



THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL
Office of the Chancellor

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Chancellor

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Mayor Kevin Foy
Town of Chapel Hill
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(Also via FAX: 967-8406)

Dear Kevin:

I am pleased to forward to you a summary of the steps the University has already initiated, along with others that we are prepared to take, to assist in the revitalization of Franklin Street and other nearby downtown business areas. I know that the Town Council plans a special workshop on October 8 to discuss this subject, including the possibility of the formation of a new entity that will assume formal responsibility to lead these efforts. To assist the Council in its deliberations and subsequent community discussions, we wanted to provide this summary of ways that we envision a much fuller partnership with community leaders.

The University has a major stake in the success of downtown Chapel Hill, and I pledge our willingness to assist in all of the ways described in this summary. The establishment of the proposed formal entity to oversee redevelopment is a major step toward sustained attention and better teamwork for downtown redevelopment, and we welcome and support this move. Vice Chancellor Nancy Suttenfield stands ready to facilitate the initiation of the actions outlined here, and any others that are appropriate, so that the University's resources can be focused on meaningful and effective assistance to such an entity.

I look forward to our continued work together on this important endeavor.

Very sincerely,

James Moeser

JM:bl
Enclosure

cc: Cal Horton
Charles House
Aaron Nelson
Nancy Suttenfield
Richard Williams

Moeser/foy092503

THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL
COMMITMENT TO
ECONOMIC REVITALIZATION AND DOWNTOWN REDEVELOPMENT

INTRODUCTION

The history, success, attraction, charm, and vitality of Franklin Street, surrounding areas of downtown Chapel Hill, and the University of North Carolina at Chapel Hill have been inextricably linked and inter-dependent since the University's founding in 1789. Downtown Chapel Hill is the center of our community's home; Franklin Street is the University's front door. Downtown Chapel Hill has been and will always be a special place to faculty, staff, students, alumni, parents, and other visitors to the University, and it is treasured by all who call Chapel Hill their home.

Although downtown Chapel Hill remains a very special place and evokes strong feelings of nostalgia, it also presents numerous opportunities to heighten its vibrancy, enhance its charm and attraction as a destination, and strengthen the local economy. The University recognizes that it has a critical role in the health and vitality of downtown. Its leaders look forward to working jointly with the Town of Chapel Hill, local merchants and business leaders, and property owners in concrete ways to identify and execute strategies to invigorate the local economy, bring a renaissance to Franklin Street and nearby downtown retail/commercial districts, and create new housing opportunities.

The creation of a formal entity to coordinate and oversee economic revitalization and downtown redevelopment will facilitate more effective partnerships, create momentum, and provide accountability to all stakeholders.

The University is prepared to assemble, mobilize, and focus its unique knowledge resources to partner with this yet-to-be-formed oversight entity. Where appropriate, the University is also prepared to serve as an investor in projects that add value and/or bring shared benefits to the University and our community. Following are examples of areas in which the University has demonstrated its commitment to downtown Chapel Hill and is prepared to do more to assist a redevelopment entity.

REVITALIZATION OF DOWNTOWN RETAIL

- The University is proud that discussions of revitalization began in earnest when it stepped forward to make the first funding commitment for an independent study of Franklin Street and helped the Downtown Commission to recruit a consultant, University Retail Group (URG) of Baltimore, Maryland, to do the study. The consultant examined local market demographics, the current retail and business environment on Franklin Street, and recent developments of competing retail in our area. URG offered an exciting vision and potential strategies for a more vibrant and complementary mix of downtown retail activities that could compete effectively in the local market.

- Consistent with URG’s recommendations and vision, the University has taken several initial steps. It has undertaken a review of its holdings on Franklin and Rosemary streets with the objectives of evaluating all properties for their best use as part of the downtown commercial mix, making necessary physical improvements, relocating its downtown administrative units to free up space for additional street level retail and “upstairs residential” use, and recruiting appropriate retail occupants to its vacant storefronts. The University is also analyzing the appropriateness of its Franklin Street lease rates relative to present market conditions in Chapel Hill and the vision proposed in the URG study. The University has turned away potential lessees whose business mission is inconsistent with the Franklin Street vision and is pursuing other more suitable retail tenants. These decisions to turn away lessees represent both foregone revenue and a “down payment” toward the vision articulated by URG.
- The University has a vast network of alumni, whose fond memories of campus life include nostalgic recollections of downtown Chapel Hill. The **Kenan–Flagler School of Business** is willing to take the lead in enlisting the interest of its alumni, along with the broader University alumni community, in investing in or locating their own businesses in our community, if consistent with the downtown vision. Similar opportunities could be pursued through parents who may own and operate successful retail or business enterprises.

