increase. While, the percentage of workers commuting 60 to 89 minutes increased 2.8% and the percentage of workers commuting 40 to 59 minutes to work increased 1.7%. The percentage of workers commuting to work by way of a personal vehicle fell slightly from 84% in 2000 to 82% in 2014. Additionally, the percentage of workers walking to work decreased by 0.9%. While the



Sources: Basemap edited with data from ESRI and Open Data Portal Detroit



Sources: Basemap edited with data from ESRI and Open Data Portal Detroit



percentage of workers using traveling to work by public transportation increased 3.5% from its year 2000 level. Commuting by way of bicycle saw a 0.3% increase, however the overall percentage of workers commuting to work by bicycle still remained under 1%. Though the commuting patterns remain auto dependent, the increase in public transportation usage shows a shifting in commuting patterns for those employed in the area.

**BUSINESS**

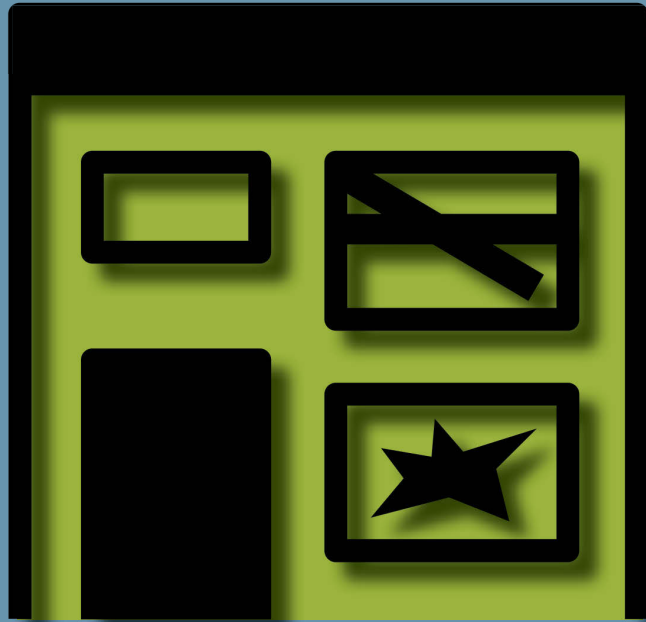
The Southwest SA contains 344 businesses that employ a little over 2,900 people.<sup>20</sup> According to the 2013 U.S. Census County Business Patterns there are a total of 317 establishments located amongst the 48206 and 48216 zip codes.<sup>19</sup> 69% of the establishments in these zip codes had 9 or fewer employees, or stated differently 69% of the establishments located in the Southwest SA were micro enterprises.<sup>19</sup> The businesses in the Southwest SA

area clustered in the two areas highlighted in green in figures 19 & 20 to the left. The two nodes represented are the Hubbard Farms and Springwells commercial nodes identified in the MCR Revitalizing the Corridor report. Vernor Highway acts as the main avenue for commercial activity in both observed Southwest commercial nodes.

Using ESRI’s Business Analyst Online software I was able to identify the leakage and surplus data for the Southwest SA. This data may help to identify unmet consumer needs in this area. Based on industry groups this area has a surplus of Auto parts stores, furniture stores, speciality food stores, liquor stores, gas stations, shoe stores, florists, full service restaurants, and drinking establishments. There is a leakage or growth opportunities with regard to jewelry and leather good stores, general merchandise stores, electronic stores, book stores, music stores, lawn and garden supply stores, and direct selling establishments.<sup>24</sup>

Figure 21: Vacant Commercial Property in Southwest Detroit





# SW Study Area Commercial Vacancy

December 2013 to December 2015

# Southwest SA Commercial Vacancy

December 2013 to December 2015

559

Total # of Business  
Addresses<sup>23</sup> (2013)

558

Total # of Business  
Addresses (2014)

551

Total # of Business  
Addresses (2015)

19%

% of Bus Addresses  
Vacant (2013)

20%

% of Bus Addresses  
Vacant (2014)

18%

% of Bus Addresses  
Vacant (2015)

1,301

Avg. # of Days Vacant  
(2013)

1,476

Avg. # of Days Vacant  
(2014)

1,836

Avg. # of Days Vacant  
(2015)

48

# of Addresses Vacant  
36 mos + (2013)

57

# of Addresses Vacant  
36 mos + (2014)

72

# of Addresses Vacant  
36 mos + (2015)

106

Total # of Vacant Bus  
Addresses (2013)

114

Total # of Vacant Bus  
Addresses (2014)

99

Total # of Vacant Bus  
Addresses (2015)

# Surveying & Stakeholder Interview Themes

*Data collection took place over the course of five months. Formal interviews were conducted with stakeholders from Michigan Community Resources, the city of Detroit, the Central Detroit Christian Community Development Corporation, and Southwest Housing Solutions. Informal interviews were conducted with staff of ProsperUS Detroit, business owners and property owners throughout the Southwest and NorthEnd Study Areas.*

A total of 20 business owners and 10 commercial building/property owners were informally interviewed. Additionally, building owners completed a brief 16 question questionnaire, while business owners completed an alternative 9 question questionnaire. <sup>[See appendix]</sup> Finally, entrepreneur response data from the 2016 ProsperUS Detroit Annual Evaluation Report was analyzed.<sup>25</sup>

Over the course of this research process the challenges facing business and property owners began to surface. Some of these challenges were faced by both business and property owners, while other challenges predominately affected a single group. The following themes were identified: Bureaucracy and Red Tape, Inadequate Cash Flows, Access to Capital, Commercial Readiness, and Customers. Each of these themes are explained in detail across this and the following pages.

## **BUREAUCRACY AND RED TAPE**

The overwhelming majority of stakeholders, property owners and entrepreneurs mentioned permitting and licensing as a major obstacle. Property owners found there to be a lack of transparency coupled with unclear/necessary processes. Two Southwest SA property owners shared their frustrations with the permitting/licensing process in the city of Detroit. Both viewed the process as being plagued by inefficiencies that have greatly delayed the redevelopment of each owner's commercial properties.

Inefficiencies included building inspectors failing to show up for scheduled inspections, or inspectors providing inaccurate building code information

during inspection. The second property owner wished to work with the city to repave the alleyway behind his store to allow for better access and reduce flooding during storms. He received conflicting information and entered an "endless" transfer call cycle every time he called the city building and planning departments. Instances like these and others slow down the redevelopment process in the city of Detroit. Red tape often causes costly delays, increases the administrative costs of a redevelopment project, and cuts into property owners' expected profits.

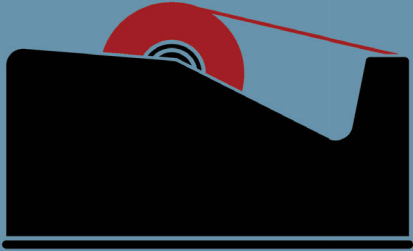
## **INADEQUATE CASH FLOWS**

Property owners stated insufficient expected cash flows as a major reason for the vacancy of their commercial properties. Property owners were concerned that the monetary investment required to "White Box" or i.e. make the space move in ready for a potential tenant greatly outweighed the amount of rent the property owners would be able to collect from the redeveloped property. Stakeholders also determined inadequate cash flows to be the cause of the slow redevelopment process.

While this belief from building owners was backed up by data, this also shows how the role of speculation differs in an efficient market. In an efficient real estate market speculation does more good than harm. This is meant to say that speculation plays a role in the creation of efficient markets. Speculation leads property owners to purchase, enhance/redevelop properties under the belief that the property's value will increase or the property will realize an increase in positive cash flows. Speculation often acts as the way as the

# WHAT ARE THE CHALLENGES?

## Bureaucracy/ Red Tape



- Unclear Processes
- Construction Delays Caused By Government Inefficiencies
- Endless Transfer Call Cycle

## Inadequate Cash Flows



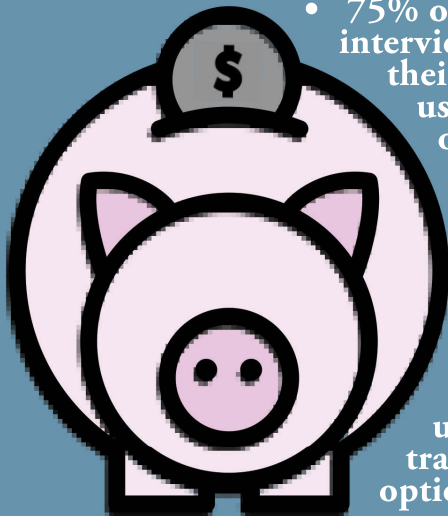
- “White Boxing” Properties Seen As Cost Prohibitive
- Market Speculation Punishes Those Who Redevelopment Commercial Properties
- Disinvestment & Speculation Create A Cycle of Disinvestment That is Difficult To Overcome

## Access to Capital

- 75% of property owners interviewed paid for all of their redevelopment costs using cash, credit cards or personal savings

- Top concern building owners deciding whether or not to rehab their property

- Business owners unaware of non traditional finance options



market incentivizes development and investment. As arbitrage opportunities are capitalized on the market moves closer towards efficiency.

In the Detroit commercial real estate market speculation is doing more harm than good. Speculators sit on properties waiting for the surrounding area to become “hot” so they can sell their property without the need to invest in its redevelopment. This hurts the market because this method of speculation actually works against the commercial property owner’s own interests. By not redeveloping their property they are in fact keeping values low in the area they wish to see an increase in so that they may realize a financial gain. This in turn creates the cycle the city has been in for the several decades that is truly hard to break out of.

## ACCESS TO CAPITAL

75% of property owners interviewed admitted paying for nearly all of their commercial property redevelopment project costs with personal savings, cash or credit cards. Most stated that traditional redevelopment financing or any outside capital was so difficult to obtain that in their experience it was easier to fund the work themselves. Stakeholders also identified access to capital as a reason for stalled or undeveloped commercial properties throughout the city. On more than one occasion this led to projects being delayed or put off until funds could be raised by the property owner. Properties were purchased, sealed up and then left vacant until the owner had stored away enough capital to redevelopment the property.

Access to capital was also a challenge for business owners. Business owners mentioned difficulties in securing long term financing or loan amounts that would assist in growing their businesses. Many business owners seemed unaware of the nontraditional finance options that were available in the Detroit market. While access to capital is clearly a problem for business owners throughout the city, the lack of awareness of what is available may be incorrectly portraying capital as non existent in the marketplace for micro enterprise business owners.

