

**Board of Governors**

**BUDGET AND FINANCE COMMITTEE**

**December 2, 2016**

**Minutes**

The meeting was called to order at 11:35 a.m. by Governor Kelly in the Room BC at the McGregor Memorial Conference Center. Secretary Miller called the roll. A quorum was present.

**Committee Members Present:** Governors Kelly, Nicholson, Pollard, and Thompson; Linda Beale, Faculty Representative and Louis Romano, Faculty Alternate Representative; Zachary Rich, Student Representative, and Aaron Szpytman, Student Alternate Representative

**Committee Members Absent:** Governor Massaron

**Also Present:** Governors Dunaskiss, O'Brien, and Trent; and President Wilson; Provost Whitfield; Vice Presidents Burns, Decatur, Hefner, Johnson, Lessem, Staebler, and Wright; and Secretary Miller

**APPROVAL OF MINUTES, September 23, 2016**

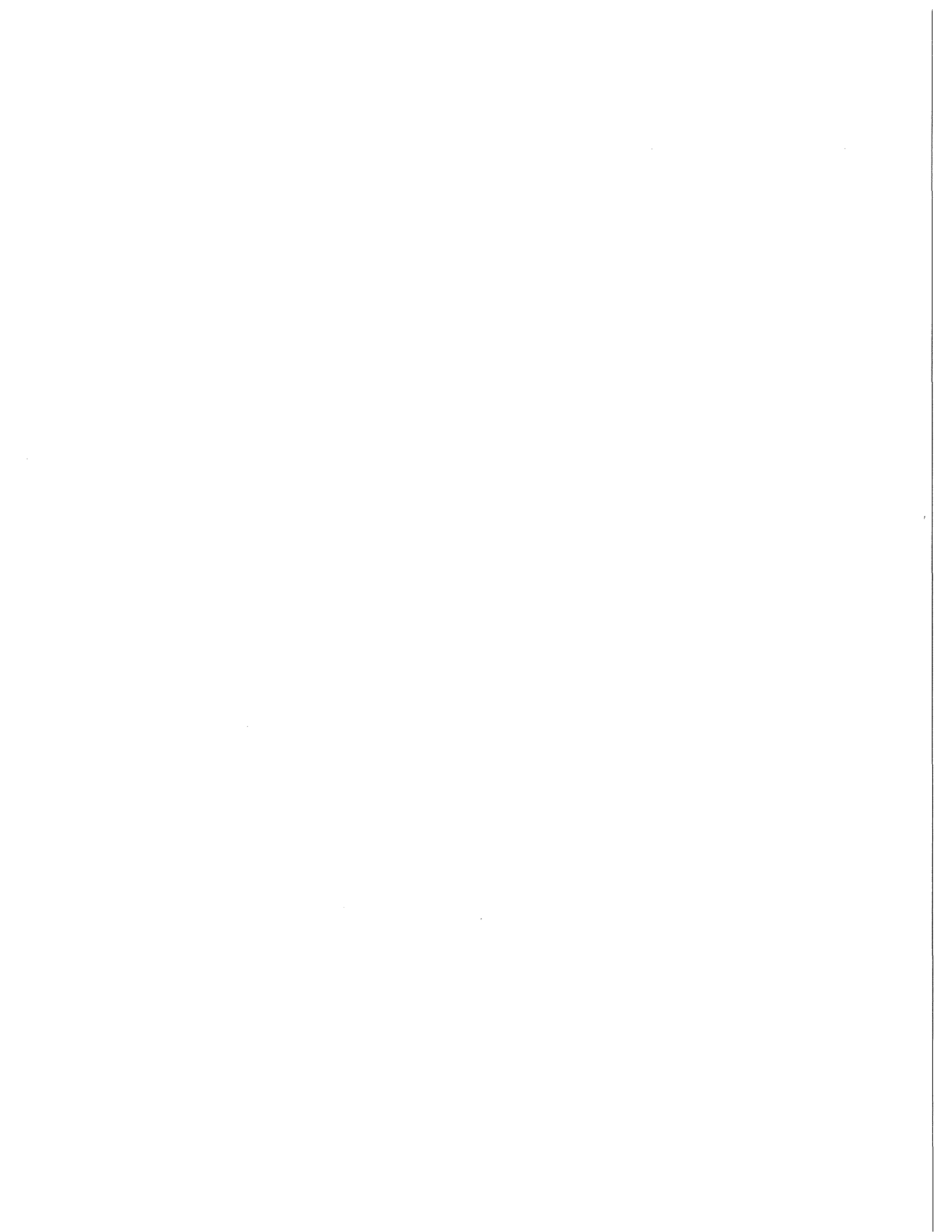
**ACTION:** Upon motion made by Governor Pollard and supported by Governor Thompson, the Minutes of the September 23, 2016 meeting of the Budget and Finance Committee were approved as submitted. The motion carried.

