GLEN LENNOX

Incentive Ask

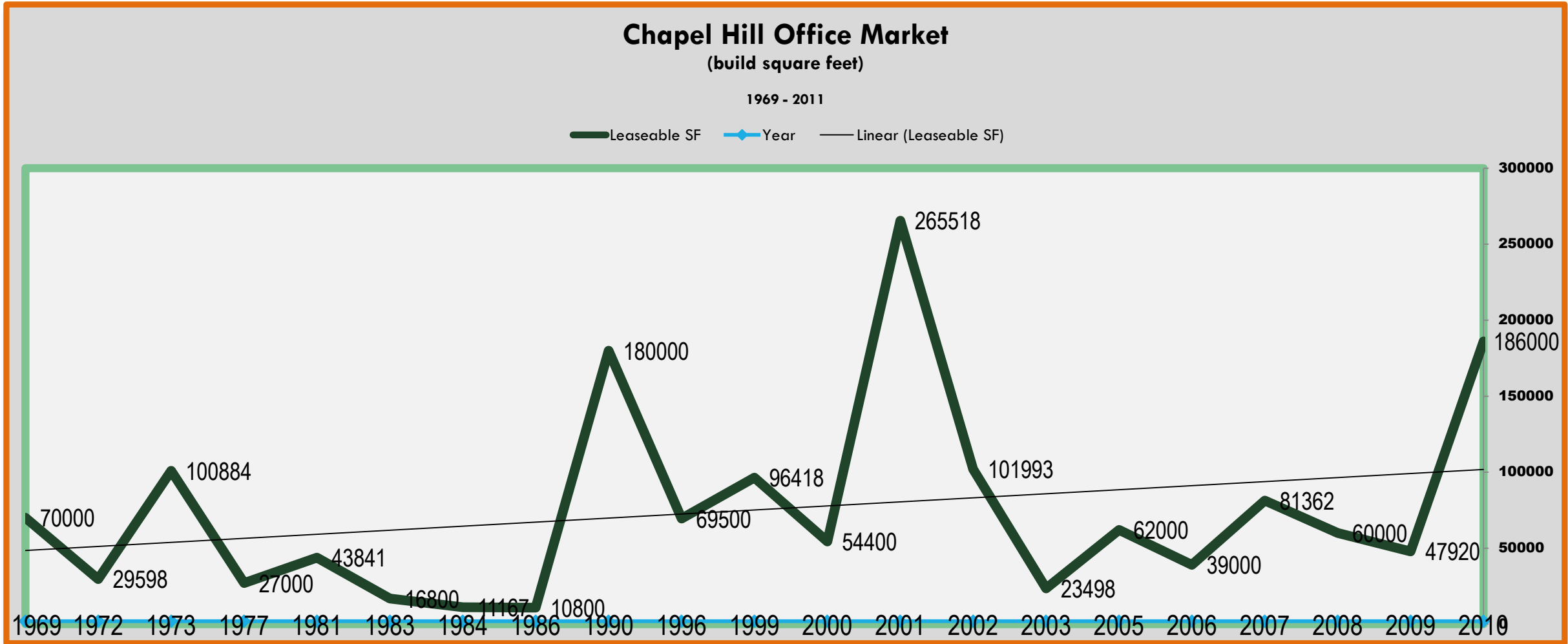# DWIGHT BASSETT, ECONOMIC DEVELOPMENT OFFICER
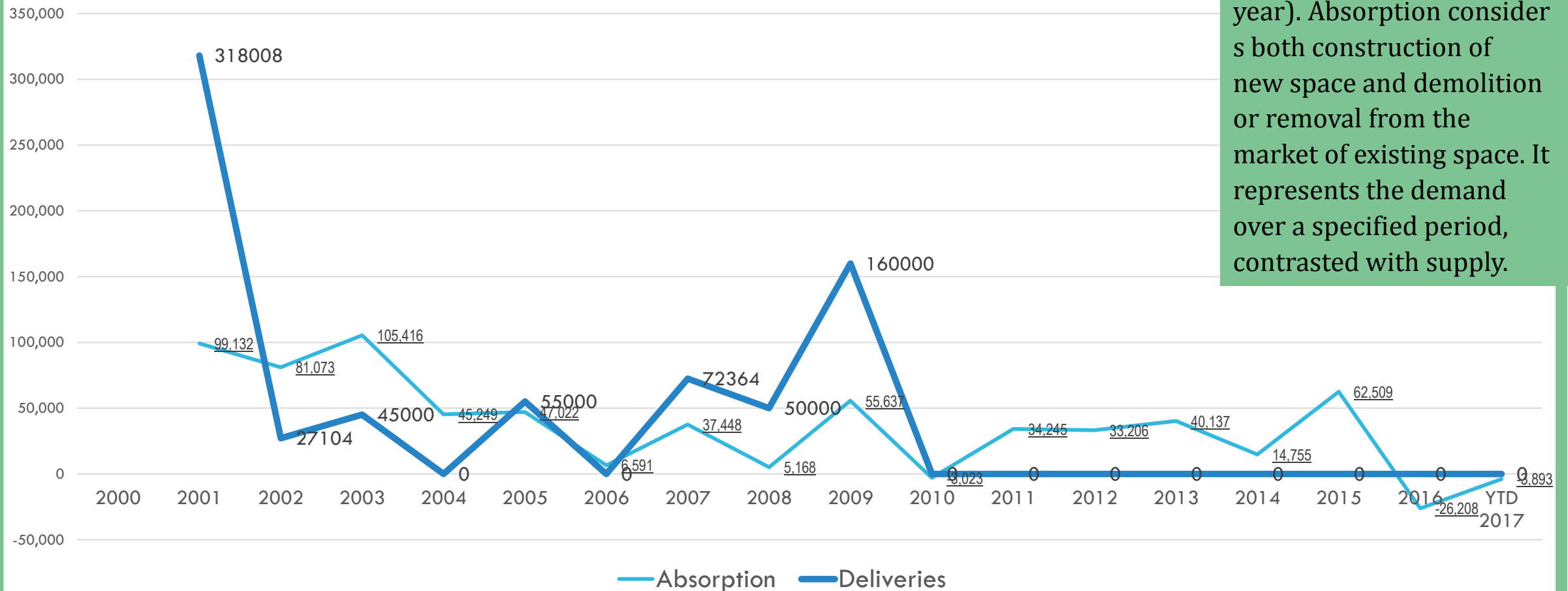
GLEN LENNOX

