

Downtown Carrboro Market Analysis

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Executive summary

The town of Carrboro, North Carolina, is considering the future course of its downtown. To inform its deliberations, the town asked the Office of Economic Development at the University of North Carolina at Chapel Hill to address four issues related to the economic vitality of downtown Carrboro. These are: the importance of information technology as an industrial focus in the downtown, the continued relevance of the 1983 Hammer Siler George study that recommended actions for downtown development, the fiscal impact of doubling the commercial square footage in the town, and the very choice of economic development strategies for the future.

Carrboro is a town of approximately 17,000 people in Orange county in central North Carolina. Orange county is one of the three original counties, along with Durham and Wake, in the Raleigh-Durham metropolitan statistical area, which now also includes Chatham, Franklin, and Johnston counties. Carrboro is closely tied, both economically and socially, to Chapel Hill and the University of North Carolina at Chapel Hill. The town has close institutional ties to Chapel Hill through the Chapel Hill-Carrboro school system and Chapel Hill Transit. Carrboro has its historical roots in manufacturing and agriculture, but the employment in the town long ago shifted primarily to services and retail. Many of Carrboro's residents are students, faculty, and staff of the university and commuters to other areas, such as Durham and the Research Triangle Park.

DOWNTOWN AS A LOCUS FOR INFORMATION TECHNOLOGY

Carrboro is situated in one of the largest high-tech economies in the United States. The Research Triangle was ranked fourth by the Progressive Policy Institute in its New Economy Index, which looks at several factors including high-tech jobs, degrees awarded in high-tech fields, and Internet domain names (Progressive Policy Institute, 2001). Carrboro's leaders want to know what they can do to encourage economic growth in the high-tech economy, including in information technology (IT).

We used several approaches to understand the location behavior of IT firms and local IT business needs: a review of current literature, interviews with local IT companies, and interviews with city officials and IT companies in other towns that otherwise are similar to Carrboro.

The quality of life of an area is very important to IT firms. Competition for a highly skilled and highly mobile workforce compels IT firms to locate in places that are desirable to their employees. Because they are in high demand and the life cycle of IT firms are short, IT workers tend to be in places with a high concentration of IT firms. The most important input for an IT business is the highly skilled people that develop ideas and products. The human capital of an area is more important to an IT firm than any financial incentive.

Carrboro has the quality of life that many IT companies seek. The downtown is compact and has many entertainment options. Carrboro is a small town void of most big city problems such as traffic gridlock and a high cost of living, yet it has a cosmopolitan feel. There is an acute shortage of office space in downtown Carrboro, however, and the relationships between IT firms and landlords in Carrboro are strained. Some landlords do not understand the special needs of IT

businesses. Interaction among IT firms in Carrboro and between IT firms and developers and UNC is limited. Some of the comparison towns have operated as a facilitator among these parties, with considerable success. Even if companies do not hire university graduates, the presence of a highly educated workforce is important to IT firms. Local IT firms say they plan either to hire UNC graduates or already have alumni on their staff.

As Carrboro attempts to double the commercial tax base over the next 20 years, it has to take steps today to ensure future growth is managed properly. The fiber optic line under Weaver Street needs to be marketed as an incentive for potential IT firms. Government in Carrboro should step into the role of facilitator, educator, and act as a clearinghouse of information. Carrboro is blessed with an excellent mix of amenities that gives it a high quality of life. Carrboro needs to sell this fact to potential IT firms. Finally, Carrboro needs to build more Class A office space downtown.

EXPANDING THE ENTERTAINMENT DISTRICT

The 1983 report completed by the consulting firm Hammer Siler George included several economic development strategies for Carrboro. One of its most prominent recommendations was to create an entertainment district in the area surrounding Carr Mill Mall with restaurants, bars, and specialty shopping. That was justified due to the shift in retail development from downtowns to suburbs and large malls. The report also recommended the town encourage downtown residential areas in order to support service-oriented businesses downtown. Both of these recommendations have been implemented in the town, and have been generally successful.

Our evaluation suggests that the entertainment district strategy should be continued, with some modifications. First, the area of emphasis should be expanded east, west, and south of Carr Mill Mall. Second, the East Main Street area should be improved to create a more seamless connection with Chapel Hill, and hopefully, induce more shoppers into Carrboro. Third, the retail strategy should broaden to include other retail targets, as well as consider local, regional, or national chains whose character fits with the town's goals. Fourth, the town should consider building a parking structure since much of the core area has a severe parking shortage which may get worse even without much additional development.

THE FISCAL IMPACT OF MORE COMMERCIAL SPACE

One of the primary goals of Carrboro's leaders is to develop a larger commercial tax base. In theory, a larger commercial tax base would relieve the tax burden on residential property in town. That may allow the town to maintain or expand services without increasing taxes. To determine whether doubling the commercial square footage in town was advisable, we hoped to conduct a fiscal impact analysis. The available data and resources did not permit our own primary analysis, so we reviewed and applied studies done for other communities. Those comparable evaluations suggest that commercial development would create a net fiscal gain for the town. It is likely that current residential development comes close to breaking even in a town the size of Carrboro, but will likely begin to create a net fiscal loss as the town grows.

CHOOSING AN ECONOMIC DEVELOPMENT STRATEGY FOR THE FUTURE

We describe eight scenarios of potential economic development and evaluate each against select criteria to determine their appropriateness for Carrboro. The eight scenarios are industrial development, high technology, warehousing and distribution, professional services, retail, arts, entertainment, and entrepreneurial development. We recommend that Carrboro continue to emphasize entertainment and professional services and focus additionally upon high technology. Additionally, we endorse the two scenarios of industrial development and entrepreneurial development with some reservations, since they can provide strong economic development if pursued with caution. Furthermore, we recommend that the arts continue to receive support and encouragement, but we do not believe that the arts represent a solid basis for economic development on their own.

The appropriate combination of these scenarios will allow flexibility as well as the diversification benefits of a portfolio of assets. The following table contains 22 proposals that Carrboro should consider when developing its omnibus economic development strategy. These recommendations are divided into categories. When Carrboro adopts these or other strategies, we recommend that specific goals are set, such as a job creation or tax revenue generation, and that the town specify methods and measures to be used to evaluate outcomes, such as by surveys of residents or business owners. Carrboro has a solid record of economic development and has a high potential for future enhancements with good planning and execution.

TABLE 1: Summary of Economic Development Elements for Carrboro

Recommendation	Possible Partners	Goals and Comments
Infrastructure requirements		
1. Build a parking structure or encourage the creation of a private parking structure	Local businesses, county, state, Carrboro	Provide adequate facilities to encourage economic growth
2. Develop methods of reducing traffic impacts	DOT, Chapel Hill Transit, businesses, Carrboro	Prevent congestion from interfering with downtown's opportunity to grow
Real estate development		
3. Produce a fast-track development process for individual tracts of land or zones	Local developers, DOT, town staff	Ease the perceived burden of developing in town
4. Recommend shared or reciprocal parking agreements for all developments downtown	Developers, land owners	Reduce the land area required for parking to maintain density of downtown

Recommendation	Possible Partners	Goals and Comments
5. Designate high priority development parcels	Land owners, developers, staff	Signal desired development to the town and potential investors
Business assistance		
6. Seek out additional capital for the revolving loan fund or set up an additional financial mechanism	Banks, others, staff	Provide the town with more financial ability to assist local businesses
7. Create a business incubator, possibly with an agreement with other landlords to transition the successful businesses into larger space	Property owners, other ED organizations, University, town	Assist new ventures that could provide solid economic activity in the long run
8. Encourage a general merchandise store downtown	Banks, stores, developers, brokers	Fill in a major gap in the retail offerings downtown
9. Foster entrepreneurial development (see findings)	Other ED organizations, property holders, staff	Assist new ventures that could provide solid economic activity in the long run
10. Offer networking and information clearinghouse for businesses, banks, and developers	All data providers, Downtown Development Commission	Provide information for businesses, especially in desired industries, and get them interacting
11. Seek out successful local businesses that would consider an additional location in Carrboro	Property managers, developers, local businesses, staff	Bring in successful businesses who have local credibility
Organizational recommendations		
12. Create interest groups to generate ideas and guide strategies for the town	Townspeople, business leaders, banks, property holders, staff	Ensure the town keeps current and can effectively guide the local economy
13. Create a marketing plan for the town and continually evaluate its effectiveness	Staff, Chamber, DDC, Newspaper, other information generator	Promote the town
14. Continue to emphasize connections with other economic development agencies and organizations	Other economic development organizations	Many, if not most, of economic development activities must be on a regional scale

Recommendation	Possible Partners	Goals and Comments
Guiding principles		
15. Create a unified development approach that incorporates infrastructure requirements, business attraction and retention strategies, and land use goals.	Staff, DDC	Create an opportunity for the town to encourage good developments
16. Focus the town's economic development on specific high-return strategies	Staff, DDC	Presenting a few goals to the town can help clarify expectations and encourage activity
17. Focus redevelopment methods immediately to the east and west of the core Carrboro area	Property holders, developers, businesses, DDC, Planning board	Build upon the success of the core while enhancing Carrboro's appeal
18. Create a downtown attraction to bring people into downtown, something that is Carrboro-scale but has the effect of a hands-on museum or aquarium	Townpeople, nonprofit organizations, DDC	An attraction could provide a focal point for encouraging development
19. Continue to encourage the development of downtown residential areas	Developers, property holders, staff	Provide a residential customer base for additional commercial development downtown
20. Set the goal of maintaining a diversity of business types	Property holders, banks, businesses	Provide as many required services as possible
21. Retain dollars lost to other communities	Staff, Orange County EDC, Chamber	Circulation of dollars within the local economy makes everyone better off
22. If Carrboro determines that industry should be developed to increase the tax base, very specific goal should be determined (as those listed in the Vision 2020 document describe).	Businesses, developers	Good, clean industry can still provide opportunities in the local economy

I. Introduction

This study considers economic development strategies for downtown Carrboro, North Carolina. The study is part of a multifaceted review of goals and methods for the downtown, which also includes a land use study and a design review. Carrboro's downtown is vibrant, but the town's fiscal health is primarily dependent upon the residential property tax. In order to relieve the burden of the residents for increasing services costs, the town has set the goal of doubling the commercial tax base. Carrboro has a long tradition of emphasizing commercial activity downtown instead of allowing sprawling development throughout town. As part of the initiative to double the commercial tax base, the town commissioned this study to determine strategies for developing the commercial activity in the downtown.

The town leaders in Carrboro are particularly interested in several aspects of economic development in the downtown. The first topic that we address is growth in information technology. The information technology sector has played a large role in the growth of the Raleigh-Durham metropolitan area, as it has in many locations throughout the United States. Carrboro has experienced some of this growth, but the information technology sector is still a relatively small part of the economy. We next address the growth of the entertainment district in Carrboro. The town commissioned a study by Hammer Siler George Associates in 1983 to evaluate the best direction for Carrboro. The report recommended that Carrboro create an entertainment-oriented shopping district with bars and restaurants to be anchored by the Carr Mill Mall. The entertainment district was to be supplemented with additional housing in the downtown to create a vibrant business environment that provided a diverse range of services. Carrboro made some progress toward that goal in the past two decades. The town is now considering what aspects of this original entertainment district strategy should be reconsidered in light of current circumstances. We then analyze whether a doubling of the commercial tax base would produce a better fiscal outcome. That is, by increasing the commercial property tax base, do tax revenues exceed the costs of services required to support the additional development? Finally we assess the barriers to the economic development of the downtown and develop further an "economic development toolbox" that Carrboro can use in its attempt to develop the downtown. In this report we also summarize what other towns and cities that are similar to Carrboro in size and situation (such as being located near a major university) are doing to develop their downtowns. Each of these aspects of economic development in Carrboro is treated below.

In order to address these concerns, this report is divided into sections on information technology, entertainment district, fiscal impact analysis, and downtown economic development strategies. Each section contains a broad description of the issues at hand, a discussion of the methods used to analyze those issues, the assessment of the issues, and a section detailing the findings, including recommendations.¹

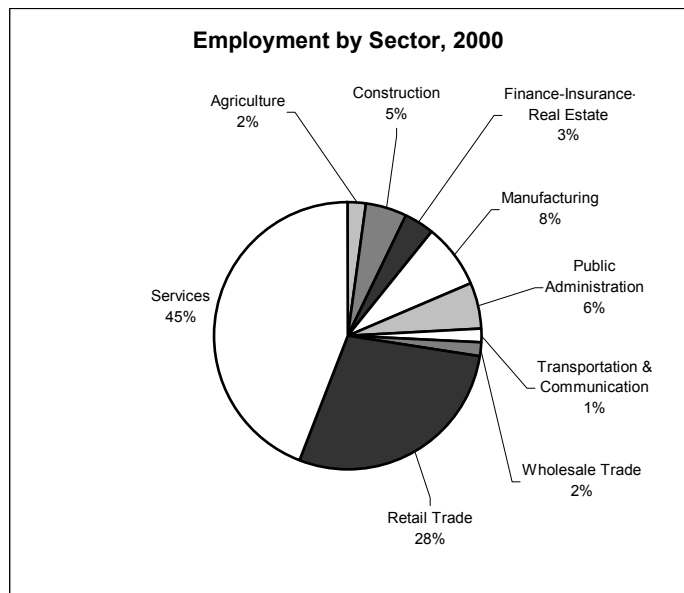
¹ Although the section on fiscal impact analysis includes a summary of the fiscal impact analysis process and a prediction of the impacts of increased commercial development, an unexpected shortage of resources prevented a complete analysis.

CONTEXT

Carrboro is a town of approximately 17,000 in Orange county in central North Carolina. The town is closely linked to Chapel Hill and the University of North Carolina, by economic and organizational ties, such as the Chapel Hill-Carrboro school district and the public transit system. Despite these close ties to the larger town of Chapel Hill, Carrboro has always maintained a separate character. Carrboro, Chapel Hill, and Orange county are considered part of the Raleigh-Durham metropolitan area, which is one of the fastest growing metropolitan areas in the country (twelfth largest percentage growth in the U.S. during the 1990s). Carrboro has a history as a mill town, but most of the economic activity now consists of retail and office uses. During the early portion of the 20th Century, Carrboro housed the largest railroad tie manufacturing plant in the world. Subsequently much of the activity shifted to textiles. The town began to serve more prominently as a residential community supporting the University in the 1970s when many apartment buildings were built on the southern and western sides of town.

Carrboro has continually emphasized downtown development. The town has frequently engaged in evaluations of the town's development direction, during which the townspeople have normally expressed strong support. During each of these studies, the town emphasized maintaining commercial vitality downtown. The town has supported the downtown through a variety of measures, such as a revolving loan fund for small businesses, constraining commercial development in other sections of town, maintaining and improving infrastructure, and marketing the downtown. Many buildings in downtown Carrboro reflect the mill town history, particularly Carr Mill Mall, which is housed in a renovated mill. The Carr Mill complex provides the foundation for the retail sector in downtown Carrboro.

Carrboro is a growing community. The population increased 45 percent between 1990 and 2000. The Hispanic population is booming, growing from 199 in 1990 to 2,062 in 2000, a 936 percent increase. Hispanics accounted for 35 percent of the total growth of Carrboro in the 1990s. Many students live in Carrboro; 20 percent of the population is between the ages of 20 and 24. However, the student population has declined in relative terms in the 1990s, with this age cohort decreasing by five percent. Carrboro has become a popular place for young families. The school age population (ages 5-19) doubled in the 1990s and married couple families with children under the age of 18 increased by 91 percent. Sixty-eight percent of the housing is rental but owner-occupied housing grew 74 percent in the 90s while rental housing only grew at a 22 percent rate. The median cost of an owner-occupied housing unit in Carrboro in 2000 was \$143,242. This is up from \$93,008 in 1990, a 54 percent increase. For several decades, Carrboro has been the most densely populated



town in North Carolina. The median household income in 2000 was \$35,273, below the Raleigh-Durham metro area median income of \$66,000 but above the state average of \$26,000. The average household size in Carrboro, at 2.20, is smaller than the county average, 2.36, the MSA average, 2.48, and the state average, 2.49. Employment is concentrated in two sectors, services, and retail. Seventy-three percent of the workforce is employed in these two sectors (see chart).

II. Developing around Information Technology

OVERVIEW OF ISSUES

Through the application of new information technologies, the U.S. has been transformed into a globally connected economy. Countless new products and services have fundamentally changed the way business is done (Progressive Policy Institute, 1999). Technology connects people and businesses in ways today we could not have imagined just 10 years ago. The explosive growth of industries and services centered on high technology is an exciting prospect. Software developers, Internet content providers, and computer network providers are examples of these new high-tech enterprises. In particular, they are examples of businesses that do not require a huge amount of land or building space. Municipalities desire these jobs because they are high-paying and high-skilled.

The down side to high-tech and information technology (IT) businesses is their cyclical instability. The spate of high growth and potentially lucrative dot-coms turning into dot-bombs in the span of a few months has been well publicized. The first two years of the 21st century have seen a tremendous shakedown in the IT sector where only sound business ideas have survived. The IT sector has a high rate of business failure, due to the short life cycle of products and services. The upside of this phenomenon is it creates new jobs and ideas as old ideas and businesses are phased out. High rates of job churning and business churning help lead to a tremendous amount of innovation (Progressive Policy Institute, 1998).

There were a couple of local impetuses for examining ways to encourage growth in the IT sector. In 1998, Dianna McDuffee, an Alderman on the Carrboro Town Board, attended an international conference organized by the Office of Economic Development at UNC-Chapel Hill, which discussed the changing nature of business due to new technology. She saw growth in the IT field and the opportunity to foster that growth in Carrboro. She suggested encouraging this growth to the rest of the Board and later it was decided that encouraging growth in the IT field should be a goal of the town of Carrboro.

Then, in September of 2000, Carrboro's largest information technology firm, Webslingerz, moved from Carrboro to Chapel Hill. Webslingerz, which employs about 30, builds web-based applications for other companies. Although the move was only a couple of miles to the east and most of Webslingerz employees still reside in Carrboro, it signaled a larger problem and a potential trend that concerned the town. If a company such as Webslingerz, which is exactly the type of IT company Carrboro wants to attract and retain, decides it cannot make its business work in Carrboro, then what chance does the town have of housing other IT businesses?

Definition of information technology

An information technology firm is not the same as a high-tech firm. High-tech can include many manufacturing activities and companies, such as Boeing and also many research and development activities, such as medical or biotechnology. Carrboro does not want to attract these types of activities to downtown, as these activities require large amounts of space. We define IT firms as: software development companies; Internet content providers, including Internet commerce websites (the dot-coms); and network providers (Internet, wireless, intra-office networks), other than the traditional telephone, radio, or television utility providers. These are the types of high-tech businesses that do not require large amounts of land and can fit easily into the downtown setting of Carrboro while providing high-paying and high-skilled jobs.

APPROACH

We assessed the potential for IT in downtown Carrboro by conducting a literature review, interviewing CEOs and managers of IT companies in Carrboro, interviewing IT companies that moved away from the town, and examining the experience with IT of other towns in the U.S. that otherwise resemble Carrboro. The literature review provided information about various strategies that have been used for the recruitment of IT companies and the factors in the location decisions of IT companies.

To ascertain the views of CEOs and managers of IT companies currently in Carrboro, we held a focus group at the Carrboro Town Hall, with three IT managers or CEOs of firms in Carrboro, three developers/landlords in Carrboro, two academics from UNC, one person from the Orange County Office of Economic Development, one from the Chapel Hill/Carrboro Chamber of Commerce, and one alderman from Carrboro. The two IT companies not present were interviewed over the phone, as was the IT company that recently moved from Carrboro, (September 24, 2001).

Finally, to understand the experience of other communities in the United States that are somewhat similar to Carrboro (mid-sized and have a large university close by) and have been successful in developing their IT sector, we interviewed various city and county officials such as economic development directors, city managers, and chamber of commerce personnel, as well as a couple of IT firms in each town. Seven communities were studied for this purpose.

ASSESSMENT

Literature review

The following themes emerged from this review:

- In an industry such as information technology, the amenities and the quality of life of an area are important location factors. Because the main input into the product, labor, is highly educated, mobile, and highly demanded, these workers can force companies to locate in places that they find desirable.
- The IT workforce tends to locate in places that have lots of different work opportunities. This is because they are in high demand and have a propensity to change jobs often. To

take advantage of this concentration of labor, IT companies are somewhat agglomerative in their location behavior.

- Policies that advance an area's human capital (the skills, education, and knowledge) are more efficient and effective than those that focus on traditional capital, especially for high-tech firms.
- Certain types of high-tech firms tend to locate differently within a metropolitan area.

Each of these findings is considered in more detail below.

The first important finding is that a town's quality of life makes a difference to companies when they choose a location (Gottlieb, 1994; Florida, 2000a, 2000b; Foster, 1977; Kotkin, 2000). This is especially true for information technology companies. Members of the IT workforce are very skilled, mobile, and highly demanded which makes them able to choose a variety of places to work from and a variety of companies to work for (Florida, et al., 2000; Florida, 2000b; Kohler, 1997; Malecki, 1984). Information technology companies know they are in competition for labor so not only must they offer competitive wages and benefits, they must locate in places that are attractive to their prospective workers. Paul Sommers, senior research fellow at the Evans School of Public Affairs at the University of Washington, and Daniel Carlson, senior lecturer at the Institute for Public Policy and Management at the University of Washington, explain the dynamic between IT companies and IT workers as follows:

Software and internet-based companies have essentially one tangible "asset," the talented software developers and entrepreneurial thinkers who walk in and out their doors every day... They know that other companies are eager to hire them if compensation and local living conditions are not to their liking. Attracting and retaining these key staff members are among the highest priorities of the owners and managers of these companies, and for that reason, an attractive urban environment is also a key asset of the company (Sommers and Carlson, 2000:27).

