

ITEM #1: Economic Development Department Update

Council Question:

Can you please remind us when we last approved an Economic Development plan and provide us with a copy? Are there specific topics within this presentation that you are asking us to give guidance or input on?

Staff Response:

The last approved Economic Development plan was during COVID, ReVive Chapel Hill (2021) (see attachment: ReVive Chapel Hill). The plan's primary goal was to focus on recovery and resiliency. All of the tactics in the goals and strategies section have been completed and some are regularly ongoing.

We will appreciate your feedback on if you feel like we're using your priorities effectively to inform and guide our work. In the meeting, if you feel like there are areas of interest that you'd like to see our team be more active in please recommend them so we can evaluate a plan of action!

Council Question:

Can you provide us with an understanding of the commercial market in Chapel Hill, what the prospect pipeline looks like, what your goals are, and what Council can do to help land companies here?

Staff Response:

Chapel Hill's commercial market is in strong condition right now. We use Costar for analytical information, property tracking, and key performance indicators. Most notably, our vacancy rate is 6.6% (low) and average asking rent is \$29.58/sf (reasonable). We're not seeing a lot of new construction for office properties as they are very difficult to finance right now.

Our prospect pipeline is also strong. We've seen more activity this first half of the year than we did last year, and we're collaborating stronger as a region than we have in the past. Most of our prospects are expansion focused and not recruitment. If they are recruitment, it's lately been for small R&D space or trophy class office space.

For expansion projects, our goal is to lean into our business vitality work and continue to build relationships with companies. The benefits of this are seeing early warning signs, directing companies to growth opportunities without the use of incentives, and expanding local companies that can be our strongest advocates for our pro-business environment. For recruitment projects, our goals are to collaborate with our regional and university partners for prospecting, continue to reduce barriers for prospects to join the Chapel Hill market, and enhance our marketing activity to further that Chapel Hill is a great place to locate.

Council is a strong ally in landing companies by being fast and confident when companies are interested in being considered for incentives and supporting our work through strategic policy decisions.

Council Question:

Would you please provide data on the businesses you have talked with, what you've been hearing? Any trends worth noting?

Staff Response:

This will be included in our presentation at the work session.



04-08-2026 Town Council Meeting

Responses to Council Questions

ITEM #1: Economic Development Department Update (Cont'd)

Council Question:

Can you please provide us with an update on businesses impacted by Chantal?

Staff Response:

Please see the attached excel tracker (see attachment: Chantal Outreach Tracker) that staff have been using with partners to stay up-to-date on business reopening and permitting.

Council Question:

Can you provide updated information on incentives we have approved that remain active? Much has changed since Council adopted our economic incentives in 2018. Are they sufficient or is it time for a review?

Staff Response:

Your incentive policy (see attachment: AdoptedEDGuidelines) is robust and progressive. It allows for council to be aggressive when they want to, but also helps you protect the Town's interest. We'll provide updates on active incentives during the presentation at the work session.

Chapel Hill, North Carolina
Economic Incentive Guidelines

Guiding Principles:

A strong, vibrant community attracts economic investment.

Quality of life and economic development are interdependent community priorities. Achieving one cannot be at the expense of the other.

Companies should value inclusion and equity being a part of our business community. We desire that companies have non-discrimination policies and equity in their hiring practices.

Outcome-driven economic investment results in long-range financial returns, as well as community benefits that improve quality of life.

Economic development investments must achieve measurable outcomes to improve the quality of life for all residents and secure Chapel Hill's future as a vital, livable and sustainable place.

Economic Incentive Goals:

- Create quality jobs
- Strengthen the economy and build community wealth
- Sustain a high quality of life
- Promote stewardship of the Community's resources
- Maintain and develop affordable, quality housing opportunities
- Promote comprehensive opportunities for education, skills development and lifelong learning

Examples of Desired Outcomes of Economic Incentives:

- An increase in human capital development such as education, job skills, and childcare access;
- An increase in financial capital development, such as job growth, small business development and access to credit;
- The protection of natural capital, including natural and physical resources;
- Pay a living wage as determined by Orange County Living Wage's annual survey
- The betterment of the community, such as blight reduction, poverty reduction, crime reduction and increased recreational opportunities.

Achieving these outcomes consistently requires a clear vision; specific tools for evaluation, decision-making and monitoring individual projects, supported by strong partnerships; creative leadership; and political will.

Targets:

Chapel Hill's target business types are:

- Research and Development
- Applied Sciences,
- Start-ups / entrepreneurial activities and
- Technology.

Chapel Hill, North Carolina
Economic Incentive Guidelines

Under certain circumstances, retail facilities may be considered for incentives. If a retailer provides strong sales or tax base potential, provides unusual employment opportunities or contribute to our community in a unique way and/or pay a majority of employees a Living Wage, it may be considered.

These target areas may be updated or amended as needed.

Qualifying for an Incentive:

The Town will consider incentives for job creation, tax base growth and helping companies grow and stay in the Town. Incentives are targeted toward job creation and investment in business sectors that add to our tax base. Qualifying jobs may be incented on a scale of \$1,000-\$3,000 per job, up to a total incentive amount equal to 50% of the net new taxes that are on the tax rolls after the improvement.

Applications for Development Incentives may be considered in circumstances that do not meet minimum criteria if an exception is disclosed and proof of reasonable benefit to the Town can be provided.

Projects that receive incentives from Orange County or the State of North Carolina will be given priority consideration by the Town of Chapel Hill, if consistent with the Town's values and priorities. The Town of Chapel Hill reserves the right to modify or amend this policy as necessitated by changing economic conditions.

Examples of Desirable Proposals:

These examples illustrate the type of proposals that are most desirable to the Town of Chapel Hill. Since market conditions can change quickly, we encourage early conversation with the Town's Economic Development Officer to determine whether a proposal may be considered for an incentive.

Categories of Incentive types: (4 types)

1. **Building New Space:** Development Incentives may be awarded for creating spaces to host businesses in the future. They also may be calculated based on tax base impact while preserving a revenue stream for local governments.

2. **New Capital Investment Scenario:** (A minimum of \$2.5 million in investment for 35% Grant. Investments exceeding \$10 million may qualify for 50% Grant.)
 - New business
 - Existing business expansion
 - Businesses locating or expanding

Chapel Hill, North Carolina
Economic Incentive Guidelines

- 3. **Job Creation Scenarios:** Full-time equivalency may be considered if the sector or wages meet local target/interest goals. Job creation is typically accomplished in 5 years or less. Jobs are retained at least two years beyond the Incentive Period.

New Business — A minimum of 20 net new jobs within 36 months

Existing Business Expansion — Minimum of 20 net new jobs created or retained within 36 months, plus retention of currently existing jobs.

At least 70% of employees work at the Chapel Hill facility for at least 60% of the time.

Preference is given to companies that pay a higher wage to the greatest number of new hires. (Perhaps \$50,000 and over)

Assistance Level -	Potential award	Minimum Jobs
	\$3,000 per job	100
	\$2,000 per job	75
	\$1,000 per job	50
	\$ 750 per job	20

Normal Return on Investment from net-new property taxes is generally within five (5) years; however the Elected Boards, as deemed appropriate, may extend the payback period up to a maximum of 10 years as permitted by N.C.G.S. 158-7.1. (Generally grant request should not be greater than 50% of the net-new property taxes generated.)

- 4. **Location, retention or expansion of targeted businesses:** Location, retention, or expansion of targeted office users including but not limited to technology-based businesses, advanced manufacturing or start-up business. (Type of business, number of employees, square feet occupancy may all be used to determine eligibility of this category.)

Incentive Request Approval Process:

The process for considering requests may vary depending on a project’s specific needs. These steps are for general information.

- 1. Site visit with the Town Economic Officer.
- 2. Fact sheet/application and supporting documentation submittal by the applicant company. The Town reserves the right to request additional relevant supporting documentation to ensure minimum eligibility criteria are met as detailed in this policy.
- 3. The Economic Development Officer reviews application and determine level of eligibility and report to Town Manager.
- 4. All requests will require approval by the Town Council.

