

Acquisition of Property by Lease – University of North Carolina at Chapel Hill

ISSUE OVERVIEW

The University of North Carolina at Chapel Hill Board of Trustees is requesting approval of a 10-year lease for approximately 24,500 square feet of office space to support development of a new innovation hub. The co-working space will be operated by the University's Office of Innovate Carolina and will support the university's innovation and entrepreneurship programs. Space will be available by sublease to private companies seeking to commercialize university intellectual property and to other early stage and small companies seeking to support and grow their businesses. The lease exceeds the university's delegated authority and requires approval from the Board of Governors.

In 2020, the UNC-Chapel Hill Board of Trustees adopted a strategic plan, Carolina Next, to support commercialization and entrepreneurship activity. The strategic plan's objectives included launching "place-based innovation hubs as a nexus between the university and communities for establishing new partnerships, developing next generation talent, and providing support for start-ups and growing enterprises." The proposed lease directly supports university's strategic objective.

UNC-Chapel Hill

Property Acquisition – Lease

LESSOR:	Grubb Properties d/b/a Franklin Office Chapel Hill, LLC
LESSEE:	State of North Carolina, UNC-Chapel Hill
LOCATION:	136 E. Rosemary Street, Chapel Hill, NC
DESCRIPTION:	24,562 square feet on the ground and 1 st floor
LEASE TERM:	10 years, estimated to begin January 1, 2023 or upon completion of tenant improvements
LEASE EXPIRATION:	December 2032 or ten years from lease execution
LEASE AMOUNT:	Approximately \$1 million annually beginning year two, including 3 percent escalation per year; year one includes five months of free rent

	<u>Annual</u>	<u>Monthly</u>	<u>Per SF</u>
Year 1	\$565,949.42	\$80,849.92	\$39.50
Year 2	\$999,304.97	\$83,275.41	\$40.69
Year 3	\$1,029,284.12	\$85,773.68	\$41.91
Year 4	\$1,060,162.64	\$88,346.89	\$43.17
Year 5	\$1,091,967.52	\$90,997.29	\$44.47
Year 6	\$1,124,726.55	\$93,727.21	\$45.80
Year 7	\$1,158,468.34	\$96,539.03	\$47.17
Year 8	\$1,193,222.39	\$99,435.20	\$48.59
Year 9	\$1,229,019.07	\$102,418.26	\$50.05
Year 10	\$1,265,889.64	\$105,490.80	\$51.55

The UNC-Chapel Hill Board of Trustees approved the lease at its meeting on March 25, 2022.

RECOMMENDATION

It is recommended that the Board of Governors approve this request.

APPENDIX G

Form PO-1
Rev. 10/01
Original and one copy to State Property Office

STATE OF NORTH CAROLINA
DEPARTMENT OF ADMINISTRATION

*ACQUISITION OF REAL PROPERTY

Institution or Agency: UNC-CH

Date: March 25, 2022

The Department of Administration is requested, as provided by GS §146-22 et seq., to acquire the real property herein described by *purchase, lease, rental, or other (specify)*. Lease

This Property is needed for the following reasons and purposes: *(Attach additional pages if needed)*

Acquire 24,562 square feet of rentable office space from Grubb Properties d/b/a Franklin Office Chapel Hill, LLC at 136 East Rosemary Street, Chapel Hill. This space will be occupied by the Innovation Hub to be operated by the University's Office of Innovate Carolina. This newly developed co-working space will co-locate the University's innovation and entrepreneurship programming and services with co-working space that startups and established companies can lease to work closely with Carolina's students, faculty and researchers and to provide opportunities for the commercialization of University intellectual property. The space is located within walking distance to campus and is ADA accessible.

Name and Address of Present Owner: Franklin Office Chapel Hill, LC
117 Edinburgh S Dr #110,
Cary, NC 27511

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

24,562 Square feet of fully upfitted co-working and office space on the ground and 1st floor of 136 E. Rosemary Street, Chapel Hill, NC 27514

Estimated value: _____ Rental price *(if applicable)*: see attached

Funds for the acquisition of this property are available in our budget under Code: _____, Item: _____,
Other: University Reserves

In the event the above described real property is not acquired, is there other real property available, owned by the State or otherwise, that you believe would, if acquired, fulfill the requirements of your agency? If so, give details.

NA

Action recommending the above request was taken by the Governing Board of The UNC-CH Board of Trustees and is recorded in the minutes thereof on March 24, 2022.

Signature: 
Title: Chancellor, UNC-CH

*The term "real property" includes timber rights, mineral rights, etc. (GS §146-64)

APPENDIX G

General Terms:

Term:	10 years
Free Rent:	5 months (\$404,249)
Options:	none
Tenant Improvement Allowance:	\$110 per rentable square feet (\$2,701,820)
SF:	24,562 rentable sf.
Rate:	\$970,199/annually or \$39.50 psf
Operating Expenses:	Included in the base year of the rent
Occupancy:	Approximately 9 months from signed lease

Rent Schedule:

<u>Period Begins</u>	<u>Period Ends</u>	<u>Period Amt</u>	<u>Per Month</u>	<u>PSF</u>
1/1/2023	12/31/2023	\$565,949.42	\$80,849.92	\$39.50
1/1/2024	12/31/2024	\$999,304.97	\$83,275.41	\$40.69
1/1/2025	12/31/2025	\$1,029,284.12	\$85,773.68	\$41.91
1/1/2026	12/31/2026	\$1,060,162.64	\$88,346.89	\$43.17
1/1/2027	12/31/2027	\$1,091,967.52	\$90,997.29	\$44.47
1/1/2028	12/31/2028	\$1,124,726.55	\$93,727.21	\$45.80
1/1/2029	12/31/2029	\$1,158,468.34	\$96,539.03	\$47.17
1/1/2030	12/31/2030	\$1,193,222.39	\$99,435.20	\$48.59
1/1/2031	12/31/2031	\$1,229,019.07	\$102,418.26	\$50.05
1/1/2032	12/31/2032	\$1,265,889.64	\$105,490.80	\$51.55