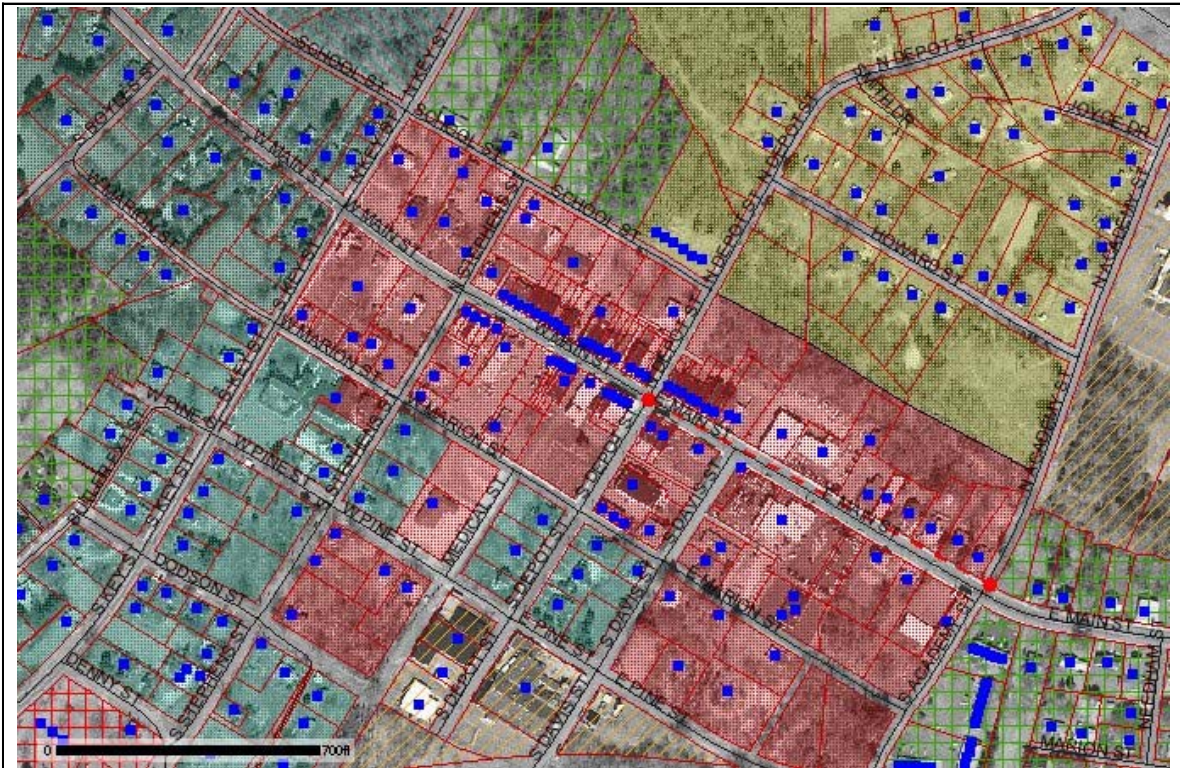


# BUSINESS AND DEVELOPMENT PLAN FOR DOWNTOWN PILOT MOUNTAIN, NC

March 2006

DRAFT



**Prepared For:**  
Town of Pilot Mountain

**Prepared By:**  
NC Small Town Main Street Program  
Office of Urban Development  
NC Department of Commerce

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## **THE SIX ECONOMIC FACTORS IN DOWNTOWN DEVELOPMENT**

### **The Definition of Economic Development/Restructuring**

The most basic definition of the word "economic" is "profitable". Although all "four points" of the Main Street approach are necessary in a successful downtown revitalization program, very little will be accomplished unless economic (profitable) activity occurs; for the ultimate goal of revitalization is the creation of economic value (profit) for the downtown and its investors; public and private.

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

Economic restructuring is simply adapting economic activity to the current realities of the market place.

### **The Six Economic Factors**

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

#### **FACTOR 1. MARKET CONDITIONS AND BUSINESS CLIMATE**

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

#### **FACTOR 2. RETAIL MIX**

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

#### **FACTOR 3. REAL ESTATE AVAILABILITY AND CONDITION**

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

**FACTOR 4. PHYSICAL ENVIRONMENT AND AMENITIES**

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

**FACTOR 5. AVAILABILITY OF CAPITAL/FINANCING**

It is critical that adequate investment capital and attractive financing be available for downtown projects. In addition to public financing tools, local financial institutions must be actively involved and supportive of development and business downtown.

**FACTOR 6. BUSINESS AND DEVELOPMENT ASSISTANCE**

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

**1. Market Conditions/Business Climate**

**1.1 RETAIL**

**1.1.1 Observations**

Pilot Mountain is an incorporated town in Surry County with a 2004 estimated population of approximately 1,284. Pilot Mountain's population grew by 8.5% between 1990 and 2000, but showed little or no growth between 2000 and 2004. The town is situated 30 miles Northwest of Winston Salem, NC and approximately 20 miles from the Virginia-North Carolina border. Winston Salem and other nearby towns of King and Mount Airy attract the majority of the area's retail business. Per capita income is around \$18,000 annually. There are several strip shopping centers within a five-mile radius of the downtown core and a number of other free-standing retail establishments.

Downtown Pilot Mountain is positioned to serve the retail needs of the town itself, but competes with these other shopping areas and free-standing stores within a five-mile radius. Our assessment of the market conditions in Pilot Mountain based on available information from several sources, indicates that the downtown commercial district provides goods and services to a primary trade area of 5 miles.