## LACK OF COMMERCIAL READINESS

This theme grew out of talks with stakeholders and my interviewing/surveying of business owners. Business owners were unaware of what it meant to be commercial ready. The overwhelming majority initially told me they were ready to move their business into a commercial property, but nearly every single one failed to provide answers to basic questions that a potential tenant seeking a commercial space should be able to answer. Questions asked included knowing the square footage

needed to operate their business, monthly cash flows needed to maintain profitability within a space, and clear understanding of how much it will cost to operate and perform in a commercial space. Almost no business owners interviewed were able to successfully answer these questions. Business owners need a realistic idea of the costs associated with operating a business from within a commercial space. They need to be able to identify when their business is ready and whether or not a permanent commercial location makes sense for their business. Multiple stakeholder interviews stated a need to identify commercial readiness. Stakeholders could and ProsperUS staff could identify when a business was ready, but the identification process was something they knew when they saw it, as opposed to a toolkit or metric that could be used to say the business is now in quadrant x, because it has passed these milestones.

With regard to building owners, stakeholders and ProsperUS Detroit staff stated the need for building owners to be trained on what it entails for building owners to be landlords. As stated earlier, during building owner interviews red tape and bureaucracy were mentioned as challenges that business owners faced. While this is true, business owners also seemed unaware of current zoning classifications for their properties, how to market available space to tenants, and knowledge of what type of tenant would make sense both financially and use wise in the vacancy or vacancies the building owners were looking to fill.

## CUSTOMERS

Customers or lack thereof was the final theme that emerged from the surveying, interviewing, and data analysis. 70% of business owners interviewed believed that having a physical business location in a commercial space would lead to an increase in customer interest and sales. Business owners not only viewed a physical space as legitimizing their businesses, but also as a catalyst for business growth. While this line of thought may be true, a business typically needs to have a steady stream of customers before it can afford to move into a commercial space. Access to markets or put differently the ability of business owners to reach their target market in order to sell to said customers is the first box that needs to be checked in terms of the commercial readiness of a micro-enterprise.

Minority owned micro-enterprises struggled with overcoming their lack of social capital, which directly impacted their ability to access customers and markets. This may explain why business owners also struggled with narrowing in on 1) Who their target market was, 2) How they planned to reach them, and 3) Identifying how much market share they could realistically obtain. Finally, it's worth mentioning that the retail landscape has dramatically changed since Detroit reached its peak population of 1.9 million in the 1950's. Online shopping is prevalent and showing no signs of slowing. A brick and mortar storefront may actually be more of disadvantage in today's marketplace.

# CHALLENGES CONT...

## Commercial Readiness



- Business owners unclear of what it means to be ready to enter a commercial space
- Need for a toolkit to measure entrepreneur commercial readiness
- Building owners need training on what being a landlord entails

## Customers

- 70% of business owners interviewed believed a commercial location would bring customers and sales
  - Lack of social capital decreased access to customers and markets for minority micro-enterprises
  - Shopping patterns have changed in the city due to the years of disinvestment and the internet



**Important note:** While speculation was mentioned countless times by business owners, property owners and stakeholders it was not called out as a theme in its own right in this report. Speculation undoubtedly plays a role in each of the challenges listed, however speculation is a subsidiary of the outlying challenges. Meaning, the hazardous effects of speculation will in theory decrease as the market move towards efficiency as the following challenges are remedied.

# RECOMMENDATIONS



Figure 23: Peaches and Greens Produce Market

Source: Pierre Barton

## Recommendations

*The recommendations in this section were developed based on the challenges identified by business owners, building owners, and stakeholders. These five recommendations are meant to equip practitioners with the tools needed to address commercial vacancy at the neighborhood level throughout the city of Detroit. These recommendations lay the foundation that will push the commercial real estate market in Detroit closer to market efficiency and in turn push the city closer to its real rebirth.*

### **OFFER FIRST RIGHT OF REFUSAL ON VACANT COMMERCIAL PROPERTIES TO CDCS**

Community Development Corporations (CDCs) will continue to play a crucial role in the revitalization of Detroit neighborhoods and its commercial corridors. CDCs are the first line of defense in the fight against neighborhood commercial vacancy. These organizations are the first to notice the catalysts that send an area into decline or rapid growth. Furthermore, CDCs aren't looking for short term development opportunities with the hopes of cashing out in 3-5 years. On the contrary, CDCs are in it for the long haul. These organizations have the desire to see that the area they serve grows and prospers for decades to come. The roles of a CDC are likely to change overtime depending on what issues the area is facing. This may mean initially working on redeveloping commercial spaces in the first 5 to 10 years,

then moving to a small business growth program and workforce development programs for the following 10 to 20 years. All CDCs aren't created equal, so to ensure the successful redevelopment of commercial properties within neighborhoods some sort of vetting process will need to take place. This process should ensure that the CDC undertaking the property acquisition has a plan for redevelopment, such as percentage of redevelopment capital already on hand (10-20%) as a sign of good faith, and ideally the cdc has experience redeveloping commercial properties.

Again, the goal is to ensure the CDC applying for first right of refusal on a given property has the wherewithal to complete the development. The vetting process will be crucial in preventing CDCs from "land banking" properties in their respective communities. The objective here is to have as many properties return to productive use as possible, not to drastically increase the real estate



holdings of CDCs.

### **DOUBLE PROPERTY TAX FOR VACANT COMMERCIAL PROPERTIES AND TRIPLE PROPERTY TAX FOR BLIGHTED COMMERCIAL PROPERTIES**

Within neighborhoods, commercial corridors serve as a place that provides employment opportunities, access to goods and services, venues for political and social connectivity within a community, and the “front door” to a community.<sup>13</sup> When commercial properties remain dormant or blighted for years it sends a damaging message about the quality of the surrounding neighborhood.

One means of encouraging property owners to find the best and highest use of vacant properties is to double the property tax assessed on vacant commercial properties and to triple the property tax assessed on blighted commercial properties. While this may seem to be an unprecedented move, the city of Detroit would not be the first municipality to institute this change to their property tax assessment process.

In Washington D.C. The Vacant Building Enforcement Unit (VBE) investigates and classifies vacant and blighted buildings throughout the District of Columbia. The VBE is tasked with bringing vacant, abandoned and blighted buildings back to productive use. To accomplish this task the VBE using building surveys, citizen complaints, city council, and other District of Columbia agencies to make a determination of a buildings occupancy status.<sup>26</sup> The VBE then creates and maintains a list of all vacant and blighted buildings located in the District of Columbia. This list is then used by the office of Tax and Revenue in D.C. in reclassifying vacant and blighted buildings to higher property tax rate classes. Table 1 contains the real property tax rates for all D.C. property classes.<sup>23</sup> Implementing this recommendation will have an immediate

District of Columbia Real Property Tax Rates		
Class	Tax Rate per \$100	Description
1	\$0.85	Residential real property, including multifamily
2	\$1.65	Commercial and Industrial real property, including hotels and motels, for the first \$3 million of assessed value
		Commercial and Industrial real property, including hotels and motels, for assessed value more than \$3 million
3	\$5.00	Vacant real property
4	\$10.00	Blighted real property

Figure 24: D.C. Real Property Tax Rates

impact on the negative side effects of speculation in the Detroit real estate market. Private developers will no longer be able to use Detroit to create their own individual “commercial property land bank” filled with properties they have no intent to redevelop. Should these

property owners still choose to sit on their properties until the market is hot or rebounds, the city will at least be receiving additional revenues that it can use to further redevelopment efforts across the city.

Finally, the additional revenue the city will receive from the adjusted property tax assessments should be placed in a commercial property redevelopment loan fund. This loan fund would be used to provide redevelopment capital in the market. The fund could be used to fund part of a redevelopment, provide gap financing for a needed commercial construction project, provide additional capital to CDCs, non profits, and investors redeveloping properties throughout Detroit neighborhoods. To ensure the funds are used equitably across the city there should be a limitation on the max percentage of the fund that may be loaned to a given neighborhood or part of the city each year. Moreover, by making it a loan fund it ensures that the fund remains sustainable for years to come.

### **CREATE A COMMERCIAL READINESS ASSESSMENT TOOLKIT FOR MICRO ENTERPRISES**

Non-profit organizations, businesses, government agencies, and the city of Detroit all assist micro-enterprises in developing and growing as businesses. To date identifying whether or not a business is ready to move into a commercial space has been more of a case by case or a “I know a business that’s commercial ready when I see it” approach. While commercial readiness will always be case by case, it doesn’t have to be regulated to just something we know when we see it.

There’s a serious need for the creation of a toolkit that clearly and effectively tracks a business and gives a general assessment of its ability to succeed in a commercial space. This will help the business owners (and service providers) to assess the preparedness of their micro-enterprise to succeed in a commercial space.

This tool kit should be comprised of a time line with milestones that guide the business owner’s journey towards inhabiting a commercial space. It will also help business owner’s to become well versed in identifying what their commercial space needs are. When a micro-enterprise is ready to make the leap, the business owner will be able to clearly answer a range of questions including:

- 1) How much square footage does the business need to operate?
  - 2) What cash flows are needed to grow the business at X percentage the next year?
  - 3) What neighborhood will this business thrive in? Etc...
- While no assessment can be completely exhaustive this toolkit aims to move commercial readiness from its current form of “I know it when I see it” into a set of

actionable items and milestones that entrepreneurs can clearly interpret and measure their businesses against.

### ***DEVELOP A CITY WIDE COMMERCIAL PROPERTY OWNER EDUCATION PROGRAM***

Commercial property owners throughout the city are in need of landlord and property management training. For decades many of the city's commercial properties were financially undervalued. This affordability has opened the door to many first time commercial property owners. These acquisitions are good in that they provide the opportunity for these individuals to increase their personal wealth and if the commercial spaces are put to productive use it helps to decrease commercial vacancy. However, these new commercial property owners are routinely found to be inexperienced and ignorant when it comes to the demands of owning a commercial property. Negotiating with contractors, applying for variances or special use permits, marketing, tenant selection, etc. are just a few of the areas that uneducated commercial property owners struggle with.

