

Business & Market Development Report

Downtown Granite Falls

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Office of Urban Development
NC Department of Commerce
With Assistance from: Granite Falls Downtown STMS Committee
The Town of Granite Falls

Disclaimer: This report was prepared by the North Carolina Small Town Main Street Program. 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 NC Small Town Main Street program or its sources.

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TABLE OF CONTENTS

	Page
Target Area Map	4
Introduction: The Six Factors	5
1. Market Conditions and Business Climate	6
Retail	6
1.1.1 Observations	6
Table 1 Retail Analysis/Potential	7
Table 2 Trade Area Map	8
1.1.2 Recommendations	9
1.2 Residential	11
1.2.1 Observations	11
1.2.2 Recommendations	11
1.3 Office/Other	12
1.3.1 Observations	12
1.3.2 Recommendations	12
2. Retail Mix	12
Observations	12
Recommendations	12
3. Real Estate Availability and Condition	15
3.1 Observations	15
3.2 Recommendations	15
4. Physical Environment and Amenities	17
4.1 Observations	17
4.2 Recommendations	19
5. Availability of Capital/Financing	20
5.1 Observations	20
5.2 Recommendations	21
6. Business and Development Assistance	21
6.1 Observations	21
6.2 Recommendations	21
Appendix	22
Summary of Market Assessment Data	22
Consumer Survey Results	23
Summary of Retail Survey Results	25
NCDOT Traffic Counts 2008	26

Town of Granite Falls

Downtown Facade Grant District



THE SIX ECONOMIC FACTORS IN DOWNTOWN DEVELOPMENT

The Definition of Economic Development/Restructuring

The most basic definition of the word "economic" is "profitable". Although all "four points" of the Main Street approach are necessary in a successful downtown revitalization program, very little will be accomplished unless economic (profitable) activity occurs; for the ultimate goal of revitalization is the creation of economic value (profit) for the downtown 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 restructuring is simply 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, residential and office markets and their potential in your downtown. Information gathered related to retail sales, occupancies and rents is used to develop recruitment materials for attracting new businesses to downtown.

FACTOR 2. RETAIL MIX

A market assessment and merchants' survey can provide information related to the number and types of businesses currently in the downtown 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. When there are no available buildings, or buildings 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 a business must function is critical to its success. Even the best businesses will not be successful if the surrounding environment is run down, with 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 downtown projects. In addition to public financing tools, local financial institutions must be actively involved and supportive of development and business downtown.

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.

1. MARKET CONDITIONS/BUSINESS CLIMATE

1.1 RETAIL

1.1.1 Observations

Granite Falls, NC is an incorporated town in Caldwell County with a county population of 81,272 and a population of 3,714 within a one mile radius and a population of 33,423 within a five mile radius. Granite Falls is within five miles of Hickory, which is in Catawba County and is the closest incorporated town to Granite Falls. The next closest town, Lenoir, is outside of the five mile radius of downtown Granite Falls, but is within Caldwell County. Caldwell County's population grew by 0.06% between 2000 and 2007. Per capita income within a 5.0 mile radius of downtown Granite Falls is \$22,243 annually.

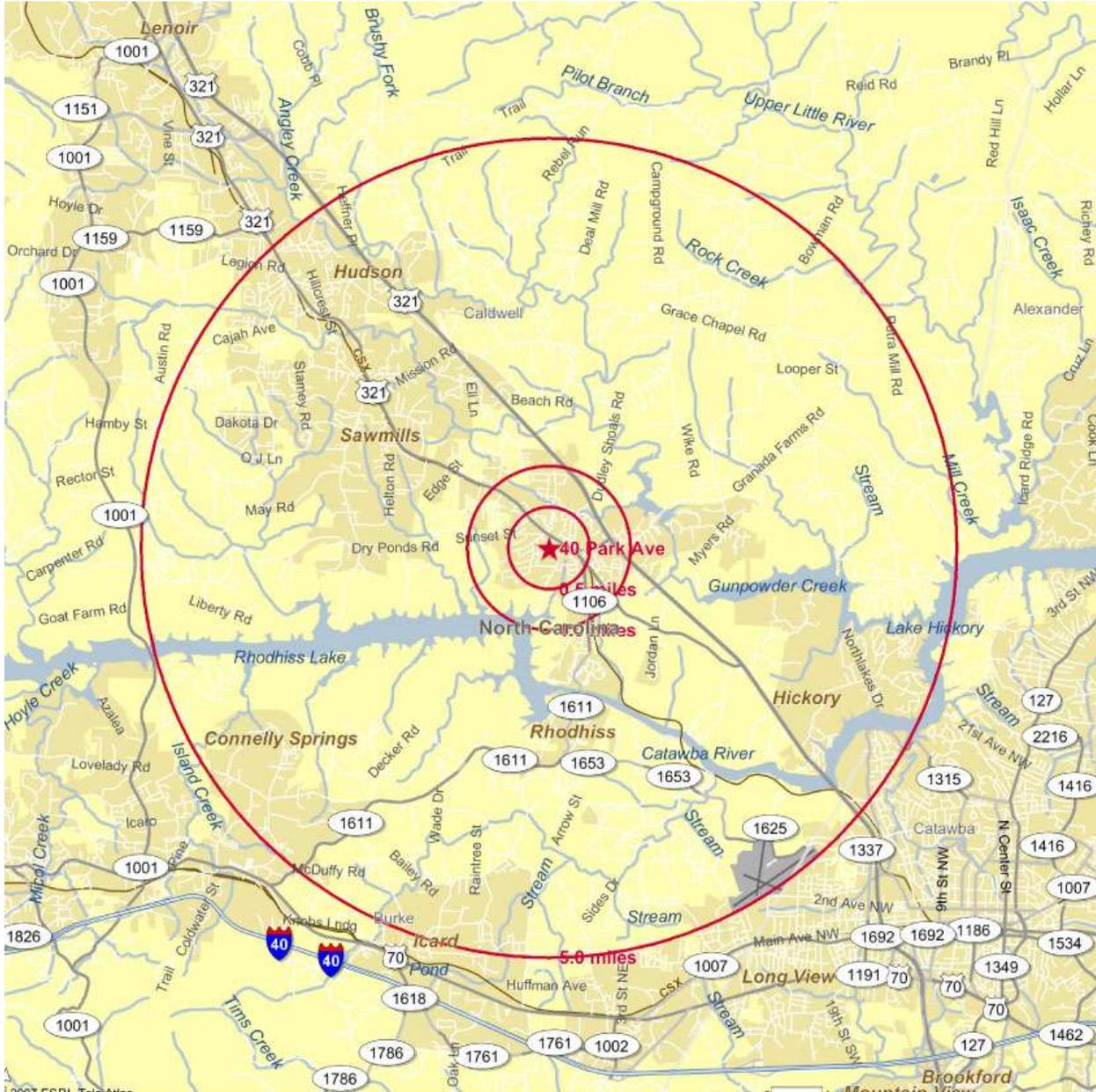
The current downtown Granite Falls market is missing some of the opportunities this population presents. There are more shopping opportunities in nearby Hickory and it appears they are currently capturing many of the dollars that Granite Falls has a good opportunity to collect. While it is one thing to have retail sales leak from downtown within the county, leakage to an adjacent county represents lost tax revenue, something we understandably want to avoid to the degree practicable. Our assessment of the existing market conditions in and immediately around Granite Falls is based on available information from several sources which indicate the downtown commercial district does not provide enough goods and services to its primary trade area of five (5) miles.

