

University of Detroit Mercy
MCD 5020 Economic Development
Wednesday 6:10 – 8:40 p.m.
August 26 – December 16, 2019

Instructor: Ernest Zachary, Adjunct Detroit Mercy Instructor and Zachary and Associates, Inc.

Course Description

The objective of this course is to study the conditions and dynamics that historically have shaped the urban areas and to understand the means that individuals, the private sector, non-profit organizations, and all levels of government have to strengthen cities and improve the quality of life for the citizenry.

The course will rely on urban economic development theory to provide the context for understanding the resources needed and the various efforts undertaken to improve urban areas. Topics include: Principles of economic development and growth, community history and community growth potential, the importance of land, labor, capital, entrepreneurship and transportation to economic growth; the roles of the private sector and community based institutions; the importance of economic development planning and the role of data to assess proper approaches and the impact of actions; the importance of sustainability in urban areas; and the various funding sources and incentives available to urban areas.

Learning Outcomes

Students should be able to understand, appreciate and apply economic planning and development perspectives in:

- Assessing community potential,
- Initiating and/or enhancing community actions,
- Understanding the economic context and impact of actions,
- Understanding the roles of the public and private sectors,
- Implementing projects and programs, and
- Monitoring and evaluating sustainable economic growth strategies.

Textbooks

The New York Times and The Economist (both suggested) and selected articles highlighting cities, urban living and economic change will be referenced.

Background: Economic Development and Change

Economic development efforts to better the quality of life for individuals and urban societies in general require an understanding of urban history, the role of cities as repositories of culture, centers of education and health care and places of industry and commerce. These attributes, along with natural and man-made advantages, form the context for change, either for growth, future progress and development or decline.

Historically, communities have matured by substituting imports with goods produced locally, with its own resources. For the well-known author and urban thinker, Jane

Jacobs, import-replacing activity is the root of all economic development. It very often occurs from unplanned combinations of existing ideas but also from the intentional replacement and diversification the industrial base. Starting from a firm cultural foundation, individuals interact and the clashing and cross fertilization of cultural differences result in new ideas, some of which are import replacing or export producing. Wilber Thompson, another documenter of urban economics, wrote of the self-regenerative cycle of economic growth and the willingness of creative and talented individuals to create new ideas that drive internal development and expansion. This dynamic supports the expansion of existing and the creation of new goods and services, which further encourages the in-migration of even more creative and talented people.

Of course, there are times in the lives of great urban area when the export economic model experiences decline. In the past, Boston was one of the centers of shoe manufacturing, Pittsburgh was the synonymous with heavy industry and steel, Portland processed lumber and Detroit manufactured and continues to be the center of the automobile industry. Each of the cities experienced the real or threat of decline, characterized by a loss in population, an increase in poverty and dependent population rates and increases in long-term unemployment. Intentional public policy changes and the role of entrepreneurship has reversed or mitigated the decline of some cities but in others, the effort to develop and expand the city in an environment of decline has proven challenging and long-term. Economic incentives have been of some success, but more needs to be done, particularly in city neighborhoods.

Finally, it is important to understand the role of sustainability in the expansion and development of cities. Jane Jacobs recognized early the importance of mixed-use, high-density communities where one could (get out and walk). Sustainable cities are usually of higher densities, where land is utilized for the highest and best uses, where older and historic buildings are reused and more and more where building and municipal energy systems are environmentally friendly. However, it is also important to understand that in many cities today short-term market forces may not support high density development on a city wide basis and that land use strategies for both the long and short run can and should consider alternatives that promote quality of life for residents,

Course Content

- I. Economic Growth and Development
 - a. Understanding the History, Economic Base and Context of the Community
 - b. Culture and Economic Development
 - c. Gentrification
 - d. Economic Growth Models
 - e. Immigration
 - f. Case Studies: Chicago, Pittsburgh, Portland, Boston, Nashville, others

City of Detroit Planning Resource
https://detroitmi.gov/sites/detroitmi.localhost/files/events/2018-11/BFA%20NEW%20BUSINESS%20ITEMS%20%2011-7-18%20%20PART%202_1a.pdf

Wilbur Thompson, **Preface to Urban Economics**, Johns Hopkins University Press, 1967

Jane Jacobs, **The Economy of Cities**, NY: Random House, 1969 **Cities and the Wealth of Nation: Principles of Economic Life**, NY: Random House, 1985 and **Dark Age Ahead**, NY: Random House, 2004

John Gallagher, **Reimagining Detroit**: Wayne State University, Press, Irvin D. Reid Honors College, 2010

John Gallager, **Revolution Detroit**, Wayne State University, Press; 2013

Ken Greenberg, **Walking Home: The Lessons of a City Builder**: Random House Canada; 2011

Edward Glaeser, **Triumph of the City**: The Penguin Press, 2011

Alan Mallach, **The Divided City: Poverty and Prosperity in Urban America**, Island Press

Saskia Sassen, **The Global City: New York, Tokyo**, NJ: Princeton University and "Economic Restructuring and the American City", **Annual Review of Sociology**, Vol. 16, pp. 465-490, 1990. JSTOR

Richard Florida, "**America's Looming Creativity Crisis**", Harvard Business Review, October 2004, pp. 122-136.

