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Economic Development Delivery System Options

Organizing a Strong Public-Private Partnership

Council for Urban Economic Development

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DETROIT, MICHIGAN

ECONOMIC DEVELOPMENT DELIVERY SYSTEM OPTIONS

- Organizing a Strong Public/Private Partnership -

MAY 15 1978

Prepared for

The Economic Growth Council of Detroit, Inc.

April 15, 1977

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EXECUTIVE SUMMARY

In the process of developing economic development delivery system options for the City of Detroit, the CAS team and staff reviewed the economic problems facing the city, public and private organizational structures, and policies and programs designed to address those problems. The major considerations taken into account in developing the suggested options are described in the text of the report. Following is a brief summary of the findings and recommendations:

Geographic Scope of Economic Development Delivery System

The economic development delivery system should concentrate its efforts primarily within the City of Detroit. The magnitude of the problems facing Detroit, in comparison to those of the region, require the full efforts of a comprehensive, coordinated program to upgrade the economic and social conditions in the city to a level approximating those of the surrounding area. Concentrating the initial economic development efforts in the city also will allow maximum use of state and federal programs for job and business development which often are designated for the more economically depressed central city.

Functional Scope of Economic Development Delivery System

The initial efforts of an economic development delivery system should be concentrated on business retention and attraction. A broad based retention strategy can be initiated within a comparatively short period of time and often can influence a firm's decision to remain and to reinvest in the city. Thus, an effective retention strategy usually has more immediate pay-off and generally is more cost-effective than an attraction program of similar scope and intensity. To the degree than an attraction strategy is pursued, it should be in tandem with the retention/expansion program. An effective business attraction campaign can be built incrementally upon the accomplishments of business retention.

Professional Recruitment and Staffing Considerations

Effective implementation of policies and programs designed to address Detroit's economic needs will require a management staff of experienced and competent professionals. This type of high calibre personnel will require a competitive compensation package and an organization which has the full support of public and private leadership. In addition, the director will need considerable freedom for decision making, within broad policy guidelines established by the organization's board of directors.

Economic Development Delivery System Options

The nature of Detroit's economic problems require a direct, concerted effort by public and private organizations. This effort can be provided more efficiently and effectively through a public-private partnership which uses the combined leadership and resources of government, business, labor and community groups. A multitude of private and public organizations currently are involved in economic development programs which are fragmented and often duplicative. The options in this report are based upon a brief review of these organizations -- their boards of directors, policies and programs, and their leadership and financial resources -- in an attempt to recommend alternative organizational structures through which some degree of public-private partnership can be implemented.

There are several different ways through which an economic development delivery system might be established for the City of Detroit. However, this report concentrates primarily on variations of a public-private economic development organization or system. The variations range from a single citywide economic development organization with a wide array of internal development capacities to consolidation of key public and private economic development related organizations, into a single, coordinated economic development delivery system.

There are limitations and advantages associated with each variation. The decision to implement either is left entirely to the discretion of the local officials in Detroit.

The major features of each of the economic development delivery system options, which are described in Chapter III, are as follows:

Option I: Single Public-Private Economic Development Organization with Emphasis on Implementation

A quasi-public, citywide economic development corporation with strong public, private and labor involvement and support. The organization would have authority, influence and resources to perform both project implementation and public/private coordination functions. The new corporation would assume the economic development-related functions of the key organizations currently involved in these activities.

This system would not be bound by existing organizational limits or responsibilities and would cut through the confusing and fragmented responsibilities of existing agencies. It could concentrate its efforts on improving the economy of Detroit without the distraction or dilution of efforts by covering a broader geographic area or unrelated problems. It would simplify organizational questions since it would have total responsibility for policy formation and program implementation.

Option II: Single Public-Private Economic Development Delivery System (Federation) with Emphasis on Coordination

Establish a single economic development delivery system which consists of key economic development-related organizations in the City of Detroit. The system would require the modification/consolidation of boards of directors of several organizations and the redefinition and refocusing of existing economic development-related activities currently being implemented by the individual organizations.

Each of the key economic development-related organizations currently operating in Detroit has specific functional areas with varying degrees of development authority. The system proposed in this option would establish a common purpose among the organizations in a manner which maximizes their individual efforts and resources. This option assumes that relative organizational independence is essential, but with strong inter-organizational coordination and cooperation. Thus, a public/private economic development delivery system with both coordinative and project implementation capacities might be established.

Both options have several variations which are described in Chapter III.

ECONOMIC DEVELOPMENT-RELATED ASSETS AND LIABILITIES FOR DETROIT, MICHIGAN

Assets

- Concerned group of top echelon corporate executives.
- Strong political leadership committed to local economic revitalization.
- Extensive reservoir of private sector professional talent.
- Growing local public capacity to encourage local economic development.
- World recognition as a major industrial capital.
- Favorable relationship with state legislature.
- Growing convention trade volume and demand for convention facilities.
- Major border city with accessibility to major market areas.
- Ample supply of professional and skilled blue-collar/semi-skilled work force.
- Nationally recognized downtown development projects completed, in process or being planned.
- Ample supply of water and energy for industrial uses.
- Major transportation center for both national and international markets.

Liabilities

- Declining economic base, out-migration of business and moderate/high income population.
- Sustained, chronically high unemployment and underemployment.
- Comparatively high level of tax burden.
- Comparatively high labor costs.
- High level of crime (real or perceived).
- Fiscal difficulties resulting in reduced municipal capital expenditures.
- Scarcity of readily available land for industrial or commercial development.
- Deteriorating housing stock.
- Major industry product subject to changes in national economic, fiscal and energy conditions.
- Narrow base of industrial diversification.

PREFACE

The City of Detroit has suffered in recent years from a severe decline in its economic and fiscal capacity and structural deterioration and obsolescence of its physical infrastructure. Mayor Coleman Young, therefore, commissioned a group of 50 of the city's leading corporate, labor and community leaders to provide recommendations on ways by which these trends might be halted or reversed.

The commission, the Economic Growth Council of Detroit, has requested CUED to provide technical assistance in reviewing and assessing the different economic development delivery systems being employed in different cities and to provide organizational delivery system options for Detroit. The specific assignments were as follows:

- To present to the Economic Growth Council different economic development organizational delivery systems being used in various cities.

- To assemble a select team of local economic development practitioners from four cities to present and discuss characteristics of each city's economic development delivery system with members of the Growth Council's Jobs and Business Development Task Force.

- To prepare a report to the Economic Growth Council recommending economic development delivery system options for the City of Detroit.

This report contains assessments, observations and recommendations of the CUED Community Advisory Service team and the CUED technical assistance staff based on the visit to Detroit and review of the background material provided by the Growth Council. The nature of the CAS visit and this report is policy advisory. It is designed to assist local and private officials in stimulating and maintaining a viable local economy through an improved economic planning and development delivery system. Decisions to adhere to or implement the recommendations provided in the final report are left entirely to officials of the Economic Growth Council of Detroit.

Schedule of Technical Assistance Activities

In preparing this report, CUED undertook the following activities:

- Presented to the Economic Growth Council of Detroit, profiles of the economic delivery systems being implemented in ten different cities.

- Assembled a Community Advisory Service Team comprised of four of its members and supported by staff. The CAS team and staff visited with several members of the Economic Growth Council of Detroit on March 11-12, 1977.

- Submitted a report to the Economic Growth Council describing economic development delivery system considerations and four economic development system options.

Acknowledgement

CUED and the members of the Community Service Advisory team wish to express appreciation to members of the Economic Growth Council of Detroit. We especially thank Aubrey Lee, director of the Jobs and Business Development Task Force, and his staff for their valuable information and assistance. We also wish to thank the members of the Economic Growth Council who attended the March 11 meeting for sharing their insight and knowledge of the economic problems facing Detroit.

CUED also extends a debt of gratitude to the experts who served on the CAS team: Ed deLuca, chairman, Community Advisory Service Committee; Walter D'Alessio, executive director, Philadelphia Industrial Development Corporation; Daniel Boyce, executive director, Milwaukee Industrial Development Corporation; and William Schneider, executive director, Dayton Citywide Development Corporation.

INTRODUCTION

> The forces and factors that have created urban economic deterioration have not apparently been the result of any set of anti-old-city policies or practices by government or business. Rather, these developments have been the result of what is sometimes called a "mindless conspiracy" i.e., a complex of federal, state, and local policies plus technological developments whose interactions were neither understood nor anticipated but, were inevitable.
>
> Leonard Lund, The Conference Board

Detroit has been victimized by the same forces and factors which have led to the decline of other great cities: the loss of tax base through the outward migration of business and workers and high unemployment and underemployment. The challenge facing the communities now is to slow, stop and/or reverse these deteriorating trends.

The problem has been allowed to reach crisis proportions. Thus, what a dollar might have cured years ago may now cost several thousands of dollars, and the job which might have then been performed by either government or business now requires the collective thinking, participation and resources of both. The serious level of economic distress in Detroit is such that only a strong, direct and concentrated effort by business, labor and government is likely to have any significant effect in off-setting these downward trends. The task will require collaboration of the city's political leadership, in tandem with the labor and the private sectors, to develop the tools and to attract the needed talent to have an impact on the problems facing the city.

Different cities have used different methods and levels of public-private participation in attempts to strengthen their local economy; and indeed, Detroit has tried similar approaches. The efforts range from the appointment of advisory and study committees and commissions to different types of development organizations. These development organizations usually are either public, private, a combination of public and private, or an authority of some type:

Public Economic Development Delivery System: The various economic development units in this system usually are found within the structure of local government. Direct project implementation capacity found within this form is often difficult and

time consuming, although crucial services often are provided to the business community.

Private Economic Development Delivery System: The private sector takes the economic development initiative within the community, utilizing public institutions and resources only as necessary.

Public/Quasi-Public Economic Development Delivery System: Considerable formal and informal support from local business executives, locally-elected officials and/or local government staff, combined with a designated primary economic development implementation unit. This unit is generally quasi-public in nature; located outside of local government, but maintains strong legal and financial relationships, reinforced by strong private sector involvement and support.

There are variations to each form of economic development delivery system. The differences in economic development organizational choices are based on different distributions of a relatively common group of variables and the magnitude, scope and intensity of the effort needed. These variables include differences in political, economic, social, geographic chronological and physical environments.

The challenge facing community leaders who first confront the issue of urban economic development is to decide which delivery system best suits their community.

THE ECONOMIC GROWTH COUNCIL OF DETROIT, INC.

The Economic Growth Council of Detroit is a non-profit corporation comprised of 50 of the city's top corporate, labor and community organization executives. (The Council membership list is included in the Appendix to this report.) The Economic Growth Council has as its co-chairmen James M. Roche, former chairman, General Motors Corporation, and Lynn Townsend, former chairman, Chrysler Corporation. The Economic Growth Council, which met for the first time on October 26, 1976, was commissioned by Detroit Mayor Coleman Young to study the city's economic problems and to make recommendations on innovative and practical solutions thereto. The Growth Council was the result of recomendations from an Alfred Pelham and Douglas Fraser study on city finances which the mayor requested in 1975.

In addressing the members of the Economic Growth Council at its October 26 meeting, Mayor Young presented the organization with the following mandate.

