Tax Base Diversification in Carrboro: From Bedroom Community to Bedrock for Economic Stability

Erin Deignan Reis

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Approved by Yan Song, Advisor
Abstract

ERIN DEIGNAN REIS: Tax Base Diversification in Carrboro: From Bedroom Community to Bedrock for Economic Stability
(Under the direction of Yan Song)

Carrboro, North Carolina, has the fifth-highest residential property tax rate in the state, and its homes are valued higher than the municipalities with higher tax rates. Residential use comprises 86% of Carrboro’s development, meaning businesses contribute little in property and sales taxes. Housing values have increased in recent decades, while diversity and affordability have dwindled.

Non-residential development has been slow in Carrboro, due to a complex combination of existing policies and political will. Whether the town should change its policies and procedures to help diversify the land uses, tax revenue sources, and family backgrounds in Carrboro depends on whether Carrboro’s residents actually want more non-residential development. If they do, this Master’s Project uses a case study of Arcata, California to suggest specific revisions to Carrboro’s development guide, zoning map and land use ordinance that could help speed the non-residential development review process and more aggressively promote affordable housing.
Acknowledgements

I wish to thank Professor Yan Song, my advisor, for her guidance and patience throughout this process. Thanks to Professor David Owens for talking with me about directions to take my research. Thanks to Carrboro Mayor Mark Chilton, Ms. Laura Van Sant, Mr. Larry Oetker, and Mr. Jeffery Brubaker for generously providing helpful and informative interviews. Thanks as well to my husband, Dan Reis, for his support and understanding, and for consistently bringing me food so I could keep working.
# Table of Contents

List of Tables .................................................................................................................. vii

List of Figures .................................................................................................................. viii

Introduction ..................................................................................................................... 1

Chapter 1: Literature Review .......................................................................................... 2
  The History of the Property Tax .................................................................................... 2
  Fiscal Zoning .................................................................................................................. 6
  “Voting with Their Feet” .............................................................................................. 7

Chapter 2: Problem Definition ....................................................................................... 12
  What is the Problem? ...................................................................................................... 12
  Why is this Important? .................................................................................................. 24
  Who is Affected? .......................................................................................................... 26
  What are the Causes? ..................................................................................................... 27

Chapter 3: Existing Policies ........................................................................................... 32
  Land Use Ordinance .................................................................................................... 32
  Development Guide ..................................................................................................... 36
  Zoning Map .................................................................................................................. 39
  Local Living Economy Task Force Recommendations ................................................. 41
  Vision 2020 .................................................................................................................. 43
  Northern Study Area Design Workshop ...................................................................... 46
## Efforts to Provide Affordable Housing

Chapter 4: A Case Study of Arcata, California

- Arcata’s Land Use Code
- Arcata’s Affordable Housing Provisions
- Arcata’s Governmental Department Organization
- Arcata’s Unique Economic Development Projects

Chapter 5: Objectives and Alternatives

- A Vision Statement for Carrboro
- Comprehensive Planning
- Zoning Changes
- Locate New Urban Ordinances
- Tax Increment Financing
- Other Tax Incentives
- Inclusionary Zoning
- Do Nothing

Chapter 6: Recommendations

- Increasing Non-Residential Development
- Providing Affordable Housing

Conclusion

References
List of Tables

Table 1: Property Tax Rates in North Carolina, 2010-2011................................. 13
Table 2: Population, Economics and Housing in Carrboro, 1990-2009 .................. 21
Table 3: Comparison of Jobs with Workers in Industries in Carrboro ................ 23
Table 4: Recently Approved Developments in Downtown Carrboro ...................... 30
Table 5: Overlay Zone Descriptions...................................................................... 40
Table 6: Visioning Goals and Objectives for Carrboro ........................................ 43
Table 7: New Luxury and Affordable Condos in Downtown Carrboro .................... 52
Table 8: Similarities Between Arcata, CA and Carrboro, NC ............................. 54
Table 9: Differences Between Arcata, CA and Carrboro, NC ............................... 55
Table 10: Commercial and Industrial Zoning Districts in Arcata ............................ 58
List of Figures

Figure 1: Changes in Carrboro’s Tax Rates 1998-99 to 2010-11 ......................... 14
Figure 2: General Revenue Sources for Localities Near Carrboro, FY 2009-10 ...... 16
Figure 3: Percentage of Taxed Property Classified as Residential in 2006 .......... 17
Figure 4: General Revenue Sources for Comparable U.S. Cities, FY 2009-10 ...... 17
Figure 5: Carrboro Fiscal Year 2010-11 General Fund Revenue ....................... 19
Figure 6: Distribution of Orange County Population vs. Retail Sales ................ 20
Figure 7: Current Zoning in Downtown Carrboro ........................................... 39
Figure 8: Downtown Overlay Zoning Districts ................................................. 40
Figure 9: Zoning Legend .............................................................................. 40
Figure 10: Arcata’s Location in Northern California ....................................... 57
Figure 11: Development Patterns in Downtown Arcata ................................... 58
Introduction

The North Carolina town of Carrboro is home to a walkable, historic, and unique downtown, excellent schools, a “fare-free” bus system, and a reputation for supporting the arts and the environment. But in spite of these assets—and, perhaps, in order to provide them—Carrboro suffers from a reliance on residential property taxes to supply much of its revenue. As a result, the already high cost of living in Carrboro is made higher, and low- to moderate-income families are choosing to live elsewhere, threatening the town’s diversity.

This report takes a look at the problem from a land use perspective. First, a review of literature on property taxation and fiscal zoning provides background on how Carrboro’s problem developed. Next, the problem, its stakeholders, and its potential causes are identified. Then, Carrboro’s current policies are examined and critiqued. Next, a case study of Arcata, California provides examples for ways Carrboro could encourage land use diversification. Finally, this report makes land use policy-oriented suggestions to deal with what has previously been addressed as an economic development problem.
Chapter 1: Literature Review

The History of the Property Tax

The property tax “has long been the major source of revenues for local government in this country” (Oates, 2001, p. 21). As of 1996 the property tax still constituted more than 75% of local government tax revenues, and more than 90% of tax revenue for townships (Fisher, 1996, p. 4). In the 1999 fiscal year, North Carolina ranked 30th among the fifty states in its reliance on local property tax, with 74.6% of local taxes coming from local property tax – slightly higher than the national average of 72.3% (Melnik & Cenedella, 2008, p. 316).

Before the Revolutionary War, North Carolina went through a tumultuous period of government corruption and rampant unfairness regarding taxation (Fisher, 1996, pp. 16-17). At that time, rather than paying a tax on real property, each male had to pay a tax on his own head (known as a “poll” or “capitation” tax). Although the poor were to be excused from payment under some circumstances, sheriffs often tried to collect from them anyway. In 1768, some petitioners from Orange and Rowan counties said:

A few shillings in taxes might seem trifling to gentlemen roiling in affluence, but to Poor People who must have their Bed and Bed-clothes, yea their Wives Petticoats taken and sold to Defray [taxes] how Tremenjouse judge must be the consequences: an only Horse, to raise Bread by an Only Cow, to give Milk to an helpless Family by which in a Greate Measure are Otherwise Supported, seized and sold.

In 1777, after the Revolution, the first legislature of North Carolina created a property tax of “one halfpenny for each pound value of all the lands, lots, houses, slaves, money, money at interest, stock-in-trade, horses, and cattle in the state” (Fisher, 1996, p. 25). This stood in for the poll tax, and a law passed that year made the property tax progressive (i.e., proportional to ability to pay) (Ibid.).

Subchapter 02 of Chapter 105 of the General Statutes of North Carolina now governs and grants counties and municipalities the ability to list, appraise, and assess property, and to levy and collect taxes on it (N.C. Gen. Stat. § 105-272). State-mandated exemptions and reductions to the property tax exist for agricultural, horticultural and forestland (§ 105-277.2 – 277.6); property of nonprofit homeowners’ associations (§ 105-277.8); property inside certain roadway corridors (§ 105-277.9); property subject to a development financing district agreement (§ 105-277.11); improvements on brownfields (§ 105-277.13); working waterfront property (§ 105-277.14); wildlife conservation land (§ 105-277.15); low-income housing and land trust property (§ 105-277.16 – 277.17); historic properties (§ 105-278); real and personal property owned by government (§ 105-278.1); burial property (§ 105-278.2); qualified retirement facilities (§ 105-278.6A); and real and personal property used for religious and/or educational and/or charitable purposes (§ 105-278.4 – 278.8). These sorts of exemptions limit the amount of money local governments can raise from property taxes, potentially increasing the rate of tax on taxable properties. According to Carrboro’s 2010-11 Annual Operating Budget, these exemptions will reduce the town’s tax base by about $7 million, resulting in a reduction of $41,313 of property tax revenue to the town.
Scholars list a number of benefits to local government reliance on the property tax to fund certain kinds of services. Oates, for instance, says that the local property tax creates a fundamental link between tax and expenditure decisions. If a local government is to make the right fiscal decisions, it must weigh the benefits of proposed public measures against their costs. If financing comes from elsewhere, this link is broken: the choice of public programs will no longer be based on their true cost. (Oates, 2001, p. 26). Taxpayers who live in the neighborhoods where they pay property taxes can see what their taxes pay for in their communities’ roads, sidewalks, and schools. “[L]ocal governments are better able [than state governments] to coordinate taxpayers with the benefits of public services financed by [property] taxes” (Wallis, 2001, p. 123). Property tax provides a steady stream of income to municipalities, and it is difficult for taxpayers to evade (Honadle, Costa, & Cigler, 2004, p. 81). Property tax rates also provide municipalities with means to encourage or discourage development. For instance, “[a]lmost every state has adopted some form of use-value assessment of agricultural land. These laws were intended to prevent the premature development of urban fringe land and to protect farmers from assessments based on speculative values” (Fisher, 1996, pp. 190-91).

In addition to the problems already mentioned with excessive reliance on residential property taxes in Carrboro, however, scholars have identified a number of drawbacks to the local property tax. Even Wallace E. Oates (2001), one of the tax’s biggest supporters, admits that “an overall tax system that relies heavily on central government revenues [rather than local property taxes] will be more efficient and equitable . . . since people cannot easily avoid the tax by moving across jurisdictional
lines” (p. 26). Indeed, when people move across jurisdictional lines to avoid taxes, they increase sprawl, along with demand for public infrastructure (Honadle et al., 2004, p. 76). Doing away with the local property tax could also prevent the “race to the bottom” with economic development incentives to attract businesses, while preventing disparities in local services, such as public school systems, based on jurisdictional property values (Oates, 2001, p. 27).

Property taxes have been considered regressive in that they tax unrealized gains (when assessments find increases in value of property from which homeowners will not profit until they sell the home) and often fail to account for lack of ability to pay (in the case of unemployed or retired homeowners on fixed incomes). In 2003, “the poorest twenty percent of Americans paid three percent of their income in property taxes; middle-class taxpayers paid 2.4 percent of their income in property taxes; and the wealthiest one percent of Americans paid 0.8 percent of their income in property taxes” (Melnik & Cenedella, 2008, p. 276-77). In addition, over time, high property taxes can have negative effects on the tax base, “by reducing the level of business or residential economic activity in the city or by being capitalized into lower property values, or by some combination of both” (Ladd & Bradbury, 1988, pp. 503-04). In other words, high residential property taxes make housing harder to sell, which can cause the sale prices of homes to go down; when the sale prices go down, the market value goes down, and the homes will be reassessed at lower values, further reducing the amount of property tax collectible.

Honadle et al. (2004) provide suggestions for “broadening the property tax base . . . for generating additional local revenues,” (p. 90) but many of these are legislative or economic development techniques, rather than land use control techniques. Before
exploring land use techniques that may be used to generate revenue, a review of fiscal zoning literature is necessary.

**Fiscal Zoning**

Helen Ladd (1998) documents the ways in which land use regulations are used for fiscal purposes: “By zoning out the types of development that would require more in public spending than they would generate in revenue and encouraging development that yields a fiscal ‘profit’, established residents try to keep their own tax burdens down” (p. 55). Ladd refers to the idea that business property generates a fiscal surplus, because the property taxes it generates exceed the cost of services it uses, as “conventional wisdom” that is not necessarily accurate (Ibid.). The dark side of fiscal zoning is that it could involve zoning out residential uses that can create a fiscal drain – in particular, low-value housing for large families – and thinly disguise discrimination (Ibid.). Planners may view such zoning as “growth management,” but Ladd quotes Fred White, who “argue[d] that ‘The no-growth movement should be seen for what it is – a new and modernized form of exclusionary zoning that plays on the environmental consciousness of the 1970s’’” (Ladd, 1998, p. 59, quoting White, F., & Miller, B. (1978). Comparison of property tax circuit-breakers applied to farmers and homeowners: Reply. *Land Economics, 54*(3), 397-9). Michelle J. White (1975) even argues that exclusion was the primary motive for the very first zoning: Fifth Avenue luxury shop-owners wanted height restrictions on buildings to prevent garment workers from living in lofts above their shops, although they couched this request, and the courts allowed it, as protecting public “‘health and welfare’” (p. 33).

Ladd (1998) also critiques fiscal impact analysis, a technique widely used by planners to estimate the revenues new development will yield and the public service
expenses such development will require (pp. 60-63). The analysis is limited because it only takes into account certain expenses, such as schools or the roads immediately adjacent to the development, but does not consider the impact of not having adequate housing close to a new business, or the fact that new residents might not use local schools (pp. 62-63). Conversely, benefits are considered only in terms of the revenue that will accrue, and not in terms of social benefits such as employment or accessible businesses (p. 63). Ladd argues that fiscal impact analysis is, at best, a limited tool to be used in conjunction with others in development decisionmaking (Ibid.).

“Voting with Their Feet”

This exploration of the public services in Carrboro for which property taxes pay would be incomplete without a mention of Charles Tiebout, and his theory that people choose where to live, or “vote with their feet,” by balancing an acceptable residential price with a preferred level of services (Mills & Oates, 1975, p. 1). Bruce Hamilton (1975) expanded Tiebout’s theory to explore the effects of the property tax on choice of household location (p. 13). Hamilton noted that the principal public service offered is education, and he created a model where the price of all housing in a community was the same ($100,000), and the tax assessed on each home was the same (3%, or $3,000) (Fischel, 1985, p. 301). The residents who lived in $100,000 homes would not think it fair for a family to build a $50,000 home in the community, on which it paid just $1,500 in property taxes, yet from which it sent the same number of children to school as everybody else; thus, the residents zone their community to only allow $100,000 homes (Hamilton, 1975, p. 15). A family with a preference for a $3,000 education but a $50,000
home must then choose to live in a neighborhood with a 6% property tax (Fischel, 1985, p. 301).

These theories rely on the assumptions that a neighborhood exists to suit each individual’s preferences for services, home price, and tax rate, and that other factors, such as employment or family situation, do not influence locational decisions. Of course, these circumstances do not exist in the real world. These theories present an interesting way to view Carrboro, however, with its high residential property tax rate and apparent resident preferences for good schools, fare-free buses, and a particular type of living environment. The following excerpt from Michelle White (1975) seems to apply to Carrboro, “a community with a convenient location, a status reputation, [and] a very good school system,” quite well:

[C]ommunities have almost unlimited powers of exclusion. It is reasonable to assume that they use these powers. . . . Relatively inelastic demand might exist for residences in a community with a convenient location, a status reputation, or a very good school system. But even for communities with no monopoly power, it is reasonable to assume that residents might prefer their communities’ present disposition to the alternative of a larger population, higher density, and less open space. It is even more clear that without some inducement, communities would prefer to exclude businesses and factories from their borders (p. 37).

