

TABOR CITY INDUSTRIAL INCUBATOR: A FEASIBILITY STUDY ADDENDUM

TOWN OF TABOR CITY, NORTH CAROLINA



Prepared by

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OVERVIEW

In August of 2018, the Town of Tabor City officially received a document entitled “Tabor City Industrial Incubator: A Feasibility Study” that had been prepared by NCGrowth. NCGrowth “was founded in 2012 to help businesses create good jobs and to help communities create sustainable and equitable opportunities for their people.” This organization “partner(s) with businesses, communities, governments and other organizations to tackle outcome-based economic development and entrepreneurship projects.”

The Tabor City Town Council had expressed an interest in developing a new business incubator for the town and surrounding local economy. All of the available industrial space in Tabor City, was, and remains, fully occupied and the leadership in the community saw the need to develop additional space to keep economic growth occurring. The Council was particularly interested in applying to the US Economic Development Administration (US EDA) for grant funding assistance to help pay for the development of business incubator space. The EDA grant program criteria calls for a feasibility study to be conducted as an accompanying part of the grant application.

The NCGrowth feasibility study was expertly prepared and was well received by the Town of Tabor City and the community leadership. The study analyzed four potential sites where business space could be developed: two existing buildings in the downtown area, and two vacation pieces of undeveloped property in the Tabor Industrial Park (TIP). NCGrowth spent much of their study analyzing what they termed as “Site 3”, a 5.1 acre parcel currently owned by the local rural electric cooperative that was described as “currently clear, level and suitable for building”.

The overall recommendation of NCGrowth’s feasibility study was to develop a new business incubator building on Site 3. After a thorough analysis of all four potential sites, the study “presume(s) that development of an industrial incubator is likely to take place on Site 3...” and would be the “best fit for the construction needs, future use, and desired flexibility of this project.”

In the Spring of 2018, the Town of Tabor City learned that Site 3 was no longer a feasible business incubator building site. The property is scheduled to become a parking lot for the adjacent and existing Columbus County/Town of Tabor City business development center. With the preferred site for a future

incubator no longer an option, the Town inquired as to how to amend the original NCGrowth feasibility study.

Conversations between US EDA officials and the Town of Tabor City Promotions Director indicated that an “Addendum” to the original feasibility study should be prepared with a new analysis and conclusions. The Town of Tabor City has asked our consultant, LKC Engineering, PLLC, to prepare this addendum.

LKC'S UNIQUE POSITION TO PREPARE THE ADDENDUM

The Town of Tabor City has asked our engineering consulting firm to prepare the addendum to the original business incubator feasibility study that was developed by NCGrowth. We feel that our firm is uniquely qualified to prepare such a report.

LKC was formed in 2012, but our team consists of career professionals who have been providing project solutions in North Carolina for over twenty-five years. While our core expertise is in the civil engineering field, we pride ourselves on our governmental consulting and grant writing abilities. Our firm's employees have assisted with over 100 industrial development and economic development projects. Most of these projects required an analysis of the business idea, its grant worthiness, the need for infrastructure, and professional guidance on how to turn vision into reality.

With regard to Tabor City, many of LKC's employees have enjoyed working with the Town since the 1980's. Our staff has helped the town extend water lines to industry, develop sewer lines to industry, helped design Tabor Industrial Park (TIP), provided grantsmanship and engineering services related to the location of the North Carolina correctional facility (and its 540 jobs create), and directed a renovation of the central business district. We have worked on two major upgrades of the Tabor City wastewater treatment plant. In years gone by, our employees helped the Town secure funding for two public water supply wells and one elevated water storage tank. We annually administer Tabor City's Department of Transportation Powell Bill reporting requirements.

We know Tabor City's administrative staff and public works staff on a first name basis. Quite often, LKC Engineering is the first person that town employees reach out to whenever there is an infrastructure challenge or an economic development opportunity. Our firm is currently engaged in administering State

of North Carolina grant funds to assist in a Tabor City industry develop improvements to their building (sprinkler system) and to assist the Town in supplying adequate water supply and water pressure for that industry.

With LKC's extensive experience in assisting the municipal government of Tabor City, we were honored to be asked to provide assistance in amending the original Feasibility Study. Our analysis and findings are provided as follows.