Merchant and consumer surveys indicate that the downtown primarily serves a local market and is a secondary source for basic retailing in the area, with most shopping occurring outside the downtown area. (see attached survey results)

Like many downtowns, the downtown business district functions as a Community

Shopping Center, providing general and specialty merchandise and services to the local Pilot Mountain market, capturing approximately \$12.6 million or 17% of the retail sales within a five mile radius of the downtown area. These sales are concentrated in drug store merchandise, clothing, miscellaneous retail and restaurant categories. After adjusting for local competition and excluding automobile sales, there is a remaining \$30 million in potential retail sales within five miles to be captured in hardware/building materials and garden supplies, restaurants, furniture and appliances, clothing, general merchandise, sporting goods, books and music and miscellaneous retail business. Assuming the ability to capture 10% of these potential sales or \$3 million at an average of \$150 in sales per square foot, the downtown area could possibly support up to an additional 20,000 square feet of retail space. (see recommended retail potential chart below)

The downtown business district loses a substantial amount of retail trade to businesses outside downtown, primarily to businesses located just outside the downtown, the Towns of King and Mount Airy and in and around Winston Salem. Primary reasons given for visiting in the downtown Pilot Mountain area are stated as shopping and working. Reasons cited for shopping outside the area include lack of variety and attractiveness of the area. (see attached consumer survey results).

| RETAIL POTENTIAL ANALYSIS<br>TRADE AREA     |  | PILOT MOUNTAIN, NC<br>5 Miles          |                                    | Feb-06             |                           |               |
|---|--|--|------------------------------------|--------------------|---------------------------|---------------|
| NAICS                                       | BUSINESS TYPE                            | LEAKAGE/SURPLUS<br>(-) = Lost Business | DOWNTOWN POTENTIAL<br>Est. Capture | Est. Sales         | Estimated Sales<br>per SF | Size<br>SF    |
| <b>441 Motor Vehicles/Parts</b>             |  |  |                                    |                    |                           |               |
| 4413  | Auto Parts/Access/Tires                  | -\$1,602,006                           | 10%                                | \$160,201          | \$150                     | 1,068         |
| <b>442 Furniture/Home Furnishing</b>        |  |  |                                    |                    |                           |               |
| 4421  | Furniture                                | -\$1,720,919                           | 10%                                | \$172,092          | \$150                     | 1,147         |
| 4422  | Home Furnishings                         | -\$242,019                             | 10%                                | \$24,202           | \$150                     | 161           |
| <b>443 Electronics/Appliance</b>            |  | -\$872,495                             | 10%                                | \$87,250           | \$150                     | 582           |
| <b>444 Building Mat/Garden Supply</b>       |  |  |                                    |                    |                           |               |
| 4441  | Building Mat/Supply                      | -\$4,656,791                           | 10%                                | \$465,679          | \$150                     | 3,105         |
| 4442  | Lawn and Garden Equip/Supply             | -\$1,015,147                           | 10%                                | \$101,515          | \$150                     | 677           |
| <b>448 Clothing/Accessories</b>             |  |  |                                    |                    |                           |               |
| 4481  | Clothing Stores                          | -\$91,839                              | 10%                                | \$9,184            | \$150                     | 61            |
| 4482  | Shoe Stores                              | -\$231,212                             | 10%                                | \$23,121           | \$150                     | 154           |
| 4483  | Jewelry/Luggage/Leather                  | -\$328,389                             | 10%                                | \$32,839           | \$150                     | 219           |
| <b>451 Sporting Goods/Hobby/Books/Music</b> |  |  |                                    |                    |                           |               |
| 4511  | Sporting Goods/Hobby/Musical Instruments | -\$563,792                             | 10%                                | \$56,379           | \$150                     | 376           |
| 4512  | Books/Periodical/Music                   | -\$767,819                             | 10%                                | \$76,782           | \$150                     | 512           |
| <b>452 General Merchandise</b>              |  |  |                                    |                    |                           |               |
| 4521  | Department Stores                        | -\$1,018,189                           | 10%                                | \$101,819          | \$150                     | 679           |
| 4521  | Other General Merchandise                | -\$6,009,072                           | 10%                                | \$600,907          | \$150                     | 4,006         |
| <b>453 Miscellaneous Retail Stores</b>      |  |  |                                    |                    |                           |               |
| 4531  | Florists                                 | -\$166                                 | 10%                                | \$17               | \$150                     | 0             |
| 4532  | Office Supplies/Stationery/Gifts         | -\$306,429                             | 10%                                | \$30,643           | \$150                     | 204           |
| 4533  | Used Merchandise                         | -\$438,857                             | 10%                                | \$43,886           | \$150                     | 293           |
| 4539  | Other Miscellaneous Stores               | -\$348,725                             | 10%                                | \$34,873           | \$150                     | 232           |
| <b>454 Non-Store Retailers</b>              |  |  |                                    |                    |                           |               |
| 4543  | Direct Selling Establishments            | -\$729,628                             | 10%                                | \$72,963           | \$150                     | 486           |
| <b>722 Food Service/Drinking Places</b>     |  |  |                                    |                    |                           |               |
| 7221  | Full Service Restaurants                 | -\$3,280,605                           | 10%                                | \$328,061          | \$150                     | 2,187         |
| 7222  | Limited Service Eating Places            | -\$3,604,967                           | 10%                                | \$360,497          | \$150                     | 2,403         |
| 7223  | Special Food Services                    | -\$527,754                             | 10%                                | \$52,775           | \$150                     | 352           |
| 7224  | Drinking Places/Alcohol                  | -\$1,401,252                           | 10%                                | \$140,125          | \$150                     | 934           |
| <b>TOTAL</b>                                |  | <b>-\$29,758,072</b>                   |                                    | <b>\$2,975,807</b> |                           | <b>19,839</b> |

