

Detroit: a tale of
TWO CITIES

OVERCOMING THE CHALLENGES OF THE PAST, PRESENT AND FUTURE
FOR BLACK BUSINESSES

MAY 7, 2018



@CBCFINC

Issue Brief

Center of Policy Analysis and Research

May 7, 2018



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ISSUE BRIEF

Executive Economic Summit VI
Detroit, Michigan
May 2018

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EXECUTIVE ECONOMIC SUMMIT SERIES

The Congressional Black Caucus Foundation, Inc.'s (CBCF) next Executive Economic Summit takes place in Detroit, Michigan on May 7, 2018. The sixth in a series of summits promoting minority access to capital and black business growth, "Detroit, A Tale of Two Cities: Overcoming the Challenges of the Past, Present and Future for Black Businesses," – in the aftermath of Detroit's 2013 bankruptcy – aims to raise awareness, inform policy, and provide examples of economic recovery and business solutions for black businesses and black communities.

To date, CBCF's economic summits have been hosted in Atlanta, Chicago, Houston, New York City and Oakland. The success of the intimate interactions between policymakers and business leaders offer invaluable insights and networking opportunities in an effort to advance policies, programs, and strategies in accessing capital, business and entrepreneurship.

The goal of EES series is threefold:

- I. Discuss and illustrate the impact that federal, state and local policy; resources; and opportunities for collaboration and partnerships have on advancing minority-owned business growth and entrepreneurship.
- II. Cultivate and expand professional business networks among black business leaders and entrepreneurs at a local and federal level.
- III. Release a series of reports and recommendations based on policies and analyses of discussions raised from the Executive Economic Summits.

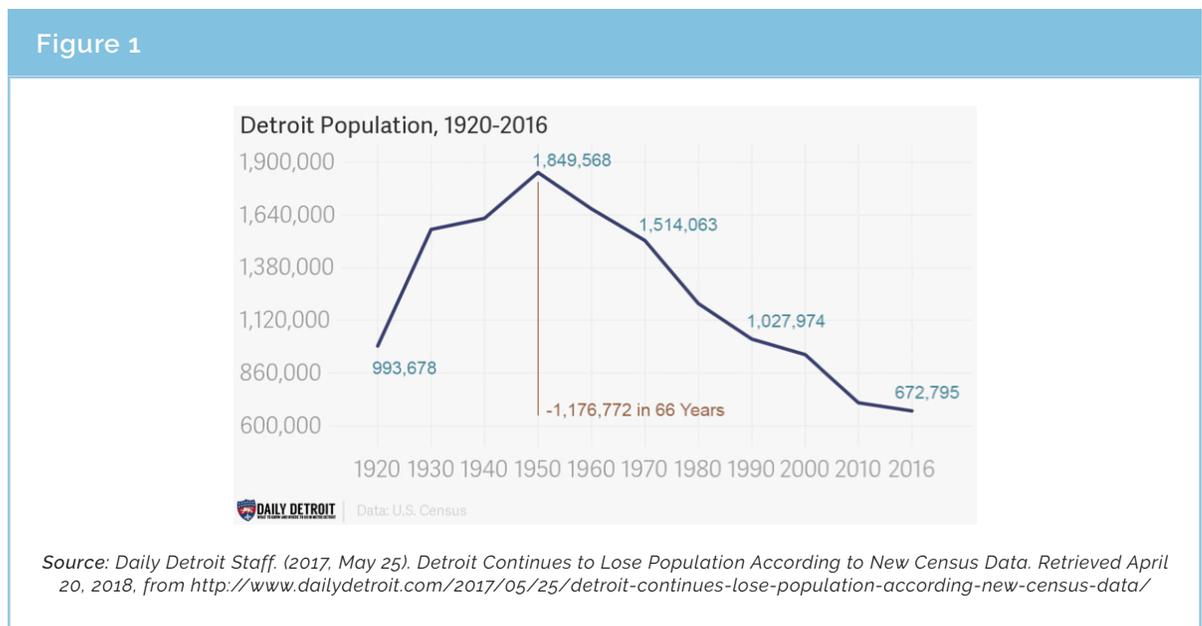
The CBCF summit series will focus on mapping minority access to capital with

business leaders, those in the financial services sector, and elected officials. The Detroit summit will address the role of business in leveraging their capital and resources during the revitalization of the city. Specific attention will be given to the auto and banking industries, as well as the housing market. The program includes a keynote speaker and panels outlining federal, state, and local initiatives with policymakers and business leaders centered on Detroit's booming industries and vibrant environment for minority entrepreneurs.

