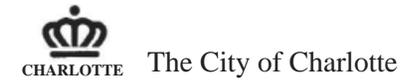




Independence Boulevard Land Use & Infrastructure Study

Prepared for:



Prepared by:



April 27, 2007

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Executive Summary

Independence Boulevard, historically one of Charlotte's major commercial corridors, is experiencing significant deterioration and abandonment of its commercial buildings, as well as deferred maintenance. The City is concerned that properties along the corridor will continue their current downward economic trend, eventually negatively affecting neighborhoods along either side of the roadway. As the Boulevard continues to undergo transformation from a major arterial to limited access expressway and with the plans for a proposed transit line along the corridor, the City is exploring strategies that will re-energize the corridor and ensure its long-term viability.

The *Independence Boulevard Land Use & Infrastructure Study* describes and quantifies the potential land use and regulation related-effects of converting Independence Boulevard into a limited-access expressway, particularly the effects of the transitional setback requirement on future development. This study also evaluates the access levels of various parcels along the corridor and analyzes how private property access may be affected by the highway conversion. It also explores case studies from other communities undergoing a similar roadway change and identifies lessons applicable to the corridor. Finally, an assessment of the market depth of various land uses within the study area was conducted to better target future planning and economic development strategies for redevelopment.

From the results of this initial phase study, a second phase effort will help determine the most appropriate development pattern, recognizing the importance of Independence Boulevard as a transportation corridor.

The following are the key ideas from this Phase 1 study:

A clear vision and predictable future for Independence Boulevard is critical to reinvestment along the corridor. Significant development is unlikely to happen until some certainty about the future land use direction, design of the road and transit improvement, and the timing of construction can be obtained.

Strategies should focus on encouraging land uses that would be appropriate to the roadway's future condition. The case studies show that land uses along roadways that underwent conversions to highways evolve to respond to the roadways' new condition (i.e., more destination- rather than drive-by-traffic-oriented). Once a clear vision is established, the City can proactively encourage land uses that would respond to Independence Boulevard's future limited-access and higher speed conditions and that take advantage of the access to surrounding neighborhoods.

The health of Independence Boulevard is dependent on the health of the surrounding neighborhoods. Adopted future land use plans for neighborhoods on either side of Independence may need to be amended to take into consideration the boulevard's change from a commercial corridor to a limited-access highway. Additionally, removal of obsolete structures may be required to prevent blight from harming surrounding neighborhoods.

It will be prudent to focus the initial redevelopment efforts on a few specific areas which would help catalyze the rest of the corridor's redevelopment. These nodes are located at the intersections of Independence Boulevard with Briar Creek, Idlewild and Sardis Roads. The nodes should have strong physical connections to the neighborhoods they serve.

The transitional setback has the potential to affect redevelopment potential. The transitional setback has the potential to affect more than 40% of properties located along or having access to Independence Boulevard. Because of the transitional setback requirement, land owners along Independence would have to overcome one more barrier for redeveloping their properties. This condition might force properties to remain in their current state for a longer period of time.

The transitional setback can be used as a redevelopment tool. In the second phase, the City could study appropriate access for the redevelopment sections and determine what adjustments to the transitional setback can be made.

Successful roadway conversions require strong partnerships between public agencies and private property owners, and incorporate land use and urban design strategies. Partnerships can bring about constructive short-term solutions (e.g., interim access management plan) and stimulate longer-term positive impacts on a corridor. Strategies such as access management plans bring about a more predictable environment for redevelopment.

The following redevelopment potential can be supported within the study area.

LAND USE	SUPPORTABLE SF/UNITS	COMMENTS
Retail	655,000 SF regional retail 185,000 SF neighborhood retail	Assumes replacing more than 1M SF of aging retail
Office	130,000 SF over 10 years	Largely smaller, local-serving
Flex Office	140,000 SF over 10 years	Limited opportunity, target locales with lower land costs
Rental Apartments	375 units annually	Newer product closer to revitalizing areas
For-Sale Residential	240 units annually	Build off of retail investments, stronger neighborhoods along corridor.

1.0 Introduction

1.0 Introduction

Independence Boulevard is undergoing a transformation from a major arterial to a limited-access expressway, which involves the removal of traffic signals and left turn lanes and the development of grade-separated interchanges. Concurrent with this effort, the City is also planning the development of a rapid transit line along the Boulevard running from Uptown to the Central Piedmont Community College (CPCC) Levine Campus.

These proposed changes would undoubtedly have physical effects on properties along the corridor in terms of future redevelopment. **Part 2** summarizes the consequences of the proposed roadway changes on the existing and potential future developments along the corridor, paying particular attention to how private properties can meet existing land development codes and regulations as they redevelop.

Part 3 describes the level of reliance of study parcels on the Boulevard for vehicular access and how the highway conversion can affect private property access.

As part of this Independence corridor assessment, the study team was also tasked to research and review corridors that have undergone or will undergo changes similar to those planned for Independence Boulevard. **Part 4** of the memorandum discusses these case studies, offering lessons on the range of strategies that can be applied to properties along Independence Boulevard to enhance potential land use and transportation benefits and mitigate potential negative effects of the roadway changes.

Part 5 of the memorandum presents an overview assessment of the retail, office, flex-office and residential market supply and demand dynamics in the Charlotte market as they relate to the redevelopment of Independence Boulevard.



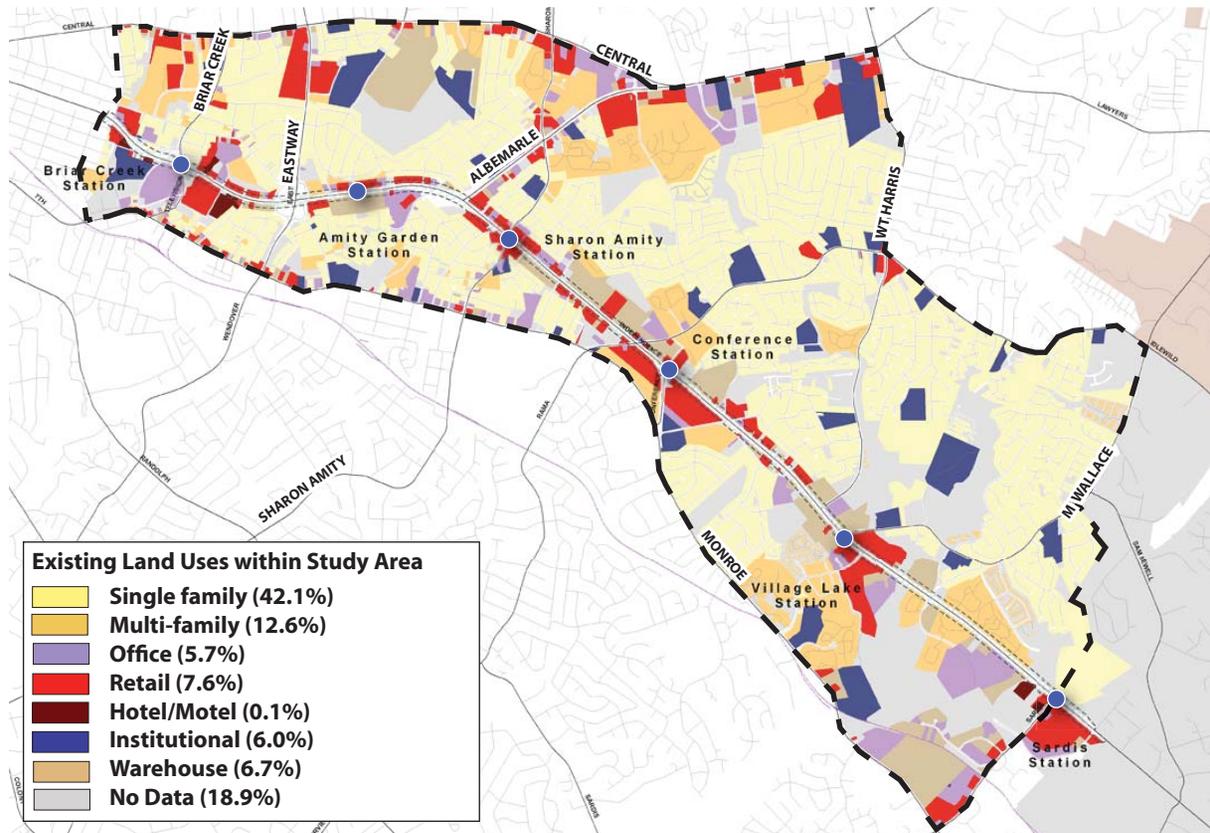
2.0 Land Use & Development Regulation Assessment

2.0 Land Use & Development Regulation Assessment

Assumptions

The following assumptions were made in the land use and development regulation assessment:

- All existing major intersections will be converted to grade-separated intersections based on most recent NCDOT proposals.
- The Southeast Corridor Bus Rapid Transit (BRT) line will run along the center of Independence Boulevard within this study area.
- BRT stations and station area parking will be located at several major intersections as per the 2030 Systems Plan.
- Parcels that currently have driveway access would have right-in, right-out access from auxiliary right-hand turn lanes along Independence Boulevard.
- Parcels that are along Independence Boulevard will have to adhere to the transitional setback requirements if applying for a change in use or redevelopment as provided by the City of Charlotte Zoning Ordinance Section 12.103.
- The transitional setback is 175' from the center line of the Boulevard.



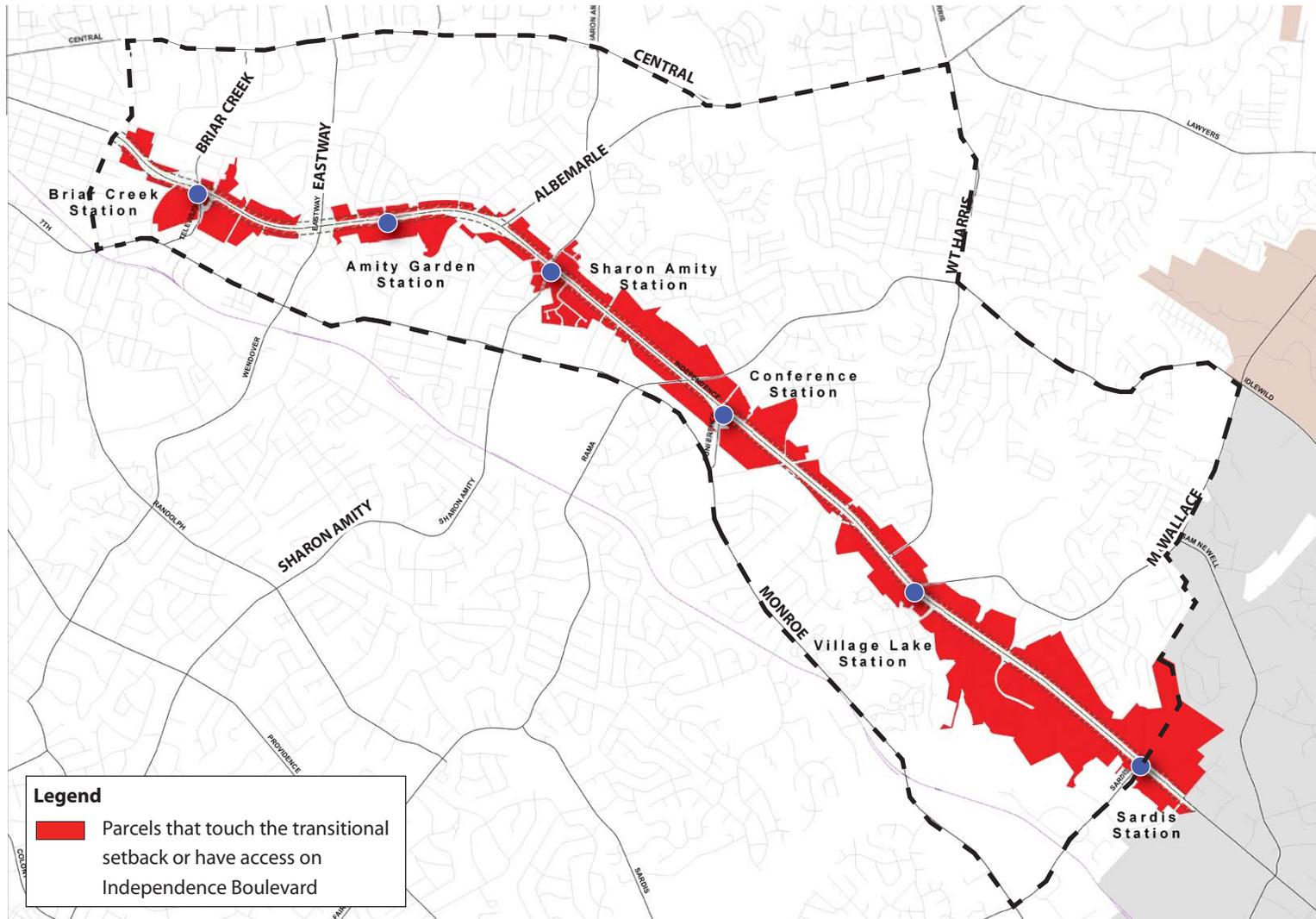
Existing Land Uses within Study Area

2.0 Land Use & Development Regulation Assessment

Study Area

The study area includes the area bound by Chantilly Lane and Morningside Drive on the east, Monroe Road on the south, City Limits and Sardis Road to the east, and Central Avenue and Idlewild Road to the north. The land use

and access assessments were done for parcels within the study area that touch the transitional setback or have access on Independence Boulevard.



