

Disposition of Property by Ground Lease (Warehouse District) – East Carolina University

ISSUE OVERVIEW

East Carolina University proposes to enter into a 25-year ground lease with two 25-year and one 24-year options-to-renew for up to 2.5 acres in Leasing Zone 1 of the Warehouse District. The length of this lease is consistent with the 99-year “estate for years” transaction previously authorized for three adjacent properties in the historic warehouse district involving the same developer. The Board of Governors approved the “estate for years” transaction for the three historic parcels in January 2020.

The parcels to be leased to the developer would vary throughout the term of the lease but would not exceed 2.5 acres at any time. The lease rate will be calculated based on the current assessed land value. The annual lease payments would be set based on the acreage to be leased with a cap rate of 4.75% for years 1 to 5. Beginning in year 6, the rate is increased annually by 1.5% for inflation. All parcels to be leased would be located in Zone 1 as shown in the attached materials. The proposed lease rates for each parcel are also included. All parcels are located on the East Carolina University Millennial Campus Warehouse District. Funds received from the lease will be deposited into the Millennial Campus Fund.

The disposition by ground lease was approved on June 18, 2020 by the Board of Trustees of East Carolina University.

It is recommended that the Board of Governors approve the disposition of property by lease.

**STATE OF NORTH CAROLINA
DEPARTMENT OF ADMINISTRATION
DISPOSITION OF REAL PROPERTY**

Institution or Agency: East Carolina University

Date: June 18, 2020

The Department of Administration is requested, as provided by GS §146-28 et seq., to dispose of the real property herein described by *purchase, lease, rental, or other (specify)*. Ground Lease

This disposition is recommended for the following reasons:

Ground lease University owned property to support the Historic Building Renovation on the East Carolina University Millennial Campus. ECU will ground lease property located on the millennial campus as depicted in the attachments to Elliot Sidewalk. The twenty-five (25) year ground will have two (2) twenty-five, and one (1) twenty-four (24) year optional renewals of up to two and one half (2.5) acres of university owned property in Zone 1.

Description of Property: *(Attach additional pages if needed.)*

Ground lease up to 2.5 acres within the Warehouse District on the ECU Millennial Campus parcels in Zone 1. Acres subject to specific metes and bounds and to be determined based on adjoining warehouse renovation project schedule.

Estimated value: **\$39,184 per acre in years 1-5 with 1.5% inflation increase each year thereafter. Illustrative ground lease payment schedule attached.**

Where deed is filed, if known: Pitt County

If deed is in the name of agency other than applicant, state the name:

Rental income, if applicable, and suggested terms: N/A

Funds from the disposal of this property are recommended for the following use:

ECU's Millennial Campus Account

(Complete if Agency has a Governing Board.)

Action recommending the above request was taken by the ECU Governing Board of Trustees and is recorded in the minutes thereof on June 18, 2020.

Signature:


Chancellor



ECU Life Sciences

Leasing Zone 1

Leasing Zone 2

Parcel Numbers	Addresses	Zone	Acres	Appraised Valuations		Initial Offers		Revised Offer
				Andy Piner	Coastal	ECU	ESC	
18883, 82507, 82508	Greene St	1	1.64	1,207,000	1,315,000	1,315,000	1,173,000	1,244,000
23713	1101 Clark St	1	2.31	1,142,000	2,170,000	2,170,000	1,652,000	1,911,000
06869 & 07809	1100 S Washington St	1	2.37	1,172,000	1,914,000	1,914,000	1,718,000	1,816,000
03737	223 W 10th St	1	1.91	1,414,000	1,686,000	1,686,000	1,576,000	1,631,000
01872	1003 Clark St	1	1.58	693,000	1,781,000	1,781,000	1,200,000	1,490,500
09098, 13099	Clark St	2	6.39	2,852,000	2,200,000	2,852,000	2,500,000	2,676,000
			16.20	8,480,000	11,066,000	11,718,000	9,819,000	10,768,500