(-\$ = Lost Business/Leakage)

### **1.1.2 Recommendations**

The downtown business district should attempt to capture a portion of the \$30 million in non-automobile potential sales within the 5 mile radius of downtown with a goal of increasing downtown sales by \$1-2 million annually over the next 3-5 years. This can best be accomplished by increasing the availability and/or marketing of the identified retail opportunities including Building Supplies/Home Improvements, restaurants, clothing, general merchandise, sporting goods/books/music, miscellaneous and Home Furnishings and Appliances; by adding stores offering these products, and/or expanding the offerings of existing businesses downtown.

Downtown businesses should understand their markets and focus their promotional efforts on the markets they are most likely to attract. Most downtown retail areas function in an “inside-out” manner, with much of the retail trade being available from nearby neighborhoods and employees. The identified markets in Walnut Cove, in order of importance are:

- 1) 300 downtown area employees
- 2) 1,600 nearby residents
- 3) Visitors to other downtown businesses and downtown’s “magnets” (Town Hall, Library, etc.)
- 4) Employees of local businesses and industries within 5 miles of downtown
- 5) 9,800 Citizens within five miles of the business district
- 6) other/outside/visitors, etc.

### **Niche Markets/Additional Potential**

#### **Surplus/Supply**

Additional potential could come from carefully identified “niche” markets. Some of these markets can be identified by observing the “surplus” merchandise categories where there are excess dollars coming into the community to take advantage of products or services not available in their local communities. Where there is a large concentration of outside spending in a given category, possibilities may exist to find a “niche” or additional potential within that category that is not represented widely in the trade area. In the Pilot Mountain trade area these “surplus” categories include food and beverage (groceries) and gasoline sales.

An example would be identifying significant “surplus” in food and beverage expenditures and determining that the variety of grocery opportunities is limited; therefore positioning a food and beverage business to capture this missing element in the supply.

#### **Tourism**

Additional “niche” markets could develop around the visitors to Hanging Rock and Pilot Mountain State Park and other natural attractions in the general area.

## **1.2 RESIDENTIAL**

### **1.2.1 Observations**

There was less than 9% growth in the population within the City Limits of Pilot Mountain between 1990 and 2000 and less than 1% growth between 2000 and 2004. Average new home prices in the general area are approximately \$100 per square foot. There appears to be a residential rental market in the general Pilot Mountain area with current rental vacancy around 8.5%, and overall residential vacancy is at around 9%. What rentals that are available show most rentals are in the range of \$350-\$750 per month with median rents around \$300, indicating potential support for additional residential development “above the store”. However, there are only a few upper floor opportunities for existing buildings since many buildings are single-story.

Mixed-use (commercial-residential) development with street levels reserved for commercial uses is a key to a successful downtown. Mixed-use development offers the potential for “full-building” renovation, since finding uses for upper floors in multi-story buildings is often difficult. Downtown “loft” style apartments typically demand higher rents within the market.

Experience of other smaller cities with successful residential development downtown, indicates that there is an increased chance of success for residential development in a commercial area if there is a "real" residential neighborhood nearby. The downtown business district in Pilot Mountain needs the additional residents that these neighborhoods provide in order to support the downtown businesses as well as create this sense of neighborhood that is so important to upper floor housing downtown.

### **1.2.2 Recommendations**

The residential areas adjacent to downtown should remain as residential zoning. Efforts should be made to encourage the maintenance and/or renovation of these homes for residential use, and homes that can qualify as historic should be supported with the 30% North Carolina Historic Tax Credit. Downtown property owners with vacant upper floor space should be identified and encouraged to develop upper floor housing utilizing the 20% Federal and 20% State Historic Tax Credits. Developing and maintaining the quality of the residential projects can more likely attract a quality tenant target market. Quality and management of residential projects are key ingredients.

## **1.3 OFFICE/OTHER**

### **1.3.1 Observations**

About 20% of space is office occupancy in the downtown district and some of it occurs at street level. We were not able to identify the depth of the office market in the Pilot Mountain area; however, there should be a reasonable market for professional offices and services that can be attracted to downtown if adequate support services (parking, eating

places, etc.) are available.

### **1.3.2 Recommendations**

As additional retail tenants are identified and the retail market improves, offices now located at street level should be encouraged (and assisted as necessary) to move to upper floors and side streets, in order to free up this valuable retail space for its appropriate use. This should in no way be interpreted to mean that offices are not important to downtown...THEY ARE! Remember...office employees are retail customers!

## **2. Retail Mix**

### **2.1 Observations**

The downtown business district is fortunate to have approximately 25 retail businesses and several long established retail businesses, including hardware and garden supply businesses, clothing drug and restaurants. However, the small total number of retail businesses impacts the ability to draw a sizable number of customers to downtown for shopping.

### **2.2 Recommendations**

New businesses and products of the types identified in this report should be added to the supply. There is room for some additional businesses of the same type, as well as those that carry complementary merchandise and different merchandise.

“Cross-shopping” between stores should be encouraged by businesses simply REFERRING customers to other downtown businesses, whether a competitor or not. A downtown sale, even to your competitor, is better than a sale lost to another shopping area.

