

The Economics of Chapel Hill



“Economy is the method by which we prepare today to afford the improvements of tomorrow”

Calvin Coolidge, 30th American President

AGENDA

- Present information used in the economic development planning process.
- Present Strategy, Goal Statements and objectives and gain input.
- Document input gained to present back to the full committee.
- Present final plan to Town Council.
- Places for general thoughts and questions...



Economic development is the development of economic wealth of communities for the well-being of their inhabitants. Economic development is a sustainable increase in living standards that implies increased per capita income, better education and health.



**Economic Development
Traditional and Contemporary Approaches**

	Traditional (Basic) Approach	Contemporary (Added Value) Approach
Objectives	Attract jobs and assessment	High quality jobs Globally-competitive, high value-added companies
Nature of Competition	Lowest cost for standard mass produced product	Flexibility, responsiveness, innovation, customization
Competitors	Regional, national	Continental, global
Competitive Assets	Low cost land Low wage labour Buildings Energy, Hard infrastructure	Skilled labour force Regional institutions Quality of life Research & Development Technology Access to capital Global connectivity
Business models	Single, large integrated factory/office, regional scope	Networks, clusters, strategic alliances, global mandate
Economic Development Strategies	Business retention and attraction	Build specialized economic foundations Move up the value chain Comprehensive economic strategy
Actions	Tax incentives, marketing	Skills development Innovation Entrepreneurship Supportive business climate Partnership

TORONTO ECONOMIC DEVELOPMENT STRATEGY - JULY 2000



Council Committee on Economic Development

Council Members

- Mark Kleinschmidt
- Bill Strom
- Ed Harrison
- Jim Ward

Staff

- Roger Stancil, Town Manager
- Dwight Bassett, Economic Development Officer

Economic Development in Chapel Hill

It is understood that Economic Development in Chapel Hill includes three components:

1. Downtown – Downtown Partnership
2. Tourism – Chapel Hill/Orange County CVB
3. Other – Economic Development Officer



Economic Development in Chapel Hill

Council Committee on Economic Development discussed current demographics for Chapel Hill. These will become benchmarks for us to determine our successes long-term.

Economic Development Planning information can be found at:

www.townofchapelhill.org/economic_development

General Observations about market conditions

1. Chapel Hill, based on planning projections, could add an additional 30,000 residents over the next 20+ years.
2. We have a strong Creative Class population, and must work to retain/grow this market.
3. Building permits have shifted from residential to non-residential.
4. There are 23,000 commuters into Orange County and 25,000 commuting out-of-Orange County daily.
5. There are just over 23,000 people employed by UNC (includes hospital) and local governments in Orange County.
6. There are just over 32,000 private jobs in Orange County. (Orange County workforce approximately 68,000, Chapel Hill approximately 27,000)
7. Personal Income in Orange County has out-paced North Carolina and the US.
8. There is approximately 1.6 million square feet of office space in Chapel Hill and we had a negative net absorption in 2007.
9. We are less dense than comparable cities like Charlottesville, VA and Ann Arbor, MI. (2500 PSM vs 4000 PSM, population)
10. Our housing costs are 75% above the national average, our overall cost of living is approximately 27% above the national average.
11. Our retail base has diminished due to out-shopping, we need to evaluate our weaknesses and determine how to add to our retail base.

Council Committee on Economic Development

The proposed Economic Development Strategy was developed by using language from the Comprehensive Plan, and minutes from the Council Study Committee on creating an Economic Development Officer position.

We also evaluated market demographics to see if there were any significant trends occurring.

The Goal Statements are intended to speak of the future conditions of Chapel Hill.



Economic Development Officer Study Committee Spring 2006

There were a number of individuals and groups that met with the Council Committee.

Some community participants included:

Mary Mewkill, Smith Breeden Associates; John R. Mays, American Fiber and Yarns Co.; Mary Helms, Rho, Inc.; Stephen Minta, A Better Image Printing; Phil Szostak, Architect and Johnny Morris, Morris Commercial, Aaron Nelson and Jason Jolley, Chapel Hill-Carrboro Chamber of Commerce; Frank Thompson, Homebuilders of Durham, Orange and Chatham Counties; Ade MacGregor, MacGregor and Co. Realty. and Diane Reid, Orange Co. Economic Development.