> "First, because public confidence is essential, I want you to look at how we do the job in City government, how our managers manage and how our workers work. We want to know how our salaries and pensions and benefits compare with other large cities, and what quality of service Detroiters should expect to return."
>
> "The second major task of the Economic Growth Council is to examine in depth the City's present revenue sources and to evaluate how sufficient they are to the City's needs. The Council should look at the services we provide, and determine whether some can be funded in some other way than they now are. The Council should weigh the tax burdens of Detroiters, and of those who earn their living in Detroit, and compare these burdens with other cities."
>
> "The final, and most important task of the Economic Growth Council is to recommend steps we can take to rebuild the City's economy. More than any other need, Detroit needs jobs."

It is quite evident that the executive leadership in the City of Detroit is taking the mayor and these assignments seriously. Mr. Roche, in addressing the Economic Growth Council membership, stated:

> "I would like to emphasize that in the discussion which the Mayor, Lynn[Townsend] and I have had regarding this Growth Council, he has shown a real commitment

to work with us on these issues. He is facing the problem with courage and determination in a realistic manner. Also he has demonstrated that the city is willing to make a real tangible commitment as well." He continued by affirming that, "It is my belief that the economic and community leaders in the Detroit area are committed to the economic viability of Detroit. If we work together and just continue to put that commitment into effective practice, the hopes and aspirations of every one of us will be fully realized."

These words and expressions have stimulated a great deal of interest and action between the public and private sectors of Detroit.

The Economic Growth Council is conducting much of its work through task forces made up of Growth Council members and supported by staff provided by the city and private corporations. Mr. Townsend feels that the effectiveness of the organization will depend greatly on the effectiveness of its task forces. In discussing the task forces and their functions, he has said:

> "We will need hard, candid discussions, in those task forces so that we develop concrete, constructive recommendations which can be implemented in this community by those in both the private and public sectors. Our recommendations are going to have to be well founded and solid in concept. To accomplish this, the work of the task force and staff will be critical. The discussion on these issues at that level and, in turn, there at the Growth Council need to be open and frank. When recommendations are made, we need to concentrate on their implementations."

The task force assigned to seek means of strengthening and rebuilding the city's economy is the Jobs and Business Development Task Force. The task force has been considering goals, objectives and mechanisms to increase the retention, expansion and attraction of business and jobs in Detroit. The Jobs and Business Development Task Force has three co-chairmen: Arthur R. Seder, Jr., Chairman, American Natural Service Company; Han Gehrke, Jr., Chairman of the Board, First Federal Savings & Loan; and Benson Manlove, President, Booker T. Washington Business Association. It was with this task force of the Economic Growth Council that the CUED staff and team visited with on March 18, 1976.

The Economic Growth Council was established by the mayor for a one-year period. However, the mayor and Messrs. Roche and Townsend will review the Council's activities in August 1977, to determine whether the organization's life should be extended beyond November 30, 1977.

CHAPTER I

DETROIT'S OPERATING ECONOMIC DEVELOPMENT-RELATED ORGANIZATIONS

Both public agencies and private organizations currently are conducting some form of economic development activity in Detroit. However, a comprehensive job and business development effort, either through a strong primary organization or through effective coordination among public and private groups, appears to be missing. The following is a brief description of key economic development-related groups.

Public Sector

The city currently has three major departments involved in economic development activities: Community and Economic Development, Planning, and Manpower. These departments are directly responsible to the mayor and receive their funding from general municipal revenue and federal programs. The city's current industrial strategy has two major objectives: maintaining existing industry in Detroit and attracting new industries which have an expanding employment potential. To meet these objectives, the city is pursuing land development, capital financing, and development services through the new Economic Development Corporation.

Strengths of Public Economic Development Organizations

- The city uses federal (CDBG, EDA, SBA, etc.) and/or municipal funds for operating and capitalization costs.
- City leadership can solicit support from a broad spectrum of the community including minorities, labor, etc.
- Policies and programs are designed to meet the city's fiscal and employment needs.
- The city has a planning staff which can provide essential data for economic development activities.

Weaknesses of Public Economic Development Organizations

- The civil service requirements would restrict the hiring of a top calibre professional team because of comparatively lower salary and benefit scales.
- Policy and program decisions must be approved by the city council and require full public hearings which often might interfere with detail negotiations.

- Private industry may be reluctant to finance a city-operated organization.

- The current fiscal shortfall may preclude adequate financing for new or expanded programs.

Existing Public Economic Development Organizations

Following is a description of public economic development organizations which already exist in Detroit.

Community and Economic Development Department of the City of Detroit (C&EDD): C&EDD is a department within the city government directly responsible to the mayor. Its purpose is to develop, conserve and promote the most appropriate use of the 139 square miles of land and physical resources in Detroit. The department provides business liaison and assistance to firms operating in the city and engages in research activities related to economic development.

The total budget for the 1976-77 fiscal year is $28,083,003 and breaks down as follows: city funds, operational budget - $1,063,402; capital budget (bonds authorized but not yet sold), $6,000,000; state funds (Northwest Project) $1,000,000; federal funds, CDBG - $19,597,857, EDA - $100,000, CETA - $321,744. The total budget is $28,083,003.

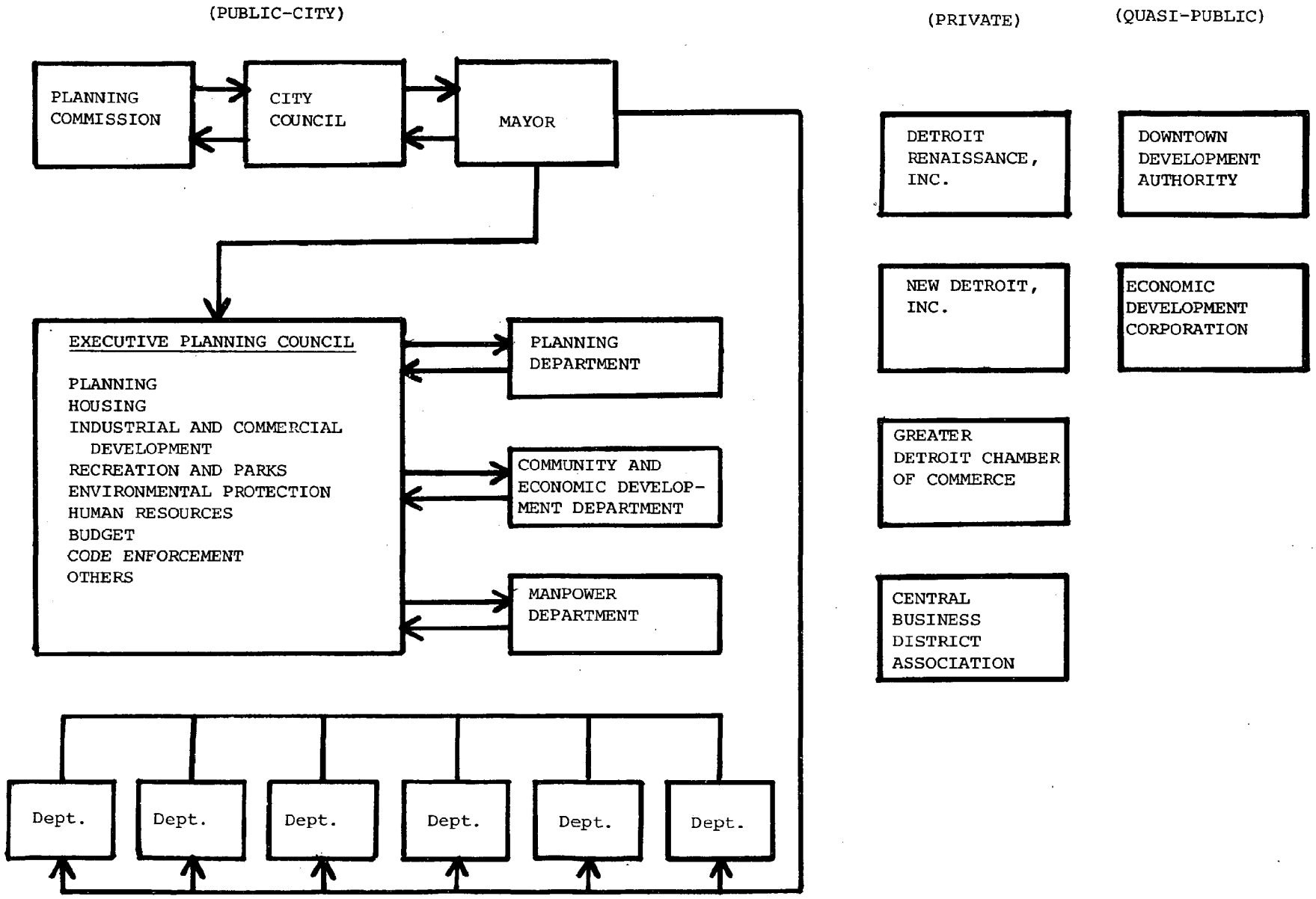
Manpower Department of the City of Detroit: The Manpower Department provides job training and employment opportunities for economically disadvantaged, unemployed and underemployed persons. The Comprehensive Employment and Training Act of 1973, as amended, provides the legal authority for the department's programs. Funding is from the Department of Labor; the FY 77 budget for the department is $43,660,066.

Title I of CETA established a program to provide comprehensive manpower services, including developing and creating job opportunities, and the training and other services needed to secure and retain employment. Title II and Title VI authorized public service employment and manpower training programs for the unemployed and underemployed.

Planning Department of the City of Detroit: The Detroit Planning Department is responsible directly to the mayor. The department has a five-person economic development team whose primary responsibility is business and job retention in Detroit. As required by the new city charter, the Planning Department is preparing a new Master Plan for Detroit which will attempt to address the dynamic socio-economic development issues which include economic, social and physical development and conservation programs, the annual capital agenda and capital budget. The Planning

DIAGRAM 1

DETROIT - ECONOMIC DEVELOPMENT RELATED ORGANIZATIONS



Department works directly with the Executive Planning Council created by the 1973 city charter. The department's 1977 budget is $1,787,000.

Downtown Development Authority (DDA): DDA serves the downtown area of Detroit which is bounded by the Detroit River and the Fisher, John Lodge and Chrysler expressways. Legal authority for the DDA is provided by the Downtown Development Authority Act which allows a one (1) mill assessment against all taxable properties in the downtown district. The DDA also has the authority to implement projects, own land and lease buildings. Project activities include planning and related activities designed to upgrade and revitalize the downtown community.

In addition to the millage assessment which is projected to produce $345,310 during the current year, $100,000 has been provided from municipal general revenue.

Economic Development Corporation of Detroit (EDC): The EDC is a public, non-profit corporation whose primary goals are to alleviate unemployment and to strengthen and revitalize the economy of the city. State legislation provides authority to execute development programs to meet those general purposes and to encourage activities which provide the needed services and facilities for both commercial enterprise and city residents.

The nine person board of directors, appointed by the mayor, can include no more than three city officials, thus insuring private sector predominance on the policy-making body. However, projects initiated by the EDC must be approved by the mayor and city council. EDC can utilize both public and private funds for operating expenses and can maximize capital resources by co-venturing with profit-making investors and developers. Currently authorized activities include developing commercial and industrial projects, acting as city agent in land coordination and administering revolving funds for land development and business loans.

The city and the state have entered into an agreement whereby the city will commit $150,000 -- to be matched by another $75,000 in state funds -- for operating expenses.

