Appalachian State Innovation District

Presented by:
Dan Layzell, Vice Chancellor of Finance and Operations

UNC Board of Governors
Committee on Budget and Finance
January 18, 2023

Agenda

• Introductions
• Project background & overview
• Material terms
• Post-BOG meeting timeline & next steps
• Wrap-up / questions
Project Background

- The Innovation District is located on the site of the former Broyhill Inn & Conference Center, within the University’s Millennial Campus boundary.

- Development of the Innovation District was contemplated in App State’s 2025 Campus Master Plan, and the University completed an Innovation District Master Plan in December 2021.

- The Innovation District will bring together multiple disciplines and research centers – connected to sustainable infrastructure systems – to support regional economic development, enhance teaching and research, and establish App State as a national leader in sustainability and resilience strategies.

- App State selected development partners Radnor Property Group and Harrison Street through a competitive solicitation process to deliver an integrated Phase 1 concept for the District.

Phase 1 Concept

Faculty and Staff Housing
- 156 units of faculty and staff housing.
- Helps University compete for faculty and staff amid housing scarcity and cost inflation in Boone.
- University contributes no capital.

Academic Facility
- Conservatory for Biodiversity Education and Research (CBEaR).
- Will also include cross-disciplinary collaboration space and encourage K-12 partnership.
- Utilizes state funding.

District Energy System
- Net zero-carbon energy system that begins campus transition away from steam.
- Establishes national example for sustainable solutions, enables ambitious future certification.
- University contributes no upfront capital.
In July 2022, the Board of Governors authorized App State to sign a Letter of Intent with Radnor Property Group and Harrison Street.

District Energy System:

- High quality, financially accessible housing is not available for professionals moving to Boone. The rental market is focused on student housing almost exclusively.
- App state is losing talent from lack of affordable housing options for faculty and staff.
- 300+ housing units demanded from housing survey.
- P3 will provide 150+ new, on-campus housing units with below-market rents.
- Approximately $55M project cost.
- Transfers Design, construction, finance, operations, and asset management risks to a private partner while addressing a critical need employee recruitment and retention need for App State.
Market Snapshot

The Faculty and Staff Housing Project will be unique in the Boone market. The existing apartment or rental home inventory does not meet the needs of App State employees.

Current apartment inventory is neither available nor desirable.

Four “non-student” apartment properties built since 2010:
- King Street Flats (2020, filled with students)
- Skyline Terrace (2018, still has students)
- Watauga Green (2015, LIHTC)
- The Lofts in Boone (2010, still has students)

SFH/Condo rentals are misaligned with need.

Watauga County Rental Homes / Condos
Advertised Nov. 2022

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-bed</td>
<td>10</td>
</tr>
<tr>
<td>1-bed w/ den</td>
<td>56</td>
</tr>
<tr>
<td>2-bed</td>
<td>60</td>
</tr>
<tr>
<td>3-bed</td>
<td>30</td>
</tr>
<tr>
<td>Total</td>
<td>156</td>
</tr>
</tbody>
</table>

Market Comparison

- **Cost**
  - Project rents below cost of new properties and home ownership
  - Residents will save on transportation expense ($100-$400/mo.)
  - Highly efficient building & energy systems

- **Growth Assumptions**
  - Project underwriting 3% annual rent growth
  - Boone average rent growth for past 5 years higher than 4%
  - North Carolina Metro areas averaged 16% rent growth in 2022

- **Designed for a non-student market**
  - No studio units
  - Annual rent by unit rather than by bed
  - Leases available throughout the year
Housing Ground Lease Terms

App State is requesting authority for a Ground Lease Agreement that would include the following terms:

<table>
<thead>
<tr>
<th>Ground Lease Agreement Material Terms</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lessor</strong></td>
<td>Appalachian State University</td>
</tr>
<tr>
<td><strong>Lessee</strong></td>
<td>501(c)3 non-profit entity</td>
</tr>
<tr>
<td><strong>Ground Lease Term</strong></td>
<td>Not to exceed 50 years</td>
</tr>
<tr>
<td><strong>Financing</strong></td>
<td>Taxable debt issues by 501(c)3 non-profit entity covering 100% of development and construction costs.</td>
</tr>
<tr>
<td><strong>Improvements</strong></td>
<td>Five residential buildings, including approximately 173,000 GSF and 230 parking spaces</td>
</tr>
<tr>
<td><strong>Owner of Improvements During Lease Term</strong></td>
<td>501(c)3 non-profit entity</td>
</tr>
<tr>
<td><strong>Owner of Improvements Upon Lease Expiration</strong></td>
<td>Appalachian State University</td>
</tr>
<tr>
<td><strong>Purchase Option</strong></td>
<td>App State will have the option to purchase the project and terminate the Ground Lease Agreement at specified date intervals for a payment equal to the amount necessary to retire the Project Debt in full.</td>
</tr>
</tbody>
</table>

Housing Ground Lease Terms (cont.)

