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What's behind Beaumont recruiting new chiefs?

Sale of Barden building brings estate closure closer

Focus: Innovations



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This Just In

Agencies target public corruption with task force

A host of federal and local agencies announced last week a new task force targeting public corruption.

The multiagency task force includes representatives of the **FBI**, the state attorney general, the **U.S. Internal Revenue Service's** Criminal Investigation Division, the **U.S. Department of Housing and Urban Development's** Office of the Inspector General, the **U.S. Environmental Protection Agency's** Criminal Investigation Division, the **U.S. Department of Transportation's** Office of the Inspector General, the **Michigan State Police** and the **Detroit Police Department**.

A release issued last week by the FBI said public corruption is the FBI Detroit Division's highest criminal priority.

— Nancy Kaffer

Cut! When film credits dried up, so did Raleigh's payments



BY CHAD HALCOM
CRAIN'S DETROIT BUSINESS

Raleigh Michigan Studios opened under a marquee of co-owners with names almost as renowned in Michigan as the Hollywood stars and directors they hoped to attract.

But the studio in Pontiac likely will miss a second consecutive bond payment to investors in August unless it lands another big-budget film production lease soon or the state eases its cap on film and digital media production incentives.

That means a second payout by the **Michigan State Employees Retirement System**, which guaranteed most of the bonds and already covered most of the studio's \$630,000 interest payment to bondholders last month.

Still, under an unusual provision tied to federal

tax credits, Raleigh Michigan could continue to operate for five more years without returning another dime.

Michigan Motion Picture Studios LLC, which owns and operates Raleigh Studios Detroit in Pontiac, is co-owned by its CEO, Linden Nelson; John Rakolta, CEO of Detroit-based **Walbridge Aldinger Co.**, which built the studio; A. Alfred Taubman, founder of Bloomfield Hills-based **Taubman Centers Inc.**; and **William Morris Endeavor Entertainment**, headed by co-CEO Ari Emanuel, brother to Chicago Mayor

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NATHAN SKID/CRAIN'S DETROIT BUSINESS
Raleigh Michigan Studios in Pontiac includes 170,000 square feet of studio and mill space for film work.

NATHAN SKID/CRAIN'S DETROIT BUSINESS

NEI crafts program to boost tech

Grants to top \$30M; Midtown a target

BY TOM HENDERSON
CRAIN'S DETROIT BUSINESS

The **New Economy Initiative** has embarked on an ambitious 10-year program called the **Regional Innovation Network** to boost high-tech development and job creation in Southeast Michigan, with a particular emphasis on Detroit's Midtown.

NEI Executive Director David Egner said the initiative — designed to connect the dots of innovation, from the riverfront to Ann Arbor and East Lansing — will make at least \$30 million in grants to an array of organizations.

"This is at least a 10-year strategy," he said. "The assets we have here, if strung together, can create one of the most innovative, creative hubs in the country."

Organizations getting approved for grants so far include the **Innovation Institute** at **Henry Ford**, **TechTown**, **NextEnergy**, the technology transfer office at **Wayne State University** and **Midtown Detroit Inc.**, all in Detroit; and the **Michigan Life Science and Innovation Center**, a tech incubator in Plymouth Township that is a joint ven-



Egner

WINNERS

Grants: Projects that received NEI funding. Page 23

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Biz partners keep plates full developing restaurants, beers

BY NATHAN SKID
CRAIN'S DETROIT BUSINESS

By the time construction begins this spring on the expansive **Jolly Pumpkin Café and Brewery** in downtown Royal Oak, Greg Lobdell and Jon Carlson will be knee-deep into their next set of projects.

The 270-seat **Jolly Pumpkin**, located in a former **Citizens Bank** branch at 218 S. Main St., will cost

about \$2.5 million to renovate, including a 3,400-square-foot expansion. The more than 8,000-square-foot restaurant is expected to open by the end of the year.

