M-1 RAIL: A New Foundation for Growth in Detroit Built Upon Unprecedented Partnerships

By Laura J. Trudeau, Managing Director, Detroit and Community Development, The Kresge Foundation

In 1909, Woodward Avenue—the central spine of the Detroit, MI, USA region—became the first concrete highway built in the United States. Today, through the M-1 RAIL streetcar project, it is being reborn as a 21st century multimodal corridor. Unlike any other major transit project in the nation, however, this one is being funded and delivered through a non-profit consortium with more than $100 million in philanthropic and corporate donations. This article tells the story of how and why Detroit’s philanthropic and business leaders came together with the public sector to deliver the M-1 RAIL project; what is next for transit in the region; and what lessons the experience might hold for other communities.

M-1 RAIL: The Key Facts

M-1 RAIL is a 3.3 mile, fixed-rail streetcar project that will connect Detroit’s Downtown, Midtown, and New Center areas along Woodward Avenue—the economic, civic, and cultural core of the region. The M-1 RAIL non-profit organization was established in 2007 to lead the design, construction, and future operation of the streetcar. Construction began in July 2014, and the project is scheduled to enter revenue service by late 2016. M-1 RAIL will be operated through the non-profit organization for up to 10 years, with the ultimate intent of donating the system to the newly formed Regional Transit Authority.

As shown in Table 1, the capital costs and a $24 million operating reserve are being funded through a combination of philanthropic, corporate, and public sector commitments. M-1 RAIL is also the first transit project ever to utilize New Markets Tax Credits, which support investment in low income communities.¹

All of which begs the question: why did the philanthropic and corporate sectors come together to build a major public infrastructure project, and why this project?
Why is The Kresge Foundation Investing in Transit?

The Kresge Foundation’s mission is to expand opportunity for low income individuals in America’s cities. Transit has always been aligned with this mission, because it is about connecting individuals to opportunity. But we believe that today, investing in transit is as much about creating economic opportunity as it is about connecting people to opportunity.

Fundamentally, we invested in M-1 RAIL because we believe high-quality mass transit will be an unparalleled catalyst for revitalization and growth in Detroit. And we are committed to supporting the development of a broader regional transit system because we believe modern transit infrastructure can be the backbone for rebuilding neighborhoods throughout the city—and our region as a whole—into a more competitive, sustainable, and equitable community.

This belief is founded on what we have seen across the country, and in all the trends about how and where people want to live today. Economies are built around people, and transit is an important magnet for current residents as well as the young, talented people who represent the future of any community. Census and survey data show that college educated 25–34 year olds are choosing where to live based on these factors more than ever before—that talent is seeking place, and staying there. We also know that human capital is the most important factor in driving a city’s economic success; that employers are following their employees in these trends to compete for talent; and that growing cities create economic opportunity up and down the socioeconomic spectrum.

Perhaps most persuasively, we see these trends borne out in the real estate market, where the new mantra is “Location, location, location—near transit.” The American Public Transit Association (APTA) studied the performance of home values in five cities during the recent economic downturn and recovery, and found that properties near transit performed 42 percent better than homes outside of transit corridors. This growth is critical to rebuilding older industrial cities whose values dropped precipitously in the past ten years. The same trend appears in commercial real estate, where in places like the Washington, DC, USA region an astounding 84 percent of all office space under construction is within a quarter mile of a metro stop. All of this shows: people, more than ever, want to live and work around transit, in walkable areas rich with activity and opportunity, where they have transportation options.

Why This Transit Project?

As the City of Detroit emerges from bankruptcy, its future depends on improving opportunities for its citizens and attracting the new investment, population growth, and tax base needed to grow back to stability and prosperity. The M-1 RAIL project is central to this effort. Unlike virtually any other major American city, Detroit’s most significant economic, civic, cultural, and entertainment assets are all located along one corridor, Woodward Avenue. The M-1 RAIL line will serve and connect the region’s vibrant and growing central business district; a major research university and leading college of design; two of the Midwest’s largest and most important medical centers; three professional sports stadiums; and world class museums, cultural institutions and public spaces—including direct access to the Detroit Riverfront. The M-1 RAIL corridor is home...
to 40 percent of all jobs in the city and 15 million annual visitors—and it is already beginning to lead the city’s comeback.5

The M-1 RAIL project, in turn, is the foundation of the strategy to build on these strengths and transform Detroit’s urban core into the engine of economic opportunity that propels the entire city forward. Despite these tremendous assets and pockets of strength, there are significant gaps in development and limited transportation connections between these destinations. The lack of connectivity and walkability—combined with auto-dependent development patterns—has in turn led to a very low density of residential and retail development. Detroit’s Greater Downtown has fewer than 10 residents per acre (compared for example to 30 per acre in Center City Philadelphia, PA, USA) and has suffered from a dearth of retail stores for decades.6

By connecting the entire corridor, M-1 RAIL will serve as an unparalleled catalyst for new business, residential, and retail development. It is the lynchpin of the strategy to add 10,000 new housing units, 5.2 million square feet of office and commercial space, and attract 25,000 new residents to Detroit’s greater downtown over the next 10 years—bringing jobs and economic opportunity for Detroit’s residents and generating needed tax revenue for the city. Indeed, The Kresge Foundation’s investment in M-1 RAIL was motivated not only by the conviction that Detroit needs a 21st century transit system to compete for jobs and growth, but that, with M-1 RAIL, Detroit’s urban core can become one of the most vibrant and dynamic places to live, work, and locate a business in the United States.

