



# DOWNTOWN MARKETPLACE STUDY

HISTORIC DOWNTOWN HIGHLANDS, NORTH CAROLINA  
MARCH 2011





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North Carolina  
Main Street

This report was produced by STMS staff Sherry Adams, Western Small Town Main Street Coordinator, and Lew Holloway, Western Small Town Main Street Designer. All photo credits belong to Lew Holloway, STMS Designer, unless marked otherwise.



The Small Town Main Street Staff gratefully acknowledges the following for their help in collecting the data and serving on the Small Town Main Street Committee 2010-2011:

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Town Commissioner Gary Drake  
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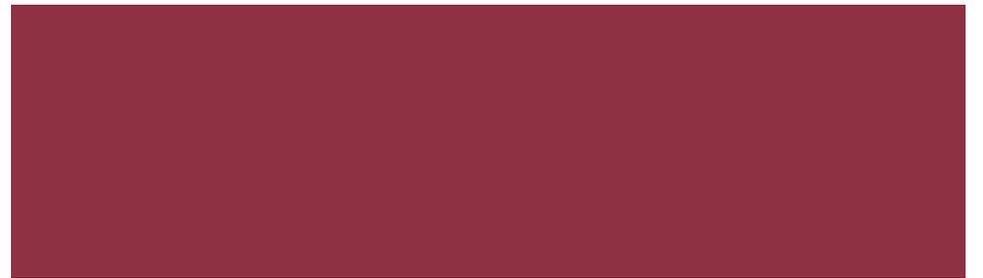
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# INTRODUCTION





Main Street Highlands  
ca. 1906



Main Street Highlands  
ca. 1927



Main Street Highlands  
ca. 1930's



Main Street Highlands  
ca. 1960's

## HIGHLANDS + MACON COUNTY

### *Highlands Small Town Main Street Vision Statement*

*Cradled high in the Blue Ridge Mountains, downtown Highlands is a sanctuary for the kindred spirits who live on or are drawn to this plateau. Combining its family friendly charm, vibrant and comfortable commercial village, assorted cultural offerings and access to an unspoiled and diverse ecosystem; historic Highlands is a destination in every sense of the word. Mindful of how the Highlands' way of life is directly tied to its setting, downtown Highlands reflects in every facet of its exceptional offerings a commitment to strengthening and sustaining this place and lifestyle.*

### *Brief History of the Town of Highlands:*

The Town of Highlands was founded in 1875 by two developers living in Kansas who, according to legend, took a map in hand and drew a line from New York to New Orleans. Then they drew another line from Chicago to Savannah. These lines, they predicted, would become major trade routes in the future, and where they crossed would someday be a great population center. Their logic wasn't completely insane when one recognizes that we are just over 120 miles from Atlanta.

What evolved was a health and summer resort at more than 4,000 feet on the highest crest of the Western North Carolina plateau in the Southern Appalachian Mountains. This paradisiacal settlement, the highest incorporated town east of the Rockies, provided common ground for both northern and southern pioneers a decade after the Civil War. By 1883, nearly 300 immigrants from the eastern states were calling Highlands's home. In the early 1880's the town contained 8 country stores specializing in groceries, hardware, and general merchandise, a post office, a hotel and boarding house for summer guests, a public library, four churches, and a first class school.

Very little changed until the late 1920's, when the Cullasaja River was dammed, forming Lake Sequoyah, to provide hydroelectric power. A spectacularly scenic road to Franklin was carved into the rock walls of the Cullasaja Gorge. The muddy roads in and out of town were reinforced with crushed stone. By the time the Chamber of Commerce was established in 1931, the town's population had increased to 500 with 2,500 to 3,000 summer guests. There were now 25 businesses.

Again, very little changed until the mid 1970's, when the influx of multi-family homes and shopping centers spawned land use plans and zoning laws intended to protect Highlands' natural assets. The town's population stands at slightly over 1,100 year round residents with 3,200 on the plateau.

Since its creation in 1875, the demographic mixture of Highlands has been remarkably unique. Founded by hardy pioneers from all over the nation, sober industrious tradesmen from the north, Scotch-Irish laborers and craftsmen from the surrounding mountains and valleys, and wealthy aristocratic planters and professionals from the south, the town has served as a cultural center for well-known artists, musicians, actors, authors, photographers, scholars, and scientists who have thrived in its natural setting. The result is a town too cosmopolitan to be provincial, too broadly based to be singular in attitude and prospective, too enamored of its natural surroundings to be totally indifferent to them, and just isolated enough and small enough to be anxious about the benefits and setbacks of growth and development.

The information provided above is from, *Heart of the Blue Ridge: Highlands, North Carolina* by Randolph P. Shaffner ([www.highlandshistory.com](http://www.highlandshistory.com))

*Program Background:*

The North Carolina Main Street Center promotes downtown revitalization based on economic development within the context of historic preservation, a concept developed by the National Trust for Historic Preservation. This concept and the associated four point approach, Organization, Economic Restructuring, Design, and Promotions, has proven successful in more than a thousand smaller communities across the country. The North Carolina Main Street program helps small towns to recognize and preserve their historic fabric, and, using local resources, build on their unique characteristics to create vibrant central business districts that meet the needs of today's communities. The Small Town Main Street (STMS) program was created to work with towns with populations under 7,500 who do not have a dedicated Downtown Director. The STMS program is a part of the Division of Community Assistant/Office of Urban Development under the North Carolina Department of Commerce. Communities are selected on an annual basis through a competitive selection process where they identify their greatest need under one of the four-points of the program: organization, design, promotion, economic restructuring. Selected towns receive up to two years of service from the STMS staff coordinator and designer. The western region began in 2006 after a successful pilot program in the eastern region in 2003. As of 2010 there are 21 active STMS communities across North Carolina.

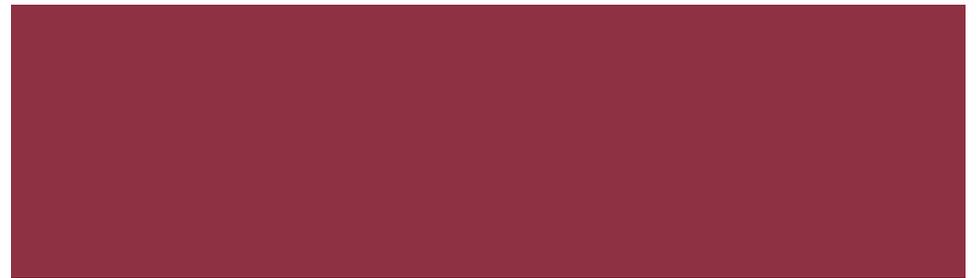
The Marketplace Study is a part of the services offered by the Small Town Main Street program. This marketplace report provides the initial assessment of Historic Downtown Highlands as collected by the Small Town Main Street staff and the Highlands STMS Committee members. The report is intended to help the Small Town Main Street group better understand downtown Highlands' existing position in the marketplace and to begin to suggest opportunities for repositioning and/or growing/enhancing that position.

The information provided herein is based on information provided by the Town of Highlands, ESRI Online Business Analyst and other data resources as noted and STMS Committee members. The information is to the best of our knowledge is as accurate as the data which provided the information.

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# **DOWNTOWN'S MARKETPLACE ENVIRONMENT**





# INTRODUCTION-DOWNTOWN'S MARKET ENVIRONMENT

In order to understand the retail market for Downtown Highlands the retail owner and potential retail owner must be aware of many factors. These include, but are not limited to, local and regional demographic information, consumer preferences, tourism, retail leakage and surplus, and competing retailers and commercial markets. The retail observations provided within this report are intended to provide a basic picture of those factors as they relate to Highlands.

Small Town Main Street staff use the ESRI Business Analyst Online to provide a trade area report. This report provides raw, detailed information about the demographic makeup of the targeted populations (in our case, those within a one and five mile radius of downtown) and their lifestyles and buying behavior as well as information about existing business in that market area. *(please see the appendix for a map detailing the radii referenced throughout this report)*

The characteristics and trends of a marketplace are constantly shifting, so it is important to recognize that the raw data provided by the Business Analyst and the Small Town Main Street Staff observations and recommendations based on this data, are also subject to change. We compliment those in our Small Town Main Street Committees who are already monitoring these changes and encourage all of Highlands' downtown businesses to review these observations, recommendations and their data sources in the future to update your understanding of the local market. Reviewing these observations and recommendations moving forward is particularly pertinent now, as the newest census data has been collected. Compiled every decade the U.S. Census provides a wealth of the demographic data that the ESRI Business Analyst pulls from and we encourage the Small Town Main Street committee to revisit this report as the new census data is released.

## CONSUMER OBSERVATIONS

### GENERAL DEMOGRAPHIC INFORMATION

In order to understand the retail market for downtown Highlands we must be aware of many factors; including population, number of households and household income, businesses located within a five mile radius and tourism and how it affects retail.

The 2010 ESRI data report, which is the source for most of our data, indicates that within the downtown district (0.3 miles) there are:

- 189 businesses (79 are retail)
- 1,062 total employees
- 93 residents.

At the one mile radius there are:

- 280 total businesses (111 retail)
- 1,528 employees
- 848 residents

The five mile radius of downtown Highlands is where communities most often have the greatest opportunity to capture retail leakage. At the five (5) mile radius there are:

- 455 businesses (150 retail)
- 2,660 employees
- 3,611 residents

Observations of household information as provided by ESRI (unless otherwise noted);

- Median household income for all three study radii is \$43,300, average household income is just over \$62,269 with a slightly higher average for those living in the downtown district.
- Average per capita income for all three radii is \$28,300;

## CONSUMER OBSERVATIONS (CONT.)

- Average family income within Macon county according to the North Carolina 2010 Tier System Ranking is \$47,208;<sup>1</sup>
- Average family size is between 2 and 2.5 and average age is 49-50;
- Only 27% of the 5,176 homes within a five mile radius of Highlands are owner occupied; 67.4% are for seasonal use;
- The average home value at the .3, 1 and 5 mile radii are: \$356,853, \$332,883 and \$300,397
- Unemployment in Macon County is at 9%<sup>2</sup>

*Per capita income simply means how much income each and every individual in the included population (census tract) receives.*

ESRI looks for general trends in the demographic data they collect to create “Tapestry” segments for specific zip codes and communities. Classifying U.S. neighborhoods into 65 different segments based on various socioeconomic and demographic factors, the “Tapestry” provides an interesting window into the general demographic trends of a place. We’ve listed the two top segments associated with Highlands’s zip code according to ESRI. For more information on the “Tapestry Segmentation,” please see the associated web site at [http://www.esri.com/data/esri\\_data/tapestry.html](http://www.esri.com/data/esri_data/tapestry.html).

### SEGMENT 31-RURAL RESORT DWELLERS:

#### *Demographic*

These neighborhoods are found in pastoral settings in rural nonfarm areas throughout the U.S. Household types include empty-nester married couples, singles, and married couples with children. The median age is 47.2 years; more than half are aged 55 and older. Most residents are white in these low diversity neighborhoods.

#### *Socioeconomic*

Although retirement beckons, most of these residents still work. The median household income is \$48,105, slightly below the U.S. level. Six percent of those who are employed work at home, twice the U.S. rate. Because so many residents are aged 65 and older, receipt of retirement income and Social Security benefits is common. More than two-fifths collect investment income; approximately 20 percent receive self-employment income. Nearly one in four residents aged 25 years and older holds a bachelor’s or graduate degree; half of the residents have attended college. The median net worth is \$111,790, slightly below the U.S. median.

#### *Residential*

The number of households in these small, low-density neighborhoods is growing at 2.1 percent annually. Seventy-eight percent of the housing is single-family structures; 15 percent is mobile homes. Home ownership is at 81 percent; the median home value is \$189,032. Of the Tapestry segments, Rural Resort Dwellers has the highest percentage of seasonal housing, 16 times higher than the national level.

#### *Preferences*

These residents live modestly and have simple tastes. They often work on home improvement and remodeling projects and own garden equipment to maintain their yards. They cook and bake at home. Many households own multiple pets, particularly dogs and cats. Riding lawn mowers and satellite dishes are familiar sights in these areas, along with multiple vehicles, including a truck. Active participants in local civic issues, residents also belong to environmental groups, church and charitable organizations, fraternal orders, unions, and veterans’ clubs. They go hiking, boating, canoeing, hunting, fishing, horseback riding, and golfing. They listen to country radio and watch Animal Planet, CMT, BBC America, the National Geographic Channel, and prime time dramas on TV. The older residents focus on their general health care, prescription medications, and financial and retirement-related matters. Many residents actively manage or plan their investments and retirement savings. The self-employed residents are more likely to have

1 <https://edis.commerce.state.nc.us> (county+comparison+report)

2 <https://edis.commerce.state.nc.us> (county+comparison+report)

IRAs than 401(k) plans.

#### **SEGMENT 15-SILVER AND GOLD:**

##### *Demographic*

With a median age of 59.6 years, Silver and Gold residents are the second oldest of the Tapestry segments. More than 70 percent are aged 55 years or older. Most residents have retired from professional occupations. Half of the households are composed of married couples without children. This segment is small, less than 1 percent of all U.S. households; however, annual household growth is 3 percent since 2000. Residents of these neighborhoods are not ethnically diverse; 93 percent of them are white.

##### *Socioeconomic*

These are wealthy, educated seniors. Their median household income is \$69,774, and their median net worth is \$365,407. Fifty-six percent of the households still earn wages or salaries, half collect Social Security benefits, 63 percent receive investment income, and 35 percent collect retirement income. Labor force participation is 45 percent, well below the U.S. level. The percentage of those who work from home is higher than the U.S. worker percentage; nearly one-fourth of employed residents are self-employed, also higher than the U.S. level.

##### *Residential*

Their affluence enables them to relocate to sunnier climates. More than 60 percent of these households are in the South, mainly in Florida. One-fourth are located in the West, mainly in California and Arizona. Neighborhoods are exclusive, with a median home value of \$286,746 and a home ownership rate of 84 percent. Silver and Gold ranks second of the Tapestry segments for the percentage of seasonal housing. Because these seniors have moved to newer single-family homes, they are not living in the homes where they raised their children.

##### *Preferences*

Silver and Gold residents have the free time and resources to pursue their interests. They travel domestically and abroad including cruise

vacations. They are also interested in home improvement and remodeling projects. Although they own the tools and are interested in home improvement and remodeling projects, they are more likely to contract for remodeling and housecleaning services. Active in their communities, they join civic clubs, participate in local civic issues, and write to newspaper or magazine editors. They prefer to shop by phone from catalogs such as L.L. Bean and Lands' End.

Golf is more a way of life than just a leisure pursuit. They play golf, attend tournaments, and watch The Golf Channel. They also go to horse races, bird watching, saltwater fishing, and power boating. They eat out, attend classical music performances, and relax with a glass of wine. Favorite restaurants include Outback Steakhouse, Cracker Barrel, and Applebee's.

