

1-17-06

cc: Tim, MAC, Jim
Bill, Do. Su. AAC



North Carolina
Department of Commerce
Division of Community Assistance

Michael F. Easley, Governor
James T. Fain III, Secretary

Gloria Nance-Sims, Director

January 13, 2006

Town of Kure Beach
Tim Fuller, Mayor
117 Settlers Lane
Kure Beach, NC 28449-003

The Honorable Mayor Fuller:

Enclosed please find the final draft of the "Business and Development Report" for the Kure Beach Commercial District. Robert Murphrey's market analysis and research as well as the results of the community forum are detailed in this report.

Just over 56% of the participants from the November 14, 2005 "Community Forum" indicated they desired a commercial district much like it is today or as described in the "Future One" development scenario.

I would like to recommend that you discuss this report and the results of the community forum at your upcoming planning retreat. Upon your review and discussion, the report should be included in your Land Use Plan updates being prepared by Chris May with the Cape Fear Council of Governments.

However, if you determine further discussion and study of your future commercial district development is needed, please do not hesitate to contact me at 910-829-6384.

Respectfully,

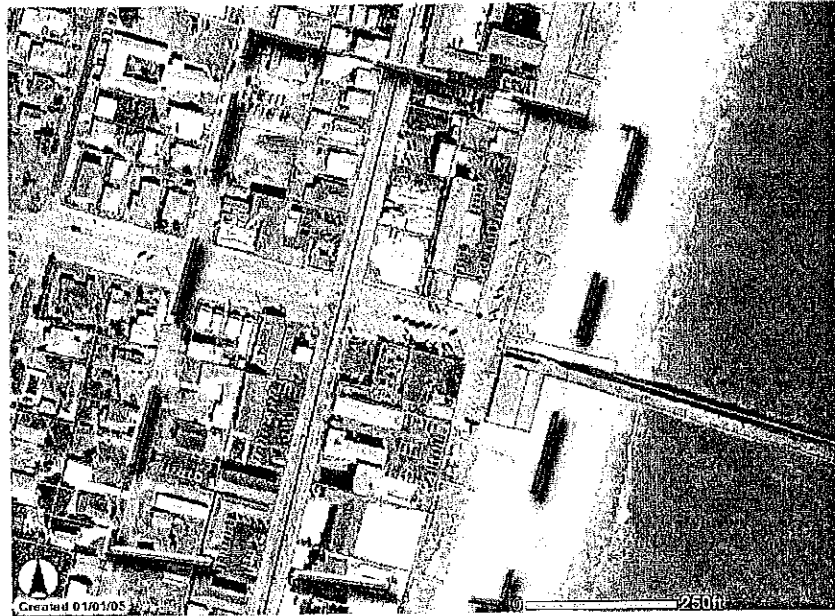
Jason M. Epley, AICP, Chief Planner

cc: Chris May, Executive Director, Cape Fear Council of Governments
Robert Murphrey, Small Town Main Street Coordinator

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Business and Development Report

Kure Beach Commercial District



DISCLAIMER

This report was prepared by the North Carolina Division of Community Assistance. Information contained in this report is gathered from various sources. Every effort is made to ensure that the information contained herein is accurate; however, no warranty is made about the accuracy of this report by the Division of Community Assistance or its sources.

Date Prepare 20

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THE SIX FACTORS IN ECONOMIC DEVELOPMENT

(Prepared by: Robert Murphrey)

The Definition of Economic Development

The most basic definition of the word "economic" is "profitable". If a community seeks to revitalize and prosper it will be necessary for economic (profitable) activity to occur; for the ultimate goal of revitalization is the creation of economic value (profit) for the community and its investors; public and private.

And even though "profit" can come from improvements to the physical environment and quality of life, economic development is essentially "adding value"(creating profit) in the form of jobs, sales, taxes, and property value.

Economic improvement requires adapting economic activity to the current realities of the market place.

The Six Economic Factors

There are six basic factors that should be considered when undertaking economic activities. Without an understanding of these factors, it will be impossible to determine the direction that economic activity must take in order to bring about a successful effort. These factors are as follows:

FACTOR 1. MARKET CONDITIONS AND BUSINESS CLIMATE

Assessing this factor helps determine the status of the retail, commercial and residential and their potential in your community. Information gathered related to retail sales, occupancies and rents is used to assist existing businesses and to develop recruitment materials for attracting new businesses to your commercial districts.

FACTOR 2. RETAIL MIX

A market assessment and merchants' survey can provide information related to the number and types of businesses currently in the area. From this information, the potential for success of additional or different retail businesses can be determined. Additionally, a personal observation should be made to determine the physical location of retail businesses by type, in order to determine the best locations to site additional businesses.

FACTOR 3. REAL ESTATE AVAILABILITY AND CONDITION

This factor addresses the ability to recruit development and business. If there is no available land or buildings or if they are overpriced or in poor condition, then it will be difficult to carry out the revitalization effort.

FACTOR 4. PHYSICAL ENVIRONMENT AND AMENITIES

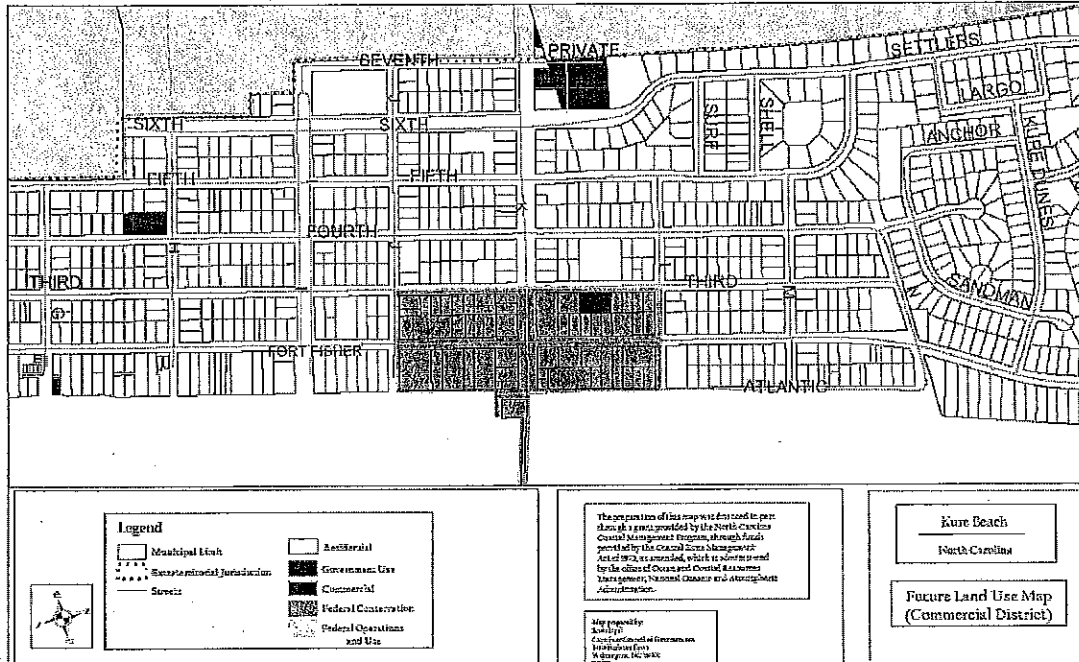
The physical environment in which business and development must function is critical to its' success. Even the best businesses and development projects will not be successful if the surrounding environment is run down, has few amenities and is difficult to access.

FACTOR 5. AVAILABILITY OF CAPITAL/FINANCING

It is critical that adequate investment capital and attractive financing be available for development projects. Local financial institutions must be actively involved and supportive of development and business in the community.

FACTOR 6. BUSINESS AND DEVELOPMENT ASSISTANCE

Business and investment decisions must be made based on complete and factual information. One of the most important services that can be offered to potential investors is the provision of professional business and development assistance, along with a coordinated promotional effort.



**MAP OF STUDY AREA
B-1 BUSINESS DISTRICT (red)**

INTRODUCTION/OVERVIEW

Statements From Draft Land Use Plan 2004

“The economy of Kure Beach is based upon tourism. The beach, the abundant fish, the beautiful natural resources attributes found here, and the history of this place have always been the major attractions to Kure Beach... The Town of Kure Beach is known for its small local shops serving fishermen and beach goers. Regionally well-known restaurants are also in operation. Residents, visitors to the beach, and residents of the surrounding area who are drawn to the beach, all enjoy the Kure Beach restaurant opportunities. The largest type of business category in Kure Beach is the hotel and motel rental business.

In the fiscal year ending June 30, 2003, the Town of Kure Beach issued 114 privilege licenses and collected \$3,673 in privilege license fees. The amount of funds collected has not shown a dramatic fluctuation between 1998-2003. The stability of the number of these licenses issued over the six years shown gives credence to the statement that the business growth in Kure Beach is not keeping pace with the residential growth...

Economic health and vitality is a critical part of a well-balanced community. Economic, social and environmental factors must all be taken into account in a balanced way when

making any important decision about the community's future. Any city which exclusively focuses on one of these components without regard to the others will almost certainly end up with a very unlivable community. A healthy economy depends upon a healthy environment. But, likewise, a protected environment in the future will depend on a healthy economy to pay for it.”

Background for the Report

The Town of Kure Beach is an incorporated oceanfront community in New Hanover County with a population of approximately 1,728 permanent (year round) residents, a seasonal population of 9,857 (year round residents plus visitors) and approximately 4,058 “day trippers” according to the Kure Beach Land Use Plan prepared in 2004. Projected population in 2020 is 2,628 permanent residents, 14,122 seasonal residents and 6,087 day-trippers.

At public meetings held during the Town of Kure Beach’s Land Use Plan Update process in 2003-2004, local citizens presented differing opinions on the importance of the local commercial district and retaining local businesses, particularly when considering expansion of the commercial district. Although some indicated a need and desire for basic goods and services to be provided in the community, others felt that services were readily available in Carolina Beach and other areas within a reasonable distance of local residents. The most common statement was that the beach should retain its residential, low-rise, low-density character.

A subsequent meeting of local business property owners and operators provided another viewpoint, reflecting a desire to retain and expand their businesses and the commercial district, but faced with stable or declining property values in relation to residential values in the community. They voiced their concerns at the loss of customers due to an ongoing reduction in business and lodging facilities in Kure Beach that is occurring due to the increasing value of property for residential uses as opposed to the stable or declining value of commercial property. As with other beach communities in the region, the separation of the island community from the mainland and dependence on bridge access to leave the island for necessities and services, coupled with the large increase in traffic during the summer season, would seem to require the need for self-contained goods and services, particularly convenience, gasoline, food and drug related items. Goods and services to meet the needs of visitors must also be a consideration.