And that's just the beginning for Carlson and Lobdell, co-founders of Ann Arbor-based **2 Mission Design and Development LLC**.

They also are working on four other restaurant projects. In Ann Arbor, they are expanding **The Blue Tractor Cook Shop** and opening a cocktail lounge in its basement called **Mash** while relocating **Café Habana** and renaming it **Lana Habana**.

In Royal Oak, Carlson and Lobdell are refiguring the layout of the **Bastone** complex, which now encompasses four dissimilar venues.

By year's end, 2 Mission will oc-

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Bob Chase
Greg Lobdell (left) and Jon Carlson of 2 Mission Design and Development LLC have five restaurant projects under way, including expanding The Blue Tractor Cook Shop (pictured) in Ann Arbor.



NEWSPAPER

NEI: Tech grants to focus on Midtown

■ From Page 1

ture between Wayne County and Ann Arbor Spark.

In addition, NEI will make a grant, yet to be determined, that will create what is called the **High Tech Accelerator** inside TechTown, a move designed to get TechTown back to its original mission of incubating emerging tech companies.

Just 15 percent of TechTown's 250 tenants are high tech companies. The need to fill the building and increase revenue drove the shift in focus, as well as a previous NEI grant in conjunction with the Missouri-based **Kauffman Foundation** to boost retail and lifestyle business in Detroit.

Egner said rededicating tech incubator space at TechTown will encourage collaboration between the Innovation Institute at Henry Ford and medical spinoffs from the **Detroit Medical Center**.

The NEI will support companies inside the High Tech Accelerator with a new \$5 million fund called the **Captive Equity Fund**, making equity investments up to \$250,000 in startups.

TechTown, itself, has already been awarded \$2 million to support ongoing operations and support services for entrepreneurs.

The \$1.4 million approved for Midtown Detroit will launch a real estate subsidiary to focus on development in the immediate neighborhood around TechTown. As one of the state's designated SmartZones, taxes can be captured for development in the zone.

But many of the current tenants in the zone are nonprofits, and many of the vacant parcels are owned by **Wayne State University**. Egner said WSU is amenable to getting some of its parcels into the private sector for tax-generating, for-profit business.

Leslie Smith, TechTown's president and CEO, said creating 2,000 square feet of space for a tech incubator won't be a problem, even though the building is at full capacity with a lengthy waiting list.

She said she has about half of a **U.S. Housing and Urban Development** grant of \$4.1 million for building improvements left and can knock out walls and reconfigure space on the first floor to carve out the required space.

The NEI was formed in 2008 as a \$100 million initiative by 10 regional and national foundations to boost economic activity in Southeast Michigan. They were the Detroit-based **Community Foundation for Southeast Michigan**, Southfield-based **Max M. and Marjorie S. Fisher Foundation**, New York-based **Ford Foundation**, Detroit-based **Hudson-Webber Foundation**, Battle Creek-based **W.K. Kellogg Foundation**, Miami-based **John S. and James L. Knight Foundation**, Troy-based **Kresge Foundation**, Detroit-based **McGregor Fund**, Flint-based **Charles Stewart Mott Foundation** and Detroit-based **Skillman Foundation**.

Egner is also president and CEO of the Hudson-Webber Foundation.

Executives at the **Michigan Economic Development Corp.** spent two months planning the Regional Innovation Network with Egner.

The MEDC will coordinate grants or investments of its own

NEI-FUNDED PROJECTS

The **New Economy Initiative** has launched the **Regional Innovation Network** to boost high-tech development and job creation in Southeast Michigan. The network will make at least \$30 million in grants, including the following:

| | |
|--|---------------|
| TechTown , Detroit | \$2 million |
| Henry Ford Health System Innovation Institute , Detroit | \$1.5 million |
| Midtown Detroit Inc. – Real Estate Strategy , Detroit | \$1.4 million |
| NextEnergy , Detroit | \$1 million |
| Wayne State University – Tech Transfer Office , Detroit | \$870,000 |
| Michigan Life Science and Innovation Center , Ann Arbor | \$850,000 |
| Bizdom U , Detroit | \$750,000 |
| College for Creative Studies/Detroit Creative Corridor Center , Detroit | \$675,000 |
| Detroit Economic Growth Corp. , Detroit | \$488,257 |
| AutoHarvest , Ann Arbor | \$475,000 |
| Sustainable Water Works , Detroit | \$440,000 |
| Southwest Solutions – Neighborhood Collaborative , Detroit | \$335,000 |
| Inforum , Detroit | \$250,000 |
| Detroit Microenterprise Fund , Detroit | \$150,000 |
| The Henry Ford , Dearborn | \$100,000 |

from the **21st Century Jobs Fund** in conjunction with NEI grants.

No MEDC grants have been made yet, but the grants could eventually total something approaching \$20 million, said Martin Dober, the MEDC's senior vice president for entrepreneurship and innovation.

The MEDC has made grants or investments totaling \$12 million in the past year to organizations now being targeted by the NEI.

"We've been working with them on their strategy to ensure that the grants are productive," he said.

The MEDC has helped NEI include milestones in the grants, which must be hit to allow funding for years two and three.

Egner said that many of the grants, so far, cover the first year of what is planned to be a three-year cycle.

NEI will also launch a third fund, size to be determined, to loan money to help healthy companies grow, with traditional bank lending still hard to come by.

Egner said three years of grants, which could end up totaling \$35 million, plus overhead expenses and paying consultants, will deplete the remaining \$40 million of NEI's \$100 million.

It will need more equity and more capital in the form of venture funds, microloans, mezzanine debt financing, real estate assistance and subsidy funds.

"The Innovation Network will need funding beyond the next three years. We just don't know yet if the New Economy Initiative will be the vehicle to provide that funding," Egner said.

The decision for how to fund the work beyond the next three years will evolve over the next 12-18 months, he said. "It's a decision that will be made by the funders. There were 10 already committed; my sense is the next round of funding could have more and/or different funders."

Determining the level of grant support needed and how to improve economic development is a task the NEI hired Mark Coticchia to help with. He had a hand in the growth of Pittsburgh's highly successful life sciences corridor in the 1990s. Then, in 10 years as head of tech transfer at **Case Western Reserve University** in Cleveland, the university spun off 29 companies that attracted more than \$200 million in venture capital.

He has spent the last year assessing the area's anchor institutions such as TechTown, NextEnergy and DMC. The **Henry Ford Health System** and WSU, he said, can be compared to Cleveland Clinic and Case Western.

"In the Midtown area, you have untapped potential with respect to high-tech economic development," he said. "I saw the assets here and said, 'If you put the right programs in place and you get people working in collaboration, you can't just equal what's happened in Pittsburgh and in Cleveland, you can surpass it."

"There are more opportunities for tech transfer from hospitals than there are from universities," said Coticchia. "Does come up with ideas to solve the problems of today. It's much more fertile ground."

Egner said the DMC will also be a grant recipient, but the size and purpose have yet to be determined.

JumpStart Inc., a nonprofit based in Cleveland that focuses on economic development, also served as a consultant to the NEI to assess the region's strengths.

Ron Gardhouse, NextEnergy's CEO and president, said the \$1 million approved for his nonprofit will help pay for the \$2 million needed to start a project that could validate a component of the smart grid known as vehicle-to-grid electrification, where energy stored in batteries of parked cars can be fed for a fee back into the grid when needed.

Egner said he hopes to eventually get formal participation in the Regional Innovation Network from the **University of Michigan** and **Michigan State University**.

"I've met with Mary Sue Coleman and Lou Anna Simon and both were very supportive and open to further discussion about both universities could fit in," he said, referring to the respective presidents at UM and MSU.

"Both said they would love to be closely tied in. I couldn't be more pleased by how receptive they were. Both want to help bring talent from their respective universities into the city, and I think we'll see something formalize over the next 18 months."

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