Therefore, locating in places that have a high quality of life is important for IT firms. The next logical question is, what factors contribute to an area's quality of life in the eyes of a "typical" IT worker? Unfortunately the answer is unclear. In general, a highly educated workforce will prefer places that offer a broad array of cultural and recreational opportunities (Florida et al., 2000). Everything from good restaurants to live music to bicycling and hiking trails are lumped into what is termed the amenities of an area. These amenities factor into the overall quality of life of a place. As Gottlieb (1994), research fellow at the Center for Regional Economic Issues in the Weatherhead School of Management at Case Western Reserve University, noted, often the amenities of an area are already in place. They just need to be upgraded or maintained and then publicized. Other things such as commuting time and housing costs also factor into the perception of the quality of life of an area (O'Mara, 1997). A town can have an impact in these areas by controlling traffic congestion through street layout and (re)design and by making a concerted effort to provide a range of different types of affordable housing options.

Based on a discussion with information technology CEOs and managers in Carrboro, an IT company that used to be in Carrboro, and local developers and property owners, we conclude that Carrboro has an excellent mix of amenities. Attributes such as a compact and walkable

downtown, a bicycle-friendly town, a few diverse and high-quality restaurants, a good live music and art scene, a high-quality and well-attended farmers' market, and an overall sense of a tight-knit yet progressive community all contribute to Carrboro's high quality of life. The IT company that left Carrboro wanted to stay and enjoy these qualities of Carrboro but it outgrew its office space.

Carrboro has the potential to capitalize on its unique position in the Triangle. It is a place where one can walk to work or commute a short 10 minutes and still be part of the Research Triangle high-tech economy that is only a 30-minute drive away. At the focus group meeting one person said, "Carrboro has a funky feel to it. People here are interesting, they do interesting work, and there are a fairly high number of already established tech firms around." A Boston Globe article said the following about Portsmouth, New Hampshire, "The city of 23,000 has a cosmopolitan feel, the kind of funky, artsy flavor that attracts young computer programmers and Web designers. The center of town is filled with restaurants and unique shops. It's close to Boston, but far enough away to avoid traffic hassles like those along the 128 corridor (Muther, 1999)." Substitute Research Triangle Park for Boston and Interstate Highway 40 for Route 128 and this description applies to Carrboro.

Richard Florida, a professor at Carnegie-Mellon University, tried to quantify this perception that "cool" places attract higher levels of educated workers (people with at least a bachelors degree) than other places. He constructed a "cool index" using the percentage of population between the ages of 22-29 and the number of bars, nightclubs, music clubs, art galleries, and museums per capita (Florida, 2000a). He found that the "cool index" was significantly correlated with a "talent index." It is important to stress that a correlation does not imply causality, such that "coolness leads" to more talent. But Florida's work suggests that coolness may be a critical success factor for attracting talented young people.

Another important finding from the literature is that the IT workforce tends to locate in places with multiple employment opportunities. Due to the high mortality rate of IT firms, the typical IT worker will work for several different companies. The high demand for IT workers and their mobility will allow them to choose to work for a variety of companies (Florida, 2000a, Florida, 2000b; Kohler, 1997; Malecki, 1984; Kotkin, 2000). This is both a plus and a minus for Carrboro.

Many towns the size of Carrboro do not have any IT companies. Currently in Carrboro there are five IT companies: a networking company that also does web design, domain hosting, and email services; a bio-informatics software developer; a dot-com that is working on a "paperless coupon" idea; a software developer who designs programs for municipalities; and a professional web page designer. From a pure numbers perspective, compared to other places in the Triangle and other IT hotspots across the country, Carrboro has far fewer IT firms. However, by merely being in the Raleigh-Durham metropolitan area, Carrboro is in one of the larger high-tech agglomerations in the United States. The challenge will be convincing IT companies in the Park that they could still do their business as normal in Carrboro while at the same time giving their employees the option for a higher quality of life in Carrboro.

Another observation from the literature is that an area's human capital (the skills, education, and knowledge) is extremely important to attracting high-tech and IT firms (Florida, 2000b; Florida,

2000c; Mathur, 1999; O'Mara, 1997; Sommers and Carlson, 2000). Therefore, when it comes to high-tech and IT companies, government policies aimed at improving the human capital of an area are more important than those that focus on traditional capital. Because of their risky nature, many IT companies rely on venture capital funds rather than from traditional banks or cash incentives from a city. Traditional economic development incentives such as tax breaks do not seem to stir IT firms to move around. Richard Florida talked of the time he was at the National Governors Association and heard the CEO of Hewlett Packard plead with the governors to “stop giving us incentives, stop giving us tax breaks, stop building us roads. We will go where the highly skilled people are (Florida, 2000c: 1).” Information technology firms, which rely on an educated and up-to-the-date skilled labor force, want assurance that the local and regional labor force will be satisfactory (Mathur, 1999; O'Mara, 1997; Sommers and Carlson, 2000). This applies to everything from elementary school education to the community college system to the university level. Carrboro has some control over the quality of its elementary and secondary education systems but there is little that can be done to directly affect the post-secondary education institutions. However, as Paul Sommers and Daniel Carlson explain, there are ways to lead in education without having a direct hand in the process:

Mayors and council members also have access to the “bully pulpit” that comes with public office, and can use speeches, op eds, and community meetings to articulate the importance of focusing educational resources in fields that meet the needs of expanding sectors of the economy that can influence the allocation decisions of educational institutions, and the decisions young people and their parents make concerning fields of study. Seattle’s experience indicates that whether or not municipal government has a direct role in education, it has a leadership role ensuring that the common schools, community colleges, and universities have math, science, and IT programs of first rate quality, and these institutions can attract faculty and expand to meet appropriate needs of local companies and the demands of students for access to seats in relevant programs (Sommers and Carlson, 2000:29).

Carrboro can participate at the regional level to ensure that educational and training programs are in place and are high quality. Carrboro is fortunate to be in an area where the regional labor force has so many opportunities for higher education and training at places such as UNC-Chapel Hill, Duke University, North Carolina State University, North Carolina Central University, and Durham Technical Community College.

While state and local government needs to ensure a highly skilled and highly educated workforce, it must also consider traditional financial incentives in order to compete for IT (or other) businesses that have multiple location choices. Many IT companies are small startups, sometimes with just one or two employees that could use financial help from the city when they are getting off the ground. One of the IT firms at the focus group stated that some kind of startup loan fund specifically for IT companies would be a desirable incentive. However, with IT companies typically having a short life span, it is very risky to offer any kind of financial incentives.

Finally, Sommers and Carlson (2000) point out that certain types of high-tech firms tend to locate differently within a metropolitan area. High-tech manufacturers tend to locate in suburban

industrial parks because they need large amounts of land for their operations and/or future expansion. New telecommunications firms, Internet content firms, and e-commerce firms have a propensity to set up downtown. Among these creative content and dot-com firms, there is a value preference to being in a building that is part of an urban fabric or maybe even has historic qualities. Proximity to street life and places that allow one to feel connected to others is important to employees that sit in front of computers all day but are required to generate creative ideas and products (Sommers and Carlson, 2000). Carrboro's compact, walkable, and lively downtown can be a selling point to potential Internet content and e-commerce firms.

Focus group meeting

On September 7th, 2001, we convened a focus group meeting with various members of the Carrboro/Chapel Hill/UNC community to discuss issues related to information technology companies. Those in attendance were: three IT managers or CEOs of firms in Carrboro, three developers/landlords in Carrboro, two academics from UNC, one person from the Orange County Office of Economic Development, one from the Chapel Hill/Carrboro Chamber of Commerce, and one alderman from Carrboro. A full list of names and organizations in attendance can be accessed in the references section of this paper. Two IT companies were not able to attend the focus group but were interviewed separately. The following section highlights the important ideas generated and discussed at the meeting and in the interviews.

The right quality of life. One of the local IT CEOs explained how he was fed up with commuting to work in the Research Triangle Park so he moved his small start-up company to Carrboro. With just himself and two other employees, he only needed about 2,000 square feet of space, which he was able to find on Main Street in Carrboro, above an existing retail business. Without having to deal with I-40 traffic twice a day, he and his employees could spend less time in traffic and more time at work. He finds the downtown setting of Carrboro a more creative environment than the sterile office parks of Research Triangle Park. Creativity is important to his company, a dot-com that sells a service over the Internet.

Lack of office space. The lack of class A and flexible office space that is ready to occupy was mentioned as a problem by one of the IT managers.² Flexible office space can easily be converted from one use to another or from vacant space to useable space in a short amount of time, usually less than one month. Many IT companies fluctuate in terms of the volume of their business transactions, due to the high volatility of the information technology sector. Therefore, the number of employees and needed office space varies rapidly, too. IT companies want to be able to move into and out of office space without much hassle from landlords and government officials. Currently, there is very little undeveloped land left in downtown Carrboro that is zoned for flexible office space. From the perspective of developers and landlords, it is very risky and time-intensive to offer flexible leases. There needs to be a way to spread out the risk, maybe among tenants or through a third party.

² The difference between class A and class B office space depends on the local market, but in general there are a couple of things that distinguish the two types. Class A office space is generally built or remodeled within the last five or six years, using the most up-to-date materials and incorporating the most up-to-date technology. Also, class A office space is usually located in the most prime areas of town, in order to justify higher rents for the higher cost of construction.

Strained relationships. Landlord/tenant relationships were mentioned as sometimes being strained in Carrboro. Some landlords do not understand the nature of IT businesses and how they need reliable Internet access, a redundant power supply, and a static-free environment for their servers. An IT company's request to put tile down in its server room to protect against static electricity build up should not be resisted by a landlord, as one company recently experienced in Carrboro. The same company, a computer networking firm, was met with equal resistance while attempting to install high-speed Internet access lines for a client. Even though the product they were installing would have been beneficial to the building, the landlord did not like the fact that his building was being altered. A couple of people at the meeting suggested there could be a role here for government to be a facilitator and educator for companies and landlords.

Be a facilitator/clearinghouse. Several focus group participants proposed other facilitator and information clearinghouse roles for local government. Since IT companies are busy running their own businesses, developers are busy with various projects, and academics at UNC are busy doing research, someone needs to act as a focal point where all these different entities can come to find out what each other is doing and how they can potentially benefit each other. For example, Ted Zoller, director of Academic Affairs at the Kenan-Flagler Business School, sparked the interest of both developers and IT businesses at the mention of a new business idea for micro-managing office space being developed by a UNC business school student. Many of the case study towns have embraced this role and have seen benefits from their efforts.

Carrboro is "funky." Many IT companies have a workforce that is typically younger and more eccentric than other types of businesses. As indicated in the literature, this workforce is also highly educated, mobile, and in high demand (Florida, et al., 2000; Florida, 2000b; Kohler, 1997; Malecki, 1984). IT workers want to be in a place that has a high quality of life and offers a broad range of amenities. While only a town of 17,000, Carrboro has what was referred to in the focus group as a funky, cosmopolitan feel to it. It is already known as an artist's haven, it has a considerable live music scene, and the town is very bicycle friendly. The typical young IT worker looks for these types of amenities in a location. Carrboro needs to promote its image of a town that is "funky" and fun to live in for young people. The live music, art, and bicycle-friendly atmosphere, along with a few well-respected and diverse restaurants and nightclubs, make for an attractive recruitment package for IT and other businesses.

Unified direction. Besides attracting information technology companies to Carrboro, the Board of Aldermen wants to double the commercial square footage in downtown. Before that is done, there needs to be consensus within the town about what is considered good and undesired development. Something comparable to a comprehensive land use plan needs to be developed for the downtown, including specific design criteria for the types of buildings that help Carrboro maintain its character.

If each development proposal turns into a lengthy debate over the general direction Carrboro is heading, developers and businesses will be turned off from locating in Carrboro. Many IT companies have a greatly shortened planning horizon due to the rapid rate of technological change and business climate change. Information technology companies need quick responses from municipalities in order for them to remain competitive (O'Mara, 1997). Debating the merits of development is not a bad thing; it just needs to be done today so when development

opportunities present themselves down the line, they can be processed quickly and efficiently. Austin, Texas has put together what they call a smart growth development matrix. It is a tool that assists the city in analyzing development proposals in their Desired Development Zone (DDZ). Details on the Austin matrix are provided in the recommendations and strategies section below.

UNC-Chapel Hill. The presence of the university and the graduates it produces are very important to the local IT companies. Some companies have already dipped into the UNC talent pool for labor and the others plan to do so in the future when they are ready to hire for more positions. IT firms that have not already hired UNC graduates said their contact with UNC is currently very limited. They do not know how to get a dialogue going with appropriate personnel at UNC. The focus group meeting, where IT managers and UNC academics such as Ted Zoller at the business school were introduced to each other, was an example of the kind of facilitation the town could provide to the IT sector. Informal meetings such as the focus group have the potential to go a long way in fostering partnerships between the IT sector and others in the community.

Interview with former IT company

When Carrboro's largest IT firm left town in September of 2000, it sent a signal to the Board of Aldermen that something had to be done to stop future IT firms from leaving. On September 24, 2001, the CEO of the firm that left Carrboro was interviewed to explore his reasons for leaving.

The lack of quality office space in Carrboro was the most important and immediate reason for the departure of the firm. The company, which builds web-based applications for other companies, had its operations in downtown, on the second floor of the Carr Mill Mall. While the space there is not class A, it was acceptable early in the firm's operation. However, as the company grew over time and its clientele grew larger and more demanding, the firm needed to occupy a more professional space. When the time came to expand operations, the company could not find enough contiguous, class A office space in their current building or any other building in downtown Carrboro. Chapel Hill, on the other hand, had class A office space ready to occupy.

The CEO regretted having to move out of downtown Carrboro because he and his employees loved working there. Many employees lived in Carrboro and could walk or bike a short distance to work. They enjoyed working at a location with several quality restaurants, two grocery stores, a pharmacy, numerous retail stores, and several nightlife spots all within a couple of blocks of the office. Similar to a lot of information technology companies, many employees at this firm do not work a typical eight-hour workday from 9 to 5. The timing of work does not matter, as long as the product or application is built by the deadline. Employees may come into the office late at night or on the weekend. In downtown Carrboro, they could count on a relatively lively scene, no matter what time of day or what day of the week. This is a nice benefit to being in downtown, especially if the company relies on the creativity and talent of its employees to deliver innovative products and solutions to customers. It is easy for employees working long hours to get away from the office quickly by just walking downstairs and into the downtown environment. That is something a company just cannot get in an office park setting.

A significant number of the company's 30 employees are graduates of the computer science and information science departments at UNC-Chapel Hill. The CEO is also a graduate of UNC and therefore has forged ties with those departments. He plans to continue hiring UNC graduates in the future. However, the CEO mentioned that if he were not a UNC graduate, it would have been tough to forge these ties that lead to prospective employees.

Case studies

Before the interviews were done with representatives of other communities, we gathered background information on the towns from articles on the Internet. We developed separate interview protocols for town officials and for IT firms (see Appendices A and B). Usually we talked to the head of economic development or the assistant town manager to ask about strategies they employed that have been successful in developing the IT sector. Then we interviewed a couple of IT firms in the town to see if what town officials were saying truly impacted them. The case studies were:

- Blacksburg, VA
- Bloomington, IN
- Burlington, VT
- Davis, CA
- Fargo, ND
- Fort Collins, CO
- Portsmouth, NH

Snapshots. All of the case study towns are mid-sized and have a large state university (see Table 1 for details). The towns were chosen through two methods. First, Carrboro specifically wanted to look at Blacksburg, Bloomington, and Davis because some city officials had heard that those towns had been successful in developing their IT sector. Second, we asked some of the authors identified in the literature review which towns they would suggest examining. They nominated Burlington, Fargo, Fort Collins, and Portsmouth, among others.

The employment data used to compare towns are from *County Business Patterns* for 1998 and 1999. The North American Industrial Classification System (NAICS) codes used to represent the IT sector were 5415, computer systems design and related services, and 514191, on-line information services. Table 2 shows the size of each city's IT sector, the relative size of the IT sector compared to overall employment, and the percentage growth from the previous year.

The averages for the case study places mirror the national data. The percentage of the workforce employed in the IT sector is nearly identical at 0.9 percent and 1.0 percent for the case sites and U.S. respectively. Likewise, the one-year IT employment growth rates are similar, with the case study towns growing at an average of 15 percent and the U.S. at 16.8 percent. There was variation within the case study towns. Because employment data are not available at the place

level from *County Business Patterns*, Carrboro cannot be directly compared to the case study cities, but Orange county can be used to represent the local IT sector and the Raleigh-Durham metropolitan area represents the regional IT sector. However, using first-hand knowledge of the IT sector in Carrboro, there are five IT firms with approximately 25 employees. This is approximately 0.7 percent of the total workforce in Carrboro.

Table 2: Case study communities

Case study area (county name if town is not in an MSA)	Employment in IT sector, 1999	IT firms	IT emp. as a % of total employment	% growth 98-99
Blacksburg (Montgomery)	331	32	1.5%	9.6%
Bloomington MSA	155	36	0.3%	27.0%
Burlington MSA	1,793	96	1.9%	22.0%
Davis (Yolo)	161	31	0.3%	3.9%
Fargo MSA	394	30	0.4%	3.7%
Fort Collins MSA	754	144	0.8%	1.9%
Portsmouth (Strafford)	214	27	0.6%	56.2%
<i>Average for case studies</i>	<i>543</i>	<i>57</i>	<i>0.9%</i>	<i>15.0%</i>
Orange County, NC	263	74	0.8%	6.0%
Raleigh-Durham MSA	9,585	922	1.7%	5.7%
<i>U.S. Total</i>	<i>1,111,924</i>	<i>101,512</i>	<i>1.0%</i>	<i>16.8%</i>

Facilitating interaction and promotion of IT firms. Four of the case study towns played the role of facilitator between IT firms and developers and facilitated interaction among different IT firms. The best example of this was in Portsmouth, New Hampshire. The city partnered with the chamber of commerce to attract IT companies. The chamber of commerce is very active in the promotion of high-tech business in Portsmouth. In January of 1999, the Portsmouth Chamber of Commerce created the Technology Roundtable, a forum for anyone interested in what is going on in the high-tech business world and how it is playing out in Portsmouth. Monthly e brews, held at local breweries and pubs, were started as a more informal way to accomplish this interaction, and attendance rose quickly.

Four main sub-committees of the Technology Roundtable were created. The economic development sub-committee works to create a positive business environment by ensuring there is adequate infrastructure and maintaining a highly educated and trained workforce. The programs sub-committee holds the monthly e brews and brings in guest speakers to address the roundtable. In addition, this sub-committee holds one-day and half-day seminars and conferences on current topics in the IT business world.

The promotions sub-committee publicizes the greater Portsmouth area. They managed to insert articles about Portsmouth in publications such as the *Boston Globe*, *GQ* magazine, and technology trade magazines based in Silicon Valley. Finally, the recruitment and education sub-committee supports and encourages the development and recruitment of qualified workers to the

greater Portsmouth area. Plans are underway to hold an education summit, where industry leaders and those in the education community will come together and discuss current issues.

In April of 1999, the Technology Roundtable adopted the name e-Coast, to capture the region that stretches from northern Massachusetts to southern Maine, with Portsmouth being the high-tech hub. Prospective employees can submit their resumes to dozens of different high-tech companies through the website, www.ecoast.org. These efforts created what is now a well-organized information technology sector that has connections within itself, to the greater IT world, and to local government organizations and educational institutions.

Bloomington, Indiana is another town that has played the role of facilitator and promoter. The city partnered with the Bloomington Economic Development Corporation, a public-private partnership consisting of business leaders and city and county officials, to market the city to the rest of the world as tech-friendly and ready for business. The marketing compares Bloomington to other high-tech hot spots such as Austin, Seattle, and San Jose, stressing that Bloomington has much less traffic, cheaper land and office space, and more affordable housing, while still having the necessary labor force of highly educated and skilled college graduates. They advertised heavily in the University of Indiana alumni magazine, which circulates globally, and the response has been very positive. Several high-tech business leads have come about directly from the promotion.

The Bloomington Economic Development Corporation also acts as a bridge between the city and the university by providing opportunities for interaction. For example, the Bloomington Information Technology Sector (BITS) taskforce regularly brings in speakers from around the state and from within the university to talk about current events in the IT sector. The town of Carrboro could partner with the Chapel Hill/Carrboro Chamber of Commerce and set up a similar group. It is a low-cost and easy way of facilitating interaction within the IT sector.

Davis, California, does not play the role of facilitator. However, people in the high-tech and information technology field realized they needed some sort of intermediary to help promote growth within their sector of the economy. Because the government was unwilling to step into this role, private high-tech and IT companies formed the Davis Area Technology Association (DATA) in 1997. Membership tops 600, not all of which are IT or high-tech companies. DATA convenes once a month, always with a guest speaker, and has its own web page and monthly newsletter. DATA provided a needed opportunity for interface between tech-related businesses in a non-threatening environment. The industry provided leadership for itself when the town failed to act.