	Organization Name	Business Type	Location		Water entered the buiding (flooding)	Damage	Status	
1	Chapel Hill Professional Village	E	Chapel Hill Professio	Chapel Hill	Yes	substantial	Operating	0
2	MEY Corporation	O	Chapel Hill Professio	Chapel Hill	Yes	substantial	Virtual	0
3	Prestige Associates	O	Chapel Hill Professio	Chapel Hill	Yes	substantial	Virtual	0
4	AgLogic Chemical	O	Chapel Hill Professio	Chapel Hill	Yes	substantial	Virtual	0
5	Brown Brothers Plumbing	O	Chapel Hill Professio	Chapel Hill	Yes	substantial	Virtual	0
6	Gurlitz Architectural Group	O	Chapel Hill Professio	Chapel Hill	Yes	substantial	Reopened	0
7	Triangle Real Estate Services	O	Chapel Hill Professio	Chapel Hill	Yes	substantial	Virtual	0
8	Triangle United Soccer Club	O	Chapel Hill Professio	Chapel Hill	Yes	substantial	Reopened	0
9	Chapel Hill School of Musical Arts	O	Eastgate area	Chapel Hill	Yes	moderate	Reopened	0
10	WCHL	O	Eastgate area	Chapel Hill	flood impacted	moderate	Operating	0
11	Mill House Properties	O	Eastgate area	Chapel Hill	Yes	moderate	Operating	0
12	Birkenstock Feet First	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Permanently Closed	1
13	Blo Blow Dry Bar	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Final Building Completed 2/17	0
14	Bruegger's	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Permanently Closed	1
15	Clean Juice	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Reopened	0
16	Great Outdoor Provision Co	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Reopened	0
17	Gugelhupf	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Reopened	0
18	Jersey Mikes	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Permanently Closed	1
19	Kipos	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Reopened	0
20	Massage Envy	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Closed	1
21	McPherson Cleaners	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Reopened	0
22	Olmaz Jewelers	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Reopened	0
23	Restore Hyper Wellness	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Closed	1
24	Rise Southern Biscuits & Chicken	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Permanently Closed	1
25	Shake Shack	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Reopened	0
26	Snooze	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Final Building Completed 2/17	1
27	The Loop	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Reopened	1
28	Trader Joe's	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Reopened	0
29	Winestore	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Reopened	0
30	Talbots	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Permanently Closed	1
31	Twisted Noodle	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Reopen	1
32	Rose Nails	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Reopen	1
33	Petco	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Reopen	1
34	Starbucks	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Permanently Closed	1
35	Waxing the City	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Reopened	0
36	Club Pilates	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Reopen	1
37	Med First Primary and Urgent Care	O	Eastgate Crossing	Chapel Hill	Yes	substantial	Reopen	1
38	Corepower Yoga	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Final Building Completed 2/17	1
39	Chipotle	R	Eastgate Crossing	Chapel Hill	Yes	minor	Reopened	0
40	Eastgate Crossing (Kite Realty)	E	Eastgate Crossing	Chapel Hill	Yes	substantial	Reopened	0
41	T-Mobile	R	Eastgate Crossing	Chapel Hill	Yes	minor	Reopened	0
42	Chopt	R	Eastgate Crossing	Chapel Hill	Yes	minor	Reopened	0
43	Bell Chapel Hill Apartments	O	Elliott Square	Chapel Hill	Yes	moderate	Reopened	0
44	Wake Radiology	O	Estes Drive	Chapel Hill	Yes	substantial	Reopened	0
45	Japan Express	R	Estes Drive	Chapel Hill	Yes	none	Operating	0
46	US Postal Service	O	Estes Drive	Chapel Hill	Yes	substantial	Reopened	0
47	State Farm - Pam Herndon	O	Estes Office Park	Chapel Hill	Yes	moderate	Reopened	0
48	H Co.	O	Estes Office Park	Chapel Hill	Yes	minor	Operating	0

49	Estes Office Park (COA)	E	Estes Office Park	Chapel Hill	Yes	moderate	Operating	0
50	Triangle Acupuncture	O	Estes Office Park	Chapel Hill	none	none	Operating	0
51	Participate Learning	O	Estes Office Park	Chapel Hill	none	none	Operating	0
52	Minga Korean Restaurant	R	Estes/Franklin	Chapel Hill	Yes	moderate	Reopened	0
53	Enterprise Car Rental	O	Estes/Franklin	Chapel Hill	Yes	moderate	Reopened	0
54	Palorias Enterprises	E	Estes/Franklin	Chapel Hill	Yes	moderate	Operating	0
55	Mariakakis Plaza (property)	E	Mariakakis Plaza	Chapel Hill	Yes	substantial	Reopen	0
56	Studio De Larnet	R	Mariakakis Plaza	Chapel Hill	Yes	substantial	Virtual	0
57	Mariakakis Fine Food and Wine	R	Mariakakis Plaza	Chapel Hill	Yes	substantial	Reopened	0
58	Signs Now, Occasion Engraving	R	Mariakakis Plaza	Chapel Hill	Yes	substantial	Reopened	0
59	Yarns Etc	R	Mariakakis Plaza	Chapel Hill	Yes	substantial	Relocated	1
60	The Shoe Repair	R	Mariakakis Plaza	Chapel Hill	Yes	substantial	Reopened	0
61	Zartiques + Vintage Goods + Persian	R	Mariakakis Plaza	Chapel Hill	Yes	substantial	Virtual	0
62	The Catering Company of Chapel Hill	R	Mariakakis Plaza	Chapel Hill	Yes	substantial	Reopened	0
63	Alfredo's Pizza	R	University Place	Chapel Hill	Yes	minor	Reopened	0
64	Aveda Institute	R	University Place	Chapel Hill	Yes	minor	Reopened	0
65	Bar Taco	R	University Place	Chapel Hill	Yes	minor	Reopened	0
66	Cycle Bar	R	University Place	Chapel Hill	Yes	minor	Reopened	0
67	Gerrie & Company	O	University Place	Chapel Hill	Yes	minor	Closed - Non Flood Related	0
68	Fifth Third Bank	O	University Place	Chapel Hill	Yes	moderate	Reopened	0
69	Flying Biscuit	R	University Place	Chapel Hill	Yes	minor	Reopened	0
70	Frame & Print Shop	R	University Place	Chapel Hill	Yes	minor	Reopened	0
71	Hawkers	R	University Place	Chapel Hill	Yes	minor	Reopened	0
72	Jeni's Ice Cream	R	University Place	Chapel Hill	Yes	minor	Reopened	0
73	Jewel Recycle, LLC	R	University Place	Chapel Hill	Yes	minor	Reopened	0
74	Silverspot	R	University Place	Chapel Hill	Yes	substantial	Reopened	0
75	Stoney River	R	University Place	Chapel Hill	Yes	substantial	Reopened	0
76	The Soap and Shine	R	University Place	Chapel Hill	Yes	moderate	Virtual	1
77	VEG Pet ER	O	University Place	Chapel Hill	Yes	minor	Reopened	0
78	First Horizon	O	University Place	Chapel Hill	Yes	moderate	Reopened	0
79	Planet Fitness	R	University Place	Chapel Hill	Yes	minor	Reopened	0
80	Chase Bank	O	University Place	Chapel Hill	Yes	substantial	Reopened	0
81	Style Brows	R	University Place	Chapel Hill	Yes	minor	Relocated	0
82	Chapel Hill Exchange Pool	E	Chapel Hill	Chapel Hill	Yes	substantial	Closed	1
83	Harris Teeter	R	University Place	Chapel Hill	none	none	Operating	0
84	Piedmont Health	O	Wilshire Office Park	Chapel Hill	none	none	Operating	0
85	Chapel Hill Tire	R	University Place	Chapel Hill	none	none	Operating	0
86	Breadman's	R	Elliott Square	Chapel Hill	none	none	Operating	0
87	Cookout	R	Elliott Square	Chapel Hill	none	none	Operating	0
88	Squids	R	Elliott Square	Chapel Hill	none	none	Operating	0
89	School of Rock	R	Eastgate Area	Chapel Hill	none	none	Operating	0
90	ULTA	R	Eastgate Crossing	Chapel Hill	Yes	substantial	In Progress	1
91	Aldi	R	Eastgate Crossing	Chapel Hill	Yes	substantial	In Progress	1
92	Dollar Tree	R	Eastgate Crossing	Chapel Hill	Yes	substantial	Permanently Closed	1

Greetings from



EY
Building a better
working world

ReVive Chapel Hill:

Recovery & Resiliency Plan

February 2021

ReVive Chapel Hill

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Disclaimer

Our Report may be relied upon by the Town of Chapel Hill for the purpose set out in the Scope section only pursuant to the terms of our engagement letter dated October 30, 2020. We disclaim all responsibility to any other party for any loss or liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party or the reliance upon our report by the other party.



