



Glen Lennox | • Incentive Ask

DRAFT

DWIGHT BASSETT, ECONOMIC DEVELOPMENT OFFICER

RECOMMENDATION

Authorize the Town Manager and Town Attorney to negotiate an agreement with Grubb Properties for a \$2.5 million incentive and return to Council for final authorization.

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CHAPEL HILL

OPEN2.BIZ

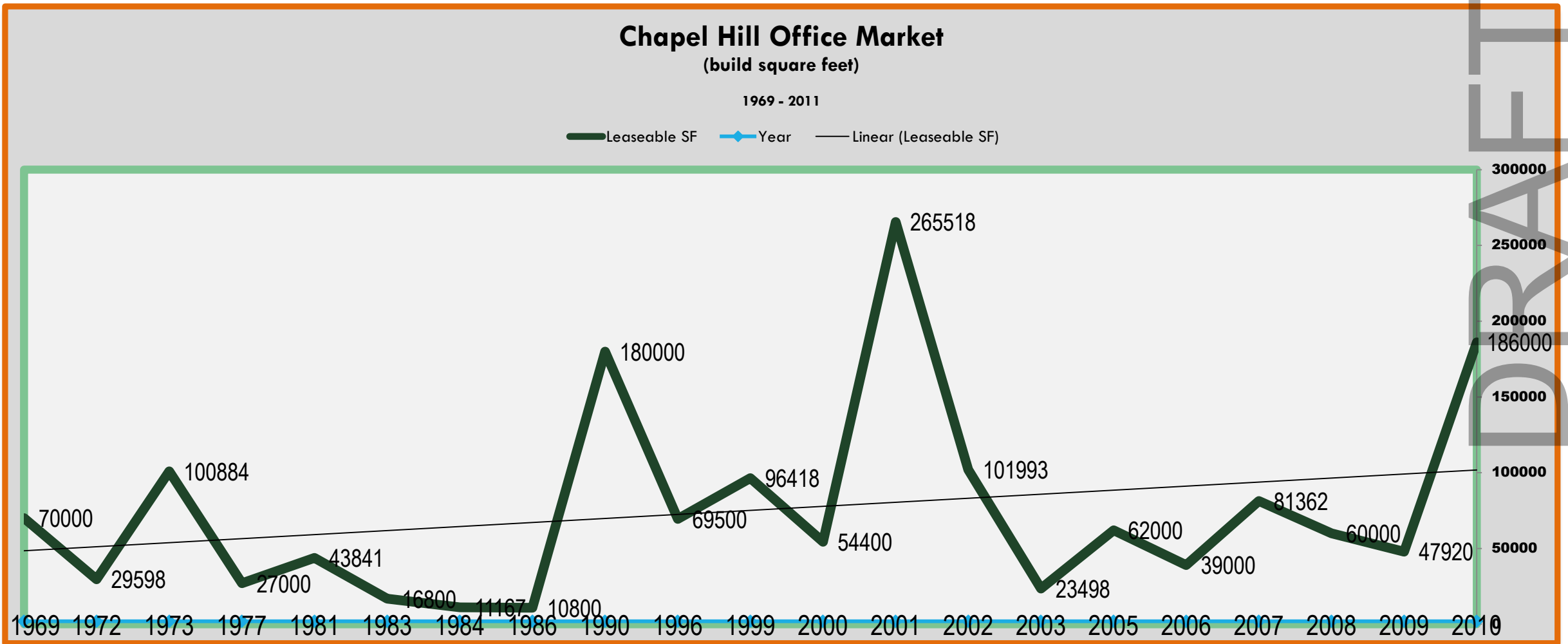
GLEN LENNOX

Glen Lennox/Grubb Properties desires to move forward with office development in the coming 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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OFFICE MARKET

