



Hillsborough District

Raleigh • North Carolina • USA

Hillsborough Street District BID Formation Study Report

May 2008

Prepared For



City of Raleigh

And

**Hillsborough Street
BID Steering Committee**

Prepared By:

Downtown Professionals Network
Marketing • Management • Planning

Batavia, Illinois • USA

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BID Formation Study Report

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Exhibits

- Exhibit A: Map – Proposed Hillsborough Street BID Boundaries
- Exhibit B: North Carolina General Statutes, Chapter 160, Article 23 (§160A-535 to §160A-544) – Municipal Service Districts

Introduction

The City of Raleigh, working in concert with neighborhood residents, business owners, organizational leaders, and other stakeholders of the Hillsborough Street District, is exploring exciting opportunities that could set the stage for the future of the Hillsborough Street area and the character of its physical and economic environment. These stakeholders are already engaged in taking bold steps through revitalization and enhancement efforts designed to reinvigorate the Hillsborough Street area as a vibrant neighborhood business district that reflects the rich heritage of Raleigh, North Carolina State University, Meredith College and St. Mary's School, as well as the residential neighborhoods surrounding the district.

Planning to conduct a BID study began following a presentation made by the Department of City Planning at the February 2007 meeting of the Raleigh City Council which sought to identify complementary actions that may spark real estate investment and revitalization along Hillsborough Street.

A BID was suggested for the area because it could potentially provide the resources needed to improve the perceptions of cleanliness and safety, conduct on-going public realm maintenance, and enhance economic development efforts for the area through coordinated marketing, and tenant retention & recruitment. A formal Request for Proposals was issued in July 2007 seeking professional consulting services to assist the City of Raleigh in completing a BID study. Downtown Professionals Network (DPN), a research and planning firm based in Batavia, Illinois, was selected to facilitate the study.

The outcome of the process, conducted under the guidance and direction of the Hillsborough Street BID Steering Committee, is based not just on hard data, but on direct community input. As such, it is highly relevant to needs, issues, opportunities and priorities identified by the district's stakeholders. The process also served to help generate consensus around short- and long-term goals and objectives, to foster a strong sense of ownership in proposed BID program operations, services and projects, and to instill a spirit of "teamwork" that is critical to building the capacity and sustaining the efforts of the proposed Hillsborough Street BID.

This report summarizes the activities, findings and direction provided and is based upon input received and subsequent research and assessments performed by the DPN consulting team. This report satisfies and exceeds requirements of the enabling legislation and is intended to serve as a reference for decision makers regarding issues critical to the proposed BID's formation, such as boundaries and district tax rates, as well as guidance for the proposed BID's management, operations and services.



Acknowledgements

The Hillsborough Street BID Formation Study is the product of neighborhood residents, business owners, community leaders, and other Hillsborough Street advocates and stakeholders that contributed time, ideas and leadership throughout the process. The resulting study and its recommendations are rooted in the prevailing ideas and aspirations of those who participated in the study process.

Downtown Professionals Network appreciates the outstanding efforts of City of Raleigh staff and the Hillsborough Street community's enthusiastic participation in efforts undertaken to complete this study. Special recognition is due the Hillsborough Street BID Formation Study Steering Committee, a volunteer group organized to represent the district's diverse interests and perspectives, and to shepherd the study process. Direction and advice provided by the Steering Committee to City of Raleigh staff and DPN consultants in key decision-making processes was vital to the completion of the study and the recommendations contained in this report.

Hillsborough Street BID Formation Study Steering Committee

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The Hillsborough Street Business Improvement District (BID) Formation Study was conducted by the City of Raleigh and facilitated by Downtown Professionals Network.

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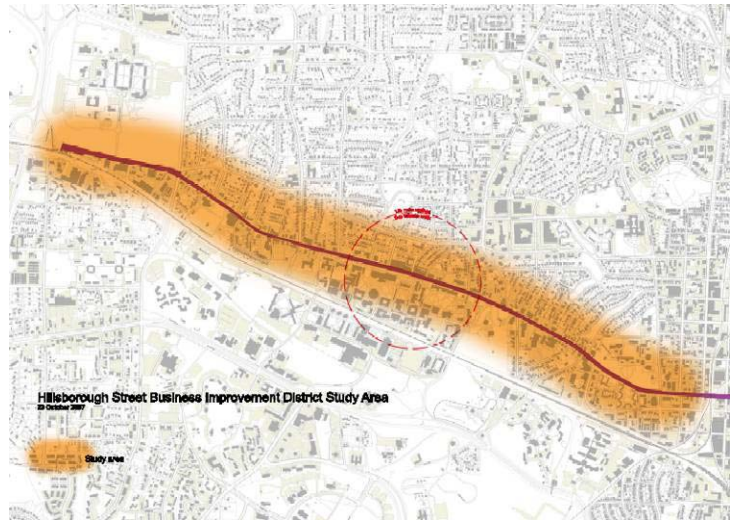
Framework

Study Area

The study area serving as the focus for the Hillsborough Street BID Formation Study spanned Hillsborough Street from the general vicinities of Meredith College to the west, and St. Mary’s to the east. The study also considered areas generally lying within one mile north and south of Hillsborough Street corridor

Historically, the Hillsborough Street commercial district grew along a streetcar line and functioned to cater to the needs of North Carolina State University students, faculty and visitors. The area has continued to evolve as a commercial center serving the needs of students and faculty as well as residents living in the surrounding neighborhoods.

North Carolina State University, generally situated at the midpoint of the study area, continues to serve as an important anchor, consumer market, cultural attraction, activity generator, and employment center. Surrounding residential neighborhoods contain both a significant number of single family homes and rental housing that is home to faculty, students and other families unassociated with the University.



Hillsborough Street BID Study Area

Built Environment

The nature and patterns of development that one encounters along the span of the Hillsborough Street study area offer diverse and changing experiences. The district features a nearly continuous street wall along the blocks opposite N.C. State, with commercial uses becoming more automobile-oriented toward the east and west boundaries of campus and becoming even less dense and more fragmented beyond those borders.

Most buildings in these stretches, beyond the borders of the N.C. State campus, predictably offer little in the way of street presence, with many being setback from the sidewalk and using front or side lots for parking. Accordingly, uses in many of these buildings generally add little to the area’s level of pedestrian and street activity, but still provide important services and goods for nearby residents.

Metered on-street parking is available along the north side of the Hillsborough Street corridor within the N.C. State core, and along many side streets in the neighborhoods lying immediately north of Hillsborough Street. Most off-street parking in the district appears to be privately owned and generally restricted, though there is some public, paid, parking available within the core district.

Streetscape

Overall, streets and sidewalks are functional, though some portions are in obvious need of repair or replacement. The City of Raleigh has approved a major transportation planning effort for the Hillsborough Street corridor that has evolved over the last several years. The Hillsborough Street Transportation Improvement Program includes a menu of planning, construction, and street enhancement items. Among those improvements is a series of roundabouts and medians coupled with two miles of reconstructed street and streetscape.

The cleanliness of the streetscape in the public and private realms is an issue. BID maintenance efforts could include regular mechanical sweeping of the district's sidewalks. This service could also be among the highest "value-added" services provided by a BID as the need to eliminate weeds and litter takes on increasing importance. While some property owners appear to be quite diligent about maintaining their properties, other instances of excessive weeds, litter, debris and graffiti on privately-owned properties within the district should be addressed as part of a comprehensive district-wide maintenance strategy.

Business Mix and Climate

In much the same way as development patterns along the length of the Hillsborough Street study area offer changing scenery and experiences, the business mix has also evolved in a way that reflects the intense and dynamic activity found along the N.C. State core area. Beyond the core area, development patterns and uses tend to be less dense and more automobile-oriented, though some clustering of businesses is apparent at the study area's east and west edges and approaches to St. Mary's School, Meredith College, and the Hillsborough Street/I-440 interchange.

Historically, the core commercial area of Hillsborough Street evolved to serve the needs of students at N.C. State and features a dense concentration of fast food establishments, convenience, book and office supply stores and coffee shops. The midpoint of the Hillsborough Street study area appears to be inadequately diversified and its business mix generally fails to adequately meet the consumer demands and needs of local neighborhood residents.

There is, however, a growing trend toward the establishment of more upscale eateries along Hillsborough Street, and the district is home to several authentic ethnic eateries that, from the street, appear to be rather generic fast food establishments. Some natural clustering of these restaurants is already occurring along the eastern edge of the N.C. State campus area. Other existing and evolving clusters appear to be centered around used and collectible books and comics, complemented by a scattering of "fun and funky" coffee shops and retailers, on the western edge of the N.C. State campus. Marketing these clusters to the surrounding neighborhoods, and even to a broader geographic region, should be considered as part of broader marketing and branding strategies for the proposed BID.

In addition to its impressive physical presence within the district, N.C. State is a major contributor to the district's economic and social livelihood. As an important employment center, a major activity center, and a "good neighbor," it is likely that the very livelihood of the district and some of its best economic opportunities for the future will continue to revolve around the University.

Issues and challenges affecting the state of the district's economic climate include issues related to safety – and the perception of safety – occurring within the study area. A number of neighborhood residents and business owners report concerns that visitors may limit or completely avoid certain areas of the district out of concern for safety and to avoid nuisances created by loiterers and panhandlers. Potential BID services and programs addressing safety issues and concerns were identified as a priority by virtually all stakeholders participating in the study process.

Market Profile

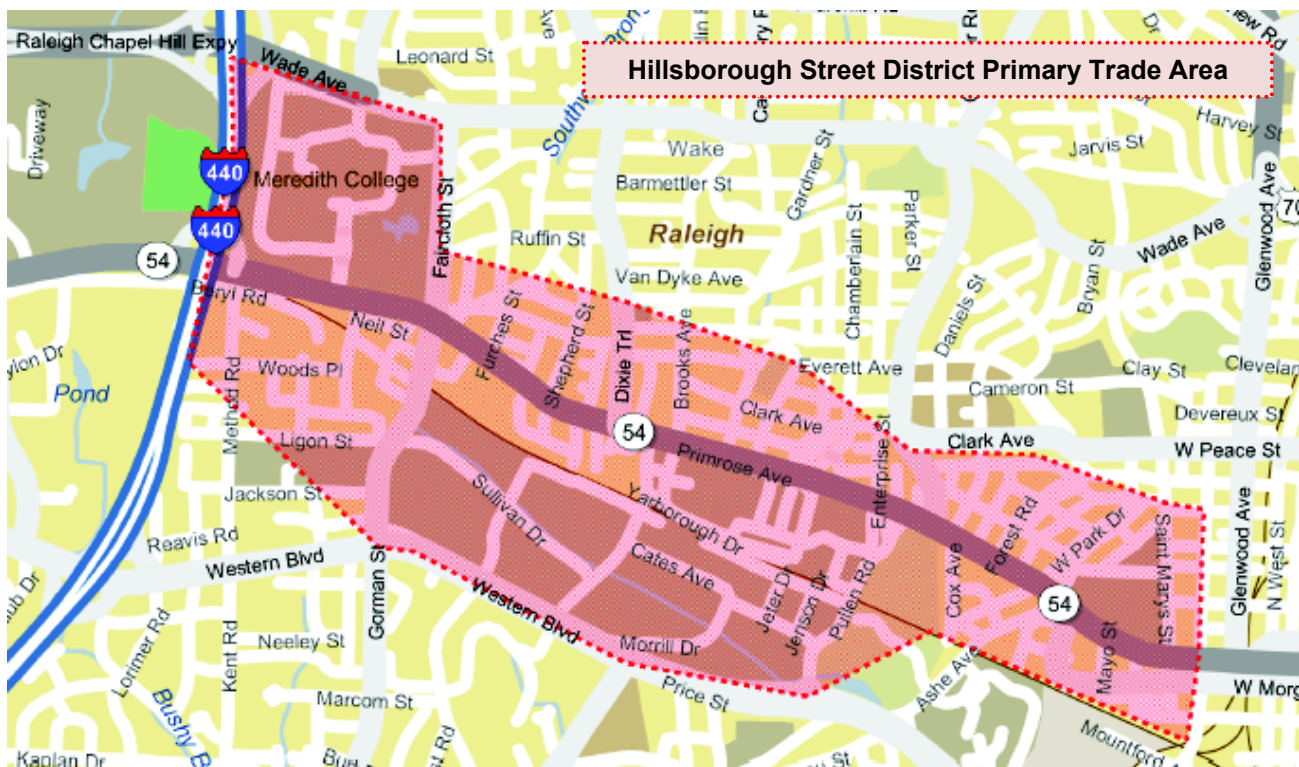
Market research activities were performed as part of the Hillsborough Street BID Formation Study to compile a summary market profile identifying demographic, lifestyle and economic characteristics and trends that could be relevant to potential district enhancement, management, marketing and retail niche development or branding strategies. The scope of this research generally consisted of:

- Field exercises and interviews performed to determine the geographic dimensions of the district's primary customer base and to serve as the geographic basis for the procurement and analysis of relevant market data and information.
- A summary analysis of demographic, consumer segmentation and retail reports for the trade area procured from Environmental Systems Research Institute (ESRI) Business Information Systems.
- Analysis of key data in order to assess possible implications for Hillsborough Street district retail niche development or branding strategies.

Following is a summary of key data and information contained in a series of reports procured from ESRI, one of the leaders in the geographic information system, data collection and reporting fields. ESRI technology and reports help industry, government, and nonprofit organizations understand customers, analyze site locations, visualize and map marketing and demographic data, and identify untapped market potential. Complete copies of ESRI reports obtained for this market profile are contained in a supplemental document to this report.

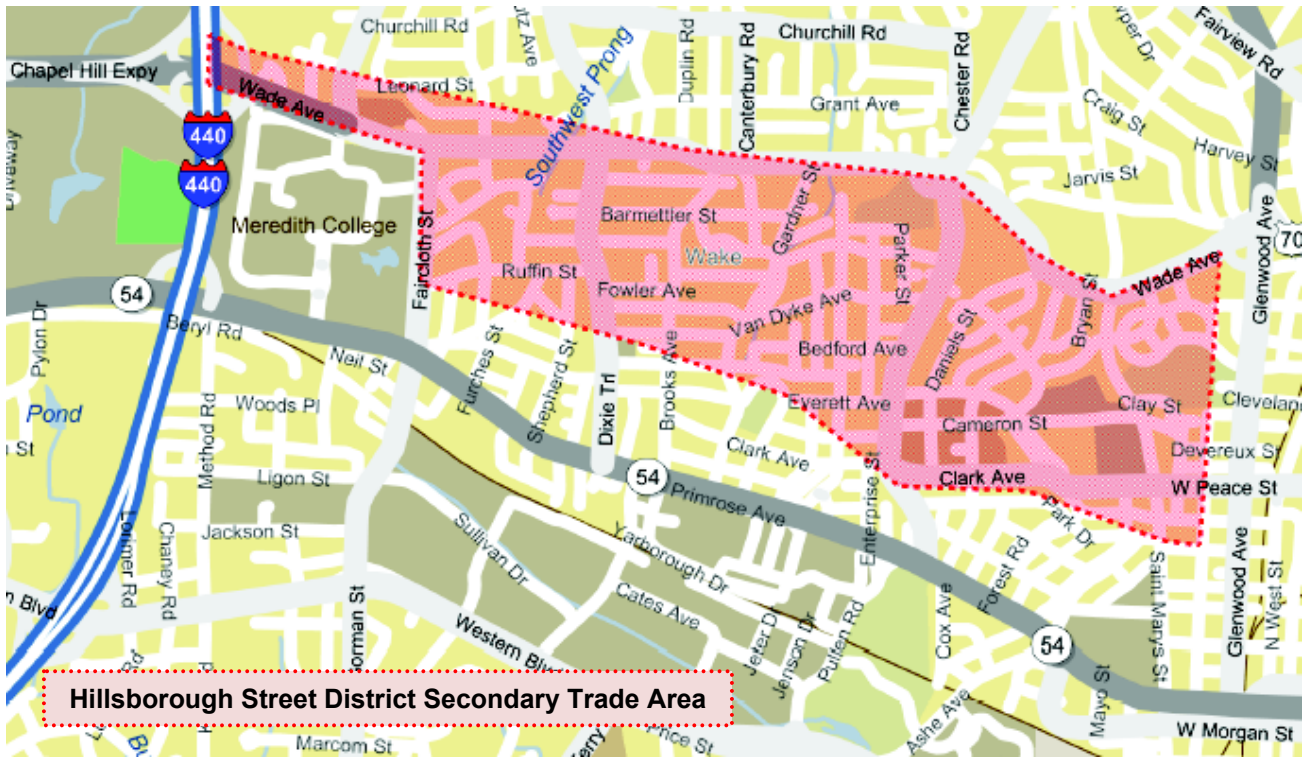
Trade Area Definition

Field exercises and a series of interviews with area business owners and managers were performed to collect information on consumer origination patterns. The input collected from more than 50 Hillsborough Street businesses and an assessment of development patterns, the existing business mix and certain geographic features were used as a basis for the identification of a primary and secondary trade area.



The Hillsborough Street District’s Primary Trade Area, shown in the map appearing on the previous page, includes the North Carolina State University, Meredith College and St. Mary’s School campuses. The trade area generally spans the length of the proposed Hillsborough Street BID, extending about one-quarter mile north and south of Hillsborough Street. The one-quarter mile “buffer” extending north and south of Hillsborough Street generally represents the “walkable zone” – the distance the average person can walk in about five minutes – for neighborhood residents to reach Hillsborough Street. The “walkable zone” for college students is likely to extend beyond one-quarter mile by virtue of the pedestrian-oriented nature of the student population and its mobility.

A secondary trade area, identified in the map appearing below, generally encompasses an area extending north of the primary trade area to Wade Avenue. While this area could represent potential for expansion of the Hillsborough Street District’s primary consumer base, it also contains formidable competition for area retail sales in the form of the Cameron Village commercial area. The secondary trade area was included in this study to gain a better understanding of the population and potential market residing in that area, and to provide a perspective with regard to the Cameron Village development’s retail performance and implications for potential Hillsborough Street retail and niche development opportunities.



The primary and secondary trade areas identified in this study serve as the geographic basis for reporting and analyzing certain demographic, lifestyle and economic characteristics of the Hillsborough Street District’s “markets.” The geographic trade area for any single business in the Hillsborough Street District will likely vary from the trade areas indicated. For example, the trade area for convenience-oriented businesses would predictably be smaller, while the trade area for certain specialty retailers, eating & drinking establishments and other destination-oriented uses would presumably be more expansive.

Demographic Profile

The “Demographic Snapshot” displayed in the table to the right presents a sample of key data and trends that will be important to the assessment of potential Hillsborough Street District marketing and business development strategies.

Notable data and trends include:

- A dramatic increase in the primary area’s population occurring between 2000 and 2007, from an estimated 7,152 persons in 2000 to 12,434 persons in 2007.
- Projections that anticipate five-year population increases of 5.4 percent and 9.1 percent in the primary and secondary area populations through 2012, respectively.
- Double-digit five-year percentage increases anticipated in primary and secondary trade area households through 2012, with the primary and secondary areas each expected to add about 300 households by 2012.
- Little change in housing unit occupancy characteristics predicted through 2012 with about 72 percent of primary area housing units and 53 percent of secondary area housing units expected to be renter-occupied.
- A five-year anticipated increase in per capita income in excess of 20 percent in both the primary and secondary trade areas.
- Consistent median household income trends predicted through 2012, with median household income expected to increase to nearly \$47,000 in the primary area, and to more than \$70,000 in the secondary area.
- Median age anticipated to remain stable through 2012 in the primary area dominated by the student population (from 27.4 to 27.7), but expected to increase relatively substantially in the secondary area (from 35.5 to 38.5)

Overall, increases projected in the primary and secondary areas’ population, household, and income categories reveal a relatively stable and growing local market. Anticipated trends point to changes that will positively impact consumer retail demand and spending power. These are important trends that could be viewed favorably by prospective developers, investors and entrepreneurs as they assess opportunities in the marketplace.

Hillsborough Street District Demographic Snapshot		
	Primary	Secondary
Population		
2000 Census	7,152	4,641
2000 Group Quarters	2,215	136
2007 Estimated	12,434	4,831
2012 Projected	13,103	5,309
2007 – 12 Change	+ 5.4%	+ 9.1%
Households		
2000 Census	2,510	2,584
2007 Estimated	2,657	2,758
2012 Projected	2,957	3,055
2007 – 12 Change	+ 11.3%	+ 10.8%
2007 Housing Units		
Number of Units	2,876	2,978
Owner Occupied Units	21.6%	40.5%
Renter Occupied Units	70.8%	52.1%
Vacant Units	7.6%	7.4%
2012 Housing Units		
Number of Units	3,200	3,299
Owner Occupied Units	20.9%	40.0%
Renter Occupied Units	71.5%	52.6%
Vacant Units	7.6%	7.4%
Per Capita Income		
2000 Census	\$17,722	\$30,331
2007 Estimated	\$20,621	\$42,555
2012 Projected	\$24,908	\$52,568
2007 – 12 Change	+ 20.8%	+ 23.5%
Median Household Income		
2000 Census	\$30,011	\$43,236
2007 Estimated	\$39,136	\$57,886
2012 Projected	\$46,731	\$70,132
2007 – 12 Change	+ 19.4%	+ 21.2%
Median Home Value		
2000 Census	\$226,075	\$191,493
2007 Estimated	\$301,515	\$255,199
2012 Projected	\$341,803	\$284,559
Median Age		
2000 Census	24.9	34.1
2007 Estimated	27.4	35.5
2012 Projected	27.7	38.5

Source: ESRI Market Profile, December 2007.

Consumer Lifestyle Characteristics

Beyond basic demographic data, the analysis of geodemographic and lifestyle characteristics of trade area populations provides for an enhanced view of the market and its “personality.” The examination of prevalent market segments as defined in the ESRI Community Tapestry segmentation system can reveal consumer lifestyle characteristics and traits that are important to the consideration of Hillsborough Street area business development strategies, including targeted consumer segments, business types, product lines, price points and marketing strategies.

Following are snapshot descriptions for prevalent trade area Tapestry segments identified in the table to the right.

