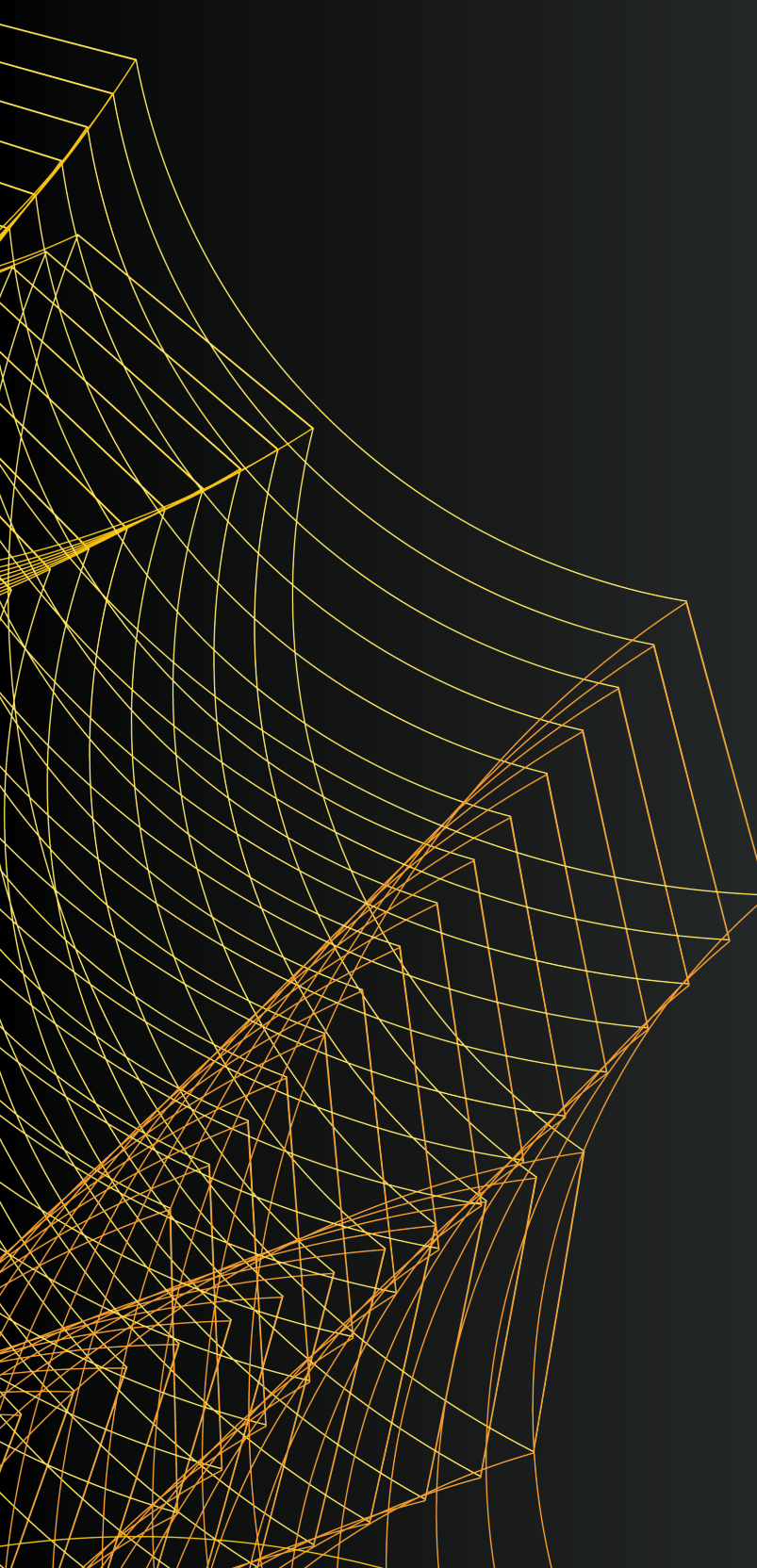




LONGFELLOW

Chapel Hill Life Science Center

Inspired by Potential





A look inside the Icaegen Lab, a proud partner of Longfellow for more than a decade in RTP

LONGFELLOW OVERVIEW

Life Science Focus, Long-Term Investors

Longfellow partners with leading universities, institutions, and companies to deliver holistic real estate solutions for life sciences and technology organizations. Our team is proud to be long-term investors, developers, and operators of the buildings created in the communities we invest in.

Development

Strategy and Partnerships
Municipal Collaborations
Advisory and Entitlements
Acquisitions

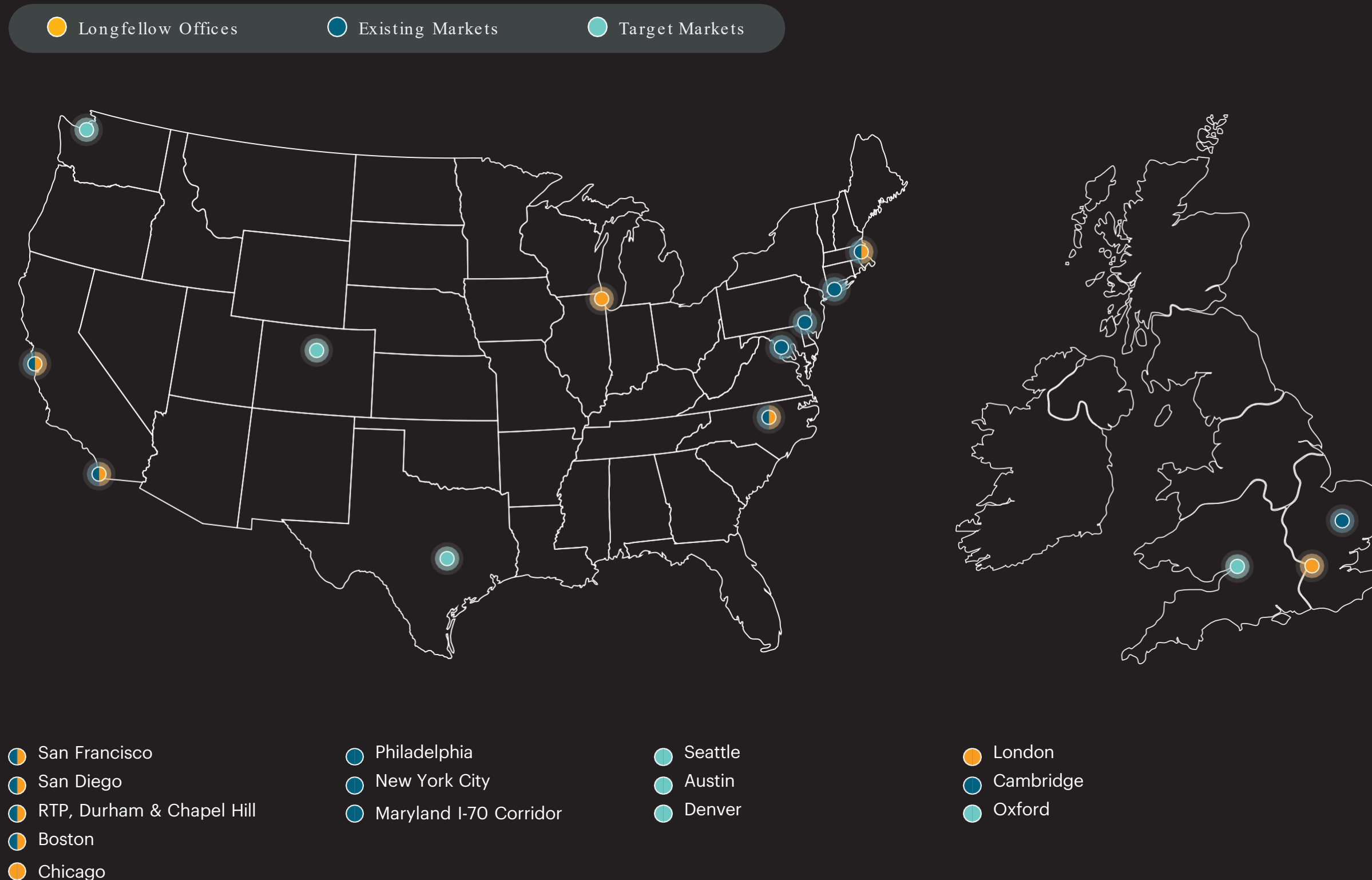
Management

Leasing
Project Management
Property Management
Facilities Management

Investments

Asset Management
Investment Management

Existing and Target Markets



16.5M Square Feet

International portfolio of existing assets and development pipeline. Over \$10 billion in total value.



