

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

ISSUE OVERVIEW

East Carolina University requests the disposition by ground lease of 2.95 acres located at East Fourth Street for the purpose of developing a hotel. The initial ground lease is for 65 years with an option to renew for an additional 34 years. The property is currently used as a parking lot, which will be relocated prior to the start of construction.

ECU will ground lease the property for \$87,500 per year in Years 1 and 2, and \$65,000 for Years 3 – 65. In addition, ECU is negotiating a provision for revenue sharing beginning in Year 4, with the bonus equal to 8% of the portion of the hotel room revenue that exceeds \$4.4M when the average annual occupancy rate is at least 68%.

ECU issued a Request for Information in Summer 2019 and received proposals from two developers. ECU selected the developer Daly Seven and has executed a Letter of Intent. Construction on the hotel is projected to begin late 2021.

The disposition by ground lease was approved on December 13, 2019 by the Board of Trustees of East Carolina University.

RECOMMENDATION

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

Millennial Campus – Hotel