SITE THREE NO LONGER AVAILABLE

The original "Tabor City Industrial Incubator: A Feasibility Study" as prepared by NCGrowth analyzed four possible sites on which a business incubator could be developed. That study reviewed two existing buildings in the central business and office district, and also looked at two tracts of undeveloped land in the Tabor Industrial Park (TIP). NCGrowth's findings were that "Site 3", an undeveloped 5.1 acre tract in the TIP was the most feasible option for the development of an industrial incubator.

In the Spring of 2018, the Town of Tabor City became aware that Site 3 was no longer available as a potential place on which an incubator could be constructed. Instead, the property is slated to become a parking lot that will serve the adjacent Business Development Center that is jointly owned by Columbus County government and the Town of Tabor City. That Center houses two emerging industries (RadixBay and Gann Memorials), and an accounting office. The two small industries have hired so many employees now that the existing paved parking lot does not contain enough spaces for their vehicles.

RadixBay is a computer solutions company that provides software and consultative services to many major industries and financial institutions. This company is owned and operated by a Tabor City native who once owned a similar company in Charlotte, NC. Upon selling his previous company, he wondered if such an operation could be successful in the small rural town he grew up in. His hunch has proven to be correct. Currently, RadixBay is a growing and expanding concern that continues to hire experienced computer programmers.

Gann Memorials is an enterprise that the local citizens refer to as "the toy company". Gann takes popular cartoon figures and the like and "stuffs" them with filler much like iconic teddy bears have been stuffed

for decades. These toys are then shipped worldwide. Gann has seen slow and steady growth in the Business Development Center for a few years now.

The Business Development Center is jointly owned by the Columbus County government and the Town of Tabor City. Both of these local governments are responsible for the maintenance of this facility and also for planning for its future viability. In 2018, the County Economic Development Director announced that there were no longer enough paved parking spaces in the Center's parking lot. The Director asked Tabor City to jointly fund the development of additional parking on "Site 3", which is next door.

Tabor City has approved a \$40,000 allocation to be matched with a similar amount from the County government to begin developing this additional parking area. Obviously, an additional Industrial Incubator, as envisioned by NCGrowth, could now not be constructed on "Site 3".

REMAINING OPTIONS

The Feasibility Study prepared by NCGrowth originally contained four possible sites for a new industrial incubator to be developed in Tabor City. Those four options were:

- 1) Site 1 (Old Heilig-Meyers Building)
- 2) Site 2 (Old W.F. Cox Building)
- 3) Site 3 (5.1 acre undeveloped parcel)
- 4) Site 4 (18.53 acre undeveloped parcel)

As stated previously, the NCGrowth recommendation to the Town of Tabor City was to construct a new industrial incubator building on "Site 3". We have established that this is no longer a viable option as it will soon become additional parking for the existing Business Development Center.

A further analysis of the remaining options, as originally depicted in the NCGrowth feasibility study, shows that each has strengths and weaknesses. These must be fully understood if the Town of Tabor City is to proceed with the most viable option.

SITE 1

The NCGrowth Feasibility Study indicates that this is the former Heilig-Meyers building located at 108 W. Fifth Street. This structure contains 12,000 square feet of usable space. This property was recently donated at no cost to the Town of Tabor City. (The facility was NOT owned by the Town during the course of NCGrowth's analysis".

Advantages of this site include the fact that existing infrastructure is in place (municipal water and sewer and a street network). The property also has a large adjacent parking lot. The facility is very visible and is in the heart of the National Park Service's recognized downtown historic district.

NCGrowth listed several disadvantages that Site 1 has. The building has been unused for several years and is in disrepair. Their findings were that the building might be more suited for commercial or residential purposes.

SITE 2

This property is known as the old W.F. Cox True Value Hardware Store property. "The property is currently being listed for sale by Carolinas Commercial Reality for \$395,000."

Advantages of this site include its visibility and vehicle access to U.S. 701 Business. It is currently also served by municipal water and sewer service.

Site 2 has some disadvantages as well. The Town does not own this property (which is a prerequisite for the EDA grant). The building needs extensive roof and HVAC repairs. Additionally, NCGrowth cautioned about taking valuable downtown property off of the ad valorem tax rolls.

