

REPORT



Preliminary Feasibility Analysis for Recreation-Related Development, Wake County, North Carolina

August 2017

**Development
Finance Initiative**

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List of Acronyms and Terms Used

Capture rate The sales or leasing rate of a project

Class A asking price The initial price stated by the seller for Class A office space (the highest standard for office space)

Class B asking price The initial price stated by the seller for Class B office space (the middle standard for office space)

DFI Development Finance Initiative of the School of Government at the University of North Carolina at Chapel Hill

Esri BAO Esri Business Analyst Online, a GIS and data software program

Flex Commercial real estate that is lightly zoned and suitable for commercial or residential use

IMBA International Mountain Bike Association

k Thousand

M Million

NCDCNR North Carolina Department of Cultural and Natural Resources

Q Quarter

R&D Research and development

RDU Raleigh-Durham (used to describe regional and institutional entities)

RDUA Raleigh-Durham International Airport Authority

RRRC Richmond Regional Ride Center

RTP Research Triangle Park

SF Square feet

UNC University of North Carolina

YTD Year to date

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Executive Summary

At the request of the Wake County Board of County Commissioners, the Development Finance Initiative (DFI) at the University of North Carolina's (UNC) School of Government conducted an introductory feasibility analysis to examine the potential of a recreation-themed development program south of the primary facilities at Raleigh-Durham (RDU) International Airport. Most of the parcels in question are owned by the RDU Airport Authority (RDUAA).

The DFI analysis has led to the following core points:

- There is public interest in maintaining a strong, thriving airport and in maximizing the recreational amenities in the area surrounding the airport.
- The airport-controlled land south of the primary airport facilities contains multiple developable areas but also contains topological challenges and lacks infrastructure.
- The core parcels pertinent to the analysis are in the center of the larger Raleigh-Durham metro region and provide easy access to major road arteries, greenways, and trail systems.
- There is market demand for increased recreational amenities in the region, including play spaces and themed recreational spaces.
- Additional recreational amenities would complement the existing network of outdoor trails and provide a higher volume of recreation use. A fully built-out set of amenities would attract users from the growing nearby communities and from the broader region, as well as visitors specifically seeking areas with concentrated recreational opportunities.
- Increased volume of recreational users should strengthen the market for hospitality and other commercial uses and create an opportunity for thematic and niche-based markets tied to recreational use.
- Ultimately, private sector development should create sufficient property tax revenue to pay for the necessary development infrastructure, including infrastructure for recreational amenities.

Figure 1. Community Mountain Bike Event at Lake Crabtree County Park



I. Background

A. Development Finance Initiative

The Development Finance Initiative (DFI) partners with local governments to attract private investment for transformative projects by providing specialized finance and development expertise. Examples of such partnership projects include

- building reuse and downtown revitalization;
- master planning and execution;
- community and neighborhood development; and
- economic development, including assessment of underutilized assets.

Founded in 2011, DFI has been engaged in more than 100 projects in more than 75 different communities across North Carolina.

B. Project Background

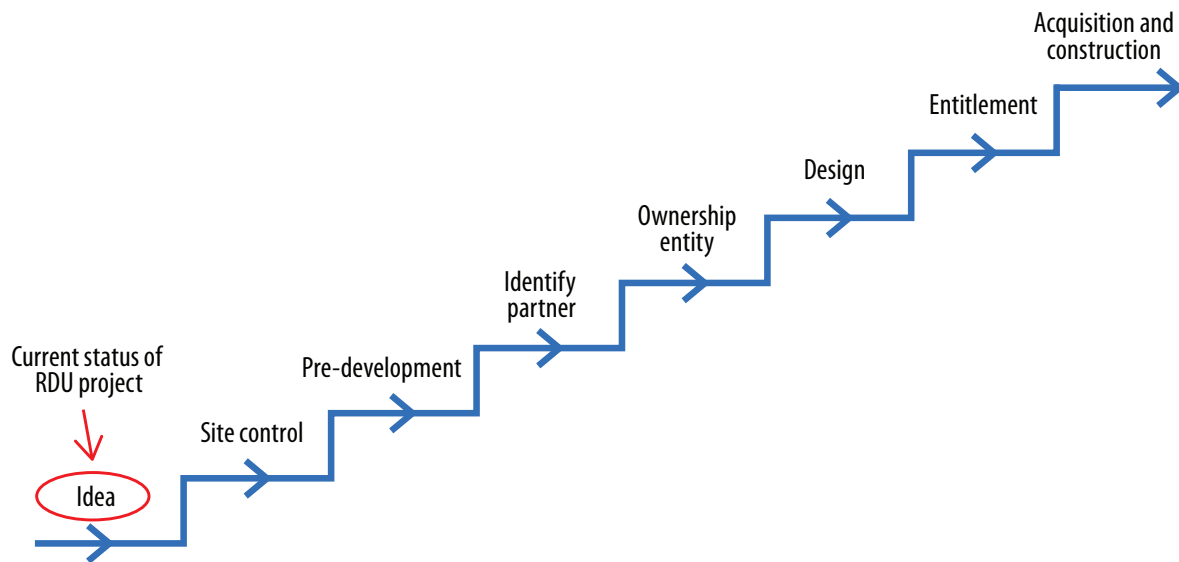
DFI Engagement

In March 2017, Wake County (hereinafter County) contracted DFI to conduct a feasibility analysis for recreational development opportunities on and adjacent to land owned by the RDUAA. The County requested that DFI's study include the following materials:

- **a site analysis** of RDUAA-owned parcels and surrounding land, including factors such as condition, use of existing financing, estimated market value, and physical constraints and attributes
- **a demographic analysis** of the regional population, including factors such as commuting patterns, education attainment, and recreational markets
- **an analysis of comparable recreation-based projects**, including factors such as activity types, investments, acreage, and visitation
- **an initial master development model** based on identified use alternatives, including initial estimates of pre-development and operating costs

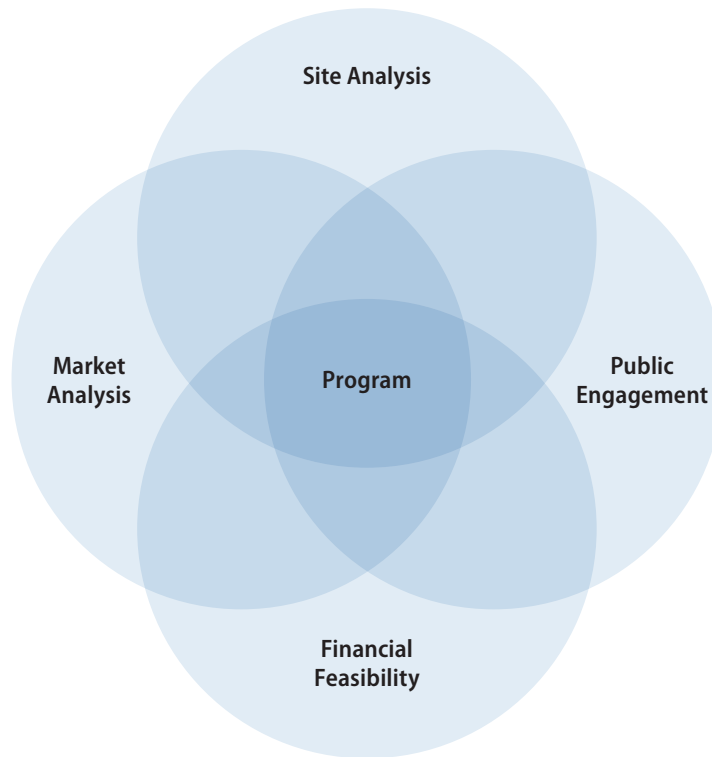
In a typical project, DFI guides its local government partner through the entire development process, as outlined in Figure 2, below. First, DFI would identify public interests, potential sites for the project, and a preliminary concept for development. This is the *idea* stage in Figure 2. Second, DFI guides the local government through the acquisition of *site control*, which is the legal right to develop or use the parcels of land selected. Third, DFI conducts a full *pre-development analysis and design*. This includes a public engagement process, market analysis, financial feasibility study, and project area analysis. Fourth, DFI leverages the pre-development work to help the local government identify the right private partners to design, build, and finance the project. Finally, DFI acts as an adviser, while the local government and its private-sector partners agree

Figure 2. Private Real Estate Development Process: DFI Working with Local Government



on an ownership entity, final design, and entitlements. Once these milestones have been reached, construction can begin.

Due to the fact that Wake County does not own or control any property in the RDUAA project, in addition to existing time and political constraints, DFI had to adapt its typical process. The enclosed feasibility analysis outlines an initial concept for recreation development in the land owned by RDUAA and identifies obstacles to potential development. This report includes preliminary findings for an analysis of property area characteristics, a market analysis, a public engagement process, and a preliminary financial analysis of potential development scenarios. However, this feasibility study is not intended to supplant the traditional DFI pre-development process. (See Figure 3, below.) Readers and public officials should understand that this study is part of the first stage of DFI's normal four-step pre-development process. The data collected in this report is preliminary. **A full pre-development process is required before DFI can make fully informed recommendations and estimates regarding this project.**