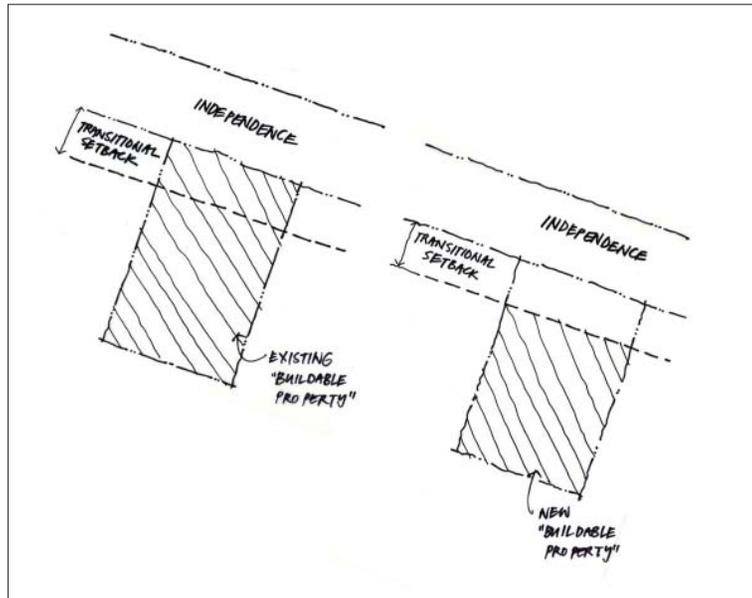
391 parcels touch the transitional setback or have access to Independence Boulevard.

2.0 Land Use & Development Regulation Assessment

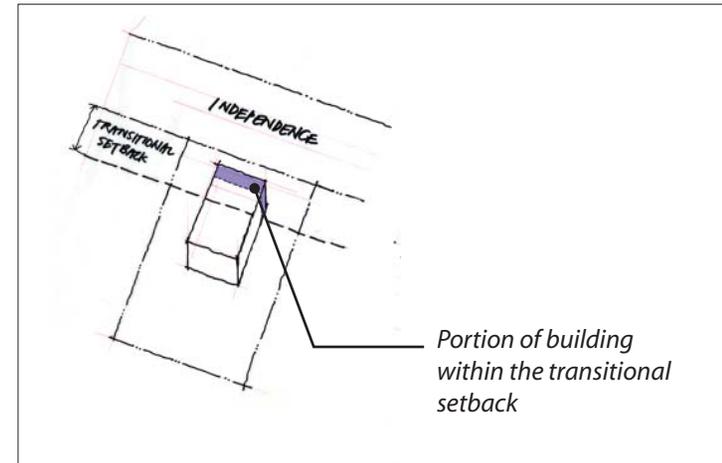
Methodology

Using the previous set of assumptions, the potential effects of the transitional setback were evaluated, including:

1. Parcels that will no longer meet minimum lot size requirements as specified by the zoning code.



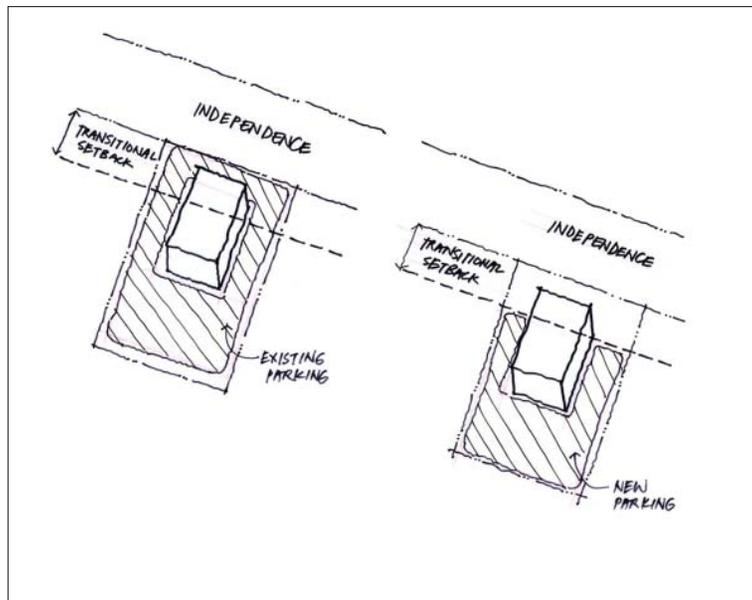
2. Potential effect on buildings – if existing buildings or portions of existing buildings are within the transitional setback.



2.0 Land Use & Development Regulation Assessment

- Potential effect on parking – if development of similar type, bulk, and density were built, and parking as required by code will not be accommodated in the remaining parcel (after transitional setback). The number of parking spaces was determined based on how many parking spaces can fit in the remaining property after the building is built.

The assumption used was that each space would occupy 440 square feet. The 440-square foot parking space average was used rather than the industry standard of 350 square feet per space to provide allowance for potential topography limitations, wetland constraints, tree buffer requirements, or storm water retention needs, which would consume land area for potential parking and create less than efficient parking lot layouts. To be considered code conforming, the new parking numbers would have to be equal to or greater than the code-required parking.

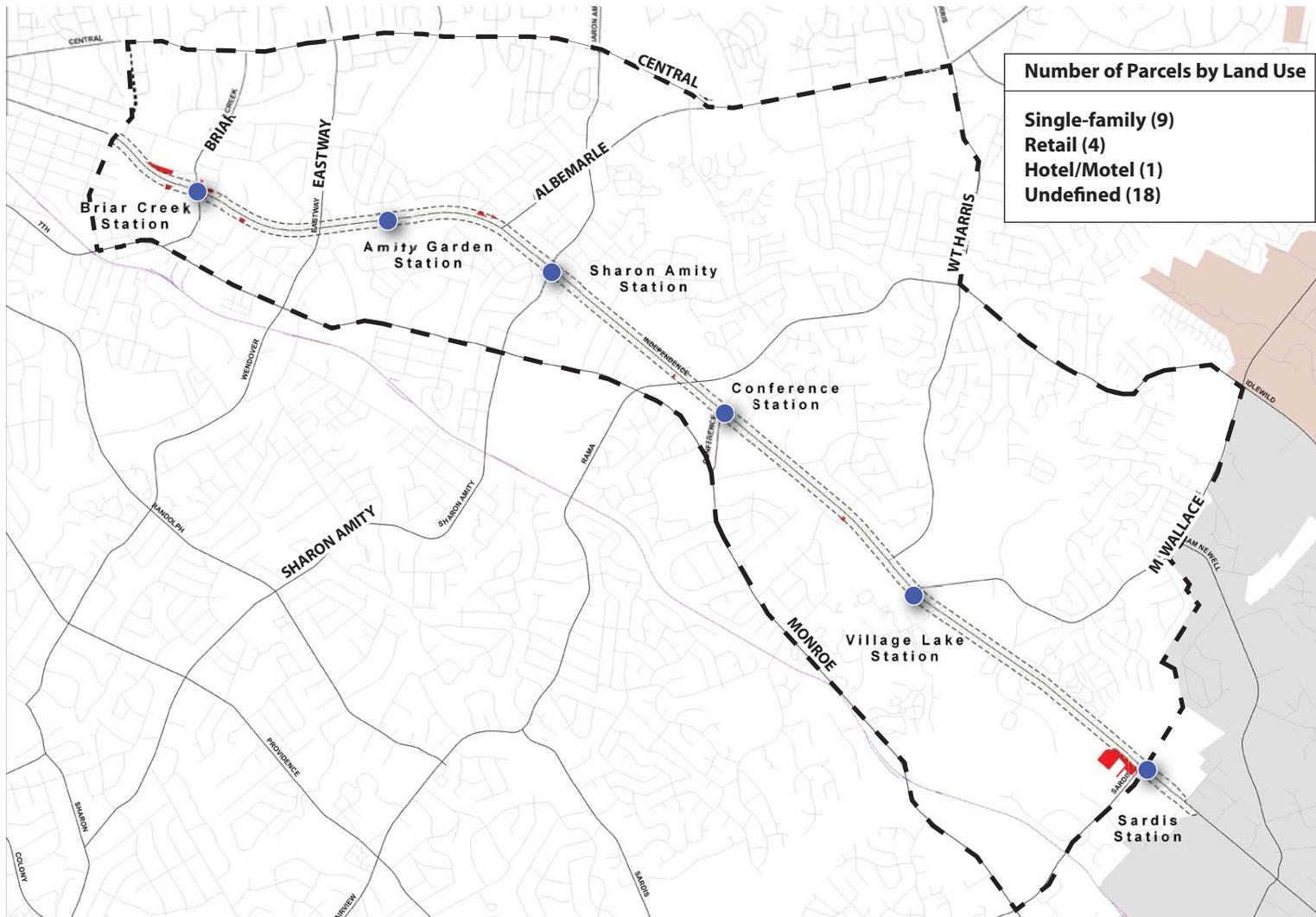


2.0 Land Use & Development Regulation Assessment

Results

The following series of graphics illustrates the results of the analysis.