SITE 4

This is an 18.53 acre tract owned by the Tabor City Committee of 100. There are no structures currently located on this parcel, and it is not slated for development as a parking lot as Site 3 as been slated.

The advantages of this tract are that it is in the certified Tabor Industrial Park. The tract has access to municipal water and sewer and has excellent vehicle access. Natural gas lines are only one block away.

However, 17.06 acres of this 18.53 acre tract are impacted by wetlands. NCGrowth noted that "the building area is actually quite small, at 1.47 acres."

This brief listing of the remaining possible Industrial Incubator sites indeed shows that each one has strengths and weaknesses. If an industrial incubator were to be constructed at any of the remaining three sites, the facility would certainly become an asset that should attract entrepreneurs and job creation. The NCGrowth feasibility study stated clearly that:

Research and data collected during this feasibility study indicate that there is a potential for a successful industrial incubator in Tabor City. Not only will such an incubator help accommodate rising demand for small industrial spaces, it also aligns well with the regional economic development priorities....If done thoughtfully, this project also has the ability to attract new industry to the area and continue to develop the workforce in Tabor City through an increase in jobs and possible future connections with colleges and universities in the area.

The Town government certainly wants to develop what the study calls a "successful industrial incubator in Tabor City". Our firm believes that with the most viable site (Site #3) no longer an option...the Town would be most successful if it pursued the development of the Industrial Incubator at Site 1, the old Heilig-Meyers building at 108 W. Fifth Street.

OUR RECOMMENDATION

Our firm is recommending to the Town Council (and to potential funding agencies), that the next Tabor City Industrial Incubator be developed on Site 1, the old Heilig-Meyers store and property located at 108 W. Fifth Street in downtown Tabor City. This recommendation is based on many factors. When these factors are considered, and compared to the two remaining potential sites, the Heilig-Meyers building possesses the most advantages for success. We believe the factors to be considered include the following:

1. **The Town of Tabor City now owns this site.** Since the NCGrowth Feasibility Study was completed in 2017, the owners of 108 W. fifth Street most graciously donated (at no charge) the building and grounds to the Tabor City town government. Tabor City would have to purchase Site 1 (at \$395,000) or Site 4 (no negotiations have commenced with the Tabor City Committee of 100 to ascertain their sale price). Many grant programs require the application to be the owner of the property in order to receive funding.
2. **Incubation in rural downtowns is a growing trend.** Community Development Strategies (CDS) is a group dedicated to market and economic research in the United States. In 2016, CDS noted that “one way to mitigate the challenge of declining downtowns” is to work with startups “who can become permanent rent paying occupants if they are successful”. A recent trend for more office-oriented business startups (as opposed to retail) is co-working. “Co-working” spaces can be well suited for older buildings and area similar to incubators in that they lower the space rental and overhead expenses for these small businesses.
3. **Companies are moving back downtown.** In 2016, GOVERNING Magazine noted in an article entitled “Why Companies are Moving Back Downtown”, that “last year, millennials became the largest component of the American workforce. For many companies, attracting and retaining millennial workers seems to require having a downtown office”. In fact, the last industry to locate in Tabor City (RadixBay) asked for downtown space to situate its computer software development and consulting business. Upon finding that no such space existed in downtown Tabor City, it instead ended up in the Tabor Industrial Park.
4. **This site has existing infrastructure.** The water, sewer and street facilities are in place. The property has a large parking lot adjacent to the building. There are no wetlands or environmental issues associated with the property.
5. **Commercial “Renovation Costs” are not approaching “New Construction Costs”.** The national economy has been in an economic growth pattern for up to ten years now. Costs associated with constructing new buildings are creeping upward as labor and material costs increase. The historical savings associated with “building from scratch” may no longer apply. Although there is no easy way to make a decision between commercial remodeling or building a new commercial space, a thorough examination of needs and budget can help make this decision. If your budget

is your biggest concern, renovation is probably the best choice. With a larger budget, however, choosing a new construction option may be a more attractive option. In the 108 W. Fifth Street case, renovating an existing building means there will be no site preparation or structural building costs associated with the project.

6. **Downtown Tabor City is the subject of a State-Funded Streetscape Study.** The North Carolina General Assembly just last week allocated \$35,000 to the NC Department of Commerce to pay for a streetscape renovation study for downtown Tabor City. The Town Council has voted to hire our firm, LKC Engineering, PLLC, to conduct this study.