Private Sector

The private sector in Detroit has responded to the city's current job and development needs in a positive, although uncoordinated way, through a sizable investment of time and financial resources. Presently, more than ten such organizations are conducting economic development-related activities. However, overlapping membership of major corporate executives on the various boards of directors prompted a prominent executive to state, "we spend most of the time shaking hands with the same person at different board meetings." Many businesses finance multiple organizations which have similar economic development-related functions. The activities of these organizations, in some cases, overlap or duplicate other programs.

Strengths of Private Economic Development Organizations

- Private sector organizations can more easily attract competent, experienced staff.
- Board members are high-level corporate leaders who can mobilize private investment.
- Policy and program decisions can be made quickly, without city council approval or public review.

Weaknesses of Private Economic Development Organizations

- Private organizations do not necessarily represent a broad range of interests.
- Federal program funds are often inaccessible for operating and capital investment purposes.
- No formal mechanism exists to link private interests with the overall economic development policies of the city.
- Private interests transcend city boundaries.

Existing Private Sector Economic Development Organizations

Following is a description of private sector economic development organizations which already exist in Detroit.

Detroit Renaissance, Inc.: Detroit Renaissance, Inc., is a private organization whose membership includes the chairpersons and presidents of major Detroit business enterprises. Detroit Renaissance is sponsoring a nationwide image program designed to promote the positive features of the city. The Renaissance organization recently contracted with a private firm to develop industry reports indicating the profit potential in locating in Detroit and to develop a marketing program for industrial expansion.

New Detroit, Inc.: New Detroit, a private non-profit organization, was established in 1967 as a major urban coalition to address social problems facing the city including employment and economic development. Membership on its 66-person board of trustees includes government, management, labor, academic and community group leaders.

A 1972 study commissioned by the New Detroit on industrial location decisions formed the basis for unemployment programs initiated in 1973 under a special "Action Program Against Unemployment" project. New Detroit joined forces with the Greater Detroit Chamber of Commerce and Detroit Renaissance, along with key government, labor and community representatives to address the need for structural reform in employment.

New Detroit's current economic development activities are implemented by the employment/economic development action committee and through special projects.

The FY77 budget of $2.2 million is provided by more than 90 private corporations in the Detroit area.

Greater Detroit Chamber of Commerce: The Greater Detroit Chamber of Commerce membership includes over 7,000 representatives from 4,000 firms and corporations in the area. The Economic Development Division of the Chamber has a staff of two professionals who are cooperating with other agencies to attract major industries and businesses, including governmental agencies, to the Detroit area. The Chamber has been active in supporting state legislation which includes the Plant Rehabilitation and Industrial Development Law, the Single Business Tax Act, the Downtown Development Authority Act, the Economic Development Corporation Act, the Michigan Job Development Act, and the Commercial Housing Development District Act. Presently, the Chamber is working for passage of a bill creating a tax incentive for commercial properties in older, established areas.

The funding for FY76 is $1,424,960, primarily from membership dues.

Central Business District Association (CBDA): CBDA is a non-profit corporation which seeks to maintain the central business district as a viable force and to work with city officials to insure that planned programs for growth and development in the area are implemented. Project activities are designed to attract new businesses to the central business district.

Funding for the association is comprised of membership subscriptions which vary according to the individual member's ability to pay.

CHAPTER II

ECONOMIC DEVELOPMENT DELIVERY SYSTEM CONSIDERATIONS

Geographic Scope of Economic Development Delivery System

The thrust of the economic development efforts by the local public and private sectors should be focused primarily on the City of Detroit with secondary focus on area and regional economic development opportunities. National economic trends and market forces will provide the tri-county area and the southeastern Michigan region with adequate opportunities for economic growth and development with comparatively little cost. Therefore concerted economic development efforts and resources should be concentrated where the needs are greatest...the City of Detroit.

The nature of Detroit's surrounding area is unique to most metropolitan areas. Historically, the tri-county area which surrounds the City of Detroit has commanded a significant portion of economic activities which are produced by the giant automotive industry including General Motors, Ford and Chrysler Corporations. These major corporations, and many smaller ones, have large capital and operating investments in both the City of Detroit and the tri-county area. Additionally, recent national trends indicate investments have been moving away from the central cities into the outlying areas and regions. A strong argument could be made to focus major privately-supported economic development efforts on the tri-county area and not merely on the City of Detroit. The limited supply of available land for commercial and industrial development, and an even smaller supply of modern plant facilities in the city support this argument.

However, while the tri-county area shares many of Detroit's problems, it is the city which is hardest hit by the fiscal, economic and social ills resulting from years of general decline, disinvestment and out migration of business, and moderate and high income workers. The City of Detroit has been and continues to be faced with chronically high levels of unemployment and underemployment and increasing demands for municipal services which accelerate at a much faster rate than available revenue. The city's image often transcends its legal boundaries and characterizes the metropolitan area in the process. A positive city image can reinforce a more favorable posture for the entire metropolitan area.

A more balanced and broadly-based metropolitan economic development strategy has its merits when there is comparability between the city and its outlying areas. The Detroit area does not share such comparability. The net positive impact on the tri-county area is likely to be greater, from a business recruitment/attraction point of view, if fiscal/economic disparities between the city and the surrounding area are reduced.

This suggests targeting private and public direct resources on the depressed central city economy in an effort to upgrade economic activity and socio-economic conditions to a level more comparable with the surrounding area. Such efforts would focus on reducing the competitive disadvantages of Detroit as a place where people want to live and work, rather than on altruistic attempts to create absolute equilibrium in the metropolitan economy.

The rate of reduction in these fiscal/economic disparities depends primarily upon the knowledge, understanding, prestige, financial resources and strong involvement of both the local private and public sectors. It will be extremely difficult for either of these sectors individually to solve such costly complex problems.

The definition of geographic scope takes on added significance in relation to recent trends in state and federal government allocations to job and business development-related programs (i.e., manpower training, community and economic development, and general revenue sharing programs). The vast majority of public funds available through these sources is designated for the more depressed central cities. The eligibility requirements for many of these programs, i.e., level and rate of unemployment, are such that the central city is the primary recipient for these funds.

It is likely that public resources would decline for some projects should the scope of the project extend into an outlying area which may not be so designated or whose unemployment rate would be extremely low, thereby producing an aggregate amount or rate of unemployment of less than for the city.

Nevertheless, public programs and their financial resources in themselves are not cures for urban economic ills. These programs and resources must be placed within a well-conceived and strongly supported concentrated economic development framework which relies upon private and labor involvement.

This report, therefore, recommends that the total initial effort concentrate on the City of Detroit. Should it become apparent that the city itself cannot capture out-of-state prospects considering relocation, efforts would then be made to get them to as close to Detroit as possible or in Southeastern Michigan.

Functional Scope Of Economic Development Delivery System

A concerted effort to encourage economic development and growth in the City of Detroit should be focused initially on business retention and expansion. Business expansion is the major producer of new jobs in most areas, including central cities. As one CUED team member put it, "a successful local business retention and expansion effort could consume all the city's available

commercial and industrial space." However, such success has not been experienced by most local officials. A more reasonable expectation is to maintain the number of present jobs and add to them through the attraction or start-up of new firms.

A retention strategy can be initiated within a comparatively short period of time and can influence the attitude, confidence and decision of a firm to remain and reinvest in the city. A retention program has a more immediate pay-off and is generally more cost-effective than an attraction strategy.

However, a business attraction program should be developed to bring new jobs and revenue into the local economy from outside investors. An effective attraction strategy might build incrementally upon a solid track record of business retention.

There are certain types of commerce and industry which are well-suited to central cities and the types of space available in the cities. There are firms which could make adjustments in order to locate in the city. A major task of Detroit's public and private efforts in business attraction, therefore, should be placed on identifying those firms which can benefit most from a city location.

Both jobs and business development are crucial to the strengthening of Detroit economic base. However, to the extent that a priority must be set in guiding the initial direction, a stronger direct effort should be placed on increasing the supply of private sector jobs through business retention, expansion and attraction. This can be augmented, however, by government-sponsored jobs and development-oriented programs.

The image conveyed by strong private/public/labor participation in strengthening the city's economic base will aid immensely in both local retention and attraction of new outside investments. The City of Detroit has the public, private and labor resources to do this.

A strong economic development effort in the City of Detroit would require certain basic tools, structures and functions. The placement and organizational control of these tools/functions are often crucial to the effectiveness of the program. However, regardless where the functions are located and what the control mechanisms are, their availability to the local community is crucial.

Business Retention/Expansion

In order to retain existing industry, it is important to be knowledgeable about local firms and aware of their needs. To get a fast start and publicity so that the organization gains visibility among local businessmen, a mail survey can be made. The survey form should be relatively short to assure a greater percentage of response. A cover letter should be included

which states that additional information and assistance is available. The letter should be addressed to the chief executive officer of the corporation and signed by the mayor or a prominent business or labor executive, or perhaps by all three. The survey could be followed by personal visits, particularly to those firms considering expansion or relocation.

A one-stop, well-publicized business office should be created to provide businesses with a single contact point for problem solving and a variety of "ombudsman" service needs relating to business license applications, zoning restrictions, building codes, health, safety, fire restrictions, etc. A given business could be assigned a single person to lead it through the maze of special requirements imposed by government on business actions, to act as an advocate for the business, to process the paperwork and to monitor the action each step of the way to its satisfactory conclusion. Local marketing and promotional programs can be undertaken to describe the positive aspects of doing business in the City of Detroit.

A local promotional effort can be initiated to promote a positive image of Detroit as a place to live, travel in and do business.

Business Attraction/Recruitment

A business attraction/strategy should be developed to encourage new firms to locate in Detroit. This task will require identifying types of industries best suited to the city and what types of incentives, if any, should be provided to such firms. A promotional program should address local, national and international audiences.

Legislative Analysis/Action

Some of the impediments to implementing economic revitalization are caused by local ordinances and state legislation which restrict development activities or which inhibit local authority to encourage investments. The legislative analysis/action program should identify current state and local legal and regulatory obstacles to business retention and expansion and provide information and analyses of legislative proposals.

Information Service (Economic Planning/Analyses)

An information service program should be established to provide data which can be used by all of the functional units within the economic development organization. The data base should include an inventory of available land and building by type, square footage, classification, cost, related zoning, lease terms, etc.; local economic needs indicators; current and projected land uses demographic data and labor force statistics. The information service unit should provide the statistical bases for local growth and development policy recommendations to governmental policy makers.

Land Acquisition, Assembly, Packaging and Development

Land acquisition and packaging is a major pre-requisite for economic development programs. This could include direct land acquisition, assembly, clearance and disposition activities including the holding and banking of land parcels for future development. In addition, such functions as construction, rehabilitation, modernization and other improvements of real property including plant equipment and facilities are needed. Both land and property development activities could involve joint venturing as well as other types of direct participation with non-profit, limited dividend and for profit developers. In land and property assembly, the economic development organization could coordinate with and maximize financing from different public authorities and entities, including land and property cost "write downs" and other real estate management agreements.

Development Financing

Development projects are often initiated by using public incentives to encourage private investments.