**CONTINGENCY RESERVE**

Vice President Decatur advised that there had been no activity in the contingency reserve since the last meeting.

**MAJOR CAPITAL PROJECTS – INFORMATIONAL REPORT**

Vice President Decatur provided an informational report on Major Capital Projects and commented on two of the projects. The Thompson Home conversion project is back within budget and proceeding on schedule. The electrical infrastructure conversion project moved from PLD to DTE, who shifted significant amounts of the work into the second year. With that change, about 30% of the work will occur in the next calendar year and the balance the year after, which will create challenges in terms of the amount of activity going on on campus two years from now. The impact of this schedule is being studied.



Professor Romano noted that the capital request that usually goes to the state was part of the Board record and asked if it was given to the Budget committee. He also asked if there were changes to be submitted to the Board and to the Budget committee and asked what was actually given to the state? Vice President Decatur noted that it may have been an oversight and that they would bring it to both groups. He advised that the STEM building project was rated one of the top 3 and was included in the Governors' Budget and the House Budget. Senate funding for that project didn't come out of Conference committee. It has been resubmitted to the state. Professor Beale urged that the administration make a special effort to insure faculty input and consultation ahead of time for capital planning projects. Vice President Decatur stated that he, along with the Provost, established a Budget Planning Council with Dean, student, and faculty representation with the intent to establish a similar facility planning group with key stakeholder input, including faculty. Governor Pollard asked about construction that was going to start over at Thompson House and the status of construction materials for upcoming projects. Governor Decatur asked Harry Wyatt, the interim Associate Vice President for facilities, whether or not there were anticipated shortages of materials with construction season coming up. Interim AVP Wyatt answered no in regard to the Thompson House and stated that he was not aware of any major delays due to shortages of construction materials at this time. Professor Beale noted that past capital project plans or Board Reports were not searchable and encouraged that documents for the Board and documents that the university presents to the state when they're available on the website be made available in a searchable form. Secretary Miller noted that it was the first time hearing that there was a problem searching documents. She was unaware of the difficulty, but will check into the format in which documents are sent and then posted. She will contact Darren Hubbard, AVP and CIO, and discuss this concern and possible solutions.

