

# *Economic Development*

## **Incentives Update**

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**Council Committee on Economic Sustainability**

**December 2, 2022**

**CHAPEL HILL**

**OPEN2.BIZ**

# Incentive Policy

## GOAL

GOAL: To encourage developments for employment and to encourage occupancy of the development.

## Grow

Grow our Office Market (Build commercial space.)

## Bring

Bring new companies to Chapel Hill to fill buildings

# Economic Development Incentives



The Town has focused economic development efforts on the commercial tax base. The Town Council approved four economic development incentives, described below. Payments for these incentives begin in FY20 and end in FY28, peaking in FY22, FY23, and FY24. All incentives are performance-based with individual terms for each project. If a project does not achieve its milestones, it won't receive an incentive payment.

**Table 7-1: Committed Economic Development Incentive Funds**

	FY21	FY22	FY23	FY24	FY25
Carraway Village Incentive	\$154,892	\$206,523	\$206,523	\$206,523	-
Wegmans	400,000	400,000	400,000	400,000	400,000
Glen Lennox	-	446,160	446,160	446,160	446,160
Well	-	64,286	64,286	64,286	64,286
<b>Total</b>	<b>\$554,892</b>	<b>\$1,116,969</b>	<b>\$1,116,969</b>	<b>\$1,116,969</b>	<b>\$910,446</b>

# Performance Measures:

- **Wegmans**

- Job creation
- Tax base growth
- Sales volume
- Investment is the redevelopment

- **Carraway Village**

- Square feet of commercial space built
- Percentage of road improvements

- **Well Dot Inc.**

- Investment
- Jobs created

- **Glen Lennox**

- Amount of office space built

<b>Table 7-1: Committed Economic Development Incentive Funds</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>
<b>Carraway Village Incentive</b>	<b>\$51,630</b>	<b>\$154,892</b>	<b>\$206,523</b>	<b>\$206,523</b>	<b>\$206,523</b>	<b>-</b>
<b><u>paid</u></b>	<b><u>\$60,867</u></b>	<b><u>\$132,694</u></b>	<b><u>\$200,955</u></b>			
<b>Wegmans</b>		<b>\$400,000</b>	<b>\$400,000</b>	<b>\$400,000</b>	<b>\$400,000</b>	<b>\$400,000</b>
<b><u>paid</u></b>			<b><u>\$391,929</u></b>			
<b>Glen Lennox</b>		<b>-</b>	<b>\$446,160</b>	<b>\$446,160</b>	<b>\$446,160</b>	<b>\$446,160</b>
<b><u>paid</u></b>			<b><u>\$57,569</u></b>			
<b>Well</b>		<b>-</b>	<b>\$64,286</b>	<b>\$64,286</b>	<b>\$64,286</b>	<b>\$64,286</b>
			<b>0</b>			

# Office market stats by submarket

Q3 - 2022

By Submarket	Inventory (sf)	Total %	Vacancy		Net Absorption		SF Under	Average Asking Rent		
			Class A	Class B	3Q22	TTM	Construction	Total	Class A	Class B
Downtown Durham	4,142,809	16.1%	17.1%	12.2%	3,917	86,847	-	\$36.40	\$37.00	\$32.00
Downtown Raleigh	6,274,942	17.5%	19.9%	14.5%	-25,942	182,176	365,000	\$34.96	\$36.09	\$30.01
<b>Urban Subtotal</b>	<b>10,417,751</b>	<b>17.0%</b>	<b>18.7%</b>	<b>13.8%</b>	<b>-22,025</b>	<b>269,023</b>	<b>365,000</b>	<b>\$35.50</b>	<b>\$36.45</b>	<b>\$30.65</b>