8 Existing Markets

Massachusetts, North Carolina, Philadelphia, San Diego, Bay Area, New York, Maryland, United Kingdom



200+ Professionals

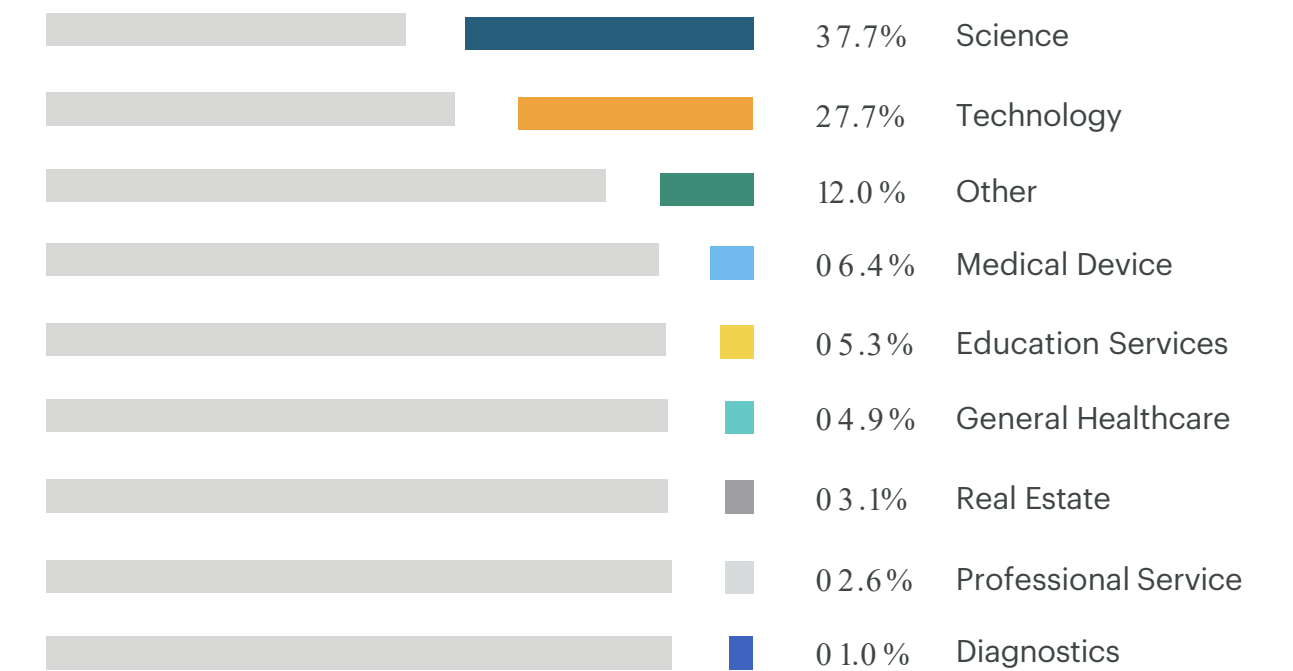
Talented teams providing a vertically integrated platform to our stakeholders.



WHY LONGFELLOW

We Collaborate with the Best in Innovation

LONGFELLOW TENANT MIX




















WHY LONGFELLOW

Partner Testimonial – Duke University

“We partnered with Longfellow which resulted in a fantastic state-of-the-art lab facility.”

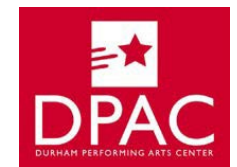
“Back in 2012, we partnered with the team at Longfellow to redevelop and reimagine the Carmichael Building on North Duke Street which resulted in a fantastic state-of-the-art lab facility for Duke researchers to conduct their life-changing work,” **said Scott Selig, Duke’s Associate Vice President for Capital Assets.**

“In addition to the Carmichael Building’s facilities, partnering with Longfellow on the Durham ID master planned development has continued to revolutionize downtown Durham with the current buildings at 200 + 300 Morris Street, along with the bright future our region has thanks to collaborative partnerships like the one we see between Duke and Longfellow.”



WHY LONGFELLOW

We're Committed to Our Community



Supporting Small Business in NC



ABOUT 321 COFFEE

321 Coffee was founded in 2017 by Lindsay Wrege and Michael Evans, Raleigh entrepreneurs and recent alumni of NC State. The two started 321 Coffee together out of their college dorm rooms, and since then Raleigh has been an incredible home for 321 Coffee. What started as pop-up coffee stands on folding tables at various local events has grown to become a well-loved and steadfast staple in the community. Wrege, Evans, and the whole team are excited to open their doors in a new city to continue to spread awareness for disability inclusion, serve delicious coffee, and leave customers feeling uplifted and caffeinated, eager to come back for more of the inspiring atmosphere.

“Having the privilege of working with Longfellow to get the newest location launched has been incredible from day one – they have been willing to work with us in terms of what we need which is vital for small business success,” said Lindsay Wrege, Co-Founder & CEO of 321 Coffee. “Working through the build out, how to bring our brand into the community and launch it successfully has been amazing. The Longfellow team went above and beyond to make those connections throughout their marketing, property managers, public relations, and construction professionals.”



ABOUT FLYING BULL BEER COMPANY

Flying Bull Beer Company is a local community brewery offering locally perfected craft beers as well as Carolina-born guest beers and ciders, which was recently recognized as the 2023 Best Brewery in Durham by Durham Magazine. In addition to their drink menu, Flying Bull is excited to bring an elevated menu as well, with unique lunch and dinner options and full kitchen on site.

“We are super excited for this opportunity to ‘spread our wings’ into the Durham Innovation District. What we love about this new space is that it will allow us to introduce craft cocktails and food created with the same passion we put into our craft beer,” said Flying Bull Beer Company owners Joel Miles and Anna Bloch. “The brewery world is all about collaborations and we can’t think of a better fit than the Flying Bull Beer Company and Durham ID.”



Cristo Rey High School (Durham, NC)
Life Science Tours & Commercial Real
Estate Introductions

WHY LONGFELLOW

Social Sustainability

Social Sustainability is key to the ongoing success of our communities, intersecting with our sustainable, resilient buildings.

Longfellow Advance is our nationwide Diversity, Equity, and Inclusion Steering Committee – Doubling Down on our commitment to incorporating DEI efforts throughout our departments and business plans.

Corporate Philanthropy, Staff Volunteer Days, and other initiatives highlight our three pillars of giving:

- **Community Involvement**
Giving our time and resources to the communities where we live and work.
- **STEM Education**
Empowering the advancement of STEM education for all ages and backgrounds.
- **Diversity, Equity, and Inclusion**
Celebrating the unique cultures and backgrounds that make up our families, colleagues, and communities.



Community Engagement

Input from key community stakeholders is vital to the future of this project and overall success of Downtown Chapel Hill. Some of the highlights from meetings and our ongoing conversations include:

- **Small Business Voices** – our executive team has met with representatives and owners from dozens of small businesses in and around Chapel Hill, everything from retail, food and beverage, real estate, lending, local law firms, health systems, key nonprofits, and more.
- **Northside Neighborhood Engagement** – our executive team met with EMPOWERment Inc. Board of Directors and Leadership during their September Board Meeting.
- **Chapel Hill Urban Designer** – multiple meetings with our project team and Brian Peterson create continuity for the project and the way it integrates into Chapel Hill.
- **Town of Chapel Hill staff** – our team has an on-going, weekly meeting with Town staff to ensure the right voices are being heard and help shape the project.