Perhaps because Carrboro is a community with the monopoly power described above, it has exercised its ability to exclude businesses and factories, resulting in a current imbalance in favor of residential land uses. This desire to exclude businesses and factories could remain in Carrboro today, despite resident statements to the contrary, motivating the slow development approval process for non-residential development that will be discussed later in this thesis.
William Fischel (1975) extends the Tiebout theory to include a preference for “environmental quality” in the list of “public services” that influence residential location decisions (p. 125). In Fischel’s model, the presence of firms reduces “environmental quality” in a residential community (p. 126), and this concept of reduced “environmental quality” can mean a number of things, from pollution, to noise, to traffic congestion and unsightliness (pp. 121-22). In Carrboro, the concept of “environmental quality” could also encompass an absence of large corporate chains, as evidenced by its Local Living Economy Task Force Recommendations based on Michael Shuman’s book, *The Small-Mart Revolution*, and the public outcry over an expanded CVS in the downtown, both of which will be discussed later in this thesis.

According to Fischel (1975), firms must pay, usually in the form of taxes, to offset their negative environmental impacts, and the amount they are asked to pay depends on the value that residents place on “environmental quality” (p. 121). Conversely, the amount of offset payment residents demand from firms depends on how much the residents value the benefits the firm will bring:

The paradigm of this model is the zoning board hearing at which the firm requests a variance to put up a facility in a largely residential community. Households near the property where the firm wishes to locate may offer objections that the residential character of the neighborhood will be compromised by the firm. The firm’s advocates, on the other hand, point out that the property tax revenues that the firm will generate are enough to educate several children a year in the local school system or provide tax relief for the town of so many dollars. . . . [A] trade-off between fiscal benefits and adverse neighborhood effects can be assumed to exist in the minds of the zoning authorities who make decisions concerning the location of firms in the community (Ibid.).

As suggested already, and as this thesis will further elaborate, the public hearings at which a new CVS drugstore development has been discussed for downtown Carrboro
seem to fit this paradigm perfectly – nearby residents are opposed to having such a firm close to their homes, even though it could help to reduce their residential property taxes.

As in Fischel’s (1975) model, the land in Carrboro where the new CVS drugstore would be built is “owned by persons not living in the community, so that residents of the community have no proprietary interest in its value except as it relates to their utility” (p. 126). In addition, the CVS firm itself is not locally-owned, and it likely will not employ any of the residents living close by, which makes it even more like Fischel’s model, in which “[f]irms are . . . owned by outsiders, [and] no residents are employed by them” (Ibid.). When the only benefit residents can see to allowing the development is a reduction in residential property taxes, its approval seems to turn on whether the reduction in taxes (at this point, in an amount unknown) is enough to justify the burdens of the development. As for those Carrboro residents who live away from the downtown but are still opposed to the CVS, Fischel (1975) explains: “Just the knowledge that there are no undesirable firms admitted to the community may be something for which a resident is willing to pay, even if none of the firms’ externalities affects him” (p. 143). As will be discussed further, the types of development that do get approved in Carrboro, albeit not without a good deal of protest, are ones where local residents do own the land and the businesses they plan to install, which further affirms Fischel’s model.

Thus, if Fischel is correct, since Carrboro’s residents tend to be affluent as a whole, they might complain about high taxes but continue to refuse to allow new firms if the only benefit they see to be obtained from those firms is an unknown reduction in their property taxes. Refusing to allow a firm that meets local development standards, to locate in a place that has been zoned appropriately for it, may have legal implications, however,
“the community can establish whatever standards it wants, so that it is possible, with a little forethought (and sometimes just afterthought), to exclude most industrial or commercial activities” (Fischel, 1985, p. 64). This thesis will attempt to determine whether Carrboro has established such standards and presented them in a way that is clear to developers, whether the standards serve Carrboro’s needs, and how they might be improved.
Chapter 2: Problem Definition

Since “the property tax is currently the most unpopular tax in the United States” (Melnik & Cenedella, 2008, p. 261), it is not surprising that Carrboro’s residents complain about property taxes. In fact, increasing commercial development in town in order to offset these taxes has been a goal for at least the last ten years (Vision 2020, 2000 para. 3.0). Yet new commercial development has been slow to come to Carrboro, and residential property tax rates remain high. A high tax rate, on some of the highest-valued real estate in North Carolina, means housing in Carrboro is unaffordable for many. At present, Carrboro’s residents are still footing 59% of the town’s revenue, but if any of the nearby employers collapse, residential property taxes in Carrboro could become harder for the town to raise.

What is the Problem?

Tax Issues

According to a 2006 report by Regional Technology Strategies, Inc. (RTS), “residents of Carrboro, through property taxes, are more responsible for their town’s tax revenues than residents in most communities in the county and state” (p. 9). Carrboro’s 2010-2011 total property tax rate was the highest in Orange County (see Table 1) and the fifth highest in the state (below Wagram, Gibson, and Maxton in Scotland County, and Ahoskie in Hertford County). While Carrboro cannot control Orange County’s tax rate, and the Special School District Tax contributes to the expense, the town tax rate is 45%
higher than the statewide average for cities and towns, and Carrboro’s total tax rate is 0.6336 percentage points higher than the statewide average.

Table 1: Property Tax Rates in North Carolina, 2010-2011

<table>
<thead>
<tr>
<th>County or Municipality</th>
<th>Year of Latest Revaluation</th>
<th>County-Wide Tax Rate</th>
<th>Special School Districts</th>
<th>City or Town Tax Rate</th>
<th>Total Tax Rate</th>
<th>Average Home Value</th>
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<tr>
<td>Orange</td>
<td>2009</td>
<td>.8580</td>
<td>...</td>
<td>...</td>
<td>.8580</td>
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<tr>
<td>Carrboro</td>
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<td>.8580</td>
<td>.1884</td>
<td>.5894</td>
<td>1.6358</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In Orange</td>
<td></td>
<td>.8580</td>
<td>.1884</td>
<td>.4940</td>
<td>1.5404</td>
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<tr>
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<td>...</td>
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<tr>
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<td>...</td>
<td>...</td>
<td>.9100</td>
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<tr>
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<tr>
<td>Gibson</td>
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<td>...</td>
<td>.6800</td>
<td>1.7000</td>
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<td></td>
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<td></td>
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</tr>
<tr>
<td>In Scotland</td>
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<td>.4056</td>
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Although Hertford and Scotland Counties have higher tax rates than Orange County, their property has not been reassessed since 2003. Thus, homes in Ahoskie, Gibson, Maxton and Wagram are valued much lower than homes in Carrboro, so even with a higher tax
rate, the total tax paid in these other towns is lower than in Carrboro. Orange County’s 2009 reassessment valued properties 22% higher on average, increasing the total taxes charged to each resident, even as Carrboro’s tax rate has declined (see Figure 1).

**Figure 1: Changes in Carrboro’s Tax Rates 1998-99 to 2010-11**

The Special District tax for schools in Carrboro has remained constant for the past twelve years, hovering at about 32% of the town’s tax rate. It sets off a piece of the property tax for schools that the Town of Carrboro never touches. If it were combined with the town’s tax rate, the town would contribute about 25% of its property tax revenue to the schools. Calculating a national average proportion of revenue contributed to schools is nearly impossible, considering every district has different tax rates and property values, so it is difficult to know how Carrboro relates to other municipalities in
this regard. The Chapel Hill-Carrboro City School system has an excellent reputation statewide and nationally, however, and this probably plays a role in the increase in families with school-aged children in Carrboro in the past ten years, as will be discussed later in this section. Thus, the special school district tax in Carrboro and Chapel Hill is unlikely to change.

Property taxes are the largest source of revenue for Carrboro, comprising 59% of general revenue for the 2010-11 fiscal year (see Figure 2). This is a higher percentage than in most other local governments (see Figures 2 and 4). According to Mandelker et al. (2010), local governments typically raise about 62% of their own revenue, and of that amount, “about 45% comes from the property tax, 10% from locally adopted sales taxes, 3% from individual income taxes, and 26% from various charges. Municipalities have the most diversified revenue structure and, compared with counties, are far less dependent on state aid and the property tax” (p. 287 (quoting Berman, D. (2009). State-local relations: Authority and finances. Municipal Year Book. ICMA, p. 59.)). Figure 3 illustrates how Carrboro relies more on property taxes than the local governments Mandelker describes, and more than the other municipalities in its vicinity, yet less than Orange County.
Figure 2: General Revenue Sources for Localities Near Carrboro, FY 2009-10


Of the large amount of Carrboro’s revenue coming from property taxes, the great majority is from residential property, as the town has an excess of residential development. The Carrboro Planning Department estimates that between 86% and 89% of the property valued in the town is residential property (See Figure 2). In contrast, statewide, 78% of valued property is residential; in Durham County, 61% is residential, and in the Town of Hillsborough, residential land comprises 60% of valued property (RTS, 2006, p. 9). This disparity is significant because residential property is thought to require municipalities to make greater expenditures on services than the property generates in yearly tax revenue: “A 2006 study for Orange County found that while residential development brings $0.76 in revenue to the County Government for every dollar that is expended, commercial and industrial development generates $4.21 in revenue for every dollar expended for their services” (RTS, 2006, p. 10). Thus, the more
residential property a town has, the more money it needs to raise to provide services, and the residents, by and large, will foot the bill.

**Figure 3: Percentage of Taxed Property Classified as Residential in 2006**

![Percentage of Taxed Property Classified as Residential in 2006](image)


Figure 4 illustrates that other cities outside North Carolina, of similar population size to Carrboro and in similar proximity to universities, vary widely in their reliance on property taxes for revenue.

**Figure 4: General Revenue Sources for Comparable U.S. Cities, FY 2009-10**

![General Revenue Sources for Comparable U.S. Cities, FY 2009-10](image)

Source: Fiscal Reports for each of the named cities
These variances can be explained because each state has different laws regarding the types of taxes that municipalities can collect. In addition, different municipalities are responsible for different types of expenditures. For example, in Barrington, RI, nearly 75% of the town’s total revenue goes toward the school system. In Arcata, California, the residential property tax is fixed statewide at 1%; of that, the city itself gets only 16%. In the other municipalities listed in Figure 4, none pay for schools themselves. Like Carrboro, they may have special taxes set aside for schools; in Arcata, schools get 40% of the 1% residential property tax.

In North Carolina, property taxes are one of the few significant revenue streams directly controlled by local jurisdictions. But commercial establishments can provide revenue in addition to property taxes: sales taxes. In North Carolina, sales taxes flow to the state, then they are redistributed to counties according to the percentage of sales taxes generated in each county. Once Orange County receives its share, the taxes are distributed among the towns according to population. Thus, the more retail activity that occurs in Orange County, the higher the sales tax revenue Carrboro receives (RTS, 2006, p. 39). In fiscal year 2010-11, sales taxes made up 17% of town revenues (see Figure 5).
The amount of sales taxes Carrboro receives could be limited by the kinds of anti-sprawl growth management practices that give the town its unique character. In part because of such regulations in Carrboro and Chapel Hill, big-box stores and other large-scale commercial retail tend to locate just over Orange County’s border, in Durham and Chatham Counties. Thus, annual retail sales per capita in Orange County are just over half those in Durham County (RTS, 2006, p. 39). And, while Carrboro is home to 14% of Orange County residents, it brings in less than 11% of the county’s retail sales, compared to Chapel Hill, which has 41% of the county’s population but more than 62% of retail sales (Ibid.). (See Figure 6.) This is true, even though Carrboro is home to the highest-grossing CVS drugstore in the state of North Carolina, and the highest-grossing Harris Teeter grocery store in the country. M. Chilton (personal communication, March 22,
Carrboro apparently has room to grow in terms of sales tax generated, even though it will have to share whatever taxes it contributes with the rest of Orange County.

**Figure 6: Distribution of Orange County Population vs. Retail Sales**

![Figure 6: Distribution of Orange County Population vs. Retail Sales](image)


**Demographic Issues**

A review of demographic information reveals that Carrboro’s total population, population of school-aged children, percentage of owner-occupied housing, median incomes and median home values have increased since 2000, but the percentages of Hispanic/Latino and Black populations and the number of rental units have decreased slightly (according to the 2005-2009 American Community Survey Demographic and Housing Estimates). A causative link cannot be made between these changes and Carrboro’s tax rates, but the changes suggest challenges that Carrboro faces as it searches to diversify its revenue sources. An increase in median income, combined with a decrease
in renter-occupied units, suggest that people working low-wage jobs in Carrboro do not live in town.

Table 2: Population, Economics and Housing in Carrboro, 1990-2009

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>2000</th>
<th>2005-09 (Est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>11553</td>
<td>16782</td>
<td>17850</td>
</tr>
<tr>
<td>School-Age Population</td>
<td>1281</td>
<td>2053</td>
<td>3258</td>
</tr>
<tr>
<td>White Population</td>
<td>78.5%</td>
<td>72.70%</td>
<td>72.20%</td>
</tr>
<tr>
<td>Black Population</td>
<td>16.7%</td>
<td>13.50%</td>
<td>12.70%</td>
</tr>
<tr>
<td>Asian Population</td>
<td>3.7%</td>
<td>5.20%</td>
<td>9.70%</td>
</tr>
<tr>
<td>Other Race Population</td>
<td>1.1%</td>
<td>8.60%</td>
<td>6.80%</td>
</tr>
<tr>
<td>Hispanic/Latino Population</td>
<td>1.7%</td>
<td>12.3%</td>
<td>8.7%</td>
</tr>
<tr>
<td>Hispanic/Latino Pop. Count</td>
<td>199</td>
<td>2062</td>
<td>1552</td>
</tr>
<tr>
<td>Owner-Occupied Units</td>
<td>1370</td>
<td>2383</td>
<td>3242</td>
</tr>
<tr>
<td>Renter-Occupied Units</td>
<td>4267</td>
<td>5187</td>
<td>5176</td>
</tr>
<tr>
<td>Med. Price Owner-Occupied Home</td>
<td>$93,008</td>
<td>$143,242</td>
<td>$307,600</td>
</tr>
<tr>
<td>Per Capita Income</td>
<td>$22,303</td>
<td>$29,418</td>
<td></td>
</tr>
</tbody>
</table>


Notable above is the increase in median price for owner-occupied homes – nearly 115% since 2000. In addition, the number of owner-occupied units increased by 36% between 2000 and the 2005-09 estimate, while the number of renter-occupied units declined slightly. This suggests that housing is becoming more expensive in Carrboro, new housing is largely intended for owner-occupation, some rental units have been converted to owner-occupied units, and the rental market is shrinking; all of this could be squeezing lower-income households out of Carrboro. The percentage of Asian population almost doubled from 2000 to the 2005-09 estimate – a higher rate of increase in Carrboro than in Orange County as a whole – while the proportions of white, black, and other races
declined during this period. The Hispanic/Latino population declined both in numbers and in percentages in Carrboro between 2000 and the 2005-09 estimate. During this period the Hispanic/Latino population increased both in numbers and in percentages in Orange County, however, from 5,273 and 4.5% of the total population in 2000, to 7,165 and 5.8% in the 2005-09 estimate. This suggests that Hispanics have moved out of Carrboro into the surrounding county during the past nine years, and new immigrants are not choosing to live in Carrboro as they once did. The total population in Carrboro increased by 6.4% between 2000 and the 2005-09 estimate, and although this is a leveling off of growth after the 45% increase that took place between 1990 and 2000, it is greater than the 5.3% increase in population in Orange County between 2000 and 2005-09.