Figure 3. DFI's Pre-Development Process

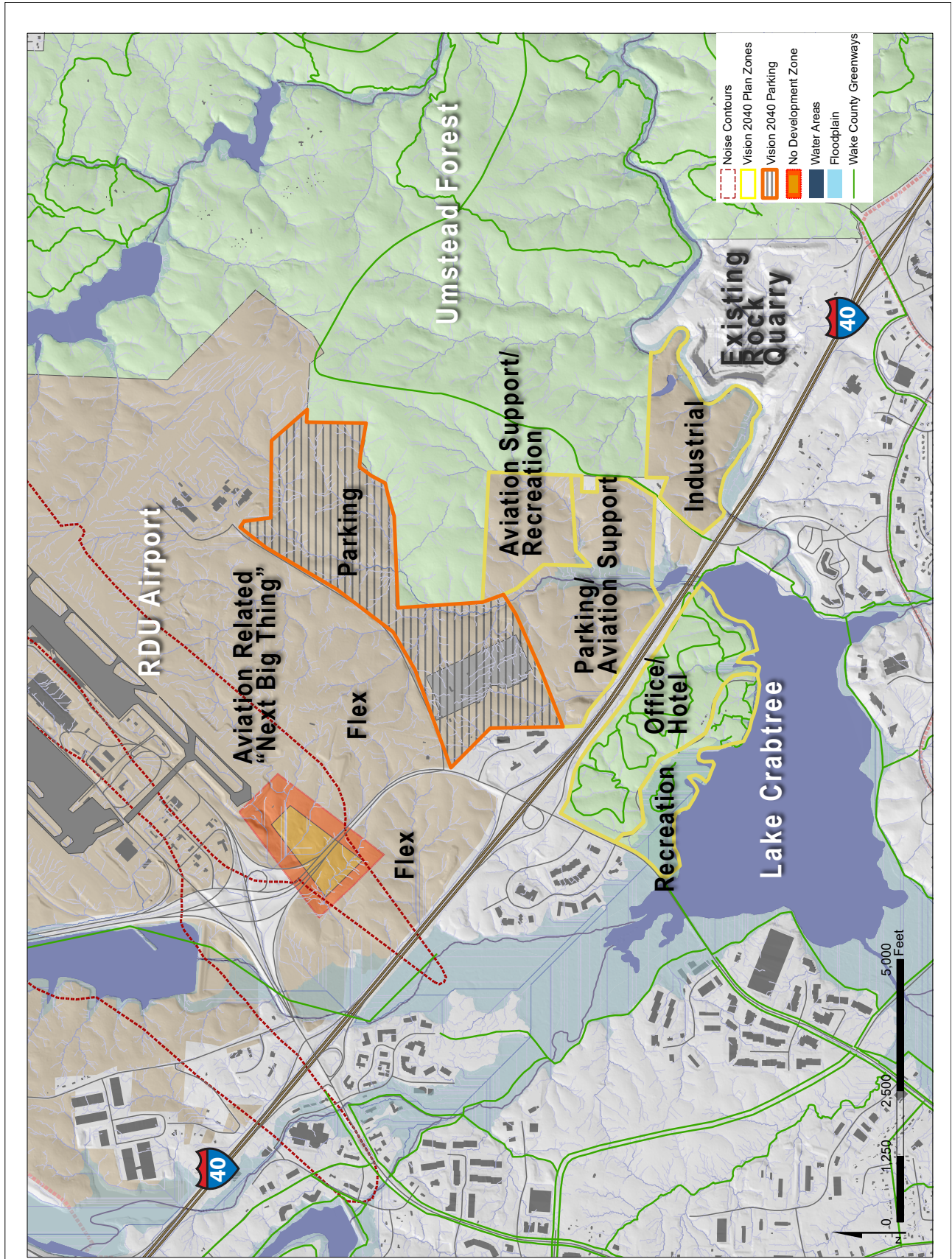
C. RDUAA 2040 Land Use Plan

RDUAA developed the 2040 Vision Plan over eighteen months, incorporating feedback from nine public meetings. The plan designates the large bowtie-shaped parcel of land directly south of the airport as surface parking. This is in addition to the existing parking, which contains RDU Economy Lot 3. The RDUAA is currently studying the parking acreage that would be devoted to expanded rental car storage, expanded public parking, and relocated employee parking. (See Figure 4, below.)

South of the bowtie-shaped parcel is a large, sort of rectangular piece of land adjacent to I-40. The 2040 Vision Plan designates this area as future surface parking and for recreation or other future aviation needs. These parcels are also part of the RDUAA's parking study.

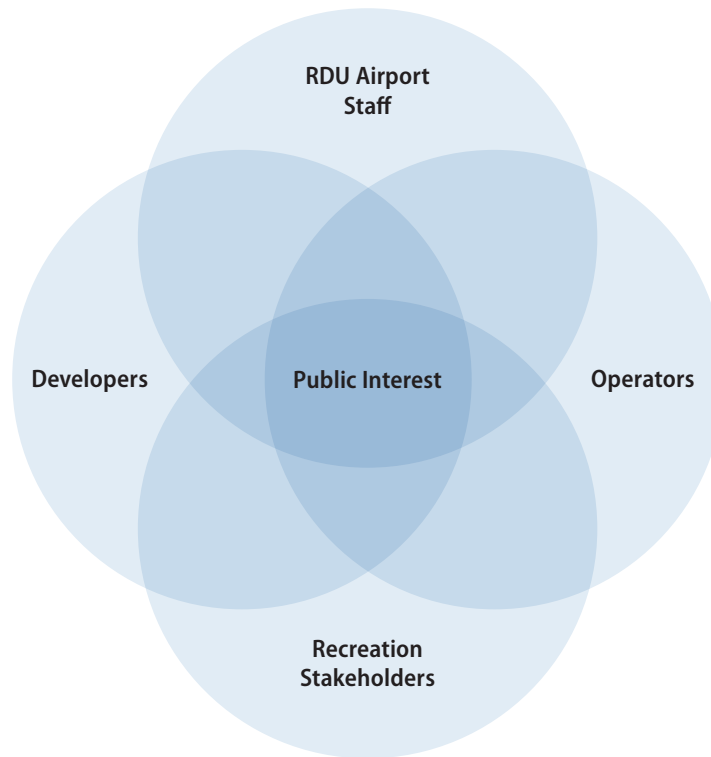
Land on the other side of I-40 is currently part of Lake Crabtree County Park. The RDU 2040 Vision Plan envisions retaining the land adjacent to the lake as a recreation area. The rest of the land is designated for future office and hotel development.

Figure 4. RDU Airport Authority 2040 Vision Plan



Source: DFI, using Wake County GIS data, 2017.

Figure 5. Public Engagement—Stakeholders



D. Public Engagement

In evaluating the public interests, and to assist with market analysis, DFI engaged more than thirty stakeholders across more than forty meetings about recreational feasibility. These stakeholders included RDU Airport staff, representatives from different recreational user groups, private developers, and recreational operators. (See Figure 5, above.)

The following observations emerged from stakeholder focus groups.

- The Triangle region is lacking an “iconic attraction” that defines the “authentic” Triangle area.
- The region has good recreation opportunities for locals, but it is tough for visitors to take advantage of greenways and other opportunities (dearth of sites where you pay admission to do something).
- “Healthy living” is part of the region’s brand and provides many opportunities for further marketing and development.
- The hospitality offerings surrounding RDU Airport are sufficient for current uses, but there might be room for a niche-based, resort hotel.
- Regional marketing partners are focusing on attracting international visitors to the region and on attracting families.
- Through its various museums and universities, the Triangle region amounts to one of the strongest “citizen science” initiatives in the country, i.e., an area where non-professional

scientists are conducting experiments and observing scientific phenomena in structured ways.

- The Triangle has multiple operators of and outlets for outdoor education and nature centers, but there is not a single focal point for these kinds of activities.
- Relative to peer and leading metro areas, the Triangle has room to increase the capture rate for youth sporting events. There are three driving needs: additional indoor competitive spaces suitable for large tournaments, additional outdoor competitive spaces suitable for large tournaments, and a performance/meeting venue suitable for 3,000 to 5,000 people.

E. Public Interests

Through engaging with stakeholders in the community, DFI identified four public interests germane to a recreation-based development project within the identified site at RDU Airport.

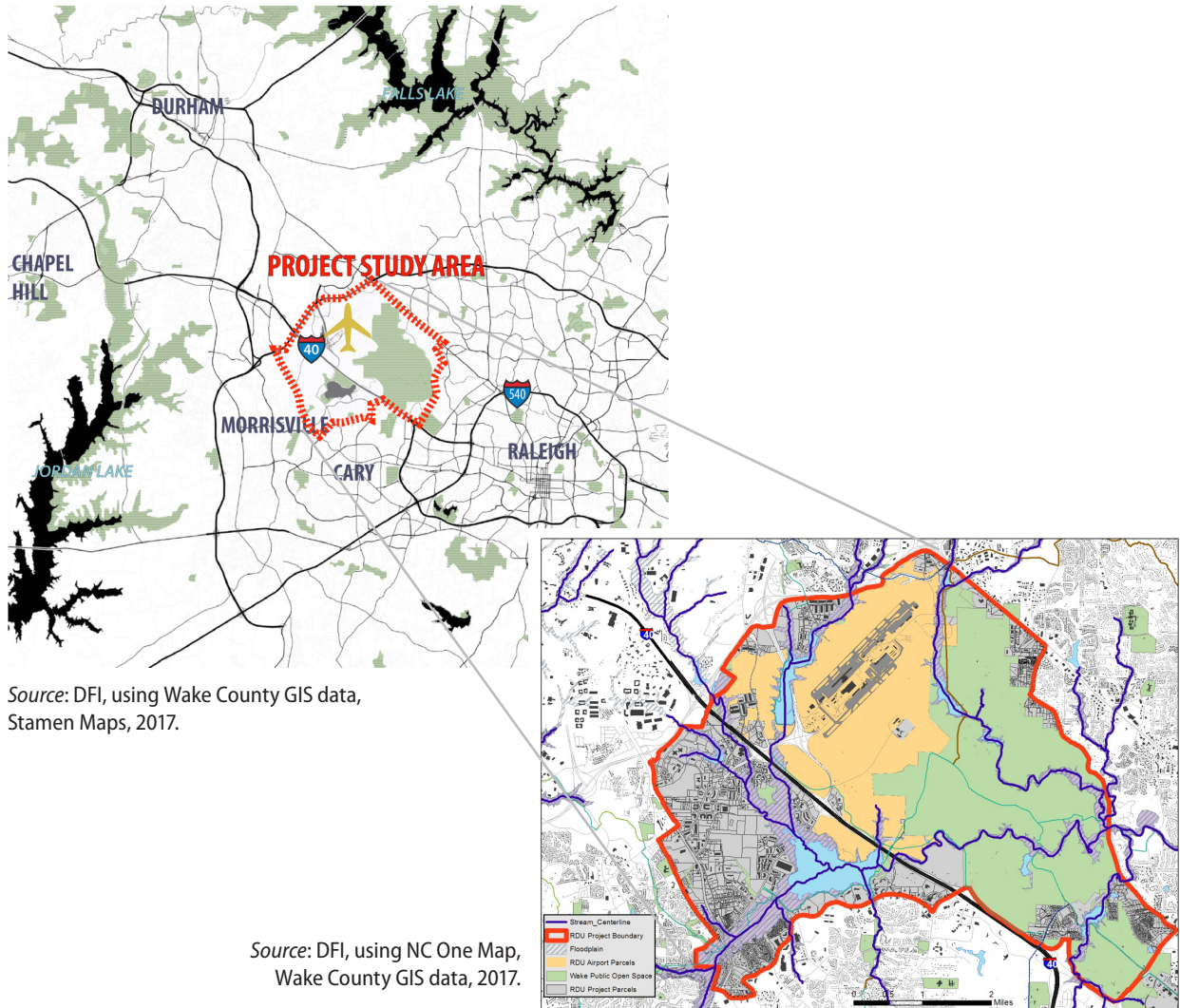
1. **Maintain a thriving airport that meets growing regional needs.** This is part of the airport's legal responsibility and parallels its mission to "deliver excellent airport services, facilities and unparalleled customer service."¹ Furthermore, the RDUA "Vision 2040 Master Plan" has already been approved by its board and is being implemented. As a result, DFI's development concepts have been structured to avoid conflict with any RDUA projects already underway. All of the RDUA's stated current and future needs have been incorporated as a starting assumption for DFI's work.
2. **Private investment must pay for public infrastructure.** DFI assumes that any land use plan must support airport operations either directly or through the creation of new revenue sources. Thus, the associated tax revenue and land value appreciation must finance any public infrastructure costs associated with a development project. This aligns with the RDUA's legal requirements and the public interest of the airport's four governing bodies—the city of Durham, the city of Raleigh, Durham County, and Wake County.
3. **There are distinctive opportunities for quality of life and recreation.** A large majority of stakeholders expressed a desire to enhance the area's distinctive geographic features (e.g., state park, county park, lake, and urban forest corridor), to develop projects that encourage a healthy life style, and to increase the opportunities to participate in recreational activities like biking and hiking.
4. **Further recreational development adjacent to Umstead State Park and Lake Crabtree County Park can enhance the region's identity.** Multiple stakeholders noted the unique connectivity between a large state park, an international airport, and the region's four largest municipalities, Raleigh, Durham, Cary, and Chapel Hill. Both from a marketing perspective and from a quality of life perspective, stakeholders noted the opportunity to create an iconic district that would complement the Research Triangle Park (RTP), reinforce the region's notoriety as a quality of life destination, and provide recreational amenities to further enhance the value of the land controlled by the RDUA.

