West Trade/Beatties Ford Road Corridor
Charlotte, NC

An Advisory Service Panel

June 7-10,2010

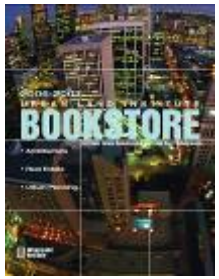
Urban Land Institute

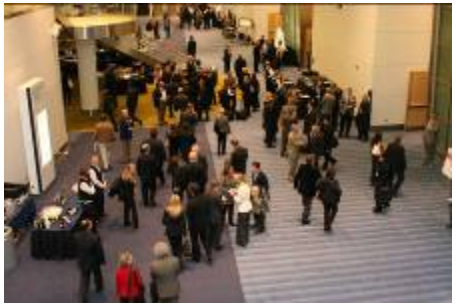
About ULI - Who We Are

- Non-profit research and education organization
- 30,000 members world-wide
  - Developers
  - Architects
  - Planners
  - Bankers & financers
  - Economic development
  - Market analysts
  - Includes members public and private sectors
- We have over 50 District Councils representing the Institute at the local level – ULI Charlotte
- We are land use and real estate professionals who share ideas, insights and best practices.

About ULI – What We Do

- Organize meetings and conferences
- Publish books and magazines
- Provide Education Programs
- Conduct Research
- Provide Advisory Services





The mission of the Urban Land Institute is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide

Advisory Services at ULI

- Panels since 1947
- 15-20 panels a year
- Panel provide independent, objective & candid advice to governments, private firms and non-profits.
- Panelists are volunteers; not paid
- Process
  - Review background materials
  - Receive a sponsor presentation & tour
  - Conduct stakeholder interviews
  - Consider data, frame issues and write recommendations
  - Make presentation
  - Produce a final report

Sponsors

- City of Charlotte
- Johnson C. Smith University
- Johnson & Wales University
- Charlotte Center City Partners
- Bank of America
- ULI Foundation

Panelists

<u>Panelists</u>

Leigh Ferguson, Chair

Dan Fulton

Warren Whitlock

Bill Gilchrist

Candace Damon

<u>ULI Staff</u>

Tom Eitler

Panel Assignment

- Where new and or expanded capital facilities should be placed along the corridor and, in relationship to each, to maximize the positive impact and generate the most economic activity?
- For these locations, develop schematic development concepts for immediate implementation.
- Best ways to structure privately owned rental housing that will meet the needs of JCSU and J&W students, faculty and staff.
- How to bridge the development gap and the interstate highway between JCSU and J&W?
- How to set the stage for longer term redevelopment projects, including a convocation center, and the redevelopment of Tarleton Hills for mixed income housing, retail and institutional uses.

Panel Assignment

- Given these capital facility needs and using the planning efforts from the last five years, develop a revised vision/plan for this corridor that relates these facilities to the neighborhoods and Center City Charlotte.
- What is the appropriate role for the public sector to assist with these redevelopment efforts?
- What is the most appropriate way to encourage private development activity?
- How to protect the surrounding communities from the impact of this growth, including ways to ensure the existing residents are able to remain in the neighborhoods as the community gentrifies?
- What are the long term parking needs of the corridor and how is the best way to meet those needs?
- Develop a prioritized action plan for implementing the panel's recommendations.

Some Observations

- Previous Planning
- Community Participation
- Local Champions
- Local Capacity
- Transit/Street Car

DAN FULTON MARKET

Market Analysis

- The corridor enjoys a rich heritage along with a diverse and relatively dense population, when compared to local suburban markets.
- Socioeconomically, the corridor's most important attribute is the proximity to the Center City as its core employment center. Employment growth in Uptown, which is the core employment center for the region, is critical to the success of this corridor. With increasing employment comes demand for housing and new retails goods and services.

Opportunities

Several opportunities exist in the corridor that will lead to increased demand for goods, services and new housing:

- Proximity to downtown
- Revitalization energy and opportunity within the Corridor
- Demographic trends bringing people back to an urban and walkable environment
- Student energy coming from each end of the corridor – JW/JCSU
- Improvement of existing vacant single-family lots

Economic

- Currently, the City of Charlotte suffers from an unemployment rate that is nearing 10 percent.

Employment Analysis

	2005	2010	
Employment	311,678	313,106	+0.5%
Rate	4.9%	9.9%	+5 BP

Demographics

When evaluating the demographics of the Corridor, several interesting points demonstrate the influence of students on the area:

- Relatively small population of 3,114 people, or less than one-quarter of a percent of the metro area.
- The study area has a large household size – over 3 persons per household compared to 2.53 for the metro area.
- The study area has a home ownership rate that is nearly half of rate of the metro area. This suggests that there is a vibrant rental market and there's potential to increase home ownership.
- Median household incomes are 50 percent of the area's median household income,
- Median home values are 75 percent of the area median.

Demographics

	Study Area	Charlotte Metro Area	Study Area as Percent of Metro Area
Population	3,114	1,740,257	0.2%
Population growth rate	2.31%	2.78%	83%
Avg. Hhld size	3.04	2.53	120%
Median Age	23.9	35.9	67%
Owner Occupied	34%	62%	55%
Median HHLD Income	$31,284	$62,855	50%
Median Home Values	$119,318	$159,442	75%

Source: U.S. Census, ESRI projections

Housing Demand

- Urban neighborhoods are back in demand. With the aging of the millennial population, which is 80-million strong nationwide, and the aging of the baby boomer population which is turning 65 next year, there is renewed interest in livable and walkable communities that support the lifestyle demanded by these two consumer segments.
- With this renewed demand, and revitalized corridor, many households will elect to stay or move back to the corridor when they decide to move to a new home.

Housing Demand

- Based on our demand analysis for new homes, we see the demand for nearly 2,100 new homes averaging $340,000 for the first time and move-up buyers and $320,000 for those households over age 55.
- Nearly 1,300 units of demand are coming from prospects earning less than $75,000 and can afford a home between $100,000 and $326,000.
- Thirty percent of the demand is from households earning $75,000 to $150,000 annually and can afford a home ranging from $344,000 to nearly $700,000.

			Market Share		
Type of Demand	Annual Demand	Rent/Price	2%	4%	6%
Renter Demand	3,490	$893	70	140	209
First Time/Move up Demand	1,674	$340,279	33	67	100
Empty Nester Demand	475	$320,677	9	19	28

New Home Demand By Age

Source of New Home Demand

25-34	35-44	45-54	55-64	65-74
38%	**23%**	**17%**	**16%**	**6%**

Rental Demand by Age Range

- Over 40 percent of rental demand is in the 25 to 34 age range, followed by 35 to 44 age range with 14 percent of the rental demand.