1. Market Conditions/Business Climate

1.1 RETAIL

1.1.1 Observations

Kure Beach businesses serve a primarily local resident and seasonal visitor market and also compete with businesses in neighboring Carolina Beach and other areas of New Hanover County for customers.

Our assessment of the market conditions in Kure Beach based on available information indicates that the beach's commercial district primarily provides goods and services to local residents, tourists, and visitors from nearby and regional communities. Based on merchant surveys, winter and off-season months are slow retail months, while June, July and August are the best business months. This indicates that the beach businesses are heavily dependent on other than the local residential population in order to support themselves. At the current level of retail sales it is difficult to support the cost of rents and ownership of the commercial property.

Kure Beach has one primary commercial district (B-1) of approximately four blocks centered around the Kure Beach Fishing Pier, but several commercial establishments are scattered along Highway 421 (Fort Fisher Boulevard) running through the area, connecting the various communities of the island and the island to the mainland. Combined they provide the nucleus of shopping opportunities to the Kure Beach Market. It is estimated that the retail businesses in Kure Beach capture approximately \$ 4.2 million of the \$26 million in retail sales potential in the market area from local residents and visitors. These sales are heavily concentrated in the Eating and Drinking category (estimated \$3.3 million in sales).

However, within the local resident and visitor potential there is approximately \$22.5 million in potential sales primarily in the un-represented business categories of apparel, automotive, drug store, furniture and appliances, general merchandise and hardware/garden supplies that is not being captured by local businesses. Obviously Kure Beach businesses lose a substantial amount of retail trade to other businesses outside the beach, primarily to Carolina Beach, New Hanover County and Wilmington. The reasons cited for shopping off the beach for these items are stated as due to lack of variety/selection, or products not offered on the beach.

RETAIL TRADE ANALYSIS									
KURE BEACH, NC									
Sep-05									
2005-2010									
Code SIC	Kind of Business	Annual Sales \$ (estimated)	Potential Sales \$ Local (estimated)	Potential Sales Seasonal	Potential Sales Daytrippers	Total Potential	Overage/Leakage	Potential Capture 20%	Potential Additional SF Retail \$200/SF
		Population	1728	8129	4058				
56	Apparel and Accessory	\$0	\$902,016	\$212,167	\$21,183	\$1,135,366	\$1,135,366	\$227,073	1,135
55	Automotive Dealers	\$0	\$4,791,744	\$1,127,086	\$112,528	\$6,031,358	\$6,031,358	\$1,206,272	6,031
55	Auto Supplies	\$0	\$530,496	\$124,780	\$12,458	\$667,734	\$667,734	\$133,547	668
581	Drug and Propri	\$0	\$1,142,208	\$268,663	\$26,823	\$1,437,695	\$1,437,695	\$287,539	1,438
58	Eating and Drinking	\$3,300,000	\$2,121,984	\$499,121	\$49,832	\$2,670,937	-\$629,063	-\$125,813	-629
54	Food Stores	\$200,000	\$3,006,720	\$707,223	\$70,609	\$3,784,552	\$3,584,552	\$716,910	3,585
57	Furniture, Home Furnishing	\$0	\$582,336	\$136,974	\$13,675	\$732,985	\$732,985	\$146,597	733
57	Home Appliances, Electron	\$0	\$561,600	\$132,096	\$13,189	\$706,885	\$706,885	\$141,377	707
55	Gasoline	\$500,000	\$1,594,944	\$375,153	\$37,455	\$2,007,553	\$1,507,553	\$301,511	1,508
53	General Merchandise	\$0	\$2,799,360	\$658,449	\$65,740	\$3,523,549	\$3,523,549	\$704,710	3,524
52	Hardware, Lumber, Garden	\$0	\$1,907,712	\$448,721	\$44,800	\$2,401,233	\$2,401,233	\$480,247	2,401
59	Miscellaneous (Excludes Drug, includes Jewelry, sports, hobbies, books, etc)	\$200,000	\$1,254,528	\$295,083	\$29,461	\$1,579,072	\$1,379,072	\$275,814	1,379
TOTALS		\$4,200,000	\$21,195,648	\$4,985,516	\$497,754	\$26,678,918	\$22,478,918	\$4,495,784	22,479

SOURCE: US Consumer Expenditure Survey
Kure Beach Land Use Plan 2004 (draft)
NCDCA Retail Survey

Retail Potential 2005-2010

1.1.2 Recommendations

If local residents wish to retain their basic goods and services on the beach, they will need to increase their support for local businesses and recognize that the visitor segment of the market must also be expanded. This will require support for the development of more lodging and residential opportunities in Kure Beach to provide customers to support the local businesses they wish to retain. Much of this can occur in the B-1 District.

The Kure Beach business district should attempt to capture a portion of the \$22 million in additional potential sales from the local and visitor market with a goal of increasing annual sales by \$2-3 million over the next 5 years. This can best be accomplished by increasing the availability and/or marketing of at least some of the identified retail opportunities including apparel, drug store, food stores, furniture/appliances and general merchandise, etc.; by adding stores offering these products, and/or expanding the offerings of existing businesses.

Kure Beach businesses should understand their markets and focus their promotional efforts on the markets they are most likely to attract. In most smaller communities, retail areas function in an "inside-out" manner, with much of the retail trade being available from nearby neighborhoods and employees. In Kure Beach this market is enhanced by the visitor and tourism component. The identified markets, in order of future potential are:

- 1) Tourists/visitors to Kure Beach
- 2) Permanent residents
- 3) Employees of local businesses on the beach
- 4) Citizens/visitors within one to three miles of the beach
- 5) New Hanover County residents

Niche Markets

“Overage”

Where there is a large concentration of outside spending in a given category, possibilities may exist to find a “niche” or additional potential within that category that is not represented widely in the trade area. An example would be identifying significant excess or “overage” in eating and drinking expenditures in Kure Beach (\$600,000) and determining that the variety of eating and drinking opportunities is limited; therefore positioning an eating and drinking business to capture this missing element in the supply. (i.e.; A large number of fast food and steak restaurants, but no fine dining).

Future Market Potential

Additional “niche” markets will develop around the growth in permanent and second homes in Kure Beach and Fort Fisher as well as the growth occurring in Carolina Beach. The average household incomes of these new residents is considerably higher than the New Hanover County population as a whole, offering more disposable income potential to be captured by local businesses. A corresponding increase in seasonal populations offers additional potential for increased retail business.

RETAIL TRADE ANALYSIS									
KURE BEACH 2020 Sep-05									
Code SIC	Kind of Business	Annual Sales \$ (estimated)	Potential Sales \$ Local (estimated) Population 2628	Potential Sales \$ Seasonal 14122	Potential Sales \$ Daytrippers 6087	Total Potential	Overage/Leakage	Potential Capture 20%	Potential Additional SF Retail \$200/SF
56	Apparel and Accessory	\$0	\$1,371,816	\$368,584	\$31,774	\$1,772,174	\$1,772,174	\$354,435	1,772
55	Automotive Dealers	\$0	\$7,287,444	\$1,958,015	\$168,793	\$9,414,252	\$9,414,252	\$1,882,860	9,414
55	Auto Supplies	\$0	\$806,796	\$216,773	\$18,687	\$1,042,256	\$1,042,256	\$208,451	1,042
591	Drug and Propr	\$0	\$1,737,108	\$466,732	\$40,235	\$2,244,075	\$2,244,075	\$448,815	2,244
58	Eating and Drinking	\$3,300,000	\$3,227,184	\$867,091	\$74,748	\$4,169,023	\$869,023	\$173,805	869
54	Food Stores	\$200,000	\$4,572,720	\$1,228,614	\$105,914	\$5,907,248	\$5,707,248	\$1,141,450	5,707
57	Furniture, Home Furnishing	\$0	\$885,636	\$237,956	\$20,513	\$1,144,105	\$1,144,105	\$228,821	1,144
57	Home Appliances, Electro	\$0	\$854,100	\$229,483	\$19,783	\$1,103,366	\$1,103,366	\$226,673	1,103
55	Gasoline	\$500,000	\$2,425,644	\$651,730	\$56,183	\$3,133,557	\$2,633,557	\$526,711	2,634
53	General Merchandise	\$0	\$4,257,360	\$1,143,882	\$98,609	\$5,499,851	\$5,499,851	\$1,099,970	5,500
52	Hardware, Lumber, Garden	\$0	\$2,901,312	\$779,534	\$67,200	\$3,748,047	\$3,748,047	\$749,608	3,748
59	Miscellaneous (Excludes Drug, includes Jewelry, sports, hobbies, books, etc)	\$200,000	\$1,907,928	\$512,629	\$44,192	\$2,464,749	\$2,264,748	\$452,950	2,265
TOTALS:		\$4,200,000	\$32,235,046	\$8,661,023	\$746,631	\$41,642,702	\$37,442,702	\$7,488,540	37,448

SOURCE: US Consumer Expenditure Survey
Kure Beach Land Use Plan 2004 (draft)
NCOCA Retail Survey

Potential Retail Sales By 2020

1.2 RESIDENTIAL

1.2.1 Observations

According to the US Census the permanent population of Kure Beach has grown substantially since 1990 from 619 to approximately 1,700 permanent residents, an annualized growth of 13.5%. The future population is estimated at between 2,157 and 2,628 by the year 2020. There has also been substantial growth in the number of housing units within the city limits with more than 1245 building permits issued between 1996

and 2003. With only about 50% of current housing units occupied year-round, there appears to be a steady demand for housing on the beach fueled primarily by those seeking second homes. Some of this demand is currently being met through sales of existing houses, which are sometimes demolished and replaced with much larger homes. There is also a trend towards duplex and other multi-family development in what were formerly single-family residential neighborhoods. This creates conflicts within these neighborhoods between those wishing to retain the single-family and “family beach” environment and the new property owners.

The limited availability of land in the area also is driving prices of land and housing dramatically higher, with home sales prices now as high as \$575 per square foot. Information from the US Census and a survey of local real estate companies indicates a residential rental market in Kure Beach with the majority of rents between \$500 and \$1000 per month for year-round rentals. Seasonal rentals range from \$800 to \$1700 per week and \$125 to \$500 per day.

The limited number of lots, homes, lodging rooms or apartments indicates potential support for additional residential development “above the store” in the commercial district of Kure Beach.