While Caldwell County may not be the first place that pops into mind as far as a tourist destination it does rank very near the middle (55 out of 100 counties) in terms of tourist expenditures, indicating modest tourist activity in Caldwell. Tourism related expenditures totaled \$46.55 million in 2007 (the 2008 report was not available at the time of this report). Although the fiscal impact of tourism at the municipal level is difficult to quantify, it is nevertheless important as a potential source of income for local businesses. In our view, Granite Falls certainly has the potential to serve as a gateway to Caldwell County and beyond. www.nccommerce.com/en/TourismServices/PromoteTravelAndTourismIndustry/TourismResearch/

That said our merchant and consumer surveys indicate the current downtown marketplace primarily serves a local market. Of the consumer's who completed our survey (a total of 30 individuals), 36% indicated they shop downtown at least once a week. In addition, 40% indicated shopping was their primary reason for being downtown, whereas 27% said work drew them downtown and 41% of respondents indicated that they did most of their shopping in other towns with Hickory being first, followed by Lenoir, Conover, and Taylorsville. Our merchant surveys gave us a window on local conditions and highlighted some key information that will contribute to the process moving forward. Gross retail sales, according to retail/restaurant surveys, ranged from \$530,000-\$960,000 for the 2007-2008 year, with average rented square footage at 2,350 and average rent at \$1175 a month, which equates to around \$6.00 a square foot. Currently Downtown Granite Falls is capturing 70% of the market within a five mile radius; however the local market is still leaking \$114.6 million. If Granite Falls can capture just 10% to 20% of that leakage that equates to \$11.4 to \$23 million. The retail survey results also indicated that average sales per square foot are close to \$110.00 in downtown Granite Falls, a very healthy number which would allow for a variety of business ventures.

Retail Market		Granite Falls	5 Miles	DOWNTOWN POTENTIAL				
NAICS		Business Type	Mar-08	Leakage	Est. Capture	Sales/SF	SF	
					20%	\$110	SF	
4431	Electronics/Appliances		\$ 5,578,038	\$ 1,115,608	\$ 110	10142		
4451	Building Material & Supply Dealers		\$ 7,646,472	\$ 1,529,294	\$ 110	13903		
4442	Lawn & Garden Equipment & Supplies		\$ 1,879,745	\$ 375,949	\$ 110	3418		
4451	Grocery Stores		\$ 17,926,075	\$ 3,585,215	\$ 110	32593		
4453	Beer, Wine, Liquor Stores		\$ 576,275	\$ 115,255	\$ 110	1048		
4461	Health & Personal Care Stores		\$ 4,862,604	\$ 972,521	\$ 110	8841		
4481	Clothing Stores		\$ 5,630,567	\$ 1,126,113	\$ 110	10237		
4482	Shoe Stores		\$ 1,382,334	\$ 276,467	\$ 110	2513		
4483	Jewelry, Luggage & Leather Goods		\$ 926,096	\$ 185,219	\$ 110	1684		
4511	Sporting Goods/Hobby/Musical Instru.		\$ 1,734,264	\$ 346,853	\$ 110	3153		
4512	Book, Periodical, & Music Stores		\$ 1,083,910	\$ 216,782	\$ 110	1971		
4521	Dept. Stores Excluding Leased Depts.		\$ 24,759,298	\$ 4,951,860	\$ 110	45017		
4529	Other General Merchandise Stores		\$ 3,599,025	\$ 719,805	\$ 110	6544		
4531	Florists		\$ 272,137	\$ 54,427	\$ 110	495		
4532	Office Supplies, Stationary & Gift		\$ 1,736,739	\$ 347,348	\$ 110	3158		
4539	Other Miscellaneous Store Retailers		\$ 511,494	\$ 102,299	\$ 110	930		
4542	Vending Machine Operators		\$ 1,289,084	\$ 257,817	\$ 110	2344		
7221	Full-Service Restaurants		\$ 4,778,293	\$ 955,659	\$ 110	8688		
7222	Limited-Service Eating Places		\$ 8,280,825	\$ 1,656,165	\$ 110	15056		
7223	Special Food Services		\$ 18,596,555	\$ 3,719,311	\$ 110	33812		
7224	Drinking Places-Alcoholic Beverages		\$ 1,544,548	\$ 308,910	\$ 110	2808		
					\$ 110	0		
	TOTAL		\$ 114,594,378	\$ 22,918,876			208,353	
	SOURCE:		NC Department of Commerce NC Division of Community Assistance ESRIBIS© US Census of Retail Trade US Consumer Expenditure Survey					