BACKGROUND

In 2013, Detroit, Michigan was one of the first major cities to file for bankruptcy. Once one of the nation's most populous cities and a leader in car manufacturing, Detroit has faced many obstacles which capture its strong history of perseverance and resilience. With a population of nearly 673,000 residents, Detroiters are working hard to revitalize the city to its former glory.

Before the decline of Detroit, the city was the epitome of the "American Dream" for black families tired of Jim Crow laws and limited economic mobility in the South. Many saw Detroit and other cities in the North as an opportunity to find good work and live a comfortable life. The U.S. Census Bureau reports that Detroit received a great influx of African Americans from 1910 through 1940 during the Great Migration.¹



¹ The Website Services & Coordination Staff, US Census Bureau. (1994, March 01). The Great Migration, 1910 to 1970. Retrieved February 05, 2018, from <https://www.census.gov/dataviz/visualizations/020/>

The rise of black people in the city resulted in the establishment of Motown Records in 1959, a black-owned music company whom many refer to as the sound track for the Civil Rights Movement.² At the same time, the influx of black residents in 1950 through 2016, as displayed in **Figure 1**, was met with racial discrimination from white residents and Detroit's police. The unstable relationship between black citizens and city police reached its threshold on July 23, 1967, and resulted in five days of rioting causing 43 deaths and nearly 2,500 businesses destroyed.³ The Detroit Riots of 1967 have gone down in history as the "Long Hot Summer of 1967" and is widely noted as one of the factors that contributed to the downfall of Detroit.

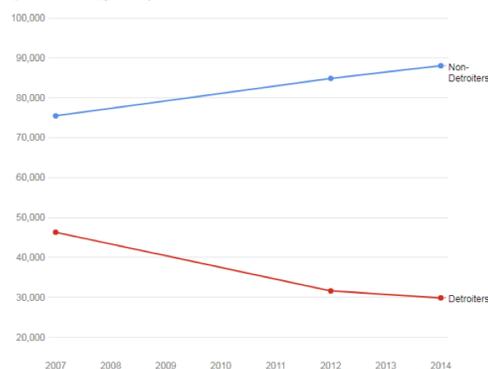
BANKING

Since filing for bankruptcy, there has been a resurgence of new businesses flooding the city, but the question remains which individuals and communities are benefiting from new investments in Detroit. Additionally, as Downtown and Midtown Detroit are being revitalized and resources are pouring into the most popular parts of the city, what are the economic outcomes and opportunities for firms that stayed during the economic downfall, and which entities are

Figure 2

Jobs (for some) in Detroit

Detroit's recovery isn't reaching everybody. Jobs for those living in the suburbs -- who are mostly white -- have gone up 16.6%. Meanwhile, jobs for city residents are down 35.5%.



Source: [Data Driven Detroit Get the data](#)

Source: Reese, L. A., & Sands, G. (2017, February 19). *Is Detroit Really Making a Comeback?* Retrieved May 3, 2018, from <https://www.citylab.com/equity/2017/02/detroits-recovery-the-lass-is-half-full-at-most/517194/>

² Cruz, G. (2009, January 12). Motown. Retrieved February 05, 2018, from <http://content.time.com/time/arts/article/0,8599,1870975,00.html>

³ Tmoutzal@mlive.com, T. M. (2017, July 25). On this day, 50 years ago: Detroit riot photos from July 23, 1967. Retrieved February 05, 2018, from http://www.mlive.com/news/detroit/index.ssf/2017/07/on_this_day_detroit_riot_photo.html

responsible for establishing new businesses in Detroit?

Since 2013, a surge in new franchise businesses in "hotspot" areas in Detroit have emerged. Consequently, the already established businesses, predominantly black-owned, are being pushed out. In addition to businesses being physically pushed out of the city, new businesses established are disproportionately hiring non-Detroit residents. According to CityLab⁴, the percentage of residents living outside of Detroit, but working in the city have gone up nearly 16% while the percentage of Detroit residents working in Detroit have significantly decreased (See Figure 2).

According to NBC, "Many believe Detroit is becoming a tale of two cities because whites are enjoying its prosperity while black businesses are systemically forced out of business."⁴ Many longstanding businesses are going out of business or are beginning to face the threat of going out of business due to the influx in the price of living in Downtown and Midtown Detroit. After the closing of "Henry the Hatter", Detroit's oldest hat shop, other businesses in the heart of Downtown Detroit have begun to grow fearful of the fate of their business. Black-owned business also suffered disproportionately during the construction of the QLINE, a tram system that transports riders down Woodward Avenue, one of Detroit's most prominent streets. The closing of Woodward Ave. for three years affected many businesses located on that corridor. As a consequence, Roby's Shoes lost 75 percent of its normal business.⁵ Additional concerns are that new businesses started by people from outside of Detroit are only serving specific demographics and regions and do not cater to the needs of Detroit natives.

