

DRAFT II  
DOWNTOWN CARRBORO  
POTENTIALS AND STRATEGIES

Prepared for  
The Downtown Carrboro Revitalization Task Force and Staff

December 8, 1983

H A M M E R , S I L E R , G E O R G E A S S O C I A T E S  
Atlanta/Denver/Orlando/Silver Spring/Washington  
1111 Bonifant Street  
Silver Spring, Maryland 20910

## TABLE OF CONTENTS

	<u>Page</u>
Section I.	
<u>THE MARKET SIZE AND GROWTH</u>	1
Employment	1
Population Growth	2
Population in Orange County	3
Population Forecasts	4
Household Information	5
Income	8
Summary of the Market Setting	8
Section II.	
<u>DOWNTOWN CARRBORO HOUSING POTENTIALS</u>	10
The Existing Housing Market	11
Recent Housing Construction Trends	12
Housing Demand Forecasts	15
Leading Projects in the Market	18
Implications For Downtown Carrboro Development	21
Proposed Downtown Housing Project Areas	23
Section III.	
<u>DOWNTOWN CARRBORO OFFICE POTENTIALS</u>	25
The Existing Office Market	25
Vacant Space	26
Lease Rates	27
Tenant Profile	28
Future Office Space Demand	30
Proposed Projects	31
The Downtown Carrboro Office Share	33
Section IV.	
<u>INDUSTRIAL/R&amp;D POTENTIALS</u>	36
The Industrial/Office Park Concept	36
Industrial Employment	39
Employment Forecasts	41
Employment Densities	42
Competitive and Comparable Sites	43
Characteristics of Firms Moving Into Carrboro	46
Industrial/Office Park Potentials in Carrboro	47
Potential Park Users	47
Conclusions	50

TABLE OF CONTENTS (Continued)

	<u>Page</u>
Section V.	<u>DOWNTOWN CARRBORO RETAIL POTENTIALS</u> 52
	Orange County Expenditure Potential 53
	Retail Sales Trends 54
	Future Orange County Expenditure Potentials 55
	Future Downtown Potentials 56
	Downtown Carrboro Potential 58
	Retail Development Opportunities 59
	Increasing Sales of Existing Business 63
Section VI.	<u>DEVELOPMENT RECOMMENDATIONS</u> 70
	Level 1 and Level 2 Projects 71
	Level 3 72
Appendix A	<u>SHOPPERS SURVEY</u> A-1
Appendix B.	<u>OFFICE TENANT SURVEY</u> B-1
Appendix C.	<u>SHOPPERS AND TENANTS SURVEY FORMS</u> C-1
Appendix D.	<u>MEMORANDUM</u> D-1

Section I. THE MARKET SIZE AND GROWTH

## Section I. THE MARKET SIZE AND GROWTH

Stimulated by the University-based research and development park, the Research Triangle Region has experienced impressive economic growth over the last decade which has resulted in rapid growth in the market for commercial goods and services. Downtown Carrboro depends upon this market for its support, particularly that portion of the market located in Orange County.

### Employment

Employment data for Orange County shows an overall growth rate of 73.4 percent or 15,055 employees during the 1971-1981 period as is shown in the table below. These figures exceed the state growth rate of 22.6 percent.

Table 1. NON-AGRICULTURAL EMPLOYMENT BY PLACE  
OF WORK, ORANGE COUNTY, 1971-1981

<u>Type of Employment</u>	<u>Employees</u>		<u>Change 1971-1981</u>	
	<u>1971</u>	<u>1981</u>	<u>Absolute</u>	<u>Percent</u>
Construction	900	1,011	111	12.3%
Manufacturing				
Non-Durable Goods	1,137	1,767	630	55.4%
Durable Goods	347	1,785	1,438	414.4%
Transportation & Public Utilities	132	718	586	443.9%
Wholesale Trade	60	387	327	545.0%
Retail Trade	2,719	5,054	2,335	85.8%
Finance Insurance & Real Estate	841	2,024	1,183	140.6%
Services	2,914	4,819	1,905	65.3%
Government and Government Enterprises				
Federal, Civilian	159	170	11	6.9%
Federal, Military	373	293	-80	-21.4%
State & Local	<u>10,928</u>	<u>17,537</u>	<u>6,609</u>	<u>60.4%</u>
Total Non-Agricultural Employment	20,510	35,565	15,055	73.4%

Sources: Bureau of Economic Analysis, Regional Economic Information Systems.

#### Population Growth

The 27 percent growth in population in the Raleigh-Durham SMSA during the 1970s was impressive compared to most other metropolitan markets of similar size. This growth was a direct reflection of the healthy economy. Although Orange County population increased by over a third during this decade, this represented only 17.3 percent of total SMSA growth. Population growth during the decade is summarized in Table 2.

Table 2. POPULATION TRENDS, RALEIGH-DURHAM SMSA,  
ORANGE COUNTY, CARRBORO AND CHAPEL HILL  
1970-1980

<u>Area</u>	<u>1970</u>	<u>1980</u>	<u>Change 1970-1980</u>	
			<u>Number</u>	<u>Percent</u>
Raleigh-Durham SMSA	419,394	531,167	111,773	27%
Orange County	57,707	77,055	19,348	34%
Carrboro	5,058	8,118	3,060	61%
Chapel Hill	25,543	32,421	6,878	27%

Source: U. S. Census of Population and Hammer,  
Siler, George Associates.

Population in Orange County

Together, Carrboro and Chapel Hill account for approximately 53 percent of the total Orange County population. A significant factor which encouraged growth in these communities during the 1970s was the expansion of the University of North Carolina at Chapel Hill. Between 1970 and 1980, student enrollment increased by 3,335 students. Both Carrboro and Chapel Hill expanded as a result of this surge in the student population. Carrboro, however, grew more rapidly because it provided more affordable housing for students. Another factor contributing to Carrboro's rapid growth is its annexation policy which has brought several developments within the township's jurisdiction, thereby increasing its size.

Chapel Hill and Carrboro have also become popular places for retirees. The moderate climate coupled with the medical facilities at Memorial Hospital in Chapel Hill make the area an attractive place for retirement.

## Population Forecasts

The population projections for the Raleigh-Durham SMSA, Orange County, Carrboro and Chapel Hill are based on past population trends and information from the Region J Council of Governments and the Orange County Planning Department.

Population in the Raleigh-Durham SMSA is expected to increase by 139,688 to a 1995 total of 670,361. In Orange County, a net increase of 25,136 people is forecasted for the 1980-1995 period. Carrboro's 1995 population is projected at 12,926, with an increase of 4,808 people. Population forecasts for Chapel Hill show a growth of 8,716 people resulting in a 1995 total of 41,137 residents. Thus while Chapel Hill will see larger increases in population, Carrboro will continue to grow at a faster rate.

Table 3. POPULATION PROJECTIONS FOR RALEIGH-DURHAM  
SMSA, ORANGE COUNTY, CARRBORO AND  
CHAPEL HILL, 1980-1995

<u>Area</u>	<u>1980</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>Change 1980-1995</u>	
					<u>Number</u>	<u>Percent</u>
Raleigh-Durham	530,673	573,659	620,128	670,361	139,688	26%
Orange County	77,055	84,648	93,012	102,191	25,136	33%
Carrboro	8,118	9,478	11,069	12,926	4,808	59%
Chapel Hill	32,421	35,100	38,000	41,137	8,716	27%

Source: Region J Council of Governments and Hammer, Siler, George Associates.

The completion of Interstate 40 will connect Chapel Hill and Carrboro more effectively to the Research Triangle Park. The University is not considered to be the catalyst for growth it once was due to

declining enrollments and the University's own policy to limit student enrollment at approximately 20,000 pupils.

Group Quarters Population. In a relatively small community with a large university, the portion of the population living in dorms, fraternity and sorority houses, rooming houses and other non-traditional housing units makes up a significant share of the population. Generally without cooking facilities for their private use, these residents have a disproportionately heavy impact on eating and drinking establishments.

Group quarters population in Orange County totalled 9,550 in 1980. This represents about 12.4 percent of the total population of 77,100. Group quarters population increased by 1,430 during the 1970s compared to a growth in the student body of over 3,300 during this same period. Given the University's policy limiting student enrollment, little growth in group quarters population is anticipated.

#### Household Formation

Spurred by annexation and multi-family construction, Carrboro more than doubled the number of households during the 1970s from 1,870 to 3,860.

The Raleigh-Durham SMSA saw an increase of 47,641 households from 141,542 in 1970 to 189,183 in 1980. The number of households in Orange County grew from 16,544 in 1970 to 27,044 in 1980. In Carrboro, the number of households more than doubled between 1970 and 1980. Thus, while Carrboro had 1.3 percent of the SMSA households and 11.3 percent of Orange County's households in 1970, they captured 4.2 percent of the SMSA growth and 18.8 percent of the County growth during the 1970s.

Table 4. HOUSEHOLD TRENDS, RALEIGH-DURHAM SMSA, ORANGE COUNTY, CARRBORO AND CHAPEL HILL 1970-1980

	<u>1970</u>	<u>1980</u>	<u>Change 1970-1980</u>	
			<u>Number</u>	<u>Percent</u>
Raleigh-Durham SMSA	141,542	189,183	47,641	34%
Orange County	16,544	27,044	10,500	64%
Carrboro	1,868	3,863	1,995	107%
Chapel Hill	6,516	10,019	3,503	54%

Source: U. S. Census of Housing and Hammer, Siler, George, Associates.

While the number of households increased between 1970 and 1980, the average household size declined. As shown in Table 5, the average household size dropped in all four areas, with Carrboro experiencing the largest decline, minus 22 percent.

Table 5. CHANGES IN HOUSEHOLD SIZE RALEIGH-DURHAM SMSA, ORANGE COUNTY, CARRBORO AND CHAPEL HILL, 1970-1980

<u>Area</u>	<u>1970</u>	<u>1980</u>	<u>Change 1970-1980</u>	
			<u>Number</u>	<u>Percent</u>
Raleigh-Durham	3.1	2.6	-.5	-16%
Orange County	3.0	2.5	-.5	-17%
Carrboro	2.7	2.1	-.6	-22%
Chapel Hill	2.8	2.3	-.5	-17%

Source: U.S. Census of Housing and Hammer, Siler, George Associates.

The phenomenon of declining average household size is a national trend resulting from high divorce rates, fewer children per family, a large number of young adults forming separate households and increased independence among the elderly. The large number of apartment buildings in which individuals live by themselves or with one other person has

certainly contributed to Carrboro's relatively small average household size and the dramatic increase in the number of the households.

The decline in the nation's average household size is expected to slow during the 1980s and 1990s as the cost of housing encourages shared housing. The average size of Carrboro households is forecasted to be 2.03 in 1985, 2.01 in 1990 and 1.99 in 1995.

Table 6. HOUSEHOLD SIZE PROJECTIONS, RALEIGH-DURHAM SMSA, ORANGE COUNTY, CARRBORO AND CHAPEL HILL, 1980-1995

<u>Area</u>	<u>1980</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>
Raleigh-Durham	2.63	2.60	2.58	2.55
Orange County	2.50	2.47	2.44	2.42
Carrboro	2.10	2.03	2.01	1.99
Chapel Hill	2.33	2.28	2.23	2.20

Source: Hammer, Siler, George Associates.

The number of households in Carrboro is forecasted to increase from 3,875 in 1980 to 5,534 in 1990 and 6,561 in 1995. Orange County as a whole will add 10,727 households over the period. These estimates are summarized in the table below.

Table 7. HOUSEHOLD PROJECTIONS, RALEIGH-DURHAM SMSA, ORANGE COUNTY, CARRBORO AND CHAPEL HILL, 1980-1995

	<u>1980</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>Change</u>	
					<u>Number</u>	<u>Percent</u>
Raleigh-Durham	189,183	216,800	236,637	258,658	69,475	37%
Orange County	27,044	30,235	33,866	37,771	10,727	40%
Carrboro	3,875	4,669	5,534	6,561	2,686	69%
Chapel Hill	10,019	11,338	12,610	14,024	4,005	40%

Source: Hammer, Siler, George Associates.

### Income

Carrboro is clearly one of the lower income parts of the SMSA. Although average household income in Carrboro increased at the same percentage rate as it did for the Raleigh-Durham SMSA and Orange County during the 1970s, Carrboro had the lowest average household income, \$15,821 in 1969 and \$17,567 in 1979. This reflects, to a certain extent, the smaller household size of the residents as well as the large student population living in the town.

### Summary of the Market Setting

Spurred by the impressive success of the University-based Research Triangle Park, the economy, image and way of life in the region of which Carrboro-Chapel Hill is a part have changed dramatically. Over the years, the region was composed of three urban centers; one largely based on the university and state government; one on the university and old-line industry, and the third on university alone. With the development of the Research Triangle Park near the airport, a fourth economic growth node was created. Most importantly, this park brought new kinds of industries and agencies related to new kinds of product and service demands.

Orange County has attracted a relatively lesser share of the growth generated by the Park because of poor highway access to it, citizen slow growth pressures and a smaller base of businesses and residential services.

Access to the Park from Chapel Hill, either via the distant and indirect U.S. 70 and 15-501 or the slow and precarious Route 54 was and

is substantially less convenient than to Raleigh and Durham. This will change dramatically when the Route 40 bypass is completed. Threshold size of commercial and institutional services and activities will remain a disadvantage to the Carrboro-Chapel Hill area because the large share of the growth prefers broader services. Threshold size will remain an equally strong advantage for the share of the commercial and industrial growth which prefers the higher quality general community character.

Growth preference or non-growth preference has been a major factor in the past and we suspect will remain so in much of the Orange County area in the future. Should Carrboro make a decision to press for growth, this same general reluctance in other parts of the County could work in the Town's favor.

These development forces and patterns have worked to create an Orange County market with adequate size to support development in downtown Carrboro and with the growth characteristics to support profitable operations in the future. In the following sections, downtown development potentials of each of the basic use types are analyzed and future use recommendations made.

Section II. DOWNTOWN CARRBORO HOUSING POTENTIALS

## Section II. DOWNTOWN CARRBORO HOUSING POTENTIALS

Housing market analyses can be approached from a number of perspectives and with a number of purposes. Certainly, there is need for public agencies to address the total housing needs of all income groups in Orange County and the Carrboro-Chapel Hill urban center for existing, rehabilitated and future construction housing of all types.

The purpose of this housing analysis is to focus on downtown Carrboro and the short- and long-range market that will exist for new housing. Land values in the downtown and the need for housing to support retail and other traditional downtown uses requires that new housing be in the moderate density range.

There is little housing in the defined downtown study area at present and the existing use pattern is sufficiently entrenched that without extensive clearance, which we do not advocate, substantial change to residential patterns is unlikely.

There are, however, areas which have been included within the downtown study area which we feel serve the purposes of both the neighborhoods and the overall downtown revitalization effort best if they are developed for moderate density housing. In the case of some of these properties such as the Town Hall ball field and the Yaggy property, we feel that the market exists for these projects to proceed in the short run if their owners so choose. In others, such as the Fitch property

on the west side of North Greensboro, the Main Street corridor between the commercial center, the Town Hall and the eastern residential area, this new moderate density residential development will come later.

The purpose of this residential section, then, is to determine the market potentials for those subareas of the downtown which we feel are most appropriate for residential use. The section first examines the characteristics of the existing housing stock in Orange County, the Carrboro-Chapel Hill urban center and Carrboro itself. Second, the household forecasts developed in Section I are translated into total housing construction requirements. Third, the characteristics of existing and proposed projects in the market are examined as precedent and as competition for projects to be developed in the downtown. This analysis provides the foundation for defining projects and subareas for residential use and determining their likely pace of development.

#### The Existing Housing Market

The character and type of housing in Carrboro has evolved dramatically during the past 10 years due to the large influx of students. Prior to 1970, Carrboro contained less than 2,000 housing units, most of which were duplexes or single-family homes. Many of these houses were built for the mill workers after the turn of the century.

In the early 1970s there was an acceleration in Carrboro housing construction primarily to meet student demand. Much of the housing built during this period was multi-family. Construction of apartment buildings peaked in 1972 and virtually stopped in 1974 due to the recession. Another apartment building was not constructed until 1977.

Between 1977 and 1982, housing construction was focused almost entirely on townhouses, detached units, and duplexes.

Between 1970 and 1980, much of the residential development in Carrboro occurred in and around the downtown and northwest sections along North Greensboro Street and Route 54. Residential developments currently for sale or under construction are located to the west and southwest of downtown Carrboro. The majority of these projects are townhouses and small single-family homes.

#### Recent Housing Construction Trends

The Carrboro housing market expanded rapidly from 1970 to 1980, more than doubling the total housing stock. During the 10-year period, there was a net gain of 1,992 units increasing the total inventory to 3,863 units by 1980 as shown in Table 8. Although Chapel Hill saw more units constructed during this period, the percentage increase was half of that for Carrboro.

Table 8. HOUSING TRENDS BY OCCUPANCY STATUS,  
CARRBORO AND CHAPEL HILL, 1970-1980

	1970		1980		Change 1970-1980			
	Carrboro	Chapel Hill	Carrboro	Chapel Hill	Carrboro		Chapel Hill	
					Number	Percent	Number	Percent
Occupied								
Year								
Round	1,871 <u>1/</u>	6,516	3,863	10,019	1,992	106%	3,503	54%
Vacant								
Units	<u>73</u> <u>1/</u>	<u>170</u>	<u>178</u>	<u>454</u>	<u>105</u>	144%	<u>284</u>	167%
Total	1,944	6,686	4,041	10,473	2,097		3,787	

1/ These are estimates.

Sources: U.S. Census of Housing and Hammer,  
Siler, George Associates.

Units by Structure Type. Construction in Carrboro during the 1970s was marked by a major increase in the number of multi-family units. In 1970, Carrboro had approximately 935 multi-family housing units. By 1980, that number had increased by 1,837 units to 2,772 multi-family units. As a result of this surge, multi-family housing became the predominant housing type in Carrboro, with construction of single-family homes lagged considerably behind. Between 1970 and 1980, only 251 single-family units were constructed.