Silver and Gold residents are avid readers of biography and mystery books and watch numerous news programs and news channels such as Fox News and CNN. Favorite non-news programs include detective dramas.

Tapestry Data can be found at:

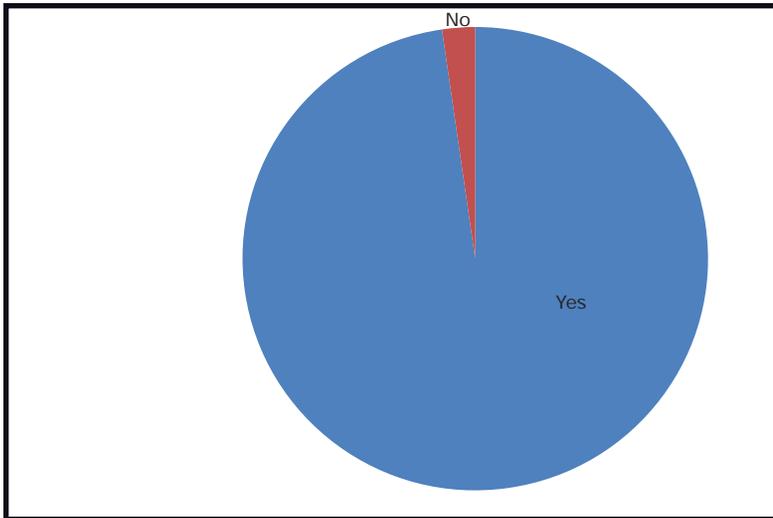
<http://www.esri.com/library/brochures/pdfs/tapestry-segmentation.pdf>; pgs. 36 & 52

## CONSUMER OBSERVATIONS (CONT.)

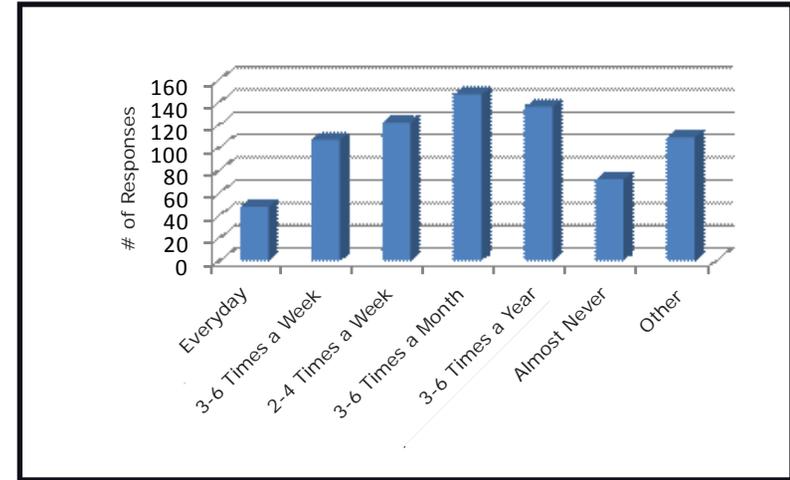
### GENERAL CONSUMER SURVEY RESPONSES

In addition to reporting and interpreting the information provided by the ESRI Business Analyst, the STMS staff also assists the community in collecting consumer data through the use of a consumer survey report. This is intended to further our committee's understanding of current and potential downtown shoppers. We had a tremendous response to this effort in Highlands collecting 740 survey responses. Data from the survey will appear throughout the report, as certain survey questions relate to a variety of observations about downtown, but this section will serve as the initial raw data report. Please see responses, in graph form, to some of the broader questions on the following pages.

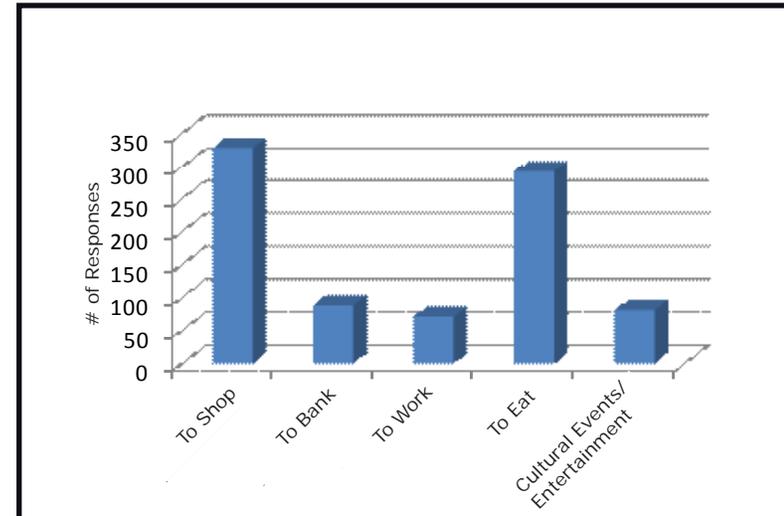
*Do you currently shop downtown?*



*How often do you shop in your community's historic downtown commercial district?*

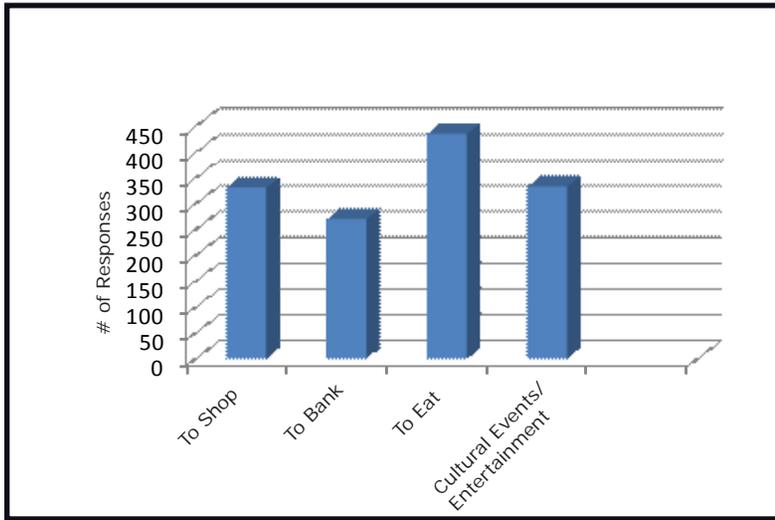


*What is the primary reason you visit your community's historic downtown commercial historic district?*

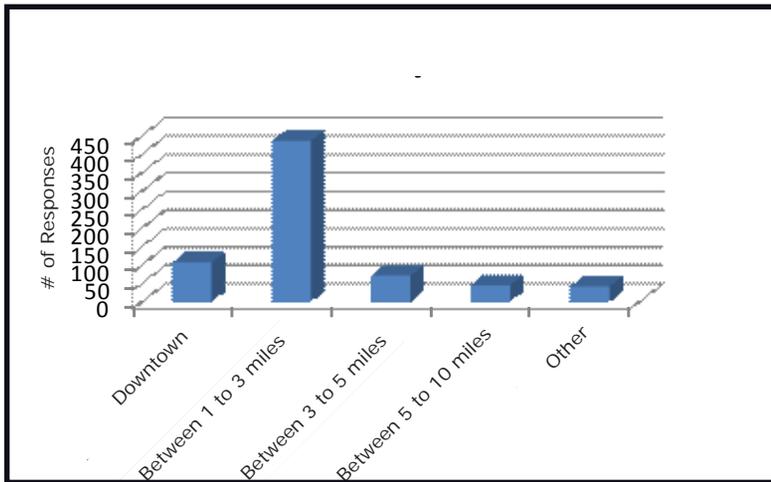


## CONSUMER OBSERVATIONS (CONT.)

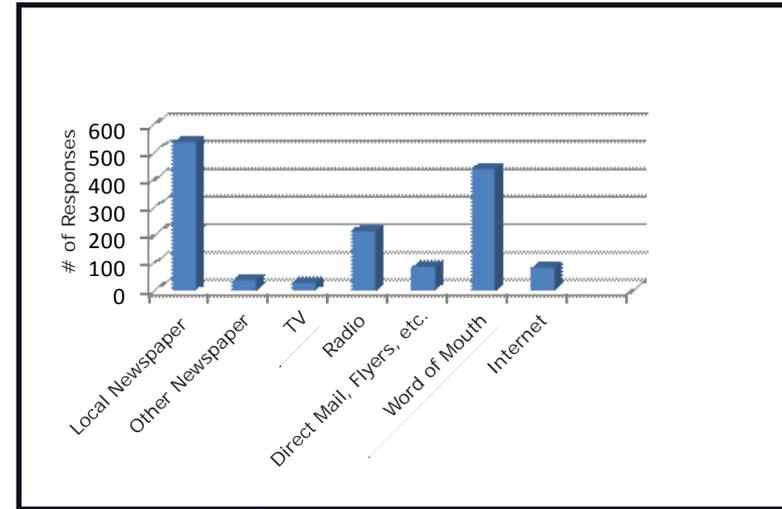
What other activities do you engage in, in your community's historic downtown commercial district?



Where do you live in relation to your community's historic downtown commercial district?



How do you find out about local businesses, shopping opportunities, special sales, and promotions in your community's historic downtown commercial district?



Of the 740 completed surveys; 54% were female, 78% were over the age of 50, only 38.5% were full-time residents of Highlands; 60% only resided in Highlands for part of the year. The largest percentage (55.5%) of responses were from two person households. Nearly all respondents indicated that they currently shopped downtown. When those who indicated they did shop downtown were asked how often; 23% said "3-6 times a month," 21% said "3-6 times a year," and 11% said "almost never." The primary reason for coming downtown among respondents was "to shop," followed closely by "to eat." "Eating," "Cultural Events and Entertainment," and "Shopping" all received at least 24% of the vote when consumers were asked, beyond your primary reason for coming downtown, what else draws you?

## CONSUMER OBSERVATIONS (CONT.)

When asked the open ended question, “Where do you shop when not downtown?,” the most common answer, by an overwhelming margin, was Franklin and the various stores found there, with 213 respondents indicating they shop there. Following were Cashiers, Clayton, and Bryson’s Food getting 157, 133, and 107 votes respectively. The raw data from this question is available for those interested in a more detailed review. This question was followed with, “What would you like to see downtown?” This is a dangerous question to ask, because of the wide variety of responses one gets and their applicability to downtown, but it was instructive nonetheless. By far the most popular answer was “movies” (337 votes) and was most often associated with “theater” (214 votes). Other popular answers included “restaurants” (135 votes), often associated with affordable, inexpensive, or family oriented. Again these answers are available, in an anonymous format, for further review.

A majority (62%) of responses to the consumer survey came from those whose home in Highlands was between one and three miles from downtown. 15% lived in downtown with an additional 10% percent living between three and five miles from downtown. Only 6.5% lived between five and 10 miles from downtown. This supports the generally accepted Main Street concept that downtown’s marketplace entrepreneurs should look to those living within five miles of downtown for their initial market opportunities. Most respondents to the Consumer Survey indicated they find out about downtown happenings via the local newspaper, followed closely by word of mouth. The local radio station also received significant recognition for its informational contribution.

When asked to rate (excellent, good or poor) aspects of downtown in relationship to their experience when visiting;

- 14%, 62%, and 23% indicated the parking is excellent, good, and poor, respectively

- 40% of respondents indicated the price of merchandise offered in downtown is poor
- however, 98% indicated the quality of products offered downtown is good to excellent
- 18%, 65% and 16% indicated the variety of goods is excellent, good, and poor, respectively
- 59%, 37%, 3% indicated the attractiveness of area is excellent, good, and poor, respectively
- 66%% indicated that the business hours are good, only 14% indicated they are poor
- 44%, 51%, and 5% indicated that safety is excellent, good, and poor, respectively

When asked to rate the importance of a variety of characteristics as they related to improving the community’s historic commercial district, cleanliness and maintenance came in at number one, with 92% of respondents ranking this characteristic as “very important.” Approximately three-quarters, or better, of respondents voted; customer service, maintaining historic character, public improvements-streets, sidewalks and landscaping, and supporting local businesses as “very important.” Finally, nearly two-thirds of respondents indicated that “creating more jobs for locals” and focusing on the needs of local customers” was “very important.”

### TOURISM

While the founders of Highlands may have envisioned major trade routes passing through the area it has evolved over time into a health and summer resort. It is one of very few communities in North Carolina that truly caters to second home owners and tourists who flock to the area to enjoy the peaceful isolation that the town’s elevation and natural environment offer. Those who either reside full time or have a second home in Highlands and those who just enjoy vacationing in Highlands can all attest to the cathartic nature of the place.

## CONSUMER OBSERVATIONS (CONT.)

The Main St. program is built on local commerce and as such we generally recommend focusing inwardly and revitalizing or building a downtown economy based on the population within a five mile radius of downtown. We continue to make that push in Highlands with the caveat that the prevalence of second home owner's in a variety of our data suggests the importance of understanding your population in depth and embracing as retailers, community members, and local government the implications of this seasonal fluctuation. Critically thinking about how second home owners and tourism as economic drivers will affect downtown Highlands and how that differs from a more traditional Main St. community will be vital to the success of the Small Town Main St. Program in Highlands.

Taken as a whole travel and tourism in North Carolina has a major impact on the economy, producing \$20.2 billion a year. The \$20.2 billion in tourism related expenditures translates to \$15.6 billion in tourism impact (full GDP), or 4.0% of the state economy. In North Carolina visitors spend more in retail (including grocery stores) than in any other sector; followed closely by restaurants and lodging.

Below is a summary of the statistics regarding tourism in the Mountain Region, where Highlands is located along with 22 of the most western counties in NC:

- *In 2009 20% of NC visitors traveled to NC Mountain region*
- *84% of domestic visitors came to the region for pleasure;*
- *12% for business (includes meeting/convention); remainder for personal or "other" reasons*
- *31% traveled to the Mountain Region between September & November (with September having the highest portion of visitors; followed by summer – 28%; spring – 23% and winter 18%)*
- *Overnight visitors spent an average of 3.2 nights in region;*
- *55% stayed in hotel/motel; 35% private home and 7% RV*

*campground*

- *Average travel party size to the region was 2.6 people; 29% included children;*
- *85% drove to region*
- *In 2009 average household trip expenditure to region was \$472; average for overnight visitors was \$617; day trip visitors to region spent approximately \$142 per visit;*
- *59% of the travelers had household incomes of over \$50,000<sup>1</sup>*

For Macon County as a whole:

- *Local tourism tax receipts were \$10.08 million*
- *Macon County ranks a respectable 28th in the state for tourism up from 31st in 2008*
- *Macon County had a -2.8% decrease in tourism over 2008 (this report is from 2009)<sup>2</sup>*

## RETAIL OBSERVATIONS

In addition to understanding the population that shops downtown Highlands, it is important to look closely at the retail mix within the downtown district. Just as you must have shoppers to have retail, you must have healthy, varied retail to have shoppers. Downtown Highlands' marketplace (those businesses located within a 0.3 mile radius of the intersection of 4th Street and Main Street) currently generate a sales surplus of nearly \$34 million beyond predicted retail demand for downtown and nearly \$23.5 million beyond the predicted retail demand at the one mile radius. It is only at the 5 mile radius that some surplus opens up and even this is very limited. The take away is that the 80 businesses within the downtown marketplace are dominating

<sup>1</sup> <http://www.nccommerce.com/en/TourismServices/PromoteTravelAndTourismIndustry/TourismResearch>

<sup>2</sup> <http://www.nccommerce.com/en/TourismServices/PromoteTravelAndTourismIndustry/TourismResearch>

## RETAIL OBSERVATIONS (CONT.)

nearly every retail category as measured by the purchasing power of the population (3,611) which lives within five miles of downtown.