*Employment Issues*

According to the 2007 Economic Census, businesses and industries in Carrboro employ 2,059 people. This does not come close to the number of Carrboro’s residents in the workforce: 11,129, according to the 2005-09 American Community Survey estimate. Thus, assuming that each of Carrboro’s employees lives in Carrboro (which is not the case), at least 9,070 residents work outside of town. This indicates that other jurisdictions are earning non-residential taxes that Carrboro could be earning. Not only does Carrboro miss out on the property taxes from these employers, but when Carrboro residents commute to work out of town they also increase traffic and wear on local roads. In addition, commuters likely make at least some everyday purchases (such as gas, lunch, after-work errands or socializing) out of town as well, further sapping Carrboro of sales tax revenues. Table 3 illustrates the discrepancies between the types of jobs available in
Carrboro, and the types of work Carrboro’s residents are doing. The absence of employers for some industries could indicate self-employment in that industry.

**Table 3: Comparison of Jobs with Workers in Industries in Carrboro**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry, fishing and hunting, and mining</td>
<td>-</td>
<td>-</td>
<td>20</td>
</tr>
<tr>
<td>Construction</td>
<td>-</td>
<td>-</td>
<td>523</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-</td>
<td>-</td>
<td>394</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>-</td>
<td>-</td>
<td>88</td>
</tr>
<tr>
<td>Retail trade</td>
<td>65</td>
<td>743</td>
<td>672</td>
</tr>
<tr>
<td>Transportation and warehousing</td>
<td>-</td>
<td>-</td>
<td>36</td>
</tr>
<tr>
<td>Information</td>
<td>9</td>
<td>91</td>
<td>274</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>-</td>
<td>-</td>
<td>480</td>
</tr>
<tr>
<td>Real estate and rental and leasing</td>
<td>33</td>
<td>110</td>
<td>-</td>
</tr>
<tr>
<td>Professional, scientific, and technical services</td>
<td>65</td>
<td>224</td>
<td>1,362</td>
</tr>
<tr>
<td>Administrative and Support and Waste Management and Remediation Services</td>
<td>10</td>
<td>54</td>
<td>-</td>
</tr>
<tr>
<td>Educational services</td>
<td>9</td>
<td>20-99</td>
<td>4,848</td>
</tr>
<tr>
<td>Health care and social assistance</td>
<td>42</td>
<td>500-999</td>
<td>-</td>
</tr>
<tr>
<td>Arts, entertainment, and recreation</td>
<td>10</td>
<td>80</td>
<td>1,009</td>
</tr>
<tr>
<td>Accommodation and food services</td>
<td>33</td>
<td>652</td>
<td>-</td>
</tr>
<tr>
<td>Other services (except public administration)</td>
<td>30</td>
<td>105</td>
<td>534</td>
</tr>
<tr>
<td>Public administration</td>
<td>-</td>
<td>-</td>
<td>234</td>
</tr>
<tr>
<td>Totals</td>
<td>232</td>
<td>2,059-2,637</td>
<td>10,474</td>
</tr>
</tbody>
</table>

Sources: 2007 Economic Census; 2005-09 American Community Survey Estimates

The number of Carrboro residents employed in retail trade is lower than the number of retail trade jobs in town, indicating that at least some retail employees live outside of Carrboro. But more Carrboro residents are employed in construction, manufacturing, wholesale trade, information, finance and insurance, professional, scientific and technical services, and arts, entertainment and recreation than there are jobs available in town, suggesting that these industries could do well if located in Carrboro.

The large number of Carrboro residents employed in Educational Services likely work for
UNC-Chapel Hill, which also indicates some vulnerability if the state budget necessitates cuts to the university system.

**Why is this Important?**

Carrboro’s amenities – in particular, its well-maintained, historic downtown – have made the town a popular place to live. Just as Carrboro’s downtown is an attraction to new residents, so can it be an attraction to new businesses. According to RTS, a Carrboro-based economic development consultant, this type of environment appeals to information technology, graphics, web design and other firms that require employees to spend time in front of computers, generating creative content. A vibrant downtown is much more stimulating for creative work than a sterile office park, providing more opportunities for employees to interact with everyday people (RTS, 2006, p. 29). In addition, creative firms tend to attract young people who would value the atmosphere in Carrboro, with its bike paths and access to quality local food, arts, and music (Parker & Barnes, p. 17). Such firms are also ideal for compact, eco-minded downtowns such as Carrboro’s – they do not require large buildings and tend not to generate on-site pollution. If they do hire the kinds of employees who would like to live in Carrboro, they can prevent traffic and greenhouse gas emissions when employees live close enough to bike or walk to work.

The compactness that makes downtown Carrboro attractive, however, also makes for a scarcity of adequate office space. At present, Carrboro has only three properties classified as Class A or Class B office space: Carr Mill Mall, 400 Roberson St., and the Lloyd Street Office Building provide a combined 86,300 square feet of leasable Class B office space (RTS, 2006, p. 42). A number of creative businesses and nonprofits with the
appropriate Carrboro spirit have relocated to Chapel Hill or Durham because Carrboro had insufficient quality office space – Merge Records, Webslingerz, and Ipas are examples.

Since 2007, four new projects with 393,323 new square feet of commercial space have been approved for downtown Carrboro, but development has slowed during the economic downturn. Still, Carrboro’s development approval process is notoriously long – taking an average of 19 months from application to approval date for the mixed-use and commercial projects approved since 2007 – and that does not take into account the time developers spend preparing the detailed applications required to start the approval process (Roupe, 2011). This lengthy development review process will be discussed further later in this thesis. If it moved more quickly, it is likely some of this development could have started before the economic downturn.

Additional land is available for commercial development outside of Carrboro’s downtown – between 2000 and 2004, fifteen out of twenty-four projects, or 60% of commercial development in Carrboro, took place outside of downtown. But the parts of Carrboro that offer such available space for development are not much different from other parts of the Triangle, and the uniqueness of downtown is what will attract creative and IT firms. If space is not available in downtown Carrboro, such business may choose to locate elsewhere in the region, where housing prices and residential property taxes are lower, rather than elsewhere in Carrboro. In addition, given Carrboro’s high home values and property taxes, it is possible that the employees of any new downtown firms would not live within biking or walking distance to work after all: “large employers are less interested in locating in Carrboro [than in other Triangle cities] because they perceive
difficulty in retaining workers, many of whom would commute because they could not afford a home here” (RTS, 2006, p. 44).

Carrboro Mayor Chilton (2011) has indicated that future commercial development in Carrboro will take place in the Northern Study Area, to give residents there the same walkable and bikable environment that residents closer to downtown enjoy. The town held public design workshops in February to begin getting community ideas and buy-in. Mayor Chilton hopes the town will use the results of public workshops to create a small area plan that will designate types and locations for desired commercial growth. Mayor Chilton seems to believe that development is best done this way – with the community working together to decide what it wants, to signal to developers where their projects are most likely to be approved.

Who is Affected?

The primary stakeholders affected by the tax imbalance are the residents of Carrboro, particularly those with low income. The property tax burden is carried not only by homeowners, but also by renters: “The landlord will actually pay the general property tax, but she will likely offset the tax payment with an increase in rent, passing part or all of the tax burden on to the tenant” (Mandelker et al., 2010, p. 327, quoting Zodrow. (2006). Who pays the property tax? And what does capitalization tell us about who pays? In Land lines, pp. 14-16). Because of the higher service costs for residential development, new residential development could create a net fiscal loss as the town grows (Parker & Barnes, p. 4). Yet if Carrboro is to diversify its tax base by attracting new commercial
property, the town also will need to maintain an adequate supply of affordable workforce housing. Increased costs for homeowners and renters alike mean that lower-income individuals will be priced out of living in Carrboro, even though they might have jobs in town, requiring them to spend money on commuting, and requiring the town to provide them with adequate parking.

Local businesses are secondary stakeholders, as they suffer when their employees cannot afford to live close to work. To the extent that businesses benefit from conglomereration, existing businesses could also suffer from Carrboro’s failure to attract new businesses that might be reluctant to locate in a city where they do not have adequate office space, or where their employees could not afford to live.

As low-income former residents – and the housing and services they demand – move away from Carrboro and into the surrounding areas, Orange County and its neighbors, Chatham and Durham Counties, also become stakeholders. Big-box development, unwanted in Chapel Hill/Carrboro, has already located in those areas, and will likely continue to do so. Residential development in those areas means an increase in property tax revenue along with an increased demand for services. Residential and commercial development could threaten conservation efforts and diminish rural character, while straining road infrastructure and increasing pollution in these areas.

**What are the Causes?**

Carrboro’s roots were in manufacturing and agriculture – the town grew up around a cotton mill, and was one of the world’s largest markets for hardwood railroad cross-ties, situated next to a train depot for the Durham-Greensboro Southern Railway Line – but with the decline of the railroad industry, employment in the town shifted to
primarily services and retail. In 1983, a study of the town’s economic development by Hammer Siler George recommended that the town focus on the creation of an “entertainment shopping district that would include restaurants, bars, and other retail that would create a unique experience for shoppers” (Parker & Barnes, p. 30). This has been the focus in Carrboro for at least the past 25 years, leading to the redevelopment of the Carr Mill Mall and the establishment of a number of bars and restaurants close by. Such an economic focus, however, with the majority of in-town jobs in the lower-wage service and retail sector, has meant that, as stated already, the majority of in-town residents (who tend to be well-educated and affluent) do not work in Carrboro. According to RTS, “Carrboro needs to move beyond its ‘low end’ job market and create a more mixed portfolio of mid-skilled and high-skilled jobs. This would have the added benefit of potentially employing more residents of the town” (RTS, 2006, p. 44).

Since the town converted its mills to shopping centers, Carrboro has ceased to host any manufacturing companies. The majority of its residents work for UNC or in Research Triangle Park (see Table 3). Because such high-quality employers are close by, Carrboro residents’ push for more commercial development does not come from a desire for jobs, unlike in other parts of the state, but a desire to reduce property taxes does not seem to carry the same urgency to allow commercial development. As suggested already in the Literature Review, Carrboro residents might complain about their property taxes, but merely reducing them slightly might not be enough of an incentive for residents to allow new development that they find distasteful.

Carrboro also has a notoriously long and involved development review process. A desire to “reach consensus,” as expressed by Mayor Chilton (2011), means that
community involvement can slow things down. And the lengthy and detailed preliminary requirements for submitting an application take developers a long time to complete, and cost a lot of money. The four major projects approved for downtown Carrboro in the past five years have all required conditional use permits (which require public hearings and quasi-judicial proceedings), with local developers who owned the property long before they began drafting development plans (see Table 4). Said Laura Van Sant, partner in Main Street Properties of Chapel Hill, LLC, as she explained that her company had owned and run the 300 E Main St. property for years before deciding to redevelop it: “We weren’t going anywhere” (personal communication, March 18, 2011). As a result, members of Carrboro’s Board of Aldermen and residents alike take their time working out the details of a project, and only local developers who are committed to the community are likely to wait around that long. Mayor Chilton calls this a “fortunate byproduct” of the long development process, which fits in with Carrboro’s interest in “Keeping it Local,” a sentiment expressed in the creation of the new Local Economy Task Force. But it also means that only well-entrenched (and deep-pocketed) companies provide the new development in Carrboro, and their profit motives govern what gets built. For instance, three out of the four new projects approved for downtown will include a total of nearly ninety “luxury condominiums,” with only nine affordable units in one of the buildings. But until the condos start to sell, the projects are completely on hold, especially while the developers wait to see how things go with sales at the recent projects Greenbridge and East 54 (March, 2010).
Table 4: Recently Approved Developments in Downtown Carrboro

<table>
<thead>
<tr>
<th>Project</th>
<th>Developer</th>
<th>Application Date</th>
<th>Approval Date</th>
<th>Date Developer Purchased Lot</th>
</tr>
</thead>
<tbody>
<tr>
<td>300 East Main</td>
<td>Main Street Partners – Chapel Hill</td>
<td>1/3/2007</td>
<td>6/26/2007</td>
<td>Before 2005</td>
</tr>
</tbody>
</table>

Source: Roupe, 2011; Orange County Register of Deeds, http://web.co.orange.nc.us/webinquiry/

As Mayor Chilton (2011) says, many landowners of tiny parcels in downtown Carrboro “think they’re sitting on a gold mine” and are reluctant to sell except at premium prices, making it difficult to consolidate large parcels worth developing. In addition, Van Sant (2011) describes a “built-in conflict of interest” in the fact that Carrboro uses an outside engineering consulting firm to help it review development proposals; the longer the review process takes, the more this outside firm gets paid—and the developers must cover 80% of the fees. “They kept raising new issues, even on the third review,” L. Van Sant said of her experience, and although her company did not know how much money the process would cost at the outset, “we didn’t know it would be as bad as it was” (personal communication, March 18, 2011). This further contributes to the problem that only large, wealthy developers can afford to develop in Carrboro.

Van Sant identified another reason the 300 East Main development process took a while – “It had less to do with what the rules were and more to do with financial feasibility.” Because Carrboro is far from I-40, she said, it is not an ideal place for big employers to locate; Carrboro’s market for office space tends to come from smaller companies with employees who might live locally. This makes it more difficult for a
large new office building to find tenants, and “there is not a lot of demand for office space in Carrboro right now.” Out of the 200,000 square feet of office space approved for the 300 E Main Street project, only 7,000 square feet is currently leased.
Chapter 3: Existing Policies

This analysis of the town’s existing policies examines the town’s current zoning and planning efforts. The Town of Carrboro does not have a comprehensive plan, but it has a Land Use Ordinance (LUO) and zoning map. Along with the LUO, which was adopted in 1980, many of the town’s planning documents have been around a while, including a ten-year-old visioning policy document, a twelve-year-old small area plan for Carrboro’s Northern Study Area, and a seventeen-year-old set of downtown design guidelines. The town has done some more recent planning with regards to transportation, including a 2009 Bicycle Transportation Plan, a 2005 Downtown Traffic Circulation Study, and a 2008 Parking Task Force Report. The most relevant documents for the purposes of this report are the LUO, the Development Guide, the zoning map, the Local Living Economy Task Force recommendations, the Vision 2020 document, the Northern Study Area Design Workshop materials, and the current affordable housing efforts.

Land Use Ordinance

Carrboro’s Land Use Ordinance is available in 24 separate sections, with ten appendices, provided via links on the Town of Carrboro’s website. Its layout requires a significant amount of clicking and downloading, and the total document is 517 pages. Printing it all out is an entire afternoon’s task. The table of contents alone is eighteen pages long. The first several sections focus on the development approval process, then several sections cover the permissible and supplementary uses allowed in all zones, then
the ordinance covers additional requirements including density, recreational facilities and open space, streets and sidewalks, utilities, signs, and parking.

Appendix A provides the information required for development applications. This eight-page list includes site plans requiring the identification of a number of existing natural, man-made and legal features as well as proposed changes. In addition to the site plans, developers must provide certifications from the agencies that proposed utility systems are or will be adequate, certifications from engineers that structures will be floodproof, documentation of the development’s impact on the environment as well as its impact on pedestrian safety and traffic congestion.

Non-residential land uses can be permitted in a large number of zoning districts, although normally they require special or conditional use permits. Carrboro’s Land Use Ordinance contains eleven different general use zoning districts and one overlay zoning district for commercial land uses. It has four different zoning districts for manufacturing uses – “light” and “general” manufacturing, as well as “watershed light” manufacturing and “Planned Industrial Development.” Commercial elements must be part of any Planned Unit Development (PUD) District, and light manufacturing also can be included. A Residential High Density Overlay district includes commercial uses allowed in the B-1(c) district, and the Office-Residential Mixed Use District (not an overlay) includes residential and commercial uses allowed in the B-2 zoning district. The LUO also contains a conditional use district called “Village Mixed Use,” which should include “[d]wellings, shops, and workplaces generally located in close proximity to each other” (LUO, 1980, Art. IX p. 14). Of nineteen different conditional use zoning districts in the
LUO, ten allow commercial, office, and/or manufacturing uses with a conditional use permit.