First time home buyers typically must attend a class to learn the ropes of what purchasing a house entails. These courses usually cover everything from financing to tips for avoiding common home purchase pitfalls. There should be a similar course for commercial property owners. The course will be open to anyone who owns a commercial property or represents a company that owns commercial property. These property owners would attend a series of classes, somewhere in the range of 2-4. The classes will take place monthly and cover all the ins and outs of commercial property ownership. Everything from zoning to financing, and the classes could be facilitated throughout the city using community partners. This approach would mimic how the home buyer's education courses are handled. City involvement in this program would be minimal.

Representatives from both the Planning & Development and Buildings, Safety Engineering & Environmental Departments would be present at specific sessions to briefly describe the role each department plays and to answer specific process related questions the commercial property owners may have. Aside from knowledge gained, by completing all required sessions property owners would then be eligible to apply for a redevelopment loan from the city of Detroit's Commercial Redevelopment Loan Fund. (the proposed loan fund that would use the additional revenues collected by doubling the property tax assessment rate for vacant commercial properties and tripling the property tax assessment rate for blighted commercial properties.)

### ***TURN ALL THE "GIGS" INTO BIZ***

What used to be referred to as a "side hustle" or

"underground business", has been re branded in the age of the millennial as a "gig". Gig entrepreneurs usually have a primary source of income other than that of what their gig or side hustle entails. Gigs include everything from tax prep services and catering to child care and cleaning services. Companies like Uber, Task Rabbit, and Handy may have pushed the gig economy into the mainstream dialogue but the gig economy has been around for years. What's different now is that the gig economy is completely disrupting the marketplace. This disruption is altering the traditional service provider purchase model of mainstream America. This disruption also creates an opportunity that disinvested areas may capitalize on.

For years members of low income communities have operated "gigs" or "side hustles". During entrepreneur interviews nearly all mentioned their business income as providing an important additional revenue stream that was sorely needed to pay basic household expenses. Gigs have been playing a crucial role in low income communities for some time now. Which is why there's a serious need to grow these ventures from temporary extra sources of income to primary income vessels for budding entrepreneurs. Due to the overwhelming majority of "gigs" being service related, entrepreneurs may not need a commercial space now nor in the future. For example, it's highly unlikely that someone would need a store front to provide lawn care or gardening services.

However, tapping into the gig economy creates a platform for local service providers to be more competitive within Detroit communities, by granting greater access to markets. Additionally, it utilizes the shift in shoppers purchasing online to their advantage. Same day delivery isn't a problem when you are based in the same city someone is ordering from. Finally, as these businesses scale up there will be a need for new forms of commercial space such as co-working or office space along with retail. As the Detroit commercial real estate market rebuilds its in a position to readily adapt to these changes.

## **CONCLUSION**

After decades of decline the city of Detroit is in a position to finally realize its revitalization. Redevelopment of the Central Business District has been booming the past ten years and the next step is to figure out how to redevelop the city's neighborhoods. For this redevelopment to occur the city of Detroit, non-profits, and private sector must attack commercial vacancy head on. This report provides the framework needed to overcome these challenges. It provides stakeholders with the necessary tools to help the city meet its goal of repopulating its neighborhoods and rebuilding its commercial corridors.

END NOTES

# End Notes

<sup>1</sup>Chandler, M. O. (1999). Detroit: Staying the Course-Detroit's Struggle to Revitalize the Inner City. In W. D. Keating & N. Krumholz (Authors), *Rebuilding urban neighborhoods: Achievements, opportunities, and limits* (pp. 105-123). Thousand Oaks, CA: Sage Publications.

<sup>2</sup>American Community Survey Tables: 2010 -- 2014 (5-Year Estimates) (ACS14\_5yr), ACS 2014 (5-Year Estimates), U.S. Census Bureau.

<sup>3</sup>Thomas, J. M. (2015). Redevelopment in Detroit. In J. M. Thomas & H. Bekkering (Authors), *Mapping Detroit: Land, community, and shaping a city* (pp. 51-74). Detroit: Wayne State University Press.

<sup>4</sup>Schindler, Seth. "Detroit after Bankruptcy: A Case of Degrowth Machine Politics." *Urban Studies* 53.4 (2014): 818-36. Web. 12 Mar. 2016.

<sup>5</sup>Miller, M. H. (n.d.). How Detroit is Redefining Itself Through Food. Retrieved March 11, 2016, from <http://www.mensjournal.com/food-drink/chefs-restaurants/how-detroit-is-redefining-itself-through-food-20150715>

<sup>6</sup>Gallagher, J. (2016, February 15). 10 years later: Detroit still glows after Super Bowl XL. Retrieved February 25, 2016, from <http://www.freep.com/story/money/business/michigan/2016/02/05/detroit-sbxl-downtown-penske/79875020/>

<sup>7</sup>Kalokhe, S. (2013, July 19). Regional leader says bankruptcy might help Detroit's international image. Retrieved February 24, 2016, from <http://www.wxyz.com/news/region/detroit/regional-leader-says-bankruptcy-might-help-detroits-international-image>

<sup>8</sup>Live Here. (n.d.). Retrieved March 16, 2016, from <http://midtowndetroitinc.org/live-here>

<sup>9</sup>Reindl, J. C. (n.d.). Rents keep going up in greater downtown Detroit. Retrieved January 27, 2016, from <http://www.freep.com/story/news/local/michigan/detroit/2014/12/07/rents-keep-going-downtown-detroit/20019111/>

<sup>10</sup>Redevelop has been placed in quotations here because using the term implies the changing or shifting of a neighborhood. Any such redevelop would naturally need to take place at the community level with said communities involved in the processes. It is not used here to imply outside decision making or top down decision making that will be forced upon neighborhoods.

<sup>11</sup>Eppig, M., & Brachman, L. (2014). *Redeveloping Commercial Vacant Properties in Legacy Cities: A Guidebook to Linking Property Reuse and Economic Revitalization*. Retrieved from Greater Ohio Policy Center: <http://greaterohio.org/publications/commercial-vacant-properties-guidebook>.

<sup>12</sup>Mallach, A. (2010). *Bringing buildings back: from abandoned properties to community assets : a guidebook for policymakers and practitioners*. 2nd ed. Montclair, N.J.: National Housing Institute

<sup>13</sup>Chapple, K., Jacobus, R., 2009. Retail Trade as a Route to Neighborhood Revitalization. In: Wial, H., Pindus, N., Wolman, H. (Eds.), *Urban and Regional Policy and its Effects*. Brookings Institution-Urban Institute, Washington D.C.

<sup>14</sup>Blair, J. P., & Carroll, M. C. (2007). Inner-City Neighborhoods and Metropolitan Development. *Economic Development Quarterly*, 21(3), 263-277. Retrieved March 3, 2016.

<sup>15</sup>Bader, M. D., Schwartz-Soicher, O., Jack, D., Weiss, C. C., Richards, C. A., Quinn, J. W., . . . Rundle, A. G. (2013). More neighborhood retail associated with lower obesity among New York City public high school students. *Health & Place*, 23, 104-110. Retrieved March 7, 2016.

# End Notes Cont...

<sup>16</sup>Michigan Community Resources (2015). Revitalizing the Corridor: An Analysis of Commercial Markets in Detroit Neighborhoods. Retrieved from Michigan Community Resources: <http://mi-community.org/tools-and-resources/economic-development-entrepreneurship/>.

<sup>17</sup>The Census tracts changed between the 2000 Decennial census and the 2010-2014 American Community Survey. In 2000 the Census Tracts were 5115,5181,5201,5325,5324,5323. For the 2010-2014 ACS the census tracts were 5119,5323,5324,5325. For the purpose of this report I refer to the 2010-2014 ACS census tracts unless otherwise stated. There is no major geographical difference aside from the consolidation of six census tracts into four.

<sup>18</sup>Social Explorer Tables (SE), Census 2000, U.S. Census Bureau and Social Explorer

<sup>19</sup>U.S. Census Bureau, 2013 ZIP Code Business Patterns.

<sup>20</sup>Esri Business Analyst Online. (n.d.). Retrieved March 16, 2016, from <http://www.esri.com/software/bao/>

<sup>21</sup>Leakage in this context refers to the to the amount of spending residents do outside of the area in which they live.

<sup>22</sup>Surplus in this context refers to the amount of spending residents do around the area in which they live that exceeds that of the average U.S. neighborhood.

<sup>23</sup>Total # of Business Addresses refers to the total number of business addresses located in the given geography as identified by the United States Postal Service

<sup>24</sup>Direct Selling establishments are primarily engaged in retail sales either by phone, house to house, or vehicle delivery. These establishments do not have a permanent store front from which to offer retail products. Types of direct selling businesses can include lunch wagons, ice cream trucks, house to house selling of coffee or vacuums, Avon cosmetics sales, etc.

<sup>25</sup>The ProsperUS Detroit Annual Evaluation Report is an internal document.

<sup>26</sup>Vacant Building Enforcement. (n.d.). Retrieved April 16, 2016, from <http://dcra.dc.gov/vacant-buildings>

<sup>27</sup>General Motors Building (Cadillac Place). (n.d.). Retrieved April 16, 2016, from [https://en.wikipedia.org/wiki/Cadillac\\_Place#/media/File:General\\_Motors\\_building\\_089833pv.jpg](https://en.wikipedia.org/wiki/Cadillac_Place#/media/File:General_Motors_building_089833pv.jpg) Cadillac Place [Online image].



# APPENDIX

## Lisa Johanon Interview

### Central Detroit Christian CDC Executive Director

**If you could for us just give a little bit about your background, your time in Cabrini Green and how you made what seems like a leap from Chicago to Detroit?**

I will give an elevator speech hopefully. Grew up in the suburbs of Detroit and went to Chicago for school. Came to Cabrini Green, because it was right of my dorm window, and I started doing programming and outreach in the Cabrini Green housing projects and did that through graduation from college and through my first half of law school. Moved to Detroit in the middle of Law School which is very bizarre, you don't usually do that. Which makes me one of the unique people in the world that have been to 3 different law schools. I was a guest student at UMD and a guest student at Wayne State, because it was just easier than trying to transfer. Now I've been a Detroit resident for 30 years.

We have lived in this neighborhood since 1987 and it really is my neighborhood. We are going to have a community meeting tonight and I'm just getting my neighbors together and we are having dinner together and talk about neighborhood issues. As opposed to me being this big ominous community development corporation and we need to talk about this issues of blight and everything. No we are going to sit down and break bread and we're going to figure out what we can do collectively. It's a different approach or different mindset when you live in the neighborhood.