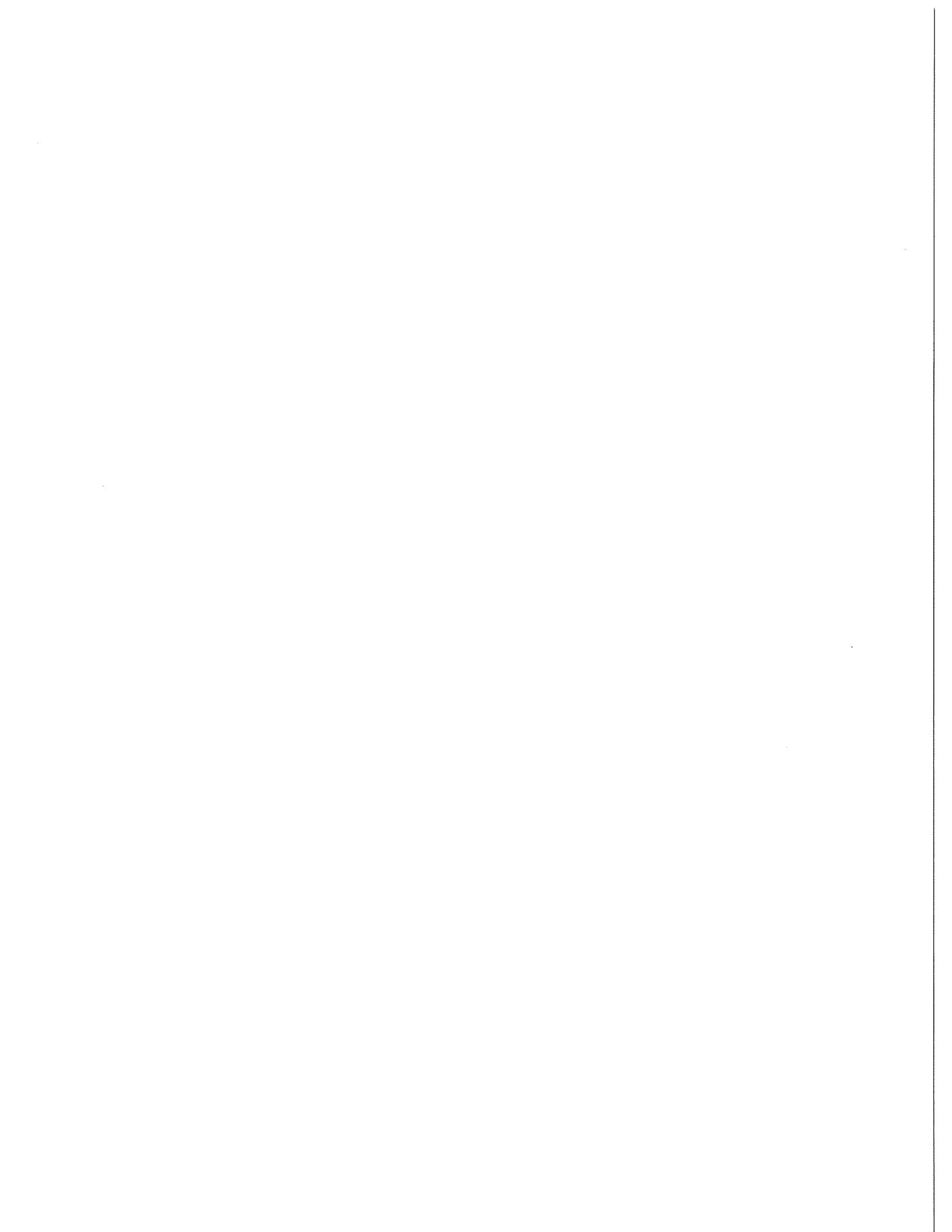
#### **DEVELOPMENT OF CRIMINAL JUSTICE BUILDING AND LOT 11**

Vice President Decatur presented an overview for approval of the proposed terms and conditions of an agreement with a private developer to develop the old Criminal Justice Building.

The project has been in development for more than two and a half years. The Criminal Justice Building had been moth balled for a number of years and had recently been used for storing rocks for the geology department. To the south there is a surface parking lot, which is also part of the proposed deal. The project proposes to convert the Criminal Justice Building into 69 residential apartment units and will include retail space on the ground floor, and an art gallery. A parking deck is also part of this project, which provides that the university does not lose any parking capacity. Surface lot spaces will be traded for deck spaces at no cost to the university for the construction of this deck. The King Book Store is not part of this project. Neither the university nor the developer were successful in acquiring that site.

The specific terms are that university will sell the Criminal Justice facility, 6001 Cass Avenue, for \$2 million. The building will be redeveloped into the residential units, include 20,000 square feet of retail space, of which 6,000 is earmarked for an art gallery on the street level. The College of Fine, Performing and Communication Arts will manage the Art Gallery..

The ground lease of Lot 10, currently a surface parking lot with 220 spaces, will be a 70 year ground lease with 3 renewal options, for both the university and the developer. Lot 11 will be used to support the construction. The developer is looking at the potential to include



condominiums as part of this project. Ground lease payments begin in year 21 at \$121,000 a year through the balance, delayed because the university is not contributing any capital to the parking deck or to this development.

The developer will construct and manage the 543 spaces in the parking deck. Wayne State will have a permanent right to 220 spaces within the deck that it can use as it sees fit. The university can lease them, or sell them on a daily basis. This will be a revenue stream for the university. The university will be responsible for a share of the defined operating and maintenance expenses, since it will own 220 spaces. The university also retains the right to lease an additional 50 spaces, and if it exercises that right at some point because there is demand, the university will pay at a current market rate for those spaces.

