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MEMORANDUM

To:	Economic Development Committee
From:	Roger L. Stancil, Town Manager
Date:	May 10, 2010
Subject:	Barriers to Small Business Development report

Attached is a copy of the report "Barriers to Small Business Development" dated April 2010. This report was completed by an intern in our office in our ongoing efforts to understand how we can address barriers to business development. You will recognize some of the stories as ones that have been around, while some are newer concerns. In any case, this report is well prepared and documents and adds to the information we need to meet the Council's goals.

With your concurrence, we have already done much to address some of the concerns. Our internal review identified and addressed the following actions:

1. **Halt Incomplete Applications**
   - Requires a Clear Understanding of What Comprises a Complete Application
2. **Differentiate / Prioritize Applications**
   - Requires a Clear Understanding of Review Process for Different Application Types
3. **Develop System for Applying Technology Solutions**
   - Requires an Understanding of Desired Outcomes / Products and Existing / Available Technology Resources

We have mapped our review system and revised our application for clearer statement of expectations, we have created different approaches to projects based on size, and we have issued an RFP for a technology based review system and we are currently reducing those responses to the one that best meets the Town's specific needs.

The report identifies these actions:
- Improve speed and reduce delays in permitting process (Define Complete Application)
- Identify clear submittal requirements for each application (Define Complete Application)
- Encourage consistency in regulations and standards
- Streamline layers of regulation
- Identify steps that can be simplified
- Differentiate or "Right size" reviews (i.e. decks are a smaller scale than subdivisions)
- Use creative approaches to problem solving

I believe we have begun addressing these actions by the internal review, our attempts to change our approach from regulator to facilitator and the beginning of the next step of the development process review, focusing on actions the Council can take to streamline the process, including the roles of advisory boards and commissions, the role of the Council and the LUMO itself.

Barriers to Small Business Development Chapel Hill, NC

Prepared for Dwight Bassett
Town of Chapel Hill Economic Development Officer

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Economic Development Consulting
Department of City and Regional Planning
The University of North Carolina at Chapel Hill

April 2010

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EXECUTIVE SUMMARY

To learn about barriers to market entry for local small businesses, the Town of Chapel Hill hired a consultant to speak with owners, managers, and other individuals knowledgeable about small business development and operations in Chapel Hill. From the 17 completed interviews, several issues emerged as barriers to entry for small businesses in Chapel Hill. The findings presented here will inform future policy decisions and programming opportunities by local government and non-government groups to facilitate small business development and retention in Chapel Hill.

INTERVIEW FINDINGS

Business owners and managers, as well as developers and other individuals knowledgeable about the local business climate, were asked the following questions:

- o What are the positive aspects of working with the Town to open/operate a business?
- o What are the negative aspects, challenges, or barriers to opening a business in Chapel Hill?
- o How could the Town better serve its small business owners?

A. POSITIVE

Chapel Hill's location – close to major transportation routes as well as the University of North Carolina – and its customer base were noted as positive aspects of doing business locally. In addition, interviewees praised efforts by the Chapel-Hill Carrboro Chamber of Commerce – including promotion of the "Buy Local" initiative – and the Chapel Hill Downtown Partnership. One business said the Town staff had been "good facilitators" for opening a business, but vast criticism of the Town's development processes overshadowed this sparse praise.

B. NEGATIVE

The majority of comments about barriers to small business development addressed issues in local government. Topics ranged from the Planning Department's sign ordinance and permitting process, to the high cost of property taxes and lack of step-by-step instructions for new businesses.

Issues specific to downtown businesses included high rent, a lack of retail diversity and density, problems with parking availability and costs, and the presence of homeless people and panhandlers.

Businesses that have operated in both Chapel Hill and other municipalities cited a few differences between local government policies, including a more straightforward process in Carrboro and Chatham County, and the availability of low-interest loans, cheaper space, parking, highway access, and straightforward development review in Durham.

C. BUSINESS LEADERS' RECOMMENDATIONS

Business owners and managers provided an array of suggestions for how the Town might better meet the needs of local businesses throughout Chapel Hill. These recommendations included the following:

- Streamline the business development process (remove layers of government decision-making; provide staff support and clearer steps; increase communication with businesses);
- Provide greater flexibility in enforcing regulations (e.g., sign ordinance; maximum parking requirements);
- Market existing businesses and promote/recruit new businesses; and
- Provide incentives to businesses (including small-business loans).

To improve the business climate in downtown Chapel Hill, business owners and managers recommended the following actions for the Town:

- Engage in market research;
- Promote local shopping;
- Increase the availability of parking; and
- Address issues of homelessness and panhandling.

CASE STUDY FINDINGS

Comparable cities in the Southeastern U.S. have used a range of economic development strategies to foster a positive small business environment. These strategies are summarized as follows:

ATHENS-CLARKE COUNTY, GA

- Start Me Up: Small Business Guide for Athens-Clarke County
- Growth Fund, offering low-interest loans of $10,000 to $150,000

AUBURN, AL

- Community Profile, a 34-page document explaining city economic development policies, including:
    - Property tax abatement for new and expanding industry
    - Tax credits and tax exemptions for qualified industry
    - Revolving loan fund
    - Industrial development bonds
    - Small business incubator
    - Training program assistance

CHARLOTTESVILLE, VA

- Technology Zone reduced business-license fees
- Free CD entitled "An Interactive Guide to Starting a Business in Charlottesville"
    - Includes all pertinent forms and the EntrePlan™ Business Plan Software program

RECOMMENDATIONS

The following areas present opportunities for the Town to promote small business development:

- Development Review Process

- o Complete the current analysis of the development review process and enact changes that clearly outline and streamline the process.
  - o Provide an option to label small commercial projects for a separate, expedited review process.

- Sign Ordinance
  - o Modify the sign ordinance and accompanying staff procedures to ensure consistent application in similarly-zoned areas.
  - o Consider revising the ordinance to ensure more parity for businesses located in different areas of the town (e.g., downtown vs. suburban shopping centers).

- Parking
  - o Implement a better wayfinding/signage program downtown to direct prospective customers to parking facilities.
  - o When allocating parking allotments for a given site, factor in the availability of nearby transportation routes, as well as the intended use of the site.

- Rent Levels for Downtown Businesses
  - o Encourage landlords to negotiate "percentage rents" with lessees, providing a financial incentive for the landlord to encourage the lessee's business success.
  - o Encourage a non-government entity such as the Chamber of Commerce or Downtown Partnership to purchase a building to provide low-rent space for start-up companies.

- Staff Support/Guidance for New Small Businesses
  - o Produce a "decision-tree" to guide prospective business owners through the full range of steps for opening a business. This downloadable flowchart could be posted in a "Small Business Starter Kit" on the Economic Development Web site.

- Communicate Ongoing Progress/Results
  - o Collect baseline data in order to measure increases, decreases, and locational trends in small business development.
  - o Conduct a study with the Chamber and Downtown Partnership to determine where the majority of inquiries about new businesses are being directed.
  - o Provide regular policy, programmatic, and development updates to businesses – using multiple formats (including meetings and written updates) to ensure the information is received by small business owners.
  - o Post regular updates on the Economic Development Web site announcing new business openings.
  - o Provide up-to-date listings of available sites and properties for business development.

I.   PURPOSE OF THE STUDY

According to a 2009 report by Claritas (Way, 2009; Claritas, 2009), Chapel Hill has an "opportunity gap" of roughly 1.7 million square feet of retail space – which exceeds the 1.3 million square feet of retail space at the area's regional mall, The Streets at Southpoint. Moreover, the report revealed that local demand could support an additional $337 million in sales – presenting an opportunity for the Town to expand its tax base.

Several of the market segments recommended in the report—such as men's clothing, drinking establishments, equipment stores, and optical goods—represent opportunities for new small business development in Chapel Hill. According to Dwight Bassett, Economic Development Officer for Chapel Hill, the Town's target areas for development include "the 15-501/Fordham Boulevard corridor at Interstate 40; in northern Chapel Hill along Eubanks Road; and in-town redevelopment," especially downtown (Way, 2009). By fostering new business in these geographic and economic locations, Chapel Hill may seize an opportunity to "keep money local" (McDonough, 2007) while growing its tax base.

Local government currently faces negative perceptions of fostering an unfriendly business climate, including complaints of inadequate parking (Lewis, 2005) and criticism of privilege license fee increases (Coleman, 2005) (Zimmerman, 2005). In addition, some critics cite the Town's "paucity of commercially zoned land" and its high property taxes as barriers to entry in the business market (Zimmerman, 2005).

Before the Town can capitalize on the identified opportunity to expand its retail base, it must assess barriers to small business development and implement policies to overcome these obstacles. By surveying both long-term and newly opened small businesses, Chapel Hill leaders can make informed decisions about new policies to foster local small business development. This report, prepared for the Town Economic Development Officer, Town Manager, Town Council, Council Committee on Economic Development, and the public, strives to inform local economic development policy by reporting barriers to small business development, as identified by local small business owners and managers.

II.   OPENING A SMALL BUSINESS IN CHAPEL HILL

The Town of Chapel Hill has assembled information on its Web site and in a downloadable brochure to help guide businesses through the process of opening a business. However, neither resource provides a complete checklist or a comprehensive list of actions for would-be business owners.

- **Brochure**

From the Home page of the Town Web site[1], visitors can also click on "News & Events" to find a listing of Publications. Under "Brochures," they can click on "Opening a Business in Chapel Hill" to download a brochure by the same name (Town of Chapel Hill, 2007). The brochure lists several departments involved in small business development:

1) Planning Department
2) Inspections Department

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[1] http://www.ci.chapel-hill.nc.us/

3) Fire Department
4) Finance Department
5) Public Works Department
6) Parking Services

The brochure outlines the following guidelines:

1) "Check with Planning"

   a. Check with the Planning Department to ensure the desired use is permitted in the selected location; to see whether a Zoning Compliance Permit (including signage) or Certificate of Appropriateness (in a historic district) is required.

2) "Apply for Business Occupancy or Home Occupation Permit"

   a. For existing floor plans, schedule inspections by the Inspection and Fire departments for a $65 fee.[2] After a successful inspection, a business receives Business Occupancy approval, which is required in order to obtain a Privilege License from the Finance Department.
   b. For changing floor plans, complete a Building Permit Application by bringing three sets of floor plans to the Inspections Department. Individuals may also need to secure a Zoning Compliance Permit or Certificate of Appropriateness from the Planning Department, depending on the amount of construction.
   c. Take the packet of plans and the Building Permit Application to the Fire Department. The Fire Department will review the plans and send them to the Inspections Department for approval. Once the permit is approved, the permit holder can pick it up and pay a fee, and schedule any Fire Department inspections separately.
   d. Obtain a Home Occupation Permit from the Planning Department if the business is conducted from the home and is a use permitted by the Land Use Management Ordinance. This permit requires a $100 administrative fee, and a valid driver's license for proof of residence.