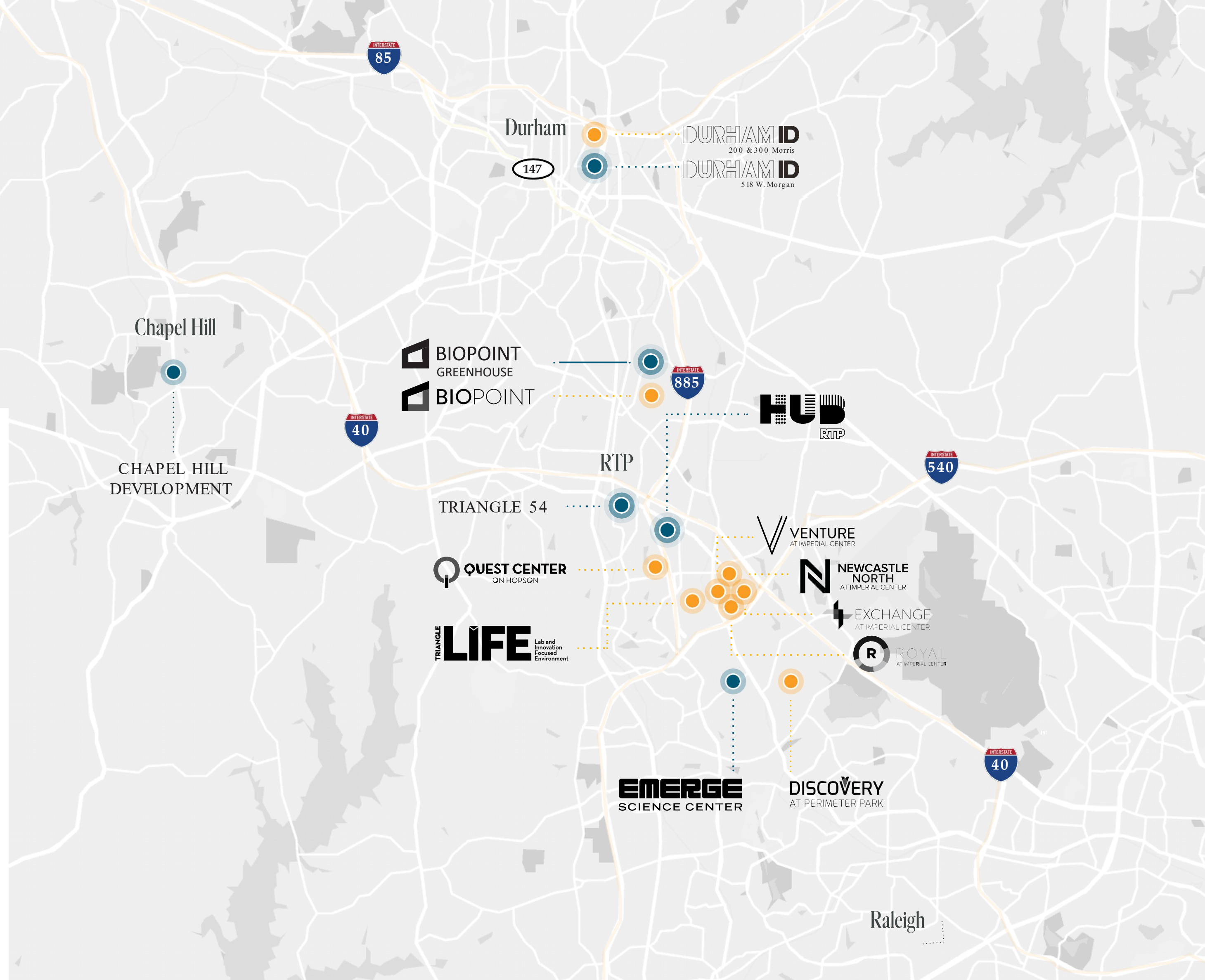
NORTH CAROLINA PROPERTIES

North Carolina Portfolio

2,182,821 SF Existing

2,500,000 SF Development Pipeline

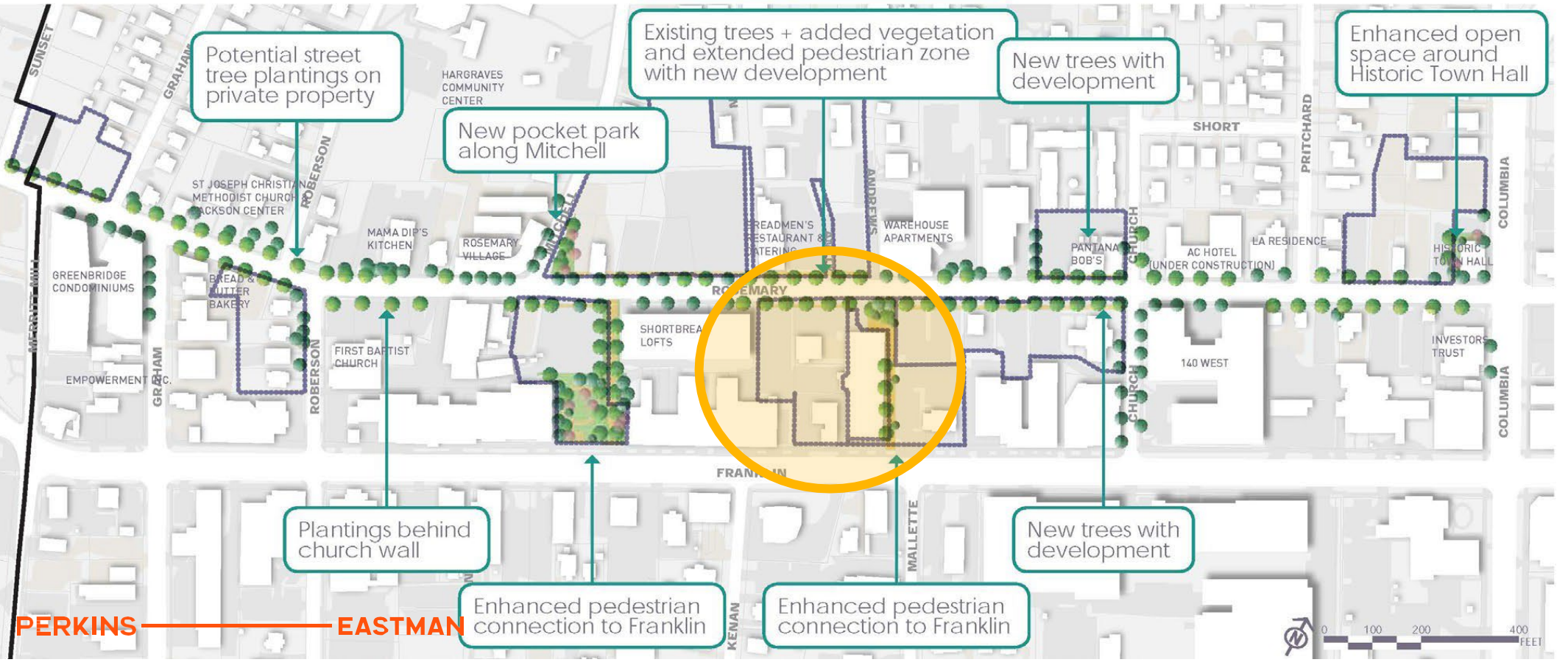
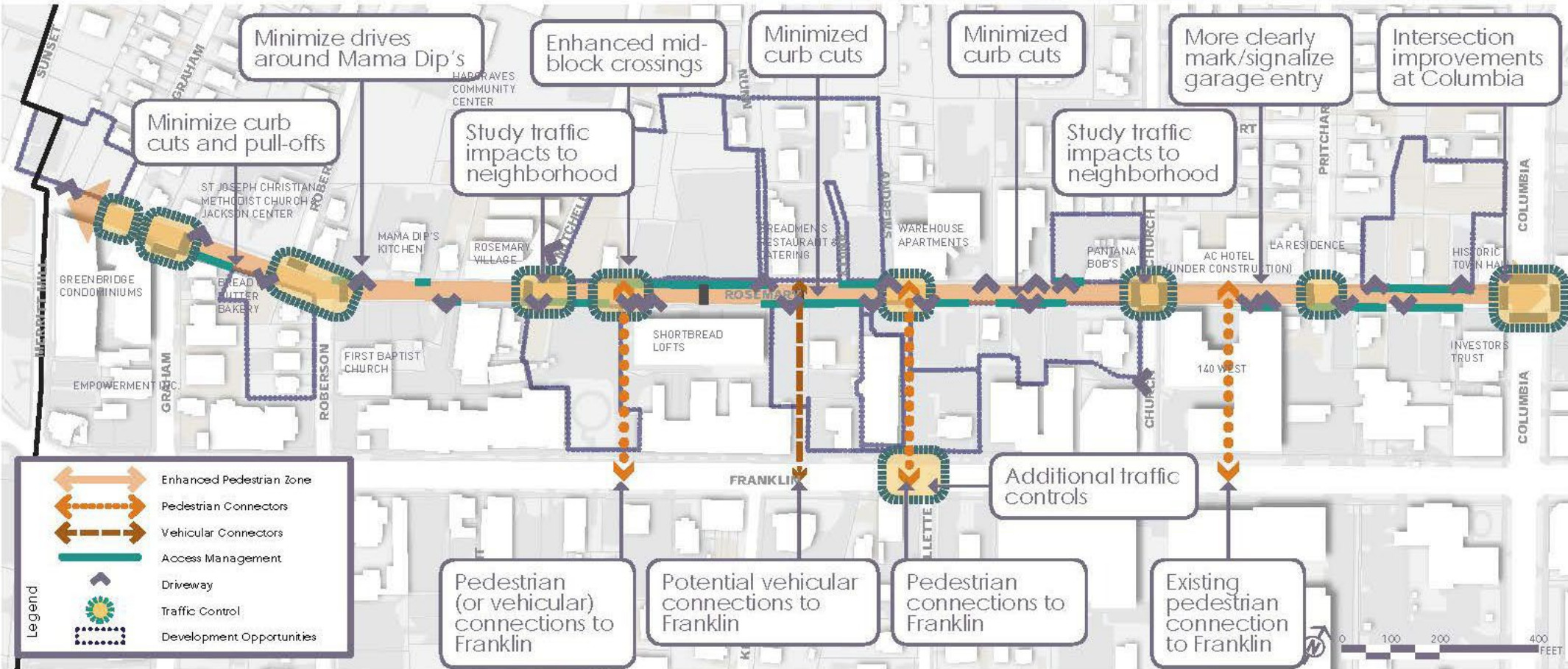
- Existing Properties
- Future Developments





