

Disposition of Property by Ground Lease and Disposition by Demolition (Historic 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 13.7 acres, which includes the remaining 7.31 acres in Leasing Zone 1 of the Warehouse District and 6.39 acres in Leasing Zone 2. 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 16.2 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 percent for years one to five. Beginning in year six, the rate is increased annually by 1.5 percent for inflation. All parcels to be leased would be the remaining property located in Leasing Zone 1 and Leasing Zone 2 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.

East Carolina previously received Board approval on January 17, 2020, to dispose of three properties in the Historic Warehouse District through an “estate for years” transaction, and Board approval on July 23, 2020 to ground lease up to 2.5 acres in Leasing Zone 1. The current request would amend the previous ground lease request to include all property designated in Leasing Zone 1 and Leasing Zone 2.

East Carolina University also proposes to demolish up to eight existing structures in Leasing Zone 1 and Leasing Zone 2 as required by the developer to support future development. The eight structures include the following:

- Building #1 located at Clark Street & 11th Street is a ±10,126 SF brick & aluminum building built in 1915 in good condition.
- Building #2 located at 1101 Clark is a ±6,920 SF metal building built in 1993 in good condition.
- Building #3 located at 375 W. Eleventh Street is a ±12,825 SF metal building built in 2000 in good condition.
- Building #4 located at 1150 S. Greene Street is a ±10,400 SF metal building built in 1998 in good condition.
- Building #5 located at 1104 Clark Street is a ±21,200 SF metal building built in 1983 in good condition.
- Building #6 located at 1104 Clark Street is a ±9,258.59 metal building built in 1984 In good condition.
- Building #7 located at 1104 Clark Street is a ±103,000 SF metal building built in 1994 in good condition.
- Building #8 located at 223 W. Tenth Street is a ±8,158 SF brick building built in 1925 in poor condition.

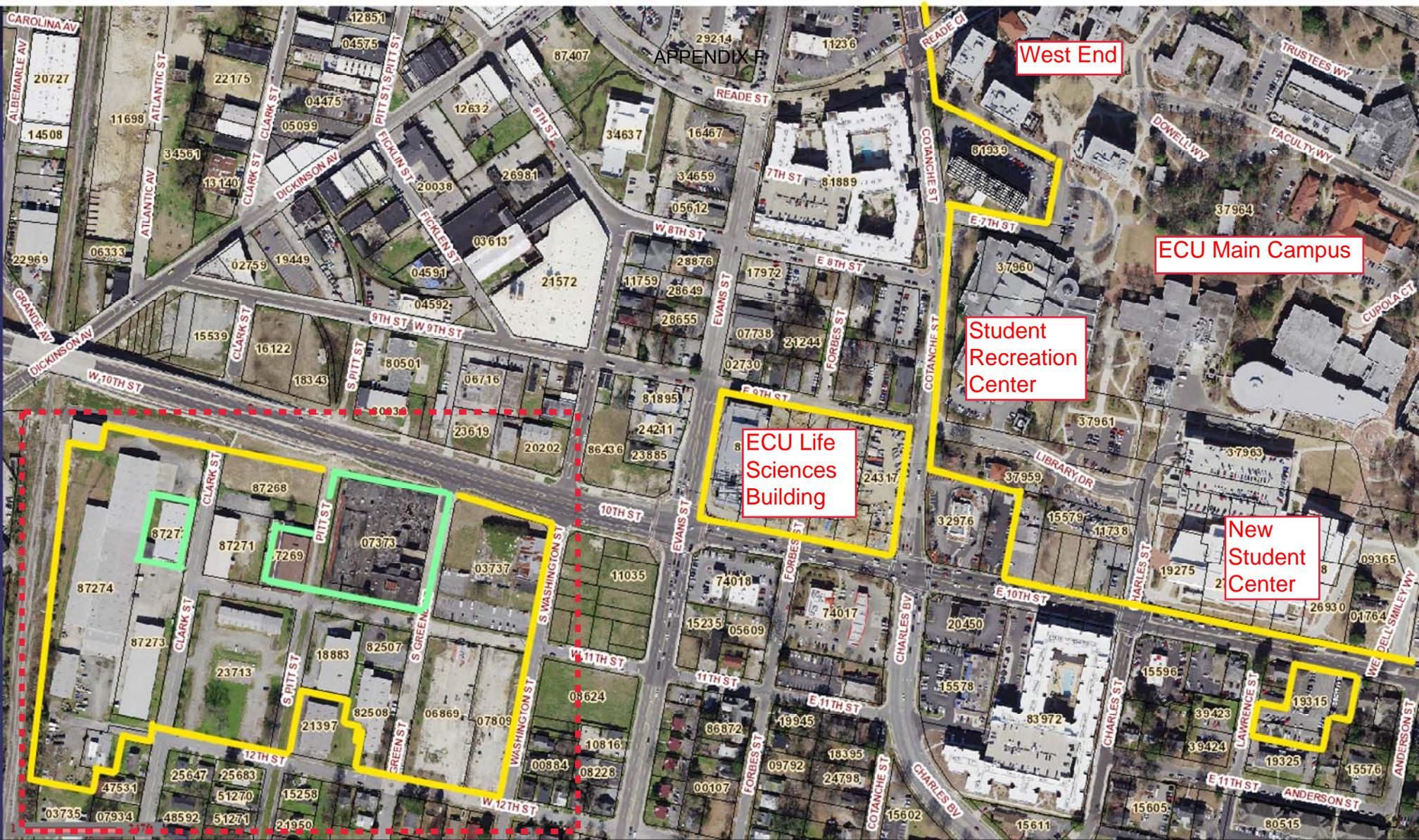
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These two property matters are in support of the continued development and the historic building restoration currently underway on the ECU Millennial Campus through their developmental partner Pacesetter Land Company.