William Grisby, Morton Baatz, George Galster and Duncan MacLennan, **The Dynamics of Neighborhood Change and Decline**, Pergamon Journals, LTD.

Bruce Katz and Jennifer Bradley, **The Metropolitan Revolution**, 2013 Brookings Institution Press

James Howard Kunstler, **The Geography of Nowhere : The Rise and Decline of America's Man-Made Landscape**, Simon & Schuster, 1994

David Maraniss, **Once a Great City, A Detroit Story**, Simon & Schuster, 2015

Global Detroit, **Mobilizing Detroit's Immigrant Potential**, 2015 Annual Report

Christopher Swope, **Smart Decline**, Government Magazine, November 2006

Joseph Cortright, **The Young and Restless in a Knowledge Economy**. Impress Consulting, 1990-2000

Coleman Young and Lonnie Wheeler, **Hard Stuff, The Autobiography of Mayor Coleman Young**, Viking Penguin, 1994

I. Sustainability

- a. Redevelopment of Land and Buildings
- b. The future role of Sustainability in city building
- c. Green Design
- d. Energy
- e. Deconstruction and Reuse
- f. Solar Tax Credits and Depreciation
- g. Water Issues – Economic Impact

Alan Mallach, **Managing Neighborhood Change**, National Housing Institute, 2008

Detroit Future City - Detroit Strategic Framework Plan, December 2012

Bloody Run Creek, A Study of Sustainable Rebuilding, University Detroit Mercy School of Architecture with funding by the Kresge Foundation, 2012

Beltline – Preliminary Report, Zachary and Associates, Inc.

LEED for Neighborhood Development Rating System Congress for New Urbanism, February 2007

Leaner Green Detroit, A Report by the Sustainable Design Assessment Team (Draft), American Institute of Architects, 2008

Detroit Water Report

https://haasinstitute.berkeley.edu/sites/default/files/detroit_water_equity_full_report_jan_11_2019.pdf

University of Michigan – Detroit Water Report

[Detroit Flows Final Presentation \(1\)-compressed \(1\).pdf](#)

III. Historic Resources

- a. Preservation, Rehabilitation, Restoration, and Reconstruction,
- b. Reasons for pursuing Historic Designation National
- c. Trust for Historic Designation
- d. Documentation
- e. State Legislation

National Register of Historic Places, **Helen Newberry Nurses Home**, Wayne County, Michigan

City of Detroit Historic District Commission, March 13, 2019, **Support the Reinstatement of State Historic Tax Credits SB 54 and HB 4100**

- IV. Economic Development Planning
 - a. Public/Private planning
 - i. Role of Government
 - ii. Role of Foundations
 - b. Neighborhood Planning and Development
 - c. Economic Impact Analysis
 - 1. Bureau of Labor Statistics
 - 2. Loveland/ US Census
 - 3. Tax Rates Federal, State and Local
 - 4. Labor Costs/Material Costs
 - d. Shift- Share
 - e. Non-profit organizations and planning; current and historic roles
 - f. Design, Code and Zoning
 - g. Need for Balance
 - 1. Housing
 - 2. Transportation
 - 3. Recreation
 - 4. Economic Development
 - 5. Entrepreneurship
 - 6. Job Training
 - 7. Land Use
 - 8. Education
 - 9. Funding
 - 10. Institutional Support – Church, Temple, Mosque

The Vital Center, A Federal – State Compact to Renew the Great Lakes, Brookings Institution Metropolitan Policy Program

Downtown Detroit in Focus: A Profile of Market Opportunities, The Urban Markets Initiative, Brookings Institution Metropolitan Policy Program, The Social Compact Inc. University of Michigan Graduate Real Estate Program, October 2006

Economic Implementation Plan for West Vernor and Bagley Avenues, Mexicantown-Hubbard Communities

Economic Impact Analysis - Garden Theater Block

Redevelopment, Detroit Michigan, Zachary and Associates. Inc. 2005

Ann Markusen, G Schrock and Martina Cameron, **The Artistic Dividend Revisited**. Hubert Humphrey Insitute of Public Affairs, March 2004

Ann Markusen, G Schrock, **The Artistic Dividend: Urban Artistic Specialization and Economic Development Implications**, Sage Publishing 2006