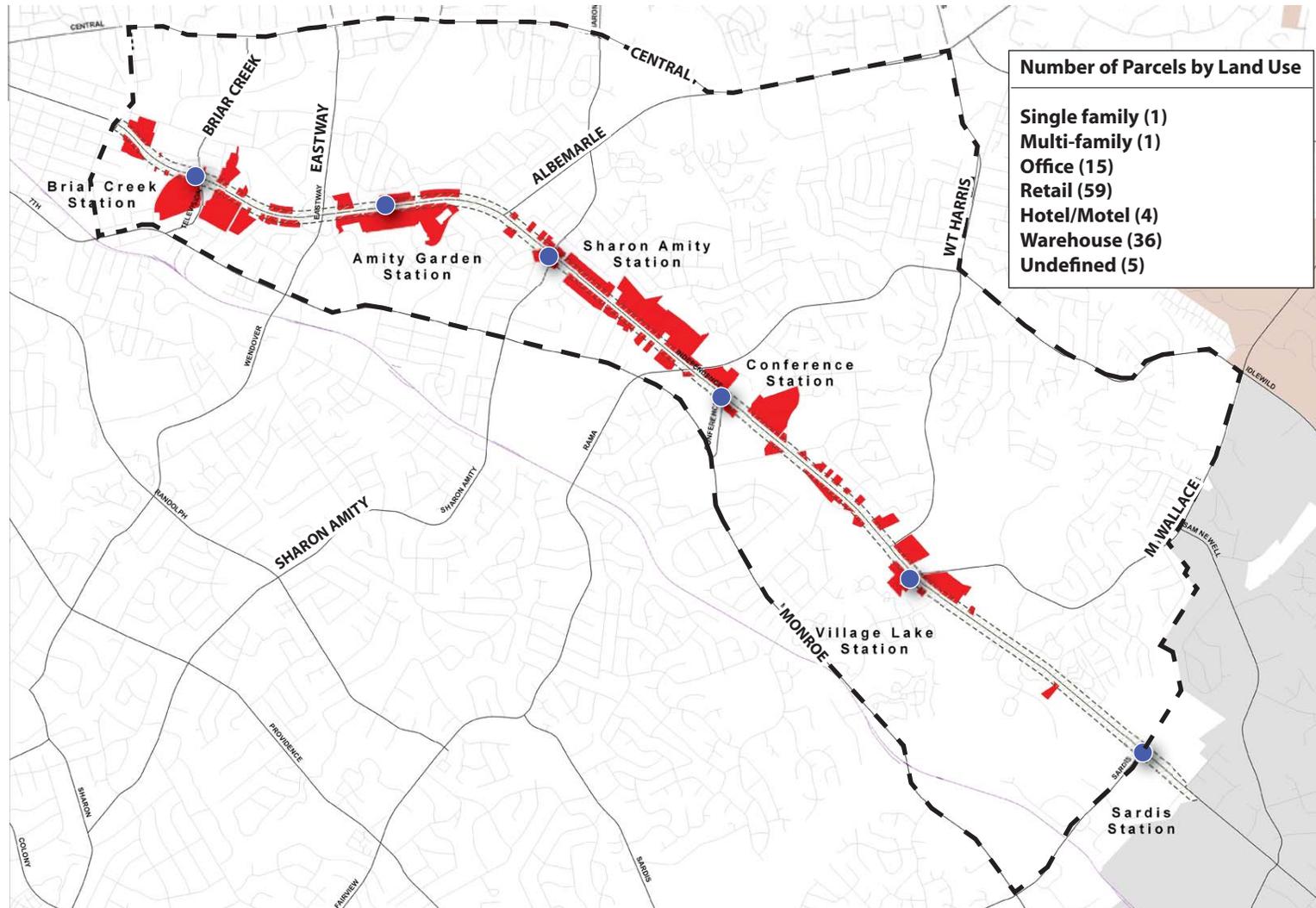
Parcels that will not conform to Minimum Lot Size Requirement because of the Transitional Setback



Because of the transitional setback requirement, 32 parcels (13 acres of land area), if redeveloped, will no longer meet minimum lot size requirements specified by their current zoning.

2.0 Land Use & Development Regulation Assessment

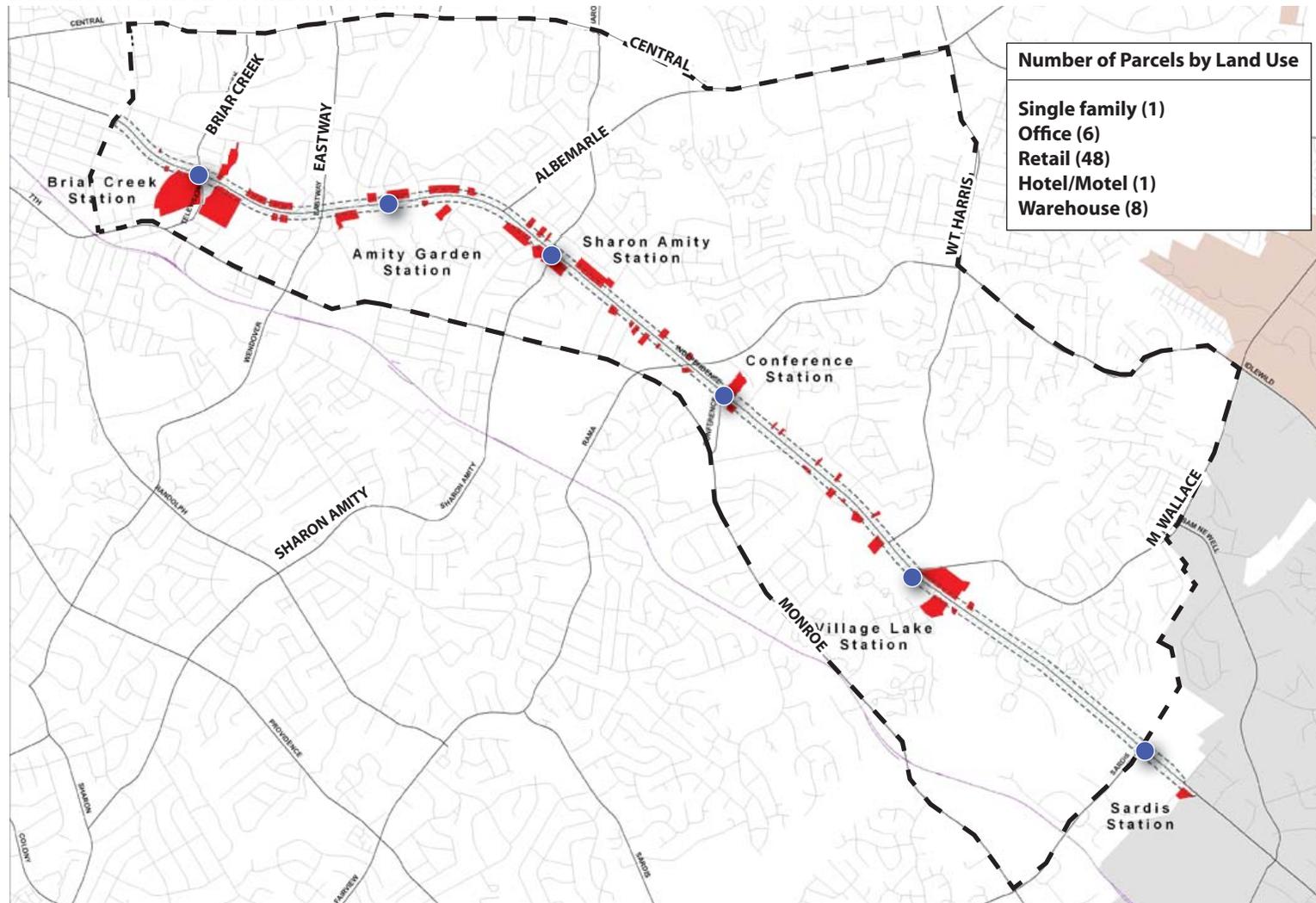
Parcels with Buildings or Portions of Buildings in Transitional Setback



122 parcels making up 323 acres of land area have existing buildings or a portion of existing buildings within the transitional setback. Of these, 4 parcels would not conform to the minimum lot size requirements because of the transitional setback.

2.0 Land Use & Development Regulation Assessment

Parcels that will not conform to code-required parking because of the Transitional Setback

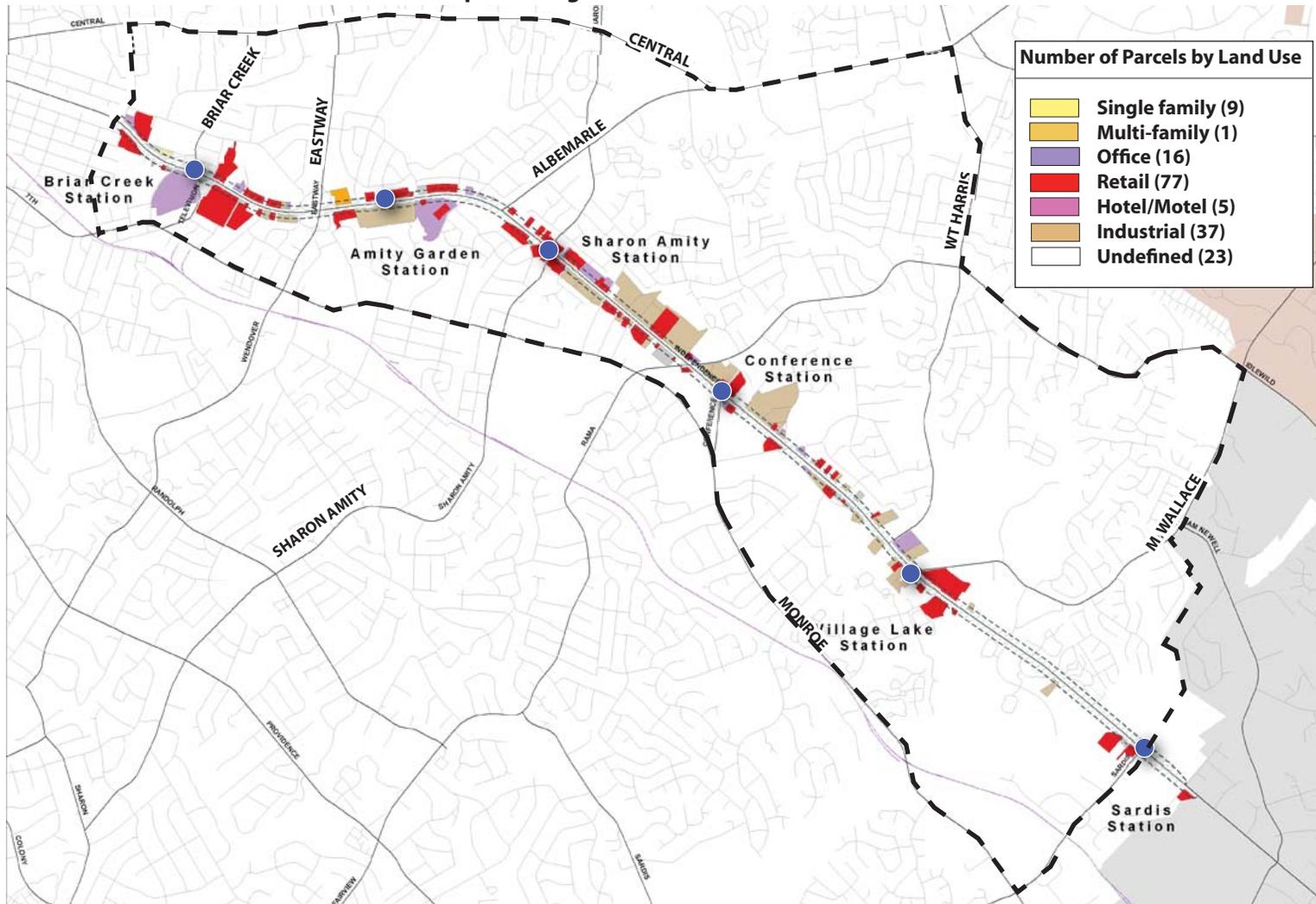


Because of the transitional setback requirement, 64 parcels (39 acres of land area), if redeveloped, will no longer meet minimum parking requirements specified by their current zoning. Of these parcels, 2 properties have existing buildings within the transitional setback

and would also not conform to the minimum lot size requirements. 46 parcels that will not conform to the parking requirements have buildings within the transitional setback.

2.0 Land Use & Development Regulation Assessment

Parcels with Potential Land Use and Development Regulation-related Effects



168 parcels, comprising 370 acres of land area, may potentially be affected by the transitional setback from a land use and regulatory perspective. These potential regulatory effects include the parcels' ability to meet minimum lot size or parking requirements, and the presence of existing buildings or portions of existing buildings within the transitional setback.

2.0 Land Use & Development Regulation Assessment

Conclusions

Potential Land Use and Regulatory-related Effects

	Number of Parcels	Area (acres)
Parcels that will not conform to minimum lot size requirements	32	13
Parcels with existing buildings in transitional setback	122	323
Parcels that will not conform to parking requirements	64	139

The above analysis shows that from a land use perspective, the transitional setback required because of the Independence Boulevard highway conversion has a significant effect on properties along the corridor. The transitional setback has the potential to affect more than 40% of properties along Independence Boulevard. Of these 168 properties, a majority (three-quarters) are properties that have buildings within the transitional setback and would therefore be impacted if the building has a change in use or is redeveloped.

Because of the transitional setback requirement, land owners along Independence would have to overcome one more barrier for redeveloping their properties. This condition might force properties to remain in their current state for a longer period of time and contribute to the overall disinvestment of the corridor. However, as discussed in section 5 of this memo, the corridor currently has a modest level of potential new market which, more than the constraint set by the transitional setback, might be preventing most redevelopment efforts from occurring.

