

**THE BEST PLACES**

JULY 18 • 2011 EDITION

SEE OUR LIST  
OF THE TOP 25  
FOR DOING  
BUSINESS

# Forbes

MAYOR DAVE BING'S

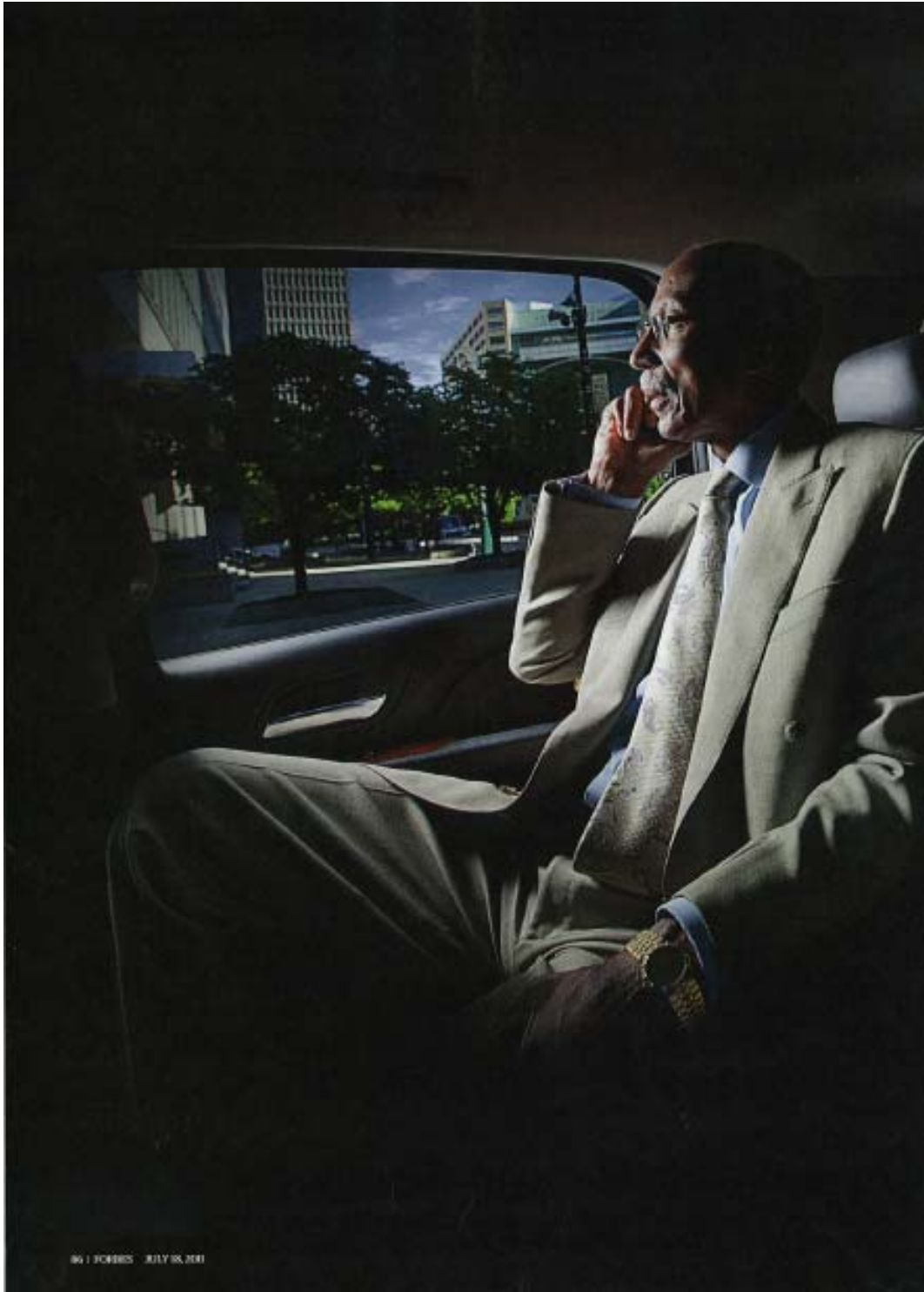
## DETROIT

IT'S FAR FROM NUMBER ONE.  
BUT TRUE BELIEVERS HAVE  
A BOLD PLAN TO MAKE  
THE CITY GREAT AGAIN.