A mix of commercial-residential development, including lodging rooms, with street levels reserved for commercial uses and residences or lodging above may be the key to a successful commercial district. Following this development approach will lessen the impact on the residential neighborhoods, helping maintain the residential character of the beach. The residential districts adjoining the commercial district should not be marginalized by allowing commercial zoning and commercial intrusion.

The commercial district needs the additional quality residents and visitors that can be provided “above the store” and in the adjacent neighborhoods in order to support the retail businesses. In some cases existing buildings may need to be demolished and rebuilt, while in others new in-fill construction on vacant parcels in the commercial district could be developed as commercial-residential/lodging units.

Should this residential component be directed to and allowed in the commercial district, some of the demand for second homes and year round residences could be met, reducing the pressure on long-standing single-family neighborhoods, while adding to the tax base of the community.

1.2.2 Recommendations

The residential areas outside and adjacent to the commercial district should remain as low density, low-rise residential zoning. The B-1 Commercial Zone should remain commercial but increased height and density should be considered. New lodging and multi-family residential construction above street-level should be allowed in and steered where possible to the commercial district in order to provide new residential and lodging opportunities as well as help stabilize and retain the retail/commercial component of the

beach community.

1.3 OFFICE/OTHER

1.3.1 Observations

We were not able to confirm the depth of the office and service markets in Kure Beach, however there should continue to be a reasonable market for real estate companies and other professional offices and services that can be attracted to the area if adequate support services (parking, eating places, etc.) are available.

1.3.2 Recommendations

Offices should be located where adequate parking and other support services can be provided.

1.3 LODGING

1.4.1 Observations

Since the lodging industry has a direct impact on commercial activity, as well as generating funding resources for beach re-nourishment and marketing of the area, it is important to understand the current lodging trend in the Kure Beach area. Information from the Cape Fear Coast Convention and Visitors Bureau provides insight into the declining lodging industry in Kure Beach.

There are currently sixteen motels in Kure Beach containing 309 rentable units. Approximately 220 of these units are located in the downtown B-1 District. A survey conducted for this report indicates average daily room rates of \$78 and year-round occupancy estimated at 58%. These properties are all owned and operated by local operators. There are no full-service hotels or motels in Kure Beach and no national or regional motel chains. This number is 111 units less than in last fiscal year 2004, a decline in rentable units of 26% in one year. It is likely that an additional 64 units will be lost from the market in 2005. This decline is due to the closing of five properties and planned closings of several others. The reason for these closings has been stated as being primarily due to the inability to increase the number of lodging units due to height and parking restrictions and the higher value of the land on which these lodging units sit for redevelopment as residential units. In addition to hotel/motel units there are 209 rental lodging units contained in residential condominiums and houses. Rental rates for these properties range from \$125 per day to \$1700 per week. The combined units equal 518, down from 629 units last year.

The overall impact of declining lodging options will negatively affect retail businesses by reducing the number of visitors to the area. Although the majority of retail sales taxes in

New Hanover County are distributed based on ad valorem property values per municipality, the community should recognize that the distribution method can be changed by the County to a less favorable distribution method at any time. Local option point of sale taxes would then become more critical to the Town budget. Declining retail sales reduces sales taxes, which in 2004 amounted to nearly \$382,000 or 18% of the Town's budget. Further, a declining number of hotel/motel units is expected to have a negative impact on the market in that lodging trends indicate that visitor stays in the region are becoming shorter. Hotels and motels typically offer daily rate options that can accommodate these shorter stays, while house and condominium rentals are geared to weekly or longer stays.

Additionally, the occupancy taxes paid by the lodging industry support beach re-nourishment and marketing of the area that enhances the visitor opportunity and business potential. A 3% Kure Beach occupancy tax collected by New Hanover County totaled \$170,000 in 2004. Kure Beach began collecting an additional 3% local occupancy tax for the first time in July 2004, generating more than \$170,000 in new occupancy tax revenues in this first year alone, with 50% of that amount available for projects in the local community. The other 50% goes to the CVB, which goes to marketing the general Cape Fear Region as a whole. The local portion of this occupancy tax is equal to approximately 4% of the town budget. Since each beach community shares the beach re-nourishment fund, a concern could be that Kure Beach's opportunity to obtain assistance from these funds might be reduced as the occupancy taxes it generates declines.

1.4.2 Recommendations

The community should carefully consider the value of the commercial district, the visitor economy and the impact of lost business and businesses on local government financing. In addition to the loss of basic goods and services, there is a financial consequence to local citizens when local government revenues are reduced due to lost sales and occupancy taxes that may have to be made up by increasing local property taxes.

2. Retail Mix

2.1 Observations

The primary business district has several good retail businesses, including a fishing pier, convenience/food store and a number of restaurants. However, the beach citizens' opportunity for "basic goods and services" is met primarily by the convenience/food store. There is no drug store on the island and no banking services without driving to Carolina Beach. There are twelve existing retail related businesses in the B-1 District, including four restaurants. Basic retail is hampered by a lack of "critical mass"; that is, enough businesses and /or enough businesses of any one type to create an identity or shopper destination. Businesses are generally clustered around the intersection of K-Street and Fort Fisher Boulevard.

2.2 Recommendations

New businesses of the types identified in the Market Conditions section of this report should be considered to be added to the supply, and existing businesses should be encouraged to expand their offerings to help provide those goods and services identified. There is some room for additional businesses of the same type, as well as those that carry complementary merchandise and different merchandise.

A successful business mix will contain businesses that are:

Market driven

- Provide products and services that meet local needs

Financially feasible

- Have sufficient investment and financing
- Business plan based on local market data

Located appropriately

- In or near a “*comparable cluster*” of businesses
 - Same customer base-different products
Example: High income; low income; retirees
- In or near a “*complementary cluster*” of businesses
 - Goods and services used in conjunction with each other
Example: Women’s clothing/accessories; Convenience Items-groceries/drugs; Furniture/appliances
- In or near a “*comparative cluster*” of businesses
 - Same or similar products
Example: furniture stores; jewelry stores; antique stores
- Part of a “*critical mass*” of businesses
 - Sufficient number of businesses and business types to provide a destination for shopping

3. Real Estate Availability and Condition

3.1 Observations

The B-1 Commercial District accounts for less than 3.7% of the total developed area in Kure Beach, and has virtually no building vacancy at this time. However, several motels are currently on the market and may not reopen for next season. There are several vacant land parcels, mainly used for parking. Much of the open land is used to meet the off-street parking requirements for the lodging industry. The tax value of commercial property is estimated at \$13.9 million or 4% of the total property value on the beach.

Buildings in the commercial district are in fair to good condition, have assessed values around \$70 per square foot, and rent at rates as high as \$24 per square foot. Assessed commercial land values average \$14 per square foot while average sales of residential land range from \$85 to \$138 per square foot. Estimated up-fit cost is \$125-150

per square foot for a retail building and new construction costs are estimated at \$150-200 per square foot. Estimated sales prices for commercial buildings and land average \$150 per square foot, but are still far below the average residential sales value of \$275-575 per square foot. This further complicates the ability of the community to retain its commercial component. Since commercial rents must be related to the value of the property and the desired return on investment of the property owner, along with the ability of the commercial business to generate sales, it is critical that these items match up. The current property values and necessary rents seem to exceed the ability of the commercial businesses to produce the sales volume to support the required rents. This in essence makes the property more valuable for residential than for commercial purposes. Should this imbalance continue, Kure Beach residents could face the loss of the commercial services they need.

Although building occupancy of the commercial district is currently near 100% there is still potential for growth in the business district and some vacant land for expanding the business district without encroaching on the nearby residential neighborhoods, which should be avoided.

3.2 Recommendations

The opportunity to further develop the commercial district, particularly with an added residential and lodging component should be considered. As we have found in other beach communities and small town commercial districts, the added higher value of the residential component will help offset the lower value of the commercial component, enabling a more favorable rent to value ratio that will be more affordable for the commercial tenant. This will be necessary if the community wishes to retain commercial goods and services. It will be important to educate property owners and businesses regarding the relationship between retail sales and rent (occupancy costs), and that if rents (occupancy costs) become too high in relation to retail sales, businesses will struggle to remain viable. With current retail sales estimated in the range of \$100 per square foot, rents should approximate \$6-10 per square foot for a typical retail space. Most rents are currently slightly above this range and increased building and land values will create a constant upward pressure on rents and if not corrected will cause a continued decline in the quality and quantity of retail offerings on the beach.

4. Physical Environment and Amenities

4.1 Observations

The physical environment in which a business much function is critical to its success. The design issues relating to this factor will be addressed in a future planned revitalization report. In addition to an attractive business environment, traffic, parking and infrastructure issues must be sufficient to support any new development that occurs. At present, there may be a parking shortage. Other infrastructure needs are not currently known.

4.2 Recommendations

An on-street parking program should be considered, and if implemented, enforced seasonally. Information related to off-street parking options and availability for employees should be made available to each employer, and each employer should see that his employees are aware of this availability and that they do not park in valuable on-street spaces, which are critical to the success of businesses.

Additional parking will almost certainly be needed for the future and should be planned now. The shortage of land will probably require that future parking be provided in multi-level structures or parking “decks”. Parking decks are expensive to construct (current estimate is \$15,000 per space) and will require a parking fee for users in order to help support the investment. Potential locations for decks within the commercial district have not been identified. Some could be contained within the structure of multi-level buildings if allowed. A minimum desirable footprint for parking decks is 125 feet by 200 feet.

5. Availability of Capital/Financing

5.1 Observations

There are no special loan programs or incentives for development in Kure Beach and the strong residential market does not require them. However, due to the high land and development costs and necessity for higher rents than may be justifiable for some businesses, it may be desirable to provide some zoning incentives in order to help maintain and recruit the basic services needed in the community.

5.2 Recommendations

Once actual development plans have been proposed for the commercial district and rent requirements identified, appropriate incentives to encourage development that retains a ground floor retail component for desired retail businesses may be determined. This incentive could be incorporated into the permitting and approval process for new projects. A requirement for retaining commercial uses on ground floors and residential units above the ground level could be included in zoning ordinances with incentives to allow increased height and density in the commercial district.

6. Business and Development Assistance

6.1 Observations

Business and development decisions must be based on complete and factual

information. The Chamber of Commerce has some role in business development for the Carolina-Kure Beach area. A local merchants association has recently been formed.

6.2 Recommendations

The information contained in this report should be provided to current and prospective business and development prospects in order to assist them with decision-making.