Overview

ReVive: Chapel Hill

In October 2020, EY was hired by the Town of Chapel Hill's Economic Development Department to conduct an economic recovery and resiliency planning process: ReVive Chapel Hill. The EY team was tasked with conducting research on the impact of the pandemic on Chapel Hill's economy. Additionally, a benchmarking analysis of Chapel Hill's competitor cities was conducted to inform a discussion around longer-term resiliency and economic transformation.

The process was led by a 21-member economic advisory committee and informed by interviews with local business leaders and stakeholders. A parallel Orange County recovery planning effort provided additional guidance from local surveys and leadership priorities.

This Recovery & Resiliency Plan offers a framework of goals, strategies and tactics that community leaders and volunteers can choose to pursue that will not only help Chapel Hill recover from the recession but lay a solid foundation for long-term success and transformation. A more resilient Chapel Hill would be characterized by an economy that has

- ▶ a more diverse base of employers,
- ▶ a vibrant entrepreneurial and small business sector, and
- ▶ inclusive employment opportunities for all residents regardless of race, gender, education level, or background.

Ultimately, Chapel Hill seeks to rebuild its local economy in a more inclusive and equitable manner after the pandemic by building on job creation, growing office space and the strengthening of retail sectors to further support a strong and vibrant economy.

Much has been reported on the vast impacts of the pandemic and shutdowns on businesses and workers:

- ▶ The recession has had a disproportionate negative impact on populations of color and workers with lower levels of education and income.
- ▶ Small businesses, particularly those that are locally-owned, have been devastated by shutdowns and have struggled to adapt toward virtual business models.
- ▶ Significant layoffs have occurred in service industries with most impact felt in retail, tourism, hospitality and some health care.
- ▶ College towns have suffered uniquely due to campus closures, a shift to online learning and reduced student foot traffic.
- ▶ Remote work has led to a lower daytime population in Chapel Hill, resulting in a sizeable loss in revenue for local businesses.
- ▶ Countless other changes have impacted the families, students, businesses, non-profits and government workers of Chapel Hill.

The ReVive Chapel Hill planning process began with research and analysis to form a foundation of understanding and lay out potential pathways for economic recovery. The process led to the identification of strategies to guide both short-term and long-term economic recovery and transformation. In all, the ReVive Chapel Hill plan includes the following components:

Report 1: Research Foundation


- ▶ Analysis of real-time pandemic impacts on Chapel Hill and Orange County
- ▶ Benchmarking analysis of Chapel Hill against 14 peer US communities across 24 metrics
- ▶ Industry cluster analysis of performance trends of Chapel Hill's industries

Report 2: Recovery & Resiliency Plan

- ▶ Key findings from Research Foundation report
- ▶ Target industry opportunities for Chapel Hill
- ▶ Recovery & Resiliency Framework

We would like to acknowledge and thank the following members of the ReVive Chapel Hill advisory committee:

John Anderson	Wells Fargo
Donna Bell	Former Town Council
Alex Brandwein	Brandwein's Bagels
Justin Coleman	First Methodist Church
Joe Dye	Grubb Properties
Matt Gladdek	Downtown Partnership
Maurice Jones	Town of Chapel Hill
Gordon Merklein	UNC - Carolina
Hymie Mishan	Vista Properties
Velvet Nelson	Launch Chapel Hill
Aaron Nelson	Chamber of Commerce
Laurie Paolicelli	Visit Chapel Hill
Anna Richards	NAACP
Doug Rothwell	Retired economic development professional
Pat Sprigg	Carol Woods
Kevin 'Kaze' Thomas	CHDP/Vibehouse
Katie Walker	Fidelity Bank
Emily Ziegler	UNC Health



Research findings

Community input supported with data

This Recovery & Resiliency Plan is guided by the input of local business and community leaders as well as EY analysis of public and private data sources. Both sides are critical to the formation of findings and strategies. While quantitative data can point to numeric strengths and weaknesses in a community, the qualitative input from local residents and leaders offer a validation of the data as well as how the community seeks to influence its position and direction.

The Town of Chapel Hill has conducted several studies in recent years to determine the community's vision, to identify barriers to business, to understand the community's unique value proposition and to plan for future land use. The Town has also analyzed the community's progress through projects like the State of the Community DataBook. Orange County is conducting a similar, parallel planning process to understand the values its residents hold dear as well as organizing local stakeholders on recovery efforts.

Conversations with the ReVive Chapel Hill advisory committee reinforced the findings of these previous studies by way of the community's vision, values and priorities. Town leadership sees vast potential in the Town of Chapel Hill and are energized for a future that celebrates and expands upon the diversity of the community, capitalizes on the brain power of the University of North Carolina-Chapel Hill (UNC) and its health system, and works with fervour to connect its people to thriving opportunities. Overwhelmingly, the leaders want residents, students, visitors and businesses to feel they are welcomed and have a vibrant future in Chapel Hill.

The vision formed from the Town recovery planning efforts, and supplemented by County planning efforts, point to a holistic view of economic development by the Town and its residents:

- Chapel Hill sees strengths in the incredible assets of UNC-Chapel Hill and the health system. Residents and business owners aspire to see a greater connectedness with the university by way of small business support programs for minorities, incubation of innovative ideas and companies, learning opportunities for all ages and backgrounds, and overall greater visibility throughout the community.
- Residents respect individualism and value the diversity of their community. They love the natural charm and feel of being a college town. The community wishes that the diversity and talents of its residents were better showcased by way of public art and events that drive traffic to the downtown.
- Chapel Hill seeks to balance any growth with investments in its livability to include more greenspaces and bike lanes. There is a desire for the community to reduce its dependence on cars.
- Growth can be a challenge for Chapel Hill. Residents face housing issues related to affordability and diversity of offerings. Workers and visitors struggle to access the community due to traffic and parking availability. Businesses, entrepreneurs, and developers often face challenges with permitting and the availability and cost of office space.
- The leaders of the community also feel that talent pipeline development needs renewed focus, taking full advantage of the strength of the local school system, the presence of the university and technical college, and the overall emphasis on talent-driven economic prosperity. New remote-work trends offer new opportunities to recruit talent.

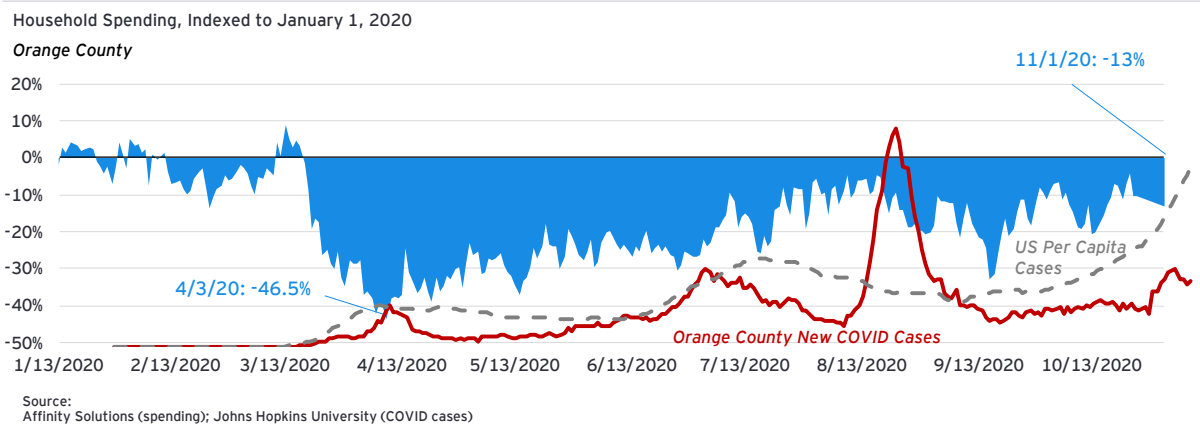
Lastly, as the community emerges from the pandemic, there is a real need to communicate this future vision for Chapel Hill with concrete evidence of the progress the leaders in the community intend to take. This vision should be communicated internally to residents, students and businesses; regionally to neighbouring communities; and to select targets nationally, especially where concentrations of alumni exist.