**Given what you just said about relocating, what specifically about the Central Woodward-North End area attracted you those some odd years ago?**

Yes, those billion years ago I wasn't doing housing or community development. I was doing youth work primarily. We looked at the stats to see what area had the highest youth violence rate and it was this neighborhood. This area had the highest youth violence rate in the city of Detroit at that time, and we said that's where we want to be: where the action is. But not fully understanding being young and naïve, I was in my early 20's going, what's associated with violence? These are all outgrowths of poverty. This neighborhood and this zip code 48202 is notorious as having one of the highest poverty rates in the state and there's a lot that goes along with that. Which leads you to not only to do youth programming, but also more holistic community development.

**And that's the perfect Segway into my next question. How did the organization grow organically from youth programming to community development and economic development?**

If you're working with youth people you're working with their families. If you're working with families you are working with the neighborhood. It's just a natural progression, if you give yourself enough time to see it that way. So that's exactly what happened. Our goal when we started this organization 21 years ago was not to duplicate services that were already being offered, but to enhance and bring in things that weren't here. And to really have a development model. This is a slippery slope where you're not just bettering people and patting them on back and you've fed them but they're hungry tomorrow, so what are we doing to get to the root issue of why this person is hungry, using a very basic example. We are not just about bettering people, but we're about developing them and helping them to take responsibility for their life, and there are a million exceptions to that.

**CDC CDC has been around 21 years at this point. While doing economic development and community at what point did you say, ok we also need to get into the entrepreneurship- small business scope of things? Whether it was local access to fresh food like Peaches and Greens or just taking care of basic services that weren't even being provided in the neighborhood such as fit and fold?**

Well it was almost early on because I was looking at it as a fund development strategy. I don't like to raise money. I don't like to have my hand out and I would love for us to be a self-sustaining organization, how can we do that? Oh we start businesses! Right? Oh, boy that's a long road let me tell you. Couple that with the work we



were doing with young people, trying to find them jobs is a really uphill because there aren't a lot of jobs out here, but there are a lot of teenagers. Our first business was a can redemption program called "Save your Can". We collected the 10 cent bottles and cans. Over 150 different businesses across the tri-county area collected those and kids redeemed them. It was a great employment opportunity. It taught a lot of soft skills, but it wasn't a sustainable business model, because it costs us at one point 13 cents to pick up a 10 cent can. Then we got it down to 11 cents, and it the volume that we would have had to grow by a hundred thousand to be a breakeven business was just ridiculous. So we ended up selling the business to the driver and she does fine with it as her own business. She can occasionally employ a teenager here or there, but she actually makes a living at it.

It has been part of our DNA and I would really say part of our culture here. We try to think like a business, talk like a business, and act like a business. Nonprofits don't always do that, and I don't think that's healthy. Even as a nonprofit organization we are a business. We have vendors that we have to pay. We have clients we see. We have things that happen. Everything kind of has that model. How can you support yourself? Is there a revenue stream coming in? Do we charge customers? We don't do that in our youth programs. Our business run in such a way where you don't get grants. For Peaches and Greens for example it's not grant driven. That store stays open based on the revenue it brings in. Are there grant funded programs we run there at the store or in the commercial kitchen? Yes. For example the cooking and nutrition class that may be a grant that we wrote, but that has nothing to do with the bottom-line revenue for the payroll for the people that work there, or for keeping the doors open.

**That's a very unique approach to economic and community development... That isn't something that's commonly seen. Now there's something that CDC does, which in my research and experience I found to be rather rare. It's actually kind of the turnover of ownership. You just mentioned the can program turning over or selling the business to the driver. You recently just did that with Café Sunshine...**

And Higher Ground Landscaping

**And Higher Ground Landscaping, and so maybe you could speak a little more regarding what brought that about. You mentioned previously doing something that nonprofits don't usually do which is running any program like a business, treating it like a business. That seems like a gap almost, I don't see many nonprofit operating in this space of building a business, growing it, and then letting go of it and actually selling it to the community and letting someone from the community who has the skillset now to take that over and run it...**

Right and not everyone on our board of directors understands that either. They are like why did we sell that business that's a good business? And the answer is because that's what we committed to this and that's what we promised going into this. I know some of them are watching with a little more scrutiny wondering what am I going to be doing next, but you know not every business is going to be sold either. I would love for Peaches and Greens to become a community Co-Op. I just need to find a Co-Op model that that really works and makes sense, and I haven't found one yet. Except for what is in Ann Arbor, but that's a different climate and clientele. There's the challenge on that one. We all say that that's what we are about empowering people and pathways out of poverty. We're about building up people's self-esteem and these are ways to do it. It's putting the rubber to where the road is and making it happen. It's finding the right people though too. So it isn't an easy turn over at all, you've proven yourself to be faithful, loyal, and reliable. You have the tenants of someone who can be a successful person in terms of running the business and then we just walk alongside you and hold your hand a little every once in a while and support you. Some people aren't ready for that right now, but some are. Craig was one of those people from Higher Ground Landscaping.

He had jumped through every hoop we asked him to, he still gets technical assistance and he qualified for a line of credit and paid it off in his first year of business and then get another larger line of credit. Made enough money this year to buy a new truck and a snow plow. We couldn't pull that off at CDC when we were manag-

ing the funds. The tricky part or the part that is unpredictable in both of these most recent business acquisitions is can we keep the relationship with one another. So far so good, because I want to know that Craig is going to continue to hire men from this community that will have job training opportunities with him. I want to know that you are still community friendly with regard to the restaurant. The fact that Craig now rents space from us to keep his equipment we have maintained a good relationship there and the fact that building for Café Sonshine is just right north of us, so far so good, but that's the risky part is that you just don't know. He could take his business and move to southwest Detroit if he really wanted to, but again that's part of empowering people. Working with people is risky every single time you don't know the outcomes.

Now your model is something I'm truly fascinated by it because as I said it's not something I see as common in the nonprofit world, you mentioned some of the challenges you have faced at the board level because it is such an innovative approach to this....

Well you get rid of things that are broken too right? Why get rid of something that's working. So when we have these meetings where we say this program isn't working we say let's shut it down. When you say you're selling a business that's doing very well it doesn't make sense from a logical perspective.

**Do you think you've been able to have this impact and build up organizational from the grassroots level, because of the uniqueness of the neighborhood? And is this something that could be adopted by other CDC's or organizations throughout the city? Or do you think it was something that was unique in the structure of the CDC or you living in the neighborhood, etc.?**

I don't think it is neighborhood specific. If that's part of your question. I think this could happen anywhere except that nonprofits are risk averse, and that's because funders are risk averse. You have the two of those in the equation which means people aren't going to take that risk. They are going to stick to their knitting of doing youth programs or doing housing counseling, because starting a business means... I mean just look at the average Joe .1 out of 2 businesses fail basically right? So, a board of directors is going to look at that and say no let's not do that, and funders are going to say Oh that's a little risky. The only business we had that was grant funded was our farm and fishery, the others ... or I should say that was substantially funded. We did get a mini grant to help buy some equipment for Higher Ground, but that was it. All the others there were no grants that went into these. So, we've done this despite what the funding community has said out there... none of them ... none of them... and even after business number 10 none of them have said let me help you fund that. No they've all looked at it and said Show me your financials, even getting a loan show me this is going to work. Well I can't guarantee it's going to work. Well that's too risky for us. Ok, we'll press on.

**To go back to the previously question a little bit, but with a different spin on it. Development is happening so fast in the neighboring Midtown area that I could envision a developer looking over and saying this area across the street over here seems pretty prime. It's close to midtown, it's walkable, and I can still probably get the rents because of its adjacent location. With this new challenge how do you continue upon the success that you've built here to still be able to start up businesses and transition them and/or empowering people to start up their own businesses ....?**

So, there's the challenge. Make no mistake, Midtown has gone through an incredible revival for lack of a better term. A lot of money has been poured into that area, and it has been heavily subsidized. There's actually been a spillover into this neighborhood from people who are moving this way because they can't afford to live in midtown anymore. I talk to several business owners who are looking for property, who say if I could only move my business here this would be great. But finding that property is a challenge. Now, one of our roles of being a community development organization is to be an advocate for the community, and I'm always going to be an obstructionist if you are not willing to follow the code... I just don't like someone buying a house in the middle of a neighborhood and saying I'm going to turn this into a business. No it's not commercial it's residential. I can do my hair studio right... yeah, but this is a neighborhood. I will fight those kind of things, and I've had a few of those and it's all been very polite and professional, but I will tell them that's a great business, but not in this neighborhood. Because we have enough deficits to overcome without adding to that and having that stick to our name that we endorsed that. We find with all of this happening in midtown and the spillover coming here, that our role as a

gatekeeper becomes all the more important, and our role of protecting our neighbors is a new role that we didn't think we would have to take so prominently. It's the natives vs. the newbies sometimes, and because of that we are kind of transitioning in our conversation to start talking about housing development. We developed 20 houses last year... rehabbed... another developer developed 16 so that's 36 homes and we've got another 16 in the queue to start up a nofa from the city. We are making some making strategic development in terms of housing, but it's all geared towards families that make below 80% of the income level. That's who we're called to serve, those folks. There's a reverted placed on the property a property can't be flipped and all of a sudden become market rate. It will take 15 years for that to happen and that's a protectionary measure to show the neighborhood that even though there's been some infiltration by folks around the city, this shows that we are really designed to keep our neighborhood intact and we even did a major push to bring families back into the homes we rehabbed last year. Families who used to live here, but were displaced for some reason or another. That was really reassuring and our strategy continues Pierre with just trying to gobble up as much property as we can before someone else gobbles it. That's a challenge because right now we are outbid in the auction regarding anything commercial, we just can't touch it. And we have a lot of credit which we don't always have but people from New York in particular are buying up things like nobody's business and that's the most disconcerting for me so you can imagine the unrest the community feels.