The disposition by ground lease was approved on November 12, 2021 by the East Carolina University Board of Trustees.

RECOMMENDATION

It is recommended that the Board of Governors approve the disposition of property by ground lease and demolition of up to eight structures.



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West End

ECU Main Campus

Student Recreation Center

ECU Life Sciences Building

New Student Center

- State of NC / ECU Properties
- ECU designated Millennial Campus - Warehouse District
- (sold to) Intersect East Historic Properties, LLC for a period of 80 years, then reverts to the State of NC

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Form PO-2
Rev. 10/01
Original and one copy to State Property Office

STATE OF NORTH CAROLINA
DEPARTMENT OF ADMINISTRATION
DISPOSITION OF REAL PROPERTY

Institution or Agency: East Carolina University

Date: November 12, 2021

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 Pacesetter Land Company, LLC. The twenty-five (25) year ground lease will have two (2) twenty-five, and one (1) twenty-four (24) year optional renewals for up to a total of 13.7 acres which represents the remain 7.31 acres in Zone One (1) and the 6.39 acres in Zone Two (2)

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

Ground lease up to 13.7 acres which represent the remaining 7.31 acres in Zone One (1) and the 6.39 acres in Zone Two (2) of university owned property on the East Carolina University Millennial Campus Warehouse District. This request is a continuation of an ongoing project with previous approvals by the UNC BOG on January 17, 2020 and July 23, 2020 and is in support of the continued development and the historic building restoration currently underway on the ECU Millennial Campus through our developmental partner Elliott Sidewalk.

Estimated value: See attached Leasing Schedule

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 Governing Board of Trustees and is recorded in the minutes thereof on November 12, 2021.

Signature:


Chancellor

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Form PO-2
Rev. 10/01
Original and one copy to State Property Office

STATE OF NORTH CAROLINA
DEPARTMENT OF ADMINISTRATION
DISPOSITION OF REAL PROPERTY

Institution or Agency: East Carolina University

Date: November 12, 2021

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)*. Demolition

This disposition is recommended for the following reasons:

Demolition is needed to support the Historic Building Renovation project on Millennial Campus of East Carolina University. Site to be ground leased to Pacesetter Land Company, LLC.

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

Building #1 located at Clark Street & 11th Street is a ±10,126 SF brick & aluminum building built in 1915 in good condition.

Building #2 located at 1101 Clark is a ±6,920 SF metal building built in 1993 in good condition.

Building #3 located at 375 W. Eleventh Street is a ±12,825 SF metal building built in 2000 in good condition.

Estimated value: _____

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:
N/A

(Complete if Agency has a Governing Board.)

Action recommending the above request was taken by the Governing Board of Trustees and is recorded in the minutes thereof on November 12, 2021 *(date)*

Signature:



Philip Rogers
Chancellor

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Building #4 located at 1150 S. Greene Street is a ±10,400 SF metal building built in 1998 in good condition.

Building #5 located at 1104 Clark Street is a ±21,200 SF metal building built in 1983 in good condition.

Building #6 located at 1104 Clark Street is a ±9,258.59 metal building built in 1984 in good condition.

Building #7 located at 1104 Clark Street is a ±103,000 SF metal building built in 1994 in good condition.

Building #8 located at 223 W. Tenth Street is a ±8,158 SF brick building built in 1925 in poor condition.