Real-time data and benchmarking analysis

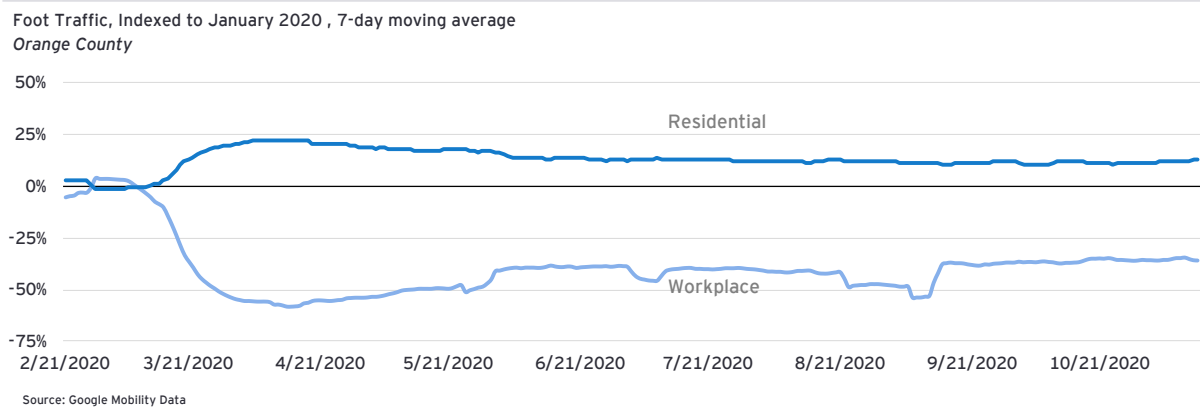
In addition to community input, this Plan was informed by data analysis to both inform recovery efforts and lay the groundwork for long-term transformation toward a more diverse, resilient economy in Chapel Hill.

Select key findings from the Research Framework report include:

1. Mid-March shutdowns caused significant declines in household spending in Orange County, with a decline of 47% in early April from January levels. Household spending improved throughout the summer until a late August COVID spike caused a further reduction in local spending. Household spending in the county was just 11% down by November.

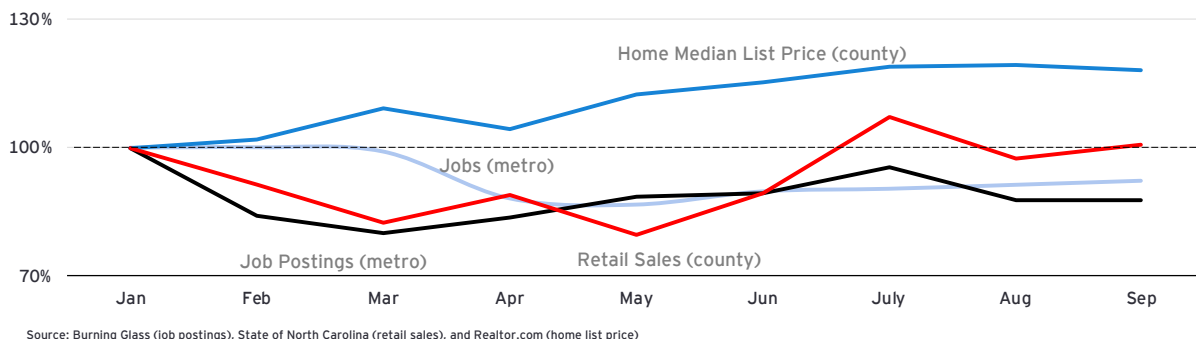


2. Foot traffic at workplaces fell nearly 60% by mid-April as foot traffic at local residences increased 25%. Chapel Hill is an employment center that was dramatically impacted by virtualization of schooling and some health care operations.

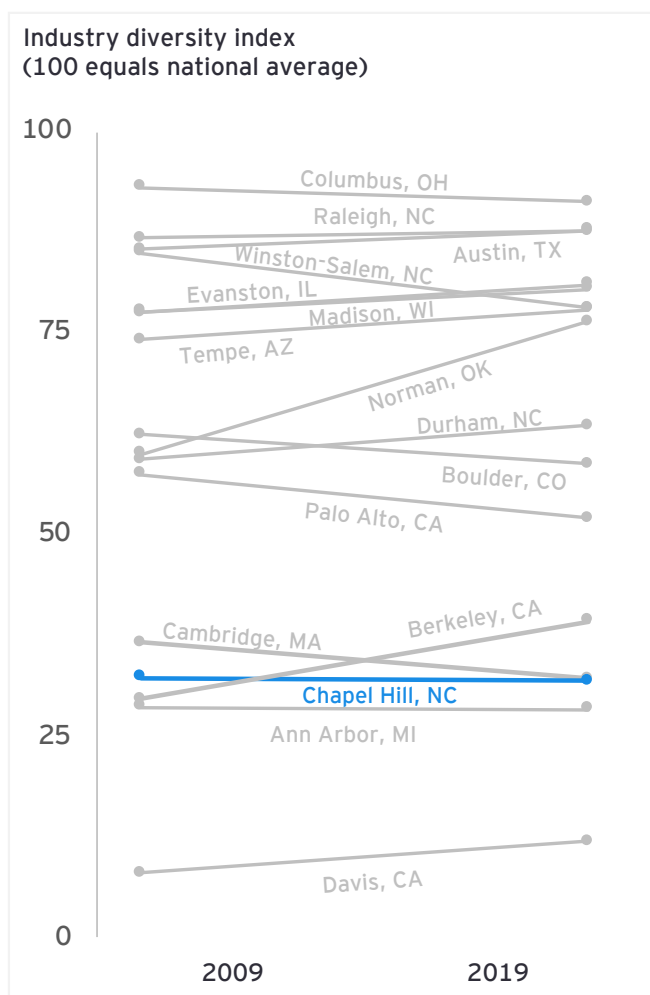


3. Shutdowns led to layoffs and retail sales decline, while renewed demand for housing led to continued price increases.

Comparison of Recovery Metrics, % of January Level
Orange County / Durham-Chapel Hill Metro



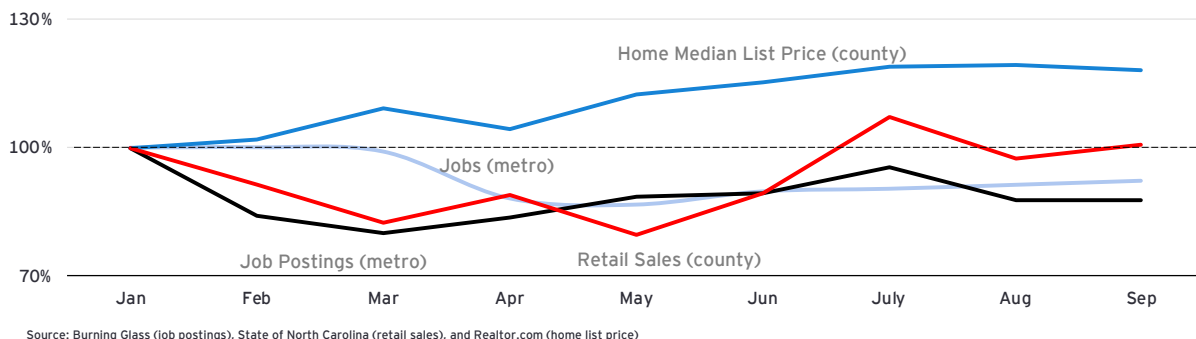
During conversations on recovery scenarios, data was presented to leadership to show Chapel Hill's competitive strengths relative to 14 peer cities with a large university presence and technology sector. Key findings include:



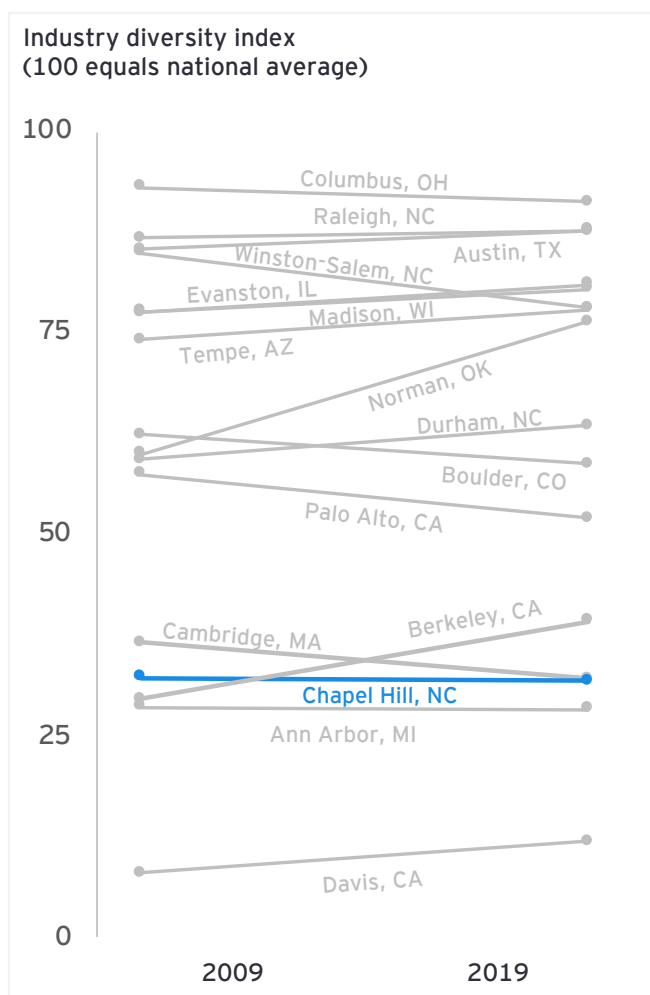
4. Chapel Hill's recession was made worse by its lack of industry diversification. Compared to benchmarks, Chapel Hill is the 3rd least diverse economy.

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Comparison of Recovery Metrics, % of January Level
Orange County / Durham-Chapel Hill Metro



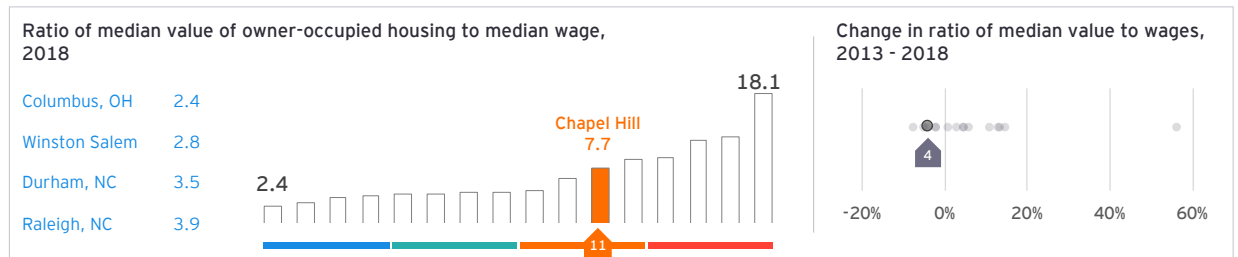
During conversations on recovery scenarios, data was presented to leadership to show Chapel Hill’s competitive strengths relative to 14 peer cities with a large university presence and technology sector. Key findings include:



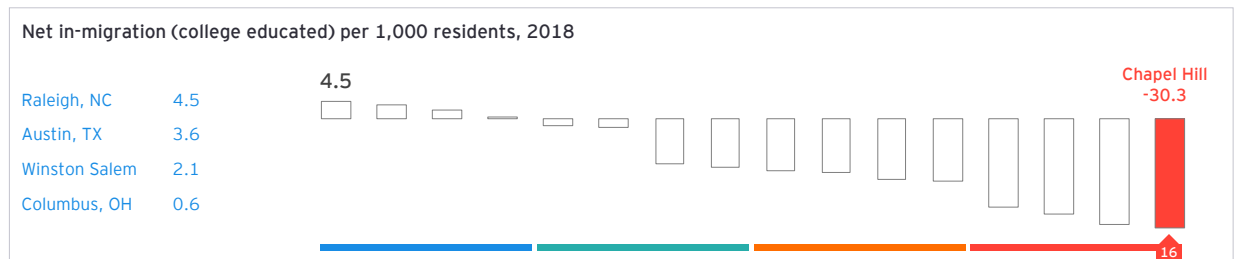
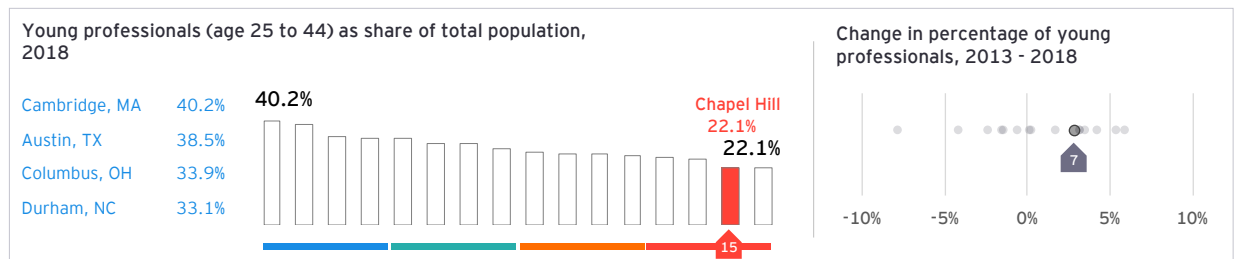
4. Chapel Hill’s recession was made worse by its lack of industry diversification. Compared to benchmarks, Chapel Hill is the 3rd least diverse economy.

- Chapel Hill's high quality of life comes with a high cost. The Town's median home price (\$409k) is nearly 8 times more than the average annual wage (\$53k) in the Town. Affordability is much worse in Chapel Hill than peer cities, including Raleigh and Durham, which are more affordable.

Fortunately, the Town's affordability ratio is improving as new housing is being permitted and built in recent years.



- Chapel Hill has a low capture of young talent and has historically struggled to retain graduates. Compared to peer communities, Chapel Hill has experienced the greatest level of out-migration of college-educated individuals. Austin, Raleigh, and Winston-Salem both produce and attract high numbers of college-educated workers.



- Even the talent Chapel Hill does retain does not necessary benefit local employers. Approximately two-thirds of all workers living in Chapel Hill, for example, work outside the town. In fact, Chapel Hill residents are more likely to work in Durham than in their hometown.

See the Research Foundation report for more benchmark data.