This domination presents a challenge to STMS staff's traditional approach of; 1) identifying the retail leakage within the five mile radius, of which there is often a significant amount, and 2) targeting those retail categories as potential downtown businesses. However, we know, from our consumer research, that the full time population of the area doesn't represent the complete picture for Highlands. It doesn't reflect the purchasing power of Highlands' part time residents, a group whose demographic statistics are associated with their primary residences, or of visitors to the area. This additional but poorly understood purchasing power is clearly an advantage for downtown Highlands when compared to similarly sized communities (sales per sq.ft. in downtown retail are as strong as we've seen), but it is an advantage whose additional opportunities require a creative approach to uncover (there are very few vacancies for business start-up or expansion, additionally retail success and local land values have generated debt burdens for building owner's that have translated into high average rents).

Of course Highlanders are anecdotally well aware of the unique nature of their downtown market with STMS staff often hearing that, simply put, the town used to roll up the sidewalks at the end of October and lay them back out come spring. What STMS staff hope this section of the report will do is to provide a clear outline of the variety of pieces that make a downtown market go. While the uniqueness of the Highlands marketplace, in particular the prevalence of second home owners and the cyclic market they create, means that there won't be any simple solutions; the following observations are a review of the factors that will influence the success of downtown entrepreneurs in opening, sustaining and/or growing their businesses. We will variously; note your existing retail mix, introduce the sales to rent ratio concept, discuss existing retail leakage and how that information can be used

to increase market share or suggest new business models, review the components of a successful business mix and finally discuss business recruitment, retention, and expansion.

### EXISTING RETAIL MIX OBSERVATIONS

The 2009 ESRI Marketplace Profile data indicates that within the .3 mile radius, which will be considered and referred to as downtown Highlands; there are 78 retail businesses, including food services and drinking places. The retail categories are broken down into twelve categories; of those twelve, downtown Highlands' most notable non-food related categories are Miscellaneous Store Retailers with 22 businesses and Clothing & Clothing Accessories Stores with 17 businesses.

Retail Trade and Food Services and Drinking Places categories account for 38.5% of jobs downtown and nearly 42% of the businesses.

At the one mile radius for Retail and Food Services & Drinking Places:

- *111 total businesses*
- *accounts for 37% of workforce*
- *39.5% of the total businesses.*
- *clothing and miscellaneous retail are highest non-food categories percentage wise employing 165;*
- *23 of the 111 are food service & drink related with 187 employees representing 12% of the total workforce*

At the five mile radius:

- *150 total*
- *Accounts for 29% of workforce*
- *39.6% of the total businesses*
- *73 of these are clothing and miscellaneous retail stores*
- *56 of the 150 are food service and drink employing 265*

### SALES TO RENT RATIO OBSERVATIONS

## RETAIL OBSERVATIONS (CONT.)

A major component of sustaining and growing your core downtown businesses is having an understanding of the sales to rent ratio. This ratio represents the percentage of a retailer's sales that go towards covering their building rental costs. This ratio can vary across business type but, for the health of the business, should vary only within a reasonable range, usually between 2% and 8.5%, though not always.

According to the completed merchant surveys, which represented about one-third of the downtown retailers we determined that; the average gross retail sales total for downtown businesses is \$624,000 with a range of \$503,000 to \$746,000; the average retail space is 2,451 square feet, and the average rent is \$3,368 per month. This translates to an average rent of \$24 per square foot (with a range between \$8.00 and \$46.00). The retail sales generated ranged from \$258 to \$362 per sq.ft. with the average retail sales coming in at \$308 per sq.ft. Plugging these numbers into the sales to rent ratio, we found that downtown Highlands retailers are, on average, using 9%-12% of their gross sales to cover their rent<sup>3</sup>. Listed below is the Sales to Rent Ratio should you wish to investigate these ratios as relates to your own specific business.

Example: Rent = \$25,000 (per/yr)/ \$350,000 (gross sales)  
= 0.07 or 7% of sales goes to rent

Percentages in this range (9% to 12%) can put significant stress on retailers and present substantial challenges to sustainable business growth in the downtown Highlands marketplace. Our experience in working with other Small Town Main Street communities across the state is that retailers generally average between \$85 to \$110 a square foot and pay retail rental rates of \$6 to \$12 a square foot. We are often working with these retailers to strive for \$100 to \$120 sales per

<sup>3</sup> The response rate to our merchants survey was right at 33%, in STMS staff experience this percentage is representative of the whole.

square foot as an average and there is often retail leakage in these communities ripe for local entrepreneurs to pick. With the take away being that additional sales are often the way to balance the sales to rent ratio. Conversely, in Highlands we find that average sales are \$308 a square foot, significantly higher than any community STMS staff have dealt with previously. Clearly Highlands is an outlier on the bell curve of small towns, but that does not mean its entrepreneurs are not subject to the same elements of a successful business model that drives entrepreneurial success elsewhere. Rental rates should reflect business success, but there is a point at which they can begin to hamper the potential for continued success and, in particular, the potential for business growth and expansion. The success in retail sales in Highlands begins to suggest that rental rates are the imbalance in this particular sales to rent review.

There are a variety of factors that contribute to rental rates and we recognize that a town such as Highlands, where there has been a successful second home market and tourism economy, that sales data and rental rates are going to average higher than most of the Small Town programs we work with; so we sought out additional retail environments that might come closer to the demand generated for downtown Highlands' retail space. Though larger than Highlands Downtown Asheville's resurgence has in no small part been driven by second home growth and tourism. By comparison: downtown Asheville's current retail rental rates range from \$8-\$16.00 per square foot with the \$16.00 rate being associated with the highest pedestrian traffic areas. Waynesville, a designated NC Main Street community and somewhere in between Asheville and Highlands in population, has an average retail rental rate of \$12 per square foot.

Still we recognized the inherent differences in these communities and Highlands and during staff brainstorming recognized that the market that most closely reflected Highlands was Blowing Rock, NC. Interestingly,

## RETAIL OBSERVATIONS (CONT.)

we did find similarities, their most recent rental rates, ranged from \$4 a square foot to nearly \$47 a square foot, very comparable to Highlands' range. However, staff were most intrigued to find that their average rent per square foot is \$12 according to their January 2011 analysis of downtown. This data set for their downtown district represented the reported rental rates on 83 properties. In addition, both Waynesville and Blowing Rock pointed out to STMS staff that rental rates have been reduced within their downtown districts during the last three years.

STMS Staff are very cautious to suggest that rent is perhaps too high or otherwise a limiting factor for downtown. As we mentioned early, rental rates are tied to a variety of factors, but in this section we focused on how they can impact retailers. As we move forward in the report we will also review building condition and value and discuss some of the factors that are impacting building owners. Creating a sustainable downtown is about partnerships and one of the most significant partnerships is between building owner and tenant, i.e. retailers. In the end the point we wish to make is that sales to rent ratio is strictly that: how much of the retailer's sales (\$) are going toward rent; this does not take into account employees to be paid, insurance, utilities, re-stocking inventory and other business related expenses, nor does it account for the myriad of other ways that a healthy business can contribute to a community.

### RETAIL SURVEYS

Highlands' retailers should be commended on their response to the retail surveys that the Small Town Main Street Staff asked them to complete. Fully one-third of the downtown retailers responded which is the "magic" number of responses that we have found accurately supports our recommendations. In addition to the information we gleaned about the rental rates there were a variety of very positive trends highlighted by the retail surveys:

- *Sales over the last six months of 2010 had increase on*

*average of 16% for 14 of those who responded*

- *Decreased by 12% for 4 respondents*
- *Average increase in sales from 2008-2009 was 13% and average decrease was 10%*
- *The majority of respondents rent as opposed to own*
- *Best months for business are: July, August and October*
- *Most respondents had been in business for five plus years*
- *Only a couple suggested they were considering closing and one needed to expand*

### DOWNTOWN RETAIL SPACE AVAILABILITY

Based on data collected by various members of the Small Town Main Street Committee and STMS Staff, there is approximately 527,311 square feet of retail space in downtown Highlands and approximately 515,397 s/f of this total is currently listed as occupied leaving only 12,000 square feet unoccupied. 8500 s/f of the unoccupied space is available apartments meaning basically, that downtown Highlands is 97% occupied.

The leakage report (see chart on the following page) shows a demand for approximately 9,871 square feet of retail of which 6800 is for motor vehicles and parts dealer a category that we don't usually recommend recruiting within the downtown boundaries. The remaining 3000+ square feet are in categories that are generally encouraged for a downtown district.

This chart serves as a tool for both the long-standing retailer and the newly-arriving retailer. If you own an existing business, review this information to determine if there is any opportunity to expand your business by capturing more market share. If you are considering a new business model review this information to help establish whether your business plan would be meeting a current need (note: this chart should not serve as the sole arbiter of model viability).

Retail Market		Highlands, NC	5 Miles		DOWNTOWN POTENTIAL	
NAICS	Business Type	Leakage	Est. Capture	Sales/SF	SF	
				20%	\$300	
441	Motor Vehicle & Parts Dealers	\$ 10,310,053	\$ 2,062,011	\$ 300	6873	
443/4431	Electronics/Appliances	\$ 506,642	\$ 101,328	\$ 300	338	
4511	Sporting Goods/Hobby/Musical Instrum.	\$ 40,473	\$ 8,095	\$ 300	27	
4521	Dept. Stores excluding leased Dept	\$ 2,506,052	\$ 501,210	\$ 300	1671	
4529	Other General Merchandise Store	\$ 1,188,289	\$ 237,658	\$ 300	792	
7224	Drinking Places/Alcohol	\$ 254,933	\$ 50,987	\$ 300	170	
<b>TOTAL</b>		<b>\$ 14,806,442</b>	<b>\$ 2,961,288</b>	<b>\$ 300</b>	<b>9,871</b>	
SOURCE:		NC Department of Commerce NC Division of Community Assistance ESRIBIS© US Census of Retail Trade US Consumer Expenditure Survey				

## RETAIL OBSERVATIONS (CONT.)

### SUCCESSFUL BUSINESS MIX

A successful business mix will contain businesses that:

- *Are market driven*
- *Provide products and services that meet local needs*
- *Are financially feasible*
- *Have sufficient investment and financing*
- *Have a business plan based on local market data*
- *Are located appropriately*
- *Are in or near a “comparable cluster” of businesses*
- *Have the same customer base-different products; Example: High income; low income; retirees; double-income-no kids (DINKS)*
- *Are in or near a “complementary cluster” of businesses*
- *Have goods and services used in conjunction with each other Example: Women’s clothing/accessories; Convenience Items-groceries/drugs; Furniture/appliances*
- *Are in or near a “comparative cluster” of businesses*
- *Are part of a “critical mass” of businesses*
- *Are of a sufficient number to provide a destination for shopping*

### BUSINESS RECRUITMENT, RETENTION, AND EXPANSION

The basic steps toward successful recruitment, retention and expansion are:

- *A successful plan keeps the existing quality businesses in the community*
- *Success of existing businesses helps in recruiting new businesses*
- *Visits with owners of existing businesses may identify problems and/or weaknesses that may need to be addressed by the recruitment committee*
- *Identify business opportunities that can be met by existing*

- *business expansions*
- *Identify new businesses that are complementary and will attract customers for existing businesses as well*

## NON-RETAIL AND RESIDENTIAL OBSERVATIONS

Downtown retailers are essential to a successful and vibrant Main Street, but there are two additional players that occupy downtown’s real estate and can contribute significantly to a successful downtown. In addition to retail, office and residential uses create the sort of mixed use environment that provides the market synergy needed to revitalize downtown. Each provides their own unique contribution, but the recognition and encouragement of these two other uses and their place within downtown, by both retailers and the Small Town Main Street Committee, is vital.

A reaction to the single use zoning of the 70’s; mixed-use zoning has become a buzz word in the development world of late, but the reality is historic commercial downtown districts have always sought to accommodate a mix of uses. By understanding the role of all of these uses and engaging the associated users, downtown retailers and the STMS Committee strengthen the foundation upon which a healthy Main Street is built.

### NON-RETAIL ENVIRONMENT

Within the downtown district, as defined by the 0.3 mile radius ring in the ESRI Report, approximately 42% are non-retail uses (this is data as interpreted by STMS staff from the ESRI On-Line Business Analyst). The most notable non-retail category for downtown Highlands is the Services category which includes Hotels & Lodging; this category represents 31% of the businesses downtown and contributes 374 employees or 35% of the downtown workforce falling just behind Retail trade which accounts

## NON-RETAIL AND RESIDENTIAL OBSERVATIONS (CONT.)

for nearly 40% of the downtown employees. Finance, Insurance and Real Estate office use represents roughly 11% of the businesses and contributes approximately 88 employees.

Extending out to the one and five mile radius downtown there are an additional 1,723 employees in the Service industry and 333 employees in the Finance, Insurance and Real Estate industry for a combined total of 2,056 employees. These employees are all potential clients for downtown.

As a whole, those who work in and around downtown can represent an extremely loyal customer base if properly courted. They naturally desire to take advantage of the convenience of downtown's proximity to their work for a place to eat or shop, but consumer surveys suggest downtown Highlands is not considered affordable by this population.

Our final observation for this section relates to the location of offices which can have a significant impact on the contiguity of the downtown retail atmosphere. While offices and the associated office workers are an important element of a vital downtown, there are places within the downtown that are suited for offices and those that are not. Understanding this balance requires thinking about downtown in a holistic manner; while our goal is to fill downtown's storefronts with retail, it should not be to remove the offices to accomplish that. In general, Highlands' downtown is a good example of an office environment that doesn't interrupt the flow of the retail environment. We encourage Highlands' Main St. to move forward with future planning that continues to consider placement of office space as it relates to the balance of retail. This can be delicate as the Small Town Main Street committee and property owners must work together to achieve the best solution for all parties.

## RESIDENTIAL ENVIRONMENT

The General Demographics and Consumer Survey section of this report gave a snap shot of the typical Highlander. Clearly, Highlands has been a second home environment for decades. The density this condition created, remember 77.5% of respondents, both full and part time residents, live within 3 miles of downtown, has given Highlands a wealth of residential options in close proximity to downtown.