3) "Apply for a Privilege (Business) License"

   a. After obtaining Business Occupancy approval from the Inspections Department or a Home Occupation Permit from the Planning Department, proprietors can go to the Finance Department to complete the annual registration for a privilege license, which costs $10 to $500, "depending on the nature of the business."

Additional steps may include securing Signage, Parking and Waste Disposal:

   o Business owners can obtain a Zoning Compliance Permit for a fee of $150 for an individual sign, $250 for a Unified Sign Plan, or $100 for individual signs belonging to a Unified Sign Plan. After the Planning Department approves the sign, the owner must submit a detailed image of the sign and a copy of the approval to the Inspections Department for a Sign Permit Application. Sign Permits require a $28 fee for the first sign "and $11 for each additional sign at the same location."

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[2] The brochure does not specify whether this fee covers one or both of the required inspections.

  o Businesses can lease downtown parking spaces from the Town by contacting Parking Services.

  o The Town Public Works crew collects waste from businesses once a week, and more frequently (up to five days a week) for a fee.

The brochure also lists the following "Information Resources":

  o Chapel Hill-Carrboro Chamber of Commerce
  o Orange County Small Business Resource Guide
  o NC Dept of Commerce
  o Small Business and Technology Development Center
  o Small Business Center Network
  o Council for Entrepreneurial Development
  o Small Business Center of Durham Technical Community College
  o North Carolina Institute of Minority Economic Development
  o North Carolina Department of Commerce

- **Web Site**

Currently, internet users can access the Town's Economic Development Web page through three tabs on the Town's home page: "Residents," "Businesses," and "Departments & Services." [3] The Economic Development Web page (Town of Chapel Hill, 2010) contains tabs for demographic data, current development activity, parking, and other information useful to current and prospective business owners; moreover, it has a tab entitled "Opening a Business," which leads to a page with the following information:

> Business owners in Chapel Hill register annually with the Town for a Privilege License, which costs between $10 and $500, depending on the nature of the business. Home-based businesses must also obtain a Home Occupation Permit from the Planning Department. Other businesses must obtain a Certificate of Occupancy from the Inspection Department before applying for a business license. Info: 968-2759.

> Local businesses also receive assistance from the Chapel Hill-Carrboro Chamber of Commerce
> 104 South Estes Drive, Chapel Hill, NC 27515
> 967-7075 or http://www.carolinachamber.org

Clicking on the "Opening a Business" tab reveals additional tabs for the following topics:

  o Privilege License
  o Property Taxes
  o Tax Payments
  o Inspections
  o Land Use

The Privilege License tab yields a basic definition, as well as links to the "Town Code of Ordinances" and "Applications"; however, the Applications link misdirects the visitor to a broken page. The Property Taxes and Tax Payments tabs direct users to the same page, which provides information on estimating a

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[3] http://www.ci.chapel-hill.nc.us/

tax bill for the current year, and also provides tabs with links to download the following forms: Business License Form, Gross Receipts Affidavit, and Privilege License Fee Schedule. The Inspections tab leads to a brief list of duties of the Inspections Division and defines the department's geographic jurisdiction; it also includes a series of tabs, including one labeled "Businesses," which lists five "Steps to Opening a Business in Chapel Hill" – including time estimates, phone numbers, and a link to the downloadable "Sign Installation Permit Application." Finally, the Land Use tab directs users to a summary of the Town's land use patterns, as well as links to "Building Inspections," "Building Permits," "Development Applications" (which leads to a message of "Page Not Found"), and "Stormwater."

Visitors to the Town of Chapel Hill Web site can also directly access business information through the "Businesses" site at the top of the homepage, which in turn leads to the following tabs: Business Licenses, Chamber of Commerce, Downtown Partnership, Economic Development, Land Use, Opening a Business in Chapel Hill, and Tax Payments. However, the tab labeled "Opening a Business in Chapel Hill" leads to an empty page.

In summary, while the Town provides a variety of business information through multiple channels, none of these sources provides a flowchart or complete list of discrete actions to guide prospective owners through the process of opening a business.

III. TOWN EVALUATION EFFORTS

The task of devising and implementing policies for small business development falls within the Town's Economic Development Department, housed within the division of the Town Manager and staffed by one Town employee, Dwight Bassett. Mr. Bassett was hired as the Town's first Economic Development Officer in May 2007, and Town Manager Roger Stancil directed him to make improvements to the Town's business process (Bassett, 2010).

Development Review Process

Following a series of listening sessions and forums with a variety of groups in Chapel Hill, including developers and community members, Town staff launched an effort to improve the development review process (Town of Chapel Hill, 2010). Interested parties suggested the following improvements:

- Improve speed and reduce delays in permitting process
- Identify clear submittal requirements for each application
- Encourage consistency in regulations and standards
- Streamline layers of regulation
- Identify steps that can be simplified
- "Right size" reviews (i.e. decks are a smaller scale than subdivisions)
- Use creative approaches to problem solving

One result of that effort was the online Development Activity Report, which provides current information on development projects (Town of Chapel Hill, 2010). The Town is currently engaged in reviewing RFP submissions to select a company to create an "online development review and permit system to further automate and streamline the process." The resulting $350,000 technology solution will unify the Town's planning, engineering, and inspections processes (Bassett, 2010).

Small Business Development

As part of the Town's Economic Development Plan, staff set a goal to "Focus on locally owned and/or oriented businesses" (Town of Chapel Hill, 2008). The objectives of this goal were as follows:

> a) Work with UNC, the Downtown Partnership and the Chamber of Commerce to identify and understand barriers for new and existing business development.
> b) Develop incentives to assist in small and local business development.
> c) Develop stronger pedestrian, bicycle and transit connections between centers of activity.

As part of the first objective, the Economic Development Officer in November 2009 launched an effort to ascertain barriers to small business development, beyond the development review process. For this effort, Town staff decided to "focus primarily around rents, property owners and other issues that negatively impact small business development in Chapel Hill" (Bassett, Email correspondence, 2009).

The Town, with advice from researchers at UNC-Chapel Hill, decided to survey a cross-section of small business owners "to let 'the market' tell us what the problems (and benefits) are in starting/doing business in C.H." (Malizia, 2009). The Town then hired Economic Development Consulting of Chapel Hill to complete the interview-based survey and report results.

IV.   METHODOLOGY

This project, conducted on behalf of the Town of Chapel Hill Department of Economic Development, consists of two parts: an interview survey and a case study analysis. Part I comprises an analysis of qualitative data obtained through interviews with current and past local business owners. Information obtained through these interviews was categorized to provide an assessment of the Town's current programs and policies (such as development review, tax rates, and incentive programs), followed by recommendations of how the Town may better serve the needs of its small business owners. Part II consists of case studies to comparatively analyze economic development policies in similar college towns, serving as an additional basis of recommendations for Chapel Hill.

STEP ONE: IDENTIFY INTERVIEW SAMPLE

Dwight Bassett, together with Adam Kline of the Chapel Hill-Carrboro Chamber of Commerce and Jim Norton of the Chapel Hill Downtown Partnership, developed a list of business owners and managers and accompanying contact information to include in the interviews. They defined small and locally owned businesses as those having regional ownership and fewer than 25 employees.

The interview sample consisted of business owners and managers from a cross-section of Chapel Hill: businesses open for < 2 years; businesses open for > 5 years, > 10 years, and > 15 years; and businesses that closed their Chapel Hill storefronts within the past two years. It also included individuals involved in the local small business market, such as developers and leasing agents.

The list of recommended interviewees included a total of 35 contacts, divided into the following categories:

- Open < 2 years
- Open 5-10 years
- Open 10-15 years
- Open > 15 years
- Closed < 2 years
- Realtors
- Individuals

STEP TWO: DESIGN SURVEY INSTRUMENT

The survey instrument included a brief preamble to introduce the purpose of the survey, followed by several open-ended questions. The full interview protocol is listed in **Figure 1**.

Figure 1: Interview Protocol

My name is Heather Schroeder. I'm calling to follow up on a letter I sent (earlier this week). The Town of Chapel Hill has hired me to speak with local business owners and managers and survey their opinions about operating a small business in Chapel Hill. Do you have about 10 minutes to answer some questions?

Background:
What year did your company open?
How many years have you been at your current location?
How many employees do you currently have?
What is the nature of your business?
What is your title?

Opinion:
What are the positive aspects of working with the Town to open/operate a business?
What are the negative aspects, challenges, or barriers to opening a business in Chapel Hill?
How could the Town better serve its small business owners?
What incentives could the Town offer for businesses to lower their energy consumption?
May I use your name in my report?

The fourth Opinion question, regarding energy incentives, was added to the original interview protocol by the Town's Sustainability Officer. Results of this question will be reported in a separate document prepared for the Town.

STEP THREE: ADMINISTER SURVEY

The researcher composed and mailed an introductory letter to every business owner/individual on the list. The text of the letter is reproduced in **Figure 2**.

Figure 2: Text of Introductory Letter

The Town of Chapel Hill is interested in learning more about the local business climate for small business owners. They have hired me as a consultant to speak with owners and managers of local businesses and survey their opinions on the pros and cons of operating a small business in Chapel Hill. From February 10-24, 2010, I will be conducting telephone surveys of select businesses

during regular business hours. The brief survey will consist of a few open-ended questions and will take less than 10 minutes to complete. Your participation is greatly appreciated. Should you have any questions or wish to contact me after the survey, please call (202) 641-0438.

Again, thank you for participating in this effort to inform Town leaders about the needs of small businesses in Chapel Hill.

Businesses were subsequently contacted by telephone and the interview protocol was administered. Conversations were tape recorded, with permission, for later transcription and analysis. This live-interview format was selected over an internet or paper questionnaire to enable respondents to ask for clarification about the purpose of any given question, as well as to provide additional information not specifically requested in the survey. If, after several attempts within the designated two-week timeframe, the researcher was unable to contact the business owner, manager, or other individual, that person was excluded from the study.

STEP FOUR: ANALYZE AND APPLY RESULTS

Once the interviews were completed, the researcher transcribed all recordings. Comments to each question were then organized according to common themes that emerged from the interview responses. The reporting of results forms the basis of this document, providing policy recommendations to the Town.

STEP FIVE: ILLUSTRATE CASE STUDY EXAMPLES FROM OTHER COMMUNITIES

To provide additional ideas for improving the small business climate and mitigating or eliminating barriers to entry in the Chapel Hill market, the researcher provided several case-study examples from similar (geographic, size) college towns. The researcher folded examples from these case studies into policy recommendations for Chapel Hill.