1. "Our Mission," Raleigh-Durham International Airport, Raleigh-Durham Airport Authority, <https://www.rdu.com/airport-authority/> (2017).

II. Parcel Analysis

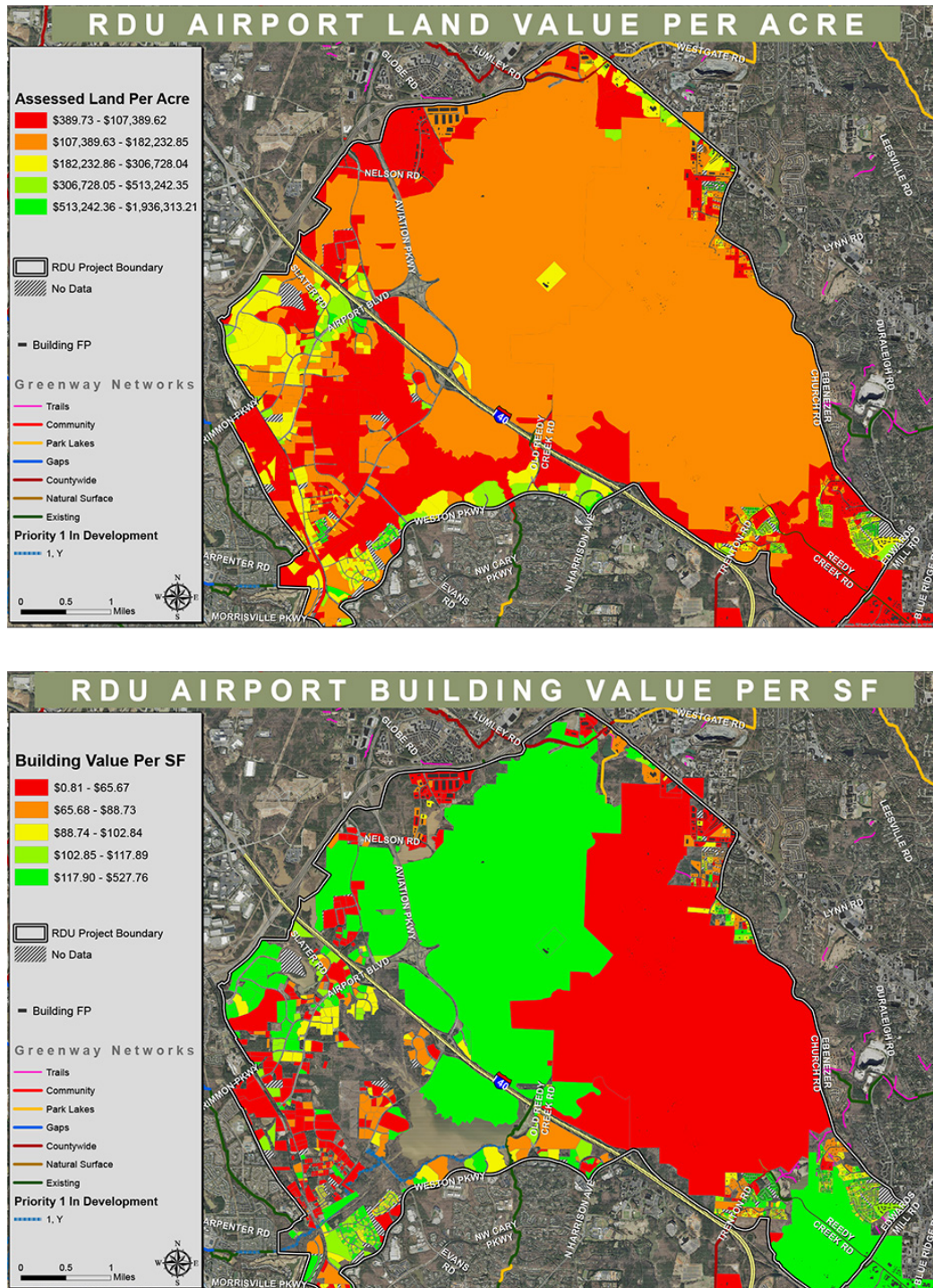
DFI conducted a high-level analysis of a pre-determined study area proximate to RDU Airport. The goal of this analysis was to identify trends and patterns of land use and property conditions in the study area. The area has a perimeter of twenty-seven miles and encompasses roughly 18,000 acres that, in turn, encompass Umstead State Park and a portion of the town of Morrisville. The study area is adjacent to the Research Triangle Park (RTP) and the town of Cary and is roughly equidistant between the two largest population centers in the region, the cities of Durham and Raleigh. I-40, the major highway connecting the two cities, runs through the middle of the study area.

Figure 6. Study Area Maps—Project Study Area, Regional Context



The study area contains a total of 30.2 million square feet of built space and \$3.1 billion in taxable value. The lowest-valued land and buildings are located west of Lake Crabtree in the south-east portion of the study area, while the highest-valued buildings are in the furthestmost southeast section of the area. (See Figure 7, below.)

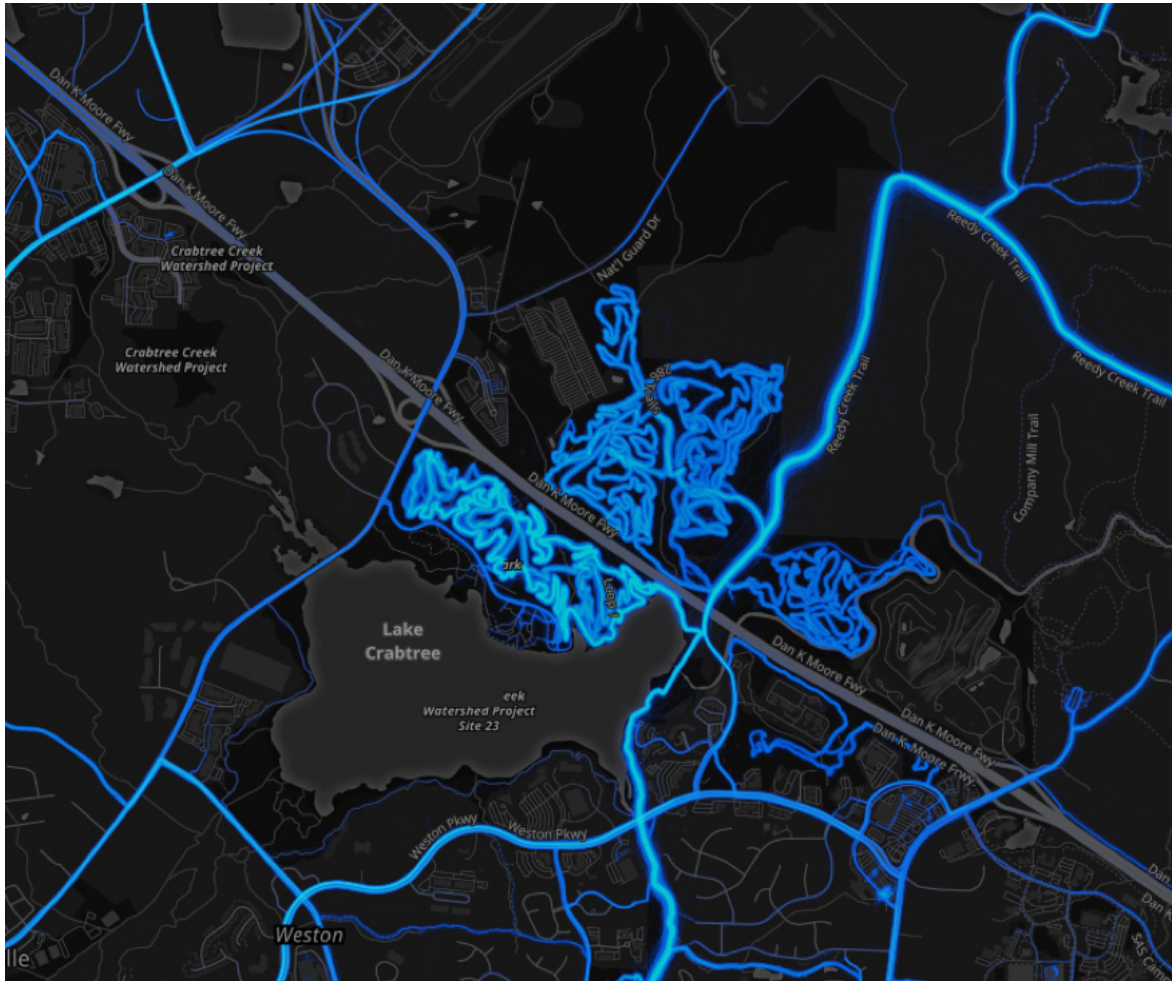
Figure 7. Land, Building Valuations



Source: DFI, using Wake County GIS data, 2017.

A site visit to the land south of RDU Airport revealed that it has interesting topography and aesthetic value. The team touring the site also noted that the land showed signs of extensive use for mountain biking and bouldering, a form of rock climbing. Meetings with stakeholders and data from the social networking site Strava (see Figure 8, below) provide further evidence that segments of the local community value the land as a resource for recreational activity.

Figure 8. Strava Map



Source: Strava Labs, Global Heatmap (detail of study area), <http://labs.strava.com/heatmap/#6/-120.90000/38.36000/blue/bike>.