In the Table of Permissible Uses, most non-residential uses have very limited zones where they can be developed without a conditional use or special use permit. None of the non-residential uses are available by-right, regardless of lot size, in any general use district. Some are available with only a zoning permit if the development is located on a lot of one acre or less in the B-1(g), B-1(c), B-2, B-3, or B-3-T zones, and on two acres or less in other zones; some are available only with a conditional use permit regardless of the lot size. Thus, all non-residential development on lots larger than two acres, even in “commercial” zoning districts, requires a conditional or special use permit. The conditional use permitting process requires a quasi-judicial procedure, in which public comment is taken into account, and this lengthens (and complicates) the development approval process. In Carrboro, it also gives the Board of Aldermen time to weigh in on many details of development. As will be discussed with regards to the Development Guide below, however, even an application for a zoning permit (required to develop land by-right) has extensive documentation requirements that take time and money to produce.

In its 2006 study, RTS argued that Carrboro’s Land Use Ordinance was unnecessarily complex and confusing for developers, and that it required too much detailed engineering work up-front in the approval process. In her interview, developer L. Van Sant (personal communication, March 18, 2011), of Main Street Properties of Chapel Hill, agreed. Unlike most municipalities, which organize LUOs according to zoning categories, Carrboro’s LUO is organized by regulations. “[I]t is cumbersome to find exactly what one can and cannot do. Permitted uses, bulk regulations, densities, and
similar regulations are each found in separate locations within the LUO . . . it can be difficult to determine precisely what is allowed on a particular piece of property” (RTS, 2006, p. 36). The LUO is cryptic in its approach to density, regulating it by dwelling type or lot size, and not making clear how density is determined or if it could be “negotiated” as part of the approval process (Ibid., p. 37). Carrboro’s LUO also makes its parking requirements difficult to decipher, keying them to the use category rather than specifying them by use. In addition, since “[c]ommercial FARs (allowable “footprint” of a building) seem to be regulated by building height, parking requirements, and other bulk regulations . . . it could be difficult for a developer/investor to determine how much density/FAR and, therefore, what the yield and value of the land may be” (Ibid.). While Carrboro’s LUO does not prevent development, it makes the determination of development rights and what is permitted more difficult for developers than may be advisable.

RTS also found that the Town of Carrboro requires perhaps unnecessarily detailed engineering drawings at a point too early in the development approval process, a point that will be discussed further below. “Most jurisdictions do not require such detail early but rather, later in the process once a development concept appears to have support” (RTS, 2006, p. 38). Requiring so much detail so early on means that developers must make a greater investment in engineering before being certain a development will be approved, potentially increasing the time and cost of the approval process. All of these irregularities with Carrboro’s development approval process can discourage new development from occurring.
Development Guide

Carrboro has tried to remedy some of the problems identified with its LUO by creating a detailed, 250-page Development Guide. Unlike the LUO, which is only downloadable in sections, the Development Guide can be downloaded as a whole, or accessed in sections from a separate web page. The guide contains a complete listing of the appropriate departments, divisions, agencies and commissions with which developers might need to deal, preliminary information they might need, explanations of how and when to access each process, checklists for a majority of the processes and a glossary of important development terms. This 250-page document provides a more coherent approach to getting development projects approved, answering questions on how to modify zoning, obtain special use permits, annex property, etc.

The Development Guide provides fact sheets with frequently-asked-questions for a variety of types of development approvals, including sign permits, construction in a Neighborhood Preservation District, Commercial & Unified Residential Site Plans, Village Mixed Use Projects, Construction Plan Approval, and more. The Commercial & Unified Residential Site Plan review process must be undergone before constructing a new commercial or multi-family structure, and the Development Guide states that the review process typically takes “at least six months.” As stated already, the average approval time for the four most recent developments approved in downtown Carrboro was 19 months.

The Development Guide includes the land use permit application, which applies for subdivision final plats, conditional use permits and modifications, special use permits and modifications, zoning permits, permits for building residential infill and additions,
sign permits, variances, appeals, and special exceptions. Each type of application must be accompanied by a long list of additional documents. For zoning permits, which are supposed to allow development “by-right,” the following supplemental documents are required with the land use permit application:

- The recorded Plat or Deed
- Transportation Impact Statement
- Completed Neighborhood Information Meeting Form or Petition for Special Exception
- Driveway Permit
- Detailed Site Plan
- Grading and Drainage Plan
- Utility Plan
- Lighting Plan
- Sign Plan/Elevations
- Detailed Landscape Plan (including Tree Protection Plan)
- Recreation and Open Space Plan
- Typical Building Elevations/Floor Plans
- Development/Subdivision Fact Sheet
- Final Plat Fact Sheet
- Proof of Legal Interest to Seek Permit
- Drainage Calculations & Water Quantity/Quality Statement/Improvements
- Documentation from Professional Regarding Floodway/Floodplain/Wetlands Impacts and/or Permits
• Tree Removal Justification Letter
• Satellite Parking Agreement
• Detailed Phasing Plan
• Environmental Impact Report
• Number of Copies of Plans and Documents (up to 18 full-size copies & up to 4 reduced-size copies)
• Erosion Control Plan with Letter indicating Preliminary Approval by Erosion Control Officer
• Final Construction Plans
• Orange Water & Sewer Authority or OC Environmental Health Approval
• Appropriate Residential or Commercial Plan Preparation Checklist, and
• Miscellaneous Requirements.

Conditional Use Permits, required for most non-residential development, require all of the above plus five additional documents:

• A Notification Map & List of all property owners within 1000 Feet From Property Boundaries (in all directions)
• Stamped/addressed envelopes for property owners within the prescribed distance (2 sets)
• Major Subdivision Site Planning Information
• Homeowners Association Documents
• Engineer Documentation Regarding 2.150, 4.000 & 9.400 Classification Uses

In the scheme of things, an application for a CUP does not require much more up front
than an application for a zoning permit; the process itself will take more time for a CUP. However, the Development Guide shows that up-front expenses in time and money for non-residential development, regardless of whether it is permitted conditionally or by-right, are quite high.

**Zoning Map**

Even without a comprehensive plan, Carrboro has a detailed zoning map. Figure 7 provides a close-up view of the current zoning in downtown Carrboro, and Figure 8 shows the downtown overlay zones. Table 5 provides a description of the uses allowed in each overlay zone.

**Figure 7: Current Zoning in Downtown Carrboro**
Table 5: Overlay Zone Descriptions

<table>
<thead>
<tr>
<th>Overlay</th>
<th>Description</th>
<th>Uses Permitted</th>
</tr>
</thead>
<tbody>
<tr>
<td>DNP</td>
<td><strong>Downtown Neighborhood Protection Overlay District.</strong> The purpose of this district is to establish special height, setback, and design requirements applicable to lots in certain commercially zoned downtown areas where such lots abut or are directly across the street from residentially zoned properties.</td>
<td>Properties within this district are subject to the regulations applicable to the underlying district except as those regulations are modified or superseded by the requirements of the DNP district.</td>
</tr>
<tr>
<td>EAT</td>
<td><strong>Restaurant District Overlay.</strong> Designed to accommodate on-premises (inside and outside) dining restaurant uses in the B-1(g) General Business district.</td>
<td>Restaurants, Bars, Nightclubs with indoor and outdoor service.</td>
</tr>
</tbody>
</table>
**NPD**  
**Neighborhood Protection District.** Designed to apply to areas which are deemed to possess form, character, and visual qualities from arrangements or combinations of architectural or appurtenant features or places of historical or cultural significance that create an image of stability, local identity, and livable atmosphere. This district is established to achieve the same objectives and purposes as those set forth for the historic district.

**RHDC**  
**Residential High Density and Commercial Overlay District.** Designed to provide for the redevelopment of deteriorating commercial and manufacturing areas in a manner that is consistent with commercial development goals of the town, namely, for compact, compressed town center growth, for a substantial increase in residential opportunities near the town center, and for mixed use development in the downtown.  
Wide range of residential, municipal, and commercial uses, excluding hotels/motels, bed and breakfasts, and enclosed manufacturing.

When asked whether these overlay zones were intended to encourage or restrict development downtown, Mayor M. Chilton replied that they were meant to reassure nearby residents that the town was doing something to control development (personal communication, March 22, 2011). The zoning in certain areas – particularly where development has been approved or is in the process of being approved – will be discussed further in the “Efforts to Provide Affordable Housing” section.

**Local Living Economy Task Force Recommendations**

On March 9, 2010, a group of participants in the Local Living Economy Task Force presented their recommendations to the Town of Carrboro Board of Aldermen. This task force consisted of Aldermen as well as community members and town staff, and it met over a period of eighteen months to “investigate and evaluate strategies by which the Town of Carrboro can help foster the development of a sustainable, locally-
owned and -run economy” (Meeting Minutes, 3/9/10). The Board approved the task force recommendations, which consisted mainly of informational and marketing campaigns, a creation of a local business network, and local financing considerations. The report did not include any land use-oriented recommendations, although it did suggest considering affordable housing in the future.

Mayor Chilton (2011) has further expressed his interest in focusing on developing local businesses, rather than working to attract businesses from outside. He cited proudly Carrboro’s inclusion in the February/March issue of *Mother Earth News* as one of “6 Great Places You’ve (Maybe) Never Heard Of.” Although the readership for this publication is small, M. Chilton feels it reaches the “types” of people and businesses that Carrboro wants to attract and retain (personal communication, March 18, 2011).

“Sending out a glossy full-color postcard that says, ‘Come to Carrboro’ wouldn’t be the right thing for this town,” he said (Ibid.). Mentioning Figure 8 Films, the Carrboro-based producer of popular TV shows like “John and Kate Plus Eight,” Chilton said he believes that Carrboro’s downtown attracts the kinds of people who want to live in and invest in it, not just exploit it, and those types of creative people already live here. “If all we have to compete on is price, we won’t win,” he said, referring to the expense of building (and getting approval for) non-residential development (Ibid.). But the attraction of downtown has to make the price worth it, and that is not something Chilton thinks Carrboro should compromise.

At the same time, while the town moves toward installing a centrally-controlled traffic signal system (paid for by a grant from the federal government), it is also investing in laying fiber optic cable with more bandwidth capacity than currently needed. M.
Chilton said the town was “trying to attract Google,” and although Carrboro is not right off a major interstate highway, it is poised to be right on the information superhighway (personal communication, March 22, 2011).

**Vision 2020**

Carrboro engaged its citizens – who are known for their active concern and involvement in planning issues – in a visioning process for determining what Carrboro should aim to achieve by the year 2020. Completed in 2000, this process was supplemented by a series of public charrettes, culminating in a final report. Participants overwhelmingly indicated that the historic charm and “quirky,” “artsy” character of the downtown should be preserved. Table 6 provides excerpts from the visioning goals and objectives relevant to Carrboro’s tax imbalance.

**Table 6: Visioning Goals and Objectives for Carrboro**

<table>
<thead>
<tr>
<th>Goal</th>
<th>Objectives</th>
</tr>
</thead>
</table>
| **2.3 Attractiveness of the Developed Environment** | **2.31** The town should continue to encourage developers to apply adopted downtown design guidelines when planning and building new structures in the downtown area. Additionally, the town should continue to encourage developers to follow architectural guidelines for residential property. The town should periodically revisit the architectural guidelines to evaluate their effectiveness and their impact on other policy areas.  
**2.32** New development that blends single-family and multi-family units should be designed and landscaped to ensure compatibility. |
| **2.4 Carrboro’s Character**             | **2.41** The town should support the evolution of a downtown district that embodies Carrboro's character. The downtown district should have medium-rise buildings appropriately sited with adequate public access, and it should provide shopping opportunities that meet our citizens’ everyday needs. The downtown should remain a center for the community where people work, gather, shop, socialize and recreate. The Century Center should serve as a focal point for the downtown. |
2.42 Development throughout Carrboro should be consistent with its distinctive town character. The town should adhere to policies that limit the widening of roads, encourage plantings alongside roads, preserve historic areas, buildings and older neighborhoods, and retain unspoiled green spaces and other natural areas.

### 3.2 Downtown Vitality

#### 3.21 The town should develop a plan to govern the continuing development of downtown, adopting the following goals:

- To double commercial square footage in the downtown from that existing in the year 2000.
- To accommodate additional square footage by building up, not out.
- To increase the density of commercial property in the downtown area.
- To improve the downtown infrastructure (e.g. parking facilities, sidewalks, lighting, shading) to meet the needs of the community.
- To develop transit and traffic initiatives which enhance the viability of downtown.

#### 3.22 Carrboro should encourage the development and placement of architecturally significant commercial and civic buildings.

#### 3.23 Other downtown commercial activity could include restaurants, entertainment venues, technology companies, lodging, and offices.

#### 3.24 Frequent, accessible public transit is necessary for a thriving downtown. Multi-modal access to downtown should be provided. As traffic increases, Carrboro should consider perimeter parking lots served by shuttles to bring people downtown.

### 3.3 New Commercial Growth

Opportunities for new commercial growth exist primarily in four areas: downtown, across from the Carrboro Plaza Shopping Center, within the commercial core of a village mixed-use development, and within new office/assembly conditional use developments. The latter two options are most obviously appropriate in the transition areas, but may be approved throughout the town’s jurisdiction.

#### 3.31 Shopping Centers

##### 3.311 Before creating new shopping centers, the town should encourage those that exist to maximize their potential by adding stories when and where practical.

##### 3.312 All shopping centers should be connected to residential areas with increased pedestrian access.

Although this visioning document provides goals and identifies steps for reaching them, it does not contain an overarching “vision” for the Town in 2020 that was achieved by consensus. Rather, the end of the document contains ten resident narratives describing how each individual envisions a day in Carrboro in 2020. Most scenarios include plentiful public transportation (including light rail), community festivals, outdoor concerts and movies, and pedestrian streets cut off to traffic. Only one out of ten scenarios, however, includes anything about taxes. After describing a day of bus-riding, concert-going, talking walks and enjoying nature, the scenario goes on to say:

What’s really impressive is that we have all this, but our taxes are no higher than communities that offer far less. That’s because businesses like mine are encouraged to settle here and the town staff works with us to see that we have the services we need to take care of our customers. When we’re successful, the taxes we pay help to keep everything affordable for a variety of people. Back when taxes kept going up, we worried that my grandmother wouldn’t be able to stay here and that I wouldn’t be able to find affordable housing either. But now, all three generations can live nearby and families like mine have the support they need. (Carrboro vision 2020, 2000, p. 32).

This scenario suggests that taxes are a concern in Carrboro, and that residents believe that the solution lies in having more businesses in town. The scenario does not offer specifics for how town staff could “work with” businesses, to “encourage them to settle here” or “see that they have the services they need to take care of their customers.” But here, and throughout the Vision 2020 document, people seem to believe that increasing commercial space in Carrboro is the answer to the high property tax problems. Still, the Land Use Ordinance and other planning documents do not demonstrate interest in increasing non-residential development or making the approval of such development easier to obtain.