**From a resident perspective is this a problem? My entire life I've heard stories and read articles about individuals buying commercial properties in Detroit and sitting on them. Making no improvements to the property and then turning around and selling them for a gain in many cases years later...**

We own a lot of land in our in our neighborhood right now and we will continue to own land and properties like I said, because that's part of our mission. I hope , and I'm working with MCR that we will be able to develop a community land trust and that CDC will put all of its land and buildings into this community land trust so that there will be a barrier from this being able to go market rate. I'm approached quite frequently by people who want to buy land. I was approached by this one guy that I did sell a property on Taylor Street to this gentleman, but I put a reverted clause in... That stated in if in 5 years you sell this and make a profit it all goes to CDC. So that's what I'm doing now with any properties we have. There's a reverted clause, because I don't want people to take things in our neighborhood and flip it to make money, because we need the money. People ask me all the time, you own this I want to buy it and I tell them come meet with me. I want to see what your intentions really are. I want to get to know you are a person because you are my neighbor now.

**We have talked a little bit about the role of speculation today, and how that is affecting the market and such. I have to ask is there ever a time where speculation can benefit the neighborhood? Where there is a way in which you perhaps take hold of the current speculation for some sort of communal gain?**

I think it remains to be seen. I think it's so fresh and new, by that I mean that within the past year that speculators have come in and said this is a desirable area for us to invest in, that the dust hasn't settled for us to yay or nay. One gentleman bought an apartment building basically across the street here, those townhouse units that are attached. He came here and met with me and said what can we do with these and what can I do to help? I grew up in Detroit I'm from Detroit I want to be a team player. So he gets it you know what I mean? He happened to make it, but he wants to give back. So we bought two properties that are near that development and he goes can I help you develop. I told him that we will see e what we can do. Because the last thing I want to do is say we don't want you. We want you. I want you to be contributor of sort. Another gentlemen bought an apartment on Hazelwood Street and he wanted to partner with us. So we asked what that would look like. A discussed our management company filling his building with tenants. There are others who call us first when they are looking to unload a building. The unknown variable in this are the home owners that are here and now see that their property value has risen and somebody wants to buy them out. That's the scary part.

**What do you think are the challenges for the entrepreneur looking to get into a brick and mortar retail space in the north end?**

Here's the challenges that entrepreneurs today are facing. There are a lot of buildings particularly on the east side of Woodward that are commercial and are still unoccupied. There aren't as many over in this part, but cash flow. Where are you going to get the money to renovate it? If it's \$100 a square foot and you're looking at a 50,000 square foot building that's 5 million dollars, for a reno and who can afford that for an upstart? Let's even make it smaller. If it's a 10,000 square foot building that's still a million. There's no bank that's going to invest that, because what's your track record for repayment? There's the difference, there's the challenge. And that's if you can even get an approval that is somewhat normative. So we are stuck there in the development part before we can even get to the business person. This is the big obstacle in my opinion. Our commercial kitchen at Peaches and Greens we rent to entrepreneurs who can't afford a kitchen or a space yet, because their product is new on the market and hopefully they can grow to a place. Since they have outgrown the kitchen at their own home for instance, so now they are in our licensed kitchen so that they may get licensed and now the goal is hopefully they can grow their business there. This happened to one of our entrepreneurs there who outgrew us and moved on to another space, but it's not until she gets through that space that she will actually be able to be on her own, because it's still so much on the start your time and energy let alone the capital investment. No one is giving grants, no one is helping with that and banks don't have mortgage money for building like that. They figure if you are a business you need to figure that out. If you look at all the products out there for the banks nothing is commercial. It's all for residential and even at that it's sketchy at best. So there's the issue.

So, Southwest Detroit has developed a lot of commercial space. They've white boxed it.

#### **Same question but with regard to building owners or landlords?**

The time we have had any vacancies in commercial buildings that we owned are times that no one would even dream in coming into this neighborhood. The building that "Peaches and Greens" is in right now we sat on that for maybe a year and half before we turned it into a produce market. But that was 2006 or 2007, and we were opening a produce market at the height of the recession. It's been an uphill battle for seven years to that business to the point of profitability.

#### **What advice would you give to other CDC's in the city?**

A real general comment is to stop chasing the money and just do what you're supposed to do and the money will follow you. Too many nonprofits are chasing money to just keep their doors open and they don't even know why their doors are open. It's just not a healthy way to do business. Broad strokes, take risks. Get in touch with your community and see what they want. See if they even respect you. See if they would miss you if you were gone. I bring that up during a staff meeting on occasion. I ask if CDC were to close their doors tomorrow what would be the impact. And we need to talk about that honestly. If neighbors wouldn't feel any impact then you don't need to be there.

## Jill Ford Interview-Head of Innovation & Entrepreneurship for the City of Detroit

**Again thank you for taking the time to sit down for this interview. If you could provide a little bit of background information for us just work history and then what led you to your current position as Head of Innovation and Entrepreneurship in the city of Detroit?**

I am the head of innovation and entrepreneurship for the city of Detroit. I came to Detroit by way of San Francisco where I was an angel investor and advisor working with primarily startups in the mobile entertainment space. I have always been attracted to big challenges. Previously I ran a company in Ghana for example that helped to discover and fund entrepreneurs and when I heard about the Detroit bankruptcy I was curious. I started to do research on Detroit and saw an amazing set of assets here that seemed to be all the right ingredients for having significant revenue, impact, social impact, and being able to drive some truly amazing change. I started coming out to Detroit and I talked to some people about what I thought was possible. I ended up getting introduced to Mayor Duggan and he created this role for me.

**You've had a vast history in dealing with entrepreneurship. Is there anything specifically that you picked up in previous roles whether it was working in Ghana or in the tech industry out in San Francisco that you think skill wise, you bring to the table that the city of Detroit had been missing as a city?**

There's so much that Detroit has it's hard to say something is missing. I actually feel that my entire life has really been leading me to Detroit in many ways. When you look at the combination of experiences and skills that I have developed and my upbringing, a lot of these things align well with all the sides of Detroit. I grew up in New Brunswick New Jersey, which in many ways is similar to any Detroit neighborhood. I know firsthand the kinds of challenges that we often see in some of our poorest and most challenged parts of Detroit. So, that's given me a lot of familiarity that has been invaluable as I've talked to people throughout the city. I have also been on the technical side and gone through different kinds of phases of taking ideas and bringing them to life. That experience of knowing and feeling confident that I can build, that I can create something, and that I can drive the kind of change that I want to see in the world, has been something that has manifested in many different ways throughout my career and even in school. I see that as being one of my helpful tools as I create new programs and initiatives and new ways of collaborating for the organizations here in Detroit. I also went to business school and acquired skills around finance and entrepreneurial management, and some of the background that's really helped me to assess different opportunities for entrepreneurs. I went to Ghana and ran a company that funded and discovered entrepreneurs, and while the company itself gave me important experience with entrepreneurs that is definitely helpful while I do the work that I do in Detroit, the experience of being bold enough to say I'm going to get up and go and take this idea... That's the kind of thing that I think is helpful as I speak to entrepreneurs in Detroit that are on this cusp of wondering can I?

**That's a pretty bold move to go from Wharton to saying, we're going to fund businesses in Ghana. That's a leap and a risky endeavor and I'm sure it appeals to many entrepreneurs who are wondering things such as whether or not their restaurant can work on the west side and should they take the chance, and I think what you just alluded to hits home to a lot of people....**

Thank you. I always love to show people that there are no magical people in the world. If there's something that you want to do go do it. I've had a number of experiences that have been part of the tapestry so to speak, coming together and forming the person I am today and my hope is that I will be able to make a meaningful contribution to our community. That's how I like to live my life in general. I like to find different ways that I can help and after them, do them, and bring them to life. I think there's no idea that should sit on the shelf if it's something that's important to someone. After Ghana we received so much attention from what we were doing that a lot of people heard of us, and I was recruited to Microsoft and I ended up going into corporate business development, and that allowed me to take that skillset of taking different ways that companies could cross collaborate and work tougher and to take it into a total different arena. From there I went down to the bay area and I ran global games usage for Motorola and where I sourced all the games that we pre-loaded and distributed on Motorola devices worldwide. It was a lot of fun, I played a lot of games. I learned how ecosystems worked and all

the different layers and parts and how they interact with one another. It helped me to build a significant number of relationships in the mobile ecosystem, and to move even further in my dream of becoming an angel investor and being able to drive the kind of change I wanted to see in the world in a whole different way. After being on the buy side of games, I went over to the sell side of games with Disney. Taking Disney games and going to the mobile device manufacturers including Motorola. That was actually pretty fascinating in some ways, because I designed the mechanisms that Motorola used for sourcing games and so I was basically negotiating against myself.

From there I was just in a position to build up my angel investing and advising portfolio piece by piece. I was able to go off and do that full time and that's where I was when I heard about the bankruptcy in Detroit.

**Such a diverse background, and it's funny because the way we look back on our past it often appears linear because of how we tell stories, but it's not a linear path necessarily but there's movement there that lead up to this move to Detroit....**

There are 3 major phases to my career so far. The technical phase, the corporate business development phase, and the angel investing/ entrepreneur enabling phase, which is part of the phase I'm in now you could say with the work I'm doing here in Detroit. Helping early staged small businesses and doing it at scale. At the same time there was very consistent set of themes throughout my entire life. If you go all the way back to even when I was a little kid, this theme of just being very curious., very compelled to take ideas and bring them to life, and being unafraid to try.

**The world of Motor City match has spread rapidly. It's very new and very innovating and I was wondering if you could share some of the successes from that program. To take something like revolve Detroit, which was already innovate in itself, and Motor City match is on a such a larger scale because you're saying, WE are going to do this across the city and do this quarterly. We are going to match these building owners with entrepreneurs that are looking for spaces and we are going to make it happen. Please share some of the successes and victories before we get into the challenges...**

Well first off the program's existence is a major victory. I go back to what I'm saying about the joy of having ideas and figuring out how to bring them to life, and being willing to work through barriers and to be so compelled to want to see this thing be real and out there that there's this commitment to figuring out how to make it happen. I remember sitting around a conference table like this one and having these ideas about how we wanted to be able to solve some the challenges we saw in the entrepreneurship community and that space was a major one. I remember talking with entrepreneurs and hearing some of the difficulties they had with finding the right space for their business. If they saw a place that seemed to be a right fit they may not know who owned it. If they knew who owned it they may not know how to get in touch with that person, then there was the challenge with figuring out how to go about negotiating the lease and getting themselves settled into that property. So, we designed Motor City Match to address this set of gaps of that we saw in the community.