III. Site Analysis

A. Overview

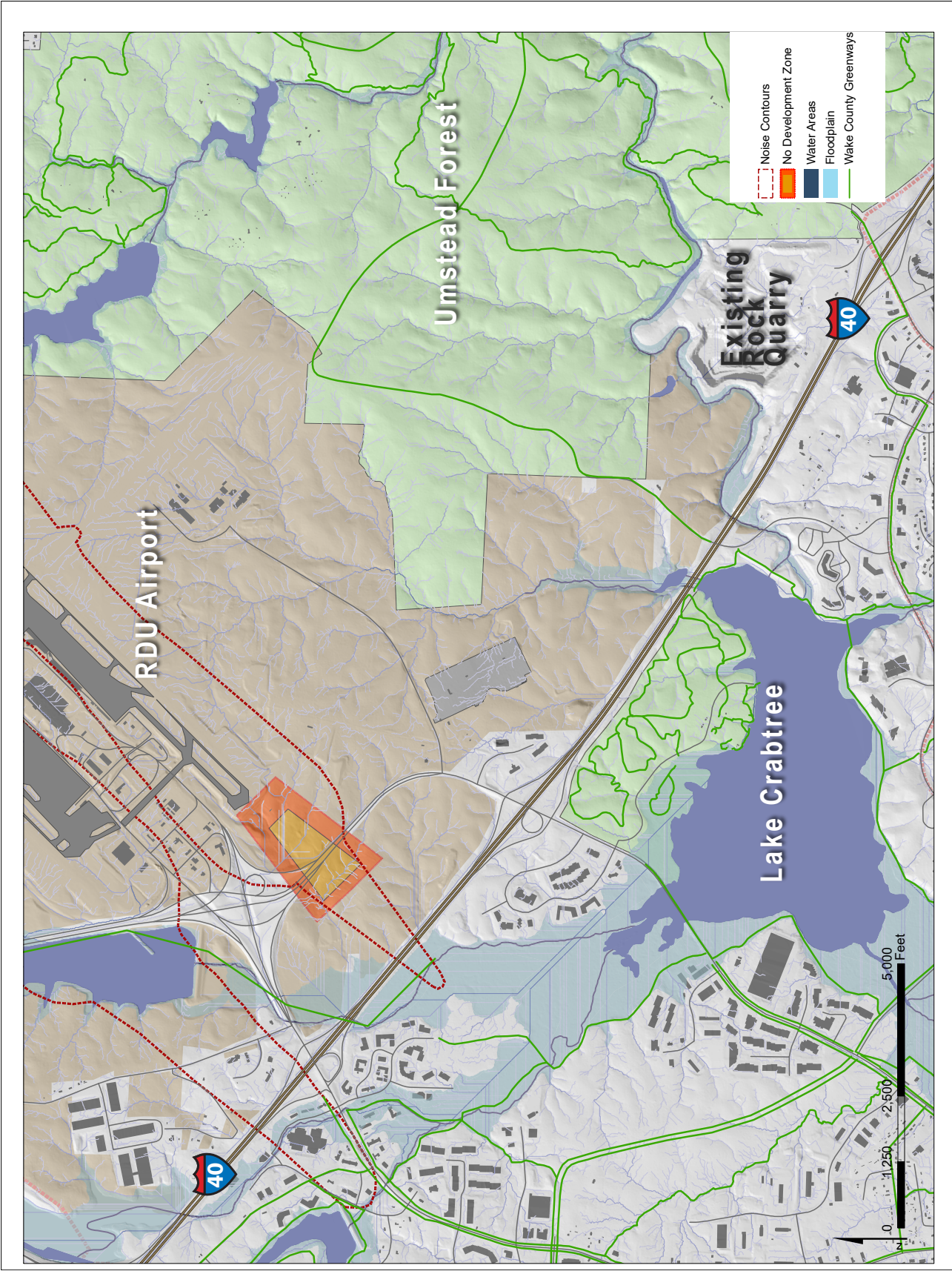
DFI evaluated the RDUA property as part of its comprehensive approach to identifying development opportunities. The 4,500-acre focus area, located within the Piedmont Region of North Carolina, is characterized by highly variable topography; significant hydrologic systems featuring Lake Crabtree, Crabtree Creek, and wide swaths of 100-year floodplain; and highly-trafficked roads and pedestrian/cyclist trail infrastructure. The study area stretches across I-40, with direct highway access from both directions, and includes portions of Umstead State Park and Lake Crabtree County Park. (See Figure 9, below.) The abovelisted features offer opportunities and challenges for development, which are discussed below.

B. Physiography and Hydrology

The topography of the study area is highly variable. The core facilities of RDU Airport occupy some of the highest-elevated sections of the RDUA property at over 450 feet above sea level. Several highly-elevated ridges run southeast from the core airport facilities, forming elevated perches over hydrologically carved valleys. Lake Crabtree and Crabtree Creek represent the lowest-lying properties within the study area at 250 feet above sea level. Crabtree Creek and several of the tributaries that feed the creek, most notably Haley's Branch, have carved sections of land where slopes reach up to a severe 65 degrees. The majority of the study area outside of the creek valleys is characterized by rolling land with slopes between 8 and 25 degrees.

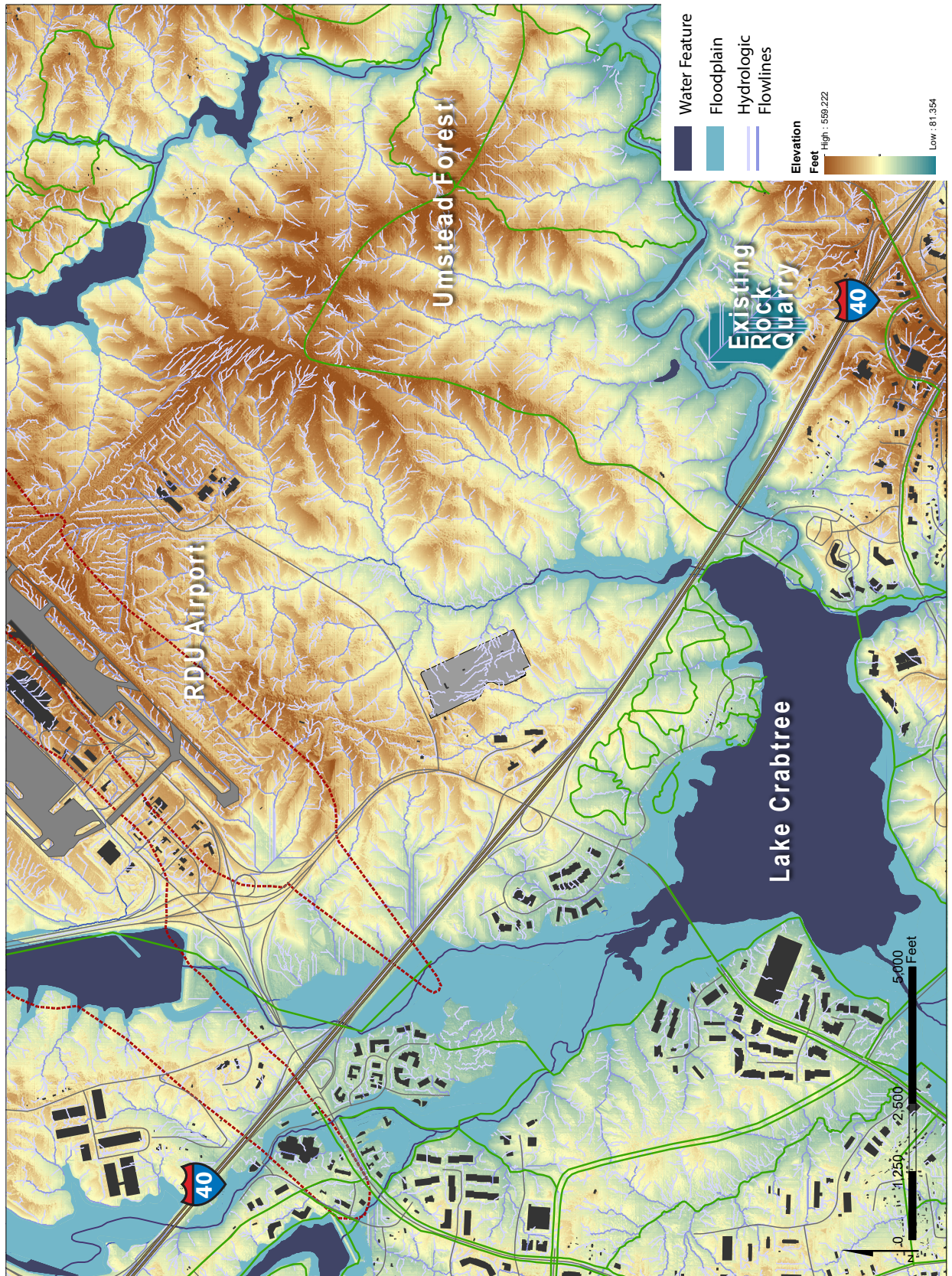
Crabtree Creek flows from the west, and in the 1990s, Lake Crabtree was constructed to mitigate flooding in the Raleigh area. A significant section of land within the study area west of Lake Crabtree, upstream on Crabtree Creek, is within the 100-year floodplain. Lake Crabtree manages a significant amount of stormwater, and thus the floodplains to the west of the lake have minimal impact on the development opportunity sites. (See Figure 10, below.)

Figure 9. RDU Recreation Basemap



Source: DFI, using Wake County GIS data, 2017.

Figure 10. RDU Recreation Hydroanalysis



Source: DFI, using Wake County GIS data, 2017.

C. Connectivity and Accessibility

The study area is situated in one of the most visible and highly connected corridors in North Carolina, at the confluence of RDU Airport and I-40. Aviation Parkway, Airport Boulevard, and I-540 provide direct access into the site. All of these roads have traffic counts of between 30,000 and 108,000 vehicles on a daily basis, making them some of the highest-trafficked stretches of road in the region. However, the peripheral property of the study area is accessible by vehicle only by Old Reedy Creek Road, a gravel road with a bridge over I-40, and by National Guard Drive off of Aviation Parkway. National Guard Drive dead-ends at the old, original runway of RDU Airport. Significant vehicular infrastructure would need to be developed in order to provide access for development in the outlying property of the study area.

In contrast with the site's lack of internal vehicular access, there is an abundance of trails for pedestrians and cyclists. Umstead State Park had more than 1.8 million visitors in 2016,² and Lake Crabtree has more than 270,000 visitors annually. (See Figure 11, below.) These two parks feature approximately fifty miles of formal walking and cycling trails, while the outlying properties of RDU Airport have informally over the last three decades developed a highly-used system of walking and mountain biking trails that have drawn visitors from across the Triangle region.

Wake County has updated its greenway and open space master plan, and the area in and around Lake Crabtree and the RDU Airport property features prominently in providing access for residents and visitors looking to travel from Raleigh to the RTP and beyond. The proposed Wake County Greenway plan also features prominent connections south to Morrisville and Cary.

Figure 11. Lake Crabtree County Park



2. "North Carolina State Parks Report Record 2016 Visitation of 18.8 million," North Carolina Department of Natural and Cultural Resources, www.ncdcr.gov/north-carolina-state-parks-report-record-2016-visitation-188-million, <http://www.bizjournals.com/triangle/news/2016/04/18/the-list-largest-north-carolina-state-parks.html> (Jan. 26, 2017).

IV. Market Analysis

To understand the feasibility of private development, DFI conducted a preliminary market analysis. This analysis focused on recent trends in regional demographics and recreation-development models that could be applied to the land surrounding RDU Airport. A complete market study, undertaken as part of the full pre-development process (see Figure 2, above), would estimate the square footage of retail, commercial, and recreation-based development the site could support over the next five years.

DFI defined the *primary market area* as being within a ten-minute drive of RDU Airport. When data for this precise area was not available, the team used a six-mile radius from the airport, which covers roughly the same population. Any prospective development of the land under analysis would be conveniently located for residents or workers in the primary market area. Thus, any business located near the airport should be able to compete for customers in this primary area. Similarly, any owners of prospective office space would be directly vying for the same tenants as other owners of office buildings in the primary market area.

Due to RDU Airport's status as a regional transportation hub, DFI defined the *secondary market area* as the entire Research Triangle region. For purposes of certain data-collection tools, this market was defined as being within a forty-five-minute drive of RDU Airport. This larger area represents the vast majority of the market for any prospective office, retail, and recreational development.

DFI's primary and secondary market areas approximate the areas used by other major real estate analysts, including Avison Young and Colliers International.³

A. Demographics

The primary market area includes roughly 74,000 residents and 117,000 workers. A large majority of residents have at least a bachelor's degree and are employed in white collar professions. Unemployment is low and median income is high compared to North Carolina as a whole. Most workers are employed in manufacturing, professional and support services, and communications.