Legal authority and technical capacity can be used to administer a capital revolving fund initially financed by public and private sources. Funds could be used for land and property acquisition, clearance, improvements, financed or assisted in whole or in part by revolving fund loans, investments and guarantees. Repayment proceeds from these loans and investment assets would be automatically re-cycled back into the fund, for reuse as new development loans and investments. In addition, land banking activities could operate as part of the fund, with future real estate appreciations converted into new capital funding sources. The fund would be self supporting, with future value appreciations, service charges, and short term investments income to build up fund capacity. Although overall fund operations would be self supporting, surpluses could be used to assist and subsidize individual transactions.

The development financing program also can assist in coordination and use of other public and private funds available for real estate and general business development purposes. In-house capacity would involve knowledge or working relationships with the local private, financial and real estate sectors. Low cost, long term interest loans by banks guaranteed by the state, similar to the program operating in Maryland, should be investigated.

Professional Recruitment and Staffing Considerations

In order to implement the policies and programs essential to Detroit's economic development needs, the management staff must be made up of experienced and competent professionals. Attracting

this type of high calibre personnel will require a competitive compensation package and an organization which has the support of both public and private leadership. In addition, the executive director will need considerable freedom for decision making, within broad policy guidelines established by the board of directors. The type of autonomy and financial incentives necessary to recruit and hire a top level executive exceeds those provided by civil service regulations and bureaucratic processes. The qualifications and legal responsibilities of the position should be determined by the board of directors based upon the policies, objectives and programs of the organization.

An executive search committee, composed of key public and private individuals, should be appointed by the board of directors of the proposed economic development organization to establish the recruitment and selection processes and to make recommendations on a desirable compensation package. Compensation for similar positions in comparable organizations should be reviewed.

The director should be hired by and be responsible to the board of directors. He/she should have decision-making authority within policy guidelines as established by the board. Additional staff should be hired by and responsible to the executive director, after approval of the number, type and salary ranges by the board of directors. Staff will normally be approved by the board unless some member has good reason to object.

CHAPTER III

RECOMMENDED ECONOMIC DEVELOPMENT SYSTEM OPTIONS FOR DETROIT

The primary objectives of the delivery system should be:

- To stimulate jobs and business development through the use of public and private leadership and resources.
- To mitigate outmigration and closing of businesses through improved business retention/expansion activities.
- To improve the city's economic and fiscal condition through attraction of new industries and expansion of existing firms.
- To increase the city's advantages as a place in which to live, work and do business.

The Detroit economy requires the serious attention of both its public and private sectors. A direct, concerted attack through some form of joint public-private partnership must be not simply created to correct the causes of local economic decline, but also to launch an attack on some of the causes. This partnership would provide the muscle required to effectuate a noticeable change in the economic condition of the city.

The economic development delivery system options presented in this report revolve around two basic, yet contrasting premises.

- The various economic development-related organizations operating in the city are capable of performing many essential economic development functions. However, there is a lack of "glue and fuel" to hold them together in a common working arrangement which might accelerate the magnitude and intensity of their separate activities. A single <u>COORDINATING</u> source should be identified or developed and a process initiated to plan and coordinate economic development efforts more effectively.
- Existing organizations possess neither the individual power and or the collective strength and capacity to impact significantly on the local economy. This premise also suggests that the capacities of these organizations, limited by scope, authority

and resources, are probably best suited for a less chronically ailing local economy than Detroit. Therefore, a single, strong, visible, public-private organization with development implementation, business retention/attraction and legislative policy action capabilities seems most appropriate.

The specific type of delivery system will require extensive public-private collaboration regardless of which option or combination thereof is determined most feasible.

The private sector must play a strong leadership role in determining the kind of economic development effort believed to offer the best potential impact. While not assuming the total leadership role, the private sector must remain a constant partner in providing the kind of support needed. The private sector should view its leadership and support as only a part of the total leadership and support required.

The strong leadership of the mayor and city council, the political support of the governor, the state legislature and congressional delegation, the public financial resources and the involvement and support of labor are all a crucial part of solving Detroit's economic development problems.

Option I: Single Public-Private Economic Development Organization with an Implementation Emphasis

Responsibilities

- Direct project implementation
- General public-private coordination

Establish a quasi-public, citywide economic development corporation with strong public, private and labor involvement and support. The organization would have authority, influence and resources to perform both project implementation and public-private coordination assignments. The new corporation would assume the economic development-related functions of the key organizations currently involved in these activities.

Rationale

This system would not be bound by existing organizational limits or responsibilities. It would cut through the confusing and fragmented responsibilities of existing agencies. It could concentrate its efforts on improving the economy of Detroit without the distraction or dilution of efforts by covering a broader geographic area or unrelated problems. It would simplify organizational questions since it would have total responsibility

for policy formation and program implementation. It probably would produce greater cost-effectiveness than the existing approaches.

Functions and Tasks

- Provide business retention/expansion ombudsman services

- Maintain an economic development information collection/retrieval system (economic analysis and planning functions)

  - Comparative cost of city versus competitive area development costs and incentives

  - Property inventory (including land and buildings - both publicly and privately owned)

  - Annual business surveys of local business needs including expansion, labor, city services and other business service requirements.

  - Follow-up local business visits, coordinated with mayor's office

  - "Outreach" efforts to attract new business investment, including developing foreign investment opportunities

  - Analysis of potential business development problems and opportunities:

    * airports
    * waterfront/port terminals
    * central business districts and shopping strips

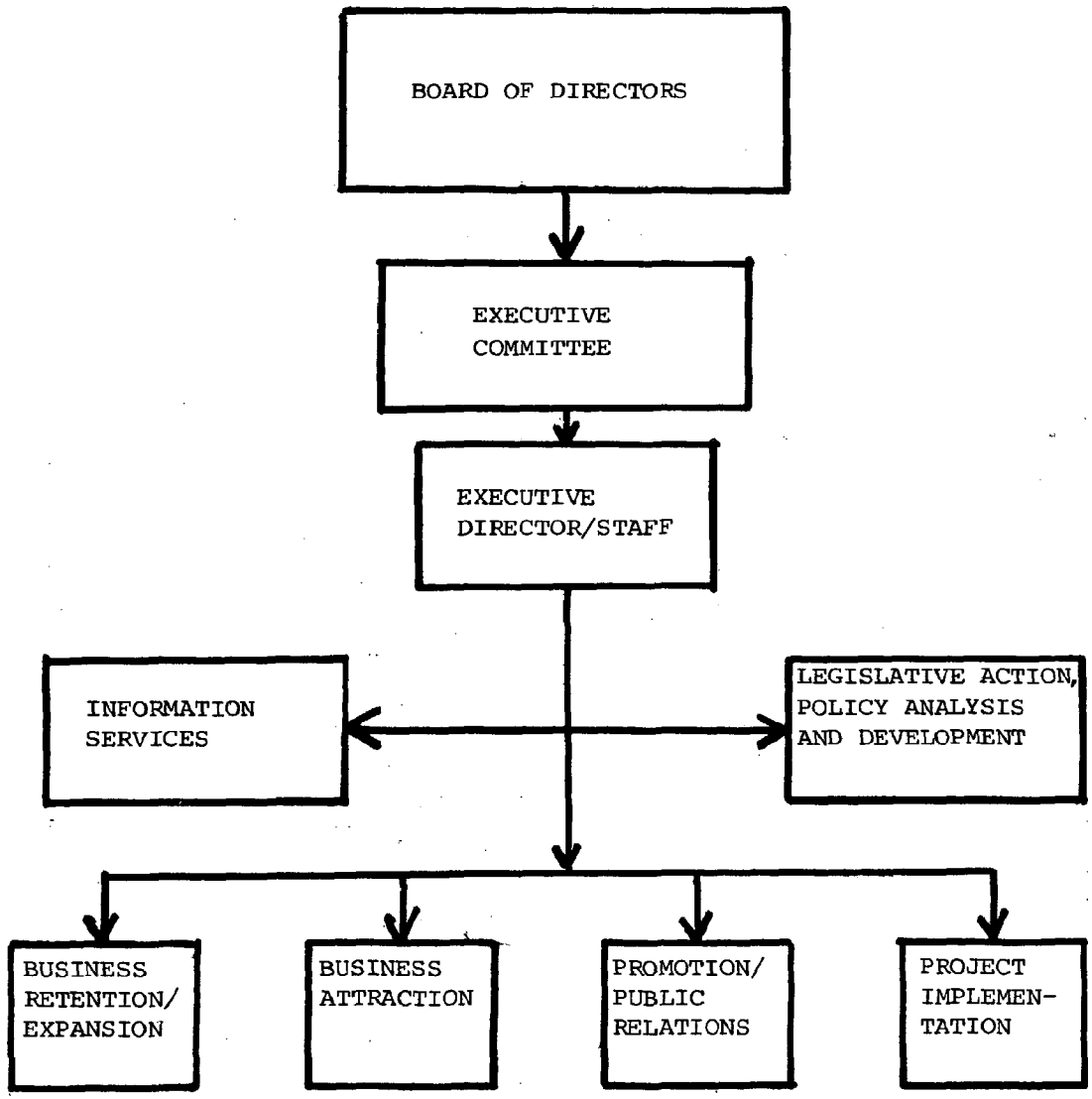
  - Review and maximize use of federal/state government resources for economic development (EDA, HUD, DOL, SBA, UMTA)

  - Analyze and evaluate alternative incentive mechanisms to maximize capital leverage:

    * land assembly and swaps
    * land and property write-downs
    * tax abatements
    * subordinated leases
    * subsidies (grants and other direct project cost reduction techniques)
    * loans

DIAGRAM 2

STRONG PUBLIC-PRIVATE IMPLEMENTATION ORGANIZATION



* joint ventures

- Analyze and evaluate various manpower development incentives:

  * training grants
  * wage subsidies
  * work experience incentives
  * maximization of city's education/ training resources
  * on-the-job training program

- Direct development implementation

  - Provide equity financing for project development and negotiate, contract, joint venture and link with other public, private and quasi-public developers

  - Establish subsidiaries, affiliates, and other legal/financial mechanisms necessary to offer incentives; participate in transactions and implement the corporation's stated purposes

- Coordinate with other private, public and quasi-public organizations in the city

- Legislative action

  - Monitor legislation at the local, state and federal levels from the local economic perspective

  - Advise policy-making bodies at all levels of the economic and economic growth needs of the city of Detroit

  - Work for the modification of legislation which would deter local investment, expansion and growth

  - Introduce and work for passage of legislation which would encourage local development and growth

<u>Operational Budget</u>

50% private/50% public

Organizational Structure

Board of Directors

(1) Composition

- 15-30 members with a simple majority (8-16) representing the private sector
- Private sector directors should include top level executives from the corporate, banking, utility, legal and real estate sectors
- In addition, private sector directors should include representatives of organized labor, minority groups and women
- Public sector directors should include at least 6 ex-officio government officials:
  - High level state official
  - Mayor
  - President, City Council
  - Director, Planning Department
  - Director, Community and Economic Development Department
  - Director, Manpower Department
  - Director, Budget Office

(2) Appointment/Removal Process

- Private sector directors should be appointed initially by the Detroit Economic Growth Council
- Private successors should be nominated by the Executive Committee and approved by the entire board
- Public sector directors should be appointed by the mayor
- Lack of participation or chronic absenteeism from board meetings should be automatic grounds for removal

(3) Terms of Office

- Initially staggered terms lasting from one to three years
- Thereafter, three year terms of office, except for ex-officio directors

Variations of Option I (See diagram on page 26 for Variations I and II)

These options are focused primarily on modifying or consolidating the board of directors of key economic development-related organizations and several of their development functions. There are several methods through which such a delivery system might be established.