This “visioning” process also illustrates the kind of planning M. Chilton thinks is best (personal communication, March 22, 2011). He recalls his time spent on the Chapel
Hill Town Council, when it approved the mixed-use projects of Southern Village and Meadowmont. The two projects had very different ways of coming about. With Southern Village, the town decided first that it wanted a mixed-use village in its southern part, and created a small area plan to reflect this; a developer then came along and offered to build what the town wanted. Meadowmont, on the other hand, started when the developer purchased a plot of land while it was still zoned for standard single-family residential development, then offered an either/or choice to the town of a mixed-use development like Southern Village, or a standard suburban residential subdivision. Meadowmont’s approval process was much more contentious. Mayor Chilton prefers the Southern Village way of consensus-based planning first, then development, and he wants to continue with similar “visioning” processes in Carrboro in which residents decide what they want before developers come along and try to build.

Based on the Vision 2020 document, Carrboro changed its building height restrictions downtown to allow five-story buildings, which prompted the 300 East Main development. L. Van Sant (personal communication, March 18, 2011). M. Chilton says that the Vision 2020 document “created the political space to allow developers to take that risk and the Board of Aldermen to be able to approve it” (personal communication, March 22, 2011).

**Northern Study Area Design Workshop**

The workshops in the Northern Study Area of Carrboro reflect Mayor Chilton’s desire for community visioning before development. As mentioned already, Carrboro is attempting to encourage new non-residential development in its Northern Area. Fifteen years ago, the town did a Small Area Plan there and decided to put a mixed-use

It was this idea that led to the creation of the Village Mixed Use (VMU) “floating zone.” Since that time, Orange County has purchased the plot of land on which Carrboro wanted to site the mixed-use development, for school and park use (Ibid.). Now the town has begun to consider another location for a mixed-use development, and it underwent “visioning” workshops with Northern Area residents on February 26, 2011. Although Mayor Chilton says that the Small Area Plan will be revised as a result of these workshops, suggesting that they were geared in part to determine where commercial or mixed-use development should go, the materials used for workshop presentations stated that a particular parcel (the Zinn property) had been selected for mixed-use development and the workshop participants were to decide what this development should look like:

Our task today is to create positive and attractive visions for what the targeted area might look like as a mixed use village, focusing particularly on the Zinn property if this helps to create a complete village; however, nothing envisioned here will be binding on any property owner. If you really want nothing to happen here, the proper forum to address that is in the public rezoning process if the Zinns choose to pursue rezoning. We are here today to say what if… (TOC, Elements, 2011).

In addition to this statement, the presentation showed commonly accepted design principles for pedestrian-friendly streets and buildings. Although the workshop’s aim is finding out what residents want, this presentation seems to lead participants toward a pre-approved goal, rather than allowing them to participate in conceiving (and buy into supporting) everything about future development in their area. This “visioning” process might not teach the town anything about what its residents want, and could end up leading to opposition to development later.
Efforts to Provide Affordable Housing

In addition to the land use policies affecting non-residential development in Carrboro, the existing policies for promoting affordable housing warrant a look.

Affordable Housing Goal

Carrboro’s Land Use Ordinance contains two sections related to affordable housing and one related to small houses. Section 15-54.1 identifies a “policy goal” that “at least fifteen percent of the housing units within all new residential developments should consist of affordable housing units” (LUO, 1980, Art. IV, p. 10). Notice that the weak word “should,” rather than “must,” is used in this section, and not all developers are required to meet this goal. Section 15-182.4 provides a definition for “affordable housing unit” – one that would be affordable for a person or family earning 80% of the median gross annual family income ($54,250 for a family of four in 2010), spending 30% of that income on housing costs. Housing units are presumed to house the same number of occupants as bedrooms. Developers of affordable housing units must make arrangements for such units to remain affordable for at least 100 years (LUO, 1980, Art. XII, pp. 8-9). Carrboro’s developers typically maintain the affordability of their affordable units by leaving them to be managed by the Community Home Trust, which screens applicants to purchase affordable units (insuring they earn less than 80% of the Area Median Income, work in Orange County, and use the home only as a personal residence). The majority of the Home Trust’s 186 affordable homes are in Chapel Hill.

The affordable housing “requirement” in Section 15-54.1 can be met with a payment in lieu to the Town’s Affordable Housing Special Reserve Fund, or by reserving lots for purchase by the Town of Carrboro and making a payment for the eventual
purchase of the lots (LUO, 1980, Art. IV, pp. 11-12). If the developer of a residential
development containing five or more lots does not meet the Board’s affordable housing
goal, then the developer will be required to attend an Affordable Housing Review
Meeting with the Board of Aldermen, presumably slowing down the development review
process (LUO, 1980, Art. IV, p. 13). If a developer does meet the affordable housing
goal, by providing units, lots or a payment-in-lieu, the minimum open space requirements
for the development may be reduced by an amount equal to twice the land area consumed
by such affordable housing (LUO, 1980, Art. XII, p. 10).

The affordable housing goal does not mandate that affordable units be any
particular size or type – only that they are priced to be affordable to a person or family at
80% of the median income. As a result, many of the affordable units provided in recent
developments are small, intended for singles or couples without children. Indeed, all of
the affordable units provided in the new condominium developments approved for
downtown Carrboro are one-bedroom units with under 1,000 square feet – not ideal for
families. In addition, pricing homes for affordability by those making 80% of the median
income is still too high for many making less than that amount, and the LUO makes no
provision to provide housing for anyone making less than 80% of the area median
income.

The “Small-House” Ordinance

Carrboro’s Small House Ordinance, also laid out in the Land Use Ordinance in
Section 15-188, applies to residential subdivisions of 13 or more lots. In new
developments of 13-20 units, 15% of the houses must be 1,350 square feet or less, and
10% must be 1,100 square feet or less. In new developments of 21 or more units, 15% of
the houses must be 1,100 square feet or less, and 10% must be 1,350 square feet or less. While in Chapel Hill a similar ordinance requires 15% of the units to be priced affordably, Carrboro does not have such a provision. Thus, although smaller houses are presumably less expensive (as in the Veridia development mentioned above), they are not required to be so in Carrboro. In addition, as already stated, smaller homes tend to appeal to singles or couples without children, rather than families, further limiting the affordable housing options for families in Carrboro.

Although Carrboro’s LUO has affordable and small housing “goals,” the Board of Aldermen retains the right to waive them. In December 2008, the Board waived the affordable housing “requirement” for the Veridia development, which would have consisted in total of 39 small (under 1,350 square feet), green homes replacing a current mobile home park. The Board reasoned that all the homes were priced low relative to other homes in Carrboro ($289,000) and the development would add to the town’s stock of green housing. In September 2010, though, the developer requested some changes to the plan, including larger homes, and the Board was not so willing to waive the requirement (Ross, Sept. 23, 2010). Just a few months later, however, the Board agreed to drop another affordable housing requirement for the next phase of the Claremont subdivision; in lieu the developer gave up his density bonus and agreed to build 25% of the new development as “small houses” of 1,100 to 1,350 square feet. Homes must remain this size for a full year before they can be expanded. The developer said the flagging housing market made it more difficult for it to absorb the loss from building affordable homes (Ross, Dec. 9, 2010).
The Affordable Housing Fund

Carrboro has an Affordable Housing Fund, into which developers pay fees in lieu of providing affordable housing under the provisions mentioned above. “This fund was created to advance the Town’s goal of increasing the stock of affordable, safe and decent housing within the Town and its planning jurisdiction” (TOC, Adopted Budget, 2010, p. 140). The fund declined 17% in 2010-11 due to expenditures at the 109 Jones Ferry Road project (Ibid.). It is unclear exactly what the fund is intended to do.

Inclusionary Zoning

While Chapel Hill has adopted inclusionary zoning, “a planning tool that requires developers to include low- and moderate-income housing in projects,” Carrboro has not (Ross, Mar. 11, 2010). Although the Board of Aldermen expressed interest in looking into the concept when the idea was presented to them, they showed some hesitation in adopting inclusionary zoning themselves. “Board member Joal Hall Broun said she is interested in the proposal, but cautioned board members against seeing it as a panacea for affordable-housing concerns” (Ibid.).

Availability

As mentioned above, the median price for houses in Carrboro has grown by more than 100% in the past nine years, to over $300,000. Yet Carrboro is the most densely populated town in North Carolina. Thus, the worth of homes must be based on more than the square footage of the building and the size of the lots. Indeed, the recently approved mixed-use developments for downtown Carrboro also include residential units, which will further increase Carrboro’s density. Although the new developments will meet the affordable housing goal, the price of the other units indicates that Carrboro’s Board of
Aldermen is not committed to providing a wide range of housing options. Table 7 displays the affordable units available, and the prices of the remaining units, in the three recently approved residential developments in downtown Carrboro. The size of both types of units – no more than three bedrooms – indicates that Carrboro does not expect to have large families living downtown, either.

**Table 7: New Luxury and Affordable Condos in Downtown Carrboro**

<table>
<thead>
<tr>
<th>Development</th>
<th>Number/size of affordable units</th>
<th>Number/price of luxury units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roberson Square</td>
<td>3 1-bedroom, 622 avg. sq. ft.</td>
<td>15 1-3 bedroom, 1587 avg. sq. ft.</td>
</tr>
<tr>
<td>The Alberta</td>
<td>3 1-bedroom</td>
<td>20 1-3 bedroom, $495,000 avg.</td>
</tr>
<tr>
<td>Butler Green</td>
<td>9 size unknown</td>
<td>48 0-3 bedroom, size unknown</td>
</tr>
</tbody>
</table>

All three of these approved projects plus the 300 East Main commercial project are currently on hold, and the Roberson Place project is now up for sale for $1.9 million. Condo pre-sales are likely slow as a number of already-built luxury condos sit unsold, just across the border in Chapel Hill at Greenbridge. As of this writing, only about one third of the Greenbridge condominiums have sold – 36 out of 97 – yet all of the 15 affordable units are among those that have been purchased (Bank stalls Greenbridge project, 2011). The remaining units range in price from $299,000 to $1.2 million, from one to three bedrooms. In addition, the building faces foreclosure from the bank on account of contractor’s liens (Ibid.).
Chapter 4: A Case Study of Arcata, California

Although Carrboro does not have an overarching Vision Statement, many parts of the Vision Statement for Arcata, California could be easily adapted, almost word-for-word, to describe Carrboro. Particularly appropriate portions of Arcata’s vision are excerpted below:

**Picture Arcata in the year 2020:** growing more in stature than size, extending in opportunities, advancing thoughtfully. A safe and inspiring environment for people of all ages and stages. A city that works — and a community that works even harder. . . .

**We'll grow, but on our own terms.** A modest growth rate, up to a population of around 20,000, will support and encourage economic viability, while maintaining our primary focus on community and manageability.

**We build carefully.** Arcata's environmentally conscious development guidelines . . . promote compact growth and resist the pressures for unplanned sprawl.

**We live as neighbors.** Safe, quiet, affordable housing is available for seniors and students, families and singles, people from every economic strata. All share a sense of community in distinctive, interconnected neighborhoods.

**Our priorities are natural.** From our agricultural lands to the community parks . . . we pride ourselves on our continuing efforts to preserve the unique, natural beauty within and around the City.

**We live resourcefully.** Sustainability is a way of life. We reduce, reuse, and recycle, continually relearning and redefining as we better understand our local resource base. We are committed to living well, and within Arcata's resource base. Our water, wastewater, energy, and land use needs are monitored and adjusted, as we find new ways to minimize consumption. We conserve these resources so they may be enjoyed by the seventh generation.

**We move forward.** In Arcata, public and private transportation come in a variety of forms, and we seek out and use the least polluting, most efficient methods. People come first; bicycles, cars, trucks and transit vehicles share the road with us. Bikeways and pedestrian paths connect all parts of the City.
Our town is architecturally diverse. Arcata's urban and neighborhood character is enhanced by a diverse, architectural heritage. Our historic homes, classic commercial structures, craftsman cottages and contemporary buildings create a distinctive yet diverse character. New development complements the character of the neighborhood . . .

We're drawn to the plaza. Our historic and distinctive downtown square remains the heart of Arcata. It is our common ground for community events, daily commerce, retail, restaurants and entertainment.

Our future is secure. Arcata's economy reflects the efforts of our many entrepreneurs, artisans and small businesses; the support of citizens who value local investment; and those who offer value-added products from locally available resources.

We share the benefits of Humboldt State University. The University, which offers continuing educational opportunities, cultural events and social activities for the entire region, is a stimulating presence and one of our community's most important assets.

We keep it healthful. Pollution prevention is ingrained in all City functions. Controls are well in place, along with continuing education and advancement regarding all aspects of public health, from clean air, water and soil, to . . . quiet neighborhoods.

We are a community. Arcatans actively participate, and involve themselves in community events. Civic and government activities, neighborhood and interest groups, all are open to, and perpetuated by, citizens who care enough to take responsibility and work together.

A common vision is not the only thing Arcata shares with Carrboro. Table 8 illustrates the other similarities between these two communities.

**Table 8: Similarities Between Arcata, CA and Carrboro, NC**

<table>
<thead>
<tr>
<th>Data from American Community Survey 2005-2009</th>
<th>Arcata, CA</th>
<th>Carrboro, NC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>17,014</td>
<td>17,850</td>
</tr>
<tr>
<td>Median Age</td>
<td>27.2</td>
<td>28.9</td>
</tr>
<tr>
<td>Population Aged 20-34</td>
<td>40.5%</td>
<td>35.4%</td>
</tr>
<tr>
<td>Percentage of Owner-Occupied Homes</td>
<td>38.0%</td>
<td>38.5%</td>
</tr>
<tr>
<td>Median Home Price</td>
<td>$352,000</td>
<td>$307,600</td>
</tr>
<tr>
<td>Median Monthly Rent</td>
<td>$764</td>
<td>$779</td>
</tr>
<tr>
<td>Percent high school graduate or higher</td>
<td>89.1%</td>
<td>90.8%</td>
</tr>
<tr>
<td>Percent with Bachelor’s degree as highest degree</td>
<td>25.4%</td>
<td>29.1%</td>
</tr>
<tr>
<td>Distance from downtown to public university</td>
<td>0.8 miles</td>
<td>1.8 miles</td>
</tr>
</tbody>
</table>

Source: U.S. Census, American Community Survey 2005-2009
These similarities help to justify using Arcata as a case study, but the differences between the two municipalities provide material from which Carrboro can learn. Table 9 presents some of the quantitative differences that will be discussed in this case study.