Hillsborough Street District Prevalent Tapestry Segments Based on Population				
	Primary Area		Secondary Area	
	No.	Pct.	No.	Pct.
55. College Towns	4,453	35.8%	228	4.7%
52. Inner City Tenants	2,946	23.7%	0	0.0%
63. Dorms to Diplomas	2,644	21.3%	0	0.0%
22. Metropolitans	1,051	8.5%	2,056	42.6%
39. Young and Restless	981	7.9%	0	0.0%
23. Trendsetters	85	0.7%	492	10.2%
27. Metro Renters	71	0.6%	1,791	37.1%
Total	12,231	98.5%	4,567	94.6%
Source: ESRI Tapestry Segmentation Area Profile, December 2007.				

Snapshot Profiles for Predominant Tapestry Segments

Segment Code 55 – College Towns	
Number – Percent: Primary Area Population	4,453 – 35.8%
Number – Percent: Secondary Area Population	228 – 4.7%
Median Age	24.5 years
Dominant Household/Family Type	Single-person; Shared Households
Median Household Income	\$28,900
Median Net Worth	\$30,700
Percentage of Home Ownership	31%
Median Home Value	\$132,900

Summary: Education is the key focus for *College Towns* residents. College and graduate school enrollment is approximately 41 percent. The median age for this market is 24.5 years, with a high concentration of 18–24-year-olds. One out of eight residents lives in a dorm on campus. Students in off-campus housing rent low-income apartments. Approximately 31 percent of the households are typically town residents who live in owner-occupied, single-family dwellings. The median home value is \$132,900. Convenience is the primary consideration for food purchases; residents frequently eat out, order in, or eat easy-to-prepare food. Many own a laptop computer. In their leisure time, they jog, go horseback riding, practice yoga, play tennis, rent videos, play chess or pool, attend concerts, attend college football or basketball games, and go to bars. They listen to classical music and public radio programs.

Segment Code 52 – Inner City Tenants	
Number – Percent: Primary Area Population	2,946 – 23.7%
Number – Percent: Secondary Area Population	0 – 0.0%
Median Age	27.8 years
Dominant Household/Family Type	Mixed
Median Household Income	\$30,800
Median Net Worth	\$56,100
Percentage of Home Ownership	20%
Median Home Value	\$110,800

Summary: *Inner City Tenants* neighborhoods are a microcosm of urban diversity, located primarily in the South and West. This multicultural market is young, with a median age of 27.8 years. Households are a mix of singles and families. Most residents rent economical apartments in mid- or high-rise buildings. Recent household purchases by this market include video game systems, baby food, baby products, and furniture. Internet access at home is not typical; those who have no access at home surf the Internet at school or at the library. Playing games and visiting chat rooms are typical online activities. Residents frequently eat at fast-food restaurants. They enjoy going to the movies; attending football and basketball games; water skiing; and playing football, basketball, and soccer. Some enjoy the nightlife, visiting bars and nightclubs to go dancing.

Snapshot Profiles for Predominant Tapestry Segments

Segment Code 63 – Dorms to Diplomas		
Number – Percent: Primary Area Population		2,644 – 21.3%
Number – Percent: Secondary Area Population		0 – 0.0%
Median Age		21.8 years
Dominant Household/Family Type		Single-person; Shared Households
Median Household Income		\$17,600
Median Net Worth		\$13,100
Percentage of Home Ownership		10%
Median Home Value		\$135,100
<p>Summary: <i>Dorms to Diplomas</i> is Community Tapestry's youngest market, with a median age of 21.8 years. College and graduate school enrollment is approximately 81 percent. Nearly three-fourths of employed residents work part time in low-paying service industry jobs. Approximately 43 percent of residents live in on-campus dormitories; the remainder rent apartments in off-campus, multiunit buildings. Ninety percent of households are renters. Computers are a necessity, and the Internet is easily accessible to research assignments, search for jobs, obtain the latest news, and keep in touch with family. For exercise, residents participate in a variety of sports. They enjoy going to college football and basketball games, rock concerts, movies, and bars as well as dancing, playing pool, and renting VHS and DVD movies. They listen to classic hits, public, and rock radio programs.</p>		

Segment Code 22 – Metropolitan		
Number – Percent: Primary Area Population		1,051 – 8.5%
Number – Percent: Secondary Area Population		2,056 – 42.6%
Median Age		37.1 years
Dominant Household/Family Type		Singles & Shared Households; Married-couple families
Median Household Income		\$57,600
Median Net Worth		\$134,500
Percentage of Home Ownership		63%
Median Home Value		\$194,100
<p>Summary: <i>Metropolitans</i> residents favor city living in older neighborhoods. Approximately half of the households are composed of singles who live alone or with others. However, married-couple families are 40 percent of the households. The median age is 37.1 years. Half of employed persons hold professional or management positions. These neighborhoods are an eclectic mix of single-family homes and multiunit structures, with a median home value of \$194,100. The median household income is \$57,600. Residents lead busy, active lifestyles. They travel frequently and participate in numerous civic activities. They enjoy going to museums and zoos and listening to classical music and jazz on the radio. Refinishing furniture and playing a musical instrument are favorite hobbies. Exercise includes yoga, roller blading, and hiking/backpacking.</p>		

Segment Code 39 – Young & Restless		
Number – Percent: Primary Area Population		981 – 7.9%
Number – Percent: Secondary Area Population		0 – 0.0%
Median Age		28.9 years
Dominant Household/Family Type		Single-person; Shared Households
Median Household Income		\$40,900
Median Net Worth		\$87,000
Percentage of Home Ownership		15%
Median Home Value		n/a
<p>Summary: Change is the constant in this diverse market. With a median age of 28.9 years, the population is young and on the go. About 85 percent of householders moved in the last five years. <i>Young and Restless</i> householders are primarily renters, living in apartments in multiunit buildings. Almost 60 percent are single-person or shared households. This educated market has the highest labor force participation among all the Community Tapestry segments, at 75 percent, and the highest female labor force participation, at 73 percent. The median household income is \$40,900. Residents use the Internet daily to visit chat rooms, play games, obtain the latest news, and search for employment. They read computer and music magazines and listen to public radio. They watch movies in the theater and on VHS/DVD, attend rock concerts, play pool, go dancing, and exercise weekly at a gym.</p>		

Snapshot Profiles for Predominant Tapestry Segments

Segment Code 23 – Trendsetters		
Number – Percent: Primary Area Population		85 – 0.7%
Number – Percent: Secondary Area Population		492 – 10.2%
Median Age		35.0 years
Dominant Household/Family Type		Single-person; Shared Households
Median Household Income		\$56,700
Median Net Worth		\$150,700
Percentage of Home Ownership		32%
Median Home Value		\$485,600
<p>Summary: These neighborhoods are located primarily on the West Coast. On the cutting edge of urban style, <i>Trendsetters</i> residents are young, diverse, mobile, educated professionals with substantive jobs. The median age is 35.0 years. More than half of the households are single-person or shared. Most still rent, preferring upscale, multiunit dwellings in older city districts. The median household income is \$56,700. Residents are spenders; they shop in stores, online, and via the phone. They own the latest laptop computers, cell phones, and MP3 players, and use the Internet daily. Exercise includes playing tennis, volleyball, baseball, and golf as well as ice skating, snorkeling, and yoga. Leisure activities include traveling, attending rock concerts, and reading biographies. Residents also enjoy syndicated TV shows such as <i>Access Hollywood</i> and <i>Seinfeld</i>.</p>		

Segment Code 27 – Metro Renters		
Number – Percent: Primary Trade Area Households		71 – 0.6%
Number – Percent: Secondary Trade Area Households		1,791 – 37.1%
Median Age		33.6 years
Dominant Household/Family Type		Single-person; Shared Households
Median Household Income		\$52,300
Median Net Worth		\$119,200
Percentage of Home Ownership		22%
Median Home Value		n/a
<p>Summary: <i>Metro Renters</i> residents are young (approximately 30 percent are in their 20s), well-educated singles beginning their professional careers in some of the largest U.S. cities such as New York City, Chicago, and Los Angeles. The median age is 33.6 years; the median household income is \$52,300. As the name <i>Metro Renters</i> implies, most residents are renting apartments in high-rise buildings, living alone or with a roommate. Their interests include traveling, reading two or more daily newspapers, listening to classical music and public radio programs, and surfing the Internet. For exercise, they work out regularly at clubs, play tennis and volleyball, practice yoga, ski, and jog. They enjoy dancing, attending rock concerts, going to museums or the movies, and throwing a Frisbee. Painting and drawing are favorite hobbies. Politically, this market is liberal.</p>		

Economic Profile

Consumer Spending

The ESRI Market Profile report obtained for the Hillsborough Street District trade areas shows 2007 estimated amounts spent on a variety of goods and services by households that reside in the market area. Analysis of the data shown in the table below reveals stronger spending potential and expenditure patterns in the secondary area, with most spending categories at or above the Spending Potential Index national average of 100.

Spending Category	Primary Area	Secondary Area
Apparel & Services: Total \$	\$5,201,717	\$7,558,621
Average Spent	\$1,957.74	\$2,740.62
Spending Potential Index	71	100
Computers & Accessories: Total \$	\$564,740	\$778,981
Average Spent	\$212.55	\$282.44
Spending Potential Index	85	113
Education: Total \$	\$3,569,096	\$4,078,650
Average Spent	\$1,343.28	\$1,478.84
Spending Potential Index	105	115
Entertainment/Recreation: Total \$	\$6,372,867	\$9,503,047
Average Spent	\$2,398.52	\$3,445.63
Spending Potential Index	70	100
Food at Home: Total \$	\$10,065,649	\$14,439,441
Average Spent	\$3,788.35	\$5,235.48
Spending Potential Index	75	104
Food Away from Home: Total \$	\$7,156,370	\$10,183,826
Average Spent	\$2,693.40	\$3,692.47
Spending Potential Index	80	109
Health Care: Total \$	\$6,721,707	\$9,861,100
Average Spent	\$2,529.81	\$3,575.45
Spending Potential Index	65	91
HH Furnishings & Equipment: Total \$	\$4,000,622	\$6,071,506
Average Spent	\$1,505.69	\$2,201.42
Spending Potential Index	67	97
Investments: Total \$	\$2,339,987	\$3,904,182
Average Spent	\$880.69	\$1,415.58
Spending Potential Index	59	95
Retail Goods: Total \$	\$50,163,215	\$72,589,532
Average Spent	\$18,879.64	\$26,319.63
Spending Potential Index	71	99
Shelter: Total \$	\$29,796,658	\$45,706,319
Average Spent	\$11,214.40	\$16,572.27
Spending Potential Index	75	110
TV/Video/Sound Equipment: Total \$	\$2,437,481	\$3,434,429
Average Spent	\$917.38	\$1,245.26
Spending Potential Index	79	107
Travel: Total \$	\$3,372,621	\$5,178,543
Average Spent	\$1,269.33	\$1,877.64
Spending Potential Index	69	102
Vehicle Maintenance & Repairs: Total \$	\$2,124,780	\$3,068,174
Average Spent	\$799.69	\$1,112.46
Spending Potential Index	75	104

Source: ESRI Market Profile Report, December 2007.

Data Notes: Expenditures are shown by broad budget categories that are not mutually exclusive. Consumer spending does not equal business revenue. The Spending Potential Index represents the amount spent in the area relative to a national average of 100. Expenditure data are derived from the 2002, 2003 and 2004 Consumer Expenditure Surveys, Bureau of Labor Statistics.