Housing construction in Chapel Hill followed a different pattern. Here, single-family home construction dominated housing development. Between 1970 and 1980, 3,445 single-family units were built, as compared to 282 multi-family units.

Table 9. OCCUPIED HOUSING UNITS BY STRUCTURE TYPE,  
CARRBORO AND CHAPEL HILL, 1970-1980

<u>Structure</u> <u>Type</u>	<u>Number of</u> <u>Units in 1970</u>		<u>Number of</u> <u>Units in 1980</u>		<u>Change 1970-1980</u>			
	<u>Carrboro</u>	<u>Chapel</u> <u>Hill</u>	<u>Carrboro</u>	<u>Chapel</u> <u>Hill</u>	<u>Carrboro</u>		<u>Chapel Hill</u>	
					<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Single-Family <u>1/</u>	968 <sup>2/</sup>	3,820	1,219	7,265	251	26%	3,445	90%
Multi-Family	935 <sup>2/</sup>	2,857	2,772	3,139	1,837	196%	282	10%
Manufactured Housing	41	9	50	69	9	22%	60	66%
Total	1,944	6,686	4,041	10,473	2,097	108%	3,787	57%

1/ Includes both detached and attached units.

2/ These are estimates.

Source: U.S. Census of Housing and Hammer, Siler, George Associates.

Housing Units by Occupancy Type. Along with the surge in multi-family housing came an equally dramatic increase in the number of renter-occupied units. The Carrboro rental housing stock increased from 1,273 units in 1970 to 3,802 units in 1980, an increase of 1,706 units. Chapel Hill added 2,057 renter-occupied units during the 1970-1980 period.

Table 10. OCCUPIED HOUSING UNITS BY OCCUPANCY TYPE,  
CARRBORO AND CHAPEL HILL, 1970-1980

Character- istics	1970		1980		Change 1970-1980			
	Carrboro	Chapel Hill	Carrboro	Chapel Hill	Carrboro		Chapel Hill	
					Number	Percent	Number	Percent
Total Occupied Housing Units	1,871	6,516	3,863	10,019	1,992	106%	3,503	54%
Owner Occupied Housing Units	598 <sup>1/</sup>	2,714	896	4,160	298	50%	1,446	53%
Renter Occupied Housing Units	1,273 <sup>1/</sup>	3,802	2,979	5,859	1,706	134%	2,057	54%

<sup>1/</sup> These are estimates.

Sources: U.S. Census of Housing; Carrboro Planning Office;  
and Hammer, Siler, George Associates.

#### Housing Demand Forecasts

The growth of new housing in Carrboro has three components. The first, and most important, component is units to accommodate the increase in households. Additional units are required to replace units that have been demolished, converted to other uses or otherwise withdrawn from the inventory, as well as to maintain the vacancy balance. The housing demand analysis builds upon the population and household forecasts in Section I.

Household Growth. During the 1980s, Carrboro will add 1,690 households (See Section I). During the first half of the 1990s, the pace will increase slightly to a five-year increase of 900 households.

Table 11. PROJECTED GROWTH IN CARRBORO HOUSEHOLDS

<u>Year</u>	<u>Carrboro</u>	
	<u>Households</u>	<u>Periodic Change</u>
1980	3,860	
		840
1985	4,700	
		850
1990	5,550	
		900
1995	6,450	

Sources: Hammer, Siler, George Associates.

Vacant Units. In 1980, Carrboro had 170 vacant units, including units identified in the U. S. Census of Housing as being vacant and available for sale, vacant awaiting settlement of an estate and available for rent. This 4.4 percent vacancy factor is a little lower than that for other communities although not unreasonably so. These vacancies allow for a healthy housing market by serving the need for "fictional" vacancies, that is, units between one household moving out and another moving in. This level of vacancies is projected to continue over the forecast period. By 1995, 300 new units will be needed in excess of those actually occupied by new households in Carrboro. An additional 120 units will be required to replace units demolished in the normal operation of the market.

Total Housing Construction Requirements. Total housing construction requirements in Carrboro during the 1980-1995 forecast period will equal 2,730 units as shown in Table 12.

Table 12. PROJECTED TOTAL CARRBORO HOUSING REQUIREMENTS  
1980-1995

<u>Period</u>	<u>Total New Units Required</u>
1980-1985	870
1985-1990	880
1990-1995	<u>980</u>
Total 1980-1995	2,730

Source: Hammer, Siler, George  
Associates.

Housing Construction by Unit Type. As previously discussed, Carrboro housing construction during the 1970s was split as follows: 12 percent in single-family units, 87 percent in multi-family units and 1 percent in manufactured housing. Over the 15-year forecast period, new construction in single-family detached units and townhouses will predominate, although its share will decrease slightly between 1985 and 1990.

In summary, the bulk of the multi-family housing was constructed during a period of rapid growth at the University. With the 1973 recession and the peaking of student enrollment, apartment construction virtually stopped and single-family units assumed the lead in residential construction. This trend should continue through the 1980s and 1990s because student enrollments have stabilized and are expected to remain at their current level through this period and because more young couples and retirees will be moving into Carrboro during the next two decades. However, single-family units as a share of the housing construction market will decrease slightly over the next 15 years as the

cost of housing will put single-family homes beyond the price range of many individuals.

Table 13. PROJECTED SINGLE-FAMILY, TOWNHOUSES AND MULTI-FAMILY NEW HOUSING REQUIREMENTS IN CARRBORO, 1980-1995

	<u>1980-1990</u>	<u>1990-1995</u>	<u>Total 1980-1995</u>
Single-Family	790	390	1,180
Townhouse	350	250	600
Multi-family	<u>610</u>	<u>340</u>	<u>950</u>
Total	1,750	980	2,730

Source: Hammer, Siler, George Associates.

Rapid student growth during the 1970s, substantial outstripping creation of new dormitory construction, and the general resistance in Chapel Hill to apartment zoning made Carrboro a prime area for multi-family housing in the 1970s. This student pressure will be much less great in the 1980s and 1990s and a more balanced demand profile will result. During the 1980-1990 period, nearly 800 single-family units, 350 townhouses and 610 multi-family units will be built.

#### Leading Projects in the Market

Currently, there are currently 16 residential developments in Chapel Hill and Carrboro which have a total of 2,338 new units for sale. Of these units, 1,159 units are townhouses or condominiums. Three of these residential projects, Bolin Forest, Weatherhill and Wild Wood Springs, are located in Carrboro.

The following is a summary of residential developments offering new units for sale.

Stoneridge. Located north of downtown Chapel Hill, this project will have a total of 250 housing units. To date, 120 houses have been sold. Each lot is an acre or more and the homes vary in size from 2,000 to 6,000 square feet. Prices for these homes and lots range from \$130,000 to \$400,000. The development offers a variety of housing styles and designs targeted to families in the upper-income brackets.

Falcon Bridge. This project is in Durham County, although it has a Chapel Hill address. Located on Route 54, this development enjoys good access to Chapel Hill, Durham and the Research Triangle. Falcon Bridge will have a total of 250 single-family homes and 225 townhouses. The single-family homes range in size from 1,500 to 2,500 square feet: prices for these houses start at \$90,000 and go up to \$140,000. The townhouses vary in size from 1,100 to 1,840 square feet and range in price from \$65,000 to \$95,000. Surrounded by countryside, this development has a lake, a clubhouse and other recreational opportunities.

North Forest Hills. Located in Chapel Hill, off Airport Road, North Forest Hills is entering its last phase of 90 single-family homes. The size of these homes range from 1,300 to 1,600 square feet. Prices vary from \$65,000 to \$90,000. Each lot has a minimum area of a one-fourth acre.

Forest Creek. Located in Chapel Hill, this project also has 90 units. These units have average 2,500 square feet, with prices ranging from \$120,000 to \$200,000. The development is heavily wooded and serviced by city utilities.

Coker Hills West. This development, located near Airport Road, is an extension of Coker Hills. It enjoys good access because of its proximity to Airport Road on Estes Drive. Homes average 3,000 square feet. Prices vary from \$150,000 to \$400,000.

Timberlyne. This is a planned unit housing development which has several components, including single-family homes, apartments and condominiums. Office condominiums and a small shopping center are also planned. Timberlyne is located on Weaver Dairy Road, near the proposed Interstate 40. The development will have 150 units of single-family homes varying in size from 1,600 to 2,190 square feet and costing between \$83,000 and \$120,000. Approximately 160 condominiums are planned. These vary in size from 600 to 1,400 square feet.

Weatherhill. Located near Route 54 in Carrboro, Weatherhill offers a combination of single-family homes and townhouses, with 250 units planned for construction. The single-family homes vary in size from 1,260 to 3,000 square feet. Prices range from \$75,000 to \$95,000. The townhouses start at 1,040 square feet, with some as large as 1,448 square feet. Their prices range from \$56,000 to \$70,000.

These modern, wooden townhouses are targeted to the student market. Parents of students purchase these units as a shelter and as a means of reducing housing costs.

Wild Wood Springs. This relatively small project in Carrboro has 13 single-family homes with each unit having between 800 and 1,200 square feet. Prices range from \$58,000 to \$66,000.

Bolin Forest. Located in Carrboro near Route 54, this project has 34 single-family homes that vary in size from 1,200 to 1,600 square feet. Their prices range from \$65,000 to \$80,000. The townhouses vary in size from 1,040 to 1,448 square feet with prices from \$56,000 to \$70,000. These townhouses are also targeted to the student market.

Sycamore Run. This project, located in Chapel Hill, has 40 duplex townhouses. The units sizes range from 1,200 to 1,400 square feet with prices of \$50,000 to \$60,000

Wood Glen. Located on Airport Road in Chapel Hill, this development has 19 townhouses with an average unit size of 1,016 square feet. Prices for these units range from \$65,000 to \$75,000. These units are specially designed to utilize passive solar energy.

Coventry. This project has 44 townhouses in Chapel Hill. These units vary in size from 1,500 to 1,720 square feet. Prices range from \$72,900 to \$82,900.

The Old Well Condominiums. Located in Carrboro, this project has a total of 300 units. Each unit has 917 square feet. Prices range from \$36,900 to \$37,900. The project has had an average sales rate of 43 units per month.

#### Implications For Downtown Carrboro Development

The analysis presented clearly indicates that there will be strong housing demands for Carrboro, as well as other parts of the market area. The analysis also clearly establishes that there are plenty of competitive developments either on the market or poised and ready to

enter the market. In the near future at least, the local housing market will be quite competitive.

In almost any urban housing market at any point in time, there are more total units of all kinds in some stage of planning and development than can be absorbed by the market in a three- to five-year period. This does not necessarily lead to serious overbuilding because actual construction of the planned units is paced to the rate of absorption in each project. In effect, construction lenders and others will not allow the market to remain overbuilt.

Similarly, the presence of an abundance of quality projects in the market should not discourage the development of additional projects; if they are well located and developed, and if they fill a specific market niche; that is have characteristics which will appeal strongly to a growing household group.

Many households prefer a "suburban" type neighborhood where traffic and activity is limited. For others, particularly the non-child-raising families, proximity to restaurants, shops and people-activity as well as the opportunity to walk, bike or jog, occasion, to nearby employment are the dominant locational factors.

This urban amenity-oriented sector of the total market is relatively large in University-dominated economies and is growing in importance in all areas as birthrates drop, multi-worker households increase, and as more and more downtowns add restaurants, shops, art and cultural activities and other "reasons" to live downtown.

The tenants in the Carr Mill complex and the adjoining restaurants, bars, galleries and shops form the foundation for this urban amenity within the scale of a Carrboro-Chapel Hill sized area. The proposed Town Center project will further increase the threshold of activity.

There is little precedence in Carrboro or Chapel Hill for urban amenity-oriented housing construction other than that dominantly oriented to proximity to the University. However, in light of the small, educated, mobile composition of the population, we are optimistic about the success of such a project, and have determined a reasonable downtown target to be 20-25 percent of the total projected non-single-family unit potential. This would mean downtown construction in the 1980s of 80 to 90 townhouses and 140 to 160 apartments. Construction in the 1990s could proceed at a slightly more rapid pace of 100 to 120 townhouses and 160 to 180 apartments.

#### Proposed Downtown Housing Project Areas

Three areas are proposed as appropriate for downtown housing development in the near future. They are classified as Category II areas/projects which could over the next five years, based upon market potential.

1. "Town Square" (located on the Town Hall ball field)
2. "Town Grove" (located on a portion of the Yaggy property south of the health center building)
3. "The Fitch Property" (located on the west side of North Greensboro Street)

Two others are proposed for housing development over the longer term. The first of these is the area located between the Town Hall and

the Town Center area where mixed moderate density residential and commercial activity is anticipated and the Southeast residential neighborhood, which is a long range extension of the Yaggy property and bounded by Maple and Eugene Streets.

In each of these early action projects, a first phase in the 25-30 unit range is recommended. Townhouses are proposed for Town Square, apartments for Town Grove and a mixture of the two for the Fitch property. These projects should be phased with the market. Which project enters the market first will be a function of individual land owner/developer decision. More detailed prototypical evaluations of the Town Grove and Town Square projects are presented in the appendix.

Section III. DOWNTOWN CARRBORO OFFICE POTENTIALS

### Section III. DOWNTOWN CARRBORO OFFICE POTENTIALS

With an economy dominantly based on the University and with the University playing a relatively minor role as a tenant for private office space, the Carrboro-Chapel Hill office market has grown at only a modest pace over the years. This growth will continue and, in fact, gradually accelerate in order to provide market support for significant office projects in the downtown.

#### The Existing Office Market

There are 13 major multi-tenant office buildings in the Carrboro-Chapel Hill area, housing total of 418,259 square feet of floor area. In July of this year there were only 7,700 square feet of vacant space in these buildings. Carrboro has only one of these buildings, the Carr Mill, with 35,000 square feet. The office inventory is summarized in Table 14.

Geographic Distribution. Office developments in Chapel Hill and Carrboro have tended to concentrate in four main areas: downtown Carrboro and downtown Chapel Hill, the Chapel Hill-Durham Boulevard, and Estes Road. Carrboro's largest office development is the Carr Mill Mall, located on the corner of south Greensboro Street and Weaver Street. It has over 35,000 square feet of office space. Downtown Chapel Hill, with its proximity to the University has the largest amount of office space. Approximately 176,000 square feet are divided among

three large office buildings and several smaller ones. East Town Office Park, located on the Chapel Hill-Durham Boulevard has the second highest concentration of leased office space with 125,000 square feet. Several office buildings are located along Estes Drive. The largest, Professional Village Offices, currently has 52,000 square feet of leasable office space. A relatively small amount of office condominium space has been developed. This space is located on Estes Drive, the Chapel Hill-Durham Boulevard and in East Town. Each location has approximately 25,000 square feet, although more space is planned for Franklin Square.

Annual Absorption. During the 1970-1982 period, area annual office absorption in the Carrboro-Chapel Hill area has averaged just under 30,000 square feet per year. The range in annual absorption has been quite wide, largely dependent on the economy and the availability of quality space for rent.

#### Vacant Space

More than 7,000 square feet of vacant space are currently available for lease throughout Carrboro and Chapel Hill. This amounts to approximately two percent of the speculative office space inventory. At the average annual absorption rate of approximately 28,000 square feet for Orange County, this represents a quarter of one year's supply.

Table 14. OCCUPANCY STATUS OF MULTI-TENANT OFFICE SPACE,  
CARRBORO AND CHAPEL HILL, JULY 1983

<u>Market Subarea</u>	<u>Number of Buildings</u>	<u>Square Feet (NLA)</u>	<u>Vacant Space</u>	<u>Occupancy Rate</u>
Carrboro	1	35,029	1,401	96%
Downtown Chapel Hill	4	175,830	5,000	97%
Chapel Hill-Durham Boulevard	6	138,000	1,300	99%
Estes Road Area	<u>2</u>	<u>69,400</u>	<u>-</u>	<u>100%</u>
Total	13	418,259	7,701	98%

Sources: Business Properties Guide and Hammer, Siler,  
George Associates.

#### Lease Rates

The leasing rates in Carrboro and Chapel Hill vary considerably depending on the age of the buildings, their location and the tenants. Office buildings completed in the early and mid-1970s generally have lower rents those constructed in the late 1970s and early 1980s. Older office space in the Professional Village Offices leases at \$8.50 per square foot while newer space rents for \$11.50 per square foot. This is due to a deterioration in the quality of the office space over time and the increasing cost of constructing new office buildings. Secondly, buildings that are located downtown or close to major transportation routes command higher rates. For example, East Town Office Park located on the Chapel Hill-Durham Boulevard has an average leasing rate of \$11.50 per square foot while the Carr Mill Mall's average rate is \$8.75 per square foot. The third factor which influences leasing rates is the University of North Carolina at Chapel Hill. The University in conjunction with the State awards office space leases on the basis of bids submitted by office building owners and developers. Since the

lowest bid is accepted, the University pays, on the average, less than other office tenants.

Table 15. LEASE RATES FOR COMPETITIVE OFFICE SPACE, CARRBORO AND CHAPEL HILL MARKET AREA, JULY 1983

<u>Building Name and Location</u>	<u>Date of Completion</u>	<u>Rates Per Sq. Ft.</u>	<u>Total Floor Area</u>
<u>Carrboro</u> Carr Mill Mall	1979	\$8.75 \$9.00 \$12.00	35,029 s.f.
<u>Downtown Chapel Hill</u> N.C.N.B. Plaza	1974	\$9.00	100,000 s.f.
University Square	1965-1974	\$11.25	67,230 s.f.
Pars Building	1980	\$10.00	8,600 s.f.
<u>Chapel Hill-Durham Boulevard</u> East Town Office Park	1976-1982	\$11.50	125,000 s.f.
Legion Road	1979	\$10.00	13,000 s.f.
<u>Estes Road Area</u> Professional Village Offices	1970 1982	\$8.50 \$11.50	48,000 s.f.
<u>Connor Drive</u>	1980 1982	\$9.00 \$11.50	21,400 s.f.