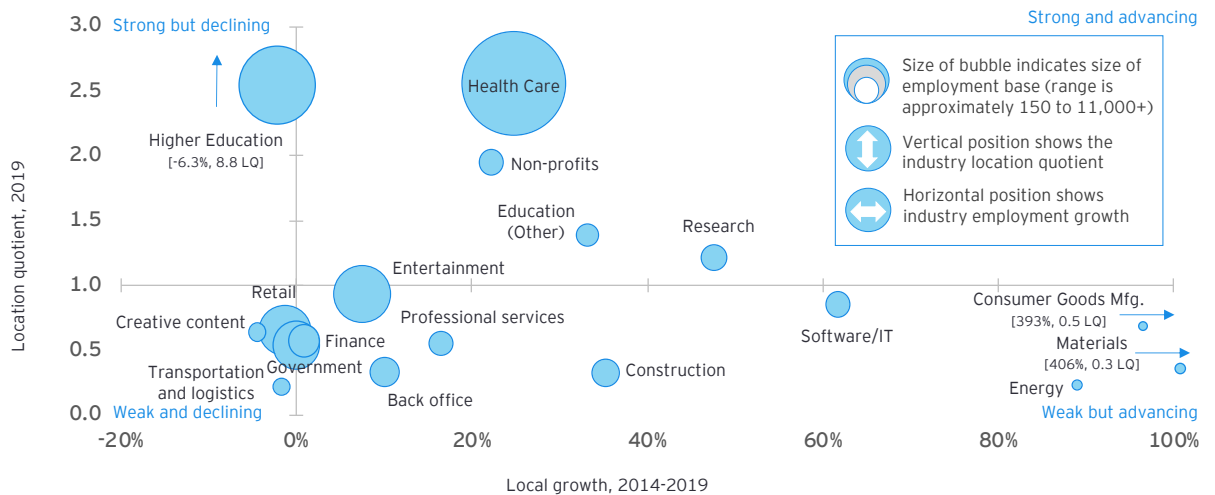
Industry cluster opportunities

The Research Foundation report closes with an examination of Chapel Hill's industry clusters.

Chapel Hill's economy is clearly led by Health Care and Higher Education (a shown by the large bubbles with high per capita location quotients in the chart below). Entertainment (including restaurants/bars) and Retail are strong secondary clusters.

Health Care is not only large (with 18,000 local jobs) but growing significantly. Health Care added 3,600 new jobs over the 5-year period through 2019, growing 25%. In contrast, Higher Education job growth is flat to negative.

Chapel Hill Industry Cluster Performance, 2019



Software/IT and Research are small, high-growth, and emerging growth clusters in Chapel Hill.

Recovering from pandemic job losses

While industry employment by county lags significantly (only Q2-2020 data is available), metro-level data is available through December 2020. The Durham-Chapel Hill metro includes Orange County and neighbouring Durham County as well as Chatham, Granville, and Person counties.

By July, job losses in the metro were greatest at Restaurants and Bars (-52%), Leisure & Hospitality (-39%), Manufacturing (-25%) and Professional and Business Services (-9%). General Merchandise Retailers lost 5% of its job base, though many retailers have been supported by

Paycheck Protection Program (PPP) loans. If Chapel Hill experienced similar declines as the metro, nearly 3,000 jobs were lost at local restaurants, bars, hotels and professional service firms.

Targeting new industry growth

Chapel Hill can also look toward new, emerging industries for job creation. Small, but growing Software and Research clusters are emerging and the community continues to invest in startup ecosystem development. The new Innovation Hub will see the relocation of UNC's Innovate Carolina commercialization office to a multi-tenant building with flex space for startups. Additional office developments will create a clustering and mixing of university and private sector activity, similar to NC State's Centennial Park in Raleigh.

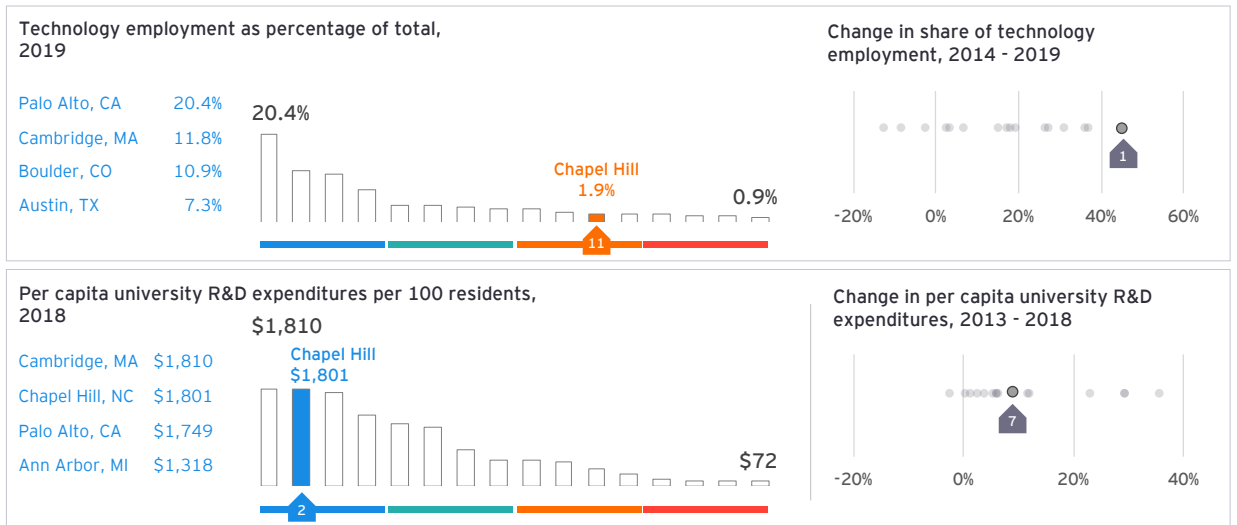
Chapel Hill's entrepreneurial potential stems from the vast research activities across UNC research centers. More than \$1.1 billion in university R&D was conducted in 2018, with \$826 million dedicated to Life Sciences. Furthermore, the university and Chapel Hill community continue to invest in entrepreneurial ecosystem development both on-campus and off-campus: Launch Chapel Hill, Innovate Carolina, UNC Eship Ecosystem and numerous others.

According to Innovate Carolina, 663 UNC-affiliated startups have been launched since 1958 and 75% are still active. 85% of active companies are headquartered in North Carolina. Getting UNC ventures to choose to stay or start in Chapel Hill has been the historic challenge and will be supported by new ecosystem developments. When compared to peer communities, Chapel Hill has one of the highest per capita R&D numbers but ranks low on technology jobs.

R&D expenditures at The University of North Carolina in Chapel Hill, 2018
(in millions of dollars)

\$1.1 billion in total





Industry targets for Recovery and Transformation

Chapel Hill must address both the immediate need for job recovery and continue the long-term transformative work that will generate and retain startups, as well as attract businesses, workers and tourism. This diverse set of targets can be summarized as follows:

Chapel Hill Economic Development Targets

Target	Focus	Activity Mix
Small businesses	<ul style="list-style-type: none"> Grants Recovery and re-tooling 	<ul style="list-style-type: none"> Restore Grow
Retail, tourism and downtown	<ul style="list-style-type: none"> Restaurants Independent retailers Hotels Community events/spaces 	<ul style="list-style-type: none"> Restore Attract
Technology startups	<ul style="list-style-type: none"> Life sciences Software/IT Research 	<ul style="list-style-type: none"> Develop Retain
Corporate office	<ul style="list-style-type: none"> Professional services 	<ul style="list-style-type: none"> Attract
Housing	<ul style="list-style-type: none"> Mixed income development 	<ul style="list-style-type: none"> Develop
Talent	<ul style="list-style-type: none"> Graduates Remote Workers 	<ul style="list-style-type: none"> Retain Attract



Goals and strategies

Focus on recovery and resiliency

The ReVive Chapel Hill Recovery and Resiliency Plan sets out to rebuild Chapel Hill as a more equitable, inclusive and vibrant local economy by focusing its efforts on job growth, talent development, office space development and stronger retail support. Its path from recovery to long-term resiliency will be marked with small victories and big wins that occur over time as the Town and its many partners work together to rebuild Chapel Hill.

In this section, EY provides goals and strategies based on leadership feedback for each of the resiliency topics discussed in the previous section: resilient economy, resilient place and resilient people.

For each topic, on the first page, we provide the goal statement, an explanation and a list of strategies to support the goal. We also share a list of key metrics that can be used to track progress on that goal. The subsequent pages on each topic provide an explanation for each strategy, a description of what each one entails and specific actions to accomplish the goals.

