

# BUSINESS AND DEVELOPMENT PLAN



FOR  
TOWN OF OLD FORT, NC  
NOVEMBER, 2009

**Prepared For:**

Town of Old Fort  
Handmade in America

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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**

### **Retail**

### **Observations**

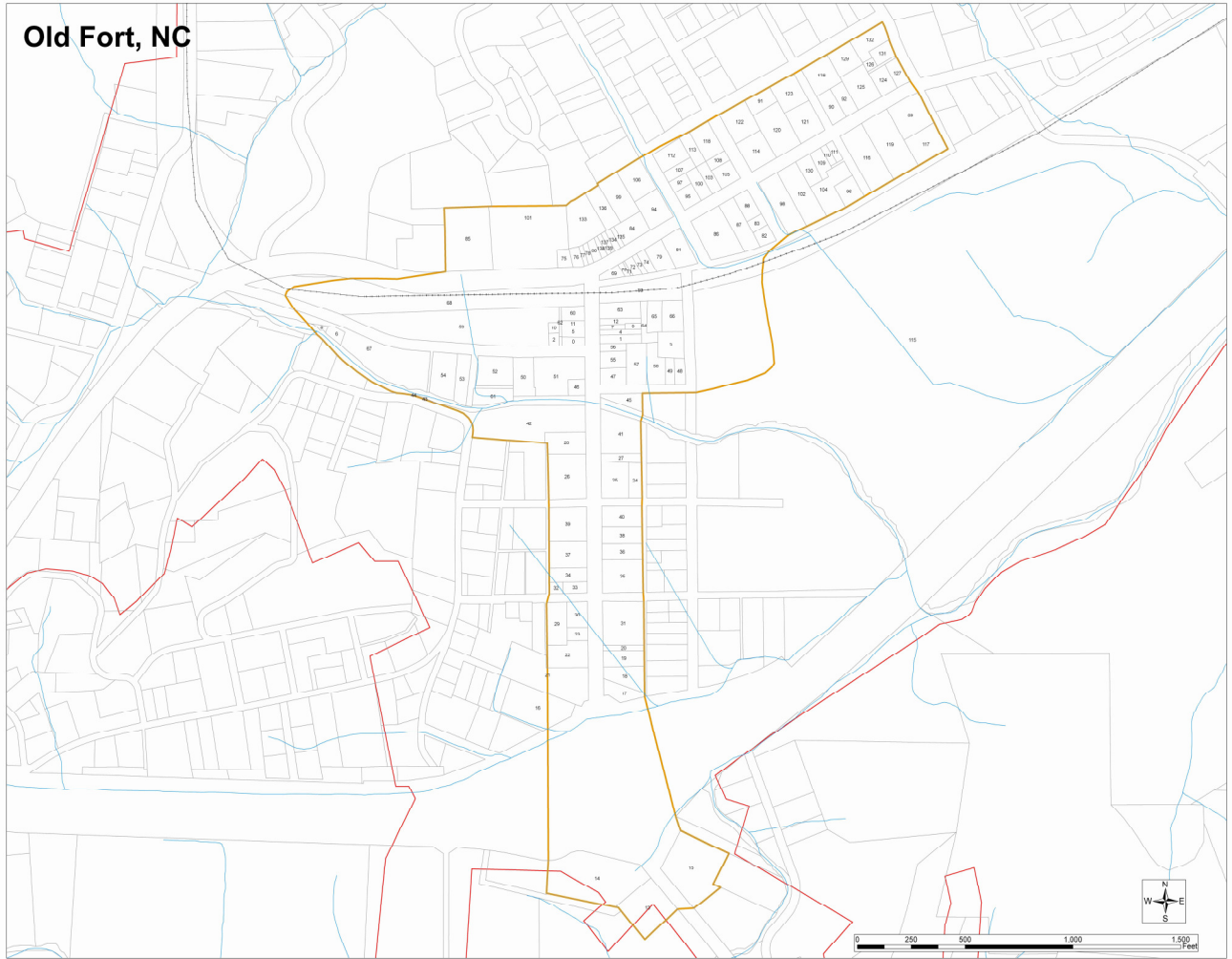
Old Fort, NC is one of two municipalities in McDowell County and had a population of 963 in 2006. This was the same population as reported by the 2000 census. The town is situated 25 miles east of Asheville, NC and 12 miles west of Marion, NC. They are participating in the NC STEP (Small Town Economic Prosperity) program with the NC Rural Center. Per capita income within a five-mile radius of Old Fort is \$20,738. It attracts about 15% of the County's total retail business. The downtown shopping area is

predominately along Main Street with the other area located on Catawba Avenue, which leads to Interstate 40. This section also includes two fast food restaurants, McDonalds and Hardees.

Merchant and consumer surveys indicate that the downtown area primarily serves as a local market and is at best a secondary source for basic retailing in the area, with most shopping occurring outside the downtown area in Asheville, Marion or Black Mountain. According to the Consumer Surveys administered to local residents, 36% indicate they shop downtown 5 or more times per week. Almost 60% of the participants stated that they come downtown for grocery shopping and almost 50% for eating. (See the results of the OF Consumer Survey in the Appendix).