Rental Demand by Age Range

25-34	35-44	45-54	55-64	65-74	75+
42%	14%	8%	5%	2%	3%
1,476	480	286	158	73	120

Demand – Retail

- Based on our retail demand model, there is demand for roughly 1.3 million square feet of retail in the trade area that extends approximately 3 miles from the corridor. During our tour of the corridor, it appears that this demand may not be satisfied, suggesting the retail revenue may be leaking out of the corridor to another part of the region.
- Incrementally, retail demand increases approximately 28,000 square feet annually, based on household growth and household income forecasts.

	2009	2010	2011	2012	2013	2014	5 YR Growth
Retail Demand	1,282,149	1,310,066	1,338,334	1,366,954	1,395,926	1,425,249	
Incremental Space		27,917	28,268	28,620	28,972	29,323	143,100

Recap of Opportunities

- Proximity to Center City is the most important and marketable attribute to this corridor.
- Demographic trends are pointing to greater demand for more urban development
- The corridor is devoid of adequate retail, suggesting that the demand is not being met.
- With capture rates of 2% to 4%, the market could sustain absorption rates to support phased developments within the corridor. Migrants into the corridor will be additional demand.

WARREN WHITLOCK DEVELOPMENT CONCEPTS

Development Program

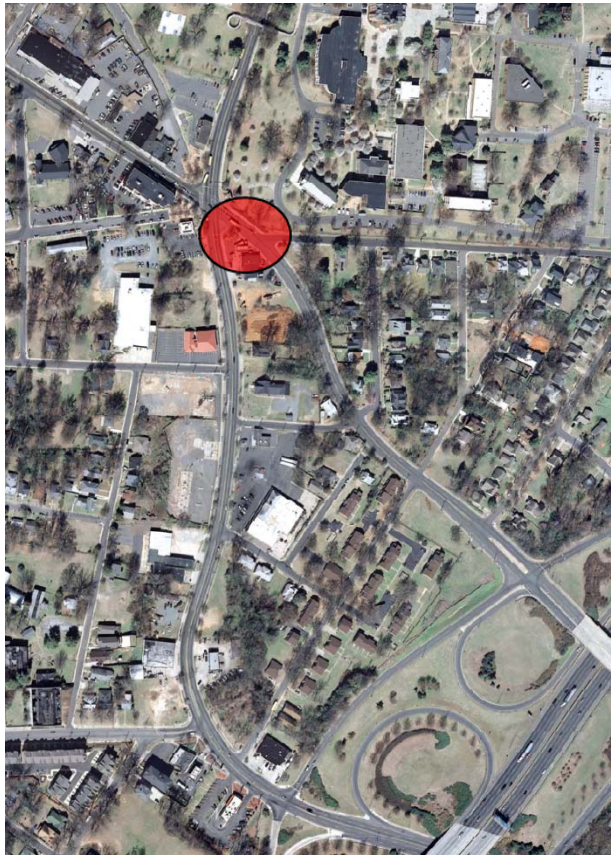
- Redevelopment of the corridor is a multi-phased initiative to incorporate appropriate services and amenities that will complement and be supported by this important educational and residential community.
- Demand demographic supports:
  - retail banking
  - entertainment and eateries
  - bookstores, pharmacies
  - retail
  - professional offices

Development Program

- Johnson C. Smith University - “service orientation ”
- First phase of the redevelopment
  - plan will align with the University’s current plans to develop off-campus initiatives such as the Visual Performing Arts Center and a new campus bookstore to be located outside of the University’s main campus

Development Program

- Development of a University / Community Partnerships – the development of a campus bookstore should aim to build on combination retail. Barnes and Noble model
- Mixed Use Commercial development - precedents - University of Chicago's development of the Lucky Strike facility



Development Program

- Eateries – a solid mix of eating establishments – from sit down facilities to take out.
- Wine Bar / Jazz Bar – serving community and university residents.
- Newsstand – containing a large variety of national and international news and magazine periodicals.
- Cosmetic service providers – beauty parlors/salons/day spa
- Print shops - FedEx/Kinkos – University Press

Development Program

- Professional Services (medical/dental)
- Pharmacies
- Retail Banking – retail banking is essential to revitalization plan. Can be in stand alone or combination retail as mentioned in number location.
- Open air markets – as a means to advance opportunities for small and local business owners and to create a “local” feel of the new revitalization.
- Starbucks and bank retail combination of San Francisco.

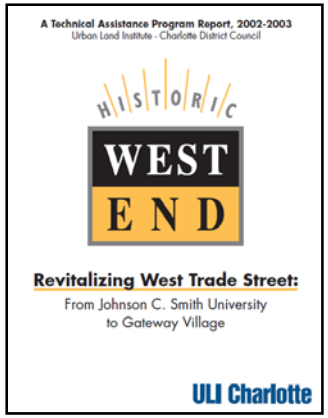
Academic Center of Excellence

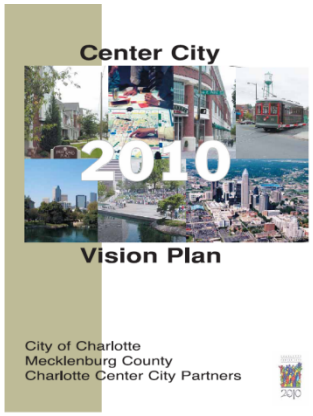
- One method to advance this revitalization would be the development of public school that would be a collaboration between the University and City of Charlotte.