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The Hammock Factory

Building #4

1 acre ground lease

Building #6

Building #8

ECU Life Sciences

Prizery

Stemmery

Building #2

Building #3

IT and Offices

Building #1

Leasing Zone 1

Leasing Zone 2

Severance

Intersect East Historic Properties, LLC

ECS Southeast, LLP - Greenville

Building #7

Building #5

Evans Properties

Choice Check Cashing

Young Vision Barbershop

Power of His Presence Church

AAction Taxi Cab

The Tech Shop

Starbucks Takeout - Delivery

Boyd's Barber Shop Temporarily closed

About My Father's Business Ministry

A & B Auto Services

NOSTALGIA NEWSSTAND

Collide

Unlimited Cuts Barber Shop

Google

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Parcel Numbers	Addresses	Zone	Acres	Appraised Valuations		Initial Offers		Revised Offer
				Andy Piner	Coastal	ECU	ESC	ECU
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	5,628,000	8,866,000	8,866,000	7,319,000	8,092,500	824,924	
ZONE	2	6.39	2,852,000	2,200,000	2,852,000	2,500,000	2,676,000	418,779	
		16.20	8,480,000	11,066,000	11,718,000	9,819,000	10,768,500	664,722	

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

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Ground Lease Financial Terms

Zone 1 Ground Lease Payment Calculations

Ground Lease Valuation 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
Valuation Per Acre - Zone 1	824,924

Ground Lease Measurement Date	Zone 1 - Ground Lease Payment Calculations	
	Valuation Basis Per Acre	Annual Ground Lease Payment Per Acre
2/1/2021	\$824,924	\$39,184
2/1/2022	\$824,924	\$39,184
2/1/2023	\$824,924	\$39,184
2/1/2024	\$824,924	\$39,184
2/1/2025	\$824,924	\$39,184
2/1/2026	\$837,298	\$39,772
2/1/2027	\$849,857	\$40,368
2/1/2028	\$862,605	\$40,974
2/1/2029	\$875,544	\$41,588
2/1/2030	\$888,677	\$42,212
2/1/2031	\$902,008	\$42,845
2/1/2032	\$915,538	\$43,488
2/1/2033	\$929,271	\$44,140
2/1/2034	\$943,210	\$44,802
2/1/2035	\$957,358	\$45,475
2/1/2036	\$971,718	\$46,157
2/1/2037	\$986,294	\$46,849
2/1/2038	\$1,001,089	\$47,552
2/1/2039	\$1,016,105	\$48,265
2/1/2040	\$1,031,346	\$48,989
2/1/2041	\$1,046,817	\$49,724
2/1/2042	\$1,062,519	\$50,470
2/1/2043	\$1,078,457	\$51,227
2/1/2044	\$1,094,634	\$51,995
2/1/2045	\$1,111,053	\$52,775
2/1/2046	\$1,127,719	\$53,567
2/1/2047	\$1,144,635	\$54,370
2/1/2048	\$1,161,804	\$55,186
2/1/2049	\$1,179,231	\$56,013
2/1/2050	\$1,196,920	\$56,854
2/1/2051	\$1,214,873	\$57,706
2/1/2052	\$1,233,097	\$58,572
2/1/2053	\$1,251,593	\$59,451

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Ground Lease Measurement Date	Zone 1 - Ground Lease Payment Calculations	
	Valuation Basis Per Acre	Annual Ground Lease Payment Per Acre
2/1/2054	\$1,270,367	\$60,342
2/1/2055	\$1,289,422	\$61,248
2/1/2056	\$1,308,764	\$62,166
2/1/2057	\$1,328,395	\$63,099
2/1/2058	\$1,348,321	\$64,045
2/1/2059	\$1,368,546	\$65,006
2/1/2060	\$1,389,074	\$65,981
2/1/2061	\$1,409,910	\$66,971
2/1/2062	\$1,431,059	\$67,975
2/1/2063	\$1,452,525	\$68,995
2/1/2064	\$1,474,313	\$70,030
2/1/2065	\$1,496,427	\$71,080
2/1/2066	\$1,518,874	\$72,147
2/1/2067	\$1,541,657	\$73,229
2/1/2068	\$1,564,782	\$74,327
2/1/2069	\$1,588,253	\$75,442
2/1/2070	\$1,612,077	\$76,574
2/1/2071	\$1,636,258	\$77,722
2/1/2072	\$1,660,802	\$78,888
2/1/2073	\$1,685,714	\$80,071
2/1/2074	\$1,711,000	\$81,272
2/1/2075	\$1,736,665	\$82,492
2/1/2076	\$1,762,715	\$83,729
2/1/2077	\$1,789,156	\$84,985
2/1/2078	\$1,815,993	\$86,260
2/1/2079	\$1,843,233	\$87,554
2/1/2080	\$1,870,881	\$88,867
2/1/2081	\$1,898,945	\$90,200
2/1/2082	\$1,927,429	\$91,553
2/1/2083	\$1,956,340	\$92,926
2/1/2084	\$1,985,685	\$94,320
2/1/2085	\$2,015,471	\$95,735
2/1/2086	\$2,045,703	\$97,171
2/1/2087	\$2,076,388	\$98,628
2/1/2088	\$2,107,534	\$100,108
2/1/2089	\$2,139,147	\$101,609
2/1/2090	\$2,171,234	\$103,134
2/1/2091	\$2,203,803	\$104,681
2/1/2092	\$2,236,860	\$106,251
2/1/2093	\$2,270,413	\$107,845
2/1/2094	\$2,304,469	\$109,462
2/1/2095	\$2,339,036	\$111,104
2/1/2096	\$2,374,121	\$112,771
2/1/2097	\$2,409,733	\$114,462