According to available real estate information as of January 2011, the average listing price of homes for sale in the Highlands 28741 zip code was around \$800,000. For comparison, Scaly Mountain's average list price was \$629,329; Topton was \$466,302; Otto was \$281,145 and Franklin was \$249,115<sup>4</sup>. As of February 3, 2011 there were 913 listings in the Highlands 28741 zip code<sup>5</sup>.

These housing prices reflect the influence of the second home market. Driven by the purchasing power and desires of second home owners, the local housing market has produced housing costs that are among the highest in the region. Providing a full range of housing opportunities, for both second home owners and the various individuals who work in local industries (retail, service and hospitality, medical, education, government, etc.) is essential to a comprehensive economic development strategy. Housing costs in Highlands are such that they can pose an impediment to hiring talent at competitive wages; potential employees don't feel they can afford the area. With your driving economic force being a population whose decisions about where to live will be increasingly based on well-being and the services that promote it, this plays a vital role in your success.

4 [www.trullia.com](http://www.trullia.com)

5 [www.homes.com](http://www.homes.com)

## INTRODUCTION-DOWNTOWN MARKET RECOMMENDATIONS

The Main Street Program has helped a whole host of communities pursue downtown revitalization and its methods have proven to be successful in case after case. As you've read through the previous pages of market observations, we hope you have 1) learned something you didn't know and 2) begun to recognize the interconnected nature of downtown. That is to say, we hope you have gained an understanding of your downtown market that you didn't have before and you appreciate that the market cannot sustain success without a self-awareness that requires communication and cooperation. Successful downtowns don't simply happen; they are achieved by the combined efforts of a diverse collection of community members.

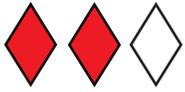
The following Marketplace Projects are recommended by the Small Town Main Street staff. Staff based their recommendations on the objective retail data gathered during the initial months of the program and on the needs that were identified during the Small Town Main Street community kick-off. They are designed to nurture downtown committee members that have the capacity to enhance their comprehension of the various market influences on their downtown and to enthusiastically pursue activities which can enhance downtown's market strength. For ten out of the eleven Market Projects we have recommended a committee to lead the effort. The eleventh project is a self-assessment exercise we are recommending for retailers.

We encourage the entire Small Town Main Street Committee to review these projects. Should you have any questions please contact the Small Town Main Street Staff.

### RECOMMENDED MARKETPLACE PROJECTS

- Engage the Boomer Demographic as an Economic Driver
- Engage and Expand Tourism & Eco-Tourism as Economic Drivers
- Establish a "Downtown Business" Mentoring Program
- Pursue Complimentary Marketing Opportunities
- Establish a Targeted Effort to Connect with Downtown & Local Employees
- Coordinate with Highlands Housing Inc.
- Encourage Retail Self Assessment
- Establish a Business Assistance Program
- Strive for "Excellent Customer Service"
- Establish a Downtown Brand Identity
- Establish an Event & Promotions Review Committee

**PROJECT KEY**



Denotes Invigoration Value as assigned by STMS staff



Organization Committee



Economic Restructuring Committee



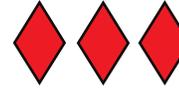
Design Committee



Promotions Committee

**ENGAGE THE BOOMER DEMOGRAPHIC AS AN ECONOMIC DRIVER**

*Invigoration Value-Excellent*



**PROJECT DESCRIPTION**



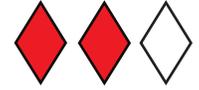
The nature of Highlands’ existing demographics and the explosion of individuals entering retirement from the Baby Boomer generation over the next 18 years has profound implications for Highlands. The needs and desires of the baby boomer generation will play a tremendous role in the local economy. AARP research suggests that baby boomers overwhelmingly would prefer to age in place. For Highlands, the question may be how can the homes, community and social network of Highlands support the independence, creativity, and over-all well being of this group?

**PHASE 1-ACTION STEPS**

- Seek to understand what being an “Age Ready Community” means.
- Consider the value of putting together an RFP/ RFQ for an in-depth study of this demographic’s impact on Highlands.

**ENGAGE TOURISM & ECO-TOURISM AS ECONOMIC DRIVERS**

*Invigoration Value-Good*



**PROJECT DESCRIPTION**

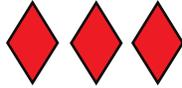
Build upon marketing the natural beauty and serenity of the area and make a connection between this and visiting downtown Highlands. Investigate the possibility of being an eco-tourism community. With the unique environment around Highlands; the rainforest, waterfalls, and wildlife, Highlands may be in a perfect situation to position itself as an eco-tourism destination.

**PHASE 1-ACTION STEPS**

- Seek to understand whether this is an appropriate part of the “Highlands Brand.”
- Consider sending representation to the Eco-Tourism conference being held in Hilton Head, SC this fall.
- Leverage existing businesses and community assets to develop eco-tourism opportunities and effective marketing methods.

## ESTABLISH A “DOWNTOWN BUSINESS” MENTORING PROGRAM

*Invigoration Value-Excellent*



### PROJECT DESCRIPTION



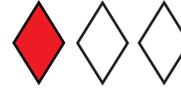
Traditional economic development efforts have focused on recruiting large corporate interests to communities. While still important, there is an increasing recognition of the value of growing entrepreneurship in local communities. This concept, known as “entrepreneurial gardening,” suggests that developing entrepreneurial skills in younger generations and providing forums for existing entrepreneurs to discuss opportunities and challenges can have a significant impact on a sustainable local economy.

### PHASE 1-ACTION STEPS

- At the high school level implement or integrate with a Junior Achievement program. Students would have the opportunity to learn from experienced businesses leaders in the community about work as entrepreneurs. Opportunities in Highlands would include, retail trade, service and hospitality, health care, outdoor experiences and others.
- Look for additional entrepreneur training opportunities, (such as NC REAL; <http://ncreal.org/>) and consider establishing a grant program to assist in attendance costs.
- Create an informal meeting atmosphere designated for local entrepreneurs to share success stories and to promote a business culture that embraces start-ups.

## PURSUE COMPLIMENTARY MARKETING OPPORTUNITIES

*Invigoration Value-Fair*



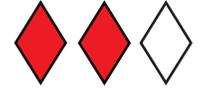
### PROJECT DESCRIPTION



Complimentary retailers should consider partnerships, within the umbrella of the larger merchant effort, for even further targeted marketing. An example effort might be a baker, a dress maker, and specialty paper store (all for weddings) in a Western Main St. community doing a collective ad in *WNC Magazine* or *Our State*, which both target an affluent audience. The variations on such an effort are endless, be creative!

## ESTABLISH TARGETED EFFORT TO CONNECT WITH DOWNTOWN AND LOCAL EMPLOYEES

*Invigoration Value-Good*



### PROJECT DESCRIPTION



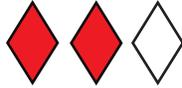
Recognize and understand the employees who are employed within a five mile radius of downtown Highlands and acknowledge their contributions to downtown’s economic vitality. The employees who work in various capacities in Small Towns across the state are often one of the most under appreciated and yet loyal customers a downtown merchant can have.

### PHASE 1-ACTION STEPS

- Review consumer survey responses, are there trends, desires, needs that were expressed by folks who work in the community that downtown might be able to capitalize on?
- Consider a survey to further understand this population and the ways in which they currently uses downtown and the ways they might like to use downtown.
- Establish a “Downtown Employee Appreciation Day.” Nothing is more rewarding than to have someone whom you serve daily, serve you. This will additionally act as a team and community building activity.

## COORDINATE WITH HIGHLANDS HOUSING INC.

*Invigoration Value-Good*



### PROJECT DESCRIPTION



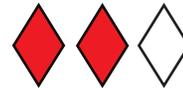
Workforce housing will play a key role in creating a functioning, healthy economic environment for Highlands' small business climate.

### PHASE 1-ACTION STEPS

- Continue studying workforce housing plans and if there isn't already representation from the STMS committee on the Highlands Housing Inc. board seek it.

## ESTABLISH A BUSINESS ASSISTANCE PROGRAM

*Invigoration Value-Good*



### PROJECT DESCRIPTION



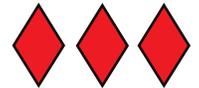
Designed to provide a resource of information on real time market conditions and trends in Highlands; this program would be tasked with providing a minimum level of coordination for the various efforts of the Small Town Main St. program as it relates to downtown Highlands' businesses.

### PHASE 1-ACTION STEPS

- Provide a flow chart of local and regional business assistance programs for existing and start-up businesses.
- Strive to continue to provide an updated market overview as found in this document. Giving business and building owners updated information on market dynamics will help facilitate positive and informed discussions between the two parties.

## ENCOURAGE RETAIL ASSESSMENT

*Invigoration Value-Excellent*



### PROJECT DESCRIPTION



We recommend existing retailers take this opportunity to engage in a self-assessment exercise. A successful downtown is built on the entrepreneurs that call Main Street home. It is therefore essential that these retailers have the support of their communities, but it is even more essential that retailers pursue professional excellence. Doing so requires the ability to self-critique annually.

### PHASE 1-ACTION STEPS

- Retailer should calculate their sales to rent ratios individually.
- Annually review leases, if a business is generating \$200-\$306 of sales per sq.ft. and the sales to rent ratio is off, lease re-negotiation should be considered by all parties.

## STRIVE FOR “EXCELLENT CUSTOMER SERVICE”

*Invigoration Value-Good*



### PROJECT DESCRIPTION



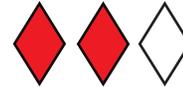
In a community that depends largely on seasonal residents and visitors retailers will benefit from pursuing exceptional customer service. While rated highly, STMS staff suggest that retailers strive to obtain 90% excellent on customer service ratings in the future.

### PHASE 1-ACTION STEPS

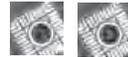
- Reinstate the “Hospitality Training” program that the Highlands Chamber of Commerce provided to employees and make this mandatory for new employees. Consider making this paid training to further encourage full engagement.
- Assess ongoing efforts to generate customer loyalty and consider additional or alternative methods to engender positive experiences for existing customers.
- Consider special appreciation programs for unique customer groups. For example a downtown/government employee appreciation program can generate additional retail traffic at what would otherwise be off-peak times.
- All businesses should accept ATM debit cards and not limit dollar amounts.

## ESTABLISH A DOWNTOWN BRAND IDENTITY

*Invigoration Value-Good*



### PROJECT DESCRIPTION



Market strength is derived, in part, by a consistent and cohesive image. Downtown Highlands’ marketplace has a variety of established brand qualities, but does not have a cohesive brand image used to market the offerings of downtown as a whole.

### PHASE 1-ACTION STEPS

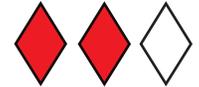
- A Promotional and Design effort, members of both committees should be involved in the development of this project.
- Review branding efforts and identities in other communities, establish likes and dislikes.
- Brainstorm identity words, what do you think of when you think of downtown Highlands?

### PHASE 2-ACTION STEPS

- Develop an RFP/RFQ to pursue a qualified firm to guide you through this process. This report can serve as an important part of a private firm’s process. The firm should be experienced with community/downtown branding, not simply product branding.

## ESTABLISH AN EVENT AND PROMOTIONS REVIEW COMMITTEE

*Invigoration Value-Good*



### PROJECT DESCRIPTION



It is important to establish a full understanding of all on-going events related to Highlands and how they might relate to the Highlands brand. The National Main Street Center’s definition of Promotions is: selling the image and promise of Main Street to all prospects. By marketing the district’s unique characteristics to shoppers, investors, new businesses and visitors, an effective promotion strategy forges a positive image through advertising, retail promotional activity, special events, and marketing campaigns carried out by local volunteers.

### PHASE 1-ACTION STEPS

- Keep in mind three key points in planning future events and in the evaluation process: authenticity, demographics, and creativity.
- Devise an evaluation system involving retailers, appropriate town employee(s), the Highlands Chamber and others who organize events and retail promotions; establish on-going activities and review additional activities and promotions as proposed and created for their contribution to the overall Highlands brand experience.
- For each promotion establish the goal, objective, project, associated tasks, timetable, responsibilities, and budget.

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# **DOWNTOWN'S PHYSICAL ENVIRONMENT**





# INTRODUCTION-DOWNTOWN'S PHYSICAL ENVIRONMENT

Up till now we've talked a great deal about the consumer market as it relates to running a business, shopping, and living downtown. We've briefly noted the importance of understanding business mix and where your residential areas are in relation to downtown. Now it's time to take a closer look at the physical environment which, depending on its condition, can help or hinder the viability of the consumer market.

The National Trust for Historic Preservation conceived of the Main Street Program in the late 1970's, with North Carolina representing one of the three states chosen to institute a pilot program in 1980. The program was created in response to a variety of economic factors that were damaging the historic fabric of communities across the nation. Faced with an increasingly mobile population and entirely new retail environments, traditional downtown shopping districts were struggling to find their identity in the midst of all this change.

The National Trust recognized that the historic social, cultural, and architectural legacy found within downtowns was not only worth preserving but had elements that were both appealing to their community's citizens, and impossible to replicate. These unique landscapes only needed champions to literally uncover, in many cases, their beauty and consumer-friendly attributes. Downtown's singular role in a community's sense of place and its irreplaceable nature provide the foundation for Main Street programs across the nation.

With this awareness the National Trust included design as one of the four main components of the Main Street Program. So as we turn our attention towards Downtown's physical environment, let's look carefully at the condition of our buildings and the space between our buildings: our streets and sidewalks. For it is in these elements that Downtown Highland's inimitable identity can be found, nurtured, and shared.

## ARCHITECTURAL OBSERVATIONS

### *BUILDING VALUE AND CONDITION*

Determining the condition and value of buildings for a downtown can be difficult. The following information is presented for general analysis only and is based on the best data that was available to STMS staff. That said, this data can provide some insight into downtown's real estate market trends over the past five years.

In general, a majority of buildings in the downtown appear and are reported to be in good shape, with some instances of individual buildings in need of upfit. The average total tax value (includes land and structure value) of downtown property is nearly \$1.5 million, with the structures being valued at an average of approximately \$570,000. The median total property value is \$933,290, with the median structure being valued at \$377,445

Those properties that are located in the downtown core and have sold over the time frame beginning in 2004 and continuing through today, have had an average sale price of just over \$1.1 million. The median sale price over this same time frame is \$800,000. During the time frame beginning in 1990 and ending in 2003 the average sale price was nearly \$660,000 with the median sale price coming in around \$500,000<sup>1</sup>. The sales which occurred over the more recent time period represent around a sixty percent increase in purchase price.

<sup>1</sup> All sales and tax value data collected from Macon County Tax Records, February 2011; [www.maconnc.org](http://www.maconnc.org)

## ARCHITECTURAL OBSERVATIONS (CONT.)

### HISTORIC REHABILITATION PROJECTS

Based on the information we've collected about the condition and value of downtown buildings and the retail environment, it is beneficial to consider the viability of rehabilitation projects for downtown buildings. Doing so will give current and potential building owners some insight into the possible returns they might see should they decide to invest in their chosen structures.