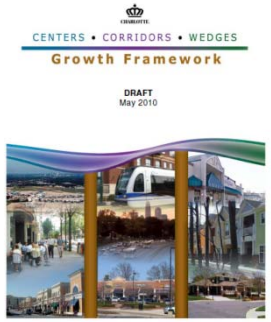
BILL GILCHRIST
PLANNING AND DESIGN

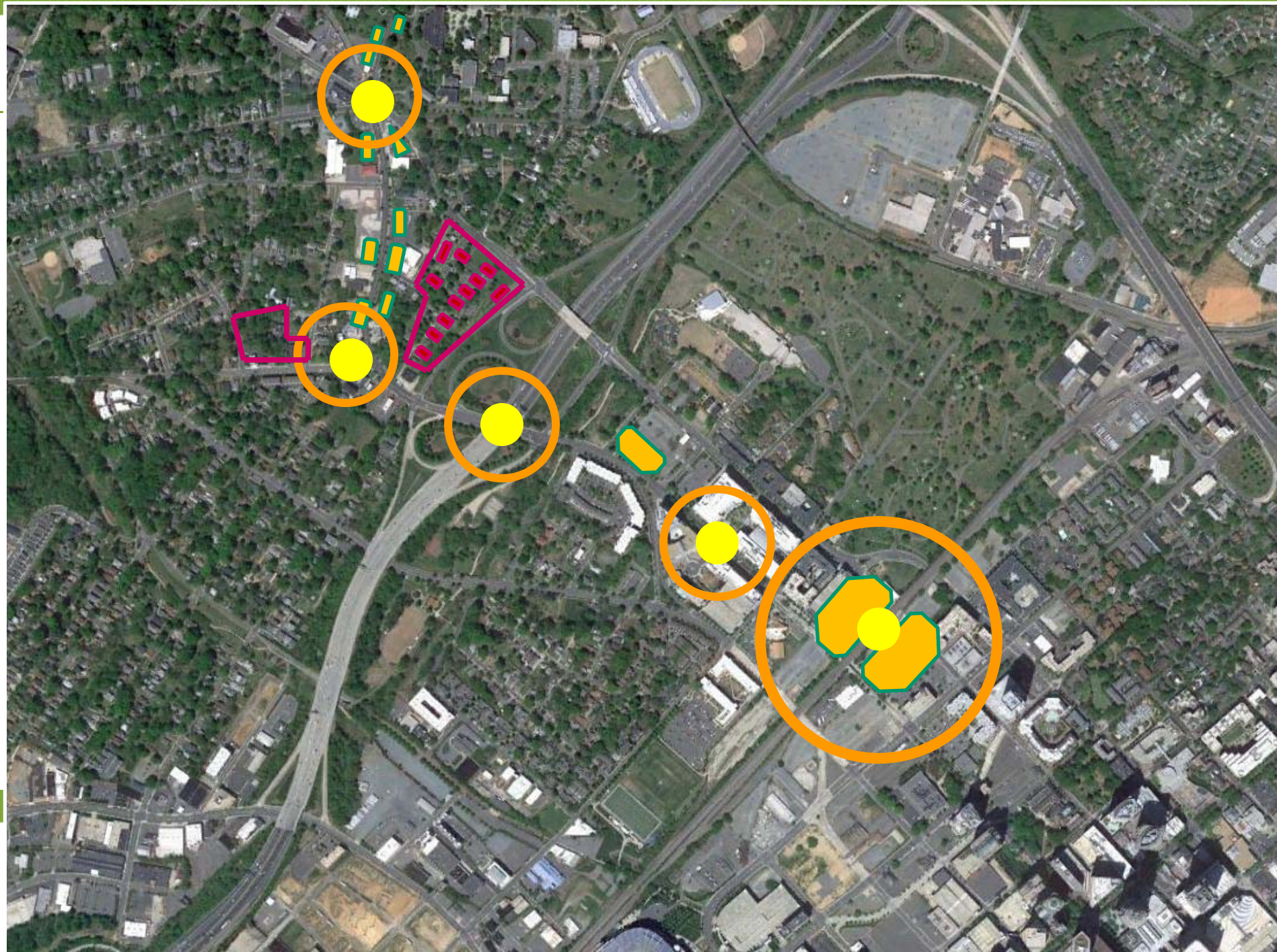
Building off Momentum

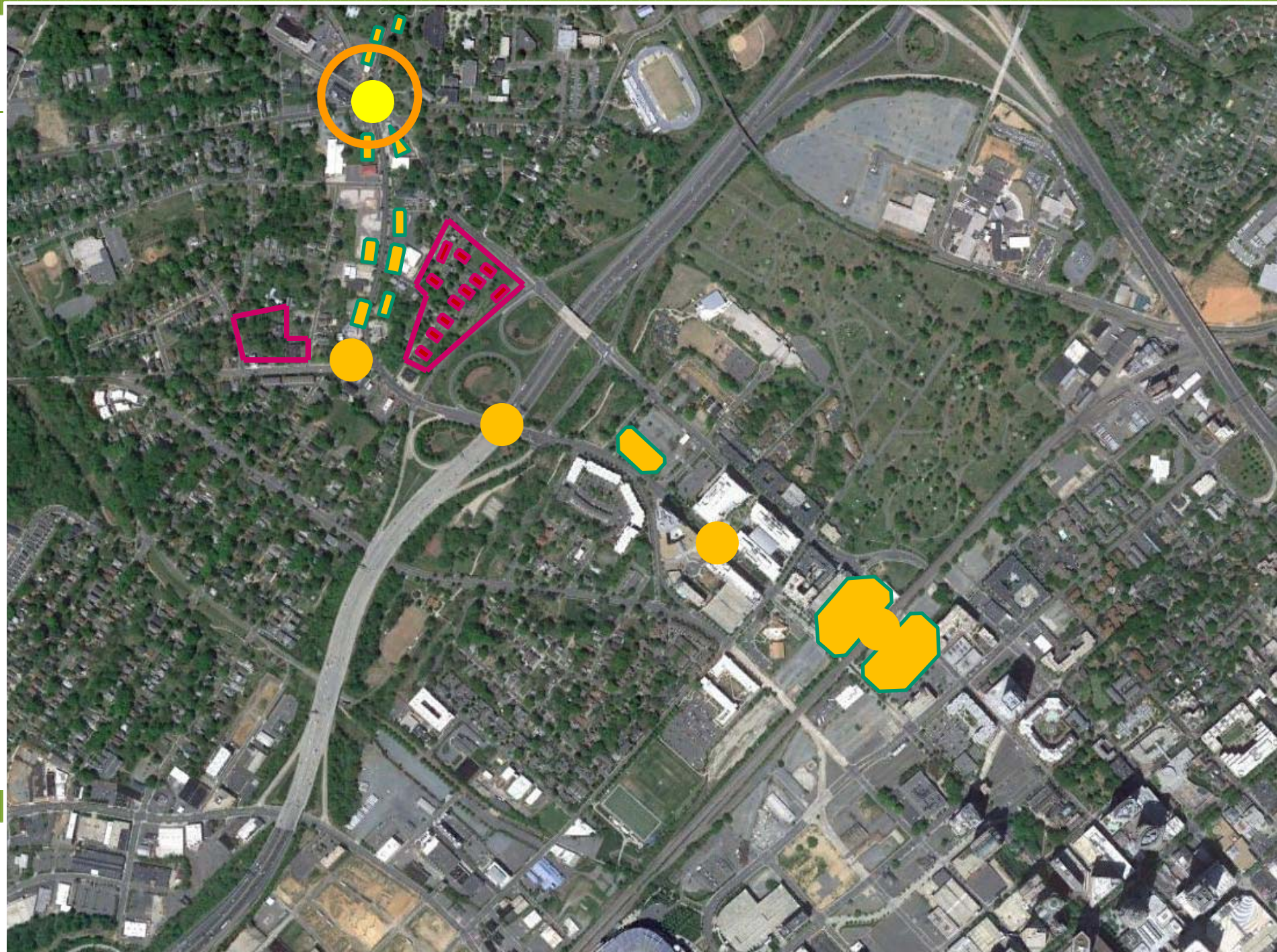
- West End Land Use and Pedscape Plan
- Centers, Corridors, Wedges
- Center City Vision Plan 2010
- State of the Center City
- Third Ward Neighborhood Vision Plan
- Wesley Heights Neighborhood Plan
- Historic West End – ULI TAP 2002-2003
- Independent Stop Location Assessment – Charlotte Streetcar Project
- Mosaic Village
- Johnson C Smith University Master Plan