V.   LIMITATIONS

The Town of Chapel Hill does not currently keep a comprehensive list of businesses (Bassett, 2010). Similarly, the Town does not track business openings and closures. Therefore, a current list of all open and recently shuttered businesses was unavailable, limiting the researcher's ability to obtain a sample from the entire population of Chapel Hill businesses, to demonstrate the interview sample's composition relative to all small businesses in Chapel Hill, and to extrapolate the study's findings to the broader Chapel Hill business community.

# VI.   FINDINGS

A. *INTERVIEWEE CHARACTERISTICS*

In total, individuals from 17 of the 35 prospective businesses completed the interview. Owners, managers, and individuals from the remaining 18 entries could not be reached within the specified two-

week timeframe. At two companies, two different staff members provided answers, bringing the total number of interviewees to 19 people at the 17 companies.

LOCATION

Based on information provided by the Town, Chamber, and Downtown Partnership, the majority of interviewees are located within the Chapel Hill boundaries, beyond the downtown blocks (**Figure 3**). Five of the companies are located in downtown Chapel Hill (**Figure 4**), whereas 11 are situated elsewhere within the Town limits. One interviewee, whose storefront was formerly located in suburban Chapel Hill, is now located in downtown Durham. This business was included in the study to provide the perspective of a "closed" Chapel Hill business.

Figure 3: Locations of Small Business Interviewees
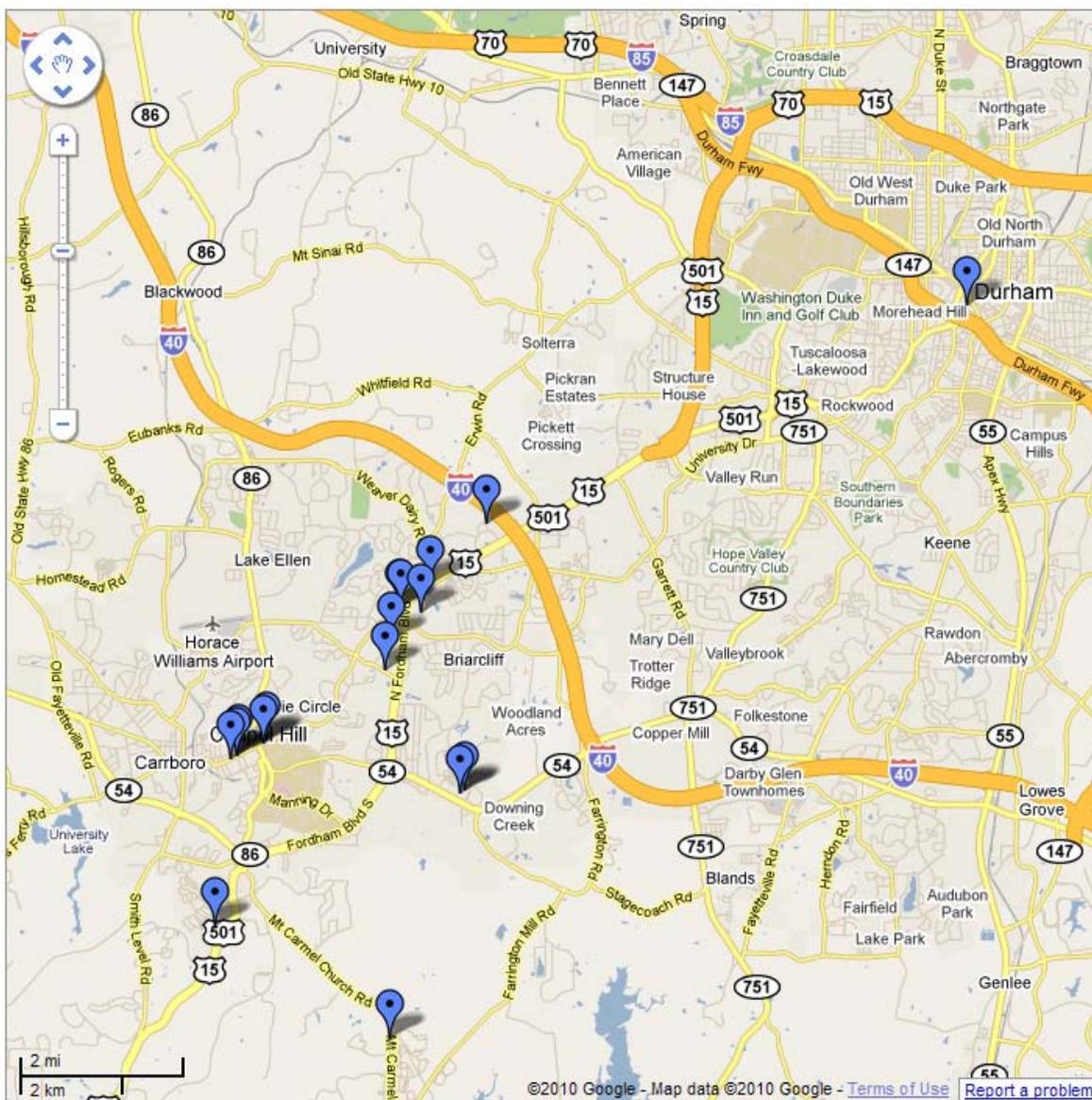
RELOCATION

Six of the businesses moved to their present location from a previous location in Chapel Hill. Three were formerly located downtown and subsequently moved to other Chapel Hill locations; two were previously located in Eastgate Shopping Center and moved to alternate locations (one to University Mall in Chapel Hill; the other to downtown Durham); and one moved between locations within Meadowmont. Of note, no businesses moved from greater Chapel Hill into the downtown area.

One business relocated to Chapel Hill from Carrboro.

BUSINESS TYPE

The 17 companies interviewed represent a range of business types, as follows:

Private Club/Bar	Restaurant	Retail Store	Hotel	Research/Consulting/Finance	Total
1	4 + .5 + .5	6 + .5 + .5	1	3	17
		Service-based: 2			
		Art gallery: 2			

Two of the interviewed businesses – 3 Cups and A Southern Season – feature both a restaurant and a retail setting, and therefore each business has been counted as a "half" within these two categories.

Of the five downtown Chapel Hill businesses, one is a private bar/club, two are restaurants, one is a retail store, and one is service-based retail (auto repair).

Figure 4: Interviewees Located in Downtown Chapel Hill

According to the Chapel Hill-Carrboro Chamber of Commerce online directory, 12 of the 16 Chapel Hill-based businesses interviewed for this report are current members of the Chamber.[4]

LONGEVITY

The businesses interviewed also fall within a range of "business age" categories. The longest-running company has been in business for 82 years, whereas the newest one opened a year ago. The breakdown of business duration is as follows:

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[4] www.carolinachamber.org

Figure 5: Number of Businesses, by Longevity

Open < 2 years	Open 5-10 years	Open 10-15 years	Open >15 years	Closed (Chapel Hill location) < 2 years	Total
6	3	1	6	1	17

The downtown businesses included in this analysis tended to be newer, with four out of the five opening within the past two years.

Of note, because many of the businesses had relocated at some point during the life of the business, the length of time at the current location differed from the age of the business, as detailed in **Figure 6**.

Figure 6: Number of Businesses, by Time at Current Location

Located < 2 years	Located 5-10 years	Located 10-15 years	Located >15 years	Located Outside Chapel Hill < 2 years	Total
8	5	0	3	1	17

SIZE

Despite the Town's definition for this study that a "small business" would consist of a company with 25 or fewer employees, a handful of the interviewed businesses' self-reported staff tallies exceeded this number. These businesses therefore constituted "local businesses" rather than small businesses. Four of the 17 businesses had more than 25 employees, and employment totals for the group as a whole ranged from one to 78 people, with A Southern Season representing an extreme outlier with 340 employees (including its Hillsborough warehouse staff). Ten of the businesses interviewed had 10 or fewer employees.

B. INTERVIEWEE RESPONSES

In general, the responses from small business owners and managers centered on the following topics:

- Positive Aspects of Doing Business in Chapel Hill
- Negative Aspects of Doing Business in Chapel Hill
- Business Leaders' Recommendations
- Issues Unique to Downtown Chapel Hill
- Comparisons of Chapel Hill with Other Municipalities

Interviewees' responses overlapped on several key issues, which are illustrated in the summaries and direct quotations that follow.

POSITIVES

LOCATION/POPULATION

Business owners and managers cited numerous characteristics of the Town itself as positive aspects of opening and operating a business in Chapel Hill. The **location** – a "small-town atmosphere" with easy access to Raleigh-Durham international airport, Interstate 40, and the University of North Carolina – makes Chapel Hill an appealing place to do business. According to one interviewee whose company moved from downtown to a different Chapel Hill location:

> … part of the allure of being here is that they have expanded – the Town has expanded outside of the downtown area where a lot of the businesses, I think, were located, and it's more of a business atmosphere on the outskirts of town, but not so far away that you don't feel a part of the town. … part of what we like about it is that it's away from town yet still in town where you feel a part of the community.[5]

Businesses in Chapel Hill also cited the availability of appropriate **space** as a reason for locating or staying in the town.

The **proximity to the university** was cited as a positive factor for different reasons, depending on the type of business. The university offers an "intelligent population," as well as a steady stream of customers. "I chose to do Franklin Street because of the university," one interviewee said. "The university's not going anywhere, and to me, having the university so close meant long-term sustainability. 'Cause the customers are always going to be coming."

Beyond the university students, small business owners noted the broader Chapel Hill **customer base** as another appealing attribute – not only for opening in the town, but also for deciding to remain there. Interviewees appreciated local consumers' spending power, as well as their tastes[6]. As one local manager put it:

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[5] While this point stresses the availability of different types of commercial space in Chapel Hill, Town leaders may want to consider any tradeoffs between suburban locations' appeal and the vitality of downtown. For example, this former downtown business cited rising rents and lack of available parking among its reasons for seeking alternate space.

[6] The median family income for Chapel Hill is $88,000, compared with the regional average of $69,000 (Town of Chapel Hill, 2010).

We very strongly identify with Chapel Hill; it is our birthplace. We believe that our ability to grow … had a lot to do with our customer base in Chapel Hill. Chapel Hillians are not just affluent, but also well traveled and sophisticated; … it's just been a very good match for the kind of business that we are for what we do.

NON-GOVERNMENT ORGANIZATIONS

Local business owners were quick to praise several non-government groups that facilitate and promote business development in town. One company that opened five years ago referenced the **Chapel Hill-Carrboro Chamber of Commerce** as "extremely active in providing opportunities for learning, for networking, and that sort of thing." Business leaders also praised the **Buy Local**[7] initiative, saying, "The Chamber and some local grassroots organizations really push Buy Local; it would be nice if the Town of Chapel Hill did the same." An owner of another business expressed a similar sentiment, saying, "Now I joined the Chamber of Commerce just last week. I think they do a lot for the businesses; and this Downtown Partnership, I think they do a lot for businesses on Franklin Street – those, to me, seem to be doing more than what the Town would do."

