



GLEN LENNOX

Incentive Ask

DWIGHT BASSETT, ECONOMIC DEVELOPMENT OFFICER

GOALS FOR INCENTIVES:

Goal-

Help move our markets, office and retail, forward to see regular development occurring in these market categories.

For bringing good jobs to Chapel Hill that support our interest to grow jobs and retain talent.

Term-

Short-term

> To make sure our market is growing and moving forward to meet needs

Longer-term

> To make sure we are providing jobs to meet the needs of a growing community

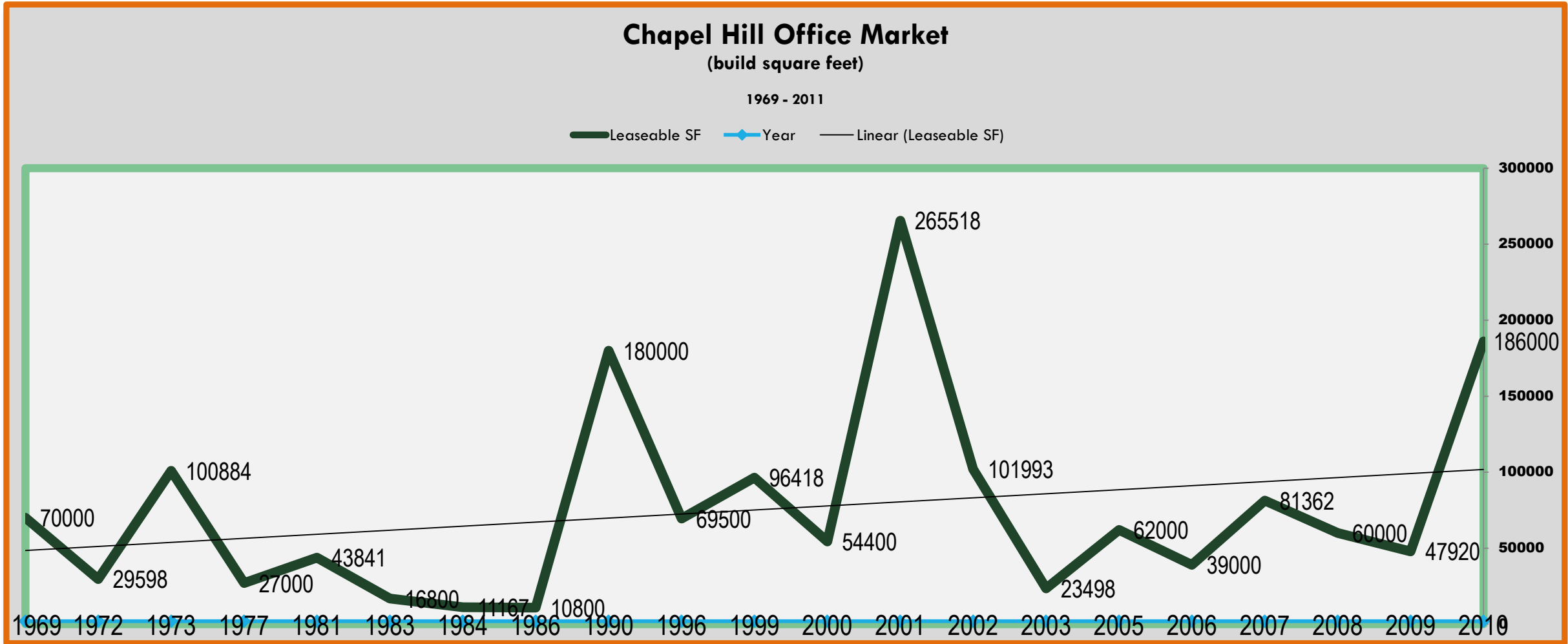


GLEN LENNOX

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

Construction cost and weak market support are affecting their ability to develop the product. We understand that without the Town and/or County's help, they may not be able to proceed with the office building.