Smaller city quality of life. Not surprisingly, city officials said that being a mid-sized town helped in their recruitment of IT companies. IT firms in the case study towns confirmed this statement. Only two of the twelve firms said they would move to a larger high-tech hot spot such as San Francisco, Seattle, or Boston if given the chance. In fact, one firm in Fort Collins, Colorado, declined \$3 million in venture capital funding because the capitalist would have required the firm to relocate to Silicon Valley. The firm did not want to give up the lifestyle and lower cost of doing business it had in Fort Collins. Other firms who wanted to stay also mentioned that the quality of life is too good to give up for any perceived business advantage of

a larger city. Every firm said the labor force is sufficient, although there were mixed feelings about the importance of the university to the IT workforce.³

All of the IT firms said that quality of life was a big factor in their location decision. Two of the firms said quality of life was the number one decision factor. Attributes mentioned include low crime rate, lots of young people because of the university, plenty of entertainment, low cost of living, and an entrepreneurial atmosphere of friendly competitiveness. Amenities such as entertainment and restaurants may not be as broadly available as in larger high-tech places like Boston, Seattle, or San Francisco. However, the lower cost of living and conducting business outweighs the other factors.

In-town vs. office park location. IT firms in the case study towns did not conform to the location preferences laid out by Paul Sommers and Daniel Carlson in their paper. The authors claim that web-based firms and new telecommunications providers prefer to be downtown and software developers locate in office parks and downtown. Only three of the twelve IT companies interviewed expressed an absolute preference for being downtown as opposed to an office park. Two of the three are web-based application developers and one is a computer-networking firm. Both firms in Fargo preferred downtown as did one firm in Burlington. One firm in Portsmouth said their employees prefer to be downtown but rents are too high. The reasons firms prefer a downtown setting are: proximity to amenities such as restaurants, having a unique office setting, and a lively street scene. The drawbacks to being downtown are a lack of parking and higher rents. The reasons firms prefer an office park setting are: a more professional space, proximity to other high-tech businesses, plenty of parking, and lower rents. Of the 12 firms, three are computer networking firms, five are web-based solutions firms, two are software developers, and one is a large multi-function IT provider.

Telecom infrastructure. A couple of places have taken the lead in providing the infrastructure needed to ensure the high-speed Internet access that is critical for IT businesses. Burlington, Vermont is in the early stages of developing a fiber optic backbone that will link all of the town's facilities together. After the fiber optic line is laid, anyone located along its path will be able to tap into it and utilize the high-speed Internet connection. The town does not yet know the specifics of how this access will be leased or sold to private companies that want to tie into it. Burlington voters approved a \$6 million bond issue to match the \$6 million offered by a private telecommunications provider to lay the fiber optic line.

Boulder, Colorado has been proactive in providing high-speed Internet connections through a fiber optic network. In the past couple of years, the city has invested about \$500,000 putting fiber optic conduit in the ground. Today there is a 35-mile conduit network, mostly running along major streets in Boulder where businesses are located. Boulder decided it needed to have an advanced telecommunications infrastructure in place to remain an attractive location for IT businesses.

³ Firms in Blacksburg, Portsmouth, Davis, and Bloomington were pleased with the quality of graduates from the local universities. Two firms in Fargo were split in their perception of university graduates. Finally, the firms in Fort Collins and Burlington were generally not impressed with the technology skills of university graduates. They said the university enhances the overall quality of the workforce, but they do not look to graduates for employees.

The financing works in a couple of different ways. After some of the initial conduit was laid using a portion of the \$500,000, it was ready to be leased or sold to private telecommunications companies. In one instance, the city sold the rights to existing conduit to AT&T in exchange for the installation of more conduits. AT&T laid the new conduit in previously unserved parts of town, thus further extending the network at no additional cost to the city. If a telecommunications firm does not want to provide more conduit in exchange for access to existing conduit, then the city can just charge the firm a fee for the sale or lease of the existing conduit. Currently, when a trench is opened in a public right-of-way for utility maintenance or installation, the city is laying down conduit in anticipation of future use. This is done only if the trench is in a part of town that has the current capacity or future potential to utilize the fiber optic network.

Eleven of the 35 miles of fiber optic conduit in the city of Boulder's system is dedicated to the Boulder Research and Administrative Network (BRAN). This network connects city offices, the University of Colorado, the National Center for Atmospheric Research, and the United States Department of Commerce. In exchange for the dedication of public rights-of-way and conduit along the 11 miles (currently valued at \$400,000), the city receives access to 12 of the 96 lines. Boulder can use this fiber for all of its networking needs. The other partners in the BRAN network put about \$1.2 million towards the initial capitalization of the project. This should provide for the continuing maintenance of the network and any further construction.

Boulder's goal was to provide a competitive atmosphere for private telecommunications firms. With increased competition, there will be better Internet service for citizens and businesses in Boulder. With the improved infrastructure and continuing commitment from the town, Boulder is ready for growth in the IT sector. Carrboro could leverage its current fiber optic network in the same fashion as Boulder. By selling or leasing access to the conduit in exchange for the provision of more conduit elsewhere in town, Carrboro could eventually connect all of its downtown and work on extending the fiber optic infrastructure to the northern transition zone, where future development will take place.

Public-private-education partnership. The Blacksburg Electronic Village is an interesting example of a collaborative initiative among the town government, local businesses, and the university. In the early 1990s, Virginia Tech developed a campus-wide voice/data network and began looking to extend network access to faculty, staff, and students living in Blacksburg. The university joined forces with the town and the local telephone company to offer Internet access to every citizen in town. Over the next few years, these three entities combined efforts to make Blacksburg a completely wired town. Local and regional Internet service providers laid the physical network, and the town and university provided the content.

Today 87 percent of residents and 75 percent of businesses in Blacksburg are online. In addition, 60 percent of those residents that are online have broadband Internet access either at home or at work. The Electronic Village has done two things for Blacksburg. First, providing a high-speed Internet connection has produced the basic environment that IT companies need to flourish in. Virginia Tech, a major research university, is constantly spinning off new businesses and technology-savvy graduates. The expansive high-speed Internet and multitude of qualified college graduates provides a great business environment. Second, the Blacksburg Electronic Village sends a message to IT companies that the town is progressive when it comes to

technology. It creates an image and a buzz for the town that goes a long way in selling Blacksburg, which is off the beaten path in western Virginia, to the rest of the world.

FINDINGS

Quality of life. Information technology firms consider the quality of life of a town as a key part of the location decision. The IT labor force is highly skilled, highly educated, highly mobile, and in high demand. Thus, IT firms are forced to cater to the needs of the workforce more than a typical business. Carrboro has many of the same amenities as the case study towns that have been successful in attracting IT companies. Attributes such as a compact and walkable downtown, a bicycle friendly town, a few diverse and high quality restaurants, a good live music and art scene, a high-quality and well-attended farmers' market, and an overall sense of a tight-knit yet progressive community all contribute to Carrboro's high quality of life.

Agglomeration. IT firms and IT workers tend to locate in areas that have a high concentration of other IT firms and workers because the industry is very unstable. Workers change jobs frequently, both because of the high failure rate for IT companies and because they are in high demand. Carrboro has two advantages. First, by simply being in the Raleigh-Durham metropolitan area, Carrboro has an address that is in one of the larger high-tech agglomerations in the United States. There are hundreds of IT and high-tech companies to work for and there are thousands of qualified employees to choose from. Second, with five IT companies in Carrboro, the town already has a base to work from in trying to build up its local IT sector.

Human capital. Information technology firms, which rely on an educated and up-to-date skilled labor force, want assurance that the local and regional labor force will be sufficient. The strength of local universities and the Chapel-Hill Carrboro school system, which is the best public school system in North Carolina, help provide a very skilled labor force. Traditional economic development incentives such as tax breaks do not seem to factor significantly into location decisions for small and medium IT firms. Many IT companies find their start-up capital from venture capital funds rather than from traditional banks or cash incentives from a city because of their risky nature.

Intra-metropolitan location. Different types of high-tech companies tend to locate in different parts of a metropolitan area. Computer networking firms, Internet commerce companies, and e-commerce businesses tend to prefer downtown settings with a vibrant street life as opposed to an office park that is removed from other uses. Of course, this is a generalization and there are some of these types of companies that have opposite preferences. Software development companies are harder to pinpoint, as they show up all over the urban fabric.

Carrboro's quality of life. The downtown of Carrboro offers an alternative to IT companies in the Research Triangle Park that want a more dynamic setting for their daily operations. The compact and walkable downtown has multiple places to shop, relax, and dine. The Research Triangle Park facilities are more self-contained and require driving to access shopping and restaurants.

Limited office space. Downtown Carrboro lacks ready to occupy, class A office space. Webslingerz could not find enough quality office space in Carrboro so it moved to Chapel Hill. IT companies currently in Carrboro also complain that there is not enough quality office space,

particularly flexible office space. As mentioned before, flexible office space can easily be converted from one use to another or from vacant space to useable space in a short amount of time, usually less than one month.

In-building infrastructure. Information technology companies have special needs. Often they need a special room in an office that is static-free for their server. Reliable and redundant Internet service and power supply are especially important for IT companies that sell or deliver products on-line. Some landlords do not understand these special needs and are unwilling to change their building space for IT companies. Some of the IT firms in Carrboro have already met with resistance from landlords.

Firm interaction and promotion. Several case study towns have taken on the role as facilitator or clearinghouse of information and contacts. They not only serve this function for IT-to-IT interactions but for IT-to-private developers and academia as well. The time commitment for such a role is minimal to the government but the benefits have potential to impact growth in the IT sector. Several people at the focus group meeting, both IT businesses and others, mentioned that this role is unfilled in Carrboro. The only interaction between IT firms happens because one of the firms is a computer networking firm that provides services to the other IT firms. However, as expressed at the focus group meeting, IT companies desire to have a more formal environment, such as the focus group meeting, where they could talk face-to-face with other companies as well as developers and academics.

Higher education. A couple of the IT companies in Carrboro and the IT company that recently left either have UNC computer science and information science graduates on their staff or plan to draw from this talent pool in the future. Keeping open the lines of communication between UNC-Chapel Hill and local IT firms is important. Carrboro should make sure the heads of these departments know about the job opportunities in Carrboro. IT firms need to be represented at UNC job fairs. In some of the case study towns, a website has been set up where prospective employees can submit their resumes on-line to many different companies. While Carrboro is too small to do this on its own, a metropolitan-wide consortium of IT firms would be effective in performing such a function.

RECOMMENDATIONS AND STRATEGIES FOR CARRBORO

Unified vision. The first step is to create a comprehensive development plan for downtown Carrboro. Without such a plan, development may unintentionally be steered away from downtown as developers get frustrated at fractured development regulations and decisions. On the other hand, if Carrboro is successful in doubling its commercial square footage and proceeds without a unified vision, the resulting development could be haphazard and the unique character of downtown compromised. Carrboro has begun the process of creating a common development goal by hiring Dan Burden of Walkable Communities, Inc. In September of 2001, Walkable Communities, Inc. held a “downtown visioning” charrette. There was a large turnout and the citizens of Carrboro expressed their ideas and visions for downtown Carrboro by drawing on maps and through verbalization. Many important ideas were generated during the three-day event.

Austin, Texas is one example of a place that has articulated a local vision for growth. Austin, which has grown tremendously in the last decade, has put together a “smart growth matrix” to

help guide growth within the city limits. Every development in the “desired development zone that comes through the Austin planning board is run through the smart growth matrix to help city officials decide if the development is desirable and if so, how much financial incentive to offer. The two main goals of the smart growth matrix are to determine how and where growth within the desired development zone will take place and to improve the quality of life in Austin. For the first goal, the development’s proximity to and inclusion of mass transit, density standards, and compatibility with surrounding uses are examined. The better the development is in these regards, the more points it accumulates. Attributes such as building design standards, inclusiveness in the planning process, pedestrian and bicycle access, hidden parking, affordable housing, and environmental protection are all considered in awarding points toward the second goal, improving the quality of life in Austin.

No financial incentives are offered if a project scores below a certain threshold. If a development scores between the lowest level and the highest level, 50 percent of the development fees usually leveled by the city are waived. If a development scores above the highest threshold, the maximum value of potential incentives is tied to the increased property taxes generated by the new project. These incentives include the waiver of development fees and public investment in new or improved infrastructure such as water and sewer lines, streets, or streetscape improvements. Incentives available under the smart growth matrix require city council review and approval.

The smart growth matrix is a guide for developers; it lets them know what the city wants in new developments. The matrix is also a tool for city officials who have to examine proposed developments and determine if a development is beneficial for the city on a number of different levels. Carrboro should establish a similar matrix, so future growth in downtown can be judged reasonably, effectively, quickly, and consistently. Conceptually, this matrix can be viewed as a “development scorecard” that the Planning Board and Board of Aldermen has in front of them when a development is proposed in downtown. City officials decide if a development meets Carrboro’s goals by simply running down the scorecard and adding up the positives and negatives of the project. Examples of attributes that should be on the scorecard include: building height and total floor space provided, number of jobs and/or housing units provided, provision of parking in a desirable manner, compatibility with existing use and/or future planned uses, multiple uses within the development, pedestrian/bike access, and contributes to Carrboro’s goal of doubling the commercial tax base by 2020.

Telecommunications infrastructure. Advanced telecommunications infrastructure is now simply one more element that companies expect to have provided for them in any given location (O’Mara, 1997). Carrboro has a section of fiber optic cable in the ground that is paid for and owned by the town. It runs along Weaver Street, between Greensboro and Hillsborough streets, connecting Town Hall to the Century Center. Additionally, a fiber optic line owned by BellSouth, which has excess capacity, runs beneath south Greensboro Street. The Weaver Street line was installed a couple of years ago at a cost of about \$75,000. Weaver Street is one of the major streets in downtown. It connects the Century Center and Weaver Street Market to Town Hall and the farmers’ market space. Carrboro should advertise the fact that companies can tap into this high-speed line.

There are a few options Carrboro can pursue to utilize the fiber optic line. First, there are additional conduits in the ground along Weaver Street, which the town owns and could lease or sell the conduit access to a high-speed Internet service provider. Second, Carrboro could leverage access to the existing fiber optic line with telecommunications providers in exchange for the provision of more fiber optic lines in other parts of town. Third, the town could sell or lease the conduits to individual businesses or a co-op of businesses that need reliable, high-speed Internet access. The IT focus group is a good place for Carrboro to start discussion on what the private sector would like to see in terms of fiber optic access along this corridor.

Weaver Street poses an interesting dilemma to Carrboro about how best to use that space. Currently, old mill houses that have been converted into businesses occupy most of the street. A few modern buildings, some more attractive than others, also contain businesses. There are interesting sculptures made of twisted pieces of metal in front of many of the buildings. The street art and the old mill houses give this stretch of Weaver Street a unique personality. The fiber optic line beneath the ground makes this stretch of Weaver Street particularly attractive to IT businesses. It is possible for an IT business to occupy an existing mill house and use it as an office as many businesses currently do. This would preserve the unique character of the street while still achieving growth within the IT sector. Also, by leasing or selling access to the fiber optic line, the town could recoup some of the money it put into the ground two years ago.

A second option is to demolish the mill houses and build an office building that would hold many more businesses. If designed properly, an attractive office building could be built to incorporate the street art. Some of the character of the street would be preserved while allowing five times as much commercial growth in the same physical space. However, many people like the street the way it is now and would strongly oppose any change. Still, others want more office space in downtown and this street presents an opportunity to build more office space along an existing high-speed fiber optic line.

Facilitator, educator, clearinghouse. Playing the role of facilitator does not require much effort on the part of government, but the potential benefits are large. IT companies in Carrboro would be more competitive if they had regular interaction with each other and with academics who are studying the IT field to trade ideas and information. Regular dialogue with developers keeps IT and other businesses on top of potential expansion or relocation opportunities. Educating landlords on the special needs of IT companies prevents misunderstandings between the two parties. With the help of IT firms, Carrboro should put together an informational brochure on the special needs of IT businesses. Carrboro should also facilitate face-to-face meetings with the two parties if needed.

A potential partner in this facilitation process is the Chapel Hill/Carrboro Chamber of Commerce. Scott Maitland, the Chamber president, was present at the focus group and expressed a desire for government to act as a facilitator and clearinghouse of information and contacts. Carrboro should explore sharing some of the facilitation responsibility with the Chamber. Since Carrboro's IT sector is small, it is a good idea to partner with Chapel Hill, Hillsborough, and Orange County to get large-scale interaction and buy-in from IT companies. If partnering with Chapel Hill goes well, Carrboro should explore starting a metropolitan-wide IT focus group, similar to the organizations that exist in Portsmouth, NH and Bloomington, IN.

Being a clearinghouse of information and contacts is also an important role for Carrboro. The office of Community Economic Development (CED) in Carrboro should be the one-stop shop for people looking for information on the IT business world in Carrboro. One example of what the CED office should do in the clearinghouse capacity is to provide IT businesses with contacts at UNC that could provide employees down the line. Other services could include putting IT businesses in Carrboro in touch with other businesses in Carrboro and Chapel Hill that need their services, and putting developers in contact with IT and other businesses looking to expand.

Four of the case study towns were very active in playing the role of facilitator and clearinghouse of information. One simple idea from two of the towns is to host monthly discussion forums with a guest speaker. Portsmouth, New Hampshire has e-brew meetings once a month at a local brewery and Bloomington, Indiana formed the Bloomington Information Technology Sector (BITS) taskforce to bring in IT leaders from across Indiana to speak at their meetings. Many academics and professionals could be brought to Carrboro to speak at a roundtable discussion because of Carrboro's proximity to UNC and the Research Triangle Park. The focus group conducted on September 7th, 2000 has provided the initial groundwork for this type of roundtable discussion group.

Promote Carrboro's quality of life. Carrboro cannot offer the same breadth and depth of amenities as other high-tech, big cities such as Seattle, Austin, San Francisco, or Boston. However, not every IT company wants to be in a big city. As might be expected, since they are now located in mid-sized towns, a majority of the IT firms interviewed in the case study towns prefer the lifestyle they have there. They would not trade the quality of life they enjoy for any kind of business advantage they could get in a bigger city with a larger IT sector. Carrboro has the best of both worlds. It is a small town with a cosmopolitan feel and it is located in one of the largest high-tech metropolitan areas in the United States. Carrboro needs to promote the lifestyle and amenities it does have while also promoting the fact it is right next door to the Research Triangle Park. Also, the cost of doing business in Carrboro is cheaper than it is in the larger cities previously mentioned. Commuting times and traffic congestion in Carrboro are much lower than in a large metro area. This is a major selling point to IT firms in the Research Triangle Park. Instead of living in Cary and traversing I-40 traffic everyday to get to RTP, their employees could easily live within a 10-minute drive of an office in downtown Carrboro. In addition, office space in Carrboro is currently cheaper than it is in the Research Triangle Park and other high-tech hot spots across the U.S.

Two important factors in quality of life are commuting times and affordable housing (O'Mara, 1997). Carrboro's traffic is mild compared to Interstate 40 or any of the local highways in the Triangle region. However, traffic in downtown Carrboro is very congested at certain times of the day. This will only get worse as Carrboro works toward doubling the commercial square footage in downtown. One mitigating factor may be the initiation of fare-free bus service in Carrboro and Chapel Hill. Carrboro has to formulate a strategy to fix the poor traffic flow that currently exists in downtown. Building more housing in and around downtown is one way to help alleviate the traffic congestion. This encourages pedestrian access to downtown rather than automobile access. This type of housing arrangement is ideal to a typical IT worker who is 20-something and wants to be close to work and the nightlife scene in downtown.

Build more office space. There is very little class A office space available in downtown Carrboro. That is why Webslingerz left Carrboro. Other IT companies are worried they will not be able to find enough satisfactory space in the future should they expand operations. Some IT firms such as Wavesale.com, located above a restaurant, are comfortable working in space that is less than class A for the time being. However, eventually firms such as these will require larger and more professional space.

Many information technology companies desire “flexible” office space, which can easily be converted from one use to another or from vacant space to useable space in a short amount of time, usually less than one month. Flexible office space is desirable for IT companies whose workforce and space needs may fluctuate in a short amount of time. A recent Wall Street Journal article stated demand for flexible office space is expected to grow from 2 percent of the \$100 billion office leasing market to 25 percent over the next 10 years as companies protect against business fluctuations (Motoko, 2001).

There is very little flex space available in downtown Carrboro. Landlords and developers are leery of providing large amounts of office space that may not be occupied. Fortunately for Carrboro, there is a local solution to this problem. Work Smart Offices is a company started by a graduate student in the business school at UNC. Work Smart acts as a third party in the office-leasing picture. By providing shared services and equipment, including IT support, Work Smart makes flexible office space an attractive option for leasing. Traditionally, flexible office space has been disappointing to small businesses because of a lack of information technology solutions, the anonymity of being one tenant in a sterile environment of dozens of other companies, and hidden charges and frustrating billing procedures. Work Smart provides a stable and high-speed Internet solution for businesses, one-call support for IT and billing questions, and offers a chance to cut costs by sharing office equipment and common area resources. Additionally, rather than sticking companies with a three or five-year lease on office space, Work Smart offers shorter leases that provide the flexibility many small businesses, especially IT businesses, are looking for.