<table>
<thead>
<tr>
<th>Ground Lease Agreement Material Terms</th>
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</thead>
<tbody>
<tr>
<td><strong>Ground Rent</strong></td>
<td>Net available cash flow</td>
</tr>
<tr>
<td><strong>Net Available Cash Flow</strong></td>
<td>Net available cash flow is produced from the Project annually.</td>
</tr>
<tr>
<td></td>
<td>Net available cash flow is the result of rents from tenants and non-rent revenues (including parking rents, fees, etc.), following the payment of debt service, operating expenses, and required reserves. Net available cash flow is driven by the financing requirement to meet minimum coverage ratios on Project Debt. The University may allocate a portion of its Ground Rent for the accelerated retirement of the subordinate debt when financially beneficial.</td>
</tr>
<tr>
<td><strong>Failure to Deliver on Schedule</strong></td>
<td>If the Project is not delivered on time, the Developer will arrange for temporary housing arrangements for any contracted tenants impacted by the delay and bear all associated costs.</td>
</tr>
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</table>

Appalachian State University Innovation District

January 2023
### Housing Ground Lease – Related Agreements

Under a Ground Lease Agreement, App State will negotiate related agreements that include:

#### Related Housing Agreements

<table>
<thead>
<tr>
<th>Agreement Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperation and Services Agreement</td>
<td>App State will enter into a Cooperation and Services Agreement with the Lessee that facilitates information exchange and coordination in the management of the Project. App State will collaboratively develop a leasing plan with Lessee and assist the Lessee with marketing the project to faculty and staff. University does not assume occupancy risk, and employees cannot be required to live in the project.</td>
</tr>
<tr>
<td>Management Agreement</td>
<td>Lessee will enter into Management Agreement with third-party manager to provide operating and management services.</td>
</tr>
<tr>
<td>Development Agreement</td>
<td>Lessee will enter into a Development Agreement with the Developer at financial closing. The Developer will enter into a guaranteed maximum price (GMP) contract with a Contractor. App State’s approval will be required for any material changes to the project during construction.</td>
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### District Energy System

- **Background:**
  - Innovation District lacks energy generation and sufficient distribution to meet the needs of planned buildings.
  - Carbon zero, renewable, and resilient district system, utilizing proven technologies in innovative configuration.

- **System Overview:**
  - On-site renewable energy generation including wind and rooftop solar.
  - Approximately $29M project cost.
  - Flexible, modular system that can accommodate new technologies as district grows.
  - Operational and financing risk transfer for the maintenance, continued investment and operations of the district energy system.
District Energy System (DES) Utility Agreement Terms

App State is requesting authority for long-term utility agreement that would include the following terms:

### DES Utility Agreement Material Terms

| Service Provider | Harrison Street Real Estate Capital will create an affiliate entity to design, build, finance, operate, and manage the Innovation District Energy System (DES). |
| Term | Not to exceed 50 years |
| Financing | Service Provider will fund all costs to design and construct the DES through a combination of debt and equity. |
| Improvements | 1. Renewable Electricity: Approx. 4MW of wind power turbine generators and 120kW of solar PV  
2. Thermal Heating & Cooling: Geothermal heat pumps and wastewater heat recovery system  
3. Central Plant for managing the distribution of heating, cooling, and electricity within the District |
| Monthly Utility Fee | App State will purchase “energy services” for a monthly fee (indexed to CPI). The Monthly Utility Fee will have two components, tied to the expected useful life of the improvements:  
1. Heating and cooling fee, effective for the full 50-year term  
2. Renewable electricity fee, effective for the useful life of the renewable energy assets |
| Purchase Option | App State will have the right to purchase all of the Service Provider’s rights, title, and interest in the DES at specified dates |