Study Area: .5 mile, 1 mile, and 5 mile radii



NORTH ↑

1.1.2 Recommendations

The downtown business district should attempt to capture at least 10% to 20% of the \$114.6 million in potential additional sales dollars within the five mile radius of downtown or approximately \$11.4 to \$23 million. An initial goal should be to increase sales annually from \$560,000 to \$1.1 million over the next five to 10 years. This can best be accomplished by increasing the availability and/or marketing of the identified retail opportunities as indicated in the leakage report. By adding stores offering these products, and/or expanding the offerings of existing businesses downtown, the downtown area can begin the process of recapturing some of the local dollars currently being spent elsewhere.

According to the leakage summary report, Granite Falls could potentially support an additional 200,000 plus square feet for business development. The categories identified within the leakage report suggest possible business ventures that Granite Falls might work to add to their business mix. In looking at the categories some to note are: restaurants – full, limited and specialty foods; electronics/appliances; health and personal care, clothing, shoes, a department style store, office supplies, gift store, stationary type retail and even for consideration within the mix a small scale book/magazine store.

Downtown businesses should understand their market and focus their promotional efforts on the potential clients they are most likely to attract. Most downtown retail areas function in an “inside-out” manner, with much of the retail trade being attracted to downtown from nearby neighborhoods and employees. According to the retail/restaurant surveys that were completed the most important customer to downtown businesses is the local residents.

Also important is assessing and readily knowing the availability of any existing square footage and the condition of existing buildings. Maintaining this inventory should be a priority and will contribute significantly to the town’s ability to attract retail merchants. It is necessary to know what you have to be prepared to talk with potential business owners, or to actively recruit the type of business you believe would be appropriate for downtown Granite Falls. In the current economic environment it is important to assess, evaluate, plan and prepare for the eventual economic turn-around, positioning the downtown to embrace those new opportunities. Granite Falls has a unique set of factors in its favor, a substantial local population and a variety of flexible downtown spaces. Granite Falls is in a position, due to these assets, to identify a business mix that would be most appropriate and work toward attracting that mix.

Niche Markets/Additional Potential (Surplus/Supply)

Additional potential could come from carefully identified “niche” markets. Usually these markets are identified by observing the “surplus” merchandise categories where there are excess dollars (i.e. shoppers) coming into the community to take advantage of products or services. 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. The concept is, sometimes a surplus indicates that your market has become a destination for a particular retail product and therefore the market can support more of that category if it comes in a form that is complimentary to the existing businesses.

An example of a surplus in the Granite Falls trade area is Furniture and Home Furnishing. A niche market could be an upholstery shop, linens/drapes and goods in general that would complement a furniture store. Another niche could be hand-made furniture. Perhaps there are individuals within the community who used to work in the furniture industry who are now unemployed but can make specialty items. This may be an opportunity for a niche business – possibly a seasoned business owner partners with someone who has the talent for making a product and together they “incubate” a business with long term goal of growing a business (es). This is a classic example of identifying existing assets and looking for creative ways to reinvigorate them.

Tourism

Statewide tourism was slightly up from 2006 to 2007. As we noted earlier, Caldwell ranks near the middle when it comes to tourist expenditures, placing 55 out of 100 North Carolina counties. Expenditures within the county were up by a modest, but healthy, 6.7% over the '06-'07 fiscal year ('08 figures are not available). The NC Dept. of Commerce Tourism Impact Expenditures recorded in Caldwell County for the '06-'07 fiscal year totaled \$46.55 with local tax receipts equaling \$1.54 million. Currently those expenditures are supporting close to 400 jobs within the county.

Tourism/visitors should be included as potential opportunity, but should not be the focus of developing a marketing or business plan; rather part of market and business planning. While the exact number of visitors to the area specifically for the furniture industry isn't known, we recognize that people do associate furniture with Caldwell and Catawba Counties. This is not only supported by some of the trends identified in the market data earlier, but also by some of the work done by the Western Piedmont Council of Governments (WPCOG). In a study which focused on the impact of the furniture trade in Catawba County, the WPCOG identified a total of \$125.8 million in furniture sales during 2008. Furthermore they suggest that up to one third plus of local tourist expenditures in Catawba and in Caldwell, are connected to furniture sales. Although this relationship has not been objectively confirmed and the industry has seen a decline in the area it is important to recognize that all indications are that Catawba and Caldwell Counties are still synonymous with furniture outside the area. Sometimes this can get lost amid the variety of plant and mill reductions, but it is important to recognize the significant asset that this image still offers the area.

While there are some businesses who are already partnering for promotional programs there may be additional opportunities to explore. For example a brochure coupled with an on-line promotional campaign could offer discounts at selected stores when customers show a sales receipt from one of the participating furniture stores. Promoted to visitors this could drive traffic associated with the furniture image to stores that would otherwise miss out on the potential business those visitors represent.

www.nccommerce.com/en/TourismServices/PromoteTravelAndTourismIndustry/TourismResearch/

Future Growth

As of January 2009 no known new residential developments are expected in the near future. However, home sales and construction remain fairly strong in a number of existing developments within the five mile radius of downtown.

1.2 RESIDENTIAL

1.2.1 Observations

Growth in Caldwell County has been steady with the most recent report from the NC Economic Development Intelligence System (EDIS) showing growth at 0.6% (<https://edis.commerce.state.nc.us>); the median resident age in Caldwell County is 39.9.