Variation 1: Modify and combine the Economic Growth Council's Board of Directors with a modified and greatly expanded Detroit Economic Development Corporation. The strength of this approach lies in the credibility of the major private corporation and labor leadership represented on the Economic Growth Council. The group is already assembled, understands the concepts, dynamics and goals, has a common purpose and functions effectively as a body. The Economic Development Corporation, on the other hand, has several of the essential tools and capabilities around which economic development efforts might center. However, the scope and intensity of a comprehensive citywide economic development effort is constrained by administrative and procedural requirements.

Variation 2: Modify the Detroit Renaissance organizational structure to become the primary citywide economic development delivery system. Renaissance would assume responsibility for both program/project implementation and coordination with public and private sectors. This variation would capitalize on the "track record" of an on-going organization representing and including strong business sector participation. The corporation is at an important point in its life because of its association with a major project which is now underway and it must determine its continued and future development role in Detroit. While a broadening of its responsibility to include a total economic development program would require some modification to its structure and development capacity, it would represent a logical next step in its life.

Advantages of a Single Public-Private Implementation Organization

- Board of directors composed of top level influential public and private executives
- Maximum local political and financial support through public and private representation on board of directors
- Ability to recruit competent and experienced executive director and staff, attracted by a competitive, flexible salary/benefit package
- Single organization can set priorities for the city's economic development needs and projects.
- Combined retention/expansion/attraction role

strengthens the delivery of these integrally related functions

- Consolidates existing private economic development organizations functions into a single entity

  - Eliminates duplication of administrative costs

  - More effectively utilizes the time and resources of local leadership

  - Provides a better focus on retention/ attraction efforts

- Maximized use of public funding (federal, state and local) through a citywide focus

- Maximizes demands on corporate leadership

- The Renaissance organization has good local/ national reputation

- Proposed functions are compatible with Renaissance organizational goals of physical and economic revitalization of Detroit

Disadvantages of a Single Public-Private Implementation Organization

- Renaissance interests include some areawide development

- Reassigning economic development functions of existing organizations to a single entity may be met with resistance on the part of those organizations

- Renaissance has favored a low visibility approach regarding its activities

- Organizational difficulties in consolidating the functions of existing development organizations

- Citywide focus could dilute some private sector support

Option II: Single Public-Private Economic Development Delivery System (Federation) with Emphasis on Coordination

Responsibilities

- Overall coordination of economic development activities of key economic development-related organizations in the city

- Direct project implementation

Establish a single economic development delivery system which would consist of key economic development-related organizations/activities in the City of Detroit. The system would require the modification/consolidation of selected boards of directors and the redefinition and refocusing of existing economic development-related activities/organizations.

Rationale

Each of the key economic development-related organizations currently operating in Detroit has specific functional areas or responsibility with varying degrees of development authority. The system proposed in this option would establish a common bond among the organizational specialities to maximize efforts and resources invested. This option assumes that relative organizational independence is essential, but with much stronger inter-organizational involvement. Thus, the establishment of a public/private economic development delivery system comes into focus with both coordinative and project implementation capacities.

Functions and Tasks

- Review, plan and program organizational activities and inter-organizational interactions to achieve maximum impact and effectiveness

- Coordinate and perform certain legislative related functions in conjunction with local organizational interest groups

- Coordinate with local organizations local and national image promotions for the City of Detroit

- Maintain a small, highly professional staff which would coordinate the functions of other economic development-related organizations in the city

- Analyze and evaluate various manpower development incentives

    * training grants

* wage subsidies
* work experience incentives
* maximizations of city's education/training resources
* on-the-job training program

- "Package" the above incentives for application of specific development opportunities

- Direct development implementation

  - Provide equity financing for project development and negotiate, contract, joint venture and link with other public, private and quasi-public developers

  - Establish subsidiaries, affiliates, and other legal/financial mechanisms necessary to offer incentives; participate in transactions and implement the corporation's stated purposes

  - Review and maximize use of federal/state government resources for economic development (EDA, HUD, DOL, SBA, UMTA)

  - Analyze and evaluate alternative incentive mechanisms to maximize capital leverage

    * land assembly and swaps
    * land and property write-downs
    * tax abatements
    * subordinated leases
    * subsidies (grants and other direct project cost reduction techniques)
    * loans
    * joint ventures

- Legislative Action/Growth Policy Activities

  - Monitor legislation at the local, state and federal levels from the local economic perspective

  - Advise policy-making bodies at all levels of the economic and economic growth needs of the City of Detroit

  - Work for the modification of legislation which would deter local investment, expansion and growth

  - Introduce and work for passage of legislation which would encourage local development and growth

DIAGRAM 3

STRONG PUBLIC-PRIVATE COORDINATIVE/IMPLEMENTATION SYSTEM

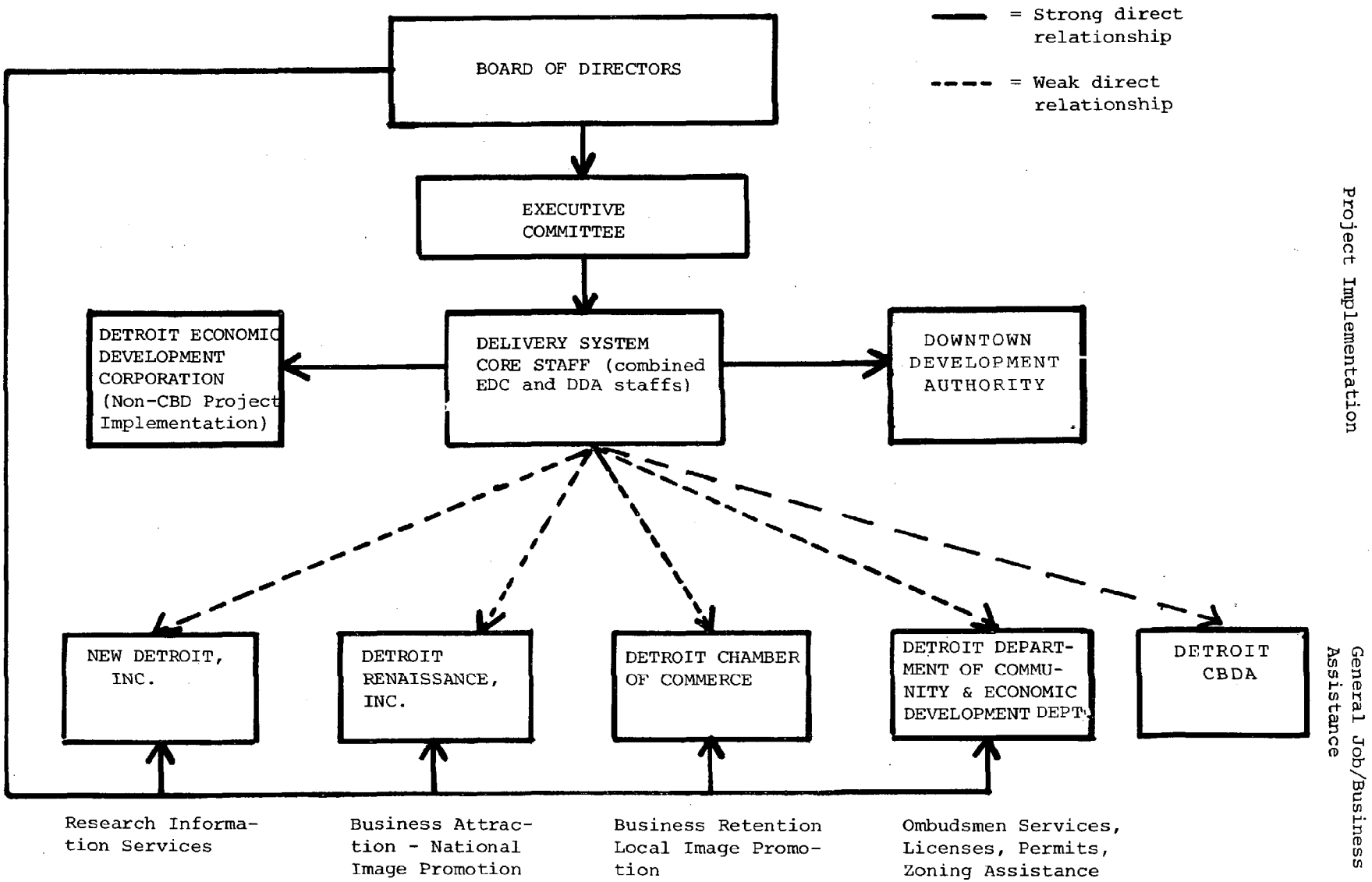
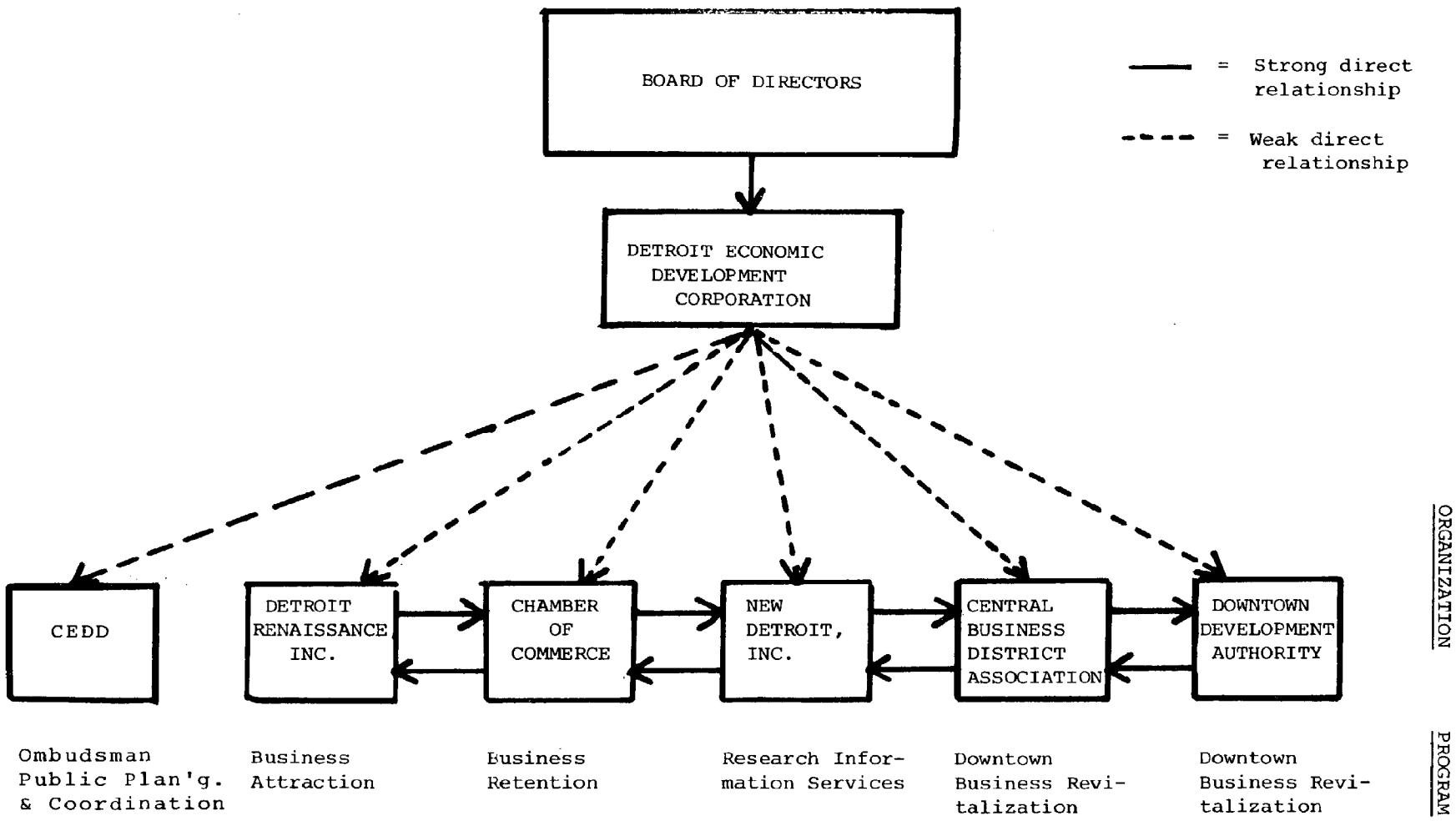