Revised ECU Offer			
MV per Acre			
ZONE	1	9.81	8,866,000
ZONE	2	6.39	2,852,000
		16.20	8,480,000
			11,066,000
			11,718,000
			9,819,000
			10,768,500

Terms:

99 years, unless shorter length requested by ESC

4.75% cap rate

1.5% inflation rate to begin 5 years from date first ground lease signed

APPENDIX F

East Carolina University

Warehouse District Parcels
Illustrative Ground Lease Payment Schedule Worksheet

		Zone 1			Zone 2	
Tax Parcels	18883, 82507, 82508	23713	06869 & 07809	03737	01872 (excl. Prichard Hughes)	Totals
Address	Greene St	1101 Clark St	1100 S Washington St	223 W 10th St	1003 Clark St	
Acreage	1.64	2.31	2.37	1.91	1.58	9.81
Per Acre Valuation						\$824,924

Assumptions	
Lease Start Date	2/1/2021
Ground Lease Cap Rate	4.75%
Inflation Rate	1.50%
Inflation Begins After Year	5
Zone 1 - Total Acreage	9.81
Zone 2 - Total Acreage	6.39
Valuation Per Acre - Zone 1	824,924
Valuation Per Acre - Zone 2	418,779

Weighted Average Acreage Sandbox	
Lease Year	2025
Day Count	365
Actual Acreage - Day 1	
Additional Parcel 1 - Acreage	2/1/2024
Additional Parcel 1 - Date	
Additional Parcel 2 - Acreage	2/1/2024
Additional Parcel 2 - Date	
Weight Avg. Acreage	-

Year Number	Lease Year Ending January 31	Zone 1 - Ground Lease Payment Calculations			Zone 2 - Ground Lease Payment Calculations			Total Lease Payment
		Weight Avg. Acreage	Per Acre Valuation Basis	Ground Lease Payment	Weight Avg. Acreage	Per Acre Valuation Basis	Ground Lease Payment	
1	2022	1.00	824,924	39,184	1.00	418,779	19,892	59,076
2	2023	1.00	824,924	39,184	1.00	418,779	19,892	59,076
3	2024	1.00	824,924	39,184	1.00	418,779	19,892	59,076
4	2025	1.00	824,924	39,184	1.00	418,779	19,892	59,076
5	2026	1.00	824,924	39,184	1.00	418,779	19,892	59,076
6	2027	1.00	837,297	39,772	1.00	425,061	20,190	59,962
7	2028	1.00	849,857	40,368	1.00	431,437	20,493	60,861
8	2029	1.00	862,605	40,974	1.00	437,908	20,801	61,774
9	2030	1.00	875,544	41,588	1.00	444,477	21,113	62,701
10	2031	9.81	888,677	414,101	6.39	451,144	136,934	551,035
11	2032	9.81	902,007	420,313	6.39	457,911	138,988	559,300
12	2033	9.81	915,537	426,617	6.39	464,780	141,072	567,690
13	2034	9.81	929,270	433,017	6.39	471,752	143,188	576,205
14	2035	9.81	943,209	439,512	6.39	478,828	145,336	584,848
15	2036	9.81	957,357	446,105	6.39	486,011	147,516	593,621
16	2037	9.81	971,718	452,796	6.39	493,301	149,729	602,525
17	2038	9.81	986,294	459,588	6.39	500,700	151,975	611,563
18	2039	9.81	1,001,088	466,482	6.39	508,211	154,255	620,737
19	2040	9.81	1,016,104	473,479	6.39	515,834	156,568	630,048
20	2041	9.81	1,031,346	480,581	6.39	523,571	158,917	639,498
21	2042	9.81	1,046,816	487,790	6.39	531,425	161,301	649,091
22	2043	9.81	1,062,518	495,107	6.39	539,396	163,720	658,827
23	2044	9.81	1,078,456	502,534	6.39	547,487	166,176	668,710
24	2045	9.81	1,094,633	510,072	6.39	555,700	168,669	678,740
25	2046	9.81	1,111,052	517,723	6.39	564,035	171,199	688,921
26	2047	9.81	1,127,718	525,488	6.39	572,496	173,767	699,255
27	2048	9.81	1,144,634	533,371	6.39	581,083	176,373	709,744
28	2049	9.81	1,161,803	541,371	6.39	589,799	179,019	720,390
29	2050	9.81	1,179,231	549,492	6.39	598,646	181,704	731,196
30	2051	9.81	1,196,919	557,734	6.39	607,626	184,430	742,164
31	2052	9.81	1,214,873	566,100	6.39	616,740	187,196	753,296
32	2053	9.81	1,233,096	574,592	6.39	625,991	190,004	764,596
33	2054	9.81	1,251,592	583,211	6.39	635,381	192,854	776,065
34	2055	9.81	1,270,366	591,959	6.39	644,912	195,747	787,706
35	2056	9.81	1,289,422	600,838	6.39	654,586	198,683	799,521