According to Trulia.com as of March 11, 2009 the average price per square foot for residential real estate in Granite Falls was \$72, a 4.3% increase compared to the same period last year. The median sales price for homes in Granite Falls for December 2008 to February 2009 was \$97,375 based on 34 home sales. Compared to the same period one year ago, that price represents a 5.8% increase, or \$5,375 increase, in addition the total number of homes sold also increased by 17.2% over the previous year. Finally, the average listing price for homes for sale in Granite Falls was \$215,505 for the week ending March 11, which represents an increase of 5.3%, or \$10,933, compared to the prior week. Given market conditions over that period and some of the experiences of other communities within the state and nation, this represents good news to say the least.

Mixed-use (commercial-residential) development with street levels reserved for commercial uses is a key to a successful downtown. Our collected data indicated that there are two upper-floor residential units downtown. Mixed-use development offers the potential for "full-building" renovation, since finding uses for upper floors in multi-story buildings is often difficult. Downtown "loft" style apartments typically demand higher rents within the market. There also appears to be several large furniture/mill manufacturing facilities that are either vacant or underutilized. These may be opportunities for future mixed-used development. The experience of other smaller cities with successful downtown residential development indicates that there is an increased chance of success for residential development in a commercial area if there is a "real" residential neighborhood nearby. There are traditional neighborhoods within walking distance of the downtown district. The additional residents that these neighborhoods provide create opportunities for downtown retailers.

1.2.2 Recommendations

The residential areas adjacent to downtown should remain residentially zoned. Efforts should be made to encourage the steps necessary to put Downtown Granite Falls on the Study List for a National Register District. If Granite Falls can establish the historic district, there are properties within the district that could possibly qualify for historic tax credits in regards to rehabilitation work. Future residential growth should be encouraged downtown whether in the upper floors of existing downtown buildings or through new "mixed use" developments. Developing and maintaining the quality of the residential projects will attract a quality tenant target market. Quality and management of residential projects are

key ingredients.

1.3 OFFICE/OTHER

1.3.1 Observations

Office

There are approximately three offices in the downtown district with most occurring at street level. We were not able to identify the depth of the office market in the Granite Falls area; however, there should be a reasonable market for professional offices and services that can be attracted to downtown if adequate support services (parking, eating places, etc.) are available. City Government offices are also located downtown with these employees potentially needing and using the services and goods offered within the downtown district.

Service

There are approximately five service businesses in downtown Granite Falls. The service sector, which includes hair/nail salons, barbers and other personal services, is an important component in every small downtown. These customer-oriented businesses provide employment for locals with special skills and a variety of necessary services for local citizens. They are also traffic generators for retail businesses in downtown.

1.3.2 Recommendations

Office

At this time Downtown Granite Falls appears to have a balance of service/office to retail ratio. Preference should be that when there is an opportunity for additional office space downtown to locate the office on upper floors or in an area where office space is already prevalent or clustering offices in an area that could be geared toward “professional” services. As the program evolves part of the planning process would be to identify areas designated for retail/restaurant and for service/office space. This should in no way be interpreted to mean that offices are not important to downtown...they are! Remember...office employees are retail customers!

Service

It will be important to identify available spaces suitable for small service businesses and locate these where they can provide the opportunity for cross shopping with retailers. Banks, salons and barbers are traffic generators but as stated above space may need to be incorporated in future planning for these potential businesses.

2. RETAIL MIX

2.1 Observations

The downtown business district contains approximately 11 retail businesses (including restaurants). The mix includes furniture, clothing, antiques, drugstore/retail and jewelry. There are other facilities, not in the retail or service categories, that are nonetheless very important to downtown. Known in Main St. parlance as traffic generators, they include the library, dance studios/martial arts studios, churches, town hall and the banks. All of these activities and the activities associated with them draw people into town, presenting an opportunity for businesses to pull them into their stores.

Granite Falls has nearly 464,000 square feet with 230,887 occupied meaning that 233,012 are vacant. Of the 233,012 the majority of the vacancy occurs at 12 Falls Ave. where there is 220,000 square feet that is available. There are further opportunities for expansion in the mill buildings located directly across the railroad tracks from downtown. The square footage available in these buildings was not explored for the purposes of this report; however the information herein (and STMS staff) can also be used to inform any economic development efforts pursued for these buildings. That said, without including those structures the downtown business district has a building vacancy rate of approx. 50%, with 94% of that vacancy located at 12.Falls Ave. This obviously skews our numbers, as without 12 Falls Ave., downtown's vacancy rate is just over 10%. This is a rough sketch of downtown's occupancy and should be considered in direct relation with the business mix. Most of these properties, according to the data collected, are in good to poor condition. No one indicated that their property was in excellent condition.

2.2 Recommendations

The leakage report indicates a large opportunity within the local market, revealing that downtown could potentially support an additional 200,000 sq. ft. of retail. During this economic downturn it is vital that Granite Falls review the business opportunities identified in the leakage report, assess available properties and continue to maintain and update a building inventory, educate current property owners on the needs for downtown Granite Falls and be ready to move forward when an opportunity arises to place a retailer or restaurant within downtown.

We also suggest that the economic restructuring committee dedicate time, in addition to their monthly committee meeting, to refining the available property inventory, i.e. really coming to understand property condition and potential property uses for available, and potentially available, properties. This requires engaging the property owner(s) in this process, a key piece of any successful program. Ideally this would involve meeting with property owner(s) early on and discussing with them the ideals and goals for the downtown business mix.

"Cross-shopping" between stores should be encouraged by businesses simply **REFERRING** customers to other downtown businesses, whether a competitor or not. A downtown sale, even to your competitor, is better than a sale lost to another shopping area especially to another county. When a sale stays local so does the tax revenue. This is a particularly pertinent issue in Granite Falls with Hickory and Catawba County so close.