DIAGRAM 4

WEAK PUBLIC-PRIVATE COORDINATIVE/IMPLEMENTATION SYSTEM



Operational Budget

Private/public

Organizational Structure

Board of Directors

(1) Composition

- Board of Trustees of Economic Growth Council would be reduced to 21

- Private sector directors would include:

  (a) Board chairmen of existing economic development organizations:

  - Chairperson, Greater Detroit Chamber of Commerce
  - Chairperson, Detroit Renaissance, Inc.
  - Chairperson, New Detroit, Inc.
  - Chairperson, Detroit Central Business District Association

  (b) Other top level corporate executives (president or chairman) representing:

  - Two major corporations
  - Two major financial institutions
  - Two organized labor groups
  - One university medical center

  NOTE: The remaining members might be selected from the Board of Directors for the Economic Growth Council of Detroit

  (c) Other private sector interests:

  - At least one minority representative
  - At least one woman
  - At least one small business representative

- Public sector directors would include:

  - High level state official
  - Mayor, City of Detroit
  - Director, Planning Department
  - Director, Community & Economic Development Department
  - Director, Manpower Department
  - Director of Budget Office
  - Executive Director, Detroit Economic Development Corp.

(2) Appointment/Removal Process

- Private-sector directors should initially be nominated by the Economic Growth Council of Detroit, but appointed by the mayor
- Successors should be selected by board members
- Public-sector directors should be appointed by the mayor
- Lack of participation or chronic absenteeism from board meetings should be automatic grounds for removal

(3) Terms of Office

- Initially staggered terms, lasting from one to three years
- Thereafter, three years terms of office, except for ex-officio directors

Variations of Option II

These variations focus primarily on retaining the organizational capacities of existing economic development-related organizations, while placing them strategically into an economic development delivery system which will insure joint public-private coordination in the rendering of job/business assistance and direct project development.

Variation 1: (See diagram on page 33.) Establish an economic development-related organization, as follows: establish a primary coordination/implementation unit as the nucleus of the system. This task can be accomplished by developing a core organization and staff which consists of Central Business District Association staff and Economic Development Corporation staff. In addition to their overall coordinative responsibilities, the CBDA would have project implementation responsibilities for the Central Business District and the Economic Development Corporation for the non-Central Business District areas of the city. All public-private economic development project implementation would be coordinated through either section of this core unit.

The other key job/business assistance-related organizations, including New Detroit, Inc., Detroit Renaissance, Chamber of Commerce and the city's Department of Community and Economic Development, would continue to provide the specialized services they are currently providing, but within a comprehensive overall economic development framework.

Organizational conformity and coordination would be enhanced by establishing a board of directors for the economic development

delivery system which understands the importance of strong coordination and which can exert control or influence on the program direction of individual organization through the budget and appropriations process. The board of directors would set policy for the economic development delivery system, would make the policies known and understood to the individual boards of directors and staffs of each organization, would assign responsibility for implementation of these policies to the core staff, and would assure organizational compliance by virtue of their position and support.

Variation 2: (See diagram on page 34.) Retain and increase the status and activities of the Detroit Economic Development Corporation in its present form, but modify its functions to include central responsibility for coordinating the activities of the key economic development-related organization in the city. The Economic Development Corporation, in its present form, is a good development tool which can be used in conjunction with other development tools (organizations) to create an economic development impact.

This variation is based upon the assumption that organizations currently involved in economic development activities will continue their programs and that the newly created city development corporation will become the organization responsible for direct economic development project implementation. Although the city's economic development corporation should assume a lead role in coordinating the activities of the other organizations, the Economic Development Corporation has neither the appropriate structure nor authority to require coordination and land program planning among other organizations. The effectiveness of this coordinative function would rely almost totally on the informal influence of individual Economic Development Corporation board members to encourage the desired level of citywide inter-organizational coordination.

Advantages of a Single Public-Private Coordinative System

- Avoids the difficulties associated with implementing a new system or of sharply altering the functions of existing organizations
- Both the Economic Development Corporation and the CBDA have specific authority vested or available to them to engage in project development for specific areas of the city
- The overlapping board members of key organizations can ensure more coordination and collective involvement among organizations
- Involvement with a coordinated system of organizations usually less costly and more efficient than involvement with completely independent organizations

Disadvantages of a Single Public-Private Coordinative System

- Organizations with unyielding special interests could make coordination difficult
- Lack of absolute policy and control of funds for each organization in the system
- Greater dependence on the good will of the individual organizations' staff

APPENDIX A

THE ECONOMIC GROWTH COUNCIL
MEMBERSHIP LIST

CO-CHAIRMEN: James M. Roche
Past Chairman
General Motors Corp.

Lynn A. Townsend
Past Chairman
Chrysler Corp.

BATTLE, ROBERT
Director
UAW-Region 1A

BOLZ, NORMAN
Managing Partner
Coopers and Lynbrand

BORMAN, PAUL
President
Borman's inc.

BRUMER, RALPH
President
General Provisions, Inc.

BUSHNELL, JR., GEORGE E.
Miller, Canfield, Paddock
& Stone

CISLER, WALKER
Former Chairman of the Board
Detroit Edison Company
Overseas Advisory Association

CONSTAND, JAMES
President
Jim's Garage

CROOKS, BILLY
President
Livernois Avenue of Fashion
Business Association

DEEB, EDWARD
Executive Director
Associated Food Dealers

DEWAR, ROBERT
Chairman of the Board
S. S. Kresge Company

DIBLASI, WILLIAM B.
President
REDFORD IS

EASLICK, DAVID
President
Michigan Bell Telephone Co.

EDWARDS ESTER (Mrs.)
Senior Vice President
Motown Records

FISHER, MAX
Chairman
United Brand Company

FORD, HENRY, II
Chairman
The Ford Motor Company

GEHRKE, HANS
Chairman of the Board
First Federal Savings & Loan

GRIFFITHS, MARTHA
Griffiths and Griffiths

GUITTAR, LEE
President
The Detroit Free Press

GULLEN, JR., GEORGE (DR.)
President
Wayne State University

HAVENS, DWIGHT
President
Greater Detroit Chamber
of Commerce

HUDSON, JR., JOSEPH L.
Chairman
The J. L. Hudson Company

JAMES, WILLIAM
Vice President and
General Manager
WJR Radio

JEFFERSON, ARTHUR (DR.)
General Superintendent
Detroit Public Schools

KENNEDY, ELMORE

KING, ARTHUR
President - Local 285
International Brotherhood
of Teamsters

KIRK, STANLEY R.
Attorney

MACDONALD, RAY
Chairman
Burroughs Corporation

MC CABE, JOHN
President
Blue Cross-Blue Shield

MC CUTCHEON, AUBREY
President and General Counsel
McCutcheon Associates

MANLOVE, BENSON
President
Booker T. Washington
Business Associates

MAIBACH, JR., BEN C.
Chairman
Barton-Manlow Company

MATTHAEI, JR., FREDERICK
Chairman of the Board
Arco Industries Corporation

MEASELLE, RICHARD
Managing Partner
Arthur Andersen & Company

MEATHE, PHILIP J.
President
Smith, Hinchman &
Grylls Associates, Inc.

MEESE, WILLIAM G.
Chairman and Chief Executive
Officer
Detroit Edison Company

MUER, CHARLES A.
President
C. A. Muer Corporation

MURPHY, THOMAS
Chairman of the Board
General Motors Corporation

PEEK, LONNIE
Chairman
Concerned Citizens
Council, Inc.

PELHAM, ALFRED

QUINN, LONGWORTH

RICCARDO, JOHN
Chairman of the Board
Chrysler Corporation

RICHARDSON, DEAN E.
Chairman of the Board
Manufacturers National Bank
of Detroit

PINCUS, MAX J.
President
Hughes & Hatcher Inc.

ROCHE, JAMES M.
Past Chairman
General Motors Corporation

SEDER, JR., ARTHUR R.
Chairman
American Natural Service Co.

STOCKMEYER, C. BOYD
Chairman of the Board
Detroit Bank & Trust Co.

STODDARD, STANFORD
Chairman of the Board
Michigan National Bank

STROH, PETER W.
President
The Stroh Brewery Company

SURDAM, ROBERT M.
Chairman of the Board
National Bank of Detroit

TAUBMAN, A. ALFRED
Chairman of the Board
The Taubman Company

TOWNSEND, LYNN
Past Chairman
Chrysler Corporation

TRUED, MERLYN N.
Chairman of the Board
Bank of the Commonwealth

TURNER, THOMAS
President
Metropolitan Detroit AFL-CIO

WINKELMAN, STANLEY J.
President
Winkelman Stores, Inc.

WOOD, JACK
Secretary-Manager
Greater Detroit Building
Trades Council

WOODARD, GLADYS
Executive Director
Delray United Action Council

WOODCOCK, LEONARD
President
International Union-UAW

YOUNG, DR. CLAUD

APPENDIX B

SUMMARY OF STATE DEVELOPMENT LEGISLATION

Job Development Authority Act (PA 75-301)

A new Job Development Act authorizes direct low interest loans to industry, financed by up to $200 million in tax-exempt "moral obligation" Job Development Act bonds. Michigan's Job Development Act allows smaller and new firms more flexible borrowing and collateral terms. (State enabling legislation does not necessarily require first mortgage security for job development loans). The state court must rule on the law's constitutionality before implementation.

Local Economic Development Corporation Act (PA 74-388, As Amended by 75-175)

Enabling legislation authorizes municipalities and counties to create non-profit citywide economic development corporations (EDCs). Municipalities may exercise eminent domain and transfer property to EDCs "on terms and conditions it deems appropriate." Besides contracting with municipalities and counties, EDC's may also contract with any other state or local political jurisdiction. EDCs can:

(1) Acquire, improve, construct and/or sell land and buildings

(2) Acquire and/or purchase equipment and machinery

(3) Enter into leases, lease purchase agreements and installment sales to finance construction, acquisition and improvements of the same

(4) Obtain tax-exempt financing for each of the above

(5) Sell or convey its property "for a price and at a time as the corporation determines"

(6) Receive federal, state and local tax exemption on eligible earnings and all property holdings

New 1975 amendments also clarify the statute's provisions regarding eligibility for tax-exempt EDC bonds. EDC's will not have to obtain individual rulings from IRS on each bond issue. Amending statutes also provide for local government project approval by resolution instead of ordinance.