LKC has recently completed a successful master plan for High Point University and we have experience developing streetscape plans for many smaller towns such as the Village of Pinehurst. We are anxious to begin our study of improvements for downtown Tabor City. In the past fifteen months, several older buildings in downtown Tabor City have been substantially renovated. There is obviously a new energy in downtown Tabor City and an industrial incubator developed in the largest remaining empty building (old Heilig-Meyers) could become the most important component of this resurgence.

7. **Downtown Tabor City is the subject of an EDA-Funded Feasibility Study on Tourism Rail.** The Town just last month received a feasibility study prepared by Pennsylvania based Stone Consulting that looked at the concept of tourism rail. The study focused on the possibility of a daily tourism railway operating on existing lines between Conway, SC and Tabor City. Stone Consulting found that such a tourism rail would indeed be exceedingly successful. Adding up to 350 tourists a day to the mix in downtown Tabor City would certainly spur further growth in the local economy. Such growth should help start up entrepreneurial interest in a downtown incubator as well.
8. **Site 2 (The Old W.F. Cox True Value Hardware Store Building) may be too large.** The Town of Tabor City will undoubtedly have to pursue grant funding to develop a new industrial incubator. The Town fully expects to also appropriate much of its local funds on hand to help pay for the cost of developing an incubator. There will be a limit as to what granting agencies can award and what the Town can allocate. These two sources of funds will constitute the budget for developing a new incubator.

Renovating a 12,000 square foot building (Heilig-Meyers) versus renovating a 22,500 square foot building (W.F. Cox True Value Hardware) is certainly a calculation the Town has to consider. Each building has renovation challenges, but overall, it should be far more affordable to renovate the smaller building with the funds that will be made available for this purpose.

9. **Site 4 is simply too small.** At first glance, this property appears to be the most desirable. It is in a developed industrial park, and it contains 1.53 acres. However, wetlands account for 17.06 acres of this overall tract. It would be too great of a challenge to situate a new building and parking lot on just 1.47 acres.
10. **Consider the alternatives for each site.** Site 2 was a viable business up until 15 months ago. It is conceivable that it could be re-opened by the private sector. Indeed, it is currently being marketed on a commercial property website. Due to wetland issues, it is possible that Site 4 may never be developed at any time.

As for the old Heilig-Meyers building, it has been vacant for over ten years now. If it cannot be brought back into productive use, Tabor City town government may have to give consideration to its demolition. We recommend the Town look for ways to invest its funds on hand into matching grants to build the building up – instead of putting its local dollars into tearing the building down. This seems to be the best and most appropriate use of its local (and grant) funds.

SUMMARY AND RECOMMENDATION

The Town of Tabor City is very fortunate. Unlike most small rural towns, it has one hundred percent occupancy of its industrial space. Currently, all of the buildings in Tabor City that could house industry, warehousing, or other commercial enterprises is fully occupied. The community sees the need for creating additional industrial space and is considering a combination of grants and local funds to pay for such space.

Tabor City engaged NCGrowth to conduct a feasibility study to determine if an industrial incubator would be successful in their town. That study concluded very strongly that such an incubator would indeed be

a success. Unfortunately, the site recommended by NCGrowth is no longer available as it is being converted into a parking lot for the adjacent Business Development Center that houses RadixBay and Gann Memorials (two emerging industries in Tabor City).

Our firm has been asked to evaluate the remaining three studied sites to determine which is most viable and should be the focus of a grant application. We are recommending Site 1, the old Heilig-Meyers building at 108 W. Fifth Street. Our recommendation is based on ten solid reasons:

1. The Town of Tabor City now owns this site.
2. Incubation in rural downtowns is a growing trend.
3. Companies are moving back downtown.
4. This site has existing infrastructure.
5. Renovation costs and building from scratch costs of now almost the same.
6. Downtown Tabor City is the subject of a state funded streetscape study.
7. Downtown Tabor City is the subject of an EDA funded feasibility study on tourism rail.
8. Site 2 may be too large.
9. Site 4 is simply too small.
10. Consider the alternatives for each site.

LKC Engineering would be happy to discuss our recommendation with the Council and community stakeholders at your request.