Sources: Carrboro/Chapel Hill realtors and Hammer, Siler, George Associates.

Tenant Profile

The type of office tenants varies in Carrboro and Chapel Hill depending on location. The majority of the tenants in downtown offices are agencies of the University, attorneys and businesses which service the University or other downtown businesses. The University alone leases approximately 44 percent of downtown Chapel Hill's speculative

office space. Attorneys and other service-oriented businesses account for 10 percent of the space in the NCNB Plaza and 46 percent in the University Square Office buildings.

The tenant profiles in the office buildings along the Chapel Hill-Durham Boulevard and in the Estes Road office projects differ considerably from those in downtown office buildings. Approximately 20 percent of the tenants in East Town Office Park are doctors or health care professionals. The Professional Village Offices has the same percentage of medical professionals-20 percent. At East Town Office Park, only two percent of the tenants are attorneys, compared to one percent at the Professional Village Offices. For many of these tenants, access to Durham and the Research Triangle Park is an important consideration.

As in downtown Chapel Hill, the majority of space in the Carr Mill Mall is leased by the University and Memorial Hospital. Other tenants include dentists and other service-oriented businesses.

Table 16. OFFICE TENANTS BY TYPE, CARRBORO AND CHAPEL HILL, JULY 1983

<u>Tenant Categories</u>	<u>University Square</u>	<u>NCNB PLAZA</u>	<u>Professional Village Offices</u>	<u>East Town</u>	<u>Carr Mill Mall</u>
Financial	13%				
Attorneys	19%		1%	2%	4%
University	40%	44%	7%		7%
Memorial Hospital		15%			29%
Medical/Psychiatric	2%	14%	20%	20%	13%
Insurance			6%	4%	
Consultants	3%	7%	25%	7%	
Non-Profit	1%	8%	4%		
Accountants	1%		7%		
Communications/Computers	3%			42%	
Transportation	7%				
Construction	1%		12%		
Business Services	8%	3%	9%	25%	
Real Estate	2%		1%		
Other		9%	8%		
Total	100%	100%	100%	100%	53%

Source: Hammer, Siler, George Associates.

Future Office Space Demand

Future office space absorption in Orange County can be forecasted by translating projected growth in office using employment into required office space. While each industry category has a component of its activity in office use, for many of these industry groups, most of the office activity is accommodated on premises.

Off-premises office demand has been projected here based upon total projected growth in the employment category finance, insurance and real estate, 40 percent of the employment increase in professional and other

services, and 10 percent of the employment increase in government. These figures are shown in the table below.

Table 17. PROJECTED OFFICE-USING EMPLOYMENT GROWTH  
IN ORANGE COUNTY, 1980-1995

	<u>1980-1990</u>	<u>1990-1995</u>
Finance, Insurance and Real Estate	660	350
Services	780	400
Government	<u>40</u>	<u>20</u>
Total	1,480	770

Source: Hammer, Siler, George Associates.

With expanded use of capital equipment such as computers and teleconferencing, the floor space per employee is increased. At 220 square feet per employee, this employment growth would require a total office area of 325,600 square feet during the decade. In addition to this primary office demand analysis of general occupancy office space inventories over the years reveals that there is an additional office space tenancy equal to one-fourth to one-third of the core office user tenancy made up of other profit and non-profit concerns. Using the lower end of this range, we estimate that total county private office potential over through 1990 will be 407,000 square feet, or just over 40,000 square feet annually. During the first half of the 1990s, the total county office space demand will be 211,200 square feet.

#### Proposed Projects

In addition to the supply of currently available speculative office space, there are 11 projects under construction or being planned.

Two speculative office projects are under construction, both located very near the Chapel Hill-Durham Boulevard. One, located in East Town Park, will have 25,000 square feet while the other, The Forum, will have 16,000 square feet. Neither buildings have preleased any space. A third office project under construction is Franklin Square. This is a phased office condominium project located on the Chapel Hill-Durham Boulevard Approximately 32,000 square feet of office space has been sold.

The three aforementioned projects are scheduled for construction by the end of 1983 or early 1984 along with the Carr Mill Mall Addition, Bolin Creek and an addition to the Professional Village Offices. The Carr Mill Mall office addition will have 23,000 square feet of net leasable space, none of which has been preleased. Bolin Creek, located on Airport Road in Chapel Hill, will have 41,000 square feet in the first phase. Approximately, 8,200 square feet have already been leased. The addition to the Professional Village Offices on Estes Drive is scheduled to have 12,000 square feet. To date, none of the space has been preleased.

The remainder of the office space proposed for Carrboro and Chapel Hill is on hold indefinitely. One of these projects, Willow Creek Offices located in Carrboro in Route 54, will have 16,000 square feet. To date, none of the space has been preleased.

Table 18. PROPOSED OFFICE DEVELOPMENTS, CARRBORO AND CHAPEL HILL, JULY 1983

<u>Development Name and Location</u>	<u>Net Leasable Area</u>	<u>Amount Of Space Pre-leased</u>
<u>Carrboro</u>		
Carr Mill Mall	23,000 s.f.	N/A
Willow Creek Offices	16,000 s.f.	None
Sub-total	39,000 s.f.	None
<u>Chapel Hill</u>		
Franklin Square	42,000 s.f.	31,920 s.f.
The Arbors	89,000 s.f.	None
The Forum	16,000 s.f.	None
Bolin Creek	41,000 s.f.	8,200 s.f.
Additional to Professional Offices	12,000 s.f.	None
East Town Office Park		
700 Building	25,000 s.f.	N/A
Europa Hill Office Building	14,000 s.f.	None
Timberlyne Office North	N/A	N/A
Timberlyne Office South	136,000 s.f.	10,000 s.f.
Sub-total	375,000 s.f.	50,120 s.f.
Total	414,000 s.f.	50,120 s.f.

Note: In addition, the University is considering the construction of a 60,000-square-foot building to be completed over the next four- to five-year period.

Source: Carrboro/Chapel Hill realtors and Hammer, Siler, George Associates.

#### The Downtown Carrboro Office Share

Carrboro has attracted a small share of the office space developed in general occupancy buildings. Only the Carr Mill Mall would fall in this major building category, accounting for only about 8.5 percent of the total. Other office use in the downtown is largely provided in converted structures.

Office tenants are attracted by a number of factors. Some are looking for a high accessibility, high visibility location such that found at the intersection of an expressway and a major arterial. Some are looking for a natural setting with trees and perhaps ponds and/or lakes. Still others seek proximity to their source of business such as a county courthouse, a university or a hospital. Some seek affordability, while others seek proximity to an attractive range of employees and business services.

As a part of this office market research, a survey was taken of a sample of Carrboro-Chapel Hill office tenants to determine which locational factors they viewed most important and how they would view a downtown Carrboro location. The two factors determined to be most important were proximity to customers and location relative to business and employee services. While location ranked highest with over a third of the tenants, a substantial number said that their key clients were outside the area and location within it did not have much importance.

Based upon the survey and downtown experience across the country, a very significant share of all office tenants seek the restaurants, shops post office and other employee convenience and amenities, as well as proximity to the University which is available at a location in downtown Carrboro. A downtown environment exists in Chapel Hill, however, zoning and land costs will limit the competitiveness of this location.

Roughly half of the major building general occupancy office space in the County has been built in downtown areas with, 80 percent located in Chapel Hill. During the 1980s, with sites in the downtowns in short supply, the downtowns share of the potential will drop to one-third. With two good sites available for development and with little planned

competition, downtown Carrboro could capture half of this downtown demand. This would mean a total of 60,000 to 70,000 square feet of demand over the decade.

Proposed Office Projects. Two projects have been recommended for high priority action which, when combined with anticipated tenant relocations would account for roughly half of this demand. The Town has given positive consideration to the Carr Mill Office Building to be located on Main Street in front of the Carr Mill Mall. In addition, the Town Center project has been proposed for the Yaggy property located diagonally across Main Street. These projects would each have approximately 20,000 square feet of office space. The Carr Mill project is seeking leases with existing tenants in the area who are seeking new quarters. If the developer of the project is successful in this effort, both projects could go ahead simultaneously. If not, they should be staged and keyed to obtaining adequate pre-leasing. Office demand in subsequent periods will be captured at various locations within the Town Center area.

Future Office Occupancy By Type of Tenant. The office space market in Carrboro-Chapel Hill will continue to be largely local population serving but with a strong university-related component and a growing high-tech spin-off component. The probable distribution of new office space users in downtown Carrboro over the forecast period is as follows:

Financial services	10%
Real estate and other business services	10
Attorneys and other professionals	10
University	15
Medical	15
Communications/computers/consultants	25
Other miscellaneous	<u>15</u>
Total New Occupancy	100%

The attraction of the Communications/Computers/Consultants group will most directly reflect the continued high-tech growth in the region, which will be an important source of growth. Quality space must be created to attract these highly skilled folks.

Section IV. INDUSTRIAL/R&D POTENTIALS

#### Section IV. INDUSTRIAL/R&D POTENTIALS

The Research Triangle region has established the reputation in the last two decades of being one of the leading high technology, environmentally-sound economic growth centers in the nation. The foundation of the University and related professional school base is now supplemented by the resources of the substantial federal/private industry complex already in place.

In addition to this new and continuing high-tech thrust, there is substantial growth in the region in the light industrial and service industries which supports the basic industry in place and serve the population.

While it would not be appropriate or possible for downtown Carrboro to launch an extensive industrial park effort similar to that in outlying areas, our analysis has confirmed definite tenant interest in light industrial space proximate to the existing business core. We believe there is appropriate area within the downtown for such development. The market analysis is summarized in the paragraphs which follow.

#### The Industrial/Office Park Concept

Historically, industrial parks were frequently characterized by cavernous buildings, bare walls and concrete floors. Amenities were

conspicuous by their absence. While the stereotype remains in some cases, the contemporary industrial park, buildings and setting, will most likely compare with some of the more prestigious low-rise offices. The difference is most evident in appearance, space planning and the inclusion of amenity packages, all designed to attract more light industrial and office users.

In addition, an increasing number of firms are beginning to recognize the value of industrial space on a cost basis. Companies are more frequently locating their executive and administrative offices closer to their warehousing or distribution facilities. Although the trend is due to a number of factors, the major motivation is the recent economic climate. Many companies recognize that industrial space generally costs less than half of what it would in an office high-rise.

More manufacturing representatives, insurance offices, light industry and retail concerns are moving into these facilities. Companies have become far more aware of industrial/office parks as viable options for their real-estate needs. With the inclusion of amenities and well-designed structures catering to the employee population, the future for industrial parks is extremely promising.

The type of light industry envisioned for occupancy in a Carrboro park should, as the town has suggested, coincide with the desired character of the community, the ability of the community to provide support services, the level of acceptable environmental effects produced by an industrial process, and the appropriate wage scale offered by the industry. The Town of Carrboro has suggested the following criteria for consideration in the selection of an industry:

1. Industries should be "dry industries" which do not require large volumes of water for their normal manufacturing process;
2. All operations should be conducted within the industrial structure;
3. Industries should not be the type which store, use or produce hazardous materials;
4. An industry's average wage scale should be at least above the average county wage scale; and
5. Industrial operations should not be detrimental to the environment.

As was suggested, the park should not be limited strictly to industrial users, but should be developed to allow for a wide range of tenants. In order to meet this important criteria, the buildings must be adaptable to each tenant's specific needs. Typically, this space comes in the form of shell buildings with construction systems keyed to cost reductions.

In this way, the space does not become a limiting factor in the marketing efforts. It can be used, for example, as a distribution, manufacturing or office facility, depending on the specific needs of the tenant. Such structures typically have high ceilings to accommodate storage at one extreme and mezzanine office at the other. They have quality exterior finish with facades appropriate to office buildings and with loading areas enclosed with the same treatment as the facades. The share of the floor space finished to office standards varies from 5.0 percent to nearly 100.0 percent.

The following paragraphs describe the demand for such space in the Carrboro area.

## Industrial Employment

The purpose of an employment analysis is to determine what changes in employment have occurred in the study area which can affect demand for industrial land.

Detailed employment data for the Town of Carrboro is not available and would not provide an insight into the salient employment growth characteristics of the area. This information is better provided by data on Orange County. Historical occupational employment data for Orange County for 1971-1981 is summarized in the following table.

Table 19. NON-AGRICULTURAL EMPLOYMENT BY PLACE OF WORK, ORANGE COUNTY, 1971-1981

<u>Type of Employment</u>	<u>Employees</u>		<u>Change 1971-1981</u>	
	<u>1971</u>	<u>1981</u>	<u>Absolute</u>	<u>Percent</u>
Construction	900	1,011	111	12.3%
Manufacturing				
Non-Durable Goods	1,137	1,767	630	55.4%
Durable Goods	347	1,785	1,438	414.4%
Transportation & Public Utilities	132	718	586	443.9%
Wholesale Trade	60	387	327	545.0%
Retail Trade	2,719	5,054	2,335	85.8%
Finance Insurance & Real Estate	841	2,024	1,183	140.6%
Services	2,914	4,819	1,905	65.3%
Government and Government Enterprises				
Federal, Civilian	159	170	11	6.9%
Federal, Military	373	293	-80	-21.4%
State & Local	10,928	17,537	6,609	60.4%
<b>Total Non-Agricultural Employment</b>	<b>20,510</b>	<b>35,565</b>	<b>15,055</b>	<b>73.4%</b>

Sources: Bureau of Economic Analysis, Regional Economic Information Systems.

As indicated in the table, overall employment in Orange County has grown by 73.4 percent or 15,055 employees during the 1971-1981 period. These figures exceed the State growth rate of 22.6 percent.

Users of industrial space include manufacturers, wholesale traders, approximately one-half of those employed in transportation and public utilities and service industries as well as approximately one-third of these in retail trade. For this sector, the growth rate exceeded 111 percent for a total of 4,419 from 3,972 in 1971 to 8,391 in 1981 as shown in Table 20.

Table 20. INDUSTRIAL EMPLOYMENT, ORANGE COUNTY, 1971-1981

<u>Type of Employment</u>	<u>Employees</u>		<u>Change 1971-1981</u>	
	<u>1971</u>	<u>1981</u>	<u>Absolute</u>	<u>Percent</u>
Manufacturing				
Non-Durable Goods	1,137	1,767	630	55.4%
Durable Goods	347	1,785	1,438	414.4%
Transportation and Public				
Utilities	66	359	293	443.9%
Wholesale Trade	60	387	327	545.0%
Retail Trade	905	1,683	778	85.8%
Services	<u>1,457</u>	<u>2,410</u>	<u>953</u>	65.4%
Total Industrial Employment	3,972	8,391	4,419	111.2%

Sources: Bureau of Economic Analysis, Regional Economic Information Systems.

#### Employment Forecasts

The strength of the employment base is evident. This growth is expected to continue, but at a slightly slower pace. As is shown in Table 21, overall industrial employment should grow by 5,190 or 54.0 percent during the 1983 to 1995 period. Again, as was the case during the 1971 to 1981 period, durable goods manufacturing, transportation and

public utilities, as well as wholesale trade, should out-pace other industrial employment sectors.

Table 21. EMPLOYMENT PROJECTIONS, ORANGE COUNTY, 1983-1995

Type of Employment	Employee				Change 1983-1995	
	1981	1985	1990	1995	Absolute	Percent
Manufacturing						
Non-Durable						
Goods	1,767	2,080	2,400	2,710	810	45.8%
Durable Goods	1,785	2,300	2,950	3,600	1,570	88.0%
Transportation and						
Public Utilities	359	500	650	800	350	97.5%
Retail Trade	387	550	720	880	390	100.0%
Services	2,410	2,890	3,360	3,840	1,140	47.3%
 Total Industrial Employment	 6,708	 8,320	 10,080	 11,830	 4,260	 63.5%

Source: Hammer, Siler, George Associates.

#### Employment Densities

A common method for depicting aggregate demand for industrial land is via employment projections in relation to employment densities (square feet per employee). Employment densities will vary from area-to-area and from time-to-time as technology forces change the distribution and manufacturing process.

Industries with a low ratio of employees per acre, such as warehousing or distribution, are considered labor extensive and average approximately 1,000 square feet per employee. Those industries that are considered labor-intensive include instrument manufacturing, electronics and other such operations requiring a highly skilled labor force. Usually, these industries average 200 square feet per employee. Because

of the variation in industry density relationships, it is necessary to establish an average density based on the predominant industrial employment in the area, which in the case of Orange County, would be technologically-oriented industries. For the purposes of this report, an average employee density of 350 square feet per employee was used.

Therefore, based on the employment forecasts in Table 21, projected demand for industrial space in the Orange County area should equal 1,815,500 square feet over the forecast period of 1983-1995, to meet the new employment needs. Carrboro's share of this future demand should not exceed four to five percent, or 90,800 square feet over this same period.

#### Competitive and Comparable Sites

The light industrial/office function has not been a major element in the composition of downtown Carrboro or Chapel Hill, due primarily to restrictive zoning measures and lack of available developable land. Aside from the office space described in the previous section, the existing light industrial/office space in Carrboro consists of single-tenant or owner occupied buildings which are not directly comparable with the type of development proposed for the Carrboro CBD, either functionally or in terms of price.

According to brokers familiar with the area, industrial projects are being developed adjacent to the Research Triangle Park, such as the 158-acre campus-like Perimeter Park. These large-scale parks are obviously not comparable to a downtown Carrboro location but they often do attract smaller companies looking for office and industrial space and do provide guidelines in establishing the rental rates for a Carrboro

project. The table below presents an inventory of the most recently completed or leased industrial space in the Chapel Hill/Carrboro area. As shown, of the 585,000 square feet completed in 1982 or to be completed by the end of 1983, over 330,000 square feet have been leased or pre-leased, representing approximately 60 percent of the total space available. Of the remaining 255,000 square feet, approximately 235,000 square feet are still under construction, which indicates a very strong industrial space market. Lease rates range from \$4.50 to \$13.00 depending on building use (i.e., office, industrial, distribution, etc.) and average approximately \$5.50 per square foot.