Since the ordinance is already in place, the potential exist for the City to use the transitional setback requirement as a tool to positively influence future development along Independence. For example, further study may

indicate that it would be appropriate to amend the transitional setback ordinance to allow narrower setbacks in some areas where right-of-way is reserved for new street connections or a new parallel public street.

3.0 Access Analysis

Methodology

Independence Boulevard's conversion to limited-access expressway would undoubtedly affect the vehicular access of properties along it. This section of the study describes the levels of reliance of the study area properties on the Boulevard for vehicular access. From an access perspective, the study parcels are categorized as:

- **Group 1:** Parcels that have access only from Independence Boulevard
- **Group 2:** Parcels that have access from Independence Boulevard and from other streets
- **Group 3:** Parcels that have access only from streets other than Independence Boulevard

The conversion to limited-access expressway will have the most effect on parcels that have access only from Independence Boulevard. After the conversion, Group 1 parcels will rely on the right-in, right-out access from Independence Boulevard instead of having the full access driveways (including left-in and left-out) that some of these properties currently have.

Group 2 parcels will be affected by the conversion to some extent but will have the option of focusing primary access on the driveways that they currently have from streets other than Independence Boulevard.

Group 3 properties' access levels will not be affected by the Boulevard conversion.

The conversion to limited access expressway requires construction of grade-separated interchanges and related ramps or roadways. The interchange construction will cause some parcels to lose access from Independence Boulevard, but will provide additional cross street access to others.

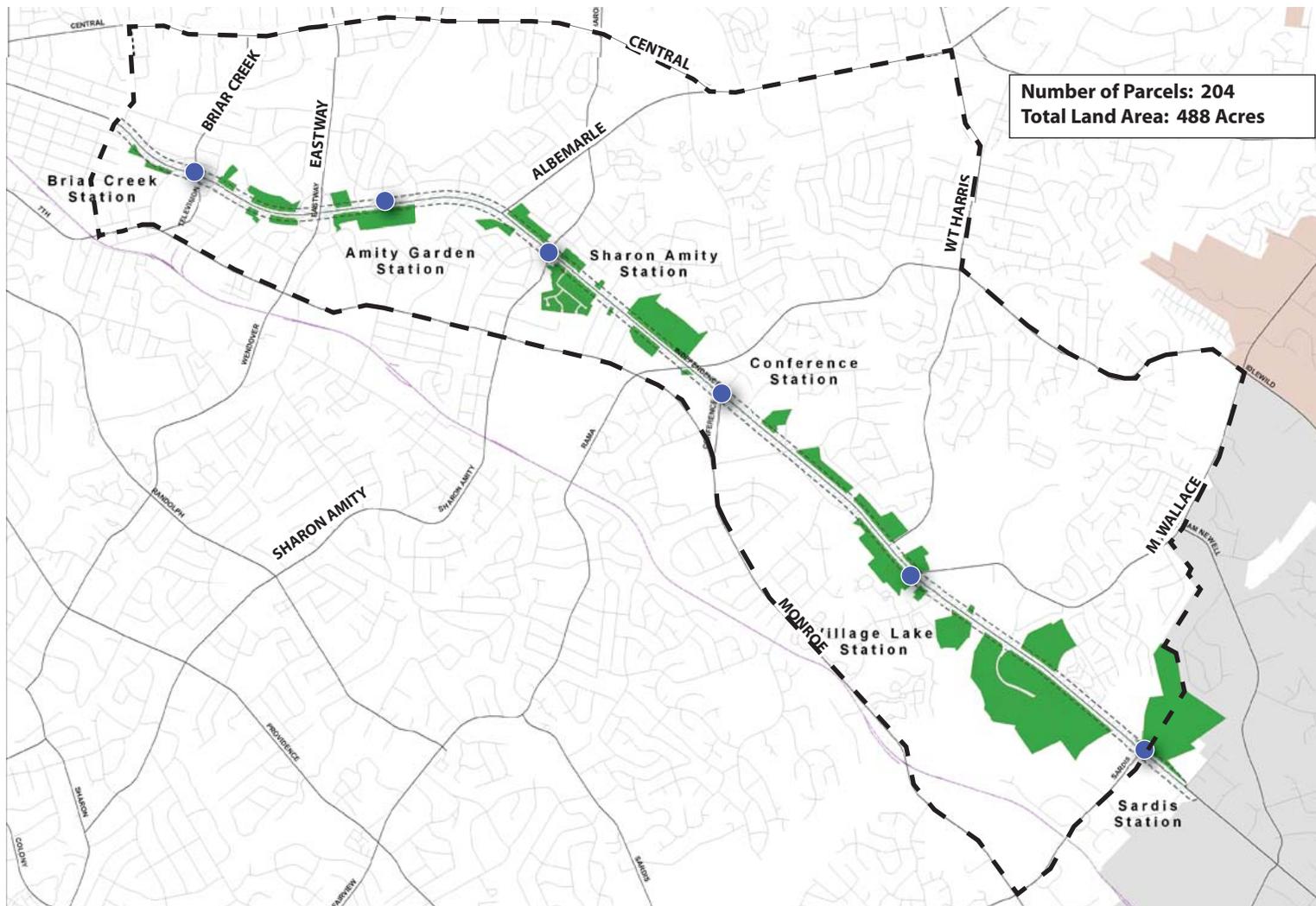


Roadway changes on Independence Boulevard can affect private property vehicular access.

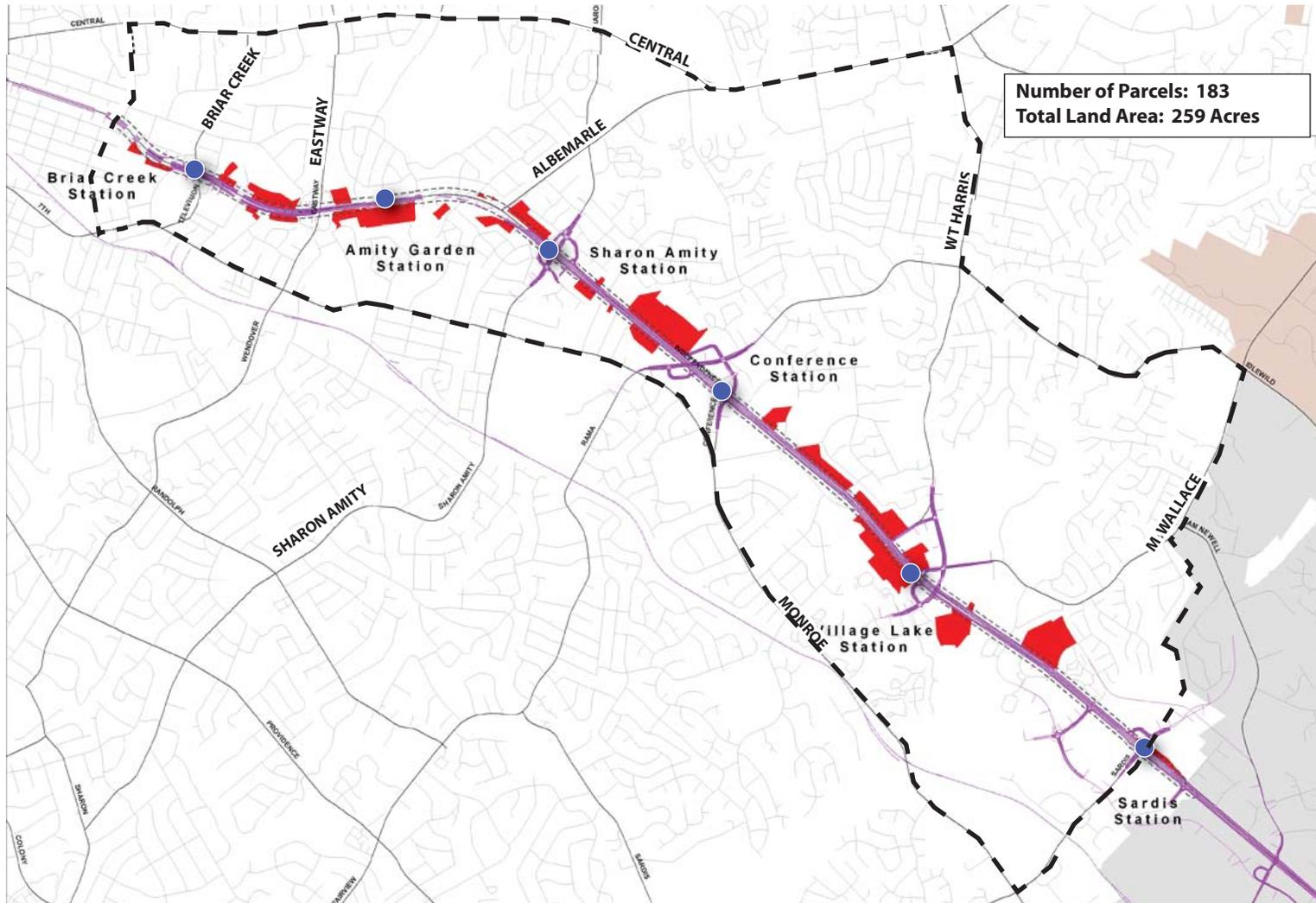
Results

The following series of graphics illustrate the geographic location and number of parcels within each access category before and after the construction of interchanges.

Parcels with Access only from Independence Boulevard- Before Interchange Construction

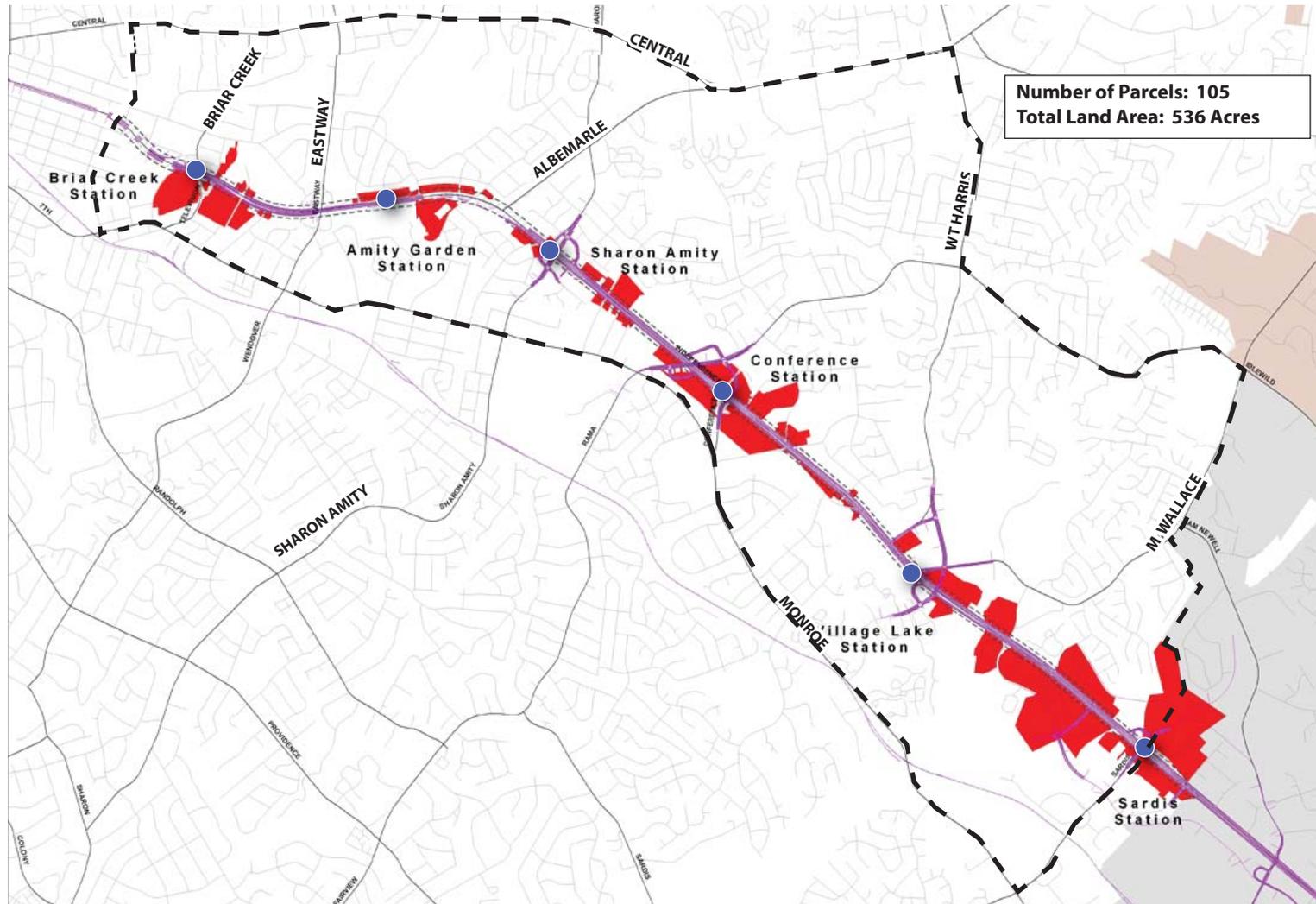


Parcels with Access only from Independence Boulevard- After Interchange Construction



After the interchange construction, 21 parcels making up 229 acres of property will lose access from Independence Boulevard. These 183 parcels will be relying only on right-in, right-out access from Independence Blvd.