Another owner noted the collaboration between the Chamber and the Town, saying, "… it sounds like there's a lot of positive things that's going to be started out, as far as the Chamber working together with the Town, and hopefully that's going to continue to go in the right direction, and that inertia is going to continue."

A couple of proprietors of recently-opened downtown businesses praised the **Chapel Hill Downtown Partnership** for its **beautification** and **coordination** efforts. As one owner said:

They are wonderful with being a voice for local businesses in Chapel Hill, and on Franklin Street in particular. They want to see the downtown thrive. They want to see businesses doing well, and they don't want to see any vacancies in any of the buildings, in the spaces. They want to see synergy, with the beautification … so that when people come to the Town, when they come to Franklin Street, they see how nice it is – and they maybe, hopefully the nice plants and stuff and the nice storefronts will maybe smokescreen the panhandling and the people that may not look as appealing.

Another manager, who said the Partnership meetings are helpful, noted that installation of lighted Christmas decorations and other efforts by the Town and the Downtown Partnership "brings kind of a cohesiveness to all of the downtown shops." The Partnership's weekly newsletter outreach "has been wonderful in driving traffic to our new Web site, and then also for the events that we hold here regularly."[8]

LOCAL GOVERNMENT

Many business leaders had **few, if any, positive things** to say about the Town government's role in private efforts to open and operate a business in Chapel Hill. One owner commented that "… everybody was **reachable**; I mean, you could go ahead and track somebody down to talk to them about how to overcome the different hurdles that the Town put in front of us to try to make everything happen." Several owners complimented Town staff members, differentiating criticism of Town policies from

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[7] www.webuylocal.org/
[8] www.downtownchapelhill.com

criticism of the people who work in local government. One business leader commented that licensing and other procedures "were pretty well within reason. Nothing unreasonable."

Another owner described the experience as "definitely positive," adding, "I would do it again in Chapel Hill, that's for sure, but I would appreciate it if people got together a little more, and made it just a little bit … smoother, more efficient," with regard to inspections.

Two business leaders said the Town played a positive role in the development process. An owner commented that, through its involvement in **inspections**, the Town "ma[de] the contractor do the right things, which helped us to not have any trouble after the contractor [left]." A manager of another business remembered a positive development process, but suggested that the company's experience may have been unique, saying, "...we actually had an extremely **fast-track process** because of the timing of when we had to move. ... We in fact went from lease signing to totally rebuilding the building to opening in about 14 months. … from what I hear anecdotally that was an exceptionally good experience … ."

Another company interviewed for this report told of a positive experience interacting with the Town, saying, "They were helpful – in our case, they were **good facilitators**." The business benefited from direct guidance from the Town's Economic Development Director. According to the owner:

> We had a lot of help from the Town; they were really good about **guiding us through the process** of getting the permits and that sort of thing. I think a lot of that was helped by Dwight Bassett. He was a really great liaison – he was sort of a single source to go to, who knew exactly where to go, rather than us kind of going to every different department and being sent somewhere else.[9]

NEGATIVES

LOCAL GOVERNMENT

The Town's Planning, Inspections, Fire, Finance, and Public Works Departments, along with Parking Services, are directly involved in the process of opening a small business in Chapel Hill. The **Planning**, **Inspections**, and **Fire** Departments, along with **Parking Services**, were mentioned by multiple interviewees as points of contention for small business owners and managers. Interviewees also cited the **Town Council** is a source of **barriers** to small business development.

Many criticisms centered on the **inspections**, **permitting**, and **approvals** processes. Members of the business community perceived a **lack of coordination** among departments, and several felt the development review process was "time-consuming and expensive." Moreover, the process was seen as **bureaucratic**, requiring businesses to "jump through so many hoops" and undergo "layers of ordinances" and "micromanaging." Some owners requested more flexibility on the part of Town staff; there was a general sense that staff members were doing their jobs, but that the requirements of the jobs themselves were flawed. Others yearned for a clearer process with fewer **inconsistencies** among departments. Several respondents commented on the **time delays** they faced while opening their respective businesses, noting the accompanying **cost** increases they incurred as a result.

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[9] The Town's Economic Development Director has provided direct assistance to 11 businesses since his position was created in May 2007 (Bassett, 2010).

- *Town Leadership: Town Council and Town Manager*

A couple of respondents believed that the relationship between the Planning Department and the Town Council was problematic for small businesses. Specifically, one owner cited a situation where Planning staff discouraged the business from expanding to certain sites, saying "that at this particular location, the Town Council does not really want to see your kind of use there; you can proceed, but … they're gonna try to make it tough on you." Another business owner asserted that the Planning Department is subservient to the Town Council and Town Manager:

> I think that the planning staff has repeatedly had its hands slapped by the Council, and is scared to death to make decisions on its own. So, while they try to be enormously helpful, since they are … all on very short leashes, it can be exasperating to try to get reliable information that can be counted upon before a tremendous amount of money has to be spent on a project – because ultimately, they're given so little autonomy and authority to make decisions. Everything seems to percolate up to the Town Manager and to the Council.

As an example, the owner relayed an experience requesting approval for site renovations:

> I could only go so far before I would get bumped from a Planning Board decision to a Chapel Hill Town Council decision. … So, I never wanted to cross that threshold of just getting Planning Board approval, because I knew that if it went to the Town Council for approval, it was going to be much longer, it was going to be much more expensive, and there were going to be many more stipulations that were going to be attached to my project. So that was a clear example of things percolating up to the Council for approval too quickly; and at that instance, the Town Manager really not being willing to make the call to allow me to do certain things on his own. But, just not feeling empowered to make decisions to allow me to do certain things without it going to Council.

The interviewee also said the Town Council was not responsive to businesses' concerns, citing the Town's decision to extend the period for paid parking at the West Franklin Street lot next to 411 West. The interviewee said:

> [It] was really an outrageous thing for the Town to do. To require customers to line up during the dinner business hour to pay for parking at that kiosk on West Franklin Street, is a ridiculous anti-small-business piece of business that the Town enacted. … And I know that all the businesses, all the restaurants along West Franklin Street, pleaded with the Town Council not to enact that legislation, but Town Council did it.

Business leaders also expressed frustration with perceived **micromanaging** and **bureaucracy** in the Town government. One interviewee voiced concerns "with the stipulations of approvals and the legislating of details of projects, and with the micromanaging that I believe is extraordinarily excessive and hurts small businesses in the Chapel Hill community." Another owner questioned whether a proposed tree ordinance[10] would prove to be "another hurdle," and whether the Town is going to "decide to micromanage it and apply it with this sort of randomness of 'everything's gonna have to go through the Council, and the Council [will] decide when and if not to' – just, that's not a straightforward process."

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[10] http://www.townofchapelhill.org/index.aspx?page=879

- *Planning Department*

The Planning Department itself was cited by several interviewees as having a problematic **sign ordinance** and **permitting** process. According to one interviewee, "If we want to do any kind of expansion of new stores in Chapel Hill, I'm seeing the planning dept as bureaucratic, cumbersome, and expensive."

o *Sign Ordinance*

Five of the 17 proprietors interviewed asserted that the Town's sign ordinance was overly **restrictive**, hampering the success of small businesses. In shopping centers such as Southern Village, University Mall, and Chapel Hill North, where **streetfront** signs for individual businesses are not permitted[11], business managers said that potential customers are either unaware the stores exist or shoppers become confused trying to find the spot. "They just don't know where certain businesses are located," said one property owner. Given the Town's "emphasis on internally oriented shopping centers," one interviewee said this poses a particular problem for small businesses opening in Chapel Hill.

And while business leaders said they understood the Town's desire "for keeping things tasteful," two owners suggested the Town's sign regulations were inconsistently applied. According to one interviewee:

> I have to pay whatever the fee is – 200-something dollars to put a sign up – and then you go down the street and you see this tienda that's got 40 or 50 signs on their wall, saying … certain things about wiring money, and all these different things; and I don't know for sure, but I doubt they paid whatever the fee – $200 per sign – for them to have those signs up, and it just doesn't make sense. It's like they want this place to look really nice, and they have all these restrictions and regulations, but it doesn't seem consistent.

The owner suggested that inconsistent enforcement of the sign ordinance was not only unfair, but it also detracts from the Town's image. With flashing neon signs and vinyl banners, "It looks more like Fayetteville than it does Chapel Hill," the interviewee said.

Other complaints involved inconsistent streetfront signage at varying types of office or retail centers:

> The other example that I find absolutely ridiculous is, on my monument signage … there is legislation in the signage ordinance that stipulates not only the square footage of face of sign, but also the characters of information that I can have on each sign face. … So it's this game I end up playing, and this constant negotiation with tenants, as to who can sign up, and how many characters of information they can have on each sign face. …And then, if you drive up MLK, you'll see some business condos, like the offices right near the Y, that have tenant signage right out on the road. How is it that a huge, mixed-use development like Chapel Hill North, you can only identify the project name, but in these other office parks you've got a lot of tenant identification on the road. So, that's another example of over-legislating.

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[11]According to the Town of Chapel Hill Code of Ordinances, Section 16-2, "Signs on right-of-way": "No signs for any purpose other than street identification or traffic and parking control shall be placed upon the streets or sidewalks of the town, provided however, that the town manager may give permission for signs of either a temporary or permanent nature to be placed thereon when such signs shall not interfere with the orderly use of said right-of-way." Moreover, according to Section 16-5, "Signs not in town center district on, over streets, sidewalks, etc.,": "Except in the town center districts, no signs other than traffic-control or other such signs erected by the town, state or other governmental unit, shall be permitted on or over any street or sidewalk or highway" (Town of Chapel Hill, North Carolina, 2009). Additional details available through the Land Use Management Ordinance, Section 5.14, "Signs" (Town of Chapel Hill, 2009).

Moreover, inconsistencies among Town staff on the same project caused frustration and additional expense for one owner. The interviewee recalled that his sign was not ready by the time the business was scheduled to open, but Town staff assured him that if he put it up and took a picture when it arrived, they would then give their approval and let him pay the sign fee. However, another Town employee from Inspections saw the business operating without an approved sign, and the owner was charged double. [12] "…this person told me one thing and then another person told me another," the owner said. While he acknowledged that each employee was doing her job, the failure for staff to communicate exceptions or special circumstances resulted in frustration and additional cost for the owner.