Again, these parks would not be competitive to a downtown Carrboro location and many of the small companies locating in these facilities prefer an "in-city" location as they need to be closer to their customers and local services. A survey conducted by the Town of Carrboro, of firms moving into the town supports this concept.

Table 22. INVENTORY OF COMPARABLE INDUSTRIAL/R&D PARKS, RALEIGH/RESEARCH TRIANGLE PARK AREA, 1983

<u>Project/Location/Year Completed</u>	<u>Building Size</u>	<u>Space Leased</u>	<u>Rent Per Square Foot</u>	<u>Annual Absorption</u>	<u>Tenant Type</u>	<u>Developer/Agent</u>	<u>Comments</u>
U.S. 1 North @ Spring Forest Road, Raleigh (early-1982)	63,000	19,600	\$5.00-\$5.50	11,500	10% Office 30% Whse 60% R&D	Lincoln Prop.	
Raleigh Beltline @ Yonkers Road, Raleigh (To be completed end of 83)	100,000	Preleased 30,000	\$5.00	30,000	Distribution	Lincoln Prop.	
Spring Forest Road @ Green Road, Raleigh (1983)	100,000	100,000	N/A	100,000	IBM	Lincoln Prop.	Fully leased to IBM
Research Triangle Park (1983)	88,000	88,000	\$5.50	88,000	Lane Publishing	Adardon	Fully leased to Lane Publishing
Research Triangle Park (to be completed 12/83)	102,000 32,000	under construction	\$4.50-\$6.00 \$6.00	- -	Distribu- tion, Office, R&D	Harley	Part of 128-acre park
Perimeter Park Morrisonville	100,000 150,000	100,000	\$7.50 average 150,000 under const	100,000	completed & leased 1983	Cushman & Wakefield	70% for office use, total 1.8 million sq. ft. planned
Sedgewick & Austin Avenue, Adjacent to Research Park (Planned)	60,000	planned	\$4.00-\$6.50	-	Distribu- tion, Office	Adaron	

Sources: Developers and Agents for Individual Parks and Hammer, Siler, George Associates.

### Characteristics of Firms Moving Into Carrboro

The Town Planning Department conducted a study of all firms and businesses that moved into the Carrboro area in 1980-1981. Responses were received from 28 out of 31 respondents, either through direct personal interviews or by mail.

When asked what factors contributed to their decision to move into Carrboro, 71 percent stated that the new location was attractively priced; 57 percent felt that the proximity to customers was important; 46 percent stated that Carrboro had a favorable business climate and the remaining answers varied from the desire for a small town atmosphere to less traffic congestion.

However, of those firms moving in to the area, approximately 46 percent encountered problems in finding a suitable location or felt that there was a limited choice of locations. In addition, 29 percent felt that "government red-tape" presented a problem and 25 percent stated that there was a lack of adequate parking. All of these responses are important considerations when trying to attract new business to the central business district.

A review of the firms surveyed revealed that approximately 58 percent could have been prospective tenants in the proposed park based on the description of their businesses. These firms included accountants, investment advisors, and architects, as well as firms in hardware supplies and equipment.

### Industrial/Office Park Potentials in Carrboro

As there have been no real light industrial development trends in the Carrboro/Chapel Hill area, the analysis of employment growth can only serve as a foundation upon which to determine the feasibility of developing a light industrial park. In order to supplement this raw data, a survey of potential users was completed. These potential users have been identified by the Town of Carrboro through a questionnaire developed by the Planning Department.

#### Potential Park Users

The following paragraphs identify potential park users and describes their space needs.

University of North Carolina. Conversations with the University of North Carolina Campus Planner revealed an interest on the University's part to assist in the development or lease of space in the proposed park. The University's space needs continue to expand even though the growth of the University has been limited.

Of primary concern to the University is the availability of quality storage space which is close to the Chapel Hill campus. The school currently uses an older warehouse structure in Durham for some of its storage needs which is considered to be inconvenient in terms of its accessibility. Although the University was not specific in detailing its storage needs or outlining its square footage requirements, the campus planner suggested that approximately 5,000 square feet would be needed in the near future.

With recent funding cuts, the University is entering an era in which it is becoming increasingly difficult to support existing programs. To maintain the level of excellence for which the University has been known, the school will have to be creative in its efforts to attract funding. One method that has been successfully tested at other campuses throughout the nation is the development of an "incubator" building. This type of facility has the potential for development at the proposed Carrboro Park.

The term "incubator building" refers to an industrial or office building with space made available to fledgling companies. When used for more traditional manufacturing firms, the term connotes inexpensive industrial space offered on flexible lease terms, generally limited to one to three years. Recently, incubator buildings have been developed which include the complete services necessary to support new business -- management assistance, accounting services, marketing advice, shared secretarial and photocopying services and shared computer facilities. Such projects are typically developed with the goal of supporting new small businesses which generate new jobs and economic activity in a community. In support of the goal, these facilities are typically subsidized by the local or state government.

The market for an incubator facility lies with small new companies in their initial growth stages. These companies have limited capital to finance not only their industrial space, but also equipment, supplies, inventory, salaries and other expenses during the first few years. These major demands on a limited supply of capital typically lead entrepreneurs to seek inexpensive industrial space on a lease basis. Few new firms can afford to build their own facility, preferring to spend their limited capital on items more critical to the business itself.

The University of North Carolina has potential in drawing new business. The University's graduate students and faculty represent a major pool of potential entrepreneurs. Many would choose to remain in the area if they were able to get the kind of business support and rent levels they require.

It is somewhat unlikely that new companies will engage in pure research activities. Pure research is an expensive undertaking which cannot be guaranteed to generate enough income to justify creation of a new company. In all probability, the type of new company likely to seek space in an incubator facility would be more production-oriented.

Typically, incubator buildings range from 8,000 to 30,000 square feet, depending on the research use. Flex Lab I, a Purdue-based facility designed for a university-satellite research group, contains 11,000 square feet.

New construction of a full service incubator facility usually requires rent levels generally in excess of what these fledgling companies can afford to pay. It is fair to assume that any such development would require a subsidy to cover the difference between what these companies can afford and what return is required to the developer. Usually the difference is covered either through the participation of governments (state and/or local) and/or investors.

Other Potential Users. In addition to the University, other companies have been identified as potential users of industrial space. These include:

1. Performance Bicycle Company is currently looking for 5,000 to 6,000 square feet in a freestanding building. The firm

prefers a downtown Carrboro location and would need the space by mid-1984.

2. Ametek-Lamb Electric Division has also expressed an interest in such space. This electric motor producing company will require 10,000 to 15,000 square feet in approximately two years. The administrator responsible for real estate decisions is unsure whether this space will be in the form of an expansion of their existing facilities or a new facility.
3. Datec. Although the president of the company was unavailable for comment, the company is considering a future expansion. The amount of square footage required is, as of yet, uncertain.

### Conclusions

The industrial growth that has been experienced in Orange County is expected to continue into the near future. Based on a trend analysis, 5,200 employees in the industrial space user sectors will be added to the labor force by 1995. This reflects a demand of approximately 1,816,000 square feet of space for that same period. Conservatively, if Carrboro were to capture only five percent of this growth, 90,800 square feet could be developed in the town. However, this space should not be developed in one phase but should be included in a multi-phase project.

The Fitch property is ideally situated for such a development as it provides the "in-town" setting that many of these smaller firms are looking for and has the potential for future expansion. Initially, the first phase of the development should include a total of 40,000 square feet to be developed in four 10,000-square-foot buildings. The construction of these buildings should be scheduled so that the lease-out of the first would coincide with the ground breaking of the second. This would reduce the developers risk as well as assure the success of the project.

The Town should assist the developer in the marketing program by providing information on the park to firms that have expressed an interest in a Carrboro location. This, combined with the firms that have already expressed an interest or are thinking of expanding their operations, would provide additional assistance in guaranteeing the successful development of the park.

Corporate Square and the Lloyd and Andrews Sites. Corporate Town is designed to meet the needs of a wide range of tenants who desire close-in, reasonably priced space, with varying finish levels. Such tenants would include university and medical staff who wish to carry out independent research, sales representatives who wish to maintain temporary inventory between receipt and delivery, and a modest supply for display; assembly and repair of home equipment, auto equipment and related, teaching space for various instructional programs; storage and processing space for financial, real estate and other office uses, and many others.

There is a need in Carrboro for land to accommodate light manufacturing firms, construction supply and other storage firms and major acreage for sizable firms which desire to acquire a tract of land for its immediate use and/or in order to accommodate future growth and protect its working environment. Corporate Town is not intended for such use nor could it accommodate such uses.

The Lloyd and Andrews sites have been proposed by the town for these more extensive industrial uses and are in no way competitive to or a substitute for Corporate Town.

Projections of Types, Sizes, and Use of Existing Building Reuse.

As previously noted, the range of industrial sites will include:

Research Space	20-25%
Light Manufacturer	20-25%
Assembly and Repair	15-20%
Instructional Space	10-15%
Storage and Processing	10-15%
Other Uses	10-15%

For intown industrial space in a market growing at a modest pace, we have recommended a building module in the 10,000 square foot range without a major pre-committed tenant, and the 20,000 square foot range with a major pre-committed tenant. An F.A.R. of 25 to 40 percent was recommended. Parcel sizes would vary with the length of the marketing period the developer found most profitable. Floor space prices and land residuals are presented in the Appendix A project analysis.

Section V. DOWNTOWN CARRBORO RETAIL POTENTIALS

## Section V. DOWNTOWN CARRBORO RETAIL POTENTIALS

Across the country impressive retail revitalization is taking place in downtowns. This resurgence is based not on bringing back department store and specialty shop comparison shopping from outlying centers to the downtown. Rather, Americans are seeking an entertainment experience in their shopping as well as in their traveling, working and living. In downtown retailing this has meant a focus on restaurants and shops. Usually in atrium and other exterior and interior spaces in which shoppers can mill about.

Future retailing in downtown Carrboro will likely be developed consistent with this theme. Major retail revitalization is not likely, however, a substantial increase in the number of restaurants and shops and the floor space they occupy is probable. The existing development in the Carr Mill Mall, the wine shop, restaurants and related uses in the proposed Town Center project provide the foundation for this downtown retail thrust.

At the same time that this new entertainment theme to retailing will result in new establishments, downtown Carrboro will need continue to provide supermarket, drugstore, and other convenience goods to the residents. This existing convenience shopping and continually expanding entertainment-oriented retailing will make the downtown retail of the future.

Section VI. DEVELOPMENT RECOMMENDATIONS

This section will focus on identifying and measuring future retail development potentials for the downtown. The prominent part of the sales potential for stores in downtown Carrboro comes from the expenditures of Orange County residents. Additional sales come from other Research Triangle residents attracted into the downtown area to shop and visitors to the area, including those to the University and local businesses.

#### Orange County Expenditure Potential

In 1982, expenditures by Orange County residents for shoppers' goods totalled \$95 million, while expenditures for convenience goods totalled \$167,600,000. These estimates are based on household and income estimates and expenditure patterns calculated from Census data. Shoppers' goods includes merchandise purchased in department stores, apparel stores and furniture stores for all kinds of apparel and footwear, furniture and appliances, housewares and home furnishings, jewelry, sporting goods, recreational supplies and equipment, books, cameras, and games and toys. Convenience goods expenditure potential is spent in food stores, eating and drinking establishments, drugstores and liquor stores.

Table 23. RECENT CHANGE IN ORANGE COUNTY RETAIL EXPENDITURES AND SALES, 1972-1982

	<u>Expen- ditures</u>	<u>Sales</u>	<u>Capture</u>	<u>Expen- ditures</u>	<u>Sales</u>	<u>Capture</u>
<u>Shoppers Goods</u>						
Apparel	\$ 15,440	\$ 8,500	51.9%	\$ 20,080	\$ 14,820	70.0%
Furniture	15,000	7,750	48.7%	20,850	11,630	53.0%
General Merchandise	34,520	9,780	27.0%	54,050	22,350	40.0%
Subtotal	\$ 64,960	\$ 26,030		\$ 94,980	\$ 48,800	
<u>Convenience Goods</u>						
Food Stores	\$ 79,390	\$ 75,260	90.0%	\$116,090	\$ 94,040	81.0%
Drugstores	26,350	24,360	92.4%	47,610	44,760	94.0%
Eating & Drinking	9,540	8,360	75.0%	18,060	11,560	64.0%
Subtotal	\$115,280	\$107,980		\$181,760	\$150,360	

Sources: U.S. Census and Hammer, Siler, George Associates.

#### Retail Sales Trends

The substantial growth in Orange County population, households and income over the last decade generated substantial increases in County household retail expenditures. Merchants in the County responded effectively and substantial sales increases were achieved. These increases varied substantially in absolute and percent of expenditure potential terms among the various store types.

Shoppers typically use a comparison approach in purchasing shoppers goods and are used to traveling farther to purchase them. The role of Carrboro/Chapel Hill in the retail structure of the Triangle as the smallest of the three major urban nodes has resulted in the major shopping centers being built outside Orange County near the larger Durham and Raleigh urban centers. Orange County shoppers are attracted to these larger centers. Therefore, although total shoppers goods

expenditures by residents of the County went up by \$30 million during 1972-1982, shoppers goods sales in Orange County stores went up \$22,750,000 -- about three-quarters as much. The remainder was attracted to stores outside the county (all sales and expenditure estimates are in constant 1983 dollars).

Convenience goods, as the term implies, appear to the shopper to be quite similar in price and description among stores. Therefore, shoppers seek these goods at locations most convenient to their home. Convenience expenditures in the County went up just over \$52 million over the 10-year period. Well over 80 percent was captured in County stores.

#### Future Orange County Expenditure Potentials

The household and income growth described in Section I of this report will generate impressive retail expenditure growth during the 1980 to 1995 period. Total expenditure potential in the County for shoppers' goods will increase in 1983 dollars to \$103,260,000 in 1985 and to \$125,670,000 by 1995. Convenience expenditures over the same period will increase to \$208,680,000 in 1985 and \$285,180,000 by 1995. These expenditure potential estimates are summarized in the following table.

Table 24. PROJECTED SHOPPERS GOODS AND CONVENIENCE GOODS EXPENDITURES, ORANGE COUNTY, 1982-1995

	<u>1982</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>
<u>Shoppers Goods</u>				
Apparel	\$ 21,170	\$ 21,460	\$ 22,970	\$ 24,300
Furniture	21,940	22,300	23,970	25,460
General Merchandise	<u>55,870</u>	<u>59,500</u>	<u>67,370</u>	<u>75,910</u>
Total	\$ 98,980	\$103,260	\$114,310	\$125,670
<u>Convenience Goods</u>				
Food Stores	\$116,090	\$130,470	\$155,920	\$180,110
Drugstores	18,060	19,690	22,790	24,250
Eating and Drinking	<u>47,610</u>	<u>58,520</u>	<u>72,410</u>	<u>80,820</u>
Total	\$181,760	\$208,680	\$251,120	\$285,180

Source: Hammer, Siler, George Associates.

The primary support for existing and future retail stores in Carrboro, Chapel Hill and other retail nodes will come from this County.

Future Downtown Potentials

The retail trends in downtowns of all sizes across the country show that there is a significant resurgence of the retail role of downtown, but that it is a very different kind of retail from the comparison shoppers' goods stores of the past. That kind of retailing, anchored by department stores and other general merchandise units moved from the downtowns to the suburbs in order to be closer to the growing, more affluent parts of the market, to escape downtown traffic congestion and parking shortages and to create a new, more pleasant shopping environment.

Downtown Carrboro has experienced all of these problems and continues to suffer from many of them. They are not amenable to quick

solutions, with the capital cost being great. In Carrboro, as in Chapel Hill and other downtowns around the country, the future does not lie in large-scale retailing. The real comparison shopping for apparel, furniture, general merchandise and related categories will continue to be done in regional malls.

The theme we propose for downtown retail, then, focuses on a combination of existing and new structures developed at low height and relatively low density to build a threshold of restaurants and shops large enough to make the downtown one of the entertainment centers of the region.

When we say entertainment here, we do not mean only the traditional theatres, restaurants, clubs, bars, bowling alleys and other uses which might fall in that category in a zoning ordinance. Rather, that a broad range of retail convenience and shoppers' goods shops can be included. The potential customer comes less to purchase goods than to have a good time.

This new retail wave is perhaps less of a contrast with the old college town, where a major part of the shopping experience seems to have an entertainment attraction, and where the retail anchors, that is those businesses which attract the largest clientele, are not shoppers' goods stores as in outlying centers, but rather restaurants and bars.

Downtown Carrboro has already begun to establish this entertainment focus. While there are no large restaurants in the Town Center area and the downtown as a whole, there are a number of good restaurants with a strong and loyal following. The Carr Mill Mall is the first attempt at drawing on restaurant trade to support browsing shops.

### Downtown Carrboro Potential

The share of Orange County expenditure potential captured as sales by Carrboro merchants increased in almost all categories between 1972 and 1982. Overall, Carrboro merchants captured nearly 12 percent of all County convenience expenditures and just under seven percent of all shoppers goods expenditures in 1982.

Table 25. CARRBORO SALES AND CAPTURE OF COUNTY EXPENDITURES, 1972 AND 1983 (000s)

	1972		1982	
	<u>Carrboro Sales</u>	<u>Share of County Expenditures</u>	<u>Carrboro Sales</u>	<u>Share of County Expenditures</u>
<u>Shoppers Goods</u>				
Apparel	\$ 850	5.2%	\$ 1,190	5.6%
Furniture	930	5.8%	2,910	13.9%
General Merchandise	<u>1,660</u>	4.6%	<u>2,680</u>	4.8%
Total	\$ 3,440	5.0%	\$ 6,780	6.8%
<u>Convenience Goods</u>				
Food	\$11,520	13.8%	\$17,870	15.4%
Eating and Drinking	900	4.0%	2,690	5.6%
Drugstores	<u>1,120</u>	10.1%	<u>1,160</u>	6.4%
Total	\$13,540	11.5%	\$21,720	11.9%

Sources: U.S. Census of Retail Trade and Hammer, Siler, George Associates.