Downtown Development Authority Act (PA 197)

May be subject to a constitutional test. Allows municipalities to create Downtown Development Authorities endowed with new far-reaching powers, including:

Special CBD Property Tax Assessments - Cities of over 1 million may create downtown development authorities with discretionary taxing powers of up to 1 mill, provided that public hearings are held, followed by city council approval. Without a public referendum, this would allow such authorities to use property tax proceeds to cover their "operating costs". It is anticipated that most cities will allow revenues to pay the authorities' salaries and direct administrative overhead. (Authorities in cities of under 1 million may exercise similar taxing power, but with a higher ceiling of up to 2 mills)

Other Authority Powers - In addition to special assessments, cities may also authorize Downtown Development Authorities to:

- conduct local and regional economic planning
- acquire, construct, operate and dispose of land and property interests in the downtown area
- issue tax increment revenue bonds for downtown improvements

Direct Municipal Assistance - City governments may themselves assist downtown development with:

- direct loans and grants to authorities
- municipal guarantees for up to 80% of annual debt service requirements on tax increment bonds issued by such authorities

Plant Rehabilitation and Industrial Development District Law (As amended by PA 75-247, PA 1975 and Act No 302, PA 1975)

The enabling legislation authorizes local governments to establish plant rehabilitation and industrial development districts. Abatement can be used for commercial and industrial improvements in approved abatement districts. Plant rehabilitation districts may be established only in areas where 50% or more of the state equalized valuation of industrial properties is obsolete.

Proposed Detroit Metropolitan Tax-Base Sharing

Governor William Mulliken has proposed tax-base sharing for the Detroit metropolitan area. Patterned after the Minnesota Fiscal Disparities Act (See I.S. Report #5), the proposal would have Detroit area communities share in each other's industrial and commercial property-base growth. In total, the concept would involve over $1 billion in tax base and more than $100 million in shared tax revenues. The measure did not pass in 1976 and is being revised for re-introduction in the 1977 legislative session.

APPENDIX C

FEDERAL BUSINESS AND ECONOMIC DEVELOPMENT PROGRAMS

Economic Development Administration (EDA)

Grants and Loans for Public Works and Development Facilities (Title I and Section 201)

Program: Grants and loans to improve opportunities for the establishment or expansion of industrial or commercial plant or facilities, to assist in the creation of additional long-term employment opportunities or to benefit long-term unemployment and members of low-income families. Basic grants are for public facilities such as water and sewer systems, access roads to industrial parks or areas, port facilities, public tourism facilities, vocational schools, flood control projects, and site improvements for industrial parks.

Basic grants cover up to 50 percent of project costs. Supplementary grants may bring the total level of federal assistance up to 80 percent of costs, depending upon the level of unemployment, the median family income, and the inability to serve depressed redevelopment areas to match federal funds. Additionally, the secretary may raise the federal share above 80 percent if he determines that depressed state or local political jurisdiction representing a redevelopment area has exhausted its effective taxing and borrowing power.

Long-term (up to 40 years), low-interest loans may be made to the applicant when financial assistance is not otherwise available from private lenders or federal agencies on terms which would permit implementation of the project.

Eligibility: State and local governments, economic development districts, as well as public and private nonprofit organizations, representing an EDA-designated redevelopment area where economic growth is behind the rest of the nation or which the secretary of commerce determines have demonstrated long-term economic deterioration.

Loans for Business and Development Companies (Section 202)

Program: Encourages private investment by providing low-interest long-term loans, loan and lease guarantees, loan and interest subsidies, plant and equipment improvement in redevelopment areas that cannot be financed through banks or other private lending institutions. Also, working capital loans and loan guarantees are available.

Funds may be used for most kinds of industrial or commercial facilities to acquire fixed assets, i.e., land buildings, machinery and equipment, including land preparation and building rehabilitation, to provide working capital loans, and to provide reserves for EDA loan and lease guarantees.

Federal participation in a project may not exceed 65 percent of project fixed asset costs. A local development corporation or state agency usually participates to the extent of 5 percent. Of the remaining 30 percent, 10 percent must be in the form of applicant's equity and the balance from a conventional commercial lender. In addition, the government will guarantee loans and leases made by private lending institutions to borrowers in redevelopment areas and economic development centers for up to 90 percent of the remaining unpaid balance of the working capital loans.

Eligibility: Individuals, private or public corporations which develop projects to be located in an EDA-designated area where economic growth is behind the rest of the nation or which the secretary determines has demonstrated long-term economic deterioration.

Special Economic Development Adjustment Assistance (Title IX)

Program: Provides assistance to state and local areas to meet special needs arising from actual or threatened severe unemployment caused by economic dislocation, including unemployment caused by actions or regulations of the federal government, economic adjustment problems resulting from severe changes in economic conditions including "long-term economic deterioration." Grant funds can be used for any of the following: public facility and business development, planning, rent supplements, mortgage payments assistance, research, technical assistance, training and relocation of individuals. Grants may be used in direct expenditures by the eligible recipient or through redistribution by it to public and private entities in grants, loans, loan guarantees, interest subsidies on guaranteed loans, or other appropriate assistance. However, no grants shall be made by an eligible recipient to a private profit-making entity.

Eligibility: Redevelopment areas, economic development districts, states, cities, other local political subdivisions, or consortia thereof. States and local political subdivisions do not have to represent an EDA-designated redevelopment area, and can qualify if the secretary determines that they have demonstrated "long-term economic deterioration."

Technical Assistance (Section 301)

Program: Provides assistance to solve problems of economic growth through administrative and demonstration projects grants, feasibility studies, management and operational assistance, and other studies. Technical assistance is used

to provide information, data, and know-how in evaluating and/or shaping specific projects and programs related to economic development. It is used in economically depressed areas of the country and in similar sections of urban areas, and may be in the form of services provided by contract or direct grants.

Eligibility: Private nonprofit groups, municipal or county governments or entitled EDA-designated geographic areas of substantial need. Infrequently, technical assistance is given to small private business firms, however, this technical assistance must be repaid to the government.

Planning Assistance (Development District Program: Redevelopment Area Plans) (Section 302)

Program: Provides up to 80 percent economic development planning grants to reduce unemployment and increase incomes. Promotes comprehensive planning process which includes analyzing the local economy, defining developmental goals, determining project opportunities and formulating and implementing a development program.

Eligibility: Any state, city or other political subdivision of a state, or a sub-state planning and development organization (including a redevelopment area or an economic development district). States and local political subdivisions do not have to represent an EDA-designated redevelopment area.

Public Works Impact Projects

Program: Promotes construction of public facilities to provide immediate jobs to unemployed and underemployed persons in designated project areas.

Eligibility: States and their local subdivisions, and private or public nonprofit organizations in areas which do not have to be EDA-designated. Corporations and associations organized for profit are not eligible.

Department of Labor

Comprehensive Employment and Training Act of 1973

Program: Under the Comprehensive Employment and Training Act of 1973 (CETA), units of general local government with a population of 100,000 or more are designated as prime sponsors of comprehensive manpower programs. Although the Act does not specifically earmark funds for economic development activities, it clearly impacts upon services related to the economic growth of the community.

Eligibility: **Title I** is the most flexible section of the CETA program and replaces several of the categorical manpower programs

developed in the 1960's including institutional skill training, work experience programs, related remedial education and supportive skill services, and on-the-job training.

On-the-job training has been used by several cities across the country as tools to retain and attract industry as well as to promote the hiring of city residents. This program can also be funded by the Community Development Block Grant program, state manpower funds and private sector resources. Several variations of on-the-job training exist. In one jurisdiction, current employees are trained for better paying jobs in an expanding firm while their replacements are simultaneously trained. In another city, housing rehabilitation grant programs are utilized for training low-income individuals to pass construction union apprenticeship qualification tests.

Another use of Title I funds is customized manpower training, a method by which workers are trained to meet an employer's specific needs. This program can act as an incentive for a firm to relocate or to expand in a certain area. Those firms lacking enough trained workers in specific skill categories could particularly be affected by such a program. Other public and private sector resources are often combined with the CETA monies to fund a customized training program. These funds are allocated on the basis of prior years allotment, the unemployment rate and the percentage of low-income families in the jurisdictions.

Title II of the CETA program provides transitional public service jobs, training and related services in areas of substantial unemployment (6.5 percent or more). Transitional public service jobs provide needed public services and are intended to enable participants to move into positions not subsidized under CETA. **Title VI** also provides funds for public service employment. This funding, added by the Emergency Jobs and Unemployment Assistance Act of 1974, authorizes emergency public service jobs designed to help ease the impact of high unemployment. Title VI funds are distributed relative to the overall unemployment in the state whether it is 6.5 percent or not.

Title III of CETA authorizes the secretary of labor to make grants to provide manpower services to special target groups whose needs may not be adequately met through the other provisions of the Act. These groups include migrant and seasonal farmworkers, native americans, youth and those with particular disadvantages in the labor market.

Title IV funds are used to fund the Job Corps program, administered by the Labor Department through Job Corps Centers across the country. This program is designed to provide education, vocational training and counseling for low-income disadvantaged youth.

Eligibility: Cities and counties with a population of 100,000 or more; states. (A city of 100,000 or more may also form a consortium with other cities and/or counties.)

Office of Minority Business Enterprise (OMBE)

Program: Promotes business ownership for socially and economically disadvantaged individuals through projects grants, advisory services, counseling, dissemination of technical information and research contracts.

Specifically, (1) coordinates federal assistane programs for minorities to establish for expanding businesses; (2) encourages and assists private minority business development efforts, including financial institutions, corporations, universities, and business and trade associations; (3) assists development of state and local minority enterprise programs; (4) maintains national clearinghouse for information on minority business enterprise; (5) stimulates minority business development in new areas; (6) provides local level assistance to minority businessmen through OMBE funded business development organizations, minority trade and business associations, business resources centers, and construction contractor assistance centers; (7) funds intermediate private organizations which provide management and technical assistance to new and existing businesses and helps obtain venture capital; (8) conducts pilot programs designed to overcome special problems of minority businessmen; and (9) fosters business management education and training.

Eligibility: Contracts can be made to community-based and sponsored organizations, minority and majority professional consulting or other private firms, trade and business organizations, and universities and colleges. Grants, however, can be made only to non-profit organizations; state and local government may receive grants to establish activities which are counterparts to the national OMBE program. Grants are not awarded directly to individuals or to business enterprises. Contracts may be awarded, however, for experimental or demonstration projects.

Small Business Administration (SBA)

Local Development Companies (Section 502)

Program: Provides long-term financing (direct loans and guaranteed/insured loans) to small business concerns through state and local development companies. These companies are corporations chartered to promote economic growth within specific areas.

Loans to local development companies are for the purchase of land, and to purchase, expand, convert, construct or modernize buildings. They are not available to local development companies to provide small businesses with working capital or for refinancing purposes. Loans to local development companies may not exceed 25 years, except for special liquidation extensions of up to 10 years and are granted for a maximum of $500,000.

Eligibility: Local development companies which are incorporated under state corporations statutes, either on a profit or non-profit basis.

