

**DEVELOPMENT OF CRIMINAL JUSTICE BUILDING
AND LOT 11**

Development Agreement, Ground Lease, Sale of 6001 Cass Avenue (commonly known as Criminal Justice Building), Sale of Portion of 445 York (commonly known as Lot 11), Perpetual Art Gallery Lease and Developer's Construction of Parking Structure

Recommendation

It is recommended that the Board of Governors authorize the President or his designee to enter into a Development Agreement, a long term Ground Lease, a Purchase Agreement for the Sale of 6001 Cass Avenue, Detroit for \$2 million, a Purchase Agreement for the Sale of a Portion of 445 York, Detroit Lot 11 to accommodate a residential condominium, a Perpetual Lease for an Art Gallery and various other agreements, as necessary, with Peter Cummings (the Developer) D/B/A The Platform, LLC and/or other legal entities, for the development/construction of mixed use residential/commercial properties, in the area designated as 6001 Cass Avenue, Detroit, MI (commonly known as Criminal Justice Building) and 445 York (commonly known as Parking Lot 11), including projects and terms as follows:

A. Development by the Developer on approximately 3.7 acres with Cass Avenue frontage

1. Residential Apartments – Redevelopment of 6001 Cass Avenue (commonly called the Criminal Justice Building) to include approximately 69 residential units, approximately 19,000 square feet of retail space and a WSU art gallery. Developer will construct the \$2.4 million, 6,000 square foot (approximate) art gallery for Wayne State's exclusive use. Wayne State will fund up to \$2.4 million towards the construction of the art gallery which will be supported with a perpetual lease. Wayne State will be responsible for its portion of defined operating and maintenance expenses associated with the art gallery space.

Resident units are also planned to border Antoinette, Cass Avenue and York Street and shall include approximately 64 apartment units and 48 condo units. The Developer will be given a right to purchase a portion of Lot #11 to support the construction of the condo units. Should this right be exercised by the Developer, the 70-year ground lease will be reduced proportionately based on the square footage of the condo parcel to the square footage of Lot #11.

The developer anticipates that the average rental rate for the apartments will be \$2,150 per month (\$2.15 psf).

2. Parking Structure - Construct parking structure on 445 York (commonly called Lot11) with approximately 543 parking spaces supported by 70 year ground lease with options for three (3) additional ten (10) year terms totaling 30 years. Within the parking structure, Wayne State will retain 220 permanent spaces throughout the ground lease term and shall be responsible for its share of defined operating and maintenance

expenses. The annual ground lease payment begins in Year 20 and includes participation of annual cash flow and proceeds derived from the sale or refinancing of all or a portion of the development.

3. Retail along Cass Avenue - Construct approximately 12,000square feet of retail space along Cass Avenue.

B. Precedent Requirements for the Parties to Proceed with the Project

1. Commitment by Developer to finance and develop 6001 Cass Avenue and 445 York into 181 residential units, a parking structure within 445 York (Lot11) capable of providing minimum 543 spaces with Wayne State's permanent use of its 220 spaces over the ground lease term, and infrastructure (utility systems enhancement, roads, etc.) to support the entire development.
2. Developer's detailed design of each of the projects to the University for Review and input before the start of construction

C. All funds received by the University from sale of 6001 Cass Avenue, the sale of a portion of 445 York and the ground lease payments of 445 York and any other source related to this project, will be used by the University to support the following:

1. Relocation of a portion of Geology's "rock collection" to Western University under a long term agreement with the balance of the collection moved to the University's Holden warehouse in space to accommodate the collection.
2. Relocation of Facilities, Planning & Management's salt bin located on Lot 11.
3. Wayne State's outside legal expenses associated with drafting the various documents associated with this development.
4. Contribution towards construction costs of art gallery space.

Background

The six-story, Criminal Justice Building, located at 6001 Cass Avenue in Detroit is a 147,500 square building designed by Albert Kahn and built in 1927. It was originally known as the Cadillac Sales and Services Building and it contained offices and a showroom. In the 1970s, it was converted into classrooms for Wayne State University's Criminal Justice program. Over the years, the building has remained vacant and has been used for training courses for the Detroit Police Department. Lot 11 is a surface parking lot located at 445York and contains 220 parking spaces.