MainStreet Guide, National Trust for Historic Places

V. Structuring Project Financing Models

- a. Market Feasibility
Consumer Expenditures, Demographic Characteristics,
Supply and Demand factors
- b. Physical Feasibility
- c. Financial Feasibility
 1. Revenue - Configuration, Size and Rent
 2. Sources and Uses
 - a. Land Costs
 - b. Architectural / Engineering Costs
 - c. Construction Costs
 - d. Additional Costs –
 - i. Construction period Interest
 - ii. Construction Period Insurance
 - iii. Legal Costs
 - iv. Bank Costs
 - v. Other – Market and Environmental Studies,
Appraisals
 3. Proforma
 - a. Revenue
 - b. Net Operating Expenses
 - c. Net Operating Income
 - d. Taxes
 - e. Net Revenue before Debt Service
 - f. Amortization
 - g. Debt Service
 - h. Cash Flow
 - i. Debt Service Coverage
 - j. Gap Financing

VI. Project Funding for Urban Areas

- a. Capital Markets
- b. Cooperatives
- c. Crowd Funding
- d. Incentives
 1. Foundations – Areas of Focus
 - a. Midtown
 - b. Downtown
 - c. Neighborhoods
 2. DEGC
 - a. Tax Abatement
 - i. PA 381
 - ii. PA 210
 - c. Tax Increment Financing
 - d. Motor City Match

- 3. Invest Detroit
- e. Tax Credits
 - 1. New Markets Tax Credits – US Treasury - CDFI
 - 2. Historic Tax Credits
 - 3. Solar Tax Credits
 - 4. Low Income Housing Tax Credits - MSHDA
- f. Atypical Lenders
- h. Economic Development Resources
 - 1. HUD –CBDG - Home
 - 2. Economic Development Administration
 - 3. Michigan Economic Development Administration – CRP
 - 4. Foundations
 - 5. Non-Profits
 - 6. Opportunity Zones
 - 7. Other

Subjects: National Funding Resources, State Enabling Legislation and State Programs. Local Government Programs, Foundations, Non-Profit Loans and Grants, Detroit Investment Fund, Enterprise Detroit and others.

VII. Community-Based Organizations

- a. Policy and Planning
- b. Quality housing providers
- c. Economic Development
- d. Developers of last resort
- e. Encouraging entrepreneurship
- f. Providers of capital
- g. Partners with the private sector
- h. Consensus builders
- i. Team Building

Case Studies: Midtown Inc, Southwest Detroit Business Association, Grandmont - Rosedale Development Corporation, Southwest Housing Association and Tiger Stadium Conservancy

VIII. Private Development / Entrepreneurship

- a. Current Trends
- b. Importance of Market
- c. Creating / Recognizing a Market
- d. City vs. Suburb
- e. Role of the Community
- f. Role of the public sector
- g. Role of Foundations
- h. Role of Incentives
- i. Team Building

America’s Rental Housing, The Key to a Balanced National Policy, Joint Center for Housing Studies of Harvard University

Project on Regional and Industrial Economics, Humphrey Institute of Public Affairs,
University of Minnesota, March 2004

Case Studies: N’Namdi Galleries, Garden Theater Block, Joel Landy-Charlette-
Peterboro Housing, Garfield Area Housing, Brush Park, Jam Handy Propertes,

Grading Criteria

- Perceptions and Projections – 5 points
- Report on Development Resources– 10 points
- Economic Impact Analysis – 15 points
- Review and reports on subjects of class speakers and presenters – 40 points
- Performance on a final test – 30 points

Schedule of Lectures

1. Wednesday August 28, 2019
2. Wednesday September 4, 2019
3. Wednesday September 11, 2019
4. Wednesday September 18, 2019
5. Wednesday September 25, 2019
6. Wednesday October 2, 2019
7. Wednesday October 9, 2019
8. Wednesday October 16 2019
9. Wednesday October 23, 2019
- 10 Wednesday October 30, 2019
11. Wednesday November 6, 2019
12. Wednesday November 13, 2019
13. Wednesday November 20, 2019
14. Wednesday November 27, 2019
15. Wednesday December 5, 2019
16. Wednesday December 11, 2019

Disability Support Services and Accommodations

If you need an accommodation because of a disability, have emergency medical information to share, or if you need special arrangements in case the building must be evacuated, please contact:

Emilie Wetherington, Director
Disability Support Services.
McNichols Campus Library, Room 328
Email: gallegem@udmercy.edu
Phone: 313-993-1158

It is very important for students to be proactive with regard to requesting their disability accommodations every semester. Students are encouraged to have open communication with their professors. However, it is never a requirement for students to disclose their disabilities to anyone except the Director of Disability Support Services, and only if they wish to request accommodations. You must be registered with Disability Support

Services and your faculty must receive official notification from the DSS office before they can make arrangements for your accommodations.

Title IX

Concerns or complaints regarding potential sex and gender-based harassment, sexual exploitation, sexual assault or attempted sexual assault, intimate partner violence/dating violence, stalking, and retaliation may be conveyed or reported to Marjorie Lang, Title IX Coordinator, by contacting her at langma@udmercy.edu or 313.993.1802. Ms. Lang's office is located on the 5th floor of the Fisher Administration Center on the McNichols campus. You may view the University's Policy Prohibiting Sex and Gender-based Discrimination at <http://www.udmercy.edu/academics/academic-affairs/titleix/>