BY JOANN MULLER

PLUS:  
STEVE FORBES TEARGASSED IN GREECE.  
A PERSONAL LOOK INSIDE THE RIOTS  
AND THE DEBT CRISIS IN EUROPE.







# CITY OF HOPE

**Mayor Dave Bing has an audacious plan for yanking Detroit back from the brink. And he is leaning on the best minds in business, government and education.**

BY JOANN MULLER

"Right now, it's all about survival," says Dave Bing, the mayor of Detroit. Bing knows a thing or two about survival—and about resurrection. Still slim at 67, Bing leans forward in his office chair at the Coleman A. Young Municipal Center in the broken heart of downtown. In a soft-spoken but fiercely candid way, he talks about the city's seemingly insurmountable problems—high crime and unemployment, miserable schools, government cronyism, urban blight, a continuing brain drain, relentless push-back against painful cuts and, above all, the debt, the mountainous debt. "It's a very big hole to dig out of," he says. But he is stubbornly hopeful, too. "I believe this city has a future—otherwise I wouldn't be doing what I'm doing, because it's a thankless job."

The son of a bricklayer, Bing has overcome multiple setbacks to surge ahead in four different careers. Though a childhood accident all but robbed him of his sight in one eye, Bing played All-American basketball at Syracuse University and went on to become an NBA Hall of Famer as a point guard, mainly for the Detroit Pistons. Turned down for a mortgage by the National Bank of Detroit, Bing decided not to boycott the bank but to work there in the off-season to learn the lending business.

When his basketball career ended in 1978, Bing turned to entrepreneurship. He spent a couple of years at Paragon Steel, then launched what became Bing Group, an auto supply outfit, with four employees and \$180,000 in loans and personal funds. Over three decades he built the business from \$2 million in sales to \$300 million-plus. "The last two years—it was very, very difficult." He sold out in 2009.

That's when Bing decided to park himself in the hot seat, winning a special election after disgraced Mayor Kwame Kilpatrick stepped down under charges of perjury and obstruction of justice. Bing's radical plan is to shrink Detroit in order to save it. Raze decaying neighborhoods and cut public services and the crushing fiscal deficit. "If there's a criticism of me, it's that I think like a businessman," he says. "I'm not a politician." Now, that's a good start.

PHOTOGRAPH BY ANDY GOODWIN FOR FORBES

## SAVING DETROIT? MAYBE THIS TIME. HERE'S WHY.

I've heard about Detroit's comeback ever since 1988, when I arrived here to write about retail, and then autos, for the *Detroit Free Press*. I'm still waiting. But I'm more of a believer this time. Why? Detroit wears a relentlessly forlorn face, ranking near the bottom of every category in FORBES' survey of the Best Places for Business and Careers, year after year. It's not a walkable city. The basics aren't easy to come by, unless you go to one of the ubiquitous Iraqi-owned "party stores" that sell cheap wine, snacks, tire brushes, cellphones—all behind bulletproof Plexiglas. Still, Detroit grows on you.

Ironically, I had my first experience with crime after I moved to Grosse Pointe, a nearby suburb to the northeast (my upstairs neighbor was a drug dealer, and the cops raided the house). I married a fellow journalist, who brags that he was "born, raised and confused" in Detroit and went to one of the star high schools. One day, taking the city bus to school, he saw a guy get shot. We're still here in Grosse Pointe, raising two girls, ages 15 and 11, and we wouldn't live any other place. We own a house that's underwater, thanks to the collapse of the real estate market. But we can also see Lake St. Clair from the kitchen. My husband just



Joann Muller

wrote a book on the recovery of the Kirtland's warbler, a songbird closely identified with Michigan that was on the brink of extinction 50 years ago. That's a fitting theme for Detroit.

So is the epic rise and fall and rise of the Big Three, which I've been covering for the better (and worse) part of 23 years. The auto industry still touches so many lives and has such a big impact on the world's economy. Now it's on the cusp of huge changes in technology and energy. GM and Chrysler have winched themselves out of the jagged crevasse they fell into in late 2008 by rethinking everything about their businesses—downsizing labor contracts, balance sheets, dealerships, production and, most important, the size of cars to appeal to fuel-conscious consumers. If automakers can reinvent themselves, why not Detroit?