**Table 9: Differences Between Arcata, CA and Carrboro, NC**

<table>
<thead>
<tr>
<th>Data from American Community Survey 2005-2009</th>
<th>Arcata, CA</th>
<th>Carrboro, NC</th>
</tr>
</thead>
<tbody>
<tr>
<td>White Population</td>
<td>87.4%</td>
<td>72.2%</td>
</tr>
<tr>
<td>Black Population</td>
<td>3.5%</td>
<td>12.7%</td>
</tr>
<tr>
<td>American Indian Population</td>
<td>5.7%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Asian Population</td>
<td>3.4%</td>
<td>9.7%</td>
</tr>
<tr>
<td>Hispanic Population</td>
<td>11.6%</td>
<td>8.7%</td>
</tr>
<tr>
<td>Mean Travel Time to Work</td>
<td>16.2 min.</td>
<td>20.5 min.</td>
</tr>
<tr>
<td>Percent Walk to Work</td>
<td>13.6%</td>
<td>3%</td>
</tr>
<tr>
<td>Percent Take Public Transportation to Work</td>
<td>2.7%</td>
<td>14.1%</td>
</tr>
<tr>
<td>Median Household Income</td>
<td>$29,506</td>
<td>$39,366</td>
</tr>
<tr>
<td>Per Capita Income</td>
<td>$19,528</td>
<td>$29,418</td>
</tr>
<tr>
<td>Percentage of People with Income below Poverty Level</td>
<td>30.4%</td>
<td>15.1%</td>
</tr>
<tr>
<td>Percentage with Graduate or Professional Degree</td>
<td>16.5%</td>
<td>35.7%</td>
</tr>
<tr>
<td>Population in Labor Force</td>
<td>9,045</td>
<td>11,129</td>
</tr>
</tbody>
</table>

**Data from 2007 Economic Census**

| Number of Employer Establishments             | 462        | 306          |
| Number of Retail Trade Establishments         | 108        | 65           |
| Number of Accommodation/Food Serv. Establishments | 69        | 33           |
| Total Number of Paid Employees in Municipality | 5,797      | 2,059        |

**Data from Municipal Land Use Ordinances**

| Number of zoning districts for commercial development | 4 + overlays | 13 + overlays |
| Number of zoning districts for industrial development | 2 + overlays | 4             |
| Number of pages in Land Use Ordinance              | 420         | 517           |

Sources: Various (see table headers)

The demographic data above shows that Arcata has a larger percentage of white population than Carrboro, and a larger percentage of Hispanics, but a much smaller
percentage of black population. Arcata has twice the poverty rate of Carrboro, however, and a per capita income lower by more than $10,000 a year. To meet these statistics, a large proportion of the white population in Arcata must be impoverished; socio-economic status there may not necessarily correlate with race. These income statistics suggest not only that people are worse off economically in Arcata, but also that there must be housing for the lower-income to live there. Given Arcata’s median home price, which is higher than in Carrboro (see Table 8), the provision of affordable housing in Arcata must not be hurting property values.

This data also shows that Arcata has 50% more employers, who employ nearly 200% more people, than Carrboro – and the two municipalities have roughly the same population. If all employees in both municipalities lived in their respective municipalities, Arcata would employ 64% of its own workforce, versus only 18.5% of Carrboro’s workforce employed in Carrboro. This could have something to do with Arcata’s location – 8.4 miles from the nearest town, Eureka (which is about half the size of Chapel Hill, located only 1.2 miles from Carrboro), and nearly 26 miles from Fortuna (which is about twice the size of Hillsborough, located only 13 miles from Carrboro). There is nothing equivalent to Durham, Raleigh, or Research Triangle Park anywhere near Arcata. Redding, the nearest larger city, has less than half the population of Durham, 141 miles away (see Figure 10). Still, Arcata’s economic success, even in its isolation, can provide helpful tips for Carrboro’s development.
A large percentage of Arcata’s employees walk to work – much more than in Carrboro, which has a higher public transportation ridership. Both means of transport are arguably preferable to driving, but Carrboro spends more than $1 million per year on its “fare-free” buses, whereas Arcata does not have this great expense. The large number of people walking to work suggests that Arcata’s development is dense, and places of work are located near (or even within) residential areas. Figure 11 shows the dense, grid-like pattern of development in downtown Arcata.
Figure 11: Development Patterns in Downtown Arcata

Table 10: Commercial and Industrial Zoning Districts in Arcata

<table>
<thead>
<tr>
<th>District</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CC (Commercial - Central)</td>
<td>The CC zoning district is applied to areas surrounding the Plaza, and is intended to accommodate retail, professional office, civic, hotel, theater, residential, and similar and compatible uses. The CC zoning district is consistent with and implements the Commercial Central land use classification of the General Plan.</td>
</tr>
<tr>
<td>CG (Commercial - General)</td>
<td>The CG zoning district is applied to areas appropriate for a range of retail and service land uses that primarily serve local residents and businesses, including shops, personal and business services, and</td>
</tr>
</tbody>
</table>
restaurants. Residential uses may also be accommodated as part of mixed use projects. The CG zoning district is consistent with the Commercial - General land use classification of the General Plan.

<table>
<thead>
<tr>
<th>District Description</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CM (Commercial - Mixed Use Center) district</td>
<td>The CM zoning district is applied to areas identified by General Plan policy LU-1d as the existing neighborhood centers of Westwood, Bayside, Sunny Brae, and Greenview, where additional retail, personal and business services, and other neighborhood-oriented commercial services are encouraged, and where substantial additions to the existing centers shall include residential units on upper floors or in separate buildings. The CM zoning district is consistent with and implements the Commercial-Mixed Use Center land use classification of the General Plan, and policy LU-1d.</td>
</tr>
<tr>
<td>CV (Commercial - Visitor Serving) district</td>
<td>The CV zoning district is applied to areas adjacent to highway interchanges that are appropriate for uses that primarily serve the traveling public, including lodging, restaurants, auto sales centers, service stations, convenience stores, and similar and compatible uses. The CV zoning district is consistent with the Commercial - Visitor Serving land use classification of the General Plan.</td>
</tr>
<tr>
<td>IL (Industrial - Limited) district</td>
<td>The IL zoning district is applied to areas appropriate for light and moderate impact manufacturing, and limited commercial uses. Residential uses may also be allowed where they are compatible with the nature of the production process, or the related sales of products made on the premises. The IL zoning district is consistent with the Industrial - Limited land use classification of the General Plan.</td>
</tr>
<tr>
<td>IG (Industrial - General) district</td>
<td>The IG zoning district is applied to areas appropriate for light, moderate impact, and high impact manufacturing, and limited commercial uses. The IG zoning district is consistent with the Industrial - General land use classification of the General Plan.</td>
</tr>
</tbody>
</table>

Source: Arcata Land Use Ordinance, Section 9.26.020

Right after providing these zoning district descriptions, Arcata’s LUC provides the table of Allowable Land Uses for those six districts. Then, immediately following the table, the LUC provides the parcel and density standards, and standards (with diagrams) for setbacks, FAR, height limits, landscaping, parking, and signs for each of the commercial/industrial districts. Next, the LUC provides land use limitations for each district, along with any special requirements imposed on development of land in any of these districts designated as an area of “Special Considerations.” The placement of all of
this information—right in a single chapter of the ordinance—makes it easy to find what is and isn’t allowed, without having to page through to a different section for each topic.

In the Table of Allowable Land Uses, only four different symbols are used to indicate what type of permit is required for each use. A “P” indicates a Permitted Use, and Zoning Clearance is required; a “MUP” indicates that a Minor Use Permit is required; a “UP” indicates that a Use Permit is required; and a “—” indicates that the use is not allowed. Carrboro’s Table of Permissible Uses, in contrast, has seven different symbols (if you include the absence of a symbol as indicating the use is not allowed), and each symbol has a different interpretation depending on which use it is found under; things like the size of the lot can affect whether a special or conditional use permit is needed or not. Arcata’s table is much more straightforward and easy to interpret.

Uses permitted in at least half of Arcata’s commercial and industrial zoning districts, with only zoning clearance required, include laboratories; media production; printing and publishing; wholesaling and distribution; libraries, museums and galleries; home occupation; live/work unit; multi-family housing; single-family dwellings; transitional housing; accessory retail uses; artisan shops; auto parts sales; convenience stores; farm supply and feed stores; farmers market/produce stands; furniture, furnishings and appliance stores; general retail less than 20,000 square feet; mobile eating and drinking vendors; outdoor retail sales and activities; pet shops; restaurants, cafes, and coffee shops; second-hand stores; banks; business support service; doctor’s offices; various professional offices; adult day care; catering services; child day care; personal services; social service organizations; minor vehicle services; and parking facilities. In contrast, nearly none of Carrboro’s commercial or industrial uses are permitted without a
conditional use permit unless the parcel is less than one or two acres (depending on the zoning district) (LUO, 1980, Art. X).

Receiving “Zoning Clearance” in Arcata, which is required for Permitted Uses, is a relatively simple process. In addition to the application form and fee, all that is required is a site plan showing the existing and proposed structures and land uses, and a written request identifying the specifics of the request. This is a sharp difference from Carrboro’s 27 required supplementary documents, in addition to the permit application, just to secure a zoning permit for a permissible use. In Arcata, a “Permitted Use” appears to be just that, and the review process appears to be quick.

Arcata’s Minor Use Permit, which can be issued by the Zoning Administrator as long as the project is exempt from CEQA, appears to be similar to Carrboro’s special use permit, which can be obtained from the board of adjustment. In Arcata, Minor Use Permits are typically required in commercial and industrial districts for storage of business records; indoor commercial recreation facilities; public and private meeting facilities; specialized education/training schools; art, dance, martial arts, and music studios; theaters; residential care facilities with 7 or more clients; building and landscape materials sales; fuel dealers; service stations; shopping centers; clinics and urgent care medical services; drive-through services; lodging; veterinary clinics; pipelines, utility transmissions or distribution lines; and transit stations or terminals.

Arcata’s Use Permit must be approved by the Planning Commission, which must also approve any Minor Use Permits subject to CEQA. This appears to be similar to Carrboro’s Conditional Use Permit, which requires approval from the Board of Aldermen. In Arcata, however, the Planning Commission is not an elected body. Rather,
it is appointed by the City Council and it has decision-making authority that can be appealed to the City Council. The fact that the Planning Commission is not beholden to the voters could mean that public opinion at permit hearings in Arcata has less sway than in Carrboro; it is difficult to know for sure.

Minor Use Permits and Use Permits have more extensive requirements for their applications, although they both contain a Preliminary Review Option in which applicants can pay a fee to get the permit review process started before all required items are submitted. This is an idea that Carrboro might consider, if it wishes to speed up commercial development. The following items are required, in addition to the application form and fee, to complete an application for a Minor Use Permit or Use Permit:

- Eight copies of a site plan containing the information shown on the plot plan checklist.
- Three copies of floor plans and architectural elevations
- CEQA checklist, or justification and evidence to support a CEQA exemption
- A complete detailed description of the proposed use including but not necessarily limited to:
  - Days and hours of operation
  - Total number of employees, and number on the largest shift
  - Estimated maximum number of customers per day and per hour
  - Estimated number of pick-ups and deliveries per day
  - Floor area of use in square feet. Outside use area if applicable
  - Number of on-site parking spaces existing and proposed
o Projected growth of the business
o Permanency of the project (seasonal, permanent, or temporary)

Description of any by-products or proposed discharge the project will generate, and the method of disposal

o Information about whether the use will generate noise, glare, dust, odor, or the handling of toxic substances

Description of the use of public facilities such as roads, water and sewer systems

o Any additional information necessary to review the project’s community impacts

• Written responses for each Conditional Use Permit Finding (§ 9.72.080.F)
• If subject to Historic and Design Review approval, the Historic Design Review checklist

• R1 or R2 Geologic Report, if applicable.

• Cultural Resource Review

Although this list is long, it essentially entails only eight major items, as opposed to the 32 items required for a Conditional Use Permit in Carrboro. The complete description of the proposed use seems to address most concerns of community impact.

Rather than having “overlay zones,” with more restrictive regulations placed on top of existing zones, Arcata has nine different “Combining Zones.” “The combining zones provide guidance for development within the combining zones through standards that apply to proposed development in addition to the standards and regulations of the primary zoning district” (Arcata LUC, Sec. 9.28.010). Combining zones are denoted with
two or three letters, placed to the right of a colon, which is tacked onto the end of the primary zoning district. Combining zones exist for Coastal Zones, Historic Landmark, Natural Hazards, Neighborhood Conservation, Planned Development, Plaza Area, Special Considerations, Wetland Protection, and Housing for Homeless (the latter already demonstrates a concern for affordable housing, which will be addressed further in this case study). Each Combining Zone has a separate section later in the ordinance that details the requirements for that area.

**Arcata’s Affordable Housing Provisions**

Arcata’s Land Use Code has two whole chapters designated to Affordable Housing Requirements, versus only two scattered sections in Carrboro’s LUO. The first offers density bonuses for developers providing affordable units (Arcata LUC, Chapter 9.31). The second contains Affordable Housing Requirements (Chapter 9.32). In Arcata’s Land Use Code, the number and affordability of inclusionary units is required: “Each new and substantially rehabilitated residential project shall be designed and constructed to include Inclusionary units to be rented, leased, or sold to very-low, low, or moderate income households” (Section 9.32.030). The Code refers to California’s Health and Safety Code for definitions of “very-low,” “low,” and “moderate” income households; the Health and Safety Code refers to definitions provided by the federal government, or the following:

- “Very low income households” means persons and families whose income does not exceed 50 percent of area median income, adjusted for family size.
- “Lower income households” means persons and families whose income is
at 80 percent of area median income, adjusted for family size.

- “Persons and families of moderate income” means persons and families whose income does not exceed 120 percent of area median income, adjusted for family size.

With multifamily residential projects, at least 18% of all units must be reserved for low-income households, with no less than 5% reserved for very-low income households. These requirements can also be met by dedicating 50% of all units to either elderly or disabled individuals. In single-family residential projects, at least 18% of all units must be reserved for moderate-income households, with no less than 5% reserved for low-income households. The only residential developments exempt from these requirements are developments of fewer than five units, adaptive reuse projects of twelve or fewer units, or the creation of twelve or fewer residential units atop working industrial or commercial uses.

In addition to the Inclusionary Zoning mandate to include affordable housing, Larry Oetker, the Director of Community Development, says that affordable housing has been promoted in Arcata by the political will of the council. They have made it a priority to have housing in Arcata for a variety of income levels, and they have repeatedly approved affordable housing projects in spite of public opposition. L. Oetker (personal communication, April 7, 2011). The same political will to create affordable housing does not appear to be present in Carrboro, with its Board of Aldermen recently waiving affordable housing guidelines and refusing to adopt inclusionary zoning.
Arcata’s Governmental Department Organization

Larry Oetker, the Director of Arcata’s Community Development Department, also oversees the Building and Planning Division, Economic Development, and Redevelopment in Arcata. It was the city’s decision to group these activities together several years ago, and it began by training existing employees to take on these responsibilities as they moved up through the ranks. L. Oetker (personal communication, April 7, 2011). The fact that land use planning, economic and community development are lumped together in the government’s structure suggests that these three disciplines are approached in a unified way. Arcata connects these disciplines more than Carrboro, which just completed an external search for a new Economic and Community Development Director, who will operate separately from the Planning Department. Hiring from outside of Carrboro is also different from Arcata’s approach, which has involved hiring and promoting from within.

Reflecting Arcata’s ultimate goal – to match economic development and land use planning – the city’s comprehensive plan, called “General Plan: 2020,” includes policies and actions for economic development. The city also has an Economic Development Strategic Plan designed to complement the General Plan. Carrboro has neither of these types of plans, but they could be useful in helping it guide future non-residential development.

Arcata’s Unique Economic Development Projects

The way Larry Oetker describes Arcata’s land use planning process, it involves straightforward assessment and community involvement. First, the city assesses the locations of vacant and underused parcels and determines their current zoning. Next,
residents are invited to discuss how they would like to see those parcels used. “You can start out the discussion by saying, let’s get it out on the table what you don’t want here,” L. Oetker said, but the focus should then turn to what people do want (personal communication, April 7, 2011). Zoning maps are updated to outright allow the uses that people want and to prohibit the uses that people don’t want. “Too often you get communities where all they tell developers up front is what they don’t want. In Arcata, as long as you are the type of business we want, you’re going to be able to develop here” (Ibid.).

