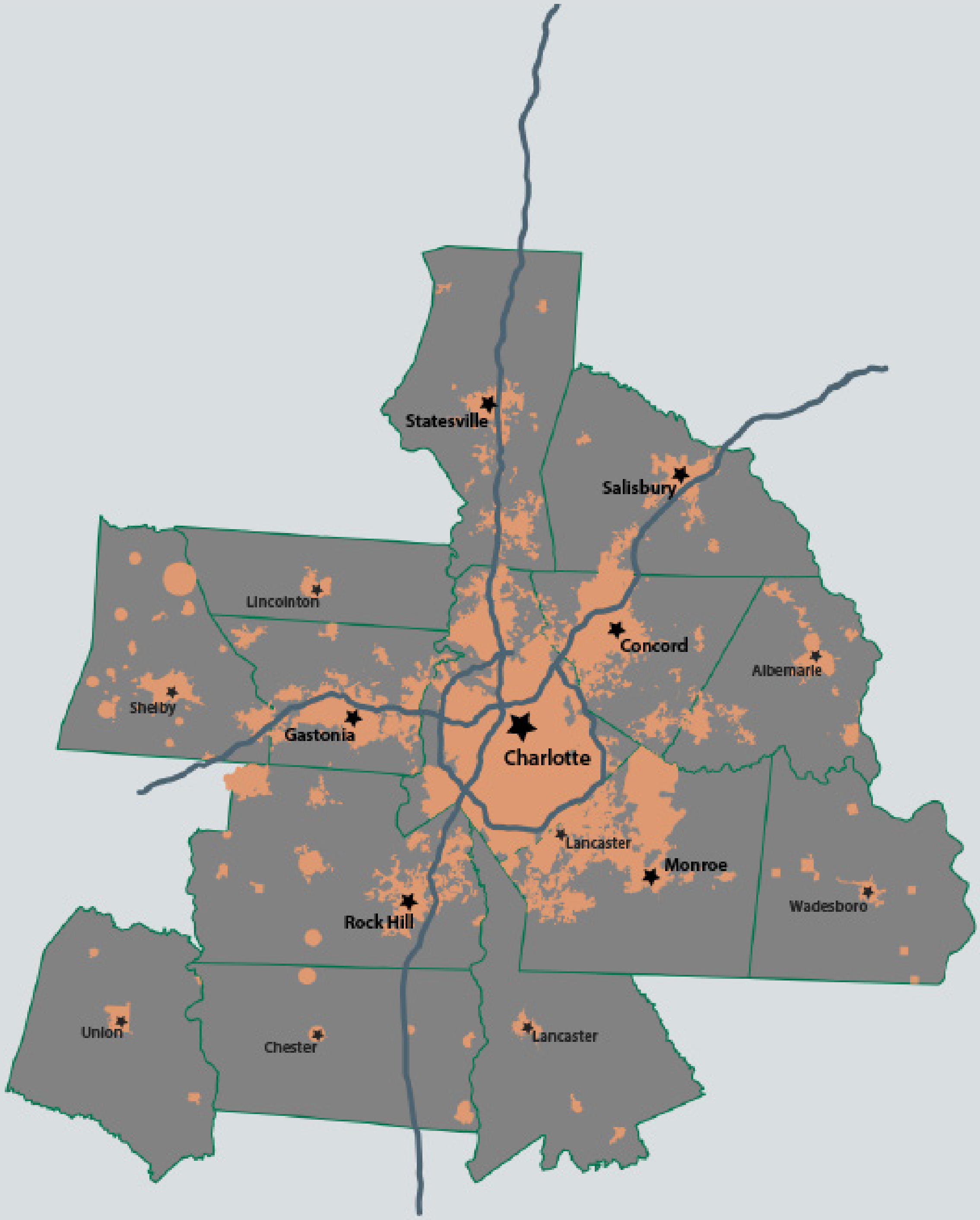


CONNECT our Future

Local Solutions for a Regional Vision

Urban3

CONNECT Our Future

October 2014

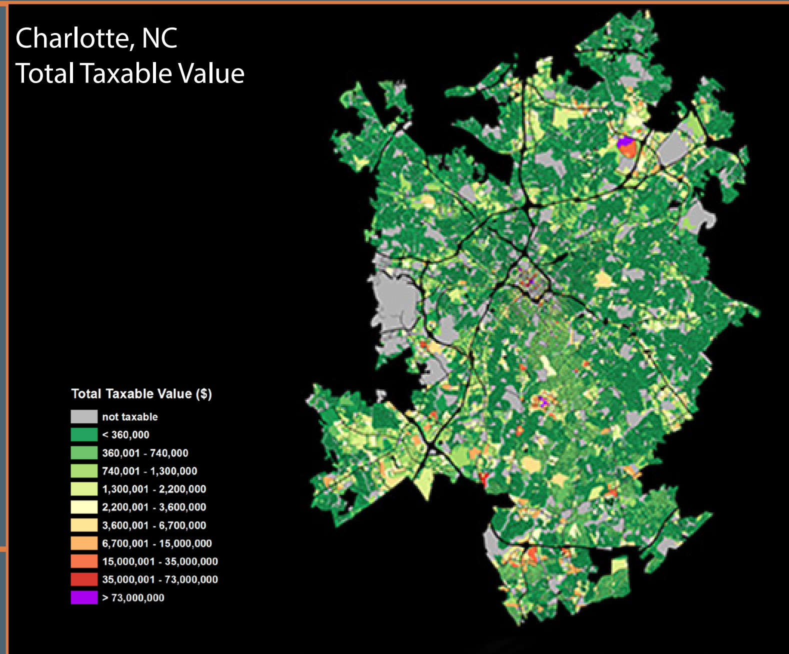
CONTENTS

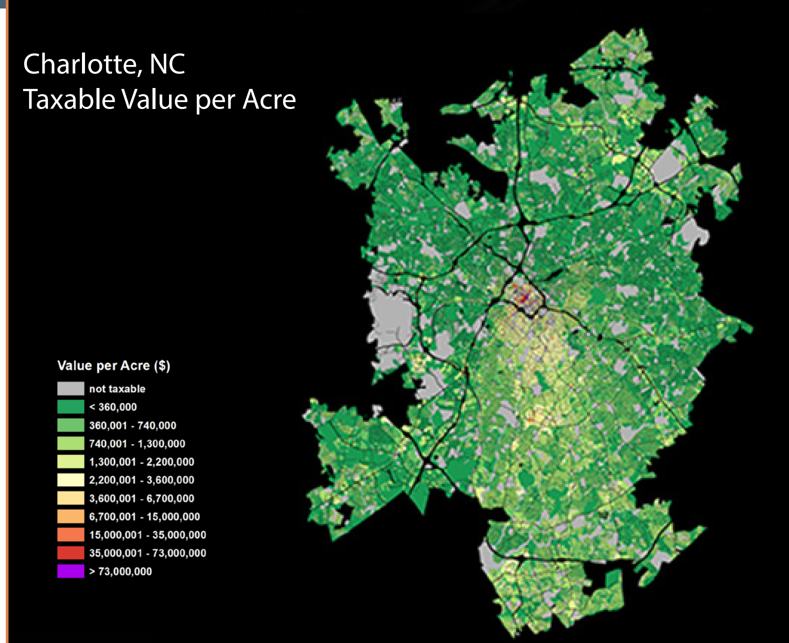
The Charlotte metro region is an intricate quilt full of diverse communities. The 14-county CONNECT region includes villages, towns, cities and counties from Iredell County N.C. all the way to South Carolina's Union County, as well as North Carolina's largest city. Like other Sunbelt regions, the Charlotte area has experienced significant economic growth and an influx of residents. With this impressive growth comes exciting opportunities but sizable challenges. Rapid suburbanization has dominated new construction in the region while attention and investment in downtown areas have suffered. Despite this trend, town centers in rural and urban areas across the region produce more revenue and cost less to serve in government services than suburban development types.

The CONNECT Our Future project is a collaborative initiative between communities, counties and the private sector to create a regional vision for future economic growth, quality of life, and efficient land use decisions. Urban3 (U3) was contracted by Centralina Council of Governments to conduct economic analysis focusing on the property tax revenue productivity of different development patterns that exist across the 14-county region. The CONNECT Our Future process utilized a scenario planning tool to create different scenarios of future regional growth. The scenario modeling process incorporated various indicators of economic growth and quality of life based on a variety of "Community Types" which are physical descriptions of various built or natural environments. U3 analyzed the property tax production of the 15 Community Types in each

Property Tax Efficiency

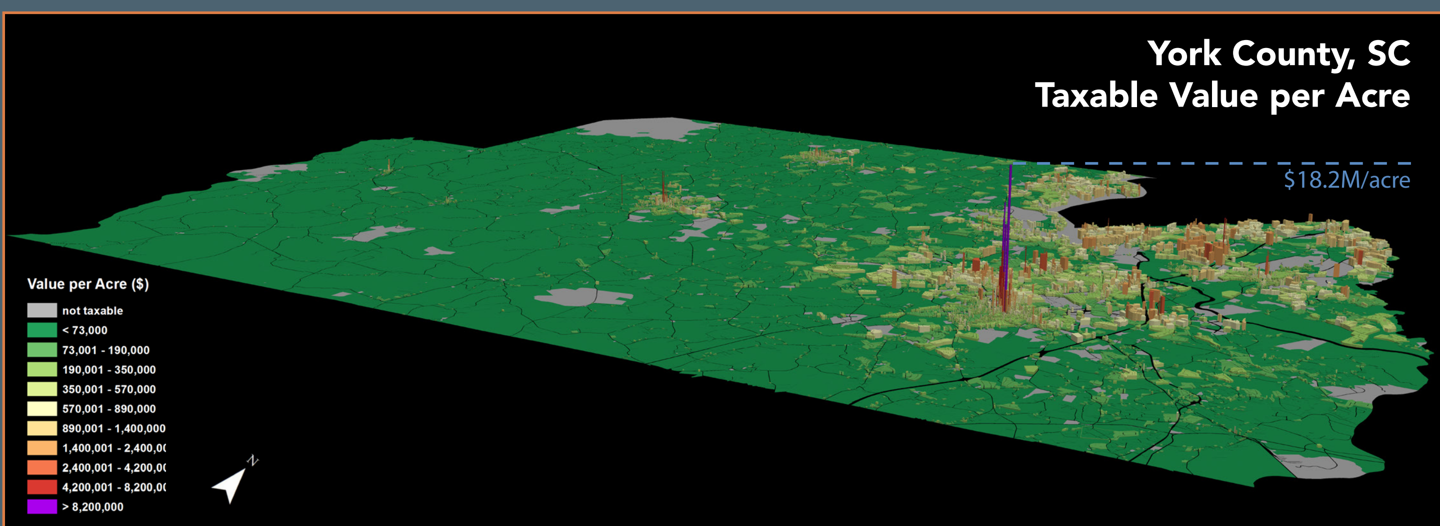
The map to the right depicts Total Taxable Value, which is how typically consider development and tax production. This presents a somewhat misleading relationship between development and value and gives a more accurate picture of revenue productivity. Larger parcels and big projects simply tend to be worth more overall than smaller projects.



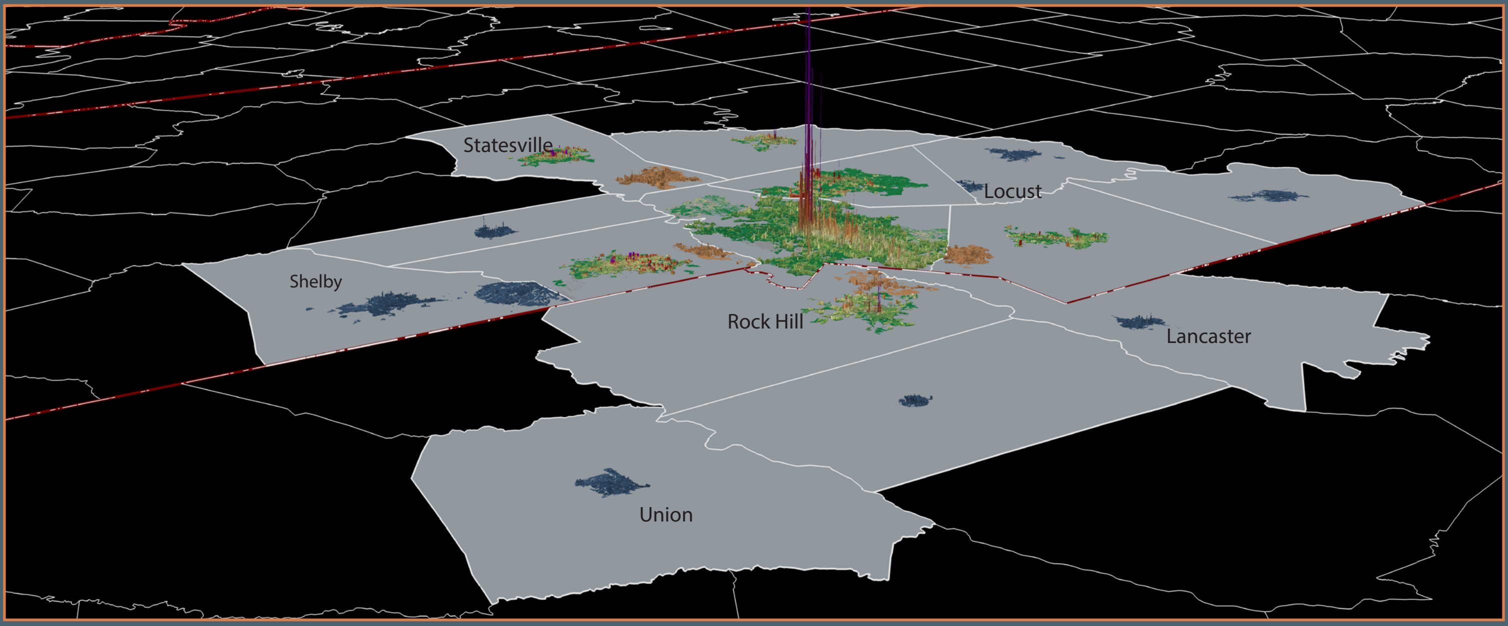


county and municipality, as well as across the region.

Utilizing each county's Tax Assessor's data, U3 created a comparative analysis of total property value per acre and total tax output per acre of different development patterns. The 'value per acre' method is a metric that normalizes property value across different building and development typologies. Just as our evaluation of automobiles on a miles per gallon basis-not 'miles per tank'-effectively gauges a vehicle's efficiency, evaluating land on a per acre basis is an effective measure of municipal

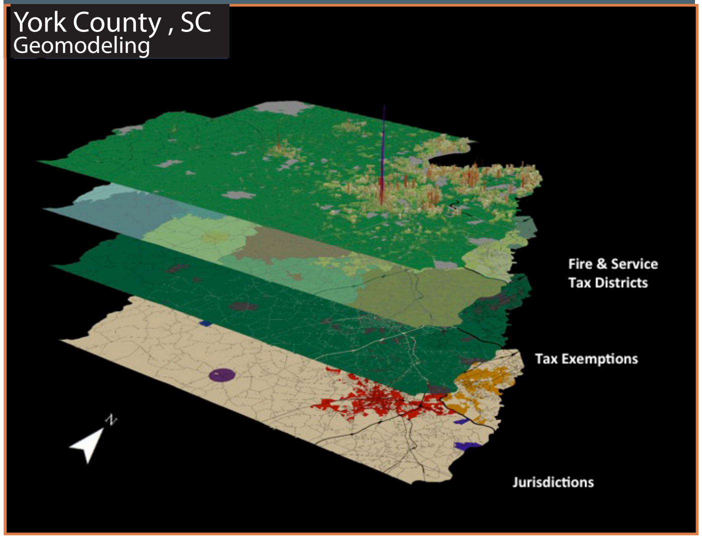


Downtown Rock Hill yields an impressive property value per acre ($18 million) compared with the rest of York County.



CONNECT Region

Mecklenburg County is the economic nexus of the CONNECT Region, and thus has influenced land use decisions and patterns in surrounding counties. This analysis paid great mind to the various types and sizes of communties across the region. Municipalities were split into different "tiers" from prime cities like Rock Hill, Gastonia and Statesville through suburbanized locales such as Fort Mill, Belmont and Mooresville to rural communities like Lancaster, Chester and Shelby.



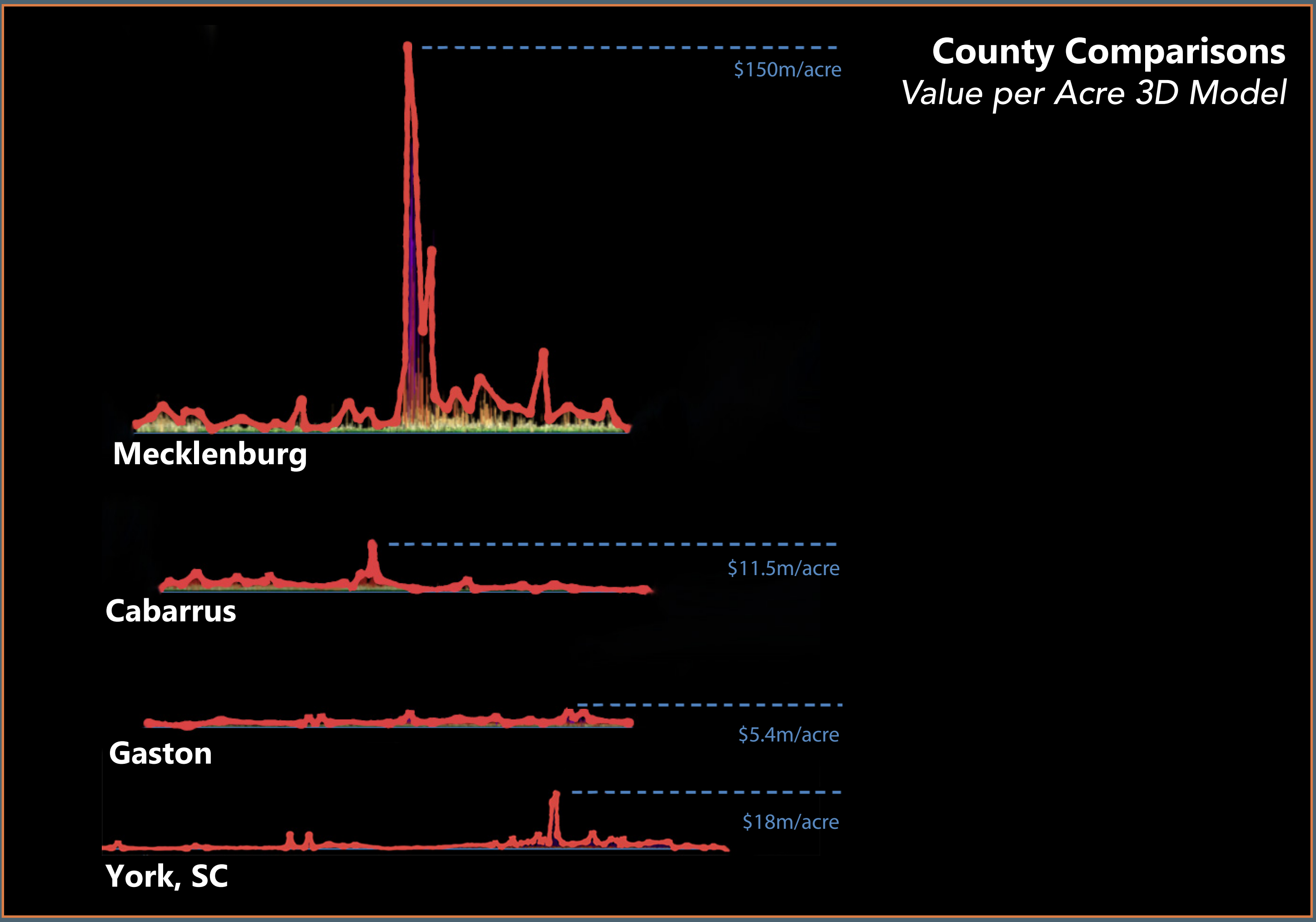
Above is an example of Urban3's geomodeling approach, in which jurisdictions are analyzed by density, community development types, revenue, and service and infrastructure costs. The 3D model shown is of York County, SC.

revenue productivity. U3 is a leader in this type of analytic process, and is known nationally for its use of infographics and computer visualizations to represent quantitative data.

U3 performed its study with the City of Charlotte and Mecklenburg County as the geographic and economic core. While Charlotte is undoubtedly the epicenter of the region, U3 also analyzed suburban and rural, exurban communities across the CONNECT region. To put the sheer size of the area in perspective, the CONNECT region is larger than the entire state of Connecticut. The Charlotte market has influenced land use decisions and development patterns in its surrounding counties. Suburban development has flourished in Mooresville and southern Iredell County and is prevalent in Cabarrus, Gaston, Union (N.C.), and York County as well. Although these counties have all experienced low-density suburban growth, there are unique differences in each case.

Trends & Analysis

When examining property value production on a county scale, U3 found interesting patterns. First, Mecklenburg County's pattern is unsurprisingly dominated by the city of Charlotte. The sheer magnitude of Uptown Charlotte is astounding, however. Charlotte's highest, or peak, value

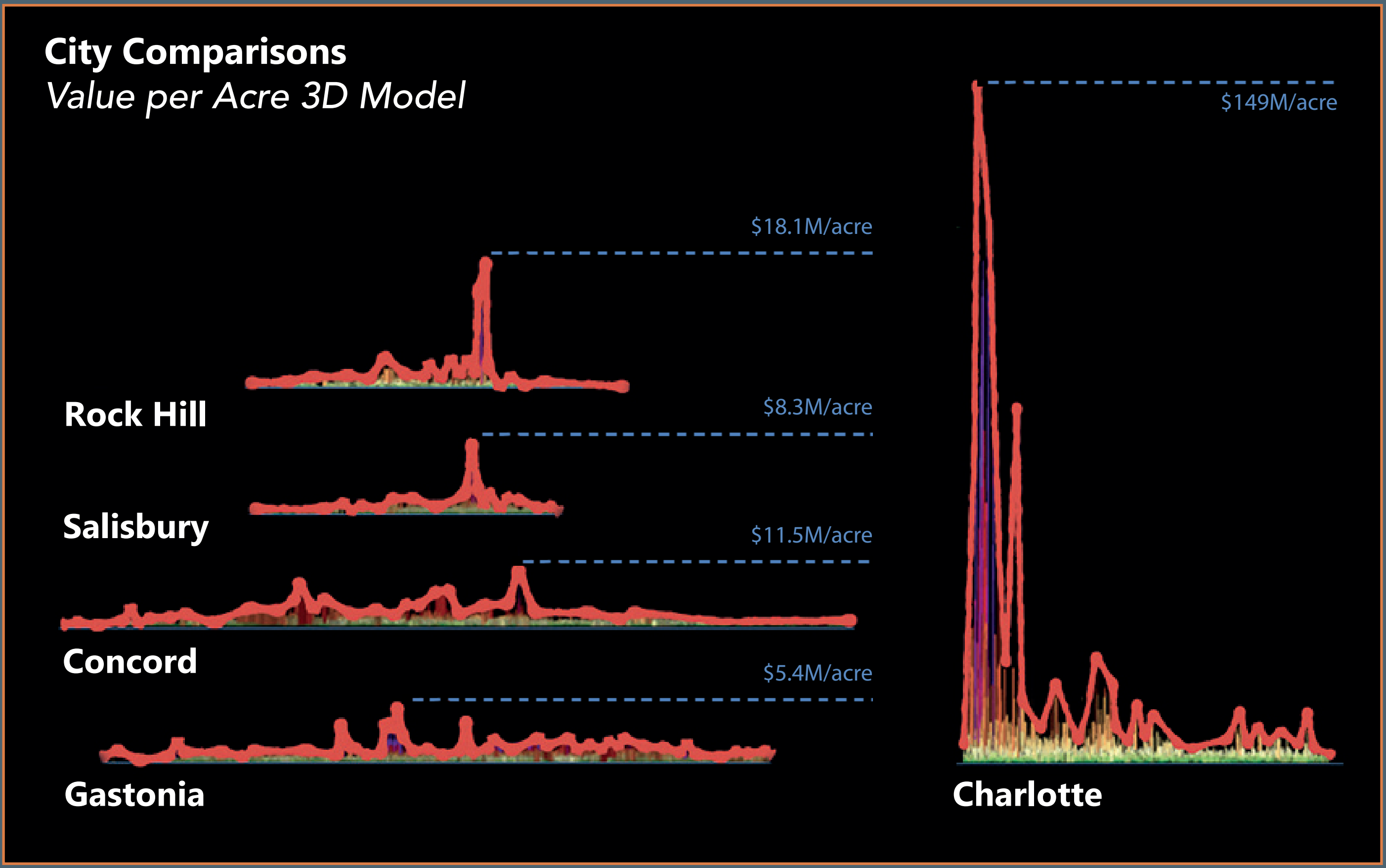


producing property yields almost $150 million in taxable value per acre annually to Charlotte and Mecklenburg County. Elsewhere, the LYNX transit line clearly impacts value density on the southern end of Uptown. This value density continues through the Southpark area to more modest value density in the Ballantyne area.

Mecklenburg County's "spiked" pattern is representative of most American communities. Healthy downtowns typically maintain potent property values and are clearly visible on the 3D model. In Mecklenburg's case, downtown peaks at $149 million per acre, compared to an average of $670,000 across the county. Conversely, Gaston County has pursued a more horizontal growth pattern characterized by big-box commercial retail and suburban residential development. Generally, this type of development yields lower revenue potency than denser development. This rings true in Gaston County, as the peak value per acre produced in the county is $5.4 million per acre. In contrast, Cabarrus County is in the middle of the spectrum. Although Cabarrus County is largely dominated by suburban-style development, Concord and Kannapolis have both made investments in their downtown areas. Cabarrus County has a peak value per acre of $11.5 million per acre, and has done so with an identical population density to Gaston County (365 to 364 persons per square mile, respectively).

Heart Monitors

Examining property value per acre from a horizontal perspective clearly shows the urban "pulse" of each county. Gaston County's low-density development barely registers any spikes in value per acre, whereas York and Cabarrus counties are getting high values out of their downtown areas.



Small Investments Pay Off

After investing in streetscape and pedestrian improvements, Rock Hill's downtown brings ***260%*** *more tax revenue than Downtown Gastonia on one less acre of land.*

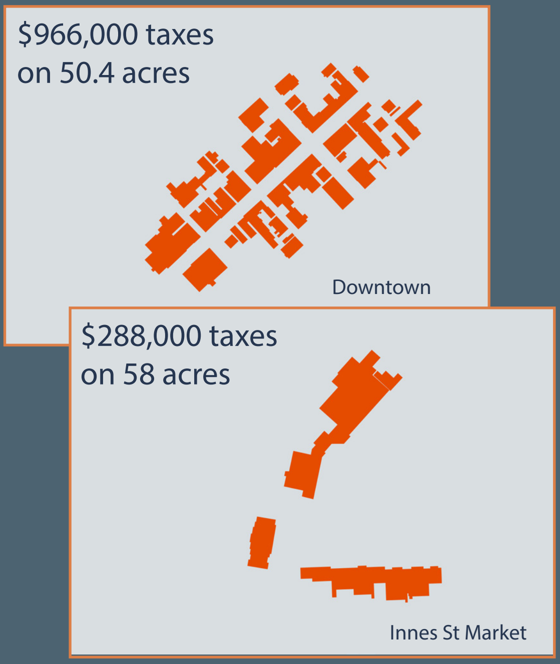
A stark contrast in development patterns lies between the aforementioned counties and York County, South Carolina. Indeed, York County has absorbed leapfrog suburban development from Mecklenburg County, but there has not been an extensive expansion of horizontal growth outside of city and town cores. While York's more confined growth is partially due to its more rural location than its North Carolina counterparts, it has also shown a commitment to dense development. Downtown Rock Hill has encouraged a renaissance of pedestrian activity and commercial activity through targeted reinvestment. These decisions have brought real returns to York County. Downtown Rock Hill brings 260% more tax revenue than Downtown Gastonia on an acre less of land. Considering Gastonia and Rock Hill have virtually identical populations and similar population densities, Gastonia is missing a golden opportunity to capitalize on its downtown.

Reinvestment initiatives like pedestrian streetscape improvements in Rock Hill and historical building rehabilitation in Salisbury have helped these cities achieve surprising return on those investments.

Downtown Salisbury produces

335%

more tax revenue than the Innes St Market Shopping Center on the same taxable land area.



Building design and layout impacts the amount of revenue produced in the same land area. Simply put, more dense development produces more taxes per acre.

Downtown Salisbury achieves an impressive property value potency, especially when comparing to its nearby commercial auto corridor. Downtown produces about $966,000 in property taxes on 50.4 acres, or $19,100 total taxes per acre. Innes Street Market, the area's primary plaza-style shopping center, brings $288,000 in property taxes on 58 acres-representing a value per acre of $4,900. The key takeaway from this is that Downtown Salisbury generates 335% more tax dollars than the Innes Street Market on virtually the same taxable land area.

Density in Rural Environments

The case of density is still evident in smaller communities. In Shelby N.C., virtually all commercial investment has occurred along US-74 in the form of big-box, large lot retail development. Meanwhile, Shelby's downtown area has some historical buildings sitting vacant or underutilized. Even so, Shelby's downtown produces almost $404,000 in tax revenue on

> "Shelby's downtown has brought value to the community continuously, for close to a century. Big-box structures like the Cleveland Mall will be lucky if they last three decades"

25 acres. Comparatively, the recently constructed Cleveland Mall yields only $164,000 on 40.2 acres. In other words, Downtown Shelby is 2.5 times the revenue potency of the Cleveland Mall. Digging deeper, Ni Fen Bistro, in downtown, yields $8,000 of taxes on a tenth of an acre. Or another way to think of it, just 2.1 acres of Ni Fen Bistro buildings would equal the total property taxes of the 40.3 Cleveland Mall. Not only should the disparity of these numbers give one pause, but one should bear in mind that this is comparing a newly-constructed building with an older, shabby area. Shelby's downtown has brought value to the community continuously, for close to a century. Big-box structures like the Cleveland Mall will be lucky if they last two decades.

Downtown Shelby is a tremendous opportunity for revitalization. The city is blessed to have historical structures two and three stories tall. With proper reinvestment and rehabilitation of these structures, Shelby can recreate itself as a destination with a sense of place. Currently, Shelby is emulating dispersed development patterns seen in Gastonia, Concord and other communities across the region; rather than

2.1 acres of the Ni Fen Bistro building would equal the entire property tax output of the 40 acre Cleveland Mall

Ni Fen Bistro: $8,000 in taxes on .1 acres

Cleveland Mall: $163,000 in taxes on 40.2 acres

Community Types: Tax Production

Rural Living (RL)
$780 per acre

Working Farm (WF)
$140 per acre

Large-Lot Residential (LLR)
$1,700 per acre

Single-Family (SFN)
$3,600 per acre

Multi-Family (MFN)
$7,400 per acre

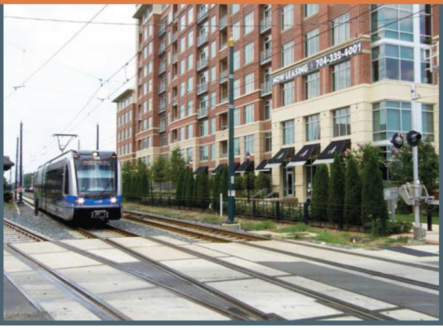
Walkable Neighborhood (WN)
$2,500 per acre

Suburban Center (SC)
$5,200 per acre

Suburban Office (SO)
$7,700 per acre

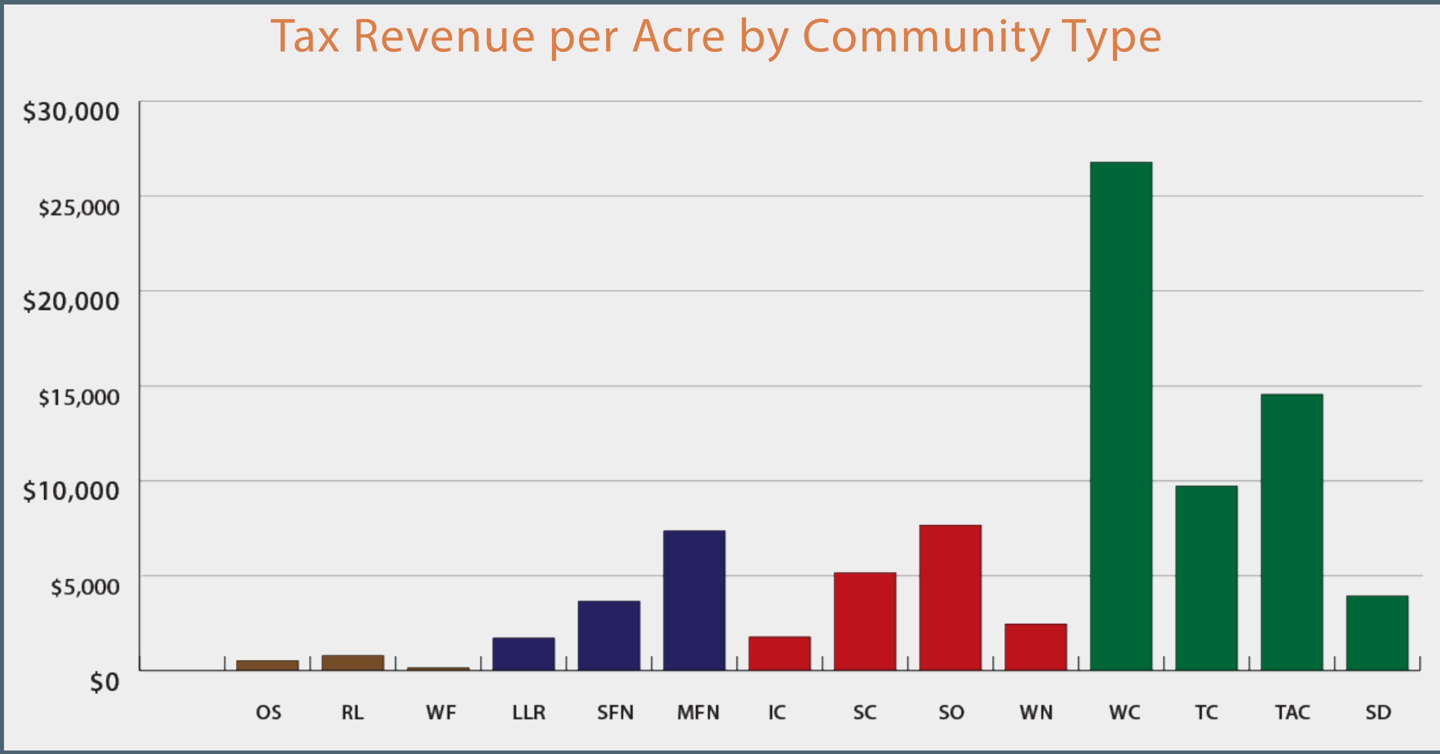
Town Center (TC)
$9,700 per acre

Walkable Center (WC)
$26,800 per acre



Transit Activity Center (TAC)
$14,500 per acre

Metropolitan Center (MC)
$134,000 per acre

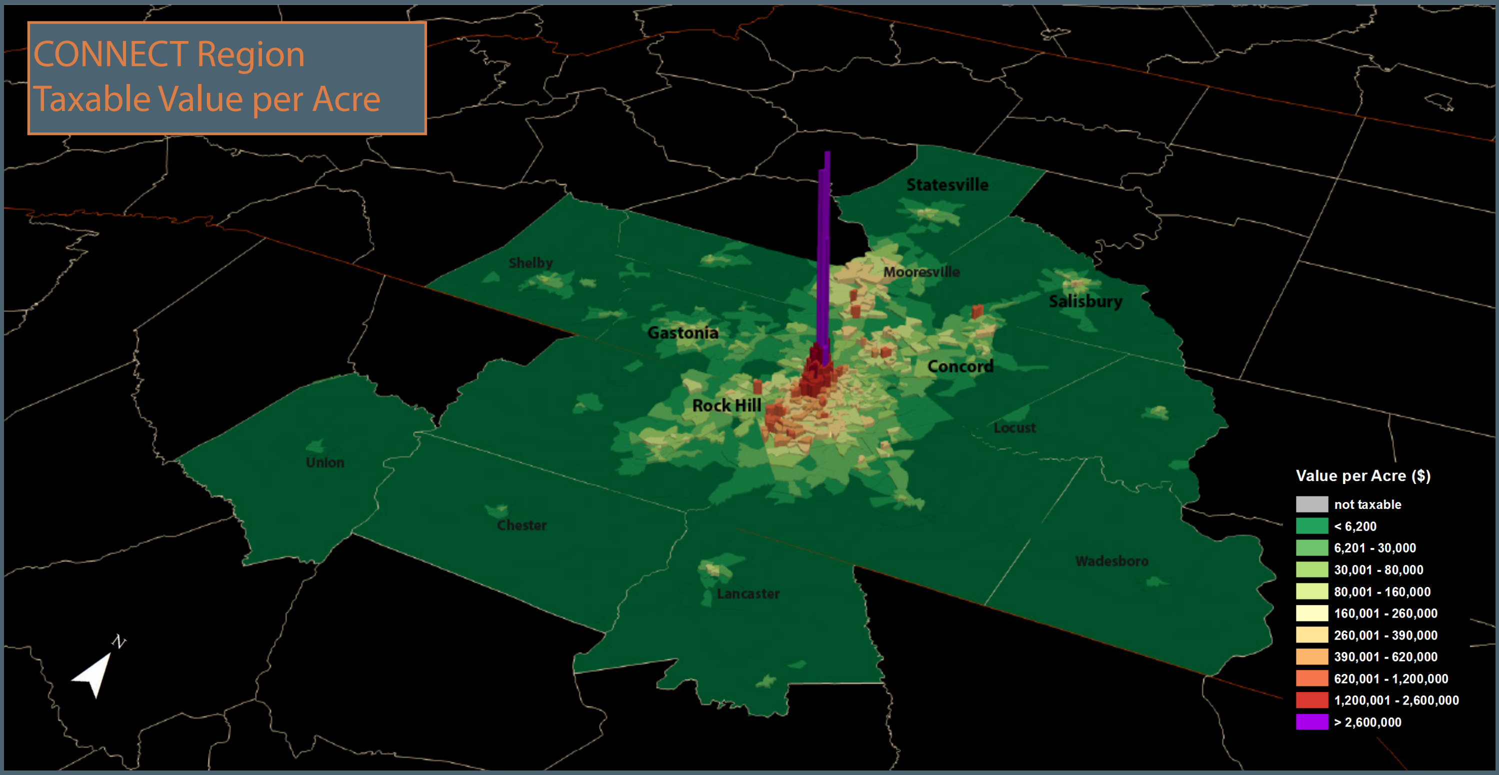


When averaging the tax revenue output of community types in every jurisdiction across the whole region, several trends are evident. Multi-family housing produces twice the taxes per acre of single-family housing. Further, dense development like Walkable Centers and Town Centers produce more revenue per acre than spread out suburbanized development.

Town Centers - even in rural towns like Locust, North Carolina - are more potent tax producers than suburban strip development types. Additionally, the financial investments many smaller towns have been committing to improve urban fabric at these town centers result in increased community pride and willingness towards further investment.

leveraging its infrastructure to the degree Rock Hill and Salisbury have. CONNECT communities should look to other areas in the region for a road map in matters of redevelopment and revitalization. Lancaster County, for example, is in a unique position to plan for future growth. Gaston County and York County provide excellent examples of horizontal growth patterns and concentrated development, respectively. Encouraging more compact development similar to York County's downtown development can help Lancaster County and its municipalities achieve higher tax revenues when providing public services to new development.

Creating an authentic sense of place and realizing potent revenue production through downtown-style development is a natural step for cities. This also complements



Mapping value per acre by census block across the region illustrates the same telling pattern. The Charlotte market brings purple and red values from Uptown through the South End, while suburban areas bring modest values. However, downtown core areas bring "islands"

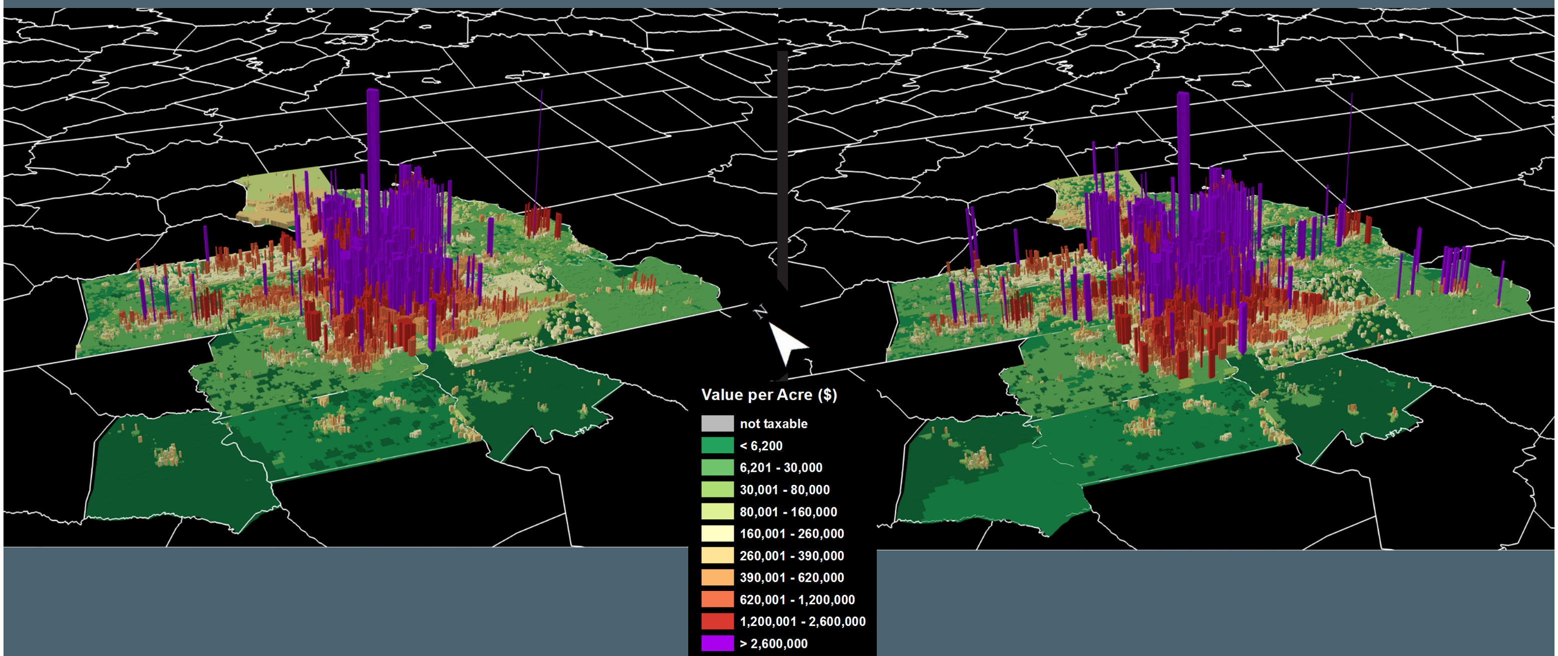
existing patterns of suburban growth, and diversifies community investment. The same opportunities, albeit on a smaller scale, are available for rural, exurban communities. Density and country living often are not spoken in the same breathe. However, there is no better way to produce efficient revenue, increase commercial amenities, and foster a small-town culture than to promote development in downtown areas. Commercial growth along "Main Street" is what actually created many small towns in the region decades ago. Locust N.C. has reawakened this small town spirit. Realizing an asset in a couple dense street-front, downtown-style buildings, Locust built a public park and located government buildings in the immediate vicinity. Even dense multi-family housing has been built in the downtown area. Locust, a town of less than 3,000 people, has proved that density not only creates a sense of place but it pays. Locust achieves a peak value per acre of over $3.9 million in its downtown. To put this in perspective, this is more than the highest value per acre property in Weddington, N.C.-an affluent community much closer to the Charlotte market.

Conclusion

In cities, towns and villages throughout the region there are patterns of development that have demonstrated higher revenue yields. From the smallest segments of Main Streets to bustling downtowns, these development patterns are not only beneficial to the community's sense of identity, but they are incredibly potent financially. It is clear from the models that what is good for Main Street is great for the town, but is incredible for the county. The Charlotte region is well positioned to grow in the coming decades. The region is quite large and has the capacity to handle the

Scenario Planning: Preferred Growth Scenario

Community Plans | Hybrid/Preferred Growth Scenario



As a result of the scenario planning process, CONNECT Our Future produced various scenarios of future growth. As evidenced by additional vertical spikes in town center areas and beyond, added density brings a property tax revenue increase of 119% over existing conditions in the future growth scenario.

growth, but it is also at risk of utilizing land-use patterns that create more costs to communities than the revenue produced by them. In doing the math, the region now has the tools to better leverage growth to cultivate new wealth that provides value to the community for generations to come.

ENDOFREPORT

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