Chapel Hill Life Sciences Project - Site & Context

West Rosemary Development Guide



Project Site



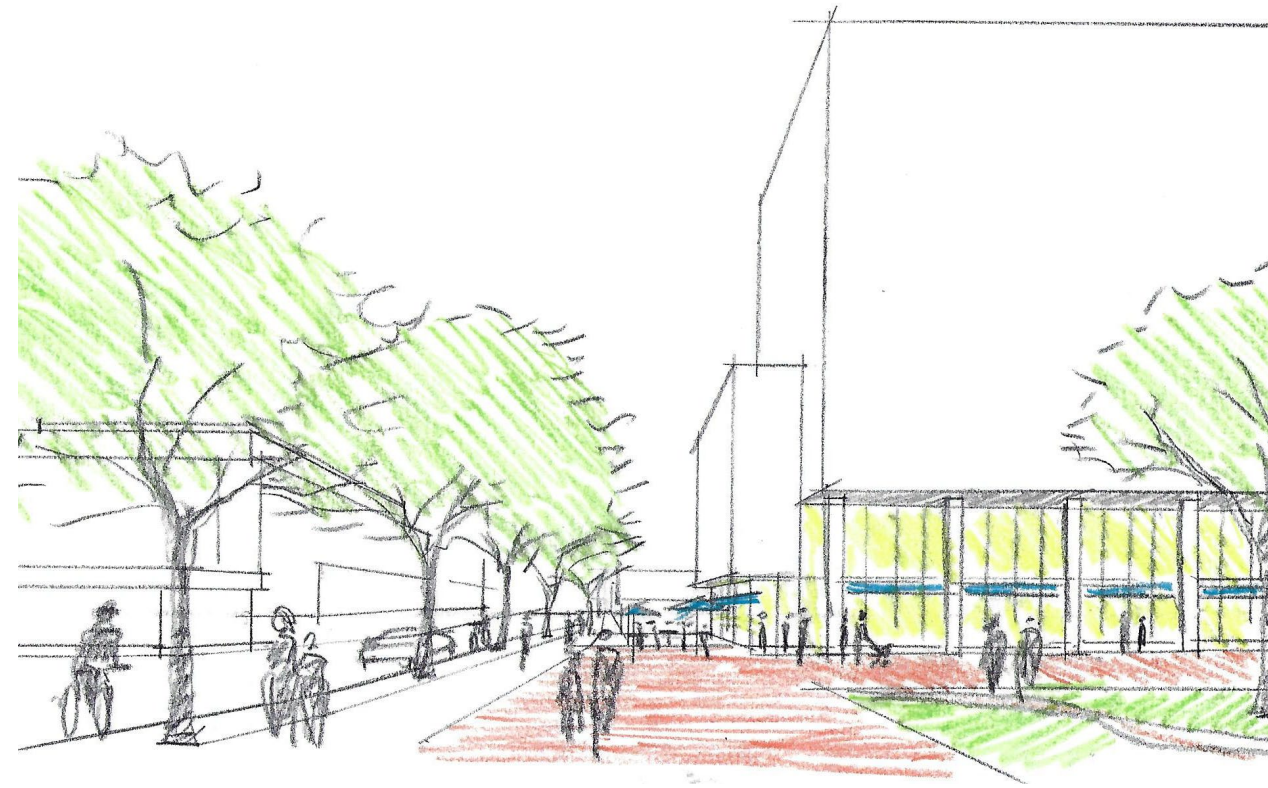
Chapel Hill Character – Pedestrian Spaces