7. Economic Development Impact

7.1 Observations

An analysis of the development potential of the commercial district with increased height and density indicates that, should this development be allowed, improved business stability could potentially result from the increased resident and visitor market. If this development is confined to the commercial district, this improvement could occur without increasing the height and density in or encroachment on the existing residential neighborhoods.

Since commercial fees, property taxes, sales and occupancy taxes and other commercial revenues provide nearly 26% of the town's current budget revenues, it is important to understand the impacts of current and future development in the commercial district in relation to the town's current and future budgets.

Although it is difficult to assess the future growth and its impacts on any area with any certainty, we have attempted to provide a format for estimating the potential economic impact of various development activities in the analysis below. A visual representation of this development will be included in the design section of the final report, which is expected to be completed in early 2006.

7.2 Explanation of Economic Analysis Approach

For purposes of this analysis, a table was produced which considered the following:

1. The current and projected size of commercial land and buildings needed to meet the growth projections in the 2004 Draft Land Use Plan (**Future 1 and 2**). The analysis considers that all future commercial growth would be accommodated in the existing B-1 District. The table also includes growth that may exceed projected growth demands (**Future 3-6**).
2. The zoning of the current B-1 District would be amended if necessary to allow a mix of commercial, lodging and residential uses with residential uses occurring above the street level. Height limits might also be increased in but limited to the B-1 District. Ground floor construction is considered as retail/commercial uses with 40-50% of building space above the ground floor utilized for lodging units

and the remainder as multi-family residential development.

3. Land coverage/density would not exceed 60%.
4. Current property values and local property taxes, property values and taxes after revaluation in 2007, and property values and taxes after new development occurs are estimated. No adjustment is made in the current local tax rate of 29.5 cents per \$100.
5. Retail sales taxes generated on current and future projected retail sales at the current local sales tax rate of 2.5% are estimated.
6. Current and future sales and occupancy taxes generated by existing and future lodging businesses in the B-1 District are estimated.
7. The total current and projected future annual sales tax revenues generated in the B-1 District for the Town of Kure Beach are estimated.
8. The current and future debt these taxes can support is estimated, allocating 25% of these revenues to debt over a ten-year period. A key consideration will be the ability of new revenues to cover new debt required to support the projected growth in the B-1 District. (infrastructure improvements, fire and public safety, parking, etc.)
9. Current and future parking demand is estimated. While existing parking appears sufficient to meet current demands, future growth will require additional parking, most likely parking in structures. Current construction costs for parking structures is estimated at \$15,000 per parking space.

DEVELOPMENT ANALYSIS		DRAFT								
KURE BEACH BUSINESS DISTRICT		10/01/05								
ITEM		CURRENT	CURRENT WITH REVALUATION	FUTURE 1: PER LAND USE PLAN	FUTURE 2: PER LAND USE PLAN	FUTURE 3 *****	FUTURE 4 *****	FUTURE 5 *****	FUTURE 6 (median)	FUTURE 7 ALL RESIDENT'
Land Sizes/ft		458,225	458,225	458,225	458,225	458,225	458,225	458,225	458,225	458,225
Bldg Size	Est.	198,330	198,330	473,265	473,265	1,099,740	1,649,610	2,749,350	1,787,078	473,265
Bldg Height/Avg.	Est.	18'	18'	30'	48'	48'	72'	120'	78'	30'
No. Stories/Avg.	Est.	1.5	1.5	2.5	4.0	4.0	6.0	10.0	6.5	2.5
Uses*		Com/Lodging	Com/Lodging	Com/Lodging/Res	Com/Lodging/Res	Com/Lodging/Res	Com/Lodging/Res	Com/Lodging/Res	Com/Lodging/Res	Residential
Land Coverage/density		29%	29%	41%	26%	60%	60%	60%	60%	41%
Property Value**		\$13,942,243	\$46,266,675	\$140,475,500	\$140,475,500	\$265,770,500	\$375,744,500	\$595,692,500	\$403,238,000	\$140,475,500
Property Taxes**	0.295	\$41,130	\$136,487	\$414,403	\$414,403	\$784,023	\$1,108,446	\$1,757,293	\$1,189,552	\$414,403
Retail Sales Taxes***	0.025	\$227,500	\$227,500	\$387,500	\$387,500	\$1,374,675	\$1,374,675	\$1,374,675	\$1,374,675	\$0
Lodging Sales Taxes****	0.025	\$95,773	\$95,773	\$195,371	\$195,371	\$200,703	\$301,054	\$501,756	\$326,142	\$0
Occupancy Taxes****	0.05	\$229,855	\$229,855	\$468,890	\$468,890	\$1,089,574	\$1,634,361	\$2,723,935	\$1,770,558	\$0
Total annual tax revenues		\$594,258	\$689,615	\$1,466,164	\$1,466,164	\$3,448,975	\$4,418,536	\$6,357,659	\$4,660,926	\$414,403
Supportable Debt*****		\$819,906	\$1,034,459	\$2,243,866	\$2,243,866	\$5,308,651	\$6,264,394	\$8,175,860	\$6,503,330	\$932,407
Parking demand*****		496	496	1,183	1,183	2,749	4,124	6,873	4,468	1183
Existing parking	Est.	700	700	700	700	700	700	700	700	700
Assumptions: Development at completion in 2020 in 2005 dollars										
* Future requires rezoning/Residential Upper Floors Only										
**Future Property Value: Land at \$100/sf, Building at \$250/sf, Reval Value at \$75/sf land and \$75/sf Building at 80% of value										
*** Current at current sales level/future at projected potential/local portion only										
**** Current based on survey of 232 rooms, future at 40% of building used for lodging@58%Occupancy@\$78 avg.daily rate. Remainder above ground level residential										
***** Assumes allocation of 25% of property/sales tax revenues toward annual debt service payments over 10 years										
***** 2.5 spaces per/1000 sf										
***** Assumes maximum buildout exceeds projected potential										

7.3 Projected Economic Development Impacts

The table above and the information in Sections 7.3.1 through 7.3.4 outlines our assessment of the potential impact of economic development if concentrated in the downtown B-1 Commercial District, based on consideration of the items listed in section 7.2.

7.3.1 Current Situation

The B-1 District consists of approximately 10 acres or 458,225 square feet of land. Existing buildings constitute approximately 198,330 square feet of building space ranging from one to three stories in height, with an average height estimated at 18 feet or one-and-one-half stories. Present uses of buildings include retail, commercial and lodging. There are a number of free-standing residential structures in the district as well, primarily along Third Street. Land coverage is estimated at 29%, with a number of open areas used primarily for parking. The current property tax value of the B-1 District according to the New Hanover County Tax Department is \$13,942,243 and local property taxes at the current rate of \$.295 per \$100 of valuation would be \$41,130 annually. The local portion of retail sales taxes at the current rate of 2.5% are estimated at \$227,500 annually, and lodging sales taxes are estimated at \$95,773. Based on the county occupancy tax rate of 3% and local occupancy tax rate of 3% estimated revenues from the B-1 District are \$229,855 (these taxes are collected by the CVB; 50% of the local occupancy taxes are available to the local community for marketing and other tourism related expenditures). Total annual tax revenues for the B-1 District are estimated at \$594,258. Calculating that 25% of the tax revenues (does not include room occupancy tax) would be expended to support local debt service on a ten-year amortization schedule, approximately \$820,000 of debt could be supported (plus interest). Based on a parking demand of 2.5 spaces per 1,000 square feet of space approximately 496 parking spaces would be required. There are approximately 700 existing parking spaces in the vicinity.

7.3.2 Current Situation after Revaluation

This column looks at the existing situation as in 7.3.1 above but adjusts the property values and resulting property tax revenues to reflect estimates of property value in the area after the 2007 revaluation by the New Hanover Tax Department. Assuming adjustment to current estimated values, property values in the B-1 District would nearly triple to \$46,266,675 and property taxes would increase from \$41,130 to \$136,487. These added revenues would increase supportable debt to around \$1.03 million.

7.3.3 Future 1 and 2

The column labeled Future 1 looks at the potential for growth projected in the 2004 Draft Land Use Plan, as well as calculations on potential retail growth as described in the retail section of this report. The Land Use Plan anticipates commercial growth at approximately ten additional acres of land based on population projections through 2020. For purposes of this report, we have assumed that building space would consume 60% of the projected land acreage (274,965 square feet), retail/commercial uses would occur on the ground floor, 40% of building space would be used for lodging (500 rooms+-) with the remainder used for multi-family residential apartments and condominiums (150 units

+-) and all growth would occur in the B-1 District (an increase of building space to 473,265 square feet) rather than absorbing additional land in the area.

In order to maintain a reasonable land coverage ratio, average building heights in Future 1 would increase to 2.5 stories (30 feet) with a maximum height of 40 -50 feet. Average heights in Future 2 would be 4 stories (48 feet) with a maximum height of 60-70 feet. Uses would include the current retail, commercial and lodging uses but multi-family residential would be added to the mix of uses in the district as long as they occurred above the ground level. Should this growth occur as projected, the resulting increase in property values would be to \$140,475,500 and local property tax revenues would increase to \$414,403. Corresponding increases in retail sales taxes (\$387,500), lodging sales taxes (\$195,371) and room occupancy taxes (\$468,890) would also result. Annual tax revenues would grow to \$1,466,164 and supportable debt would increase to \$2.25 million. Parking demand would grow to 1,183 spaces, requiring 483 new spaces to be provided if no spaces are lost to new construction.

7.3.4 Future 3-6

Future 3-5 attempts to show the impact of growth that might occur beyond the Land Use Plan projections. Future 6 depicts an average (median) growth based on Future 3-5 estimates.

7.3.5 Future 7 The All-Residential Beach

Although the table and sections 1-6 above depict various options for development of the B-1 District for a mix of commercial and residential uses, there remains the option of an all-residential beach community. This would of course, contemplate the elimination of the commercial aspects of the district over some period of time. If this were to occur, and the district were to be developed as a residential-only area with a 35' building height requirement, our estimate of the property values in the district would approximate the values shown in the Future 1 column and produce essentially the same property tax revenues. However, the sales taxes and other commercial taxes and fees would no longer be available to the community. And unless a number of the residential units were short-term rental units, occupancy taxes would also be eliminated. For this reason, it is our conclusion that the resulting revenues would be lower as a residential-only development area. These lost revenues would most likely be made up through increased property taxes.

