



Glen Lennox | Incentive Request

GLEN LENNOX INCENTIVE

RECOMMENDATION

Authorize the Town Manager and Town Attorney to negotiate an agreement with Grubb Properties for up to a \$2.2 million incentive and return to Council for final consideration.

CHAPEL HILL

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- >Glen Lennox/Grubb Properties desires to move forward with office development in the coming year.
- > A request for this incentive has been presented to the Council Committee on Economic Sustainability multiple times over the past year.
- >Construction cost and weak market support are affecting their ability to develop the product without pre-leases. Without the Town's help, they may not be able to proceed with the office building.

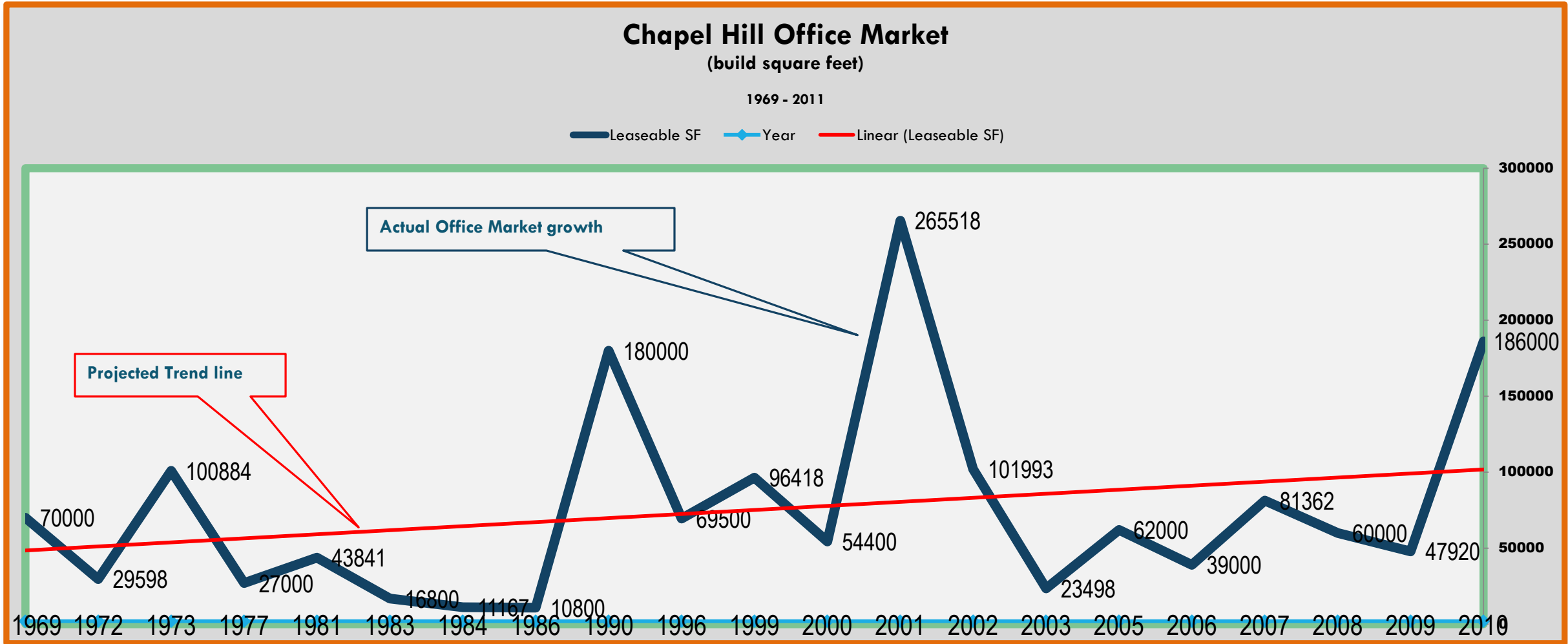
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Chapel Hill Incentive Policy: (February 2017)

Categories of Incentive types: (4 types)

1. Building New Space: Development Incentives may be awarded for creating spaces to host businesses in the future. They also may be calculated based on tax base impact while preserving a revenue stream for local governments.