Gentrification has greatly affected the ability for black-owned businesses to succeed in hot spot areas of Detroit: "Tensions began spilling over when a string of black businesses began losing leases, fighting legal battles with strikingly similar claims that they failed to pay rent or somehow otherwise violated lease agreements."⁶

Along with the challenges faced by black businesses, many of the poorest residents of the city suffer from untreated pollution issues. Similar to Flint,

⁴ Hayes Taylor, K. (2015, November 01). The Gentrification of Detroit: Where Are the Black People? Retrieved January 29, 2018, from <https://www.nbcnews.com/news/nbcblk/gentrification-detroit-leaves-black-residents-behind-n412476>

⁵ Zlatopolsky, A. (2017, July 06). Detroit's skyrocketing rents threaten longtime shops. Retrieved April 20, 2018, from <https://www.freep.com/story/news/local/michigan/detroit/2017/07/06/detroit-businesses-see-influx-customers-soaring-rent/447563001/>

⁶ Hayes Taylor, K. (2015, November 01). The Gentrification of Detroit: Where Are the Black People? Retrieved January 29, 2018, from <https://www.nbcnews.com/news/nbcblk/gentrification-detroit-leaves-black-residents-behind-n412476>

Michigan, Detroiters also endure high exposure to lead. Detroit News reported that “Detroit had Michigan’s highest proportion of children test positive for lead poisoning in 2016.”⁷ The Centers for Disease Control and Prevention blames this crisis on the demolition of homes built before 1978 because many of the homes were painted with leaded paint. Detroit and Flint are communities in Michigan that are majority African American and have faced extreme environmental injustices.

BLACK BUSINESSES IN DETROIT

According to the National Business League, there are more than 47,000 black-owned businesses in Detroit; this is significant considering national figures approximate 2.6 million black-owned businesses that account for 975,000 employees and “generate more than \$150 billion in annual receipts nationally, according to the U.S. Small Business Administration.”⁸ However, compared to their white counterparts, most of these black-owned businesses are half as likely to have an employee other than the owner. In order to create a thriving economy that benefits all, black-owned businesses demand access to capital. Organizations such as Entrepreneurs of Color, and initiatives like the collaborations between the U.S. Small Business Association Michigan District Office and the National Business League, headquartered in Detroit, can help increase access to capital for black- and minority-owned businesses.

Black-owned businesses have been the steady heartbeat of Detroit. In 2015, the Entrepreneurs of Color Fund was created to assist black-owned businesses in Detroit find the capital needed to uphold a sustainable business. Since its inception, the Entrepreneur of Color Fund has raised more than \$18 million of capital for black-owned businesses in the city.⁹ Efforts such as these can tremendously help black communities which heavily rely on local black businesses.

In 2017, Detroit Future City published “139 Square Miles,” a comprehensive analysis of the city, after Detroit filed for bankruptcy. The report focuses on all aspects

⁷ Bouffard, K., & MacDonald, C. (2017, November 15). Detroit kids’ lead poisoning rates higher than Flint. Retrieved January 31, 2018, from <http://www.detroitnews.com/story/news/local/detroit-city/2017/11/14/lead-poisoning-children-detroit/107683688/>

⁸ Lee, M. S. (2018, March 07). SBA partnership aims to help African American-owned businesses. Retrieved April 17, 2018, from <http://www.craigslist.com/article/20180307/blog106/654601/sba-partnership-aims-to-help-african-american-owned-businesses>

⁹ Sanders, B. (2017, December 16). Fund For Black Entrepreneurs In Detroit Grows To \$18 Million. Retrieved April 20, 2018, from <https://newsone.com/3765106/detroit-entrepreneurs-of-color-fund-hits-18000000-mark/>

Figure 3

Detroit - Largest Local Clusters

Cluster Name	Private Sector Jobs, 2016
Local Health Services	36,100
Local Hospitality Establishments	14,500
Local Commercial Services	10,900
Local Community and Civic Organizations	9,800
Local Real Estate, Construction, and Development	6,800

Source: County Business Patterns, Quarterly Workforce Indicators.