Site & Context – Franklin & Rosemary Streets



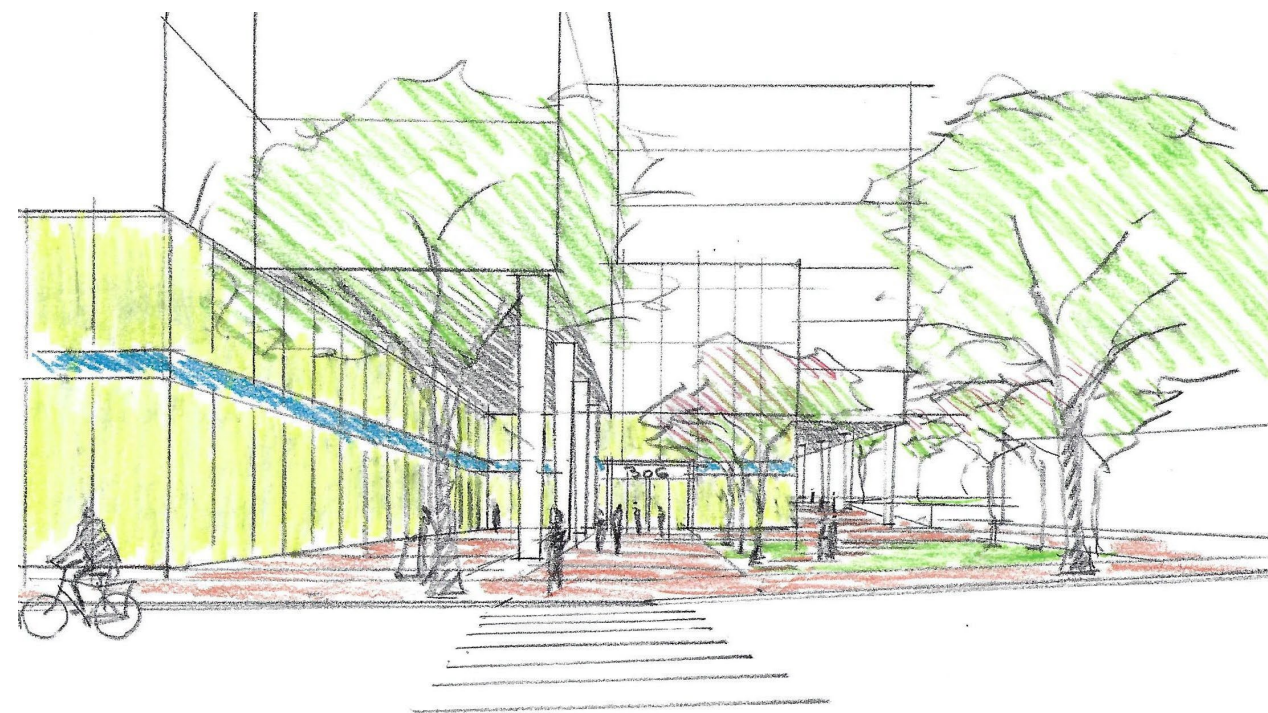
Design Concepts



Franklin Street



Rosemary Street

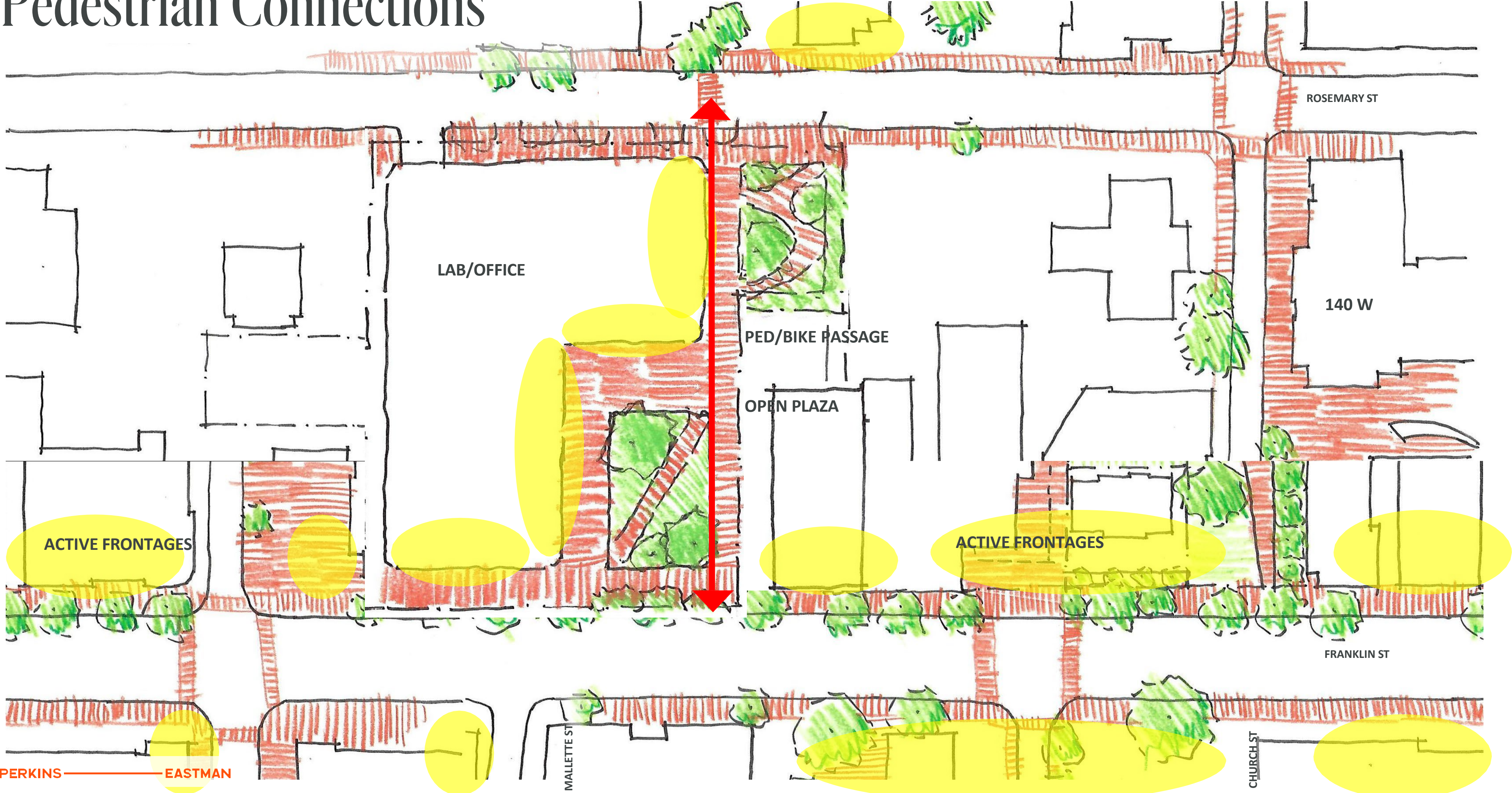


DESIGN CONCEPTS

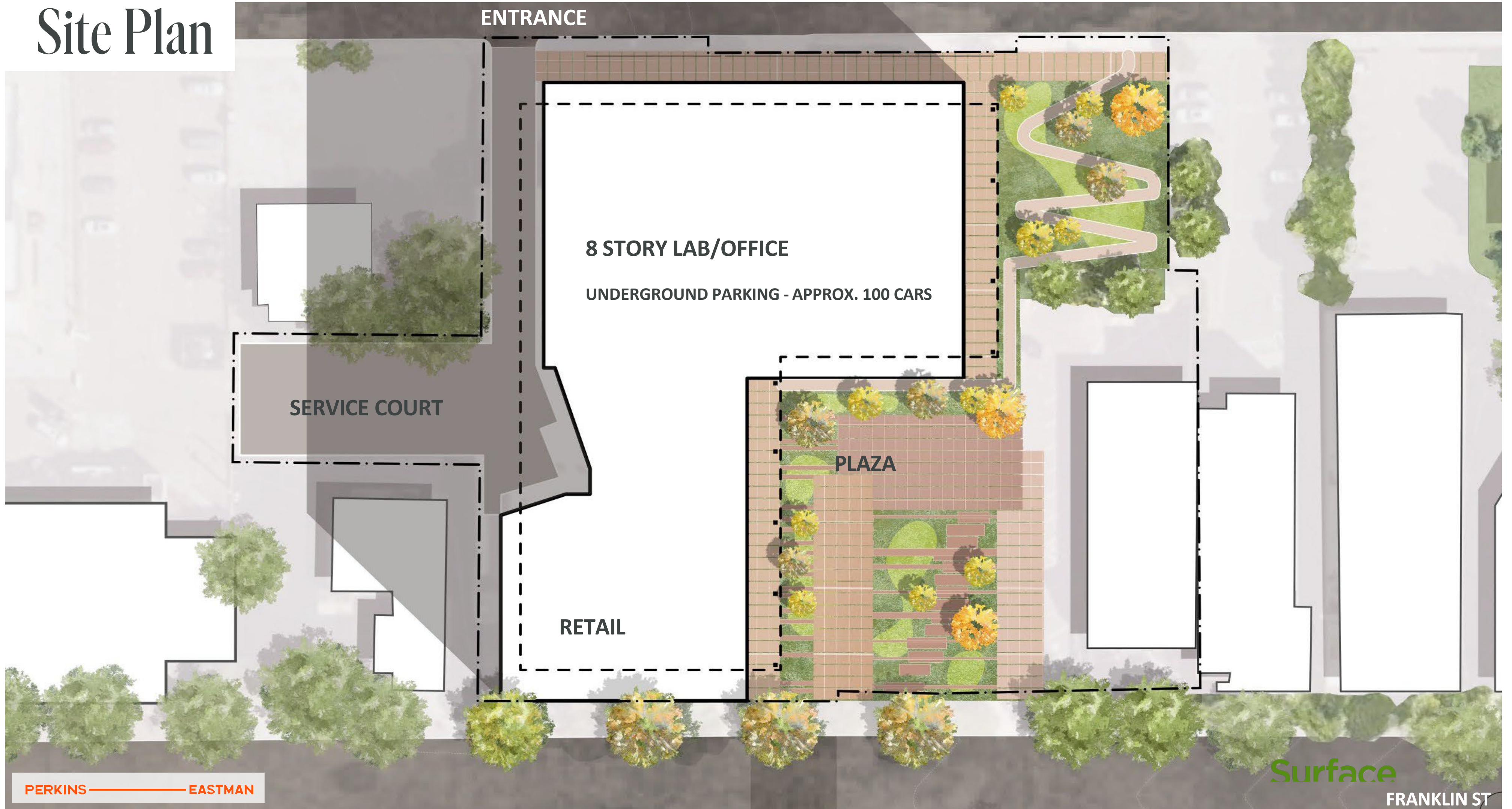
Chapel Hill 2020 Themes

- Bikeable, walkable community
- Expand the pedestrian realm
- Increase public transit use
- Entrepreneurial enterprise hub on Rosemary St.
- Job creation for residents
- Retain intellectual capital from UNC

Pedestrian Connections



Site Plan



Landscape Zones





Sustainable Building

Creating a better, more sustainable tomorrow isn't just a talking point at Longfellow, it inspires our daily decisions and projects from the ground up.

- Work hand in hand with Chapel Hill to support goals of reduced parking and increased multimodal transit options
 - Bicycle Parking, EV Charging Stations, and E-Bicycle Charging
 - 5% EV Charging with Infrastructure for future 25% EV Charging
- Targeting LEED Gold
- Pursuing onsite carbon reduction / minimizing gas fuels
- Waste reduction during construction / ongoing recycling centers
- All qualifying fixtures to be WaterSense rated
- Overall building design will utilize future weather data
 - Heat Island reduction measures, drought tolerant landscaping, extensive outdoor shaded areas



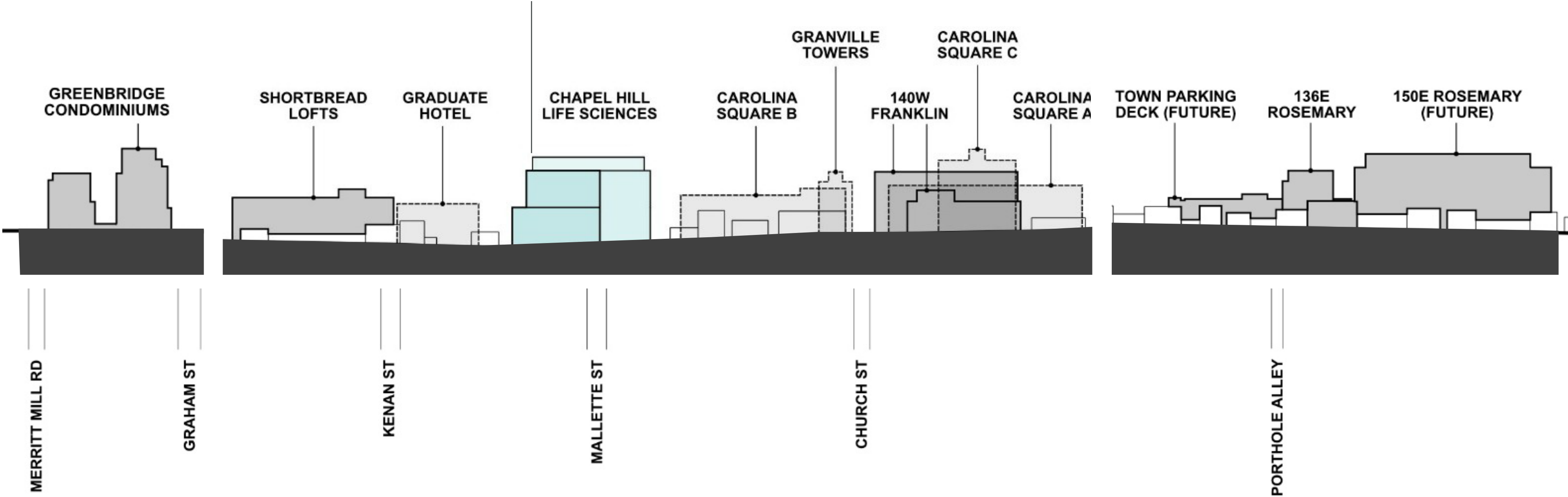
Major Project Changes

Through significant local community engagement that includes these one-on-one meetings as well as the Public Information Forum and Planning Commission meetings earlier this month, the development has seen some significant changes to reflect the ideas of the community:

- Lower overall building height
- Greatly expanded green and community space
- Zero visible, above ground parking (all subterranean, under the building itself)
- Midblock service area, allowing useable frontage on both Franklin and Rosemary Street

Downtown Skyline

LAB/OFFICE
8 STORIES + PENTHOUSE





Economic Impact

There will be a significant, positive impact to the Town of Chapel Hill given both the one-time construction investment as well as the annual ongoing operations of the building.