7.4 Summary of the Economic Development Analysis

Any development activity should take place based on economic feasibility. With that assumption, the activity shown under **Future 1** and **Future 2** would appear to be the most feasible since it is based on calculations for growth contained in the 2004 Draft Land Use Plan and the Retail Potential Analysis. The key variable in these columns is the height and land density consideration: the more height we allow, the less land we

consume. **Future 1** contemplates an average height of 30 feet which would probably require consideration of a maximum height of 40-50 feet. Land coverage would increase from 29% to 41%. **Future 2** contemplates an average height in the B-1 District of 48 feet which allows land coverage to remain at close to its current level of around 29%. In order to maintain an average height of 48 feet it may be necessary to consider a maximum height of around 60-70 feet.

If building heights higher than 50 feet are considered, a “step-back” provision might be incorporated, whereby buildings closest to the waterfront are lower and heights increase gradually to the maximum height as the distance from the waterfront increases.

7.5 Conclusions and Recommendations

The community’s commercial and residential property owners must work together to decide a common vision for the economic future of Kure Beach. That vision should recognize the important role of the commercial district in the overall economic health of the community. As stated in the 2004 Draft Land Use Plan “Economic health and vitality is a critical part of a well balanced community. Economic, social and environmental factors must all be taken into account in a balanced way when making any important decision about the community’s future. Any city which exclusively focuses on one of these components without regard to the others will almost certainly end up with a very unlivable community. A healthy economy depends upon a healthy environment. But, likewise, a protected environment in the future will depend on a healthy economy to pay for it.”

In conclusion:

It is our hope that the information contained in this report will be used to enhance the economy of Kure Beach while protecting the social and environmental components as well. We recommend maximum flexibility and cooperation among business and property owners, residents and local government officials.

SOURCES OF INFORMATION CONTAINED IN THIS REPORT INCLUDE:

Kure Beach Land Use Plan (Draft) 2004
NCDCA Kure Beach Retail Survey, September 2005
NCDCA Kure Beach Accommodations Survey, September 2005
US Census of Retail Trade
US Department of Labor Retail Expenditures Survey
Cape Fear Coast Convention and Visitors Bureau/Strategic Marketing Plan 2005
Town of Kure Beach Zoning Ordinance
Office of North Carolina State Treasurer
NC Department of Commerce
NC Department of Revenue
New Hanover County Tax records
Lower Cape Fear Council of Government
US Census 2000
Local and regional Real Estate sources/publications
Town of Kure Beach

APPENDIX

SIX FACTORS OF ECONOMIC RESTRUCTURING®		B-1 District	MARKET ASSESSMENT		(SEE INSTRUCTIONS)	
CITY	Kure Beach	STATE	NC	DATE	Oct-05	BY: RTM
© 2005	Used only by permission					
(1) Available Property Inventory		(Separate form for each available property)				
a	Address			Owner		Listed By
b	No. Floors					Phone
c	Size/SF	1st Floor		2nd Floor		3rd Floor +
d	Occupied SF	1st Floor		2nd Floor		3rd Floor +
e	Use (Ret, Off, Res, M)	1st Floor		2nd Floor		3rd Floor +
f	Tax Parcel Number		Tax Value		Tax Rate	City County
g	Availability (circle)	Sale	Lease	Unk		
h	Sale Price					
i	Lease Price/SF	1st Floor		2nd Floor		3rd Floor +
j	Condition (E,G,F,P)	1st Floor		2nd Floor		3rd Floor +
(2) Average Sale Price per SF			Downtown	Other		
k	Building and Land		\$160	425		
l	Land Only		\$75	110		
(3) Average Rent per SF			Downtown			
m	Retail		\$12-26			
n	Office		\$12.00			
o	Lodging	ADR	\$78			
p	No. Rooms		232	Occupancy	58%	
(4) Renovation Cost per SF			Downtown	Suburban		
q	Retail		125-150			
r	Office		125-150			
s	Residential		125-150			
(5) New Construction Cost per SF			Downtown	Suburban		
t	Retail		150-200			
u	Office		150-200			
v	Residential		150-200			
(6) Market By Use		Number	Total SF	Sales/SF	Employees/residents	
w	Retail*	12	45,500	\$100	184	*Total from Section (7) below
x	Office (pvt)					
y	Office (Gov-Inst)					
z	Residential/Accommodations	8			55	
aa	Service					
(7) Market by Retail NAICS		Number	Total SF	Sales/SF	Employees/residents	
bb	441 Motor Vehicle and Parts Dealers					
cc	442 Furniture and Home Furnishings					
dd	443 Electronics and Appliances					
ee	444 Bldg Materials, Garden Equip					
ff	445 Food and Beverage Stores	1				
gg	446 Health, Drug and Personal Care					
hh	447 Gasoline Stations	1				
ii	448 Clothing and Accessories					
jj	451 Sporting Goods, Books, Music					
kk	452 General Merchandise, Dept Stores					
ll	453 Miscellaneous Retailers	2				
mm	721 Lodging	8				
nn	722 Food Services/Drinking Places	9				
(8) Market Demographics		CBD	Local	Seasonal	Daytrippers	
oo	Retail Sales	\$4,200,000				
pp	Retail Potential	\$26,678,918	\$21,195,648	\$4,985,516	\$497,754	
qq	Population		1,728	8,129	4,058	
rr	Per Capita Income		\$26,759			
(9) Physical Environment		Number/type				
ss	Parking/on-street	250				
tt	Parking/off-street	475				
uu	Public Space/parks	yes	Beach			
vv	Pub Improvements/streetscapes	min				
ww	1-way Streets	no				
xx	Historic District	no				
(10) Available Financing		Type	Source	Interest	Amortization/term	Other LTV
yy	Conventional	Standard				
zz	Special					
(11) Business Assistance			No	Type		Provided By:

KURE BEACH REAL ESTATE REVIEW

Sept. 2005

Property Type		Size	Price	Price/SF
Condo	R	800	\$225,000	
Condo	R	1,000	\$309,900	
Condo	R	1,200	\$344,000	
Condo	R	1,000	\$435,000	
Duplex	R	2,100	\$535,000	
Res	R	2,400	\$569,000	
TH	R	2,500	\$619,900	
SUBTOTAL RES B&L		11,000	\$3,037,800	\$276
Land	R	6,534	\$289,900	
Land	R	4,792	\$310,000	
Land	R	4,792	\$475,000	
Land	R	4,792	\$525,000	
Land	R	10,019	\$740,000	
Land	R	13,068	\$1,450,000	
SUBTOTAL RESIDENTIAL LAND		43,996	\$3,789,900	\$86
Condo	RWV	2,400	\$1,400,000	
Home	RWV	3,500	\$1,988,000	
SUBTOTAL RESIDENTIAL B&L WATERVIEW/FRONT		5,900	\$3,388,000	\$574
Land	RWV	5,227	\$450,000	
Land	RWV	4,792	\$975,000	
Land	RWV	9,583	\$1,675,000	
Land	RWV	5,000	\$1,500,000	
Land	RWV	21,344	\$1,750,000	
SUBTOTAL RESIDENTIAL LAND WATERVIEW/FRONT		45,946	\$6,350,000	\$138
B&L	C	60,984	\$9,000,000	
B&L	C	65,340	\$11,000,000	
SUBTOTAL COMMERCIAL B&L		126,324	\$20,000,000	\$158

SOURCE: Realtor.com

Local realtors

DISCLAIMER: Review of sample listings only. No appraisal or other assumptions made.

KURE BEACH TAX STUDY
B-1 District

Sep-05

Building Value	Building Size Square feet	Land Value	Land Size Acres	Land Size Square Feet	Total Value	
\$40,521	1,866	\$75,000	0.07	3049.2	\$115,521	
		\$80,000	0.2	8712	\$80,000	
		\$60,000	0.06	2613.6	\$60,000	
\$181,094	5,005	\$80,000	0.016	696.96	\$261,094	
\$37,081	1,464	\$50,000	0.06	2613.6	\$87,081	
\$16,638	400	\$18,000	0.01	435.6	\$34,638	
\$214,343	4,952	\$150,000	0.22	9583.2	\$364,343	
\$631,538	13,959	\$198,000	0.45	19602	\$829,538	
\$53,920	1,634	\$60,000	0.12	5227.2	\$113,920	
\$114,258	2,270	\$60,000	0.1	4356	\$174,258	
\$137,838	3,751	\$120,000	0.23	10018.8	\$257,828	
		\$150,000	0.22	9583.2	\$150,000	
\$88,211	2,176	\$55,000	0.12	5227.2	\$143,211	
\$510,077	6,362	\$279,997	0.46	20037.6	\$790,074	
\$280,448	2,050	\$149,999	0.23	10018.8	\$430,447	
\$258,969	3,604	\$75,000	0.15	6534	\$333,969	
		\$82,675	0.08	3484.8	\$82,675	
\$42,812	1,322	\$75,000	0.12	5227.2	\$117,812	
		\$76,120	0.13	5662.8	\$76,120	
\$51,112	1,308	\$55,000	0.12	5227.2	\$106,112	
\$39,595	1,155	\$55,000	0.11	4791.6	\$94,595	
\$304,997	8,021	\$250,000	0.55	23958	\$554,997	
\$38,639	1,100	\$55,000	0.12	5227.2	\$93,639	
\$290,037	3,959	\$150,000	0.21	9147.6	\$440,037	
\$29,300	596	\$150,000	0.23	10018.8	\$179,300	
\$50,671	1,061	\$55,000	0.12	5227.2	\$105,671	
\$131,287	2,153	\$55,000	0.12	5227.2	\$186,287	
\$41,992	814	\$55,000	0.12	5227.2	\$95,992	
\$54,020	1,508	\$60,000	0.13	5662.8	\$114,020	
\$55,085	1,284	\$55,000	0.12	5227.2	\$110,085	
\$677,249	4,345	\$299,997	0.46	20037.6	\$977,246	
\$283,194	2,054	\$149,999	0.23	10018.8	\$433,193	
		\$71,474	0.11	4791.6	\$71,474	
\$358,264	7,310	\$225,000	0.34	14810.4	\$583,264	
\$9,359	480	\$194,999	0.22	9583.2	\$204,358	
\$149,053	2,991	\$194,999	0.22	9583.2	\$344,052	
\$193,279	2,924	\$119,999	0.11	4791.6	\$313,278	
\$877,290	9,469	\$449,996	0.69	30056.4	\$1,327,286	
\$21,591	1,716	\$75,000	0.15	6534	\$96,591	
\$285,025	5,768	\$99,999	0.78	33976.8	\$385,024	
\$495,885	5,280	\$479,995	0.45	19602	\$1,103,180	
\$21,728	1,072	\$119,999	0.11	4791.6	\$141,727	
\$50,069	1,938	\$119,999	0.12	5227.2	\$170,068	
		\$69,999	0.12	5227.2	\$69,999	
		\$99,000	0.23	10018.8	\$99,000	
		\$65,000	0.11	4791.6	\$65,000	
\$81,117	3,190	\$120,000	0.23	10018.8	\$201,117	
\$40,988	1,513	\$70,000	0.11	4791.6	\$110,988	
\$61,393	2,744	\$148,500	0.33	14374.8	\$209,893	
\$42,927	1,248	\$50,000	0.11	4791.6	\$92,927	
\$32,861	1,296	\$49,500	0.11	4791.6	\$82,361	
\$33,202	1,460	\$49,500	0.11	4791.6	\$82,702	
\$49,751	1,648	\$49,500	0.11	4791.6	\$99,251	
		\$35,000	0.07	3049.2	\$35,000	
		\$60,000	0.14	6098.4	\$60,000	
TOTAL	\$7,458,708	132,220	\$6,357,245	10.766	468,967	\$13,942,243
		(GF Only)				
Average	\$56		\$590,493	\$14		