Work Smart also offers a valuable service from the landlord or developer’s perspective. Rather than dealing with many different clients on a variety of leases, the landlord or building owner contracts one deal with Work Smart, which takes on the burden of dealing with multiple tenants and leases of varying length. As mentioned before, Work Smart also makes the office space more attractive to potential clients through their services.

Carrboro is fortunate to have this innovative solution to managing flexible office space close by at UNC. The office of Community Economic Development should get in touch with Ron Unger, CEO of Work Smart Offices, Inc., to discuss the company’s potential in the Carrboro office space market.

III. Expanding the Entertainment District

OVERVIEW OF ISSUES

A 1983 Hammer Siler George study prepared for the Downtown Carrboro Revitalization Task Force included an analysis of the local economy as well as recommendations regarding housing, office, industrial, and retail development. One of its major recommendations was the creation of an entertainment shopping district that would include restaurants, bars, and other retail that would create a unique experience for shoppers. The study recommended the enhancement of residential areas surrounding downtown and several specific downtown commercial developments. Hammer Siler George noted several other cities that had successfully implemented this strategy. The Hammer Siler George recommendations were only partially implemented.

The main goal of this section is to answer the questions, how have the elements of Hammer Siler George entertainment strategy that were implemented worked out and how can the town improve that strategy in light of changes that have occurred over the past twenty years?

APPROACH

We examined each of the strategies recommended in the Hammer Siler George study then evaluated whether it was adopted by the town, the success of the strategy, and whether the strategy should be redirected. The supplemental information is divided into discussions of town sentiment regarding the entertainment district, parking and transportation issues, and the influence of residential development on the downtown business environment. In order to evaluate the changes in economic development policy and sentiment in Carrboro since the Hammer Siler George report, summaries of three additional documents are provided. The results of the evaluation are summarized in a table at the end of the section, which includes recommendations for reformulating the entertainment strategy.

ASSESSMENT

Review of the Hammer Siler George study

Definition of entertainment district for the purposes of the report

The entertainment district described in the Hammer Siler George plan is not just a club and restaurant district, but an entertainment district based upon broader retail. The report says

When we say entertainment here, we do not mean only the traditional theatres, restaurants, clubs, bars, bowling alleys and other uses which might fall in that category in a zoning ordinance. Rather, a broad range of retail convenience and shoppers' goods shops can be included. The potential customer comes less to purchase goods than to have a good time.

The study concludes that shoppers' goods projects have not been successful in downtowns throughout the country because of the competition from suburban areas and the fact that most trips originate from home rather than from work.

The authors of the study indicate that Carrboro will likely develop consistent with this entertainment theme, while "major retail revitalization is not likely" (although the report does not describe what this alternative revitalization would involve) (p. 52). The existing developments in Carr Mill Mall and the surrounding areas were expected to provide the basis for this development. The authors emphasize that the best way to help the existing retailers in the downtown is to add more retailers in order to offer consumers a more complete shopping package. In addition to the entertainment theme, the report encourages the maintenance of grocery, drugstore, and other conveniences necessary to the downtown.

The report notes: "We must keep in mind that in retailing what is leased and shopped is the quality of the experience and not the quantity of floor space. An imaginative complex of restaurants and shops which truly provides an entertainment experience will attract the support required." (p. 62-3)

Assumptions and projections of the Hammer Siler George study

One way to evaluate the usefulness of the Hammer Siler George study is to ask whether its assumptions and projections were reasonable. The report makes the following projections and assumptions about the local economy and how it affects Carrboro:

- Downtown Carrboro depends upon the continued development of the Research Triangle area, particularly the Orange county market
- The university will not be a major source of growth (because its growth is slowing)
- Completion of Interstate Highway 40 will significantly affect the growth of Carrboro and the surrounding areas
- Slow growth will dominate Orange county, and Carrboro could take advantage of the demand for growth unsatisfied by neighboring communities

Each of these is generally accurate about the changes that Carrboro experienced over the past twenty years. The university has now begun to grow again, and this may bring about a significant change for Carrboro and Chapel Hill, but the other points are approximately the same now as they were in the early 1980s.

The Hammer Siler George report made the following predictions regarding population growth (actual data are noted in the parentheses):

- Population of the Raleigh-Durham area would increase to 670,361 in 1995 (992,792 actual, according to the Real Estate Center)
- A net increase of 25,136 people was forecasted for Orange county for the period 1980-1995 (104,186 in 1995, 77,055 in 1980, net = 27,131)
- Carrboro's population would be 12,926 in 1995 (7,336 in 1980, 16,782 in 2000)

One of the most important demographic shifts that was not foreseen in the Hammer Siler George report is the increase in the Hispanic population. The Hispanic population was 12.3 percent of the population in the 2000 Census, which is approximately double the 6.1 percent national average.

The Hammer Siler George study assumed that the university would have slow growth for a long period, and would therefore not be a significant contributor of additional growth in the local economy. That prediction has been true with regard to the growth of the student population. However, the university has had a strong impact on the office market in Orange county.

The authors of the study anticipated that people would be favorably inclined to live and work in downtown environments. They noted that downtown residences find a greater market in university towns, but the trend will grow overall as “birth rates drop, multi-worker households increase, and as more and more downtowns add restaurants, shops, art and cultural activities and other ‘reasons’ to live downtown.” Despite this optimistic projection of downtown economic vitality, the authors claim that shoppers’ goods are not a successful offering in downtowns, because people tend to make direct automobile trips from home to pick up individual items.

Although it is not entirely clear from the demographic changes over the past twenty years, it is likely that the first point is correct. Many cities have experienced a growth in urban residential areas, but nationwide this trend has been overshadowed by the much larger demographic movement to the outer edges of metropolitan areas. Universities tend to provide a stronger urban residential draw than businesses, and this has significantly affected the demand patterns in Carrboro and Chapel Hill. Based upon the success of big box retail through the 1980s and 1990s, the second point regarding shoppers’ goods is probably correct and remains a significant concern for Carrboro’s growth.

Evaluation of specific strategies

Here we present each strategy recommended by the HSG study and then evaluate it in the current context.

Town Center:

Hammer Siler George recommended developing a site called Town Center on the Yaggy property, which is the area on East Main Street at the corner of Roberson Street, north of the Health Center. The report said that this project “would be a three-story atrium structure with the retail on the first floor” and which would have half to two-thirds of the space taken in retail and entertainment (p. 58).

The Town Center strategy was never implemented. The area is currently in use as a parking lot, and is one of the best pieces of undeveloped property in the center of downtown, since it is very visible at the busiest intersection. The parcel is currently for sale and several businesses are considering developing the property. Even though the development of the parcel would remove a town parking lot and, possibly, some of the more visible trees in the downtown, no other vacant lot in town is as likely to offer commercial success. Therefore, the town should continue to encourage the development of that area.

100 block of Main Street

The report suggested developing the 100 block of Main Street, “particularly the west end where the town has plans to relocate streets and create a surface parking lot which will support new construction and renovation of a modest but important amount of space in this key block of downtown” (p. 59). Additionally, it mentioned more intensive use of the triangular block bounded by Weaver, Greensboro, and Main streets.

The town has encouraged both the historical preservation and the commercial revitalization of the 100 block of East Main Street. This block has become the southern focal point of an entertainment area that fits within the goals of the Hammer Siler George report. Three new establishments have entered the area in the past six months. At least one received assistance from the town’s revolving loan fund. The town should continue to emphasize the commercialization of this area since its success may help achieve further development goals. Development goals should include parking for these establishments since there is now too little parking in downtown. The parking problem may ease somewhat if the lot at Roberson and Main Streets is developed.

East Main Street

In addition to these primary retail targets, the report listed the area just east of the railroad tracks as a retail development possibility. It did not mention a specific plan for the East Main Street area.

The East Main Street area is a mix of many types of establishments. In addition to several restaurants, the area has some professional offices, a furniture store, a dry cleaner and laundry, a bike shop, an auto repair shop, the Arts Center, Cat’s Cradle, and two galleries. The north side of the street has street-fronted buildings, while the south side is composed primarily of strips or freestanding buildings that provide storefront parking. Though this area is not as aesthetically appealing as much of the central or western parts of the central business district, there appear to be very few vacancies.

Despite this high occupancy rate, it probably does not serve the best use for the town. If vacancies rise or major projects require changes to the area, the town may want to consider redevelopment. If the town ever engages in active redevelopment of downtown, this area on East Main Street should be one of the foci. Furthermore, if developers present projects that will strengthen this area, the town should encourage them. Development on the east side of Carrboro could provide a strengthened tie to Chapel Hill, which has been a recurring theme in evaluations of economic development in Carrboro, including the Hammer Siler George report. When developing this area, the town should pay particular attention to the impact of parking upon the surrounding neighborhoods. The parcel behind the Arts Center could be considered for either surface or structural parking.

Unified approach to development

The authors stated that the development of downtown Carrboro into an entertainment shopping experience required a unified approach by private and public entities. They wrote, “The entertainment experience in Carrboro should be created using a combination of new and existing buildings developed by individual property owners and merchants with support in required parking and traffic improvements by the Town and with an aggressive promotional campaign.”

Carrboro's approach has been largely consistent with the theme of the Hammer Siler George report. Downtown development and changes have been primarily private, but the town has been active in the support of businesses by providing parking, some marketing, business assistance, and the like. The town may need to consider stronger activism in development in order to achieve newer town goals, such as the doubling of the commercial square footage.

Boundaries of the target area

The suggested boundaries of the entertainment district were limited to the area from Carr Mill to the restaurants on Main Street and to the Broad Street gourmet shop. The report emphasized that the entertainment district should be compact so that shoppers can park their cars and walk to shops. The idea was to create an area that can be viewed by shoppers as a unique and integrated area.

The town has maintained an emphasis upon the commercial zone recommended in the Hammer Siler George study. This emphasis was codified in the town's rezoning in the 1980s and the town has maintained this emphasis in the target area. Keeping the downtown concentrated appears to have led to a vibrancy in the community that even the writers of the Hammer Siler George study probably would not have expected. This concentration should remain within the boundaries of the central business district in order to maintain the small town feel and strengthen the existing businesses. As the Hammer Siler George strategies emphasize, the goal of the entertainment district in Carrboro should stay centered on the idea of visitors parking once and walking for the remainder of their experience. However, the success of the central portion of the entertainment district has been sufficient to recommend that the town broaden its focus. We recommend that the town emphasize development in areas surrounding the core, such as the blocks to the east, south, and west. This development should be mixed-use, with an emphasis upon complementing the existing core of the entertainment district.

Retail mixture target

The study suggested that restaurants be of a wide variety, consist of 45-65 percent of the total businesses in the entertainment area, and the restaurants should be supplemented by specialty food stores such as butchers, seafood stands, vegetable stands, and the like. The report predicted that downtown specialty food stores would drop as a percentage of the county whole over time as the growth in the county outpaced the growth in downtown. Non-food stores should specialize in low-priced, easy-to-carry, discretionary spending items. Chains should be under-emphasized and more emphasis put on first-time retailers.

The number of businesses in the downtown that are restaurants is currently less than the 45-65 percent. Based on the comments of the townspeople at the Charrette as well as business and town leaders, achieving this level should not be a goal of the town. Rather than setting a goal for the percentage of businesses that are particular types, the town should focus on a more complete retail mixture while enhancing the destination-oriented shopping district. For instance, the resident's most commonly mentioned services that Carrboro lacks are clothing, general merchandise, and a post office. In addition to these weaknesses that point to a lack of completeness, many residents pointed to further emphasis upon the arts, a library, a movie theater, and other components of an entertainment district. The success of the entertainment district has led in large part to the increased demand for other services in the downtown. Few

towns have as broad a mixture of retail and services in a vibrant downtown, and Carrboro has the opportunity to build on this strength by developing additional services.

Development corporation and procedures

The study suggested that development should be primarily by property owners. If the owners are not willing to develop, then Carrboro should consider developing a not-for-profit or for-profit development corporation that could buy and develop all of the properties that are needed to develop the entertainment district “The greater coordination the greater the probable success and, thus if the property owners and businesses in the entertainment focus area could join together to coordinate their development activities this would be highly beneficial.” (p. 66)

Other towns with aggressive development goals have found an independent development corporation an effective way to act more flexibly in the purchase, development and marketing of property than local governments sometimes can. Carrboro created a downtown development corporation shortly after the Hammer Siler George study, but this was largely seen as ineffective, and the development corporation was dissolved. The town now has a downtown commission that reviews plans and makes recommendations for the development of the downtown. Even without a development corporation, additional staff focused on coordinating marketing, development, business relations, business recruitment, and town initiatives in the downtown may be necessary for success with an aggressive development plan. In addition, any successful effort in Carrboro must coordinate better with the existing local resources including the Orange County Economic Development Commission, the Chapel Hill-Carrboro chamber of commerce, and the University. Additional considerations on organizational structure are provided in the section on downtown economic development strategies.

Marketing plan

The study suggested that the town and/or businesses create a marketing effort to publicize downtown Carrboro.

Carrboro has coordinated marketing through distribution of materials, advertising in local media, and coordination of reporting on local business events. The marketing appears to have been effective to the degree that it has been attempted, but the reach is probably limited nonetheless. A broader marketing plan may be in order, with active coordination of local businesses and systematic evaluation of the success of the plan. However, evaluating the success of marketing can be expensive, and the costs of performing an evaluation should be weighed against the benefits of having better information.

Event scheduling

The Hammer Siler George study suggested event planning to draw people into the town to shop and circulate. The town should plan a schedule of events so that there is always something on the immediate horizon for visitors to do. Events or publicity should be scheduled to coincide with large events on the University or other area happenings.

Carrboro has several town-wide events that occur through the year, such as Carrboro Day, Fête de la Musique, the Christmas Parade, and so on. Some of these could probably be strengthened, especially in their support of local businesses. The creation of street festivals has worked in

some towns, usually in the form of one in the spring and one in the fall. In the past, these events appear to be targeted toward Orange County residents. If Carrboro is to continue to develop the downtown, a broader emphasis may be needed. However, small festivals are probably not a reasonable method of economic development. There is no reason to de-emphasize these events, nor is there reason to view them as economic development initiatives instead of as festivals of civic engagement.

Franklin Street extension

The report recommended the completion of the Franklin Street Extension in order to facilitate traffic movement into and out of downtown. The goals of this extension were to ease the access and congestion that cars encountered when entering the town from the east.

This extension was never created, and the developments that have occurred since that point in time appear to make the creation of the Franklin Street extension unlikely. A better traffic pattern in the Main Street, Weaver Street, and Greensboro Street area would help the town to provide better access for new developments as well as encouraging existing businesses. An alternative method of linking the two towns would be to redevelop the East Main Street area to present an aesthetically appealing draw from Chapel Hill into Carrboro.

Parking development

The report suggested creating several parking lots instead of a parking structure because the land downtown is cheap enough to provide adequate parking. The report stated, “There is adequate parking in the downtown as a whole but a deficiency of parking directly adjacent to the proposed entertainment core” (p. 69).

The town has created three parking lots in the central business district, two of which are directly adjacent to the core entertainment area. However, as the central business district has thrived, these parking areas have become insufficient to meet the parking needs of the downtown. And in recent years, downtown land values have gone up considerably. If the town emphasizes development in the downtown area, it should very seriously consider providing a parking facility in the heart of downtown that can provide public parking for the increase in business. While parking structures are quite expensive, the downtown is compact enough that a parking facility will almost certainly be required with a lot of additional development.

Downtown residential development

As a method of supporting downtown commercial activity, the Hammer Siler George study advocated moderate density housing on several local sites. This housing was recommended for areas that were undeveloped or used for other activities, such as the Town Hall ball field, the Yaggy property (behind the Armadillo Grill), the area around Fitch Lumber, and the section of West Main west of Greensboro Street. The analysis determined that there would be sufficient demand to create additional housing in the area, despite the existence of a number of housing developments in the works at the time. The study indicated a strong demand for downtown housing and projected it would increase in the future.

Residential development in the downtown has not occurred at the pace that the Hammer Siler George report recommended, but it has been a focus of the town through much of the period

since the study. None of the developments that are mentioned specifically in the report were undertaken, but some of the locations were used. The largest and most prominent development in the immediate vicinity has been the Roberson Place neighborhood, which includes single-family detached and attached housing. This housing is priced above median for the area, but only marginally. Another recent downtown development is the Brewer Lane apartments, which provide better access to the west Franklin Street business and entertainment district than to Carrboro's central district. Additionally, a condominium complex was constructed behind the town hall. Through most of these projects there has been a demonstrated demand for housing in Carrboro's core, and this demand does not appear to have abated. As the downtown has become more active and the entertainment area surges, the attractiveness of residences in the downtown has increased. However, providing housing in this core area will require denser development, and high-density development is still a relatively untested product in the Raleigh-Durham metropolitan area. As new higher density residential developments are tested in other areas, such as Southern Village and Meadowmont, Carrboro may have an opportunity to observe the success of these units.

Interview and survey data

We conducted interviews and non-probabilistic surveys in order to determine sentiment in Carrboro regarding business, parking, and other issues. Businesses in Carrboro that responded to the business survey largely believed that the business outlook was excellent or good. Weaker projections were made by a few of the traditional businesses that have a difficult time competing with new big box retailers and other developments in or near Orange county. Most businesses appear to favor increased parking in the town, but the support for a parking deck is mixed. Not surprisingly, the businesses that are farther away from the core of the central business district are less supportive of a parking facility. Other trends in the survey show that business people consider the town to be relatively helpful in providing assistance when necessary. However, any business that mentioned development or building regarded the process as cumbersome or unfair. Many businesses were thankful that the town has expressed an interest in assisting small businesses.

The business leaders that attended the economic interests focus group of the Carrboro Charrette focused upon several distinct themes. First, public parking was the most frequently listed need for downtown. Second, a fast, flexible, and reliable development review process was seen as a necessity for additional development in the town. Third, many of the business people, like others in the town, expressed a desire for the town to maintain its character, especially since they believe that this character helps draw customers to their businesses.

The interviews and surveys offer some insight into considerations of residential development, parking, and transportation in the entertainment district:

Residential development

The survey indicated that approximately 44 percent of respondents live within walking distance of downtown Carrboro and that approximately 48 percent of respondents walk to downtown Carrboro. This number is lower, of course, than the number that drive to downtown, which is approximately 83 percent. Surprisingly, although the number of respondents who report that they live within walking distance was much higher among the respondents at the Charrette than

at Weaver Street Market; 27 percent of respondents at Weaver Street indicate that they walk to downtown. So, although the overall effect of surrounding residential neighborhoods on downtown is not conclusive, the indications are strong that close residences have supported businesses downtown.

Parking

Despite an apparent increase in pedestrian traffic into downtown, parking remains the most prominent problem mentioned by business leaders. Parking was mentioned by most of the participants in the economic interests focus group during the Carrboro Charrette, and in discussion with local business people, public parking was considered the greatest direct assistance the town could provide for local businesses during a growth phase. Currently, many of the businesses in the middle of Carrboro do not provide parking specifically for their customers.

The Carr Mill complex, which encompasses several buildings and diverse retail as well as offices, provides the most parking of any of the downtown establishments. Given that three of the largest tenants in the complex are two grocery stores and a large drugstore, this provision for parking is not surprising. In addition to the parking on the northwest and southeast sides of the property, Carr Mill has parking for employees on the south side of Roberson Street, adjacent to the Emergency Medical Services building. These lots account for 20.3 percent of the total parking in the central business district (according to the Carrboro planning department reference map). Given the proximity to the core of the downtown entertainment area, it is probably justified to assume that Carr Mill heavily subsidizes the parking required for other businesses in the area.

Additional intensive parking is provided around the shopping center housing the ArtsCenter and Cat's Cradle. The town provides three parking lots in the downtown, two of which have the primary purpose of serving the entertainment area in the core of the central business district (on South Greensboro by the Trading Post and at the corner of Roberson and East Main). At least one of these lots is on the market for development.

Parking, while a concern of the citizens, does not appear to be the primary concern. Many of the vocal citizens in town are more concerned with Carrboro remaining a walkable community. However, consumers' actions appear to indicate that this concern for walking and other modes of transportation reflects a value for walking instead of a desire for a strong reduction of reliance on automobiles. The town should strongly consider a parking structure if it chooses to pursue strong growth in the commercial sector downtown. However, creation of a parking deck could be a contentious issue in the local politics. For example, financial necessities almost always require charging for parking in decks, but free parking was shown as a high priority at the Carrboro Charrette.

Transportation

Transit appears to have a negligible effect on the businesses in the downtown. While the automobile traffic at the intersection of East Main and Weaver Streets is approximately 25,000 cars per day, the ridership on the Chapel Hill Transit lines serving downtown Carrboro are relatively low. The ridership has gradually declined over the past several years on each of these

lines, as is shown in the chart in the appendix. The more helpful data that describe ridership by stop will not be available until early 2002. These data will help determine a more precise estimate of the effect of transit on the retail area downtown.

The introduction of a fare-free system will make it considerably easier for riders to stop partially through their trips and shop. This change will probably increase the effect of riders on the retail district; however the small number of riders who will be shopping, and the likelihood that their purchases will be small, suggests only a marginal increase for the local businesses. Based upon surveys and these ridership data, we estimate that bicycling and walking have a greater impact on the downtown businesses than does transit.