Glen Lennox/Grubb Properties desires to move forward with office development, cost are affecting their ability to fund infrastructure up front.

OFFICE MARKET

Chapel Hill Office Market
(build square feet)

1969 - 2011

Leaseable SF   Year   Linear (Leaseable SF)

70000 · 29598 · 100884 · 27000 · 43841 · 16800 · 11167 · 10800 · 180000 · 69500 · 96418 · 54400 · 265518 · 101993 · 23498 · 62000 · 39000 · 81362 · 60000 · 47920 · 186000

1969 1972 1973 1977 1981 1983 1984 1986 1990 1996 1999 2000 2001 2002 2003 2005 2006 2007 2008 2009 2010

OFFICE MARKET

Chapel Hill/Carrboro Absorption vs. Deliveries

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.

GLEN LENNOX - ASK

> The primary interest in supporting this Incentive is to see Glen Lennox develop office space. As you can see on the previous slides our office market bottomed out in 2010 and we need to jump start the market until it is producing on its own.

> If Council decides to proceed, a benchmark performance agreement could be developed that rewards the developer based on their development of office and retail space. This means that they would not be eligible to get 100% of the award until they have maxed out their office and retail space.

> Asking for $3.5 million over 10 years, their primary building period and the Town not rewarding until they produce.

We have traditionally tried to keep our award to 5 years and may still but it is tied to their producing the space to earn the Incentive.

GLEN LENNOX - BUILDOUT

	Glen Lennox Projected 10-yr Buildout Schedule: Scenario A			
	New Residential Units	**Office SF**	**Retail SF**	**Hotel (rooms)**
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

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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.

GLEN LENNOX

Last conversation with Council Committee on Economic Sustainability several questions were asked:

1. Town projections for tax base growth - **We have Tax projections being share today.**

2. Is the County willing to participate - **Roger Stancil and Dwight Bassett met with the County Manager, Assistant County Manager and Economic Development Director and there was agreement to consider participation in the Incentive. Further definition to this participation can be developed before we return to the October meeting.**

AMY OLAND, BUSINESS MANAGEMENT

Property Valuation & Tax Base Analysis – Glen Lennox
Summary & Limitations

- This analysis provides preliminary projections for property value and tax revenue for the proposed Glen Lennox project.

- This analysis focuses on property values and tax revenues at full build-out and over time. This analysis does not include projections related to Town service costs or additional sales tax generation.

- This analysis finds that the revenue generated from the proposed Glen Lennox project will pay off the $3.5 million tax incentive in Year 9 of the project's development.