Sometimes, Oetker says, the community wants to see some things happen economically, but the ideas are too risky for the private sector. So the city has gone and bought up vacant properties to build its own business park, designed primarily for the types of businesses in which the private sector doesn’t want to invest. Then, for instance, the city was interested in developing local “food businesses” for processing and selling local foods. The city developed a Foodworks Culinary Center with community kitchens leased by the hour. Once small startups begin to make a name for themselves, they can expand into the city’s business park by buying a parcel there. The money used to buy the parcel goes into the city’s Industrial Park Fund, used to keep the whole enterprise going. Grants and some commitment of city funds helped to get both ventures going. “The key is approaching this is not to compete with the private sector, because that will really tick them off,” L. Oetker said (personal communication, April 7, 2011). It was important for Arcata to provide economic development that the private sector would not provide on its own.
One form of economic development that Arcata does not provide is tax incentives to try to lure businesses. “What we strive to do is create a lively community that people really want,” L. Oetker said (personal communication, April 7, 2011). “We want businesses that are here because they love Arcata” (Ibid.), not because they’re trying to see where they can get the best tax deal. Arcata does not have big-box retail development, and it has very limited fast food. For the most part, Oetker says, these land use policies are made possible by the residents, who choose not to shop at such places (Ibid.).
Chapter 5: Objectives and Alternatives

Plans for a new development are in the works at the northwest corner of North Greensboro Street and Weaver in downtown Carrboro, on property purchased by CVS in June of 2010. “Courtesy” meetings to begin building community support were held with the Board of Aldermen last November, and with neighborhood residents in December. It looks like the development process will involve many more of these meetings, as Alderman Dan Coleman suggested that the developer consider applying for Conditional Use Rezoning, “to allow the community to weigh-in on the project” (Town of Carrboro, 2010, Meeting Minutes, p. 1). Notably, each of the Approved Commercial Projects from the past four years has also required a Conditional Use Permit, which enabled a good deal of weighing in from the Board and community alike. Indeed, the Board appears to be used to offering this kind of input, as each Alderman and the Mayor made a suggestion for how the development should be conceived (Ibid.). At the December meeting with neighbors, “[a]bout two dozen” residents showed up in opposition to the CVS project (Ross, Dec. 23, 2010). Residents said they were concerned about increased traffic at an already bad intersection, and with allowing a 24-hour drugstore to encroach in a residential neighborhood (Ibid.).

If the CVS project is not approved, a prominent piece of real estate in downtown Carrboro will remain underused until the town can decide what it does want on this property. Thus, the objectives and alternatives in this paper attempt to steer Carrboro towards making these kinds of decisions, and making them clear to developers. The
appropriate solutions for Carrboro depend in large part on where the political will is, and on what kind of town residents want Carrboro to be.

If the town wants to make housing more affordable by reducing property taxes or home prices, or both, some of these suggested strategies might be useful. In addition to encouraging increased non-residential development in Carrboro, in the downtown as well as in surrounding areas, to diversify the types of tax revenue Carrboro receives, the town might also consider alternative measures to keep housing affordable. If the town wishes to diversify its development, growth-halting strategies such as moratoria, urban growth boundaries, and adequate facilities ordinances are not advised. Instead, growth management tools that encourage development of certain types could prove useful, such as changes to the Land Use Ordinance, the use of Tax Increment Financing, and New Urbanist ordinances. This section also explores the possibility of Carrboro making no changes to its current development policies.

**A Vision Statement for Carrboro**

The last major visioning exercise took place in Carrboro eleven years ago, in the Vision 2020 process, and we are now more than halfway towards the year 2020. It might be time to reevaluate in the face of economic change and assess what people in Carrboro want from their vacant and underdeveloped parcels. As L. Oetker, Director of Community Development for the City of Arcata says, it is more important for citizens to decide what they *do* want than what they *don’t* want, and then to make the former blatantly clear in planning ordinances (personal communication, April 7, 2011). An overarching “Vision Statement” would help to clarify intent for the future of Carrboro, and help to get everyone working together toward that end. This should be derived from
visioning workshops and agreed on by consensus, then posted prominently on Carrboro’s website and maybe outside, somewhere near the Town Hall. Mayor Chilton has indicated that he feels community visioning is an important first step to getting community buy-in for development. Carrboro should make a concerted effort to involve residents in visioning and lock their ideas into a well-publicized statement.

**Effectiveness**

While a Vision Statement does not actually do anything, it would help to make further policy-making easier by determining how committed Carrboro really is to increasing non-residential development and providing more affordable housing. If the majority of Carrboro’s residents are opposed to or ambivalent about these outcomes, and they wish to see Carrboro continue toward higher-end housing and more limited commercial and industrial development, then the rest of the strategies suggested in this report can be ignored. Rather than accomplishing change by itself, a Vision Statement can help Carrboro to determine whether or not change is necessary.

**Feasibility**

Visioning workshops are generally easy to organize – but getting participation from a group that represents the entire town can be tricky. The workshops themselves require little cost, aside from that to cover staff time and office supplies, but organizing them in a way that encourages broad participation is key. Direct invitations to different groups of the public might be necessary, although even they do not guarantee attendance.

**Equity and Efficiency**

As mentioned above, getting representatives from all stakeholder groups is important to assure that Carrboro’s political will is accurately assessed. Reaching out to
minority groups in town will be key. Once the statement has been crafted, it might be
distributed to different groups who did not participate at workshops to get feedback.
Putting together the statement itself might not be difficult, but making sure that it
accurately represents the town’s wishes could take significant time and effort.

Comprehensive Planning

Carrboro does not have a Comprehensive Plan, and preparing one, based on the
Vision Statement and other community workshops, could help residents to better
understand what to expect from developers in their neighborhoods, and developers to
better understand what is likely to be approved. Modeling Arcata’s land use planning
process, vacant or underused parcels should be identified, appropriate uses for them
determined, and a comprehensive plan adopted to suggest uses for future development.
Eventually, zoning codes and maps should be amended to allow the preferred uses by-
right (with a zoning permit) and forbid the unwanted uses outright. Helping developers to
see what is wanted, rather than what is not wanted, might make it easier for developers to
create the kinds of development that Carrboro actually wants.

In addition, an Economic Development Strategic Plan should be developed in
conjunction with the comprehensive plan. Like Arcata, Carrboro should strengthen the
link between its land use and economic development processes. Chapel Hill has already
started down this path in preparing its new comprehensive plan, which is rumored to
include fiscal zoning. Carrboro may wish to observe and learn from the process Chapel
Hill is undergoing.
Effectiveness

While Comprehensive Planning, like Visioning, does not do anything by itself, having a plan in place can help to guide the Board of Aldermen, developers, and residents in deciding what kinds of development should be pursued. If Carrboro’s goal is to diversify its land uses and broaden its tax base, a comprehensive plan can help steer developers toward making this happen. A comprehensive plan can also help to hold the Board of Aldermen and residents accountable to long-range goals for the town.

Feasibility

With the close proximity of a strong City Planning graduate program, and many consultants in the area, creating a comprehensive plan for Carrboro should be feasible. Such a plan is time-consuming and expensive to prepare, however, and if Carrboro does not have the in-house staff to manage this undertaking, hiring a consultant could be too great an expense. Looking to Arcata, which grows its planning leaders from within, it might be more helpful for Carrboro to have its own staff prepare the plan, as they are more likely to understand the intricacies of local sentiments and are more likely to have personal investment in the quality of the plan.

Equity and Efficiency

As mentioned with developing the Vision Statement, community workshops for preparing the comprehensive plan must be as inclusive as possible, and neighborhoods that stand to change in the comprehensive plan must be consulted during its preparation. A comprehensive plan can help improve the efficiency of the development review process if the plan accurately reflects the desires of the community.
Zoning Changes

As Laura Van Sant (2011) said in her interview, Carrboro’s thirty-year-old Land Use Ordinance has now been amended so many times that it is practically incomprehensible (personal communication, March 18, 2011). A thorough overhaul of Carrboro’s Land Use Ordinance is warranted if the town wants to make the development review process quicker and easier for the new types of development that Carrboro’s residents say they want. Consolidating zoning districts, cleaning up the table of permissible uses to allow desirable development by right regardless of parcel size, and revising the list of required documents for development applications will go a long way towards making the ordinance easier for developers to decipher. As a result of visioning and planning sessions, Carrboro’s planning staff should be able to better describe the types of development allowed in each zoning district, and the Board of Aldermen should add specificity where needed. If desirable development is carefully described in the zoning ordinance, developers will be better prepared to get their projects approved without so much back-and-forth about particulars with the Board.

Offering incentives to encourage the types of development Carrboro wants could also improve the speed and quality of development proposals. Reducing the requirements for zoning permit applications can expedite review of by-right development. Carrboro also should consider a Preliminary Review Option, like Arcata has, to allow special or conditional use permit applicants to pay a fee to get the permit review process started before all required documents are ready. This could help the town and developers to identify potential problems early on in the process, before much investment in detailed plans has occurred. Like the requirements for zoning permit applications, the required
documentation for special and conditional use permit applications should be reviewed, and unnecessary requirements removed. The faster desirable non-residential development is approved in Carrboro, the faster non-residential property tax revenue can start flowing into the town’s coffers.

**Effectiveness**

While reorganizing and simplifying Carrboro’s Land Use Ordinance does not guarantee better development, it might mean the Board of Aldermen get to review a wider variety of development proposals that reflect what the town wants. The level of impact this has on development review depends on the extent of the revisions to the ordinance. Arcata’s Land Use Code provides a good example of a well-organized, simple, and straightforward ordinance. A new ordinance is unlikely to impact existing or already approved development, but the change will require an adjustment period.

**Feasibility**

Completely revamping Carrboro’s Land Use Ordinance could meet with opposition if zoning districts are consolidated to allow some uses by-right that were not allowed in those districts before. Legally, changing the zoning of many town parcels could require notice and hearing for multiple residents. Whether or not notice is required, the process will be time-consuming, difficult, and painstaking. Since the town already has a Land Use Ordinance, it won’t be developing one from scratch as it would with the Comprehensive Plan. But revamping the document is not going to be easy.

**Equity and Efficiency**

A recurring theme in this section is the need to make sure planning decisions take into account every stakeholder in town. Care must be taken not to burden only one
segment of the population with uses that no one wants. With regard to efficiency, however, a new Land Use Ordinance has the potential to dramatically impact the efficiency of the development review process, making it less expensive and contentious, and perhaps allowing smaller developers the chance to get projects approved in town.

**Locate New Urban Ordinances**

The town already has a Village Mixed Use conditional use district, to which developers can seek rezoning, created when the town first considered placing a mixed-use development in northern Carrboro. Because the district can only be used for lots of at least fifty contiguous acres, such a district would likely be used for a greenfield development project. As the Southern Village development in Chapel Hill has been considered a success, the town has incorporated New Urbanist principles in this zone.

Such principles dictate that the center of a New Urbanist project should be densely developed with commercial, office, and other service uses. Surrounding this central area would be high-density residential, with moderate-density residential surrounding that, and residential development ever-decreasing in density as it moved further away from the center and into the surrounding open space.

Such a New Urbanist development would include many of the uses that this paper urges Carrboro to encourage – additional commercial and office space to contribute to the town’s tax base, as well as additional affordable housing units in the higher-density areas. Such a development would also skirt the problem of insufficient office space in Carrboro’s downtown, by creating a second (or third) “downtown” in a completely different area. The new “downtowns” would be pedestrian-friendly and supported by nearby residential development, just like the “real” downtown Carrboro.
New Urbanist developments are not without problems, however. First of all, Southern Village has been touted a success in Chapel Hill largely because the homes have attained and maintained high property values. Creating a similar situation in Carrboro might mean more highly valued properties, doing little to solve the problems of unaffordable housing and loss of population diversity in the town. Second, Southern Village’s central commercial area has been largely unsuccessful, failing to attract and retain appropriate tenant businesses. This could be because the types of businesses that residents need—grocery stores, restaurants, dry cleaners, and banks—tend to hire relatively low-paid workers who cannot afford to live in Southern Village. Thus, there is no work-live connection for the residents. This lack of commercial success also could be due to the fact that the central commercial area is limited in size. It would be impossible for such an area to contain every good or service the neighborhood’s residents want or need. Thus, the residents still rely on cars to get to stores outside the village, and they are accustomed to doing so. Southern Village’s location, far removed from other development, contributes to making people reliant on their cars, thus willing to use their cars to shop in distant locations. A Northern Area mixed-use development in Carrboro could result in similar car-dependency for new residents to visit the amenities in the “real” downtown.

Another problem with creating a new downtown in a distant Carrboro location is that this artificial downtown will be just that. Part of what makes the real downtown Carrboro attractive to businesses and residents is its authenticity and historic character. Such things cannot be manufactured in New Urbanist downtowns. In fact, New Urbanist developments are notorious for feeling fake and contrived. If Carrboro really wants to
attract IT and other creative firms to generate additional tax revenue, it has the best chance of locating such businesses in the real downtown. Such firms will not be attracted to fakeness, and as suggested earlier in this report, if they can’t locate in downtown Carrboro, they might choose another Triangle location rather than elsewhere in Carrboro.

The success of a northern Carrboro New Urbanist ordinance depends on its location. Even a greenfield development could be more successful if it was located close enough to town that its residents could get to surrounding areas in ways other than by driving, such as by bicycle or transit. Greater connectivity to surrounding areas would lessen the pressure on the New Urbanist commercial area to supply all of its residents’ needs, and lessen the tendency for residents to become accustomed to driving everywhere. Even if the northern mixed-use area is far from the existing downtown, however, a New Urbanist development could be a better solution for Carrboro than a traditional, residential-only subdivision development, because of its potential to increase the non-residential tax base.

Since the location of the New Urbanist development is key, Carrboro should place the Village Mixed Use zone in its comprehensive plan and zoning map, rather than leaving its location up to a developer. Not only will this enable the town to make sure such development happens in optimal locations with connectivity, such as where future transit stops, roads, or schools are planned, but it will also save developers a step in the long process of first seeking a rezoning, then seeking a Conditional Use Permit. In addition, letting neighbors weigh in on the decision to place such development could lead to less opposition in approving the development. Signaling to developers where such mixed-use development really is wanted will help to ensure that it happens. Carrboro
should select a location in the Northern Study Area, and perhaps one or two others (near Carrboro Plaza, for example), and make these future mixed-use “nodes” for development. Arcata apparently has four different “neighborhoods,” each with commercial centers, so perhaps a similar model would work for Carrboro. Most important, however, is for Carrboro, not developers, to decide where these nodes should be.

**Effectiveness**

Placing a Village Mixed Use zone on the map does not guarantee that such development will happen, and it might prevent other less-expensive types of development from coming in, leaving parcels empty for long periods of time. But if Carrboro is serious about wanting mixed-use development and the non-residential and affordable housing benefits this development brings, it should commit land to making sure this happens. Placing the zone on the map will probably encourage the development to happen more quickly than requiring developers to seek rezoning, because the rezoning process requires a good deal of work and developers might not be willing to undertake it if they are not guaranteed approval.

**Feasibility**

Deciding where to place Village Mixed Use zones might be difficult, and neighbor buy-in will not be immediate. But neighbors are probably more likely to buy into such developments in meetings with town planners who can explain the benefits of such developments and how they meet Carrboro’s long-term goals, than in meetings with developers proposing imminent changes. The community workshops for the Northern Study Area are a good step in this direction.
Equity and Efficiency

Equity considerations will need to be taken into account in deciding where to place the Village Mixed Use zones. Benefits – and burdens – should not be placed entirely with one group. Perhaps placing zones in two or three locations can help to balance out impacts. Placement will certainly improve the efficiency of development review for new mixed-use projects, and such projects might be Carrboro’s best hope for increasing non-residential development, as currently approved downtown projects stall.