Resilient economy

Goal 1: Chapel Hill is a more resilient community with a thriving, innovative and diverse economy.

Key metrics

Private, non-retail job growth

The institutions of Chapel Hill - the university and health system - have anchored the economy for most of its history. While education and healthcare provide for approximately half of the jobs in the community, a stronger, more resilient economy requires diversification.

Average private, non-retail wage

A diverse economy provides for a variety of career opportunities spread across numerous industry sectors. These economies are better suited to weather times of economic disruption which became further evident during the pandemic. Additionally, communities like Chapel Hill, where a majority of property is owned by tax exempt organizations, can lessen the tax burden on residents by increasing the private sector employer base.

Number of locally owned businesses

Number of minority-owned businesses

The strategies that follow outline Chapel Hill's path towards a resilient economy. It starts with creating an environment and reputation where all business can thrive. It then requires Chapel Hill to embrace the assets of its institutions and partners to accelerate a thriving community with a more diverse and innovative economy - including their talent, innovation, buying power, and voice.

New startup formations

Startup capital awards

Strategies:

Target industry employment growth

1. Increase the creation and success of small businesses through enhanced support, connections and recognition
2. Strengthen the ecosystem for innovative startup companies and university spinoffs to thrive locally
3. Actively recruit employers and entrepreneurs aligned with UNC and UNC Health programs, Town targets and development goals

Resilient economy

1.1 Increase the creation and success of small businesses through enhanced support, connections and recognition

Small businesses are often referred to as the backbone of America, not simply for the number of jobs they create but for the distinctive character they bring to communities. Chapel Hill has a large share of small business when compared to its peers, and the leadership in Chapel Hill sees locally-owned businesses, especially minority-owned businesses, as having an even stronger role in Chapel Hill's economic future.

There are numerous supports for small businesses and entrepreneurs in the Town of Chapel Hill, but the ecosystem is fragmented and needs a single point of entry. This includes aligning the abundant resources and expertise of the Town's core institutions and community partners. Finally, the rules and processes related to business creation and developments, described as prohibitive by numerous stakeholders, should be revisited if the Town is to achieve its goals of increasing small business success.

The support, connections and recognition that result from these actions should be highlighted in coordinated campaigns to raise awareness and heighten the reputation for small business success in Chapel Hill.

Tactics:

- ▶ *Establish grant and loan programs to support local business and developments through pandemic recovery.*
- ▶ *Identify solutions for challenges faced by minority entrepreneurs to create, recruit and grow more minority-owned businesses.*
- ▶ *Evaluate existing rules and processes surrounding the building and modification of commercial space to improve clarity, transparency and speed of approvals.*
- ▶ *Develop a centralized, shared information hub for creating and operating a business in Chapel Hill. Additionally, consider a physical consolidation of services serving small businesses and entrepreneurs.*
- ▶ *Establish stronger connections to technical assistance and training from University resources and community partners.*
- ▶ *Host educational events on navigating procurement and certification processes with the university, hospital, government and other large, local organizations.*
- ▶ *Implement a coordinated traditional and social media campaign to promote small business and Chapel Hill as a place for small business, both with a focus on minority-owned business.*
- ▶ *Benchmark Chapel Hill economic development resources, activities and performance against regional partners and national competitors.*

Resilient economy

1.2 Strengthen the ecosystem for innovative startup companies and university spinoffs to thrive locally

The University of North Carolina is a research juggernaut. Over the years its research investments have bolstered the healthcare sector and can be attributed to the recent rise in employment numbers for software and technology.

Competition for startups and talent in these sectors can be stiff, especially within the Research Triangle, and community leaders engaged in this process recognize Chapel Hill's struggles to grow and retain these entrepreneurs. While retention efforts have been improved, the current ecosystem and availability of space can be further expanded to boost Chapel Hill's overall attractiveness as a permanent home for startups.

Communities with successful innovation and startup ecosystems are extremely dedicated to the cause. The strengthening of Chapel Hill's ecosystem starts with the formation of an innovation task force to identify the gaps and priorities for improvement and requires continued marketing efforts to increase awareness for startup and spinoff opportunities in the town.

Tactics:

- ▶ *Establish an innovation task force consisting of local startups, UNC leaders, economic development leaders, chamber and local developers to identify gaps in the existing ecosystems and core priorities.*
- ▶ *Implement coordinated campaigns to highlight the success and support of local startups and university spinoffs.*
- ▶ *Continue to grow and broaden the work of local incubators and accelerators in supporting entrepreneurs.*

Resilient economy

1.3 Actively recruit employers and entrepreneurs aligned with UNC and UNC Health programs, Town targets and development goals

Targeted efforts to attract new employers and entrepreneurs is another pathway towards diversifying the Chapel Hill economy. The town has a wealth of assets to showcase from its innovation and talent pipeline from institutions like UNC-Chapel Hill and UNC-Health and its location within the Research Triangle to its abundance of lifestyle amenities and genuine acceptance of all people.

Attraction should be a collaborative effort to include the economic development teams from the Town, the County, the Economic Development Partnership of North Carolina and the University. These efforts should also be targeted towards employers and entrepreneurs within the identified targets of Life Sciences, Software & IT, and Research as these align with the community's assets and aspirations.

Tactics:

- ▶ *Establish a standing meeting of the economic development teams from the Town of Chapel Hill, Orange County, EDPNC and the University to discuss opportunities to align and support recruitment efforts.*
- ▶ *Create a coordination agreement among community asset partners like the University, public schools, economic development and housing to improve communication and coordination related to company inquiries.*
- ▶ *Market Chapel Hill to alumni - from high school and university - and create networking opportunities for possible boomerang entrepreneurs with local businesspeople and resources.*
- ▶ *Increase marketing resources to tell the opportunity story of Chapel Hill. Use resources to develop the core marketing materials needed to promote Chapel Hill to targeted employers and talent.*

Resilient Place

Goal 2: Chapel Hill prioritizes investments in livability and accessibility.

Key metrics

Miles of new bike lanes and paths

New housing construction by type

New housing construction by value

Ratio of housing costs to wages

New commercial and redevelopment investments

Number of visitors and spending trends

Surveyed impressions of business friendliness

The livability of a community is measured by a complex mix of factors that impact a person's capacity to live, learn, earn and play. While there are an abundance of assets contributing to the livability of Chapel Hill, obstacles exist that inhibit its future growth and resiliency.

The Chapel Hill Comprehensive Plan called for connections, choices and community. It included themes of ecological consciousness in transportation, the harnessed power of UNC-Chapel Hill, a focus on the town as a destination and a need for housing variety. Though the plan was adopted in 2012, the vision expressed by the town's leadership remains much of the same. Most notably, leaders today recognize there are policies, programs and partnerships that must be established for Chapel Hill to fully realize its potential as a community that is celebrated for its diversity and recognized for its openness to business and all people.

The strategies that follow outline Chapel Hill's path towards becoming a more resilient place. It starts with an intentionality for building a Chapel Hill that is increasingly accessible and affordable, spanning everything from transportation plans to housing mix. It also involves leveraging space and partners to showcase the town for increased visitor stays and traffic in its commercial areas. Lastly, it calls for Chapel Hill to boost its reputation for being open for business and welcome to all.

Strategies

1. Develop the plans and partnerships to build a more accessible and affordable Chapel Hill
2. Launch programming that showcases Chapel Hill and increases foot traffic in its commercial areas
3. Build our reputation for being open for business and welcoming to all

Resilient place

2.1 Develop the plans and partnerships to build a more accessible and affordable Chapel Hill

Livability is among Chapel Hill's most compelling attributes, but housing costs, transportation issues and a complex development process threaten to derail its potential as a truly resilient and inclusive place. Recent community plans, like the Orange County Recovery and Transformation Plan and the Big Bold Ideas Initiative, recognize the importance of accessibility and affordability, as does the Comprehensive Plan from 2012. But stating a goal is merely the first step.

