

# TECHONOMY

TECHONOMY DETROIT • SEPTEMBER 12, 2012 • DETROIT, MI

## Entrepreneurship and Detroit's Emerging Tech Hub

### Speakers:

Jack Dorsey, Chairman, Twitter, and CEO, Square  
Dan Gilbert, Chairman, Rock Ventures, Quicken Loans

### Moderator:

David Kirkpatrick, Techonomy

**Kirkpatrick:** So now we get to the really fun part, if it hasn't been fun already, which I hope it has been. So Dan Gilbert, come on up. I know you're in this room. Please join me. This double whammy of Dan Gilbert and Jack Dorsey that we're going to serve up now, I don't think you've seen anything like it. I hope it's as good as I think it's going to be. Dan is --

[APPLAUSE]

There he is. Thank you, man. He has been a big supporter of this event, I've got to tell you. I appreciate it continuing.

**Gilbert:** They were selling these shirts outside. I bought one.

**Kirkpatrick:** What do you think about us trying to do this thing in Detroit?

**Gilbert:** This conference here?

**Kirkpatrick:** Yeah.

**Gilbert:** I think it's great. I think that any time folks especially from out of town can come to Detroit, talk about technology, talk about all the great things not only things on here, but that's going on nationwide to give us some framework to what is happening, I think it's a great thing. Hopefully this is just the beginning.

**Kirkpatrick:** Awesome. You know, you told me that Quicken Loans -- you have a line about it, I don't know if I want to feed it back to you, but what kind of company you think Quicken Loans is in terms of technology. I'll just say it. You said: Quicken Loans is a technology company that just happens to do loans or something like that.

**Gilbert:** Did I say that?

**Kirkpatrick:** It's a nice line.

So that is a really good thought. And it's interesting, like MasterCard has a similar thing they say: We are a technology company that happens to just do credit cards. Chevron has been advertising that. It's a very smart way to think about any company. But it is still a quite rare way to think about companies. So if I were to summarize why we're here. We want more companies to think that way.

**Gilbert:** Absolutely. Especially a company that is not necessarily selling a physical good or something -- I think there was a panel earlier where people were talking about manufacturing, actually, the need to make things and to sit in things and look at things and to drive things. That's still a very important part of the economy.

When you're in a businesslike ours, which is the home lending business, you're really just acquiring information, curating that information and moving that information, if you think about it. Because mortgage, yes, it's true it's a loan, at the end of the day you're writing a check and there's an interest rate.

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But for us, technology has completely transformed our company -- not even transformed it, but become our company. Because what we do is we process and close loans in 3,000 counties, in 50 states out of a centralized environment. And everything moves with technology and by technology and some form of a process. The better we can get at technology -- we have, I believe, 7 or 8 hundred and growing full-time technology people right here in Detroit just on the Quicken Loans side and we're hiring a bunch more and looking for a bunch more.

So we grow through technology. What we sell is a commoditized product that's not a real physical product. So we're going to beat everybody by having a great experience for our clients, which is definitely pushed through by technology.

**Kirkpatrick:** What do you think about the idea, though, that there's hardly a company around that doesn't need to have some version of that mentality?

**Gilbert:** I believe that. I mean, I believe it's true. I think that not having the focus of your company, or whatever it is you're doing, be not on technology, not willing to invest in it is absolutely going to be a killer thing for you. If it's not going to be next year, it will be the year after or in five years.

**Kirkpatrick:** You don't mean "killer" in a bad way.

**Gilbert:** Yeah. Here in Detroit killer is a bad. You know, you don't say like -- West Coast they have certain terms. I've gotten caught that way before because people say words, and it means the opposite.

I mean killer in a bad way. It's going to hurt your company, and it's going to be a situation where you're going to wish you invested in it years ago. Because these things, even technology, although there's some things that happen overnight with it, there's still time that has to go by. You have to invest in the people and get them up to speed, and the technology doesn't happen -- I know some of our technology people are here. I know sometimes we push them like we would like it to happen overnight. But it doesn't always happen overnight. So you have to invest in it and realize it will pay off for you if you do the right things.

**Kirkpatrick:** Let's just go to something more urgently relevant to Detroit. One of the things that has blown me away, I have to say, since we started coming to Detroit and talking to your people and researching what was going on here is the incredible commitment you personally and the companies that you operate have made to the city. And I guess a lot of people who are from Detroit may have heard this before. But I would like you to explain here, for our national -- we've got a thousand people on the Livestream last I checked, by the way. Why have you made such a big set of commitments to downtown Detroit. Give us a summary. I heard somebody today say you had 3 million square feet. Last I heard it was 2 million. You must have just bought a new building.