Businesses should also be acutely aware of when the most traffic (pedestrian and vehicular) is downtown and possibly adjust business hours accordingly (i.e. – catch those going to the library or taking children to dance/martial arts classes) if at all possible. While we recognize that many small business owners wish to have traditional downtown business hours of either 9a.m. to 5 p.m. or 10 a.m. to 5 p.m. it may be prudent to adjust those hours around when people are getting off work and work with neighboring retailers to have consistency among downtown retailers. This may take time to change, but in many downtowns business owners are recognizing they must adjust their hours to meet the needs of the consumer and to take advantage of the existing traffic generators in downtown.

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

Successful business recruitment, retention and expansion:

The basic steps toward recruitment, retention and expansion:

Retention/expansion

- A successful plan keeps the existing quality businesses in the community.
 - Success of existing businesses helps in recruiting new businesses.
 - Visits with owners of existing businesses may identify problems, weaknesses that may need to be addressed by the recruitment committee.
 - Identify business opportunities that can be met by existing business expansions.
 - Identify new businesses that are complementary and will attract customers for existing businesses as well.

3. REAL ESTATE AVAILABILITY AND CONDITION

3.1 Observations

As noted earlier the downtown business district has a building vacancy rate of approximately 50%. Most of this vacancy occurs at 12 Falls Ave., the site of a former mill that has been partially renovated and is currently being used at a third of its capacity. There is a mix of occupancies with approximately 12 office, service and government-related businesses or firms and 11 retail/restaurant businesses.

Occupied buildings in the downtown are generally in good to poor condition and have average assessed values of \$20 per square foot, currently our data suggests the market value coincides with this, but our sales data is limited. The average rents, according to the data collected by the Economic Restructuring committee, are around \$6.00 per square foot. The committee also identified that renovation and up-fit costs hover around \$80.00 per square foot for a retail building. Building re-development projects based on the above building renovation costs, market rents and other known local conditions indicate reasonable project feasibility, particularly if utilizing historic tax credits. (*see proforma below*). It should be realized that many variables affect the outcome of a successful development: market strength, site location, renovation costs, and property management, and that this pro-forma, in no way, represents an iron clad outcome.

Example Tax Act Project (10 yrs) Using Current Market Data for Granite Falls *Note Granite Falls currently does not have a National Register District this is an example as if they did have a NRD

EXAMPLE TAX CREDIT PROJECT	(Assumes full occupancy/ no debt)
Acquisition	\$ 20.00
Renovation	\$ 85.00
Investment	\$ 105.00
Gross income (rent)	\$ 6.00
Less operating Expenses	\$ 1.80
Net Income	\$ 4.20
Return on Investment	4.0%
Historic Tax Credits	\$ 3.40 10 years
Adjusted Net income	\$ 7.60
Adjusted return on Investment	7.2% 10 years

3.2 Recommendations

According to the leakage report, Granite Falls can sustain an additional 200,000 plus square feet in retail. Currently, including 12 Falls Ave., there is over 234,000 square feet of available space with the majority at the 12 Falls Ave. locations. We recommend evaluating this property for some of the identified uses within the leakage report. The square footage and building condition for the mills on the

east side of downtown should probably be included, or at the very least considered, at this stage. As a component of the downtown economic restructuring committee's work to identify qualified potential tenants and /or buyers and match them with suitable available properties it is important to intimately know which properties are available, determine the amount of up-fitting/rehabilitation it may take to get the building user ready and determine the best use for those available properties. In order to adequately do this it will be important to establish positive relationships with property owners and educate them as to the STMS Committee's goals and desire for proper business mix. While 12 Falls Ave. represents a large number of square feet under one roof all available property should be inventoried and evaluated to determine appropriate business type.

Mentioned in brief earlier, the mill properties on the east side of the railroad tracks downtown offer additional square footage and could be used in a variety of ways. Although these properties are outside of the boundaries identified at the initial STMS meeting; the cultural and, to an extent, architectural significance that each contributes to Granite Falls is worth noting. The STMS committee may want to consider evaluating these properties for a mixed-use redevelopment project as a long-term goal, as these properties, in our view, have a tremendous upside.

We also recommend that businesses continue to be aware of the relationship between retail sales and rent. If rents become too high in relation to retail sales, businesses will struggle to remain viable. In Granite Falls we were only able to evaluate the sales to rent ratio from the eight participants and only four of the participants rent. With these four it looks like the sales to rent ratio is between 5.6% and 7%. These ratios fall within standard ranges established by a variety of national accounting sources. These accounting sources investigate real operating costs and profit margins for a variety of business types to determine these standards. Their work seeks to understand profit margin variations between business types by NAICS listing and the resultant ability of a business to afford different rent costs and remain viable. For instance, clothing stores have higher profit margins than grocery stores and can therefore afford to pay a higher rent, within limits of course. This is all to say that rental rates are an important component of a downtown's viability and should be continuously monitored.

Every other year downtown Granite Falls may want to assess their gross sales to square feet ratio as was done through the Retail Survey that the Economic Restructuring Committee for the Small Town Main Street Program assisted in gathering. This will determine if the \$85-110.00 per square foot in sales is still relevant or show if it's changed significantly which will impact the business development pro-forma. For instance the leakage report calculations were based on \$110 per square foot, if this number changes, so does the report's outcome. Currently we are convinced, after working through several scenarios based on collected data and data from the ESRI report, that downtown Granite Falls should be selling at the \$110 per square foot.

Potential investors should evaluate potential rehabilitation projects by examining three basic elements: 1) the cost of acquisition; 2) the cost of rehabilitation; and 3) the income & operating expense of the property once rehabbed.