Small is beautiful. Maybe, just maybe, it's salvation, too. It's on everybody's mind when it comes to the subject of saving Detroit. Talk to the leaders of business, politics, entrepreneurial creation, education, nonprofits—they're all talking compression, doing more with less, "densifying" to get back to a vibrant core around which the city can recover and expand. Will it work? Read on.

### THE CAST OF CONTRIBUTORS



#### Dave Bing

Democratic mayor of Detroit; founder of automotive supplier Bing Group; NBA Hall of Famer, mostly with the Detroit Pistons.



#### Timothy Bryan

Chief executive of Somerset, N.J.-based GalaxE Solutions, a fast-growing technology-services company expanding in Detroit.



#### Randal Charlton

Executive director of TechTown, a business incubator in an old GM engine factory near Wayne State University.



#### David Egner

Executive director of the New Economy Initiative; CEO of Hudson-Webber Foundation; civic booster.



#### William C. Ford Jr.

Executive chairman of Ford Motor; vice chairman of Detroit Lions; cofounder of venture fund Fontinalis Partners.



#### Dan Gilbert

Chairman and founder of Quicken Loans; owner of Cleveland Cavaliers; angel investor for Detroit startups.



#### Allan Gilmour

President of Wayne State University; former vice chairman and chief financial officer at Ford Motor.



#### Lou Glazer

President of nonprofit Michigan Future; opening new high schools to support the state's shift to a knowledge-based economy.



#### Bob King

President of the United Automobile Workers union; social activist promoting more cooperation, less confrontation.



#### Michael D. LaFaive

Director of the Morey Fiscal Policy Initiative at the free-market Mackinac Center for Public Policy.



#### Sergio Marchionne

Chief executive of Chrysler Group and Fiat SpA, which owns 52% of Chrysler; known for turnaround expertise.



#### Mark Reuss

President of General Motors' North American operations; leading GM's school reform campaign.



#### Roy Roberts

Emergency manager of Detroit Public Schools; former senior vice president at General Motors.



#### Rick Snyder

Republican governor of Michigan, venture capitalist and former executive with Gateway computer company.



#### Michael Tenbusch

Vice president of educational preparedness for United Way of Southeastern Michigan, GM's partner in school reform.

## FINDING HOPE

**MAYOR BING:** This city was built around people coming in, entrepreneurs from all over the world, because there was opportunity, because of the car industry, because of manufacturing. We need to encourage entrepreneurs to come back in ... because the only way the city is going to come back is through business.

**BILL FORD:** If you look at what happened to Detroit when the automobile came into being, there are probably no cities in the world that underwent such a rapid transformation and creation of wealth. It would be hard to replicate that. But I think the next 100 years for Detroit and this whole area will be about technology. ... Sync [Microsoft] is helping us with our in-car entertainment and safety systems. Google is helping us with aspects of data management and other things. ... For years there wasn't a ton of new technology going into the auto industry, and we were dealing with very traditional auto suppliers. And in just the last three years that's changed dramatically.

**SERGIO MARCHIONNE:** A lot of people last year asked us, you know, "Are you still going to be here in 12 months?" The only thing that held back the execution squad from shooting Chrysler was me. A lot of people are underestimating what happened here. You know the great thing about this country? It has the ability to learn.

**MARK REUSS:** I believe [a turnaround] can happen. ... I'm going to do everything in my power to make sure [GM] drives the change. Now, is it going to be entirely successful? That's like asking me what oil prices will be next year.

**BOB KING:** I think the U.S. auto industry is going to come roaring back, if we learn from our mistakes of the past. If not, we'll be back in the hole. For too long the U.S. government didn't support manufacturing. Detroit will be much stronger if that happens. ... Intellectual capital alone won't keep us strong.

**GOV. SNYDER:** Too often people dwell on the past, rather than recognizing that the comeback of Detroit—the entire reinvention of Detroit and Michigan—is [already] in process.

**RANDAL CHARLTON:** I had a low opinion of Detroit, but I very quickly observed, as someone fortunate enough to travel the world quite extensively, that it has an enormous number of assets sitting in plain sight that were completely underutilized. Within ten minutes of here there are 20-plus centers of scientific excellence—the Henry Ford Health System, the Mott Center, the Children's Hospital of Michigan, the Karmanos Cancer Institute, all the departments of Wayne State University. ... We [also] know how to manufacture stuff. ... Over the next ten years, as energy prices go up, as wages globally become more equalized, the incentive to manufacture more in the home market will become greater.