- The University, as a major property owner, is and will remain an active participant on the Downtown Commission. The University eagerly awaits the establishment of an entity that will assume formal responsibility to coordinate with all stakeholders and guide downtown redevelopment. The University will support the entity and participate actively, with both financial resources and time.

ACCESS TO CAPITAL

- Certain downtown properties might not be attractive to outside investors, but they are potentially attractive investment opportunities for the UNC Investment Fund. Such properties could offer returns comparable or superior to alternative investment choices, yet also contribute importantly to shared community and University goals. The University is prepared to make selective investments to acquire and/or develop idle or underutilized downtown properties. The **UNC Management Company**, whose plans include the formation of a subsidiary for direct real estate investment and management of company-owned properties that serve University interests, would serve as the investor. The University believes that it is possible to work within the separate corporate framework of such a subsidiary to allow properties to remain in the Town's property tax base, and the University would make such investments with preservation of the local tax base in mind.

KNOWLEDGE RESOURCES

The leadership of the University and its faculty talent are delighted about the prospects for working collaboratively through a new entity whose sole purpose is to bring about significant and rapid redevelopment. The University offers its considerable knowledge resources as a means both to “jump start” a review of redevelopment opportunities as well as obstacles, and to contribute to informed planning, management, and strategies for economic redevelopment and individual projects. The University has a number of highly-respected faculty who are eager to contribute substantively to policy and strategy deliberations. Their contributions could result in a sense of urgency and a clearly defined set of positive steps toward the changes that our community and the University both want to see happen. In particular, resources from the following campus units can all be mobilized promptly and focused to work with a new entity on the following core issues:

- **BUSINESS PLANNING FOR A SUSTAINABLE COMMUNITY:** Based upon work they are now doing with the Council on a Sustainable Community that the Chamber of Commerce recently launched, faculty from the **Kenan-Flagler School of Business**, including the **Kenan Institute of Private Enterprise**, will contribute to discussions and solid understandings about the prerequisites for sustainable communities. The School is also prepared to dedicate staff for an initial period to a collaborative effort with community leaders to draft a master plan for Chapel Hill’s central business district. Upon completion of this master plan, the Kenan-

Flagler School of Business will also assist in the creation of formal business plans for both the new entity that would be charged with implementing the master plan and related redevelopment strategies or projects. The School can also contribute importantly to policy deliberations that will lead to a more nurturing and encouraging environment for local entrepreneurs interested in launching new businesses in downtown Chapel Hill.

- **CREATION OF THE “REDEVELOPMENT ENTITY”:** There is broad agreement that one entity or individual should be made responsible for leading and coordinating downtown redevelopment. Joint planning and oversight of redevelopment must also involve and achieve consensus among all key stakeholders – property owners, merchants, the Town, the University – on a sustained basis to maximize the potential for success. Faculty from the **School of Government** have assisted many N.C. municipalities with various organizational and management challenges. The School’s faculty could generate and analyze possible management models for informed discussion and decision by stakeholders. These faculty could then assist in taking the concept of an economic development entity to the creation of a charter, an identity, and an outline of the processes for how such an authority would function.
- **DOWNTOWN HOUSING:** Many stakeholders have suggested that increased housing near the central business district will be essential to revitalization of the downtown. This is an area in which faculty in the

Department of City and Regional Planning and the Department of Public Policy in the College of Arts and Sciences have ready access to information about contemporary policies, mechanisms, and incentives for effective land use planning, redevelopment, and community housing. Both departments are eager to assist in formulating strategies and creating action plans that will quickly lead to downtown residential development.

- The University also shares an interest with the Town in the creation of affordable housing and for the past year has been actively pursuing various strategies to increase the number of faculty and staff who can afford to live in Chapel Hill. Enhanced access to affordable employee housing will contribute importantly to the overall revitalization of the downtown. A senior University representative co-chairs the Council on Workforce Housing that the Chamber of Commerce created. The University/Town partnership for fare-free transit also has been an enormously successful initiative, and now almost every home in Chapel Hill is within a quarter mile of a bus line. Free transit access offers the opportunity to increase the purchasing power of potential homebuyers enough to enable them to reside in Chapel Hill (e.g., more liberal mortgage loan eligibility via Smart Commute[®] mortgages). The University has recently initiated discussions with the Town staff and local bankers to bring this mortgage program to Chapel Hill and Carrboro. The University continues to explore many other mechanisms for affordable housing for

its employees that could be linked with a formal downtown redevelopment effort.