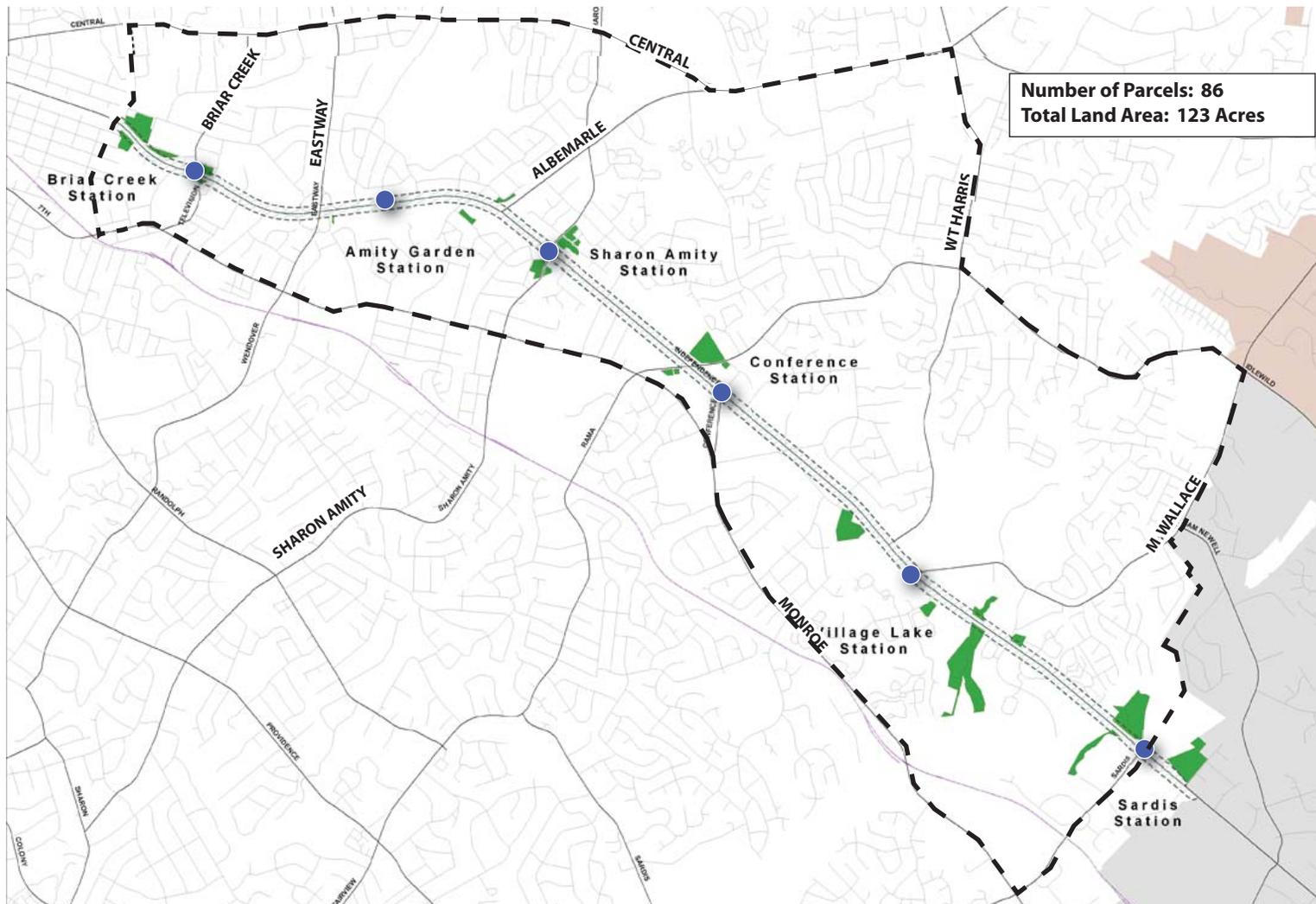
Parcels with Access from Independence Boulevard and Other Streets- After Interchange Construction



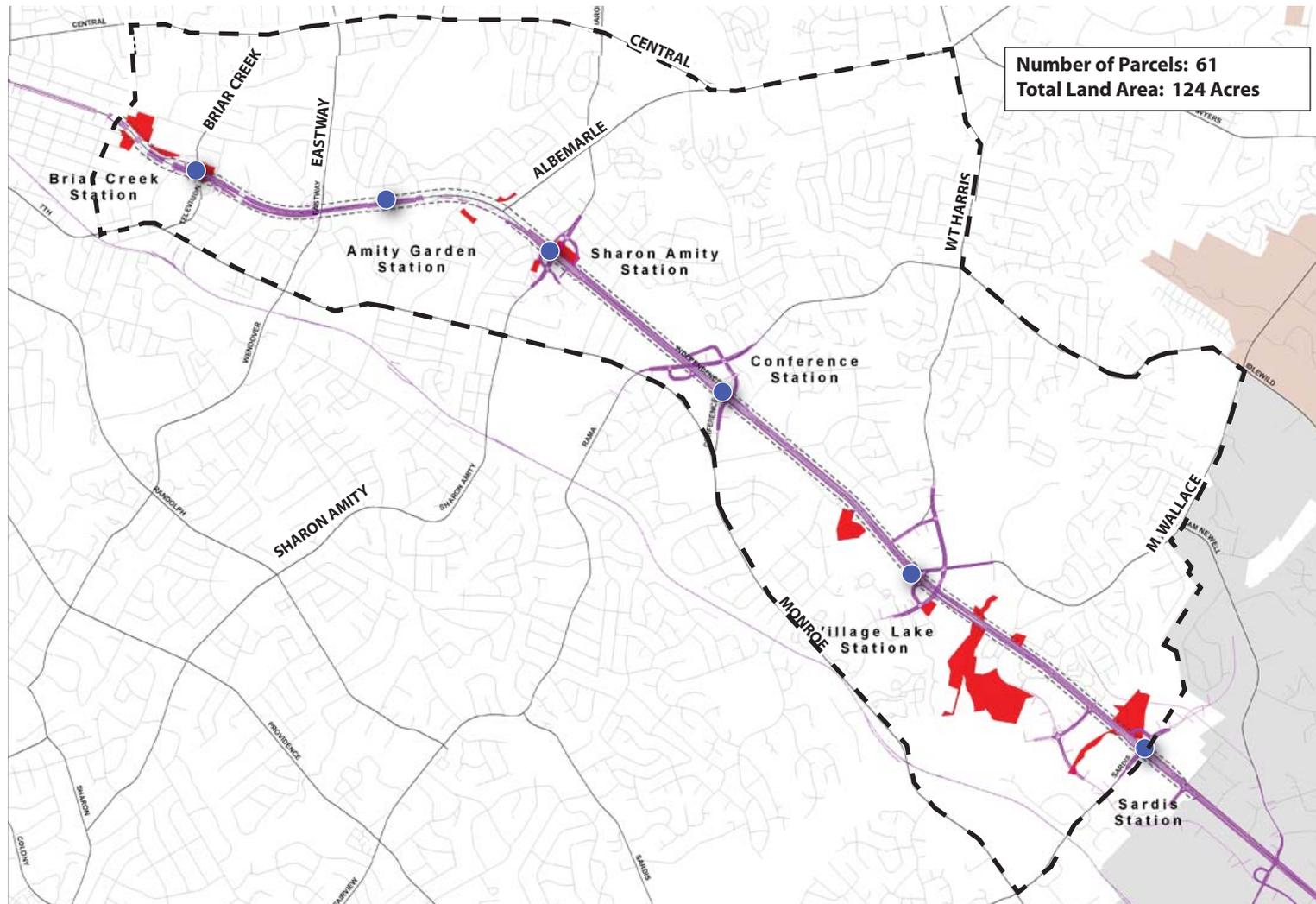
Because of the planned interchange construction and other related roadway improvements (i.e. Independence Point Pkwy. and extension of Sardis Rd. north of Independence Blvd.), new cross street access will be provided to some large properties near the proposed Sardis Station. However, some parcels will lose their

access from Independence Boulevard (i.e. near proposed Village Lake Station). 105 parcels making up 536 acres will be accessed from Independence or other streets within the corridor after the interchange construction.

Parcels with Access from Other Streets- Before Interchange Construction



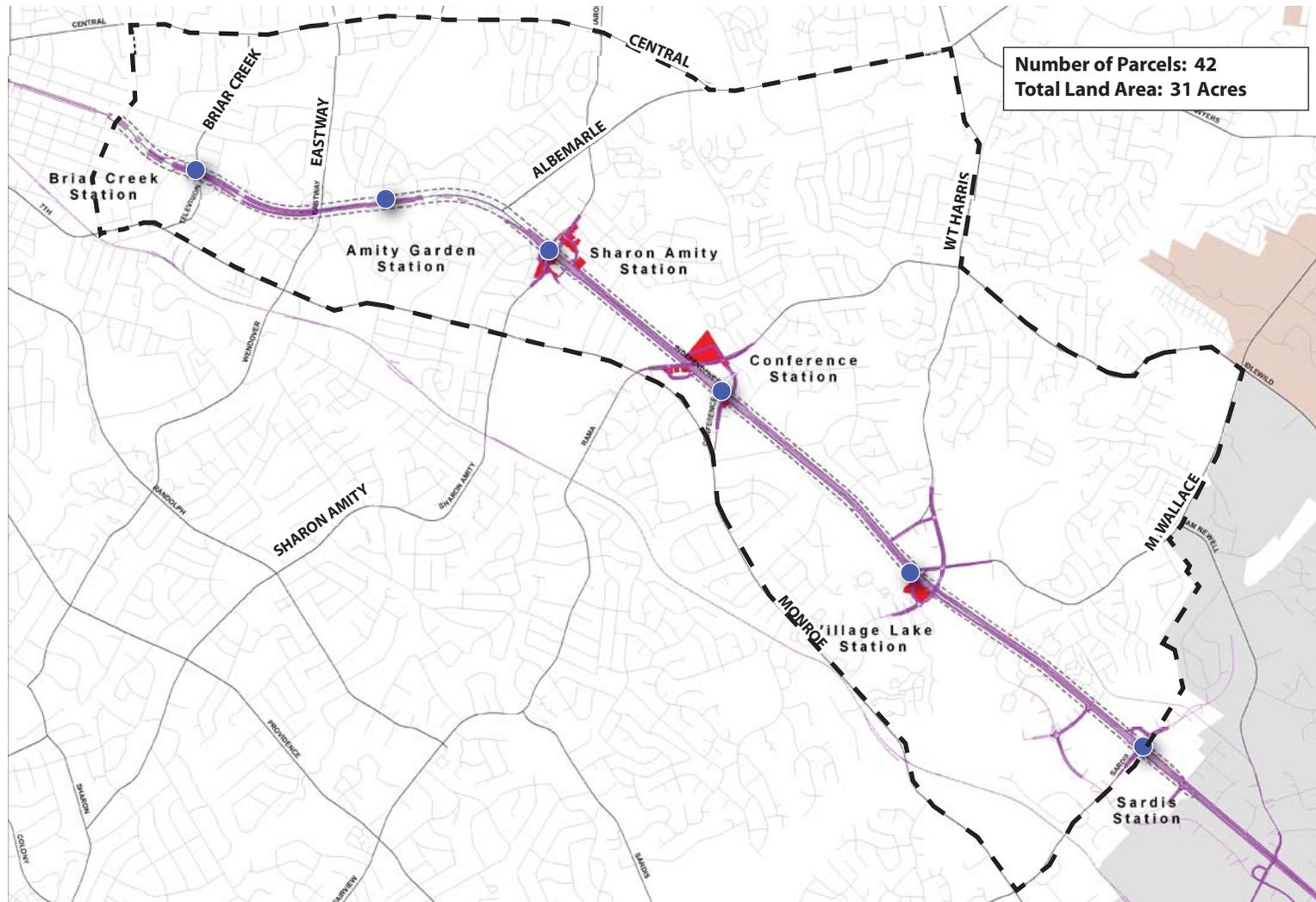
Parcels with Access from Other Streets- After Interchange Construction



Because of the planned interchange construction and other related roadway improvements, new cross street access will be provided to some properties near the proposed Albemarle and Sardis stations. However, there will be parcels that will lose their current driveway access because of the roadway changes. 61 parcels

making up 124 acres will be accessed from streets other than Independence Boulevard.