### **A successful business mix will contain businesses that are:**

Market driven

- Provide products and services that meet local needs

Financially feasible

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

Located appropriately

- In or near a “*comparable cluster*” of businesses
  - Same customer base-different productsExample: High income; low income; retirees

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

**Successful business recruitment, retention and expansion:**

**Retention/expansion**

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

**Recruitment**

- Identify and solicit new business “suspects” that are likely to succeed in your community.
- Conduct a community assessment.
  - Survey local citizens about what products or services they must go outside the downtown or community to purchase.
  - Ask why they may prefer going outside the community, even if those goods and services are available.
- Identify market potential for goods and services in order to add or expand the availability.
- Determine business feasibility for businesses identified.

- Prepare business plans for each business type.
- Review with local bankers and business development professionals.
- Prepare a list of similar businesses located in the suburbs, in nearby communities.
- Develop a recruitment package including the information gathered from the community assessment, market data, and business plans.
- Conduct recruitment effort:
  - Letters with market information on
    - available buildings
    - sources of assistance
    - financing options
    - Market Information
  - Follow-up phone calls
  - Personal visits to the prospect by committee
  - Invitations for prospects to visit the community
  - Maintain contact until decision made
  - Assist in establishing the business until open
  - Regular contact to retain

### **3. Real Estate Availability and Condition**

#### **3.1 Observations**

The downtown business district has a building vacancy rate of approximately 11%. There is a mix of occupancies with approximately 19 office, service and government related businesses or firms and 25 retail businesses.

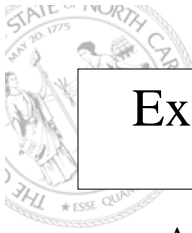
Occupied buildings in the downtown are in generally good condition, have reasonable assessed and market values (\$30-40 per square foot), rent at reasonable rates (with average rents around \$4-5 per square foot), and most can be up-fitted at reasonable cost (\$25-50 per square foot for a retail building in good condition/ \$50-75 per square foot for a substantial renovation). Development projects based on the above building and renovation costs, market rents and other known local conditions indicate reasonable feasibility, particularly if utilizing historic tax credits. (*see proforma on page 14*).

With occupancy around 90% there is still potential for growth in the core business district, both ground floor and upper floor development. Vacant buildings should be developed /redeveloped first and new infill construction on vacant parcels to follow. Encroachment on the nearby residential neighborhoods should be avoided.

#### **3.2 Recommendations**

The downtown committee should actively work to identify qualified potential tenants and /or buyers and match them with suitable available properties. It will be important to educate property owners and businesses regarding the relationship between retail sales and rent, and that if rents become too high in relation to retail sales, businesses will struggle to remain viable.

As retail occupancy grows and existing buildings are renovated infill on vacant parcels should be explored. Any new development, in or outside downtown, should be assessed in relation to its economic impact on the core business district, and any new downtown construction should be carefully designed for compatibility with the character of the downtown community.



## Example Tax Act Project (10yrs) (Current Market Data)

|                           |                   |
|---------------------------|-------------------|
| – Acquisition             | \$40.00/sf        |
| – Renovation              | \$50.00/sf        |
| – Investment              | \$90.00/sf        |
| – Gross Income (rent)     | \$ 5.00/sf        |
| – Less Operating Expenses | \$ 1.50/sf        |
| – Net Income              | \$ 3.50/sf        |
| – Return on Investment    | 3.9 %/yr          |
| – Historic Tax Credits    | \$ 2.00/sf/10 yrs |
| – Return on Investment    | 5.9%/yr/10 yrs    |

NORTH CAROLINA  
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#### **4. Physical Environment and Amenities**

##### **4.1 Observations**

The physical environment in which a business much function is critical to its success. The design issues relating to this factor should be addressed by a community design committee. There are two public garden areas downtown and streetscape improvements will need to be made if downtown Pilot Mountain is to offer an attractive business environment with adequate support facilities.

According to local officials, there are approximately 188 off-street parking spaces and 83+ on-street spaces along Main Street in the immediate downtown. A review of aerial photos of downtown indicates another 250+- potential on-street spaces along side streets and rear streets, and approximately 200+ additional marked off-street spaces. There are a number of available vacant lots for future parking needs. Parking appears to be sufficient for the current and foreseeable future level of activity.

##### **4.2 Recommendations**

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

street spaces which are critical to the success of downtown businesses.

Additional parking may be needed for the future and should be planned now. Potential locations and development costs should be identified. A desirable footprint for parking lots is 125 feet wide by 200 feet deep, or a minimum of 60 feet of width for each double bay of parking. A basic rule of thumb in calculating downtown parking need is 3 spaces per 1,000 square feet of occupied space. With around 115,000 square feet of occupied space currently, this would require approximately 345 spaces.

## **5. Availability of Capital/Financing**

### **5.1 Observations**

Pilot Mountain does not have a downtown development loan pool in place, provided by local financial institutions. However, local banks should demonstrate a willingness to make qualified loans for downtown projects, and several projects have been completed.

There is currently no facade grant program available directly to property owners wishing to improve the exterior of their property.

The downtown area has not been designated as a National Register Historic District, however some individual properties can be certified as historic properties, making them eligible for a 20% federal tax credit and a 20% state tax credit.

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

### **5.2 Recommendations**

A designated downtown loan program should be discussed with the local financial institutions. The program does not need to be significantly different from those currently being offered, but applicants should receive special consideration by lending officers, and the program should be promoted as a downtown loan program.