By Submarket	Inventory (sf)	Total %			3Q22	TTM	Total			
Cary	5,858,120	14.9%	17.2%	5.4%	64,966	200,121	46,455	\$29.98	\$30.77	\$23.18
Chapel Hill/Carrboro	1,888,159	23.2%	20.1%	43.0%	44,807	7,290	-	\$29.28	\$29.39	\$28.81
Falls of Neuse	2,324,964	11.1%	13.5%	6.7%	127,678	158,277	-	\$25.19	\$27.17	\$23.54
Glenwood/Creedmoor	2,952,939	9.3%	11.8%	3.4%	1,750	180,714	-	\$29.12	\$31.29	\$25.11
I-40/RTP	13,306,107	13.7%	15.2%	8.5%	-118,959	172,674	111,871	\$27.75	\$27.99	\$25.65
North Durham	440,056	34.7%	-	34.7%	10,589	26,580	-	\$17.93	-	\$17.93
Six Forks Road	4,053,311	6.0%	5.1%	7.5%	142,226	142,002	366,800	\$38.66	\$42.56	\$24.30
South Durham	1,563,386	20.1%	21.7%	17.2%	13,683	80,815	-	\$27.42	\$28.07	\$21.75
Southern Wake County	263,951	6.2%	-	6.2%	3,300	20,250	-	\$15.00	-	\$15.00
US 1/Capital Boulevard	1,808,729	21.6%	6.2%	31.5%	-20,236	-231,592	221,404	\$34.73	\$41.28	\$22.35
West Raleigh	5,373,691	18.3%	19.9%	13.5%	-66,726	-80,379	490,575	\$30.67	\$31.25	\$26.52
<b>Suburban Subtotal</b>	<b>39,833,413</b>	<b>14.5%</b>	<b>15.2%</b>	<b>12.8%</b>	<b>203,078</b>	<b>676,752</b>	<b>1,237,105</b>	<b>\$29.80</b>	<b>\$31.39</b>	<b>\$23.38</b>
<b>Market Total</b>	<b>50,251,164</b>	<b>15.0%</b>	<b>16.0%</b>	<b>12.9%</b>	<b>181,053</b>	<b>945,775</b>	<b>1,602,105</b>	<b>\$30.72</b>	<b>\$32.24</b>	<b>\$24.28</b>

\*TTM is noted as trailing 12 mos.

Courtesy of Avison – Young.

## Office Market – 4<sup>th</sup> qtr 2021

BY SUBMARKET	VACANCY		NET ABSORPTION				AVERAGE ASKING RENT			
	Inventory	Total	Class A	Class B	Q4 2021	Last 12 Mos.	SF Underway	Total	Class A	Class B
Downtown Durham	4,142,214	17.1%	18.7%	11.9%	52,785	(85,451)	-	\$36.23	\$37.03	\$31.59
Downtown Raleigh	6,075,473	18.2%	23.7%	5.9%	177,099	157,818	-	\$35.54	\$36.22	\$30.40
<b>Urban Total</b>	<b>10,217,687</b>	<b>17.8%</b>	<b>21.5%</b>	<b>7.7%</b>	<b>229,884</b>	<b>72,367</b>	<b>-</b>	<b>\$35.78</b>	<b>\$36.50</b>	<b>\$30.91</b>
Cary	5,896,778	16.9%	19.4%	6.8%	(25,350)	(259,044)	316,850	\$29.88	\$30.18	\$22.40
Chapel Hill/Carrboro	1,889,686	23.6%	22.1%	37.1%	(1,260)	(95,908)	-	\$29.55	\$30.03	\$27.96
Falls of Neuse	2,240,654	14.4%	16.0%	10.1%	(645)	(47,041)	-	\$24.72	\$26.79	\$22.95
Glenwood/Creedmoor	2,959,306	13.0%	13.5%	12.0%	70,801	324,297	-	\$29.31	\$31.75	\$24.75
I-40/RTP	12,817,476	12.0%	13.5%	7.1%	133,039	405,499	439,871	\$26.71	\$27.37	\$23.66
North Durham	440,056	40.8%	-	40.8%	-	-	-	\$18.06	-	\$18.06
Six Forks Road	4,044,226	8.3%	7.9%	7.3%	50,135	(25,048)	346,800	\$27.91	\$33.63	\$23.23
South Durham	1,560,433	25.0%	26.5%	22.3%	4,539	(71,469)	-	\$26.40	\$27.26	\$20.03
Southern Wake County	263,951	11.8%	-	11.8%	5,500	(15,900)	118,212	\$22.86	-	\$15.00
US 1/Capital Boulevard	1,803,540	8.2%	3.1%	12.0%	11,844	73,876	257,121	\$29.36	\$37.44	\$21.52
West Raleigh	5,350,151	18.2%	18.2%	15.1%	(24,784)	(116,117)	490,575	\$30.71	\$31.28	\$26.43
<b>Suburban Total</b>	<b>39,266,257</b>	<b>14.5%</b>	<b>15.3%</b>	<b>12.4%</b>	<b>223,819</b>	<b>173,145</b>	<b>1,969,429</b>	<b>\$27.97</b>	<b>\$29.78</b>	<b>\$22.45</b>
<b>Total Market</b>	<b>49,483,944</b>	<b>15.2%</b>	<b>16.6%</b>	<b>11.6%</b>	<b>453,703</b>	<b>245,512</b>	<b>1,969,429</b>	<b>\$29.55</b>	<b>\$31.31</b>	<b>\$23.38</b>