**DAN GILBERT:** Everybody says, "Well, we've seen *this* story before." The difference is that this is post-bottoming-out. You never had a bottom. I think Chrysler and GM filing for bankruptcy—that was pretty much it, right? When you combine that [recovery] with those of us who are pushing a change to the cultural foundation, and the governor [on board]—it's really a formula for something special to happen.

## FACING THE MOST URGENT PROBLEMS

**BILL FORD:** I was 10 and I remember flying in over the city and seeing [it] on fire. I'll never forget that as long as I live. But then my dad—all the Lions' season tickets were in a vault in Tiger Stadium, so he felt he had to go get them. There was no traffic allowed. The National Guard had control of the streets. But my dad convinced a couple of the Lions' players to meet him down at the Lions' office, which was right across from Tiger Stadium, with a van. Sure enough, the gangs came and recognized them. And they couldn't have been nicer. [They said,] "What are you doing here? Are you crazy?" And then, "We'll stand guard." And so my dad and some of the players loaded up the Lions' season tickets into a van. That's how they rescued the seats. I have a vivid recollection of my dad telling me that he was driving down I-94—it was the only vehicle on I-94 because it was closed—over 100mph and zigzagging as he went under the overpasses because people were dropping things, trying to hit his car. Looking back, that was the pivotal point for the city for the long slide that took place after that.

**MAYOR BING:** Things are much worse than I thought [before I got elected]. On the outside looking in, you knew there were problems. You didn't know the depth and breadth of the [m] until you got here. Even today, after almost two years in office, there are still a lot of things you're turning over, finding out, which are not good business practices, not appropriate. ... A big negative is the 2010 Census. We knew that we were losing population over this ten-year period, but I don't think any of us realized the size and magnitude of the loss. Detroit was north of 900,000 people in 2000, and in 2010 we are just north of 700,000. So, you know, a huge tax base left. We've got less revenue across the board to run this city and bring it back,

and it's not going to be an easy proposition because you've gotta go back to some of the same people, whether they're businesses or individuals, and continue to ask for cuts. At some point, people throw their hands up and say, "No more."

**DAN GILBERT:** It's deeply important that we get it right here because we've got generations of people moving out. The kids coming out of universities are really the wealth creators of the future. ... For us to be producing them at Michigan, Michigan State, Wayne State and, on top of it, paying for them with public dollars, [only to have] other cities benefit from their productivity, is just crazy. It's nuts.

**DAVE EGNER:** It's not just a Detroit phenomenon. Every state is going through this kind of budget problem. Most metros are on the verge of bankruptcy. Cities and school systems are on the verge of bankruptcies.

## SHRINKING THE CITY

**MAYOR BING:** Detroit is a 139-square-mile city. You could fit Boston, San Francisco and Manhattan into it. ... We've got an overhead in this city that's unsustainable. [But without] the tax revenue and the people you need, what do you do? You've got to get smaller. We've got all these abandoned [homes] that create blight and crime. So a lot of these dangerous structures we're going to demolish. By the end of this month we will have done 3,000. Next year I've got enough capital to demolish another 3,000. That's just the tip of the iceberg. We're being very strategic in terms of where we're demolishing because we've identified several

neighborhoods that are at the tipping point, that need help to make them strong. And we've got money from HUD, from the government, so that we can do that. We're not just tearing everything down. Key to our comeback is density—get[ting] as many people as you can into the areas we're going to reinvest in.

**MARK REUSS:** It's controversial because no one's done it. ... But [Bing] is right on. You have to begin with a successful core. The city is so spread out. There are pockets that are really successful ... and a lot of things are vacant or out of business. ... What we do with that land is open to your imagination.

**BILL FORD:** Our land-use issue is something we've got to come to grips with quickly. We've always had the attitude here that we'll just trash something and move on. ... We need to develop our urban areas and protect our green spaces.

**RANDAL CHARLTON:** Imagine that space filled with cherry trees, flowering pears, flowering apples. ... When Detroit was founded [in 1701], the early French, connoisseurs of great wine, said they found wild grapes growing in the area that made passable Beaujolais. ... We are actually better situated to grow really good grapes in metro Detroit than a lot of other places are.

