

Authorization of New Capital Improvements Project – The University of North Carolina at Chapel Hill

The Board of Trustees of the University of North Carolina at Chapel Hill has requested authority to establish a new capital improvements project involving a ground lease and new construction.

UNC-Chapel Hill will construct an approximately 18,000 square-foot hangar at Raleigh-Durham International Airport to support the UNC-Chapel Hill Medical Air program in its relocation from the Horace Williams Airport. The project, expected to be complete by April 2009, will include a hangar, airplane parking area, flight operations office space, support areas, storage, and vehicular parking. It is estimated to cost \$3,000,000 and will be funded from unrestricted investment income.

To accomplish the project, UNC-Chapel Hill will enter into a ground lease with the Raleigh-Durham Airport Authority for up to 72,640 square feet (1.67 acres) of land that is adjacent to the N.C. Department of Transportation's hangar facility. The ground lease will have a term of at least 20 years with an annual cost of up to \$8,716 (\$0.12 per square foot) for each of the first three years with 3% annual increases thereafter. The cost of the ground lease will be funded from departmental operating funds. The improvements on the leased property will revert to RDU at the conclusion of the initial lease or any subsequent extensions.

It is recommended that the capital improvements project be authorized and that the method of financing as proposed by UNC-Chapel Hill be approved. It is also recommended that the requested ground lease be approved and forwarded to the Council of State for final action.