\* Courtesy of Avison Young

Courtesy of Avison – Young.

# MARKET: Office

• Glen Lennox 488,000SF Gwendolyn 110,000SF	=	378,000
• Tri-properties (Barbie Chapel & Hwy 54)	=	60,000
• 150 E. Rosemary	=	238,000

**TOTAL Entitled Office market 676,000SF**

> According to a previous Office market study, we have the capacity to absorb 100,000+ SF per year. The Triangle office market is approximately 55 million square feet, and we should be about 6-7% of that market. We stand at roughly 2.6 million SF of office space.

> We set goals in 2016 to grow our office market, these entitlements are an outcome of that goal.

> We need to absorb the square feet at The Parkline (former BCBS) to decrease our vacancy.

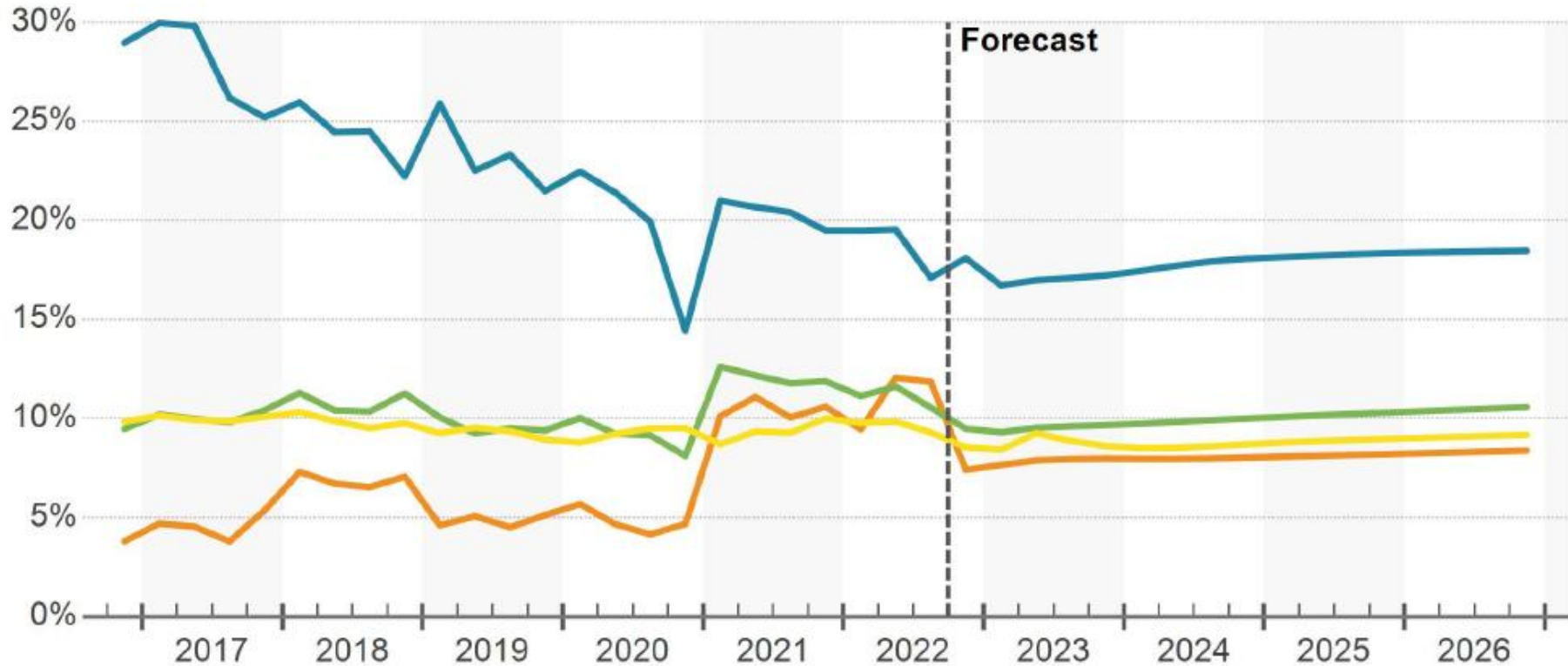
> We currently have a office space absorption issue that we need to improve.



