

Economic Development

Council Committee on Economic Sustainability

March 4, 2022

CHAPEL HILL

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MARKET: Retail

- We lose approximately 35-40% of our retail market to the regional market.

Our future retail potential could be enhanced by creating a specialty retail niche for the region. It could be a combination of local, regional, and national specialty retailers.

Retail Market – 4th qtr 2021

BY SUBMARKET	VACANCY			NET ABSORPTION		
	Inventory	Vacant SF	Vacant %	4Q21	Last 12 Mos.	SF Underway
West Raleigh	957,651	56,531	5.9%	2,047	9,851	-
US 70/Glenwood Avenue	5,012,103	415,645	8.3%	38,903	(14,955)	11,000
Six Forks Road	1,967,153	122,083	6.2%	(92)	(11,702)	6,627
Wake Forest/Falls of Neuse Road	2,498,952	156,908	6.3%	17,436	12,345	-
US 1/Capital Boulevard	6,548,754	420,622	6.4%	22,850	159,825	123,703
Downtown Raleigh	847,913	153,654	18.1%	24,106	17,467	52,300
Village District	635,120	10,737	1.7%	21,523	37,403	-
Eastern Wake	3,553,956	197,397	5.6%	18,754	18,754	33,053
Southern Wake	4,264,515	172,407	4.0%	19,947	19,947	24,538
Cary	6,851,452	423,001	6.2%	19,040	19,040	199,854
I-40/RTP	1,014,662	43,263	4.3%	16,588	16,588	9,613
Central Durham	924,726	172,943	18.7%	17,775	17,775	5,700
North Durham	3,535,699	254,493	7.2%	17,064	17,064	-
South Durham	5,153,914	276,544	5.4%	32,097	27,322	-
Orange County	2,786,054	184,149	6.6%	39,512	102,555	-
Totals	46,552,624	3,060,377	6.6%	456,664	693,129	466,388

Need retail market growth county-wide. Under 10% means the market is constrained

* Any vacancy below 10% generally means a need for more retail space

MARKET: Office

- Glen Lennox 488,000SF Gwendolyn 110,000SF = 378,000
- Tri-properties (Barbie Chapel & Hwy 54) = 60,000
- 150 E. Rosemary = 238,000

TOTAL Entitled Office market 676,000SF

According to a previous Office market study, we have the capacity to absorb 100,000+ SF per year. The Triangle office market is approximately 55 million square feet, and we should be about 6% of that market. We stand at roughly 2.6 million SF of office space.

We set goals in 2016 to grow our office market, these entitlements are an outcome of that goal.

We need to absorb the square feet at The Parkline to decrease our vacancy.

Office Market – 4th qtr 2021

BY SUBMARKET	VACANCY		NET ABSORPTION				AVERAGE ASKING RENT			
	Inventory	Total	Class A	Class B	Q4 2021	Last 12 Mos.	SF Underway	Total	Class A	Class B
Downtown Durham	4,142,214	17.1%	18.7%	11.9%	52,785	(85,451)	-	\$36.23	\$37.03	\$31.59
Downtown Raleigh	6,075,473	18.2%	23.7%	5.9%	177,099	157,818	-	\$35.54	\$36.22	\$30.40
Urban Total	10,217,687	17.8%	21.5%	7.7%	229,884	72,367	-	\$35.78	\$36.50	\$30.91
Cary	5,896,778	16.9%	19.4%	6.8%	(25,350)	(259,044)	316,850	\$29.88	\$30.18	\$22.40
Chapel Hill/Carrboro	1,889,686	23.6%	22.1%	37.1%	(1,260)	(95,908)	-	\$29.55	\$30.03	\$27.96
Falls of Neuse	2,240,654	14.4%	16.0%	10.1%	(645)	(47,041)	-	\$24.72	\$26.79	\$22.95
Glenwood/Creedmoor	2,959,306	13.0%	13.5%	12.0%	70,801	324,297	-	\$29.31	\$31.75	\$24.75
I-40/RTP	12,817,476	12.0%	13.5%	7.1%	133,039	405,499	439,871	\$26.71	\$27.37	\$23.66
North Durham	440,056	40.8%	-	40.8%	-	-	-	\$18.06	-	\$18.06
Six Forks Road	4,044,226	8.3%	7.9%	7.3%	50,135	(25,048)	346,800	\$27.91	\$33.63	\$23.23
South Durham	1,560,433	25.0%	26.5%	22.3%	4,539	(71,469)	-	\$26.40	\$27.26	\$20.03
Southern Wake County	263,951	11.8%	-	11.8%	5,500	(15,900)	118,212	\$22.86	-	\$15.00
US 1/Capital Boulevard	1,803,540	8.2%	3.1%	12.0%	11,844	73,876	257,121	\$29.36	\$37.44	\$21.52
West Raleigh	5,350,151	18.2%	18.2%	15.1%	(24,784)	(116,117)	490,575	\$30.71	\$31.28	\$26.43
Suburban Total	39,266,257	14.5%	15.3%	12.4%	223,819	173,145	1,969,429	\$27.97	\$29.78	\$22.45
Total Market	49,483,944	15.2%	16.6%	11.6%	453,703	245,512	1,969,429	\$29.55	\$31.31	\$23.38