There is a variety of tools available to assist the Economic Restructuring committee including, zoning, which may be explored as a way to control and manage the desired mix of uses downtown. The NC Rehab Code should be utilized to guide building inspections during the renovation of historic properties, as well as assist in making these projects feasible. We've said this before, but shall restate, there is no better tool than knowledge of your marketplace. We encourage the Economic Restructuring committee to commit to two on-going goals, 1) to continuously inventorying the town's building stock, and 2) to continuously identify potential business prospects.

We encourage the Economic Restructuring committee to consider making continuous inventorying and identifying potential business development as a top and as an on-going goal.

4. PHYSICAL ENVIRONMENT AND AMENITIES

4.1 Observations and Recommendations

The physical environment in which a business must function is critical to its success. The design issues have been investigated in a number of ways, but most significantly by the Design Sub-Committee. The following is a compilation of observations made by both that committee and in large part the Small Town Main Street Designer.

Buildings, Streets, Sidewalks and Public Spaces

The town of Granite Falls has some very unique features, not found in many of the downtowns in our states. One of the most unique features is the town square. Located at the confluence of Falls Ave. and Main St., this small triangular space and the adjacent branch of North Main St., the piece on the eastern side of the square, fronting the commercial buildings, offer the town a unique and flexible public space. Furthermore this component of the town, because of its uniqueness, contributes significantly to the town's identity and, as a result, has the potential to serve as part of the town's brand.

The streets and sidewalks surrounding the park are in good condition for the most part, with accessibility not serving as a substantial challenge. Pedestrian crosswalks are marked, though it may be desirable to consider how their visibility might be enhanced. Furthermore, addressing the Falls Ave. entrance to downtown in a way that encourages motorists to slow their approach speeds will further enhance the pedestrian experience. That said there is a comfortable pedestrian experience in Downtown Granite Falls.

It is also important to consider how the downtown is connected to the surrounding neighborhoods and local schools in terms of pedestrian experience. Safe and comfortable connections should be a key component of any future infrastructure work on the part of the town. These connections are important because they promote the use of downtown by the surrounding community. There are some grant programs available too, including the "Safe Routes to School" program with NC DOT, which offers monies for sidewalk connections between neighborhoods and community schools.

Building Facades are an important contributing factor to any downtown and to a downtown's image. As an outgrowth of the National Trust for Historic Preservation, our office believes that preserving and maintaining these buildings in their original form is a key component of a vibrant downtown. Like many of North Carolina's downtown, business and building owners have added inappropriate renovations to their buildings over time. By inappropriate I mean façade additions that do not fit in scale or in color to the original intent of the building's design. There are a variety of ways in which this impact can be seen, but they include, inappropriate windows, inappropriate paint colors, inappropriate awnings, deferred maintenance, etc. Granite Falls is impacted by a number of these factors and the town as a whole would benefit dramatically from a concerted effort to rehabilitate these facades.

Parking

There are approximately 207 parking spaces within the downtown district as identified for the proposed Façade Grant program. 92 of those spaces would be considered on street spaces, directly in front of the retail businesses. These counts represent only the marked spaces as identified from aerial photography by the Small Town Main St. Designer.

There is some potential to realize more spaces through the redesign of the layout of a couple of areas, most notably the parking lot adjacent to the police station and the open area in front of the old church now farmer's market and adjacent to the old theater. There may be a number of other areas that could provide more spaces in addition to these. Furthermore it is important to recognize that immediately adjacent to the downtown boundaries are a number of other marked and unmarked parking opportunities.

The general rule of thumb for determining the adequacy of parking is 2-3 spaces for 1,000 sq. ft. of retail space. Because of some of the unique availabilities in Granite Falls this becomes a somewhat misleading measure, if we include the square footage associated with the various mill buildings downtown, our rule of thumb would indicate that downtown requires more than 900 parking spaces. Without these buildings we have approximately 114,000 sq. ft. of retail space, which would demand, based on our rule of thumb, between 228-342 spaces. This indicates that there may be a small shortage in terms of existing spaces serving our traditional retail space. We can see that were the mills to be converted to retail space, the number of needed spaces would grow significantly. That said, there is property associated with the various mills that would allow additional parking to be accommodated. Currently this appears to be an issue that the Design committee should continue to monitor and integrate into any downtown master plan.

Furthermore, as in any downtown, it is critical that employees of downtown businesses park in off-street locations, freeing up valuable on-street spaces for customers and visitors to downtown. Information related to off-street parking availability for downtown employees should be made available to each employer, and each employer should see that his employees are aware of this availability and that employees do not park in on-street spaces which are critical to the success of downtown businesses.

As additional parking appears to be, at least something to consider moving forward, particularly in light of an interest in the continued growth and vibrancy of downtown, a parking study may be in order. This would seek to further define potential locations and development costs for new parking within downtown. Parking lots can have a variety of configurations, but a typical spot is 18 feet deep, 9 feet wide and requires, at least a 12.5' aisle width if serving only one bay of parking, if there are bays on either side of the aisle it is recommended that the width be at least 20'. Angled parking will change these dimensions; the numbers above would be for parking that is perpendicular to aisle direction.

Traffic and Circulation

Downtown Granite Falls rests at the confluence of NC Highway 321-Business (Main St.) and NC Highway 1107 (Falls Ave.). Highway 321 runs northwest to Lenoir and southeast to Hickory and is paralleled to the east of Downtown Granite Falls by the 321 bypass. Falls Ave. enters from the northeast and serves primarily local traffic beyond its intersection with the 321 bypass. The downtown is also served by NC Highway 1106 (Duke St.), which runs southwest to Rhodhiss.

Immediately to the south, on 321 Business, of the intersection of 321 Business and Falls Ave., the DOT recorded 8,900 vehicle trips per day in 2007. To the north of this intersection, on 321 Business, DOT recorded 9,000 vehicle trips per day. On Falls Ave. between the 321 Bypass and downtown DOT recorded 7,100 vehicle trips per day, while beyond the 321 Bypass the number dropped to 5,800 trips. Just prior to its intersection with 321 Business, Duke St. is carrying 6,600 trips a day. It is also very interesting to note that the 321 Bypass is carrying around 30,000 vehicle trips per day, more than three times the number passing through Granite Falls.