- One-Time Construction, Total Economic Impact for the Town of Chapel Hill: **\$180 million**
- One-Time Construction, Total Employment for the Town of Chapel Hill: **1,300 jobs**
- One-Time Construction, Total Employee Compensation: **\$53 million**

- Ongoing Annual Operations, Total Economic Impact for the Town of Chapel Hill: **\$379 million**
- Ongoing Annual Operations, Total Employment for the Town of Chapel Hill: **1,700 jobs**
- Ongoing Annual Operations, Total Employee Compensation: **\$111 million**

** Ongoing figures are upon full buildout **

** Source: Longfellow Real Estate Partners (2023), Econsult Solutions, Inc. (2023), IMPLAN (2021)*



LONGFELLOW

Chapel Hill

Thank you

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gcapps@lfrep.com



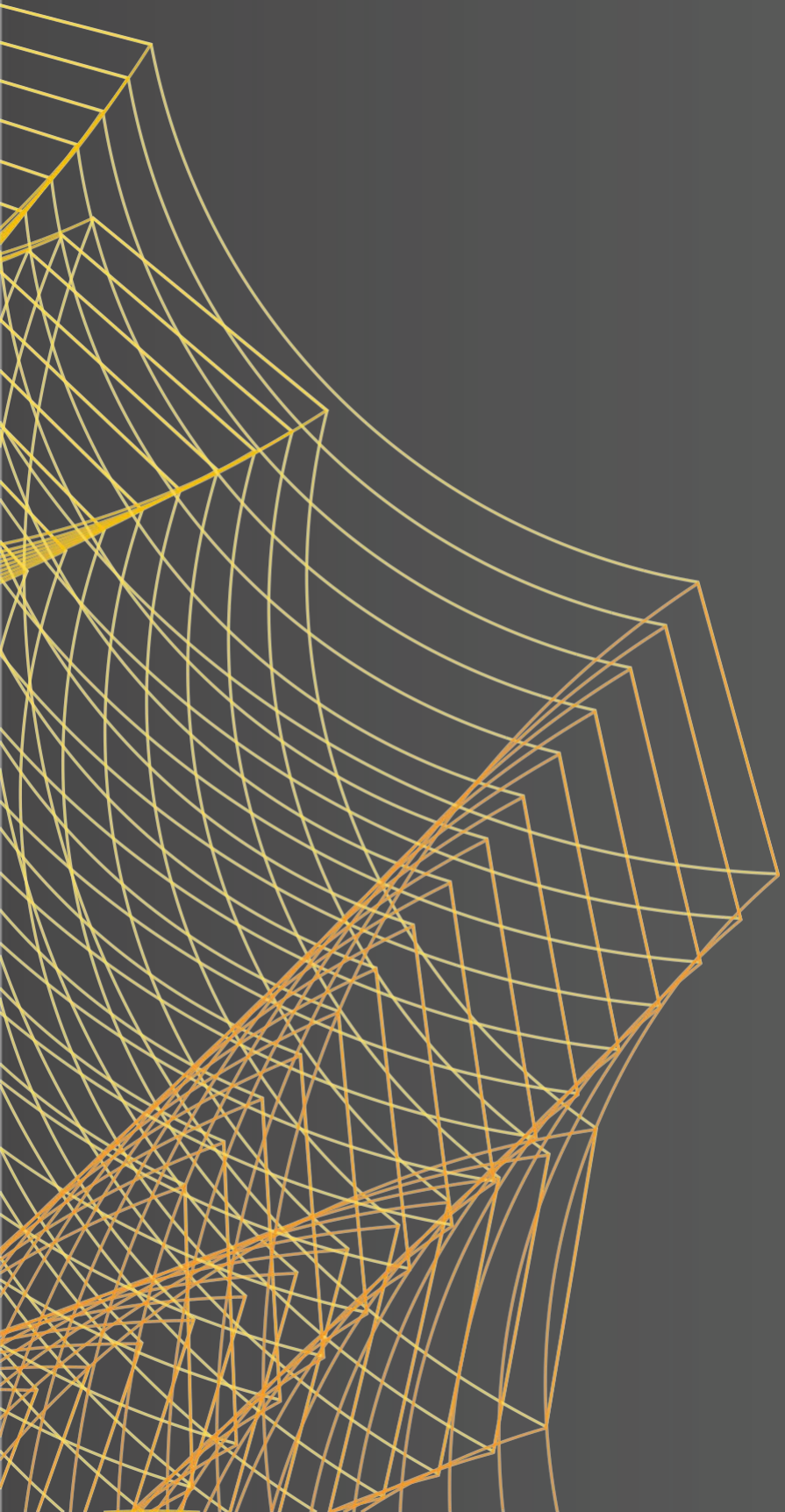
Casey Angel
Director, Corporate Communications
619.400.7990
cangel@lfrep.com



LONGFELLOW

Chapel Hill

Appendix



Existing Properties



Triangle LIFE 806,157 SF



Discovery at Perimeter Park 401,175 SF



Durham ID 327,750 SF



Biopoint 148,676 SF



Venture 142,726 SF



Newcastle North 120,426 SF

Existing Properties



Exchange Place **61,526 SF**



Royal Center **126,584 SF**



Quest Center **51,350 SF**

Development Projects



Via Labs at Hub RTP **265,000 SF**



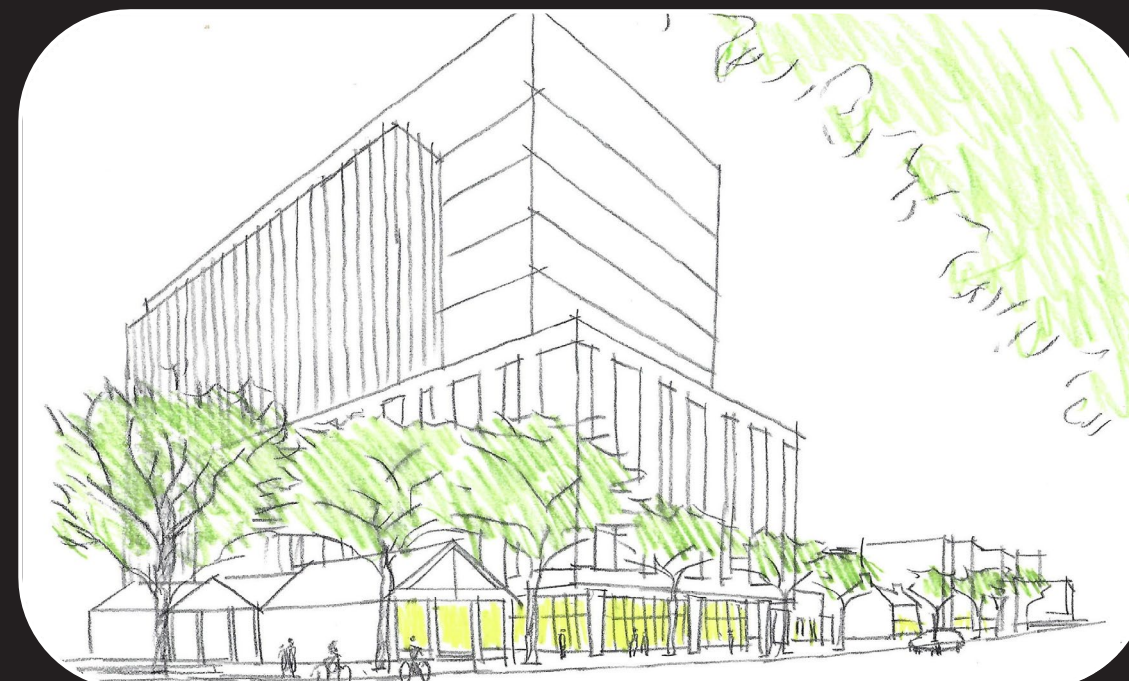
Durham ID: 518 W. Morgan **189,585 SF**



Triangle 54 **900,000 SF**



Emerge Science Center **600,000 SF**



Chapel Hill Development **320,000 SF**



Biopoint Greenhouse **33,000 SF**

Memorandum

To: Longfellow Real Estate Partners, LLC
 From: Econsult Solutions, Inc.
 Date: October 17, 2023
 RE: Chapel Hill Development Economic Impact Analysis DRAFT

1 Purpose and Summary

Econsult Solutions, Inc. (ESI) was engaged by Longfellow Real Estate Partners, LLC (“Longfellow”), to produce estimates of the economic impact of its proposed 348,000 square foot mixed-use life sciences development in Chapel Hill, North Carolina (“the project”). Economic impact derives from the upfront construction investments Longfellow will make in new construction, as well as from the significant increase in local spending and employment from tenants occupying the new lab, office, and retail space upon project completion and lease-up. Figures 1.1 through 1.4 below provide a summary of the key findings from ESI’s work, which includes the impacts within Orange County and the Town of Chapel Hill. Details on assumptions and methodologies are presented in subsequent sections of this memorandum.