Campus Images

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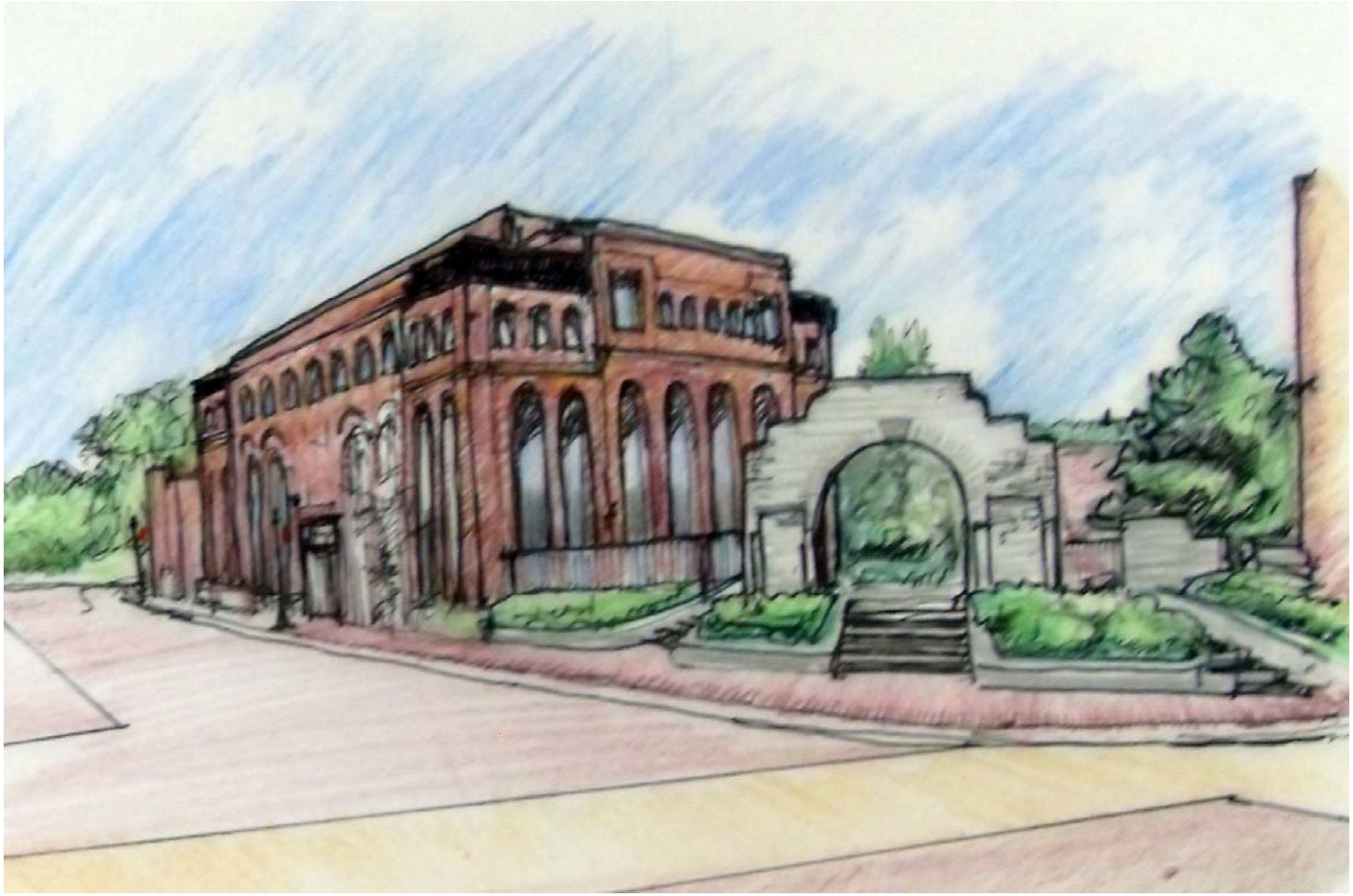
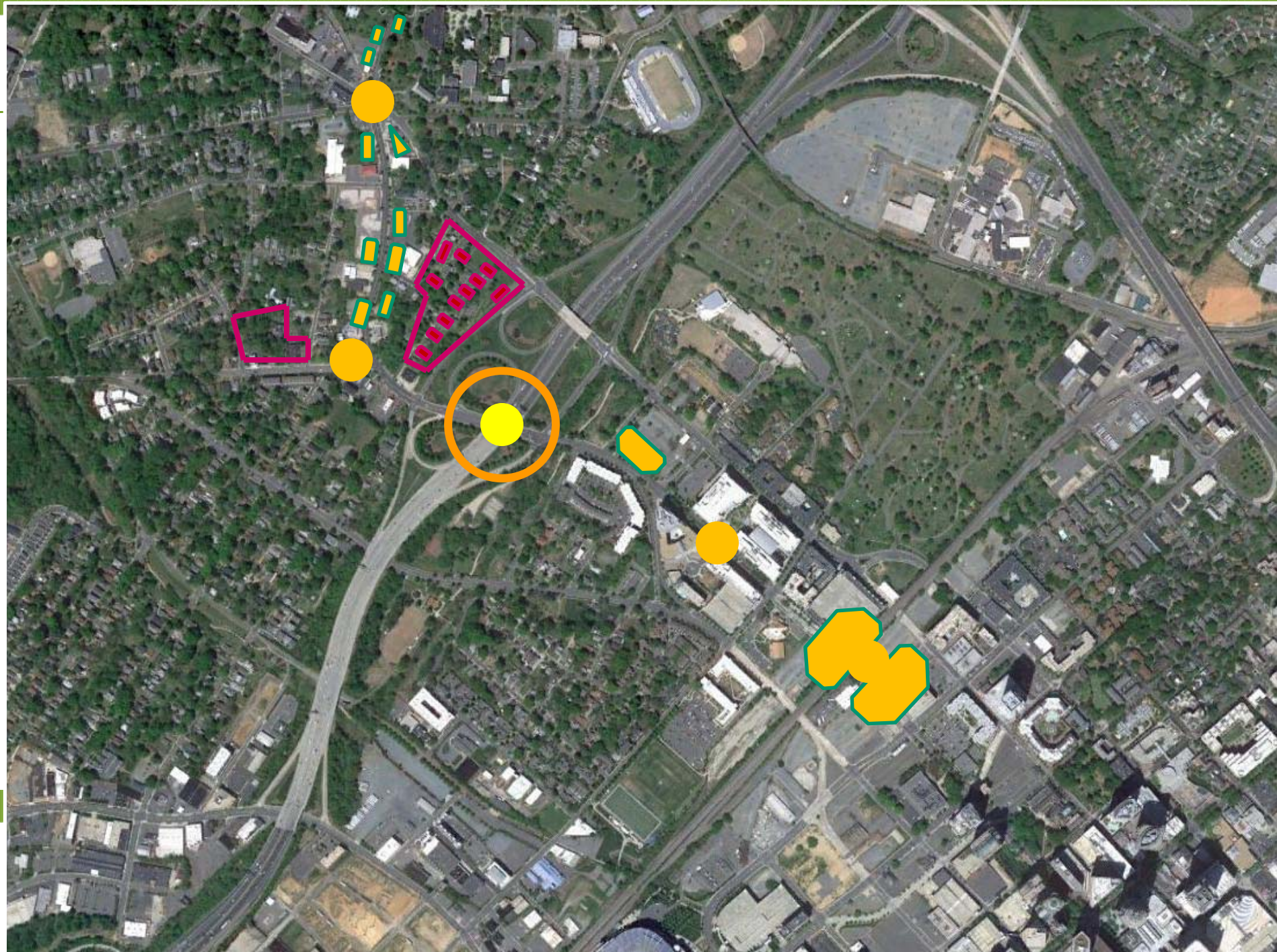
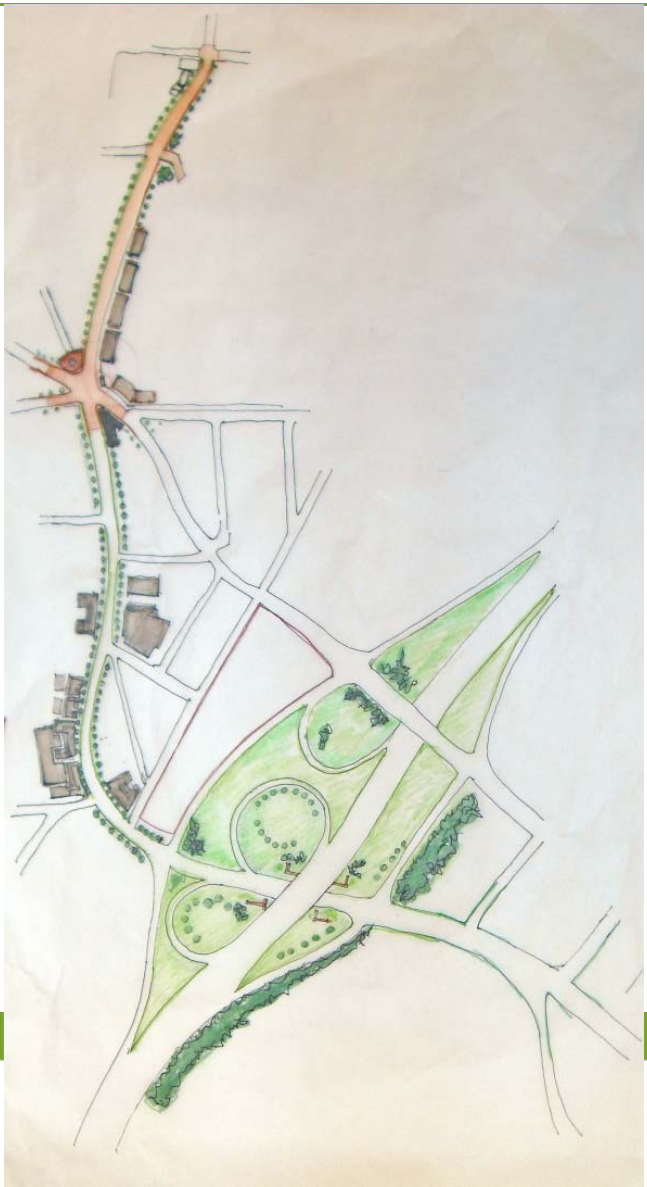