### Retail Development Opportunities

As a first step in this direction, we have proposed the development of the "Town Center" Project which would have roughly 12,000 square feet of retail with one-half to two-thirds of this in restaurant and entertainment. This project is described in greater detail in the appendix. It would be a three-story atrium structure with the retail on the first

floor which would be located on the Yaggy property on Main Street north of the health center and immediately across the street from Spragg's, the Orient Express and the wine shop. A parking garage would be developed to the southwest of this parcel on the parcel by the farm market.

The other retail priority area is the remainder of the 100 block of Main Street, particularly the west end where the town has plans to relocate streets and create a surface parking lot which will support new construction and renovation of a modest but important amount of space in this key block of the downtown. An interested developer considers this a high priority opportunity. More intensive use of the triangular block would also be a part of this project.

These projects should move into development over the next five years and, if they do, the downtown share of eating and drinking and related retail expenditures can increase substantially.

Two second priority retail areas have been identified. The first is the Main Street frontage lying just east of the Spraggs/Orient Express. Some clearance in front of Broad Street would be required here and parking which might be taken would have to be replaced but this area once again would increase the "walking range" opportunities for entertainment-oriented retailing in the downtown.

Reasonable penetration objectives for each of the expenditure categories are presented in the table below.

Table 26. PENETRATION OBJECTIVES FOR DOWNTOWN CARRBORO  
RETAIL DEVELOPMENT, 1982-1995

	<u>Estimated</u> 1982	<u>Retail</u> <u>Development Objectives</u>		
		<u>1985</u>	<u>1990</u>	<u>1995</u>
<u>Shoppers Goods</u>				
Apparel	5.7%	6.2%	6.9%	7.6%
Furniture	13.3%	13.2%	13.0%	12.0%
General Merchandise	4.8%	4.8%	4.7%	4.3%
<u>Convenience Goods</u>				
Food	15.4%	15.4%	13.7%	11.5%
Eating and Drinking	5.6%	6.7%	7.3%	9.3%
Drugstores	6.4%	6.3%	5.1%	5.0%

Source: Hammer, Siler, George Associates.

The enhancement of the downtown retail offering will be led by creation of attractive new theme and quality restaurant opportunities. The Carrboro share of County eating and drinking expenditures increased from 4.0 percent to over 5.5 percent in the last 10 years. This rate of penetration increase will continue during the 1980s and 1990s. Apparel will hold their own during the next three years but once the restaurant-stimulated downtown development has real momentum they will modestly increase their share as well.

In contrast, while food stores will maintain their very viable role in the downtown retail mix, the dramatic growth in food will come in outlying residential growth areas. Thus, even though specialty foods will be an important tenant group in the retail expansion, the total floor space and sales involved will be small and overall, and the downtown share of county food expenditures will gradually decrease. Drug store sales likewise will drop as a share of the county expenditure potential.

In the furniture category, like food, specialty stores will be an important part of the new shop mix but they will be small in floor space and sales and the real growth in furniture sales in the county will be in outlying areas. Downtown development sales objectives are presented in the table below.

Table 27. DOWNTOWN CARRBORO DEVELOPMENT RETAIL SALES OBJECTIVES, 1982-1995 (000)

	Estimated	Retail Development Objectives		
	1982	1985	1990	1995
<u>Shoppers Goods</u>				
Apparel	\$ 1,190	\$ 1,340	\$ 1,590	\$ 1,840
Furniture	2,910	2,900	2,890	2,870
General Merchandise	2,680	2,700	2,780	2,900
Total	\$ 6,780	\$ 6,940	\$ 7,260	\$ 7,610
<u>Convenience Goods</u>				
Food	\$17,870	\$17,900	\$17,920	\$17,920
Eating and Drinking	2,690	3,950	5,690	7,550
Drugstores	1,160	1,140	1,140	1,140
Total	\$21,720	\$22,990	\$24,750	\$26,610

Source: Hammer, Siler, George Associates.

Supportable Space. These sales potentials are adequate to support the projects put forth in the spatial strategies if these projects are developed in sequence over time with a first project opening in early 1985. Each would have strong restaurant and other food representation and a mix of other ground floor retail and upper floor office tenants.

The table below presents estimates of supportable additional floor space in the downtown during the 1982-1995 period. A supporting sales yield of \$100 per square foot in shoppers goods and \$200 per square foot in convenience goods (using constant dollars) was used for these

estimates. In some categories such as apparel and eating and drinking, the projected increase was directly generated by sales increases. In other categories such as food and furniture, small specialty establishments would be feasible even though total sales would not increase.

Table 28. DOWNTOWN CARRBORO SUPPORTABLE FLOOR SPACE, 1982-1995

	Leasable Retail Floor Area Increase		
	<u>1982-1985</u>	<u>1985-1990</u>	<u>1990-1995</u>
<u>Shoppers Goods</u>			
Apparel	1,500	2,500	3,500
Furniture	-	600	1,200
General Merchandise	-	-	-
Other Specialty Stores	2,000	4,000	5,000
Subtotal	<u>4,500</u>	<u>7,100</u>	<u>9,700</u>
<u>Convenience Goods</u>			
Food	800	1,600	2,400
Eating and Drinking	6,300	8,700	9,300
Drugstores	-	-	-
Subtotal	<u>7,100</u>	<u>10,300</u>	<u>11,700</u>
Total	11,600	17,400	21,400

Source: Hammer, Siler, George Associates.

These supportable floor space estimates and the sales figures provided in Table 27 will only be achieved if quality entertainment-oriented retail environments are created. We have assumed that the Town Centre project could be developed and in place by 1985 in making the retail projects. If this project does not move ahead, then, the potential would be available to another quality offering.

We must keep in mind that in retailing what is leased and shopped is the quality of the experience and not the quantity of floor space. An imaginative complex of restaurants and shops which truly provides an

entertainment experience will attract the support required. If a second project were immediately developed which had this same quality appeal, it would be successful also; and would in effect accelerate the retail development phasing put forth in the table.

#### Increasing Sales of Existing Business

The single best way to increase the sales of existing businesses in downtown Carrboro is the development of additional business space. Specific recommendations for this action is included in the description of the Level 1 and Level 2 projects. The primary problem facing downtown Carrboro businesses is lack of the total range of businesses and the lack of an adequate quantity of space in any specialized area to allow the downtown to compete effectively with other shopping centers in the county and other entertainment-oriented areas in the region.

The fact that the downtown has this competitive disadvantage in range and amount of space does not in itself justify providing this additional space. Other centers and shopping areas in the region have established their appeal to the shoppers in the region and have attracted their expenditures. Many are better located relative to the growing residential parts of the region and many have benefited from single-ownership or close cooperation which has led to a strong promotional program. Carrboro must win away from these other centers market share in order to support new space. In the previous paragraphs of this retail section projections were made of attainable new retail growth. Other components of a business improvement program are described below.

The Entertainment Concept. Previous discussion in this section has keyed retail success in Carrboro to continuing to meet existing convenience goods markets but focusing efforts towards growth on expanding the entertainment concept in retailing. As we have noted, even in the largest and best developed downtowns new shoppers goods projects are not being successfully implemented. While downtown employees make some shoppers goods purchases at work, most result from home-based trips. As residential development moved outward shoppers goods retailing followed it. Even where there has been a resurgence of close-in housing, the total number of households coming back has been small relative to the needed support for new shoppers goods space.

What is being successful in downtowns, large and small, across the country is the development of entertainment-oriented retail areas. In some cases, these are created in a single complex such as the Harborplace in Baltimore. In others, the entertainment experience has been created by the actions of individual property owners and merchants. Old Town Alexandria is such an example.

Carr Mill Mall is an attempt at creating the entertainment experience in a single structure. But the structure, while historic, is narrow and uninteresting and the architectural solution did not create interesting visual experiences through atrium, skylights, greenhouse walls, large period equipment and the other techniques which have been successful elsewhere. In addition, the total amount of space is small and the locally-oriented leasing program has not attracted tenants with established track records in such centers.

The entertainment experience in Carrboro should be created using a combination of new and existing buildings developed by individual

property owners and merchants with support in required parking and traffic improvements by the Town and with an aggressive promotional campaign.

The Area of Focus. The present "anchors" of this activity in the downtown are the Carr Mill Mall, the Broad Street gourmet shop and the individual restaurants and shops on both sides of Main and Weaver in the 100 block. This area should be the focus of entertainment district development. It is important that the area be compact because the user concept is to park your car once and wander around from shop to restaurant to bar to shop. The area should also be compact because the total amount of supportable space is limited.

Merchandising Changes. Food and food-related establishments make up 45 percent to 65 percent of the space in successful entertainment centers. Such shops include on-premises food such as: seafood, ethnic and ninties sit-down restaurants; eateries, where a series of specialty food kiosks surround a common seating area; and stalls serving the "walk and eat" market, such as crêpe and other desert places, meat on a skewer, and pizza wedges. Also important are off-premises food places such as butcher shops, poultry shops, seafood stores, fresh vegetables, spices, bake goods, etc.

The non-food stores specialize for the most part in lower price, easy to carry merchandise of a discretionary rather than staple variety such as candles, souvenirs, fancy glass, flowers, dried flowers, stuffed animals, apparel accessories and others.

In these centers there is much less emphasis on chains than in other shopping centers and more emphasis on first-time retailers and

local merchants who want to open an additional small unit. This should be the case in Carrboro as well.

Typical Shop Sizes. Small store sizes typify the kind of new business opportunities for Carrboro. Among the on-premises food establishments; the restaurants will range from 1,800 square feet to 6,000 square feet; the eatery 5,000 square feet with about one-half in common seating area and half in kiosks, the walk-by stalls would average 200-300 square feet with a central walkway in the structure equal to one-third of the total space. The off-premises stalls and shops would range from 200 square feet to 1,200 square feet. The non-food retailers would mainly be in the 500 to 1,000 square foot range with the probability of from one to three in the larger 2,500 square foot range.

Method of Development. The primary responsibility here typically lies with the property owner. If there are property owners within the entertainment focus area in Carrboro who are uninterested in renovating their buildings and/or building on their land to accommodate entertainment activities over time; and/or to participate in promotional programs, then the town may want to consider establishment of a common assessment vehicle or even possibly acquisition, although this is a costly and time consuming approach.

The greater coordination the greater the probable success and, thus if the property owners and businesses in the entertainment focus area could join together to coordinate their development activities this would be highly beneficial.

An option would be the creation of a nonprofit or for-profit development corporation to gain control of all properties and carry out

first quality space creation over time consistent with the market. However, raising funds for immediate acquisition would seem prohibitive in light of the anticipated low pace of market absorption and obtaining blanket options while a less expensive method of property control would undoubtedly find little favor with many property owners.

The development mechanism which will likely have to play the major role is the effective action of existing and future property owners.

Promotional Programs. Although joint advertising and promotions and standard business hours would seem to be a logical foundation to any promotional program, they are not a characteristic of Carrboro, as many other shopping districts, and they badly need to be. Other recommendations include:

Special Event Always on Customers Mind. Put another way there should always be an attractive promotional event "coming soon" in downtown Carrboro. As examples, in January the fact that winter can be mild in the area would make a "winter carnival" with ice sculpture, sleigh rides, hot buttered rum, real Vermont maple syrup, dog sleds, and other "hard winter" features are more attractive. The western Carolina ski areas would be pleased to participate. In February, "a town for lovers" focused on Valentines Day and involving local drama groups giving one act plays in the various shops and restaurants would be a possibility. In March, perhaps a travel show featuring entertainers from various appealing travel destinations. In April, an antique auto day; in June, a seven-day bicycle race. In July, mini fireworks every weekend; and similar promotions the remainder of the year.

Tagging On To Others Promotions. The Carrboro/Chapel Hill area already has a series of highly attractive promotions carried out as a part of the normal University activity. These include the football games, the basketball games, major games in the minor sports, registration, end of year, etc., which bring large numbers of potential Carrboro customers into the area.

While most of these folks will make it to Franklin Street in Chapel Hill at one time or another during their stay, most will not make it to Carrboro unless direct contact is made with them. Correcting this deficiency has two important immediate range steps.

1. Schedule Carrboro special promotional events described in the previous paragraphs to coincide with these major university attractions.
2. Use direct mail to a sample of the students, season ticket holders and others to get out the word.

Of course, another important component is to increase the range of restaurants and shops available.

The Town and the businessmen should share in the cost of this promotional program and in providing staffing for it. Certainly downtown promotion is an important economic development activity.

Parking and Traffic. The Franklin Street extension is extremely important to downtown business sales increases and generating maximum benefit from the other components of the existing business improvement program. The precise design for this facility should be the result of detailed engineering analysis but the general route presently shown in town maps would meet existing business needs.

Maximum flexibility and understandability for downtown Carrboro customers is created if the system of Franklin Street Extended and Main serve as a one-way pair with convenient north south links between them at Greensboro and in the general vicinity of Lloyd extended south.

A northern bypass extending from Main north on a widened Lloyd Street and then west across the Fitch Property (Parker Street extended west) to North Greensboro would also reduce through traffic congestion in the downtown and leave more street capacity for destination shoppers.

There is adequate parking in the downtown as a whole but a deficiency of parking directly adjacent to the proposed entertainment core. Parking structures provide the greatest convenience in terms of walking distances and it was proposed that one be considered for either the Lloyd property or the Farmers Market Property.

However, from the results of the market analysis it is clear that there is adequate land in the downtown available at a cost which would make surface parking a more cost effective solution in the short run. We would propose that serious consideration be given to building a series of parking lots in the area directly south of the properties on the south side of Main Street. Town staff has done some preliminary sketching on this possibility and consultation with effected property owners should continue.

## Section VI. DEVELOPMENT RECOMMENDATIONS

The purpose of this consultant assignment was to analyze the specific market potentials for downtown Carrboro and to identify what development action if any should be taken in each subarea of the downtown. Four kinds of areas were defined.

Level 1 are areas of downtown which have "immediate feasibility and desirability," including market potential for development within a three-year period, and which were selected by the Board of Alderman for packaging activity.

Level 2 are areas of the downtown which have "immediate feasibility and desirability," including market potential for development within a three-year period, but were not selected for packaging activity by the Board of Alderman.

Developer briefing materials were prepared for the Level 1 and Level 2 projects.

Level 3 are areas that appear to be feasible in the long run but are not proposed for immediate development. Required public improvements are recommended for this group.

Level 4 are areas within the downtown area that seem unlikely to have any potential for development within the foreseeable future or that should remain in their present use.

In the paragraphs which follow each of the subareas of the CBD project area placed in each level, are discussed.

#### Level 1 and Level 2 Projects

The contract clearly specifies that Level 1 and Level 2 projects should be limited to those projects which "appear to be feasible within the immediate future." The Board of Alderman was then to select the immediately feasible projects which should be given packaging attention to be feasible within the immediate future. The individual projects and the sum of the projects of a particular type must be capable of being absorbed in the market over the next three years.

It was our preliminary judgment that five projects met this test.

#### Residential

- Map No. 1 Town Grove (Yaggy)
- Map No. 2 Town Square (Town of Carrboro)

#### Retail/Office

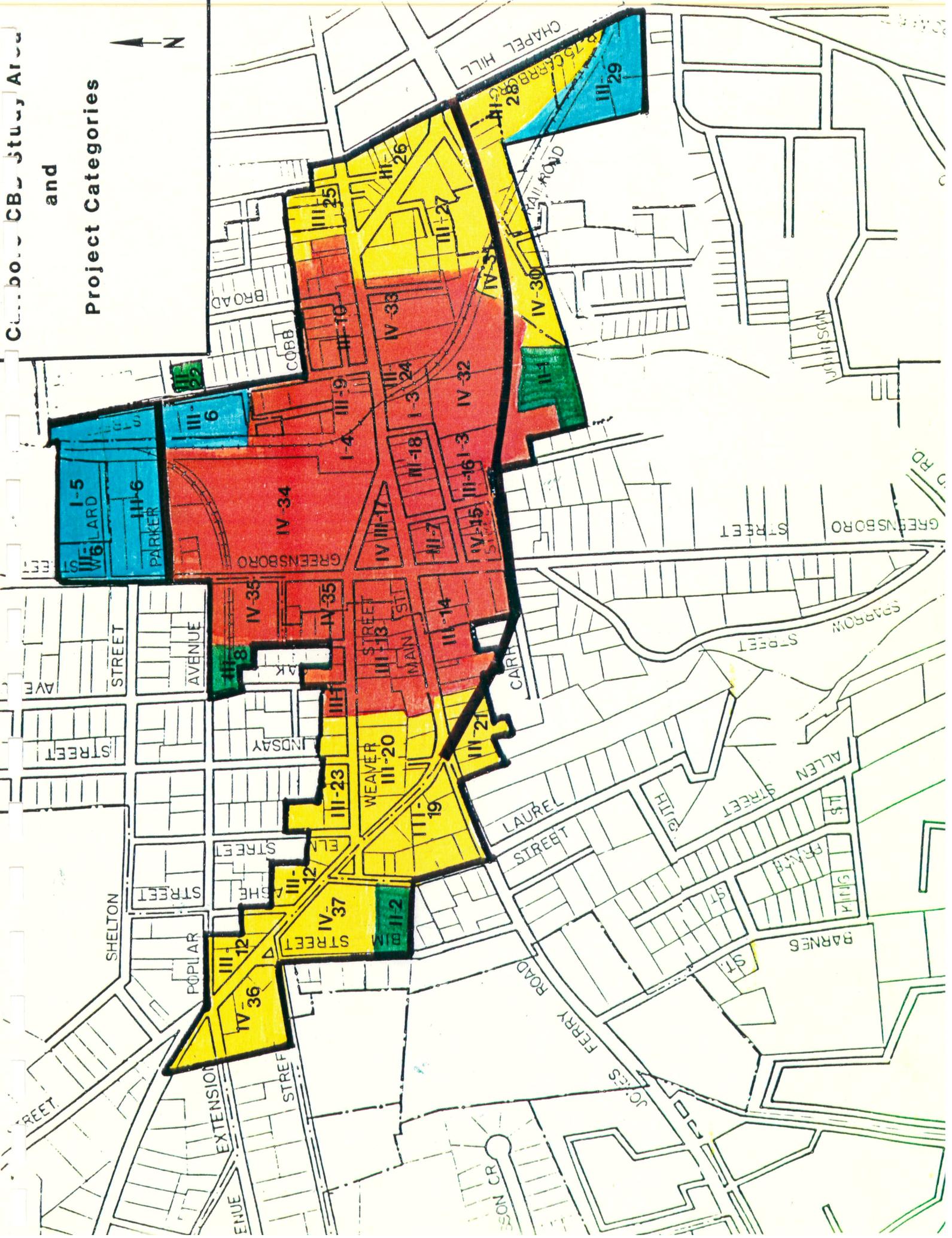
- Map No. 3 Town Center
- Map No. 4 Carr Mill Office

#### Industrial R&D

- Map No. 5 Corporate Town (Fitch)

The completion of the market analysis work and report submitted in early October confirmed this level of immediate action effort.