Another complaint regarded copyright issues that caused a sign to be removed:

> We had this sign professionally installed and they made us take it down. … It was some kind of copyright thing…. And the day we put it up, somebody came by and told us to take it down, or they would fine us. And we were open the following week; we were open for over a week without a sign up. And it was just a bunch of bureaucracy that had to go through Raleigh. And, in my opinion it was just to get the money. They should've let us hang our sign up – we're bringing business to the town, we're open for business.

- o *Permits/Approvals*

Numerous businesses voiced complaints about the Town's permitting and approvals processes. In general, interviewees said the process was rife with **delays**, which in turn caused **costs** to rise.

One interviewee urged the Town to ease the permitting process to "make it easier for small businesses to open," noting an experience five years ago in which the lengthy **permitting process** led to construction delays. According to the manager:

> …we basically sat with an empty shell for two months before we could hammer our first nail. And I hear that everywhere. It's basically, what I hear is, you apply for a permit, and it sits on somebody's desk for months before anything happens. … We sat around twiddling our thumbs for a couple of months.

In addition to permits, **approvals** can lengthen the time and cost of opening a business. In one circumstance:

> We went ahead and we actually built this building and went through the process of getting everything ready – getting the CO and what have you … that was a long, drawn-out process, and basically it delayed our schedule by about at least six months; not to mention what it cost us, because of some of the different boards we had to go in front of to get the various approvals – like, the appearance board didn't like the brick for the façade of the building, and had us come, you know, delay another month and go to the architect and look at other brick material to present it to the appearance board again; so there was time and cost involved for that, what I feel, was a very immaterial piece of information.

In another case, the rules for approvals and inspections seemed to change during construction:

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[12] According to the Town brochure, "Opening a Business in Chapel Hill": "After Planning approval, it will be necessary to present a detail of the sign and copy of this approval to the Inspections Department for a Sign Permit Application" (Town of Chapel Hill, 2007).

Even though they were plans and architects' drawings that were previously approved, [there were] certain conditions which were not applied at the time when the building inspection was made. I had to delay the project and wait for things to work out the way those officials wanted it to be.

According to some businesses, the approval process has caused Chapel Hill to develop a bad reputation among **builders and designers**. In one owner's experience, "…our contractor that we were working with, the construction folks, they said they never would do work in Chapel Hill again, as far as construction is concerned, because of all the issues that occurred with the approval process as well as the inspector process and what have you." Another owner said that while there are some positive things about a "thorough" approvals process, "it seems like the raff on Chapel Hill is that it's just so expensive to develop property here because they make you jump through so many hoops." Echoing this strain, another individual lamented the "micromanaging of approvals and the cost and open-ended nature of getting projects approved in Chapel Hill."

- o *High Cost of Doing Business in Chapel Hill*

Several businesses cited **high property taxes and rents** as impediments to doing business locally. Another owner cited high development costs as a barrier, saying "if you're going to, say, develop raw land in Chapel Hill, for a small business like me, it's a $200,000 to $250,000 worth of soft costs on a process that's just wrought with peril. … regardless, you have to spend money on engineers and architects and stuff like that."

A couple of interviewees wondered aloud whether the services provided by the Town actually justified the high price of doing business in Chapel Hill.

- *Inspections*

The inspection process can also raise businesses' **costs**, as one owner observed:

> I never knew when the health department would come, or the town inspector would come. I never knew. It was like, "Ok, here we go, dollar signs" – it was kind of like when you're driving your car and you hear something sputtering, and you think, "Oh no. Is it a $60 muffler or a $1500 oil gasket or something?" And a lot of times it was the oil gasket, with the Town.

While two interviewees offered that the initial inspections process went smoothly, another owner requested **more coordination** among the inspectors on a site.

- *Orange County*

Another business owner expanded his criticism of local government to include Orange County, saying he was frustrated that the process of considering bids for government contracts does not **weight local bids higher** than those out of state or beyond Orange County:

> First of all, as they look at the bids, they need to assess, "OK, how much is coming back to our community." I don't see that happening. … But, if we're a local bidder, we ought to have some benefit – we have to have some sort of margin, that if we're within say five percent, eight percent of the lowest bidder, we should get the job. Because that's how much it brings back to the community. And I've never seen that happen. … I think we're missing the opportunity here, where we need to put a value on a business that's in our community.

- *Parking Services*

Comments about transportation issues focused mainly on parking, regardless of whether the interviewee was located in downtown or suburban Chapel Hill. Parking issues ranged from criticism of the Town's **maximum parking requirements**, to downtown **parking fees** and a concern that **bus stops** were occupying potential parking spots.

Two owners complained that Chapel Hill's parking requirements – which set a limit on the maximum number of spaces allowed[13] – do not allow for adequate parking.

> … for me to be successful, I need parking spaces – I need quite a few, and Chapel Hill has, for instance, maximum settings on parking; those don't jive with me running a successful business. By the time my employees park there, there's not enough room left for customers.

Another owner expressed a similar opinion, emphasizing the lack of available parking spaces for certain businesses:

> …the Town is continually trying to reduce the number of parking spaces in office parks or clinics or retail centers, thinking that if you have less parking spaces, it will force people to use mass-transit, regardless of type of business to be located in a particular park. You know, i.e. somebody going to a pediatrics office – you're not going to get a lot of people going by bus, or by bike. Or a telecommunications company where you've got lots of, you've got a call center, for example. The Town is already past, or is in the process of considering a maximum amount of parking per shopping center or per development, and we're in a community where 99% of – a very, very high percentage of the population still travels in one car vehicle[14], or by car to these places of business. There's been a lot of frustration expressed at the lack of available parking at some of the projects that I've been involved with, due to limitations on parking.

Comments specifically addressing downtown parking are detailed in the following section.

DOWNTOWN ISSUES

Owners and managers cited the following specific barriers to small-business development in downtown Chapel Hill:

- High rent/property taxes
- Lack of retail diversity/density
- Lack of parking/free parking
- Homeless/panhandling population

Each of these barriers is described in further detail below.

- *High rent/property taxes*

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[13]Details available through the Land Use Management Ordinance, Section 5.9, "Parking and Loading" (Town of Chapel Hill, 2009).

[14] According to the Town, 71% of Chapel Hill residents drive to work, compared with 92% regionally (Town of Chapel Hill, 2010).

According to one business owner, the Town's lengthy and costly development process raises rent prices because costs are passed through from owners to tenants. As the owner said:

> … rents are higher than they should be here. One of the things is people that develop property in Chapel Hill, the development process is expensive, so they have to make back that investment in some way. Things cost a little more than they might [elsewhere], where the development process is not so time-consuming and expensive.[15]

Interviewees also asserted that businesses leasing space downtown pay for the Town's high property taxes through high rents. One business that relocated from downtown to suburban Chapel Hill said that "it was an issue within the Town, as far as property taxes and locations for a business, that it just was not cost-effective to be there on Franklin Street. … The building we were leasing, just the amount of money it was costing us – it just kept going up and up and it wasn't cost effective for us, to tell you the truth." Another interviewee observed that "Downtown will always struggle because rents are high," whereas beyond the downtown area, "it's not nearly as challenging."

In addition, business owners said that downtown property owners seemed reluctant to lease out their space. According to one interviewee, "I think the owners of the buildings, of the empty spaces, seem to prefer to just pay their small property taxes, than to rent where they can't get the maximum rent. They're not willing to cut deals for people to encourage them to move in."

Another owner echoed these sentiments by theorizing that high rents and property owners' unwillingness to lease space had fueled the decline of downtown Chapel Hill:

> … part of what happened in the '90s and in the early 2000s, companies just closing left and right, because they basically were just getting priced out of their locations. And there was a time in the late '90s, early 2000s, where it looked like a ghost town, downtown Franklin Street. Businesses shut down, boarded up, [there were] a lot of rumors about why other businesses weren't being opened up – having to do with owners, property owners holding on to it, waiting for the right place, that kind of thing. I don't know how much of it is true, and/or how much the Town was involved in any of that, but it was gloomy there for a bit.

- *Lack of retail diversity/density*

Current and former downtown businesses complained of a lack of retail diversity, as well as a dearth of retail density. One merchant who had attempted to "bring back that Main Street feel" was discouraged by the lack of businesses other than bars and restaurants on Franklin Street, noting that "the diversity is not there because the potential for failure is too big – other than a bar or a restaurant or a novelty shop. I just feel like we're fighting an uphill battle." The owner felt that, without a critical mass of shops, like Southpoint has, new downtown stores were at a disadvantage. Moreover, the interviewee felt the Town was doing nothing to help businesses succeed.

One interviewee asserted that the infrastructure of downtown is insufficient to support a dense retail environment, saying "Downtown Chapel Hill is too small." The owner noted the lack of residents and workers, adding, "There's not enough of it. There's just this one long street. It doesn't go up and it doesn't go side to side. You go one street off of Franklin Street, and you've got nothin'."

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[15] Of note, several factors other than development costs – such as demand for and availability of space – are widely known to play a role in determining rent prices.

One high-end retailer located elsewhere said that he did not move to Franklin Street because the lack of other retail options on Franklin Street would prevent his customers from enjoying a complete shopping experience. As he explained:

> There's just not much on Franklin Street that my clients would've gone to. T-shirt shops, UNC stuff, a few places to eat – but there wasn't anything else there. When I was at [another location], what I had was parking, what I had was seven eating places within walking distance … which was major, because people who are shopping, especially maybe for some high-end things, want to go take a break, want to have a glass of wine, want to have a latte, want to have lunch; having the proximity to those restaurants was *very* nice, especially for my out-of-town business who wanted to come and just park once.

Another high-end retailer said that to attract a diversity of businesses, downtown needs:

> …to have something that's going to draw people downtown for something other than drinking and eating. And, right now, other than a few rare exceptions, such as Alexander Julian's place, and Fine Feathers, and David Gerald watches, and one or two others, you don't have that. It's not a destination where people are gonna come to."

The interviewee said that downtown Chapel Hill suffers from an identity crisis, which – as the "focal point" of Chapel Hill – it needs to fix. "And the reason is, if downtown Chapel Hill doesn't have an identity, then people will go [to] Durham, or they'll go to Raleigh, or they'll go to Winston Salem, or they'll go…"[16]

- ***Lack of parking/free parking***

Several businesses that relocated from downtown Chapel Hill to the Town's suburbs cited parking as a major factor in their decision to move. One manager asserted that despite his company's "fantastic" location in downtown Chapel Hill, parking was a "huge, huge issue." When the parking lot that the business's employees used was converted to Town-managed pay parking, "that played into our decision" to move.