**DAVE EGNER:** While Detroit had a 25% population loss [in the last decade], within 3 miles of the central business district there was a 59% increase in under-35, college-educated [people]. ... So if we're densifying, that's good.

There's not been a successful strategy to shrink a city in the U.S. Youngstown, Ohio was probably the first to try, and

they failed. ... [You also have to] right-size services. On a per capita basis Detroit has plenty of cops; on a per-square-mile basis it is woefully lacking in police officers. So Detroit would be a safer city and a better-served city if you shrink it, densify it.

In January three anchor tenants—Wayne State, Henry Ford Health Systems and Detroit Medical Center—launched a program called Live Midtown: If you're an employee of one of the institutions, [you qualify for] rent [assistance] of \$3,500 over two years; if you buy [a home], it's a \$20,000 forgivable loan taken up front, and if you take it over five years, it's \$25,000. ...

Now you're looking at groups wanting to start living in greater downtown and employers are becoming involved. [Gilbert says Quicken Loans is exploring similar incentives for its employees.] Because it's proven if I live within 2 miles of work, my absentee rate goes down, and the cost of me getting to work is so much better that I spend more money in the neighborhood. ... People want smaller, authentic urban living. ... The young population we've seen move into Detroit has been the lunatic fringe, the early adapters. They want to come in because it's gritty and presents opportunities you don't see in a cookie-cutter suburbia.

## HACKING AWAY AT GOVERNMENT

**GOVERNOR SNYDER:** We've had a huge restructuring on the tax front at the state level. We had an absolutely dumb tax called the Michigan Business Tax ... where, basically, even if you didn't make money, you could pay a significant amount; [if you had] two businesses making the same amount of money in two different industries, one could pay five to ten times as much.

So it's gone. ... We've replaced it with

# Urban Legend

Detroit is two tales of one city: a picture of despair and decay—and a vision of promise and opportunity.



#### MASS EXODUS:

City lost 25% of its population in ten years, especially families with school-age children.



#### LOCATION:

Access to 20% of the planet's freshwater; highways; world's busiest international border.



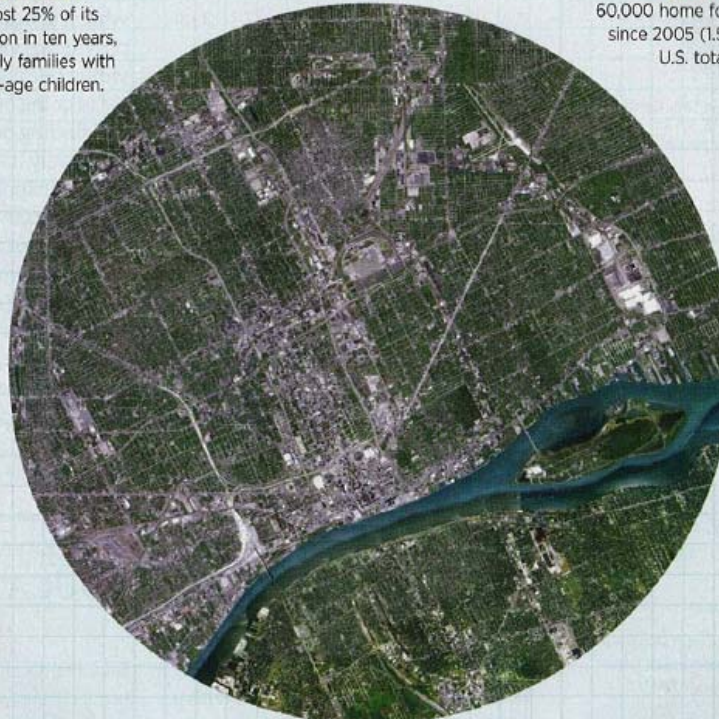
#### BLIGHT:

60,000 home foreclosures since 2005 (1.5% of the U.S. total).



#### AFFORDABILITY:

Median home price is \$83,500 vs. \$173,000 for the U.S.; office space averages \$14.79/sq.ft.; cost of living is 12% below national average.



#### UNIVERSITIES:

Proximity to three major research universities, plus strong regional colleges.



#### GLOBAL GATEWAY:

Detroit Metro Airport is Delta Air Lines' shortest route from U.S. to Asia; New Aerropolis will be a multimode logistics hub.