SOURCE: New Hanover County Tax Records

RETAIL TRADE ANALYSIS		Sep-05		2005-2010					
KURE BEACH, NC		2005-2010							
Code SIC	Kind of Business	Annual Sales \$ (estimated)	Potential Sales \$ Local (estimated)	Potential Sales Seasonal	Potential Sales Daytrippers	Total Potential	Overage/Leakage	Potential Capture 20%	Potential Additional SF Retail \$200/SF
		Population	1728	8129	4058				
56	Apparel and Accessory	\$0	\$902,016	\$212,167	\$21,183	\$1,135,366	\$1,135,366	\$227,073	1,135
55	Automotive Dealers	\$0	\$4,791,744	\$1,127,086	\$112,528	\$6,031,358	\$6,031,358	\$1,206,272	6,031
55	Auto Supplies	\$0	\$530,496	\$124,780	\$12,458	\$667,734	\$667,734	\$133,547	668
591	Drug and Propri	\$0	\$1,142,208	\$268,663	\$26,823	\$1,437,695	\$1,437,695	\$287,539	1,438
58	Eating and Drinking	\$3,300,000	\$2,121,984	\$499,121	\$49,832	\$2,670,937	-\$629,063	-\$125,813	-629
54	Food Stores	\$200,000	\$3,006,720	\$707,223	\$70,609	\$3,784,552	\$3,584,552	\$716,910	3,585
57	Furniture, Home Furnishing	\$0	\$582,336	\$136,974	\$13,675	\$732,985	\$732,985	\$146,597	733
57	Home Appliances, Electro	\$0	\$561,600	\$132,096	\$13,189	\$706,885	\$706,885	\$141,377	707
55	Gasoline	\$500,000	\$1,594,944	\$375,153	\$37,455	\$2,007,553	\$1,507,553	\$301,511	1,508
53	General Merchandise	\$0	\$2,799,360	\$658,449	\$65,740	\$3,523,549	\$3,523,549	\$704,710	3,524
52	Hardware, Lumber, Garden	\$0	\$1,907,712	\$448,721	\$44,800	\$2,401,233	\$2,401,233	\$480,247	2,401
59	Miscellaneous	\$200,000	\$1,254,528	\$295,083	\$29,461	\$1,579,072	\$1,379,072	\$275,814	1,379
(Excludes Drug, Includes Jewelry, sports, hobbies, books, etc)									
TOTALS		\$4,200,000	\$21,195,648	\$4,985,516	\$497,754	\$26,678,918	\$22,478,918	\$4,495,784	22,479

SOURCE: US Consumer Expenditure Survey
Kure Beach Land Use Plan 2004 (draft)
NCDCA Retail Survey

RETAIL TRADE ANALYSIS		Sep-05		2020					
KURE BEACH		2020							
Code SIC	Kind of Business	Annual Sales \$ (estimated)	Potential Sales \$ Local (estimated)	Potential Sales Seasonal	Potential Sales Daytrippers	Total Potential	Overage/Leakage	Potential Capture 20%	Potential Additional SF Retail \$200/SF
		Population	2628	14122	6087				
56	Apparel and Accessory	\$0	\$1,371,816	\$368,584	\$31,774	\$1,772,174	\$1,772,174	\$354,435	1,772
55	Automotive Dealers	\$0	\$7,287,444	\$1,958,015	\$168,793	\$9,414,252	\$9,414,252	\$1,882,850	9,414
55	Auto Supplies	\$0	\$806,796	\$216,773	\$18,687	\$1,042,256	\$1,042,256	\$208,451	1,042
591	Drug and Propri	\$0	\$1,737,108	\$466,732	\$40,235	\$2,244,075	\$2,244,075	\$448,815	2,244
58	Eating and Drinking	\$3,300,000	\$3,227,184	\$867,091	\$74,748	\$4,169,023	-\$869,023	-\$173,805	869
54	Food Stores	\$200,000	\$4,572,720	\$1,228,614	\$105,914	\$5,907,248	\$5,707,248	\$1,141,450	5,707
57	Furniture, Home Furnishing	\$0	\$885,636	\$237,956	\$20,513	\$1,144,105	\$1,144,105	\$228,821	1,144
57	Home Appliances, Electro	\$0	\$854,100	\$229,483	\$19,783	\$1,103,366	\$1,103,366	\$220,673	1,103
55	Gasoline	\$500,000	\$2,425,644	\$651,730	\$56,183	\$3,133,557	\$2,633,557	\$526,711	2,634
53	General Merchandise	\$0	\$4,257,360	\$1,143,882	\$98,609	\$5,499,851	\$5,499,851	\$1,099,970	5,500
52	Hardware, Lumber, Garden	\$0	\$2,901,312	\$779,534	\$67,200	\$3,748,047	\$3,748,047	\$749,609	3,748
59	Miscellaneous	\$200,000	\$1,907,928	\$512,629	\$44,192	\$2,464,748	\$2,264,748	\$452,950	2,265
(Excludes Drug, Includes Jewelry, sports, hobbies, books, etc)									
TOTALS		\$4,200,000	\$32,235,048	\$8,661,023	\$746,631	\$41,642,702	\$37,442,702	\$7,488,540	37,443

SOURCE: US Consumer Expenditure Survey
Kure Beach Land Use Plan 2004 (draft)
NCDCA Retail Survey

DEVELOPMENT ANALYSIS DRAFT 10/01/05
 KURE BEACH BUSINESS DISTRICT

ITEM		CURRENT	CURRENT WITH REVALUATION	FUTURE 1: PER LAND USE PLAN	FUTURE 2: PER LAND USE PLAN	FUTURE 3 *****	FUTURE 4 *****	FUTURE 5 *****	FUTURE 6 (median)	FUTURE 7 ALL RESIDENT
Land Size/sf		458,225	458,225	458,225	458,225	458,225	458,225	458,225	458,225	458,225
Bldg Size	Est.	198,330	198,330	473,285	473,265	1,099,740	1,849,610	2,749,350	1,787,078	473,265
Bldg Height/Avg.	Est.	18'	18'	30'	48'	48'	72'	120'	78'	30'
No. Stories/Avg.	Est.	1.5	1.5	2.5	4.0	4.0	6.0	10.0	6.5	2.5
Uses*		Com/Lodging	Com/Lodging	Com/Lodging/Res	Com/Lodging/Res	Com/Lodging/Res	Com/Lodging/Res	Com/Lodging/Res	Com/Lodging/Res	Residential
Land Coverage/density		29%	29%	41%	26%	60%	60%	60%	60%	41%
Property Value**		\$13,942,243	\$46,266,675	\$140,475,500	\$140,475,500	\$265,770,500	\$375,744,500	\$595,692,500	\$403,238,000	\$140,475,500
Property Taxes**	0.295	\$41,130	\$136,487	\$414,403	\$414,403	\$784,023	\$1,108,446	\$1,757,293	\$1,189,552	\$414,403
Retail Sales Taxes***	0.025	\$227,500	\$227,500	\$387,500	\$387,500	\$1,374,675	\$1,374,675	\$1,374,675	\$1,374,675	\$0
Lodging Sales Taxes****	0.025	\$95,773	\$95,773	\$195,371	\$195,371	\$200,703	\$301,054	\$501,756	\$326,142	\$0
Occupancy Taxes*****	0.06	\$229,855	\$229,855	\$468,890	\$468,890	\$1,099,574	\$1,634,351	\$2,723,935	\$1,770,558	\$0
Total annual tax revenues		\$594,268	\$689,615	\$1,466,164	\$1,466,164	\$3,448,975	\$4,418,536	\$6,357,659	\$4,869,828	\$414,403
Supportable Debt*****		\$819,906	\$1,034,459	\$2,243,866	\$2,243,866	\$5,308,651	\$6,264,394	\$8,175,880	\$6,503,330	\$932,407
Parking demand*****		496	496	1,183	1,183	2,749	4,124	6,873	4,488	1183
Existing parking	Est.	700	700	700	700	700	700	700	700	700

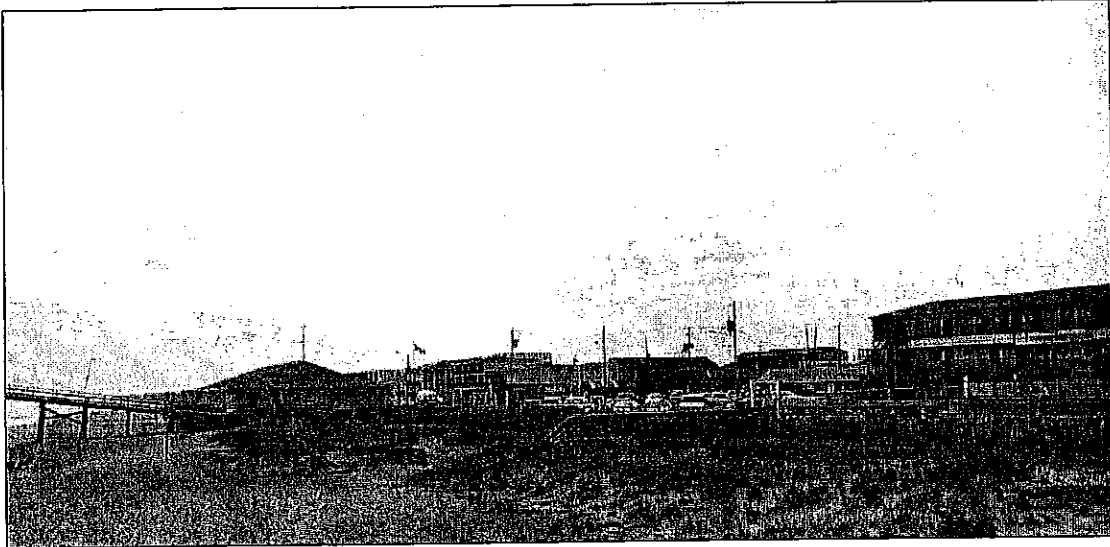
Assumptions: Development at completion in 2020 in 2005 dollars