Discussion of existing comments and goals

The Economic Development Officer study Committee recommends emphasis on the following key goals for the position:

- Implement the Economy and Employment goal of the 2000 Comprehensive Plan to “increase employment opportunities for residents and satisfy local demand for commercial and retail services.”
- Perform a welcoming function, including information and assistance with the expansion and retention of businesses in Chapel Hill.
- Communicate Town policy and Council expectations to businesses; assist businesses with understanding the processes of Town government.
- Focus on the professional analysis of small areas along major corridors for redevelopment or development in Chapel Hill, in accordance with the Town’s Comprehensive Plan goals. Coordinate such an effort with the review of the Town’s Comprehensive Plan now underway.
- Undertake actions in the context of Chapel Hill’s Comprehensive Plan goals to achieve a mix of uses with affordable housing in a transit-friendly community, developed in a manner which protects the environment, applies green and sustainable development principles, and exhibits social awareness.
- Understand and be sensitive to the dynamics of the marketplace.
- Value corporate citizens who contribute to community and help maintain the character and vitality of Chapel Hill.
- Pursue grant funding for economic development opportunities.
- The Committee recommends that approximately 25% of the position’s time be spent on the welcoming/communication functions in Goals 2, 3, and 7; and that the remainder of the position’s time be focused on redevelopment/small area planning and related other goals.



Discussion of Economic Goals

Goals: (Primarily from the Comprehensive Plan)

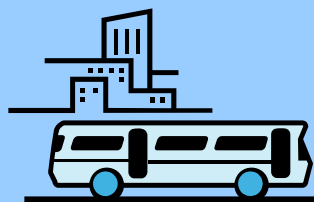
- Increase employment opportunities for residents and satisfy local demand for commercial and retail services.
- Develop and maintain commercial uses that are compatible with the character and scale of Chapel Hill.
- Develop and maintain the downtown as a pedestrian-oriented focal point for the community's commercial and retail needs.
- Designate appropriate locations for new non-residential development.
- Define desirable types of non-residential development.
- Consider proactive approaches to attracting new development.
- Encourage small business development.
- Support the incubation and growth of entrepreneurial/start-up businesses.
- Retain existing businesses.
- Encourage new non-residential development in mixed-use settings. New development should be planned and developed to support transit.
- University-Related Business Development.
- Establishing a relationship with the University to retain graduating students for employment/entrepreneurial opportunities.
- Work with UNC to identify opportunities for private entrepreneurial activity related to University research.
- Strengthen design standards to ensure that new non-residential development is compatible with existing development and is transit-oriented.
- Develop and implement a proactive strategy to encourage and retain non-residential development, including small businesses.
- Work with developers to understand the Town's development process.
- Work with property owners/developers to evaluate the opportunity to create mixed-use redevelopment projects with affordable housing, transit-friendly environments and green building standards.
- Pursuing grant funding to support economic development activities as may be available.

Council Committee on Economic Development

The previous goals were primarily from the Comprehensive Plan adopted in 2000. The process for creating the Comprehensive Plan lasted over a year and included participation by hundreds of citizens.



Economic Development Strategy (as proposed)



"The Town of Chapel Hill will work innovatively and proactively to diversify local economic opportunities by retaining and supporting existing jobs, and attracting new desirable jobs in locations convenient to transit and housing. Our goal is to build a more sustainable economy for the 21st century by creating a healthy balance among employment, housing and commercial development. In all of our development efforts, the Town of Chapel Hill places importance on the built & natural environment, community character, transit orientation, social equity and quality of life for its citizens."



Goal Statements

----- Not necessarily in order of priority. -----

1. Chapel Hill will be a transit-oriented community with mixed-use developments occupied by suitable businesses. (TRANSIT/MIXED-USE DEVELOPMENT)
2. Chapel Hill is a community focused on creating a welcoming environment for green and ecologically sound businesses and developments. (GREEN BUILDING)
3. Chapel Hill as a community works to develop educational and employment opportunities to support its citizens' needs and to eliminate the necessity to commute outside our boundaries. (EDUCATION/EMPLOYMENT)
4. Chapel Hill supports a town and gown relationship by hosting an open and collaborative relationship with the University. (TOWN AND GOWN)
5. Chapel Hill is a community with a large concentration of locally oriented and/or owned businesses. (LOCAL BUSINESS)
6. Chapel Hill is a warm and welcoming community that embraces diversity and strong social consciousness. (DIVERSITY/SOCIAL CONSCIOUSNESS)

Council Committee on Economic Development

The Committee spent two meetings defining priorities and goals for each of the Objective Statements.

