

Takeaways from joint PC/CDC meeting re: Blue Hill experience

On October 1, 2024, the PC held a joint meeting with the CDC to discuss lessons learned from the Blue Hill form-based code (“FBC”) and how to leverage this experience in the current LUMO revision project. The discussion centered on three questions:

- In retrospect, what worked well and not so well about the FBC?
- How can the Town apply these findings to the LUMO rewrite?
- What can be done to improve Blue Hill itself?

The discussion was generally structured to address five dimensions: units built, community benefits, entitlement process, affordability, and walkability/design/placemaking.

This memo summarizes key takeaways from the 1.5 hour discussion, organized by the five dimensions.

1. Units built

Meeting participants agreed that the FBC’s main success has been the quantity of residential units built in Blue Hill since its 2014 inception. Since that time, 1,818 net new residential units have been built or approved in Blue Hill, with another 542 anticipated by 2029. Of these units, 1,504 are already complete or under construction, exceeding the 1,446 *gross* new units originally projected to be built through 2029. ([Source](#).) Participants attributed this success in part to process efficiency and predictability, discussed below.

Meanwhile, only a small fraction of projected commercial development has materialized. Since 2014, approximately 21,000 net new square feet (119,000 gross) of commercial space has been constructed or is under construction, with another ~22,000 square feet approved (~37,000 gross). The original projection was for 347,000 gross new square feet of commercial space by now. Participants did not discuss commercial development at length, except to note that the retail and office sectors have declined nationally.

2. Community benefits

Community benefits of growth and development can take many forms, including, for example, parks and recreation facilities, retail amenities, transportation connections, tax revenues, and housing options. Blue Hill has delivered benefits to surrounding neighborhoods and the broader Chapel Hill community in the form of:

- Booker Creek Basin Park;
- Some new retail amenities beneath The Berkshire (including two food/drink establishments) and elsewhere;

- Additional population density to support the vitality of existing retail centers (e.g., Eastgate, Ram’s Plaza, Whole Foods shopping area);
- Additional housing; and
- Additional property and sales tax revenues.

Regarding property tax revenues, the Town's projections show that, during this fiscal year, Blue Hill will produce almost \$2 million more in nominal (not inflation adjusted) property tax revenues than under 2014 valuations, a figure approximately double the size of the Town's annual debt service payments on infrastructure investments made to facilitate this development. The incremental property tax figure is projected to exceed \$10 million by 2030, as more pipeline projects come online.

Thus, the FBC has facilitated important community benefits. That said, as discussed further below, Blue Hill lacks the kind of internal connectivity or public spaces that would induce many residents of surrounding neighborhoods to move within the district outside of a car. In this sense, in spite of Blue Hill’s financial, commercial, and housing benefits to the Town, participants perceived a missed opportunity to provide a more complete package of community benefits – particularly in terms of placemaking, connectivity, and walkability.

3. Entitlement process

Participants agreed that the FBC successfully drew private capital to Blue Hill by creating a streamlined, predictable entitlement process. This facilitated the successes described above in terms of development activity and community benefits (other than Booker Creek Basin Park). Participants expressed a desire to move in this direction elsewhere in Chapel Hill (as the Town has been doing, including through anticipated LUMO revisions). Participants noted that protracted, highly subjective entitlement processes impose large up-front costs on developers, which in turn deters investment. The FBC did the opposite.

That said, as noted below, the high level of streamlining achieved in Blue Hill likely cost affordable units. In addition, as suggested by the discussion of “community benefits” above, as well as the discussion of “walkability/design/placemaking” below, participants believe that streamlining in the absence of appropriate master planning and standard setting can (and did) yield undesirable results.

4. Affordability

The FBC has produced fewer designated affordable units than expected. The Town Council originally [set a goal](#) that 20% of units, or at least 300 units, would be designated affordable units. Early on, 149 affordable rental units were built (Greenfield Place and Greenfield Commons) on Town-owned land within Blue Hill. All other units in the district have been market rate rental units. Dividing the 149 affordable units into the 2,017 gross new units built, under construction, or approved to date yields a ratio of 7% affordable units -- and slipping.