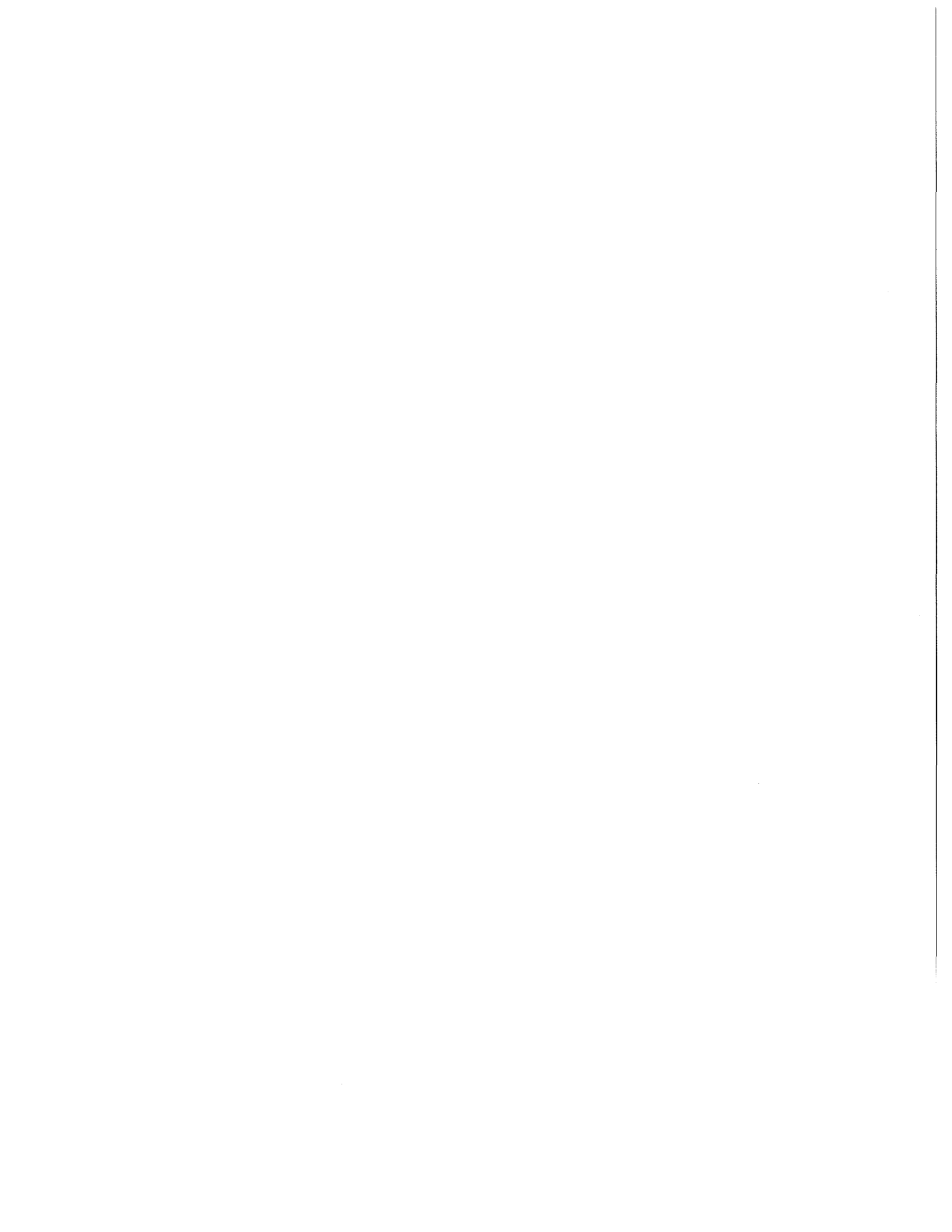
In terms of the art gallery on the first floor of the Criminal Justice Building, the university has a perpetual lease, meaning as long as it is used as an art gallery, there are no lease payments at all to the developer. The art gallery itself is expected to cost \$2.4 million to construct with a set target of at least a million dollars in privately raised funds. The balance of this will come from the sale proceeds of selling the Criminal Justice Building to the developer.

Construction of all parts of this project, including the parking structure, the apartments/condos, gallery and retail space will go on concurrently. If approved, negotiations for all related contracts will begin immediately. The MOU is binding once the Board of Governors approves and the necessary documents have been executed. The apartments and condominiums will be at market rate and are not being targeted for our students, but to our faculty, professionals, staff. The university retains an option to repurchase the building and parking lot if this project or construction hasn't commenced within 18 months.

