

THE KRESGE FOUNDATION



The 2018 Detroit Reinvestment Index

A Measure of Detroit's Comeback



The drivers behind Detroit's recovery are as complex, diverse and multi-layered as the city itself. From large-scale industry to thriving neighborhood small businesses to entrepreneurial endeavors, the city's renewal continues to build, resulting in a more economically and socially vibrant and resilient Detroit.

The 2018 Detroit Reinvestment Index – now in its third year – measures perceptions of Detroit and the city's turn-around. In prior years, this research featured perceptions of National Business Leaders and Detroit Metro-Area Entrepreneurs. This year's survey expanded to include the views of Metro-Area Consumers about commercial corridors and retail in Detroit and these investments' role in community revitalization and development.

Confidence in Detroit's overall economic rebound remains high. The latest installment of the index illuminates a powerful increase in the strength of positive sentiment towards Detroit.

It is not a new phenomenon for national business leaders to express their confidence in Detroit's ability to recover economically, post-bankruptcy. When the Detroit Recovery Index was first initiated in 2016, 84% of surveyed national business leaders indicated that they believed Detroit could not only recover successfully, but also become a great American city again.

That confidence has further solidified over time. In the past year alone, there was an almost ten percentage point increase in national business leader respondents feeling "very confident" in Detroit's ability to recover.

This perception of Detroit's ability to recover only strengthens among people more familiar with the city. For example, the confidence rate of national business leaders was high at 84%, and it only increased among suburban respondents (88%) and Detroit residents (94%). When asked about what gave them this confidence, some Detroit residents pointed to visible improvements within the city: "The amount of new construction in the last couple years. I haven't seen that my whole life here," stated one resident. Others were quick to identify less tangible markers of progress, such as national perception, with one Detroiter commenting, "Whereas the narrative was pretty negative from national media prior to the bankruptcy, since the bankruptcy it's been more hopeful, at least, if not positive."

Growth of small business and retail activity is helping to drive this confidence. Detroit entrepreneurs overwhelmingly recommend operating a business in the city.

Generally speaking, Detroit residents currently see the city as a better place to be a consumer than ten years ago, with almost 80% indicating as such. Helping to drive this perception is, as one Detroit resident put it, an increase in "...a lot of good, small, locally-owned retail." The Detroit entrepreneur community sees this connection as well, with 93% of respondents indicating that small businesses have been at the core of Detroit's revitalization. "Detroit is a city currently thriving on unique small business. Many Detroiters seek out and prefer small local businesses to larger chains. The shops, restaurants, and night life in Detroit are as eclectic as it's people," indicated one of the entrepreneur respondents.

Supporting this burgeoning small business and local retail scene is an ecosystem of layered supports and consumer demand, leading 89% of Detroit entrepreneurs to indicate that they would recommend opening and operating a small business in Detroit. One entrepreneur summed up a common sentiment among respondents: "Detroit is having a big comeback. This city has seen much growth – this is the perfect place to start a business big or small to grow and invest with your city."

Small business and entrepreneurial supports provided within the City of Detroit have ranged from increased technical assistance to improved access to financial resources—through programs such as Entrepreneurs of Color Fund¹ and NEIdeas², for example—ultimately allowing a greater number of Detroit residents and small business owners to take part in the city's revival. As one Detroit entrepreneur indicated, "City officials and city investors are willing to work hard to bring new businesses here."

Detroit residents believe that local small businesses and strong retail offerings are essential to neighborhood revitalization.

¹ <https://www.detroitdevelopmentfund.com/products/entrepreneurs-of-color/>

² <https://neideasdetroit.org/>

Detroit residents believe that vibrant neighborhood-based retail offerings are significant elements of neighborhood revitalization. A well-functioning community, in their view, must have access to diverse, unique and authentic retail experiences. One participant relayed a point of view shared by several residents: “I think having retail, especially locally-owned retail, is an economic driver for that neighborhood. They’re owned by Detroiters, so those dollars are circulating within the city as opposed to being extracted to go someplace else.” And another adding, “The money, the effort, the jobs—everything would stay in the community,” providing for more inclusive opportunities for wealth creation.

Almost all (93%) Detroit resident survey respondents indicated that the investment in and improvement of retail districts should be prioritized to ensure a successful renaissance and recovery for the city of Detroit. At a more local level, respondents indicated that neighborhood revitalization should be Detroit’s top investment priority, to ensure continued growth and increased well-being. “If you can frequent institutions in your own community, that reinforces community pride,” one focus group participant stated.

Current commercial corridor funding approaches appear to be bearing fruit, as resident feedback on revitalization efforts to-date has been positive, coupled with an eagerness for increased and accelerated investment moving forward.

For the reasons mentioned above, nearly all Detroiters (96%) agreed that it is important to have a thriving retail district in or near their neighborhood. Survey respondents and focus group participants were also quick to identify improvements they feel are serving as bright spots in this regard.

Many local philanthropic and government funding efforts align with resident feedback and appear to be bearing fruit. Efforts like the Green Grocer Project³ have helped to leverage an estimated \$50M in investment in grocery store construction, expansions, and renovations

throughout the city. This project fills a resident-identified need as 46% of residents indicated that they would like to see more grocery stores in Detroit. When grocery stores open, the impact is felt by consumers. As one resident stated, “Between my house and my work, which is two and a half miles, there are four locally-owned [grocery stores], and they’re all Spartan-affiliated...”