(Approximately 542 additional units are in the pre-application and conceptual phases, none of which are expected to include affordable housing.) Excluding projects on public land, the figure drops to 0%. Meanwhile, the Park Apartments, viewed as a source of naturally occurring affordable housing, was demolished after the FBC went into effect.

Participants suggested that the Town might have successfully negotiated for additional affordable units had the FBC not precluded such negotiations. A 2021 [case study](#) of Blue Hill by the nonprofit Affordable Housing Solutions described a trade-off between spurring more housing development through a more efficient development approval process and losing the ability to negotiate for affordable housing. While the Town made this trade-off in Blue Hill, the upcoming LUMO revisions are expected to include a maximum by-right development threshold of 30 units or 30,000 square feet of floor area (higher for projects that meet certain affordability criteria) -- a threshold designed in part to enable the Town to negotiate for affordable units (outside of Blue Hill) where feasible. All residential projects approved under the FBC have exceeded these thresholds.

Additionally, participants suggested that, across all zoning districts, the Town might consider offering reduced permitting fees and a streamlined approval process for developments that include affordable units. The Town recently developed a fast-track process along these lines. The idea of fee reductions or waivers might merit further consideration.

5. Walkability/design/placemaking

This dimension received the most discussion. According to the Form-Based Codes Institute, a FBC is "a land development regulation that fosters predictable built results and a high-quality public realm by using physical form (rather than separation of uses) as the organizing principle for the code." From a placemaking and public realm perspective, participants deemed Blue Hill lacking. Specifically, they deemed the district disjointed (large properties developed on a stand-alone basis), difficult to navigate by foot or bike, lacking in public gathering spaces (due to large unbroken building masses, with community amenities mostly private and internal to specific developments), and lacking tree canopy.

Participants identified multiple root causes and, in some cases, related solutions:

- *Challenging location and configuration* -- The transection of Blue Hill by Fordham Boulevard, an arterial street, poses a challenge for the overall walkability and coherence of Blue Hill, as does its dispersed land ownership.
- *Inadequate master planning* -- Participants believe that the FBC should have been designed around a more robust small-area plan that specified how properties would connect, what public infrastructure and amenities were needed to bring about a truly walkable neighborhood, and how those would be funded. Participants agreed that, putting aside matters of individual building form, the FBC in some ways enshrined a project-by-project development approach when it should have accomplished the

opposite. At a minimum, the FBC should specify how developments are to connect with each other. It does not, and, as a result, they largely do not.

Note that the 2011 [Ephesus Church Road/Fordham Boulevard Small Area Planning/Traffic Analysis](#) attempted to address these aspects to some degree and apparently did inform the FBC. Future work could consider how and why it fell short. For example, the document appears to focus principally on traffic circulation, with only a passing reference to future public gathering space in the floodplain -- what is now known as Booker Creek Basin Park. Participants discussed the park as a well-executed feature, but felt that its primary purpose and function was (and is) stormwater management. Participants reflected on the Town's focus at the time the FBC was developed, which was spurring economic development in a stagnant district with limited capital inflows. Understandably, the nuances of city building from a Complete Community perspective were not in focus. Future work could also consider whether the Town's conceptual plan for the nearby "Gateway" area suffers from similar limitations in its scope and ambition.

Participants observed that the Town seems to abstain from "putting [its own] money at risk" as a means of enabling the kind of private development it seeks in districts slated for redevelopment -- that is, making up-front strategic investments in infrastructure and amenities to induce certain kinds of private redevelopment. Doing so might be critical to achieving better outcomes in some cases, particularly given economic practicalities faced by private developers and legal restrictions influencing what the Town can ask private developers to include in their projects. Doing so might also offset its own cost to some degree by making surrounding properties more valuable, thereby increasing tax revenues.