* Future requires rezoning/Residential Upper Floors Only
 ** Future Property Value: Land at \$100/sf, Building at \$250/sf; Reval Value at \$75/sf Land and \$75/sf Building at 80% of value
 *** Current at current sales level/future at projected potential/local portion only
 **** Current based on survey of 232 rooms, future at 40% of building used for lodging@68% occupancy@\$78 avg.daily rate. Remainder above ground level residential
 ***** Assumes allocation of 25% of property/sales tax revenues toward annual debt service payments over 10 years
 ***** 2.5 spaces per/1000 sf
 ***** Assumes maximum buildout exceeds projected potential

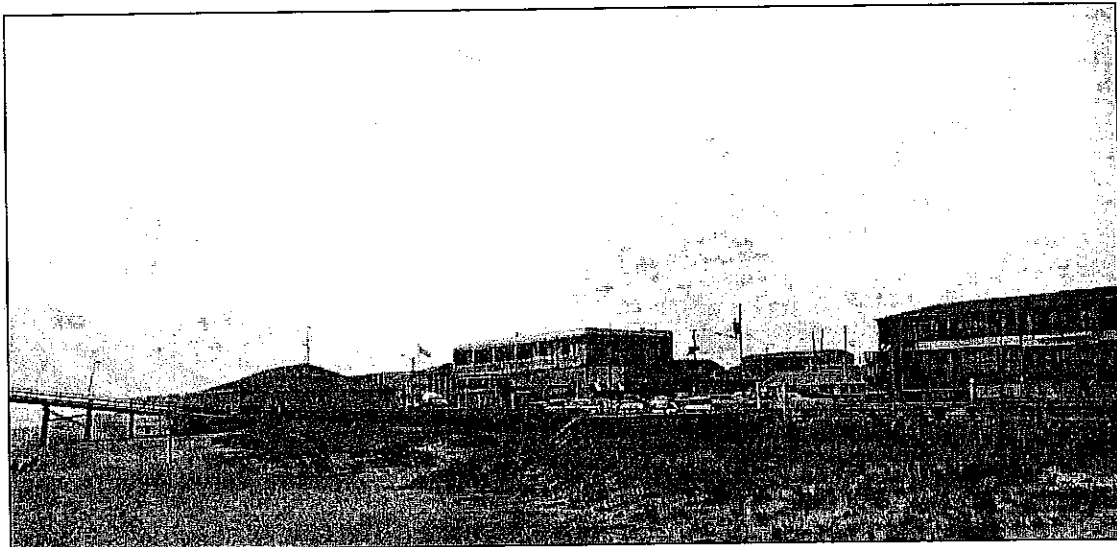
ANALYSIS OF KURE BEACH TOWN BUDGET		2004
TOTAL GENERAL FUND BUDGET		\$2,088,085
REVENUES		
Property Taxes		\$1,002,401 48.01%
General Sales Taxes	\$205,680	
Local Sales Taxes	\$60,832	
Local Sales Taxes	\$59,853	
Local Sales Taxes	\$55,576	\$381,941 18.29%
Privilege Licenses		\$3,966 0.19%
Other		\$699,777 33.51%
TOTAL		\$2,088,085 100.00%
NOTE: DOES NOT INCLUDE LOCAL PORTION OF ROOM OCCUPANCY TAXES THESE TOTALED \$170,000 IN FIRST YEAR.		

Visualization of Development Scenarios (Prepared by: Jason Epley)

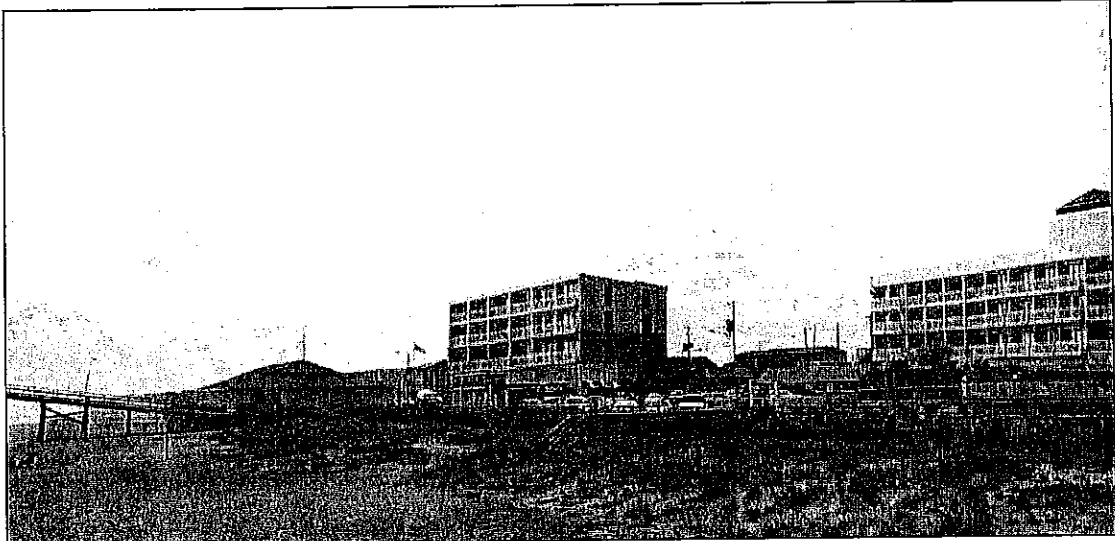
The photo-enhanced development images that follow, display current development and the potential development or “future scenarios” as described in Chapter 7 of this brief report.



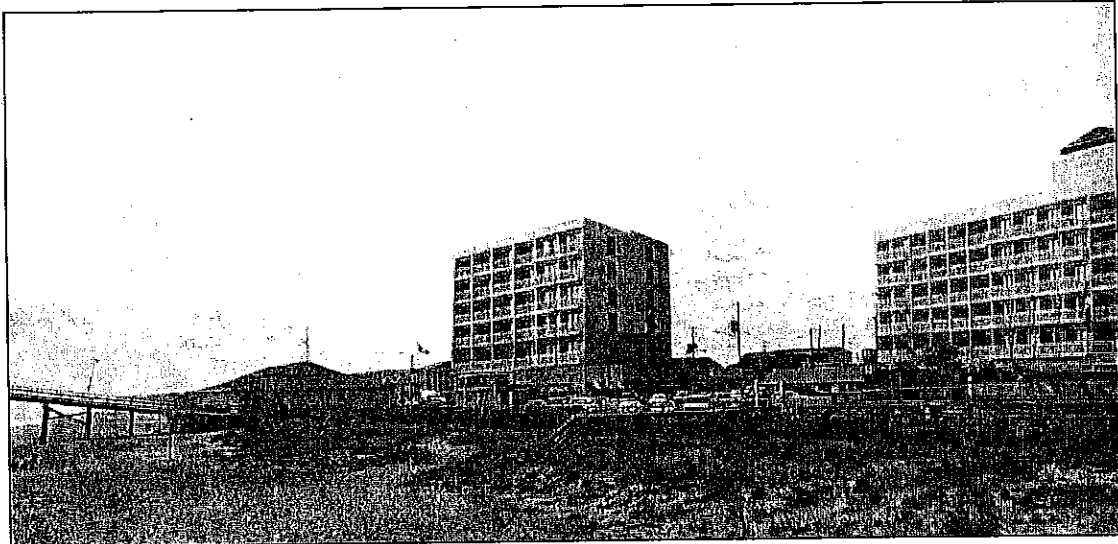
Existing Development (1.5 Stories)



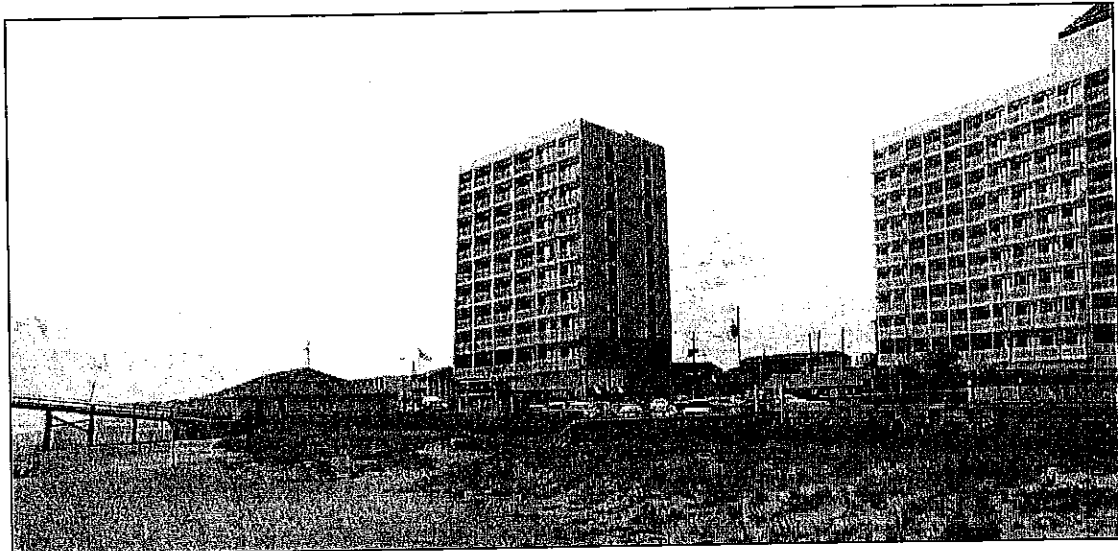
Future One (2.5 stories)



Future Two and Three (4 Stories)



Future Four and Six (Six Stories)



Future Five (10 Stories)

Community Forum Results (Prepared by: Becky Stricklin and Jason Epley)

A community forum was held on November 14, 2005 from 7:00 to 8:30 at the Town Hall to provide an opportunity for the citizens of Kure Beach to review the research and provide input into the future development of the Kure Beach Commercial area. Bob Murphrey presented the market research and development potential. Then, residents were asked to respond to the following questions for each area.