Parcels used for Interchange Construction



42 parcels making up 31 acres of properties around the proposed interchanges will be used for the actual interchange construction.

Conclusions

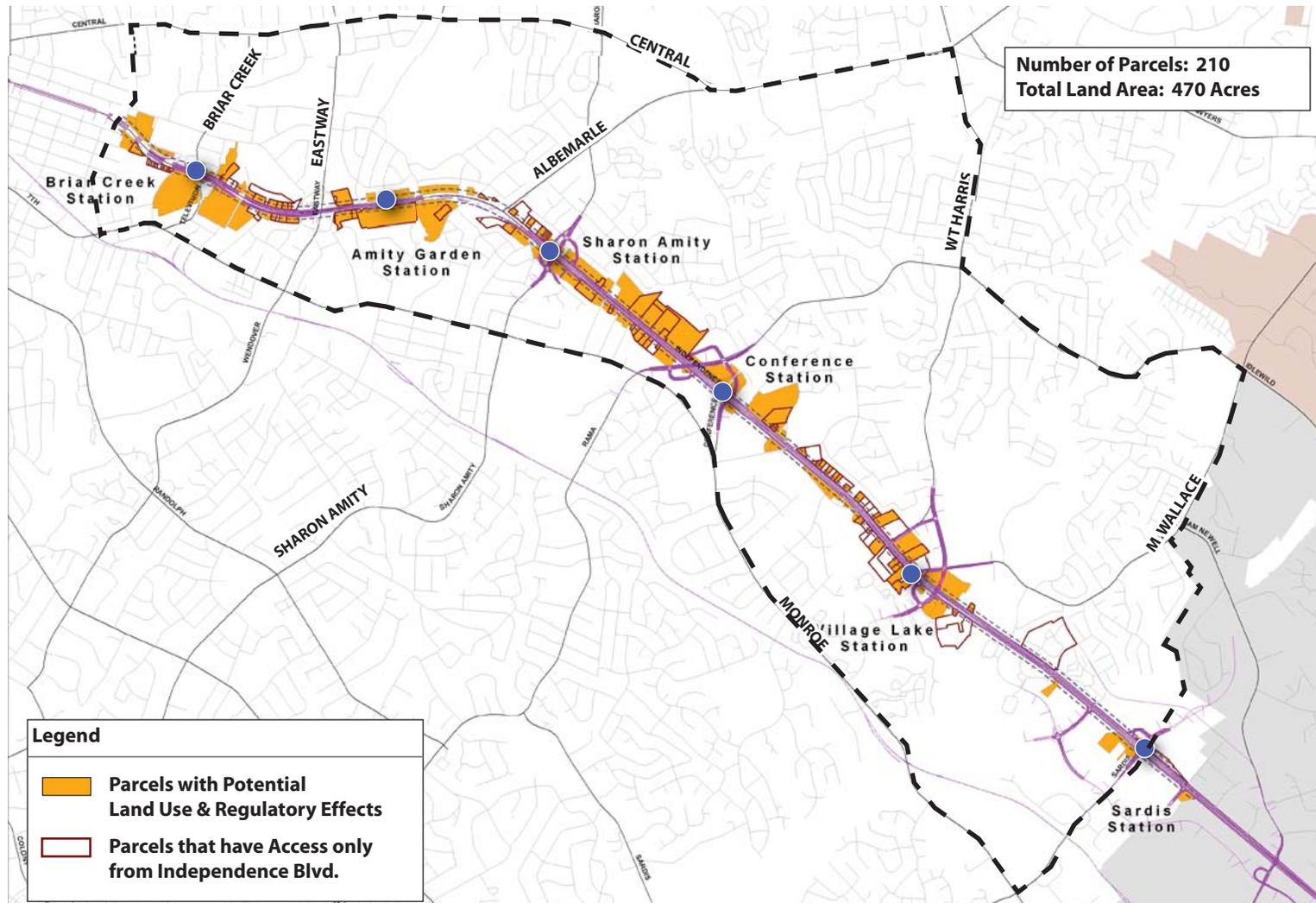
Access Analysis Summary

Driveway Access	Before Interchange Construction		After Interchange Construction	
	Number of Parcels	Land Area (Acre)	Number of Parcels	Land Area (Acre)
Only from Independence	204	488	183	259
From Independence & Other Streets	101	338	105	536
Only from Other Streets	86	123	61	124

Out of the 391 parcels within the study corridor, almost half are entirely dependent on the Boulevard for vehicular access. These 183 parcels will be affected the most with the loss of left-turn opportunities along Independence.

As the corridor redevelops, targeted infrastructure investments can be made so that more properties can have access from cross streets and the impacts caused by roadway changes on Independence Boulevard can be minimized.

Parcels with Potential Land Use & Regulatory and Access Effects



The above graphic illustrates the parcels that have a potential land use or regulatory effect and parcels that would be most affected from an access perspective. More than half of the 391 Study Area parcels have either a regulatory or access-related effect.

4.0 Comparable Case Studies

This section of the study explored case examples of communities that have proactively implemented land use and urban design policy measures or major infrastructure investments as a response to major roadway changes.

Among the case studies explored, the two discussed in this memo have conditions that are most similar to that of Independence Boulevard and have lessons that could provide guidance for the Corridor's redevelopment. However, the case studies do not have market conditions or development contexts that are exactly identical to that of Independence Boulevard. While there were various examples of arterial to limited-access expressway conversions around the country, there were only a few cases where concrete land use or urban design policies were implemented as part of, or in response to highway conversions.

3.0 Comparable Case Studies

I-394, Twin Cities, Minnesota: A case study of long-term business and land development impacts of arterial to freeway conversions.

Background

Interstate 394 is a major east-west freeway facility running between downtown Minneapolis and the western suburbs of the Twin Cities metro area in Minnesota. Prior to the mid-1980s, the highway serving this corridor was an arterial designed as Trunk Highway 12 (TH 12, also called US 12) and locally known as Wayzata Boulevard. This facility had at-grade intersections with major public roadways and a number of slip ramps that provided nearly direct access to some adjacent land parcels and commercial businesses. At this time on TH 12, there were short sections built to freeway standards and interchanges.

Between 1985 and 1993, the corridor was extensively reconstructed as a freeway built to urban interstate standards with no at-grade intersections and no direct driveway accesses or slip ramps.

Owners of businesses located along the highway were concerned that the changes to the roadway will reduce property values, reduce retail sales, or cause the business to fail. Some of the property owners were even involved in condemnation proceedings against the Minnesota Department of Transportation (Mn/DOT). Recently, Mn/DOT comprehensively and systematically analyzed the economic impacts associated with converting arterial US Highway 12 to freeway-standard I-394.

The I-394 study analyzed travel times/distances, land values, business turnover of a representative sample of parcels in the corridor. The selected parcels represent a cross section of corridor business types, including offices, auto dealerships, retail, hospitality, restaurants, and gas stations. Secondary data were gathered through interviews with business owners.

Independence Boulevard
Land Use & Infrastructure Study



Eastbound I-394 n

3.0 Comparable Case Studies



Between 1983 to 1993 various segments of I-394 were converted from arterial road to freeway. Today, I-394 runs almost 10 miles between Wayzata and Minneapolis.

3.0 Comparable Case Studies

Major Changes Observed

- **Change in Retail Businesses:** The number of retail businesses located in the cities that surround the I-394 corridor has fluctuated over time, following the ebb and flow common in retailing and the overall economic conditions of the region. Some retail businesses changed marketing strategies to make their store more of a “destination” rather than depending on “drive-by” customers.

Visibility of the freeway and shorter travel times also encouraged the development of big-box, destination type retail along the corridor. In general, however, the retail businesses have changed to more service-sector businesses. Over time, there was a large increase in multi-tenant buildings including strip malls and office buildings throughout the corridor.

- **Change in Restaurant Businesses:** Some of the restaurants that were on the corridor made significant adjustments to cater to local users rather than drive-by customers. A few restaurant owners voiced concerns of low-visibility because of the frontage roads and confusing access from the highway.
- **Change in Office Uses:** After the freeway conversion, the I-394 corridor became an ideal location for office uses since office land uses have much less dependency on access and visibility than other commercial uses. The presence of businesses in turn attracted commercial uses (fast food restaurants in particular). Commercial uses along the corridor were found to be heavily dependent on the office based customers.
- **Business Turnover:** The commercial activity was considered healthier in 2003 than 1980 with a vacancy rate lower than the region’s or the state’s.

It is important to note that although this case study demonstrated that I-394’s highway conversion generated more office use demand, this market change might not necessarily happen for Independence Boulevard. Roadway changes will dictate a change in market demand to some extent but a number of factors will affect the market beyond the roadway’s characteristics. Charlotte and Independence Boulevard’s market conditions are different from Minneapolis’ and the Independence Corridor might not experience the same office use demand, as demonstrated by the market study in Section 5.

3.0 Comparable Case Studies

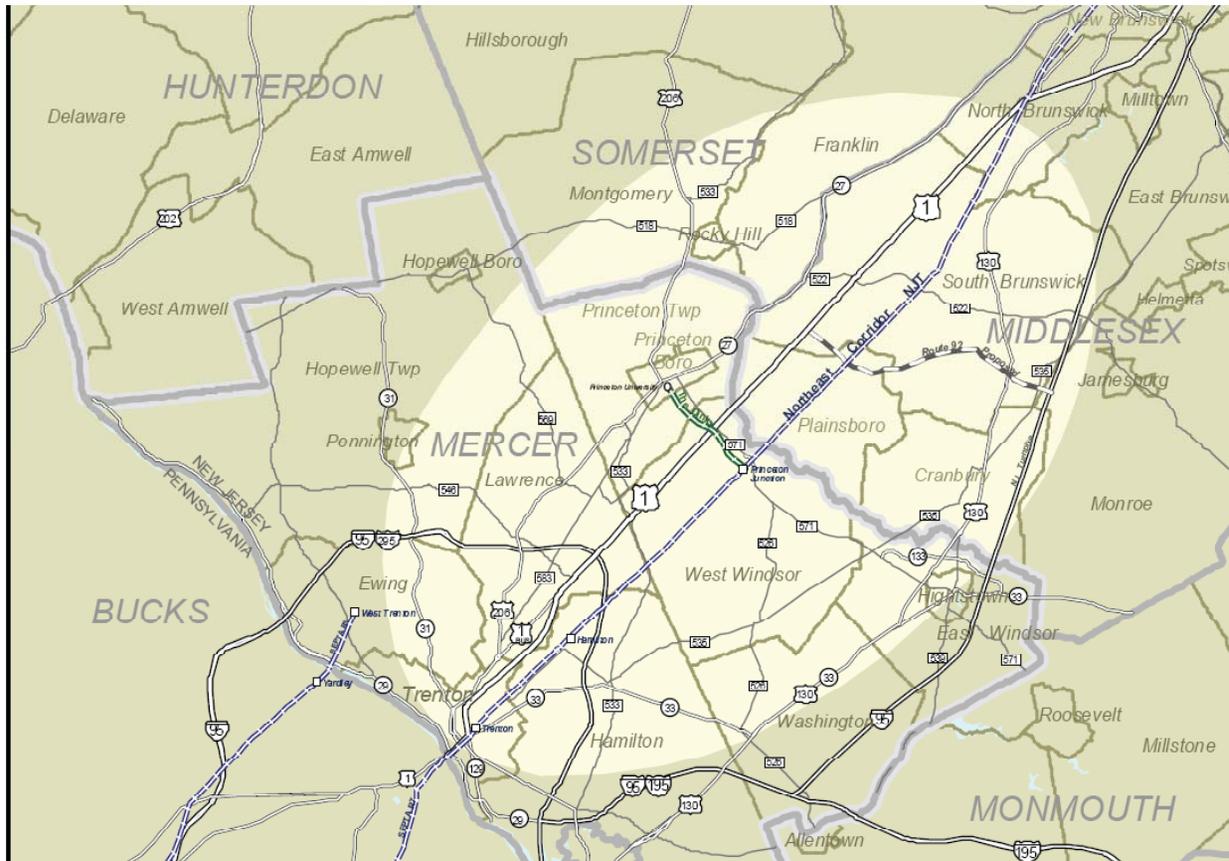
US Route 1, New Jersey: A case study where the state DOT's review process was used as an opportunity to influence proposed developments along an arterial.