CANARY
WHARF

Neighborhood Entrance from I-77



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Potential Ramp Redesign

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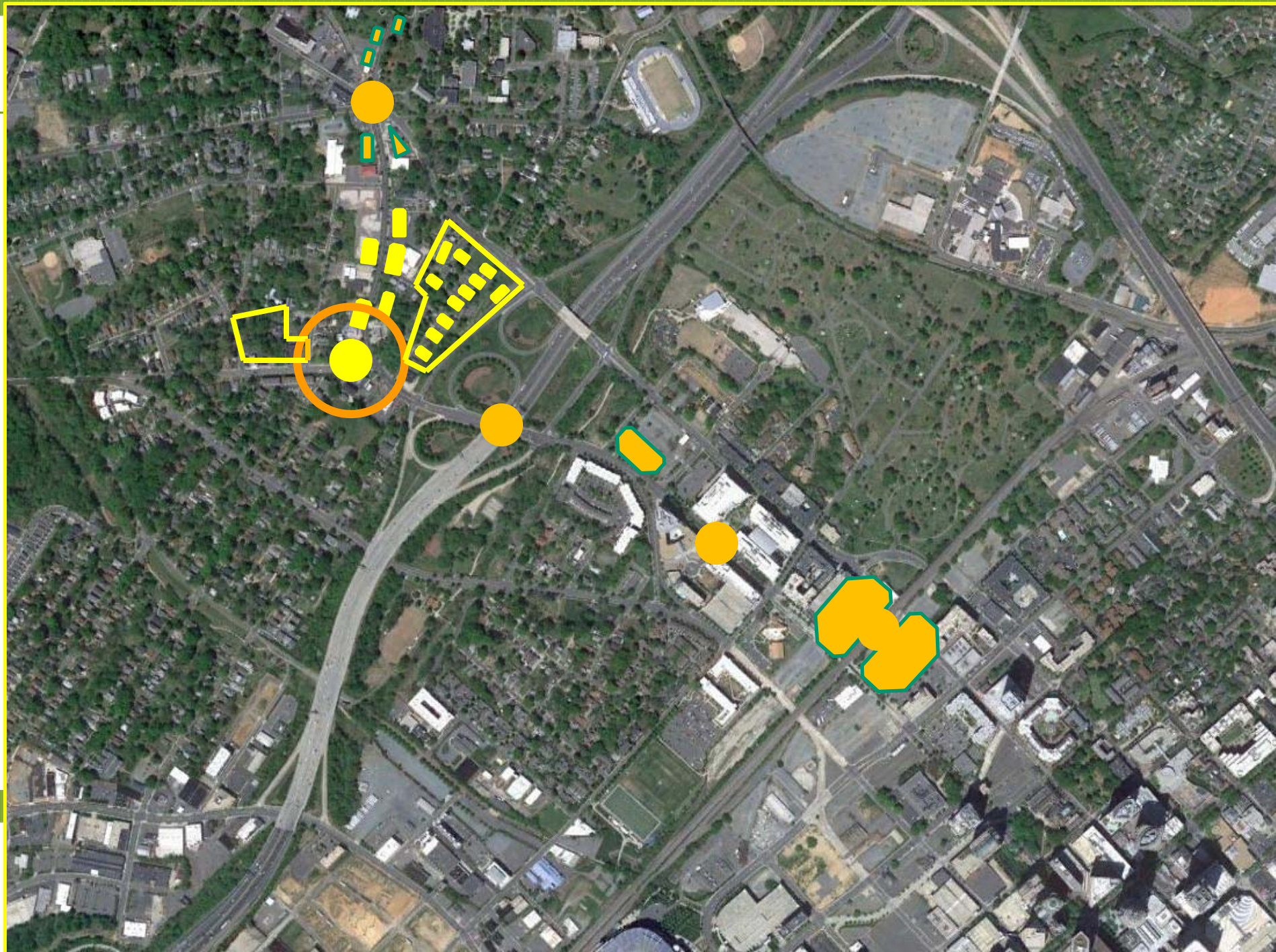
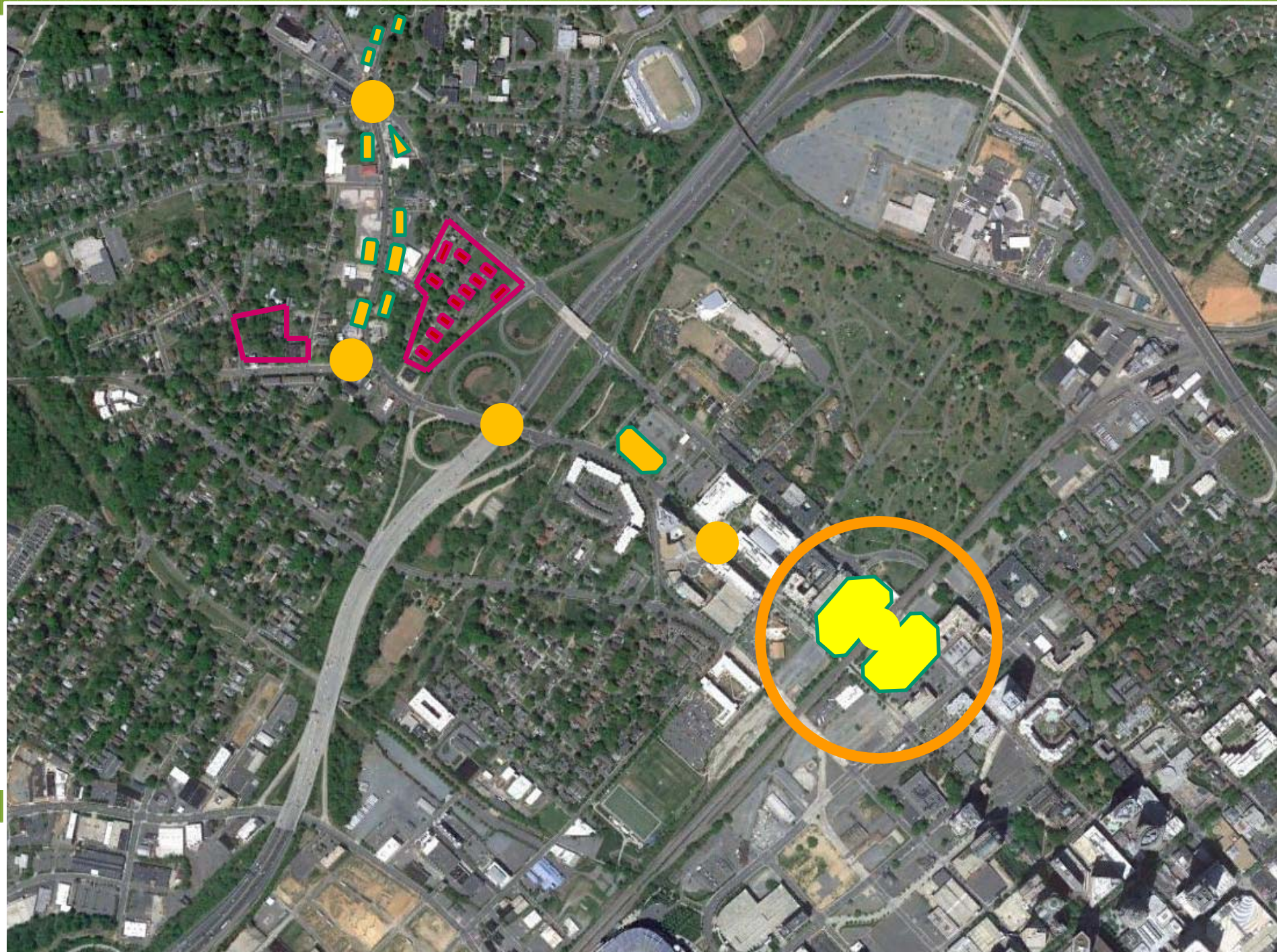
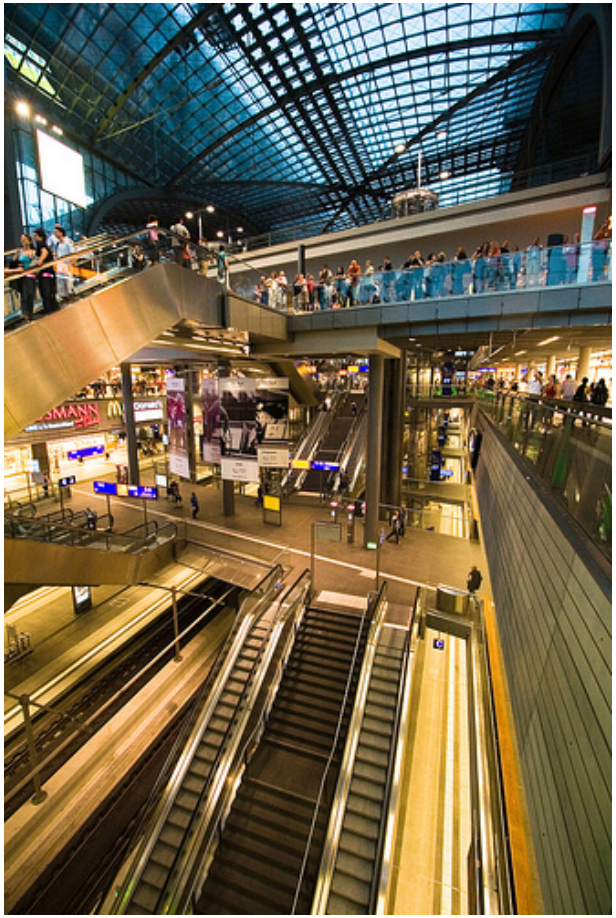
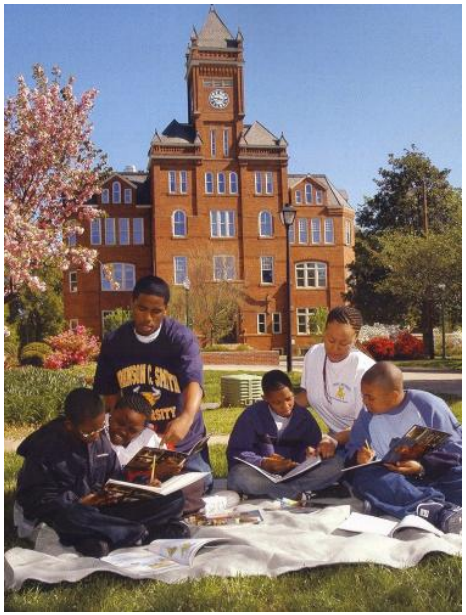