Robust funding and technical support initiatives such as the philanthropy-led New Economy Initiative⁴ housed within the Community Foundation of Southeast Michigan, the City of Detroit-led Motor City Match⁵ and Invest Detroit led Strategic Neighborhood Fund⁶ all strengthen commercial corridors and their underlying small business infrastructure.

One area of the city where many of these programs have collaborated and intersected is the Livernois-McNichols corridor. Survey respondents from Detroit indicated that Livernois-McNichols was one of their most preferred retail districts, citing the authentic nature of development taking place. Said one resident, “I think a good model is that 6-Mile, 7-Mile strip on Livernois... They’ve utilized what’s already there, that’s familiar with the community. They didn’t knock it down and make everything new.”

Looking ahead, many citywide efforts—such as the new \$125M investment from the City of Detroit in commercial corridor improvements for 23 neighborhoods⁷ and the \$130M expansion of the Strategic Neighborhood Fund⁸—align well with the feedback heard from Detroit consumers, most notably the 97% who indicated that they believe it’s important to invest additional funds and resources in retail districts throughout Detroit.

Detroiters believe this additional commercial corridor investment will help alleviate two key concerns they have about their current retail experience in the city.

Survey respondents and focus group participants indicated two common areas of concern with Detroit’s commercial corridors: 1) safety and security perceptions;

³ <http://www.degc.org/why-detroit/success-stories/green-grocer/>

⁴ <https://neweconomyinitiative.org/>

⁵ <http://www.motorcitymatch.com/>

⁶ <http://www.detroitmi.gov/News/ArticleID/1268/Strategic-Neighborhood-Fund-Begins-Work-in-Detroit-rsquo-s-Fitzgerald-Neighborhood>

⁷ <http://www.detroitmi.gov/News/ArticleID/1818/Mayor-Duggan-proposes-plan-to-invest-125M-in-bond-funds-to-revitalize-neighborhood-commercial-corridors>

⁸ <http://theneighborhoods.org/story/130m-investments-coming-seven-detroit-neighborhoods>

and 2) proximity of quality retail.

Detroit still struggles with safety and security perceptions and challenges

Half of the survey's suburban respondents and one third of the Detroit respondents indicated that their perceptions on safety and security were a common challenge when considering whether to utilize Detroit's retail districts.

However, survey respondents—both suburban residents and Detroiters—indicated that the top benefit from increased investment in neighborhood commercial corridors would be greater safety and security, citing increased foot traffic and greater density. Summed up by one focus group participant: “The more people you have outside being active, it deters things like crime. It deters things like littering and people being careless with their surroundings. You're less likely to do stupid stuff when there's lots of people around. It gives people a greater sense of pride and passion about where they're at.”

Despite improvements, Detroit consumers indicated ongoing frustrations with the lack of easy access to quality retail options and basic goods

About a quarter (27%) of Detroit residents indicated that, collectively, the retail options in Detroit do not meet the needs of city residents. Focus group participants were also vocal in describing the retail gap they see in the city, indicating challenges with both ease of access and quality of product selection:

- One focus group participant summarized a commonly-held view, stating a desire for more “Stores that you have access to in any suburbanite area that you can go and cross the street and be there.”

⁹ <http://www.degc.org/small-business/neighborhood-retail-study/>

- “...when you go to the suburbs it's a bigger, better selection. That's a problem.”

As a result, over 62% of Detroiters indicated that they typically travel to the suburbs to meet their basic retail needs for items often found in big-box stores. A recent study by the Detroit Economic Growth Corporation looked at this trend in more depth and found that Detroiters spend roughly \$2.6 billion a year in area suburbs.⁹

To combat this, Detroiters see commercial corridor investment as a powerful tool. Over 50% of survey respondents indicated that they see the creation of new, high-quality retail establishments as a key benefit of increased investment in commercial corridors. Specifically, based on the survey, Detroit residents are looking for quality retail establishments that allow them to:

- Have increased access to high-quality goods and services (62% of Detroiters indicated a desire for department stores within the city)
- Meet their basic needs (58% desired more big-box retailers; 47% grocery stores/supermarkets); and
- Connect with their friends, family, and community members (47% desired more sit-down restaurants).

Across audiences—both national and local—perceptions of Detroit's ability to recover are strong. While opportunities for increased neighborhood investment remain, collaborative work is being done across sectors to lift up and accelerate neighborhood efforts. Detroit-area residents and entrepreneurs expressed excitement about the outcomes of this progress and appear hopeful about what is to come in the time ahead for Detroit.

Methodology Note: The 2018 Detroit Reinvestment Index, third in the series, measures perceptions of Detroit among three audiences: National Business Leaders (N=300), Detroit Metro-Area Entrepreneurs (N= 307) and Detroit Metro-Area Consumers (N=506.) FTI Consulting conducted a yearly tracking survey among National Business Leaders, Detroit Entrepreneurs as well as a separate survey among Consumers focusing on their retail experience in Detroit. This survey was conducted online and was launched in November 2017. FTI additionally conducted four 90-minute focus groups among Consumers who visit the retail districts throughout Detroit.