The parking issue was particularly problematic for retail businesses selling heavy items, such as art and wine. Two owners – one whose business relocated from downtown Chapel Hill to another Chapel Hill location, and another whose business moved from suburban Chapel Hill to downtown Durham – commented that Chapel Hill's lack of accessible downtown parking simply did not fit with their respective business models. For one owner, a change in the availability of existing parking prompted the move, when "… I lost half, two-thirds of my parking. You can't run a retail business, especially selling wine, without parking." Meanwhile, an art gallery owner looking to relocate from a shopping center said that downtown was never a viable option due to art buyers' need for parking near the point of purchase. "I made it very clear to [the Town] that I could not consider Franklin St., because I have to have parking. … My business doesn't lend itself to a parking deck around the corner." The interviewee also noted that on game days, clients coming to Chapel Hill would be caught up "in a traffic snarl."

Other downtown businesses have found that shoppers prefer Southpoint or other shopping centers where parking is abundant and free. As one owner said, "…people will go to Southpoint, where there are a lot of different types of shops they can go to. And they have free parking – if they have to walk a half a mile, how big the parking lot is there – but there's something about the free parking that is very attractive."

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[16] Of note, the interviewees were advocating to diversify beyond the current concentration of bars, restaurants, and T-shirt shops – which arguably form an existing identity for which downtown Chapel Hill is known.

By contrast, parking in downtown Chapel Hill was perceived as expensive and inconvenient:

> And what parking there is, is not free; or even if they find a parking place, they're two minutes late and there's a meter maid out there giving them a ticket; it's just not user-friendly, let's put it that way. And my understanding is the … Town of Chapel Hill makes so much from their parking revenue that they're more interested in the revenue from the parking tickets than they are to what it does to us as merchants.[17]

Certain businesses geared toward more affluent patrons expressed that parking was a particular hindrance.

> We could use parking. …There's a bunch of spaces available that are just sitting empty, and parking's a big deal with us. I try to make a nice place so my prices are kind of pricey. And some of the clientele that I want to draw don't want to come downtown because of parking and – this is what they told me – they don't feel like it's safe and clean.

Moreover, one respondent perceived a competition between buses and parking, criticizing the Town's placement of bus stops directly in front of downtown retail, rather than a block away. "But instead of putting bus stops where you could put parking places, they take up half the darn street with bus stops. … So that's something that just doesn't make any sense to me whatsoever."

One interviewee said the provision of free bus service in lieu of parking spaces was not a good fit for the realities of Chapel Hill, saying:

> The idea that free buses – I mean, the taxes are being collected so that they can provide free buses for people, right? To discourage them from driving, so that we can make this town sort of a green town, which is a really nice vision, down the road. But from my point of view, they're way ahead of themselves. Because when you jack up the price of parking to encourage people to take free buses, to come downtown – well what about the people from the outskirts? What about people from Raleigh or Durham who want to come over? And who's gonna do a big shopping trip and get on a bus, with all their packages? It's forward thinking that's moving too fast for its community. It's making the merchants suffer, because they're trying to do everything they can immediately, without working through a process, that is a slower process that includes everyone. Ultimately, I'm a green person myself; to me, it just seemed like, Yeah, this is all fine and dandy, but you're putting the cart before the horse. You ruin the downtown merchant life while you give a bunch of people free buses to go wherever they want to go.

- ***Homeless Population and Panhandlers***

Panhandlers and homeless people were perceived by existing and prospective business leaders as a detriment to doing business downtown. As one current owner observed:

> You cannot have panhandlers on a street where you want people – people are frightened of panhandling. They don't understand it in small towns. ... I just go up the street to any place, and they're perfectly pleasant, but it's not something most people are comfortable with. And they don't want to walk down the street with their small children. And besides the panhandlers, just the plain homeless people … look scary.

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[17] For a different perspective on parking, see Donald Shoup's *The High Cost of Free Parking*.

One owner who looked at space in downtown Chapel Hill was turned off by the presence of homeless people, and how they might affect the shopping experience of his customers. According to the owner:

> I looked at a space downtown, and the idea of the homeless shelter people wandering around while I was standing there – somebody actually came up to me and felt my tie – I mean, came up to me physically in my space and grabbed my tie, and said, "Nice tie, man" – but you're just not used to a stranger coming up and – I thought, "God, I can't have that with my clients."

DIFFERENCE BETWEEN CHAPEL HILL AND OTHER GOVERNMENTS

- *Carrboro*

Three businesses reported that they were also operating or had at one time operated a business in Carrboro. When comparing Carrboro's business policies to those of Chapel Hill, the owners noted few if any differences, citing similarities in the requirements, amount of paperwork, and helpfulness of Town staff in both municipalities. One respondent said that Carrboro's process "seemed more straightforward" – but, as a caveat, he noted that his business had expanded its space in Chapel Hill but not in Carrboro.

Another respondent said that in Carrboro, the business did not have to complete a transit survey – a requirement in Chapel Hill. [18]

- *Chatham County*

One owner commented that opening a new store in Chatham County "was a breeze compared to dealing with Chapel Hill." However, the interviewee did not elaborate on the differences.

- *Durham*

Business owners said that Durham offers several advantages over Chapel Hill, in terms of small business development. These advantages include the availability of cheaper space, parking, highway access, small business loans, and a more straightforward development review process.

One local owner noted the lower start-up costs for businesses in Durham, relative to Chapel Hill:

> … one of the challenges that Chapel Hill has is there's so many innovative and new businesses end up starting in areas where the rents are low and it's maybe a marginal location. And Chapel Hill doesn't really have any of those places – a downtown with abandoned buildings where you can go in and try things with a minimum of expense. So one of the challenges is I find so many of the young people who are starting businesses end up going to Durham. Because they do have more of these start-up, bad side of town, or incubator spots[19], that Chapel Hill just doesn't have.

The owner commented that Chapel Hill's higher costs – or its lack of low-cost locations – is not the Town's fault, but "just a fact of the land here." While the owner said Chapel Hill is a good place to do

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[18] The Town administers a biennial "Go Chapel Hill Mobility Business and Employee" survey (Town of Chapel Hill Planning Department).

[19] The community group EmPOWERment, Inc. operates the Midway Business Center, "Chapel Hill-Carrboro's first business incubator." The operation rents 6,000 square feet of office and retail space and offers technical assistance targeted toward "low to moderate income women- and minority-owned businesses and other new start-up companies with growth potential" (EmPOWERment, Inc.).

business for people who rooted themselves in the community 25 or 30 years ago, or for 20-year-old university students, Chapel Hill loses its creative 30-year-olds to Durham. Another owner noted that Durham, like Carrboro, "gives you money if you open a business. They do a low-interest loan."[20]

Another interviewee noted that consumers perceive Chapel Hill as expensive, "while in this economy everyone is looking to get the value for the dollars… Durham is cheaper."

Prior to the current economic recession, an owner of a downtown Chapel Hill business completed a rezoning request for additional property in Durham, and found that while Durham's process was costly, it was more straightforward:

> … I did the whole rezoning process in Durham, rezoning from residential to commercial, and it was expensive, but I felt like it was a little more straightforward than Chapel Hill. The process is laid out in front of you, and if you do x, y, and z, you can get to your destination. Whereas in Chapel Hill, I feel like it's you do x, y, and z, and then the Council … [is] not very business friendly.

An owner of a business that closed its Chapel Hill location and reopened in Durham explained that Durham, unlike Chapel Hill, was able to satisfy his business's space and parking requirements.

> Well, I came to a place that had the space I needed; and I came to a place that actually had parking right in front, with my own designated parking; so I was welcomed. Not that I was unwelcome in Chapel Hill; I think Chapel Hill did what they could. … I really *tried* to make it in Chapel Hill, I really tried to find that space, and it just wasn't there.

BUSINESS LEADERS' RECOMMENDATIONS

Business owners and managers provided an array of suggestions for how the Town might better meet the needs of local businesses throughout Chapel Hill. These recommendations include the following:

- Streamline the business development process (remove layers of government decision-making; provide staff support and clearer steps; increase communication with businesses);
- Provide greater flexibility in enforcing regulations (e.g., sign ordinance; maximum parking requirements);
- Market existing businesses and promote/recruit new businesses; and
- Provide incentives to businesses (including small-business loans).

To improve the business climate in downtown Chapel Hill, business owners and managers recommended the following actions for the Town:

- Engage in market research;
- Promote local shopping;

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[20]Through the City of Durham and Downtown Durham, Inc.'s Downtown Low Interest Loan Program, parties that qualify for the low-interest business loan Prime Rate Loan program can apply to "have the city purchase up to one-half the loan from the bank at two percent (2%) below prime, not to exceed $500,000. A one-half percent (0.5%) origination fee will be charged, but the city will not involve themselves in further decisions made by the involved lenders. The result of the combination of the Low Interest Loan program and the Prime Rate program (see previous) is a loan provided at one percent (1%) below prime to qualifying firms" (Durham Chamber of Commerce, 2009).

- Increase the availability of parking; and
- Address issues of homelessness and panhandling.

Each of these recommendations is described in further detail below.

RECOMMENDATIONS FOR CHAPEL HILL

- *Streamline Business Development*

Noting the cost and difficulty of developing a business in Chapel Hill, local owners and managers recommended the town create more "business-friendly" practices by **streamlining decision-making** to provide greater efficiencies. As one owner said:

> The processes have to be aligned such that that it really does look like they want to help businesses succeed. I mean, Chapel Hill is an expensive place to do business. Your taxes are really high, just a lot of obstacles. It's a great demographic and customer base, but there's just so many obstacles. I think taxes, to the bureaucracy of dealing with the Town."

Streamlining the "**bureaucracy**," interviewees said, might entail taking away "all these **layers** that have been applied, applied, applied over the years," so that businesses can operate and expand more easily. One owner asserted that the **Town Council** wields too much control over the Planning Department, and suggested a more efficient model:

> So if the Council would let the Planning Department do its job, and give them more latitude as professionals, then I think that the Council could spend more time being – spending its time on macro decisions, strategic decisions, and see themselves as a board of directors as opposed to micromanaging projects. It would be much more effective for small businesses.

Business leaders also requested more clarity in the steps required to open or expand a business. According to one owner:

> I think there was a few things that, if the Town requires certain steps, it needs to be laid out easily, so you can see what the steps are, rather than having to go through 10, 12 phone calls to figure out what the step is that they want you to do, when they don't even know what it is, and they can't just tell you what to do.

Local owners and managers suggested that such **step-by-step instruction** might require that the Town offer **greater staff support** and **increased communication** with businesses. As one manager noted, the Town already does "a fairly good job" of keeping small businesses informed; however, as one owner said, "The problem is that you're a small business, so you've got to run that small business and you don't really have a lot of time to go to a two-hour meeting to hear about what the Town is doing that may affect you or not affect you."