#### Example Tax Credit Project

Acquisition	\$224 per sq.ft.	
Renovation	\$75 per sq.ft.	
Total Investment	\$299 per sq.ft.	
Gross Income (Rent)	\$24 per sq.ft.	
Operating Costs (Less)	\$7.20 per sq.ft.	
Net Income	\$16.80 per sq.ft.	
Investment Return	5.6%	
Historic Tax Credits	\$3.00 <small>(10 yrs)</small>	Not Currently Available
Adjusted Net Income	\$19.80 per sq. ft.	
Adjusted Investment Return	6.6% <small>(10 yrs)</small>	

This pro forma uses data collected from research in the town and other regional Main St. communities. Downtown Highlands does not have a National Register District downtown, therefore the adjusted investment return is not immediately available. Should a building owner list an individual property, this adjusted return could be obtainable for historically significant structures. It is worth noting that without the cost of acquisition, existing building owners have the ability to see an even more lucrative return on investment.

There are many variables in this pro forma, specifically the cost

of acquisition, renovation, and rental rates, which are all subject to change and will have an impact on the bottom line. For instance, the renovation costs quoted are associated with preparing a space for traditional retail or office space. Should the property owner wish to up-fit for a restaurant or engage in a more substantial rehabilitation this cost can climb to \$125-\$150 per sq. ft. Individuals in the market to purchase a downtown commercial building should be weighing these market trends when determining value.

### COMMERCIAL DEVELOPMENT

While commercial development can often be controversial, it is instructive to consider how it can play a role in contributing to a sustainable downtown community marketplace. Allowing or forcing commercial development to occur exclusively on the edge of town, a trend that is relatively common in small towns across North Carolina, will have the impact of reducing the total percentage of the local marketplace, in terms of space and market share, that downtown represents. Just as our heart grows as we do, so must the heart of our community. Future commercial growth should be focused in Downtown Highlands, so that the synergistic effect of additional commercial development adds to rather than detracts from the downtown marketplace.

The elements of new commercial development that will make it most successful for downtown Highlands have a great deal to do with the way it is designed. During our Design Walk-About we discussed a number of characteristics that contribute to a successful streetscape. Many of these have a direct impact on building design and can serve as a measuring stick for identifying appropriate commercial development in downtown including, transparency, definition, qualities that engage the eyes, quality of construction and design, complementarity, and maintenance.

## LANDSCAPE OBSERVATIONS

Your streets, sidewalks, and public spaces play a key role in downtown's success; they represent the connective tissue in downtown, holding together the discrete retailers. Historic downtowns, as compared to newer marketplaces (malls, etc.), are unique because of their human scale. Although the development world is beginning to recognize the importance of this scale, the past 50 plus years have markedly favored the automobile. The result has been the widening of roads, the elimination of barriers to traffic flow, and in general an increase in the land mass dedicated to vehicle use. In many cases this has been to the detriment of pedestrians, as their previously connected landscape has been fragmented by the needs of motorists.

Fortunately, because of the way downtown was originally laid out and built, i.e. its distinctly human scale, many of the fragmented connections simply need to be re-emphasized and re-connected. In an effort to better understand the existing condition of the public realm, the Small Town Main Street Design Committee has been investigating the pedestrian experience. The graphic displayed on the following page was produced as a result of this discussion. It represents an overview of downtown's hotspots in relation to pedestrian and vehicular circulation. It begins to suggest not only where pedestrians might want to move in downtown, but also where the STMS committee might want to strengthen fragmented connections. The STMS Committee has also participated in Downtown Design Walk, during which time the pedestrian experience was discussed further.

### *PEDESTRIAN EXPERIENCE*

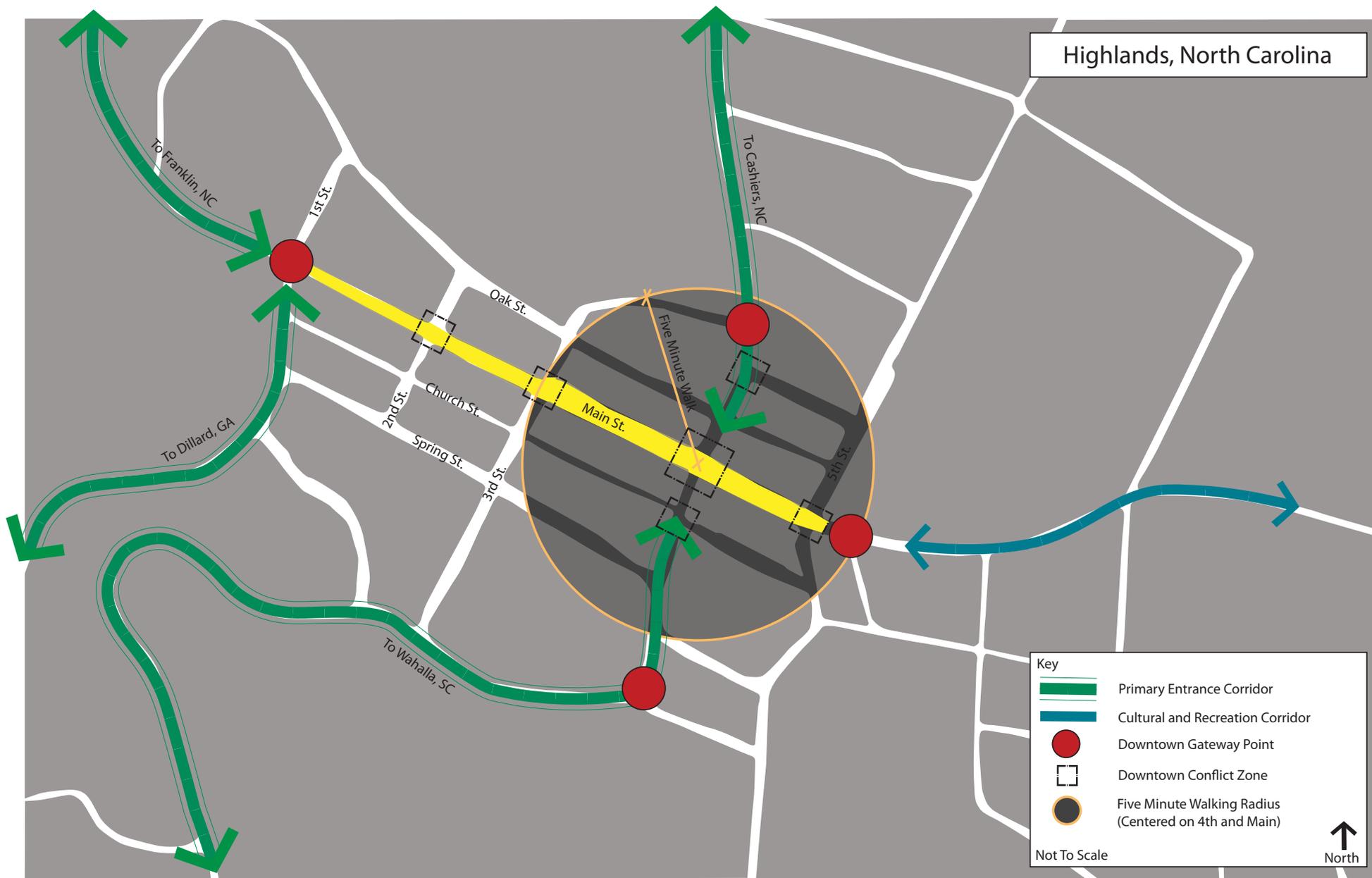
The largest challenges for Downtown Highlands public realm and for the pedestrian experience are centered on pedestrian connectivity throughout the downtown district. In almost every case these challenges

are the result of an overemphasis of automobile needs as opposed to pedestrian needs, most often in relation to the spacial dimensions reserved for vehicles. Intersections are often the most difficult places to navigate for pedestrians in Highlands. For instance between 3rd St. and 5th St., the average crossing distance from curb to curb is a little better than 125 feet. Walking at a 3mph pace that distance will be covered in about 25 to 30 seconds, not exactly a speedy crossing. There are a number of ways to reduce this time and to increase the information that a pedestrian has access to when it comes to making the decision to cross.

One of the most attractive features of a functioning historic downtown marketplace is the ability to get out of your car and walk everywhere. We can see from the walking radius included on the following page that, from a distance perspective, this is very possible in downtown Highlands. However, we can also see, by looking more closely at the pedestrian conflict zones, that pedestrian comfort is being hindered by design features which favor automobiles. When pedestrian comfort is hindered, so is the shopping experience. Working to counteract this challenge to a contiguous downtown pedestrian experience will serve to enhance the synergistic effect that a single location with multiple retailers creates. We strongly encourage the Small Town Main Street Committee to consider the downtown marketplace a landscape where pedestrians' needs and the needs of other forms of transportation are balanced.

### *DOWNTOWN PARKING*

The Town of Highlands recently completed an extensive survey of downtown parking conditions; this included a review of parking usage downtown during the peak lunch hour timeframe. The report also discussed some potential options for re-organizing certain intersections and re-routing truck traffic around downtown. The Small Town Main



## LANDSCAPE OBSERVATIONS (CONT.)

Street Design Committee is actively working in conjuncture with the Town Board and Town Staff to engage the opportunities identified in an effective way.

Of particular note to Small Town Main Street Staff in this report was the peak hour traffic counts conducted by Wilbur Smith & Assoc. Conducted between 1-2 pm these counts not surprisingly noted the full usage of parking along Main St. Conversely and very interestingly they noted 43% and 24% vacancy in the spaces located in zones 8 and 9 and 36% and 34% vacancy in zones 5 and 6 (see appendix for zone map). Zones 5, 6, 8, and 9 are all within a five minute walking distance to the corner of Main and 4th Streets and yet by their vacancy rates you might think they were much further afield.

According to the consumer survey, parking in Downtown Highlands is not difficult with approximately 85 percent of respondents ranking downtown parking as “good” or “excellent” and the remaining 15 percent ranking it as “poor.” When asked how important various issues were to improving downtown, parking ranked 9th out of 12 total factors with 54% of respondents indicating it was “very important.” (see the graphs on pg. 46) Note, this was a majority of survey respondents and it’s valuable to recognize the integral if poorly understood role that parking plays in a viable downtown marketplace.

There are a total of 962 public spaces located in downtown Highlands with 227 located on Main St. between 3rd St. and the Highlands Library on the eastern side of downtown. Based on a review of the Wilbur Smith & Assoc. report and on-site investigations it is staff’s opinion that parking issues in Highlands are more a matter of perception and management than they are of availability. Case in point, it is clear that the public values highly the 227 spaces along Main St. (between 3rd St. and the Library), but there is no recognition of this value in the

spaces themselves. They are just as free as the spaces along Oak St. behind the Chamber of Commerce which had a vacancy rate of 68% during peak hours and are closer to a five to ten minute walk from 4th and Main. Additionally, parking in areas immediately adjacent to downtown (within a five minute walking radius) had vacancy rates from 30% to 40% but are also treated the same.

Downtown’s 227 prime parking spaces represent, based on average tax values for downtown land, a total of a little over \$7.5 million or approximately \$33,000 per space. This is a significant incentive that the community provides the downtown marketplace on a yearly basis. If ten percent of downtown’s parking spaces, between 3rd St. and the library, were converted to additional sidewalk space, trees and pedestrian amenities (a total of 5,040 sq.ft.) and ten percent of that sq. ft. was turned into café seating (504 sq.ft.) at \$275 a sq. ft. in sales, those 504 sq.ft. would generate an additional \$135,000 (+) dollars in sales per year. The other 4,500 sq.ft. also has the added benefit of improving the overall aesthetic experience of and available pedestrian space in downtown.

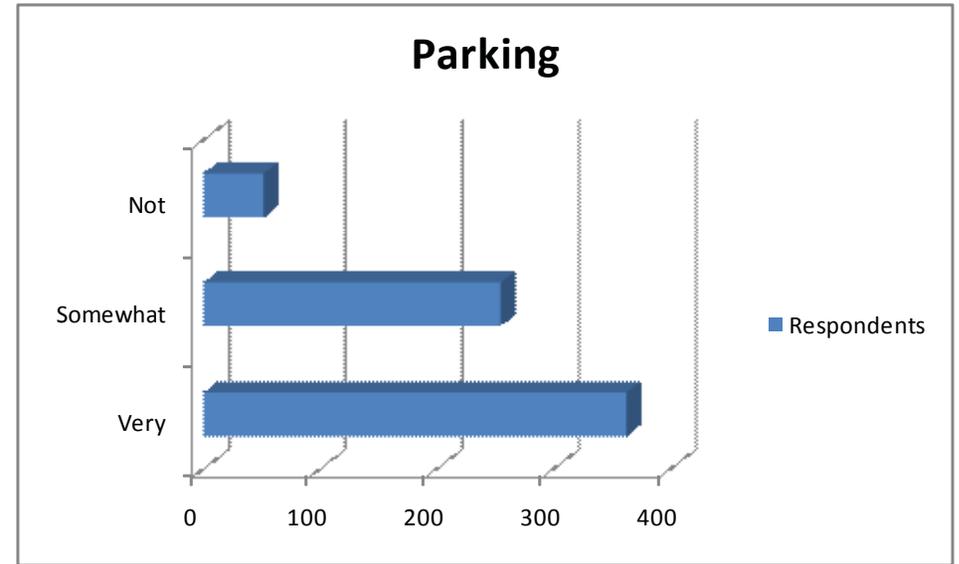
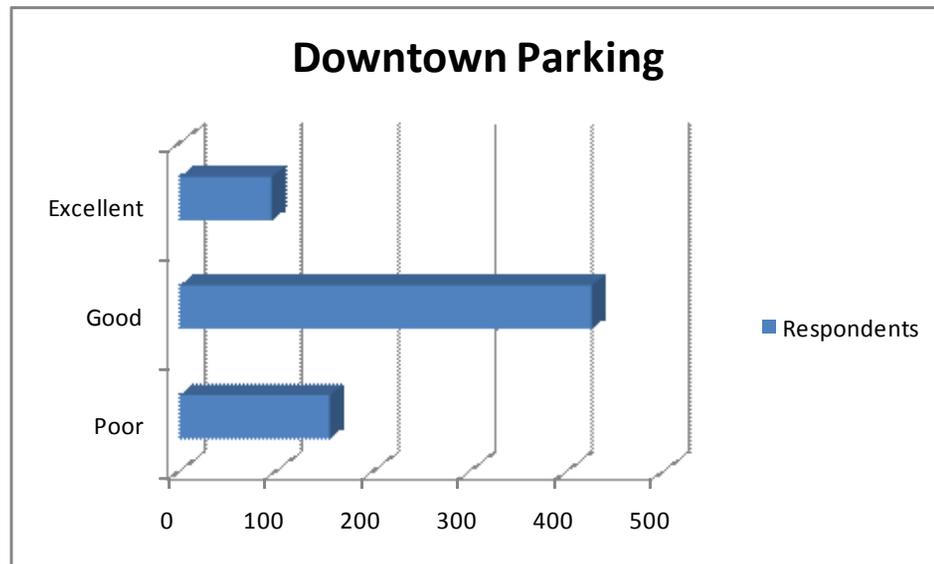
But what about those lost parking spaces, twenty-two in all, conventional wisdom would suggest that their loss would more than make up, in terms of lost customers, for the gain in sales. If we didn’t manage these spaces, allowing whoever wants to park in them the option of parking there all day, conventional wisdom might be right. However, if we seek out ways to promote parking turn-over and look to generate an 85% occupancy rate downtown, pushing the overflow onto adjacent streets, we can actually increase the overall activity levels in downtown.