# Cambridge Study Area and Project Categories



Each of these projects has been presented to the Town in sufficient detail to serve as a "preliminary developer information piece" and we have "specified what needs to be done, from the public or private standpoint to make such developments a reality. These projects are described in detail in Appendix A of this report.

In addition to the project specific recommendations made in our July 26 memorandum, we have provided in the retail section recommended overall downtown merchandising, promotional, traffic and parking recommendations.

### Level 3

The contract defines Level 3 projects as those "that appear to be feasible and desirable in the long run." The contract says these will be identified and "specific public improvements required to make such projects feasible will be identified."

In our oral presentation to the task force and subsequently to the Board of Alderman, we identified these projects and discussed required public improvements, if any. What follows is a written summary of that presentation. The projects are identified on the map which follows and keyed by number.

Map No. 6: Corporate Town Expansion. The total area bounded by Lloyd Street on the east, the CBD project boundary on the north, North Greensboro Street on the west and the Farmers Coop on the west and south is recommended for Industrial/R&D. The first phase of this project was identified by us for Level 1/Level 2 treatment because it was "immediately feasible and desirable."

This first phase part of this total Industrial/R&D area is bounded on the north by the CBD project area boundary, on the east by Lloyd Street, on the south by the Fitch Property boundary extended and on the west by the Fitch property boundary at the rear of the Greensboro Street fronting properties. There is an access right-of-way which is a part of the property which links the body of the property with Greensboro Street.

The Level 3 project is the remainder of this total Industrial/R&D area as defined. An F.A.R. of 25-30 percent would be anticipated and the same ranges of tenants as were recommended for Corporate Town. High ceiling single-story construction with a high exterior finish level would be anticipated.

The first stage (Level 1/2) of Corporate Town can proceed without additional public improvements. In order for the second stage of the project to integrate best into the overall traffic system an east west road should be built across the property which would in effect be a westerly extension of Parker Street from Lloyd to North Greensboro. A 24 foot width would be reasonable.

Map No. 7: Hodgen SE Corner Main/Greensboro Town Center. This project was not judged a Level 1/2 immediate feasibility project because the Town Center and Carr Mill Projects were judged better candidates to successfully capture this limited and highly competitive market.

This property is defined as including the Hearn's Grocery/Village Craftsman/Andrews & Riggsbee structures and preliminary thinking would have the structures renovated into a mini-mall for retail uses. Glass

greenhouse wall additions are being considered. These have proven quite successful in other renovation specialty shopping projects.

Mr. Hodgen has expressed interest in developing this project so the effort usually required for developer attraction is saved.

A series of parking lots has been proposed for the tier of blocks located directly south of the south side of the 100 block of Main Street properties. We believe the Town should play a major role in financing this parking but that the various lots only go ahead when the private investment commitment to the Town Center project or the Village Craftsman project is made.

This project can play an important role in the creation of the entertainment area experience. It is important that this project and Town Center be properly phased so as not to compete with each other and that each be given Town parking support.

Map No. 8: Lumber Storage to Moderate Density Residential. We believe that the overall downtown land use pattern and the relationship to adjacent neighborhoods is optimized if the western portion of the Fitch Lumber property is eventually converted to medium density housing.

Mr. Fitch informs us that the land is an important part of his total operations at this location at present but that in the long-term he may do less storage in town and this may make the property available.

The area is thus designated Level 3. No public improvements are judged essential to carrying out this project.

Map No. 9: NW Corner Lloyd/Main Town Center. This area presently is anchored with the Broad Street gourmet Shop, and the Orient Express/ Spaggs restaurant node as Town Center uses. Non-town center uses include the Rices Glass, the beer making center and others.

The area is bounded by Main on the south, Lloyd on the east, the Carr Mill property on the west and the Level 3 Corporate Town development on the north.

This property will be a logical retail/office/restaurant expansion of the Carr Mill/Town Center entertainment area focus. New construction and existing building renovation will likely be involved and a major share of required parking must be provided on site.

The major public improvement which should be considered to stimulate and accommodate this long-range project is the construction of a parking deck on the Lloyd property, the southern end of stage 2 of Corporate Town or another appropriate location.

The widening of Lloyd Street and the construction of the Parker Street extension to combine to form a northern bypass (as discussed in the Corporate Town Level 3 project) would also have value to this project.

Map No. 10: Northeast Corner of Lloyd/Main Streets - Town Center. This parcel currently contains an assortment of auto body shops including Foreign Auto Service; Hatley' Body as well as I.P.A.S., the Motor Bearings and Parts Co., and three single-family homes. The parcel is bounded by Lloyd Street on the east, Main Street on the south and a Town Center Fringe parcel on the west.

Long range potential development for the site includes the extension of the Carr Mill Mall and the Best Food, Family Dollar Center retail nodes. Parking for the expansion of these nodes should either be provided on site or on the adjacent North West Corner of Lloyd/Main Streets parcel.

Map No. 11: NW Corner Weaver/Oak Town Center. This small vacant and underutilized parcel is a probable office site for longer-range development. No public improvements should be required.

Map No. 12: East Side Main Weaver to Poplar. These block fragments are included within the CBD project boundaries. They should not be visualized as "projects." It is probable that over time the single-family homes will be converted to or replaced with non-residential use such as office space or convenience retail. No public improvements should be required to accommodate this change.

Map No. 13: Weaver/Main, West Side Greensboro. Since a major principal of the development strategy is the concentration of early stage Town Center Development in and directly east of the 100 block, logical redevelopment of this area to office and retail use must be long range. Individual infill construction will likely occur over time for owner occupied office and/or business service firms.

This is a long term development opportunity which will benefit from public participation in the parking at the time private commitments are made.

Map No. 14: Post Office/Institutional Area. This area is bounded by South Greensboro, Main, the Franklin Street Extension and the CBD

project boundary. The Post Office, the Red Cross, Wendy's and the laundry are among the uses.

This project area does not have the market potential to proceed in the near term. In the long term, after the Town Center core is well developed, office/retail development would be logical.

Map No. 15: Andrews & Reggsbee Hardware. As long as this remains a viable business the property should remain in use. Should the property come available in the longer run, public parking as a part of the series of Town-provided parking lots should be considered.

Map No. 16: New Parking Resource. This property should be considered for development of a series of public parking facilities extending from the A&R property through and including the farmers market property. The rescue squad should be relocated.

Parking construction should be keyed to private development commitments.

In the longer term, multi-use decking should be considered.

Map No. 17: Main/Weaver Triangle. In the longer range, after the Town Center and Hodgen projects are underway and ownership problems are resolved, there will be market support for renovation/redevelopment of this block for restaurant/bar/small shop use.

No public improvements other than the parking support previously described should be required to accommodate this project.

Map No. 18: West Half 100 Block. this block presently has a viable set of retail stores, restaurants and businesses. Over the longer term, when ownership problems are resolved, an aggressive restoration program should be undertaken to further establish the historic heritage of the community as a basis for continued retail revitalization.

No public improvements other than the parking previously described should be required.

Map No. 19: Main/Mixed Use Triangle. This sizable project area presently contains a mix of uses including Disc Traders, Triangle Tire, Mill House nursery and a number of vacant structures. This project area is placed in the CBD Fringe category. Optimum longer term use would be for moderate density housing which should begin in the western part of the property adjacent to the nursery and the Town Hall Square project and proceed east to replace the existing commercial and vacant structures.

This housing development effort should begin once the Town Hall Square project is complete, and public improvements required should include Town participation with a committed developer in assembly of the site.

Map No. 20: Main/Weaver Western Triangle. This large area presently contains a wide range of uses developed at low intensity. This pattern is likely to continue until the adjacent parcel 13 is redeveloped. In the interim, individual parcel change will likely continue.

Public improvements should include the availability of low interest loan funds for structure and property upgrading.

Map No. 21: Main/Franklin Extension. This linear parcel fronting Main on each side of the Franklin Street Extension will likely remain in its present general use pattern of low intensity commercial service functions.

Map No. 22: East of Lloyd Single-Family. We have given priority in the development stage identification effort to reinforcing the residential neighborhood east of Lloyd Street. A part of this effort has been the recommendation that the southern portion of the northern bypass utilize Lloyd Street which bounds the neighborhood rather than a street further east which divides the neighborhood.

In keeping with this intent, this parcel has been designated for long range single-family use, either attached or detached.

Care must be taken in any widening of Lloyd that this property and other residential properties not suffer.

Map No. 23: North Side Weaver/Elm-Oak. This pair of long blocks on the north side of Weaver is presently in a mixture of single-family and service uses. Longer term development will see a combination of renovation and new construction for office/commercial service use. Public improvements should not be required for this process.

Map No. 24: Lloyd/Main Street Property. This property which presently houses the Lloyd service station and fuel storage use should

in the long term be converted to Town Center retail and restaurant use. An alternative would be utilization of the site for a parking structure. No public improvements should be required. With active property owner/developer participation a UDAG application should be considered.

Map No. 25: Main CH Boundary. This largely vacant and underutilized area has little market potential at present and will not have until an effective program of rehabilitation and clearance is undertaken to dramatically change the total area made up by project areas 25, 26, and 27.

It is probable that Town finances will not allow a land banking operation in advance of firm development commitments at this time. This may well dictate a strategy of awaiting the successful early stage development in the entertainment core.

However, if financial and relocation problems could be overcome, selective early stage acquisition would be extremely helpful in changing the image of downtown and particularly its Chapel Hill portal.

Map No. 26: Main Franklin Triangle. There are a number of viable auto repair and other commercial uses in this area in addition to the St. Paul's Church at the southern tip. Unfortunately the non-church users are unsightly and have curb cuts which aggravate an otherwise already congested traffic situation. It is hard to imagine a physical change strategy in this area itself which will allow these businesses to continue to operate and yet solve this visual and traffic problems.

However, if the Franklin Street extension is completed traffic approaching the downtown from Chapel Hill can be channeled around this

area. In the longer term, change to CBD-oriented uses will be appropriate.

Map No. 27 Franklin Street Southwest. This large area, located directly across Franklin from the triangle, has the same frontage characteristics, with fast food and auto-oriented uses. A similar solution is called for.

The western portion of this CBD transition area can best be used for medium density housing once the Franklin Street extension is in and local street ties are established.

Public improvements will include the provision of local streets and utilities to serve the parcels which are created.

Map No. 28: Franklin Connector South. This triangle bounded by the connector, the railroad tracks and the Town Line a CBD transition area with service commercial uses in the northern half and single-family residential uses to the south. Expansion of the commercial uses to service the south including relocation of some of those from project areas 26 and 27 is likely.

Map No. 29: Muirhead Cement. This area is occupied by Muirhead Cement and should continue in industrial use.

Map No. 30-31: Cemetary. Existing to remain.

Map No. 32: Health Center and Adjacent. Existing to remain.

Map No. 33: Convenience Center. Existing to remain.

Map No. 34: Carr Mill Mall. Existing to remain.

Map No. 35: Fitch/Northwest/H&B/Curl. This area includes the frontage and adjacent property bounded by North Greensboro, Weaver, Oak and the CBD project boundary. This subarea is presently occupied by viable Town Center uses including Fitch Lumber, Fitch Creations, the Northwestern Bank, and the H&D and Curl offices.

This is prime Town Center land and if market potential were great we could anticipate redevelopment to higher density in the long range. Without this market pressure and with underutilized land and buildings available elsewhere in the downtown, we believe the property should continue in its present use.

Map No. 36: A&P/Main Triangle. This area is presently utilized for commercial uses consistent with its CBD fringe location. This area is adequately utilized and redevelopment to higher uses would be inconsistent with efforts to encourage new commercial development in the Town Center area.

Map No. 37: Town Hall Complex. Proposed to remain in present use.

APPENDIX A. SHOPPERS SURVEY

Memorandum to Hunter/Williford

PRELIMINARY PRO FORMA

CORPORATE TOWN OFFICE/LIGHT INDUSTRIAL PARK

	<u>Total Cost</u>
Financial Analysis	
Project Value at 13% C.R.	\$1,203,800
Total Project Costs	\$1,159,200
Source of Funds	
First Mortgage	
80% Total Project Costs	\$ 927,400
Equity Required	\$ 232,000
Debt Service	
First Mortgage: 80% loan for 20-year term, 12%, and callable after 10 years	\$ 123,500
Cash Flow after Debt Service	\$ 33,000
As a Percent of Equity	14.0%

We are pleased that five projects emerged in the early screening which so well meet the criteria established and have such substantial leverage potential. When the Town has reviewed these projects and set priorities, then the packaging process can begin. We look forward to hearing from you.

APPENDIX A. SHOPPERS SURVEY

In July 1983, Hammer, Siler, George Associates conducted surveys of shoppers and other persons in downtown Carrboro and in the University Mall. The purpose of the surveys was to assess shoppers' perceptions of Carrboro and to determine shopping habits of people in downtown Carrboro.

The following tabular analysis summarizes the responses of the shoppers surveys. In total 60 persons were interviewed at the two locations. It is important to note that many shoppers had more than one reason for shopping in a certain location which causes the number of responses to vary. Surveys were conducted during the weekend. Copies of the survey forms appear at the end of this appendix.

The surveys have been tabulated separately -- one survey was used for people in downtown Carrboro and the other survey was used for shoppers at the University Mall. The responses from shoppers at the University Mall are presented second.

## Downtown Carrboro Shoppers Surveys

### Primary Reason For Being Downtown

A little over half of the people interviewed indicated that shopping was their primary reason for being downtown. Over 20 percent of the respondents were in downtown to browse, while 15 percent had come to eat in one of the local restaurants.

Table A-1. REASONS FOR BEING DOWNTOWN, DOWNTOWN CARRBORO SHOPPERS SURVEY, JULY 1983

	<u>Number</u>	<u>Percent</u>
Shopping	17	52%
Work	3	9%
Bank or Other Business	1	3%
Restaurant	5	15%
Browse	<u>7</u>	<u>21%</u>
Total	33	100%

Source: Downtown Carrboro Shoppers Survey  
and Hammer, Siler, George  
Associates.

### Grocery and Drug Store Shopping in Downtown Carrboro

Less than half of the respondents purchase their groceries in downtown Carrboro. Even fewer respondents, 38 percent, shop in the downtown drug stores.

Table A-2. RESPONDENTS WHO SHOP IN DOWNTOWN CARRBORO FOR GROCERY AND DRUG STORES, DOWNTOWN CARRBORO SHOPPERS SURVEY, JULY 1983

	<u>Respon-</u> <u>dents</u> <u>Shopping</u> <u>in</u> <u>Carr</u>	<u>Total</u> <u>Number of</u> <u>Respondents</u>	<u>Percent</u> <u>of Total</u> <u>Respon-</u> <u>dents</u>
Grocery Stores	13	29	45%
Drug Stores	11	29	38%

Source: Downtown Shoppers Survey and Hammer, Siler, George Associates.

Walking Distance For Shopping

Over 35 percent of the respondents said that they would be willing to walk more than three blocks to go shopping. However, the percentage of those willing to walk two or three blocks was roughly the same, 27 percent and 23 percent respectively.

Table A-3. DISTANT RESPONDENTS ARE WILLING TO WALK TO GO SHOPPING, DOWNTOWN CARRBORO SHOPPERS SURVEY, JULY 1983

	<u>Number</u>	<u>Percent</u>
One Block	4	13%
Two Blocks	8	27%
Three Blocks	7	23%
More Than Three Blocks	<u>11</u>	<u>37%</u>
Total	30	100%

Source: Downtown Carrboro Shoppers Survey and Hammer, Siler, George Associates.

### Geographic Distribution

Thirty-seven percent of the people interviewed in downtown Carrboro live in Chapel Hill, while 27 percent of the respondents live in Carrboro.

Table A-4. PLACE OF RESIDENCE, DOWNTOWN CARRBORO SHOPPERS SURVEY, JULY 1983

	<u>Number</u>	<u>Percent</u>
Carrboro	8	27%
Chapel Hill	11	37%
Chatham County	4	13%
Other	<u>7</u>	<u>23%</u>
Total	30	100%

Source: Downtown Carrboro Shoppers Survey and Hammer, Siler, George Associates.

### Other Findings

Of the 30 people interviewed in this survey, only eight respondents were students. The majority of people interviewed, 22, had incomes under \$15,000; while eight respondents had incomes of \$30,000 or more. Six people had incomes around \$20,000 and four people had incomes of approximately \$15,000.

### University Mall Shoppers Survey

#### Shopping in Downtown Carrboro

Over 60 percent of the interviewees who shop in the University Mall say that they shop in downtown Carrboro. On the other hand, 37 percent of the respondents do not shop in downtown Carrboro.