Sales Surplus and Leakage Analysis

ESRI's Retail MarketPlace data provides a direct comparison between retail sales and consumer spending by industry. To capture a snapshot of an area's retail market place, the leakage and surplus factor summarizes the relationship between supply (retail sales by business) and demand (consumer spending by household). Deviations from potential sales may reveal areas of opportunity in the trade area's retail sectors, keeping in mind any extenuating circumstances that may be driving the results.

ESRI BIS uses the North American Industry Classification System (NAICS) to classify businesses by their primary type of economic activity. Retail establishments are classified into 27 industry groups within Retail Trade sector, and four industry groups within the Food Services & Drinking Establishments subsector. To estimate sales, the Retail MarketPlace database combines a number of data sources, including

- Census Bureau's 2002 Census of Retail Trade (CRT)
- Census Bureau's Nonemployer Statistics (NES)
- ESRI's demographic data
- *infoUSA's* business database
- Bureau of Labor Statistics

All estimates of market supply reflect current dollars derived from receipts of businesses primarily engaged in selling merchandise.

Potential sales (demand) is estimated by using ESRI's consumer spending data which provides estimated expenditures for more than 700 products and services that are consumed by U.S. households. The estimate of a trade area's demand is based upon estimated expenditures by households within the trade area.

To accurately measure retail activity, ESRI includes a leakage/surplus factor that measures the balance between volumes of supply (retail sales) generated by the retail industry and demand (spending by households, signifying retail potential) within the same industry.

Leakage within a specified trade area represents a condition where supply is less than demand. Retailers outside of the trade area are fulfilling demand for retail products. Surplus within a specified trade area represents a condition where supply exceeds the area's demand. Thus retailers are attracting customers that reside outside the trade area. As the leakage-surplus factor tends toward -100, the market is under leakage, meaning there is less retail activity relative to consumer spending. As the leakage-surplus factor tends toward +100, retail activity increases relative to consumer demand, signifying a surplus.

Overall figures for the Hillsborough street primary and secondary areas, shown in the table below, reveal a trade surplus of more than \$74 million in the primary area, and a secondary area trade surplus in excess of \$58 million. The surpluses indicate that retail and food & drink establishments are pulling sales from consumers residing in households located outside of the primary and secondary areas. The relatively large surpluses are undoubtedly driven by demand and sales generated by the dramatic increase in the area's daytime population that includes commuting N.C. State University students and faculty.

Sales Surplus and Leakage Analysis

NAICS Code: Business Description	Primary Area		Secondary Area	
	Surplus/(Leakage) Estimate	Factor	Surplus/(Leakage) Estimate	Factor
Total Retail Trade and Food & Drink (NAICS 44 – 45, 722)	\$74,709,107	39.5	\$58,447,820	26.2
Total Retail Trade (NAICS 44 – 45)	\$40,509,180	29.2	\$51,552,705	26.7
Total Food & Drink (NAICS 722)	\$34,199,927	67.8	\$6,895,115	22.8

The following table presents a detail of primary and secondary area sales surplus and leakage estimates for 27 industry groups in the retail trade sector, as well as four industry groups within the Retail Trade sector, and four industry groups within the Food Services & Drinking Establishments subsector.

Sales Surplus and Leakage Analysis

NAICS Code: Business Description	Primary Area		Secondary Area	
	Surplus/(Leakage) Estimate	Factor	Surplus/(Leakage) Estimate	Factor
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Total Retail Trade (NAICS 44 – 45)	\$40,509,180	29.2	\$51,552,705	26.7
Total Food & Drink (NAICS 722)	\$34,199,927	67.8	\$6,895,115	22.8
441: Motor Vehicle & Parts Dealers	-\$10,204,248	-67.2	-\$17,405,791	-89.2
4411: Automobile Dealers	-\$9,612,063	-74.7	-\$16,150,681	-99.1
4412: Other Motor Vehicle Dealers	-\$481,258	-42.5	-\$423,706	-20.0
4413: Auto Parts, Accessories, and Tire Stores	-\$110,927	-9.3	-\$831,404	-76.1
442: Furniture & Home Furnishings Stores	-\$1,281,785	-59.8	-\$611,515	-13.1
4421: Furniture Stores	-\$648,980	-48.2	-\$726,846	-30.9
4422: Home Furnishings Stores	-\$632,805	-79.4	\$115,331	5.0
443/4431: Electronics & Appliance Stores	\$250,740	5.8	-\$1,998,076	-52.8
444: Bldg Materials, Garden Equip. & Supply Stores	-\$905,489	-43.0	-\$2,217,722	-84.1
4441: Building Material and Supplies Dealers	-\$801,394	-43.0	-\$1,949,514	-82.3
4442: Lawn and Garden Equipment and Supplies Stores	-\$104,095	-43.2	-\$268,208	-100.0
445: Food & Beverage Stores	\$19,923,227	54.3	\$35,221,818	59.3
4451: Grocery Stores	\$19,250,797	54.5	\$33,925,880	59.5
4452: Specialty Food Stores	\$413,406	72.3	-\$46,905	-25.7
4453: Beer, Wine, and Liquor Stores	\$259,024	32.0	\$1,342,843	63.9
446/4461: Health & Personal Care Stores	-\$1,817,031	-84.3	\$21,097,849	78.8
4474471: Gasoline Stations	\$13,873,431	53.7	-\$4,646,702	-38.6
448: Clothing and Clothing Accessories Stores	-\$950,386	-16.4	\$17,627,246	64.2
4481: Clothing Stores	-\$1,808,813	-52.5	\$10,837,464	58.7
4482: Shoe Stores	\$161,163	14.1	\$2,444,844	63.4
4483: Jewelry, Luggage, and Leather Goods Stores	\$697,264	57.9	\$4,344,938	84.7

Factors: Sales Surplus/Leakage Factors show the relative strength of the retail and food service sectors in the primary and secondary trade areas. The Leakage/Surplus Factor is a measure of consumer demand relative to supply, ranging from 100 (total surplus) to minus-100 (total leakage). A positive factor represents retail sector strength, while a negative factor could indicate a sector weakness or opportunities to capture additional sales and market share.

Data Source: ESRI Retail MarketPlace Profile, December 2007.

Data Note: The polarity of surplus/leakage estimates and factors shown in this report (as compared to those shown in the original ESRI reports) have been reversed to show a surplus as a positive amount/factor, and to show a leakage as a negative amount/factor.

Sales Surplus and Leakage Analysis

NAICS Code: Business Description	Primary Area		Secondary Area	
	Surplus/(Leakage) Estimate	Factor	Surplus/(Leakage) Estimate	Factor
451: Sporting Goods, Hobby, Book, and Music Stores	\$1,036,275	35.6	\$7,686,800	75.7
4511: Sporting Goods/Hobby/Musical Instrument Stores	-\$82,336	-10.8	\$3,720,567	74.7
4512: Book, Periodical, and Music Stores	\$1,118,611	52.1	\$3,966,233	76.7
452: General Merchandise Stores	\$15,944,727	48.9	-\$8,563,007	-55.5
4521: Department Stores (Excluding Leased Depts.)	-\$2,785,561	-82.2	-\$1,825,818	-25.6
4529: Other General Merchandise Stores	\$18,730,288	64.2	-\$6,737,189	-81.3
453: Miscellaneous Store Retailers	\$2,609,885	64.4	\$4,427,675	67.6
4531: Florists	\$417,039	79.5	\$566,938	77.1
4532: Office Supplies, Stationery, and Gift Stores	-\$129,534	-18.7	\$1,161,776	48.9
4533: Used Merchandise Stores	\$674,088	95.1	\$315,411	85.8
4539: Other Miscellaneous Store Retailers	\$1,648,292	77.5	\$2,383,550	77.7
454: Nonstore Retailers	\$2,029,834	42.8	\$934,130	19.0
4541: Electronic Shopping and Mail-Order Houses	-\$511,936	-100.0	\$2,186,287	59.5
4542: Vending Machine Operators	-\$410,216	-100.0	-\$592,867	-100.0
4543: Direct Selling Establishments	\$2,951,986	77.2	-\$659,290	-100.0
722: Food Services & Drinking Places	\$34,199,927	67.8	\$6,895,115	22.8
7221: Full-Service Restaurants	\$20,345,391	79.9	\$2,714,411	27.0
7222: Limited-Service Eating Places	\$11,009,051	55.5	\$4,930,542	28.1
7223: Special Food Services	\$812,715	37.0	-\$371,145	-23.0
7224: Drinking Places (Alcoholic Beverages)	\$2,032,770	69.2	-\$378,693	-39.0

Factors: Sales Surplus/Leakage Factors show the relative strength of the retail and food service sectors in the primary and secondary trade areas. The Leakage/Surplus Factor is a measure of consumer demand relative to supply, ranging from 100 (total surplus) to minus-100 (total leakage). A positive factor represents retail sector strength, while a negative factor could indicate a sector weakness or opportunities to capture additional sales and market share.

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Data Note: The polarity of surplus/leakage estimates and factors shown in this report (as compared to those shown in the original ESRI reports) have been reversed to show a surplus as a positive amount/factor, and to show a leakage as a negative amount/factor.

Summary Analysis

For the Hillsborough Street District, the assemblage of this Market Profile is not an end, but rather the beginning of a new phase in the district's efforts to strengthen its presence and market position. This profile, while extensive, is only the beginning to an ongoing process to study, analyze and interpret the market and to identify and capitalize upon emerging economic opportunities that are consistent with the community's vision for Hillsborough Street.

Market data obtained and analyzed as part of this profile, in general, suggest that prospects for the type and nature of development generally desired by Hillsborough Street stakeholders and advocates are good. Projected increases in trade area population, households and income should continue to positively impact market demand and buying power.

In the midst of competition posed by a revitalized downtown Raleigh and by the near presence of Cameron Village, it will be important for Hillsborough Street to identify and seize upon its competitive advantages that could, or potentially could, include:

- A collegiate identity and "flair" as a cutting-edge business district for the "thinking person" with a collection of one-of-a-kind local businesses and personalities catering to the everyday needs of students and residents;
- Capitalizing on the same identity and "flair" to develop and promote Hillsborough Street as a regional attraction and daytrip getaway experience; and,
- Developing and promoting the mixed-use nature of the district, including retail, eating and drinking, residential, recreational, entertainment, civic and educational uses that, collectively, reinforce a strong sense of Hillsborough Street as a "worldly" place and experience.

The district's current economic strength appears to be concentrated in the eating & drinking sector and, to lesser extent, in the convenience and specialty-oriented retail sectors. The continued development and evolution of these business sectors, and efforts to aggressively market the district as a collective entity, could fuel opportunities to position the district as a unique venue for dining, entertainment and select retail.

Potential BID business development and marketing initiatives, along with positive demographic trends, point toward opportunities to market the district as a "worldly" destination of choice. The most walkable area of Hillsborough Street, opposite North Carolina State University, is home to a variety of fast-food establishments that primarily cater to the needs of the student and daytime populations. However, the area is also home to a collection of authentic ethnic eateries which may appear at first glance to be "fast food." These eateries, when considered along with existing fast food establishments and an evolving mix of more upscale restaurants on the street, represent a "cluster" with the potential to appeal to a wide variety of tastes and preferences spread across the broader Raleigh-Durham region.