Some of the additional comments that economic interests listed at the Carrboro Charrette include the following:

- Increase variety of transportation
- Maintain and increase locally owned business
- Keep the center strong, simple
- Make it more viable for small businesses to find retail
- Market the benefits of Carrboro – make Carrboro a destination
- Recruit minority businesses in Carrboro
- Network, utilize the advantages that Carrboro already has (churches, University)
- Keep the look of Carrboro, while respecting property rights
- Keep the locals involved, such as the families that have been in town for generations
- Focus on the issues that are unique to Midway and the areas around the Carrboro/Chapel Hill line
- Keep safe and well-lit
- More street art
- Fewer absentee landlords, better upkeep of the front yards
- Emphasize technology and the benefits of Carrboro as an alternative to RTP
- Pay attention to the types of businesses that may be driven out by higher rents
- Banks and developers may need more flexibility for bringing in chains, since the economic vitality and credit are so much stronger
- Develop enough opportunity for small, diverse businesses that together can create economic gravity to draw in people
- Develop meeting groups that continue to develop methods for improving Carrboro

The leaders of the town emphasized a number of different goals in the leadership focus group at the Carrboro Charrette. They emphasized the necessity of Carrboro maintaining its identity

while building a more diverse economic base and increasing density. Additionally, the leaders believed that it was necessary for the town to work closely with its neighbors, such as Chapel Hill and the University.

Some of the points that were commonly made by the leaders of the town are the following:

- Make Carrboro more walkable
- Less auto-dependent structures
- More open green space to congregate
- Enhance commercial space while keeping Carrboro's character
- Diverse, affordable housing, and urban residential areas
- Work together with Chapel Hill and the University
- Maintain diversity within the town
- Help develop public transportation for the region
- Sell the idea of density
- Maintain the emphasis upon the community involvement in decision making
- Maintain the rural buffer
- Encourage commercial development outside the service sector
- Evaluate the option to connect the rail in the Horace Williams Tract to downtown Carrboro
- More parallel (on-street) parking and other parking solutions

Economic development initiatives since the 1983 Hammer Siler George study

1988 "Assessment of Carrboro's Economic Development Strategy"

In 1988, University of North Carolina student Tamara Sand prepared a report describing and evaluating the status of Carrboro's economic development strategies. That report provides an intermediate reading on the situation between 1983 and the present.

The report identifies these problems and recommends the associated strategies described under each:

1. Carrboro's business is doing better, but has a lack of continuity due to a problem of attracting and retaining businesses. Using the Arts Center, Weaver Street Market, and Talbot's, Carrboro should focus on bringing in smaller related businesses. "The goals should be to achieve an interesting blend of business types instead of a homogenous clones that cater to one group while excluding others" (p. 3).

2. Traffic circulation and parking are problems for businesses. “Traffic congestion and parking must be tackled before downtown can be a success” (p. 3). Bicycle and pedestrian paths as well as shuttle buses and park and rides may help, as long as businesses are central and people can run several errands at once.
3. Downtown aesthetics are being threatened. The town should attempt to preserve the historic character, since the people of the town like the feel and it draws businesses into the area. This preservation should not be strict, however, since this could produce an unnatural quality.

The final conclusion of the report is the following:

Several years ago Carrboro’s goal was to provide multi-unit housing along public transportation routes. Strategic planning efforts made this goal a reality. Similar cooperative efforts through both public and private monetary and moral support, along with strong leadership and community involvement can make the downtown an economic success (p. 3).

There are a number of interesting aspects of the 1988 report that are significant for comparison with other economic development changes in Carrboro. The report views Carrboro as likely to remain a bedroom community as a result of the regional economics associated with Research Triangle Park and the community’s concern for open space. Income will primarily be obtained outside of the community for the foreseeable future. The town’s goals in 1988 were to emphasize the downtown and increase the commercial tax base from 10 to 25 percent of the total tax base.

The development tools that the town used in 1988 were the revolving loan fund as well as a fund devoted to developing intersections and increasing the downtown links between Chapel Hill and Carrboro. Education was also viewed as primary method of economic development, focusing on job training and small business education. In order to support the retail trade downtown, Carrboro was focusing on providing additional residential areas in the immediate vicinity. The Chamber of Commerce was actively pursuing a tourism-marketing plan promoting the area as the “Southern Part of Heaven.”

“Year 2000 Task Force Policies,” adopted by the Board of Aldermen, 1989

The town engaged in a process of goal setting in 1989, the result of which is the “Year 2000 Task Force Policies.” That report shows the elected officials’ plans for Carrboro in the 1990s.

Some of the important economic development strategies that are noted in the Year 2000 report are described here. One notable trend is the de-emphasis of industrial development. The town had generally discouraged industrial development, and this was reinforced by a rezoning of the planned industrial district to residential in 1989. Not all of the relevant economic development policies are pro-development. The four major economic development restrictions in the Year 2000 report are to: minimize environmental damage, emphasize appropriate buffering, avoid major users of water, and maintain integrity of existing neighborhoods. These four major economic development restrictions have remained in place to the present.

Some of the relevant individual goals that the town leaders expressed in the Year 2000 report were to:

- give the town more authority over new development, renovation, architectural, and general appearance of buildings downtown
- emphasize cultural, entertainment, and restaurant activity in the 100 block of Main Street
- encourage pedestrian use
- increase parking and relocate traffic flow
- phase out auto services in the downtown area in order to encourage the entertainment area in the town.⁴
- encourage new development as a method of diversifying the tax base. Active recruitment by the town and Orange county for office, industrial, and retail businesses was recommended.
- continue to promote the bus system to encourage non-auto travel, especially by those with limited mobility
- use zoning ordinances to encourage high-density development around mass transportation routes
- divide costs of public transit among the town, the university, Chapel Hill, and the federal government
- create and mark bicycle routes

Vision 2020 Policy, December 2000

The town decided to adopt the following general guidelines regarding downtown development:

- Double the commercial square footage in the downtown from the 2000 amount
- Build up and not out
- Increase the density of the commercial property in the downtown
- Improve downtown infrastructure, including parking, facilities, sidewalks, lighting, and shading
- Develop transit and traffic incentives to enhance the visibility of downtown

Additionally, the town changed the strategy regarding the 100 block of Main Street to “Carrboro should encourage the development and placement of architecturally significant commercial and civic buildings.” Residences of all types were encouraged near downtown to reduce reliance upon the automobile and enhance the viability of downtown retail. The leaders determined that Carrboro should emphasize technology through telecommuting and providing additional infrastructure that supports private technology enterprises. In keeping with long-established

⁴ This method was changed in the early 1990s.

goals of the town, the Vision 2020 report maintains that shopping centers throughout town should be discouraged and that downtown businesses should be encouraged.

Economic diversity is recommended to create a balanced portrait of convenience, including things such as a movie theater, overnight accommodations, home businesses, technology, retail, restaurants, and entertainment. This diversity also includes a shift away from phasing out the automobile service sector in the downtown.

The Vision 2020 report continues the emphasis upon the diversification of the tax base and notes that at least four new office or commercial structures were added to the central area in the past six years.

FINDINGS

Based upon the town sentiment and the economic vitality of downtown Carrboro, the entertainment strategy suggested by the Hammer Siler George report should be considered a success. The strategy should be updated to accord with the current situation. Our evaluation concludes that the entertainment district strategy should be continued, with some modifications, as follows:

- First, the area of emphasis should be expanded east, west, and south of the core
- Second, the East Main Street area should be used to create continuity with Chapel Hill to draw more shoppers into Carrboro
- Third, the retail strategy should broaden to include other retail targets, as well as consider local, regional, or national chains whose character fits with the town's goals
- Fourth, the town should consider a parking structure since much of the core area has parking constraints and these constraints may get worse even without much additional development

The analysis also includes an overview of analyses of Carrboro's strategies that have been completed since the Hammer Siler George Report and an evaluation of the effects of parking and transportation on the downtown businesses. The following chart details the findings of this analysis.

Table 3: Findings Related to HSG Analysis

Strategy	Implemented	When	Method	Expectations	Degree of Success	Problems	Current effects	New Suggestions/Redirection
Town Center	No	n/a		Office and retail mixture, with an indoor atrium	n/a		The lot is a parking area, but is for sale for commercial development	Office and retail remains the highest priority for this location
100 block of Main Street, including triangle block	Yes	1980s	Downtown rezoning strategies have expanded these uses	The historic core of the entertainment area	High, few vacancies, two new businesses in the past two months	Parking will become a problem when local lots are lost	Tyler's, Open Eye, new bar, Armadillo Grill, Acme, Spotted Dog, Jade Palace all exist; no shops	Expand the emphasis to include areas to the immediate east, west, and south
East Main Street	Unclear					High traffic		Redevelop when the opportunity exists; redesign area to tie more closely to Chapel Hill
Unified development approach	Yes	1983?	Downtown development corporation					

Strategy	Implemented	When	Method	Expectations	Degree of Success	Problems	Current effects	New Suggestions/ Redirection
Maintain boundaries of core	Yes	1980s	Rezoned areas according to downtown commercial emphasis	Keep a vibrant downtown while preventing sprawling development	High	Most problems are caused by success, such as tight parking and a shortage of space	Thriving downtown and high-demand surrounding residential areas	Expand the area to emphasize redevelopment east and west on Main Street from the core, as well as onto Roberson
Retail mixture	Yes	1980s	Change the zoning to include a large restaurant component	Establish restaurants as one of the key focus points for a shopping and entertainment district	Moderate	Auto-based businesses remain a focus of downtown	Weaver Street Market; Latino market; Many of the shops specialize in discretionary items; restaurants a much smaller component than the target	Eliminate the expectation of a particular target mixture; aim for completeness and sustainability
Development corporation or coordination	Yes	1980s	Downtown development corporation	Encourage downtown development	Low	Ineffective	Downtown Development Commission	Could be reconsidered if a more powerful organization is seen as necessary

Strategy	Implemented	When	Method	Expectations	Degree of Success	Problems	Current effects	New Suggestions/ Redirection
Marketing plan	Yes	?	Media advertisements, Brochures	Enhance the town's image	Unknown	Difficult to gauge the effectiveness	Frequent pamphlets, advertisements	Determine a low cost method of gauging effectiveness
Event scheduling	Yes	?	Carrboro Day, Fête de la Musique, etc.	Raise awareness, bring in business	Unclear	Attraction is primarily for locals, which does not bring in outside income	Several festivals	Probably should not be viewed as real economic development initiative
Complete Franklin Street Extension	No						East Main is still extremely congested	Do not reconsider the extension; develop a more town-like feel on East Main Street and other methods of traffic improvement

Strategy	Implemented	When	Method	Expectations	Degree of Success	Problems	Current effects	New Suggestions/ Redirection
Develop parking	Yes	1980s	Additional town lots	Parking support for businesses without much	Moderate/high	Much of the parking is underutilized; Carr Mill provides most parking for downtown	Lot at Roberson and East Main is heavily used, others moderately	Consider a parking deck – high visibility is necessary; partnership may be required to develop financing; consider allowing developers to contribute to parking deck instead of requiring them to provide parking

IV. Preliminary Fiscal Impact Analysis

OVERVIEW OF ISSUES

The leaders and staff in Carrboro have expressed concern for many years about the high proportion of the local tax base that is constituted by residential property. According to Carrboro Planning Department estimates, approximately 86 percent of the property value in the town is residential property, including both renter- and owner-occupied housing. Since the people of the town expect a high level of service, this share of the tax burden has made Carrboro's tax rate one of the highest in the state of North Carolina. The town leaders would like to encourage a substantial increase in commercial development, particularly in downtown Carrboro. This section, therefore, addresses the question; what effect would doubling the commercial square footage have upon the fiscal health of the town (i.e., would it create a financial net gain for the town)?

APPROACH

In order to evaluate this question, we conducted a simple fiscal impact analysis, which considers the revenues generated from developments as well as the community's costs associated with servicing new developments to determine if the development provides a net gain or loss to the community. Most fiscal impact analysis concentrates on evaluating residential impacts, for a number of reasons. More towns and cities face pressures from residential development than from commercial development. In addition, because of the higher service demand of residential development, it often creates a net loss for communities while commercial development creates a net gain. Public schools are frequently the single largest expense for communities and one of the most strained services, and only residential development directly creates a demand on schools. The emphasis upon residential development in the literature and practice means that fiscal impact analysis for commercial developments is less well-developed as a method.

This section presents a summary of methods of fiscal impact analysis, findings from other towns, and a basic prediction for Carrboro's situation. If the town needs more information regarding the impact of commercial development, we recommend a separate and more complete analysis.

ASSESSMENT

A summary of some of the methods used in fiscal impact analysis can assist in understanding the impacts of development and how they are evaluated. One of the most accessible resources for fiscal impact analysis is the National Resource Defense Council's Developments and Dollars guide. The following excerpt discusses some of the costs and benefits of fiscal impact analysis. It addresses the problems of using per-capita data to evaluate specific developments.

Per capita must take into consideration both revenues and costs. Dynamic statistical analysis is the best way to gauge this effect correctly. However, dynamic analysis is expensive and time-consuming. More common methods are based on per-capita numbers costs and revenue, either simply applied or through disaggregated or adjusted amounts. Multipliers have become more common, but stand the possibility of missing costs or applying invalid macro-level numbers to a micro-level situation. Additionally, the multipliers may not work across markets

and regions. However, multipliers are the cheapest method of fiscal impact analysis.

It should be noted that multipliers are primarily used for evaluating residential development.

Regarding estimates of capital costs, the NRDC guide states:

There are two basic approaches for estimating the impact of new development on a jurisdiction's capital budget. The first is analogous to the average-per-capita method...: since capital investments are usually paid for with bonds or other debt mechanisms designed to spread the cost over time, some fiscal impacts analyses divide all of the jurisdiction's existing debt service or the total cost of its capital facilities by its current population (or service units). The result is then multiplied by the anticipated new population or number of units in the proposed development to determine the portion of capital costs that may be attributed to the development. A serious shortcoming of this approach is that it tends to under-represent the cost of new capital facilities if the derived per-capita cost is based on the cost of such facilities constructed several years earlier or the cost of bonds related to their construction, since these amounts are rarely representative of current costs. In addition, focusing exclusively on debt service can exclude the cost of facilities with no outstanding debt or those paid for out of current revenues or reserves.

Another approach involves determining required capital facilities based on the service or design capacity of individual facilities. For example, one fire station may be required for every 10,000 residents or jobs. Dividing the cost of the fire station by its service population results in a per-capita capital cost. The cost of a needed new facility may be based on the cost of similar facilities that have been recently constructed elsewhere, or the projected cost in the jurisdiction's capital improvements plan. For jurisdictions that rely on long-term debt to finance capital facilities, the net capital cost per capita can be annualized to determine the recurring debt service associated with the facility.

According to a paper published by the University of Illinois Extension for local governments, residential expansion has a ratio of costs of services-to-revenue generated of 1.15 to 1.50. This ratio indicates that for every dollar that a new residential development brings in, the local government has to expend between \$1.15 and \$1.50. Ratios for commercial expansion range from 0.35 to 0.65 and for open land from 0.30 to 0.50. So, according to this analysis, the difference between the most optimistic residential fiscal impact and the most pessimistic commercial fiscal impact is 0.50.

If these predictions are accurate, this difference in ratios means that the best residential development costs a local government \$0.77 per dollar of investment more than the worst commercial development. These analyses of costs of services do not include the potential effects of increased property valuation, so the differences may not be as severe in actual developments. However, it is relatively clear that commercial developments cost local governments less than residential, and most evidence points to a net gain from commercial development.

The following table shows the results of an analysis performed for Amherst, New York, that compares the costs associated with residential, commercial, and open land use:

Table 4: Amherst, NY

Land Use	Revenues	Expenditures	Revenues over (under) expenditures	Ratio of revenues to expenditures
Residential	\$461,162,106	\$518,623,795	\$(57,461,689)	\$1.00 / \$1.12
Commercial	\$96,512,033	\$42,624,121	\$53,887,912	\$1.00 / \$0.44
Open Land	\$7,419,403	\$3,845,626	\$3,573,777	\$1.00 / \$0.52
	\$565,093,542	\$565,093,542	\$ -	

FINDINGS

To conduct a simple fiscal impact analysis of doubling the downtown commercial space, we explored the use of the proportional valuation method, which is relatively simple in practice. However, the required data for using the proportional valuation method are not available, because available data sources do not distinguish adequately between residential and nonresidential properties, which is required. Specifically, the method requires data on the total cost of services, the total value of all property in town, the total value of the nonresidential property in town, the total number of parcels in town, and the number of nonresidential parcels. The required data are not available to perform the analysis with any degree of confidence.

In all likelihood, increasing the commercial square footage downtown would enhance the town's fiscal position, since the increase in services would probably be limited while the tax base would be substantially enhanced. The value of the buildings in downtown would be higher than those constructed in other areas of town, further enhancing the fiscal position of the town. However, without further analysis, including of the service demands of the businesses, it is not certain that downtown development would provide a fiscal benefit to the town of Carrboro.

V. Downtown Economic Development Strategies

OVERVIEW OF ISSUES

The purpose of this section is to determine the barriers to Carrboro's downtown economic development and the strategies that the town adopts in order to encourage various types of development in the downtown. At the request of the town of Carrboro, the analysis includes a comparison with several other municipalities and a set of economic development recommendations for the town to consider when it formulates a comprehensive economic development plan. This economic development plan should include explicit goals determined by the town, specific actions required to achieve each goal, identification of responsible parties for each action, and specific measures that the town will use to evaluate the degree to which the goal has been reached.

APPROACH

To answer this question we define eight scenarios for economic development in Carrboro and consider the implications of each type of development. These eight scenarios are industry, entertainment, retail, high technology, professional services, arts, warehousing or distribution, and entrepreneurial development. In order to evaluate each scenario, we develop assessment criteria. This application includes the discussion of obstacles to development as well as unique opportunities for Carrboro. Subsequently we evaluate other towns and their successes or failures in similar situations. Then we summarize findings and offer recommendations for Carrboro's economic development.

ECONOMIC DEVELOPMENT SCENARIOS

Although we present these scenarios as discrete economic development objectives, a successful strategy will emphasize a mixture of businesses appropriate to the town. One of the best methods for Carrboro to ensure long-term success and be resilient through business cycles is to have a diversity of businesses. Maintaining a diversity of types of businesses does not preclude targeting specific industries.

A. *Industry*

One of the possibilities for Carrboro's economic development is to advocate industrial development, which has the potential to employ at high wages some of the lower income individuals in the town. This type of economic development has been pursued extensively by North Carolina in the past and continues in some areas of the state, such as the southeastern region. This method has been emulated by other southern states such as South Carolina, Tennessee, and Alabama. The most common method for bringing in industrial development would be attracting large companies to locate plants in town. For many, this type of industrial attraction is the definition of economic development. Although this has been a common method in much of North Carolina, Carrboro has not pursued this method in the past. Economic developers usually pursue industry in order to provide an economic base that generates income that will circulate several times in the local economy.

B. High technology

Growth in high technology drove much of the expansion of the United States economy in the 1990s. High tech is a broad category of developments that includes most research oriented manufacturing and service jobs. Information technology, biotechnology, telecommunications, pharmaceuticals, and the like are all included in high technology. The Research Triangle Park has a wide variety of these types of businesses and Carrboro's proximity to the area makes high tech a strong consideration for development. Strategies for high technology are addressed in much greater detail in the "Information Technology" portion of this report.

C. Warehousing and distribution

Warehouses could be an option for Carrboro, given that Carrboro is positioned near the major I-40/I-85 junction. Warehousing and transportation industries depend primarily upon the transportation system in place. Warehousing and distribution have been strongest in the Raleigh-Durham International Airport area, but the recent economic downturn has hit the warehouse market severely. Warehousing and distribution facilities appear to be moving to areas east and west of the Triangle in order to take advantage of better highway access and less congested traffic.

D. Professional services

Professional services have the advantage of providing high paying jobs in town, but these jobs may drive up the cost of living without offering better employment opportunities to the poorer segments of town. Professional services that do not export to outside areas will also grow slowly, since they depend upon the base of the local economy and its rate of growth. For example, the demand for accountants who serve the local population will only grow according to population and income, thereby providing a secondary economic effect and not an engine of growth. Additionally, much of the professional sector in town chooses Carrboro due to its low rent. So, developing additional space (which will of necessity be higher rent, just as newer housing is higher cost) to fill with professional offices may be a risky proposition.

E. Retail

Carrboro has viewed the development of the downtown as the primary retail objective for many years, and the town has set a goal of maintaining existing strip development on the edge of town instead of allowing additional development. This goal is an ancillary of the goal for the downtown to maintain downtown vitality. Emphasizing diverse retail growth has been a common method of development for many suburban or small towns in metropolitan areas. Usually this method of growth has emphasized bringing in national or regional chains to anchor large developments. Suburbs and smaller cities in metropolitan areas may have the ability to build retail as a primary driver, using the surrounding area as an income base for economic growth. Cary, North Carolina, is an example of this type of retail economic base.

F. Arts

Emphasizing arts has the potential of bringing income from the surrounding communities, especially if an area has a strong reputation as a unique shopping area. Creating a focus on arts for economic growth may have a limited potential, since relatively few jobs are created and many of the jobs that are created are low income. Additionally, arts tend to have high growth in

good economic times and slow growth in periods when the economy is slower. However, Carrboro has a significant arts focus, with several galleries, the outdoor art district, and the ArtsCenter. These are solid foundations on which to build.