### Post Board of Governors Meeting Timeline

<table>
<thead>
<tr>
<th>Date</th>
<th>Milestone</th>
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<tbody>
<tr>
<td>January 2023</td>
<td>Board of Governors delegates authority to App State for Ground Lease Agreement and DES</td>
</tr>
</tbody>
</table>
| Spring 2023 | Engage Housing and DES contractor(s)  
Complete detailed engineering and design of DES  
Guaranteed Maximum Price bidding |
| June 2023   | Targeted Financial Close for Housing and DES  
Ground Lease and Related Agreements executed concurrently |
| Summer 2023 | Initiate site work |
| Fall 2025   | DES and Faculty & Staff Housing are fully open and operational |
Partner Selection Process

• **Competitive procurement process:**
  - Request for Qualifications: (October-November 2021)
  - Request for Proposals (December 2021-March 2022)

• **Selection of integrated team led by Radnor Property Group and Harrison Street:**
  - Radnor & Harrison Street will design, build, finance, operate, and maintain the housing and energy assets.

Radnor Property Group LLC

- Founded in 1999 / 35+ years experience
- $3B projects completed / $1B in P3 space
- Partnerships with 25 Higher-Ed Institutions in Last 10 Years

HARRISON STREET

- 55 years combined team member experience investing in utility and P3 assets
- 65 clean energy assets since 2018
- Leadership Team with $15 billion in transactions for over 40GW+ of power assets

Innovation District will be 7th Joint Venture between Radnor & Harrison Street
**Housing Transaction Structure**

A non-profit owns and operates faculty and staff housing for the benefit of the university.

Radnor and Harrison Street lend 100% of the project costs and are repaid through debt service payments.

University receives a portion of excess cash flow.

**Risks Transferred:**
- Design
- Construction
- Financing
- Operations
- Maintenance

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**DES Transaction Structure**

Harrison Street entity finances and operates the energy infrastructure for the benefit of the university.

App State repays investment through an availability payment for the energy assets over time.

**Risks Transferred:**
- Design
- Construction
- Financing
- Operations
- Maintenance

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The diagram shows the structure of the transactions, including agreements and relationships between entities such as Appalachian State, Radnor Property Group, and Greystar.
Authorization of Public-Private Partnership (Housing Ground Lease) – Appalachian State University

ISSUE OVERVIEW
The Appalachian State University Board of Trustees requests authorization to enter a public private partnership (P3) for the development of faculty and staff housing located in the Innovation District. App State proposes to enter into a ground lease and related agreements with Radnor Property Group, LLC, a 501 (c)(3) non-profit corporation to develop, construct, finance, own, operate, and manage approximately 156 multi-family, multistory residential units on campus. The residential units will provide housing for employees in a highly competitive housing market at below-market rates. App State will execute a ground lease for a term not to exceed 50 years for approximately 22 acres. Additional agreements will be executed to support the management and operations and the development of the project. A summary of the material terms is provided on the term sheet. Any material changes to the terms will require approval by the University of North Carolina Board of Governors.

In September 2015, the Board of Governors approved the expansion of App State's millennial campus designation to include approximately 77 acres at the former Broyhill Conference Center, which includes the Innovation District. The Innovation District will include academic facilities, faculty and staff housing, and a new district energy system. The first academic building, the Conservatory for Biodiversity Education and Academic Research (CBEaR), will be a 50,000 square foot teaching and research facility which will be completed by fall 2025. The 2021 Appropriations Act (S.L. 2021-180) appropriated $54 million for the Innovation District which will fund the new academic building. Future phases would add two additional academic buildings.

The development of faculty and staff housing will support the university by providing housing options that will aid in attracting and retaining employees for App State. The faculty and staff housing project will be developed in conjunction with the new district energy system and the academic buildings.

The App State Board of Trustees approved the P3 agreements on June 17, 2022.

RECOMMENDATION
It is recommended that the Board of Governors approve this request.
Appalachian State University
Innovation District P3 Term Sheet
January 2023

Public-Private Partnership for Faculty & Staff Housing

Appalachian State University ("Appalachian") is requesting authority to negotiate and enter into a Ground Lease Agreement and Cooperation and Services Agreement to facilitate the development of university employee housing facilities, surface parking and related infrastructure, as described herein, on substantially the terms set forth in this Term Sheet.

