



# Glen Lennox | Incentive Request

DRAFT

# GLEN LENNOX INCENTIVE

## RECOMMENDATION

**Open a Public Hearing and consider authorizing the execution of a Economic Incentive to Grubb Properties for \$2.2 million.**

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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.
- > 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.

# GLEN LENNOX

Chapel Hill Incentive Policy: (adopted February 2017)

Categories of Incentive types: (4 types)

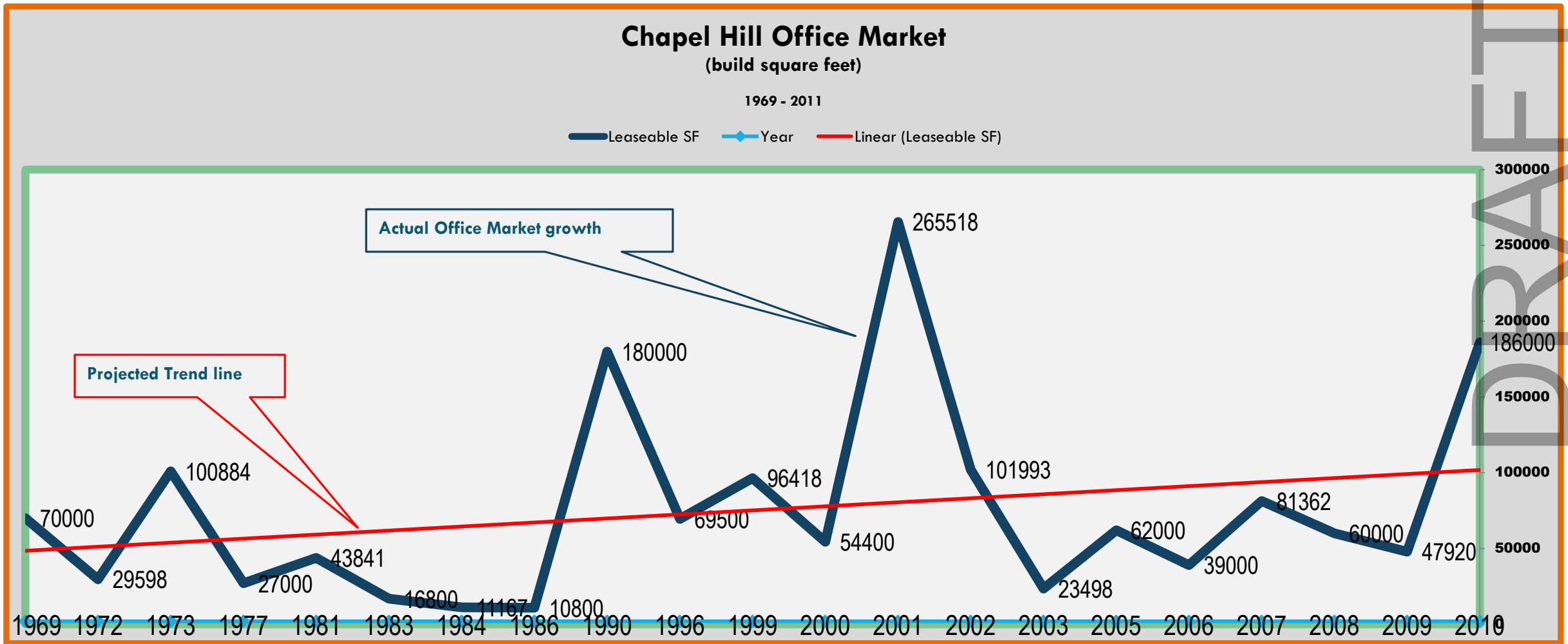
1. Building New Space: Development Incentives may be awarded for creating spaces to host businesses in the future. They also may be calculated based on tax base impact while preserving a revenue stream for local governments.

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# OFFICE MARKET

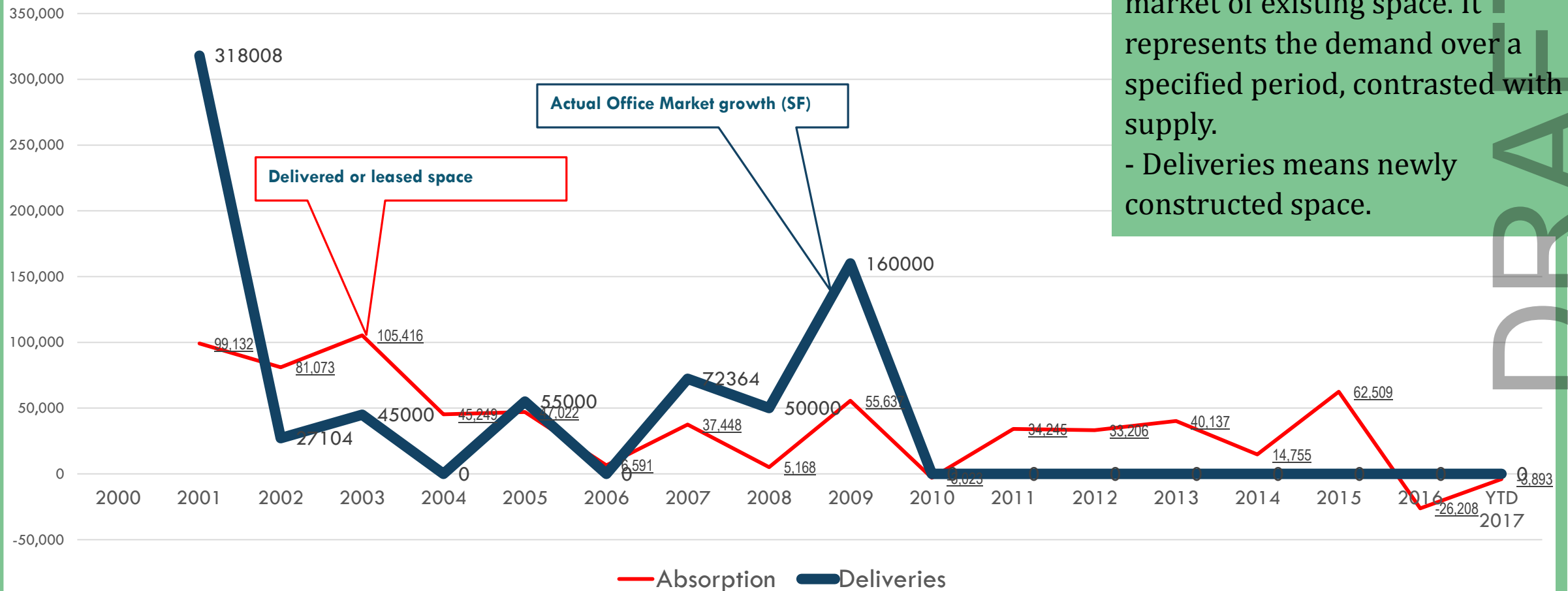


# OFFICE MARKET

- 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), presuming they start their first office in 2019, complete it in 2020 and begin paying taxes in the 2021 fiscal year.
- > The Agreement would also call for an annual report by Grubb Properties to Town Council on the status of their work.

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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				
<b>Total</b>	<b>1,142</b>	<b>488,000</b>	<b>100,000</b>	<b>150</b>

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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# GLEN LENNOX

	<u>2021</u>	*	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>TOTAL</u>
Office	103000		135000	135000	115000	488000	<b>488000</b>
Previous year			103000	238000	373000		
<b>TOAL</b>	<b>103000</b>		<b>238000</b>	<b>373000</b>	<b>488000</b>	<b>488000</b>	
<b>Value Added</b>							
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 TA)	\$ 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.

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