

7. Acquisition of Property by Lease – NCSU Will Johnson

Situation: The acquisition of real property by lease was approved by the NCSU Board of Trustees and requires Board of Governors approval because it is over \$500,000.

Background: The NCSU NonWovens Institute is seeking to lease new space due to research expansion. The leased space would be in the planned Textiles Innovation Center, a private office building in development on the Centennial Campus. The space is +/- 44,241 SF and a mix of office, laboratory, and specialized high bay space.

Assessment: This lease of a larger space is required to accommodate the research and product development demands of outside parties as well as a significant donation of equipment. The equipment requires specialized high bay space due to its size and, additionally, the research requires laboratory space. Both of these spaces contribute to a relatively high price per square foot of \$41.52.

Action: This item requires a vote.

Acquisition of Property by Lease – North Carolina State University

The Board of Trustees of North Carolina State University has requested the approval of an acquisition lease between NCSU and Keystone Corporation, LLC. Keystone Corporation, LLC is the private developer of the planned Textiles Innovation Center, a private facility of office, laboratory, and specialized high bay space designed to house the NCSU NonWovens Institute (NWI). The space is specifically configured to meet the needs of advanced spun-bound nonwoven technology and will not require further fit-up. The NWI portion of the building is 44,241 out of a total of 103,000 SF, the balance of which will be office. The private development is taking place on leased endowment-owned NCSU Centennial Campus land.

NWI is the world's first accredited academic program for the interdisciplinary field of engineered fabrics. It houses state-of-the-art facilities for product development, analytical services, and materials testing. The Institute helps nonwovens companies meet product development objectives by assisting them to transform their latest innovations into marketable fiber-based systems ready for shipment to commercial, consumer, and industrial users around the world. It receives approximately \$3-4 million per year in memberships, private research, and product development services. NWI supports over 30 graduate students and is a global leader in nonwovens research. It engages experts from industry and higher education in building next-generation nonwoven applications while also providing training and guidance to the field's future leaders. New space is required because the Institute is expanding its research capacity through a donation of new equipment that requires significantly more space.

N.C. State is expected to lease +/- 44,241 SF at +/- \$41.52 a square foot. This equals an approximate annual rent of \$1,840,886. The lease term will be 10 years. The site is located at

the southwest corner of Main Campus Drive and Research Drive and is adjacent to the College of Textiles complex. Funding will be provided through the NonWovens Institute and the College of Textiles.

The entire 44,241 SF for NWI is, at a minimum, 25 feet clear with a 6,675 SF high bay area that is 55 feet high. These heights require a substantial increase in structural costs such as steel and concrete footing. The structure also supports two (2) 10-ton gantry cranes. The NWI will be a pilot R&D facility and requires substantial heating and cooling and, additionally, five (5) megawatts of power to the building and the R&D pilot equipment. This is four or five times the typical office heating, cooling, and electrical requirement. The high bay area is five stories tall. Each of these factors contributes to a significant increase in cost above and beyond a 'standard' high bay.

It is recommended that the request of the Board of Trustees be approved.