Based on rule of thumb calculations a well managed parking space in Highlands will generate between \$550 to \$750 dollars in sales per day over the course of a year. At that level the 227 spaces downtown

## LANDSCAPE OBSERVATIONS (CONT.)

generate approximately \$125,000 to \$170,000 a day in sales in downtown businesses. If we remove 22 spaces from downtown but, through better management, increase the usage in Zones 5, 6, 8, and 9 (a total of 520 spaces) by 15% (78 spaces) we would generate a net daily increase of between \$30,000 and \$42,000 in sales activity.

Downtown Highlands has done well to squeeze every possible space out of the downtown environment however, downtown has done nothing to manage their highly in demand parking. A community with as active a downtown as Highlands will benefit from critically assessing the way that their downtown parking is both used, managed and identified. In downtown we must always be searching for the highest and best use of every square foot of space.



## TRAFFIC CIRCULATION

NC DOT traffic counts suggests that the heaviest traffic for downtown is traveling along Rte. 64 with 6,700 vehicle trips per day recorded in 2009 just north of the intersection of Main and 4th. For Main St. just west of the intersection of Main and 4th, DOT recorded 6400 vehicle trips per day. There were around 4,000 vehicle trips per day coming in from Franklin, NC along Rte 64/28 and 5,400 vehicle trips per day coming in from Dillard, GA along Rte. 106. Unfortunately these numbers represent an across the board reduction in vehicle trips around Highlands, off the previous nine years average by anywhere from 15% to 20%. Traffic counts for 2010 have hopefully bounced back, but this fluctuation suggests that the local economy is influenced to some degree by energy costs.

Still Highlands clearly serves as the hub of this region's transportation system and therefore DOT requires that these roads meet certain standards. What will be important for downtown Highlands is working

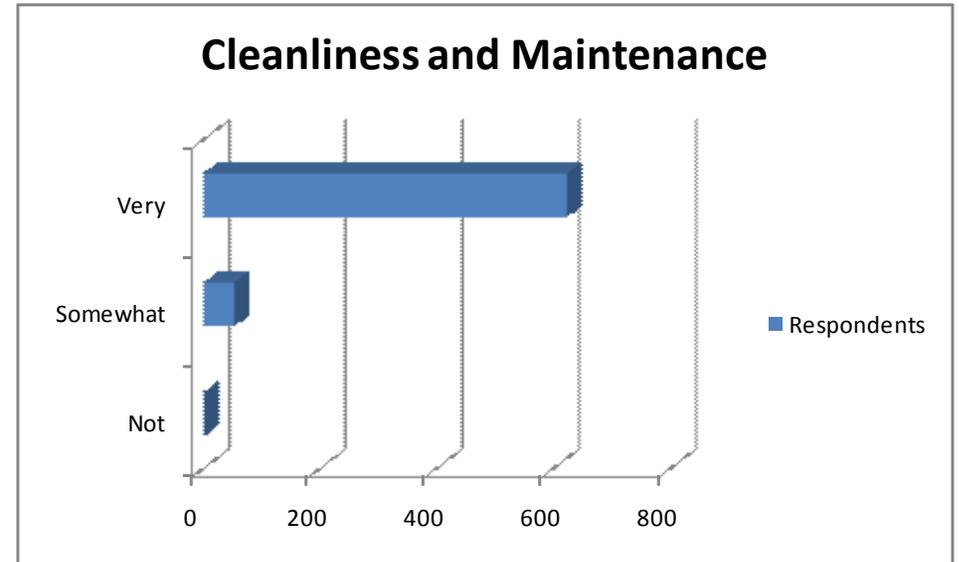
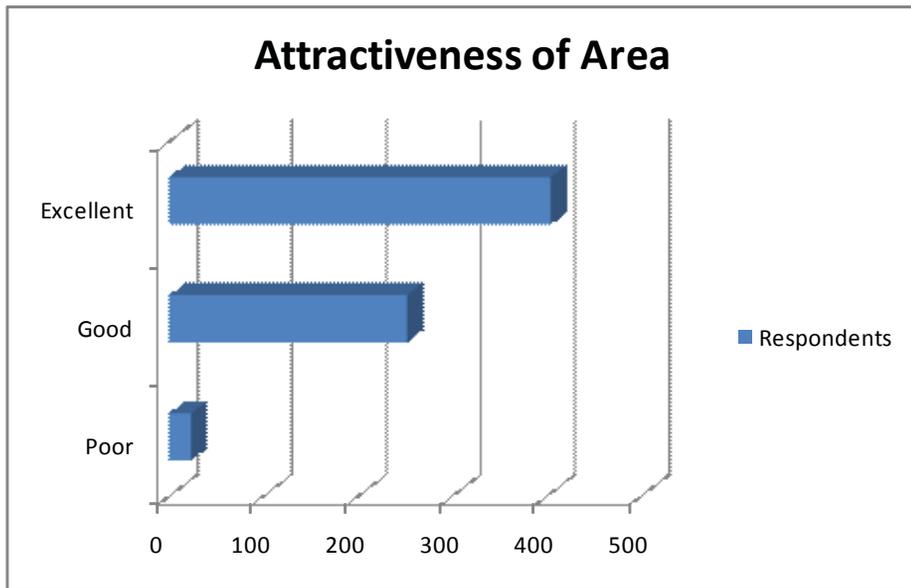
## LANDSCAPE OBSERVATIONS (CONT.)

to assure that these streets are “Complete,” meaning that they serve the needs not only of these daily travelers, but also the local residents and visitors who may wish to ride and walk them. It is important to be thinking about these streets as more than simply a way to get from one side of Highlands to the other.

### NOTES ON GENERAL AESTHETICS

To close our observations of downtown’s physical environment, we believe it is valuable to return to the consumer surveys again. As indicated below, an overwhelming majority of consumers feel downtown is an attractive area. No doubt that is contributed to by the architecture and the well maintained public landscape.

When consumers were asked to rate the importance of various factors that would contribute to downtown’s improvement, “Cleanliness and Maintenance” and “Maintain the Historic Character” of downtown were the top rated. These two consumer concerns highlight the importance of a public-private partnership in downtown as it takes both parties to keep the various elements that contribute to Downtown Highlands in tip top shape. They also point to the importance of recognizing the impact of your demographic. Authenticity is important for Baby Boomers, something that historic character clearly contributes to. Design decisions downtown should always be made with the wide variety of needs and wants of your demographic in mind, not just one of those needs or wants.



# INTRODUCTION-PHYSICAL ENVIRONMENT RECOMMENDATIONS

The following Physical Environment Projects are recommended by the Small Town Main Street staff to nurture a downtown organization populated by individuals that have the capacity to increase their comprehension of the various design challenges and opportunities in their downtown and to actively pursue activities which can enhance downtown's physical environment. They are intended to assist in addressing design issues identified during the community Kick-Off Event.

We encourage the entire Small Town Main Street Committee to review these projects. Should you have any questions please contact the Small Town Main Street Staff.

## RECOMMENDED PHYSICAL ENVIRONMENT PROJECTS

Engage the Boomer Demographic as an Economic Driver

Pursue strategies for improving the Pedestrian Experience

Investigate Parking Management Strategies

Develop a Comprehensive Parking and Wayfinding Signage System

Adopt a "Complete Streets" program, Work with DOT to Implement

Establish Ties with other Highlands Organizations Interested in Downtown Design

## PROJECT KEY

 Denotes the reinvigoration value, as accessed by STMS Staff.



Organization Committee



Economic Restructuring Committee



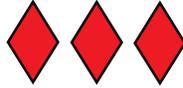
Design Committee



Promotions Committee

## ENGAGE THE BOOMER DEMOGRAPHIC AS AN ECONOMIC DRIVER

*Invigoration Value-Excellent*



### PROJECT DESCRIPTION



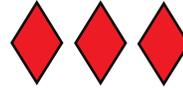
We repeat this element in the design section simply because it's impact and importance cannot be overlooked for the Highlands' economy. As noted, the nature of Highlands' existing demographics and the explosion of individuals entering retirement from the Baby Boomer generation over the next 18 years has profound implications for Highlands. The needs and desires of the baby boomer generation will play a tremendous role in the local economy. AARP research suggests that baby boomers overwhelmingly would prefer to age in place. For Highlands, the question may be how can the homes, community and social network of Highlands support the independence, creativity, and over-all well being of this group?

### PHASE 1-ACTION STEPS

- Boomer's have very different ideas about retirement, they are active, will probably live longer than their parents and want to live in more connected communities; physical infrastructure investments should reflect this.
- Investigate the design preferences of Boomers and consider how these should influence downtown design projects.

## IMPROVE PEDESTRIAN EXPERIENCE

*Invigoration Value-Excellent*



### PROJECT DESCRIPTION

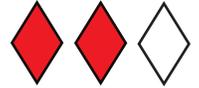
The connective tissue that holds the historic downtown district together is made up of a variety of elements: streets, sidewalks, etc. Over time the distribution of this space has become unbalanced in favor of motorists. Our primary goal as a Design Committee is to promote a reinvigoration of pedestrian accessibility, comfort, and safety in downtown.

### PHASE 1-ACTION STEPS

- Document the existing barriers to an unfragmented pedestrian experience in the downtown marketplace (Conflict Zone Study).
- Review Highlands Comprehensive Plan as it relates to downtown and the associated pedestrian experience.
- Consider strategies for appropriate pedestrian oriented design intervention at problematic downtown intersections.
- Generally promote the importance of pedestrian comfort to the optimal functioning of the downtown marketplace.

## STUDY PARKING MANAGEMENT STRATEGIES

*Invigoration Value-Good*



### PROJECT DESCRIPTION



Downtown Highlands is an extremely active place and parking is an essential component of the downtown. While parking was not rated as a significant issue for downtown there may be some opportunities for increased functionality and efficiency. From a spatial perspective, parking is downtown's number one land use and as such exerts a tremendous influence on all design related decisions, critically assessing parking management strategies will give downtown Highlands insight into how it can most effectively contribute to the downtown marketplace's healthy function. The overriding theme here is that visitors and residents don't come downtown because of plentiful parking, it is only a part of their overall experience. As a Design Committee we have to be the leaders in understanding and improving this part of the downtown experience.

### ACTION STEPS

- Use critical assessment tools in determining the role parking should play in downtown design programs and projects.

## DEVELOP A COMPREHENSIVE WAYFINDING SIGNAGE SYSTEM

*Invigoration Value-Good*



### PROJECT DESCRIPTION

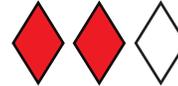
This project represents one of the most effective ways we can engage a variety of the Physical Environment Recommendations as it addresses pedestrian experience, parking, and traffic circulation each in turn. The Design Committee has already engaged this project and will be continueing to develop it moving forward.

### ACTION STEPS

- Of significant importance is the relation of signage systems to any community branding work that may be engaged. From a design perspective, wayfinding signage is an opportunity to deliver a consistent message throughout the community about the variety of community offerings.
- Use the branding tool kit in developing look; Font, Color, Image, and Message.

## ADOPT A “COMPLETE STREET” POLICY

*Invigoration Value-Good*



### PROJECT DESCRIPTION



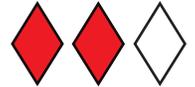
Complete Streets are simply, streets designed for all potential users. Information on model policy elements can be found through the “National Complete Streets Coalition.”

### ACTION STEPS

- The Design Committee should review suggested policy elements and develop appropriate policies for the Town of Highlands.
- Present and support the adoption of guidelines to the community.

## DEVELOP AND NURTURE DESIGN PARTNERSHIPS

*Invigoration Value-Good*



### PROJECT DESCRIPTION

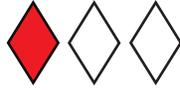
There are a variety of stakeholders in downtown’s public environment and it is vital that the STMS Design Committee actively seek to establish concrete and workable ties with other organizations that have an interest in downtown design issues.

### ACTION STEPS

- Brainstorm potential downtown design partners who have an interest in an attractive downtown.
- Recognize that the town will always play an important role in this effort.
- Work to create regular project updates/ project status sharing to prevent overlap and promote comprehensive knowledge of downtown’s design-related activities.

**ESTABLISH A REAL ESTATE  
AND DEVELOPMENT  
INFORMATION PROGRAM**

*Invigoration Value-Fair*



**PROJECT DESCRIPTION**

Rated “fair” in the current building and development climate, this program concept could become significantly more important for downtown Highlands as the real estate market settles and begins to move forward. The boomer generation is increasingly making itself felt in the entrepreneurial field. As a component of this there may be a continued interest in downtown property. In association with the “Business Assistance” Program, this program is designed to offer comprehensive knowledge of the downtown commercial environment.

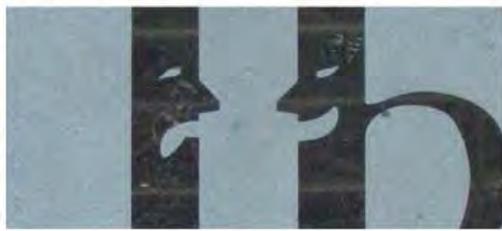
**ACTION STEPS**

- Provide available property listings for downtown.
- Continue to monitor changes in building value, condition, etc. in the downtown market, provide an accessible resource of this information.



# **DOWNTOWN'S FINANCIAL ENVIRONMENT**





## INTRODUCTION-DOWNTOWN FINANCIAL ENVIRONMENT

This section of the marketplace study is a review of the financial environment as it relates to business and property development, and rehabilitation in downtown. The past couple of years have been nothing short of historic in the commercial and residential real estate markets. The related impacts have been dramatic all over the country and Highlands is no exception.

According to the Urban Land Use 2011 “Emerging Trends” report, “lenders with strengthening balance sheets” will “finally step up foreclosure activity and dispositions of properties during 2011 and 2012, helping values reset 30 to 50 percent below 2007 peaks. Borrowers should have improved chances to obtain refinancing, if they own relatively well-leased cash-flowing properties. But overleveraged owners dealing with high vacancies and rolling-down rents could face more uncertain prospects in the credit markets, including the increasing likelihood of foreclosure.”