East Carolina University

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Illustrative Ground Lease Payment Schedule Worksheet

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Address	Greene St	1101 Clark St	1100 S Washington St	223 W 10th St	1003 Clark St	Clark St	
Acreage	1.64	2.31	2.37	1.91	1.58	6.39	
Per Acre Valuation							418,779
		Totals					
		9.81			8924,924		

Assumptions		2/1/2021
Lease Start Date	Ground Lease Cap Rate	4.75%
Inflation Rate		1.50%
Inflation Begins After Year		5
Zone 1 - Total Acreage		9.81
Zone 2 - Total Acreage		6.39
Valuation Per Acre - Zone 1		824,924
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Weighted Average Acreage Sandbox		2025
Lease Year	Day Count	365
Actual Acreage - Day 1		
Additional Parcel 1 - Acreage		2/1/2024
Additional Parcel 1 - Date		
Additional Parcel 2 - Acreage		2/1/2024
Additional Parcel 2 - Date		
Weight Avg. Acreage		-

Year Number	Lease Year Ending January 31	Zone 1 - Ground Lease Payment Calculations			Zone 2 - Ground Lease Payment Calculations			Total Lease Payment
		Weight Avg. Acreage	Per Acre Valuation Basis	Ground Lease Payment	Weight Avg. Acreage	Per Acre Valuation Basis	Ground Lease Payment	
36	2057	9.81	1,308,763	609,851	6.39	664,404	201,663	811,514
37	2058	9.81	1,328,394	618,999	6.39	674,371	204,688	823,687
38	2059	9.81	1,348,320	628,284	6.39	684,486	207,759	836,042
39	2060	9.81	1,368,545	637,708	6.39	694,753	210,875	848,583
40	2061	9.81	1,389,073	647,273	6.39	705,175	214,038	861,312
41	2062	9.81	1,409,909	656,983	6.39	715,752	217,249	874,231
42	2063	9.81	1,431,058	666,837	6.39	726,489	220,507	887,345
43	2064	9.81	1,452,524	676,840	6.39	737,386	223,815	900,655
44	2065	9.81	1,474,312	686,992	6.39	748,447	227,172	914,165
45	2066	9.81	1,496,427	697,297	6.39	759,673	230,580	927,877
46	2067	9.81	1,518,873	707,757	6.39	771,069	234,039	941,795
47	2068	9.81	1,541,656	718,373	6.39	782,635	237,549	955,922
48	2069	9.81	1,564,781	729,149	6.39	794,374	241,112	970,261
49	2070	9.81	1,588,253	740,086	6.39	806,290	244,729	984,815
50	2071	9.81	1,612,076	751,187	6.39	818,384	248,400	999,587
51	2072	9.81	1,636,257	762,455	6.39	830,660	252,126	1,014,581
52	2073	9.81	1,660,801	773,892	6.39	843,120	255,908	1,029,800
53	2074	9.81	1,685,713	785,500	6.39	855,766	259,747	1,045,247
54	2075	9.81	1,710,999	797,283	6.39	868,603	263,643	1,060,926
55	2076	9.81	1,736,664	809,242	6.39	881,632	267,597	1,076,839
56	2077	9.81	1,762,714	821,381	6.39	894,857	271,611	1,092,992
57	2078	9.81	1,789,155	833,701	6.39	908,279	275,685	1,109,387
58	2079	9.81	1,815,992	846,207	6.39	921,904	279,821	1,126,028
59	2080	9.81	1,843,232	858,900	6.39	935,732	284,018	1,142,918
60	2081	9.81	1,870,880	871,783	6.39	949,768	288,278	1,160,062
61	2082	9.81	1,898,944	884,860	6.39	964,015	292,603	1,177,463
62	2083	9.81	1,927,428	898,133	6.39	978,475	296,992	1,195,125
63	2084	9.81	1,956,339	911,605	6.39	993,152	301,446	1,213,052
64	2085	9.81	1,985,684	925,279	6.39	1,008,049	305,968	1,231,247
65	2086	9.81	2,015,470	939,158	6.39	1,023,170	310,558	1,249,716
66	2087	9.81	2,045,702	953,246	6.39	1,038,518	315,216	1,268,462
67	2088	9.81	2,076,387	967,544	6.39	1,054,095	319,944	1,287,489
68	2089	9.81	2,107,533	982,058	6.39	1,069,907	324,743	1,306,801
69	2090	9.81	2,139,146	996,789	6.39	1,085,955	329,615	1,326,403
70	2091	9.81	2,171,233	1,011,740	6.39	1,102,245	334,559	1,346,299

