The Detroit News

Saturday, May 9, 2009

TechTown takes off: High-tech startups flourish at Wayne State site

Nathan Hurst

Detroit -- In a city where roughly one-quarter of available office space is empty, TechTown stands out as an economic anomaly.

The business incubator, launched by Wayne State University in 2004, can't set up space quickly enough to satiate the demands of dozens of small startup businesses vying for room in a building once used to design Chevrolets.

"We've got quite the waiting list," said Randall Charlton, TechTown's executive director. "The need for what TechTown has to offer has never been greater."

The once-fledgling business incubator has enjoyed explosive growth during the past two years, transforming from a hulking, mostly empty auto-era ruin into one of Detroit's most sought-after addresses for startups. Among its ranks are dozens of fast-growing -- and profitable -- high-tech firms, nonprofit arts organizations and well-funded research laboratories, a collection of businesses whose successes offer pleasant respite from the recessionary winds eroding the surrounding area.

More than 80 companies call TechTown's main building -- dubbed TechOne -- home. Perched at the corner of Burroughs Street and Cass Avenue, south of Detroit's New Center neighborhood, TechOne has been swiftly transformed into an incubator of what many see as Michigan's future economy.

Work on the last 20,000-square-foot floor has begun, and already, the space has been claimed by startups, many who have waited months for a home at TechTown.

Even the additional space won't fill the needs of the dozens of small businesses waiting for space. Charlton and his associates are looking ahead for funding to complete TechOne and begin renovation on two nearby buildings, also former auto industry havens.

They're also on the hunt for temporary space for tenants until the new buildings are ready. Plans eventually call for TechTown to host more than 300,000 square feet of office and laboratory space, all dedicated to helping small businesses thrive.

The business park doesn't just offer its tenants space. Its staff has developed one of the most aggressive business incubation programs in the country, lending support to firms looking for help

finding footing. TechTown offers entrepreneur seminars and support staff. Its "soft landings" initiative, which helps foreign companies establish a presence in Michigan, has, like the building itself, developed a lengthy waiting list of businesses looking for help tapping the engineering prowess of the state's workers, many of them former auto industry employees.

The striking demand for TechTown comes as the fortunes of many Michigan businesses are falling, and fast. But Charlton sees the economic downturn as a time of growth and reinvention.

"We're on the forefront of the recession," he said. "Entrepreneurship rises out of recessions ... Nowhere is that need greater than Detroit."

Charlton, a consummate businessman in his own right, said selling Michigan -- and Detroit specifically -- to potential business owners is easier than many might think. Nowhere else, he tells potential tenants, can one find the enviable combination of major research institutions and such affordable housing, office and laboratory space.

Asterand, a biotech firm started by Charlton, is TechTown's largest tenant. It offers a poignant example of that sales pitch. Charlton had only \$500,000 in venture capital funds to start the business. Going up against two competitors that together had \$134 million in startup funding, Asterand decided to partner with Wayne State and the then-struggling TechTown venture.

In 2007, Charlton turned his businesses over to new leadership and took the reins of TechTown. The company went public (the first Detroit-based biotech firm to do so), became an instant hit on the London Stock Exchange and was named by the Financial Times as 2008's "Best Performing Share."

"We couldn't have done this in another city," Charlton said.

For now, TechTown's leaders worry most about being able to keep up with the demand from startups. The rough-and-tumble recessionary credit markets have made securing grants and loans for expansion more difficult, though progress continues.

TechTown's leaders remain unfazed in their devotion to rapid growth. For Detroit's future economy to truly develop, Charlton said he wants TechTown to be serving hundreds of start-ups instead of dozens.

"Anything less," he said, "would be a failure."

nhurst@detnews.com (313) 222-2293