



## Legislation Text

File #: [19-0187], Version: 1

### Consider a Glen Lennox Performance Incentive.

**Staff:**

Dwight Bassett, Economic Development Officer

**Department:**

Manager’s Office

**Overview:** Consider a Performance Incentive to Grubb Properties to encourage the development of office space in the next phase of development at Glen Lennox. Post approval of a Development Agreement in 2014, Grubb Properties began to work toward implementing the vision as set forth. With a strong economy, growing construction prices, and a weak office market in Chapel Hill after the previous economic downturn, it is difficult for Grubb to commit to bringing the office product out of the ground without a minimum of 50% pre-leased. The Chapel Hill office market needs new product coming out of the ground on a regular basis for us to begin to compete regionally.

☆ **Recommendation(s):**

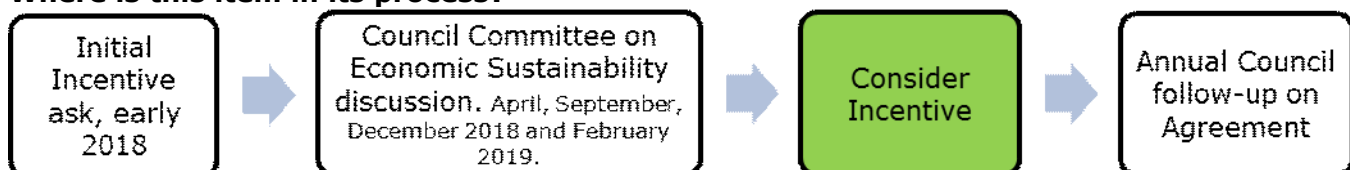
Based on conversations with the Council Committee on Economic Sustainability in April, September, December of 2018 and February of 2019, we recommend that Council authorize the Town Manager and Town Attorney to negotiate an agreement with Grubb Properties for a \$2.5 million incentive and return to Council for final approval.

**Key Issues:**







- Chapel Hill needs office space for job creation and tax base growth.
- After the 2008 downturn in the economy, Chapel Hill lost its office market and did not build any new office space from 2010 till 2017.
- Chapel Hill has a 10% Class A vacancy which generally serves as a signal that new product needs to be built to serve the needs of growing companies. We believe that the market is ready to support new office space and companies.
- If the first building is built at 100,000SF, we believe that we could see it support up to 400 jobs. This total office development of 488,000SF could represent as many as 1952 job opportunities.
- This incentive is tied to the proposed 488,000SF of office and each building being built, a Certificate of Occupancy obtained and paying taxes prior to any economic development grant being made.

**Fiscal Impact/Resources:** \$2.5 million in new revenue over a five year period from newly built office space would be awarded to Grubb Properties if they meet all of the benchmarks and the Town gains new office space for companies.

**Where is this item in its process?**



**Council Goals:**

<input checked="" type="checkbox"/>		Create a Place for Everyone	<input checked="" type="checkbox"/>		Develop Good Places, New Spaces
<input checked="" type="checkbox"/>		Support Community Prosperity	<input checked="" type="checkbox"/>		Nurture Our Community
<input checked="" type="checkbox"/>		Facilitate Getting Around	<input type="checkbox"/>		Grow Town and Gown Collaboration



**Attachments:**

- Resolution
- Draft Staff Presentation

**A RESOLUTION AUTHORIZING AN INCENTIVE FOR GLEN LENNOX DEVELOPMENT (2019-03-20/R-3)**

WHEREAS, the Town of Chapel Hill Town Council desires to support economic prosperity and job creation for all of its residents; and

WHEREAS, the Town Council understands the need to offer Class A office space to provide new opportunities for companies to consider Chapel Hill; and

WHEREAS, the Town Council desires to retain companies that desire to grow here; and

WHEREAS, the Town of Chapel Hill desires to grow the office market to accommodate future opportunities; and

WHEREAS, Grubb Properties asked in 2018 for the Town's participation in order to proceed with the construction of new office space versus waiting on a pre-lease commitment of 50%; and

WHEREAS, Council authorized an Incentive Policy that includes Development Incentives "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."

NOW, THEREFORE, BE IT RESOLVED by the Council of the Town of Chapel Hill authorizes the Town Manager and Town Attorney to prepare an agreement to incent the construction of office space as a part of the Glen Lennox redevelopment and to bring that agreement back to Council for final consideration.

This the 20th day of March, 2019.

---

**The Agenda will reflect the text below and/or the motion text will be used during the meeting.**

PRESENTER: Dwight Bassett, Economic Development Officer

RECOMMENDATION: That the Council authorize the negotiation of an Incentive Agreement with Grubb Properties to encourage the development of office space in the next phase of development at Glen Lennox.