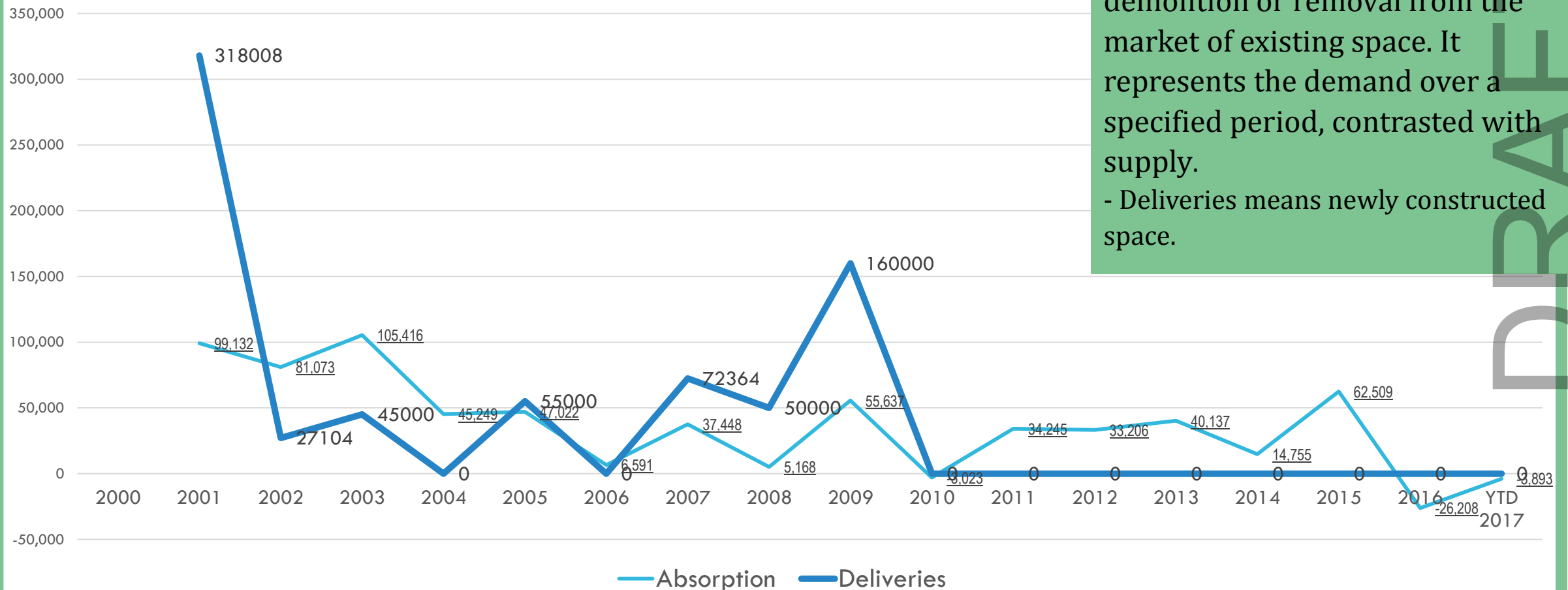


OFFICE MARKET

- 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



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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 performing and obtaining Certificate of Occupancy on each office project to receive an Economic Development Grant.
- > They are also required to show they are paying taxes on the new office and that payment also serves as a guide to the eligible Grant amount.
- > The Grant period would run from 2021-2026 (5 years), presuming 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 and could open more opportunity to be more strategic with their growth and development, to meet community and market needs.

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Orange County Tax Assessor's Office values:

- **\$100.51 to \$258.70**
- **\$200.63 average value per square foot (conservative)**
- **Consider granting full projected value in a Economic Development grant**

Property Type	Total Square Feet	Average tax base for Class A Office	Projected Value	Projected Tax Revenue	5 yr Projected Tax Revenue
Office	488,000	200.63	97,907,440	516,951	2,584,756
Total	488,000	N/A	\$97,907,440	\$516,951	2,584,756

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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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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.

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