Using CDBG (Community Development Block Grant), which, CDBG was something I was not familiar with before I came to this role, its special funding, and Community development block grants, there definitely are certain established kinds of patterns for using CDBG and Motor City Match was a kind of new approach. So we needed to be able to find a way to use the resources we had available for addressing the challenge we knew was an important one to address. So making that match was the first Motor City Match. We had some wonderful help from foundations, who stepped in to provide funding that we could use for things that were not the best fit for CDBG funds and that allowed us to have some flexibility within the program with the kinds of things we were addressing. It gives me joy every time I see anything Motor City Match related, because I remember when it was just a concept and I remember all the different ways in which we had to pivot it. I remember some of the ways in which we saw some of the rules around CDBG and actually designed parts of the program to accommodate those CDBG rules. Then discovered that was actually the best way to design the program anyway. We went through so many different permutations and pivots, it was a wondrous experience, so it brings me great joy anytime I see anything related to Motor City Match.

Then there's the impact it's had on the community. So when we look at the kind of impact the rolling, cumulative impact that Motor City match has it's a win-win-win program, it's winning on multiple kinds of facets. So, yes we are giving funding to entrepreneurs to help get them started with their businesses, we are also activating commercial spaces throughout Detroit, and that activation of commercial spaces, now attracts other businesses, and attracts foot traffic, when then helps to then accelerate the revitalization of the commercial area within that neighborhood, which then encourages more people to fill up the residential spaces. So it becomes this acerbating seed that we can really distribute throughout all of the different neighborhoods in Detroit. Additionally, the companies that are coming into Motor City Match, are not just receiving funding, but they are getting funding that can provide leverage for additional assets and resources to come into their business. Because they are receiving MCM lenders are now looking at that business as being more ready to be able to take care of their loans. That's one of the things that I love about the MCM and the design of it. I remember some of the constraints about CDBG funding for example and reimbursement rules and such.

When I was looking at how we could design the program so that it could be compliant with the rules and regulations of CDBG, one of the things I was looking into was what if we made sure that the companies have some capabilities to execute a spend to be able to take in funds that is a fit within CDBG. I then started to recognize that finding companies that are in a position where they can take in these kinds of funds, it kind of creates this situation where now you have an interest from investors, an interest from lenders because they see now that there is matching of the funds that they are putting into these companies, through the other sources of funds that are coming into it. It just became this really beneficial Match of sorts, between the capabilities of the entrepreneur and the interest of the lenders/investors who could be interests in supporting those entrepreneurs.

Wow that's really insightful, I had never considered how MCM looked from a lender's perspective and knowing that the city of Detroit has vetted these businesses or building owners...

It's from two sides of it. One is the actual vetting process that we have, especially the rigor of that process because it's CDBG funded, there's also the actual funds itself. So , you know this is a company that has received or is in the process of receiving this amount from the MCM and so now there's assets that are coming into the company , or let's assume the company is about to receive a this set of assets that are not draining equity from the company. That are not increasing the company's debt. That grant funding now increases the impact of whatever funding is going to come from the investor or the lender. I still remember the moment when that little interrelationship came to my mind, and it was an epiphany of mind. I called up some of my friends who were investors and ran the idea by them, like wouldn't that be interesting to if you had a company that was going to receive this grant and therefore the money that you're going to invest them has more impact without draining the equity or building up the debt in the company. What do you think? And getting the input on that.

**It's a brilliant idea and to see it playing out in the city is beautiful....**

And that's the other thing too. It's meant to be cumulative, and one of the most important parts of the program is that it's quarterly. So that it establishes a couple of things. One is the sense that opportunity is constantly available to entrepreneurs in Detroit. Secondly, it creates a pipeline. The MCM is designed to have different levels of assistance for different entrepreneurs at various levels of development in the entrepreneur's life cycle. If you have companies that are at the idea stage but they don't yet have a business plan, then MCM will provide technical assistance that can help them to get that business plan written. If you have entrepreneurs who have a business plan and have identified a space or rather they have no yet identified a space, the MCM can help them to get TA to help them to find the right space and negotiate a lease. And if you have the entrepreneurs that have found a space and have a plan, and they have not figured out how they can customize that space to make it the right fit for their business, then the MCM can provide TA that can help them to get an architect and build a renovation plan for that space, and if the entrepreneur is at a point where they have a plan, found a space, have the renovation plan, then they are funding ready basically. This is where the up to \$100,000 in funding matched grant funding, would be something that the company can be eligible for. So every quarter \$500,000 is going into Detroit based companies that are starting or expanding their businesses in Detroit. It has been great to see how we've been sup-

porting growth at so many different stages and creating this community of entrepreneurs as well. This was one of things that really stood out to me as I was standing at the celebration, where we had all of the entrepreneurs interacting with each other and talking to each other... That there's this strong neighborhood collaboration feel to the MCM of entrepreneurs who are peers and supporting each other and working together, and moving the community forward, each neighborhood at a time really. It's a neighbor driven community of entrepreneurs.

I'm actually really excited about expanding the level of visibility and understanding of MCM. The kind of impact that happens from an economic development standpoint. Tying into universities, I imagine that there could actual business case studies written about MCM and how it's transforming Detroit and ten years from now what will be the set of changes that we will see that have been spurred by MCM. Additionally with MCM this is the first time that this has been done. We are making decisions now that there is no precedent for. As we make these decisions it's something I think can be studied so that people can have their own opinions about well what is the right set of businesses to select? And what is the proximity of the businesses to each other that we should be going for? Is there some sort of special econometrics that could really feed into the process? SO I would be quite excited to what real estate departments in universities, business schools, and urban planning departments could come up with because it's an intersection in many ways and really fascinating to just think about how the market also dictates the kinds of businesses that would come into the MCM based on the different factors of it. And what are the different levers that other cities could use to make the MCM the right fit for their city.

For example, and these are definitely things in designing the program I gave a lot of thought to each of these levers to make it the right fit for Detroit, should the cap be \$100k or 50K? Or 200K? And what kind of difference does that make to the kind of entrepreneurs who are attracted to a program based on that lever. The fact that it's matched funding and what kind of impact does that make to the entrepreneurs who are attracted. That it's a grant and the impact that has on the lending or investment community, because it's a grant. What if you had a program that had a larger amount but it was a loan, what difference would that make? Looking at different permutations to the program and seeing how that changes the result. SO it's an interesting equation to play around with.

**In Detroit when I speak to a lot of business owners and building owners and I ask them how long their space has been vacant or why is it vacant, and it always seems to go back to that access to capital. Whether it's worrying about renovating the space and receiving a new basement and the taxes going or up I don't have tenants to cover the rent. Or from the entrepreneur standpoint saying I can't find a space that's white boxed currently and my buildout costs are already extremely high, how do I core that difference. MCM in many ways is one of the solutions a city can provide to that issue in the marketplace. So just a couple more questions, because you have been very generous with your time Jill and...**

No worries, and the other thing too that I will add when we think about the impact of the MCM is the impact on the building owner side. So we talk a lot about the business owner side, but for the building owners this now helps them to get access to customers so to speak. We get access to capital, access to space, and access to all in one. The access to customers for the landlords really now gets those landlords in many ways to see a reason to do more with the properties that they have in Detroit. Some of the properties had been sitting vacant before because there wasn't something that felt like a clear and easy path for those landlords to get to a tenant that they wanted to work with and that they knew was a vetted business, and the MCM solves that. So we are providing a vetted set of amazing entrepreneurs from around Detroit, and around the world. We are providing a set of vetted high quality buildings and landlords, and we are matchmaking between the two. And the other thing too is that it creates a secondary market...

**I was thinking about the other day as I was stumbling around the MCM website. From either side whether someone is an entrepreneur or a building owner. Using the building owner as an example if you make it through the process having your property featured on the website, you can't ask for better advertising...**

The energy of MCM is cool. It's neighborly, it's something that is inspiring to people. Letting them know



they can start a business. It's this foundation for this whole new era. One of the most important things as we look at the entrepreneurs who are in growing business today, we want to have who is going to be the growing businesses of tomorrow, and the day after that. We want to make sure we are creating a consistent pipeline of business.

**Final question. MCM is great, but what additional ways can the city innovate in this space?**

You mean what's next? We have MCM but what's next?

**Exactly. What else do we have in the pipeline where we can keep the flow going?**

Lots. First of all MCM is the solution to one of the challenges that we see the entrepreneurs having. That's space, and it ties in some funding as well, but it's primarily space. I see five major challenges that are important to address for entrepreneurs.

#1 entrepreneurs need customers. A lot of people when asked what entrepreneurs need say funding, but the reality is funding is needed to get the things that can get you the customers. You start from that. What do you need to get to get to your customers? You need talent (#2). You need space to house your talent (#3). You need barrier elimination that can help you get to your space and your talent (4). That would include things like transportation, immigration support, permitting and licensing being efficient and predictable. Those all fit into that layer of barrier elimination. To make all those things happen is where funding becomes helpful (#5). Space is very well addressed with MCM, there are definitely kinds of business and certain sizes of spaces that may not be as typical in the MCM process, and I'm not saying that MCM solves everything with regard to space, but it definitely helps a lot. What can we do now around customers? And talent? And barrier elimination? And those kinds of things. I do try to go a bit at a time, because you don't want to spread your resources so thin that you're just stirring the pot, but at the same time I am picking off some of things at the same time. When you talk about customers there's a new initiative that we launched this week, with our chambers and our new businesses associations to help drive companies to customers. And to recognize that the city itself has significant buying power and to look at how we can insure that businesses are as aware of opportunities for contracts and prepared to compete for those contracts as possible. SO that's figuring out how to help our companies get to those customers is one of the next big things on the horizon.

**And is that going to intersect with D2D?**

Very much so. So when you look at the public sector of it that's one piece, and when you look at the private sector of it that's totally D2D. Then also looking at other sorts of sets of companies that are natural buyers for Detroit based business. So keep a look out for that. Also looking at what we should do for talent, there's significant pools of talent within Detroit and attracted to Detroit, so we are looking for different ways that we can grow the set of people who are coming to Detroit and staying in Detroit. That we are utilizing our workforce development initiatives to ensure that the skillsets needed for the jobs of today and the jobs of tomorrow are present in our community, and that the kind of educational and training that is needed for people to be ready for the kinds of careers that are most interesting to them are available. Some of this is being done by the city, but there's so much that's being done in the city and it's important to look at that collaboration between the two.

I look at a company like rocket fiber for example and the kind of enablement that provides for people in order to be able to get access to the educational resources and job opportunities that will benefit from the kind of speed that Rocket Fiber introduces to their homes.