#### NO REGIONAL TRANSIT:

78% of jobs are 10 or more miles away. Private light rail is planned but underfunded.



#### CULTURAL ATTRACTIONS:

Detroit Institute of Arts, Fox Theatre, Motown Museum, three downtown casinos and four sports teams.



#### UNEMPLOYMENT:

12% in metro area and 19.1% in the city vs. 9.1% nationally.



#### KNOW-HOW:

Underused factories; highly skilled blue-collar workforce; largest concentration of engineers and technical workers in the world.

## THE BOTTOM FIVE

California metro areas dominate the basement of our Best Places list.

### 196. Stockton, Calif.

METRO POPULATION:

**691,000**

JOBS LOST SINCE 2007: 23,100

Stockton home prices plummeted 64% over the past 5 years, with the median price at \$155,000 last year.

### 197. Modesto, Calif.

METRO POPULATION:

**517,000**

JOBS LOST SINCE 2007: 14,800

The unemployment rate in this Central Valley region peaked at 18.9% in February 2010 and was a recent 17.5%.

### 198. Flint, Mich.

METRO POPULATION:

**426,000**

JOBS LOST SINCE 2007: 16,900

Flint's economy has contracted, on average, 3.5% a year since 2005, the second worst in the U.S. after Detroit.

### 199. Atlantic City, N.J.

METRO POPULATION:

**276,000**

JOBS LOST SINCE 2007: 11,800

The worst combo of living costs (13% above the national average) and uneducated labor (77% without college degrees) in the U.S.

### 200. Merced, Calif.

METRO POPULATION:

**258,000**

JOBS LOST SINCE 2007: 3,400

Only 11% of Merced adults have a college degree—the lowest rate among the 200 largest metro areas.

a flat, 6% net income tax for C corporations [that is, taxed separately from their owners]. ... And if you're not a C corporation—and most businesses are partnerships or sole proprietorships—there is no business tax at the state level [avoiding the double taxation of the past]. Basically you have it flow through and you pay the Michigan individual income tax, which is 4.35%, and that's a good deal. ... It's all about creating a system that's simple, fair and efficient, that's focused on job creation.

Then we had to balance the [\$46.5 billion] budget. ... We haven't had a structurally balanced budget in Michigan that didn't have one-time funds, federal funds or something, for [30 years]. ... We got it through the legislature early [with \$1.2 billion in spending cuts, mainly for cities, schools and universities, and new income taxes on public and private pensions].

**BOB KING:** The state's budget crisis is a revenue crisis. We tax corporations less than other countries. So now we're cutting taxes on high earners and corporations at the expense of public education, public services and investment in infrastructure. How can you compete in the 21st century by cutting K-12 education? It's crazy. It will ultimately destroy the economy when there's no middle class left, when the roads are crumbling and the electric power system can't support the growth of business.

**MAYOR BING:** I came into office with a \$330 million accumulated deficit over time. I was able in year one to cut it down to \$185 million. With a new governor coming in, someone with a business background, he's making some very, very tough decisions statewide that impact Detroit in a negative way. But he's doing what he has to do, and I understand and respect it. I still don't like it because revenue sharing, in par-

ticular, is being cut to the tune of about \$70 million. ...

We've had a situation in this city that goes back 30, 40, 50 years, where we're losing population and have not made the necessary cuts in government. ... It is a crisis. The only way I can balance my budget this year is to go in and cut health care costs big-time, along with pension reform. These are two areas that, if we don't fix, we will have a[n emergency] financial manager knocking on our door.

I don't want to put all the blame on the workforce. Historically, leadership in the mayor's office ... just didn't do what it should have done. ... We [still] provide services we shouldn't be providing because we can't afford it. So we're going out into the community and finding out the services people absolutely have to have—police, fire, EMS, transportation, water and sewage, trash and garbage collection. ... We are not an energy provider, but we've got public lighting. ... We are running City Airport. That's not what we should be doing. ...

I think we can come in, identify a lot of weaknesses and put fixes in place, but it doesn't happen overnight. It's going to take two or three terms—or administrations.

## RETHINKING EDUCATION

**BILL FORD:** Until the school system turns around, the city will never be what it should be.

**BOB KING:** The problem is, without strong education at both K-12 and university levels, we will not produce an educated and skilled labor force to compete in a global economy. Without good public services, we can't attract business to our region. Without investment in infrastruc-

ture, our transportation system, electrical power system and communications system can't support business growth.