# Vacancy: Orange County versus Durham County

Net Absorption Net Deliveries Vacancy Durham Vacancy

## VACANCY RATE



Orange County 3 Star Orange County 4-5 Star Orange County Durham

#### 4 & 5 STAR MOST ACTIVE BUILDINGS IN SUBMARKET - PAST 12 MONTHS

Property Name/Address	Rating	RBA	Deals	Leased SF	12 Mo Vacancy	12 Mo Net Absorp SF
<b>The Gwendolyn at Glen Lennox</b> 101 Glen Lennox Dr	★★★★☆	110,418	2	29,544	78.7%	27,355
<b>410 Market St</b>	★★★★☆	55,000	3	6,721	4.7%	6,531
<b>East 54</b> 1000-1480 Environ Way	★★★★☆	160,000	3	8,968	6.9%	6,506
<b>Carolina Square</b> 123 W Franklin St	★★★★☆	159,000	1	1,672	1.4%	2,309
<b>Exchange West at Meadowmont</b> 1414 Raleigh Rd	★★★★☆	134,000	2	7,494	14.9%	2,187
<b>Dawson Hall</b> 77 Vilcom Center Dr	★★★★☆	72,364	1	12,601	0%	0
<b>Exchange East</b> 1450 Raleigh Rd	★★★★☆	57,103	1	605	5.4%	(1,709)
<b>Europa Center</b> 100 Europa Dr	★★★★☆	183,164	3	5,637	18.1%	(5,301)

### 3 STAR MOST ACTIVE BUILDINGS IN SUBMARKET - PAST 12 MONTHS

Property Name/Address	Rating	RBA	Deals	Leased SF	12 Mo Vacancy	12 Mo Net Absorp SF
<b>110 Conner Dr</b>	★ ★ ★ ★ ★	11,537	1	3,500	12.1%	3,500
<b>Southern Village Business Ce...</b> 300 Market St	★ ★ ★ ★ ★	40,663	1	6,713	57.8%	2,328
<b>1777 Fordham Blvd</b>	★ ★ ★ ★ ★	16,850	4	3,504	3.3%	1,992
<b>600 Market St</b>	★ ★ ★ ★ ★	12,000	3	226	1.0%	226
<b>The Page Building</b> 210 N Columbia St	★ ★ ★ ★ ★	10,664	1	200	0.4%	200
<b>Chapel Hill 40- Boyd Hall</b> 55 Vilcom Center Dr	★ ★ ★ ★ ★	57,051	1	1,605	7.2%	0
<b>880 Martin Luther King Jr Blvd</b>	★ ★ ★ ★ ★	4,970	8	985	13.6%	(231)
<b>112 Perkins Dr</b>	★ ★ ★ ★ ★	10,801	1	1,756	6.2%	(790)
<b>Pegasus Office Center</b> 930 Martin Luther King Jr Blvd	★ ★ ★ ★ ★	18,000	1	1,274	5.1%	(3,308)
<b>Castalia at Meadowmont</b> 301 W Barbee Chapel Rd	★ ★ ★ ★ ★	50,000	4	2,112	31.9%	(9,532)

# *Questions?*

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**Council Committee on Economic Sustainability**  
**December 2, 2022**

**CHAPEL HILL**

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