The town should consider the need for a façade grant program to assist with exterior improvements, particularly where they might provide an incentive to carry out a more extensive renovation than might otherwise be planned. Guidelines should be adopted for the appropriate design of these improvements, following the local design guidelines and the Secretary of Interior's Standards.

The feasibility of establishing a historic district should be explored. A special information package should be produced outlining the benefits and uses of the State and Federal Historic Tax Credits.

## **6. Business and Development Assistance**

### **6.1 Observations**

Business decisions must be based on complete and factual information. There is a volunteer organization charged with downtown revitalization but there is incomplete information on the downtown market available and no one source offers a "one-stop" approach to the needs of either the business or development sector.

### **6.2 Recommendations**

Downtown organizations are formed for the specific purpose of providing for the needs of the downtown area in their communities. Although they must thoroughly understand and appreciate the economic conditions of the area at large, by the narrowness of their purpose they are not distracted by the need to provide economic development activities and other services to those areas.

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

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

# **APPENDIX**

| SIX FACTORS OF ECONOMIC RESTRUCTURING®                          |                                    |              | DOWNTOWN   | MARKET ASSESSMENT                       |                     | (SEE INSTRUCTIONS)         |               |
|---|------------------------------------|--------------|--|---|---------------------|----------------------------|---------------|
| CITY  | Pilot Mountain                     | STATE        | NC   | ZIP CODE                                | 27041               |                            | BY: TOPM/RTM  |
| © 2006  | Used Only By Permission            | DATE:        | Feb-06   |   | Sources:            |                            | ESRI®, NCDCA  |
| <b>(1) Available Downtown Property Inventory</b>                |                                    |              | <b>(Use separate form for each available property)</b> |   |                     |                            | <b>Totals</b> |
| a   | Address                            |              | Owner  |   | Listed By           | 4                          |               |
| b   | No. Floors                         |              |  |   | Phone               | 14,504 SF                  |               |
| c   | Size/SF                            | 1st Floor    |  | 2nd Floor                               | 3rd Floor +         | 11%                        |               |
| d   | Occupied SF                        | 1st Floor    |  | 2nd Floor                               | 3rd Floor +         |                            |               |
| e   | Use (Ret,Off,Res,M)                | 1st Floor    |  | 2nd Floor                               | 3rd Floor +         |                            |               |
| f   | Tax Parcel Number                  |              | Tax Value  |   | Tax Rate            | City                       | County        |
| g   | Availability (circle)              | Sale         | Lease  | Unk                                     |                     |                            |               |
| h   | Sale Price                         |              |  |   |                     |                            |               |
| i   | Lease Price/SF                     | 1st Floor    |  | 2nd Floor                               | 3rd Floor +         |                            |               |
| j   | Condition (E,G,F,P)                | 1st Floor    |  | 2nd Floor                               | 3rd Floor +         |                            |               |
| <b>(2) Average Sale Price per SF (from local realtor, etc.)</b> |                                    |              | <b>Downtown</b>  | <b>Suburban</b>                         |                     |                            |               |
| k   | Building and Land                  |              | \$40   |   |                     |                            |               |
| l   | Land Only                          |              |  |   |                     |                            |               |
| <b>(3) Average Rent per SF (from local realtor, owner)</b>      |                                    |              | <b>Downtown</b>  | <b>Suburban</b>                         | <b>Downtown</b>     | <b>Suburban</b>            |               |
| m   | Retail                             |              | \$5.00   |   |                     |                            |               |
| n   | Office                             |              | \$5.00   |   |                     |                            |               |
| o   | Residential                        | Median       | \$560.00   | \$300                                   | Vacancy             | 0                          | 0.09%         |
| p   |                                    | Med. Range   |  | \$350-750                               |                     |                            |               |
| <b>(4) Renovation Cost per SF (from local contractor)</b>       |                                    |              | <b>Downtown</b>  | <b>Suburban</b>                         |                     |                            |               |
| q   | Retail                             |              | \$25   |   |                     |                            |               |
| r   | Office                             |              | \$25   |   |                     |                            |               |
| s   | Residential                        |              |  |   |                     |                            |               |
| <b>(5) New Construction Cost per SF (from local contractor)</b> |                                    |              | <b>Downtown</b>  | <b>Suburban</b>                         |                     |                            |               |
| t   | Retail                             |              | \$150  |   |                     |                            |               |
| u   | Office                             |              | \$150  |   |                     |                            |               |
| v   | Residential                        |              |  |   |                     |                            |               |
| <b>(6) Market By Use (Downtown Only)</b>                        |                                    |              | <b>Number</b>  | <b>Total SF</b>                         | <b>Sales/SF</b>     | <b>Employees/residents</b> |               |
| w   | Retail*                            | 25           | 68,000   | X                                       | 170                 |                            |               |
| x   | Office (pvt)                       | 14           | 27,000   | X                                       | 81                  |                            |               |
| y   | Gov't/Institutional                | 1            | 3,096  | X                                       | 12                  |                            |               |
| z   | Residential                        | 3            | 7,000  | X                                       | 8                   |                            |               |
| aa  | Service                            | 4            | 7,677  | X                                       | 23                  |                            |               |
| bb  | Miscellaneous and vacant           |              | 14,504   | X                                       |                     |                            |               |
| cc  | TOTAL                              | 47           | 127,277  | X                                       | 294                 |                            |               |
| <b>(7) Market by Retail NAICS (Downtown only)</b>               |                                    |              | <b>Number</b>  | <b>Total SF</b>                         | <b>Sales/SF</b>     | <b>Employees/residents</b> |               |
| dd  | 441 Motor Vehicle and Parts Dealer | 2            | X  | X                                       | X                   |                            |               |
| ee  | 442 Furniture and Home Furnishing  | 1            | X  | X                                       | X                   |                            |               |
| ff  | 443 Electronics and Appliances     | 0            | X  | X                                       | X                   |                            |               |
| gg  | 444 Bldg Materials, Garden Equip   | 2            | X  | X                                       | X                   |                            |               |
| hh  | 445 Food and Beverage Stores       | 0            | X  | X                                       | X                   |                            |               |
| ii  | 446 Health, Drug and Personal Care | 2            | X  | X                                       | X                   |                            |               |
| jj  | 447 Gasoline Stations              | 0            | X  | X                                       | X                   |                            |               |
| kk  | 448 Clothing and Accessories       | 4            | X  | X                                       | X                   |                            |               |
| ll  | 451 Sporting Goods, Books, Music   | 0            | X  | X                                       | X                   |                            |               |
| mm  | 452 Gen. Merchandise/Dept. Stores  | 3            | X  | X                                       | X                   |                            |               |
| nn  | 453 Miscellaneous Retailers        | 2            | X  | X                                       | X                   |                            |               |
| oo  | 454 Non-Store Retailers            | 3            | X  | X                                       | X                   |                            |               |
| pp  | 722 Food Services/Drinking Places  | 6            | X  | X                                       | X                   |                            |               |
| <b>(8) Market Demographics (By Main Street)</b>                 |                                    |              | <b>CBD</b>   | <b>1 Mile</b>                           | <b>5 Miles</b>      | <b>Zip Code</b>            | <b>County</b> |
| qq  | Retail Sales(adjusted)             | \$12,613,458 | X  | \$51,963,057                            | \$73,443,830        | X                          | \$943,604,000 |
| rr  | Retail Potential                   | \$667,128    | X  | \$16,776,454                            | \$96,329,777        | X                          | \$567,964,403 |
| ss  | Population                         | 73           | X  | 1,662                                   | 9,759               | X                          | 71,219        |
| tt  | Per Capita Income                  | \$23,389     | X  | \$23,461                                | \$21,982            | X                          | \$17,722      |
| <b>(9) Physical Environment (Downtown Only)</b>                 |                                    |              | <b>Number/type</b>                                     | <b>(Describe in space beside blank)</b> |                     |                            |               |
| uu  | Parking/on-street (No. Spaces)     | 83           |  |   |                     |                            |               |
| vv  | Parking/off-street (no. Spaces)    | 188          |  |   |                     |                            |               |
| ww  | Public Space/parks                 | 2            | gardens  |   |                     |                            |               |
| xx  | Pub/Street Improvements            | no           |  |   |                     |                            |               |
| yy  | 1-way Streets                      |              | No   |   |                     |                            |               |
| zz  | Historic District                  |              | No   |   |                     |                            |               |
| <b>(10) Available Financing</b>                                 |                                    |              | <b>Type</b>  | <b>Source</b>                           | <b>Interest</b>     | <b>Amortization/term</b>   | <b>Other</b>  |
| aaa   | Conventional                       | RE/Bus       | Banks  | P+                                      | 15 yr/5 yr balloon  |                            | 80%           |
| bbb   | Special                            | No           | No   | No                                      | No                  | No                         | No            |
| <b>(11) Business Assistance</b>                                 |                                    |              | <b>No</b>  | <b>Type</b>                             | <b>Provided By:</b> |                            |               |