INTEGRATION OF UNIVERSITY PROGRAMS WITH DOWNTOWN PLANS

- Campus leaders and faculty involved in planning for the University's **Arts Common** are eager to identify complementary retail and business development opportunities that could be attracted to downtown. The Arts Common will transform the relationship of campus to Franklin Street, and indeed to the Town of Chapel Hill. The addition of several new performance venues, ranging from intimate black box theaters to the 1,400-seat Memorial Hall, will attract thousands of visitors to downtown. With the creation of a 300-car underground parking garage near the intersection of Columbia and Franklin Streets, to be dedicated exclusively to visitor parking, downtown will become a more accessible destination.

The Arts Common will provide easier pedestrian access to and from Franklin Street. A new piazza, located between a renovated Hill Hall and a new addition to the Ackland Art Museum, will draw visitors through Porthole Alley. The Arts Common is one of the University's most exciting campus development projects, and it offers the opportunity to boost downtown activity and retail sales both in the evening and on weekends.

- The renovation and expansion of the **Morehead Planetarium** also presents a major opportunity for the University to contribute to the revitalization



of downtown Chapel Hill. Plans for a richer mix of adult and family-oriented science programming, along with interesting and educational areas where visitors will linger before and after Planetarium programs, are expected to triple the number of visitors to 300,000 annually. The Planetarium is already a huge attraction for groups of school children, but with additional programs like *Star of Bethlehem*, there is the potential to draw a significantly larger adult population and create substantial spillover economic benefits for the downtown business area. For example, during the three-week period that *Star of Bethlehem* ran, visitor surveys indicated that half of visitors bought meals on Franklin Street. Clearly, joint planning and marketing by the Morehead Planetarium's staff and the downtown businesses are areas ripe for mutually beneficial outcomes.

- Similarly, there are many potential opportunities around the athletic program for joint planning that benefit the University, the community, and the local economy. The **Department of Athletics** is anxious to collaborate on ways to integrate athletic events (other than celebrating wins on Franklin Street!) into a formal planning process for complementary downtown retail and business development. The Department of Athletics is enthusiastic about the prospects for enhancing both the fan experience and the overall vitality and economic success of downtown Chapel Hill.

HISTORIC PRESERVATION OF THE CENTRAL BUSINESS DISTRICT AND NEARBY NEIGHBORHOODS

- The ultimate success of downtown redevelopment depends on the care and respect given to the overall history and charm that has defined Chapel Hill's character for two centuries. The University's new **Campus Historic Preservation Manager** makes a valuable contribution to the University by advising on repairs and renovations to our historic buildings, including those on Franklin Street, and our historic outdoor spaces. The University will make the Campus Historic Preservation Manager available to assist in developing architectural standards to maintain the historic character of the business district and advise on safeguards to preserve adjacent historic residential neighborhoods. With his knowledge about Main Street and other National Trust and State Historic Preservation Office programs, he can also assist in securing external grant resources for the revitalization effort.

CAROLINA NORTH AND THE FUTURE OF DOWNTOWN

- The University does not want future development at Carolina North to be the cause of any deterioration of the downtown business district. The downtown business district is the "bridge" that will link the main campus to Carolina North, and the University is committed to downtown Chapel Hill remaining the "heart" of our community. All development at Carolina

North will be planned to assure that the momentum of the downtown renaissance is not interrupted by the University's future development plans; to be quite specific, only small scale, convenience-oriented retail will be located at Carolina North. The University intends to rely extensively upon transit linkages to Carolina North, and this will serve to deepen the market for new retail and business enterprises that might be attracted to downtown Chapel Hill.

CONCLUSION

In summary, the University has already begun, in a deliberate way, to integrate downtown redevelopment considerations into its own planning and business strategies. However, there are many opportunities at hand for fruitful collaborations that will enhance the quality of life in our community, our local economy, and our future prospects. A yet-to-be-formed entity that will serve as a focal point for the interests of the Town, local property owners, current and future businesses, and the University is urgently needed for sustained leadership and more effective collaborations. Such an entity will be welcomed and supported by the University. The University is ready and willing to forge new partnerships that will advance our entire community to higher levels of success through the above means and potentially others that will emerge as we move forward.