MARKET: Housing

- Housing Report presentation: [CCES September 2021](#)
- Full [Housing Report](#)

Need to build 440 housing units every year to meet market demand.

Commercial Development Strategy 2016

*T*aking our place on the national map of like cities in research and development.





For Pride

Chapel Hill is nationally recognized as an intellectual center, but it lacks the local jobs and businesses that translate new ideas into new products and services that have impact on the world.

For Prosperity

More jobs and business will create community wealth and build the tax base.

For People

Recent graduates will be able to start their careers and families here, filling out the middle of the generations.

#1: Tell Our Story

The name "Chapel Hill" is nationally recognized. To locals, this is still "The Village", with stone walls and the shade of stately trees that beckon for conversation. It offers something different than Boulder, Berkeley or Cambridge. For the post-doc looking to settle down, this can be their new hometown.

#2: Reset the Town/Gown Relationship

For 200 years, this has been the place people go to college then leave. The downtown has become a place to dine, but not to shop or work. Raucous students are driving homeowners away from nearby neighborhoods. The town and university need to coordinate their growth, so that this becomes one lively and diverse place.

#3: Create More Room for Business

People want to start companies here, but there is not enough room for them to grow, especially downtown, where they can walk to coffee. Skilled and creative people need not only offices and labs to design and make things, but workshops and studios as well.

Chapel Hill Commercial Development Strategy

Update The Town-Gown Relationship

- Blurred boundaries. Joint ventures. Innovation center downtown.
- Diversify downtown. New solutions to old problems. Resolve parking and housing issues.
- No parking waits at Chancellor's office.
- Update The Town-Gown Relationship

Tell Our Story

- Take our place on the map. Define what's different here. Common vocabulary of pride.
- Create business ambassadors. Create Nordstrom stories of problem-solving. Membership on ED committee.

Work Becomes Part of The Life Of The Town

- Room for business. More workspace downtown.
- Make Ephesus/ Fordham work.
- Create industrial areas.
- Absorption rates.
- University Place becomes a place.
- A Start-up Scene. More low-cost space in and around downtown.
- Meet up and VC count. New "sense of place".
- Seamless learning. Opportunities for hands-on learning.

Review

Greetings from



EY

Building a better
working world

Some of what we heard:

- ▶ Chapel Hill sees strengths in the incredible assets of UNC-Chapel Hill and the health system. Residents and business owners aspire to see a greater connectedness with the university by way of small business support programs for minorities, incubation of innovative ideas and companies, learning opportunities for all ages and backgrounds, and overall greater visibility throughout the community.
- ▶ Resident's respect individualism and value the diversity of their community. They love the natural charm and feel of being a college town. The community wishes that the diversity and talents of its residents were better showcased by way of public art and events that drive traffic to the downtown.
- ▶ Chapel Hill seeks to balance any growth with investments in its livability to include more greenspaces and bike lanes. There is a desire for the community to reduce its dependence on cars. (Infrastructure)
- ▶ Growth can be seen as a challenge for Chapel Hill. Residents face housing issues related to affordability and diversity of offerings. Workers and visitors struggle to access the community due to traffic and parking availability. Businesses, entrepreneurs, and developers often face challenges with permitting and the availability and cost of office space.
- ▶ The leaders of the community also feel that talent pipeline development needs renewed focus, taking full advantage of the strength of the local school system, the presence of the university and technical college, and the overall emphasis on talent-driven economic prosperity. New remote-work trends offer new opportunities to recruit talent.