Council Priorities

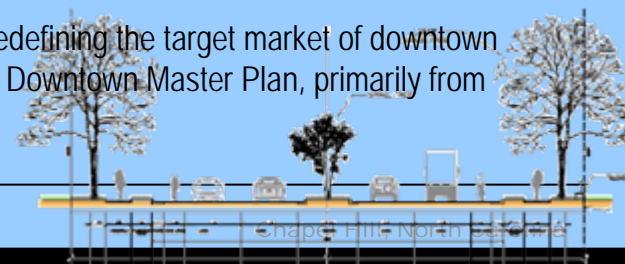
- **Priorities:** By setting these economic development priorities, the Town Council gives direction to the Town Manager and staff. The Town Manager will develop a work plan to accompany this strategy, which will assign leadership and timeframe to each priority. We will report periodically to Council on progress and provide opportunity for modifying the priorities based on current conditions.
1. Develop projects and investment to be able to show Council a return on investment in economic development.
 2. Work with the Planning Department to refine the PUD process and for Council action.
 3. Work on small area planning and initiate new processes.
 4. To establish Economic Development office as a functioning element of government
 5. Establish one non-downtown redevelopment project.
 6. Identify a downtown mixed-use project and create planning initiative.
 7. Facilitate a discussion and a study on how to retain and grow local oriented and owned businesses.
 8. Create a strong web presence for Economic Development.
 9. Initiate publicity and marketing programs for economic development initiatives.
 10. Explore creating a Real Estate Investment Trust (REIT) to invest in downtown Chapel Hill. (Utilize a downtown planning initiative as a kick-off and focus for development opportunities.)



Objective Goals

I. Chapel Hill is a transit-oriented community with mixed-use developments occupied by suitable businesses. (TRANSIT/MIXED-USE DEVELOPMENT)

- Work on the creation of Transit Oriented Development (TOD) zoning district to encourage development in transit oriented environments. Work with Council to define the ingredients of TOD as a part of the development of the TOD zoning district,
- Create a modified process for small area and focused area planning. Utilize redevelopment charette process with neighborhood groups to help in defining community vision and future objectives. (To create plans for redevelopment, retail recruitment and job creation)
- Work with the Planning Department to reduce the minimum size for PUDs.
- Define what types of suitable businesses we desire to recruit for new and redevelopment initiatives in shopping centers and downtown. (New and small business development)
- Oversee a retail analysis (through RFP process and a private company) to determine market potential and capacities. Identify outflow and weaknesses in the market to use in recruiting businesses for new/redevelopment projects and to help support existing businesses. This could also be useful in rezoning cases to determine if there is demand for the property in a retail/business capacity. (Business Development)
- Develop a working relationship with property owners in the Northern Area to encourage development of the Northern Area Master Plan. (Business growth, retail development and population expansion)
- Work with existing shopping center owners to encourage redevelopment into mixed-use centers to support Transit. (Retail and job development and mixed-use with housing)
- Work with developers and property owners to define areas where new non-residential developments might locate to support transit. (Growth of businesses and housing)
- Evaluate opportunities for additional downtown redevelopment projects that would assist in redefining the target market of downtown to support more of our resident population. Work toward the development of an updated/new Downtown Master Plan, primarily from the land use perspective. (To define redevelopment opportunities.)

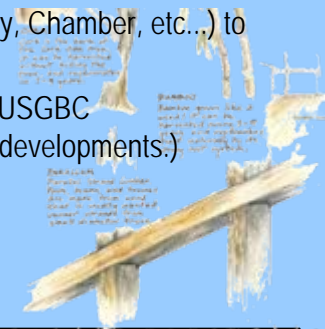




Objective Goals

II. Chapel Hill is a community focused on creating a welcoming environment for green and ecologically sound businesses and developments. (GREEN BUILDING)

- Lead by example with Town of Chapel Hill properties in working toward creating a greener and more sustainable community. (To set the standard for energy efficiency. SEE II.7)
- Work toward the adoption of the storm-water utility Master Plan. (To preserve and enhance our long-term water quality.)
- Develop a local ordinance in conjunction with Planning that utilizes enabling legislation regarding reduction of energy consumption. (Session Law 2007-241 - Authorizes the Town along with four other municipalities to provide density bonuses and other development regulatory incentives to developers who agree to include energy consumption reduction in design and construction of their projects.) (Incentive for green development)
- Work to develop a pay-in-lieu fee to support transit as appropriate for new and redevelopment projects. (To maintain a transit system that can meet our future needs.)
- Research top 10 Ten Green Cities and find programs/goals that may apply to help a community become more sustainable. (To find appropriate goals and actions which Chapel Hill might adopt.)
- Work with the Town's Communication and Public Affairs department to offer learning opportunities for becoming a greener community. (To help educate citizens about green opportunities in their community.)
- Define all of the steps being taken by the Town of Chapel Hill to reduce our carbon footprint. (To have a comprehensive listing of the Town's efforts toward being a greener government.)
- Work with developers and other businesses (public utilities, suppliers, Carrboro, OWASA, Downtown Partnership, University, Chamber, etc...) to encourage higher levels of green buildings. (To encourage green development.)
- Consider offering guidelines to enhance projects and development toward cutting-edge green development. (Eco-Density, USGBC Neighborhood Pilot Projects, etc...) (To guide projects toward new techniques and products in creating green projects and developments.)
- Work to create Green collar jobs and business opportunities. (To add to more green jobs to our employment base.)