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Ground Lease Measurement Date	Zone 1 - Ground Lease Payment Calculations	
	Valuation Basis Per Acre	Annual Ground Lease Payment Per Acre
2/1/2098	\$2,445,879	\$116,179
2/1/2099	\$2,482,567	\$117,922
2/1/2100	\$2,519,806	\$119,691
2/1/2101	\$2,557,603	\$121,486
2/1/2102	\$2,595,967	\$123,308
2/1/2103	\$2,634,907	\$125,158
2/1/2104	\$2,674,430	\$127,035
2/1/2105	\$2,714,547	\$128,941
2/1/2106	\$2,755,265	\$130,875
2/1/2107	\$2,796,594	\$132,838
2/1/2108	\$2,838,543	\$134,831
2/1/2109	\$2,881,121	\$136,853
2/1/2110	\$2,924,338	\$138,906
2/1/2111	\$2,968,203	\$140,990
2/1/2112	\$3,012,726	\$143,104
2/1/2113	\$3,057,917	\$145,251
2/1/2114	\$3,103,785	\$147,430
2/1/2115	\$3,150,342	\$149,641
2/1/2116	\$3,197,597	\$151,886
2/1/2117	\$3,245,561	\$154,164
2/1/2118	\$3,294,245	\$156,477
2/1/2119	\$3,343,658	\$158,824
2/1/2120	\$3,393,813	\$161,206
2/1/2121	\$3,444,721	\$163,624
2/1/2122	\$3,496,391	\$166,079
2/1/2123	\$3,548,837	\$168,570
2/1/2124	\$3,602,070	\$171,098
2/1/2125	\$3,656,101	\$173,665
2/1/2126	\$3,710,942	\$176,270
2/1/2127	\$3,766,606	\$178,914
2/1/2128	\$3,823,106	\$181,598
2/1/2129	\$3,880,452	\$184,321
2/1/2130	\$3,938,659	\$187,086
2/1/2131	\$3,997,739	\$189,893

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Zone 2 Ground Lease Payment Calculations

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

Ground Lease Measurement Date	Zone 2- Ground Lease Payment Calculations	
	Valuation Basis Per Acre	Annual Ground Lease Payment Per Acre
2/1/2021	\$418,779	\$19,892
2/1/2022	\$418,779	\$19,892
2/1/2023	\$418,779	\$19,892
2/1/2024	\$418,779	\$19,892
2/1/2025	\$418,779	\$19,892
2/1/2026	\$425,061	\$20,190
2/1/2027	\$431,437	\$20,493
2/1/2028	\$437,908	\$20,801
2/1/2029	\$444,477	\$21,113
2/1/2030	\$451,144	\$21,429
2/1/2031	\$457,911	\$21,751
2/1/2032	\$464,780	\$22,077
2/1/2033	\$471,751	\$22,408
2/1/2034	\$478,828	\$22,744
2/1/2035	\$486,010	\$23,085
2/1/2036	\$493,300	\$23,432
2/1/2037	\$500,700	\$23,783
2/1/2038	\$508,210	\$24,140
2/1/2039	\$515,833	\$24,502
2/1/2040	\$523,571	\$24,870
2/1/2041	\$531,424	\$25,243
2/1/2042	\$539,396	\$25,621
2/1/2043	\$547,487	\$26,006
2/1/2044	\$555,699	\$26,396
2/1/2045	\$564,035	\$26,792
2/1/2046	\$572,495	\$27,194
2/1/2047	\$581,083	\$27,601
2/1/2048	\$589,799	\$28,015
2/1/2049	\$598,646	\$28,436
2/1/2050	\$607,625	\$28,862
2/1/2051	\$616,740	\$29,295
2/1/2052	\$625,991	\$29,735
2/1/2053	\$635,381	\$30,181