East Carolina University

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Illustrative Ground Lease Payment Schedule Worksheet

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Per Acre Valuation						418,779	
		Totals			9.81		
					\$824,924		

Assumptions		2/1/2021
Lease Start Date	Ground Lease Cap Rate	4.75%
Inflation Rate		1.50%
Inflation Begins After Year		5
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Weighted Average Acreage Sandbox		2025
Lease Year	Day Count	365
Actual Acreage - Day 1		
Additional Parcel 1 - Acreage		2/1/2024
Additional Parcel 1 - Date		
Additional Parcel 2 - Acreage		2/1/2024
Additional Parcel 2 - Date		
Weight Avg. Acreage		-

APPENDIX F

Year Number	Lease Year Ending January 31	Zone 1 - Ground Lease Payment Calculations			Zone 2 - Ground Lease Payment Calculations			Total Lease Payment
		Weight Avg. Acreage	Per Acre Valuation Basis	Ground Lease Payment	Weight Avg. Acreage	Per Acre Valuation Basis	Ground Lease Payment	
71	2092	9.81	2,203,802	1,026,916	6.39	1,118,778	339,577	1,366,494
72	2093	9.81	2,236,859	1,042,320	6.39	1,135,560	344,671	1,386,991
73	2094	9.81	2,270,411	1,057,955	6.39	1,152,593	349,841	1,407,796
74	2095	9.81	2,304,468	1,073,824	6.39	1,169,882	355,089	1,428,913
75	2096	9.81	2,339,035	1,089,932	6.39	1,187,431	360,415	1,450,347
76	2097	9.81	2,374,120	1,106,281	6.39	1,205,242	365,821	1,472,102
77	2098	9.81	2,409,732	1,122,875	6.39	1,223,321	371,308	1,494,163
78	2099	9.81	2,445,878	1,139,718	6.39	1,241,670	376,878	1,516,596
79	2100	9.81	2,482,566	1,156,814	6.39	1,260,295	382,531	1,539,345
80	2101	9.81	2,519,805	1,174,166	6.39	1,279,200	388,269	1,562,435
81	2102	9.81	2,557,602	1,191,778	6.39	1,298,388	394,093	1,585,872
82	2103	9.81	2,595,966	1,209,655	6.39	1,317,864	400,005	1,609,660
83	2104	9.81	2,634,905	1,227,800	6.39	1,337,632	406,005	1,633,805
84	2105	9.81	2,674,429	1,246,217	6.39	1,357,696	412,095	1,658,312
85	2106	9.81	2,714,545	1,264,910	6.39	1,378,062	418,276	1,683,186
86	2107	9.81	2,755,263	1,283,884	6.39	1,398,733	424,550	1,708,434
87	2108	9.81	2,796,592	1,303,142	6.39	1,419,714	430,919	1,734,061
88	2109	9.81	2,838,541	1,322,689	6.39	1,441,009	437,382	1,760,072
89	2110	9.81	2,881,119	1,342,530	6.39	1,462,624	443,943	1,786,473
90	2111	9.81	2,924,336	1,362,668	6.39	1,484,564	450,602	1,813,270
91	2112	9.81	2,968,201	1,383,108	6.39	1,506,832	457,361	1,840,469