<table>
<thead>
<tr>
<th>I. Faculty and Staff Project Overview</th>
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<tbody>
<tr>
<td>1. Project</td>
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<tr>
<td>An on-campus residential development consisting of approximately 156 units of employee housing contained in up to five (5), multi-story buildings, parking, and related infrastructure (&quot;the Project&quot;). The Project will be owned by a 501(c)(3) non-profit corporation whose purpose is to support other charitable organizations, by, among other things, owning and managing affordable housing (the &quot;Lessee&quot;). The number of units, parking spaces, and square footage may change slightly as the Project design is finalized, though any material changes will require prior review and approval by Appalachian.</td>
</tr>
<tr>
<td>2. Project Participants</td>
</tr>
<tr>
<td>The developer will be RPG Boone, LLC, an affiliated entity of Radnor Property Group, LLC which specializes in the development of on- and off-campus student housing, market rate housing, commercial office, childcare facilities, specialty retail and recreation centers in locations with growing educational and medical industries (the &quot;Developer&quot;). The Developer’s project team, including designers, contractors, engineers, and consultants, is intended to consist of the following firms:</td>
</tr>
<tr>
<td>- Design Architect: NELSON</td>
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<td>- Civil Engineer: Bohler Engineering</td>
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<tr>
<td>- Placement Agent: RBC Capital Markets</td>
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<tr>
<td>- General Contractor: Under Procurement</td>
</tr>
<tr>
<td>- Property Manager: Under Procurement</td>
</tr>
<tr>
<td>The ground lessee and Project owner is intended to be a 501(c)(3) non-profit corporation experienced in partnering with higher education institutions, or a single-member subsidiary thereof.</td>
</tr>
<tr>
<td>The Project lender (&quot;Lender&quot;) is intended to be a combination or joint venture of an affiliate of Radnor Property Group, LLC, and an affiliate of Harrison Street Real Estate Capital LLC.</td>
</tr>
</tbody>
</table>
### II. Ground Lease

#### 3. Ground Lease Agreement

A Ground Lease Agreement will be entered into between Appalachian (for itself and on behalf of the State of North Carolina, collectively, the “Ground Lessor”) and Lessee at financial closing. “Leased Property” will include land and existing improvements thereon, if any, plus non-exclusive easements for common areas, certain open space areas and temporary construction easements.

The Lessee will hold a fee simple interest in the housing buildings and improvements located on the Leased Property that Lessee constructs during the term of the Ground Lease.

The Ground Lease Agreement will obligate Lessee to own the Project, and enter into agreements providing for the design, construction, and management of the Project. The Ground Lease Agreement will permit the Lessee to finance and mortgage the Project.

#### 4. Financing

100% of Project costs are to be financed with the proceeds of long-term debt issued for the benefit of Lessee (the “Project Debt”).

Appalachian shall not be obligated or liable, either directly or indirectly, for any financial or other obligation of Lessee under the Project Debt documents including without limitation, the payment of any portion of the principal of, interest on, or prepayment premium, if any, of the Project Debt. Appalachian will not guarantee or otherwise be obligated to financially support Lessee’s Project Debt repayment obligations.

#### 5. Ground Lease Term

The Ground Lease Agreement will provide that Appalachian will lease the Leased Property to Lessee to build the Project and own the Project for a term not to exceed 50 years or, if, earlier, until the repayment in full of the Project Debt.

#### 6. Ownership of Improvements

Lessee will own the improvements comprising the Project for the duration of the Ground Lease Agreement.

At the expiration or earlier termination of the Ground Lease Agreement, the Leased Property will revert to Appalachian and ownership of the Project improvements will be transferred to Appalachian, free and clear of all liens and unpermitted encumbrances, without any contribution or compensation. At the expiration or termination of the Ground Lease Agreement, the Project must be in a condition consistent with the requirements of the Ground Lease Agreement, subject to the age and reasonable wear and tear, and casualty and condemnation with respect to the buildings.
| 7. **Ground Lease Rent to Appalachian** | Under the Ground Lease Agreement, the Lessee will pay ground rent to Appalachian in an amount equal to a portion of the surplus cash flow generated by the Project. Surplus cash flow will be calculated by subtracting operating expenses, fixed or minimum debt service, and reserve deposits from operating revenue. A portion of surplus cash flow will be applied to accelerated redemption of Project Debt, with the remainder paid as ground rent to Appalachian. |
| 8. **Early Termination Option** | The Ground Lease Agreement will provide Appalachian or an associated entity the option to purchase the Project and terminate the Ground Lease Agreement at specified date intervals. The payment under the optional termination will be equal to the amount necessary to retire the Project Debt in full. The Project Debt documentation will include a make-whole provision for the prepayment of Project Debt. |
| 9. **Failure to Deliver Project On Schedule** | If the Project is not delivered on time, the Ground Lease Agreement, and/or a separate Development Agreement, will provide that, if needed, temporary housing will be arranged for the contracted tenants until such time as the Project is ready for occupancy. Responsibility for making such arrangements (and all associated temporary housing costs for contracted tenants) will be assigned to the Developer. |

