

**AUTHORIZATION TO GUARANTEE BANK LINE OF CREDIT
AND/OR OPERATING LOAN
for
The Wayne State University Research and Technology Park**

Recommendation

It is recommended that the Board of Governors adopt the attached resolution authorizing the President and/or the Treasurer to cosign an operating loan or to sign documents for the University to guarantee a line of credit and/or an operating loan in an amount up to \$500,000 for the Wayne State University Research and Technology Park in the City of Detroit (the Park), conditioned upon the University approval of the Park's operating budget, the execution of an agreement between the University and the Park regarding security, and approval and review of drawdown and disbursements of the loan and uses thereof.

Background

Wayne State University in cooperation with other organizations including General Motors Corporation, Henry Ford Health System, the City of Detroit, New Center Council, Inc. and other community organizations has been working for the past two years to establish a research and technology park in an area just north of the main campus.

The organization to manage and operate the park has been incorporated in the State of Michigan as the Wayne State University Research and Technology Park in the City of Detroit (the Park). The Park has filed application with the Internal Revenue Service for tax exempt status under Code 501(c)3. The purpose of the Park is to provide a comprehensive support environment for companies engaging in leading edge technology in biological and life sciences, engineering, and manufacturing and information services, as part of a continuing initiative to revitalize the "New Center" area, a particularly blighted urban community located adjacent to the University's main campus in the City of Detroit. By making facilities and support services available to start-up and emerging high-tech and research-oriented businesses at a competitive rate, the Park hopes to accomplish the following: (1) encourage further economic development in the area around the Park, alleviating poverty and related problems in that area; (2) enhance the research and educational missions of the University; and (3) facilitate interactions between entrepreneurs, the academic community and the Detroit business community, to the benefit of each.

The Park's initial project will be to establish a collaboration center, including quality multi-tenant space, wet laboratory space, dry laboratory space conference facilities, common reception, shipping and receiving, technology acceleration space with on-site business assistance offices and high-speed voice and data connections. The collaboration center will be located in a building at 440 Burroughs.

The Park has already entered into a SmartZone Agreement with the State of Michigan's, Michigan Economic Development Corporation (MEDC) for the establishment of the research and technology park in the State's designated Woodward Corridor SmartZone in Detroit. Part of the agreement is a \$2 million grant to the Park to assist in the capital

renovation of the 440 Burroughs building. The City of Detroit has already established a Tax Increment Financing (TIF) district for the purpose of capturing property taxes to be used to assist the Park with the cost of renovating 440 Burroughs. In addition, the Park has been designated by the City of Detroit to receive a \$5 million Detroit Based Initiative Grant to be used to assist Detroit based businesses. Up to \$500,000 of the grant can be used for facility cost and up \$600,000 can be used for administrative support over a three year period. The Park has also been designated by MEDC to receive a \$400,000 Business Acceleration Grant. A significant portion of this grant can be used for administrative support.

Recently, MEDC announced that its NextEnergy Project and corporation would be located in the research and technology park. It is expected that NextEnergy will invest and expend over \$50 million in the area during the first three years of the project.

The Park has selected an architect/engineering team to design the renovation of 440 Burroughs and a preliminary program statement and budget has been developed. A construction manager is expected to be named soon. The Park also expects to announce the appointment of an executive director very soon.

As indicated above, the Park has identified and secured some funding that will support a significant part of the administrative and operating costs for the first few years. After the collaboration center is prepared, it is expected and projected that rental income from leasing out the office and lab space will help support administrative and operating costs. And it is expected and projected that additional grants and gifts will be secured from governmental agencies and private foundations in sufficient amounts to, in conjunction with the other monies, completely fund the administrative and operating costs. It is anticipated that for the first year or two, funding from all these sources will not be sufficient to cover all the cash flow needs for administrative and operating costs. Therefore, there is a need for a bank line of credit and/or an operating loan against which drawdowns can be made to cover temporary cash flow needs, especially during the first few years. However, the Park will not have the credit worthiness to be able to secure such a line of credit or loan without a guarantee by some other organization. Therefore, the Administration is recommending that the University provide such a guarantee for a line of credit or loan, in an amount up to but not exceeding \$500,000, for the Park.

Such loan guarantees were anticipated and discussed as part of the background information document with the request to the Board for authority to enter into the SmartZone Agreement (agreement between WSU, MEDC, City of Detroit and the City's Local Development Finance Authority) [that](#) was submitted to the Board in January 2002. The agreement was approved and has been executed.