## Robbie Walker Interview- Commercial Portfolio Manager Southwest Housing Solutions

***Could you please provide a little information on your background? What were you doing in prior roles and what brought you to SWHS? And a brief history of SWHS?***

I've been real estate for 15 years now. I started in new construction with a developer based out of Troy, Tadian Homes. I went from there to a marketing and consulting firm based out of Chicago that did Condo conversions. We worked on two projects here in Michigan in Southfield, North Park place and North Park Towers and then there's a place in St. Claire Shores. From there I ventured into resell, which is purchasing regular or standard homes that are out. From there I went to property management. Managing multiple single family homes, multi-use complexes prior to me coming here. When I came here that's when I got into the commercial world.

I started at Southwest as a property manager for Piquette and Mack Ashland before that came on board. From there maybe 6 to 8 months in at Southwest I began to dabble into the commercial world. So, for me Real Estate is always evolving. Always something new, always something different. There's never a dull moment in real estate every transaction is completely different. Once I got into the commercial world here, my primary responsibilities were overseeing the commercial portfolio which at that time was about 150k – 170k square feet. I managed all of our commercial space, and handled all the 3<sup>rd</sup> party contracts that we had, because we do 3<sup>rd</sup> party management also. From there it has grown to about 225k square feet of commercial space that I currently manage. Additionally, I work with all the business owners, there are about 66 business owners that I deal with, and we have a commercial brokerage which is called Veritable group that is under Southwest Solutions.

I am the associate broker for Veritable Group our commercial brokerage, and I am tasked to grow that specific line of business. With listings to sell or lease, that's what I do with them, and to streamline and generate more revenue for the commercial side of Southwest Solutions commercial department. I've been here for just about four years (in June), and it's been a blast if I must say. Every day and every situation as I said is different, new and exciting. The best part I think is dealing with new business owners if they are starting a business or perhaps have a business that they are looking to grow, having that interaction with them and just seeing them get to the finish line and living out their dream has been beyond rewarding for me personally.

Everyone single one of them all 66 business owners that I deal with. I can honestly say that I have some type of personal relationship with them. You can call and say hey who is your property manager? And who is your go person we need something from southwest on the commercial side, and without a doubt everybody can call my name. I take great pride in that and I visit my people on a regular basis. I don't like to visit my people when there's a problem, I like to visit them and say hey how's it going? And just chat with them to make sure we are still good. Because you have to continue the relationship building because you never know what other opportunities are out there for southwest is someone else needs there building managed they will know that we do an exceptional job managing our properties. (5 min 10 secs)

***250,000 square feet of commercial space? WOW that's impressive...***

It spans from Southwest Detroit ... to well over in the New Center area we have a building that's a 3<sup>rd</sup> party contract in Midtown, and then we have properties in Port Huron. Most of our tenants are non-profits. I have two non-profit centers: one is in Midtown and 5716 which is our headquarters, so you have non-profit centers there where you have multiple tenants. The other ones are either stand alone or store fronts.

***Is the primary reason to have non-profit tenants mission driven for wraparound services or is that just the way it happens?***

It's not just for services, but for the community that we are in. You want to make sure that you don't have someone wishes to put a non-complimentary use in a center. We are geared toward business owners that are bringing products and services into the community that are beneficial to the residents currently living in that

community. It could be a for profit, but I have non-profit centers where you have to be a non-profit to be in that particular building for tax purposes, but the other properties we just collaborated with the business owners to offer services. Prime example, I have the literacy center at St. Anthony's church, but then I development centers across the street so they deal with families where they help the moms and dads deal with troubled youth, and then you have the literacy center that deals with individuals that can't read and write at all, so just taking them and all saint literacy and development centers and connecting those dots together, community members know that if you have some parents that can't read or write you can send them down here , and if the parents are already coming here are having trouble with their kids we know we can send them there. Just creating those partnerships with our existing tenants through tenant meetings that we have rather regularly so that people know. Often times you have instances where you don't even know who is in your neighborhood. So to bridge that gap I just bring everyone together so that we can discuss what's going on, and what services each tenant offers.

***That's cool. From an economic or community development standpoint you are creating neighborhood clusters with these services. Now has Southwest Housing been involved in commercial real estate from its creation? Or was that something that kind of built out over time?***

I believe we started with the residential because Southwest had the counseling piece servicing the mental health population and community leaders came and said provide housing. So it grew out of the desire to provide housing, because we were acquiring buildings that had commercial storefronts, that we began to build out and figure out what other types of businesses we could partner with to revitalize the community and add services so that it would be a one stop shop, because we have a lot of people who don't have vehicles or access to a bus line. Just like the SWES office where if someone needs foreclosure assistance and financial coaching, they know they walk or ride a bike. It's in transit so it's fairly easy. Every building that we own does not have commercial property. Some do some don't.

***If you had to put a percentage on how much of the SWHS real estate portfolio does contain commercial property. What would you put it at?***

I would say half.

***You spoke a little bit about the thinking behind tenant selection, and I want to dive a little deeper into that. Given the neighborhoods that SWHS works in, meaning you guys aren't necessarily picking the "hot" neighborhood at the time. I am curious, given the communities that you are in how are you choosing tenants that still coincide with the mission, but provide the necessary rents?***

Everything has to be holistic and mission driven. It starts with having them fill out the application, and from there you learn whether it's a non-profit or for profit. What is their mission? What is their vision? Does it align with your mission? Your Vision? Is this particular business going to help or harm the community or neighborhood? You have to look at it as a whole instead of just the dollar amount, which is important but it still needs to make sense at the same time. It's a package for me.

***As a property management company and building owner, what are some of the challenges or obstacles you have in finding tenants for spaces? And/or in rehabbing the spaces?***

I don't know if I like the word challenge. I think a challenge is what you make it. If you make it easy in my opinion it can be easy. If you're putting out a good product, and I stand by the product we have and I believe it's a good product, I'm confident that I know I'm not going to have a hard time leasing something out that we put together, because I know we do good quality work. So to answer that I'm not going to use the word challenge, I'm just going to say that we work diligently at advertising things and getting the word out regarding our inventory. Which at this point I'm proud to say we only have two office spaces available.

***Do you think there's room in the future for taking what you just said, and managing of more of real estate for business and building owners in Detroit?***

Well that's what we do. It still has to make sense if our development team or property management team is going to take on a project like that. It isn't unheard of for us to do that, but it just has to make financial sense,

and as long as we have capacity.

***A little revisit to an earlier question. For someone just getting into the commercial real estate market, or maybe owns one or two that have commercial vacancies. Out of 60 plus properties that southwest owns or manages, these building owners are coming to you for this service and I'm wondering, what areas are they finding challenges in? What seem to be the biggest obstacles standing in the business owners way?***

Affordability and having a good quality landlord. I have people who come to me and state that they will only rent from SWHS.

From an entrepreneur readiness standpoint, is there anything you think could prepare entrepreneurs to be more ready for brick and mortar?

Having realistic goals is always helpful. Knowing what it takes to run and manage that space. I know you have people that are pie in the sky, not knowing how much square footage they need. Everyone doesn't understand how much square feet they need and how much it will actually cost to operate and perform in that space. Especially those who may be coming from their home and into brick and mortar. Understanding what you actually need, can prepare them to get out there on their own. I have run into a lot of them that aren't realistic, and they need to know what that looks like and if they have enough revenue coming in to sustain it.

***There seems to be a gap between entrepreneur readiness, available brick and mortar retail spaces that are affordable, and southwest is clearly doing what it can to bridge that gap. What else needs to be done from a commercial real estate standpoint? What do you view as the top 3 things that need to be done in the city to activate the commercial space within in the city?***

More affordable loans or grants. Everyone can't afford a loan, especially these high interest loans. To get into space. I love the matching grant program that's out there, but outside the taxes and making sure the city prepares business owners in knowing how to run their business through programs like ProsperUS, more things like that and corresponding more grant dollars to get some of this stuff done. And not just low interest rate or high interest rate loans, because if you're barely making it and not making enough money, taking out a loan isn't going to help you out. A lot of restaurants going out of businesses. Loans and taxes and more support would be the issues that I have.

# Michigan Community Resources Interview

## (Sam Butler, Edward Peters, Lydia Rae Levison)

*With regards to these factors and others that weren't mentioned, if you had had to categorize or list the main obstacles facing entrepreneurs moving into a brick and mortar retail or office spaces in the city what would they be?*

Sam: Right now, I think renovating white boxed space is cost prohibitive. Both to the potential tenant and the landlord. Very few places in the city is there an active enough market to warrant those costs. The condition of buildings. I think there is a lack of turnkey white boxed commercial space and often times the amount of money it would take to bring it up to code to white box it is cost prohibitive. So if you are the building owner or landlord you probably aren't going to spend the money because you can't get it back in rents, and if you are a tenant it's unlikely because you probably aren't going to get that back in sales from customers. A different issue is whether or not businesses are ready for brick and mortar. The more veteran business advisors would say hold. Every day we aren't maintaining our building stock, the costs increase. These building aren't maintained those costs increased.

ED: Next thing that jumps to mind is the licensing and permitting. That's definitely been identified as a big obstacle to moving into commercial space. The process can be confusing there are different places you need to go to, and that's something we've been working on with the NEI (New Economy Initiative) work. BSEED is working themselves on a lot of that. Through our NEI work BSEED has shared with us that they are trying to streamline the permitting, trying to at least shorten the length of time it takes to get through permitting. Not only can the process be confusing but it takes time to get your permit and license especially like your CFO, that that can wreak havoc on your business model.

Sam: Permitting and Licensing is what needs to happen. The city just needs to streamline its permitting and licensing process, and I do think that this current administration is making is making progress towards those ends. They have talked about creating a one stop shop where you can just come in and at least find out what permits you need to fill out, and even that small step is a tremendous stride. Another limiting factor is that a lot of the permitting and licensing items have to come before council, so I think the mayor's office is trying to do as much as it can without running into the point where it has to go before council.

Lydia: I think that collaborative worktables like what we have with NBI and that NBI group is a step in that direction, because you can gather consensus from a bunch of different stakeholders and then we can get at precisely what the licensing and permitting issues are.

Sam: Food lab Detroit will talk all day long with the issues related to food business permitting, and just for the sake of this interview NBI stands for Neighborhood Business Initiative. It's funded through NEI and ProsperUS sits at the NBI table.