G. Entertainment

Carrboro has taken an explicit interest in creating a downtown entertainment district over the past twenty years. This entertainment district is based upon the ideas suggested in the 1983 Hammer Siler George report. Although this plan is fully evaluated in the “Entertainment District” portion of this report, the development of an entertainment area should be evaluated in comparison with other economic development scenarios.

H. Entrepreneurial development

Carrboro could, as many towns have attempted to do, focus broadly on entrepreneurship as a method of local economic development. There are a number of strong arguments in favor of entrepreneurial development as an economic development method. For one, companies that develop locally are more likely to remain in town and work with the community as they grow. Entrepreneurial development also has the potential to create high-income jobs at a higher rate than many other types of development. Most of the job growth in the United States occurs in small, relatively young, fast-growing companies. The U.S. Small Business Administration states that between two thirds and three quarters of the net new jobs created in any year are created by small businesses, but that small business constitute approximately half of all jobs because successful companies move out of the small business category.⁵ However, entrepreneurial development is difficult to predict and many businesses fail. Entrepreneurial development is usually considered a high-risk strategy, even though the returns when successful are likely to be comparatively high.

ASSESSMENT CRITERIA

There are many different methods of evaluating economic development initiatives.⁶ In order to evaluate these scenarios we have developed eight assessment criteria. These criteria provide a realistic measure of the implications for the town of each of the scenarios. Many of these criteria will reveal opportunities or obstacles that are specific to Carrboro and its unique situation, as well as details that may apply more broadly across the region, state, or nation.

Number of jobs created over time, by skill level

Many economic development initiatives have job creation as a primary goal. This emphasis upon job creation developed from the historical focus of economic development programs in poorer regions domestically and internationally.⁷ In order to evaluate a scenario for

⁵ Frequently Asked Questions: Small Business Statistics and Research, U.S. Small Business Administration, at web site <http://app1.sba.gov/faqs/faqIndex.cfm?areaID=2>.

⁶ Economic development may be measured through “job creation, total or per-capita personal income, business growth and attraction, business productivity, or other means.” Toolbox for Economic Development, U.S. Department of Transportation Federal Highway Administration, at website <http://www.fhwa.dot.gov/planning/toolbox/index.htm>.

⁷ Emil Malizia and Edward Feser, Understanding Local Economic Development, Rutgers University Press, New Brunswick: 1999.

development, the potential to provide jobs for current and future residents must be taken into consideration. Additionally, the number of jobs should be evaluated on the basis of the type of job created so that both the quantity and quality have been considered.

Compensation of jobs created

In addition to the type and quantity of jobs created, each scenario should be evaluated by the compensation associated with those jobs. While higher paying jobs may be likely to increase the tax base, the services demanded by these workers may be higher than the town can afford. Additionally, higher paying jobs may increase the cost of housing the area, which would be contrary to some of the stated goals of the town. Meanwhile, creating many low paying jobs may not be in the town's interest since these jobs may not provide long-term opportunities for townspeople, especially as the economy evolves.

Labor market fit, including projections for likely development of the economy

A successful economic development plan must encourage appropriate businesses for both the current and future situations. For instance, seeking out local businesses in industries that are in decline regionally or nationally will provide only short-term gains that may be offset by long-term expenses. Unsuccessful development choices may lead to wasted resources, especially Carrboro's scarce central land. It is as necessary to evaluate realistic projections of shifts in the local and regional economy to determine appropriate businesses as it is to evaluate the desires and needs of the town. Long term viability and fit with the town's goals are essential components of an economic development strategy.

Local taxes generated

Since Carrboro is in a relatively good position in terms of its commercial vacancy rate and employment levels, tax revenue has become a prominent feature of economic development. Carrboro receives its taxes primarily from the property tax, which include business personal property and real estate, but which does not include inventory. Additional revenues are received from the sales tax, which is distributed from the state to the county and then to the town on a per capita basis. This implies that sales taxes will not increase in Carrboro as local retail businesses grow, but only as the population grows. However, lost sales to other counties detract from the fiscal health of the town, since the revenue is not returned to the county by the state.

Cost of required services

An issue of equal importance to tax revenue but which most municipalities have neglected until relatively recently is the incremental expense required for increased services to new developments or projects. In order to evaluate the impact of any method of economic development, the potential for increased municipal expenditures should be evaluated.

Environmental and other non-economic impacts

Every community must evaluate the external effects of bringing in new businesses, and Carrboro has placed a high priority on businesses with very limited negative social and environmental impacts. The town has expressed the goal of bringing only clean businesses into town, and has restricted some areas to businesses that do not operate outside of normal business hours.

Land intensity

Land intensity is a relevant topic for all municipalities, and it has grown in importance as many communities have become opposed to urban sprawl. Carrboro has had a history of restricting sprawling development by emphasizing the downtown as the primary commercial district. This emphasis continues to receive support from the community and its leaders. The emphasis upon downtown leads to a shortage of land for additional commercial development. Therefore, Carrboro must focus on encouraging development that has a low or very low land intensity, or change the emphasis upon commercial development exclusively in downtown.

Existing zoning regulations

Many business leaders within the community see restrictive zoning ordinances as a strong inhibition to the commercial development of Carrboro. Though many residents and leaders in the community view restrictive zoning as essential to maintaining the character of Carrboro, zoning has the potential to cause significant problems for economic development. Some residents, community leaders, and business leaders have begun to consider a smoothed development process to encourage development consistent with the goals of the town rather than obstructing developers with an onerous process.

Barriers and strengths

For each scenario, we also assess its fit for Carrboro. This measure is not used in the overall ranking of scenarios.

ASSESSMENT

Application of criteria to scenarios

A. Industry

Job creation

Industrial development is likely to create a moderate or greater number of jobs. The data from the NAICS 1997 economic survey show that the average manufacturing firm employs 68.42 people in North Carolina, 63.38 in the Raleigh-Durham MSA, and 15.50 people in Orange County. Each of these figures is higher than the average employment for all firms in the area, which is 16.29, 16.91, and 9.70, respectively. The Orange County numbers reflect the relatively small sizes of firms in the county, and are probably a better indicator of the size of the firms that Carrboro should consider. The skill level required at manufacturing or industrial facilities would be higher than low-end service jobs, but it would be relatively low for the area.

Job compensation

The level of income that industrial development can produce is moderate. The payroll per employee of manufacturing firms is \$27,533 in North Carolina, \$31,246 in the Raleigh-Durham MSA, and \$28,160 in Orange County.⁸ Each of these figures is higher than the averages for all firms in the area, which are \$25,161, \$27,112, and \$19,371, respectively. The higher income is

⁸ Payroll per capita is the total payroll divided by the number of employees. So, this rate does not necessarily provide an estimate of the pay rate for average employees but only a method of comparing firms across industries.

indicative of the moderate income that manufacturing jobs have provided through the industrial expansion of the twentieth century.

Labor market fit

Much of the labor force in Carrboro could benefit from having moderate-income industrial jobs. This could allow some of the workers who are in low-wage service sector jobs to move into higher-paying jobs that allow more long-term growth. However, it may not be realistic to expect significant growth in manufacturing employment. The shift to service sector from manufacturing has been dramatic in the United States, as noted in the following passage from the Federal Reserve Bank of San Francisco:

In 1950 manufacturing was the largest employment sector; it made up more than one-third of all the nonfarm payroll jobs in the nation. However, by year-end 1998 the manufacturing sector accounted for less than 15 percent of payroll jobs and it now includes a smaller share of jobs than either the service, trade, or government sectors. At the same time the manufacturing sector was declining in relative size, the service sector was rapidly gaining in importance. The service sector grew from nearly 12 percent of all payroll jobs in 1950 to 31 percent in 1998 and it is now the largest industrial sector (Federal Reserve Bank of San Francisco web site).

One of the primary reasons why the Piedmont Triad and the Hickory metro areas of North Carolina have had such difficulty in the recent economic downturn is their heavy reliance upon manufacturing and industry. Textiles and furniture manufacturing have declined in particular, but even high-technology industries have declined as telecommunications and information technology spending have decreased in both the consumer and business sectors.

Local taxes generated

Industry has the potential to produce moderate revenue. The level of tax revenue would be based upon the property and improvements to the property, which could be high depending upon the type of property required for the industry. This property has two components. First, the value of the buildings and land would have a relatively low value. Second, the improvements could be substantial, creating a larger tax base. These improvements are taxed at personal property rates. However, the general trend nationally has been to offer tax abatements for attracting industry. North Carolina does not allow abatement per se, but local governments sometimes offer other incentives that tap local resources. Towns usually emphasize this development in order to create job growth. Considering that Carrboro has one of the highest property tax rates in the state and that the state has many towns that would be willing to offer companies attractive packages to create jobs, it would be difficult to attract industry without these incentives. Furthermore, Carrboro's job creation problems are not severe enough at the current time to justify incentives that require significant local expenditure.

Cost of required services

The services required for industry would probably be moderate depend upon the type of industry and the firm's requirements. In order to determine how much additional expenditures development of particular projects will require, a case analysis of other towns' experiences with similar projects should be considered. It is likely that the costs of fire protection will increase with industrial development because of specialized services. Police protection may be relatively

low in comparison with other types of development, but this point is not clear. Based on the types of services the town provides, industry would probably impose lower costs than many other types of development.

Environmental and other non-economic impacts

Most industrial development tends to be more environmentally intensive than other types of development, but many businesses have begun to make strides in creating clean industry. A notable example of this type of manufacturing is Collins and Aikman Floorcoverings. Many UNC departments and institutes are making progress on this type of development, including the Carolina Environmental Program, the Kenan-Flagler Business School, and the Kenan Institute for Private Enterprise. Carrboro has adopted a policy that forbids water-intensive industry, which will rule out many manufacturers. Other types of impacts could be high with industrial development, such as noise and activity outside of normal business hours. These aspects would not be well accepted in the densely populated town. An industry with high water use and noise would likely be too large to find suitable land in the town anyway.

Land intensity

Industry would be one of the most land-intensive scenarios that could be adopted. Industrial buildings are typically large, sprawling developments that require substantial transportation docks. Additionally, regulations in Carrboro require substantial buffering between neighborhoods and industry, which will restrict the ability to develop industrial facilities of any magnitude in town.

Existing zoning regulations

There are several zoning areas that would allow development of limited industry, but large-scale industry would require rezoning. The town restricted the amount of industry by rezoning some areas that were previously designated for industrial development.

Barriers and strengths

There are number of barriers to industrial development in Carrboro. Industrial development has always received little emphasis in Carrboro, as shown in the Year 2000 Policies, which state: “The town should not create a downtown industrial area; rather it should use its energies to stimulate a cultural arts and restaurant emphasis.” Some of the major barriers are the following:

- Most industries do not fit within the longstanding guidelines for the town
- Carrboro has a strong commitment to clean industries
- Carrboro has limited sites that would be large enough for industry
- Carrboro requires a substantial buffer between industrial development and neighborhoods
- The likelihood of the town approving an industrial development in downtown Carrboro is very slight

There are few strengths with industrial development for Carrboro. If knowledge-based industrial firms with smaller site requirements can be attracted to Carrboro, these may be worth considering. Otherwise, Carrboro should search for other methods of economic development.

B. High technology

Job creation

High technology has fueled much of the recent job growth throughout the US and in the Raleigh-Durham metro area, and high technology therefore has the potential to create very high job growth. In the Raleigh-Durham area, high technology firms average 12.68 employees. However, many of the firms that would offer this highest growth would not find suitable real estate in Carrboro, so the estimated job growth is moderate for high-tech in Carrboro. The high-technology sector is divided among several different types of services and manufacturing segments, which makes it difficult to compile data.

Job compensation

The income level created by high technology would be moderate to high. Many of the jobs in high technology pay much more than median income, while many of the data-intensive jobs in high technology pay close to median income. In the Raleigh-Durham area, high-technology firms pay considerably higher than average at \$51,508 per employee.

Labor market fit

High-technology business is consistent with a large portion of the local workforce. Additionally, developing a high-technology economic base will allow the town to participate in the fastest growing sector of the economy, which will contribute jobs in the future. The worldwide shift of jobs to the service sector has already affected the Carrboro area, and emphasizing the high and moderate paying service sector jobs in high technology is a strong growth strategy. Carrboro's proximity to the University of North Carolina and the Research Triangle Park makes it much more competitive in developing high-technology businesses than most small towns could be.

Local taxes generated

Tax revenue from high-technology job growth should range from moderate to high. The real estate should have a relatively high value, given that it should be mid-range to high-class office space. Additionally, high-technology businesses often have a lot of expensive personal property that would be taxed. However, this property should probably be depreciated rather quickly, given that high-technology devices become obsolete in a short time.

Cost of required services

The cost of emphasizing high-tech businesses is not immediately evident. The most costly activity may be the methods used to attract the businesses, such as infrastructure enhancements. Otherwise, high-technology businesses should require similar services to those required by other office clients.

Environmental and other non-economic impacts

The environmental impact of high-technology businesses should be low, given that most of the businesses would be contained within standard office spaces with little physical throughput. If high-tech manufacturing businesses or biotechnology businesses are brought in, environmental impacts would need to be assessed on a case-by-case basis. The other impacts of most high-technology business would be low. The possible exceptions are light manufacturing and biotechnology businesses.

Land intensity

Although it appears that land use would be relatively low for high-technology businesses, these firms often locate in land-intensive locations. Additionally, high-growth technology firms are likely to want a lot more space than they can initially occupy to allow for rapid expansion later. High technology as a whole should be considered as a moderately land-intensive practice.

Existing zoning regulations

For business in high-technology services, no changes in zoning are likely to be required. For research or manufacturing businesses, Carrboro may need to change zoning and would have to evaluate each business individually.

Barriers and strengths:

There are number of reasons why Carrboro should be able to attract and retain high tech as a foundation of the local economy. Small towns nationwide are seeking to attract high-technology businesses, and Carrboro's location within the Research Triangle metro area easily positions Carrboro as a likely success story. Locational studies tend to show that diversity, education, and quality of life increase an area's ability to attract technology companies, which puts Carrboro in a good position. "Intellectual infrastructure, technology transfer mechanisms, excellent physical infrastructure, a highly skilled technical workforce, and sources of risk capital were identified as crucial components of a technology-based economy by the State Science and Technology Institute (SSTI)" ("Technology Led Economic Development"). The location, the quality of life, and the increase in use of e-commerce (despite the current downfall of the business to consumer Internet companies) should create an opportunity for Carrboro to emphasize high-technology growth. Carrboro's proximity to the University of North Carolina and other educational institutions and the Research Triangle Park offers the opportunity to develop new businesses and provide skilled workers for high-technology businesses. In theory, current economic trends allowing businesses to be separate from the majority of customers enable small towns to compete better.

One of the biggest barriers to emphasizing high technology growth in Carrboro is the lack of sufficient office space. On the whole, there is very little office space that would be considered suitable for a high-technology firm. The town is not likely to encourage the typical types of development that high-technology businesses typically choose. Often, for instance, small technology firms choose to locate in flex space, and Carrboro's reluctance to allow developments of this sort may lead firms to locate in other areas, such as the Research Triangle Park, Cary, western Raleigh, or southeastern Durham. Additionally, these other areas are in closer proximity

to the concentration of technology jobs in Research Triangle Park, which creates a competitive advantage for them over Carrboro. Parking will continue to create a problem for high-technology businesses, but it does not create the same type of problem for high-tech businesses that it creates for retail. In the current economic situation, the most formidable barrier for Carrboro's development of a high-technology sector is the high-technology recession. Small firms are most likely to pick Carrboro, and small firms are currently having an extremely difficult time finding capital. As the economy picks up, Carrboro could be in a good position to build upon its location if the town can manage to provide adequate office space.

C. Warehousing and distribution

Job creation

Warehousing has the potential to create many jobs. The North Carolina average number of employees per firm in warehousing and transportation is 15.33, while the Raleigh-Durham MSA average is 17.62. Both of these are near the average for all firms. No Orange County numbers are available.

Job compensation

Most of the jobs associated with warehousing or distribution would be moderate-income positions. The average payroll per employee in North Carolina in warehousing and transportation is \$27,285, while the average for the Raleigh-Durham MSA is \$26,459. Both of these numbers are near the average for all firms.

Labor market fit

Warehousing could provide a number of jobs for people in the area. While there are better possibilities, it would offer moderate-paying work for low-skilled employees. Overall, other types of employment drive Carrboro's labor market, and warehousing would not likely add any benefit to the existing industry.

Local taxes generated

Tax revenues are not likely to be as high as other options that take up as much land. Since inventories are not taxed, warehouses would be taxed only on machinery on site (which nevertheless could be expensive) and the buildings.

Cost of required services

The cost of services is likely to be relatively low for warehousing, unless the costs of infrastructure development to raw sites are heavily placed upon the town. Like industry, there is a possibility that fire protection would be disproportionately high for instances in which special preparation is required.

Environmental and other non-economic impacts

The primary impacts of a warehouse are on the watershed, due to the high level of impervious surface, and on air, given the truck usage. Traffic and noise are two of the primary problems with a warehousing or distribution method.

Land intensity

Land intensity is very high for warehousing, and this alone may be a reason for Carrboro to avoid this method of economic development. Warehouses are large buildings that require extensive loading docks for trucks to use, and they require large tracts of land.

Existing zoning regulations

There are few areas of Carrboro in which warehousing would be an option.

Barriers and strengths

There are a number of barriers to Carrboro's development of a warehousing and distribution scenario. Two significant problems are:

- Downtown density, road systems, and lack of large tracts of land prevent any realistic implementation of warehouses in the downtown area.
- Without taxes on inventory, warehouses will likely provide a low tax boost, the value of the property on-site could affect the revenue generated.
- Warehouse development does not appear to be one of the methods of development that people in the town are willing to accept.

D. Professional services

Job creation

Emphasizing professional job growth in Carrboro could offer steady job growth. However, since most of these types of services (firms in accounting, banking, law, consulting, engineering, medical, veterinary, and the like) depend upon the local demand, it will be difficult to target these types as engines of growth for Carrboro. Furthermore, it may be difficult for the town to develop methods of targeting these businesses. Large firms will locate in one of the other local municipalities that provide greater profile and it may be difficult to find and communicate with small firms that might consider Carrboro. Professional businesses that export services, such as some consultants, may provide faster growth, but there will be relatively few of these and they will be difficult to recruit.

Job compensation

Professional jobs will tend to be moderate to high-income jobs. The taxable professional, scientific, and technical services NAICS category had an average payroll per employee of \$43,700 in the Raleigh Durham metro area, which is much higher than the average for all firms of \$27,112.

Labor market fit

Carrboro would not find it difficult to locate workers to fill professional service jobs, given the region and proximity of good educational institutions. However, it is not likely to increase the income level of the poorest segments of the local workforce and may drive up the cost-of-living in all sectors.

Local taxes generated

Tax revenue from professional service development will be based upon the level of quality of the office development. A high-rent office building could generate a lot of taxes, but the demand for this type of office space may not be sufficient to justify a developer's risk. The taxes imposed upon the personal property of a professional services business would likely be moderate (or low), with a few exceptions such as medical equipment. Overall, the taxes generated are assumed to be moderate. Office space is slightly less costly on average in Orange County than retail, and should theoretically bring in slightly less in tax revenue per square foot of leasable area.

Cost of required services

The cost to support professional services would likely be low.

Environmental and other non-economic impacts

Low environmental impact is expected from most professional services, with the possible exception of medical or scientific services (which may generate a moderate level of waste from disposable sterile products and other environmentally intensive materials).

Land intensity

Professional services are not especially land intensive, since they are primarily office-based. Good planning should be able to mitigate any negative effects.

Existing zoning regulations

The zoning regulations in Carrboro are compatible with professional services, with the exception of large office buildings. Since there is no evidence that the town wishes to allow large developments, the current zoning should not be a problem.

Barriers and strengths:

Only high-quality, successful developments will likely provide a substantial net gain to the town. Since many businesses have moved to Carrboro to avoid the more expensive rent in other locations, it is unclear whether higher-quality buildings could be successful in Carrboro. High-end offices may not be a viable option, but local developers appear to be optimistic about the possibilities of office development in Carrboro.

Large professional services organizations are likely to locate closer to the heart of their demand, which in Orange County would be in Chapel Hill or in the broader metro area would be in Durham, Cary, or Raleigh. With adequate space, larger organizations that do not depend upon local demand for their services (consultants, for example) may consider Carrboro. However, it seems clear that many firms would not consider Carrboro.

Small firms may locate in Carrboro, especially if they do not depend just upon local demand for services (see above). These businesses are the most likely professional services for Carrboro to attract, but communicating with these businesses or determining their demand for office space is also likely to be very difficult. Carrboro will need to develop a method of attracting these businesses in a joint effort with office developers and the local chambers of commerce.

C. Retail

Job creation

High job growth is likely with retail development, but much of this growth will be part-time work. Even though the average number of employees per retail firm is lower than average for all firms, retail has by far the highest number of individual firms in the state and metro area. The quality of retail jobs varies, but few retail jobs are viewed as long-term career jobs.