**Gilbert:** It's actually 2 million of office space and retail. And it's a million square feet of parking, but I don't think everybody always uses parking in the square footage.

**Kirkpatrick:** No, they don't. But it sounds good to say 3. Go ahead.

**Gilbert:** It does. I think it's something like --

**Kirkpatrick:** Two is not bad.

**Gilbert:** Two, and 4,200 parking spots, which we all know in Detroit, in any big city they're always in demand, parking spots.

But anyway, our commitment really comes from two different places. One of is myself and a lot of our people, leadership, as well as people who have been at the company for a long time, and even some new folks have been born in Detroit, raised in Detroit or raised around Detroit if not in the city.

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My personal situation is my father and my grandfather were both born in the city and had small businesses in the city. So there's a definite affection for the city and huge motivation to see Detroit become something very, very special. Especially in light of what's happened here over the last several decades. So there's that the piece of it.

But the other piece of it is not so much from the altruistic standpoint. It's from a competitive standpoint, from a business standpoint. Like I told you earlier, when you asked, we are a technology company. If we were not a technology company, we are a marketing company. And maybe after that we're a lending company.

So if you want to attract the kind of brains, and a lot of them are around this area, and whether they're coming out of Michigan State or University of Michigan or Wayne State or the dozens of other great universities around here, or they're just people maybe who didn't even graduate and who also are just technology-minded folks, they want to be in an urban core. There's no secret, and it's nothing special to Detroit, that people in their 20s and 30s and coming out of the universities and elsewhere want to be in a vibrant, exciting urban core.

Our view was, look, we're not going to be as competitive to get those kinds of folks in our business if we're in a nice building in the suburbs here. It's not just going to happen, because this generation coming up and even older, that's not where we want to be. So it's two-fold.

**Kirkpatrick:** Well, I know you also have a belief that -- I mean, first of all, it's rarely been a case where one person has had the ability to sort of, or the will, to have such an impact on creating an urban core. You had an incredible pallet of raw materials here that were being seriously underutilized. But the degree to which you've sort of taken that bull by the horns, to mix some metaphors here, has been incredibly impressive. You told me on the phone about the real estate thing kind of happened almost as an afterthought. You first just wanted to be here. And then we talked about how you got to be so big in Detroit real estate after you decided to move Quicken Loans into the downtown.

**Gilbert:** We originally came down, believe it or not it's only 25 months ago. In some ways it seems like 25 years because we've all been so busy, all of us.

But we came down originally in Peter Karmanos's building, the Compuware's building, which is a beautiful building built in 2003, with another technology company there, and if it wasn't for him, there's just no way we would be down here because he helped in recruiting us and he had that great attractive building.

So just like he had that attractive, nice, newer building with a lot of action going on, that was attractive to us coming down, we felt that to continue to grow and to make sure all of our thousands of people who were in various locations in the suburbs would be excited about coming down here, we better get our hands on some of the real estate.

Now, the good news for us is there was a skyscraper sale going on. It only happens once every several hundred years or so. A few of them were on eBay. We bid them up a little bit.

But they were there. They were beautiful, older buildings, built by some great architects that just needed a little bit of love. We were fortunate enough to be in the right place at the right time. So we bought these buildings and in no sort time our great team was able to redo these buildings on the interior, we're doing some things on the exterior, some things in the lobbies and make them into something that's 21st Century technology, and we moved everybody down.

**Kirkpatrick:** So what is the next stage for downtown and Detroit more broadly?

**Gilbert:** So a lot of people ask that question a lot. And we think about that a lot. I don't necessarily look at it in terms of stages. I think that every day we're just trying to improve things. Every day we're trying to take advantage of opportunities, and inches, as we like to call it, that are around us.

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If there's other real estate that is available, we might look at that. If there's a way to convince others that have nothing to do with our businesses of why it's a great thing for you to be downtown and great for your business, we'll participate in that.

What's good and what's even a little surprising to me is how much our people right away -- and we have 6,500 people downtown here, most of them around Campus Martius -- and the way they have engaged Detroit and the community and not just what we're doing, but the other things that are happening, to me is just a testament not only to what kind of great people we have, but how if others were to come down here and join us or move parts of their organization here or open up their next new office down here, how much they're going to be ahead and how much we're all going to be ahead.