Retail development goals and strategies must recognize the strength and competition posed by Cameron Village and surrounding retail centers. These competing commercial centers often rely on "name" stores and anchors to generate traffic and offer "comparative shopping" experiences targeting more traditional household types in the broader geographic region.

Retail opportunities for Hillsborough Street should consider the needs and lifestyles of a primary market dominated by younger, single-person and shared housing-style households. Opportunities for expansion will likely continue to be concentrated in convenience-retail and certain specialty retail niches. Select retail segments might build upon an evolving collection of “fun and funky” retail that includes collectibles (i.e., books, comics, music, etc.) and small convenience-oriented retail catering directly to the student population. Examples of complementary retail could include “vintage wear,” high-tech gadgets, small electronics, art and custom products.

The expansion and diversification of Hillsborough Street’s eating & drinking and specialty retail sectors could also provide opportunities for “Third Places” to naturally evolve and expand, particularly as improvements are made in both the public and private realms. The concept of “Third Places” has been promoted as an economic opportunity and, perhaps more important, as a community-building method. Where first places are homes and second places are work places, third places are where people come together as a community. More and more, these places are coffee houses and bookstores which, like some locations along Hillsborough Street, are increasingly popular as gathering places, retreats and work spaces.

Beyond opportunities presented by local markets, efforts to grow the district’s economy will depend in part on the ability to capture a larger share of the wider Raleigh-Durham resident and visitor markets. Diversification of the offerings and experiences on Hillsborough Street to capture these markets would certainly seem desirable, but it will also require ongoing coordination of marketing, beautification, maintenance, and business recruitment efforts to enhance the district’s appeal among these market segments. Ultimately, the success of these efforts will also benefit initiatives to “grow” the economy through the expansion of institutional, residential, office and other commercial uses that are part of the community’s vision for the Hillsborough Street District.

Public Participation

BID Strategies Development

Strategic planning services provided by DPN as part of the Hillsborough Street BID Formation Study were highlighted by a three-day technical visit. The site visit, conducted October 22 – 24, 2007, incorporated a series of visual assessments, public input and strategic planning activities that engaged residents, business persons, civic leaders and other stakeholders in efforts designed to:

- Identify and summarize critical needs, issues and opportunities in the Hillsborough Street area.
- Establish priorities to serve as a basis for an Action Agenda comprised of proposed BID programs and services addressing critical needs, issues and opportunities.

Findings from visual assessments performed by DPN, along with input provided by area stakeholders, was analyzed to identify critical issues and opportunities that provide a basis for possible BID enhancement and management strategies. Input provided by local stakeholders during a series of interviews and public planning events, highlighted by a public BID Strategies Workshop conducted October 22, 2007, was particularly important to this assessment.

Needs, Issues, Opportunities and Priorities

Following is a summary of critical issues and opportunities as compiled by four work groups participating in the Hillsborough Street BID Strategies Workshop conducted October 22, 2007. Input and results from the workshop provide a basis for the BID Action Agenda.

Group A

- Security – people and cameras *
- Trash pick-up and recycling *
- Marketing of area *
- Landscaping/maintenance
- Sidewalk improvements and maintenance
- Storm run-off improvements
- Façade improvements – including uniform look and guidelines
- Active gathering spaces
- Area lighting



Group B

- Trash Removal (eliminate dumpsters → curbside) *
- Security (cameras) *
- Parking development *
- Recycling
- Promotion and marketing
- Street, sidewalk maintenance
- Lighting and landscaping
- Signage – informational
- University participation (advocacy)



Group C

- Improved aesthetics *
- Improved safety *
- Collective identity *
- Amenities
- Management/marketing
- Advocacy/collective voice
- Sense of place/inviting

Group D

- Security issues *
 - Panhandling
 - Homeless
 - Crime/lighting
 - Response times
- Garbage pick-up (for businesses) *
- Sidewalk clean/swept *
- Streetscape enhanced (landscape, public art) *
- Parking *
- Delivery options/access for businesses
- Integrated design for bike racks/paper stands/public notice kiosks
- Utilities underground
- Business loans for façade upgrades

** = Denotes "Top Priorities" identified by each work group*



Critical issues, opportunities and priorities identified by workshop participants were largely consistent with original concepts and goals that prompted the Hillsborough Street BID Formation Study, with conditions observed by the DPN consulting team, and with issues and opportunities typically addressed through the formation of a BID. The findings provide a solid basis for programs and services proposed as part of the potential BID "Action Agenda."

Hillsborough Street BID Proposal

Enabling Legislation and Criteria

The formation and operation of a Municipal Service District (MSD) is governed by North Carolina General Statutes, Article 23 – Municipal Service Districts (§160A-535 – 544). The purpose of the enabling legislation for an MSD (also referred to as a Business Improvement District or “BID”) provides that, “The city council of any city may define any number of service districts in order to finance, provide, or maintain for the districts one or more of the following services, facilities, or functions in addition to or to a greater extent than those financed, provided or maintained for the entire city” and continues to list “Downtown revitalization projects” and “Urban area revitalization projects” among a list of eligible districts.

The proposed Hillsborough Street BID qualifies and meets the required statutory criteria for forming a Municipal Service District as the area can be considered as an “urban area revitalization project” that:

1. Is located within a city whose population exceeds 150,000 according to the most recent annual population statistics certified by the State Budget Officer.
2. Consists primarily of existing or redeveloping concentrations of industrial, retail, wholesale, office, or significant employment-generating uses, or any combination of these uses.
3. Has as its center and focus a major concentration of public or institutional uses, such as airports, seaports, colleges or universities, hospitals and health care facilities, or governmental facilities.

Purpose of the Hillsborough Street BID

Communities undertake the establishment of a BID for a variety of reasons, and indeed one of the strengths of the BID concept is the ability to tailor the services offered by the BID to the specific needs of a business district.

Because the service needs of traditional commercial districts are often greater than those generally provided throughout a given municipality, BIDs have proven to be effective tools for enhancing and revitalizing these districts and increasing their economic viability. BIDs generate an equitable and stable revenue stream with which to provide and direct these enhanced services toward the geographically-defined district’s specific needs and opportunities.

Examples of services commonly provided by BIDs include, but are not limited to:

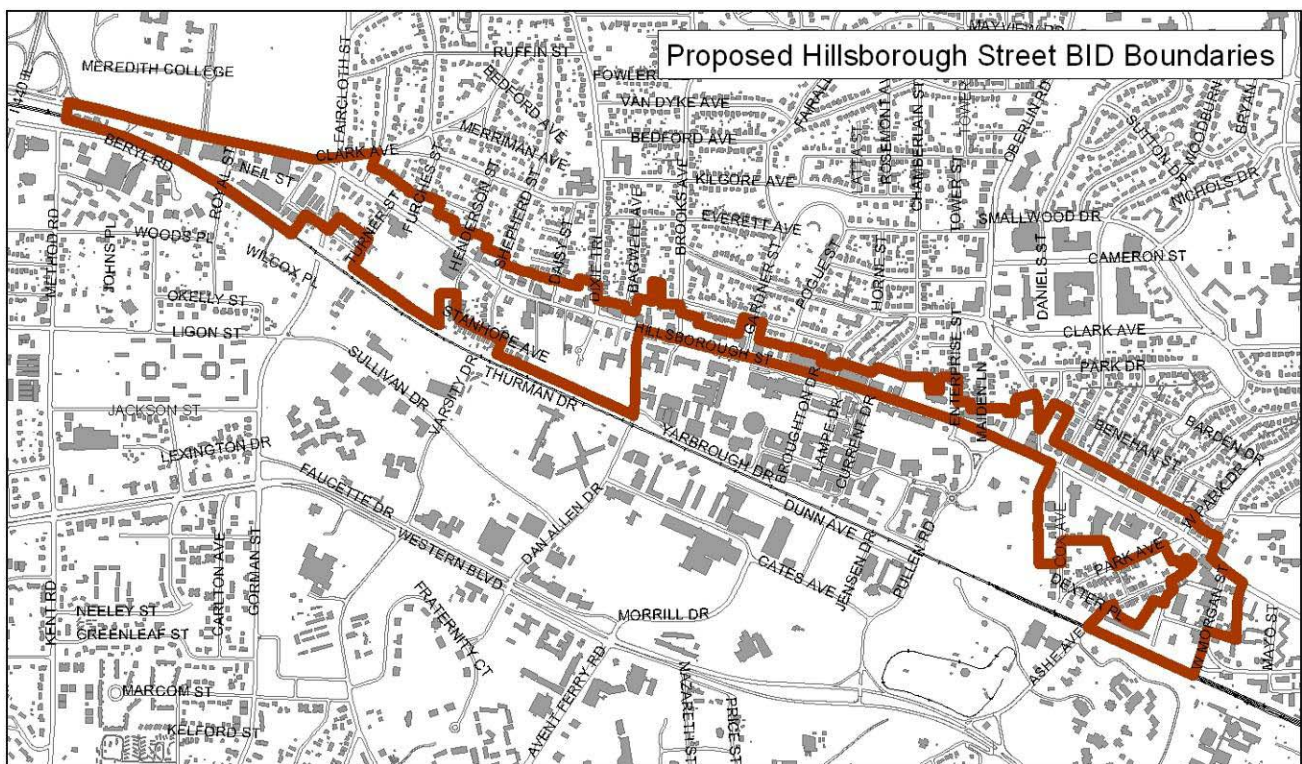
- Advocacy
- Business Retention
- Business Recruitment
- Maintenance
- Management
- Marketing
- Security

A BID was initially suggested for the Hillsborough Street area because it could potentially provide the resources needed to improve the perceptions of cleanliness and safety, perform additional public realm maintenance, and enhance economic development efforts for the area through coordinated marketing, business retention and tenant recruitment. Desired BID programs and services were identified and prioritized based upon the input of stakeholders participating in a series of public forums and are generally consistent with original concepts and goals that prompted the study.

Proposed Hillsborough Street BID Boundaries

Boundaries for the proposed Hillsborough Street BID were determined based upon extensive research, assessments and evaluations performed by DPN consultants and City of Raleigh planning staff, and input provided by North Carolina Institute of Government staff, Steering Committee members, and others who participated in the process. The process to arrive at the proposed boundaries considered a number of geographic options relative to the need and desire for enhanced programs and services that could effectively be provided through the formation of a BID.

The map showing the exact boundaries for the proposed BID shows that the district would generally extend east-to-west along Hillsborough Street from St. Mary's School to Meredith College. The BID's southern boundary would largely follow the railroad right-of-way that crosses the N.C. State University campus. The northern boundary generally extends one block north of Hillsborough Street. The proposed BID contains about 123 acres of land and more than two million square feet of built space.



The exact boundaries of the proposed Hillsborough Street BID were recommended by the Hillsborough Street BID Formation Study Steering Committee, in consultation with DPN consultants and City of Raleigh planning staff. The Steering Committee based this recommendation on the service needs of the area and the identification of properties that would benefit the most from being in the BID. As a result, the proposed BID boundaries largely align with underlying zoning and existing development patterns found within the area. The primary basis, then, for the resulting boundary is quite simple and clear: areas zoned for commercial or industrial use are intended to be used for commercial purposes and a BID, by its very definition and purpose, is intended to bolster value in commercial areas.