Job compensation

The types of jobs that come with retail work would primarily be low-paying jobs with a few mid-level management positions. Skilled retail work for which the employees must have a greater knowledge of products, pays a higher than average amount.

Labor market fit

A retail labor force is moderately consistent with the town's current workforce. Many part-time jobs would offer work for students, but the level of income makes it unlikely for many of the other residents who would search for higher paying jobs. Retail is usually seen as a derivative economic impact from other economic development. However, Carrboro's location within a much larger metropolitan area means that Carrboro's retail establishments can become export producers by selling to residents of other towns. The degree to which this effect plays out is likely determined by the quality and consistency of the retail development (i.e., whether Carrboro can become a destination for shopping for out-of-town residents). The labor market will continue to provide workers for retail, but it will rarely be a growth opportunity for individual workers.

Local taxes generated

For most of the types of retail developments that Carrboro could encourage, the tax revenue would be above average. Retail has the highest average asking rent in the county, which should imply a high property value and high tax yield. However, retail expansion as a primary form of economic development would be unusual for a town of Carrboro's size that is not adjacent to a major city or commuting highway. Retail establishments that require extensive capital investment, such as in machinery or computers, would produce higher tax revenues due to the business personal property value.

Cost of required services

Retail establishments would require moderate services, if the town can assess developers with the cost of the utility upgrades. Unmanaged retail development could force extensive road improvements to manage traffic, however, so each project should be carefully evaluated to consider its impacts.

Environmental and other non-economic impacts

Environmental impacts of retail development will be primarily air and water pollution, the latter of which would mostly be from runoff from impermeable surfaces. Retail development could increase congestion and parking problems in the town. Overall, retail development should be expected to produce low to moderate impacts, with traffic and parking being the most difficult problems to mitigate.

Land intensity

The typical suburban retail development, including strip malls, big box, and regional malls, are land intensive and would not well received by Carrboro's citizens. Retail development emphasizing local businesses or well-designed and selected national businesses could reasonably fit within the town's land-use goals and provide solid economic advantages. Many national retailers are inflexible about their stores and the town may find it difficult to convince them to modify their basic auto-centric designs.

Existing zoning regulations

The most prominent zoning regulations that prevent the development of a prominent retail area in Carrboro are those that prevent strip-type development. While Carrboro may be able to encourage development of retail within the current regulations, many national retailers will probably not consider Carrboro because of both its limited available land and the relatively low population. Many national retailers and many developers prefer to develop only typical suburban developments, and it would be hard for Carrboro to encourage these developments.

Barriers and strengths

Some of the barriers and strengths of retail development in Carrboro are the following. Competition from downtown Chapel Hill, Southern Village, Meadowmont, Pittsboro, and Hillsborough may increase, creating a more difficult retail environment for Carrboro. Several of these communities are more receptive to development than Carrboro is, but most do not have the strength of place that draws many into Carrboro to shop. The impact of the new superregional mall in southern Durham (opened March 2002) is yet to be seen. Carrboro's retail establishment will probably not suffer as severe a loss as the strip malls and regional malls in the area, such as South Square and University Mall. Carrboro's emphasis upon local ownership may conflict with the desire of developers to have established clients who will likely be able to live up to the lease. While many developers will consider small tenants, leasing to national tenants mitigates the developer's risk. National chains will not typically pay as much in rent as smaller businesses because of their superior negotiating position; however, rents are a risk and return continuum, and national chains provide a lower return because they mitigate risk. One final barrier to development is that large retail development would likely not be well accepted by the community. The large retail development recently approved in Hillsborough would have far fewer supporters in Carrboro, based on comments made at the Charrette and in the survey of shoppers.

F. Arts

Job creation

An arts focus is not likely to create many jobs, but a variety of opportunities are possible. Arts organizations generally have few employees and grow slowly. Nonprofit arts organizations often provide higher-paying jobs and employ more workers than for-profit arts organizations.

Job compensation

The income level of jobs will vary extensively, but many jobs will be low paying. Most workers in the arts field are willing to work at a much lower wage than they would accept in other fields based upon individual preferences. Owners of the businesses may have moderate income levels, as well as successful brokers or managers. As noted above, the average payroll per employee for arts and entertainment firms is \$12,309, which is significantly less than most other types of employment.

Labor market fit

An arts focus is consistent with the labor force in Carrboro and the surrounding communities. A strong arts market already exists within the community, which is represented by the galleries, live music venues, and the ArtsCenter. The University and the educated population of Orange County contribute to the strength of this community.

Local taxes generated

Tax revenue is not likely to be high with an arts focus. Even though the property value on site may be high, the majority of the value would be in inventory. Taxes generated by the property would likely be very similar to other types of establishments. Galleries and other retail uses will produce approximately the same amount of revenue as other retail businesses.

Cost of required services

Emphasizing arts should require relatively little in the way of services. However, increasing live music could increase the cost of policing at off hours. If the town decided to sponsor arts rather than simply encouraging them, it may cost more than they return to the town in purely economic terms. Choosing to emphasize arts is probably better categorized as a quality of life strategy and not an economic development strategy.

Environmental and other non-economic impacts

Arts would have a low environmental impact. There are few externalities associated with an arts focus, with the exception of some neighborhood parking overflow for gatherings. These would be heavier in live music, but could also have an impact in other areas such as theater or film.

Land intensity

Arts uses are likely not to be land-intensive, and should be similar to retail or office.

Existing zoning regulations

The existing zoning regulations would allow an arts focus in most of the town.

Barriers and strengths

Focusing on the arts may not bring in a sufficient amount of income to justify the effort of attracting the businesses. It would be wise for Carrboro to encourage those seeking to set up local arts businesses, but actively recruiting arts businesses is likely to provide a low return on investment compared to other activities. The town should view the expansion of the arts as a worthy goal, but it should not be framed as an economic development initiative.

G. Entertainment

Job creation

Emphasizing entertainment will likely create a number of jobs, and may be able to create more part-time jobs than any other scenario. The number of jobs per firm in the Raleigh-Durham metro area in the NAICS category of arts, entertainment, and education is 11.84 for taxable firms and 26.56 for non-taxable organizations. This is a moderate number of jobs per firm compared to other types of firms. The quality and skill-level of these jobs would be mixed, from low-end service jobs to better paying management

Job compensation

An entertainment emphasis would not create high paying jobs on the whole. Most of the jobs that would be created by emphasizing entertainment are low-end service sector jobs, such as retail and food service. In the Raleigh-Durham metro area, the payroll per employee in the arts and entertainment segment is \$12,309 while in the retail segment the number is \$16,696. This retail figure is higher than the entertainment district scenario is likely to produce, however, because it includes a number of skilled professional sales jobs.

Labor market fit

An entertainment focus would be in line with the existing labor market in Carrboro and the surrounding area. Many of the jobs could be filled by students and others. The town will probably always have a supply of workers and a demand for the services of entertainment-oriented businesses because of its proximity to the University.

Local taxes generated

Tax revenue from entertainment areas is likely to be moderate to high, based on the value of the buildings required and the amount of equipment and improvements that have to be made to the space. Retail has the highest per square foot asking rent in Orange County and entertainment oriented retail should result in the highest value per square foot.

Cost of required services

Tax services that are required for an entertainment district are estimated to be relatively high. Services would include increased fire and police protection, as well as increases in public works such as lighting, fixtures (wastebaskets, benches), parking, traffic measures, and trash collection. Keeping a safe environment with a sufficient infrastructure would help sustain a successful entertainment district scenario, but it also drives up costs.

Environmental and other non-economic impacts

Environmental impact from an entertainment district should be low to moderate, and most of the negative effects could be mitigated. Construction waste would be similar to other types of building, waste from shops and restaurants would be typical of any type of business, and wastewater would be treatable as standard sewage. Instituting recycling measures could help in mitigating the effects of waste. There are several other effects that could result from the pursuit of an entertainment scenario. Parking and noise can disturb the functioning of local neighborhoods, and a project should be designed to mitigate the negative impact.

Land intensity

An entertainment district would have low land intensity, since one of the primary benefits to consumers of an entertainment district would be the close proximity of the individual businesses. The concept, just as suggested in the original Hammer Siler George report, should be to keep businesses close together so that driving between businesses is unnecessary.

Existing zoning regulations

The existing zoning regulations should support the scenario of an entertainment district. Individual buildings may need to have zoning exemptions, but these should be relatively few and far between.

Barriers and strengths

Carrboro already has a strong base of businesses that contribute to the creation of an entertainment district in the downtown. There are several live music venues, such as Cat's Cradle and Go! Rehearsal Room, while other businesses such as the ArtsCenter and the Open Eye Café have music on occasion. The restaurants in the central part of downtown create an entertainment-oriented feel. Other types of retail such as the stores of Carr Mill Mall provide a solid anchor to the entertainment scenario. One of the most prominent barriers to further development of an entertainment scenario is the current health of the local economy. Small stores and stores based upon discretionary spending may suffer in a slow economy. However, Carrboro's economy is heavily dependent upon the relatively stable University economy, which should smooth economic cycles. Additionally, while there is a sentiment in town to avoid becoming a boutique shopping area, specialty retail and discount retail are likely to be the most sustainable. The increasing profits of big box retailers despite the recession and the decreasing ability of mid-sized malls to survive reveal this trend. A primary barrier to development will be the lack of parking downtown. While only a few areas exhibit strain at the current time, growth that means losing any of the town lots will certainly increase the stress on parking.

H. Entrepreneurial development

Job creation

Entrepreneurial development could produce a wide variety and a large number of types of jobs. It is possible that by encouraging entrepreneurial development that Carrboro could create many jobs, but it is likewise possible that few jobs would be created other than for the entrepreneurs themselves. Overall, job creation for entrepreneurial activity is considered to be moderate, but it is likely that many firms will create very few jobs while a few create substantially more jobs than average businesses.

Job compensation

The income levels of entrepreneurial jobs would be widely varied. Compensation from entrepreneurial activity is normally determined by job and industry type, instead of the firm's status as an entrepreneurial venture. Many entrepreneurs do not pay themselves at all, in the first few years.

Labor market fit

The labor force consistency is not clear. Certainly, entrepreneurial development has occurred extensively around the Raleigh-Durham metro area, but the number that would be attracted to Carrboro or that Carrboro could generate from within is not clear. Entrepreneurial activity, especially in high-tech sectors, frequently centers around universities and the technology transfer that results from research activities. The influence of the University of North Carolina makes it likely that Carrboro could be successful at entrepreneurial development.

Local taxes generated

Tax revenue from entrepreneurial development would vary based upon the type of business and the success of the business. While it is true that early-stage firms are usually unprofitable and therefore do not pay federal and state income taxes, the relevant tax for Carrboro is the property tax, which would be an operating expense to an entrepreneurial company. Therefore, the tax revenue for Carrboro would be roughly the same as another business that occupied the same physical space.

Cost of required services

The cost of required services for entrepreneurial development should be similar to non-entrepreneurial businesses of the same type (which means that they may vary widely).

Environmental and other non-economic impacts

Assuming most of them are office uses, the environmental impact of most entrepreneurial activities would be low. Again, the type of industry would be the determining factor, rather than the stage of business. There should be no distinct externalities that are unique to entrepreneurial development.

Land intensity

Entrepreneurial development would require little land use in the early stages for most ventures, but the type of business would indicate the amount of land use needed later.

Existing zoning regulations

Entrepreneurship has thrived in Carrboro in the past and continues to thrive in many businesses, which indicates that zoning has not been a problem in the past. However, technology companies have complained about the lack of suitable facilities. Therefore, it appears that zoning has not been a real problem, although high-quality office space is in short supply.

EVALUATION GRID

The following evaluation grid summarizes the preceding analysis. For each scenario, a score from 1 to 5 is given to represent the benefits to Carrboro from the adoption of that scenario. In this evaluation, 5 is the most beneficial to the town (which implies that for some of the criteria, such as environmental impact, the lowest impact is scored a 5). Although each of the criteria for each scenario is important, most people would not give equal weight to each criterion. In order to examine the sensitivity of each of these scenarios according to normative positions, we described four positions that have different weights placed upon the different criteria: evenly weighted criteria (for basis of comparison), capitalist, green, and municipal (fiscal). The capitalist position emphasizes job creation and income, but places relatively little emphasis upon land intensity and environmental impacts. The green position does basically the opposite (although the numbers are not directly opposite). The municipal position places a large emphasis upon the tax revenue, the municipal services required, and zoning. For each position, the highest scoring scenario is written in boldface. A discussion of the implications of this evaluation is presented in the findings section.

Evaluation grid

Scenarios:

		Industry	High Technology	Warehousing	Professional Services	Retail	Arts	Entertainment	Entrepreneurship
Jobs Created	most = 5	5	3	3	2	4	2	4	3
Income Levels	highest = 5	4	4	2	4	2	2	2	3
Labor market fit	best = 5	3	4	2	4	3	3	4	3
Tax Revenue	most = 5	2	4	1	4	5	3	4	3
Services Required	least = 5	2	3	4	3	2	3	1	3
Land Intensity	least = 5	1	4	2	5	3	4	4	4
Environment/impacts	least = 5	1	3	1	4	3	4	4	4
Zoning	fewest changes = 5	1	3	2	4	2	4	4	4
	Evenly weighted	2.38	3.50	2.13	3.75	3.00	3.13	3.38	3.38
	Capitalist	3.05	3.55	2.25	3.55	2.95	2.75	3.20	3.20
	Green	2.10	3.50	2.00	3.90	3.00	3.30	3.50	3.50
	Municipal	2.05	3.50	2.20	3.80	3.00	3.25	3.30	3.35

(highest score in bold)

Weights used among criteria for each perspective:

	Evenly weighted	Capitalist	Green	Municipal
Jobs Created	12.50%	20.0%	10.0%	5.0%
Income Levels	12.50%	25.0%	10.0%	5.0%
Labor market fit	12.50%	15.0%	10.0%	15.0%
Tax Revenue	12.50%	10.0%	10.0%	20.0%
Services Required	12.50%	10.0%	10.0%	20.0%
Land Intensity	12.50%	5.0%	20.0%	10.0%
Environment/impacts	12.50%	5.0%	20.0%	5.0%
Zoning	12.50%	10.0%	10.0%	20.0%
	100.00%	100.0%	100.0%	100.0%

Evaluation of other communities

Four other communities with similarities to Carrboro, including proximity to a major university, were examined for their lessons of possible relevancy: Davis, CA; Boulder, CO; Bloomington, IN; and Blacksburg, VA. They are each presented here. In the first two cases, review of web sites was supplemented by contacts with local officials.

Davis, California

Davis, California is a medium-sized city that is home to the University of California at Davis. Davis is similar to Carrboro in that it houses a diverse population focused around a large state university. Also, like Carrboro, Davis also serves a secondary role as a bedroom community to a larger metropolitan area (Sacramento). Historically, Davis has been vibrant, and local leaders have focused on maintaining the quality of life and the economic vitality through economic development programs. Davis has the most educated population in the state of California, which provides opportunities to grow economically while maintaining a high quality of life. As in Carrboro, average home prices are higher than in the region, averaging approximately \$209,000. The city of Davis' web site states:

The higher price of homes in Davis is based on two primary factors: (1) the community's desire for slow growth has limited the housing market through the years, and (2) the high demand by families looking to move to a community with low crime, excellent quality of life, and premier local school system. In order to offer other housing options, the city has an aggressive affordable housing program. By Council policy, all new housing developments are required to integrate affordable housing units into their project.

Davis' economic development programs are primarily operated within the city manager's office. Davis does not have an economic development corporation, but it has an active chamber of commerce and a strong downtown business association. Davis' economy has some strong similarities to southern Orange county, since the community is focused on slow growth and the economy is based primarily upon the university and its spin-off organizations. The community has targeted its industry attraction strategy on retail, high technology, and biotechnology. The retail strategy has been focused upon small businesses and local or regional chains that fill needs that are not filled by current retailers, since the area has a relatively high sales tax leakage. Davis has been moderately successful in this venture. Davis also targets high technology, biotechnology, and other knowledge-based industries. Its methods in this arena have primarily focused upon regional strategies and emphasizing spin-offs from the technology transfer office at the University of California at Davis. Davis has the most trouble in this arena, because other cities are more able to offer open space for development and thus "free-ride" on the benefits of Davis without locating businesses within its boundaries.

Davis has provided various incentives for businesses, particularly in the retail area. These include fee waivers for infill developments, assistance with adding signs and other small features, assistance with rehabilitation of existing buildings, and loans for downtown development.

Davis' largest barrier to economic growth, not unlike Carrboro, is the desire of the community to control growth and avoid undesirable industries. Davis has a firm boundary outside which it has constrained growth, and this constraint has driven up prices on land within the city.

Additionally, Davis has had some problems with local firms leaving the area after successful research ventures in order to manufacture in cheaper and less restrictive communities. The economic development office does not have the ability to offer assistance to these firms in order to help them stay in Davis. Private developers in Davis have frequently seen the planning process as constrictive. Although the city has sometimes attempted to streamline the process for development, such as expediting the design review process for compliant applications, it has not been very successful in making this streamlining process a systematic method.

Davis has not traditionally emphasized jobs as its primary objective and measure of economic development. Instead the city has looked mainly at retention ability, commercial real estate vacancy rate, the length of time vacant spaces remains vacant, and the sales tax leakage.

Davis is attempting to work more closely with the University of California at Davis (UC-Davis) in development, including with the business incubation program, but the city has had the typical problems of disagreements with land uses and university expansion.

The economic development agency has tried to work closely with redevelopment and infill projects to emphasize downtown development. In addition, the agency works closely with the downtown business association, which produces marketing and promotional materials and has a good understanding of the needs of the business community downtown.

Davis adopted a development plan in 1995 that is similar to the plans being considered now in Carrboro. The plan included three parts: business attraction strategy, downtown/retail strategy, and visitor attraction strategy. The first two are most directly relevant to Carrboro.

The business attraction strategy has five goals:

- Attract technology and knowledge-based industries, especially having to do with UC-Davis.
- Ensure that land is available in appropriate zones with preliminary environmental review completed in conjunction with streamlined permit processing for commercial and industrial uses.
- Develop a variety of financial incentives to leverage the expansion and attraction of targeted enterprises to strengthen and diversify the Davis economy.
- Develop and implement a comprehensive citywide business development, expansion, and retention program.
- Develop, implement, and manage a comprehensive and coordinated marketing program for the city.

Some of the more interesting strategies that Davis has adopted in order to achieve these goals are listed in Appendix 2.

Davis has been successful in attracting more business to its downtown. Local leadership underwent a new visioning process that culminated with the “Core Area Strategy Report & Five-Year Action Plan” in February 2000. This report states, “During the 1990s the City invested considerable attention and financial resources in improving the downtown. As a result, downtown Davis is a clean, safe, active, and vibrant city center where people live, work, shop, and enjoy a variety of cultural and entertainment activities” (p.1). The Davis plan focuses upon a broad variety of initiatives, like the Downtown Carrboro plan will, including economic vitality, urban design, community enrichment, and transportation, circulation, and parking. The economic vitality portion includes streamlining approval of projects that meet the city’s goals and considering policy and assistance to encourage adding second and third stories to existing structures.

Davis notes in the report that one of the challenges present in new commercial development is that independent businesses may need incentives to choose the new locations. Developers will likely prefer established businesses, like chain retailers, that can pay high rents with little likelihood of default. In order to encourage development in the central business district, Davis encouraged the development of taller buildings. Davis also received responses from developers and local citizens indicating that the zoning process was inconsistent and that they preferred not to develop in downtown Davis.

The report notes that the Davis Downtown Business Association (DDBA) provides significant assistance to developing the core area. Their focus is “ensuring strong relationships between business, City Hall, UC-Davis and other related organizations; facilitating implementation of the *Core Area Specific Plan*; building the tenant mix; providing member services; organizing downtown marketing activities; and stimulating improvements to public and private property and parking facilities” (p.8). The DDBA has a full-time director and an 11-member board of directors.

Boulder, Colorado

Boulder is a medium-sized city that is home to the University of Colorado. Boulder has experienced a tremendous economic boom and has a strong link with the Denver metropolitan area. Unlike many areas of the country, Boulder does not actively encourage economic development. Boulder has a unique situation with its scenic environment and slow growth attitude that has made economic development a low priority for the community. Additionally, the existence of high-paying jobs associated with the University of Colorado and federal installations has made the area prosper generally. The two organizations that are involved with economic development in Boulder are the Boulder Urban Renewal Authority (BURA) and the downtown development organization. BURA is responsible for the redevelopment of a centrally located mall and the surrounding areas that have had difficulty as newer facilities have opened in other locations. BURA is attempting to redevelop this area as a major mixed-use project. The downtown organization is responsible for the central business district and the area surrounding the University of Colorado.

Boulder’s primary economic problem is a decreasing retail sector and the corresponding loss of sales tax revenues to surrounding communities. Addressing this decrease has been the most prominent goal of Boulder’s very informal economic development plans. The primary difficulty that Boulder has had in developing retail has been the limited supply and high cost of land. Like

Davis, Boulder has bounded its development, and this restriction on development has led employers to go to other municipalities. Essentially all of Boulder's available land is in redevelopment, which has added to local difficulties. Boulder has found that its most successful method for development, particularly in retail, has been the use of tax increment financing.

