

APPENDIX E

Development Authority at Centennial Biomedical Campus – North Carolina State University

General Statute 116-198.33(4) defines the real property and appurtenant facilities bounded by Blue Ridge Road, Hillsborough Street, Wade Avenue, and Interstate 440 as part of the Centennial Campus. This property, home to the College of Veterinary Medicine, the University Club, and the Agricultural Turf Grass Management Program, is also known as the Centennial Biomedical Campus (CBC).

The Board of Trustees of NCSU is requesting permission to execute three related transactions that will facilitate research partnerships and public/private development of approximately 20 acres of the 182-acre CBC.

Transaction One: This transaction would approve NCSU's Board of Trustees' request for a ground lease of approximately 20 acres of the CBC to the NC State Partnership Corporation (NCSPC). Wholly controlled by NCSU, the NCSPC would assign subleases to limited liability corporations (LLC) wholly owned by NCSPC. The LLCs would lease smaller parcels to private developers. The subleasing of the ground through the LLCs would allow NCSU to provide the assurances and meet the timing requirements that attract private investment to the CBC while insulating NCSU from financial risk on a project-by-project basis. This initial ground lease to the NCSPC would be developed with the oversight of the State Property Office, approved by the Council of State, and executed by the Governor. It is expected that this lease would have a term of 99 years with no renewals and a \$1 cost for the term. Subsequent ground subleases of smaller parcels to the NCSPC-controlled LLCs would be developed by the NCSPC at market rates and with terms, including renewals, not exceeding the remaining years in the ground lease and would be approved by the NCSU Board of Trustees and the UNC Board of Governors, and executed by the Vice President for Finance. Per G.S. 116-36.5, any proceeds from the leases will be retained by the Centennial Campus Trust Fund for continued development of the Centennial Campus. Upon the expiration of this lease, the land and any improvements upon the land would revert to the State.

Transaction Two: The second transaction would approve NCSU's Board of Trustees' request to provide an assignable, reciprocal easement between the CBC and the NCSPC for the 20 acres noted in transaction one. This agreement would provide cross-access between the 20 acres and the remaining acreage on CBC for both parties and would provide that all subleases assure initial and future partners the use of paved areas to access building sites and designated common areas. These easements would be incorporated into the subleases described in Transaction One. There would be no additional charge for the easements and the term would not exceed the remaining years in the ground lease.

Transaction Three: The third transaction would approve NCSU's Board of Trustees' request to lease approximately 10,000 square feet of space in the first planned, but not yet constructed, collaborative research building on a 2.64 acre portion of these 20 acres. This space lease would allow the College of Veterinary Medicine (CVM) to relocate one off-campus research facility to a portion of the planned 44,500 usable square foot CBC Flex Laboratory Building. In order to facilitate research collaboration, the building will be located in immediate proximity to current CVM Research Building and the proposed Companion Animal Hospital project. Leasing about 20% of the square feet, CVM would serve as the anchor tenant in this privately financed building. The planned building represents \$10.5 million of private investment in research and corporate collaboration space at the CBC. The cost of the lease would be approximately \$300,000 annually or a maximum of \$30 per usable square foot not including operating expenses. Tenant improvement allowances are currently stipulated at \$63 per square foot and will be negotiated with the developer. The initial term of the lease will be for ten years with a single, five-year renewal option. CVM research grant funds will support the cost of the lease.

This transaction, in whole and its 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 requests of the Board of Trustees of North Carolina State University be approved and transmitted to the Council of State for final action.