Tax Increment Financing

If Carrboro’s residents are wanting non-residential development that might make private developers balk, or if the town wants to become involved in some kind of public-private partnership, it might consider tax increment financing. Carrboro would need to target an area for private redevelopment that is unlikely to be developed otherwise, then issue tax-exempt bonds to finance infrastructure improvements. The taxable value of the property would freeze at the time the tax incremental district was created, and “all revenues from any subsequent increase in tax assessments resulting from private investment in the redevelopment project are allocated to pay for the retirement of [the] bonds issued” (Mandelker et al., 2010, p. 472). Once the bonds are paid off, the tax incremental district is dissolved, and the new, higher taxes become part of the government’s revenue.

A tax incremental district might be especially useful to encourage development of one or more of the Village Mixed Use zones, or to encourage non-residential development elsewhere outside of downtown, or to start an enterprise similar to the Arcata Foodworks Culinary Center – perhaps a business incubator for a type of business
Carrboro’s residents find particularly interesting. Given Carrboro’s renowned farmer’s market and interest in local food, something food-related might be especially fitting. Managing TIF takes quite a bit of government oversight, but Carrboro’s Board of Aldermen appears already to be heavily involved in the development review process, so it might take well to the responsibility of a TIF district.

**Effectiveness**

The effectiveness of tax increment financing depends on choosing the right location (one that will succeed and make money as it adds value to the property) and proper local management of the bonds and infrastructure development. The town must be careful not to invest too much, but to provide enough of a start that an otherwise risky development is able to get going on its own. Carrboro would need to choose carefully what type of business it wanted to help create in the TIF district. In addition, the TIF would mean that Carrboro would have to wait a while before seeing the benefits of increased property tax revenue from non-residential development.

**Feasibility**

Carrboro should be careful not to use eminent domain to assemble land to be sold to private developers – this practice is currently being frowned upon by the state legislature. Still, implementing a TIF district could help to encourage development that has been slow to come to Carrboro recently – providing funds for development without the town needing to make any payments up front. As long as the town is willing to put the effort into managing the TIF – or to designate a board or organization to manage it – the administration should be feasible.
Equity and Efficiency

TIF works best when it is placed in an area that would not otherwise attract a developer – often in the “blighted” parts of town. Carrboro would need to make sure that the residents in such neighborhoods, if they were to receive TIF, were comfortable with the development and willing to accept it. Otherwise, equity issues could be raised. In addition, TIF requires a long-term vision for how a development will fit with its surroundings and what it will accomplish. This might not be doable without an overarching vision, a comprehensive plan, or at least a small area plan for the area. Carrboro would have to know what its goals were and commit to the TIF project.

Other Tax Incentives

The traditional economic development technique of offering tax incentives to encourage companies to locate in downtown Carrboro would defeat the purpose of attracting such businesses, which is to increase the amount of taxes coming from non-residential property. In fact, tax breaks do a poor job of encouraging IT firms to move around, anyway; Richard Florida is known to have heard a Hewlett-Packard CEO beg governors: “stop giving us incentives, stop giving us tax breaks, stop building us roads. We will go where the highly skilled people are” (Parker & Barnes, p. 15). Carrboro has a skilled workforce, with its close proximity to so many higher educational institutions. A 2001 focus group revealed, however, that the town could do a better job of connecting university alumni with local (and soon-to-be-local) IT companies (Ibid., p. 17). Further research will be needed to see whether or not this is still an issue for the Town.

Although tax incentives might not work to attract certain kinds of companies that Carrboro wants downtown, they could play a role in attracting different kinds of
development to other areas, such as manufacturing or larger-scale commercial development outside of downtown. For instance, State Senator Ellie Kinnaird suggested the idea a few years ago to promote the development of a Costco in Carrboro. Kinnaird stated that this company provided decent pay and health benefits for its employees, creating jobs for Carrboro’s low-skilled residents. Such a development would also lead to increased sales taxes generated in Orange County, diverting purchases otherwise made in neighboring Durham and Chatham Counties. If the increased sales taxes generated in Orange County could offset property taxes lost in tax incentives, it might be worthwhile for Carrboro to consider using tax incentives to attract big-box retail to the fringe areas (such as near Carrboro Plaza, at the intersection of Main and 54).

Kinnaird’s idea was met with consternation by local business owners, who felt big-box retail would threaten their viability and Carrboro’s vibe. (While impossible to prove, the resistance could also have come from associations Carrboro residents have with discount retail stores and the types of people who shop there.) Certainly, big-box retail is land consumptive in terms of the building and parking lot it typically requires. But Carrboro could take steps to mitigate this, requiring parking lot sharing with existing development, or even multi-story development. Certainly, the threat that local business-owners felt is understandable, but if they are losing customers anyway to the same big-box just over the Orange County line, why not direct that spending to within Orange County?

At the same time, as mentioned already, most of Carrboro’s workforce is not employed in the low-skill, low-wage sector. In fact, most of the jobs currently available in Carrboro are in retail or service jobs that tend to be low-wage. What Carrboro needs
the most is more jobs for its high-skilled workforce. These types of jobs should be located downtown. If Carrboro wants to consider acquiring some big-box development, this would be best accomplished further outside of town. While the jobs might not be needed, the additional property and sales taxes are, so long as Carrboro can earn enough additional revenue to make the headache dealing with local business owners worthwhile.

**Inclusionary Zoning**

As suggested above, the affordable housing provisions in Carrboro’s Land Use Ordinance are weak. If providing more affordable housing is indeed a goal for the town (which should be determined in visioning exercises), then Carrboro might want to implement mandatory inclusionary zoning. Simply changing the “should” to “shall” in Section 15-54.1 of the LUO would make a small difference; Carrboro could also consider requiring minimum square footage or numbers of bedrooms per unit to ensure that families can find more than one-bedroom condos. In Arcata, inclusionary zoning requires housing priced for people earning only 50% of the area median income; this covers a wider range of families than does Carrboro’s 80% area median income cutoff level. Carrboro might also consider requiring a percentage of units affordable to “moderate” income earners, allowing those at 100% to 120% of the median family income also to afford housing. Providing the affordable units on the same site as the market rate units is preferable, but Carrboro could allow alternatives if such development is infeasible.

Carrboro’s Board of Aldermen has already looked at inclusionary zoning as a possibility for the town, and did not seem interested in pursuing it. Nonetheless, if this is an important issue for Carrboro’s residents, they should push to make it happen. After all, if the majority of jobs in Carrboro are low-wage and retail, and those employees cannot
afford to live here, their commutes generate pollution and traffic, and require the provision of parking lots. As Carrboro seems concerned about the environmental impacts of transportation, providing workforce housing close to jobs is an environmentally friendly thing to do.

**Effectiveness**

Inclusionary zoning has been shown to be effective in providing affordable housing units – in Montgomery County, Maryland, the sixth wealthiest county in the U.S., inclusionary zoning has led to more than 10,000 affordable housing units. On the other hand, in Manteo, NC, it has produced zero affordable units. In Carrboro, however, a number of the conditions found to make inclusionary zoning successful already exist – local partnerships with developers, educated developers and financiers, and a strong housing market. With strong local support for affordable housing and effective program administration, the program should be successful.

**Feasibility**

Inclusionary zoning is a way to promote housing affordability without using public funds, but affordable units generate less in tax revenue once they are built, and developers are quick to seek ways out of the requirements, particularly when the housing market is slow (as has been shown in the Claremont and Veridia developments in Carrboro). Maintaining affordability is also an ongoing effort. In Carrboro, the Community Land Trust has traditionally managed affordable housing, but this small organization might need more help if the supply of affordable housing in Carrboro increases dramatically.
Equity and Efficiency

Developers often opposed inclusionary zoning, claiming that it shifts the burden of affordability unfairly to them, and forces them to raise prices on their market-rate units in order to make up the difference. In addition, existing residents sometimes resent inclusionary zoning, believing that the new residents will not pay their fair share of taxes yet consume the same amount of services, shifting the tax burden to the wealthier families who can afford more expensive (and higher tax-assessed) homes. On the other hand, inclusionary zoning can help to bring more taxpayers into Carrboro than could otherwise afford to live here, and when they make purchases in Carrboro and support local businesses, they also contribute to a vibrant local economy.

Do Nothing

What would Carrboro look like if it did nothing but maintain its status quo? As stated already in this report, Carrboro is an attractive place for people to live and for businesses to locate. The town has continued to grow in recent decades – although it has grown more toward expensive, owner-occupied housing and away from consisting of primarily rental housing for graduate students and people of low income. The downtown area is thriving, with Carr Mill Mall, an organic community market, many restaurants, and other small shops and businesses. Recent development approvals will bring additional commercial, office, and luxury residential space to the downtown, increasing the density of Carrboro’s already dense development (but in a pedestrian-friendly way) and bringing more wealthy, childless people – with greater tax-paying abilities – into town.
The do-nothing approach would continue to work well if the following facts were also true: residential property taxes are high, but those paying them can afford them, for the most part, with their good jobs in Research Triangle Park, just an easy freeway drive away, or at UNC-Chapel Hill, which continues to thrive. The special district tax for Carrboro’s excellent schools can be increased as needed to manage increased demand for schools as population grows. Market forces and a strong attraction to downtown could drive further redevelopment there without the town having to direct anything, and increased commercial development away from downtown does nothing to detract from it. A drive to locate offices downtown means that developers will not give up when faced with difficult development approval processes. They don’t mind waiting months, even years, to get approved to locate businesses or build expensive office space.

Doing nothing would require very little outlay of funds from the beginning – no changes means no additional work for planning staff, no consultants to be paid, no public visioning meetings to be advertised, no new maps to be printed. But the amount of increased revenue foregone if Carrboro does nothing is harder to quantify. Doubling the amount of office space downtown – thus accomplishing one of the goals set out in the Vision 2020 document – is likely to increase non-residential property tax revenues to the town. How much has not been determined in any of the existing studies.

Even though the “Do Nothing” approach could cost Carrboro lost property and sales tax revenue down the line, it seems that this approach is the one Carrboro will most likely take. With already approved development slow to break ground and yet to be purchased or leased to capacity in a still-flagging economy, working to speed the development review process seems, at best, pointless. At the same time, looking at the
ways Carrboro has made development difficult in the past helps to explain the current lack of proper office and retail space downtown. If Carrboro follows the “do nothing” approach, it will likely not approve the CVS development, and prime real estate in the middle of downtown Carrboro will remain underused while huge buildings start to spring up around the edges of downtown. The CVS property is expensive, and while the town wants to see it developed, but “not by CVS,” it is difficult to imagine who else could undertake the necessary investment to develop the parcel according to Carrboro’s restrictive and unclear development regulations.
Chapter 6: Recommendations

This paper’s recommendations for Carrboro take into consideration two different goals – increasing the non-residential development to help alleviate residential property taxes, and providing housing that is affordable for Carrboro’s diverse population. Whether these goals are truly important to Carrboro’s residents – and elected officials – is the first thing that must be determined, perhaps in a community visioning process. If not, the “Do Nothing” alternative is probably appropriate. Carrboro can continue to make development difficult and ensure its intimate involvement in the details of new projects; it can continue to allow only expensive, owner-occupied housing, sometimes with small affordable units; its residents can continue to pay the most residential property tax in the state; and it can continue to decline in racial and socio-economic diversity. If, however, Carrboro does want to encourage more diverse development – and population – it might take the steps outlined for each goal below.

Increasing Non-Residential Development

The very least Carrboro should do if it wants to make the development review process faster, more efficient, and available to a wider variety of developers, is to reduce the number of supplementary documents required for applications for zoning or conditional use permits. As it stands, with the significant investment required even to produce an application, only large, wealthy developers without pressing deadlines are participating. Carrboro might also add in a Preliminary Review Option to allow the
development review process to begin – for a small fee – before all of the application requirements have been met. This could help to move along more time-sensitive projects.

Another small thing that Carrboro can do to encourage development in the short-term is to place the Village Mixed Use conditional use permits in locations where such developments will be most beneficial. This will prevent developers from having to apply for a rezoning to the district, and it will guide them towards locations where their applications for CUPs are more likely to be worth investment. Whether the town decides to create TIF districts in these locations depends on the attractiveness of the locations and Carrboro’s willingness to administer such a program.

Proper siting of the VMU districts could involve some community visioning workshops. While this is happening, Carrboro might as well get resident input on other underused or vacant areas and what uses might be preferable there. In any visioning process, of course, the town must try to be as inclusive as possible and run any ideas past shareholders who were not present at the workshops. Carrboro’s efforts to increase non-residential development could stop at this step.

Community visioning exercises lead nicely, however, into a comprehensive planning process that Carrboro’s planning staff could undertake. Having staff members, rather than consultants, work on the plan could save money and help the plan to reflect the community’s true values.

The comprehensive plan could then be followed with updates to the Land Use Ordinance and zoning map. The Land Use Ordinance is in need of a serious overhaul; mere updates are unlikely to solve the slow development problem. This has the potential to be the most difficult and expensive of Carrboro’s undertakings. But in the long run, a
reduced number of zoning districts, a clarified Table of Permissible Uses that allows desirable development outright in as many districts as possible, a logical organization that groups all requirements for each zone together, and more detailed and specific guidelines describing what Carrboro *does* want, will generate higher-quality development in a shorter period of time.

**Providing Affordable Housing**

If Carrboro is serious about reducing its residential property taxes by diversifying development, then it should demonstrate an effort to allow increased non-residential development, perhaps using the strategies outlined above. Once such commercial, office, and industrial development is complete, the Board should reduce Carrboro’s residential tax rate.

In the meantime, Carrboro could create a fund to subsidize the property taxes for people and families below a certain income level. Payments in lieu of affordable housing could go into this fund, and residents could be asked to donate. A fund like this has been used in the past, and although it was unpopular, it might be an option if visioning exercises show a concern for affordability of housing in Carrboro. Carrboro could also enforce its existing affordable housing ordinance more strictly.

The most extreme – and perhaps the most effective – change Carrboro could make would be to adopt inclusionary zoning, mandating affordable housing with minimum size and bedroom requirements, and setting the affordability level at 50% of the median area income. Requiring a mix of affordable units – from affordability for 50% median income up to 120% median income – could also help to ensure that more moderate income earners could find housing.
Conclusion

Carrboro’s residents pay a lot in residential property taxes – whether they own their own homes or absorb their landlords’ tax burdens in rent payments. Carrboro not only has the fifth-highest property tax rate in the state of North Carolina, but also homes valued much higher than any of the municipalities with higher tax rates. And homes make up 86% of Carrboro’s total land use, meaning businesses contribute little in terms of property and sales taxes. Development of all kinds has been slow to occur in Carrboro, as the town’s land use regulations are complex and require a good deal of citizen and Board involvement. As a result, development is carefully planned and environmentally sensitive, and Carrboro’s residents appear to like it that way.

Whether the town should make changes to its development review procedures and land use planning documents, in order to diversify the types of land uses in Carrboro and help generate property and sales taxes from commercial uses, depends on how willing Carrboro’s residents are to allow such development. The town needs to check in with its residents to find out whether they will allow more commercial (and possibly industrial) development in order to reduce their property tax burdens. If residents are open to such development, then the town needs to find out what residents want out of the development, and update its planning documents accordingly.

Reducing property tax burdens is only one step toward providing more affordable housing in Carrboro. If this, too, is a goal for residents, additional policies must be
implemented to assure diverse housing opportunities. More affordable housing will allow Carrboro’s workforce – currently primarily in the low-wage sector – to live closer to their jobs, cutting down on commute traffic and pollution. More affordable housing will ensure that Carrboro’s population stays racially, ethnically, and socio-economically diverse. More affordable housing can create a virtuous circle, attracting businesses whose employees will be able to live in town, and whose non-residential property taxes will help to ease the tax burdens on all of Carrboro’s residents.
References