92	2113	9.81	3,012,724	1,403,854	6.39	1,529,435	464,222	1,868,076
93	2114	9.81	3,057,915	1,424,912	6.39	1,552,376	471,185	1,896,097
94	2115	9.81	3,103,784	1,446,286	6.39	1,575,662	478,253	1,924,538
95	2116	9.81	3,150,341	1,467,980	6.39	1,599,297	485,427	1,953,406
96	2117	9.81	3,197,596	1,490,000	6.39	1,623,286	492,708	1,982,708
97	2118	9.81	3,245,560	1,512,350	6.39	1,647,635	500,099	2,012,448
98	2119	9.81	3,294,243	1,535,035	6.39	1,672,350	507,600	2,042,635
99	2120	9.81	3,343,657	1,558,060	6.39	1,697,435	515,214	2,073,274
100	2121	9.81	3,393,811	1,581,431	6.39	1,722,897	522,942	2,104,374
101	2122	9.81	3,444,719	1,605,153	6.39	1,748,740	530,786	2,135,939
102	2123	9.81	3,496,389	1,629,230	6.39	1,774,971	538,748	2,167,978
103	2124	9.81	3,548,835	1,653,669	6.39	1,801,596	546,829	2,200,498
104	2125	9.81	3,602,068	1,678,474	6.39	1,828,620	555,032	2,233,505
105	2126	9.81	3,656,099	1,703,651	6.39	1,856,049	563,357	2,267,008

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Additional Parcel 1 - Date	
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Additional Parcel 2 - Date	
Weight Avg. Acreage	-

APPENDIX F

Year Number	Lease Year Ending January 31	Zone 1 - Ground Lease Payment Calculations			Zone 2 - Ground Lease Payment Calculations			Total Lease Payment
		Weight Avg. Acreage	Per Acre Valuation Basis	Ground Lease Payment	Weight Avg. Acreage	Per Acre Valuation Basis	Ground Lease Payment	
106	2127	9.81	3,710,940	1,729,205	6.39	1,883,890	571,808	2,301,013
107	2128	9.81	3,766,604	1,755,143	6.39	1,912,148	580,385	2,335,528
108	2129	9.81	3,823,103	1,781,471	6.39	1,940,830	589,091	2,370,561
109	2130	9.81	3,880,450	1,808,193	6.39	1,969,943	597,927	2,406,120
110	2131	9.81	3,938,657	1,835,316	6.39	1,999,492	606,896	2,442,211
111	2132	9.81	3,997,737	1,862,845	6.39	2,029,484	615,999	2,478,845
112	2133	9.81	4,057,703	1,890,788	6.39	2,059,927	625,239	2,516,027
113	2134	9.81	4,118,568	1,919,150	6.39	2,090,826	634,618	2,553,768
114	2135	9.81	4,180,347	1,947,937	6.39	2,122,188	644,137	2,592,074
115	2136	9.81	4,243,052	1,977,156	6.39	2,154,021	653,799	2,630,955
116	2137	9.81	4,306,698	2,006,813	6.39	2,186,331	663,606	2,670,420
117	2138	9.81	4,371,298	2,036,916	6.39	2,219,126	673,560	2,710,476
118	2139	9.81	4,436,868	2,067,469	6.39	2,252,413	683,664	2,751,133
119	2140	9.81	4,503,421	2,098,481	6.39	2,286,199	693,919	2,792,400
120	2141	9.81	4,570,972	2,129,959	6.39	2,320,492	704,327	2,834,286