



Legislation Text

File #: [19-0552], Version: 1

Open a Public Hearing and Consider a Glen Lennox Performance Incentive Agreement.

Staff:

Dwight Bassett, Economic Development Officer

Department:

Manager's Office

Overview: In early 2018, Grubb Properties approached the Town seeking a Performance Incentive Agreement to encourage the development of office space in the next phase of development at Glen Lennox. After the Council approved the Glen Lennox Development Agreement in 2014, Grubb Properties began implementing the adopted community vision. With a strong economy, rising construction prices, and a weak office market in Chapel Hill after the previous economic downturn, it is difficult for Grubb to secure the financial commitment to bring the office product out of the ground without pre-leasing a minimum of 50% of the planned office space. To date, Grubb has not been able to achieve that 50% pre-lease target, delaying the start of construction. The Chapel Hill office market needs new product coming out of the ground on a regular basis for the Town to begin to compete regionally.



Recommendation(s):

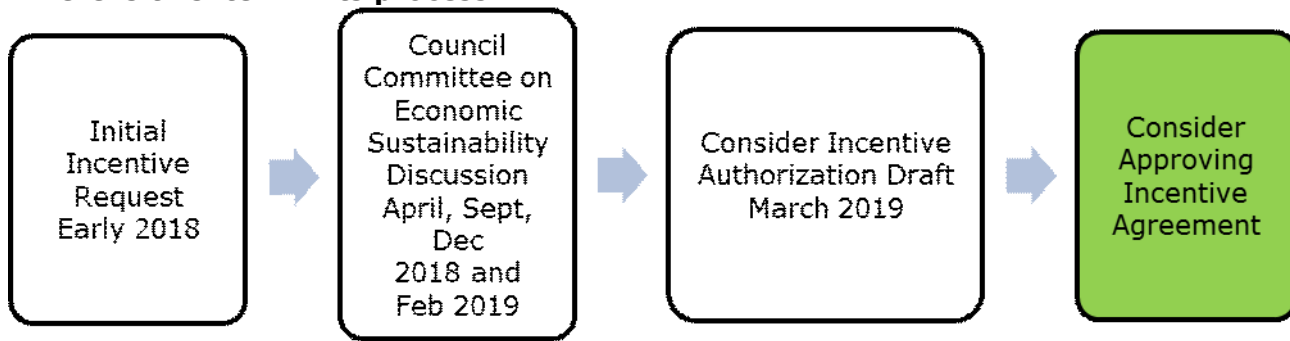
That the Council open the public hearing, receive comments, and authorize the Incentive Agreement with Grubb Properties for a \$2.2 million based on Council's previous authorization to proceed with draft agreement in March 2019 and conversations with the Council Committee on Economic Sustainability in April, September, December of 2018, February of 2019.

Key Issues:

- Chapel Hill needs office space for job creation and tax base growth.
- After the 2008 economic downturn, Chapel Hill lost its office market and did not build any new office space from 2010 to 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 100,000 SF, we believe that we could see it support up to 400 jobs. This total office development of 488,000 SF could represent as many as 1,952 job opportunities.
- This incentive is tied to the proposed 488,000 SF 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: \$2.2 million in new property tax 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 type="checkbox"/>		Facilitate Getting Around	<input type="checkbox"/>		Grow Town and Gown Collaboration



Attachments:

- Resolution
- Draft Staff Presentation
- Draft Incentive Agreement

A RESOLUTION AUTHORIZING AN INCENTIVE FOR GLEN LENNOX DEVELOPMENT (2019-06-12/R-9)

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, 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."

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

NOW, THEREFORE, BE IT RESOLVED by the Council of the Town of Chapel Hill that the Council authorizes the Town Manager to execute the agreement to incentivize the construction of office space as a part of the Glen Lennox redevelopment presented to the Town Council on May 22, 2019, subject to minor technical and non-substantive adjustments as needed in the judgment of the Manager and Town Attorney.

This the 12th day of June, 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

- a. Comments from the public
- b. Comments and questions from the Mayor and Town Council
- c. Motion to adjourn the public hearing
- d. Motion to adopt the resolution authorizing the incentive agreement.

RECOMMENDATION: That the Council open the public hearing, receive comments, and authorize the Incentive Agreement with Grubb Properties for a \$2.2 million based on Council's previous authorization to proceed with draft agreement in March 2019 and conversations with the Council Committee on Economic Sustainability in April, September, December of 2018, February of 2019.