Because that's how it works. Capitalism and free markets are a great thing. When people can get in at a fairly decent price and they're not restrained from creating things, great things can happen in a short period of time.

**Kirkpatrick:** I don't know if you were here earlier when Tim Draper was talking about, you know, he's a great entrepreneur and financier and venture capitalist but he was saying we have too many rules. He was talking about a -- he didn't actually explain it quite this way on stage. But he bought this old hotel in San Jose where he's building a school for entrepreneurship. He calls it the Draper University for Heros, I think, which is a kind of funny name.

But he was telling me on the phone, and he mentioned it in a different context, that because he's changed the usage, he's got to widen the elevators by 7 inches, and that could cost him hundreds, maybe millions just to do the elevators. Because it's no longer a hotel. Now it's going to be a school. And he really was railing about the problem that he encounters and that he thinks the U.S. economy encounters with overregulation.

Now, you had said there were some instances where you bought buildings and then discovered there were some restrictions on the use you didn't expect. Is that an idea you share?

**Gilbert:** Well, look, this has been going on unfortunately in our country for way too long. What happens is that people take out the big broad brush. So some regulation of some things may be needed and may be the right thing, and 99 out of 100 people would probably agree to do it. But the problem is the folks who are sometimes enforcing these and coming up with more of them just view the regulatory environment as a broad brush and they just sweep the whole thing in and then silliness happens. Right?

I actually go through a few examples of this in our "isms" class we give every month to new team members. Chicago school system to this day requires blind kids to pass driver's education, driver's training to graduate. That's still a thing today.

**Kirkpatrick:** What?

**Gilbert:** You can look it up, go Google it, I swear it's true.

There's craziness. We have a building here, 1920-something building. I forgot what year exactly it was built. The First National Building. There are some historic tax credits that are involved in that. And they, at least initially, and still to this day we're trying to get through, but they are not allowing us to take out 1960 ceiling tiles that were put in. I don't think there's anything historic about that. We are trying to restore it back to what it looked like, but to the view of some bureaucrats or regulators, that actually looks like we're touching the building and making not it historic.

So we've got to sort of get over this kind of thing, this silliness, because it does, it eats up so much time and effort and money that otherwise would go to creating better things. I think there's a Goldilocks with this stuff. Right. Not too much, not too little. You can't have one side or the other. If you just have nothing and no rules and you have bad actors, but if you have too much, you're just crushing the good folks with the bad folks, and it doesn't do you any good either.

**Kirkpatrick:** A lot of people have been asking us why we're doing Techonomy in Detroit, and I've done a bunch of interviews about it. One of the things -- there's so many -- what was I going to say, I lost my train of thought.

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**Gilbert:** Why you came to Detroit.

**Kirkpatrick:** I completely lost it. It's the end of a long day. Listen, guys, I'm sorry, but I do have some things written down, so that helps. I'll think of it when we're in the middle of something else. But what is the one thing that Detroit needs to do that it isn't doing.

I now remember. It's basically about the pace of change. Forgive me for jumping back to my mental lapse. But we talk a lot about, that things are moving so much faster than most leaders realize, right? That's the point. And this is true for businesspeople and particularly, in my opinion, for government leaders. And I think this may be even more dangerously true in a place like Detroit.

Do you worry that with that kind of regulatory issue and overload, effectively, that you know, the things that are happening uncontrollably because of the incredible progress of technology and the empowerment that it's giving to individuals and the ability to organize things regardless of what government wants and plus the fact that some other countries understand this stuff better than we do, that those sorts of gridlock problems are going to put us in a really bad situation? I guess that's what I'm trying to long-windedly ask you.

**Gilbert:** Yeah, you know, when I was listening to your last panel here the young lady talked about what I think a friend or a sister of hers had to go through to open up a coffee shop in Detroit. That's crazy. There shouldn't have to be 100 steps or 50 steps or useless things people have to do. It should be about the ends, not the means. In other words, if the means aren't going to be any benefit to the city, the community or the business owner or the customer or anything, just because some regulation, when it's read in its strict context, expects you to do this and this, then it should be stricken and it should be gone.

Again, I think there's a balance. But it's going to have to take a different sort of philosophy, a different philosophical approach. Look, good businesses -- most businesspeople are good people. Sometimes you watch the movies and Hollywood and they characterize the corporate greedy people and stuff. Obviously there's a handful of them. But most people want to do the right thing. Most businesspeople are good actors and care about their community. And we just have to have a philosophical understanding and change that business is what creates jobs. Business is what creates the tax base. Business is what builds residential properties. Business is what creates technology.