OFFICE MARKET

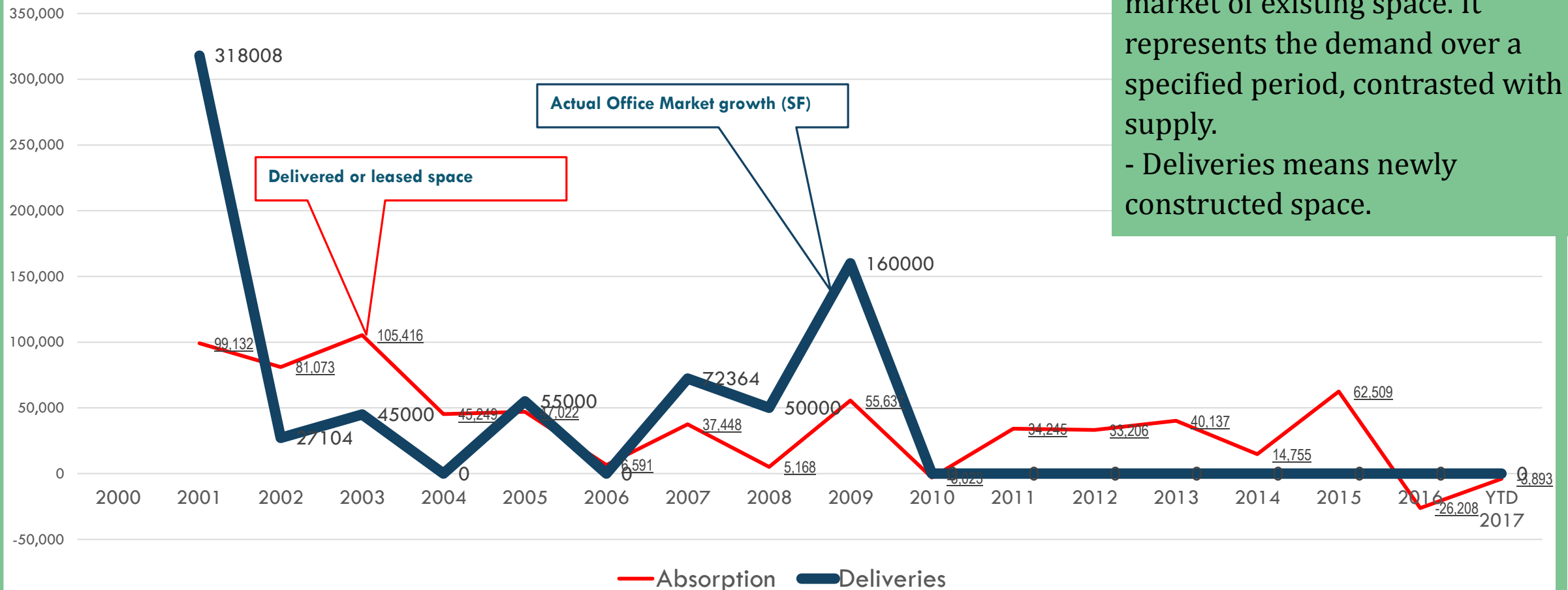


OFFICE MARKET

- Absorption is the amount of space or units leased within a market or submarket over a given period of time (usually one year). Absorption considers both construction of new space and demolition or removal from the market of existing space. It represents the demand over a specified period, contrasted with supply.

- Deliveries means newly constructed space.

Chapel Hill/Carrboro Absorption vs. Deliveries



GLEN LENNOX - ASK

- > This Incentive would require Grubb Properties to perform prior to being awarded.
- > They are projecting the development of 488,000SF of Office space.
- > The benchmark is based on them obtaining a Certificate of Occupancy on each office project and show they are paying taxes to be eligible for an Economic Development Grant.
- > The Grant period would run from 2021-2026 (5 years), presumes that they start their first office in 2019, complete it in 2020 and begin paying taxes in the 2021 budget year.
- > The Agreement would also call for an annual report by Grubb Properties to Town Council on status of their work associated with the DRAFT Agreement (5 years).

GLEN LENNOX - BUILDOUT

**Development
benchmark
goals**

Glen Lennox Projected 10-yr Buildout Schedule: Scenario A				
	<u>New Residential Units</u>	<u>Office SF</u>	<u>Retail SF</u>	<u>Hotel (rooms)</u>
2017				
2018				
2019	177			
2020	44	103,000		
2021	133	135,000		
2022	176	135,000		
2023	188	115,000	53,000	50
2024	337		47,000	50
2025	87			50
2026				
Total	1,142	488,000	100,000	150

The years in the chart above reflect the projected year for Certificate of Occupancy and the year following will be the first year of budget/income impact and first year of grant eligibility.

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	<u>2021*</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>TOTAL</u>
Office	103000	135000	135000	115000	488000	488000
Previous year		103000	238000	373000		
TOAL	<u>103000</u>	<u>238000</u>	<u>373000</u>	<u>488000</u>	<u>488000</u>	
Value Added						
Office	\$25,750,000	\$59,500,000	\$93,250,000	\$122,000,000	\$122,000,000	422,500,000
TOTAL	\$ 25,750,000	\$ 59,500,000	\$ 93,250,000	\$ 122,000,000	\$ 122,000,000	
PROJECTED TOWN TAX	\$ 135,960	\$ 314,160	\$ 492,360	\$ 644,160	\$ 644,160	\$ <u>2,230,800</u>

*The beginning year, 2021, is when a building that begins construction in 2019, finishes in 2020 would be paying taxes in our 2021 budget year. These are NET-NEW taxes.

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Next Steps:

- Negotiate DRAFT Agreement for further consideration
- Schedule a public hearing to present the Agreement
- Council considers draft Agreement

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