Objective Goals

III. Chapel Hill as a community works to develop educational and employment opportunities to support its citizens' needs and to eliminate the necessity to commute outside our boundaries. (EMPLOYMENT)

- Communicate future job opportunities and needs to UNC, Orange campus of Durham Tech and local school system. (Vocational training, job development and training) (To encourage training for jobs.)
- Work with local institutions to offer training for green businesses and building green developments. (green collar) (To encourage green development and businesses.)
- Seek grants to train individuals about green development. (JTPA type program) (To encourage green jobs.)
- Work with local institutions to offer employment specific training to support companies and jobs that we might target. (Employment)
- Develop an existing database of existing office space throughout Chapel Hill. (To track changes and growth in the office market.)
- Establish a "Creative Class" working group of local professionals to help define needs for attracting more knowledge workers to Chapel Hill, involve students and professors from UNC. (To encourage the growth of the creative sectors like technology and research and to identify weaknesses in attracting knowledge companies to Chapel Hill.)
- Encourage developers to consider "speculative" and diverse office space to assist in recruitment/retention efforts and to expand the private job market in Chapel Hill. (To expand our office market, and create additional jobs to begin to reduce commuting patterns.)



Objective Goals

IV. Chapel Hill supports a town and gown relationship by hosting an open and collaborative relationship with the University. (TOWN AND GOWN)

- Discuss University properties that may be available for redevelopment. (To evaluate additional redevelopment opportunities)
- Define and work on fiscal issues as they relate to impact on the community. (To maintain a strong Town government to support its citizens needs.)
- Invest in Chapel Hill Transit Master Plan recommendations. (To provide a strong Transit system to support Chapel Hill and UNC growth.)
- Work with the Carolina North plan and property development. (To encourage appropriate development for UNC in the Carolina North area.)
- Establish working relationships with UNC leadership to collaborate on issues such as economic development and campus growth. (To create unique economic development opportunities for the Town and UNC.)
- Develop an Innovation Team as a think-tank for new ideas for economic development. (To discover forward-looking opportunities in economic development.)





Objective Goals

V. Chapel Hill is a community with a large concentration of locally oriented and/or owned businesses. (LOCAL BUSINESS)

- Create strategies to support existing and new businesses. (grants and other assistance)
- Initiate a study/white paper in conjunction with the UNC/Small Business and Technology Development Center/Downtown Partnership and Chamber of Commerce to understand barriers for new and existing business development in Chapel Hill. (To better understand the Chapel Hill market and barriers that might impede business development.)
- Develop incentives to assist in small business development. Consider marketing grants to assist local "centers" like Meadowmont and Southern Village in retail growth (To stimulate Sales Tax Base.)
- Work to develop stronger connections between centers of activity, shopping and neighborhoods. (Pedestrian, bicycle and Transit)
- Work with the Downtown Partnership to develop a database of downtown properties to determine uses by square foot. (To determine use by types, actual vacancy and to use in projecting sectors that need to grow.)
- Work with the Downtown Partnership to evaluate opportunities for creative retail development opportunities. (Initiate as an ingredient of downtown planning process.) (To help redefine the downtown as a resident versus student market.)



Objective Goals

VI. Chapel Hill is a warm and welcoming community that embraces diversity and strong social consciousness. (DIVERSITY/SOCIAL CONSCIOUSNESS)

- Continue Chapel Hill's immigration policy. (policing, etc...) (To continue our welcoming environment.)
- Develop programming for communication and marketing of Chapel Hill to citizens, regional partners and national media sources. (To promote Chapel Hill as a welcoming community.)
- Continuing our strong affordable and diverse housing policy. (To continue to provide affordable housing for lower-income and workforce employees.)
- Maintain and publicize our fare-free transit policy. (To continue to encourage use of our Transit system.)
- Monitor incomes, housing, and jobs levels to encourage balance and maintain a diverse community. (To maintain a balanced and diverse community.)
- Attend community and regional events that offer opportunities for networking with developers and property owners. (To encourage appropriate development that supports our community.)
- Encourage new businesses that share our community values for diversity. (Corporate citizenship values)



Other Questions or concerns?

Next Steps

- Council Committee to consider information provided as a part of public input.
- Present final draft of plan to Town Council for consideration.

Cities and metropolitan regions need to embrace the qualities (complexity, density, diversity) that make cities unique.

Bruce Katz, Brookings Institute