**RESOLUTION OF THE BOARD OF GOVERNORS OF WAYNE STATE
UNIVERSITY
APPROVING GUARANTEE OF A LINE OF CREDIT AND/OR OPERATING
LOAN TO THE WAYNE STATE UNIVERSITY RESEARCH AND
TECHNOLOGY PARK IN THE CITY OF DETROIT**

WHEREAS, the Wayne State University Research and Technology Park in the City of Detroit (the Park) has been formed to provide a comprehensive support environment for companies engaging in leading edge technology in biological and life sciences, engineering, and manufacturing and information services, as part of a continuing initiative to revitalize the “New Center” area, a particularly blighted urban community, located adjacent to the University’s main campus in the City of Detroit.

WHEREAS, primary research and technology park benefits to the University will include:

1. **Faculty Recruitment and Retention** – Faculty, and particularly those which can bring existing research grants and contracts, or have strong potential to win Federal and other external research funding in the immediate future, are in great demand. To attract them, and to retain those now on board, quality research facilities and graduate assistants must be available, strong grant writing and administration must be offered, there must be a supportive community of research specialists; and more and more, there must be abundant opportunities for interaction with private research and development firms, and the opportunity to start such a firm. The evidence which prospective faculty look for to prove the availability and encouragement of private business opportunities is the presence of a research park and incubator.
2. **Graduate Student Recruitment and Retention** – Students look for well known and well funded faculty in their chosen fields and opportunity for the same kind of private R&D firm interaction: as an employee and, hopefully, eventually, as an entrepreneur. There are plenty of examples of this kind of success nationally to support their hopes.
3. Technology companies attracted to the park and the community as a whole because of the park, typically come because of ties to specific kinds of university research. It is logical then that they look for an important part of their research and development to the relevant parts of the university research community. Such companies are proving to be an important part of overall university research funding.
4. **License Income** – Research park companies and other companies, which come because of the research park, typically seek licenses, and often a continuing series

of related licenses, to technology they feel they can commercialize. This is/can be an important part of total university license income.

5. **Shared Funding and Use of Specialized Scientific Equipment** – Much scientific equipment, very important for specialized research, is very expensive and beyond the ability of individual grants to cover the cost. Shared university/business purchase of the equipment, university use of private business owned equipment and private business payments for use of university owned equipment are all common between research park companies and their universities.
6. **Entrepreneurial Opportunities for All Parts of the University** – Analysis of the tenancy of university research parks across the country makes clear that while many of the tenants are engineering and science related, there are also many which are social science, software, survey research, editing, book and document refinement and layout, interdisciplinary efforts, specialized clinical and a broad range of other businesses and institutions.

WHEREAS such benefits will be very important to the University in helping it achieve its strategic goal of significantly increasing and enhancing research over the next ten (10) years; and

WHEREAS, the Park owns or will own properties and lease offices, laboratory and other space in the properties to various small and developing entities involved in research, technology and technology transfer; and

WHEREAS, the Park will provide business development and other services to small and developing businesses located in Detroit and the metropolitan area and will receive grants, contracts and private funding to assist in providing such services; and

WHEREAS, the Park has determined that it will need a bank line of credit and/or an operating loan in order to insure that it will have sufficient cash flow for administrative and operating purposes; and

WHEREAS, the Treasurers of the Park and the University expect to negotiate a line of credit and/or an operating loan with a bank up to \$500,000 with interest (exclusive of any default interest) at a rate not to exceed prime minus .25% if variable or the bank's cost of funds at date of funding plus 1.25% if fixed, to be drawdown as needed; and

WHEREAS, it is anticipated that a bank will only make a loan to the Park on a condition that the Board or some other credit worthy organization guarantee the obligation; and

WHEREAS, the President and/or the Treasurer or their designee(s) will be given the power to approve the drawdown of funds and the disbursement of the proceeds and the uses thereof; and

WHEREAS, the Board in the exercise of its constitutional duties, has determined that the guarantee of the line of credit and/or loan as described above is in the interest of the University:

NOW THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. The guarantee by the Board of the obligations of the Park under and pursuant to the line of credit and/or operating loan is hereby authorized and approved;; provided, however, that the obligations of the Board under the guarantee shall be limited obligations of the Board, payable solely from General Revenues, or other legally available funds of the Board, the use of which would not constitute the guarantee obligation as a general obligation of the University or of the State of Michigan.
2. The President and/or the Treasurer of the University is/are hereby authorized to negotiate, execute and deliver, for and on behalf of the Board, a Guarantee Agreement with a bank in a manner consistent with the terms hereof. The President and/or the Treasurer is/are also authorized to negotiate, execute and deliver, for and on behalf of the Board, any required documentation with the Park in connection with the Guarantee Agreement, deemed necessary or appropriate by such officers. The President and/or Treasurer is/are authorized and directed to execute and deliver for and on behalf of the Board any other documents or instruments necessary to effect the purposes of this Resolution.