The primary market area is projected to see population and median household income increases over the next five years. The population growth rate is projected to outpace both state and national growth. While median household income for the primary market area is estimated to grow at a slower rate than the state or national average, this reflects the fact that residents in the area already have relatively high incomes. The median household income is \$75,436, compared with the 2015 national average of \$55,775.⁴ Therefore, the absolute growth in median household income for the study area should be equivalent to or greater than that of the state or nation as a

3. See "Raleigh-Durham Retail Market Report" (4th Quarter 2014)," Avison Young, www.avisonyoung.com/fileDownloader.php?file=files/market-intelligence/Retail%20-%204q14%20-%20RDU.pdf; and "Research & Forecast Report: Raleigh-Durham Office (Q1 2017)," Colliers International, www.colliers.com/-/media/files/marketresearch/unitedstates/markets/raleigh/2017%20reports/q1%202017%20raleigh%20durham%20office%20report.pdf.

4. <https://www.census.gov/content/dam/Census/library/publications/2016/demo/acsbr15-02.pdf>.

whole. Growth in population and income should expand the potential market for retail, office, or recreational facilities.

The secondary market area includes roughly 1.6 million residents and 914,000 workers. Nearly half of residents in this area have at least a bachelor's degree, and roughly three-fourths are employed in white collar professions. While unemployment is slightly higher than the national average, median household income is higher than the state or national average. (See Table 1, below.)

Table 1. Demographic Data, Primary and Secondary Market Areas

	Primary Market Area	Secondary Market Area
2016 Population	74,198	1,626,499
Median Age	34	35.5
Median Household Income	\$75,436	\$62,468
Average Household Size	2.25	2.53
Total Businesses	5,386	65,290
Total Employees	117,283	914,389
Bachelor's Degree and Above	63%	48%

Source: Esri BAO, July 2017.

The Research Triangle is projected to be the fastest-growing region in North Carolina. The North Carolina Office of State Budget and Management projects that the populations of Durham and Wake counties (and the adjacent Johnston and Harnett counties) will grow more than 50 percent between 2010 and 2035. In total, the region is projected to account for a third of the state's entire population growth.⁵ Population growth and median household income are both expected to increase at a faster rate than the state or nation as a whole. This data suggests that being in a large and growing region is a potential development benefit.

B. Market for Office Space

The North Carolina Department of Commerce projects that office-occupying industries in the Raleigh-Durham area will grow at an annualized rate of roughly 2 percent per year over the next decade.⁶ Applying this growth to the primary market area implies a growth of around 3,400 new office-occupying jobs.⁷ Alternatively, over the past five years, office-occupying jobs in the primary market area have grown by approximately 3.6 percent.⁸ Projecting this rate into the future would result in an additional 6,600 jobs. DFI applied a recent national average of 200 square feet per

5. Rebecca Tippet, Carolina Population Center, "NC Demographic Trends Through 2035: House Select Committee on Strategic Transportation Planning and Long Term Funding Solutions," www.ncleg.net/documentsites/committees/house2015-172/2-22-16_Meeting/Demographic_Trends_through_2035.pdf, (UNC, Feb. 22, 2016).

6. North Carolina Department of Commerce, "Industry Projections: North Central Sub-Regions Projection Files," <https://www.nccommerce.com/lead/data-tools/industry/projections/prosperity-zones/north-central-region> (2017).

7. U.S. Census Bureau, Center for Economic Studies, "On the Map," <https://onthemap.ces.census.gov/>.

8. *Ibid.*

office worker to the Department of Commerce and historical projections.⁹ This process resulted in an estimated new office space total of 686,000 and 1,328,000 square feet, respectively. Market reports from Cushman & Wakefield and Colliers International suggest that there is 550,000 square feet of office space already under construction in the area.¹⁰ Therefore, there is an estimated potential for 136,000 to 780,000 square feet of new office space in the primary market area over the next five years.¹¹

DFI reviewed analyst reports from three major companies: Cushman & Wakefield, Avison Young, and Colliers International. All of the reports contained data for regions that roughly aligned with markets in the primary and secondary study areas. The sub-market data for RTP/I-40 fits approximately with the primary market area, while the market totals roughly fit the secondary market area.

The analyst reports suggest that the RTP/I-40 market is weaker than the Research Triangle as a whole. All three companies estimate the office space vacancy rate in the primary market area to be higher than in the Research Triangle. This is reflected in average rental rates below the average for either suburban or urban areas in the Research Triangle. Vacancy rates are already relatively high in the RTP/I-40 area. Although they have decreased over the past two years, this appears to reflect a lack of construction rather than a strengthening market. Since the square footage of office space under construction has significantly increased over the past six months, this could portend a higher future vacancy rate. (See Figures 12–16, below.)

Research and Development (R&D), warehouses, and distribution centers are a critical part of the RTP/I-40 economy. The inventory of space dedicated to these purposes totals 25,800,000 square feet, compared with nearly 12,000,000 square feet of office space. However, the vacancy rate for these spaces has risen over the past two years, possibly signaling a weakening in the underlying market. (See Figure 17, below.)

Engagement with local real estate developers and stakeholders has revealed that there is fear of the sub-market near RDU Airport becoming oversaturated with office and R&D space. However, the analyst reports signal that the Raleigh-Durham region in general continues to have strong demand for office space, with decreasing vacancy rates and healthy net absorption numbers. This conclusion is corroborated by DFI's preliminary demographic analysis, which signaled continued growth in the region. Therefore, the central concern for office space appears to be the competitiveness of the RTP/I-40 sub-market, rather than the health of the larger market for office space in the larger region.

The demographic analysis revealed that the region has experienced significant population growth, which is expected to continue over the next decade. As the area grows, so will the demand for public recreational facilities. The Research Triangle has already seen a noticeable increase in the use of existing facilities. In 2016, Umstead Park, located next to the site at RDU Airport, overtook Jordan Lake to become the most-visited state park in North Carolina. Umstead Park welcomed 1.84 million visitors in 2016, an increase of 500,000 (38 percent) from the previous year.¹² Stakeholder outreach has reflected this trend, with developers and local leaders expressing an interest in building facilities to service an increasing demand for recreational activities.

9. Adrian Ponsen, "Trends in Square Feet per Office Employee," *Development Magazine* (NAIOP, Spring 2015), <http://www.naiop.org/en/Magazine/2015/Spring-2015/Business-Trends/Trends-in-Square-Feet-per-Office-Employee.aspx>.

10. See note 3, above, for full cite of Colliers report.

11. Readers should be aware that a potential development at the RDU Airport site will not capture all of the new demand for the entire sub-market. Further analysis is needed to determine an appropriate capture rate of this demand.

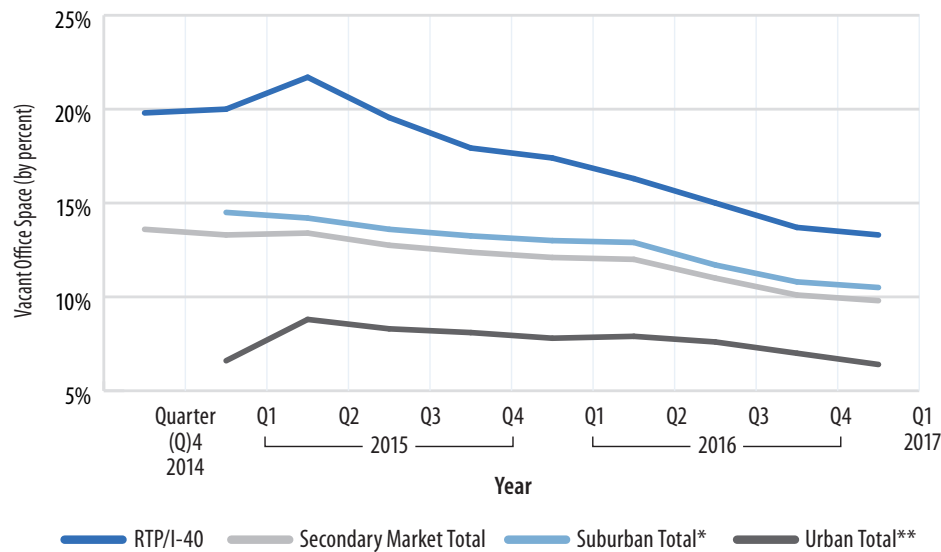
12. "North Carolina State Parks Report Record 2016 Visitation of 18.8 million," North Carolina Department of Natural and Cultural Resources, www.ncdcr.gov/north-carolina-state-parks-report-record-2016-visitation-188-million, <http://www.bizjournals.com/triangle/news/2016/04/18/the-list-largest-north-carolina-state-parks.html> (Jan. 26, 2017).

Figure 12. Office Space Data, Primary Market Area, 2017

Analyst	Existing Inventory (SF)	Vacancy Percentage	YTD Net Absorption (SF)	Under Construction	Average Rental Rate	Class A Asking Rate
Colliers International	12,551,723	12.60%	N/A	557,500	\$20.81	\$23.31
Avison Young	11,864,547	13.30%	53,296	547,946	\$21.75	\$23.88
Cushman & Wakefield	13,148,100	26.94%	11,266	489,986	\$21.69	\$23.58

Figure 13. Office Space Data, Secondary Market Area, 2017

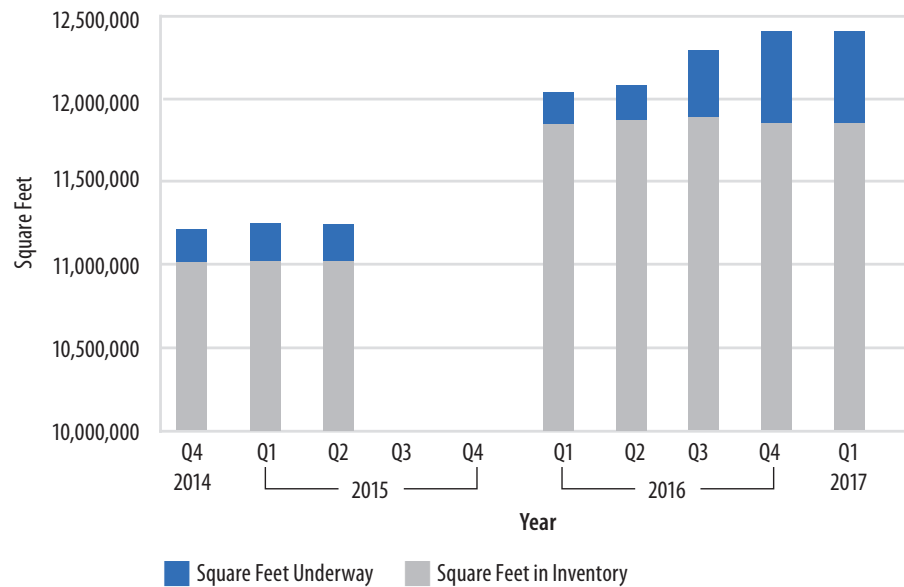
Analyst	Existing Inventory (SF)	Vacancy Percentage	YTD Net Absorption (SF)	Under Construction	Average Rental rate	Class A Asking Rate
Colliers International	66,503,178	7.80%	489,139	1,892,134	\$21.81	N/A
Avison Young	43,683,006	9.80%	534,950	2,058,072	\$23.09	\$26.27
Cushman & Wakefield	51,290,602	14.20%	819,782	2,020,906	\$23.38	\$25.29

Figure 14. Office Space Vacancy Rates, Primary and Secondary Markets

* Data for all suburban areas in RTP, including RTP/I-40

** Data for downtown Durham and Raleigh

Source: Avison Young, Office Market Reports 2014–2017.