Figure 1.1: One-Time Upfront Local Economic Impact from Construction Investment

	Within the Chapel Hill City Economy	Within the Orange County Economy
Direct Impact (\$M)	\$162 million	\$162 million
Indirect and Induced Impact (\$M)	\$18 million	\$55 million
Total Economic Impact (\$M)	\$180 million	\$217 million
Total Employment Impact (FTE)	1,300 jobs	1,500 jobs
Total Employee Compensation	\$53 million	\$63 million

Source: Longfellow (2023), Econsult Solutions, Inc. (2023), IMPLAN (2021)

RE: Chapel Hill Development Economic Impact Analysis DRAFT
 Date: October 17, 2023

Figure 1.2: Ongoing Annual Local Economic Impact from Operating Activity (Upon Full Occupancy)

	Within the Chapel Hill City Economy	Within the Orange County Economy
Direct Impact (\$M)	\$267 million	\$267 million
Indirect and Induced Impact (\$M)	\$113 million	\$164 million
Total Economic Impact (\$M)	\$379 million	\$431 million
Total Employment Impact (FTE)	1,700 jobs	1,900 jobs
Total Employee Compensation (\$M)	\$111 million	\$125 million

Source: Longfellow (2023), Econsult Solutions, Inc. (2023), IMPLAN (2021)

Figure 1.3: Tax Revenue Impact to Chapel Hill City Government (Upon Full Occupancy)

	Upfront One-Time Revenue Impact from Construction Investment	Ongoing Annual Revenue Impact from Operating Activity
	\$1,580,000	\$570,000

Source: Longfellow (2023), Econsult Solutions, Inc. (2023), IMPLAN (2021), Orange County (2023)

Figure 1.4: Estimated Annual Property Tax Revenues Generated Upon Completion by Method

	Total Property Tax Revenue	Chapel Hill City Government	Chapel Hill City School District	Orange County Government	Chapel Hill Downtown
Estimated New Level: Longfellow	\$1,750,000	\$600,000	\$210,000	\$880,000	\$70,000
Estimated New Level: NOI Approach	\$2,240,000	\$770,000	\$260,000	\$1,120,000	\$90,000
Estimated New Level: Comparables	\$1,490,000	\$510,000	\$180,000	\$740,000	\$60,000
Estimated New Level: Hard Construction	\$2,630,000	\$900,000	\$310,000	\$1,320,000	\$100,000

Source: Longfellow (2023), Orange County (2023), Econsult Solutions, Inc. (2023)

2 Analysis Methodology and Scope

The economic activity associated with initial construction investment and subsequent operation of tenants, in turn, produces spillover impacts—salaries and wages of employees are spent back into the local economy for housing, goods, and services, and non-labor operational spending during construction and from future tenants includes the procurement of goods and services from local vendors. The magnitude and composition of these impacts can be estimated by using input-output modeling techniques through IMPLAN, an industry standard economic impact modeling software program.

RE: Chapel Hill Development Economic Impact Analysis DRAFT
Date: October 17, 2023

Economic impact is expressed in terms of economic output and the employment and labor income supported by that output. Economic impacts were estimated for the Orange County economy and then shared down to the Chapel Hill economy. Chapel Hill is primarily contained within Orange County; therefore, the Orange County impacts are inclusive of the Chapel Hill impacts, and the difference between the two impacts represent the impacts generated to the parts of Orange County outside of Chapel Hill.¹

Economic impacts from construction activity in the project are upfront and one-time in nature, commensurate with the upfront and one-time nature of the construction work. Economic impacts from operating activity at the project are ongoing and annual in nature and are estimated at the level at which operations have ramped up to full occupancy.

Economic impacts in turn grow various local tax bases, and therefore generate tax revenues to local taxing jurisdictions. Tax revenue impacts were estimated for the Town of Chapel Hill government. This memo also employs multiple industry standard valuation methods to estimate the property tax revenues generated at the site to the Town of Chapel Hill government, Orange County government, and Chapel Hill Unified School District.

Throughout the memo, all dollar amounts are expressed in 2023 terms. It is assumed that present estimates of future dollar amounts will grow at the rate of inflation, which means that in real terms they are the same now as they will be several years out. For example, an estimated cost of \$1 million today may grow to \$1.5 million in 10 years due to inflation, but when expressed back in today's dollars it would be discounted back to \$1 million.

The figures used in this memo for the anticipated upfront construction costs and projected mix and level of ongoing uses at the project represent the most recent estimates provided by Longfellow. Should plans change in the scale or composition, resulting upfront construction costs and ongoing operating activity levels may also change, which may yield different economic and tax revenue impacts.

3 Project Characteristics

The anticipated 348,000 square foot mixed-use life sciences project will include 284,000 square feet of research and development (R&D) lab and office space, 27,000 square feet of mechanical penthouse space, 18,000 square feet of service space, 10,000 square feet of amenity space, and 9,000 square feet of ground-floor retail space (see Figure 3.1). The redevelopment site consists of six parcels totaling around two acres in Downtown Chapel Hill that are currently improved with 22,132 square feet² of retail and office space that will be demolished prior to development. At present, construction investments are anticipated to be \$162 million, inclusive of all hard costs (structure and tenant fit-out investments) and a

¹ A very small portion of Chapel Hill is contained within Durham County, although the Durham County portion of Chapel Hill primarily consist of open space and residential development and any spillover impacts in these areas would be negligible.

² Source: Costar

RE: Chapel Hill Development Economic Impact Analysis DRAFT
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portion of soft costs (professional services, but not permit fees or financing costs) (see Figure 3.2). The project is expected to be completed by the summer of 2027.

Figure 3.1: Anticipated Uses at Chapel Hill Development³

Use	SF
R&D Labs	142,000
R&D Offices	142,000
Mechanical Penthouse	27,000
Service Space	18,000
Amenity Space	10,000
Ground-Floor Retail Space	9,000
Total	348,000

Source: Longfellow (2023)

Figure 3.2: Projected Construction Investments

Cost	Total
Hard Costs (\$M)	\$151.1
Soft Costs (\$M)	\$11.1
Total Costs (\$M)	\$162.2

Source: Longfellow (2023)

4 One-Time Upfront Impact from Construction Investments in Proposed Chapel Hill Development

One-time upfront construction investments represent economic opportunities for the local construction industry and adjacent sectors. This spending circulates dollars throughout the local economy, as salaries and wages are spent in the local economy and goods and services are purchased representing economic opportunities for local vendors. Figures 4.1 and 4.2 present the estimated economic impact of the construction investments for the project to the Chapel Hill and Orange County economies. Figure 4.3 presents the estimated tax revenue impact of the economic impacts from construction investments to the City of Chapel Hill government.

³ For the economic impact estimates, consideration was given solely to the square footage of areas where employees will be physically located. This includes the lab, office, and ground-floor retail spaces.

RE: Chapel Hill Development Economic Impact Analysis DRAFT
 Date: October 17, 2023

Figure 4.1: One-Time Upfront Economic Impact within Chapel Hill City Economy from Construction Investment

Impact Category	Total
Direct Impact (\$M)	\$162
Indirect and Induced Impact (\$M)	\$18
Total Economic Impact (\$M)	\$180
Total Employment Impact (FTE)	1,300
Total Employee Compensation (\$M)	\$53

Source: Longfellow (2023), Econsult Solutions, Inc. (2023), IMPLAN (2021)

Figure 4.2: One-Time Upfront Economic Impact within Orange County Economy from Construction Investment

Impact Category	Total
Direct Impact (\$M)	\$162
Indirect and Induced Impact (\$M)	\$55
Total Economic Impact (\$M)	\$217
Total Employment Impact (FTE)	1,500
Total Employee Compensation (\$M)	\$63

Source: Longfellow (2023), Econsult Solutions, Inc. (2023), IMPLAN (2021)

Figure 4.3: One-Time Upfront Tax Revenue Impact to Chapel Hill City Government from Construction Investment⁴

Tax Type	Total
Sales Tax	\$280,000
Direct Permit Fees	\$1,300,000
Total Revenue	\$1,580,000

Source: Econsult Solutions, Inc. (2023), IMPLAN (2021), OntheMap (2020), BLS Federal Reserve Economic Data (2021), Chapel Hill Budget (2023)

⁴ Upfront construction activity and the spillover effects produced during the construction phase will also generate tax revenues for the State of North Carolina government and for other local governments (e.g., Orange County government, other nearby municipalities). These figures are only for Chapel Hill government.

RE: Chapel Hill Development Economic Impact Analysis DRAFT
 Date: October 17, 2023

5 Estimated Direct Operating Footprint at Full Occupancy

The ongoing operating footprint of the project was estimated by calculating the anticipated number of employees on a per-square-foot basis. This calculation only considered leasable space where employees would be physically located and excluded amenity and service area space as well as the mechanical penthouse, which will be leased for specialized HVAC and other equipment unique to life sciences tenants.

Since specific tenants for the project have not yet been identified, assumptions for the number of employees per square foot were based on reasonable industry standards, including 250 square feet per employee for the 142,000 square feet of leasable lab space and 142,000 square feet of leasable office space, and 210 square feet per employee for the 9,000 square feet of leasable retail space. This amounts to approximately 1,180 direct employees for the project at full occupancy (see Figure 5.1).⁵

Based on IMPLAN modeling, these job estimates were used to project annual operating expenditures and employee compensation levels for the project, which will yield an estimate of \$267 million in annual operating expenditures, of which, \$81 million will be employee compensation (see Figure 5.2).

Figure 5.1: Estimated Direct Employment Upon Full Occupancy

Use	SF / Employee	Total SF	Total Jobs (rounded)
Lab	250 SF	142,000 SF	570 jobs
Office	250 SF	142,000 SF	570 jobs
Retail	210 SF	9,000 SF	40 jobs
All Uses			1,180 jobs

Source: Longfellow (2023), Econsult Solutions, Inc. (2023)

Figure 5.2: Estimated Direct Ongoing Footprint Upon Full Occupancy

Direct Employment	Direct Annual Ongoing Expenditures	Direct Annual Employee Compensation
1,180 jobs	\$267 million	\$81 million

Source: Longfellow (2023), Econsult Solutions, Inc. (2023), IMPLAN (2021)

⁵ The number of direct jobs is subject to change based on lab and office configurations of the tenant. In some cases, employers may utilize a higher ratio of workers per square foot, which would result in a higher overall job count for the project.