What do all these numbers mean: they mean Granite Falls is still serving as the confluence of travel for a substantial portion of the community who use 321 to travel to home, to work, to school, etc. Every one of these trips represents an opportunity for Downtown Granite Falls and indicates good traffic flow through downtown. Falls Ave. has the potential to serve as the primary connection for downtown to the Bypass, which represents an even greater opportunity given the number of vehicle trips it is carrying.

4.2 General Design Recommendations

The single most important issue for Downtown Granite Falls moving forward will be the facilitation of and continued effort to preserve and rehabilitate the historic downtown commercial buildings. In recognition of this need and clear concern amongst citizens (Building Appearance was the number one vote getter identified in the kick-off process) the Design Sub-Committee has worked to establish a Façade Grant Program. This process is still in the works, but will hopefully be funded by the town once the details are hammered out. We encourage the committee to continue to keep this towards the top of their priority list. The Small Town Main Street Designer will be available to assist in visioning these rehabilitations as projects are identified through the program and begin to move forward.

As we can see from the traffic count numbers, Downtown Granite Falls will benefit from having a presence on the 321 Bypass. The Design Sub-Committee, recognizing this, has begun to look at existing entrance signage and to consider some of the opportunities for improving these, while also considering other opportunities for directing people into Downtown Granite Falls. It is the opinion of the STMS Designer, that Falls Ave. should be targeted as a primary entrance to downtown from the Bypass, by the Small Town Main Street Committee. This Avenue has quick access between the Bypass and downtown and also has significant and attractive design characteristics, for the most part. Continuing to explore opportunities within this entrance corridor will only benefit Downtown Granite Falls.

Pedestrian experience, feeling comfortable and safe, is extremely important for the success of a downtown district. Granite Falls has some wonderful existing elements that contribute to this. Along North Main the pedestrian is separated from the primary flow of traffic by the park, while along South Main curbing parking helps to create a sense of separation. These attributes should be preserved, while also looking for others ways to slow traffic speed as it passes through downtown. Pedestrian connections in downtown are sufficient, but may benefit from increased visibility. The pedestrian connections from downtown to the west side neighborhoods are not good. In general, pedestrian connection between your downtown neighborhoods and downtown itself is extremely valuable; this seems to exist in some areas but not others, identifying the missing links is important as the program moves forward.

Granite Falls has the bones of a beautiful small town downtown and has already made some effort, both private and public to reinvest in these areas. A continued focus and dedication to preserving and rehabilitating the existing historic downtown structures will serve this committee well. Continue to convey the importance of these structures and their uniqueness. The Small Town Main Street Design Sub-Committee will continue to refine and detail the design priorities of our group moving forward.

5. AVAILABILITY OF CAPITAL/FINANCING

5.1 Observations

The Town of Granite Falls currently does not offer a facade grant program nor do they have a National Historic Register District which would provide an additional incentive with Federal and State Tax Credits for building rehabilitation. The STMS staff has recommended that Granite Falls consider applying to be placed on the National Register Study List.

Some owners may have little or no existing debt on their properties, and can realize a benefit from providing owner financing to buyers over a term of years, possibly deferring some capital gains taxes. This is an excellent benefit for both buyers and sellers, and should be aggressively pursued as an option.

5.2 Recommendations

The town or the STMS committee should consider a way to offer the façade incentive grant program to assist with exterior improvements, particularly where they might provide an incentive to carry out a more extensive renovation than might otherwise be planned. (We understand a request has been made to council to fund this for 2009-2010.)

Explore the possibility of National Register designation.

Work to develop a relationship with local lending institutions to facilitate and promote the creation of a downtown loan program. Although this program does not necessarily need to represent better terms than those being offered by other commercial borrowers, it is an opportunity for the banks and downtown to show a shared interest in the community's success.

6. BUSINESS AND DEVELOPMENT ASSISTANCE

6.1 Observations

Business decisions must be based on complete and factual information. The data within the ESRI report serves as a basis for identifying needs and highlighting surplus and leakage it is just that: a basis. Currently, there does not appear to be one-stop source for business inquiries. The Town of Granite Falls serves that purpose for the most part. The Small Town Main Street committee is a volunteer organization consisting of town officials, property and business owners, non-profits, citizens and other advocates for downtown Granite Falls.

6.2 Recommendations

Downtown organizations are formed for the specific purpose of providing for the needs of the downtown area in their communities. Although they must thoroughly understand and appreciate the economic conditions of the area at large, by the narrowness of their purpose they are not distracted by the need to provide economic development activities and other services to those areas. The NC Small Town Main Street Program helps provide the information and serve as the source for assistance in participating communities, and will provide that assistance in Granite Falls during the first 2-3 years.

In the long run, it will be important to establish the downtown committee as a cost effective community based organizational structure that addresses the needs of downtown constituents by filling the void between services offered by other agencies and those that need to be targeted specifically to downtown. 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.