Chapel Hill Economic Development Targets

Target	Focus	Activity Mix
Small businesses	<ul style="list-style-type: none"> • Grants • Recovery and re-tooling 	<ul style="list-style-type: none"> • Restore • Grow
Retail, tourism and downtown	<ul style="list-style-type: none"> • Restaurants • Independent retailers • Hotels • Community events/spaces 	<ul style="list-style-type: none"> • Restore • Attract
Technology startups	<ul style="list-style-type: none"> • Life sciences • Software/IT • Research 	<ul style="list-style-type: none"> • Develop • Retain
Corporate office	<ul style="list-style-type: none"> • Professional services 	<ul style="list-style-type: none"> • Attract
Housing	<ul style="list-style-type: none"> • Mixed income development 	<ul style="list-style-type: none"> • Develop
Talent	<ul style="list-style-type: none"> • Graduates • Remote Workers 	<ul style="list-style-type: none"> • Retain • Attract

Framework:

Chapel Hill Recovery & Resiliency Framework		
Resilient Economy	Resilient Place	Resilient People
Chapel Hill is a more resilient community with a thriving, innovative and diverse economy.	Chapel Hill prioritizes investments in livability and accessibility.	Chapel Hill empowers its people to advance their knowledge, prosperity and social impact.
Strategies	Strategies	Strategies
Increase the creation and success of small businesses through enhanced support, connections and recognition	Develop the plans and partnerships to build a more accessible and affordable Chapel Hill	Build a talent pipeline that connect residents, students and employers to opportunities for learning, earning and serving
Strengthen the ecosystem for innovative startup companies and university spinoffs to thrive locally	Launch programming that showcases Chapel Hill and increases foot traffic in its commercial areas	Support community partners as they provide social services to address the needs of disadvantaged communities
Actively recruit employers and entrepreneurs aligned with UNC and UNC Health programs, Town targets and development goals	Build our reputation for being open for business and welcoming to all	

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ReVive

Open2.biz/revive

Incentive Policy

GOAL: To encourage developments for employment and to encourage occupancy of the development.

- Grow our Office Market
- Bring new companies to Chapel Hill to fill buildings

Economic Development Incentives



The Town has focused economic development efforts on the commercial tax base. The Town Council approved four economic development incentives, described below. Payments for these incentives begin in FY20 and end in FY28, peaking in FY22, FY23, and FY24. All incentives are performance-based with individual terms for each project. If a project does not achieve its milestones, it won't receive an incentive payment.

Table 7-1: Committed Economic Development Incentive Funds

	FY21	FY22	FY23	FY24	FY25
Carraway Village Incentive	\$154,892	\$206,523	\$206,523	\$206,523	-
Wegmans	400,000	400,000	400,000	400,000	400,000
Glen Lennox	-	446,160	446,160	446,160	446,160
Well	-	64,286	64,286	64,286	64,286
Total	\$554,892	\$1,116,969	\$1,116,969	\$1,116,969	\$910,446

Taking our place on the national map of like cities.

- Continue to implement ReVive goals to help us achieve a new strength in regional market competitiveness.
 - Resilient Economy - Chapel Hill is a more resilient community with a thriving, innovative, and diverse economy. (Downtown Together and Innovation Hub)
 - Resilient Place - Chapel Hill prioritizes investments in livability and accessibility. (Infrastructure)
 - Resilient People - Chapel Hill empowers its people to advance their knowledge, prosperity, and social impact.
- Tell our story. Marketing & Communications. (Do something, tell someone – repeatedly!)
- Make business the lifeblood of the Town (Planning, Inspections and how we greet our future)
- Strengthen our Town and Gown relations and work to accomplish mutual goals.
- Implement the Downtown Together plan.

To achieve goals

- Expectations exceed Staff ability – We need added strength in communication and general administration.
- Resources (money) – We need to step up our marketing and communication to make sure we fill the office space we have worked to entitle.
- Entrepreneurship – We need to make sure we are providing the resources for young entrepreneurs to not only start here but to stay here and do business. (Support Launch)

Benchmarks

1. New office space constructed
2. Office space occupied post construction
3. New jobs created as a component of economic development work
4. Office and retail occupancy town wide
5. Implementation of Downtown Together (goals achieved)

Questions? **Economic Development**

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