In April 2015, Wayne State University entered into a non-binding Memorandum of Understanding agreement with developer, Peter Cummings to develop a mixed use development. Since that time the MOU has been amended to accommodate the developer's due diligence and the conceptual

design of the art gallery. Currently, the Finance and Business Operations department is steering the negotiations of a final restated MOU. It is anticipated that the restated MOU will be completed and signed prior to November 30, 2016. Approval from the Board of Governors is required to draft development documents to coincide with the MOU.

Both properties are located in the north end of Wayne State's main campus which borders the "Tech Town" area and is within two blocks of Wayne State's newly constructed Integrated Biosciences Building (IBIO). The Tech Town area is an urban research and technology business park located just north of the Edsel Ford Freeway (I-94) in the New Center area of Detroit. The Tech Town organization defines itself as "a community of entrepreneurs, investors, mentors, service providers and corporate partners" creating an internationally recognized entrepreneurial village in the city of Detroit. TechTown and its building is part of the Wayne State University system. The 12 block, 43-acre Park is located on the border of two of Detroit's most vibrant districts – Midtown and New Center. The New Center area is anchored by the Henry Ford Health System, Cadillac Place, a General Motors Building, and the Fisher Building, both of which are National Historic Landmarks. Wayne State University is nestled within Tech Town and the popular Midtown area which offers impressive cultural offerings with the Detroit Institute of Arts, Detroit Science Center, Detroit Historical Museum, the Charles H. Wright African Museum and Detroit's Main Library Branch clustered together.

Within the boundary of Antoinette Street, Cass Avenue, York Street and Second Avenue, the University owns other property in addition to the Criminal Justice Building and Lot 11 including several small gravel parking lots and 5900 Second (approximately 30,000 square foot building used to house Facilities Planning and Management's refrigeration support and storage for University departments as needed. In 2002, the University sold land adjacent to the Criminal Justice Building to Next Energy, a 45,000 square foot facility that offers specialized facilities to accelerate the research and development of alternative and renewable energy technologies. Next Energy is one of the nation's leading catalysts for alternative and renewable energy research and development.

Peter Cummings' development arm is Platform, LLC which is comprised of Peter Cummings, Mike Hammond and Dietrich Knoer and is based in Detroit. Peter Cummings is the former chairman of the Detroit Symphony Orchestra and has been active in Detroit real estate for more than a quarter century. He is the developer of Detroit's first Whole Foods Market Inc. store and the Ellington apartment building, both in Midtown. He also was responsible for the \$225 million, six-year Orchestra Place project that restored Orchestra Hall, built the Orchestra Place office building, added two new music venues to the Max M. Fisher Music Center and created the Detroit School of the Arts. Mike Hammond, a principal of The Platform, has worked for Cummings' Palm Beach Gardens, Florida based Ram Realty Services and The Related Group. Dietrich Knoer, who runs the company's day-to-day operations, brings a development and finance background that spans from Chicago and Atlanta with Hines Interests LP to London with J.P. Morgan Chase & Co., where he was a real estate investor. The development of 6001 Cass, the parking structure and additional apartments and condominiums would occur simultaneously. The apartments and condominiums

Submitted by: William Decatur, Vice President of Finance, Treasurer and CFO

will be “market rate” units. The current projection is that the apartment units would rent for approximately \$2,150 per month (\$2.15 sf).

Finance and Business Operations is currently finalizing the MOU negotiations with the developer which will include precedent requirements for the project to move forward. Most of the major terms are summarized in the recommendation section below. The two primary precedent conditions that apply to the University are the following:

1. The University will provide up to \$2.4 million towards the construction of the art gallery to be housed in the redeveloped Criminal Justice Building which will support a perpetual lease for an exclusive Wayne State University art gallery
2. The University will enter into a 70 year ground lease for Lot 11 which will be used to support the developer’s construction of a parking structure and residential units.

Attached to this recommendation is a conceptual drawing of the mixed used development.

This project is anticipated to bring more residents and retail space to the University’s north campus, which will further energize the Wayne State campus and the Tech Town and Midtown areas. Additionally, the project would serve as an important component for linking the main campus to the north campus and making the area more “walkable”. This was one of the key goals of the University’s 2020 Campus Master Plan. The development of this project in partnership with private business is in line with the University’s current Strategic Plan.