### III. Additional Project Agreements

| 1. **Cooperation and Services Agreement** | A Cooperation and Services Agreement ("CSA") will be entered into between Appalachian and Lessee at financial closing. The CSA will include the services to be provided by Appalachian to the Project and will facilitate information exchange and coordination between the parties to support the management, marketing, occupancy, operation, and maintenance of the Project. Appalachian shall develop with Lessee an annual leasing plan to encourage leasing of the Project. Appalachian will further be required to market and promote the project, use commercially reasonable efforts to encourage the full leasing and occupancy of the Project, provide Lessee with structured access to faculty departments and faculty and staff groups, and identify the Project as the Appalachian-sponsored residence option for the university’s faculty and staff. The CSA will require that Lessee establish an Operations Committee or similar structure made up of three representatives of Lessee and two representatives of Appalachian. The Operations Committee shall provide advice and input to the ground lessee regarding Project operations (including, without limitation, marketing, budgeting, financial reporting, and repairs, maintenance, and capital improvements, ongoing and anticipated). |
2. Development Agreements  

A Development Agreement will be entered into by Developer and Lessee at financial closing.

The Development Agreement will require Appalachian’s approval of material changes of the Project during construction. The agreement will include Appalachian’s participation in regular meetings regarding the progress of the Project and addressing any concerns of Appalachian regarding the Project.

All agreements and contracts with the Contractors and Architects will be between the Developer and the respective party. This will include a guaranteed maximum price (GMP) contract between the Developer and the Contractor for the construction of the Project.

3. Management Agreement  

Lessee will contract with an approved Manager to provide certain operating and management services for the Project (the “Management Agreement”).

The Manager’s operational and management responsibilities are to be defined in the Management Agreement.

Asset management of the Project will be a responsibility of Lessee, including:

- Fulfilling reporting requirements and maintaining compliance with covenants defined in financing documents
- Overseeing repairs and capital improvements over the lifecycle of the assets

The payment of operating expenses for the Project will be set out in the Management Agreement.
RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA DELEGATING THE AUTHORITY TO APPALACHIAN STATE UNIVERSITY TO ENTER INTO A GROUND LEASE AND RELATED AGREEMENTS WITH THE HOUSING PROJECT OWNER (AS DEFINED BELOW) FOR THE DEVELOPMENT OF A FACULTY AND STAFF HOUSING PROJECT DESCRIBED HEREIN AS PART OF PHASE ONE OF APPALACHIAN’S INNOVATION DISTRICT.

WHEREAS, by Chapter 116 of the General Statutes of North Carolina (the “Act”), the Board of Governors of The University of North Carolina (the “UNC Board of Governors”) is vested with general control and supervision of the constituent institutions, as defined in the Act, which includes Appalachian State University (“Appalachian”); and

WHEREAS, the UNC Board of Governors is authorized under G.S. 116-198.34 to (1) designate real property held by a constituent institution as a “Millennial Campus” of the institution, (2) provide for the acquisition and construction of projects located on the Millennial Campus, and (3) enter into contracts and agreements related to the acquisition and construction of such projects; and

WHEREAS, at the request of the Board of Trustees of Appalachian (the “Appalachian Board”), and in accordance with N.C. Gen. Stat. § 116-198.34(8b), the UNC Board of Governors previously designated a portion of Appalachian’s campus as a Millennial Campus to facilitate the development of an innovation district (“Innovation District Project Site”); and

WHEREAS, Phase 1 of the Innovation District Project Site will include a Conservatory for Biodiversity Education and Research (“CBEaR”), faculty and staff housing facilities and related surface parking (the “Housing Project”), and a net zero-carbon, renewable and resilient district energy system, utilizing proven technologies in innovative configuration (the “DES Project”); and

WHEREAS, the North Carolina General Assembly appropriated funds to Appalachian during the 2021-2022 legislative session for use in the construction of the CBEaR; and