**LOU GLAZER:** Michigan is 36th [in the nation] in college attainment. That's because it never mattered here. Now we're 36th in income [down from 18th] and 36th in educational attainment. We've just collapsed in the transition from a manufacturing to a knowledge-based economy. We don't have the human capital.

**MIKE TENBUSCH:** A Johns Hopkins professor studied schools nationally and found 2,000 schools where the dropout rate was 40% or more ... 73 were in Michigan, 30 of them were in southeast Michigan, including every one of the 20 neighborhood high schools in the city of Detroit, plus 10 suburban ones.

**MARK REUSS:** When we went through financial hardship, the city consolidated many schools. I went over to one and saw there were 60 to 70 kids per teacher, classrooms where they couldn't sit down and write—they had no paper and pencils—dropout rates well in excess of 50%, 60%, 70%, 80%. ... The charter schools we do have are great [the district has a plan to turn 45 academically failing schools, out of a total 141, over to charter-school operators], but we need something in addition to give a foundational skill set to other kids growing up in Detroit. That's when we partnered with the United Way ... using the GM Foundation [to invest] \$27 million to break apart some of the consolidated "dropout factories," as they're called, into 5 schools.

**MIKE TENBUSCH:** We let 30 schools apply for the turnaround challenge; 11 did so, and we funded 5 of them ... then

walked along with them. After one year we saw dramatic reductions in chronic absenteeism and signs of improvement in course promotions. And we saw a significant decrease in fights, too.

Cody High School, for example, had 1,700 kids and one principal, an untenable span of control. ... Over four years Cody is diminishing in size until it ceases to exist. Two years ago it reopened as five smaller schools; the upper school, grades 10–12, will be phased out. Starting with 100 students in each of four schools, we'll eventually have 400 in each. Each school has its own theme and principal; all the work is around personal relationships with each student. The real focus is on math, reading and writing. Class size hasn't changed: The ratio remains 1 teacher for 17 kids. ... The schools are separated by space but share the library, cafeteria, sports and extracurricular activities. They wear different uniforms. ...

Kids don't care how much you know until they know how much you care. [Teachers provide] a stable adult, a loving family figure who checks in every day. That's a big reason [kids] come to school, because they may not be getting it at home. ...

[How well are we doing?] The first freshmen class won't be taking the ACT until next year. So it's too early. The early indicators are around course promotion and attendance.

**ROY ROBERTS:** [Before I started as emergency manager of the public schools on May 4] I got a voice mail from the governor's people saying, "We'd like to talk to you about education." I didn't return the call. Later they called and said, more directly, "The governor would like to talk with you about coming out of quasi-retirement and taking on a new responsibility." So I agreed. ...

[When] I met with him in his Lansing office ... he said, There are two major problems: One, we are not educating kids to the level that they can be suc-

cessful, and two, the finances are out of kilter. ... I said [to myself], "This is a businessman who wants to get things done and get them done on time." I talked with my wife, and she said, "If we can help these kids in any way, we have to."

[With his broad new powers, Roberts is set to impose 10% wage cuts, cost-sharing on health care and 850 job cuts next year. On June 20 he and Governor Snyder announced an aggressive plan to fix the state's worst-performing schools, starting in a year, by placing the bottom 5% (39 of them in Detroit) into a new district to be overseen by Roberts but run by principals and teachers, not bureaucrats. Snyder also announced a campaign to raise private funds to guarantee kids at least a two-year college education, hopefully a four-year degree. "We're not trying just to save children and save the public school system," said U.S. Secretary of Education Arne Duncan, who blessed the new initiative. "We're trying to save the city of Detroit."]

## SPARKING STARTUPS

**SERGIO MARCHIONNE:** Detroit will always be the Motor City, given its heritage but, more importantly, because of the high concentration of expertise and research and testing infrastructure here. For sure, the auto industry does not have the virtual monopoly on Detroit's economy and identity it once did, and I applaud the efforts by the state, the region and the city to diversify the economy. ... But I firmly believe the auto industry will continue to play a huge role and will always be this city's most prominent identity.

**BILL FORD:** We're making a big bet on electrification, and we're making it here in Michigan. You're seeing LG and others come in, and that's what we hoped would happen. ...By investing in growth

areas [like] energy storage and green tech, the expectation is that it will spawn other development.