The N.C. State University, Meredith College and St. Mary's School campuses, while focal points of the proposed district, are not included within the proposed BID boundaries because, as institutional entities, they are not subject to taxation. However, N.C. State University officials have previously indicated their intent to participate and lend financial support to the proposed BID.

Proposed BID Assessment and Funding

North Carolina General Statutes for an MSD provide that the City Council, upon determining that an area warrants a services district, may tax the property within the district at a rate determined to generate enough revenue to support the additional services to be provided by the district.

Based upon the additional programs and services needed for the proposed Hillsborough Street District, an initial levy is proposed at a tax rate of ten (.10) cents per \$100 of assessed valuation for property (both real and business personal) within the proposed district boundaries. A ten-cent rate is expected to generate approximately \$129,080 in the first year of tax collection based upon the following estimates and calculations:

Total Assessed Valuation of Property within District (2008 Estimate)		\$ 129,080,148
Divided by 100	÷	100
Equals Taxable Basis	=	\$ 1,290,801
Times Tax Rate of ten (.10) cents per \$100 Assessed Valuation	x	.10
Equals Estimated BID Revenue	=	\$ 129,080

MSD statutes require that all money generated from the service district tax must be spent exclusively on services within the district. Revenue from a ten-cent rate of levy, when combined with additional revenue expected to be generated from other sources, would appear to be sufficient to deliver key services outlined in the Hillsborough Street BID Action Agenda and proposed Operating Plan. As the tax base grows through further development, additional revenue would be available for enhanced services in the district.

Statutes dictate that a resolution approved by the City Council to establish a service district shall take effect at the beginning of a fiscal year commencing after the district is created. As proposed, the resolution defining the Hillsborough Street BID and tax rate would take effect on July 1, 2009.

Service Provisions

Under North Carolina MSD statutes, the City may provide services in a service district with its own staff, through a contract with another governmental agency, through a contract with a private agency, or by any combination thereof. Statutes further stipulate that, "When a city defines a new service district, it shall provide, maintain or let contracts for the services for which the residents of the district are being taxed within a reasonable time, not to exceed one year, after the effective date of the definition of the district."

Contracting with a private agency or non-profit organization to provide and manage BID services is a fairly common practice in North Carolina and other states. Contracting with the Hillsborough Street Partnership, an established 501(c)(3) non-profit corporation, to provide and manage BID services is among a number of options that might be considered by the City Council.

Established in 2000, the Hillsborough Street Partnership brings together leaders from the City of Raleigh, North Carolina State University, the business community and the surrounding neighborhoods to lend their collective vision and hard work to efforts to re-energize the Street. Governed by a board of directors that represents the various interests of Hillsborough Street area stakeholders, the Partnership is working effectively to catalyze both public and private investment within the area.

Contracting with the Partnership to provide BID services could help to formalize, expedite, and further enhance the delivery of BID services outlined in the Action Agenda and proposed Operating Plan. Patterned similar to the City's arrangement with the Downtown Raleigh Alliance (DRA), the Hillsborough Street Partnership could evolve and operate in much the same way as DRA. Most notably, the arrangement would provide for the employment of professional staff to coordinate the delivery of services and implementation of the BID Action Agenda.

Action Agenda

The following “Action Agenda” is organized in priority areas identified throughout the course of the Hillsborough Street BID Formation Study. The study identified five priority areas and examples of possible actions, projects and services that could be implemented upon formation of the proposed Hillsborough Street BID. The Action Agenda also provides direction for the proposed Operating Plan presented on page 24.

Safety and Security

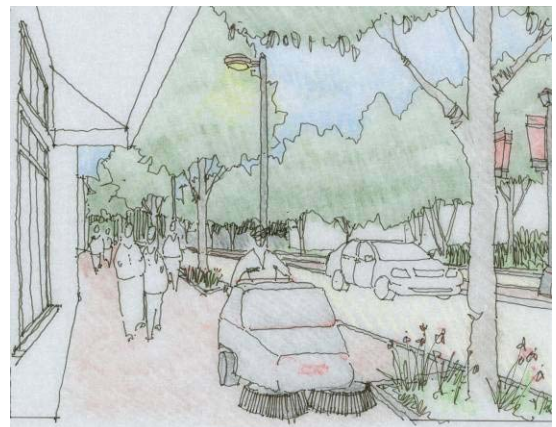
Issues and challenges affecting the state of the district’s economic climate include issues related to safety – and the perception of safety – occurring within the district. Potential BID services and programs addressing safety issues and concerns were identified as a priority by virtually all stakeholders participating in the study process. Examples of possible services and programs include:

- Working with the City, N.C. State and other partners to increase the presence of police and security personnel as part of a “beat patrol” for the district, to install emergency phones on the north side of Hillsborough Street, etc.
- Creating an “Ambassadors” program or “Clean & Safe” patrol.
- Creating a “Business Watch” program to enhance communications among stakeholders and to employ appropriate community policing tactics.
- Exploring the feasibility and effectiveness of security cameras.
- Identifying and pursuing appropriate design, lighting and landscaping improvements that might help to address “problem areas.”

Maintenance and Management

The cleanliness of the streetscape in the public and private realms is an issue, and maintenance services beyond what is ordinarily provided by the City of Raleigh is needed in order to maintain a clean, attractive and pedestrian-friendly environment that is conducive to business and investment. Maintenance services could also be among the highest “value-added” services provided by a BID as the need to eliminate weeds and litter takes on increasing importance. While some property owners appear to be quite diligent about maintaining their properties, other instances of excessive weeds, litter, debris and graffiti on privately-owned properties within the district should be addressed as part of a comprehensive district-wide maintenance strategy. Examples of possible services and programs include:

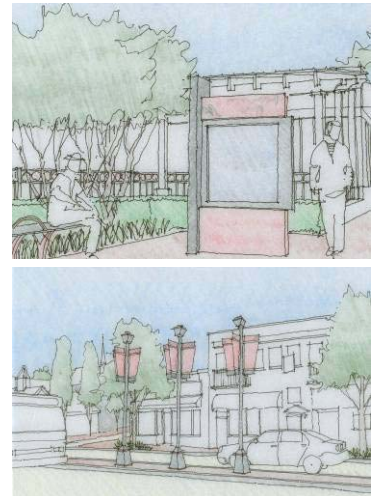
- Providing public refuse and recycling services.
- Coordinating programs for private refuse and recycling services.
- Creating or contracting services for a streets & sidewalks “Litter & Graffiti Patrol,” possibly in conjunction with a “Clean & Safe” patrol.
- Coordinating and/or providing services for additional landscaping and parking area maintenance.
- Working with the City of Raleigh, N.C. State University and other partners to monitor and introduce improvements to parking management systems.



Marketing and Promotion

In the midst of competition posed by a revitalized downtown Raleigh and by the near presence of Cameron Village, it will be important for Hillsborough Street to identify and seize upon its competitive advantages and to develop and market a strong identity or “brand” for the Hillsborough Street District. Examples of possible services and programs include:

- Developing and implementing a branding strategy and system to build “value” and consistency in the look, feel and message broadcast for the Hillsborough Street District.
- Managing and coordinating public décor, public art, informational signage, kiosks, and other programs and elements designed to enhance the district’s aesthetic appeal and to reinforce the brand.
- Coordinating and publishing a calendar of events for the district.
- Managing and coordinating the production and distribution of business directories, promotional brochures, advertising, and other promotional materials and efforts.
- Producing, coordinating and supporting special events that promote activity and a quality image for the Hillsborough Street District.



Business Development

Hillsborough Street District businesses must compete in an increasingly competitive marketplace and, for many businesses, the margin between success and failure is extremely narrow. Owners of district properties must also compete for quality tenants that can afford rents sufficient to maintain or make necessary improvements to buildings. Given these and other economic forces at work, business development strategies and initiatives must capitalize upon existing strengths and emerging opportunities in efforts to promote desirable investment, expansion, development and entrepreneurial activities. Examples of possible services and programs include:

- Developing and implementing an active business retention, expansion and recruitment program targeting the retention and attraction of desired businesses and uses.
- Working in conjunction with the City of Raleigh, area financial institutions and other partners to develop and promote incentives (i.e., façade improvement loans/grants, design assistance, etc.).
- Creating and maintaining a property inventory/database and a “Hot Sheet” for properties, buildings and spaces available for sale or lease.
- Performing analyses and maintaining market data and information in order to identify and promote business, investment and development opportunities.

Advocacy

The Hillsborough Street District is comprised of a many different stakeholders with a wide variety of interests. The Hillsborough Street BID can serve as a resource, forum and vehicle to rally stakeholders around their collective interests and to keep stakeholders informed and engaged in pertinent issues affecting the economic well-being and livelihood of the district. Examples of possible services and programs include:

- Working as a business community advocate, ambassador and ombudsman in efforts to mitigate the potential adverse impacts of Hillsborough Street Transportation Improvement Program construction.
- Developing and implementing public relations and communications efforts to keep stakeholders and the larger community informed of issues, opportunities, events, etc.
- Organizing volunteers and engaging stakeholders in committees, special planning efforts, etc.
- Fostering partnerships with businesses and organizations to effectively address issues, share resources and build capacity.
- Securing supplemental funding necessary to implement the full scope of the BID operations plan and to sustain long-term revitalization and management services, programs and initiatives.

Proposed Operating Plan

The Action Agenda provides direction for the proposed Hillsborough Street BID Operating Plan. Revenue from other sources would be needed to augment revenue generated by the Hillsborough Street BID in order to fund the complete scope of the initial operating plan. Allocations for personnel costs and program expenses are shown based upon identified needs and priorities, and may be re-allocated between program areas based upon changing needs. The operating plan and budget for future years would be developed on an annual basis.

Proposed Hillsborough Street BID Operating Plan and Budget Initial Year One Estimates

Revenue and Support	Amount	Total
BID Revenues	129,080	
Other Support	225,000	
Membership Revenues	5,000	
Other Grants	5,000	
Total Revenue and Support		364,080
Expenditures	Amount	Total
Administration & Advocacy		
Personnel (30%)	44,850	
Office Lease	12,000	
Equipment (Purchase/Lease)	15,000	
Supplies	3,600	
Maintenance	2,400	
Utilities	4,800	
Other Office/Admin Expenses	8,000	
Subtotal: Administration & Advocacy		90,650
Safety & Security		
Personnel (10%)	14,950	
Contract Services	60,000	
Program Supplies & Expenses	5,000	
Subtotal: Safety & Security		79,950
Maintenance and Management		
Personnel (10%)	14,950	
Contract Services	30,000	
Program Supplies & Expenses	5,000	
Subtotal: Maintenance and Management		49,950
Marketing and Promotion		
Personnel (25%)	37,375	
Marketing, Promotion and Advertising	40,000	
Subtotal: Marketing and Promotion		77,375
Business Development		
Personnel (25%)	37,375	
Business Development Materials & Activities	10,000	
Subtotal: Marketing and Promotion		47,375
Discretionary Funds/Special Projects		15,000
Total Expenditures		360,300
Result of Operations		3,780

Actions Required for Establishing the Hillsborough Street BID

The process for establishing the proposed Hillsborough Street MSD is articulated in North Carolina statutes enabling the “definition of service districts” (§ 160A-537).