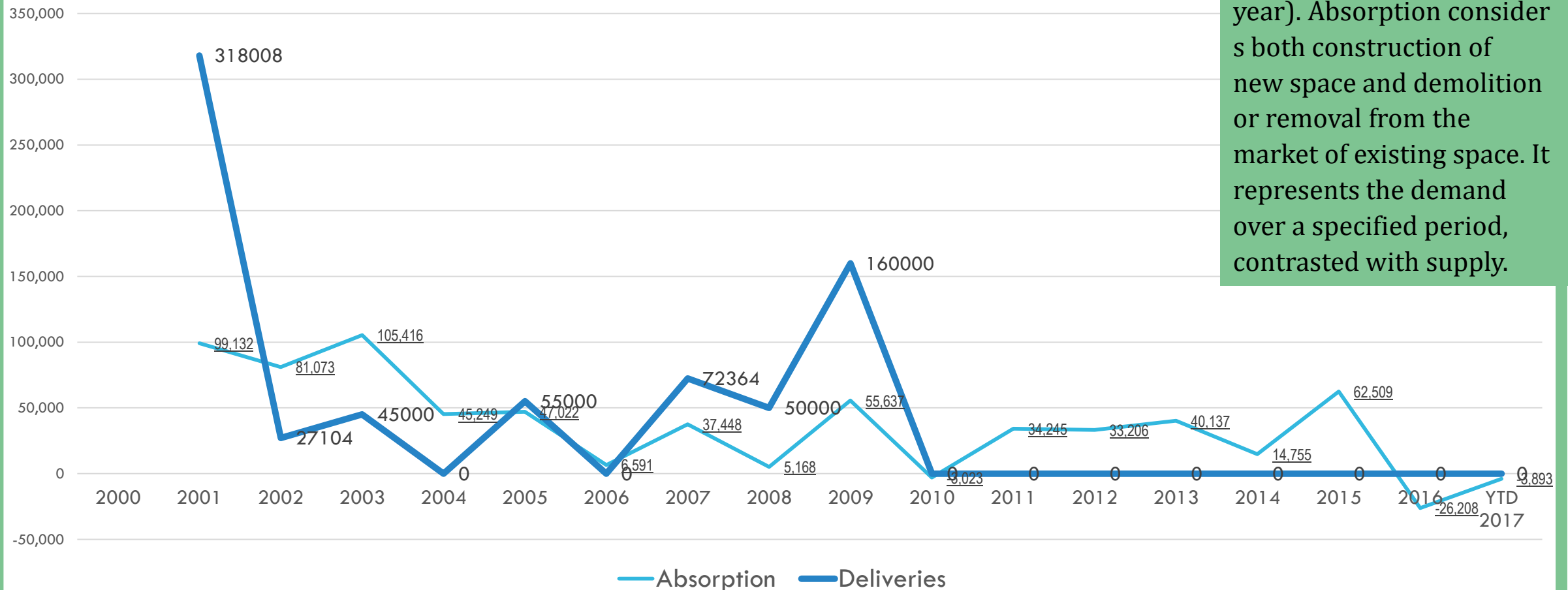
OFFICE MARKET



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.

Chapel Hill/Carrboro Absorption vs. Deliveries



GLEN LENNOX - ASK

- > **Jump Start the office market** -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.
- > **Benchmark Performance** - 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. The annual Economic Development Grant that they would be eligible to apply for would be based on the square feet in office or retail that they hold a certificate of occupancy on.
- > **Orange County participation** - We have been in conversation with Orange County about joint participation with this consideration and we would have a better understanding of their interest in participating if this were to come to Council on a regular Council meeting Agenda.
- > **The Ask** - Asking for \$3.5 million over 5 years, their primary building period and the Town not rewarding until they produce.

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

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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.



AMY OLAND, BUSINESS MANAGEMENT

Property Valuation & Tax Base Analysis – Glen Lennox

Recap from 9/7/18, Summary & Limitations

- This analysis provides preliminary projections for property value and tax revenue for the proposed Glen Lennox project (assumes FY 2019 tax rate).
- Projections exclude residential property values and tax revenues.
- This analysis focuses on property values and tax revenues. It does not include projections related to Town service costs or additional sales tax generation.
- Projections provided for 5-year and 8-year time frame.

5-Year Projection

- Projected Tax Value & Revenue at Build-Out:

Property Type	Total Square Feet	Valuation per sq. foot	Projected Value	Projected Tax Revenue
Office	488,000	175	85,400,000	450,912
Retail	100,000	100	10,000,000	52,800
Hotel	55,000	175	9,625,000	50,820
Total	643,000	N/A	\$105,025,000	\$554,532

- Projected Tax Revenue & Incentive (calculated at 50%):

Revenue / Costs	Year 1	Year 2	Year 3	Year 4	Year 5
Tax Revenue	95,172	219,912	344,652	529,716	554,532
Economic Incentive	(47,586)	(109,956)	(172,326)	(264,858)	(277,266)
Revenue / (Costs)	47,586	109,956	172,326	264,858	277,266

Total Tax Revenue	\$1,743,984
Total Economic Incentive	<u>(871,992)</u>
Total Revenue for Town	871,992

- Additional \$2,628,008 remaining to fund \$3.5 million incentive ask

8-Year Projection

- Projected Tax Value & Revenue at Build-Out:

Property Type	Total Square Feet	Valuation per sq. foot	Projected Value	Projected Tax Revenue
Office	488,000	175	85,400,000	450,912
Retail	100,000	100	10,000,000	52,800
Hotel	55,000	175	9,625,000	50,820
Total	643,000	N/A	\$105,025,000	\$554,532

Total Tax Revenue	\$3,407,580
Total Economic Incentive	<u>(1,703,790)</u>
Total Revenue for Town	1,703,790

- Projected Tax Revenue & Incentive (calculated at 50%):

Revenue / Costs	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Tax Revenue	95,172	219,912	344,652	529,716	554,532	554,532	554,532	554,532
Economic Incentive	(47,586)	(109,956)	(172,326)	(264,858)	(277,266)	(277,266)	(277,266)	(277,266)
Revenue / (Costs)	47,586	109,956	172,326	264,858	277,266	277,266	277,266	277,266

- Additional \$1,796,210 remaining to fund \$3.5 million incentive ask



NEXT STEPS

Does the Council desire to forward this consideration to a full Council meeting?