**Regional Transit: The Next Frontier**

The leaders behind M-1 RAIL and all of its partners had another core motive in investing in M-1 RAIL: generating momentum for the development of the broader regional transit system that Metro Detroit lacks but so urgently needs. In this way, M-1 RAIL is both a demonstration and down-payment for what must come next: an integrated regional transit system. It is the beginning of what our region must do, not the end.

Unique among large metro areas, Detroit lacks a truly regional transit system. One bus service provider serves the City of Detroit, and another the surrounding metropolitan area. Further, many communities have “opted-out” of the suburban service, leaving many areas inaccessible by transit. In addition to these challenges with basic bus service, there is no high-capacity transit network in Metro Detroit.

After nearly 50 years of failed attempts, and with strong support from the corporate leaders behind M-1 RAIL, the Michigan Legislature authorized the creation of a Regional Transit Authority for Southeast Michigan in 2012. Planning for the regional network is currently underway, and regional leaders are eyeing a ballot initiative in November 2016 to seek the funding needed to build the regional transit network.

Few initiatives will be more important for the future of this region. In addition to the trends showing what the region must do to be competitive and grow, Metro Detroit must do a better job of connecting its residents to jobs. At the same time as having one of the most fragmented regional transit systems, Metro Detroit has the greatest job sprawl of any region in the nation. Almost 70 percent of Detroit residents work outside of the City. In recent months, the nation has been captivated by the story of a factory worker who had to walk 21 miles every day to work because of the gaps in the region’s transit network.7 Creating a high-functioning rapid transit system to connect residents to job centers, and to foster development patterns that create more jobs in transit corridors, is one of the great imperatives and tests of our time.

So our next frontier as a foundation is to do our part to help educate and build the will in the region to come together and invest in a transit plan that can be the backbone for revitalizing Detroit.
along its major corridors and creating a more competitive and connected region.

**Lessons from Our Experience**

In most ways, Detroit is working to catch up with communities that have made these kinds of investment in their future growth and competitiveness, and in enhancing quality of life and economic opportunity for their citizens. But our experience in Detroit does hold lessons for the new kind of partnerships that can be leveraged to help advance all the work that remains to be done.

As communities look for innovative strategies to make needed investments, The Kresge Foundation hopes the M-1 RAIL project can be an example of the potential for the public sector to engage in new partnerships with the business community and philanthropy. We learned a lot through this effort about collective action. First, that people from business, philanthropy, and government at the local, federal, and state levels must all listen well and demonstrate respect and understanding of each one’s unique priorities, interests and processes. Second, that persistence is paramount, and that local civic and community leaders must hold fast to their vision and help overcome the inevitable barriers. And third, that when all the parties committed to flexibility and problem-solving, we reached the turning point and truly proved that “where there’s a will there’s a way.”

What our story shows is that we are all stakeholders in the future and can do much more together to build the kind of place that creates great quality of life for all. Indeed, we are seeing signs of this, from foundation support for the operations of the Cincinnati, OH, USA Streetcar to Amazon’s support for the Seattle, WA, USA streetcar. And foundations and non-profit organizations have been advocates and funders of many efforts across the nation to ensure that our communities are able to ensure equitable transit-oriented development and affordable housing around transit, so that the benefits of these investments are very widely shared.

So while we have much work still to do in the Detroit region, we do hope there is value in our experience. And we hope that our next dispatch will be to report that our region has indeed come together to invest in the regional transit system we need. Stay tuned.

**Acknowledgments**

Jared Fleisher, JMF Consulting, Paul Childs, M-1 RAIL, and Sommer Woods, M-1 RAIL.

**References**

2 http://m-1rail.com/m-1-rail-finalized-new-market-tax-credit-funding-detroit-streetcar-project/.

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**About The Kresge Foundation**

The Kresge Foundation is a $3.6 billion private, national foundation dedicated to expanding opportunities for vulnerable people living in America’s cities. The 91-year-old foundation works with an array of grantmaking and investing tools to improve the economic, social, cultural, and environmental conditions of urban life through six defined programs: arts and culture, education, environment, health, human services, and community development in Kresge’s hometown of Detroit, MI, USA. In 2013, Kresge’s Board of Trustees approved grants and investment commitments totaling nearly $140 million. For more information visit kresge.org.

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Laura joined Kresge as a program officer in 2001, initially working on the foundation’s national facilities capital challenge grant program. She was instrumental in developing Kresge’s Green Building initiative. Laura also has worked as a senior program officer and as a program director at the foundation. A graduate of Central Michigan University, Laura is active in the nonprofit sector. She serves on the Detroit Local Initiatives Support Corporation’s local advisory board and the Living Cities program committee.