Exactly how some of these larger trends impact a community like Highlands is difficult to pinpoint, but it is valuable to recognize the historic nature of today’s financial markets. As a result, we offer observations regarding the Financial Environment in downtown Highlands and recommend a cautious, “eyes wide open” approach.

### **BUSINESS DEVELOPMENT OBSERVATIONS & STRATEGIES**

Business decisions must be based on complete and factual information. The data within the ESRI report serves as a basis for identifying needs and highlighting surplus and leakage and it is just that: a basis. This report represents to the best of our knowledge accurate information based on data collected from the community and state and national resources.

As a major influence on the downtown business and development environment The Small Town Main Street (STMS) committee a volunteer organization consisting of town officials, property and business owners, non-profits, citizens and other advocates for downtown Highlands shall serve to focus on downtown development opportunities. They shall work toward making these opportunities easier for potential business owners while working to retain the existing downtown businesses.

Business owners must evaluate their business plans, marketing, know sales per square foot and if renting sales to rent ratio. Knowing this information is a way to evaluate your personal situation and possibly when to seek outside assistance. This assistance may be in the form of business counseling, evaluating a marketing plan, taking a class that could help put your business on track or steer your business into a direction that would have an even more positive impact.

### *ECONOMIC GARDENING*

As STMS staff we travel to many communities across North Carolina and we communicate often across the country with our peers. While the terminology “economic gardening” may seem new, the concept actually came about in 1987. The Ewing Marion Kaufman Foundation notes that, “Economic gardening is an economic development model that embraces the fundamental idea that entrepreneurs drive economies.

The model seeks to create jobs by supporting existing companies in a community. The concept, pioneered in 1987 in Littleton, Colorado, when the state was in a recession, is an alternative to traditional economic development practices. It initially was based on research by MIT's David Birch, who suggested that most new jobs in any local economy were produced by the community's small, local businesses. In Littleton, city leaders observed that only 3 to 5 percent of all companies were "high growth" but determined that those "gazelles" were creating the great majority of new jobs."

One of the main points the foundation makes is that since 1987, Littleton (population 41,000), has added 15,000 jobs, with no corporate or business development incentives. Although no formal studies of economic gardening's impact exist, it is widely believed in Littleton that the concept has made an important contribution to this result.

Consider for a moment just the pure verbal image of the words "economic gardening". While the word "economic" may evoke recent images of the overall (down) economy, dollar signs, or investment, the word means: "of or relating to the production, development, and management of material wealth, as of a country, household, or business enterprise."

Garden on the other hand may evoke the image of a plot of ground producing ripe fruits and vegetables. But in order to produce quality, edible fruits and vegetables they must be nurtured and given right amount of water, sun, compost; even a little weeding/pruning/thinning.

Economic Gardening is a strategic approach to economic development in smaller communities, which are often driven primarily by small businesses. Based on the strength of Highlands entrepreneurs this strategy appears to STMS staff to hold particular promise.

## **CAPITAL AND FINANCING OBSERVATIONS**

The Capital and Financing markets have undergone historic fluctuations over the past several years. The impact of mortgage lending practices and all of the financial tools (securities, etc.) associated with these practices have dramatically impacted the commercial and business lending environment. Risk aversion has increased and in many cases this translates into a difficult environment for obtaining working capital.

Combating these challenges for downtown businesses one of the major roles of the economic restructuring committee. If we return to the concept of "economic gardening," the ER committee is responsible for cultivating an understanding of and engagement in the local entrepreneurial community on the part of local banks. Beyond being a source of knowledge on the dynamics of the local marketplace, this entails working with local banks on developing specific financial tools for promoting and sustaining business development and growth within downtown Highlands.

### **BUSINESS RESPONSIBILITY**

That said business' success should not totally rely on access to "more" capital and financing in order to continue operating. In a 2006 article in *Business Know How* by Patricia Schaefer she writes, "When you're starting a new business, the last thing you want to focus on is failure. But if you address the common reasons for failure up front, you'll be much less likely to fall victim to them yourself. Here are the top 7 reasons why businesses fail and tips for avoiding them."

1. Starting a business for the wrong reasons such as solely wanting to make a lot of money; or to spend more time with your family or not having to answer to anyone else; rather you should consider, if you plan

to succeed:

- o Do you have passion and love for what you're doing
  - o Physical stamina
  - o Drive, determination & positive attitude
  - o Failures don't defeat you
  - o You thrive on independence, skilled at taking charge when a creative or intelligent solution is needed
  - o You like or better yet – love – your fellow man and show this in your honesty, integrity and interactions with others. You get along and deal with all different types of individuals
2. Poor Management – not “minding the store” and paying attention to managing your own business.
  3. Insufficient Capital – not having sufficient capital to begin with.
  4. Location, location, location – this holds true for opening a business as well as buying a home; pay attention to where you are locating your business
  5. Lack of planning
  6. Overexpansion
  7. No website

In reviewing these top seven reasons that Ms. Schaefer wrote about in 2006 we believe they still hold true. It's not necessarily a need for additional capital and financing than avoiding these seven pitfalls from the start and for the more mature or experienced business owner to re-evaluate these on an annual business (be self-reflective).

## FINANCIAL ENVIRONMENT OBSERVATIONS

- Recently NC Capital Access Program has been reinstated. This can be a valuable tool to leverage projects; the North Carolina Rural Center is administering the program and currently signing up banks to participate for more information go to. ([www.ruralcenter.org](http://www.ruralcenter.org))

- Public capital is best suited for community development projects that enhance Historic Highlands rather than individual businesses (although there is a place for this). Work with local governments and other non-profits to aggressively pursue these products. Use these dollars to leverage public capital.

- Maximize use of private capital: Some owners may have little or no existing debt on their properties, and can realize a benefit from providing owner financing to buyers over a term of years, possibly deferring some capital gains taxes. This is an excellent benefit for both buyers and sellers, and should be aggressively pursued as an option. Also with little debt owners may be in a position to lower rent and work with tenants until the market stabilizes and their tenants sales increase.

- Local bankers should be invited to participate on the Economic Restructuring committee of the STMS program if they aren't already involved. By being a part of the ER committee bankers can offer a unique perspective as well as help provide some innovative solutions to accessing capital.

- Keep tabs on area banks Community Reinvestment Act (CRA) activities, encourage banks to meet their CRA goals by supporting downtown projects. ([www.cfed.org/programs/idas/](http://www.cfed.org/programs/idas/))

- Remain in touch with emerging funding trends and opportunities, such as the current green economy, the effects of the baby boomer generation on the economy, etc. (<http://www.disruptivedemographics.com>)

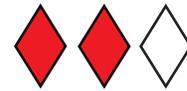
# INTRODUCTION-FINANCIAL ENVIRONMENT RECOMMENDATIONS

Downtown organizations are formed for the specific purpose of providing for the needs of the downtown area in their communities. Although they must thoroughly understand and appreciate the economic conditions of the area at large, by the narrowness of their purpose they are not distracted by the need to provide economic development activities and other services to those areas. The NC Small Town Main Street Program helps provide the information and serve as the source for assistance in participating communities, and will provide that assistance in Highlands during the first two to three years. Recognizing that the last few years have been some of the harshest financially for those in business, we also suggest that this is the best time for planning and positioning for opportunities that will begin to appear when the financial, job and development climates begin to improve significantly. During this time it is crucial to build a sustainable organization that can create opportunities for downtown business development. Therefore we recommend the following:

## RECOMMENDED FINANCIAL ENVIRONMENT PROJECT

Establish a Financial and Business Development Program

### PROJECT KEY

 Denotes the reinvigoration value, as accessed by STMS Staff.



Organization Committee



Economic Restructuring Committee



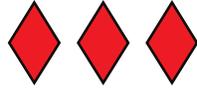
Design Committee



Promotions Committee

## FINANCIAL AND BUSINESS DEVELOPMENT PROGRAM

Invigoration value-Excellent



### PROJECT DESCRIPTION



Potential and existing business and building owners have their hands full in today's fiscal environment. The goal of the program is to provide information regarding existing business incentives and local business development resources. It is also charged with working to develop new incentives that address ongoing market challenges. We recommend that incentives focus on "gap" financing.

### PHASE 1-ACTION STEPS

- Become an expert on downtown Highlands, study and know the downtown environment; what properties are available, what types of businesses should be developed in those properties.
- Establish a comprehensive knowledge of existing local incentive programs and local business development resources.

### PHASE 2-ACTION STEPS

- Generate strategies for working with local banks to establish downtown incentives. Loan pool programs have been useful in the past as a part of attracting and retaining downtown investment; be as creative as the law allows.
- Generate strategies for establishing a downtown investment group. There are programs on the national level that people

can explore, such as Angel Investors, but we encourage you to brainstorm locally-driven programs (keep the Littleton, CO model in mind as you brainstorm – there may be incentives with little or no monetary investment.)

### PHASE 3-ACTION STEPS

- Identify specific projects as recommended by the committees and identify ways in which to fund them (i.e. Façade/Sign Incentive grant programs; branding/wayfinding programs, etc.)



# **DOWNTOWN'S MAIN STREET ORGANIZATION**



# INTRODUCTION-DOWNTOWN’S MAIN STREET ORGANIZATION

Our concluding piece to our study is the method by which all will be implemented within downtown Highlands. Organization was stated as being the biggest need within the Small Town Main Street application that the town of Highlands submitted to the NC Small Town Main Street staff. One of the main reasons for selecting Highlands was the pure honesty of recognizing that an organization needs to be in place in order to accomplish the downtown Highlands goals. The Main Street program emphasizes the four points stressing the validity of all four and how they are symbiotic. The STMS staff believes that the success of achieving the goals of the work plan is dependent upon who will oversee the implementation process.

The National Main Street Center defines the Organizational point of the four-point approach as, “getting everyone working toward the same goal. The tough work of building consensus and cooperation among the groups that have an important stake in the district can be eased by using the common-sense formula of a volunteer-driven program and an organizational structure of board and committees.”

## ORGANIZATION AND SUSTAINABILITY OBSERVATIONS

By working toward having a stand-alone Downtown Organization the Highlands STMS committee will be able to better align themselves for grant opportunities that otherwise may not be offered, but more importantly, having a stand-alone organization made up of a diverse group of individuals focusing on downtown issues can often be the catalyst for achieving success. In North Carolina there are over 50 downtown organizations. Some are designated North Carolina Main Street communities while others simply follow the Main Street Four-Point Approach recognizing this model as key to success.

Over the course of the next year the STMS Staff in conjunction with the

Highlands STMS Executive Committee will consider various downtown organizational models. Below we briefly describe a variety of models.

## DOWNTOWN ORGANIZATIONAL MODELS

- § *Town Appointed Advisory Board*
- This model has a core group representing downtown property and business owners as well as other key downtown stake holders, i.e., banks, cultural resources, etc., appointed by the Town Commissioners to serve as the Downtown Advisory Board.
  - This board can function as an all-volunteer board following the Main Street model of establishing committees. They may be granted some funding through the town’s general funds for specific projects.
  - This model works well in the beginning for smaller towns, establishing a formally recognized downtown focused organization.
- § *Establish A Downtown Tax Exempt Organization*
- Establishing a tax exempt organization requires Articles of Incorporation and By-laws to go along with the Advisory Board or Board of Directors.
  - 501 (c) 3 – offers opportunity for fund raising; Purpose is charitable or religious – education & historic preservation are eligible activities.
  - \* Economic Development is not an eligible activity.
  - 501 (c) 6 – provides tax exempt for business leagues, chamber of commerce, etc. Offers opportunity for membership, corporate contributions, and limited lobbying.
  - 501 (c) 4 – lobbying is allowed, donors cannot deduct contributions.

§ *Establish a Municipal Service District (MSD)/Business Improvement District (BID)*

- In order to establish an MSD or BID, one of the above models should be in place and this should be a tool for accomplishing agreed upon goals.
- To be clear: an MSD/BID involves a self-imposed property tax with the additional generated tax revenue going toward specific downtown projects that are above and beyond what the city/county provides to a specific, targeted area. These services include, but are not limited to:
  - Economic & Business Development
  - Safety & Maintenance
  - Marketing & Downtown Promotions
  - Administration & oversight of Services & Projects

Over the next year STMS staff will work closely with the Town of Highlands and the STMS Executive Committee (Organization), which consists of the Committee Chairs and Town Manager, and as we do STMS staff and committee will strive to make an organizational recommendation based on the committee's work and commitment. By late-fall early winter of 2011-2012 STMS staff and STMS committee should have a clear idea of which organizational model they would like to establish.

**ORGANIZATION RECOMMENDATIONS**

- Identify the best organizational model for the Highlands Small Town Main Street committee
- The Executive Committee and Town Manager shall study various downtown organizational models and over the next six months identify human resources who can become committed STMS volunteers, future chairs as well as identify funding resources

Again, this piece serves to conclude the Marketplace Report. STMS staff strongly encourages Highlands STMS Committee to commit to putting into place and into practice a strong downtown organization and following the Main Street philosophy of putting into action the four-point approach; Organization, Design, Economic Restructuring and Promotions as well as the eight guiding principles: comprehensive, incremental, self-help, partnerships, builds on existing assets, quality-focus, change, implementation. The most successful downtowns have followed this approach to downtown revitalization and we believe that Highlands can be as successful.