Figure 15. RTP/I-40 Total Office Space, Existing and Under Construction, by Square Foot

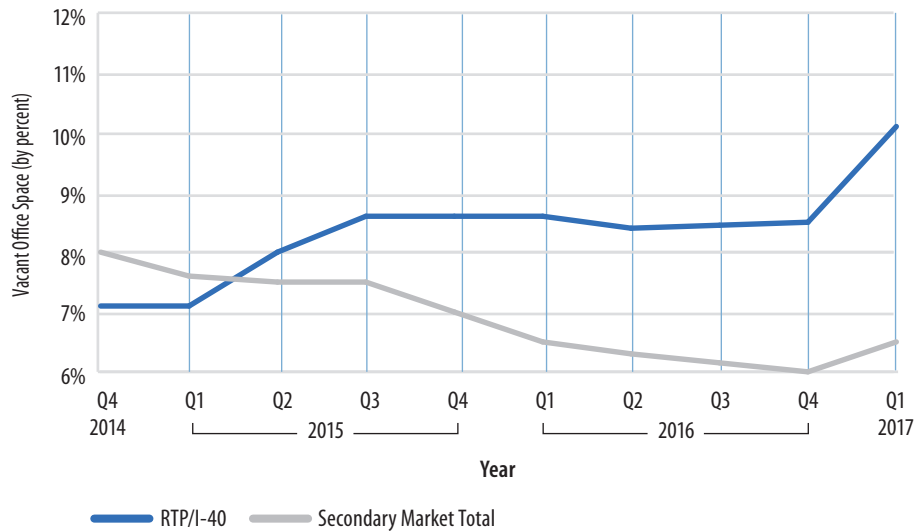
Source: Avison Young, Office Market Reports 2014–2017.

Note: Data is missing for Q3 and Q4 of 2015.

Figure 16. Primary and Secondary Market Office Space, by Square Foot

Source: Avison Young, Office Market Reports 2014–2017.

Note: Data is missing for Q3 and Q4 of 2015. Estimates for these quarters were produced by taking the average of the change from Q2 2015 and Q1 2016.

Figure 17. R&D and Warehouse Space Vacancy Rates, Primary and Secondary Market Areas

Source: Avison Young, Office Market Reports 2014–2017.

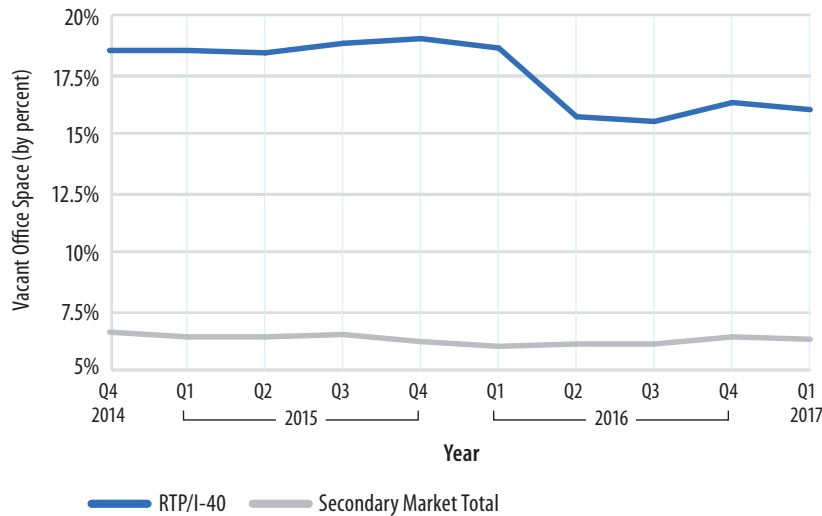
Note: Data is missing for Q4 2015 and Q3 and Q4 2016. Estimates for these quarters were produced by taking the average of the previous and subsequent quarters.

C. Demand for Retail Space

To gain an understanding of the current demand for retail space, DFI conducted a gap analysis to determine the current demand for additional food and drinking establishments. Using data from Esri BAO, the team created estimates for the supply and demand for food services within a six-mile radius of RDU Airport but excluding the airport itself. This analysis revealed that residents were driving outside the area to spend nearly \$11.9 million on alcoholic beverages and \$3.7 million on restaurants. Applying an average \$350-per-square-foot threshold, DFI estimates that these sales could support more than 37,500 square feet of food-oriented retail space. (See Figures 18 and 19, below.)

Figure 18. Demand for Retail Space Next Five Years, Primary Market Area

Establishment Type	Demand	Supply	Gap	Number of Businesses	Potential Additional SF*	SF with 20% Capture Rate
Special Food Services	\$ 3,061,235	\$ 5,506,862	\$(2,445,627)	14		
Drinking Places (Alcoholic Beverages)	\$ 23,398,148	\$ 11,503,123	\$11,895,025	17	33,986	6,797
Restaurants/Other Eating Places	\$316,465,417	\$312,781,059	\$ 3,684,358	381	10,527	2,105
Total Food Services and Drinking Places	\$342,924,801	\$329,791,045	\$13,133,756	413	37,525	7,505

Figure 19. Retail Vacancy Rates, Primary and Secondary Market Areas

Source: Avison Young, Office Market Reports 2014–2017.

The analyst reports reflect a retail market that is stable but that has little room for rapid growth. Vacancy rates have been falling slowly, but this appears to be due to a drop-off in construction rather than increasing demand. DFI’s stakeholder engagement has reinforced the belief among developers that the market for retail space appears to be healthy, but there is little enthusiasm for significantly more space. This mirrors the findings from the market analysis for office space.

D. Demand for Residential Space

Residential development is deemed a “non-compatible land use” by the Federal Aviation Administration and is discouraged near airports. For this reason, DFI did not complete a residential analysis.

E. Demand for Recreational Facilities

The demographic analysis revealed that the region has experienced significant population growth, which is expected to continue over the next decade. As the area grows, so will the demand for public recreational facilities. The Research Triangle has already seen a noticeable increase in the use of existing facilities. As stated above, in 2016, Umstead Park, located next to the site at RDU Airport, overtook Jordan Lake to become the most-visited state park in North Carolina.

Stakeholder outreach has reflected this trend, with developers and local leaders expressing an interest in building facilities to service an increasing demand for recreational activities.

F. Demand for Hospitality

Hospitality is one of the most common types of commercial developments near major airports. The market for lodging is likely to expand, reflecting the region's growing income and population, in addition to increased air traffic at RDU Airport. Interviews with stakeholders revealed that the hospitality market near RDU Airport is being monitored by analysts and industry leaders. Therefore, DFI expects that the projected growth of RDU Airport will already be built into plans for hotel chains and other hospitality providers. However, local developers caution that there is very limited demand for traditional flagship hotels due to current market saturation. A boutique or niche hotel could meet an underserved need in the market.

Figure 20. Port Dock Brewery Hotel in Port Adelaide, Australia



V. Recreational District Concept

The market analysis uncovered a strong demand for new recreational facilities in the region but a more tepid demand for office and retail space. DFI explored how a high concentration of recreational activities could attract consumers to the area, which would directly increase the demand for retail and hospitality spaces. Giving the RTP/I-40 sub-market a unique character and improving the quality of life for residents should also drive demand for office space. In this way, a district focused on recreational facilities could spur development that generates a new source of revenue for the RDUA.

There are several factors that should be taken into consideration in the creation of a recreational district. The district should be active year-round and attract a steady stream of customers without causing significant congestion. DFI researched multiple types of recreational facilities that may be appropriate for the site at RDU Airport. Several types of facilities are detailed in the sections below; a larger list is found in Table 2, below.

All of the facilities and examples in this report should be regarded as a starting point, not as definitive recommendations. **A full pre-development process and further stakeholder engagement is required to select facilities that would be most appropriate for the site at RDU Airport.** (See Figure 3, above.)

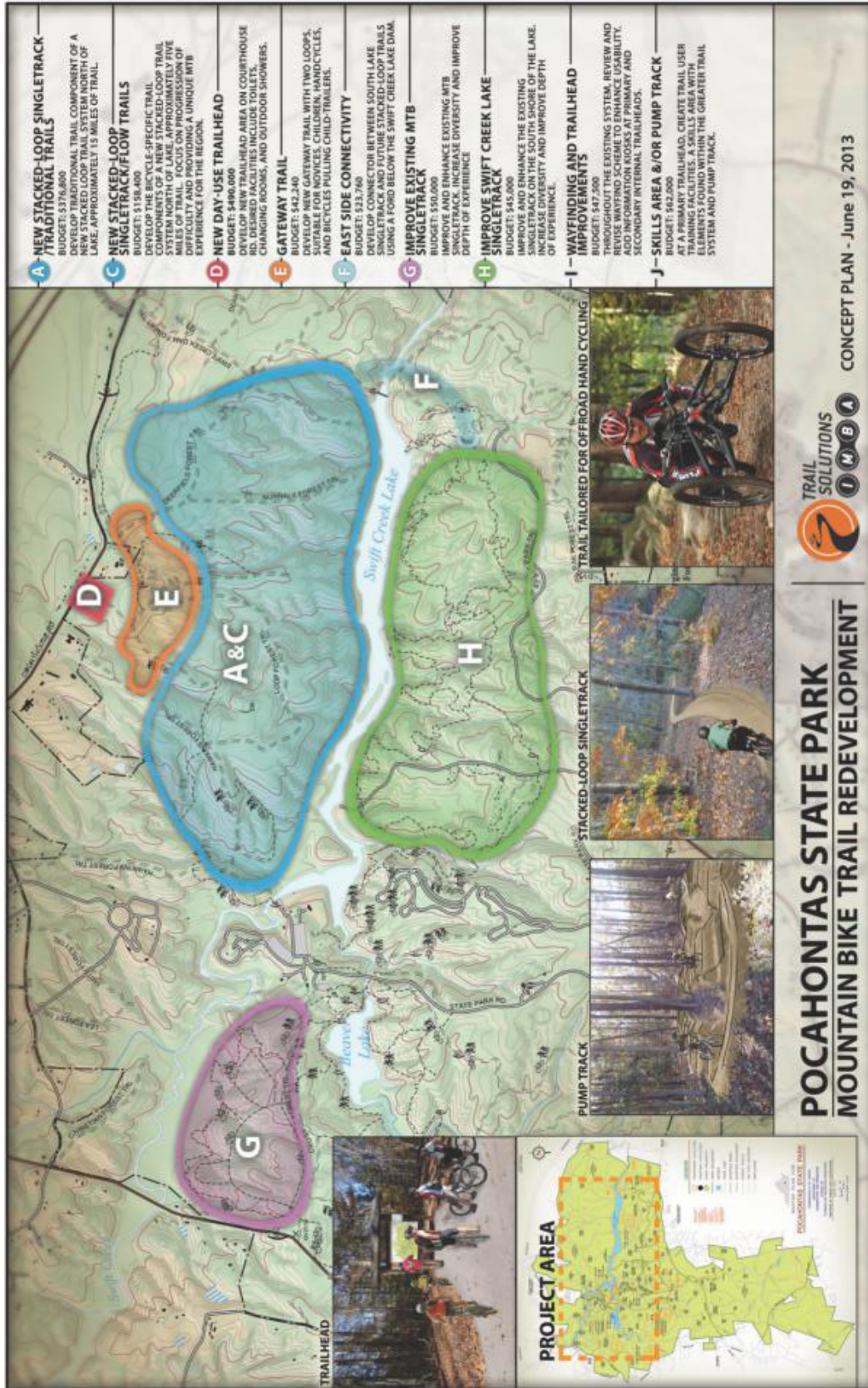
A. Mountain Biking Ride Center

As the site is already being used informally for mountain biking, DFI researched the opportunities for creating an official *mountain biking ride center*. A ride center is a network of mountain biking trails. The trails must cater to a wide range of skill levels, include varied terrains, and be of a certain length. Many ride centers also often include specialized trails and facilities for free-riding and downhill.