- (a) Standards. – The city council of any city may by resolution define a service district upon finding that a proposed district is in need of one or more of the services, facilities, or functions listed in G.S. 160A-536 to a demonstrably greater extent than the remainder of the city.
- (b) Report. – Before the public hearing required by subsection (c), the city council shall cause to be prepared a report containing:
 - (1) A map of the proposed district, showing its proposed boundaries;
 - (2) A statement showing that the proposed district meets the standards set out in subsection (a); and
 - (3) A plan for providing in the district one or more of the services listed in G.S. 160A-536.

The report shall be available for public inspection in the office of the city clerk for at least four weeks before the date of the public hearing.

- (c) Hearing and Notice. – The city council shall hold a public hearing before adopting any resolution defining a new service district under this section. Notice of the hearing shall state the date, hour, and place of the hearing and its subject, and shall include a map of the proposed district and a statement that the report required by subsection (b) is available for public inspection in the office of the city clerk. The notice shall be published at least once not less than one week before the date of the hearing. In addition, it shall be mailed at least four weeks before the date of the hearing by any class of U.S. mail which is fully prepaid to the owners as shown by the county tax records as of the preceding January 1 (and at the address shown thereon) of all property located within the proposed district. The person designated by the council to mail the notice shall certify to the council that the mailing has been completed and his certificate is conclusive in the absence of fraud.
- (d) Effective Date. – The resolution defining a service district shall take effect at the beginning of a fiscal year commencing after its passage, as determined by the city council, except that if the governing body in the resolution states that general obligation bonds are anticipated to be authorized for the project, it may make the resolution effective immediately upon its adoption, but no ad valorem tax may be levied for a partial fiscal year.

Public Hearing

The public hearing on the creation of the Hillsborough Street Municipal Service District will be held on Tuesday, July 1, 2008 at 7:00 p.m. in the Council Chambers, Room 201, 222 West Hargett Street, Raleigh, North Carolina. During this hearing, members of the public are invited to provide comments regarding the proposed Hillsborough Street BID.

Later in the year, the City Council is expected to consider a resolution to create the Hillsborough Street Municipal Service District. If the resolution is approved, City Council will establish the service district tax rate (proposed to be ten cents per \$100 valuation) as part of the annual budget ordinance for the City’s 2009-10 fiscal year that begins on July 1, 2009.

Questions

All questions about the creation of the Hillsborough Street Municipal Service District should be directed to Kristopher Larson with the City of Raleigh Department of City Planning, (919) 807-5220.



Hillsborough District

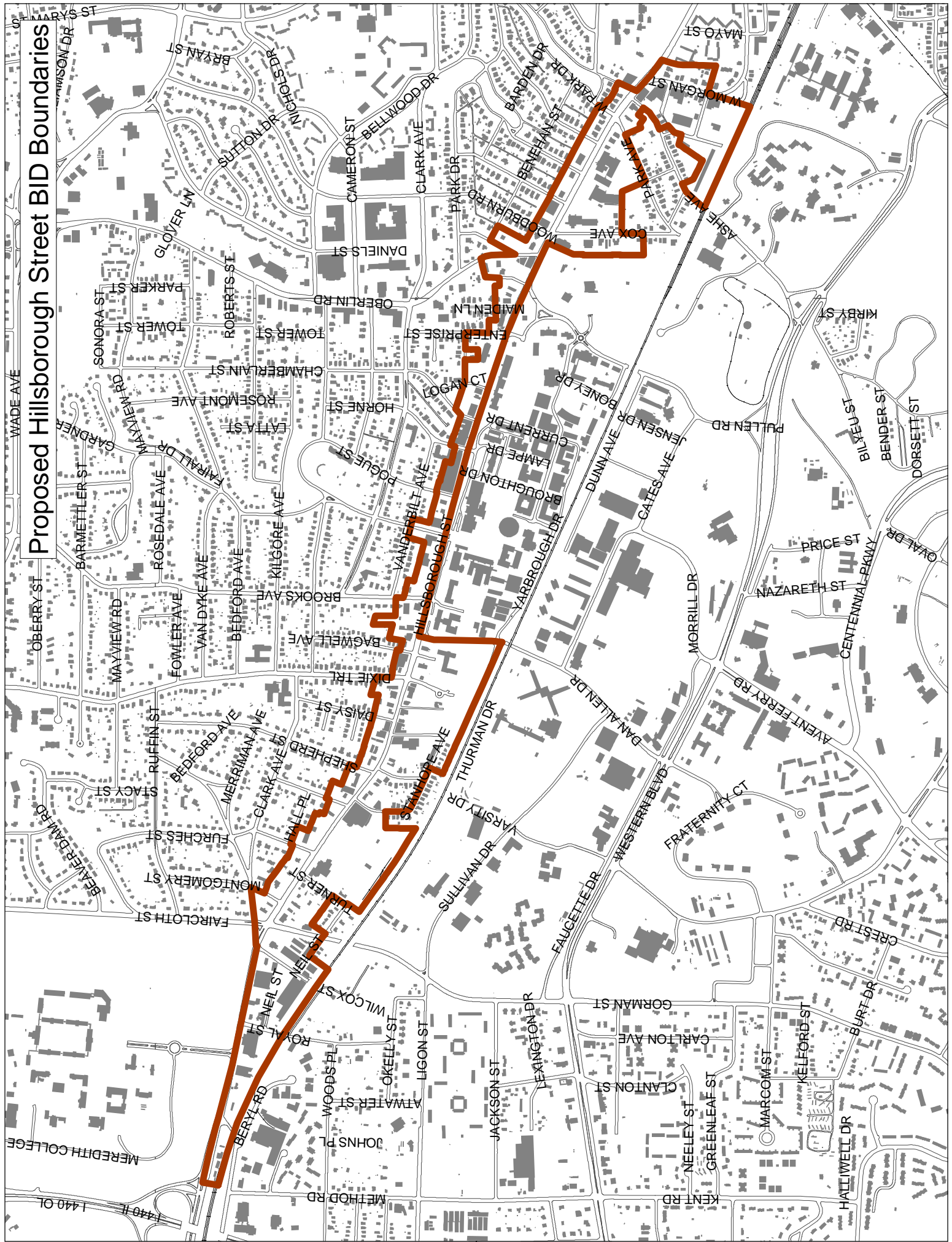
Raleigh • North Carolina • USA

BID Formation Study Report

EXHIBIT A.

Map: Proposed Hillsborough Street BID Boundaries

Proposed Hillsborough Street BID Boundaries





Hillsborough District

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BID Formation Study Report

EXHIBIT B.

North Carolina General Statutes, Chapter 160, Article 23
(§160A-535 to §160A-544) – Municipal Service Districts

Article 23.

Municipal Service Districts.

§ 160A-535. Title; effective date.

This Article may be cited as "The Municipal Service District Act of 1973," and is enacted pursuant to Article V, Sec. 2(4) of the Constitution of North Carolina, effective July 1, 1973. (1973, c. 655, s. 1.)

§ 160A-536. Purposes for which districts may be established.

(a) Purposes. – The city council of any city may define any number of service districts in order to finance, provide, or maintain for the districts one or more of the following services, facilities, or functions in addition to or to a greater extent than those financed, provided or maintained for the entire city:

- (1) Beach erosion control and flood and hurricane protection works.
- (1a) **(For applicability see note)** Any service, facility, or function which the municipality may by law provide in the city, and including but not limited to placement of utility wiring underground, placement of period street lighting, placement of specially designed street signs and street furniture, landscaping, specialized street and sidewalk paving, and other appropriate improvements to the rights-of-way that generally preserve the character of an historic district; provided that this subdivision only applies to a service district which, at the time of its creation, had the same boundaries as an historic district created under Part 3A of Article 19 of this Chapter.
- (2) Downtown revitalization projects.
- (2a) Urban area revitalization projects.
- (2b) Transit-oriented development projects.
- (3) Drainage projects.
- (3a) Sewage collection and disposal systems of all types, including septic tank systems or other on-site collection or disposal facilities or systems.
- (3b) **(For applicability see note)** Lighting at interstate highway interchange ramps.
- (4) Off-street parking facilities.
- (5) Watershed improvement projects, including but not limited to watershed improvement projects as defined in General Statutes Chapter 139; drainage projects, including but not limited to the drainage projects provided for by General Statutes Chapter 156; and water resources development projects, including but not limited to the federal water resources development projects provided for by General Statutes Chapter 143, Article 21.

(b) Downtown Revitalization Defined. – As used in this section "downtown revitalization projects" include by way of illustration but not limitation improvements to water mains, sanitary sewer mains, storm sewer mains, electric power distribution lines,

gas mains, street lighting, streets and sidewalks, including rights-of-way and easements therefor, the construction of pedestrian malls, bicycle paths, overhead pedestrian walkways, sidewalk canopies, and parking facilities both on-street and off-street, and other improvements intended to relieve traffic congestion in the central city, improve pedestrian and vehicular access thereto, reduce the incidence of crime therein, and generally to further the public health, safety, welfare, and convenience by promoting the economic health of the central city or downtown area. In addition, a downtown revitalization project may, in order to revitalize a downtown area and further the public health, safety, welfare, and convenience, include the provision of city services or functions in addition to or to a greater extent than those provided or maintained for the entire city. A downtown revitalization project may also include promotion and developmental activities (such as sponsoring festivals and markets in the downtown area, promoting business investment in the downtown area, helping to coordinate public and private actions in the downtown area, and developing and issuing publications on the downtown area) designed to improve the economic well-being of the downtown area and further the public health, safety, welfare, and convenience. Exercise of the authority granted by this Article to undertake downtown revitalization projects financed by a service district shall not prejudice the city's authority to undertake urban renewal projects in the same area.

(c) Urban Area Revitalization Defined. – As used in this section, the term "urban area revitalization projects" includes the provision within an urban area of any service or facility that may be provided in a downtown area as a downtown revitalization project under subdivision (a)(2) and subsection (b) of this section. As used in this section, the term "urban area" means an area that (i) is located within a city whose population exceeds 150,000 according to the most recent annual population statistics certified by the State Budget Officer and (ii) meets one or more of the following conditions:

- (1) It is the central business district of the city.
- (2) It consists primarily of existing or redeveloping concentrations of industrial, retail, wholesale, office, or significant employment-generating uses, or any combination of these uses.
- (3) It is located in or along a major transportation corridor and does not include any residential parcels that are not, at their closest point, within 150 feet of the major transportation corridor right-of-way or any nonresidentially zoned parcels that are not, at their closest point, within 1,500 feet of the major transportation corridor right-of-way.
- (4) It has as its center and focus a major concentration of public or institutional uses, such as airports, seaports, colleges or universities, hospitals and health care facilities, or governmental facilities.

(c1) Transit-Oriented Development Defined. – As used in this section, the term "transit-oriented development" includes the provision within a public transit area of any service or facility listed in this subsection. A public transit area is an area within a one-fourth mile radius of any passenger stop or station located on a mass transit line. A mass transit line is a rail line along which a public transportation service operates or a

busway or guideway dedicated to public transportation service. A busway is not a mass transit line if a majority of its length is also generally open to passenger cars and other private vehicles more than two days a week.