Background

The Route 1 corridor, considered one of the most congested corridors in Central New Jersey, is expected to experience more growth in the future. Because of this, New Jersey Transit (NJ Transit) has identified the corridor for the proposed Trenton to South Brunswick BRT line. Presently, there is

limited public transit in the area to provide an alternate means of travel. NJ Transit is hopeful that a BRT system, together with sustainable land use development patterns, could mitigate the congestion on this roadway.

In 2005, NJ Transit, together with New Jersey Department of Transportation (NJDOT), the Delaware Valley Regional Planning Commission (DVRPC) and New Jersey Transportation Planning Authority (NJTPA), completed the alternatives analysis phase for the Central New Jersey Route 1 BRT project. Within Princeton Township, the route identified included two parallel BRT lines running on private properties on either side of US 1.



US Route 1, New Jersey

3.0 Comparable Case Studies

On-going Work

Through the alternatives analysis and after its completion, NJ Transit has been helping municipalities preserve BRT right of way on properties under immediate threat of development.

NJDOT, through their concurrency review process has been evaluating new development proposals along Route 1. NJDOT is currently working with the property owner of Quaker Bridge Mall to come up with a redevelopment plan that accommodates not just the proposed BRT right-of-way but also roadways along the BRT alignment and parallel to Route 1.



Proposed BRT line through Princeton Township

3.0 Comparable Case Studies

Case Studies References

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Wikipedia Entry on State Road 85. http://en.wikipedia.org/wiki/Arizona_State_Route_85 (January 12, 2007)

4.0 Market Sizing

4.0 Market Sizing

Introduction

Over the past decade, portions of Independence Boulevard have suffered from commercial abandonment and deferred maintenance of commercial structures. Several causes have contributed to these downward real estate trends, including prolonged road construction, aging and outdated retail properties, shifting demographic trends and perceived social issues, and the development of newer retail in other locations cannibalizing trade areas once served by these portions of Independence. Of concern to the City is both how to revitalize already impacted areas and to understand opportunities and longer-term viability of other areas of the corridor that may be affected in the coming years. To this end, the City of Charlotte retained RCLCO as part of the larger Glattig Jackson team to identify the market depth for the Study Area, not only for retail, but also for office, flex industrial space, and for-sale and rental residential. From this, planning and economic development strategies can be better targeted to enhance redevelopment potential in the corridor.

The purpose of this section is to present an overview assessment of the retail, office, flex-office and residential market supply and demand dynamics in the Charlotte market as they relate to the redevelopment of Independence Boulevard. To accomplish this objective, we have completed the following:

- Surveyed and evaluated existing retail developments in the study area and adjacent areas that relate to the corridor, relative to scale of development, average asking rents, absorption rates, and age of center.
- Interviewed key brokers active in the corridor to understand their perceptions of the corridor, key challenges, and potential opportunities for redevelopment and revitalization of the Study Area.
- Examined trends occurring at the macro and micro areas and examined how the Independence Boulevard corridor relates to these larger trends;
- Estimated potential market depth for retail, office, flex office, rental

apartments and for-sale attached housing in the corridor over the next five to ten years.

- Identified areas susceptible to change and opportunities impacting redevelopment and revitalization of the corridor.

Conclusions

While Independence Boulevard has certainly suffered from disinvestment and, in some locations, abandonment, we believe there are still significant opportunities for redevelopment in the corridor. These opportunities include new retail, smaller office (possibly some flex space), rental apartments and for-sale attached townhouses and/or condominiums.

In order to achieve the City's desired long term results for the corridor, it will be necessary to focus the initial redevelopment efforts to a limited number of specific focal points within the Study Area. RCLCO identified three potential redevelopment nodes that could serve as launch pads for the redevelopment of the area. These nodes are located at the intersections of Independence Boulevard with Briar Creek, Idlewild and Sardis Roads, respectively. Though each of these nodes offers different opportunities and challenges to development, we believe that attaining connectivity between these nodes and the surrounding neighborhoods and creating new orientations offers the greatest opportunity for revitalizing these nodes and the corridor as a whole.

In addition, to focusing redevelopment efforts to one or two focal points within the Study Area, RCLCO recommends identifying a proactive person or forming an organization that will be accountable for the execution or implementation of the development plan that the City and its stakeholders agree upon. As large scale revitalization projects such as the redevelopment of Independence Boulevard typically take several years to complete, case studies and industry best practices suggest that hiring the right person or creating the right organization that is accountable for the execution of the master redevelopment plan is critical for long-term success.

4.0 Market Sizing

Key to all of this will be laying out a clear vision for Independence Boulevard itself. Significant reinvestment in the corridor from the private sector is unlikely to happen until some certainty about both the future design of the corridor and the timing of construction can be obtained. The prolonged construction period and changing funding, timing and design for the portion of Independence Boulevard between Briar Creek and Sharon Amity Roads should be avoided in future phases of road improvements and construction. Removing this uncertainty should lift a cloud hanging over the corridor today from not only developers, but investors and end-users (tenants, buyers, etc) alike. It should be noted that this alone may not spur large-scale revitalization, but is a must-do for significant sustained revitalization of the corridor to occur.

The following table summarizes RCLCO estimates for supportable retail, office, flex-office, rental apartment, and for-sale residential development potential in the corridor:

LAND USE	SUPPORTABLE SF/UNITS	COMMENTS
Retail	655,000 SF regional retail 185,000 SF neighborhood retail	Assumes replacing more than 1M SF of aging retail
Office	130,000 SF over 10 years	Largely smaller, local-serving
Flex Office	140,000 SF over 10 years	Limited opportunity, target locales with lower land costs
Rental Apartments	375 units annually	Newer product closer to revitalizing areas
For-Sale Residential	240 units annually	Build off of retail investments, stronger neighborhoods along corridor.

The succeeding portions of the market sizing section is organized around the following:

- Retail demand can be bolstered by offering new retail that obsoletes existing retail (This will likely mean removing obsolete/blighted structures)
- Though conveniently located, office support in the area is limited by amenities that appeal to office users
- Proximity to Downtown and aging housing stock in area neighborhoods could position area for improved residential development

Independence Boulevard Land Use & Infrastructure Study

- Independence isn't the orientation—shift focus to strengthen other connections

Retail demand can be bolstered by offering new retail that obsoletes existing retail.

For much of the 1960s and 1970s, the Independence Boulevard corridor was a major shopping corridor that drew from a much larger area than it does today. As Charlotte's first urban highway, retailers flocked to sites along Independence to take advantage of the high visibility and traffic counts afforded by locating to the area. As Charlotte grew and as more highways were built from the 1980s to the present day, Independence's allure subdued, the retail area that the corridor drew from decreased as new retail outlets were built closer to where people live. The current state of flux in the corridor has done nothing to aid the dwindling fortunes of this former retail magnet.

On a macro level, the Charlotte Metropolitan Statistical Area's (MSA's) significant population growth in recent years has been supported by above average economic expansion; the MSA added approximately 80,000 new households between 2000 and 2006 and is projected to add an additional 65,000 between 2007 and 2011. Charlotte's financial and business service sectors enjoyed strong gains due to growth in the mortgage banking, retail brokerage, investment banking fields, as well as increased hiring at corporate and regional headquarters throughout the region. The retail market responded positively to this growth and the stable nature of the Charlotte area's economy; since 2003 asking rents increased by approximately 20.0% as vacancies decreased from 11.0% to 7.0%.

Though the Study Area lies in the East submarket- Charlotte's largest retail submarket accounting for 30.0% of region's retail supply- the submarket underperforms the overall market in the key vacancy and asking rent metrics. Vacancies at 9.0% are below the market average of 7.0% and are believed to be potentially significantly higher than reported, as a number of spaces have been removed from tracking. Asking rents of \$15.80 are below the market's average of \$20.90 and also underscore the poor

4.0 Market Sizing

performance of the corridor overall. Absorption did not fair any better, in the 4th quarter of 2006, the submarket experienced a net loss of 40,000 square feet of retail versus net absorption of 290,000 square feet for the larger market. The failing corridor has suffered decades of disinvestment and as a result retail developers are currently not planning any developments for the study area.

In order to understand supply characteristics of retail around Independence, RCLCO examined 40 neighborhood and regional serving centers in and around the Study Area. A summary of the RCLCO's survey of key comps is below:

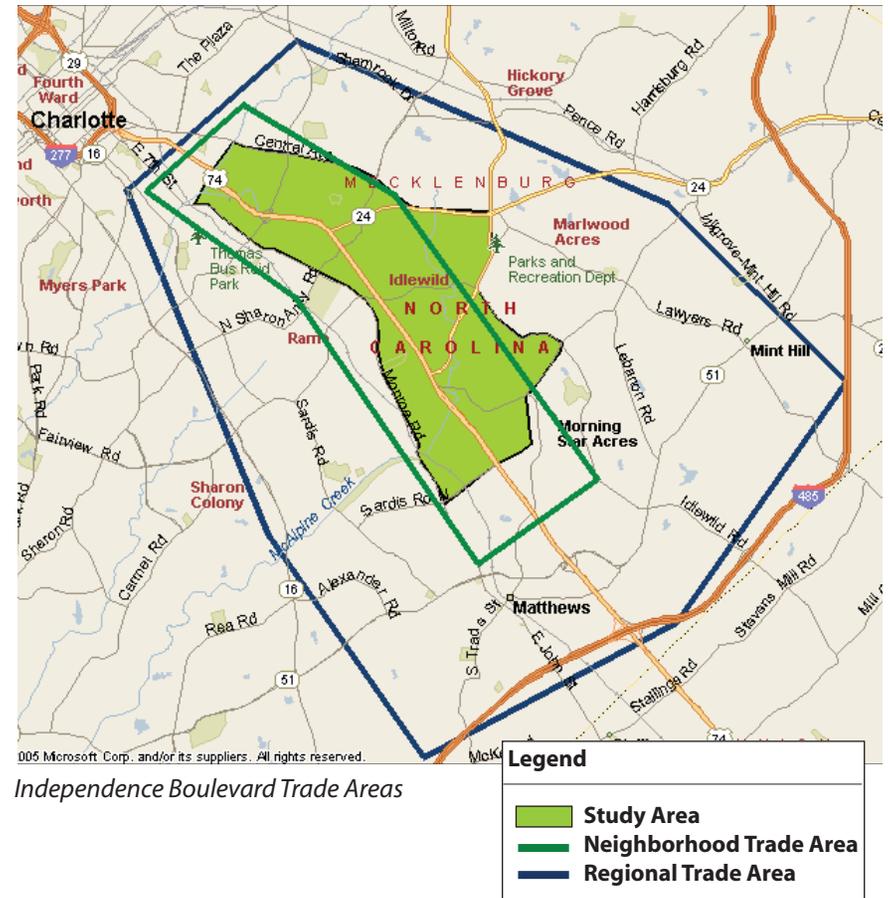
LOCATION OF CENTER	YEAR OPEN (AVG.)	GROSS LEASABLE SF	AVG. LEASE RATE/SF	AVG. SIZE OF CENTER	OCCUPANCY
Within Study Area	1979	2,028,905	\$12	106,784	92%
Outside of Study Area	1983	5,939,373	\$16	296,969	93%
Total/Weighted Avg.		7,968,278	\$14	174,563	92%

A closer examination of comps within the study area and interviews with retail brokers confirmed that the Study Area's dated shopping centers are losing major anchor tenants and are on their way to obsolescence; major tenants such as Harris Teeter, Sports Exchange and Circuit City are the most recent to vacate dated shopping centers along the corridor such as Amity Gardens, Independence and Coliseum Center.

