

Submitted by: William Decatur, Vice President, Finance and Business Operations

**FY 2018 - MAJOR CAPITAL PROJECT
Wayne State University Projected Expenses Related to Criminal Justice Building (6001
Cass) and Lot#11 (445 York)**

Recommendation

It is recommended that the Board of Governors approve and authorize the President, or his designee to proceed with project expenses associated with 6001 Cass and 445 York, commonly known as the Criminal Justice Building and Lot#11.

Wayne State's projected financial obligations under the executed Memorandum of Understanding and forth coming project documents to support expenses on behalf of the University shall not exceed \$3,520,000.

Funding for the project expenses will be provided from University Cash Reserves to be partially offset from the sale of 6001 Cass Avenue and the sale of 445 York and ground lease payments.

Background and Project Description

In December 2016, the Board of Governors approved a Memorandum of Understanding which supports a Development Agreement, a Purchase Agreement for the Sale of 6001 Cass Avenue, Detroit for \$2 million, a long term Ground Lease for 445 York, a Purchase Agreement for the Sale of a Portion of 445 York, Detroit to accommodate a residential condominium and 543-space parking structure, a Perpetual Lease for a WSU 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 and 445 York, Detroit, MI.

Redevelopment of 6001 Cass Avenue is 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 design and 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.

Residential units and retail space are also planned to border Antoinette Street, Cass Avenue and York Street and shall include approximately 64 apartment units, 48 condominium units and approximately 12,000 square feet of retail space.

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A 543 unit parking structure is planned for 445 York of which 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.

With the development of the 6001 Cass and 445 York, Wayne State committed to perform certain tasks, which require funding through the present to September 2018.

The University's financial obligations stated below are listed in order of their occurrence:

1. **Outside Legal Fees.** Wayne State engaged Munday and Lewis to draft the Memorandum of Understanding and related development documents with legal expenses estimated at \$125,000. Funding is needed from the present to 2018 to support the completion of the development documents through execution.
2. **Relocate Geology Rock Collection.** The Geology Department has housed its Rock Collection at the Criminal Justice Building over a number of years. Last year in contemplation of a sale, WSU's Geology Department entered into an agreement with Western University and a portion of the rock collection was moved to Western. The balance of Geology's rocks will be moved to the University's Holden warehouse. A request of \$32,000 is being made to fund the moving costs to Western University.
3. **Fiber Relocation.** Fiber and connectivity at the Criminal Justice Building supports TechTown and portions of Wayne State's campus. Per the developer's request, Wayne State University will remove its existing fiber at the Criminal Justice Building and relocate the fiber nearby. Final location is pending in-market bids. Please note this project will occur in two phases:
 - Phase 1:
 - a. Relocate fiber, while leaving a 'pathway' in place for fire and public safety monitoring at Criminal Justice until such time that the Developer is actively managing the building. It is anticipated that a total of \$100,000 is needed.
 - Phase 2:
 - b. Wayne State will be required to establish network connectivity and install network equipment to the WSU art gallery housed at 6001 Cass and its 220 spaces within the parking structure at 445 York. The connectivity will support OneCard access, security, parking gates and WSU Public Safety operations. It is anticipated that a total of \$250,000 will be needed prior to September 2018.
4. **Relocate Salt Bin.** The University's salt bin is currently located on Lot#11. With the development of Lot#11, Wayne State will relocate the salt bin behind 5743 Woodward, Facilities, Planning and Management's Grounds and Foundry Building. The cost to disassemble and relocate the salt bin is estimated at \$26,000 and is needed.

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5. **WSU Art Gallery – \$2.4 million.** Wayne State agreed to contribute up to \$2.4 million towards the design and construction of a 6,000 square foot art gallery. It is anticipated that the \$2.4 million will be needed between the last quarter of 2017 and the first quarter of 2018.

All contracts to support the University's obligations associated with this development will be awarded in accordance with University policies and procedures.

Project Budget

Funding Sources	
Sale of Building	\$2,000,000
Development and Fundraising	\$500,000
General Fund	\$1,020,000
TOTAL Sources	\$3,520,000
Expenditures Plan – Present to September 2018	
Outside legal fees	\$125,000
Relocate Geology Rock Collection	\$32,000
Fiber Relocation – Phase 1	\$100,000
Relocate salt bin	\$26,000
Design and Construction WSU art gallery	\$2,400,000
Fiber Reconnection Phase 2/ WSU Public Safety operations	\$250,000
Sub-Total	\$2,933,000
Contingency (20%)	\$587,000
TOTAL Expenditures	\$3,520,000