| RETAIL POTENTIAL ANALYSIS<br>TRADE AREA     |  | PILOT MOUNTAIN, NC<br>5 Miles          |                                    | Feb-06             |                           |               |
|---|--|--|------------------------------------|--------------------|---------------------------|---------------|
| NAICS                                       | BUSINESS TYPE                            | LEAKAGE/SURPLUS<br>(-) = Lost Business | DOWNTOWN POTENTIAL<br>Est. Capture | Est. Sales         | Estimated Sales<br>per SF | Size<br>SF    |
| <b>441 Motor Vehicles/Parts</b>             |  |  |                                    |                    |                           |               |
| 4411  | Auto Dealers                             | -\$14,400,557                          | 10%                                | \$1,440,056        | \$150                     | 9,600         |
| 4412  | Other Motor Vehicles                     | -\$1,490,814                           | 10%                                | \$149,081          | \$150                     | 994           |
| 4413  | Auto Parts/Access/Tires                  | -\$1,602,006                           | 10%                                | \$160,201          | \$150                     | 1,068         |
| <b>442 Furniture/Home Furnishing</b>        |  |  |                                    |                    |                           |               |
| 4421  | Furniture                                | -\$1,720,919                           | 10%                                | \$172,092          | \$150                     | 1,147         |
| 4422  | Home Furnishings                         | -\$242,019                             | 10%                                | \$24,202           | \$150                     | 161           |
| <b>443 Electronics/Appliance</b>            |  |  |                                    |                    |                           |               |
| <b>444 Building Mat/Garden Supply</b>       |  |  |                                    |                    |                           |               |
| 4441  | Building Mat/Supply                      | -\$4,656,791                           | 10%                                | \$465,679          | \$150                     | 3,105         |
| 4442  | Lawn and Garden Equip/Supply             | -\$1,015,147                           | 10%                                | \$101,515          | \$150                     | 677           |
| <b>448 Clothing/Accessories</b>             |  |  |                                    |                    |                           |               |
| 4481  | Clothing Stores                          | -\$91,839                              | 10%                                | \$9,184            | \$150                     | 61            |
| 4482  | Shoe Stores                              | -\$231,212                             | 10%                                | \$23,121           | \$150                     | 154           |
| 4483  | Jewelry/Luggage/Leather                  | -\$328,389                             | 10%                                | \$32,839           | \$150                     | 219           |
| <b>451 Sporting Goods/Hobby/Books/Music</b> |  |  |                                    |                    |                           |               |
| 4511  | Sporting Goods/Hobby/Musical Instruments | -\$563,792                             | 10%                                | \$56,379           | \$150                     | 376           |
| 4512  | Books/Periodical/Music                   | -\$767,819                             | 10%                                | \$76,782           | \$150                     | 512           |
| <b>452 General Merchandise</b>              |  |  |                                    |                    |                           |               |
| 4521  | Department Stores                        | -\$1,018,189                           | 10%                                | \$101,819          | \$150                     | 679           |
| 4521  | Other General Merchandise                | -\$6,009,072                           | 10%                                | \$600,907          | \$150                     | 4,006         |
| <b>453 Miscellaneous Retail Stores</b>      |  |  |                                    |                    |                           |               |
| 4531  | Florists                                 | -\$166                                 | 10%                                | \$17               | \$150                     | 0             |
| 4532  | Office Supplies/Stationery/Gifts         | -\$306,429                             | 10%                                | \$30,643           | \$150                     | 204           |
| 4533  | Used Merchandise                         | -\$438,857                             | 10%                                | \$43,886           | \$150                     | 293           |
| 4539  | Other Miscellaneous Stores               | -\$348,725                             | 10%                                | \$34,873           | \$150                     | 232           |
| <b>454 Non-Store Retailers</b>              |  |  |                                    |                    |                           |               |
| 4543  | Direct Selling Establishments            | -\$729,628                             | 10%                                | \$72,963           | \$150                     | 486           |
| <b>722 Food Service/Drinking Places</b>     |  |  |                                    |                    |                           |               |
| 7221  | Full Service Restaurants                 | -\$3,280,605                           | 10%                                | \$328,061          | \$150                     | 2,187         |
| 7222  | Limited Service Eating Places            | -\$3,604,967                           | 10%                                | \$360,497          | \$150                     | 2,403         |
| 7223  | Special Food Services                    | -\$527,754                             | 10%                                | \$52,775           | \$150                     | 352           |
| 7224  | Drinking Places/Alcohol                  | -\$1,401,252                           | 10%                                | \$140,125          | \$150                     | 934           |
| <b>TOTAL</b>                                |  | <b>-\$45,649,443</b>                   |                                    | <b>\$4,564,944</b> |                           | <b>30,433</b> |