WHEREAS, Appalachian conducted a competitive selection process which included a request for qualifications followed by requests for proposals to solicit public-private partnership proposals for Housing Project and the DES Project (collectively, the “Innovation District Project”) and has selected Radnor Property Group (“Radnor”) and Harrison Street Real Estate Capital LLC (“Harrison Street”) (collectively the “Development Team”) to deliver Phase 1, with Radnor being responsible for delivering the Housing Project and Harrison Street being responsible for delivering the DES Project; and

WHEREAS, Appalachian is unwilling and unable to incur any debt to fund the Housing Project and DES Project, which are integral and critical to the Innovation District Project, and therefore has asked Radnor to develop the Housing Project, and to engage a third-party 501(c)(3) entity (the “Housing Project Owner”) to ground lease land, provide financing for development and construction costs, and to own the Housing Project improvements for the term of the ground lease, under a financing structure wherein Appalachian will not be liable or responsible in any manner for the debt incurred by the Housing Project Owner to develop the Housing Project; and

WHEREAS, the CBEaR will be developed by Appalachian with State-appropriated funds, and

WHEREAS, the Housing Project will be developed by Radnor using private funds under a financing structure whereby Appalachian will not be liable or responsible in any manner for the debt incurred by Radnor to develop the Housing Project; and
WHEREAS, Appalachian now seeks authorization from the UNC Board of Governors for the authorization of certain Appalachian officials to (1) ground lease a portion of the Innovation District Project Site to the Housing Project Owner for development of the Housing Project; and (2) enter into those agreements anticipated by the ground lease, or that are necessary to bring Phase 1 of the Innovation District Project, including the Housing Project and other related improvements to completion; and

WHEREAS, THE FOREGOING RECITALS ARE HEREBY INCORPORATED INTO THE BODY OF THE RESOLUTION BY REFERENCE HERETO.

NOW, THEREFORE, BE IT RESOLVED by the UNC Board of Governors as follows:

Section 1. Authorization of the Ground Lease Agreement. The authority to enter into a ground lease agreement with the Housing Project Owner is hereby delegated to the Chancellor of Appalachian, or the Chancellor’s designee (the “Authorized Officer”). The form and content of such ground lease agreement shall be consistent with the material terms and provisions of the term sheet made available to the UNC Board of Governors and shall be in a form acceptable to the Authorized Officer.

Section 2. Authorization of a Cooperation and Services Agreement. The authority to enter into a Cooperation and Services Agreement with the Housing Project Owner that facilitates information exchange and coordination in the marketing and operation of the Housing Project is hereby delegated to the Chancellor of Appalachian, or the Chancellor’s Authorized Officer. Appalachian will collaboratively develop a leasing plan with the Housing Project Owner and assist the Housing Project Owner with marketing the Housing Project to Appalachian faculty and staff.

Section 3. General Authorization. Appalachian, by and through its Authorized Officer, is hereby delegated the authority, to enter into those agreements anticipated by the ground lease agreement that are necessary for financial closure of the Housing Project and to bring the Housing Project to completion.

Section 4. Conflicting Provisions. All resolutions or parts thereof of the Board of Governors in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

Section 5. No Indebtedness. Nothing in this resolution shall be construed to create any obligation, or liability of Appalachian in any respect whatsoever arising out of or pertaining to the financing or pertaining to the acquisition, development, construction, and operation of the Housing Project, and the payment of costs incurred in connection therewith. No statement, representation, or recital herein shall be deemed to constitute a legal conclusion or determination that any particular action or proposed action is required, authorized, or permitted under the laws of the State or any other state, or the United States. The Housing Project financing will not constitute an indebtedness or pledge of Appalachian, The University of North Carolina, or the State of North Carolina within the meaning of any constitutional or statutory provision, and the owners of the Housing Project will not be paid in whole or in part out of any funds raised or to be raised by taxation or any other revenues of Appalachian.

Section 6. Material Modifications. Notwithstanding any of the foregoing provisions of this Resolution, and as provided by UNC Policy 600.1.6, any material modifications or amendments to the Innovation District Project, including the public-private partnership agreement(s), the underlying Ground Lease Agreement, and Cooperation and Services Agreement, shall require prior review and approval of the UNC Board of Governors.
Section 7. **Effective Date.** This Resolution is effective immediately on the date of its adoption.

**PASSED, ADOPTED, AND APPROVED** this the ___ day of January 2023.