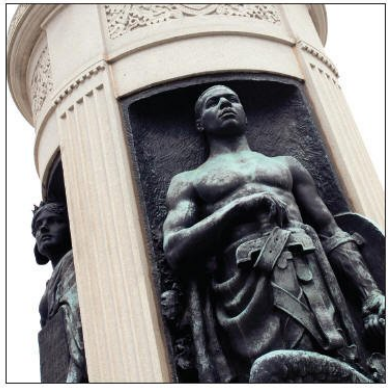
Intermodal Site



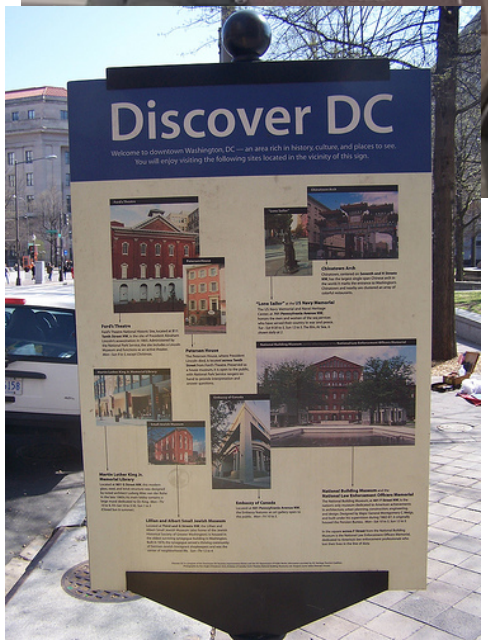
Cultural Interpretation

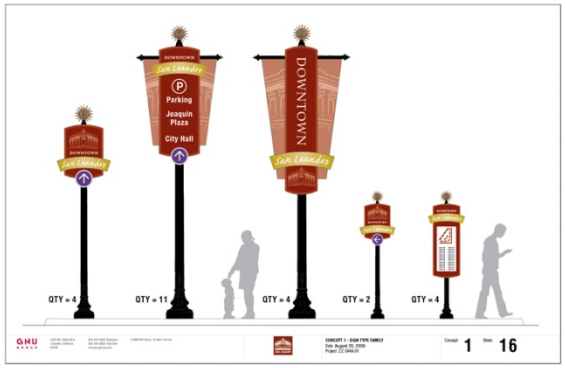


Wayfinding



The Victory Monument at 35th Street and King Drive was built in memory of the heroes of the 8th Infantry Illinois National Guard unit, whose membership was composed of African-American soldiers.





CANDACE DAMON
FINANCE AND IMPLEMENTATION

Financing and Implementation

Successful urban revitalization requires:

- Land control
- Developer interest and capacity
- Financing and a project management structure

Financing and Implementation

The Corridor is well ahead of many similarly situated communities.

Prerequisites	
Land control	✓
Developer interest, capacity	✓
Financing, project management structure	

Financing and Implementation

An effective financing structure must provide:

Partner	Requirements
Developer	IRR
Land owner	Fair market value
Conventional finance	LTV, other security
Public, non-profit finance	Social objectives
Public funding	Accountability

Financing and Implementation

Residual land value analysis solves for the price at which the price of land "pencils:"

Assumptions

Current Year	2010	Purchase Year		2010
Escalation - Income/Opex/Sales	3%	Start Year		2011
Escalation - Capital Improvements	5%	Development Period (Years)	2	
Cap Rate	9.0%	Full Lease of Income-Gen (Years)	1	
Discount Rate/Return	18%	LIHTC (turn on/off) ----->		off
Financing Terms		Retail & Rental Vacancy		7.5%
Equity	35%	Residential SF Loss Factor		15%
Interest Rate	5.0%	Condo Absorption Period (Years)	2	
Term	25	Equity Subsidy		$0
Mortgage Recording Tax	0.00%	Owner receives % share of proceeds.		0%
		NPV of Ownership % Share		$0
		Value per Acre of Ownership % Share		$0

Existing Site & Development Assumptions

Financing and Implementation

Residual land value analysis:

IF Derived land value < what owners expect

THEN Landowners must adjust expectations +

New, public and philanthropic sector financial partners must be identified

Financing and Implementation

For instance, assume:

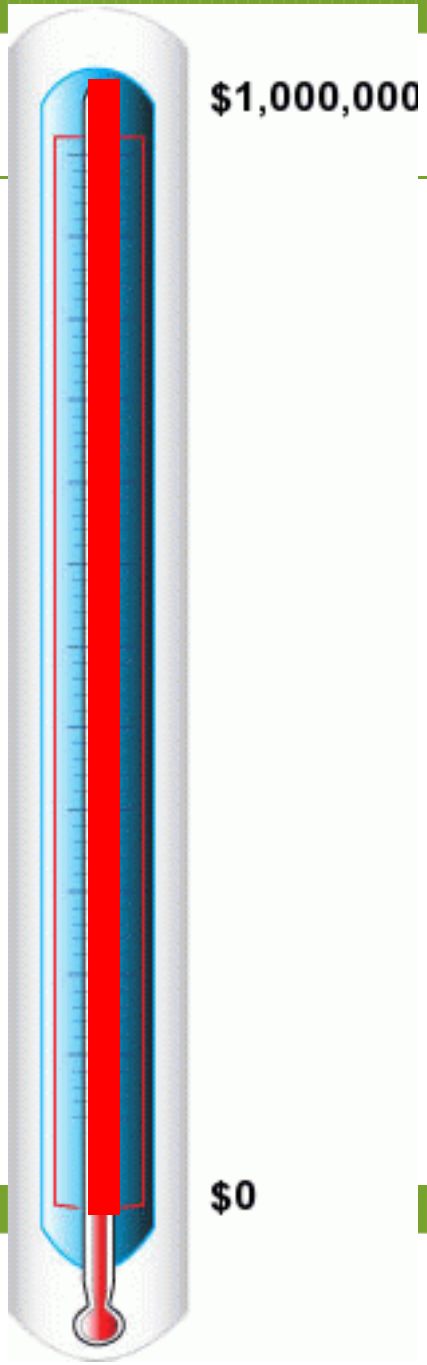
- 2 acre lot
- ±120 condos @ $225K
- Locally owned retail
- Developer's land value: $500-$800K
- Land owner's land value: $1.2-$2M

A mix and match of additional sources can fill the gap.