Independence Boulevard Retail Trade Area

To understand potential market depth for retail along the Study Area, RCLCO defined two key trade areas for existing and potential retail along Independence: a larger three- to five-mile wedge around the subject portion of the corridor for larger and more regional-serving retailers (including big boxes), and a smaller, one-mile radius around the corridor for more neighborhood-serving uses. These areas were determined based on typical location criteria sought by many retailers and by examining other retail opportunities in adjacent and nearby corridors and the likely areas those retailers will draw from.

Independence Boulevard Land Use & Infrastructure Study



Independence Boulevard Trade Areas

4.0 Market Sizing

Existing supply, both within the corridor and other nearby centers, was factored in to determine net demand. It is key to note that RCLCO reduced the existing supply based on the age and functional obsolescence of a number of key centers in the corridor that are highly unlikely to be revived in their current format as viable retail locations or represent more significant redevelopment opportunities. These centers include:

	TOTAL SF	YEAR BUILT
<i>Amity Gardens Shopping Center</i>	269,000	1958
<i>Chantilly Shopping Center</i>	52,000	1955
<i>Coliseum Shopping Center</i>	220,000	1964
<i>Idlewild Plaza</i>	48,400	N/A
<i>Independence Shopping Center</i>	214,565	1971
<i>Lanier Plaza</i>	40,932	1965
<i>Triangle Mart Center</i>	120,188	1973
TOTAL	965,085	

Based on RCLCO's market sizing study for retail the Study Area has supportable retail potential for 650,000 square feet and 185,000 square feet of regional serving and neighborhood serving retail in 2007, respectively. As an additional market sizing step and in order to determine the area's potential attractiveness to retailers, RCLCO examined the population criteria that retailers look at in determining the viability of a retail location. The area's average populations of 13,000, 80,000 and 200,000 people within a 1-mile, 3-mile and 5-mile radius of the major redevelopment nodes (Briar Creek, Idlewild and Sardis Roads), respectively, are in line with targeted populations for neighborhood serving and regional serving retail sought by typical retailers seeking space in the market.

We believe the strongest opportunity for neighborhood serving retail is at the Briar Creek node due to its proximity to stable surrounding neighborhoods. The Sardis node, with its good access and large available undeveloped tracts offers a strong opportunity for regional-serving retail. However, this will need to be balanced with the impacts new retail will have on the surrounding existing uses and the overall vision and goals

Independence Boulevard Land Use & Infrastructure Study

for the corridor. It will be critical to carefully balance market forces and long-term sustainability. The node at the busy intersection of Idlewild and Independence is a suitable location for both neighborhood and local serving retail; the surrounding demographics are strong enough for either form of retail to potentially succeed in this node. Due to retail's cannibalistic nature, the demand for retail could exceed RCLCO projections as the area's large inventory of dated retail centers become obsolete dated inventory could be replaced by new modern retail space that better suits the needs of today's retailers and customers. Indeed, experience has shown that building a better 'mousetrap' in the right location can obsolete the existing competition even if that competition is not yet functionally obsolete.

Though conveniently located, office support in the area is limited by amenities that appeal to office users.

The Study Area lies between an expensive intown market, where higher land prices can be justified by achievable premiums, and an inexpensive Greenfield market, where developers can sell value. This in-between area has more expensive land than Greenfield locations yet it generally lacks the character that can be found intown locations making it difficult to justify premium pricing. The area is typified by middle and lower-middle income households - typically not the primary users of Class A office space. The area also lacks the regional access and the environment and amenities that are demand generators for office space. Though Independence Boulevard is proximate to some wealthy neighborhoods other areas are better poised to capture the office demand from these potential users. Flex office is also difficult to deliver around Independence due to higher land costs than Greenfield sites that are outside I-485.

Fueled by banking and other white-collar professions, the Charlotte MSA has an active and growing office market. By contrast, the region's flex- office market is less active and robust. The corridor is currently not positioned to fully benefit from the robust job growth that the Charlotte MSA is expected to experience between 2007 and 2010 (average of 15,500 new jobs annually versus 9,600 annually between 2000 and 2006). Without

4.0 Market Sizing

a concerted effort to redevelop the corridor and make it more attractive to both office and flex office users this trend is expected to continue into the future.

The Study Area which lies in the East and Crown Point/Matthews submarket has historically underperformed the local office market, the submarket accounted for -1% of absorbed space in the Charlotte area between 1999 and 2006. In the 4th quarter of 2006, the submarket accounted for 2.2% of the market's total office space and a disproportionate 3.4% of the vacant space. Vacancies in the submarket at 22.1% were above the market average of 13.3%, and asking rents that averaged \$14.50/sf are significantly below the market average of \$20.60/sf. The future does not look any more promising with the submarket accounting for only 1% of the proposed 5.0 million square foot of proposed new office space.

The East and Crown Point/Matthews flex office submarket makes up 13% of the total flex office space in Charlotte and though the submarket has above market vacancies and asking rents, in the last five years the submarket's share of the market has dwindled as tenants have looked to lower priced submarkets for their space requirements. In the 4th quarter of 2006, asking rents of \$9.00/sf compared to the \$8.45/sf market average and a vacancy rate of 13.2% versus the market's rate of 19.3% suggest a healthy submarket. However, the net loss of 88,000 square feet, or 7%, of space in the submarket between 2001 and 2006 and the lack of planned new inventory appear to be better indicators of the submarket's ailing health.

The corridor's office and flex office land uses currently appear to offer the lowest opportunity for igniting redevelopment within the Study Area. Assuming the continuation of current trends, RCLCO projects total five-year demand for 52,000 square feet and 81,000 square feet of office and flex office space, respectively, in the Study Area. With improved trends demand could increase to 130,000 square feet and 140,000 square feet of office and flex office space. Office space could potentially be developed close in, possibly as part of mixed-use project in the Briar Creek node; such a configuration would conveniently provide office users with the retail and amenities they seek onsite. The Sardis area, with good accessibility

via nearby I-485 and its relatively large tracts of undeveloped and less expensive land (relative to other nodes within the corridor), appears to be suitable node for either corporate campus-style office space or flex office development. The Idlewild node is currently the least suited for office or flex office development; however, small office space could be viable in a mixed-use environment.

Proximity to Downtown and aging housing stock in area neighborhoods could position area for improved residential development.

The Charlotte area has not been adversely affected by the slowdown and price erosion in the housing market that has recently afflicted other major United States submarkets; the strong banking sector and the associated support industries that have followed the nation's largest banks to Charlotte have relocated thousands of employees and their families to the area. Charlotte's outer suburbs and the downtown area housing markets have both benefited from the influx of people moving to Charlotte; the Study Area despite its proximity to major employment cores including Downtown has not fully benefited from this larger trend.

That said, the Study Area does benefit from a number of key strengths that create opportunities for both new for-sale and rental residential development, including:

- Strong proximity to Center City Charlotte, SouthPark and other employment cores;
- Proximity to revitalizing neighborhoods such as Chantilly and Morningside;
- Strong access via Independence and solid access to various retail opportunities.

4.0 Market Sizing

What little residential redevelopment and revitalization that has occurred in the corridor is located primarily in western, closer-in areas benefiting from larger intown revitalization trends and stronger neighborhood character. Portions of the Study Area farthest to the east (developed more recently), are generally moderately-priced and still benefit both from their newness and proximity to continuing Greenfield development. Perhaps most challenging are those areas in between; those areas developed in the 60s, 70s and 80s, lacking the attractive historic character and proximity of intown, yet more expensive to redevelop than further-out Greenfield sites. These areas also are struggling with aging retail, retail abandonment, perceptions of crime and social issues.

To date, the modest amount of new for-sale development that has occurred in the Study Area in recent years has been in the western portion of the corridor closest to Downtown. Redevelopment activity in the Study Area has primarily consisted of affordable starter homes as well as some move-up housing. Developers have delivered both new construction and conversion attached product, and new construction detached product. Homes in the area have sizes ranging from 1,300 to 2,000 square feet with prices starting from \$113,000 to as high as \$306,000 for one project in the area.

The corridor's housing stock also consists of dated garden-style apartments, mostly built prior to 1990, and lacking the modern designs, features and amenities attractive to younger professionals and others able to support higher rents necessary for redevelopment. These apartments rent for an average of \$590 per unit compared to an average of \$710 per unit for the greater Charlotte area. Indeed, some of the apartment complexes that have reached or are close to reaching their useful lives may represent prime redevelopment sites for mixed use developments.

Drawing on the strengths of the corridor and the large-scale infill occurring in the Charlotte region, RCLCO estimates demand potential for up to 240 for-sale attached (condominiums and townhomes) units annually through 2011; in addition, the submarket can absorb 375 apartment units annually through 2011. As downtown Charlotte continues to grow and increase

in popularity, housing prices are following suit. RCLCO believes there is a growing opportunity for the western area of the corridor around Briar Creek to offer for-sale housing product positioned as a value alternative to Uptown and other intown neighborhoods. The Idlewild area offers opportunities to redevelop existing dated apartments as mixed use developments with both rental product and retail.

Independence isn't the orientation—shift focus to strengthen other connections.

Upon significant examination of the Study Area, RCLCO believes planning and economic development efforts should focus both on strengthening both the neighborhoods around Independence Boulevard as well as the connections to Independence. This includes providing greater connections of properties along Independence to surrounding neighborhoods (through property redevelopment and new street connections), as well as “turning” properties at key intersections to major crossing thoroughfares. This may also mean strengthening major intersections proximate to Independence, such as those along Monroe Drive and Central Avenue. Such a scenario would work well with the conversion of Independence to a true freeway configuration; likely also contributing to a more stable corridor over time.

In focusing within the Study Area, RCLCO believes the Briar Creek node represents the strongest node in which to focus initial redevelopment efforts. The node, which is proximate to Center City Charlotte, has already undergone the major road construction that is still in the planning stages for the remainder of Independence Boulevard; it's also conveniently located near stable existing neighborhoods and is adjacent to potential greenways. Finally, large property holdings around Briar Creek, including under-utilized parking lots, create potential for larger-scale investments and the potential synergy required to really create a stronger sense of character and place.

In addition to identifying high impact areas susceptible to redevelopment (such as Briar Creek), the stakeholders should also remain cognizant of the need for a development coordinator that will serve to bridge the gap between the master plan and the development community. The development coordinator is a person or organization that is held accountable for the implementation of the master plan, this person or organization can come from/or be either the private or public sector, examples include:

- Community Redevelopment Agency (City department – Los Angeles)
- Centre City Development (Separate self governing agency – San Diego)
- RiverCity Development Corporation (Non-profit private/public partnership – Chattanooga)
- Historic District Improvement Company (Private non-profit – Albuquerque)

Along with the identification or appointment of a development coordinator, the City has several tools at its disposal to spur on redevelopment and act as a facilitator for revitalization; these tools include but are not limited to the issuance of bonds; creation of an empowerment zone or tax allocation district; revolving loan pools; streetscaping improvements and other city physical improvements. Ultimately, the process will require a public-private partnership and strong communication across all stakeholder groups in order to produce successful results.