The International Mountain Biking Association (IMBA), a large umbrella organization for local mountain biking clubs, certifies ride centers and classifies them into three categories: gold, silver, and bronze. However, some of the largest and most iconic mountain biking destinations, such as Moab in Utah, are not part of IMBA's ride center program.

The ride center in Richmond, Virginia, provided an excellent analogue to the circumstances at the RDU Airport site. The Richmond Regional Ride Center (RRRC) is near an urban area of a size similar to the study area and is also adjacent to a state park. Before the creation of the Richmond ride center, mountain bikers there created informal trails, just like the riders in the study area. While many other nationally recognized ride centers are in large mountain ranges and hills, RRRC's topography, like the site at RDU Airport, is different. Finally, the trails at RRRC are denser than many other ride centers and could fit comfortably next to other types of development as a part of a recreational district concept.

Figure 21. Pocahontas State Park Mountain Bike Trail Project



The RRRC was developed after Richmond hosted the UCI World Cycling Championships in 2015 and is situated within Pocahontas State Park. The facility is certified as a bronze-level ride center by the IMBA. It supports more than seventy miles of mountain biking trails. To meet IMBA standards, a group of mostly volunteers in Richmond improved fifteen miles of existing trails and cleared twenty miles of new trails. The improvements took two years to complete. The RRRC also provides support to allow the disabled community to participate in mountain biking. (See Figure 21, above.)

A ride center could be integrated into the existing Wake County greenway plan. It could also be connected to paved trails that are woven around other types of spaces in the district (office, retail, hospitality, parking).

B. Indoor/Outdoor Multi-Sport Facility

A multi-purpose space for sports and athletic events would be consistent with the recreational district concept. This type of facility would include fields and courts for various activities, such as basketball, soccer, volleyball, tennis, lacrosse, field hockey, or baseball. An ice rink or swimming pool could also be incorporated into the facility.

Since many sports are seasonal, a flexible multi-sport facility would help ensure that the space would be used year-round. Being able to use the same spaces for multiple activities would also help the facility adjust to future changes in the popularity of specific sports or activities. A multi-sport facility could host several types of programs, including youth sports leagues/tournaments, summer sports camps, after-school and weekend programs, and adult intermural sports leagues.

Proehlific Park in Greenboro, North Carolina, provides a model for a potential multi-sport facility. The 22-acre campus includes 60,000 square feet of indoor space, including three turf fields, basketball/volleyball courts, batting cages, and a gym for personal fitness and physical therapy. (See Figure 22, below.) Outdoors, Proehlific Park offers three baseball/softball fields, three multi-use fields (soccer, football, or lacrosse), and a picnic area. Programs offered at the facility include adult and youth sports leagues, physical therapy, personal training, after-school programs, summer camps, and nutrition/fitness classes. Proehlific Park aims to attract a wide range of customers, from children's birthday parties to specialized training for the NFL Combine. Proehlific Park is owned by former NFL wide receiver Ricky Proehl.

C. Adventure Park

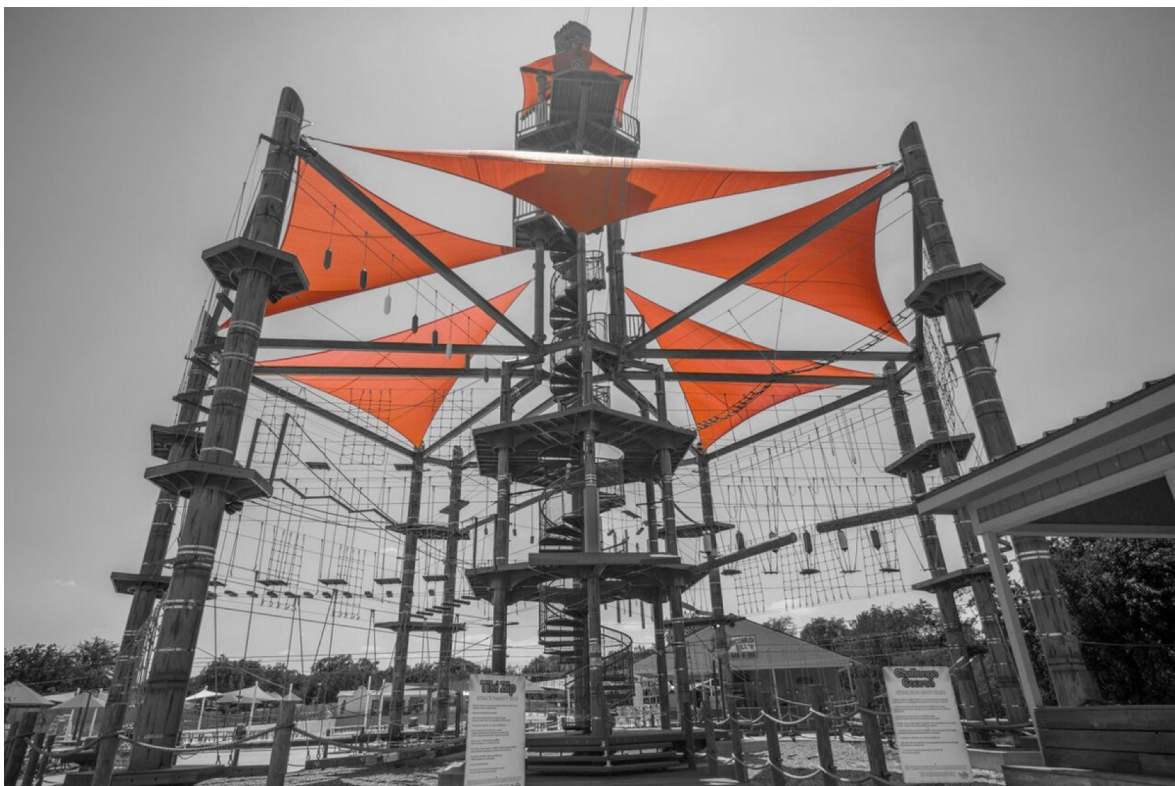
DFI defines an *adventure park* as a collection of outdoor recreational facilities that provide a unified consumer experience—essentially, an amusement/theme park for outdoor recreation. Activities could include climbing, caving, swimming, or obstacle courses. Customers normally spend several hours at such parks—often, operators offer full-day or half-day tickets. Generally, adventure parks are designed around a central square or meeting place with retail stores and restaurants.

There are several good examples of adventure parks, like Brownstone Exploration & Discovery Park in Portland, Connecticut. The Brownstone Park is built in a flooded quarry. In 2005, the town voted to lease two of the properties that are located in the quarry, and the adjacent riverfront properties, to developers who subsequently turned the area into a water park. Activities include swimming/snorkeling, zip lining, cliff jumping, kayaking, rock climbing, scuba diving, wake

Figure 22. Indoor Space, Proehlfic Park



Figure 23. Brownstone Park Water Feature



boarding, hiking, biking, and team-building programs. The park has been commercially successful, attracting high reviews on Trip Advisor and paying rent to the town. (See Figure 23, above.)

Many adventure parks, like Brownstone Park, are built around water attractions, which may not be realistic for the site at RDU Airport. However, there are several operators that are exploring non-water-based parks. For example, RISE Design, a designer of climbing apparatuses, has been developing a concept for an adventure park near a major urban center. This park would include facilities for climbing, caving, zip lining, and obstacle courses. RISE has expressed an interest in exploring opportunities in the Raleigh-Durham area.

D. Indoor Recreation

DFI defines an *indoor recreation center* as a large building used primarily for games or physical activities. This is a broad category that could include a pool hall, roller skating rink, bowling alley, indoor batting cages, or laser tag facility.

Topgolf, a new play on driving ranges, is a good example of an indoor recreation center. The operator adds a new element to traditional driving ranges by embedding sensors in its golf balls, allowing customers to track their shots. This technology also enables customers to play different games on the driving range. For example, the TopShot game challenges customers to hit targets at four different distances. Customers tee off from suites reminiscent of luxury boxes at sports stadiums that are equipped with several monitors and TVs. They often purchase food and drinks during their visits. (See Figure 22, below.)

Topgolf is expanding rapidly. The company opened its first location in 2005 and aims to have 100 facilities by 2022. Topgolf opened its first facility in Charlotte, North Carolina, in June 2017

Figure 24. Topgolf Space



on a 14-acre parcel of land. The operator is interested in expanding to the Raleigh-Durham area (specifically, near RTP), in spite of the fact that a smaller competitor called Drive Shack is already building a facility near the PNC Arena.

E. Trail for Fun Runs

Various types of recreational runs have become popular in recent years. Some of these events are focused on charitable fund raising, such as the Multiple Sclerosis (MS) Walk, which benefits the National MS Society. Other runs challenge participants to test their physical endurance or ability to navigate obstacles, such as Spartan Races or Tough Mudders. Finally, other runs have a quirky theme. These include zombie runs, where actors dressed as zombies chase participants. Some fun runs can draw as many as 15,000 participants.

A large fun run may require a wider trail than is found on a typical greenway and a large space to set up tents for registration, food, or other refreshments. The trail may also have to host obstacles, many of which incorporate large amounts of mud (for Tough Mudders and zombie runs). (See Figure 25, below.) Therefore, to host major events, it may be necessary to build a special 5-to-10-kilometer fun run trail.

A purpose-built trail at the RDU Airport site could be appealing for event organizers and participants. The site at the airport is centrally located relative to the major population centers in the Raleigh-Durham area. This would make events attractive to prospective participants, since many of the larger fun runs in the region are hosted near the Piedmont Triad rather than the Research Triangle.

Developers could also explore how a fun run trail would complement other recreational facilities. For example, event participants may take advantage of retail stores located elsewhere in the district to purchase equipment or food. Fun runs might be able to share some facilities with other developments in the district. For example, it may be possible to have restrooms accessible for both fun run participants and athletes at the multi-sport facility.