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Ground Lease Measurement Date	Zone 2- Ground Lease Payment Calculations	
	Valuation Basis Per Acre	Annual Ground Lease Payment Per Acre
2/1/2054	\$644,911	\$30,633
2/1/2055	\$654,585	\$31,093
2/1/2056	\$664,404	\$31,559
2/1/2057	\$674,370	\$32,033
2/1/2058	\$684,486	\$32,513
2/1/2059	\$694,753	\$33,001
2/1/2060	\$705,174	\$33,496
2/1/2061	\$715,752	\$33,998
2/1/2062	\$726,488	\$34,508
2/1/2063	\$737,385	\$35,026
2/1/2064	\$748,446	\$35,551
2/1/2065	\$759,673	\$36,084
2/1/2066	\$771,068	\$36,626
2/1/2067	\$782,634	\$37,175
2/1/2068	\$794,373	\$37,733
2/1/2069	\$806,289	\$38,299
2/1/2070	\$818,383	\$38,873
2/1/2071	\$830,659	\$39,456
2/1/2072	\$843,119	\$40,048
2/1/2073	\$855,766	\$40,649
2/1/2074	\$868,602	\$41,259
2/1/2075	\$881,631	\$41,877
2/1/2076	\$894,856	\$42,506
2/1/2077	\$908,279	\$43,143
2/1/2078	\$921,903	\$43,790
2/1/2079	\$935,731	\$44,447
2/1/2080	\$949,767	\$45,114
2/1/2081	\$964,014	\$45,791
2/1/2082	\$978,474	\$46,478
2/1/2083	\$993,151	\$47,175
2/1/2084	\$1,008,048	\$47,882
2/1/2085	\$1,023,169	\$48,601
2/1/2086	\$1,038,517	\$49,330
2/1/2087	\$1,054,094	\$50,069
2/1/2088	\$1,069,906	\$50,821
2/1/2089	\$1,085,954	\$51,583
2/1/2090	\$1,102,244	\$52,357
2/1/2091	\$1,118,777	\$53,142
2/1/2092	\$1,135,559	\$53,939
2/1/2093	\$1,152,592	\$54,748
2/1/2094	\$1,169,881	\$55,569
2/1/2095	\$1,187,430	\$56,403
2/1/2096	\$1,205,241	\$57,249
2/1/2097	\$1,223,320	\$58,108

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Ground Lease Measurement Date	Zone 2- Ground Lease Payment Calculations	
	Valuation Basis Per Acre	Annual Ground Lease Payment Per Acre
2/1/2098	\$1,241,669	\$58,979
2/1/2099	\$1,260,294	\$59,864
2/1/2100	\$1,279,199	\$60,762
2/1/2101	\$1,298,387	\$61,673
2/1/2102	\$1,317,863	\$62,598
2/1/2103	\$1,337,631	\$63,537
2/1/2104	\$1,357,695	\$64,491
2/1/2105	\$1,378,060	\$65,458
2/1/2106	\$1,398,731	\$66,440
2/1/2107	\$1,419,712	\$67,436
2/1/2108	\$1,441,008	\$68,448
2/1/2109	\$1,462,623	\$69,475
2/1/2110	\$1,484,563	\$70,517
2/1/2111	\$1,506,831	\$71,574
2/1/2112	\$1,529,433	\$72,648
2/1/2113	\$1,552,375	\$73,738
2/1/2114	\$1,575,661	\$74,844
2/1/2115	\$1,599,295	\$75,967
2/1/2116	\$1,623,285	\$77,106
2/1/2117	\$1,647,634	\$78,263
2/1/2118	\$1,672,349	\$79,437
2/1/2119	\$1,697,434	\$80,628
2/1/2120	\$1,722,895	\$81,838
2/1/2121	\$1,748,739	\$83,065
2/1/2122	\$1,774,970	\$84,311
2/1/2123	\$1,801,594	\$85,576
2/1/2124	\$1,828,618	\$86,859
2/1/2125	\$1,856,048	\$88,162
2/1/2126	\$1,883,888	\$89,485
2/1/2127	\$1,912,147	\$90,827
2/1/2128	\$1,940,829	\$92,189
2/1/2129	\$1,969,941	\$93,572
2/1/2130	\$1,999,490	\$94,976
2/1/2131	\$2,029,483	\$96,400