1. What are your likes and dislikes of the current and "future scenarios?"
2. What types of business or uses do you want to see in the commercial district in 20 years?
3. What do you want the commercial (b-1) district to look like in 20 years?
4. What other improvements or enhancements would you like to see in the commercial district over the next 20 years?
5. What other improvements or enhancements would you like to see in the commercial district over the next 20 years?

1. What are your likes and dislikes of the Current Development and "Future Scenarios?"

CURRENT DEVELOPMENT

<u>LIKES</u>	<u>DISLIKES</u>
Height Restrictions	Property owners have not invested in the district in the past 30 years.
Pier, Freddie's Restaurant	Business owners have not invested in the district in the past 30 years.
Fishing & tourist season could be year-round	Business District has not made any improvements
Beautiful buildings and infrastructure	Need more services
	Need to improve streetscape
	No beautification projects in place
	Looks like a rundown fishing village

FUTURE 1

<u>LIKES</u>	<u>DISLIKES</u>
Keeping height limit to 35'	No future for business
Will study parking options	No economic benefit to town
Looks fine	
Can accommodate additional businesses	

FUTURE 2

<u>LIKES</u>	<u>DISLIKES</u>
Increases revenue to town	First 4 stories, then 5, then 6
	No stopping after allowing the 1 st building above 35'
Possibility of mixed use on small scale	Dislike the increase in maximum height
Mixed Use is good	No advantages over Future 1.

FUTURE 3

<u>LIKES</u>	<u>DISLIKES</u>
Increases revenue to town	It's over 35'
Helps to make a year round season	Do not allow over 35'

FUTURE 4

<u>LIKES</u>	<u>DISLIKES</u>
Nothing	Too high
Good for Kure	Do not allow over 35'
Good height	Too high for Kure
Good for taxes	Not tall enough
Good for additional businesses	Too tall
Do not like in any way	No way!!!
A must to keep the pier that everyone loves	To high
Pier will not survive without it	Do not want another Carolina Beach
Motels	
Pier can not stay without parking and customers	

FUTURE 5

<u>LIKES</u>	<u>DISLIKES</u>
None	NO WAY!!!
None	NO
Nothing	NO
Looks good	Don't have any
Very good	Not appropriate for Kure Beach
	Does not fit the Kure Beach area
	Too high---Beyond endurance
	This doesn't work for Kure Beach
	This is absurd!!!

FUTURE 6

<u>LIKES</u>	<u>DISLIKES</u>
Very good	NO! NO WAY!!
NONE	Way too extreme
NONE	NO!
Do not like!!	Much too high!!
Do not like anything about it!	Not for Kure Beach
Fine	Too tall for Kure Beach
Need to survive	Present too many problems
\$1,000,000 homes and 60 year old downtown	Do not have any
	Not what I moved to Kure Beach for!!

FUTURE 7 (All Residential)

<u>LIKES</u>	<u>DISLIKES</u>
Would be good with mixed use at 35' limit	Keep B-1 District
We need a small business district	
Without additional height the businesses will close and people will build houses	

What are your general likes and dislikes within the commercial district?

<u>LIKES</u>	<u>DISLIKES</u>
Pier	No top of building restaurant
Freddies Restaurant	Waterfront parking
	Ineffective use of available land
Pier	Need water-view dining
Freddies Restaurant	Needs total rebuild
Tear down and rebuild	Replace with 35' mixed use
Pay taxes!!	Needs more waterfront parking
Patronize businesses without going to Wilmington.	Lack of other facilities
	Bank
	Drug Store
	Grocery Store
	Need renovation
	Can become too uniform (all condos)
	Don't want it to be all gift shops and no benefit to residents
	Buildings need to be modernized

2. What types of business or uses do you want to see in the commercial district in 20 years?

- Banks
- drug stores
- upscale restaurants
- waterfront dining
- motels
- restaurants
- small retail
- fishing
- bike shops
- drug store
- bank
- retail (for residents as well as tourists)
- coffee shops
- ice cream shops
- arts & crafts
- businesses that service local needs and do not require large parking areas

3. What do you want the commercial (b-1) district to look like in 20 years?

- Rebuilt with new services; bank, restaurant, grocery, drug store, shopping
- Good streetscape
- Multi-use buildings (some mixture of residential and commercial)
- Keep height to 34 – 48' (no higher) for commercial only.
- More streetscape, banks, drug stores, upscale, ocean-view, larger convenience stores with groceries.
- Lively, viable for families; this is our future. Don't run the small family motel out--- encourage them to stay.
- Quaint family beach town with town appropriate shops – something people can enjoy as they walk around the pier area.
- Nice restaurants to keep us in Kure Beach.
- Expanded business district with a few core buildings a little over 35'.
- Varied businesses – restaurants, shops, service businesses (low environmental impact)
- Mostly hotels, few condos – they are too expensive and will not look attractive
- Need height soon

4. What other improvements or enhancements would you like to see in the commercial district over the next 20 years?

- More retail ie, bakery, drug store, banks, upscale restaurants, cafes, boutiques, coffee shops, etc.
- More big buildings in Kure Beach
- Duplex rentals – half business and half residential / duplex rentals
- Completely rebuilt with varied services
- No higher than 3 stories
- More services, better streetscapes
- More services
- Better appearance
- 35' limit
- more year-around retail
- additional lodging within 35' height limit
- height above 85

5. Which "Future Scenario" do you prefer?

DEVELOPMENT SCENARIOS	Total	%
Current Development Pattern – Keep Kure Beach as it is (1.5 Stories (avg.) commercial and lodging).	14	21.5%
Future 1: 2.5 Stories (commercial / lodging and residential)	23	35.4%
Future 2: 4 Stories (commercial / lodging and residential)	6	9.2%
Future 3: 4 Stories (commercial / lodging and residential)	9	13.9%
Future 4: 6 Stories (commercial / lodging and residential)	8	12.3%
Future 5: 10 Stories (commercial / lodging and residential)	0	0.0%
Future 6: 6.5 Stories (commercial / lodging and residential)	2	3.1%
Future 7: All residential beach	3	4.6%
Total Responses	65	100%

Written Comments from preference questions

Preferences and comments

14 (21.5%) Current Development Pattern – Keep Kure Beach as it is (1.5 Stories (avg.) commercial and lodging).

Comments? Keep it as it is.

Comments? First choice, with Future 1-2.5 second. Keep it as it is. There was a survey several years ago that showed the majority of residents want to keep the current level pattern.

Comments? Number one choice; Pleasure Island is one!

Comments? Second choice; Joint community with Carolina Beach.

Comments? First choice - like small town community; second choice - must stay within 35'.

Comments? Number One choice; Future 7 "All residential beach" second.

Comments? Second choice; Commercial development is necessary but does not require vertical growth.

Comments? We do not want to look like Carolina Beach.

Comments? Second choice; good but slight height allows a small increase in local retail.

Comments? First choice, with Future 1-2.5 second. Time for progressive, controlled change.

23 (35.4%) Future 1: 2.5 Stories (commercial / lodging and residential)

Comments? Include mixed use – perhaps motels above some small shops and restaurants.

Comments? First choice with Current Development Pattern second. Mixed use is wonderful. 35' Fish Tails needs to be preserved. Need to open more stores. This is vital.

Comments? This could be a step toward uncontrollable development like Carolina Beach or Myrtle Beach

Comments? Number two choice; Current Development Plan first.

- Comments? Number one choice; Current Development Plan second.
- Comments? Stay within 35'. Additional lodging is fine; also promote more year-round retail.
- Comments? First choice; no second choice
- Comments? This could create parking problems.
- Comments? First choice; Current Development Plan second choice
- Comments? First choice; Future 2 – 4 Stories second choice
- Comments? First choice; Current Development Plan second choice. New England towns have blended the need for commercial growth with height restrictions.
- Comments? First choice; Keep 35' limit, clean up the business district, open better stores, and have better appearance.
- Comments? First choice; Keep it at 35'. Advantage over Current Pattern in opportunity for mixed-use. Personally prefer to limit building heights.
- Comments? First choice; Keep it at 35'; welcome opportunity for mixed-use with enhanced residential and commercial.
- Comments? First choice; extend to 3 stories; parking on first, commercial on second and third.
- Comments? First choice; mixed use with more pedestrian walks and bike trails. Omit parking requirements.
- Comments? Limit 35' max; commercial/office/residential. High rise buildings will not give visitors any more to do. We only have the beach, fishing, and nothing more.
- Comments? First choice, Nothing above 35'; second choice, Future 7 – all residential beach – nothing above 35'.
- Comments? First choice, with Future 2-4 second. We need to progress by increasing buildings to 3 stories (limit)

and have more restaurants, update motels, have town festival to bring in more business. Open a hardware store and bait & tackle shop.

6 (9.2) Future 2: 4 Stories (commercial / lodging and residential)

Comments? Second choice; limit to 3 stories.

Comments? First choice; commercial and lodging.

Comments? First choice, best scenario – allows for some expansion but not overwhelming.

9 (13.9%) Future 3 – 4 Stories (commercial / lodging and residential)

Comments? Too high and parking issues.

Comments? First choice - Commercial and lodging; One level or partial for parking / retail. Second choice is Future 4-6 - If only parking is involved.

Comments? First choice; Joint community with Carolina Beach.

Comments? First choice; Mixed Use would be very beneficial to Kure Beach.

Comments? Provide on-site parking on any site over 3 stories.

Comments? First choice; Mixed Use with hotels.

8 (12.3%) Future 4: 6 Stories (commercial / lodging and residential)

Comments? Starting to look like Carolina Beach and we did not want to live there for that reason.

Comments? First choice; second choice Future 3 - 4.

Comments? Not here; ok for Myrtle Beach

0 (0%) Future 5: 10 Stories (commercial / lodging and residential)

Comments? Too high parking will be an issue.

Comments? Not here; ok for Myrtle Beach or Atlantic City.

2 (3.1%) Future 6: 6.5 Stories (commercial / lodging and residential)

Comments? Too high – take away from “quaintness”.

3 (4.6%) Future 7 – All residential beach

Comments? No – we do want some businesses.

Comments? Will not financially allow everyone to live here with no businesses.

Comments? Second choice.

Comments? First choice; with Current Development Pattern second.

Comments? No the taxes will drive out all but the wealthy.