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NC Small Town Main Street  
Program

NOTE: Negative Numbers in Leakage Column = Retail Potential for Un-captured Expenditures

| CONSUMER SURVEY  |  | TOWN            | Pilot Mountain, NC | 28041           |     |             |                     |
|--|--|-----------------|--------------------|-----------------|-----|-------------|---------------------|
| DOWNTOWN BUSINESS DISTRICT   |  | TOTAL RESPONSES |                    | 68              |     |             |                     |
|  |  | No.             | %                  | No.             | %   | No.         | %                   |
| <b>How often do you shop in the downtown business district?</b>          |  |                 |                    |                 |     |             |                     |
|  | Daily  | 7               | 10%                |                 |     |             |                     |
|  | At least weekly                              | 23              | 34%                |                 |     |             |                     |
|  | At least monthly                             | 23              | 34%                |                 |     |             |                     |
|  | Sometimes                                    | 19              | 28%                |                 |     |             |                     |
| <b>What is the Main reason you visit the downtown business district?</b> |  |                 |                    |                 |     |             |                     |
|  | Shopping                                     | 32              | 47%                |                 |     |             |                     |
|  | Banking                                      | 6               | 9%                 |                 |     |             |                     |
|  | Working                                      | 15              | 22%                |                 |     |             |                     |
|  | Eating                                       | 6               | 9%                 |                 |     |             |                     |
|  | Personal Business                            | 6               | 9%                 |                 |     |             |                     |
|  | Other  | 6               | 9%                 |                 |     |             |                     |
| <b>What Other things do you do downtown?</b>                             |  |                 |                    |                 |     |             |                     |
|  | Shopping                                     | 21              | 31%                |                 |     |             |                     |
|  | Banking                                      | 27              | 40%                |                 |     |             |                     |
|  | Eating                                       | 36              | 53%                |                 |     |             |                     |
|  | Personal Business                            | 21              | 31%                |                 |     |             |                     |
|  | Other  | 15              | 22%                |                 |     |             |                     |
| <b>Where do you do most of your shopping?</b>                            |  |                 |                    |                 |     |             |                     |
|  | Downtown                                     | 16              | 24%                |                 |     |             |                     |
|  | Local Shopping Center                        | 19              | 28%                |                 |     |             |                     |
|  | Nearby Town                                  | 31              | 46%                |                 |     |             | (King, WS, Mt Airy) |
| <b>How would you rate the following about downtown?</b>                  |  |                 |                    |                 |     |             |                     |
|  |  | <b>GOOD</b>     |                    | <b>FAIR</b>     |     | <b>POOR</b> |                     |
|  | Parking                                      | 38              | 56%                | 26              | 38% | 6           | 9%                  |
|  | Friendliness of salespeople                  | 63              | 93%                | 6               | 9%  | 0           | 0%                  |
|  | Price of merchandise                         | 33              | 49%                | 35              | 51% | 1           | 1%                  |
|  | Variety of goods                             | 20              | 29%                | 34              | 50% | 15          | 22%                 |
|  | Quality of goods                             | 49              | 72%                | 20              | 29% | 0           | 0%                  |
|  | Attractiveness of area                       | 28              | 41%                | 34              | 50% | 7           | 10%                 |
|  | Attractiveness of buildings                  | 11              | 16%                | 46              | 68% | 12          | 18%                 |
|  | Business hours                               | 38              | 56%                | 25              | 37% | 5           | 7%                  |
|  | Safety                                       | 52              | 76%                | 16              | 24% | 1           | 1%                  |
| <b>How important are the following to improving the downtown area</b>    |  |                 |                    |                 |     |             |                     |
|  |  | <b>VERY</b>     |                    | <b>SOMEWHAT</b> |     | <b>NOT</b>  |                     |
|  | Historic Character                           | 29              | 43%                | 29              | 43% | 9           | 13%                 |
|  | Cleanliness and maintenance                  | 62              | 91%                | 8               | 12% | 0           | 0%                  |
|  | Focus on local customers                     | 42              | 62%                | 25              | 37% | 2           | 3%                  |
|  | Patronize local businesses                   | 56              | 82%                | 12              | 18% | 1           | 1%                  |
|  | Improve tourism                              | 42              | 62%                | 20              | 29% | 4           | 6%                  |
|  | More special events/ferstivals               | 36              | 53%                | 25              | 37% | 5           | 7%                  |
|  | More jobs for locals                         | 53              | 78%                | 15              | 22% | 0           | 0%                  |
|  | Customer service                             | 52              | 76%                | 14              | 21% | 0           | 0%                  |
|  | Public improvements,streets, sidewalks, etc. | 53              | 78%                | 14              | 21% | 2           | 3%                  |
|  | More advertising                             | 38              | 56%                | 23              | 34% | 4           | 6%                  |
|  | Regular, convenient business hours           | 44              | 65%                | 21              | 31% | 1           | 1%                  |
|  | Safety                                       | 50              | 74%                | 15              | 22% | 2           | 3%                  |