Source: Detroit Future City. (2017, August). 139 Square Miles – Examining Population, People, Economy and Place (Rep.). Retrieved April 20, 2018, from Detroit Future City website: https://detroitfuturecity.com/wp-content/uploads/2017/07/DFC_139-SQ-Mile_Report.pdf

of the city from demographic changes, economy and geography. Examining the economy section of the report, the health service sector employs many of Detroit's residents (See Figure 3).

AUTO INDUSTRY

Home of the assembly line, Forbes describes Detroit as a "metonym for the American auto industry." Housing the "Big Three": Ford Motor Company, General Motors, and Chrysler, Detroit "grew to 1.8 million people in the 1950s, luring them with plentiful jobs that paid good wages to stamp out automobiles for sale across the globe".¹⁰ As the city continued to grow, the Big Three began outsourcing operations to cities in the Metro-Detroit area and racial tensions rose and whites began to leave the city. Poor city management, lack of resources, and the collapse of the auto industry in 2009 contributed to Detroit filing for bankruptcy in 2013.

¹⁰ Associated Press. (2013, July 19). Detroit in bankruptcy: How did it happen? Retrieved January 29, 2018, from <http://www.craigslist.com/article/20130719/NEWS01/130719781/detroit-in-bankruptcy-how-did-it-happen>

According to the Mackinac Center for Public Policy, since the plummet of the auto industry in 2009, auto manufacturing jobs have risen 67 percent as seen in **Figure 4**.¹¹

Many African Americans took jobs in auto manufacturing because of the competitive wages. Working in manufacturing was the pathway to the middle class for many African American families in Detroit and across the Midwest.¹² Within the first year of the recession, nearly 14 percent of black auto workers lost their jobs nationally. However, this impact was particularly significant in Michigan where automotive jobs accounted for 21.6 percent of the state's workers.¹³

Years after struggling, the economy of Michigan began to turn around. In light of two members of the Big Three filing for bankruptcy, Detroit began making strides toward economic recovery. The Mackinac Center for Public Policy reports, "From the end of the recession on 2009 to March 2015, Michigan added 407,800 jobs a 10.6 percent gain."¹⁴ The steady rise of the automobile industry in Michigan has led to the following achievements¹⁵:

- As of 2017, Michigan ranks number one in the nation in connected and automated vehicle projects;
- From 2010 through 2015 Michigan ranked number one in mobility-related patents, 2,583 patents have been awarded over the past five years in Michigan; and,
- Michigan is the first state in the nation to legalize self-driving vehicles, including ride sharing services, on public roads in 2015.

HOUSING CRISIS

In addition to overcoming challenges from a collapsing auto industry and complicated banking system, homeownership rates have steadily declined

¹¹ Hohman, J. M., & Skorup, J. (2015, May 21). Michigans Economic Recovery More Than Just the Auto Industry. Retrieved February 20, 2018, from <https://www.mackinac.org/21310>

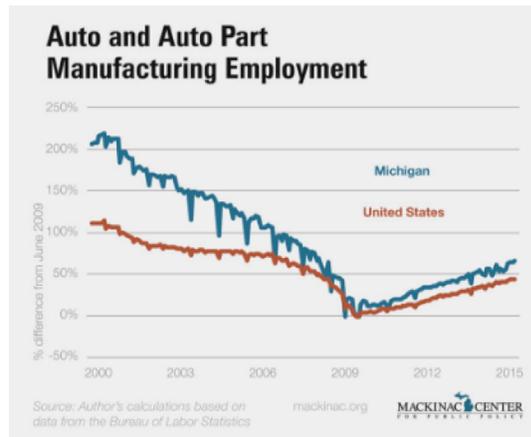
¹² Copeland, L., & Today, U. (2009, January 20). Blacks feel auto industrys pain; it was road to middle class. Retrieved February 21, 2018, from <http://abcnews.go.com/Business/story?id=6694808&page=1>

¹³ Gill, G. (2012). The Economic Impact of the Automotive Industry on Urban Communities (Rep.). Retrieved February 21, 2018, from The Rainbow Push Automotive Project website: <http://automotiveproject.org/economic-impact-of-auto-industry-on-urban-communities/>

¹⁴ Hohman, J. M., & Skorup, J. (2015, May 21). Michigans Economic Recovery More Than Just the Auto Industry. Retrieved February 20, 2018, from <https://www.mackinac.org/21310>

¹⁵ Research Team Detroit Regional Chamber. (2017, November 1). State of the Region. Retrieved April 23, 2018, from <http://www.detroitchamber.com/sor/>