Owner participates, paid from proceeds

Social investor provides lower cost financing

Public contribution reduces owner's equity requirement



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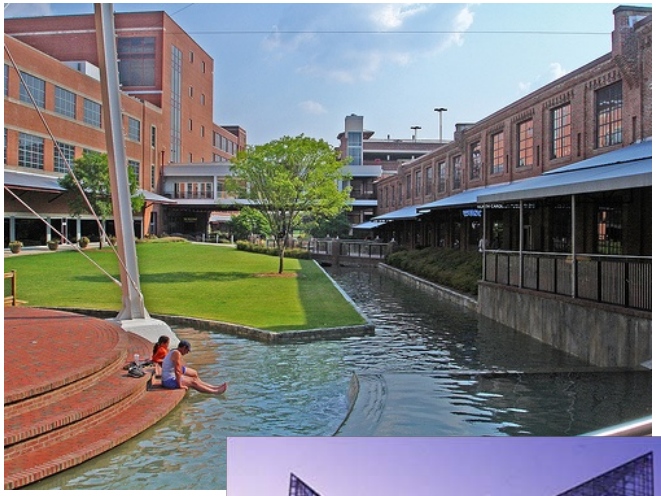
Financing and Implementation

There are multiple precedents for multi-sector financial collaboration.



Financing and Implementation

Program Management is critical.

- Master planned urban development
- Multiple sources of financing
- Real estate project management
- Multiple sources of funds
- Accountability

Financing and Implementation

Community development corporations best satisfy those criteria.

- Board of stakeholders
- Development-savvy staff.
- Or a partnership of a CDC and one or more for-profit developers.

Financing and Implementation

How this might work: The Bookstore

Uses	$000
Public improvements	$ 300
Land	250
On Site improvements	3,000
Soft costs	700
FF&E	200
Total	$4,225
Sources	
Corridor Revitalization funds	$ 300
Land owner capital contribution	250
New Markets Tax Credit equity	875
Conventional financing	2,300
Philanthropic subordinate debt	500
Total	$4,225

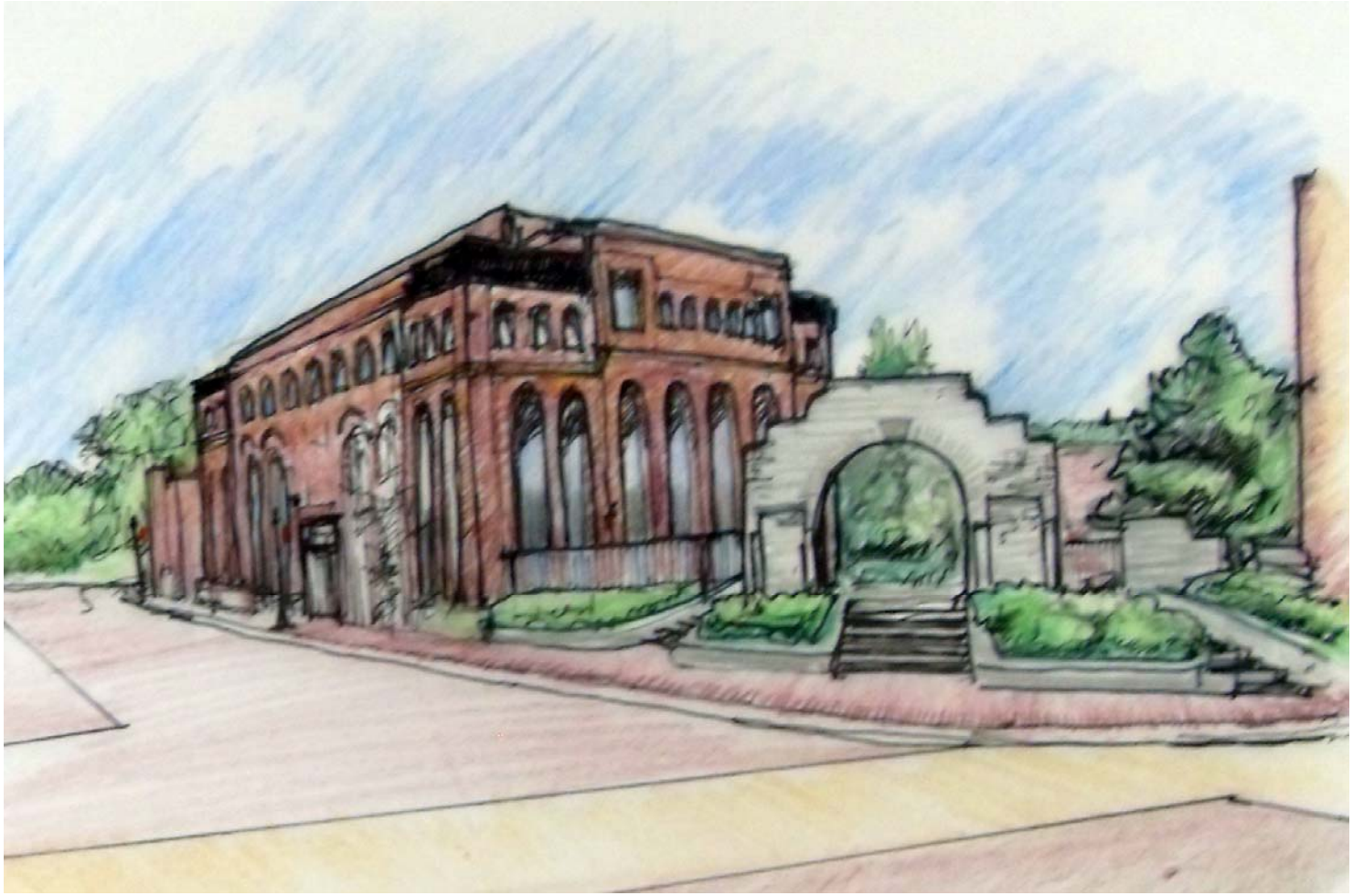
Financing and Implementation

How this might work: The Bookstore

Partner	Roles, Responsibilities
CDC	✓ Coordinate partners ✓ Ensure conformance with program objectives ✓ Assist with tenant/operator negotiations
Land owner	✓ Act as developer, provide equity to obtain market return
JCSU	✓ Develop program, negotiate with tenant /operator ✓ Advance educational mission ✓ Advance economic development of Corridor
Bank	✓ Provide debt to obtain market return
Social investor	✓ Provide debt to obtain acceptable return ✓ Advance economic development of Corridor
City	✓ Provide equity ✓ Advance economic development of Corridor ✓ alleviate burden of government ✓ Generate tax revenues

Financing and Implementation

The vision for the Corridor is achievable.

Prerequisites	
Land control	✓
Developer interest, capacity	✓
Financing, project management structure	✓

Conclusion