Urban Neighborhood Revitalization (Section 502)

Program: Provides special funding to local development companies located in urban neighborhoods. In FY77, $160 million has been allocated from the regular 502 program to fund eligible demonstration projects. Local injection requirements are more flexible than regular LDC's and can be as low as 10 percent of LDC's located in eligible "urban revitalization" areas.

Eligibility: Area is defined as a commercial strip in an older stable neighborhood (in cities of 25,000 or more) which consists of a "limited number of continuous blocks having a self-identity which is common knowledge in the city." To be designated as such an area, it must have "strong local support" and a "common purpose recognized by the business people involved."

Specific criteria which must be met to obtain urban neighborhood revitalization designation also include:

(1) An LDC which is organized and operative in the area
(2) A city's "definite commitment" to the area
(3) Viability of major existing businesses in the UNR area
(4) Certification from the SBA district director that the designated commercial area is otherwise unable to attract necessary private investment without SBA assistance.

Small Business Loans (Regular Loans - 7(a) Loans)

Program: Assist small businesses in financing their needs. Guaranteed/insured loans are provided to construct, expand or convert facilities, to purchase building equipment or materials and for working capital.

Eligibility: A small business which is independently owned and is not dominant in its field.

Economic Opportunity Loans for Small Businesses (EOL) (Section 7(i))

Program: Provides management assistance and loans (direct and guaranteed/insured) up to $100,000 with a maximum maturity

of 15 years, to low-income or socially or economically disadvantaged persons to establish, preserve and strengthen small businesses.

Eligibility: Low-income or disadvantaged persons who have been denied the opportunity to acquire adequate business financing through normal lending channels on reasonable terms.

Displaced Business Loans (DBL) (Section 7(b)(3))

Program: Assists small businesses to continue in business, purchase a business, or establish new businesses if substantial economic injury has resulted through displacement by, or location in or near a federally-aided project. Provides direct loans and guaranteed/insured loans.

Eligibility: Most small businesses which suffer physical displacement and/or economic injury as a result of federally aided urban renewal, highway, or other construction projects.

Surety Bond and Construction Loan Guarantees for Contractors (Section 410)

Program: Enables small contractors who have been denied access to the bonding system to receive guarantees up to 90 percent of surety's losses on bonds for a particular contract. The Small Business Administration agrees to guarantee contracts of $500,000 or less on which bonding is a requirement. Guarantees are limited to bid, payment performance and other bonds incidental to the performance of a contract, and are on a case-by-case basis. Guarantees are available to surety companies and can directly guarantee a private construction or rehabilitation loan to small, general business contractors.

Eligibility: Surety bond guarantees are limited to those surety companies holding certificates of authority from the secretary of the treasury as acceptable sureties on federal bonds or those companies which meet the requirements of the Small Business Administration. Contraction loans guarantees are available to general contractors whose gross sales have not exceeded $9.5 million over a three-year period.

Procurement Assistance to Small Businesses (Section 8(b))

Program: Assures small businesses a fair share of contracts and subcontracts for federal government supplies and services and a fair share of property sold by the government.

Assistance includes: (1) application of small business set-asides (restriction of bidding/award to small businesses only) to federal procurement and disposal requirements; (2) consultation with procuring agencies on structure of procurement and sale planning to optimize small business participation; (3) review and analysis of small firms' capacity and credit

when challenged by contracting officers, and certifying competence of such firms, as appropriate; (4) review of efforts of large prime contractors to subcontract to small businesses, and recommendation of improvements; (5) consultation and advice for small firm requesting assistance on government procurement or sale matters, and regular monitoring of certificate of competency holders through contract life; and (6) assistance in specific contract administration problems.

Eligibility: Actual and potential small businesses.

Small Business Investment Companies (SBIC) (Section 301(d) Licenses)

Program: Provides management advisory services and counseling and financial assistance (direct loans and/or guaranteed insured loans) to small businesses for the purpose of generally improving and stimulating the economy. An emphasis is placed on providing assistance to businesses which have innovative ideas and develop new products, processes and markets.

Debentures are issued by the SBIC and guaranteed by SBA for a term not to exceed 15 years. Under certain circumstances, Section 301(b) licenses may apply for the sale of a limited amount of their preferred stock to SBA.

Eligibility: Any chartered small business investment company having a combined paid-in capital and paid-in surplus of not less than $150,000 (by policy, at least $300,000 usually required of SBIC's), having qualified management, and giving evidence of sound operation. The general MESBIC investment policy is generally aimed at providing assistance which will make it easier for disadvantaged persons to become owners of small business concerns.

Management and Technical Assistance for Disadvantaged Businessmen (406 Program)

Program: Provides management and technical assistance through public or private organizations to existing or potential businessmen who are economically or socially disadvantaged, or who are located in areas of high concentration of unemployment.

Financial assistance under this section may be given for projects which provide: (1) planning and research; (2) identification and development of new businessmen, new businesses, or new business opportunities; (3) business counseling, management training and legal or other related services.

Eligibility: Project grants are awarded to public or private institutions that have the capability to provide the necessary assistance.

Management Assistance to Small Business

Program: Provides advisory services and counseling, training and dissemination of technical information to prospective and existing small businessmen to improve their skills in managing and operating a business.

Assistance includes: (1) workshops for prospective small business owners; (2) management counseling for nonborrowers, including assistance from SCORE (Service Corps of Retired Executives) and ACE (Active Corps of Executives), graduate and undergraduate students of business management schools participating in the Small Business Institute Program, and other volunteer groups; (4) publications to assist in the management of small businesses through a cooperative arrangement between the Small Business Administration and the Veterans Administration, special business ownership training available to eligible veterans.

Eligibility: Actual and potential small businessmen and, in some cases, members of community groups.

Minority Business Development - Procurement Assistance (OBD)

Program: promotes involvement of businesses owned and controlled by disadvantaged persons in federal contracting and in the establishment of small manufacturing service and construction concerns that could become independent and self-sustaining in a normal environment. This program utilizes authority provided to SBA under Section 8(a) of the Small Business Act to enter into procurement contracts with other federal agencies and to subcontract to others those contracts which SBA has obtained.

Eligibility: Persons who have been deprived of the opportunity to develop and maintain a position in the competitive economy because of social or economic disadvantage. This includes, but is not limited to, Black Americans, American Indians, Spanish Americans, Oriental Americans, Eskimos and Aleuts.

Minority Vendors Program

Program: Identifies minority businesses capable of supplying goods or services to major corporations. Develops specialized programs or assistance to overcome minority firm deficiencies as identified by major corporations. Identifies new business venture opportunities in which the minority business community can engage in.

Eligibility: Minority firms which are owned and controlled by one or more disadvantaged persons.

Department of Housing and Urban Development (HUD)

Community Development

Program: Community development funds could be utilized for economic development at the discretion of local elected officials. The Housing and Community Development Act of 1974 specifies that one of its primary objectives is the expansion of economic opportunities, principally for persons of low and moderate incomes. This is to be achieved through the elimination of slums, blight and detrimental living conditions, improved use of land, the preservation of property with special values, the conservation and expansion of housing and housing opportunities, increased public services and increased neighborhood diversity.

Funds clearly may be used for the acquisition, construction or installation of public works, facilities and sites, or other improvements including among other things, neighborhood facilities, utilities, streets, street lights, water and sewer facilities, pedestrian malls and walkways, flood drainage facilities, parking facilities and fire protection services and facilities. It is also permissible to use funds for improving public services, including employment and economic development if funding for such services was applied for and denied under any other federal program.

In addition to the grants, HUD is authorized to guarantee obligations issued by grant recipients (or public agencies designated by them) to finance acquisition or assembly of real property (and related expenses) to be used in carrying out eligible activities under grants awarded.

Eligibility: Cities, counties, metropolitan and non-metropolitan areas. Funds are allocated through a formula based on population, amount of overcrowded housing and the extent of poverty (counted twice). Cities with populations of 50,000 and over and central cities of SMSA's are entitled to formula funds.

Urban Reinvestment Task Force

Program: HUD's major initiative in neighborhood preservation is the Urban Reinvestment Task Force. This is a joint effort of HUD and the Federal Home Loan Bank Board initiated in 1974 to demonstrate how a marginally declining neighborhood can be revitalized through a partnership of local residents, financial institutions, and local government. The Task Force supports two different programs: the Neighborhood Housing Service Program (NHS) and the Neighborhood Preservation Projects (NPP). The major role of the Task Force in the NHS Program is a catalytic one--it provides technical assistance to effectively bring together members of local partnerships.

A distinguishing feature of an NHS is the high risk revolving home repair loan fund to assist homeowners established through the coordinated effort of the local savings and loans banks in addition to grants or city CDBG funds. As of August, 1975, 14 new projects are being initiated. For neighborhood preservation projects, the Task Force identifies and provides additional funding support for existing innovative local preservation programs for determining their transfer potential.

Eligibility: State chartered private, non-profit corporations which would function as Neighborhood Housing Services (NHS) operating in a neighborhood in which the housing stock is basically sound, but beginning to show deterioration, in addition to the following:

(a) high percentage of home ownership
(b) interested neighborhood community
(c) local government willing to invest in the neighborhood's service amenities and improvements
(d) financial institutions willing to invest in neighborhoods.

CUED TECHNICAL ASSISTANCE PROGRAM

CUED has become increasingly involved in providing technical assistance to localities through its Community Advisory Service. This service brings a team of CUED members, supported by staff, into a community to assist in formulating local economic development policies and programs. Emphasis is usually on public sector initiatives to stimulate private sector investments in the city.

The format varies, depending on the nature of the local issue, from a seminar utilizing CUED members as resource persons, to a more intensive effort providing specific policy and program suggestions; the preparation of a report; and on-going staff assistance.

Community Advisory Service teams have been provided in the past to such cities as Kansas City, Mo.; Jersey City, N.J.; Allentown, Pa.; Buffalo, N.Y.; Augusta, Ga.; East Brunswick, N.J.; and Omaha, Neb. A number of CAS teams are currently in preparation. On these visits we attempt to send to the city those CUED board and/or other key organizational members who are known to have significant expertise in dealing with that particular local problem.

The service is designed to further CUED's overall corporate purpose, namely, the growth and vitality of municipal economic planning, capacity building and development activity in the nation's urban centers. It grew from our recognition that one of the most effective ways to do so is through face-to-face discussions between the professionals in the field--CUED members--and the local public and private leadership in cities interested in setting up, renovating, or expanding their economic development programs.

CUED also provides staff-level technical assistance through its professional staff. Although some are engaged primarily in contract research, there is a base of experience and skills here which also allows more staff-provided technical assistance work, taking a number of forms--"hot-line" service, on-site assistance, and so on. We see an increasing demand for these services and will be focusing on building the capacity to meet it.

CUED has begun a series of professional training Institutes on Urban Economic Development. These are limited in attendance and focus on the needs of a specific practitioner audience.

In our federal program relations efforts, the CUED staff provides city officials with updates on the programs and regulations for key federal, business and economic development programs.

CUED is also prepared to offer cities whose interest or problems are more neighborhood than citywide-oriented the same selection of technical assistance services as part of its neighborhood economic development efforts.

We cite the above history because it governs our current policy. The CAS service is policy advisory only. Its purpose is to assist cities in developing a broad framework for organizational, program design and project decision making related to economic development matters.

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