Table A-5. RESPONDENTS WHO SHOP IN DOWNTOWN CARRBORO, UNIVERSITY MALL SHOPPERS SURVEY, JULY 1983

	<u>Respondents</u>	<u>Percent</u>
Shop in Carrboro	19	63%
Don Not Shop in Carrboro	<u>11</u>	<u>37%</u>
Total	30	100%

Sources: University Mall Shoppers Survey and Hammer, Siler, George Associates.

Problems with Downtown Carrboro

The most frequently cited problems with shopping in downtown Carrboro are the lack of variety and quality in the merchandise. The percentages of respondents who cited downtown traffic congestion and the distance from work as problems were the same, 29 percent.

Table A-6. MAJOR PROBLEMS WITH DOWNTOWN CARRBORO, UNIVERSITY MALL SHOPPERS SURVEY, JULY 1983

	<u>Number</u>	<u>Percent</u>
Downtown Traffic Congestion	4	29%
Lack of Variety and Quality of Merchandise	6	42%
Distance from Work or Home	<u>4</u>	<u>29%</u>
Total	14	100%

Sources: University Mall Shoppers Survey and Hammer, Siler, George Associates.

### Walking Distance for Shopping

Thirty-seven percent of the shoppers interviewed in the University Mall Shoppers Survey said they were willing to walk only one block to go shopping. Yet, 30 percent said they would walk three blocks, and 20 percent stated they would walk more than three blocks.

Table A-7. DISTANCE RESPONDENTS WILLING TO WALK TO GO SHOPPING  
UNIVERSITY MALL SHOPPERS SURVEY, JULY 1983

	<u>Number</u>	<u>Percent</u>
One Block	11	37%
Two Blocks	4	13%
Three Blocks	9	30%
Over Three Blocks	<u>6</u>	<u>20%</u>
Total	30	100%

Sources: University Mall Shoppers  
Survey and Hammer, Siler,  
George Associates.

### Geographic Distribution

Over half of the respondents in the University Mall Shoppers Survey live in Chapel Hill. The percentage of interviewees living in Carrboro and in Durham was the same, 17 percent.

Table A-8. PLACE OF RESIDENCE, UNIVERSITY MALL SHOPPERS SURVEY, JULY 1983

	<u>Number</u>	<u>Percent</u>
Carrboro	5	17%
Chapel Hill	17	57%
Durham	5	17%
Chatham County	2	6%
Hillsborough	<u>1</u>	<u>3%</u>
Total	30	100%

Sources: University Mall Shoppers Survey and Hammer, Siler, George Associates.

Other Findings

Of the 30 people interviewed in the University Mall Shoppers Survey, five respondents were students, the remainder, 25, were not students. The majority of the interviewees, 20, had incomes of under \$15,000 while the number of people earning more than \$30,000 and approximately \$15,000 was the same, seven.

Housing in Downtown Carrboro

Both the Downtown Carrboro Survey and the University Mall Survey asked respondents if they would be interested in moving to downtown Carrboro if attractive housing were provided. The interviewees were also asked why they would or would not move to Downtown Carrboro.

Willingness to Move to Downtown Carrboro  
Downtown Carrboro Shoppers Survey

Less than half of the people interviewed in the Downtown Carrboro Shoppers Survey said they would move to downtown Carrboro if attractive housing were provided.

Table A-9. RESPONDENTS WILLING TO MOVE TO DOWNTOWN CARRBORO  
IF ATTRACTIVE HOUSING WERE PROVIDED, DOWNTOWN  
CARRBORO SHOPPERS SURVEY, JULY 1983

	<u>Number</u>	<u>Percent</u>
Yes	13	45%
No	<u>16</u>	<u>55%</u>
Total	29	100%

Sources: Downtown Carrboro Shoppers Survey and  
Hammer, Siler, George Associates.

Reasons for Moving to Downtown Carrboro

The majority of respondents, 42 percent, cited closeness to shops as their primary reason for moving to downtown Carrboro. The quaintness of downtown was the second most frequently given reason. .

Table A-10. REASON RESPONDENTS WILLING TO MOVE TO DOWNTOWN CARRBORO, DOWNTOWN CARRBORO SHOPPERS SURVEY, JULY 1983

	<u>Number</u>	<u>Percent</u>
Close to University	3	25%
Close to Shops	5	42%
Quaintness	<u>4</u>	<u>33%</u>
Total	12	100%

Sources: Downtown Carrboro Shoppers Survey and Hammer, Siler, George Associates.

Reasons for Not Moving to Downtown Carrboro

Forty-three percent of the respondents in the Downtown Carrboro Shoppers Survey said they would not move to downtown Carrboro because they prefer their own place. The same percentage of people, 43 percent, said they preferred living in the country to downtown Carrboro.

Table A-11. PRIMARY REASONS RESPONDENTS UNWILLING TO MOVE TO DOWNTOWN CARRBORO, DOWNTOWN CARRBORO SHOPPERS SURVEY, JULY 1983

	<u>Number</u>	<u>Percent</u>
Prefer Living in the Country	6	43%
Prefer Living in Chapel Hill	2	14%
Prefer Own Place	<u>6</u>	<u>43%</u>
Total	14	100%

Sources: Downtown Carrboro Shoppers Survey and  
Hammer, Siler, George Associates.

Willingness to Move to Downtown Carrboro  
University Mall Shoppers Survey

Only 37 percent of those interviewed in the University Mall Shoppers Survey said they would move to downtown Carrboro if attractive housing were provided, while 63 percent would not move to downtown Carrboro.

Table A-12. RESPONDENTS WILLING TO MOVE TO DOWNTOWN CARRBORO  
UNIVERSITY MALL SHOPPERS SURVEY, JULY 1983

	<u>Number</u>	<u>Percent</u>
Yes	11	37%
No	<u>19</u>	<u>63%</u>
Total	30	100%

Sources: University Mall Shoppers Survey and  
Hammer, Siler, George Associates.

Reasons for Moving to Downtown Carrboro

The most frequently cited reasons for moving to downtown Carrboro were the quaintness of downtown and the convenience to work. Both of these had a response rate of 30 percent. Other reasons included the quietness of the area and downtown's proximity to schools.

Table A-13. PRIMARY REASONS RESPONDENTS WILLING TO MOVE TO DOWNTOWN CARRBORO, UNIVERSITY MALL SHOPPERS SURVEY, JULY 1983

	<u>Number</u>	<u>Percent</u>
Quiet Life	2	20%
Quaintness	3	30%
Convenient to Schools	2	20%
Convenient to Work	<u>3</u>	<u>30%</u>
Total	10	100%

Sources: University Mall Shoppers Survey and Hammer, Siler, George Associates.

Reasons for Not Moving to Downtown Carrboro

Over 60 percent of the respondents said they did not want to move to Carrboro because they preferred their own home. The second most frequently cited reason for not moving to downtown Carrboro was the distance to work.

Table A-14. PRIMARY REASONS RESPONDENTS UNWILLING TO MOVE TO  
DOWNTOWN CARRBORO, UNIVERSITY MALL SHOPPERS  
SURVEY, JULY 1983

Prefer Own Home Too Far	11	61%
Far From Work	4	22%
Other	<u>3</u>	<u>17%</u>
Total	18	100%

Sources: University Mall Shoppers Survey and  
Hammer, Siler, George Associates.

APPENDIX B. OFFICE TENANT SURVEY

## APPENDIX B. OFFICE TENANT SURVEY

In addition to the shoppers surveys, Hammer, Siler, George Associates also surveyed office tenants in Chapel Hill Professional Village, East Town Office Park, The North Carolina National Bank Plaza and University Square. The purpose of this survey was to determine why tenants chose their present location and whether they would be interested in moving to downtown Carrboro.

The following tabular analysis summarizes the responses of the office tenants surveyed. In total, 38 businesses were interviewed. Many respondents often cited more than one reason for their decisions which causes the number of responses to vary. Copies of the survey forms appear at the end of this Appendix.

### Carrboro/Chapel Hill Office Survey Reasons for Choice of Present Location

The most frequently given reason for choosing an office is its location. Thirty-six percent of the respondents claimed that location was an important consideration while 21 percent stated proximity to customers as an important factor. Other frequently stated reasons include closeness to downtown Chapel Hill and the University, high quality office space and proximity to employees' homes.

Table B-1. REASONS OFFICE TENANTS CHOSE THEIR PRESENT LOCATION, CARRBORO/CHAPEL HILL OFFICE SURVEY, JULY 1983

	<u>Number</u>	<u>Percent</u>
Location	21	36%
High Quality	4	7%
Closeness to Customers	12	21%
Owned the Building	1	2%
Favorable Rent	3	5%
Close to Employees' Home	4	7%
Close to Downtown and University	10	17%
Good Parking	<u>3</u>	<u>5%</u>
Total	58	100%

Sources: Carrboro/Chapel Hill Office Survey and Hammer, Siler, George Associates.

Relocation to Carrboro

The majority of the respondents in the office survey, 89 percent, said they would not relocate their business to Carrboro. However, 11 percent stated that they might relocate to Carrboro.

Table B-2. WOULD YOU CONSIDER RELOCATING YOUR OFFICE TO CARRBORO, CARRBORO/CHAPEL HILL OFFICE SURVEY, JULY 1983

	<u>Number</u>	<u>Percent</u>
Yes	4	11%
No	<u>33</u>	<u>89%</u>
Total	37	100%

Source: Carrboro/Chapel Hill Office Survey and Hammer, Siler, George Associates.

Appendix C. SHOPPERS AND OFFICE TENANTS SURVEY FORMS

SUBURBAN CARRBORO SHOPPERS SURVEY

The Town of Carrboro is working with local merchants to make downtown Carrboro a better place to shop and do business. Would you help us by answering the following questions?

Where do you live? (area and zip code, nearest intersection if in Carrboro/Chapel Hill urban area) \_\_\_\_\_

Where are you employed? \_\_\_\_\_

Are you a student? Yes \_\_\_\_\_ No \_\_\_\_\_

Do you shop in downtown Carrboro? Yes \_\_\_\_\_ No \_\_\_\_\_

If no, why not?

- a) Downtown congestion \_\_\_\_\_
- b) Lack of variety and quality of merchandise \_\_\_\_\_
- c) Distance from work or home \_\_\_\_\_
- d) Other \_\_\_\_\_

If yes, what stores do you shop at?

\_\_\_\_\_

What stores do you usually use at this mall?

\_\_\_\_\_

If these types of stores were located in downtown Carrboro, would you shop there? Yes \_\_\_\_\_ No \_\_\_\_\_

If there were attractive housing around downtown Carrboro, would you move there? Yes \_\_\_\_\_ No \_\_\_\_\_ If yes, what would you like most about it? \_\_\_\_\_

If no, what not \_\_\_\_\_

How far are you willing to walk from you parking place to go shopping?  
One block \_\_\_\_\_ Two blocks \_\_\_\_\_ Three \_\_\_\_\_ Other \_\_\_\_\_

Would you say your income is high #30,000± \_\_\_\_\_, middle \$20,000± \_\_\_\_\_, moderate \$15,000±, or lower.

CARRBORO/CHAPEL HILL OFFICE SURVEY

The Town of Carrboro is working with the local businessmen to make downtown Carrboro a better place to work. To help measure the potential market for a new office building, we would like to ask you a few simple questions about your space and location requirements.

Name of Firm \_\_\_\_\_  
Current number of square feet used. \_\_\_\_\_  
Primary Business \_\_\_\_\_  
Is the University an important customer? Yes \_\_\_ No \_\_\_  
Geographic area served from this office \_\_\_\_\_  
Are there other branch offices in Research Triangle? Yes \_\_\_ No \_\_\_  
Where? \_\_\_\_\_  
Why did you locate in this building?

Location was important \_\_\_ Can you explain same \_\_\_\_\_

High quality building \_\_\_  
Close to customers \_\_\_  
Owned the building \_\_\_  
Rent was favorable \_\_\_  
Close to homes of key employees \_\_\_

Will you need more space now or in the next five years? Yes \_\_\_ No \_\_\_  
If yes, how much? \_\_\_\_\_

Are you planning relocation in next five years? Yes \_\_\_ No \_\_\_  
Is (Would) downtown Carrboro (be) a good location for you.

Yes \_\_\_ Why \_\_\_\_\_  
No \_\_\_ Why \_\_\_\_\_

Appendix D. MEMORANDUM

MEMORANDUM

TO: Richard Hunter  
Roy Williford

July 28, 1983

FROM: Vernon George

SUBJECT: High Potential Projects for Packaging

---

This memorandum is to present for your consideration the five candidate projects for early action. The selection of these projects began with my first pre-proposal trip to Carrboro when I began detailed field reconnaissance of the area and in-depth interviews with businessmen, property owners and town officials. The processing of the opportunities has continued with each trip made by me or my staff. The criteria for their selection were as follows:

1. That they be large enough to have a momentum building impact but small enough so as to not overtax the market.
2. That they be consistent with existing land use patterns and land use plans.
3. That they have the public improvement and site situation for cost effective development.
4. That there are no perceived obstacles to their proceeding immediately.
5. That the property owners involved are anxious to participate.

With these criteria in mind, five projects commend themselves for your consideration: two residential, two commercial and one light industrial. These are:

1. The "Town Hall Square," townhouse project located on the athletic field next to the Town Hall.
2. The "Town Grove," a condominium apartment project located on 62,000 square feet of the Yaggy property, just south of his office building. University participation should be considered for this project.

Memorandum to Hunter/Williford

3. The Carr Mill Office Building, now before the Town, which helps to reinforce the commercial focal point of downtown.
4. The "Town Centre" office, retail and parking project to be developed on the Yaggy property and adjoining Lloyd property across Main Street from the Carr Mill commercial complex. This project is proposed for Urban Development Action Grant funding.
5. The "Corporate Town" office/light industrial park to be developed on a piece of the Fitch property east of N. Greensboro and with its first phase entrance off N. Greensboro.

Each of these projects would have strong market support and developer appeal. Each is briefly described in the paragraphs which follow and a preliminary pro forma analysis presented.

This document should provide the basis for Town selection of two or perhaps three of these projects for developer contact/negotiation, further property owner discussion and other steps in the required development process.

#### Housing Projects

Two housing projects are submitted for your consideration. The "Town Hall Square" project would have 27 townhouses with carports developed in two staggered rows fronting on a landscaped mini-park and oriented to the young professional market. The "Town Grove" project would be a multi stage project developed on the Yaggy property. The first stage is proposed as 30 two-bedroom apartment units developed for rental or sale in three-story buildings on the portion of the property just south of the office building and Franklin Street extension right of way. This project is aimed at the student/parent market. University participation has been explored for this project.

#### Town Hall Square

There is a strong demand for both rental and sales housing in medium density projects located in reasonable proximity to the campus for University staff and other young Carrboro Chapel Hill professionals.

The athletic field site has good access and has sufficient size to allow the creation of a quality living environment. A development program of 27 two-bedroom townhouse units averaging 1,050 square feet on

Memorandum to Hunter/Williford

two levels is proposed. Two parking spaces per unit will be provided in an open carport structure.

The site design will have the units provided in two staggered linear rows: one along the northwest or Town Hall boundary and the other along the southeast boundary. Service roads (20 feet wide) running along the northwest boundary and the southeast boundary between Bim and Laurel will provide access to the carports. There will be a landscaped buffer strip between the carports and the townhouse structures. Each townhouse will have a small patio. In the center of the tract will be a naturally landscaped mini-park area.

Total hard construction costs are estimated at \$1,044,900, including \$806,400 for the buildings and \$238,500 for site improvements, utility fees and landscaping. Total non-construction development costs will be \$250,400, including marketing, construction interest and fees.

Total development costs will be \$1,295,300.

Saleability of the Units. Based upon analysis of the Carrboro-Chapel Hill residential market, with a particular focus on directly comparable and competitive projects, it is our judgement that the townhouse units in this project can be sold in a period of nine months to a year if priced in the \$62,000 to \$65,300 range (\$60 per square foot).

Weatherhill, Bolen Forest and Brighten Square have all achieved steady sales success with a unit type and price structure comparable to that proposed for "Town Hall Square" but without the easy access to the restaurants and shops in downtown Carrboro and to the University.

Profitability of the Development Effort. Based upon these cost and revenue estimates, the development profit without land costs which would be generated by the successful carrying out of the project would be \$269,600. This would include the time and other costs incurred by the entity managing the development process as well as payment for the land.

Were the city to sell the land to the developer for the going market value of \$1.25 per square foot, they would receive a total of \$93,375. As an alternative to the Town selling the land outright to a developer (with subordination likely required), the town would become a partner with the developer, "investing" the land in exchange for a substantial share of project ownership and profit.

Memorandum to Hunter/Williford

In the table which follows, the site development and project profitability considerations are summarized.