Governor Kelly asked what the parking demands would be in addition to what we had right now. Vice President Decatur noted that a parking study was done a year earlier because with the future development of the whole tech town area, and the filling of iBIO, the University wanted to make sure it would be able to accommodate the needs. The consultant interviewed all of the businesses and interests in the whole TechTown area, not just the university, and the projection was that there would be sufficient parking in place through this development and projects currently planned. When future additional construction occurs, parking would exceed the current capacity, and an additional parking deck on one of our surface lots may need to be considered. That's a number of years out in the future. Governor Kelly asked that if the Board approved the requests, could they expect a report back at least at that 18 month period on whether it's go or no go. Vice President Decatur agreed noting that this was a significant project and one the Board would hear reports on regularly.

Governor Kelly asked that the parking lot lease be written to state that those 220 spaces be clearly listed as Wayne spots that others couldn't park in, people in the condos for example. Vice President Decatur agreed. Governor Kelly called for discussion.

Linda Beale, Faculty Representative noted that it might have been nice to know about this project a couple of years ago and to hear the discussions about whether the university should develop this ourselves. Governor Kelly whether the project was appropriate for faculty involvement. President Wilson noted that the Criminal Justice Building was going to be torn down several years ago. Vice President Decatur noted that it had been empty for 2 decades. President Wilson continued that he was pro-faculty involvement but disagreed that everything had to be discussed with the faculty, and that the project became possible through a number of different discussions. He, along with Vice President Ned Staebler, tried to get various



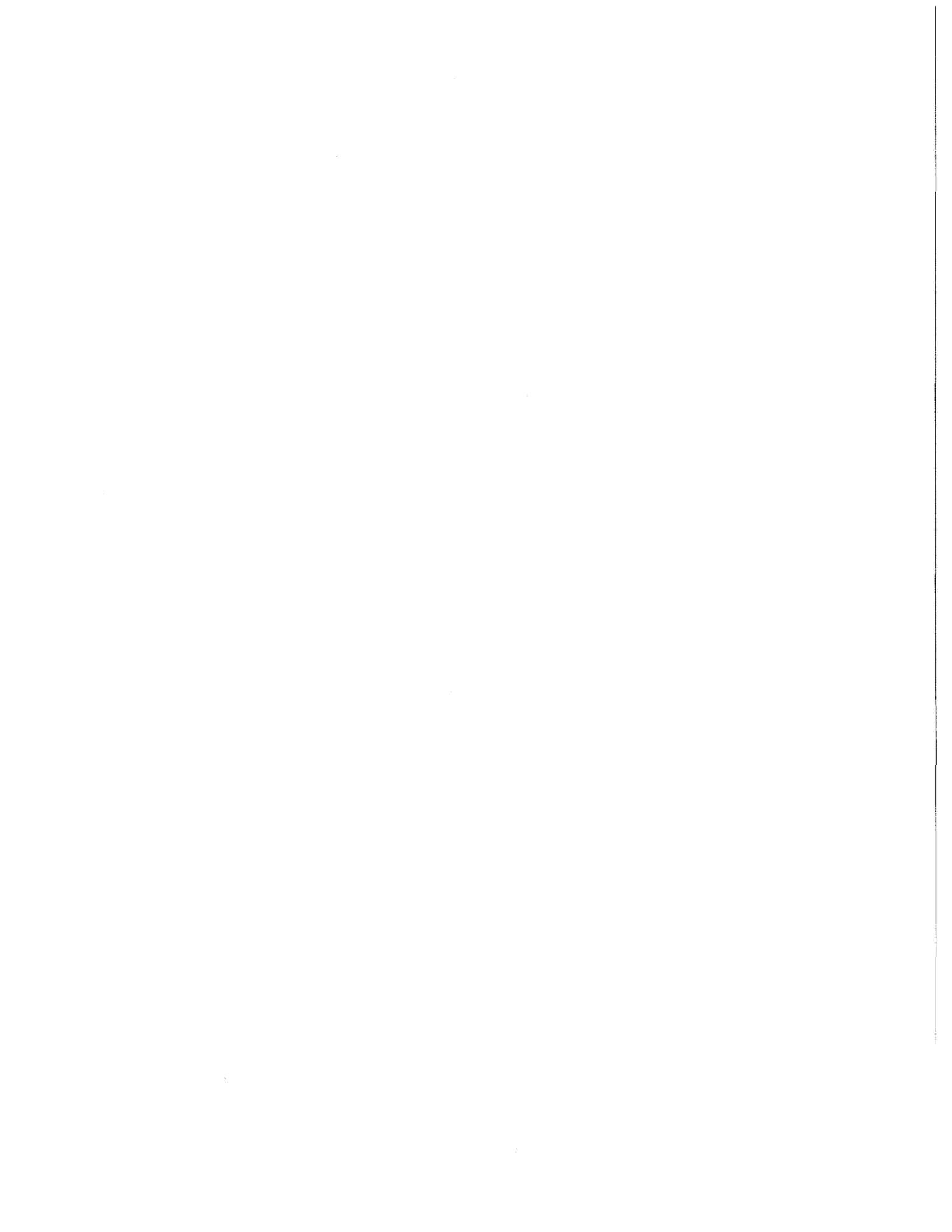
people interested with little success until the current development partner expressed interest and accepted the project with the conditions of keeping that restoration, the parking issues and the art gallery. Governor Kelly asked what the Board policy was at that time. President Wilson noted that there exists no Board policy about taking every action to the faculty. Professor Beale clarified that she did not ask that every detail be discussed with the faculty but perhaps a meeting 2 years ago noting the deterioration of the Criminal Justice Building, that they were looking for options, and what kind of fundraising to support the gallery would help the university save money. President Wilson stated that in terms of the master plan for capital projects, the faculty was now being engaged. He did not believe that it was a misstep on the administration's part to not involve the faculty in the early stages. Governor Dunaskiss noted from a historical perspective, the Criminal Justice building had come up for discussion several times over the past 20 years and was not a new concern.