Participants agreed that, going forward, the small-area planning (also known as master planning or specific-area planning) described above should be done properly for each area in which the Town wishes to focus dense future development (not Town-wide), and this planning must be done before or concurrent with any major changes to existing zoning in those districts. Engaging in master planning after rezoning relevant districts in ways that materially increase private entitlements undercuts the Town's ability to implement such plans. To be sure, many or all aspects of the current LUMO revision project may be compatible with this point (e.g., housekeeping-type revisions), depending on their scope and degree. Participants noted that towns can hold out the promise of a form based code as negotiating leverage to bring landowners and developers to the master planning table and perhaps induce them to dedicate land for public use.

- *Subjective, unenforceable design guidelines* -- The FBC contains a set of basic form and design parameters, which are supplemented by approximately 100 pages of design guidelines. According to CDC members, the supplemental guidelines have not been consistently followed (CDC members feel that Aura Blue Hill comes closest), largely

because they are unenforceable. For example, placemaking requires public facing nooks, but most projects have been built essentially to the lot lines, with community spaces behind walls and for private use only. These projects have complied with the FBC but not the (optional) guidelines.

Participants believe a better strategy would involve translating the design guidelines into a more objective and specific set of requirements, checklist style, with some aspects intentionally left to developer discretion and creativity.

Participants noted that the Town's urban designer has had a positive impact on project designs. However, his role generally involves reacting to preliminary site plans already drawn by developers and providing non-binding feedback on those plans -- as opposed to determining the parameters of those plans from the outset. Such parameters could take the form of objective, district-specific design rules, developed under the guidance of the urban designer in connection with the small-area planning process.

- *Insufficient attention to tree canopy* -- Participants observed that Blue Hill lacks significant tree canopy and discussed two contributing causes. First, Duke Energy prohibits large trees adjacent to raised power lines. Participants discussed the possibility of working with Duke Energy to put lines underground in certain areas, which may require a public funding component. (NC law apparently precludes the Town from requiring Duke Energy to bury lines.)

Second, Chapel Hill Fire Department policy prohibits or disfavors large trees next to multi-story structures, since such trees potentially could obstruct ladders. Participants discussed the need to consider the inherent trade-offs in this approach (fire risk and safety, climate impact, stormwater impact, energy efficiency, walkability, ecology, aesthetics) and develop policies that make sense holistically.

- *Insufficient attention to parking* -- Participants observed the prevalence of "Texas donuts" (i.e., structured parking wrapped by residential units) in Blue Hill, a building form that, while preferable to surface parking, influences the considerable massing seen in the district. Potential solutions include: (1) imposing lower maximum parking ratios; (2) physically separating parking structures from other structures; and (3) putting more of the parking underground.
- *Restrictive height limits* -- Participants observed the prevalence of stick-built podium structures in Blue Hill (and nationwide), which are relatively inexpensive to construct but [lend themselves to architectural monotony](#). Participants discussed taller height limits as one potential solution. Revised height limits would increase the economic feasibility of more engaging steel/concrete structures while also preserving more ground-level open space per unit built.

Conclusion

Overall, participants felt that the FBC has ushered in welcome residential density and tax revenues but in a physically disjointed, car-oriented way and without yielding as much affordable housing as it could have. Participants lauded the efficiency of the FBC's entitlement process but concluded that streamlining is insufficient on its own to yield desired outcomes across most dimensions, either within Blue Hill or elsewhere.

Going forward, participants believe that the Town should:

1. Design the land use code around a proper master plan for each district slated for substantial growth and development, before offering the incentives associated with a FBC;
2. Consider whether to invest public money in Complete Community infrastructure up front;
3. Get the design standards right (i.e., objective, focused on key elements, mandatory, appropriate to the place envisioned); and
4. Leave room to negotiate affordable housing.

Regarding what might be done to improve Blue Hill itself, members acknowledged that many of the larger parcels in Blue Hill have been redeveloped already, which limits the Town's options. Nevertheless, adjustments to the FBC – potentially as a part of the current LUMO revision project – might help, and the Town should also consider publicly funded capital projects to improve the district's internal connectivity. Participants expressed interest in developing more specific ideas in future discussions.