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 Date: October 17, 2023

6 Ongoing Annual Impact from Operating Activity

Ongoing annual operating activity by establishments at the project will create employment opportunities for the local workforce and procurement opportunities for local businesses (direct impacts) as well as support additional jobs and economic activity through spent wages (induced impacts) and business-to-business spending (indirect impacts). Figures 6.1 and 6.2 express the estimated economic impact of this spending activity to the Chapel Hill and Orange County economies and Figure 6.3 expresses the estimated tax revenue impact to Chapel Hill government.

Additionally, the 1,180 jobs on the site will provide additional market support for local businesses, especially those within walking distance of the project. For example, average weekly retail spending of \$20 per worker would provide market support for around 3,500 square feet of retail space, which is the equivalent of two smaller storefronts [1,180 * \$20 weekly retail spending * 52 weeks / \$350 sales per square foot].

Figure 6.1: Ongoing Annual Economic Impact within Chapel Hill City Economy from Operating Activity Upon Full Occupancy

Impact Category	Total
Direct Impact (\$M)	\$267
Indirect and Induced Impact (\$M)	\$113
Total Economic Impact (\$M)	\$379
Total Employment Impact (FTE)	1,700
Total Employee Compensation (\$M)	\$111

Source: Longfellow (2023), Econsult Solutions, Inc. (2023), IMPLAN (2021)

Figure 6.2: Ongoing Annual Economic Impact within Orange County Economy from Operating Activity Upon Full Occupancy

Impact Category	Total
Direct Impact (\$M)	\$267
Indirect and Induced Impact (\$M)	\$164
Total Economic Impact (\$M)	\$431
Total Employment Impact (FTE)	1,900
Total Employee Compensation (\$M)	\$125

Source: Longfellow (2023), Econsult Solutions, Inc. (2023), IMPLAN (2021)

RE: Chapel Hill Development Economic Impact Analysis DRAFT
 Date: October 17, 2023

Figure 6.3: Ongoing Annual Tax Revenue Impact to Chapel Hill City Government from Operating Activity (Upon Full Occupancy)⁶

<u>Tax Type</u>	<u>Total</u>
Sales Tax	\$570,000

Source: Econsult Solutions, Inc. (2023), IMPLAN (2021), OntheMap (2020), BLS Federal Reserve Economic Data (2021), Chapel Hill Budget (2023)

7 Educational Breakdown of Jobs Created through Operations

The project will provide a wide-range of employment opportunities for the local workforce including entry-level jobs, high skilled technical jobs, and entrepreneurial jobs from the operations of its tenants. Three educational attainment levels were used for this analysis:

“A” – Requiring a high school diploma and/or some college

“B” – Requiring an associate, bachelor, or professional degree

“C” – Requiring a master or doctoral degree

Tenants of the project will provide job opportunities primarily within the scientific research and development services industry with additional employment opportunities within the ground-level retail space. The distribution of educational attainment levels was determined by calculating the distribution of occupations for these industries and creating a weighted average based on average levels of educational attainment by occupation. Figure 7.1 shows the estimated educational attainment levels for the 1,180 direct jobs supported at the project.

Figure 7.1: Estimated Job Impacts from Operations by Education Level

Educational Attainment	Scientific Research		Retail		Total
	Share of Jobs	Estimated Number of Jobs	Share of Jobs	Estimated Number of Jobs	Estimated Number of Jobs
"A" High School and/or some College	27%	310	71%	30	340
"B" Bachelor or Associate Degree	47%	530	25%	10	540
"C" Master or Doctoral Degree	26%	300	3%	0	300
TOTAL		1,140		40	1,180

Source: BLS (2023), IMPLAN (2021), ESI (2023)

⁶ Ongoing operating activity and the spillover effects produced by it will also generate tax revenues for the State of North Carolina government and for other local governments (e.g., Orange County government, other nearby municipalities). These figures are only for Chapel Hill government.

RE: Chapel Hill Development Economic Impact Analysis DRAFT
Date: October 17, 2023

8 Estimated Property Tax Revenue Generated at Proposed Chapel Hill Development

Full build-out of the site will yield a significantly higher assessed value compared to the base value, and thus, higher net annual property tax revenues to Chapel Hill City government, Chapel Hill Unified School District, and Orange County government. Longfellow estimates annual property taxes of approximately \$1,750,000 after reaching stabilization. This estimate imputes an estimated total assessed value of \$105 million based on Chapel Hill’s 1.669 percent property tax rate.

Three methods were used to evaluate the reasonableness of this assumption:

- 1) Net Operating Income (NOI) Method:** gauges market value by analyzing the property's net operating income relative to a capitalization rate. We used Longfellow’s expense proforma and a capitalization rate of 7.1%, which is consistent with current market conditions.
- 2) Comparable Properties Method:** assesses market value by comparing the property to similar properties in Orange County. There are no truly comparable life sciences properties to the subject, so we analyzed the highest quality office properties in Chapel Hill, which had 2022 real estate taxes of \$3.22 to \$4.09 per square foot. The subject will be the highest quality lab and office property in the market with an excellent, highly-visible location and we have concluded average stabilized taxes of \$4.25 per square foot.
- 3) Hard Construction Costs Method:** estimates value by adding the property’s assessed land value prior construction to the total hard costs of construction.

Figure 8.1 provides the results three distinct valuation methods.

Longfellow’s estimated value (\$105,100,000) ends up falling in the middle of the range of estimated assessed values for the completed construction and is reasonable as presented in Figure 8.1. Among the various approaches, it is larger than the estimate from the Comparable Properties method (\$88,600,000), since the project will represent the first ground-up development of a mixed-use life sciences property in the Chapel Hill market and there are no true comparable properties beyond conventional office space. Longfellow’s estimate is lower than the NOI Method (\$133,800,000) and Hard Construction Costs method (\$157,700,000). These results are reasonable when considering that there is little precedent for the proposed Longfellow Development in Chapel Hill, especially considering its size and the increased complexity associated with constructing lab space.

Figure 8.1: Estimates of Assessed Value after Completion of Construction

	Assessed Value
Estimated New Level	\$105,100,000
Estimated New Level: NOI Approach	\$133,800,000
Estimated New Level: Comparable Properties	\$88,600,000
Estimated New Level: Hard Construction Costs	\$157,700,000

Source: Longfellow (2023), Orange County (2023), Econsult Solutions, Inc. (2023)

RE: Chapel Hill Development Economic Impact Analysis DRAFT
 Date: October 17, 2023

Figure 8.2 presents the projected property tax revenue associated with Longfellow’s valuation of the property as well as the valuations of the three methods outlined above. These projected revenues are further broken down by the share that each tax district collects.⁷

Figure 8.2: Estimated Annual Property Tax Revenues after Construction by Differing Methods

	Total Property Tax Revenue	Chapel Hill City Government	Chapel Hill City School District	Orange County Government	Chapel Hill Downtown
Estimated New Level: Longfellow	\$1,750,000	\$600,000	\$210,000	\$880,000	\$70,000
Estimated New Level: NOI Approach	\$2,240,000	\$770,000	\$260,000	\$1,120,000	\$90,000
Estimated New Level: Comparables	\$1,490,000	\$510,000	\$180,000	\$740,000	\$60,000
Estimated New Level: Hard Construction	\$2,630,000	\$900,000	\$310,000	\$1,320,000	\$100,000

Source: Longfellow (2023), Orange County (2023), Econsult Solutions, Inc. (2023)

Figures 8.3 display the increase in projected property tax revenues resulting from the new valuation of the property estimated by Longfellow. Currently, the property is valued at \$9 million and generates \$150,00 in property tax revenue. If the property’s value is assessed at Longfellow’s estimate of \$105 million after construction, this would represent an over 1000% increase in property tax revenue using Orange County’s current tax rates.

Figure 8.33: Estimated Property Tax Revenues Generated, Relative to Pre-Acquisition and Current Levels

	Assessed Value	Total Property Tax Revenue
Current Level (2023)	\$9 million	\$150,000
Estimated New Level (2027)	\$105 million	\$1,750,000
Net Increase from Current Level	\$96 million	\$1,600,000
% Increase from Current Level	1,091%	1,111%

Source: Longfellow (2023), Orange County (2023), Econsult Solutions, Inc. (2023)

Figure 8.4 presents the same increase in projected property tax revenues as the previous figure but further breaks them down by the share to be collected by each tax district.

⁷ Based on rates from the 2023 fiscal year.

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Figure 8.44: Estimated Property Tax Revenues Generated, Relative to Pre-Acquisition and Current Levels

	Total Property Tax Revenue	Chapel Hill City Government	Chapel Hill City School District	Orange County Government	Chapel Hill Downtown	Other Taxes
Pre-acquisition	\$144,000	\$45,000	\$16,000	\$72,000	\$6,000	\$4,000
Current Level	\$152,000	\$50,000	\$17,000	\$74,000	\$6,000	\$5,000
Estimated New Level	\$1,754,000	\$601,000	\$208,000	\$878,000	\$67,000	. ⁸

Source: Longfellow (2023), Orange County (2023), Econsult Solutions, Inc. (2023)

⁸ These include solid waste and stormwater fees for which specific rates were not available.