Citing frequent changes in the Town's development procedures, one local owner advised other prospective businesses to proactively communicate with the Town:

> … just stay on top of communicating with [the Town] as much as possible, because you don't know what's going to happen. Things could change, and you don't know what's going to happen – and the sooner you know the changes, the better suited you are that you can adapt to them.

An individual familiar with the Town's Economic Development Officer suggested that it would be helpful if the Town dedicated staff members to offer guidance to local businesses. For example, it would help if the Town "… had anyone … who's like Dwight or someone similar to Dwight who knew the ins and outs of things and knew where to send people and what they needed, who are unfamiliar with the process."

One manager took the request a step further by recommending that the Town:

> work with us, or work with property owners, to keep down costs, and renegotiate or negotiate costs in good faith … just being able to negotiate property values so that not only is the property owner making a profit, but that the small business isn't really having to write a check for 60% of their profits every month or every quarter to just have a place to sit.

This owner cautioned that, due to high rental costs and property taxes, companies with a national reach may set up virtual operations rather than paying to inhabit "brick and mortar" facilities – and this in turn would reduce Town revenue from property taxes.

- *Provide Greater Flexibility*

Noting that local businesses give back to the community – by creating jobs, paying taxes, and doing community fundraisers – a few owners suggested that the Town "embrace" the business community and create a more "**business-friendly" environment** by being "a little more flexible with what they say needs to be done versus what applies to that particular circumstance." According to one owner, "…they need to treat the small businesses like they're customers, and they really want to help them get their project through." Suggested areas for greater flexibility included restrictions on easements and parking requirements.

One business leader noted that the high cost of doing business in Chapel Hill makes flexibility particularly important:

> … we have to find other ways to attract businesses to offset the higher cost of operating a business – whether it be because of land, or the cost of a building, in Chapel Hill.… everything seems to be black and white; there's no gray area, and understanding, "OK, there's different circumstances under this particular case, and therefore we have to waive things a little bit and be a little more flexible than what we currently are," with regards to whether this design is acceptable or not acceptable; what this business needs to have.

As an example, the owner cited his company's request to put a loading dock at the rear of the business's new facility. The Town denied the request, prompting the owner to say, "…it's not like it's going to be an eyesore; who cares what's behind the building?"

Specifically, owners requested greater flexibility in the enforcement of the Town's **sign ordinance**. They suggested that businesses from shopping centers be allowed to put individual commercial signs along main roads. As an example, the manager of a store at University Mall noted that the shopping center could use more signage:

> I mean, we should be having signs approaching this mall from a number of different directions that say, 'This way to University Mall,' and you kind of have to guess where that is. We do hear that from people all the time, that – I guess now in the days of GPS, it's not such a big issue, but it seems like if you have one mall in town, that you can't have a sign that says 'This way to the mall.'"

Another owner said the Town should enforce its **special use permits** to avoid problems that hurt small businesses.

- *Market and Promote/Recruit Businesses*

Business owners are in agreement that the Town could do more to market and promote businesses in Chapel Hill. Noting that the student population affiliated with the university is insufficient to support his business, one owner requested the Town make an effort to attract not only more, but **different types of consumers** to Chapel Hill. These efforts might include marketing campaigns, conventions, and "other creative ideas to get people to come and visit Chapel Hill, not just for the football season or basketball season." For example, one owner recommended devising a consumer incentive program to "encourage more people to come shopping on Franklin Street." Specifically, by spending a certain total at designated stores, "they get some 'bene,' something that Chapel Hill can offer," such as a free night at the Franklin Hotel.

Interviewees presented differing opinions, however, regarding the type of business development Chapel Hill should promote. Some owners and managers called for recruitment efforts targeted toward "businesses that have never been to Chapel Hill," and "**larger businesses** that can produce more dollars to the taxes," while others stressed the promotion of **local shopping** and small businesses. One interviewee encouraged the Town to be "a little cautious as to what big corporate big-box type entities they allow in to compete against the locally owned businesses."

To identify appropriate businesses for Chapel Hill, two interviewees recommended the Town engage market analysts or project-specific consultants.[21] As one owner said:

> What needs to happen is one basic, fundamental thing: someone needs to do some marketing research – and I mean professional marketing research, on downtown Chapel Hill, to determine what the concerns are that are doing business there, where the dollar is going, and where that breakout is. And *then*, one can make a decision whether the business model for downtown Chapel Hill needs to stay the same or needs to change. And without doing that basic research, you don't have the base from which to do the planning.

Another interviewee criticized the Town's handling of the Lot 5 development, the design of which "is in conflict with their stated aim of wanting to have a grocery store downtown." The interviewee wondered, "… why didn't they have some developer consultants who could help them with that, or professional consultants who could help them with that?"

- *Provide Incentives*

Local owners and managers suggested several **incentives** to overcome barriers to business development in Chapel Hill. Recommendations ranged from **lowering taxes for retail** and providing **small business loans**, to **expanding transit options**.

One interviewee suggested giving small businesses "the same incentives that some places give big corporations," through tax benefits. A business owner who relocated to Durham provided the following summary:

> If it were known in advance [that Chapel Hill] was more welcoming, that it could be a lower tax rate for retail businesses, that would certainly make my interest better, 'cause anything I can do to

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[21] The Town commissioned a retail market analysis, which was completed by Claritas in 2009 (Way, 2009).

keep the overhead down. And I realize, because we don't have any industry, property tax is everything in Chapel Hill; but at the same time, I know retail businesses make a significant contribution to the till; so I think if there were some very proactive incentives, that people knew that they were more than welcome…"

Echoing this sentiment, a different interviewee called for Chapel Hill "to reduce the tax burden on the businesses," saying that currently, "any new, additional, tax revenue-generating businesses that want to move in" are discouraged by "the restrictions that come into play" – such as zoning requirements, property costs, and approval timelines.

Rather than suggesting tax reductions or credits, another owner suggested "some sort of credit applied to a business that is bidding for work, if it's a local business," to give local businesses an advantage in vying for government contracts.

A couple of downtown Chapel Hill businesses noted that Carrboro and Durham provide low-interest loans to businesses, and they recommended that Chapel Hill follow suit.[22]

Finally, one business leader noted that plans for light-rail mass transit in Chapel Hill will ease the burden for workers who commute to Chapel Hill from other municipalities. "I know there's been a lot of discussion about the mass rail, mass transit rail; and in terms of doing business in other parts of the city, I think that'll be a good thing, if it ends up making its way to Chapel Hill, because commuting on [Interstate] 40 is not really a pleasant thing."

RECOMMENDATIONS FOR DOWNTOWN

A few businesses recommended ways in which the Town could specifically facilitate business development in downtown Chapel Hill. Chief among their concerns were **parking problems** and a perceived growth in the **homeless and panhandling** populations.

Recommendations about parking ranged from a general need for **more spaces** ("Parking. We need parking. We need parking. We need parking"), to **better signage**, to **free parking**.

One owner stressed the need for more on-street parking, wondering "whether one could bring back **pull-in parking** on Franklin Street and get more cars there; maybe make Franklin Street one way and Rosemary Street one way, so that one could really get more people downtown." The interviewee observed that, compared with Chapel Hill's parallel parking on Franklin Street, downtown Salisbury, North Carolina has pull-in parking and "got *many* more people on the streets who could go to the stores."[23]

Two interviewees noted the need to direct visitors to existing parking. One individual observed that "people from out of town – it's hard to find a parking deck that's on another street," and another recommended advertising the parking available on Rosemary Street.

One downtown business owner said that the Town should give out tickets less frequently, adding that parking should be free for customers:

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[22] The Town, together with the Chapel Hill Downtown Partnership, recently created the Small Art Business Loan Program (Chapel Hill Downtown Partnership). The non-profit Franklin Street Arts Collective received a $40,000 loan to open the FRANK art gallery in downtown Chapel Hill (Town of Chapel Hill, 2009).

[23] The possibility of any Franklin Street reconfiguration would likely depend on NCDOT approval.

It seems to me that there should be free parking for people that are coming to visit at the stores; I know they have something in place where you can get a coin or something from businesses, but that isn't that conducive to a person who just wants to park and shop. Even if they just had a stamp your ticket, I mean a stamp or something; but giving out medallions or something just seems so silly.

While several businesses complained about the homeless population and panhandling on Franklin Street, only one business directly requested that the Town address these issues, saying, "…it makes people who are on the street feel uncomfortable, and that can be detrimental to our business."

VII. CASE STUDIES

To formulate recommendations for Chapel Hill, the researcher also collected economic development strategies from several municipalities within the southeastern U.S. The towns and cities described here share several characteristics with Chapel Hill, including a downtown adjacent to a college or university campus, a southeastern U.S. location, and a local population ranging from 40,000 to 60,000 people.

ATHENS-CLARKE COUNTY, GA

Town Population (2006 Estimate)[24]**:** 112,787
College/University: University of Georgia
Form of City Government: Commission/Mayor, and appointed Manager
Economic Development Department: In 2002, the Unified Government of Athens-Clarke County (ACC) teamed with the Athens Area Chamber of Commerce, the Athens-Clarke County Economic Development Authority, and the University of Georgia to create the non-profit Athens-Clarke County Economic Development Foundation, Inc. This organization, run by a full-time staff and board of directors, has its own Web site (linked from "Economic Development" on the ACC Departments Web site), where it presents "development information organized for the requirements of site selection consultants, real estate departments and business people." The site includes economic and demographic information, workforce statistics, searchable lists of buildings and sites, infrastructure and lifestyle descriptions, and information for entrepreneurs. Of note, the Foundation is currently involved in surveying local small businesses with fewer than 20 employees; the survey results will be used in ACC's application for an Entrepreneur Friendly Designation by the Georgia Department of Economic Development.

Economic Development Tools: The joint Athens-Clarke County government provides a publication entitled "Start Me Up: Small Business Guide for Athens-Clarke County" (Athens-Clarke County, Georgia, 2010). Available through the Online Documents page of the ACC Web site and through the Athens-Clarke County Economic Development Foundation, Inc. Web page, the guide includes a "Self-Biz" quiz to help interested persons determine their personal potential for entrepreneurship. It also features a checklist of business start-up steps, an outline of a business plan, a cost sheet, legal definitions, and contact information for obtaining a business license and permits, taxes, inspections, and more.

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[24] Population for the county, including students (Athens-Clarke County Public Information Office, 2008).

The Unified Government also offers a Growth Fund for "qualifying small businesses to help finance their start-up or expansion needs" (Athens-Clarke County). The government publishes information in a brochure downloadable from the Economic Development section of its Online Documents Web site. The Growth Fund offers low-interest loans of $10,000 to $150,000 that can be used to fill funding gaps for rehabilitation, leasehold improvements, and long-term fixed assets.