Governor O'Brien asked for the number of surface lot parking spaces that were currently on the proposed construction site. Vice President Decatur noted there were 220 spaces and that it was the same number noted in the deck. Governor O'Brien noted that before realizing fundraising money to recoup some of the cost, there was going to be \$400,000 to build an art gallery and asked if the 220 parking spaces will be monetized? Vice President Decatur agreed and added that this project will add restorative value to the other properties Wayne State owns around that area.

Zachary Rich, Student Representative, noted that the students were completely behind the project and in regard to the art gallery, he asked about operations including the hours, admissions fees and accessibility. Vice President Decatur noted that those details had not been worked out as yet. President Wilson advised that there had been no discussion on fees but always considered in terms of an art gallery that it would be free for enjoyment. Peter Cummings, the university's partner in this project, is known to Wayne State and cares a lot about it, agreed to help raise the first \$250,000 and made a commitment to continue to help in terms of raising additional funds. The working assumption was there was not going to be a fee as \$250,000 of the million needed had already been raised. President Wilson noted that he and Vice President Susan Burns already had some prospects in mind who had expressed an interest in supporting the arts in that area. Governor Kelly noted that she understood that the University is not able to display the art collection it currently has and that it would fill the projected gallery space easily and that it did not compete with the DIA's collection.

Professor Romano responded to President Wilson's earlier comments by saying that since this was a very interesting project and was going to involve the art collection and a lot of things that the faculty cared about, that it would have been a good process to have some input that would benefit not just the faculty, but the entire university community. He noted that he hoped that the faculty would be consulted on budget matters in the future. President Wilson reaffirmed that he stood by comments made earlier on the matter.

**ACTION:** Upon motion made by Governor Kelly and supported by Linda Beale, the Budget and Finance Committee recommended that the Board of Governors authorize the approval of the proposed terms and conditions of an agreement with a private developer to develop the former Criminal Justice Building, which was the Cadillac Building, and the block south of there, which is Lot 11. The motion carried.





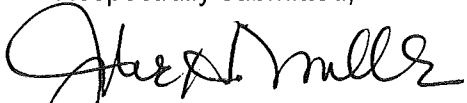
**PURCHASING EXCEPTIONS**

There were no questions on the report on purchasing exceptions, which covered a period of several months.

**ADJOURNMENT**

There being no further business, the meeting adjourned at 12:14 p.m.

Respectfully submitted,



Julie H. Miller  
Secretary to the Board of Governors

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