

Development/Leasing Authority at Carolina North – The University of North Carolina at Chapel Hill

The Board of Trustees of UNC-Chapel Hill has requested permission to execute two related transactions that will provide facilities to support technology businesses emerging from University research.

Transaction One: This transaction will approve UNC-Chapel Hill's Board of Trustees' request for a ground lease of no more than 7.4 acres of land on Carolina North to the University of North Carolina at Chapel Hill Foundation, Inc. The land, located on the northeast corner of Municipal Drive and Martin Luther King Jr. Boulevard in Chapel Hill, will be ground leased to the Foundation for an initial term of 40 years with one, ten-year renewal option. The ground lease will cost \$1 per year for the duration of the lease and the renewal period if exercised. This initial ground lease to the Foundation will be developed with the oversight of the State Property Office, approved by the Council of State, and executed by the Governor. Upon the expiration of this lease, the land and any improvements upon the land will revert to the State.

Transaction Two: This transaction will approve the Foundation's sublease of all or part of its ground lease to a private developer, Alexandria Real Estate Equities, Inc. at fair market rent, for the construction and operation of an approximately 85,000 square foot building called the Innovation Center. The Innovation Center, developed in partnership with the university, will benefit the university by providing an environment where innovation-based companies affiliated with the university will work to accelerate their research from laboratory concept to viable business. As an accelerator site, the Innovation Center will provide the facilities, business management resources, and capital needed to successfully identify, evaluate, launch and manage emerging companies across the many different areas of technology that are represented within Carolina's research programs.

Carolina's partner in this venture, the Foundation's sublessee, is Alexandria Real Estate Equities, Incorporated. AREE is a world leader in the development of technology-based business development facilities and the accelerator concept. AREE is based in Pasadena, California and its officers are Joel S. Marcus, CEO; James H. Richardson, President; and John H. Cunningham, Senior Vice President. The Innovation Center will be constructed at AREE's cost and represents an estimated \$20 million of private investment in research and emerging technology business space at Carolina North.

Construction plans for the Innovation Center will be developed to State and UNC-Chapel Hill standards and reviewed by the Department of Insurance and the State Construction Office.

Leases of space in the Innovation Center will be developed by AREE with terms not exceeding the remaining years in the ground lease and will be approved by the Foundation using guidelines provided by UNC-Chapel Hill.

These transactions, in whole and parts, will be accomplished within the guidelines, procedures, and policies of the North Carolina Department of Administration and must be approved by the Council of State.

It is recommended that the request of the Board of Trustees be approved and transmitted to the Council of State for final action.