Detroit’s post-bankruptcy redevelopment has been marred by a fragmented approach focused on short-term gains.

In 2013, after years of failed policies aimed at redeveloping the Motor City, Detroit declared bankruptcy. **Gareth Williams** *takes an in-depth look at these policies, which included the allocation of millions in municipal funding which has done little for job creation and retention, and instead has funnelled money to corporate boardrooms. He writes that the city’s redevelopment efforts have prioritised unsustainable, short-term advantages at great and increasingly apparent public cost.*

Following its decline in the 1970s and 1980s, redeveloping Detroit has been complicated by unfocused municipal leadership, a lack of direction and resources from the state, an obsession with costly “big ticket” developments and a neglect of some of the core prerequisites for economic growth: education and public safety.

Efforts to redevelop Detroit were, until the 1990s, an almost exclusively Federal and local affair. Since their inception in 1974, Detroit has received $1.85 billion in Community Development Block Grants (CDBG) from the Department of Housing and Urban Development (HUD); the 5th highest allocation of any U.S. city. Whilst intended for deprived communities, they were often channelled towards major developments within and around the city’s Central Business District (CBD). Research by Darden, Hill & Thomas found that half of identifiable, geographically targeted funding in the program’s first 7 years went to the CBD or areas contiguous with it.

Federal funds which were explicitly targeted at the city’s most deprived communities would however have to wait until swathes of the city were awarded Empowerment Zone status in 1994. The impact of these later funds is considered to have been more positive, though evaluations remain inconclusive.

Incentives which permitted the city to abate its own taxes and thereby reduce its own revenues to promote investment have represented some of the most longstanding tools available to city officials. As Laura Reese, Gary Sands and others have determined, the number of abatements granted for developments within Detroit have been relatively minimal once standardised according to its population. More aggressive deployment of these abatements by neighboring suburban areas has meant that locally granted incentives likely compounded the ongoing exodus of jobs and money to the suburbs. While the number of abatements relative to city residents was modest, their costs were substantial. Many developments funded by them have become notorious bywords for municipal profligacy.

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The Detroit/Hamtramck General Motors plant, commonly known as the Poletown plant, which required the clearance of 1,500 homes and came with an estimated public price tag of more than $200 million was only one such example. Despite the cost, it was not a notable success in terms of job creation or retention. The Poletown development generated around half of the jobs projected and with little in the way of conditionality, because of projects like it, funds continued to be redirected from increasingly strained city coffers to major boardrooms. While Mayor Coleman Young's conservative budgets reined in expanding debts during the 1970s, by the mid-1980s, this was increasingly untenable.

It was not until the 1990s that the economic incentives provided by the state of Michigan were significantly expanded. Michigan Economic Growth Authority (MEGA) tax credits, established in 1995, represented the largest of these. A refundable credit aimed at encouraging the creation and retention of high-wage and high-tech jobs within Michigan, the city's receipt of these remained limited until the full force of the automotive crisis hit. A multi-site credit of more than $1 billion to General Motors – the largest MEGA credit awarded to the city – came in 2009. Developed counties and localities were consistently greater net recipients of MEGA credits than distressed central cities such as Detroit. Once multi-site projects are excluded, the city received less than $150 million in MEGA funds.

The 1990s did represent a move forward for the city across a whole host of metrics. Poverty rates declined and the rapid pace of depopulation slowed. Detroit's unemployment rate registered improvements throughout the decade, aided by a nationwide economic expansion and the contraction of its labour force by 5 percent. This development proved short-lived and heavily dependent on broader macroeconomic trends. The rate virtually reverted to its previous high, reaching 14.2 percent by 2005 – higher than the highest national unemployment rate in recent decades.

Despite a further tranche of locally granted tax incentives aimed at revitalising its property markets throughout the 1990s, increases in assessed property values during the early-2000s were heavily tied to a housing boom sweeping the nation. These incentives would be similarly unable to shield the city's property values from the inevitable downturn. As John F. McDonald has noted on this site, while the Detroit region was not a notable beneficiary of the boom, it did benefit from a modest increase in house prices prior to the eventual and cataclysmic collapse.

The city may not have experienced the full benefits of the boom but it certainly reaped the losses of the bust. Real-term house prices in the Detroit region since 2000 saw a greater percentage decrease than Cleveland – traditionally seen as the epicentre of subprime mortgage loans. Nearly 60 percent of the 65,000 foreclosed properties in the city are now blighted or abandoned. Construction was hit hard, with permits for only 40 buildings granted in 2009.

Given the scale of the challenges and this fragmented “improvisatory” approach to economic development, many of the necessary functions were neglected. As Ed Glaeser has noted, Detroit’s redevelopment efforts “invested in structures, rather than people” and instead of putting in place the conditions for increasing its long-term potential output.

They prioritised unsustainable, short-term advantages at great and increasingly apparent public costs The gains were transient, often incidental to public policy interventions and easily reversed by greater events. While the schemes were neither substantial nor effective enough to countervail the Category 5 winds of the economic storm, they permitted city leaders to believe that salvation could come in the form of another development, instead of focusing on the brass tacks of long-term renewal.

The city spent less than 8 percent of its general expenditure on police protection in 2001-2002, despite having a violent crime rate higher than Los Angeles and New York . Persistent violent crime even facilitated the creation of a volunteer police force. Attention grabbing though sometimes misleading figures on municipal emergency service response times became infamous indicators of a city in deep distress in the run-up to bankruptcy.

The graduation rates in Detroit’s public schools were reckoned to be among the lowest in the nation, long before it received the unenvious designation of “arguably the worst urban school district in the country” from Education Secretary Arne Duncan in 2010. The percentage of Detroit Public School students graduating on time that year was 62 percent – 13 percent below the state average. The city had some of the lowest proportions of adults with a bachelor’s degree or above – estimated at only 12.1 percent in 2005. With some notable exceptions, the situation in two of the most vital services lurched from bad to worse to worst, reaching a nadir prior to bankruptcy.

Detroit’s filing for bankruptcy in 2013 brought these problems in to the sharpest relief, while its approved reorganisation plan prioritises funds to address them. Projected savings of $1.4 billion over the next decade will be directed towards public service enhancements and blight removal.

There are hopeful signs. Notable improvements have occurred in response times, with the city publicising performance on an almost week-by-week basis with the Detroit Dashboard. The problem of abandoned and decaying properties is being addressed, with almost 1600 blighted structures removed this year alone.

Michigan Governor Rick Snyder’s abolition of MEGA and similar tax credits means it will have fewer programs to work with, but, in conjunction with bankruptcy, it is spurring city leaders to address the root causes of its decline, rather than papering over the very visible cracks.

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