Look, I think it's come a ways in certain areas. In certain areas it's gone the other way. But over time businesspeople are pretty adept, and they find ways around things and they figure out how to get it done, even if it takes longer and costs more.

**Kirkpatrick:** But do you agree with our argument that the pace of change is accelerating to the point that a dangerous number of leaders don't get that?

**Gilbert:** Absolutely. There's no question about it. We've seen it in industry after industry. You only have to look at the newspaper industry, you only have to look at the automobile industry a couple years back, and obviously they've come a long ways, but they had to go through a major transformation, a restructuring to get there.

So for sure. You've got to be able to make decisions probably way faster than you used to. If you paid people for the value of their judgment, especially leadership, and they're not willing to judge, then you probably shouldn't be paying them.

**Kirkpatrick:** By the way, I want to just explain the way we're procedurally we're going to do this. We're not going to take questions now for Dan because we're doing it sort of talk-show style. And when Jack Dorsey comes up, he's going to be here, we're going to do questions for both of them later, we're going to have some conversation with Dan and Jack together, which I'm looking forward to.

One of the things, Dan, that you told me, is you don't think somebody has to have a college degree to work for you. You sort of alluded to that earlier. Can you explain a little bit your thinking on that?

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**Gilbert:** Technology people are in such demand today. They're so much of a hot commodity, that if there's a technology person that is skilled at a certain part of it, whether it's a database person or a web developer or somebody who understands mobile, whatever it might be, college degree is just an irrelevant thing. If they have that skill or have the experience or have the know-how or the motivation, for us it wouldn't be something that you have to check the box. It just wouldn't be.

There is a lot of people, not a huge amount, but there's a lot of people who don't have college degrees who have taught themselves. A lot of these guys in our company today, somehow, whatever you want to call them, computer geeks growing up. They taught themselves. We will hire them in two seconds flat, without worrying about the college degree.

But if they're a Michigan State degree, we would give them more money than we otherwise would have.

**Kirkpatrick:** One of the things that did come up in the last panel was this issue of the neighborhoods versus downtown. You are practically a magician in what you've been doing downtown. I've got to say it's a very exciting place compared to what I expected, and I'm amazed.

By the way, actually, here's a question.

**Gilbert:** Was that the other one?

**Kirkpatrick:** My mind is working in a circuitous way today. But I meant to ask you this before. What are the chances -- today Apple is announcing all this stuff. What are the chances of getting an Apple Store in downtown Detroit?

**Gilbert:** It's funny you asked that. So we have on a whiteboard in several of our rooms, where we brainstorm, saying this is our wish list, right? Certainly Apple is right there near the top. We've made some inquiries. But we are doing a few other things that I wish I could talk about, but I can't, that once they get to a certain place, we will be able to put them all together and hopefully convince a company like that, which would be a great store. Plus I think the store would be just tremendous for them and be one of their top-selling stores. I truly believe that, by the way.

And there's a few others like that too. So we're working on all that. In fact, when you ask what's next, retail for us is absolutely huge, because you have a lot of folks who have this belief now that downtown Detroit is much safer than people thought it was, and they are preconceived notions. The next thing they ask, is okay, I can get over that and I believe that, and the numbers show that out, but where am I going to shop, where am I going to go get this, where am I going to go get that?

For us we're in this big-bang approach that we believe we have to do a lot of it within a short period of time. So the builders of residential can't say, nobody is going to lease my apartments because there's no retail, and the retailers can't say, Well, who am I going to sell my stuff to, there's nobody living here. So we try to do it together. I don't mean the same moment, but over a short period of time.

**Kirkpatrick:** One of those statistics that blew my mind when I first started checking out Detroit was there wasn't a single real grocery store in the city. And then Whole Foods becomes the first one. Well, that is a testimony to a changed demographic landscape, but it's still not the full solution.

So going back to the question I started at --

**Gilbert:** Well, if they were Whole Foods, they would be the full solution, right? Think about that. Right?

[LAUGHTER]

You know, just for ...

I mean, they would say that.

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**Kirkpatrick:** Well, I think they would be the solution, if they were really whole foods. Anyway, so -- but the idea -- so you're really saying that what you're trying to put together is some kind of aggregation of simultaneous, sort of retail innovations that maybe could be presented on a silver platter and maybe bring everybody in at one time kind of thing.