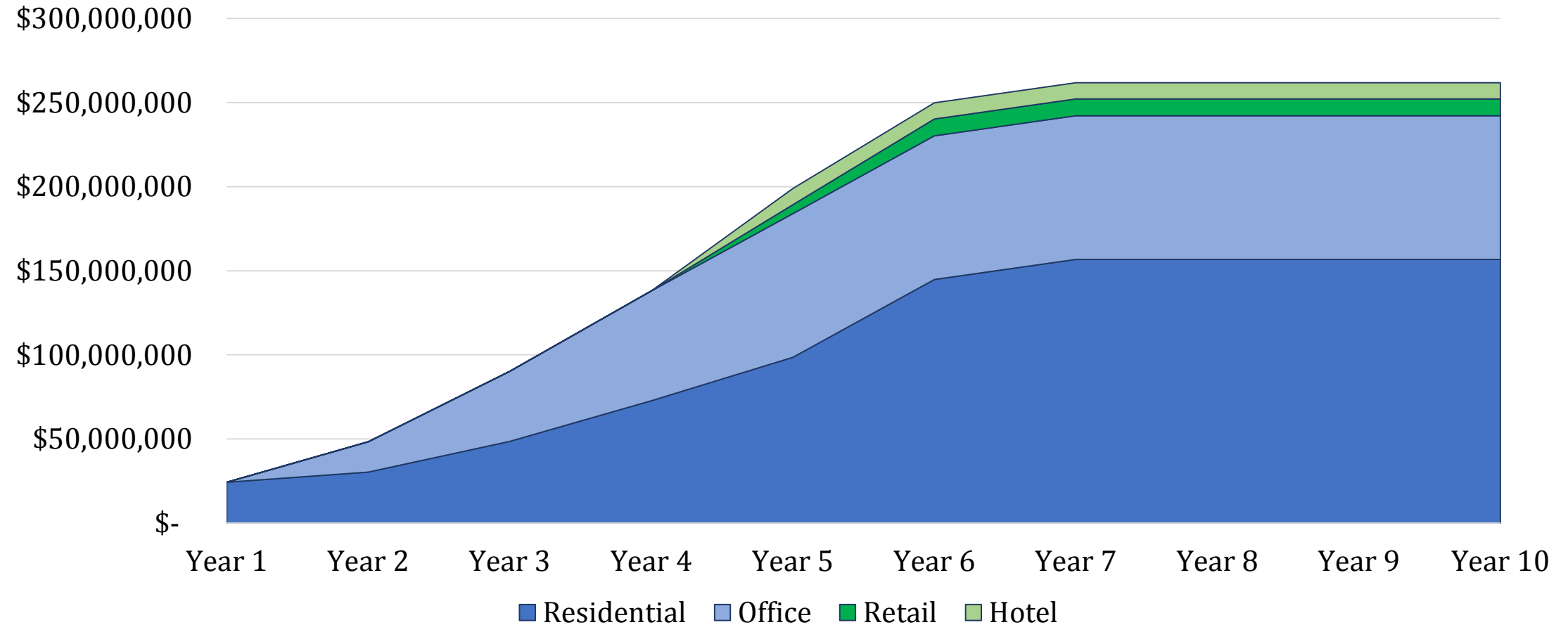# Property Valuation & Tax Base Analysis – Glen Lennox
Tax Revenue

Property Type	Total Square Feet	Valuation per sq. foot	Projected Value	Projected Tax Revenue		Existing Tax Revenue	Projected Net Tax Revenue
Residential	1,045,000	150	$156,750,000	$827,640		$142,560	$685,080
Office	488,000	175	85,400,000	450,912		-	450,912
Retail	100,000	100	10,000,000	52,800		-	52,800
Hotel	55,000	175	9,625,000	50,820		-	50,820
Total	**1,688,000**	**N/A**	**$261,775,000**	**$1,382,172**		**$142,560**	**$1,239,612**

- Projected Full Build-out Tax Revenue

- Assumes FY19 Tax Rates

Property Valuation & Tax Base Analysis – Glen Lennox
Valuation Growth over Time

Area chart showing valuation growth over 10 years with categories: Residential, Office, Retail, Hotel. Y-axis ranges from $- to $300,000,000.

Property Valuation & Tax Base Analysis – Glen Lennox
Revenue Growth over Time

Revenue / Costs	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Tax Revenue	128,277	255,337	476,466	728,758	1,050,071	1,319,120	1,382,172	1,382,172	1,382,172	1,382,172
Economic Incentive	64,138	127,668	238,233	364,379	525,035	659,560	691,086	691,086	138,814	
Revenue / (Costs)	64,138	127,668	238,233	364,379	525,035	659,560	691,086	691,086	1,243,358	1,382,172

NEXT STEPS

Does the Council desire to continue this consideration?