AUBURN, AL

City Population (2008)[25]**:** 56,088
MSA Population (2008): 129,001
College/University: Auburn University; Southern Union State Community College
Form of City Government: Council (including Mayor), and City Manager
Economic Development Department? Yes (since 1984)

Economic Development Tools: In a 34-page "Community Profile," available via download from the City's Economic Development Web site, the department provides information ranging from demographics to local recreational opportunities, industrial parks, wages, and incentives (Economic Development Department, City of Auburn, 2009). As noted in the Community Profile, the City's economic development tools include property tax abatement for new and expanding industry; tax credits and tax exemptions for qualified industry; a revolving loan fund; industrial development bonds; a small business incubator; training program assistance; and "facilitation of public-private technology partnerships with Auburn University."

The small business incubator facility, called Auburn Center for Developing Industries (ACDI), has expanded from its initial 12,000-square-foot building in 1988 and now includes four buildings and 47,600 square feet housing five tenants. According to the Community Profile, the ACDI targets start-up and relocating businesses related to advanced technologies, light manufacturing, assembly, and research and development. Moreover, "Many of ACDI's current and past tenants are companies that have evolved as a result of research through Auburn University," and many tenants have moved to the area's four industrial-technology parks.

On the Economic Development Web site, the City also posts annual goals for four categories of Economic Development: industrial recruitment, commercial development, CDBG, and workforce development (City of Auburn, 2010).

Other notable community features in Auburn include apartment and condominium units located in the downtown area, "providing housing for both students and professionals"; diagonal pull-in, on-street parking; a revamped shopping mall with upscale tenants; and online printing of business forms[26] (Economic Development Department, City of Auburn, 2009).

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[25] (Economic Development Department, City of Auburn, 2009)
[26] http://www.auburnalabama.org/fi/forms.asp

CHARLOTTESVILLE, VA

Population (2008)[27]**:** 41,487
MSA Population (2008): 194,391
College/University: University of Virginia
Form of City Government[28]**:** Council-Manager
Economic Development Department? Yes

Economic Development Tools: The City of Charlottesville provides extensive information about economic development – and business development, specifically – through its Web site. On the Economic Development page, visitors can research demographic data, incentives programs (e.g., Technology Zone reduced business-license fees), workforce programs, commercial sites and buildings for sale or lease, listings of new business openings, and business assistance programs (City of Charlottesville, 2010). The "Business Assistance" page includes links to local, state, and federal economic development resources, as well as links to Small Business Association pages titled "Business Startup Check List" and "How to Write a Business Plan."

Through the City's homepage, visitors can click on the "Business" tab, which leads to pages on city codes, licensing, permits and inspections, and taxes (City of Charlottesville, 2010). In addition, the Business page announces new business resources, such as a Microloan Program offering $1,500 loans for women-owned start-ups or business expansions.[29] Moreover, the City recently created a free CD entitled "An Interactive Guide to Starting a Business in Charlottesville," which is "designed to step local entrepreneurs through the nuts and bolts of setting up and operating a successful business." The CD also provides entrepreneurs with copies of all pertinent forms and the EntrePlan™ Business Plan Software program.

CASE STUDY SUMMARY

Taking cues from Athens, Auburn, and Charlottesville, the Town of Chapel Hill can add several economic development tools to foster a positive small business climate. Creating a more comprehensive, step-by-step guide for small businesses – along the lines of Athens' Small Business Guide document and Charlottesville's Interactive Guide CD – might streamline the start-up process for entrepreneurs. Moreover, providing low-interest loans – as in Athens' Growth Fund, Auburn's Revolving Loan Fund, and Charlottesville's Microloan Program – may help businesses overcome initial financial hurdles. Finally, collecting and publishing comprehensive data, including available properties and new business openings, may assist prospective business owners in identifying current market gaps and opportunities.

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[27] (Office of Economic Development, 2009)
[28] (City of Charlottesville, 2010)
[29] This program is administered by the FOCUS Women's Resource Center.

VIII. RECOMMENDATIONS

The business leaders who participated in the interviews for this study provided valuable insights with which the Town can modify and improve its business development strategies. The "positive" components they identified may be used in Economic Development marketing publications to recruit new businesses to Chapel Hill, whereas the "negative" aspects should be used to inform policy decisions and corresponding actions throughout the departments of Town government. In addition, examples of economic development strategies in other southeastern cities mirrored several of the business leaders' suggestions.

The following areas present opportunities for the Town to promote small business development:

- Development Review Process

  o Before engaging in the small business study, Town staff acknowledged that they had already been working for 18 months to improve the Town's development review process, and that the results of the small business survey might corroborate the need for these improvements. Therefore, for the purposes of this report, recommendations regarding the development review process are limited to suggesting that the Town complete its current analysis and enact changes that clearly outline and streamline the process, with an option to label small commercial projects for a separate, expedited review process.

- Sign Ordinance

  o The Town should modify its sign ordinance and accompanying staff procedures to ensure consistent application in similarly-zoned areas. Moreover, the Town should consider revising the ordinance to ensure more parity for businesses located in different areas of town (e.g., downtown vs. suburban shopping centers).

- Parking

  o The Town should implement a better wayfinding/signage program downtown to direct prospective customers not only to parking facilities, but to areas of commercial interest. For example, West Franklin Street could be labeled and marketed as the Restaurant District, and parking signs would direct patrons to similarly-labeled parking areas nearby.

  o When allocating parking allotments for a given site, the Town should factor in the availability of nearby transportation routes, as well as the current use of the site (e.g., wine shop; art gallery; facility for persons with disabilities).

- Rent Levels for Downtown Businesses

  o To create a win-win situation for downtown landlords and lessees, The Town should encourage landlords to negotiate "percentage rents" with lessees. This payment structure stipulates that, on top of a fixed annual minimum rent, the landlord receives a percentage of the lessees' annual sales (Rees, 1997). This strategy provides a financial incentive for the landlord to encourage the lessee's business success (e.g., by not charging a prohibitively high base rent).

- As another strategy, a non-government entity such as the Chamber of Commerce or Downtown Partnership could purchase a building to provide low-rent space for start-up companies. The Town might consider applying grant allocations to such a private-sector endeavor. The Midway Business Center (EmPOWERment, Inc.) provides incubator space for a niche group (focusing on women- and minority-owned businesses in Chapel Hill and Carrboro), and therefore a second incubator space might focus on serving a broader audience or targeting a different segment of the economy.

- Staff Support/Guidance for New Small Businesses

  - Since the Economic Development Department currently consists of one staff member who cannot provide one-on-one coordination for every new business, the Town should respond to requests for step-by-step instruction by producing a "decision-tree" for prospective business owners.[30] This downloadable flowchart could be posted in a "Small Business Starter Kit" on the Economic Development Web site, and would be used to guide businesses through the maze of requirements.

    - For example, the chart could include the question "Are you changing the floor plan?" and, if the answer is "No," an arrow would lead the prospective owner to the next step, "Schedule Inspection with Fire and Inspection Departments; pay $65 fee." If the answer is "Yes," the owner would be directed to a different step: "Apply for a Building Permit." Each answer would direct the owner to the appropriate next step, until all necessary steps are complete and the business is ready to open.

    - The flowchart might also illustrate "intervention points," where business owners would likely benefit from Economic Development staff help.

- Communicate Ongoing Progress/Results

  - Although the Economic Development Director currently provides annual updates to the Town Manager, including metrics such as the number of development inquiries received, the Town must collect baseline data in order to measure increases, decreases, and locational trends in small business development. This may require the creation of a part-time or contract Economic Development position to perform a baseline inventory of businesses operating within the Town limits. Sources of information may include the registry of privilege licenses, along with phone calls to confirm the operating status and contact information for each business.

  - The Town, together with the Chamber and the Downtown Partnership, may wish to conduct a study to determine where the majority of inquiries about new businesses are being directed. These inquiries should be funneled into one database for tracking and for delegation of appropriate and timely responses.

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[30] Currently, there are two lists of steps available: one, provided by the Town, is embedded in the "Businesses" tab of the Inspections Web site (Town of Chapel Hill); the other, provided by the Downtown Partnership, can be downloaded from the Partnership's "Development" Web page. While these lists of sequential steps may prove helpful, neither one walks the user through a complete set of actions required to open a business.

o The Town should provide regular policy, programmatic, and development updates to businesses – using multiple formats (including meetings and written or Web site updates) to ensure that information is received by small business owners.

o The Town should post regular updates on its Economic Development Web site to announce new business openings.

o The Town should provide a searchable database of sites and properties that are currently available for business development.

The Town of Chapel Hill is currently engaged in several efforts that will directly or indirectly affect the local business climate. For example, in April 2010 the Town released its recently completed Office Market Study (Strategy 5 LLC, 2010). Together with existing information from the Retail Market Analysis (Claritas, 2009), the office market study will provide a more complete picture of the overall commercial market – and potential property tax base – in Chapel Hill. Moreover, upcoming developments, from 140 West Franklin to Greenbridge, will expand the existing quantity of available square footage, as well as the class and size of available space. As the Town begins to draft its Development Framework and Action Plan Document,[31] it must consider the effects of its changing built environment on Chapel Hill's economic landscape – particularly for its small business community.

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[31] Together with the Downtown Partnership, the Town has hired consultants to create a "Development Framework and Action Plan Document to guide the Town and the development community five to eight years into the future." The main purpose of the document will be "to identify strategic properties in downtown, suggest potential uses for the property and, with the approval of current or future owners, present a means to achieve the jointly developed plan for these strategic parcels" (Town of Chapel Hill, 2010).

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LIST OF INTERVIEWEES

Thank you to the local business leaders who provided generous time and insight for this study:

A Better Image Printing
Steve Minta, Owner and General Manager

A Southern Season
Briggs Wesche, General Manager

Artichoke Basil
Errol Jenghis, Owner

Bill Hester Fine Art
Bill Hester, Owner

Carmine's
John Runge, Owner

Chapel Hill Tire Car Care Center
Marc Pons, President

The Crunkleton
Gary Crunkleton, Member/Manager/Bartender

Cypress on the Hill
Trey Delamar, Chef de Cuisine

FGI Research
Ted Calhoun, Director of Phone Operations and Senior Project Manager

Great Outdoor Provision Company
Ann Stuntz, Manager
David Falkowski, Assistant Store Manager, Marketing Manager, Fly Fishing Manager

The James River Group, Inc.
Caper Lauver, Vice President

The Ron Strom Company
Ron Strom, President

The Sheraton
Nitin Khanna, General Manager

Somerhill Gallery
Joseph Rowand, President/Owner

Subway, Southern Village
Abdul Almasri, Manager

3 Cups
Lex Alexander, Owner

Toots and Magoo
Cheryl Wicker, Partner and Art Director
Grey Gibson, Manager