Figure 25. Mud Run



F. Education and Research

The core study area falls on the western end of more than 13,000 acres of nearly contiguous urban forest. This area already includes research and education outposts at the North Carolina Museum of Art (operated by the North Carolina Department of Cultural and Natural Resources (NCDNCNR)), Prairie Ridge Ecostation (also operated by NCDNCNR), Schenck Forest (operated by North Carolina State University), and Umstead State Park (also operated by NCDNCNR). These existing facilities are heavily used for activities such as education programs for school-aged children, camps, academic research, and research conducted by everyday citizens. Led by the North Carolina Museum of Natural Science in Raleigh, the greater Raleigh-Durham region has one of the largest “citizen scientist” programs in the country.

Infrastructure supporting education and research activities/facilities could be part of potential commercial development plans but could also co-exist within areas designated for recreation and trail usage. Umstead State Park, for example, has multiple cabin and camping spaces within its boundaries. Similarly, Prairie Ridge Ecostation and the Museum of Art have research and education buildings that support all manner of research and education functions. These existing features are already well-used and their level of use is increasing. This presents an opportunity for the RDU Airport site to incorporate other elements of education and research support and to coordinate those elements within a recreational development framework.

Table 2. Recreational Facilities Suitable for RDU Airport Site

Type of Facility	Description	Examples
Indoor/Outdoor Multi-Sport Facility	Multi-purpose spaces for sports and athletic events, such as basketball, soccer, volleyball, tennis, field hockey, lacrosse, and baseball. Could also include an ice skating rink. Can be used for youth tournaments, after-school/weekend programs, and summer camps.	Proehlific Park (Greensboro); MVP Sports Factory (Wake Forest)
Adventure Park	Collection of climbing facilities, obstacle course, bouldering, caving, and various other outdoor recreation activities. Designed around a central square/meeting place.	RISE Adventure Park; National Whitewater Center (Charlotte); Edinburgh International Climbing Arena (Scotland); Brownstone Exploration & Discovery Park (Connecticut)
Indoor Recreation Facility	Large facility with a range of mostly indoor recreational activities, such as a driving range, roller skating rink, bowling alley, batting cages, or laser tag course.	Topgolf (Charlotte); Palace Pointe (Roxboro)
Trail for Fun Runs	A trail designed to accommodate fun runs with infrastructure for complex obstacles, crowd management, and space for tables to be set up for festivals.	Tuff Mudder; Run For Your Lives (zombie run); Spartan Race; Boomerang Beer & Brat Fun Run (Fayetteville)

(continued)

Table 2. Recreational Facilities Suitable for RDU Airport Site (*continued*)

Type of Facility	Description	Examples
Education and Research	Education and research support facilities, including low-cost cabins, research spaces, and presentation spaces.	Prairie Ridge Ecostation; Schenck Forest outdoor classrooms; North Carolina Museum of Art convening areas
Approx. 3,000-Seat Stadium/Multi-Event Space	A small outdoor event space that could host athletic tournaments or performing arts events. Stakeholders have expressed the need for a space primarily for community use rather than one that is part of a local university.	Mann Center for the Performing Arts (4,500 seats, Philadelphia); Grace P. Johnson Stadium (Pembroke)
Zip Lining/Ropes Course/Canopy Walk Facility	A course for zip lining or recreational activities in the canopy of a forested area. Could be part of an adventure park or a separate facility.	GoApe (Raleigh); ZipQuest (Fayetteville)
Trapeze Center	A rig for outdoor flying trapezes. There is no outdoor trapeze rig currently in eastern North Carolina.	Dare to Fly Trapeze (Asheville); Cirque Fit (Atlanta)
Aquatics Center	A facility for water sports, such as swimming and water polo. Can be separate or incorporated into the indoor/outdoor multi-sport facility.	Triangle Aquatic Center (Cary)
Artificial Surfing Center	A small artificial lake fitted with wave machines to allow surfing.	NLand Surf Park (Austin, TX)
Archery Range	An indoor or outdoor facility for archery.	First Flight Archery (Raleigh)
Fitness Studio/Gym/Spa/Physical Therapy Center/Healthplex	A complex with various health-related amenities.	Cape Fear Valley HealthPlex (Fayetteville)
Complementary Types of Recreation-Focused Retail	Stores offering recreational games and activities (smaller than the indoor recreation category). In recent years, “Escape the Room” and “Questing” have become popular team-building and birthday party activities.	Raleigh Room Escapes; Boda Borg (Boston)

VI. Preliminary Development Plan

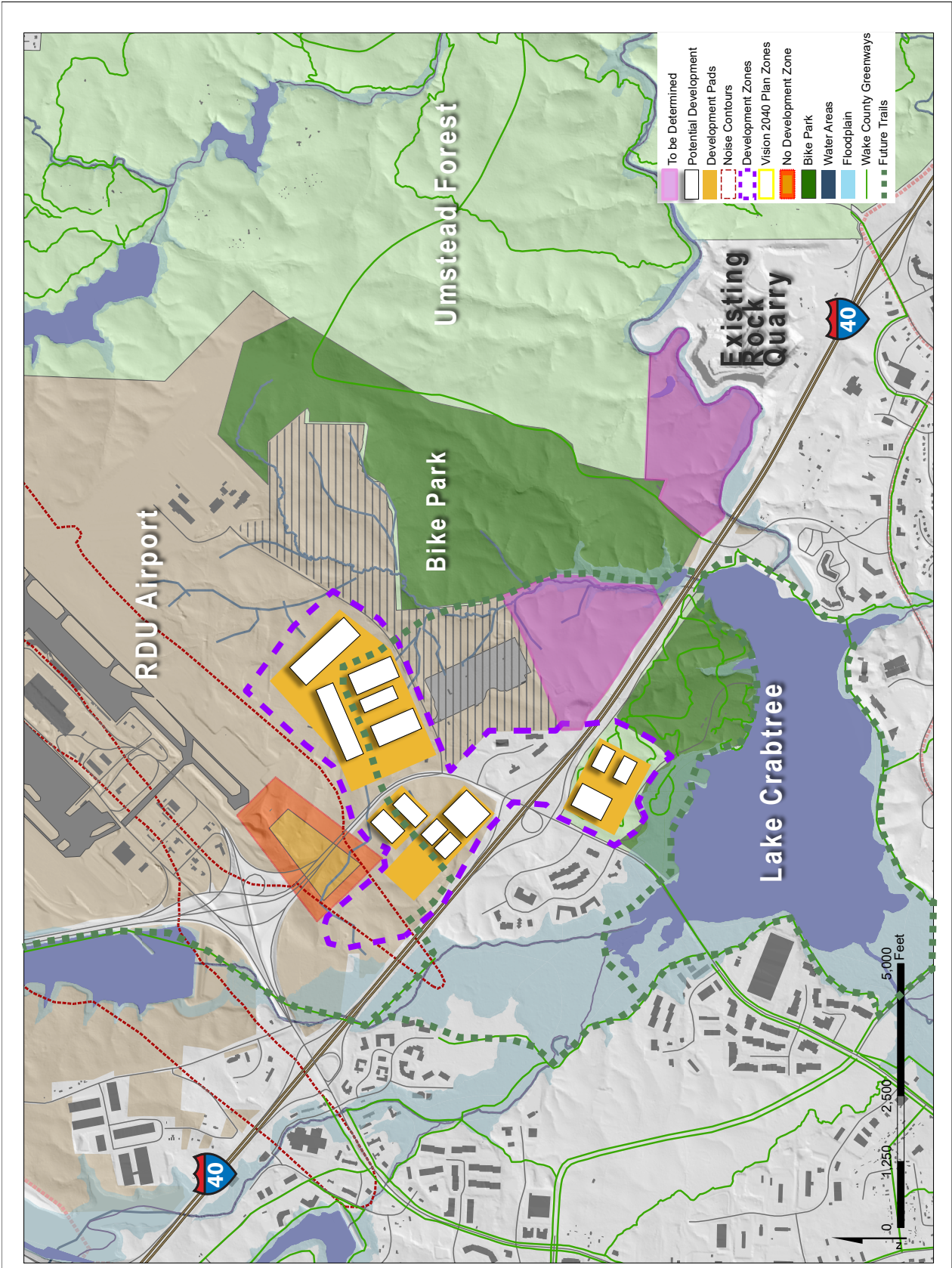
DFI has created a preliminary development plan built around three phases. Each phase would develop parts of opportunity sites identified through the site analysis. This plan is built to accommodate the portions of the RDU 2040 Vision Plan that are already underway.

The first phase of development would be to build recreational facilities and a mountain biking ride center. This will draw consumers to the district and make the site more desirable for prospective tenants of retail and office space.

The second stage would be to develop retail and hospitality spaces that complement the recreational facilities at the site. For example, a brewery/restaurant could be an attractive destination for customers after mountain biking or participating in a fun run. Similarly, a small hotel could accommodate sports teams playing in a tournament at the multi-sport complex.

The third stage would be to develop infill buildings, including additional office and retail space.

Figure 26. Preliminary Development Plan



Source: DFI, using Wake County GIS data, 2017.

VII. Potential Development Scenarios

DFI conducted a preliminary financial analysis to explore the feasibility of a recreational district concept. The market analysis suggested that it should be possible to attract private investments to build the major components of the recreational district. This report assumes that RDUAA would not contribute financially, while other public entities would provide a one-time public investment totaling between \$5 and \$10 million.

After researching comparable developments, the DFI team created a preliminary list of cost estimates for a recreational district. To understand the potential range of costs, the team examined the projected costs under three scenarios: conservative, moderate, and aggressive. (See Table 3, below.)

DFI conservatively estimates that a recreation-themed development concept could catalyze roughly \$200 million in private investment. This \$200 million could generate up to \$2 million in tax revenue for Wake County. Retail space and some of the recreational facilities would also generate sales taxes. These revenue sources could finance public infrastructure improvements and maintenance related to the recreational district.

Table 3. Projected Costs for Recreational Development Projects—Conservative, Moderate, Aggressive Estimates

Development Pipeline		Probable Investment Amounts (in Dollars)		
Project	Size	Conservative	Moderate	Aggressive
Indoor Leisure Venue	65,000 sf	\$23M	\$35M	\$52M
Multi-Sport Facility	86,000 sf	\$19M	\$31M	\$66M
Adventure Zone	10 acres	\$7M	\$10M	\$15M
Hotel	63,375 sf	\$30M	\$45M	\$58M
Retail	215,000 sf	\$37M	\$51M	\$67M
Office	300,000 sf	\$81M	\$101M	\$123M
TOTAL		\$197M	\$273M	\$381M
Ride Center and Trails		\$765k	\$803k	\$880k

VIII. Next Steps

DFI does not recommend that the County invest significant future dollars into a recreational development plan on or around the RDU Airport unless it gains site control of a development parcel or the direct ability to influence development on a parcel. That said, DFI recommends that the County consider the following steps to continue the pursuit of a recreational development district.

1. Either work with RDUAA and other stakeholders to gain site control over a proposed development area or work with RDUAA to develop a common strategy for the RDUAA-owned parcels. Should RDUAA be supportive of the recreational development model, there are multiple options for beginning a pre-development process in earnest.
2. After gaining site control of a proposed development area, the County should determine, taking into consideration potential density levels, what areas of the property also are available for development.
3. Engage in a pre-development process to formally explore the development options for a proposed site and to further assess potential uses.