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

|        |            |            |         |            |               |              |          |          |
|--------|------------|------------|---------|------------|---------------|--------------|----------|----------|
| Pet    | Dry Clean  | Skating    | Country | Sew/crafts | Clothing/Shoe | Books/gifts  | Grocery  | Hardware |
| 2      | 2          | 3          | 1       | 5          | 18            | 13           | 1        | 1        |
| Sports | Ent/movies | Restaurant | Uniform | Gifts      | Spa           | Coffee/snack | Antiques | Gen      |
| 4      | 4          | 27         | 1       | 5          | 1             | 6            | 3        | 7        |

**Where do you live?**

|                    |    |     |
|--------------------|----|-----|
| In town            | 14 | 21% |
| Between 1-3 miles  | 11 | 16% |
| Between 3-5 miles  | 10 | 15% |
| Between 5-10 miles | 25 | 37% |
| Other              | 8  | 12% |

**What is your Zip Code?**

|       |    |     |
|-------|----|-----|
| 27041 | 21 | 31% |
| 27021 | 5  | 7%  |
| 27030 | 3  | 4%  |
| 27043 | 3  | 4%  |
| 27045 | 1  | 1%  |
| 27047 | 1  | 1%  |
| 27050 | 1  | 1%  |
| 27053 | 3  | 4%  |
| 27106 | 1  | 1%  |
| 27107 | 1  | 1%  |
| 27235 | 1  | 1%  |

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

|                 |    |     |
|-----------------|----|-----|
| Local Newspaper | 32 | 47% |
| Other newspaper | 5  | 7%  |
| TV              | 5  | 7%  |
| Radio           | 6  | 9%  |
| Direct Mail     | 6  | 9%  |
| Word of mouth   | 54 | 79% |
| Other           | 13 | 19% |

**Respondent is**

|        |    |     |
|--------|----|-----|
| Male   | 14 | 21% |
| Female | 55 | 81% |

**Respondent's age is**

|         |    |     |
|---------|----|-----|
| 15-19   | 3  | 4%  |
| 19-25   | 2  | 3%  |
| 25-35   | 9  | 13% |
| 35-50   | 27 | 40% |
| Over 50 | 27 | 40% |

**ALL RESPONDENTS DID NOT ANSWER ALL QUESTIONS**

| RETAIL TALLY<br>PILOT MOUNTAIN, NC<br>1/23/2006 |           |          |          |          |           |      |      |     |         |         |            |             |   |   |
|---|-----------|----------|----------|----------|-----------|------|------|-----|---------|---------|------------|-------------|---|---|
| SALES   | SIZE      | SALES/SF | INCREASE | DECREASE | EMPLOYEES | OPEN | RENT | OWN | RENT/MO | RENT/SF | CLOSE/RELO | BEST MONTHS | CUSTOMERS   |   |
| AV ERAGE  | \$350,000 | 1,450    | \$193.77 | 91%      | 10%       | 37   | 3.21 | 86% | 14%     | \$445   | \$4.98     | NO          | 85% 12,11,10<br>12= December<br>11=November<br>10=October | O,L,T,E<br>O=other<br>L=Locals<br>T=Tourists<br>E=Employees |
|   |           |          |          |          |           | 2.64 |      |     |         |         |            |             |   |   |