SIX FACTORS OF ECONOMIC RESTURCTURING – GANITE FALLS SURVEY RESULTS:

Total square feet = 464,000

Occupied square feet = 230,887

Available square Feet (SQ.FT) = 233,012 (most of the availability occurring at 12 Falls Ave. – 220,000 available at the time of the report) 10-11% vacancy rate when the 12 Falls Ave. property is removed from data

Average Sale Price per SF downtown = \$20.00

Average Rent per SF downtown = \$6

Renovation Cost per SF downtown = \$60-85.00 for retail/office Not Available for residential

New Construction Cost per SF downtown = \$175 - \$200 for retail/office Not Available for downtown residential

***Construction/renovation costs came from local realtors*

Market by Use:	Number	Total SF	Sales/SF
Retail	11	423,190	\$110
Office/private	3	8,825	Not Available (NA)
Gov/t/Institutional	3	5,046	
Residential	2	5,385	
Service	7	16,802	
Other		4752	
Available		230,887	

Market by Retail NAICS (Downtown Only)	Number (based off ESRI Report)
441 Motor Vehicle	3
442 Furniture/Home Furnishings	2
443 Electronics & Appliances	1
444 Bldg. Materials, Garden Equip.	2
445 Food & Beverage/Groceries	2
446 Health, Drug & Personal Care	1
447 Gasoline Stations/Conv. Stores	1
448 Clothing & Accessories	1
451 Sporting Goods, Books, Music	2
452 Gen. Merchandise/Dept. Stores	1
453 Florists/Off. Supply/Gifts/Used Merchandise	3
454 Non-Store Retailers	0
722 Food Services/Drinking Places	4

Market Demographics	CBD	1Mille	5Miles
Retail Sales	\$43,367,840	\$88,383,283	\$217,382,382
Retail Potential	\$13,638,972	\$31,070,035	\$309,097,634
Population	1,495	3,714	33,423
Per Capita Income	\$23,285	\$20,761	\$22,243

Physical Environment

207 public spaces Surveys indicated properties were in good to poor condition

92 on street in front of businesses

No One-Way Streets

Available Financing

Conventional Loans available to qualified buyers; Special assistance –not available

Business Assistance Not Available

CONSUMER SURVEY	TOWN	Clayton	Mar-07	27520
DOWNTOWN BUSINESS DISTRICT	TOTAL RESPONSES			79

	No.	%	No.	%	No.	%
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How often do you shop in the downtown business district?

Daily	14	18%
At least weekly	23	29%
At least monthly	25	32%
Sometimes	17	22%

What is the Main reason you visit the downtown business district?

Shopping	21	27%		
Banking	2	3%		
Working	21	27%		
Eating	20	25%		
Personal Business	7	9%		
Other	8	10%	library	PO

What Other things do you do downtown?

Shopping	32	41%		
Banking	13	16%		
Eating	43	54%		
Personal Business	21	27%		
Other	17	22%	library	po

Where do you do most of your shopping?

Downtown	11	14%				
Local Shopping Center	38	48%				
Nearby Town	27	34%	Garner	Smithfield	Raleigh	Cary

How would you rate the following about downtown?

	GOOD		FAIR		POOR	
Parking	34	43%	29	37%	15	19%
Friendliness of salespeople	72	91%	6	8%	1	1%
Price of merchandise	37	47%	37	47%	1	1%
Variety of goods	15	19%	40	51%	24	30%
Quality of goods	46	58%	26	33%	3	4%
Attractiveness of area	18	23%	49	62%	12	15%
Attractiveness of buildings	14	18%	48	61%	16	20%
Business hours	26	33%	36	46%	16	20%
Safety	53	67%	24	30%	1	1%

How important are the following to improving the downtown area? VERY

	VERY		SOMEWHAT		NOT	
Historic Character	50	63%	18	23%	10	13%
Cleanliness and maintenance	66	84%	12	15%		0%
Focus on local customers	50	63%	22	28%	4	5%
Patronize local businesses	52	66%	22	28%	2	3%
Improve tourism	31	39%	30	38%	16	20%
More special events/ferstivals	41	52%	28	35%	7	9%
More jobs for locals	50	63%	23	29%	3	4%
Customer service	54	68%	16	20%	3	4%
Public improvements,streets, sidewalks, etc.	59	75%	16	20%	1	1%
More advertising	33	42%	37	47%	5	6%
Regular, convenient business hours	52	66%	23	29%	1	1%
Safety	51	65%	22	28%	3	4%

What types of stores or services would you personally use downtown?

Restaurant	31	Grocery	8	Crafts	3
Clothing	22	Specialty	4	design	1
books	15	home	4	deli/bakery	15
Sporting gc	4	Arts	7	services	1
used	2	youth	5	pet	4

Where do you live?

In town	27	35%
Between 1-3 miles	17	22%
Between 3-5 miles	16	21%
Between 5-10 miles	11	14%
Other	6	8%

What is your Zip Code?

27524	1	3%
27576	3	8%
27527	12	30%
27529	3	8%
27520	15	38%
27522	1	3%
27501	1	3%
27577	3	8%
27511	1	3%

How do you find out about local businesses, shopping, etc.?

Local Newspaper	41	52%
Other newspaper	11	14% NO
TV	1	1%
Radio	2	3%
Direct Mail	18	23%
Word of mouth	52	66%
Other	18	23% internet

Respondent is

Male	28	36%
Female	49	64%

Respondent's age is

15-19	6	8%
19-25	5	6%
25-35	18	23%
35-50	28	36%
Over 50	21	27%

ALL RESPONDENTS DID NOT ANSWER ALL QUESTIONS

SURVEY OF RETAL BUSINESSES
DOWNTOWN Granite Falls, NC
March, 2009

SUMMARY OF SURVEY RESULTS:

- **Nine businesses** responded; the library responded as well and since they rent their square footage and rental information was included
- Five out of nine own their building
- Four out of nine rent
- Average square feet for the nine is 2350
- Average rent for the four is \$1175
- Average rent per square foot is \$6
- Sales have increased by 6.6% for one out of three respondents
- Sales have decreased in '08 over '07 by an avg. of 12% for four respondents(7 out 9 responded to this question; library would not count and one business had not been open long enough)
- October, December, and July best months on average
- Average spent on advertising for three respondents was \$5,452
- 16% in newspaper the remainder divided between yellow pages and internet.
- Seven respondents open during events
- Seven businesses have been open five plus years downtown
- No one plans to close at this time.