*What role if any does the "distant owner", owners or landlords that don't live in the city, region, or country, play in the development of commercial properties the city? Does this add any layers of difficulty?*

Sam: I think community partners can help identify the owner this is something that MCR gets all the time, GRDC, etc. As a city we have gotten a whole lot better at getting ownership information out there. Why don't we own this has been a sea change, it has been a disruption in the ownership search engine process. A barrier to that is always the fact that Wayne County Registrar of Deeds doesn't share their information for free. You have to purchase it at least in bulk, so you can go to their office and look up a property for free, but if you want to look at it from your home computer you have to pay. It is a major revenue stream for the county, but in other counties such as Oakland County it's free. Apart from finding the owner, I do believe that speculative market forces are detrimental to weak market cities like Detroit. Especially in city like Detroit where it seems like we have been waiting for the renaissance for 30 years. So, when you look at our past building booms over the past 20-30 years, people hold that property and they just assume that they are sitting on a major lottery ticket. This is a big problem for

local and out of state owners. Especially if you are dealing with some type of conglomerate based on either coast, or the taxes they are paying here is peanuts because they can write off the depreciation, and they have no financial incentive to sell it.

Lydia: Anymore we aren't just talking about organizations or companies on the coast, but also international investment.

Ed: Then there are local corporations that a property, but the resident agent is also a corporation in another city, so you can't track the owner.

Sam: I think so much of MCR's work on this commercial property front is to better equip community partners to deal with speculative market forces. We have been trying to work with the Wayne County Land Bank, and we've been talking to various people about how they manage the auction and whether or not we can get communities some type of streamlined process to get properties from the auctions, and these are all salvos in this conversation. What we actually need to do as a city is make it financially painful to hold on to property for so long. I remember during the Great Recession, I seem to remember cities would have an increasing vacant property tax. Those cities have done something wherein every year its vacant and you don't have a CFO your tax goes up by a certain amount.

Julie: I see our city not wanting to do that for fear that it will hinder investment. Make it as easy as possible for developers to come in.

Sam: I agree that is the political blockade that someone would throw up, but I think what I'm talking about would make that property turn over more. I think you could just write it for commercial properties.

***Some CDC's have mentioned the idea of being given a sorts of first right of refusal for commercial properties up for auction through the land bank or at the county level. Is this something that possibly could happen in the city? If so what would it take?***

Sam: The city the county the tax have a right of refusal that get tax foreclosed. Any govt. entity can take the property. Nonprofits could say to the county, that they want a specific residential property and get ownership to it. That community group could a cad or a land trust. A lot of moving parts with it though. Financing in line. There wasn't a financing connection this project save.

***With the appeal of certain Detroit neighborhoods growing speculation seems to be of concern to many. What if any effects have you noticed speculation has had on commercial vacancy in the city? Are there ways communities can use speculation to their benefit?***

Lydia: Not an answer to this question, but since we haven't touched on it yet. CLTS or Community Land Trusts for commercials uses. I don't know if that's necessarily using it to their advantage, but CLT's would own the property and then lease it out directly to business owners. Whether it's per unit or leasing out the entire structure to organizations. We tend to think of them as residential or preserving a type of use, but we haven't really invested CLTs for commercial use in Michigan and specifically in Detroit.

Sam: A speculator is not buying what it is worth today but they are banking on what he or she thinks its worth in the future. Speculation can be great in driving up property values, so if you already have some sort of community owned land trusts, that will be great for their balance sheets and books and perhaps they could use that money to fund other community programs.

Lydia: I know how they could do it. You could have something that's split between market rates and affordable and subsidize the rest of it.

Sam: We don't have an inclusive zoning ordinances on the books here in Detroit. I think we are getting to the point when we soon should. I give Gilbert and the Mayor credit for instituting a policy of making sure there's affordable properties, but we are soon going to get to the point when other developers are not just going to have that viewpoint. As a city in general I don't think we are going to have enough demand for property in the city of Detroit to bring us back to full occupancy anytime soon. So I think what's been happening for decades is that

we have been shifting vacancy around. Prices get so high and the speculators hold on to properties so there's no actual movement or actual raising of actual properties just the raising of speculative properties values, and then developers will just move around to the next it neighborhood. My suggestion since I'm a planner is some sort of land use regulation or targeting. I would love for the city to come out with stricter rules of about where new development can take place in the city. This could be codified through a master plan, but there are actually a whole lot of other ways that the city could do this. Something that says this area is where we want to steer new development. Some will say aren't speculators just still going to hold on to the property? That answer is yes, but there still needs to be a legislative hammer to move things along.

Lydia: One thing I do think we should talk about is being more aggressive with nuisance abatement. For some of these absentee landlords. Maybe you start in specific neighborhoods where you want to spur development.

Sam: I'm sure someone from the city's legal department would say you can't have targeted code enforcement laws, you can't enforce a law more stringently in one area than another, but I do think you can utilize things such as zoning overlays that have stricter zoning controls. In historic areas suits that claim demolition by neglect is a really interesting policy tool. Jefferson East has done this. I don't know if anyone else has done this.

***Programs like MCM and Revolve Detroit have been created to address some of these issues. But are there any openings that these programs have yet to cover or are failing to address?***

Sam: MCM and Revolve were created to address the issues we are discussing and their effectiveness relies on network building. MCM is only as effective as the network of applicants within it, and I think with every year people know more about it and more people will join. Every year MCM is doing a better job connecting with community groups about spaces within their neighborhood. While MCM is never going to have the local expertise, there's a way they can work with stakeholders to capture that local expertise, and that's nothing against MCM. MCM wants to be partners and wants to get involved with this, which is why its relationship building becomes so important.

Lydia: Another potential resource would be ProsperUS capacity building efforts, and capital readiness. Which we are kind of getting at with NEI, but if that could be something that, was built more into the framework permanently rather than just a project that we are working on.

ED: The capital readiness efforts that we are working on is basically getting entrepreneurs or small businesses ready to the point where they are ready to get capital in some form or another, be it a microloan or grant. A couple of our partners are working in neighborhoods to deliver services to small businesses. They are also working on a collaborative project that is like a simple intake form that community partners can use to funnel the entrepreneur to the right place for referral for these capital services. Whether it's accounting or checking out your loan application. That's definitely capital readiness, when the research for this project was done it was found to be a huge need. There are so many entrepreneurs who just cannot access adequate capital and there are a number of reasons for that. Whether it's personal credit history or someone just doesn't have a good enough business plan or structural issues, issues of race and class. What we are doing is good but there's a ton of room in that area for improvement.

Sam: For the entrepreneur that is too small for a MCM or their own brick and mortar shop, of course we are seeing a great interest in pop ups and incubator spaces, and collaborative work spaces. The Grand River workspace and pony ride are great examples, but I think what is often missed is that those spaces are rarely financially sustainable without some sort of subsidy. Those spaces are rarely able to operate without subsidies. The bamboo and tech town model may not work on the neighborhood level because how many software developers want to go and get a space on Grand River? Or in other areas of the city outside of the CBD? I don't know. I think in this city we sometimes forget our own history, especially in the field of community development. Milwaukee Junction was well capitalized and it failed. This was years ago, obviously this was a different economy but that was a CDC looking to launch a collaborative workspace and it didn't work out.

Lydia: I feel like Entrepreneurship is hot right now, just like youth employment is hot, but what about

when entrepreneurship is no longer the it thing? How are those pieces going to maintain?

Julie: There's some really diversified things going on out there like Focus Hope supporting co-working space, but then there's also this industrial element where if you want to produce something they have a factory there. But again this gets to sustainability, because they are federally funded. When there are regime changes politically where does that go? Where does that leave us in the long run?

Sam: One area where there's an opening is on the Merchandising front. At a recent event Nicole Farmer of Lifeline told a story about an entrepreneur with a T shirt business that wanted to move into a commercial space. Nicole told them you don't need a store, what you need is to get your merchandise into existing stores. I don't know of anyone who is currently helping with distribution. We hear about it all the time, but I don't know about anyone that is really helping businesses to do it. I had a friend who made gourmet soda, and they were considering a storefront, but eventually they came to the same conclusion. Which is I need to get my soda into existing stores?

Julie: I feel that food is the exception because food lab helps with that, and fresh corner café and what they do with youth. They take people that are high school students to market their products, but they are helping them get into whole foods and local retailers.



# Building Owner Survey

Created by for PUD/ University of Michigan Commercial Vacancy Report 02/08/2016

## Building Owner Questionnaire

Questions	Yes	No	N/A
1 Is the property currently vacant?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che
a) How long has the building been vacant?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che
2 Are the property taxes current?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che
3 Is the property commercial office or retail?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che
4 Are you actively seeking a tenant for the vacant property?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che
5 How long have you been seeking a tenant for the vacant property?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che
6 How long have you owned the building?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che
7 Is the building currently insured?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che
8 What is the square footage of the building?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che
9 Is any part of the building currently occupied?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che
10 a) If so, what percentage?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che
b) what type of business?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che
11 What were the most recent business uses of this building?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che
12 Why is the space currently vacant?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che
13 Is the building damaged or in disrepair in any way?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che
14 Is this building located in a historic district?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che
15 Are there obstacles standing in the way of getting a tenant into this space?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che
a) if so what are the obstacles?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che
16 Estimated cost to make the building “white boxed” (i.e. ready for a tenant to move into)?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che

# Business Owner Survey

## Entrepreneur Questionnaire

Questions	Yes	No	N/A	Comments
1 Name of Business?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che	
a) What's the Industry or sector?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che	
2 Are you looking for a commercial retail or office space in Detroit?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che	
a) If no, were you recently (in the past 6 months looking)?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che	
b) If yes what neighborhood?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che	
c) If yes to "a": Did you find a commercial space?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che	
3 d) How many months have you been looking for space?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che	
4 Are you move in ready?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che	
5 What is the monthly rent your business can afford?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che	
6 How much square footage of space are you looking for?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che	
7 Why do you need commercial space at this time?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che	
8 Have you encountered any obstacles in obtaining a space?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che	
a) If so what obstacles?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che	
9 Are you financially prepared to move into a commercial retail or office space?	<input type="checkbox"/> Che	<input type="checkbox"/> Che	<input type="checkbox"/> Che	





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THIS REPORT WAS CREATED OUT OF A COLLOBARATION BETWEEN:

