

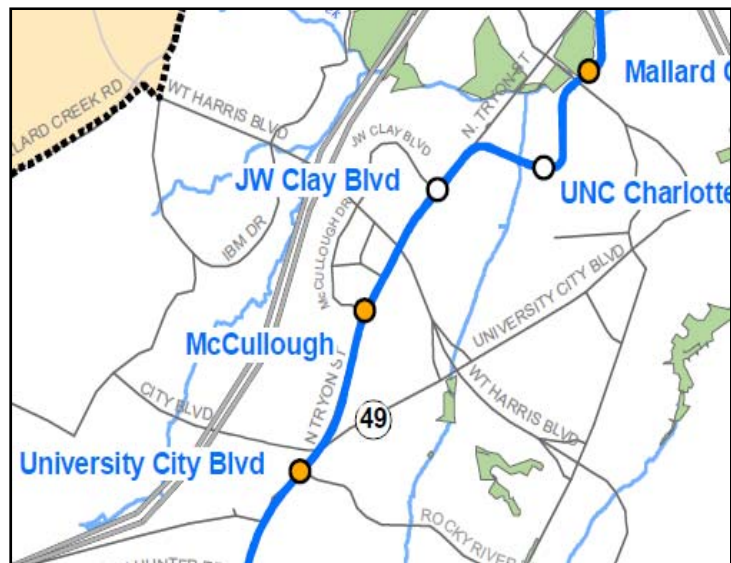
UNIVERSITY CITY PARTNERS—ESTIMATED DEVELOPMENT POTENTIAL AROUND FIVE PROPOSED LRT TRANSIT STATIONS

Background and Objectives

In March of 2009 University City Partners engaged Noell Consulting Group to identify development potential around five proposed area transit stations and estimate the potential incremental value of that development and the tax revenue it generates over the coming 27 years. The five stations examined include:

- University City Boulevard;
- McCullough;
- JW Clay Boulevard;
- UNC-Charlotte; and
- Mallard Creek Church Road.

This engagement builds on recent efforts conducted by Noell Consulting Group for the City of Charlotte, which examined long-term (through 2035) development potential around each of 41 existing or proposed transit stations across all four transit corridors. That larger study identified the potential depth and capture of transit-supportive land uses around each of the 41 station areas. Transit-supportive land uses were identified as being: attached residential (including rental and for-sale product), high-density single-family development (e.g. TND communities, cluster product), office, and retail uses. Except where otherwise identified, station areas were generally defined by a ¼-mile radius around the proposed transit station and included any development delivered in 2008 and year-to-date 2009.



This current effort for University City Partners is intended to utilize many of the same assumptions and analyses incorporated into a similar assessment conducted for the North Corridor stations by RCLCO in 2007. That study examined growth around all North Corridor stations utilizing a larger 1/2-mile radius and included conventional single-family development; a land use not incorporated into this analysis.



About Noell Consulting Group

Formed in 2008, Noell Consulting Group is a real estate consulting firm based in Atlanta geared toward providing private and public sector clients with advice that is Marketunistic—market-based, yet opportunistic—in perspective. The research, analysis, and advice provided by Noell Consulting Group allows its clients to make decisions that are well-grounded in reality while taking full advantage of opportunities that exist in the market; including opportunities that may not be readily apparent. In doing so, Noell Consulting Group provides insights into not only where the market is today, but where the market it is heading in the coming years.

Well-versed in markets throughout the Southeast, Noell Consulting Group provides strategic advice that spans the array of commercial and residential product types, including more complex and dynamic mixed-use projects. Included in this is extensive experience with town center and more conventional retail projects, from smaller neighborhood retail centers to large-scale regional town or power centers. Our goal when studying any of these land uses, either in combination or as stand-alone products, is to understand who is demanding these products, what they are seeking, how these products can satisfy their needs, and how these products and projects should be positioned in the competitive market to maximize opportunities for success.

Trends Impacting Growth in the Coming Decades

Prior to discussing development potential around the University City area stations, it is important to understand some of the macro trends—particularly those that relate to demand—impacting development potential in the coming years and decades. Such a discussion is important as University City-area stations, and indeed stations throughout the Charlotte transit system, will need to offer a stronger lifestyle proposition to maximize appeal to audiences going forward. The following is a brief discussion of these trends and their implications on growth in Mecklenburg County.

Walkable Places Will Gain in Market Share

Walkable environments, such as Center City Charlotte, town centers, intown neighborhoods, and potentially transit station locations, are poised to achieve greater shares of housing growth and demand in the coming decades, and thus will be well-poised to capture greater retail and office demand. Three major trends will create this increased demand potential.

- Much higher preferences for walkable, diverse, and convenient communities among Generation Y (those born after 1978) households, a massive age cohort that will hugely influence growth in the Charlotte region. This generation sees little value in long commutes and favors areas convenient to work, shopping, and recreation. Consumer research conducted by RCLCO with Gen Y's throughout the US revealed that more than 2/3 believe living in a walkable community is important and 1/3 will pay extra to do so. Roughly one-half of those surveyed indicated they would trade lot size or home quality to live in an area that better met their lifestyle priorities.



- The Baby Boomers, the group which has driven real estate over the past several decades, are increasingly transitioning from being family households with children to becoming empty nesters. This transition is significant as many of these households have historically lived in locations which are best for their children (typically suburban areas with large lots, cul-de-sacs, good schools) and are now opting for more convenient, accessible locations that offer a lifestyle more suitable to their needs.
- The majority of household growth in Charlotte and the US will be among households without children living at home. Over the past decade, and in the years to come, single-person households, roommates, and childless couples will account for the large majority of household growth. These groups are far more likely to opt for homes on smaller lots or attached product (townhouses, condominiums, or apartments) than families with children and are ideal candidates to live in more dense environments, including activity centers and transit-oriented areas. As Generation Y ages, households with children will again rise. As noted earlier, however, their commitment to walkable areas like intown communities, activity centers and potentially station locations, will remain intact and will fuel continued growth in these areas.

Demand for Higher-Intensity Products Will Increase

The aforementioned demographic shifts will also fuel demand for attached products—both rental and for-sale—as well as for higher-density single-family detached products in the coming years. As noted, lifestyle is playing an increasingly critical role in people’s lives today and will increasingly do so in the coming decades. This includes living in homes that offer lower maintenance, and are located in interactive, pedestrian-oriented, mixed-use communities. In the past five years, attached for-sale condominiums and townhouses have accounted for more than one-fourth of all new home sales in Mecklenburg County. In addition, numerous Traditional Neighborhood Developments (TNDs) have been developed throughout the county and small-lot infill products have been on the rise in areas considered built-out.

The increased shares of attached and higher-density single-family detached homes relative to all new home construction will also be driven by higher land prices and a decreasing supply of land availability in Mecklenburg County. Many buyers will still define value as the most home or land for the money and those buyers are increasingly opting to live outside of Mecklenburg County. They will increasingly do so in the future and will “drive for value” to find a home with the desired square feet and or lot size they can afford.

Mixed-Use Environments are Increasingly Important to Commercial Uses

The desire for vibrant, walkable, mixed-use environments extends beyond residential decision-making and applies to commercial uses as well. Increasingly commercial decision-making, from investments to tenant location decisions, is favoring more dynamic mixed-use environments. Price Waterhouse Coopers identified 24-hour cities and 24-hour sub-cities as being the strongest locations



for investment in commercial real estate. These areas are considered more stable and attract both daytime and nighttime populations.

Office tenants increasingly favor these more dynamic mixed-use areas for the lifestyle they can offer these tenants’ existing and future employees. Retail tenants, meanwhile, often find increased sales volumes in mixed-use centers as shoppers tend to linger longer in such areas and patronize more retailers. Sales volumes, and thus rents, can be 10% to 30% higher in mixed-use projects than in stand-alone or single-use centers. Easy evidence of this trend can be seen in the long-term decline of the regional mall and the rise of town center projects like Birkdale Village and Phillips Place.

All of these factors, as well as additional local trends and analyses will impact growth in the coming decades in Mecklenburg County and will create significant opportunities for development and redevelopment in University City-area transit stations. Focusing infrastructure and policy initiatives to encourage and support that growth; particularly in the realm of placemaking and facilitating walkable, attractive environments, should a priority for University City Partners and local government entities.

Sizing the Growth in the Coming Decades

Growth estimates at a county level were provided by the City of Charlotte for use in this analysis. These estimates provide for roughly 202,400 new households between 2005 and 2035, and 450,800 jobs during that same timeframe. Given the shifting demographics nationally and in Mecklenburg County, increasing preferences for more urban products and areas, and the growing inability to feasibly develop lower-density detached homes in the county in the coming decades, we estimate that nearly two-thirds (approximately 130,000 units) of the housing units developed in the coming 27 years will be in the form of these higher-intensity products. Included in this will be a growing amount of attached for-sale and rental products, which will account for half (100,000) of all units built in the county during the timeframe examined.

Area	2000 - 2007	2008 - 2035
Activity Centers		
Residential	14.2%	18.1%
Office	66.2%	59.7%
Retail	26.6%	24.6%
Transit Corridors		
Residential	11.8%	23.0%
Office	7.2%	18.5%
Retail	17.8%	28.5%
Wedges		
Residential	74.1%	58.9%
Office	26.6%	21.8%
Retail	55.6%	46.9%

The remaining half of the units built through 2035 will be a mix of small-lot and more conventional-lot single-family detached homes; down from more than 58% of the new residential units delivered thus far this decade.

Transit corridors are well positioned to capture a greater share of development in the coming decades than that which they’ve seen in past years. As shown on the table to the left, through sizing of development potential in the coming years by land use, and through allocation of development throughout the Mecklenburg County, transit corridors are positioned to capture roughly 25% of residential and retail growth and close to one-fifth of office demand in the coming decades. This represents an approximate doubling of captures from



those seen thus far this century.

It should be noted that more than half of the residential units captured in transit corridors thus far this century have been single family units, including lower-intensity detached homes. Going forward, that mix will shift more decidedly to attached products and higher-density detached homes.

Estimated Development Potential in the University City Area

In addition to transit, there are numerous factors that will create significant demand potential in the University City area in the coming decades, they include:

- UNC-Charlotte, which will be adding more than 14,000 students in the next decade or so, both in undergraduate studies and in greatly increased graduate and research programs;
- UNCC’s Charlotte Research Institute, which represents the university’s business partnership research entity is currently developing campus classroom and research space along North Tryon and is estimated to have the potential to generate several million square feet of research office development in the coming decades;
- Bank of America, which is planning a million square foot office campus in the corridor at the Mallard Creek Church station;
- UNC-Charlotte, which is planning the development of a town/village center on campus-owned property along Mallard Creek Church Road adjacent to the transit station;
- Carolinas Medical Center, which continues to expand its University City hospital center; and
- The North Carolina Research Campus which, while located well north of the University City area, certainly bolsters the opportunity to create a larger scale research district along the 85 corridor.

In the coming 27 years, the areas around the five University City-area transit stations could capture more than 5,600 new housing units, 2.4 million square feet of new office space (not including institutional space at CRI), and more than 1.3 million square feet of new retail space (1 million of which is supported by populations in within a few miles of the site).

	Residential Units	Office Space	Retail Space
University City Blvd	1,454	270,587	716,137/1,040,137
McCullough	1,086	411,629	102,290
JW Clay Blvd	1,658	434,881	86,825
UNC-Charlotte	413	0	0
Mallard Creek Church	1,017	1,344,129	119,590



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Total	5,628	2,461,226	1,024,842/1,364,137
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As shown on the preceding page, the strongest potential captures of growth can be found around three of the five transit stations: University City Boulevard, which is seeing a massive amount of retail development; JW Clay Boulevard, which has the potential to function as the downtown for University City; and Mallard Creek Church, which will benefit both from BofA’s large corporate campus and UNC-Charlotte’s new town/village center.

The following summarizes each of the five stations and the development opportunities associated with each locale.

University City Boulevard Station: This station area has historically failed to develop due to its confusing and undesirable maze of highway connections and challenging interstate access. With new road networks and I-85 access, the station area is currently experiencing massive retail development, including the construction of the Carolinas first IKEA store; a regional-serving entity pulling tax dollars to University City from up to and beyond 150 miles away. Build-out of Belgate (in which IKEA is located) and adjacent retail under construction, will be accompanied by increasing opportunities for significant residential development east of North Tryon Street. The major challenge in this area will be creating a station identity and transit orientation given the strong interstate orientation of the existing and planned retail development.

McCullough Station: Representing perhaps the most challenging station in the University City area, the McCullough area lacks any major catalytic uses within walking distance of the station itself and is typified by very low density, sprawling development. It also lacks a major cross-thoroughfare which tempers retail development near the station. Value creation will be critical to spurring further residential and office development and should focus on placemaking, including a greatly enhanced pedestrian orientation.

JW Clay Boulevard Station: University Place, initially intended to become the downtown of the university area, has the potential to finally become that downtown more than 20 years after its initial development. Bolstered by strong regional access, large land ownership, adjacency to the CRI, and its function as an existing regional destination, the JW Clay station area could experience more than 1,600 new residential units and nearly a half-million square feet of new office space, not including institutional space at CRI. Retail in the area will need to reinvent itself over time, with opportunities being enhanced by the lack of any non-discount malls in the entirety of east/northeast Charlotte.

UNC-Charlotte: Located on the campus of the university, development of non-campus units or space around the UNC-Charlotte station is highly unlikely. That said UNC-Charlotte is planning to develop roughly 1,400 new beds on campus in the coming years, half of which could locate in the vicinity of this station. The UNC-Charlotte station further provides the university with the opportunity to encourage commuting via rail by students and faculty, saving expensive parking construction costs in the future, and would also connect the university to its Center City campus and students to their #1 entertainment destination: Center City Charlotte.



Mallard Creek Church: While constrained by significant floodplains to the west of the station, development opportunities are still significant around this station and will largely be accommodated in the aforementioned Bank of America campus on North Tryon Street and UNC-Charlotte's planned 100-acre mixed-use village; two projects that comprise a large share of the remaining developable acreage proximate to the station. Two scenarios exist for this latter development and it is our opinion that the less intense of the two scenarios is more likely given the site's "mid-block" location, relatively limited access, and lack of regional visibility.

Valuing the Increment in the Coming Decades

The development estimates provided earlier in this report (5,600 residential units, 2.4 million square feet of office and 1.3 million square feet of retail space) were phased in over the 27-year period examined and, utilizing key assumptions relative to construction values, were employed to estimate the total value of development in the coming decades. As noted, these assumptions were targeted to be consistent with those utilized by RCLCO along the North Corridor in 2007 and include:

- Valuations of retail and office development based on figures provided by Torto Wheaton in 2007;
- Estimations of apartment values based both on brief pro forma analysis (capped revenue stream) and by examining sales of comparable apartment communities in the Charlotte area;
- Home prices for detached, townhouses, and condominium flats were based on other comparable projects in the University area and, where such products do not exist, elsewhere in Mecklenburg County;
- Prices and property values are assumed to increase at an approximate 3% annual rate, consistent with estimates utilized in the North Corridor;
- Existing development values were benchmarked at year-end 2007 levels and grown to determine the total increment of value generated over the 27-year period, similar to methodology utilized for creation of Tax Increment Financing (TIF) districts and consistent with the methodology utilized in the North Corridor study;
- Charlotte and Mecklenburg County property tax rates were utilized with revaluations occurring based on a schedule provided by the Mecklenburg County Tax Assessors office; and
- Finally, sales tax revenues were calculated assuming approximate sales of \$280 per square foot of occupied retail space and utilizing Mecklenburg County tax rates as of 2009.

Based on these assumptions, we estimate the value of development around the five station areas to total approximately \$1.5 billion, not factoring in inflation, or more than \$2 billion when inflation is factored in. When accommodating scheduled future property revaluations the potential increment grows to more than \$3 billion and generates a cumulative \$500 million in property taxes and a cumulative \$740 million in sales taxes over the 27-year timeframe.



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(in ,000's)	Dollars of Private Investment	Factoring in Appreciation	Total Incremental Value, 2008 - 2035	Incremental Taxes Generated
University City Blvd	\$495,084	\$643,739	\$918,668	\$162,320
McCullough	\$228,695	\$318,883	\$485,915	\$82,671
JW Clay Blvd	\$353,181	\$543,652	\$759,484	\$108,757
UNC-Charlotte	N/A	N/A	N/A	N/A
Mallard Creek Church	\$458,817	\$588,252	\$844,602	\$151,364
Total	\$1,535,777	\$2,094,526	\$3,008,669	\$505,112

Rail is the Catalyst, but Value Creation Paramount

Rail has the ability to reshape growth in Mecklenburg County and in the University City area. That said, rail alone isn't likely to create the large-scale demand potential estimated. As noted in previous interviews with the City of Portland, rail doesn't make a bad area good; it makes a good area better. The North Tryon corridor in University City area is certainly a good area that must evolve to remain viable and avoid the suburban slide that plagues many aging commercial corridors.

University City Partners is well-positioned to contribute to this evolution via the creation of programs and policies to aid in the creation of infrastructure that provides the atmosphere and quality of life many will seek in the coming years and decades. Indeed, creating value will be critical for land uses to achieve the premiums needed to justify the higher costs of redevelopment and those associated with more intense mixed-use development. Among the ways value should be created:

- Providing a greater network of local streets with sidewalks and quality streetscaping;
- Enhancing streetscaping along North Tryon and other existing streets to enhance the pedestrian environments;
- Extending greenway trails and paths throughout the University City area and particularly in station areas to provide avenues for exercising, relaxing, and getting around;
- Creating smaller, neighborhood parks and plazas that can act as gathering places and anchors for surrounding development;
- Creation of a parking authority that can construct parking decks for multiple uses, eliminating the up-front costs of parking which can significantly impact development feasibility; and



- Creating architectural and design standards for development in the area to begin creating a sense of location.

These investments will be necessary regardless of the implementation of transit to keep the University City area viable in the coming decades. Focusing them around proposed transit stations provides opportunities to maximize synergies between these investments and the larger transit investment being made in the area and the region. As such, these investments are well-targeted and highly efficient; potentially impacting a higher number of people in a smaller area relative to similar investments in lower-density areas benefitting fewer people overall.