**MAYOR BING:** I still think we need to look outside the automotive, manufacturing and health care areas for our future. ... We're focusing on the creative industries—film, art, music, dance, theater—because those are the cultural parts of the city you can't get in suburbia. We have a huge investment in those kinds of facilities already in Detroit, and it's something to build on. ...

General Motors, when I first came into office, was planning to leave the city. I not only convinced them to stay, but to add another 2,000, 3,000 people. We had Blue Cross/Blue Shield, which has operations outside of the city, they've made commitments to move 3,000 of their own downtown. Dan Gilbert [of Quicken Loans] has moved about 2,000 people downtown and says he's going to bring another 2,000. ... Then you've got a technology company from out of state, GalaxE [Solutions, a health care IT company from Somerset, N.J.], committing to come here with about 500 new jobs.

**TIM BRIAN:** We selected Detroit for a number of reasons. I think it's the most affordable city in America [given] the cost of real estate and the number of individuals who are unemployed or underemployed and interested in working in IT. We'd been talking about finding an alternative to going offshore, inside the U.S. The cost structure in Detroit is within 5% to 10% of the cost of outsourcing to a place like Brazil. ... It's only an hour-and-ten-minute flight to our clients in New York. ... There are also outstanding junior colleges and universities in Michigan. They all have very

good IT departments, but 50% of their grads leave the state. ... We're seeing a clustering of IT in Detroit: You've got us, Quicken Loans, Compuware, Blue Cross/Blue Shield of Michigan. ... The experts in Detroit—programmers, project managers, business analysts—will be building the health care IT platforms of the future.

**DAN GILBERT:** We've got several things going on [downtown]. We've started Bizdom U, a nonprofit entrepreneurial academy. We pay for everything, soup to nuts, and if they pass and get through our very rigorous training, we'll fund their business [up to \$100,000] as long as they stay in the city of Detroit. ... Ten to 12 businesses have spun off already. [We] recently formed Detroit Venture Partners to fund early-stage and technology businesses. It doesn't have to be based in Detroit, but there's a bias toward that. Rockbridge Growth Equity [of which I'm a partner] funds more later-stage companies, particularly in the service economy. They just moved to Detroit and share space with Quicken Loans, which lends its expertise to [portfolio companies]. We bought the Chase building, and we're going to put 2,000 more of our [Quicken] people there from the suburbs, moving down by the fall. ... We also bought the First National Building, and plan to renovate it and bring in tenants; some may be our related companies. There's a few on the hook that are large that'll be moving in.

We haven't gone out and done the *real* market push yet. A lot of companies are coming to us because they're losing their people to other cities—because people in their 20s and 30s want to be in a cool downtown.

**RANDAL CHARLTON:** When I got \$500,000 in seed capital to set up Asterand, [providing] human tissue

samples to investigate genetic diseases, we had three competitors on the East Coast who between them had \$134 million. At issue was where we would set up, given the cost of laboratories in the area. My co-investors, Oxford Bioscience Founders, said why don't you look at Michigan? So I talked to people in Ann Arbor, Grand Rapids, Kalamazoo and Lansing. Then I came to Detroit—I have to say, the least-favorite of my venues.

But Wayne State University gave me everything I wanted: a beautiful lab space at the Karmanos Cancer Institute and access to some great research on an as-needed basis, along with help on p.r. and marketing. So we became the first tenant of TechTown [the largest business incubator in the world, right in the shadow of the old GM Building, of which Charlton is now executive director].

**MIKE LAFAYE:** Are incubators real? If government money is involved, they're primarily showpieces. If you want to improve the opportunities for entrepreneurs by giving them money you took from other entrepreneurs, there's no gain. ... The Wright brothers didn't need an incubator. [W.K.] Kellogg didn't need an incubator.

**RANDAL CHARLTON:** Wayne State has moved their tech transfer into this building. We've got AutoHarvest [a nonprofit automotive-technology sharing company], the Michigan Small Business & Technology Development Center, the Kauffman Foundation, the U.S. Small Business Administration, Bizdom U. We also have 100 mentors and a bank of interns who are anxious to work for these little companies. ...

We're laying a platform for an entrepreneurial explosion. It may not happen on my watch, but I'm convinced it's going to happen in Detroit. 