# APPENDIX



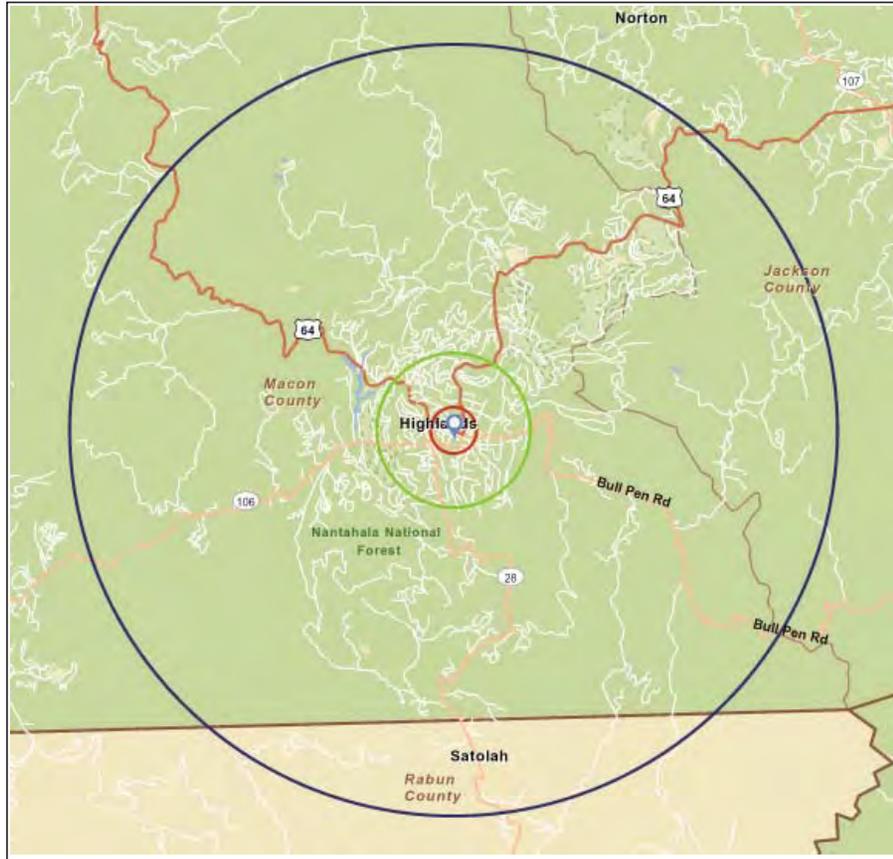


### Site Map

Prepared by ESRI

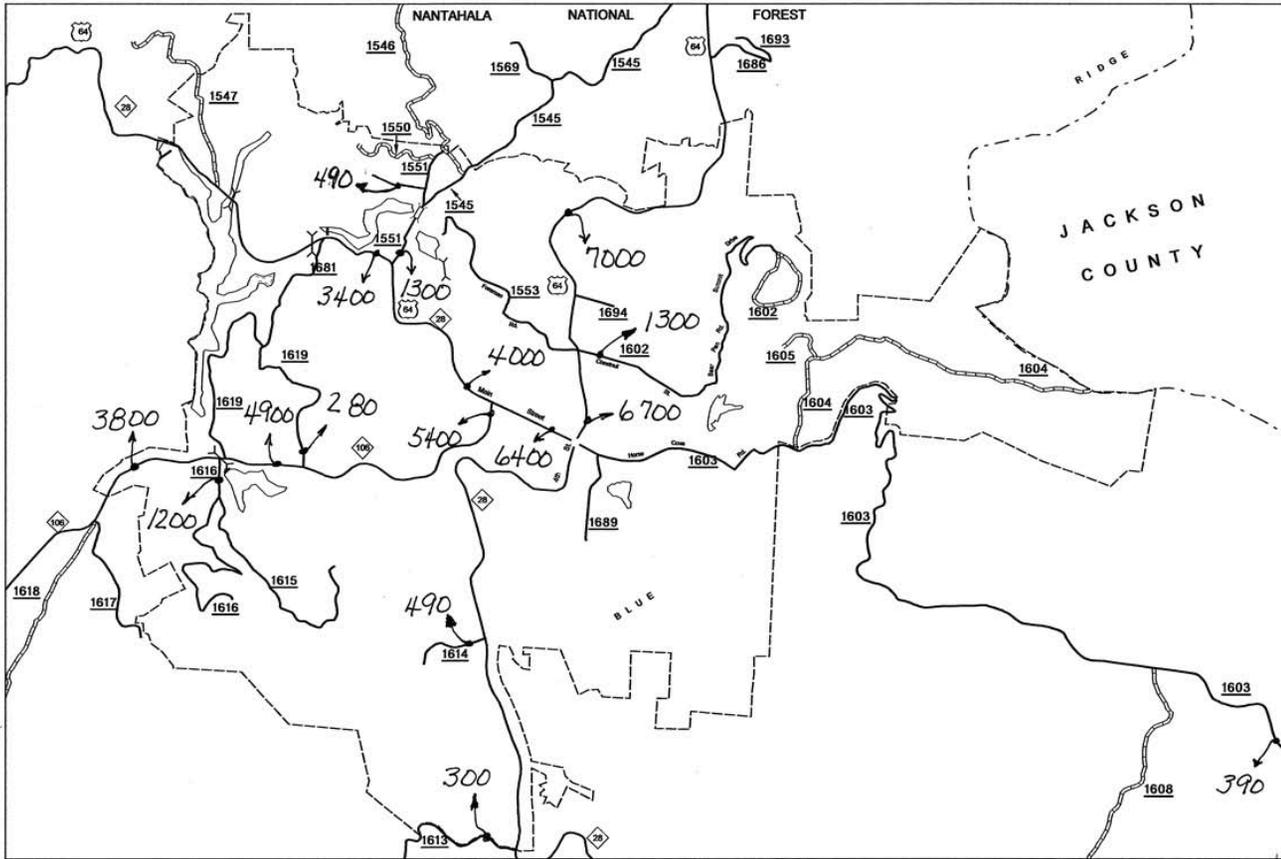
S 3rd St and Main St, Highla...  
S 3rd St & Main St, Highlands, NC 28741  
Ring: 0.3, 1, 5 Miles

Latitude: 35.05331  
Longitude: -83.19926



Referenced throughout the report, the radii shown on this map were used to generate the data collected in the ESRI report. Pulling from 0.3 mile (the red circle), 1 mile (the green circle) and 5 mile (blue-black circle) radii, our report repeatedly refers to the information gathered, using this ring method, by the ESRI data report.





**2009 AADT**  
**ANNUAL AVERAGE DAILY TRAFFIC**  
**MACON COUNTY**  
**NORTH CAROLINA**  
GENERATED BY THE  
**TRAFFIC SURVEY GROUP**  
TRANSPORTATION PLANNING BRANCH  
BASE MAPPING PREPARED BY  
**NORTH CAROLINA DEPARTMENT OF TRANSPORTATION**  
STATE ROAD MAINTENANCE UNIT  
MAPPING & INFORMATION SECTION  
IN COOPERATION WITH THE  
U.S. DEPARTMENT OF TRANSPORTATION  
FEDERAL HIGHWAY ADMINISTRATION

The map displayed above was taken from the NC DOT 2009 traffic count data. Developed by the Traffic Survey Group in the Transportation Planning Branch of DOT, this information is available for the entire state of North Carolina.

The original information can be found at:

<http://www.ncdot.org/travel/statemapping/trafficvolumemaps/default.html>

## Consumer Survey Responses

### Do you currently shop downtown?

Answers	Number	Percentage
Yes	723	97.70%
No	17	2.30%
Total	740	

*For those who answered yes to our first question, the following three questions were asked.*

### How often do you shop in your communities historic downtown commercial district?

Answers	Number	Percentage
Everyday	48	7.59%
3-6 Times per week	107	16.93%
2-4 times per week	122	19.30%
3-6 times per month	147	23.26%
3-6 times per year	136	21.52%
Almost Never	72	11.39%
Other		0.00%
Total	632	

### What is the primary reason you visit your community's historic downtown commercial district?

Answers	Number	Percentage
To Shop	328	38.14%
To Bank	88	10.23%
To Work	71	8.26%
To Eat	292	33.95%
Cultural Events/Entertainment	81	9.42%
Other		0.00%
Total	860	

## Consumer Survey Responses

**What other activities do you engage in, in your community's historic downtown commercial district?**

Answers	Number	Percentage
Shopping	331	24.16%
Banking	270	19.71%
Eating	436	31.82%
Cultural Events/Entertainment	333	24.31%
Other		0.00%
<b>Total</b>	<b>1370</b>	

*The following questions were asked of all survey respondents, downtown shoppers and non-downtown shoppers.*

**Where do you live in relation to your community's historic downtown commercial district?**

Answers	Number	Percentage
In Downtown	107	15.26%
Between 1 and 3 miles from	436	62.20%
Between 3 and 5 miles	71	10.13%
Between 5 and 10 miles from	45	6.42%
Other	42	5.99%
<b>Total</b>	<b>701</b>	

**How do you find out about local businesses, shopping opportunities, special sales, and promotions in your community's historic downtown commercial district?**

Answers	Number	Percentage
Local Newspaper	556	38.48%
Other Newspaper	39	2.70%
TV	29	2.01%
Radio	214	14.81%
Direct Mail	86	5.95%
Word of Mouth	438	30.31%
Internet	83	5.74%
<b>Total</b>	<b>1445</b>	

### Consumer Survey Responses

How would you rate the following in regards to the shopping experience in your community's historic downtown commercial district?

Answers	Excellent		Good		Poor		Total
Parking	96	14.16%	426	62.83%	156	23.01%	678
Price of Merchandise	23	3.40%	386	57.02%	268	39.59%	677
Variety of Goods	123	18.11%	443	65.24%	113	16.64%	679
Quality of Goods	287	42.64%	377	56.02%	9	1.34%	673
Attractiveness of Area	404	59.50%	252	37.11%	23	3.39%	679
Business Hours	139	20.53%	445	65.73%	93	13.74%	677
Safety	403	59.00%	262	38.36%	18	2.64%	683
Customer Service	302	44.28%	346	50.73%	34	4.99%	682

How important are the following to improving your community's historic downtown commercial district?

Answers	Very		Somewhat		Not		Total
Maintain Historic Character	550	81.24%	107	15.81%	20	2.95%	677
Cleanliness and Maintenance	624	91.63%	54	7.93%	3	0.44%	681
Public Improvements-Streetscapes/Landscaping	507	74.34%	157	23.02%	18	2.64%	682
Focusing on Needs of Local Customers	426	62.83%	236	34.81%	16	2.36%	678
Customer Service	497	73.96%	163	24.26%	12	1.79%	672
Providing Regular Business Hours	393	58.74%	254	37.97%	22	3.29%	669
Supporting Local Businesses	481	71.15%	177	26.18%	18	2.66%	676
Creating More Jobs for Locals	416	62.37%	215	32.23%	36	5.40%	667
Advertising	167	25.57%	385	58.96%	101	15.47%	653
Improving Tourism	196	29.61%	328	49.55%	138	20.85%	662
Hosting More Special Events	231	34.53%	333	49.78%	105	15.70%	669
Parking	363	54.18%	255	38.06%	52	7.76%	670

## Consumer Survey Responses

### Are you male or female?

Answers	Number	Percentage
Male	332	45.79%
Female	393	54.21%
Total	725	

### What is your approximate age?

Answers	Number	Percentage
Between 14 and 19	93	13.17%
Between 20 and 25	1	0.14%
Between 26 and 35	13	1.84%
Between 36 and 50	48	6.80%
Over 50	551	78.05%
Total	706	

### Are you a full or part time resident of the area?

Answers	Number	Percentage
Full Time	270	38.46%
Part Time	422	60.11%
Visitor	10	1.42%
Total	702	

**How many people are there in your household?**

Answers	Number	Percentage
One	106	14.89%
Two	395	55.48%
Three	56	7.87%
Four	78	10.96%
Five	37	5.20%
Six to Ten	29	4.07%
Other	11	1.54%
<b>Total</b>	<b>712</b>	

**Are you...?**

Answers	Number	Percentage
Employed	274	37.08%
Unemployed	25	3.38%
A Student	85	11.50%
Retired	336	45.47%
Other	19	2.57%
<b>Total</b>	<b>739</b>	

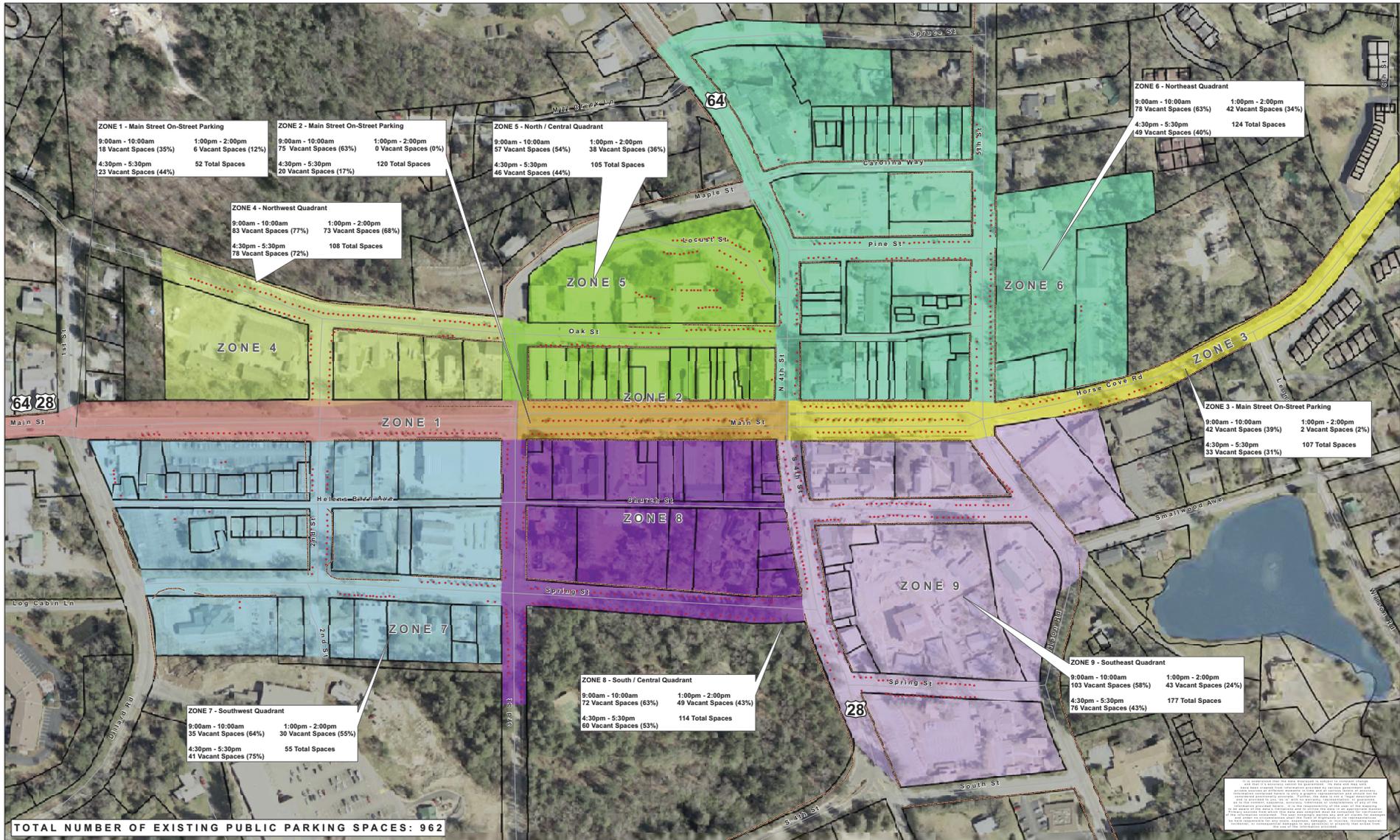
We also asked consumers:

*If not downtown, where else do you shop?*

Top vote getters included; Franklin-213, Cashiers-157, Clayton-133, and Bryson’s-107. There were a variety of other responses, these can be reviewed, by request, through the Small Town Main St. Staff.

*What would you like to see in Downtown Highlands?*

Top vote getters included; Movies-337 (Movie Theater-214) Restaurant(s)-135, and Clothing Store-51. There were a variety of other responses, these can be reviewed, by request, through the Small Town Main St. Staff.



**PUBLIC PARKING SPACES BY ZONES  
EXISTING PUBLIC PARKING SUPPLY/DEMAND**