Figure 4



Source: Hohman, J. M., & Skorup, J. (2015, May 21). Michigan's Economic Recovery More Than Just the Auto Industry. Retrieved April 20, 2018, from <https://www.mackinac.org/21310>

while renting rates have increased. In 2017, for the first time, the city saw renters outnumbering homeowners in "numerous neighborhoods that were once homeownership strongholds [and] continue to see an influx of renters."¹⁶ The Urban Institute believes that the decline of the Detroit housing market stems from factors due to comparably high taxes, a subpar school system, and wanting to live in safer communities among other factors.¹⁷

Many citizens chose to leave the city between 2011 and 2015 and nearly 100,000 homes were foreclosed due to residents being unable to pay their property taxes.¹⁸ The high foreclosure rate in Detroit is largely caused by unconstitutional property assessments. In an article from the Detroit Metro Times, according to the state of Michigan's Constitution, "[No] property can be assessed at more than 50 percent of its market value, but researchers looking into the issue say that, in Detroit, illegal assessment have become the norm."¹⁹ Figure 5 shows the overall decrease of homeownership in Detroit from 2011 through 2015.

The unconstitutional property assessments created disproportionate access to homeownership for black residents of Detroit. Many black residents are unable

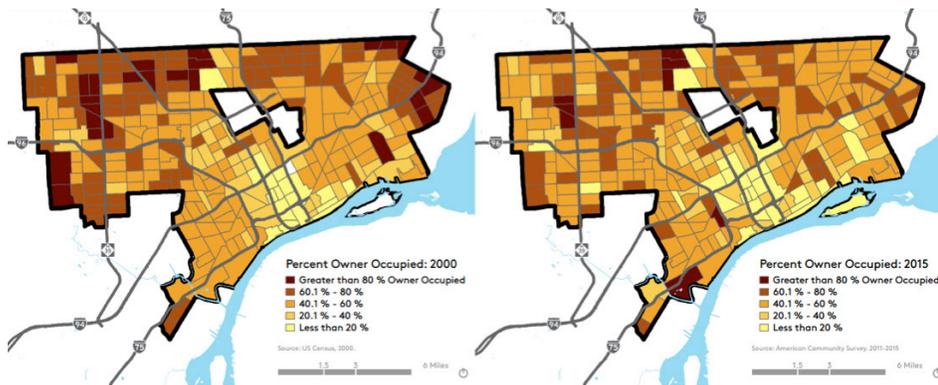
¹⁶ Detroit Future City. (2017, March 6). DFC Special Report: Renting in Detroit – A Market that Demands Attention. Retrieved March 09, 2018, from <https://detroitfuturecity.com/2017/03/06/dfc-special-report-renting-in-detroit-a-market-that-demands-attention/>

¹⁷ Poethig, E. C., Schilling, J., Goodman, L., Bai, B., Gastner, J., Pendall, R., & Fazili, S. (2018, January 09). The Detroit Housing Market. Retrieved March 15, 2018, from <https://www.urban.org/research/publication/detroit-housing-market>

¹⁸ Atuahene, B. (2017, July 22). Don't Let Detroit's Revival Rest on an Injustice. Retrieved March 19, 2018, from <https://www.nytimes.com/2017/07/22/opinion/sunday/dont-let-detroits-revival-rest-on-an-injustice.html>

¹⁹ Ikonomova, V. (2017, July 12). Study finds Detroit's foreclosure crisis fueled by illegal tax assessments. Retrieved March 19, 2018, from <https://www.metrotimes.com/detroit/could-detroits-tax-foreclosures-be-unconstitutional/Content?oid=4522278>

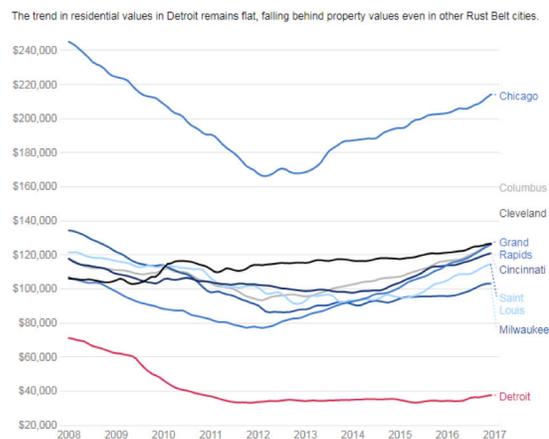
Figure 5: DECREASE IN HOMEOWNERSHIP (Detroit 2011-2015)