**Gilbert:** Yeah, and it's not just us. Capital Park is going to be developed. We met with those developers recently. They've got financing ready. I don't know if you know where Capital Park is, but it's very close here to downtown, in downtown, actually. There's a whole plan there that's going on. There's some talk of some other stuff. Just north of us, the Broderick Tower, which has nothing to do with us, is opening shortly, which is a great new residential project.

So, yes, it is us, but there's more than us, and there's more coming. That's the one thing I want to sort of express more than anything, is that there is a lot of capital around this area, in the suburbs and some in the city, that really should be put to use for their own good and for the city's good. It's going to be a great return. They are going to make a lot of money in the long run and maybe even in the medium-term run by an investment in the city.

You can feel the energy. The companies are here now, and there are more coming and jobs are coming. We are all the time trying to talk to residential developers and retailers to get as much done at the same time. Because the demand, for sure, is there. It's there.

**Kirkpatrick:** One of the things I found fantastic when I first met Bruce Schwartz, who was on the previous panel, who is working for you, he handed me his card and it said: Detroit relocation ambassador. And I thought, wow, to have an employee whose job is just to bring other people here. A nice way to think about it. So I have to congratulate you for the mind-set there.

But going back to this issue of the neighborhoods versus the downtown. How do you see that playing out over time?

**Gilbert:** I don't know if it's a versus, neighborhoods versus downtown. There is a lot of people doing a lot of really great things in the neighborhoods and engaging in the neighborhoods. Clearly there are some major challenges that are not just from the last couple years, but they are decades old challenges, if not even longer than that.

So there's some huge sort of ingrained challenges. We all know what they are. They're education and they're crime that comes from maybe not having as much education as we need to or as good of an education system as we need to.

But these are being addressed. I think the main thing here from the city of Detroit's standpoint, and with Mayor Bing and the council, is finally we are addressing the financial cloud that was overhead for years and decades that was never dealt with before. Although it's not completely addressed yet, it is finally happening and being addressed. Because without getting the city's finances in order first, none of that other stuff can start to happen and be addressed.

But our view is and our mission is downtown, the heartbeat of the city. I don't think neighborhoods could flourish in any big city without a strong downtown. I don't think it happens. I asked people to point me to one example, and nobody can.

So to me it's not mutually exclusive at all. There is a lot to be done in both places. Of course, they work hand in hand. A strong downtown is going to create more jobs for folks who will live in those neighborhoods or do live in those neighborhoods now and want to live in those neighborhoods.

**Kirkpatrick:** One of the things also that came up in the last session was this question of tension between the suburbs and the city, and the idea that it's not as bad as it used to be but it's still pretty bad. And there's this whole issue of -- I have to say, as a New Yorker, where I think we've done a really good job in New York of getting beyond some of this racial stuff, there is still a sort of a racial tension overlay to some of the politics in Detroit.

And I guess I'm curious whether you think that is going to go away in the near future? Because wouldn't that be so great for the city if there was more of a collegial working together kind of spirit here?

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**Gilbert:** So first off, I guess I'll address the suburbs and the city thing. You heard, or I heard in the past, before we were engaged in Detroit about all this suburb-city stuff. And I just, personally -- and I don't think our people either have noticed so much of that today.

We had 600 college interns in downtown Detroit this summer. They represented 157 colleges and universities from all over the United States. But still, the majority of them were from Detroit and the suburbs of Detroit. Probably 80 percent of them. So there were black people, white people, Asian people, men, women, you name it. Not only is it ever an issue. You don't even hear about that kind of stuff, the racial stuff, within our company or even around our company.

But people are focused on the same goal. People want the same things. And I just haven't noticed -- everybody had always talked to me in the past, when you get down there, you're going to see this racial thing and white and black. Maybe I'm naive, maybe I'm insulated, but when it comes to our engagement with the city or with the community or with folks that work for us or vendors or unions, we just never have seen it.

We don't see any problems with it. We don't experience it.

Now, I can't say there's nothing that goes on at any time. But we don't sort of even acknowledge it. We are all on the same page, we all have the same goal, and that stuff sort of becomes secondary and irrelevant to us.

**Kirkpatrick:** That's really good to hear. I'm glad you said that. Actually, Josh Linkner said something similar in one of the panels earlier.

**Gilbert:** Now, we have a Linkner issue, but that's a whole other thing, if that's what you want to know.

**Kirkpatrick:** You guys work pretty well together well, seems to me.