The next step is a commitment to activating and following existing plans set to enhance the affordability and accessibility of Chapel Hill. This starts with aligning implementation efforts of both Orange County and Chapel Hill's recovery plans. Lastly, the Town should emphasize the livability factor - like housing affordability and accessibility - to all developers interested in the community.

Tactics:

- ▶ *Align with Orange County Recovery and Transformation Plan and Big Bold Ideas Initiative on efforts related to housing affordability and accessibility.*
- ▶ *Identify a list of priority development opportunities and a plan for presenting these ideas to targeted developers within the region to include increasing housing variety, affordability and downtown housing.*
- ▶ *Continue to prioritize improvements to the livability of Chapel Hill and highlight those assets in regional and national marketing efforts.*

Resilient place

2.2 Launch programming that showcases Chapel Hill and increases foot traffic in its commercial areas

The growth and vibrancy of a community's commercial corridors plays out much like the old chicken or the egg metaphor. What comes first, the customers and the foot traffic or investments and new developments? It is safe to say a balance must be struck between the two.

The restrictions from COVID-19 have certainly dampened corridors once bustling with activity and brought the hospitality sector to a near halt. Hospitality-related businesses, commercial centers and developers will need extra assistance to drive business both now and once it is safe to return to the new normal. A dedicated plan for increasing visitor stays and overall foot traffic through community events, art installations, and sporting events could provide the jumpstart the Town needs.

Tactics:

- ▶ *Reschedule special events and conferences in accordance with new safety guidelines in place.*
- ▶ *Develop a calendar of programs and events to bring more traffic into downtown and other priority corridors.*
- ▶ *Leverage underutilized space (vacant lots, retail space, etc.) for pop up events to drive shopper traffic and increase awareness of available space.*
- ▶ *Evaluate the expansion of outdoor recreation spaces and sports venues to attract more sports-related tourism to the area.*
- ▶ *Increase the number of public art installations to showcase the community that also encourage residents and tourists to explore more of the town.*
- ▶ *Coordinate campaigns across core community partners to promote events and initiatives.*
- ▶ *Continue to support tourism-focused marketing campaigns that showcase Chapel Hill's hospitality amenities and livability.*

Resilient place

2.3 Build our reputation for being open for business and welcoming to all

Chapel Hill has historically struggled to retain locally produced talent and businesses. Research from past reports and interviews with select stakeholders suggest this struggle extends to its ability to attract businesses and developers.

The tactics outlined throughout this plan detail ways in which Chapel Hill could address these issues. Once leadership feels there is enough forward momentum, the time comes for shifting energy and resource to promoting Chapel Hill as a place that is open for business and welcome to all people. These efforts are most effective when adopted by the entire community, from government and community organizations, to large institutions and small businesses. Residents, students, and tourists also play an important role.

Tactics:

- ▶ *Initiate a business retention and expansion (BRE) program where Town staff interview the top 20 largest employers and communicate their needs to Town Council and staff. Consider including a small, but representative list of startup interviews to gauge their needs as well.*
- ▶ *Identify areas of friction for new businesses and developers and create a plan to address those issues.*
- ▶ *Establish a marketing partnership or committee to develop, fund, and execute a local and national marketing campaign for promoting Chapel Hill with a focus on inclusion and livability. Align efforts with existing tourism campaigns, when possible.*

Resilient People

Goal 3: Chapel Hill empowers its people to advance their knowledge, prosperity and social impact.

Key metrics

Net migration rate of college educated

Percent of young professionals

Income, poverty and education disparities

Employment growth

Labor participation rates

Talent is often noted as the number one factor in business location decisions, but the importance of building a resilient population goes beyond the number of available and skilled workers. Resiliency involves the opportunity to earn a fair wage, to engage in meaningful work and to contribute to the betterment of society.

While ambitious, these aspirations are not out of reach. Chapel Hill has many of the necessary assets within its community, like the highly-regarded school system, university and community college resources, strong faith-based community, and genuine passion for community betterment. Coordination and prioritization will be imperative for efforts to strengthen the resiliency of its people to be successful.

Strategies

1. Build a talent pipeline that connect residents, students and employers to opportunities for learning, earning and serving
2. Support community partners as they provide social services to address the needs of disadvantaged communities

Resilient People

3.1 Build a talent pipeline that connect residents, students and employers to opportunities for learning, earning and serving

Building resiliency in the people of Chapel Hill means strengthening the talent pipeline from all directions. A dedicated effort, aligned with talent initiatives at the county and regional level, is the start. Each aspect requires evaluation, from the initial development of talent in K-12 education, the alignment of curriculum to employer needs, the engagement of students from the university and community college and support for all residents in need of assistance joining the workforce.

There are a copious number of players needed to strengthen a talent pipeline and, oftentimes, these players operate in various siloes. As Chapel Hill embarks on its talent pipeline journey, it should be mindful of establishing a committee that is representative of all aspects of the pipeline. From there, it can establish the priorities and build support for future efforts.

Tactics:

- ▶ *Assess the workforce training needs of local residents and the employment needs of local employers.*
- ▶ *Develop a talent pipeline task force for Chapel Hill that coordinates with other talent initiatives on the county and regional level.*
- ▶ *Identify priority needs in the talent pipeline and collaborate for solutions including mentorships, apprenticeships, internships, community service opportunities, and leadership training, as well as a plan to leverage university resources to bring education opportunities to non-traditional students.*

Resilient People

3.2 Support community partners as they provide social services to address the needs of disadvantaged communities

As Chapel Hill begins to rebuild from the impacts of the pandemic, more and more residents will need support to rejoin the workforce. The depth of this support is often underestimated. While the COVID-19 pandemic has undoubtedly laid bare the importance of childcare for working individuals, reskilling efforts, counseling, and strong employer support are also imperative.

This aspect of the talent pipeline is perhaps the most complex given how much individual needs vary and the number of different service providers involved. Chapel Hill should identify a chief advocate for this initiative who is committed to convening and organizing the necessary support to bring economic prosperity to all residents of Chapel Hill.

Tactics:

- ▶ *Map the core service providers and non-profit organizations to show available services, as well as potential gaps and overlaps.*
- ▶ *Support the development of a mobile friendly service directory as a subcomponent of the small business resource directory.*
- ▶ *Convene service providers to identify barriers to economic prosperity that can be addressed by employer-government-education-nonprofit collaboration.*

ReVive Chapel Hill Strategic Framework

Goal: To rebuild the Chapel Hill local economy in a more inclusive and equitable manner after the pandemic and to ensure we build on job creation, growth of office space and the strengthening of retail sectors to further support a strong and vibrant economy.

Chapel Hill Recovery & Resiliency Framework		
Resilient Economy	Resilient Place	Resilient People
Chapel Hill is a more resilient community with a thriving, innovative and diverse economy.	Chapel Hill prioritizes investments in livability and accessibility.	Chapel Hill empowers its people to advance their knowledge, prosperity and social impact.
Strategies	Strategies	Strategies
Increase the creation and success of small businesses through enhanced support, connections and recognition	Develop the plans and partnerships to build a more accessible and affordable Chapel Hill	Build a talent pipeline that connect residents, students and employers to opportunities for learning, earning and serving
Strengthen the ecosystem for innovative startup companies and university spinoffs to thrive locally	Launch programming that showcases Chapel Hill and increases foot traffic in its commercial areas	Support community partners as they provide social services to address the needs of disadvantaged communities
Actively recruit employers and entrepreneurs aligned with UNC and UNC Health programs, Town targets and development goals	Build our reputation for being open for business and welcoming to all	

Critical early action will be required to implement the Recovery & Resiliency Plan:

1. Execute on a business retention and expansion initiative to conduct 20 interviews in 45 days from which feedback will inform future implementation and funding.
2. Expand marketing resources to tell the real estate opportunity story in Chapel Hill to support filling vacant and new spaces in the community.
3. Create grant programs to support strengthening business during redevelopment projects and as a part of post-pandemic recovery.
4. Look at work of similar economic development agencies in North Carolina and compare the Town's output to determine areas for potential growth in programs and services.