The following services and facilities are included in the definition of "transit-oriented development" if they are provided within a transit area:

- (1) Any service or facility that may be provided in a downtown area as a downtown revitalization project under subdivision (a)(2) and subsection (b) of this section.
- (2) Passenger stops and stations on a mass transit line.
- (3) Parking facilities and structures associated with passenger stops and stations on a mass transit line.
- (4) Any other service or facility, whether public or public-private, that the city may by law provide or participate in within the city, including retail, residential, and commercial facilities.

(d) Contracts. – A city may provide services, facilities, functions, or promotional and developmental activities in a service district with its own forces, through a contract with another governmental agency, through a contract with a private agency, or by any combination thereof. Any contracts entered into pursuant to this paragraph shall specify the purposes for which city moneys are to be used and shall require an appropriate accounting for those moneys at the end of each fiscal year or other appropriate period. (1973, c. 655, s. 1; 1977, c. 775, ss. 1, 2; 1979, c. 595, s. 2; 1985, c. 580; 1987, c. 621, s. 1; 1999-224, s. 1; 1999-388, s. 1; 2004-151, s. 1; 2004-203, s. 5(m).)

§ 160A-537. Definition of service districts.

(a) Standards. – The city council of any city may by resolution define a service district upon finding that a proposed district is in need of one or more of the services, facilities, or functions listed in G.S. 160A-536 to a demonstrably greater extent than the remainder of the city.

(b) Report. – Before the public hearing required by subsection (c), the city council shall cause to be prepared a report containing:

- (1) A map of the proposed district, showing its proposed boundaries;
- (2) A statement showing that the proposed district meets the standards set out in subsection (a); and
- (3) A plan for providing in the district one or more of the services listed in G.S. 160A-536.

The report shall be available for public inspection in the office of the city clerk for at least four weeks before the date of the public hearing.

(c) Hearing and Notice. – The city council shall hold a public hearing before adopting any resolution defining a new service district under this section. Notice of the hearing shall state the date, hour, and place of the hearing and its subject, and shall include a map of the proposed district and a statement that the report required by subsection (b) is available for public inspection in the office of the city clerk. The notice shall be published at least once not less than one week before the date of the hearing. In

addition, it shall be mailed at least four weeks before the date of the hearing by any class of U.S. mail which is fully prepaid to the owners as shown by the county tax records as of the preceding January 1 (and at the address shown thereon) of all property located within the proposed district. The person designated by the council to mail the notice shall certify to the council that the mailing has been completed and his certificate is conclusive in the absence of fraud.

(d) **Effective Date.** – The resolution defining a service district shall take effect at the beginning of a fiscal year commencing after its passage, as determined by the city council, except that if the governing body in the resolution states that general obligation bonds are anticipated to be authorized for the project, it may make the resolution effective immediately upon its adoption, but no ad valorem tax may be levied for a partial fiscal year.

(e) In the case of a resolution defining a service district, which is adopted during the period beginning July 1, 1981, and ending July 31, 1981, and which district is for any purpose defined in G.S. 160A-536(1), the city council may make the resolution effective for the fiscal year beginning July 1, 1981. In any such case, the report under subsection (b) of this section need only have been available for public inspection for at least two weeks before the date of the public hearing, and the notice required by subsection (c) of this section need only have been mailed at least two weeks before the date of the hearing. (1973, c. 655, s. 1; 1981, c. 53, s. 1; c. 733, s. 1; 2006-162, s. 25.)

§ 160A-538. Extension of service districts.

(a) **Standards.** – The city council may by resolution annex territory to any service district upon finding that:

- (1) The area to be annexed is contiguous to the district, with at least one eighth of the area's aggregate external boundary coincident with the existing boundary of the district;
- (2) That the area to be annexed requires the services of the district.

(b) **Annexation by Petition.** – The city council may also by resolution extend by annexation the boundaries of any service district when one hundred percent (100%) of the real property owners of the area to be annexed have petitioned the council for annexation to the service district.

(c) **Report.** – Before the public hearing required by subsection (d), the council shall cause to be prepared a report containing:

- (1) A map of the service district and the adjacent territory, showing the present and proposed boundaries of the district;
- (2) A statement showing that the area to be annexed meets the standards and requirements of subsections (a) or (b); and
- (3) A plan for extending services to the area to be annexed.

The report shall be available for public inspection in the office of the city clerk for at least two weeks before the date of the public hearing.

(d) **Hearing and Notice.** – The council shall hold a public hearing before adopting any resolution extending the boundaries of a service district. Notice of the hearing shall

state the date, hour and place of the hearing and its subject, and shall include a statement that the report required by subsection (c) is available for inspection in the office of the city clerk. The notice shall be published at least once not less than one week before the date of the hearing. In addition, the notice shall be mailed at least four weeks before the date of the hearing to the owners as shown by the county tax records as of the preceding January 1 of all property located within the area to be annexed. The notice may be mailed by any class of U.S. mail which is fully prepaid. The person designated by the council to mail the notice shall certify to the council that the mailing has been completed, and his certificate shall be conclusive in the absence of fraud.

(e) **Effective Date.** – The resolution extending the boundaries of the district shall take effect at the beginning of a fiscal year commencing after its passage, as determined by the council.

(f) **(For applicability see note)** A service district which at the time of its creation had the same boundaries as an historic district created under Part 3A of Article 19 of this Chapter may only have its boundaries extended to include territory which has been added to the historic district. (1973, c. 655, s. 1; 1981, c. 53, s. 2; 1987, c. 621, s. 2.)

§ 160A-538.1. Reduction of service districts.

(a) Upon finding that there is no longer a need to include within a particular service district any certain tract or parcel of land, the city council may by resolution redefine a service district by removing therefrom any tract or parcel of land which it has determined need no longer be included in said district. The city council shall hold a public hearing before adopting a resolution removing any tract or parcel of land from a district. Notice of the hearing shall state the date, hour and place of the hearing, and its subject, and shall be published at least once not less than one week before the date of the hearing.

(b) The removal of any tract or parcel of land from any service district shall take effect at the end of a fiscal year following passage of the resolution, as determined by the city council.

(c) **(For applicability see note)** A service district which at the time of its creation had the same boundaries as an historic district created under Part 3A of Article 19 of this Chapter may only have its boundaries reduced to exclude territory which has been removed from the historic district. (1977, c. 775, s. 3; 1987, c. 621, s. 3.)

§ 160A-539. Consolidation of service districts.

(a) The city council may by resolution consolidate two or more service districts upon finding that:

- (1) The districts are contiguous or are in a continuous boundary; and
- (2) The services provided in each of the districts are substantially the same; or
- (3) If the services provided are lower for one of the districts, there is a need to increase those services for that district to the level of that enjoyed by the other districts.

(b) Report. – Before the public hearing required by subsection (c), the city council shall cause to be prepared a report containing:

- (1) A map of the districts to be consolidated;
- (2) A statement showing the proposed consolidation meets the standards of subsection (a); and
- (3) If necessary, a plan for increasing the services for one or more of the districts so that they are substantially the same throughout the consolidated district.

The report shall be available in the office of the city clerk for at least two weeks before the public hearing.

(c) Hearing and Notice. – The city council shall hold a public hearing before adopting any resolution consolidating service districts. Notice of the hearing shall state the date, hour, and place of the hearing and its subject, and shall include a statement that the report required by subsection (b) is available for inspection in the office of the city clerk. The notice shall be published at least once not less than one week before the date of the hearing. In addition, the notice shall be mailed at least four weeks before the hearing to the owners as shown by the county tax records as of the preceding January 1 of all property located within the consolidated district. The notice may be mailed by any class of U.S. mail which is fully prepaid. The person designated by the council to mail the notice shall certify to the council that the mailing has been completed, and his certificate shall be conclusive in the absence of fraud.

(d) Effective Date. – The consolidation of service districts shall take effect at the beginning of a fiscal year commencing after passage of the resolution of consolidation, as determined by the council. (1973, c. 655, s. 1; 1981, c. 53, s. 2.)

§ 160A-540. Required provision or maintenance of services.

(a) New District. – When a city defines a new service district, it shall provide, maintain, or let contracts for the services for which the residents of the district are being taxed within a reasonable time, not to exceed one year, after the effective date of the definition of the district.

(b) Extended District. – When a city annexes territory for a service district, it shall provide, maintain, or let contracts for the services provided or maintained throughout the district to the residents of the area annexed to the district within a reasonable time, not to exceed one year, after the effective date of the annexation.

(c) Consolidated District. – When a city consolidates two or more service districts, one of which has had provided or maintained a lower level of services, it shall increase the services within that district (or let contracts therefor) to a level comparable to those provided or maintained elsewhere in the consolidated district within a reasonable time, not to exceed one year, after the effective date of the consolidation. (1973, c. 655, s. 1.)

§ 160A-541. Abolition of service districts.

Upon finding that there is no longer a need for a particular service district, the city council may by resolution abolish that district. The council shall hold a public hearing

before adopting a resolution abolishing a district. Notice of the hearing shall state the date, hour and place of the hearing, and its subject, and shall be published at least once not less than one week before the date of the hearing. The abolition of any service district shall take effect at the end of a fiscal year following passage of the resolution, as determined by the council. (1973, c. 655, s. 1.)

§ 160A-542. Taxes authorized; rate limitation.

A city may levy property taxes within defined service districts in addition to those levied throughout the city, in order to finance, provide or maintain for the district services provided therein in addition to or to a greater extent than those financed, provided or maintained for the entire city. In addition, a city may allocate to a service district any other revenues whose use is not otherwise restricted by law.

Property subject to taxation in a newly established district or in an area annexed to an existing district is that subject to taxation by the city as of the preceding January 1.

Property taxes may not be levied within any district established pursuant to this Article in excess of a rate on each one hundred dollar (\$100.00) value of property subject to taxation which, when added to the rate levied city wide for purposes subject to the rate limitation, would exceed the rate limitation established in G.S. 160A- 209(d), unless that portion of the rate in excess of this limitation is submitted to and approved by a majority of the qualified voters residing within the district. Any referendum held pursuant to this paragraph shall be held and conducted as provided in G.S. 160A-209.

This Article does not impair the authority of a city to levy special assessments pursuant to Article 10 of this Chapter for works authorized by G.S. 160A-491, and may be used in addition to that authority. (1973, c. 655, s. 1.)

§ 160A-543. Bonds authorized.

A city may incur debt under general law to finance services, facilities or functions provided within a service district. If a proposed general obligation bond issue is required by law to be submitted to and approved by the voters of the city, and if the proceeds of the proposed bond issue are to be used in connection with a service that is or, if the bond issue is approved, will be provided only for one or more service districts or at a higher level in service districts than city wide, the proposed bond issue must be approved concurrently by a majority of those voting throughout the entire city and by a majority of the total of those voting in all of the affected or to be affected service districts. (1973, c. 655, s. 1; 2004-151, s. 4.)

§ 160A-544. Exclusion of personal property of public service corporations.

There shall be excluded from any service district and the provisions of this Article shall not apply to the personal property of any public service corporation as defined in G.S. 160A-243(c); provided that this section shall not apply to any service district in existence on January 1, 1977. (1977, c. 775, s. 4.)

§§ 160A-545 through 160A-549. Reserved for future codification purposes.