PRELIMINARY PRO FORMA

TOWN HALL SQUARE TOWNHOUSES

I. Development Program

- A. Total Land Available -  
75,000 square feet
- B. Land Available for Development 75,000 square feet
- C. Infrastructure Improvements
  - 1. Roads 600 linear feet
  - 2. Parks/Open Space Parking - 35,850 square feet

D. Development by Type

Townhouses  
27 units @1,050 square feet  
Two floors with 525 square feet  
each

II. Development Costs

Cost/Unit      Total Cost

A. Hard Costs

1. Infrastructure

a. Roads \$105/Ln. ft. x 600 ln. ft.	\$ 2,330	\$ 63,000
b. Parks \$1,500/unit	1,500	40,500
c. Parking - Carports @\$1,200/space	2,400	64,800
d. Grading o		
e. Water & Sewer \$1,950/unit	1,950	52,700
f. Electricity \$55/unit	55	1,500
g. Contingency (@5 percent)	590	16,000
Subtotal	<u>\$ 8,830</u>	<u>\$ 238,500</u>

Memorandum to Hunter/Williford

PRELIMINARY PRO FORMA  
TOWN HALL SQUARE TOWNHOUSES  
(Continued)

	<u>Cost/Unit</u>	<u>Total Cost</u>
2. Building Costs 27 Units = 28,350 square feet x \$30/square foot	\$29,400	\$ 793,800
3. Contingency (@ 5 percent)	<u>470</u>	<u>12,600</u>
Total Hard Costs	\$38,700	\$1,044,900

B. Soft Costs

1. Architecture and Engineering (@ 5% of hard costs)	\$ 1,940	\$ 52,200
2. Construction Bond (.0065 of hard costs)	250	6,800
3. Points of Interim Loan (@ 1.5 percent) (on \$1,100,000)	610	16,500
4. Interest on Interim Loan (\$1,100,000 x 13% x 1 yr x 50% bal. out.)	2,650	71,500
5. Legal, Accounting and Insurance	500	13,500
6. Real Estate Taxes	180	4,900
7. General Contractors Fee (@ 7% of hard costs)	2,710	73,100
8. Contingency (@ 5%)	<u>440</u>	<u>11,900</u>
Total Soft Costs	\$ 9,280	\$ 250,400
Total Development Costs	<u>\$47,980</u>	<u>\$1,295,300</u>

III. Sales Analysis

A. Sales Revenues 28,350 square feet GLA x \$60/square foot		
Total Revenues	\$63,000	\$1,701,000

Memorandum to Hunter/Williford

PRELIMINARY PRO FORMA  
TOWN HALL SQUARE TOWNHOUSES  
(Continued)

	<u>Cost/Unit</u>	<u>Total Cost</u>
B. Cost of Sales		
1. Commissions (@ 5%)	(\$ 3,150)	(\$ 85,100)
2. Advertising/Promotion (@ 3%)	( 1,890)	( 51,000)
Net Revenues	\$57,960	\$1,564,900
Available for Land & Profit	\$ 9,980	\$ 269,600
	or	\$3.59/square foot

Town Grove

The portion of the Yaggy property located south of the health center parking lot (and the Franklin Street extension right-of-way) is proposed for three-story apartment development for rental or sale. The total tract south of the right-of-way, as shown in town land records, includes roughly 20 acres and under existing zoning can accommodate roughly 280 units. However, based upon preliminary site examination, and particularly determination of the part of the total tract with buildable slopes, a usable acreage of 10.2 acres was determined which would yield from 150 to 200 apartment units.

In light of market conditions, we would recommend that the total development program be carried out in five phases. The first phase would include 62,000 square feet of usable land immediately south of the Franklin Street extension right-of-way and would include apartment units in a single three-story building.

These would be two-bedroom units which would average 900 square feet gross, or 850 square feet net. The units would be stacked in a three-story structure with an exterior single loaded corridor so that all units would have windows on both front and back.

The first phase has been designed so that the units can be either rented or sold, or rented initially and then converted to condominiums at a later date if desired. The financial implications of development

Memorandum to Hunter/Williford

have been tested for a sales approach. A swimming pool would be constructed with the second phase.

Development Costs. Total hard construction costs for the project would be \$1,046,700, including \$715,500 for construction of the buildings. Total non-construction development costs will be \$247,800 including marketing, construction interest and fees. Total development costs will be \$1,294,500.

The Sales Option. The new condominium apartment market has not been tested in the area but the success of the Old Well conversion of rental apartments to condominiums shows that student/parent market is strong if an imaginative marketing program is carried out. The Yaggy Site is convenient to the University and the bikeway and can successfully tap this market as well.

Were the units to be sold, we believe, sales of the first phase could be achieved in a 12 to 15 month period at prices in the \$55 to \$60 per square foot net range yielding unit prices of \$46,750 to \$51,000. This would yield total sales revenues after marketing expenses of \$1,360,700. When all development costs (except land) are subtracted, the profit available is \$66,200, which includes compensation for the time and expenses incurred by the entity managing the development process.

The Yaggy Corporation, or subsequent land owner, could either carry out the development management function or could "invest" their land as part or all of the cash and credit required to carry out the project and thereby obtain a substantial ownership share. Discussions with the University indicate an interest in participating in the development of student and faculty housing and participation in the various stages of this project could have real leverage in this regard. Upon Town "blessing" on this project, we would meet with the appropriate University officials to begin exploring this option.

Memorandum to Hunter/Williford

PRELIMINARY PRO FORMA

TOWN GROVE - 1ST PHASE/FOR SALE APARTMENTS

I. Development Program

A. Total Land Available -  
62,000 square feet

B. Infrastructure Improvements

1. Roads 700 linear feet
2. Parks/Open Space - 6,200 square feet
3. Parking - 60 spaces

C. Development by Type

30 2-BR Units x 850 square feet  
Total Building Area = 27,000  
Total sellable square feet = 25,500

II. Development Costs

Cost/Unit

Total Cost

A. Hard Costs

1. Infrastructure

a. Roads \$105/Ln. ft. x 700 ln. ft.	\$ 2,450	\$ 73,500
b. Parks 6,200 square feet x \$1.50/square foot	310	9,300
c. Parking - \$1,200/space x 60 spaces	2,400	72,000
d. Grading/Clearing (@\$1.00/square foot x 62,000 square feet	2,070	62,000
e. Water & Sewer \$2,100/unit	2,100	63,000
f. Electricity \$50/unit	50	1,500
g. Contingency (@5%)	520	14,100
Subtotal	<u>\$ 9,900</u>	<u>\$ 295,400</u>

2. Building Costs

27,000 square feet @ \$26.50/square foot	\$23,850	\$ 715,500
---	----------	------------

Memorandum to Hunter/Williford

PRELIMINARY PRO FORMA

TOWN GROVE - 1ST PHASE/FOR SALE APARTMENTS  
(Continued)

	<u>Cost/Unit</u>	<u>Total Cost</u>
3. Contingency (@ 5%)	<u>1,190</u>	<u>35,800</u>
Total Hard Costs	\$34,940	\$1,046,700
B. Soft Costs		
1. Architecture and Engineering (@ 5% of hard costs)	\$ 1,740	\$ 52,300
2. Construction Bond (.0065 of hard costs)	230	6,800
3. Points of Interim Loan (@ 1.5 percent) (on \$1,050,000)	530	15,800
4. Interest on Interim Loan (\$1,050,000 x 13% x 1 yr x 50% bal. out.)	2,280	68,300
5. Legal, Accounting and Insurance	500	15,000
6. Real Estate Taxes during construction	150	4,500
7. General Contractors Fee (@ 7%)	2,440	73,300
8. Contingency (@ 5%)	<u>390</u>	<u>11,800</u>
Total Soft Costs	\$ 8,260	\$ 247,800
Total Development Costs	<u>\$43,200</u>	<u>\$1,294,500</u>

III. Sales Analysis

A. Sales Revenues		
25,500 square feet @ \$58/square foot		
Total Revenues	\$49,300	\$1,479,000
B. Cost of Sales		
1. Commissions (@ 5%)	(\$ 2,460)	(\$ 73,900)
2. Advertising/Promotion (@ 3%)	( 1,480)	( 44,400)
Net Revenues	\$45,360	\$1,360,700
Total Development Costs	( 43,200)	( 1,294,500)
Remaining for Land and Profit	\$ 2,200	\$ 66,200

Memorandum to Hunter/Williford

Commercial Projects

The two projects selected for early packaging have strong market and profit potential and combined, can reinforce existing retail office and restaurant development in the "heart of downtown" to create a real "town center."

The first is the Carr Mill Office Building. This 23,000 square foot expansion of the Carr Mall Project is now before the town and we have reviewed it for the town. It is strategically located and already has development momentum.

The second is the Town Centre project, which we have proposed to be a 32,000 square foot retail, restaurant, office, and perhaps art center, project on the Yaggy property fronting on Main Street and a two-level parking structure (ground and one deck) to be developed on the Lloyd property adjacent to the Yaggy property and the tracks using UDAG funds to provide the 175 spaces required by the Carr Mill and Town Centre projects.

These projects were selected for first commercial priority because they best meet the selection criteria, including the very important one of establishing a town center and concentrating development momentum.

Carr Mill Office Building

This proposed 23,000 square foot office building, now before the town, will have a major positive impact on efforts to create a town centre in Carrboro. The market for the project should be strong and, with UDAG assistance in meeting the parking deficiency, the financial aspects of the development will be sound.

As you know, the owner consulted us on this project shortly after our selection to carry out the downtown work. It was decided by the town that if assistance was provided to him, it should be under our contract with the Town. Both we and our traffic consultant have submitted brief reports to the Town on the project.

Our future required role in the development of this project is uncertain but we have included it for your consideration because it is important to downtown revitalization and because its presence causes us not to advance other commercial projects (other than Town Centre across the street) for early stage action.

Memorandum to Hunter/Williford

Town Centre

A primary purpose of the downtown Carrboro revitalization effort will be to reinforce the existing office/specialty shopping core near the Carr Mill Mall. As noted, the successful completion of the Carr Mill Office Building will be an important building block towards this objective.

The primary focus of the effort will be the development of a 32,000 square foot retail, office and restaurant project and parking deck to be developed on the northern Yaggy parcel along Main street and the parcel adjacent to it across the Southern Railway tracks to the east and owned by Lloyd interests.

An office floor would be improved and occupied by the art school/little theater facility currently located in the Carr Mill if real estate details could be worked out. This group has contacted us about their need for an expanded facility.

This development includes 54,200 square feet of land, divided by the seldom used Southern Railway right of way, and is bounded by Main Street on the north, the supermarket parking lot on the east, the clinic on the south and Roberson Street on the west. The western 24,400 square feet is part of the Yaggy tract and the remaining 22,400 is owned by Mrs. Lloyd. Additional acreage will be sought under lease from the railroad.

The retail and office structure could be built as a three-story structure with an atrium space of 30 feet wide at the ground floor retail and restaurant level and narrowing to 10 feet up through the two office levels. A total net rentable of 12,000 square feet retail and 20,000 square feet office would be created in the project.

The adjacent 22,800 square foot Lloyd property would be used for a two level parking structure to meet the needs of this project and the Carr Mill office project.

In our judgement, about half of the office tenants in Town Centre would have frequent visitors and half would not. Total parking required to support this project would be 135 spaces which at 330 square feet per space will require 44,600 square feet of parking space. An additional forty spaces are required in order for the Carr Mill Office Building to work (adjacent spaces required plus spaces displaced: see previous submission from us on this matter) and this would require an additional

Memorandum to Hunter/Williford

13,200 square feet for a total of 57,800 square feet of parking floor area. The adjacent Lloyd property has 22,800 square feet and an additional 7,000 square feet can be leased or purchased from Southern Railway. A two level (ground level and one deck) parking structure accommodating these 175 spaces would cost \$3,800 per space or a total of \$665,000, plus roughly \$75,000 for land. This garage is essential to both Town Centre and the Carr Mill Office Building.

The total parking structure cost of \$740,000 should be financed with an Urban Development Action Grant. Such grants require a minimum ratio of three dollars of private investment for each one dollar of U.D.A.G., which, in this case, would be around \$2.2 million. The combined Town Centre/Carr Mill Office Building project easily meets and exceeds this amount.

These UDAG funds would come to the town as a grant and be passed on to the projects as a subordinated mortgage to be paid out of a share of cash flow when available. Free parking immediately adjacent would be an important consideration in leasing both projects.

Memorandum to Hunter/Williford

PRELIMINARY FINANCIAL ANALYSIS

TOWN CENTRE-NON PARKING PORTION

<u>Development Costs</u>	<u>Total Cost</u>
A. Hard Costs	
1. Infrastructure	
Water & Sewer	\$ 7,000
Electricity \$50/unit	2,500
Landscaping	5,000
Subtotal	<u>\$ 14,500</u>
2. Building Costs	
Office and Retail 32,000 square feet at \$27/square foot	\$ 864,000
3. Contingency (@10%)	<u>87,900</u>
Total Hard Costs	\$ 966,400
 B. Soft Costs	 \$ 235,100
 Total Development Costs	 <u>\$1,201,500</u>

Lease Analysis

A. Revenues	
Office 20,000 square feet, 85% efficient = 17,000 square feet @\$11.25/square foot	\$ 191,300
Retail 12,000 square feet, 85% efficient = 10,200 square feet @\$8.00/square foot	<u>81,600</u>
Gross Income Potential	\$272,900
Less Vacancy & Collection Loss (@ 5%)	( 13,600)
Gross Operating Income	<u>\$ 259,300</u>
Less Operating Expenses (@ 30%)	( 77,800)
Net Operating Income	<u>\$ 181,500</u>
Net Operating Income	\$ 181,500

Memorandum to Hunter/Williford

PRELIMINARY FINANCIAL ANALYSIS

TOWN CENTRE-NON PARKING PORTION  
(Continued)

<u>Development Costs</u>	<u>Total Cost</u>
<u>B. Financing</u>	
Value of Project (13% C.R.)	\$1,396,200
Land Value, \$450 base	\$ 109,800
Development costs	<u>1,201,500</u>
Total	\$1,311,300
Mortgage Available	
First Mortgage 80% of Costs or Value (the lesser)	\$1,049,000
Equity Required	\$ 262,300
Debt Service and Return	
First \$1,049,000 @ 12% constant 20-year amortization, 10-year loan	\$ 139,700
Cash Flow after debt service	\$ 41,800
As a Percent of Equity	15.9%

- Notes: 1/ Alternative financing would have lender provide all of the required funds for a favorable interest rate on the first mortgage and a share of the cash flow for the remainder.  
2/ A developer/land owner joint venture would have the cash flow divided in some fashion between the two.

The table shows that the project throws off a healthy net operating income of \$181,500 per year. This capitalizes into a project value of \$1,396,200, comfortably in excess of the total project costs with land at \$1,311,300.

Using an 80 percent of cost mortgage at 12 percent interest, 20-year amortization but callable after 10 years, debt service would be \$139,700 on the \$1,049,000 loan.

Cash after debt service would be \$41,800 which would provide a 16 percent return on equity before tax considerations.

Memorandum to Hunter/Williford

This analysis is based on the assumption that the land owner would sell the land to the development venture and that a standard mortgage loan approach would be used. Alternatives would be for the land owner and/or the permanent lender to take a position in the deal in exchange for better rates and prices.

Required UDAG for Parking. Were the \$740,000 cost of the parking structure and land to be added to the total project cost, total debt service would be \$238,300, substantially in excess of the net operating income (almost \$57,000). Clearly, a low interest subordinated mortgage is essential to the feasible development of the Town Centre project, even though it is a sound high impact project, because of typical parking costs.

#### Corporate Town

The Research Triangle area has a diversified and growing economy. With an institutional/private industry base for high-tech already in place and a reputation for quality living, the area can expect continued growth.

The Carrboro-Chapel Hill area has participated in only a modest way in this new industrial growth, even though this part of the Triangle has the reputation for providing the most positive living and working environment.

A major reason for this relatively small share of the regional economic action in the Carrboro-Chapel Hill area is the great affection that many town fathers have for the present small university town character and the concurrent feeling that any substantial amount of growth will be a detriment. As a result, there has been little organization for economic development, and interest in providing incentives and a great reluctance to even properly zone land with economic development potential.

This situation has always been most directly identified with Chapel Hill, but until recently perhaps for somewhat different reasons, this was true of Carrboro as well. We believe that the tax base, the job situation and the effort to create a real downtown activity node all require that a quality industrial/office park be located in the downtown.

We are proposing that the first phase of this new "Corporate Town" development be located on the Fitch property east of North Greensboro

Memorandum to Hunter/Williford

Street. This 130,000 square foot tract would have its formal access off North Greensboro and would house a total of 40,000 square feet of space in four 10,000 square foot buildings, built one at a time as leased or sold. The buildings would have 18-foot ceilings and quality exterior materials. The four buildings would face a landscaped center court and would have their loading and employee parking provided at the rear in a service area walled to match the remainder of the building. The visual image of the project would be of a quality office park although the ceiling height, loading facilities and flexible interior finish quality would allow a wide range of uses.

The financial implications of development of the project are summarized in the table below:

PRELIMINARY PRO FORMA

CORPORATE TOWN OFFICE/LIGHT INDUSTRIAL PARK

I. Development Program

Using 130,000 square feet of land owned by Fitch and entranced off North Greensboro Street, four 10,000 square foot, 18-foot ceiling industrial office buildings totaling 40,000 square feet, would be built fronting on a central court. The program would include:

Buildings:	40,000 square feet
Landscaped Area:	12,000 square feet
Parking:	100 spaces or 25,000 square feet
Loading:	8,000 square feet

II. Development Costs

A. Hard Costs

1. Infrastructure	
a. Roads 600 ln. ft. @\$120/ln. ft.	\$ 72,000
b. Landscaping	10,000
c. Parking 100 spaces @\$500	50,000
d. Grading	10,000
e. Water and Sewer	50,000
f. Electricity	5,000
Subtotal	<u>\$197,000</u>

Memorandum to Hunter/Williford

PRELIMINARY PRO FORMA

CORPORATE TOWN OFFICE/LIGHT INDUSTRIAL PARK

	<u>Total Cost</u>
2. Building Costs	
36,000 square feet @\$15	\$ 540,000
4,000 square feet @\$25	100,000
Subtotal	<u>\$ 640,000</u>
3. Total Hard Costs	\$ 837,000
B. Soft Costs	
1. Architecture and Engineering (@ 5% of hard costs)	\$ 41,800
2. Construction Bond (.0065 of hard costs)	5,400
3. Points of Interim Loan (@ 1.5 percent) (on \$1,100,000)	16,500
4. Points on Permanent Loan (@1.0%) (on \$1,500,000)	15,000
5. Interest on Interim Loan	41,900
6. Legal, Accounting and Insurance	10,000
7. Real Estate Taxes	3,000
8. General Contractors Fee (@ 7% of hard costs)	<u>58,600</u>
Total Soft Costs	\$ 192,200
Total Development Costs	<u>\$1,029,200</u>
C. Land Cost	
130,000 square feet @\$1.00	\$ 130,000
Total Development Costs	\$1,159,200
III. <u>Operating Analysis</u>	
Rental Income	
40,000 square feet @\$4.75 net	\$ 190,000
After 5% vacancy allowance	180,500
Operating Expenses @\$.60/ft.	( 24,000)
Net Operating Income	<u>\$ 156,500</u>