Source: Detroit Future City. (2017, March 6). DFC Special Report: Renting in Detroit – A Market that Demands Attention. Retrieved April 20, 2018, from <https://us8.campaign-archive.com/?u=86be10ec7c14ea58c47c2793b&id=0563b7e859>

to make the payments for their property taxes and face foreclosures on their homes due to the lack of knowledge about programs such as the poverty tax exemption. Furthermore, comparative estimates of residential value in Detroit with other Rust Belt cities highlights the systemic effects of economic inequality, racial segregation, and financial hardships Detroit has faced in its post-recessionary recovery efforts (See Figure 6). According to the Hudson-Webber Foundation's, "7.2 Square Miles Report" highlights the concentration of positive activities in the Downtown and Midtown areas of the city. Although home values in Midtown have increased by 5 percent since 2008, this has not been sufficient to offset continued weakness in other neighborhood housing markets.²⁰

Figure 6



Source: Reese, L. A., & Sands, G. (2017, February 19). Is Detroit Really Making a Comeback? Retrieved May 3, 2018, from <https://www.citylab.com/equity/2017/02/detroits-recovery-the-lass-is-half-full-at-most/517194/>

²⁰ 7.2 SQ MI. (n.d.). Retrieved May 3, 2018, from <http://detroitsevenpointtwo.com/>

CONCLUSION

Detroit is a city that has overcome many obstacles that demonstrate its constant resilience. Against the backdrop of the largest municipal bankruptcy in history, advancements in the auto industry, strategic investments from philanthropic organizations and banking institutions, and efforts to promote an equitable and fair housing market, Detroit's short and long-term economic initiatives, policies, and programs must continue to advance comprehensive approaches to capital access that address the socioeconomic welfare of African Americans in the community.

The CBCF's Executive Economic Summits aimed at minority access to capital comes to Detroit with an understanding of the need to meet our communities where they are and welcomes the opportunity to provide necessary platforms for critical conversations, policy discussions, and networking opportunities that inform, educate, and raise awareness on the role of business as it affects African Americans and access to capital and economic opportunity.

Additionally, revitalization projects in the city must work in concert with the region's efforts to increase minority access to capital and empower Detroit's African American community:

In addition to maintaining economic growth strategies in Downtown/ Midtown, current neighborhood policies need to be continued and expanded. Policies to increase human capital throughout the city, including improving public education and expanding employment, entrepreneur training, must also be adopted.

Perhaps the most important short-term strategy is increasing employment levels among Detroit neighborhood residents. A healthy, sustainable local economy would require the number of Detroiters with jobs to grow by as many as 100,000. Even if these jobs paid \$10 an hour, they would add more than \$2 billion annually to the local economy, an amount equal to approximately half of the total payroll for all private sector jobs in the neighborhoods in 2014. This new purchasing power would generate additional demand for retail and commercial services, and strengthen the effective demand for affordable rental and owner-occupied housing,

Investing in public schools, improving public transportation, providing services to neighborhoods, and supporting development programs that provide start-up or revolving loans, entrepreneurship support, business incubators and job skill training will require substantial public resources.²¹

Economic development incentives aimed at cutting costs and increasing entrepreneurship opportunities cannot fall short of advancing efforts of racial inclusion and empowerment in order to promote a vibrant economic metropolis that was once Detroit. Minority access to capital must find sustainable mechanisms to overcome limited financial, human, and social capital deemed primarily responsible for the disparities in minority business performance across the country. Inadequate access to financial capital continues to be a particularly important constraint limiting the growth of minority-owned businesses. Bridging the gap requires targeted efforts for racial inclusion and economic empowerment in a myriad of ways that include efforts such as seed funding, networking opportunities to increase social capital in entrepreneurship, philanthropic synergy aligned with community empowerment, and sustainable, comprehensive policies at the local, state, and federal level.

STAY TUNED AND JOIN US NEXT TIME!

CBCF typically hosts approximately 200 attendees for each Executive Economic Summit. Participants include leaders in the business, entrepreneurship, and financial services sectors. Prior to the next summit, individuals interested in participating can apply to attend via an application link that will be on CBCF's website. Please visit www.cbcfinc.org for updates and more information, or contact CBCF at 202-263-2800.

Sponsorship opportunities include options to support our reception, summit program, and others related costs. For more information, please email RD@cbcfinc.org.

²¹ <https://www.citylab.com/equity/2017/02/detroits-recovery-the-lass-is-half-full-at-most/517194/>





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