Boulder has attempted to encourage development through a redesign of its cumbersome planning process, with some success in developing several mixed-use projects downtown. Additionally, the city has invested in infrastructure development on its Pearl Street pedestrian mall, for which it has just created a master plan for redevelopment. Boulder has had some barriers to its efforts at redevelopment, including a slow growth sentiment in the city, heavy involvement by citizens at each stage of the process, high-priced housing and a lack of affordable housing, and bad traffic problems.

Since Boulder receives 70 percent of its local revenue from sales tax, and since its redevelopment initiatives focus on specific locations, the community measures its economic development success by the amount of sales tax generated in the targeted location, especially relative to the amount of funds invested in development. A second measure of success is the degree to which residents can meet their business needs without leaving town.

On its web site, Boulder describes some of the local attempts at development. In 2000, Boulder began to try to deal with challenges to its revenue stream. Leaders sought to enhance the local economy within the goals of the community, which include a strong emphasis on environmental integrity. On the economic side, they sought to emphasize growth that kept pace with inflation while they added real growth over the long term. In order to facilitate this sustainable growth, the Boulder City Council created a Council Committee on Economic Sustainability. This committee divided into four workgroups. The first, the Economic Sustainability Committee, was composed of two city council members and five community members charged with developing the second group, the Green Ribbon Committee. The Green Ribbon Committee is supposed to provide insight from the community and recommendations for a strategic plan. Third, the city hired a consultant to evaluate the current status of the local economy. Finally, the city staff was to organize these committees and develop the strategic plan.

Boulder broke this process into three stages:

1. Define economic sustainability
2. Perform benchmark analysis, including information from the consultant about the best practices for Boulder
3. Finalize a strategic plan that includes barriers, opportunities, and strategies.

This process is still underway, so the success of the process has yet to be determined.

Bloomington, Indiana

Bloomington lists three primary methods of local economic development: tax abatement, industrial incentive loans (focused on capital costs or child care), and enterprise zone incentives (including Inventory Tax Abatement, Employee Expense Credit, Investment Cost Credit, Gross Income Tax Exemption and Loan Interest Credit). The Bloomington Urban Enterprise Association focuses on community development and business development in the most

economically depressed area of Bloomington, the Urban Westside. This organization is funding significantly by the state of Indiana through an Enterprise Zone program.

Bloomington also has an economic development corporation that actively recruits business for the area. It has a lively web site (www.comparebloomington.org) that emphasizes the urban amenities and small city feel of Bloomington to high-technology industries. The web site indicates that Bloomington has an annual budget of \$465,000 and 56 board members.

Blacksburg, Virginia

Blacksburg, Virginia is a town of approximately 40,000 in the New River Valley that is the home of a major university, Virginia Polytechnic Institute and State University. Blacksburg has had the reputation of being a leader in the development of technology in a small college town, and therefore its experiences appear relevant to Carrboro. Blacksburg created a long-range economic development plan in 2000. Its implementation plan included six categories of recommendation: Downtown Revitalization, Business Development & Assistance, Industrial Development, Housing, Neighborhood Enhancement, and Quality of Life. Some of the high priority items from Blacksburg's report that are relevant to Carrboro are:

- Establish an economic development corporation to manage the economic development affairs of the town
- Initiate a downtown promotional/ad campaign
- Adopt a retail recruitment strategy
- Establish the town's role as a leader in electronic government and business support services
- Create and maintain a comprehensive database of the available properties in town as part of the economic development corporation

One curious point is that the real estate professionals noted the difficulty of developing in Blacksburg but also said these regulations made the town a more pleasant place in which to live and do business. It may be that the process is difficult and could be streamlined but the outcome is desirable.

Blacksburg also hired a consulting firm to forecast expected growth over a 20-year horizon and the expected costs that would accrue to the town from this development. The most interesting aspect of this analysis is that expenditures for services caused by new development are not likely to outpace new revenues from development because the town does not pay for the largest single expense, schools. The report notes that "As a general rule, residential development, particularly households with school-aged children, tend to generate more in the way of public services costs than they generate in tax revenues" (RKG Associates 6-17). The report indicates that this is a real concern for the community, but does not impact the town's ability to provide services.

FINDINGS

Summary of findings

Economic development initiatives across the United States have often focused on providing a climate favorable for businesses. The methods used to enhance the business climate, however,

sometimes backfire on towns and cities. In “Improving Your Business Climate: A Guide To Smarter Public Investments In Economic Development,” the following observation was made:

The conventional business climate recipe for growth and competitiveness is simplistic and often perverse in its consequences because it undermines necessary public investments in areas such as education, research and development, and physical infrastructure.⁹

While Carrboro’s development approach can never be as self-contained, since the town functions closely with Chapel Hill and more broadly with the Raleigh-Durham metro area, the town should keep public investment and long-term goals in mind as it formulates its economic development strategies.

In developing its economic development strategy, Carrboro should continue to emphasize the maintenance of the downtown. The town has been very successful in encouraging growth in the downtown, and the businesses downtown have become the core of the town’s identity. “More of the same” was a common wish expressed at the Charrette and by shoppers.

Of the scenarios we evaluated, professional services seemed the most beneficial, under all weighting schemes. High technology, entertainment, and entrepreneurship also seemed promising. Professional services, arts, and manufacturing each can play a role in the development but should not receive the emphasis that the other functions receive. Carrboro should adopt a portfolio method, one that is stronger and more robust by including several different scenarios rather than concentrating specifically upon one, e.g., entertainment. The use of a portfolio is common in investment analysis, and investments in a community can be viewed in the same way. It can also view its own portfolio within the larger, more diverse one of the Research Triangle region overall (see Malizia 1993).

Carrboro should strive to bring in--or grow from within--advanced, clean industry firms that can provide clean work environments, few or no large external impacts, and negligible impacts on the environment. Because of limited land, existing development patterns, and costs, the town is unlikely to have a strong position in attracting large outside firms. Carrboro’s attractiveness to industry will be based upon quality of life and the proximity to the university and the Research Triangle Park. Knowledge-based businesses--which add value primarily through the application of knowledge instead of by the concentration of resources—are the only industrial development that would be feasible or desirable.

Carrboro currently has a number of organizations with interests in development, but they may need to be coordinated or configured differently to achieve the desired economic development outcomes. Robert Shively suggests the following three questions for consideration in designing an economic development organization:

⁹ Improving Your Business Climate: A Guide To Smarter Public Investments In Economic Development, at the Corporation for Enterprise Development website:
<http://www.cfed.org/main/econDev/bi/main/newdirection/ImprovClimate.htm>.

- What type of organization can reconcile the need for broad representation of the various community groups involved in economic development?
- What type of organization can adequately represent both public and private economic development interests without being subservient to either?
- What type of organization can marshal the necessary resources of the community to address the broad range of issues it faces in creating new jobs?

Shively also recommends the following seven principles:

Principle 1: Include all local groups involved in the economic development process.

Principle 2: Encompass all economic development efforts in the community.

Principle 3: The governing body of the economic development organization must include members of the power structure--the decision-makers--of the community.

Principle 4: The governing body must have a high degree of autonomy, i.e., be able to take independent action without specific approval of a participating group such as the chamber of commerce or city government.

Principle 5: While continuity of membership is important, make sure to infuse new blood into the program.

Principle 6: The governing body must meet regularly and frequently, preferably once a week.

Principle 7: The organization must be adequately funded.

Carrboro has had a solid record of success, so any changes to its structure for economic development should be carefully evaluated. However, Carrboro has not attempted as ambitious an economic development goal as doubling the commercial square footage in the past¹⁰, and this may require a more deliberate coordination of resources.

The primary barriers that constrain Carrboro's economic development in downtown are:

- the development approval process
- the prevailing slow-growth sentiment of the community
- the shortage of available high-quality office and retail space
- the competition from other developments in the area
- traffic problems
- the shortage of available land in high-demand locations

¹⁰ Although a report mentions that Carrboro set as a goal to increase drastically the commercial share of the tax base in the 1980s, there is little evidence that this goal was ever seriously adopted.

- Carrboro's low priority in the metropolitan area as a whole.

Some of these problems can be and have been influenced by local policy and some are the unintentional result of economic conditions or geography. In the next section we focus on where local policy can be a lever to capitalize on the types of growth the town wants.

ECONOMIC DEVELOPMENT TOOLBOX

In order to emphasize economic growth in the downtown and to expand the commercial tax base, Carrboro should emphasize the creation of a diverse business environment. Like most government agencies, the town has a limited ability to affect the local economy but can assist in several ways, including the provision of basic public infrastructure and services. In addition, Carrboro can adopt a number of different strategies to encourage economic growth. Below we offer several possible strategies, along with examples and justification for each.

In adopting any of these strategies, it is recommended that the town set very clear goals as well as methods and measures for evaluating success. It is frequently difficult to determine whether strategies are successful after the fact unless baseline measures are taken.

Infrastructure requirements

1. Build a parking structure or encourage the creation of a private parking structure
 - Despite the desire to create a pedestrian village, Carrboro is now (and will be for the foreseeable future) dependent upon the automobile to support businesses
 - Survey indicates that most people are willing to pay some for parking, but it is very difficult for a parking deck to break even
2. Develop methods of reducing traffic impacts
 - Even though retail businesses gravitate toward high traffic areas, the amount of congestion in the downtown area is already excessive. Some better method of handling traffic should be developed.
 - Even though it is not an economic development method per se, infrastructure maintenance and enhancement are critical for further expansion of the local economy.

Real estate development

3. Produce a fast-track development process for individual tracts of land or zones
 - Private developers see the entitlement process in Carrboro as the primary weakness of development in town
 - Demand is constrained by the development process, but the town can use this constrained demand to target investment where it is desired, without preventing development
 - Long-term view must be taken, but Orange County currently has a glut of office space
 - The town board should determine what they would like to see and convey this to potential developers, while remaining flexible in the goals

- The town should consider expedited entitlements through matrix incentives, like Austin, or entitlements that are designated for particular uses on tracts the town would like to see developed.
4. Recommend shared or reciprocal parking agreements for all developments downtown
 - Reduce the land area required for parking to maintain density of downtown
 5. Designate high-priority development parcels

Business assistance

6. Seek out additional capital for the revolving loan fund
 - This has been Carrboro’s most successful tool to support economic development
 - An increased amount in the loan fund would provide the ability to support larger businesses or more businesses at one time
 - Some portion of the loan may be used to assist businesses that fall upon difficult times
7. Explore the creation of a business incubator, possibly with an agreement with other landlords to transition the successful businesses into larger spaces when they “graduate”
 - Create wireless network throughout town (partner with Cisco, etc.)
 - The incubator could be focused on high-growth entrepreneurial activities, or it could focus on providing general small business services, such as the new Vilcom Small Business Center in northern Chapel Hill.
8. Encourage a general merchandise store downtown
 - This is one of the most requested stores by shoppers and one of the few services missing from downtown
 - Carrboro may find it difficult to find an operator who will consider working within the town’s requirements for frontage and parking
 - General merchandise stores that are not deep-discount stores often have a difficult time surviving. The Hammer Siler George strategy reflected this difficulty in the recommendations for specialty retail and entertainment.
9. Entrepreneurial development
 - Evaluate whether the town can assist in the development of a venture or angel fund to provide risk capital to new ventures in Carrboro
 - Create a business incubator in Carrboro
 - Join with other organizations (such as the Council for Entrepreneurial Development) to identify possible future ventures
10. Become a clearinghouse of information for businesses, banks, and developers
 - Facilitating a network of potential dealmakers provides new venture or expansion ideas a forum for sharing and action

- Informal clearinghouse activities have long been a part of the office, but more formalized and complete information could provide a substantial benefit to local businesses.

11. Seek out successful local businesses that would consider an additional location in Carrboro

- Businesses that already have a successful operation in other nearby towns may be more likely to be able to survive in Carrboro than new start-up businesses
- The desire to have local businesses can be met without compromising all of the greater security of chain stores

Organizational recommendations

12. Conduct ongoing focus groups to generate ideas and guide strategies for the town, for example:

- Technology
- Entertainment focus
- Small businesses
- Developers, brokers, and lending institutions
- Residents

13. Evaluate marketing effectiveness

- Marketing materials appear effective, but analysis may determine cost-effective synergies with other public information campaigns
- It may be as costly to evaluate marketing success as it is to generate the marketing. A possible solution may be to involve students (e.g., a practicum).

14. Continue to emphasize connections with other economic development agencies and organizations in the region and state.

- Working with county, regional, state, and federal organizations as well as specialized organizations (such as small business, entrepreneurial, or industrial recruitment organizations) provides visibility to other influential organizations about opportunities in Carrboro.

Guiding principles

15. Create a unified development approach that incorporates infrastructure requirements, business attraction and retention strategies, and land use goals.

- Municipalities frequently have scattered goals that impede success on any of them
- Public awareness of the town's objectives will make increase the likelihood of necessary private action

16. Focus the town's economic development on specific high-return strategies:

- Market the town's ideas to developers and property holders and encourage specific developments on specific sites

- Seek out firms to fill service needs for the downtown actively rather than passive encouragement
17. Focus redevelopment methods immediately to the east and west of the core Carrboro area
 - The town has a strong core between Greensboro Street and the railroad tracks
 - If the downtown is to develop further, redevelopment should be focused on areas adjacent to the core that are currently less appealing or underutilized
 18. Create a downtown attraction of some sort in order to bring people into downtown, something that is Carrboro-scale but has the effect of a hands-on museum or aquarium
 - Proceed cautiously, because this strategy is risky without a unique offering.
 - Consider that Carrboro is not even listed in the North Carolina visitors' guide, since it currently has no attractions or lodging.
 19. Continue to encourage the development of downtown residential areas
 - Emphasize high-density housing in downtown, such as over street-level businesses
 - Communicate to the townspeople the importance of high density in the downtown
 - Do not overdo it, or the commercial tax base gain will be offset by residential tax base growth.
 20. Set the goal of maintaining a diversity of business types
 - Diverse business mix weathers downtown locations better
 - Provides a more complete destination for shoppers
 - Provides a better draw to residences that develop around town
 21. Retain dollars lost to other communities
 - Money that stays in the town does not have to be regenerated through export
 - Some innovative methods suggested by the Rocky Mountain Institute:
 - Encourage energy efficiency as a method of preventing dollars from leaving town
 - Provide a service to local businesses to connect them to local suppliers to encourage wealth to stay within the community
 22. If Carrboro determines that industry should be developed to increase the tax base, very specific goals should be determined (e.g., see the Vision 2020 document).
 - Clean, innovative industries are the best possibility.
 - Join with the Council for Entrepreneurial Development, North Carolina Technology Development Authority, the University, and other organizations to find industries that are specifically viable in the area and are clean firms.
 - There are relatively few examples currently, but these will be growing. Collins and Aikman Floorcoverings, which uses a closed loop manufacturing process, is one such example.

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Appendices

Appendix 1 Original Questions from Carrboro

1. Examine what factors information technology companies consider in choosing a place to locate, e.g. proximity, educational, quality of life, infrastructure, transportation systems, competition, compatible industries, population densities. What other industries attract these industries?

What are the advantages and disadvantages of IT business for a community, e.g., benefits to citizens, tax base? Is there a role for the town to play in developing the infrastructure requirements? Examine case studies of similar communities who have succeeded in developing or have attempted to develop these industries.

Interview local IT CEOs to gather information on their experience in Carrboro. What do we do well? What could we do better?

2. Have one student evaluate the 1983 Hammer Siler George strategies to determine how successful they have been in helping to develop the downtown as an entertainment district. The idea is to continue to use those strategies that have been successful and change any that have not been successful. This question will require the student to look at parking and other modes of transportation currently being used, as well as how residential units have served to support the business district. The project would also entail a series of interviews of consumers, elected officials, town staff, and business people to support the evaluation of the 1983 strategies.

3. Have a student look at the Board of Aldermen's desire to double the commercial square footage in the Carrboro Central Business District and what that desire really means. By doing this, will the Town get the desired outcome, more tax revenue. The student would look at what strategies the town would need to put into place to encourage developers to develop here instead of somewhere else. What incentives, if any, would be needed through the Carrboro Zoning process? Could the Carrboro Revolving Loan be used in a way to further entice developers to come to Carrboro?

4. Based on the data collected during the summer, describe the barriers/obstacles currently constraining economic development in downtown Carrboro, including land use as well as economic factors. Explore economic development strategies in similar cities or towns of similar size, such as Davis, California, Boulder, Colorado, and Bloomington, Indiana. Based upon this research, possibly supplemented by survey data, and the information developed from the Charrette, outline the components of an "economic development toolbox" that would be helpful in carrying out an effective aggressive economic development program.

Appendix 2 – Davis Development Strategies

Davis' business attraction strategy has five goals:

1. Attract technology and knowledge-based industries, especially having to do with UC-Davis.
2. Ensure that land is available in appropriate zones with preliminary environmental review completed in conjunction with streamlined permit processing for commercial and industrial uses.
3. Develop a variety of financial incentives to leverage the expansion and attraction of targeted enterprises to strengthen and diversify the Davis economy.
4. Develop and implement a comprehensive citywide business development, expansion, and retention program.
5. Develop, implement, and manage a comprehensive and coordinated marketing program for the city.

The strategies listed below are coded by which goal they address.

- 1.4—Investigate a joint partnership and other models for collaboration between the city, university and the newly created Emerging Technology Institute to foster a business climate for technology firms.
- 1.5—Develop UC Davis "symposiums" inviting targeted firms to Davis for specialized educational events to be co-sponsored by UC Davis.
- 2.1—Review and modify the permit processing system to ensure participation by all pertinent personnel and streamline the process wherever possible.
- 2.4—Establish maximum time limits for processing planning and zoning requests.
- 2.5—Review Planned Developments where commercial and/or industrial development was anticipated, but has not occurred, for possible modifications in order to allow for greater flexibility and opportunity for development.
- 3.2—Develop an over-arching policy to clarify the type of incentives that could be offered by the city. (Currently, each prospective company is reviewed on a case-by-case basis. While this would still occur, a Council policy with parameters would provide general information to prospective companies sending a signal that the community is receptive and prepared.)
- 3.4—Investigate the establishment of specialized "local enterprise zones" that are targeted for specific enterprises. (Although the City of Davis does not meet the criteria necessary to establish a traditional State/Federal Enterprise Zone, the city could consider the option of a specific incentive area set aside for targeted industries. For example, the City of Chula Vista has a biotech zone.)
- 4.1—Continue to enhance communication linkages between the city, business community, property owners, Davis Downtown Business Association, and Chamber of Commerce.
- 4.3—Conduct a survey of business needs in Davis to periodically ensure that our business retention efforts are focused appropriately.

- 4.4—Co-sponsor business training with the Chamber of Commerce, UC Davis School of Management, and the Davis Downtown Business Association.
- 4.5—Articulate the city's efforts in economic development to the broader community by speaking to the Chamber of Commerce, other public agencies, and service organizations.
- 4.6—Investigate the development of an annual "Economic Summit" to be conducted in partnership with Chamber of Commerce and UC Davis to provide information to and exchange information with the business community.
- 4.7—Coordinate efforts with all city departments to create awareness of all city policies and conduct employee education session.
- 4.8—Investigate a business mentor program with appropriate university faculty.
- 4.9—Encourage a program to "buy local" as a means to support local businesses and decrease sales tax leakage.
- 4.10—Develop "benchmarks" to measure impact of economic development program.

- 5.1—Create a strike force of business and city leaders that can be called upon to help recruit and retain targeted industries.
- 5.9—Develop awards to recognize different aspects of the business community, i.e. entrepreneur of the year award, business improvement award, property management award, etc.
- 5.11—Investigate the sale of city logo merchandise, i.e. street signs, t-shirts.

Appendix 3 – Instrument used in survey of Carrboro shoppers

1) Where do you live?

- | | |
|---|--|
| <input type="checkbox"/> Carrboro (within walking distance) | <input type="checkbox"/> Durham/Chatham Counties |
| <input type="checkbox"/> Carrboro (farther than walking distance) | <input type="checkbox"/> Other Triangle areas |
| <input type="checkbox"/> Chapel Hill | <input type="checkbox"/> NC outside the Triangle |
| <input type="checkbox"/> Other Orange County areas | <input type="checkbox"/> Out of state |

2) Which of the following are reasons that you come to downtown Carrboro?

- Work
- Shopping
- Other business (professional services, banking, insurance, etc.)
- Browsing
- Restaurants/

3) What methods of transportation do you use to get to downtown Carrboro?

- | | |
|-------------------------------|--------------------------------|
| <input type="checkbox"/> Walk | <input type="checkbox"/> Bus |
| <input type="checkbox"/> Bike | <input type="checkbox"/> Drive |

4) Where do you park when you drive to downtown Carrboro?

- Town lot (e.g., Main and Roberson, South Greensboro, Rosemary St., Town Hall)
- Street
- Individual business lot
- Other _____

Would you be willing to pay to park in a parking deck in Carrboro?

- Yes No

If so, what is the most you would consider paying?

- \$0.25/hour \$0.50/hour \$1.00/hour More

5) The town has tried over the past twenty years to emphasize an entertainment district with arts, specialty and unique retail, restaurants, bars, and music. Do you think that the town has been successful?

No Yes

How can the town improve upon this development?

Should the town shift its emphasis to other types of development in the downtown?

No Yes If yes, what type? _____

6) Any other comments, such as types of businesses or services that are not available in downtown Carrboro that you would like to see?