

## MEMO

To: Town of Chapel Hill – Planning Department  
 From: SB Friedman Development Advisors  
 Date: January 31, 2023

**RE: FLUM Focus Area Buildout Impact Assessment**

In December 2020, the Town of Chapel Hill (the “Town”) adopted a Future Land Use Map (FLUM) as a Comprehensive Plan update, identifying several Focus Areas expected to see the greatest change within Chapel Hill in coming years. Now, the Town is undergoing a visioning process to audit and update its Land Use Management Ordinance. As part of this work, SB Friedman Development Advisors, LLC (“SB Friedman”) was engaged to conduct an order-of-magnitude impact assessment for a hypothetical buildout of the Focus Areas identified in the FLUM.

Skidmore, Owings & Merrill (SOM) first identified 34 potential opportunity sites (vacant land, parking lots, low-density commercial strips, etc.) within the Focus Areas totaling 421 acres. Some of the identified sites were then excluded due to various development constraints. For the remaining sites, SOM prepared a conceptual development scenario assuming a full buildout of higher-density residential and commercial uses. **Figure 1** below outlines the overall buildout program by Focus Area.

**Figure 1. Focus Area Opportunity Site Buildout**

Focus Area	Single Family Homes	Townhomes	Missing Middle Homes	Apartment Homes	Retail SF	Office SF
North MLK		52	575	1,070	183,000	290,000
South MLK		45	355	1,096	10,000	
Downtown			33	450	64,000	50,000
15-501 East	182	122	304	152	66,854	
15-501 West		53	100	590	10,000	
NC-54	19	116	377	467		
<b>Total</b>	<b>201</b>	<b>388</b>	<b>1,744</b>	<b>3,825</b>	<b>333,854</b>	<b>340,000</b>

Source: SOM

SB Friedman analyzed the market and assessed values of recently built projects in Chapel Hill to project the order-of-magnitude increase in assessed value resulting from this buildout. Both the Durham and Orange County Assessors provide detailed information about properties, including year built, building square feet, and recent sales prices. For residential properties, the Assessors’ valuation of the property generally aligned with the most recent sales price, which indicates that a property’s assessed value reflects its true market value, when accounting for homeowners’ exemptions.

After comparable properties were identified for each typology, SB Friedman estimated a typical per unit or per gross square foot value for that typology, using the 75<sup>th</sup> percentile of the comparable properties set to account for a new construction premium in denser, transit-oriented areas. For missing middle homes—of which there are few recent examples in Chapel Hill—SB Friedman derived a per-unit assumption that aligned with townhome and apartment

comparables. Overall, SB Friedman estimated that a full buildout of the Focus Areas could result in an assessed value increase of **\$1.41-1.56 billion** (See **Figure 2**).

SB Friedman also estimated the order-of-magnitude stabilized population and employment within the Focus Areas under the full buildout scenario. Population was estimated using average household size in Orange County for the respective residential building typology with the most recent data available through the US Census Public Use Microdata Survey (2020 5-Year American Community Survey). This average household size was then multiplied by the number of units in the development program, after accounting for typical levels of vacancy. SB Friedman estimated that **9,900-11,040** residents could live in the Focus Areas after full buildout and stabilization (**Figure 3**).

To estimate the number of new jobs in the Focus Areas, SB Friedman first made assumptions about the tenant mix in the retail and office space, taking direction from our recently completed market study. SB Friedman assumed that 20% of the retail space would be occupied by restaurants and the remainder would be general purpose retail. For the office space, SB Friedman assumed that 20% would be life science space, 20% medical office, and the remaining 60% general corporate office. The amount of commercial space, split by tenant type, was then multiplied by typical employment densities (square feet per employee) observed by SB Friedman or reported by third party data sources. A 10% vacancy assumption was also applied to all retail and office space. Under these assumptions, SB Friedman estimated that approximately **2,000-2,210** new jobs could locate in the Focus Areas after full buildout and stabilization (**Figure 3**).

Figure 2. Estimated Market/Assessed Valuation (2023\$)

Focus Area	Single Family Homes	Townhomes	Missing Middle Homes	Apartment Homes	Retail	Office	Total by Subarea
North MLK		\$16,640,000	\$112,125,000	\$192,600,000	\$53,070,000	\$89,900,000	\$464,335,000
South MLK		\$14,400,000	\$69,225,000	\$197,280,000	\$2,900,000		\$283,805,000
Downtown			\$6,435,000	\$81,000,000	\$18,560,000	\$15,500,000	\$121,495,000
15-501 East	\$118,300,000	\$39,040,000	\$59,280,000	\$27,360,000	\$19,388,000		\$263,368,000
15-501 West		\$16,960,000	\$19,500,000	\$106,200,000	\$2,900,000		\$145,560,000
NC-54	\$12,350,000	\$37,120,000	\$73,515,000	\$84,060,000			\$207,045,000
<b>Total Focus Areas</b>	<b>\$130,650,000</b>	<b>\$124,160,000</b>	<b>\$340,080,000</b>	<b>\$688,500,000</b>	<b>\$96,818,000</b>	<b>\$105,400,000</b>	<b>\$1,485,608,000</b>
Range - Low	\$124,117,500	\$117,952,000	\$323,076,000	\$654,075,000	\$91,977,100	\$100,130,000	\$1,411,327,600
Range - High	\$137,180,000	\$130,370,000	\$357,080,000	\$722,930,000	\$101,660,000	\$110,670,000	\$1,559,890,000

[1] Assessed value (AV) analysis prepared by SB Friedman, based on Durham and Orange County Assessor per unit/GSF valuation of comparable, recently built projects.

Source: CoStar, Durham County Assessor, Orange County Assessor, SB Friedman, SOM

Figure 3. Estimated Stabilized Population and Employment

Focus Area	Single Family Population	Townhome Population	Missing Middle Population	Apartment Population	Population by Subarea	Retail Jobs	Office Jobs	Total Jobs by Subarea
North MLK		117	1,010	1,692	2,819	508	1,007	1,515
South MLK		102	624	1,733	2,458	28		28
Downtown			58	711	769	178	174	351
15-501 East	478	276	534	240	1,528	186		186
15-501 West		120	176	933	1,228	28		28
NC-54	50	262	662	738	1,713			
<b>Total Focus Areas</b>	<b>528</b>	<b>877</b>	<b>3,064</b>	<b>6,047</b>	<b>10,515</b>	<b>927</b>	<b>1,181</b>	<b>2,108</b>
Range - Low	500	830	2,910	5,740	9,990	880	1,120	2,000
Range - High	550	920	3,220	6,350	11,040	970	1,240	2,210

[1] Population projections prepared by SB Friedman, based on average household size of different building typologies in Orange County, per the US Census Public Use Microdata Survey

[2] Employment projections prepared by SB Friedman, based on typical employment densities by land use, per industry sources and comparable projects.

Source: CoStar, Durham County Assessor, Orange County Assessor, SB Friedman, SOM