Local information indicates that the typical downtown retail business produces sales in the range of \$125-\$150 per square foot of occupied space.

Like many downtowns, the downtown business district provides general and specialty merchandise for the local Old Fort market, capturing about 15% of the retail sales within a five-mile radius of the downtown area. These sales are concentrated in Building Materials/Garden Equipment/Supply Stores, General Merchandise Stores, Limited-Service Eating Places, Health and Personal Care Stores (Drug Stores), Food and Beverage Stores and Gas Stations. After adjusting for local competition there is a remaining \$25.8 million in potential non-automobile retail sales within five miles to be captured in several categories, notably in the categories of Grocery Stores \$1.3 million, Department Stores \$1 million, Gas Stations \$663,000 and Full Service Restaurants \$598,000. Assuming the ability to capture 10-20% of these potential sales or \$2.6 to \$5.1 million, the downtown area could possibly support an additional 21,000-41,000 square feet of retail space.



## **OLD FORT DOWNTOWN BUSINESS DISTRICT**

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## **Recommendations**

Downtown should attempt to capture a portion of the \$26 million in potential sales within a five mile radius of downtown. A realistic goal of increasing downtown sales by \$1-\$1.5 million per year for the next 3-5 years could be accomplished by increasing the availability and/or marketing of the identified retail opportunities including Grocery Stores, Department Stores, Gas Stations and Full Service Restaurants.

Downtown Old Fort could potentially support an additional 41,000 square feet of business development. This would be in the categories already identified as leakages: Grocery Stores, Gas Stations, Full Service Restaurants, and General Merchandise Stores. (See the Retail Potential Analysis located in the Appendix).

Most small downtown retail areas should function in an “inside-out” manner, which means they should concentrate on residents and employees from within their nearby neighborhoods and employees. In Old Fort they have over 1,000 employees working Downtown (includes 531 in manufacturing). There are 1,134 nearby residents. You also have areas that attract visitors to downtown (library, town hall, and senior center). There are over 1,600 employees and 7,500 residents within a five mile radius of downtown.

Additional retail sales could be secured from tourism. According to the Zip Code Survey that was conducted during October, tourists from 21 different states visited Old Fort. Further research suggests that visitors to the McDowell County Tourism Development (TDA) office did not visit other businesses that participated in the survey. Businesses may want to give the TDA some discount coupons to hand out to visitors to visit their stores. Tourism in town should increase when Davidson Fort is completed and in operation. This will bring more potential customers into town for all the businesses.

There may be an opportunity for some of the existing businesses to create some “niche” markets. The leakage report shows that Old Fort is losing over \$600,000 in clothing purchases. It would not be economical for someone to open a store that only sold clothing because of the different styles and sizes you would need to carry. But, if someone opened an Outfitters’ Store selling a variety of merchandise, they may be able to pick

up some of this leakage. The same can be said of a store offering books and music. A business that is selling similar merchandise may want to add this to their product line to pick up some of the over \$400,000 leakage.

The income, demographic and consumer expenditure patterns provide information for what is known as "Market Segmentation". Using the PRIZM Market Segmentation studies prepared by Claritas Inc., we can gain an insight into the customer base in Old Fort.

In Old Fort there are five predominant market segments present. One segment is the **Heartlanders**. America was once a land of small middle-class towns, which can still be found today among **Heartlanders**. This widespread segment consists of older couples with white-collar jobs living in sturdy, unpretentious homes. In these communities of small families and empty-nesting couples, **Heartlanders** residents pursue a rustic lifestyle where hunting and fishing remain prime leisure activities along with cooking, sewing, camping and boating. Their lifestyle traits are: they eat at family steakhouses, own a motor home, read *Family Handyman* magazine, watch CBS Early Show and drive a GMC Canyon pick-up.

Another segment is **Simple Pleasures** which contains residents over 65 years old living a retirement lifestyle: a neighborhood of lower-middle-class singles and couples living in modestly priced homes. Many are high school-educated seniors who held blue-collar jobs before retirement. And a disproportionate number served in the military, so no segment has more residents who are members of veterans clubs. Their lifestyle traits are: they shop at Walmart Pharmacy, belong to a fraternal order, read *Readers Digest*, watch figure skating, and drive a Chevrolet Impala.

The third segment is **Shotguns & Pickups** which scores near the top of all lifestyles for owning hunting rifles and pickup trucks. They tend to be young working-class couples with large families-more than half have two or more kids-living in small homes or manufactured homes. Their lifestyle traits are: they like to shop at Lowes, they own a horse, read *North American Hunter*, watch the Outdoor Channel and drive a Dodge Ram truck.

The fourth segment is **Blue Highways**. On maps, blue highways are often two-lane roads that wind through remote stretches of the American landscape. Among lifestyles, **Blue Highways** is the standout for lower-middle-class residents who live in isolated towns and farmsteads. Here,

Boomer men like to hunt and fish; the women enjoy sewing and crafts, and everyone looks forward to going out to a country music concert. Their lifestyle traits are: they like to stay at a Day's Inn on vacation, eat at Shoney's, read *Guns & Ammo*, watch auto racing, and drive a Ford Ranger.

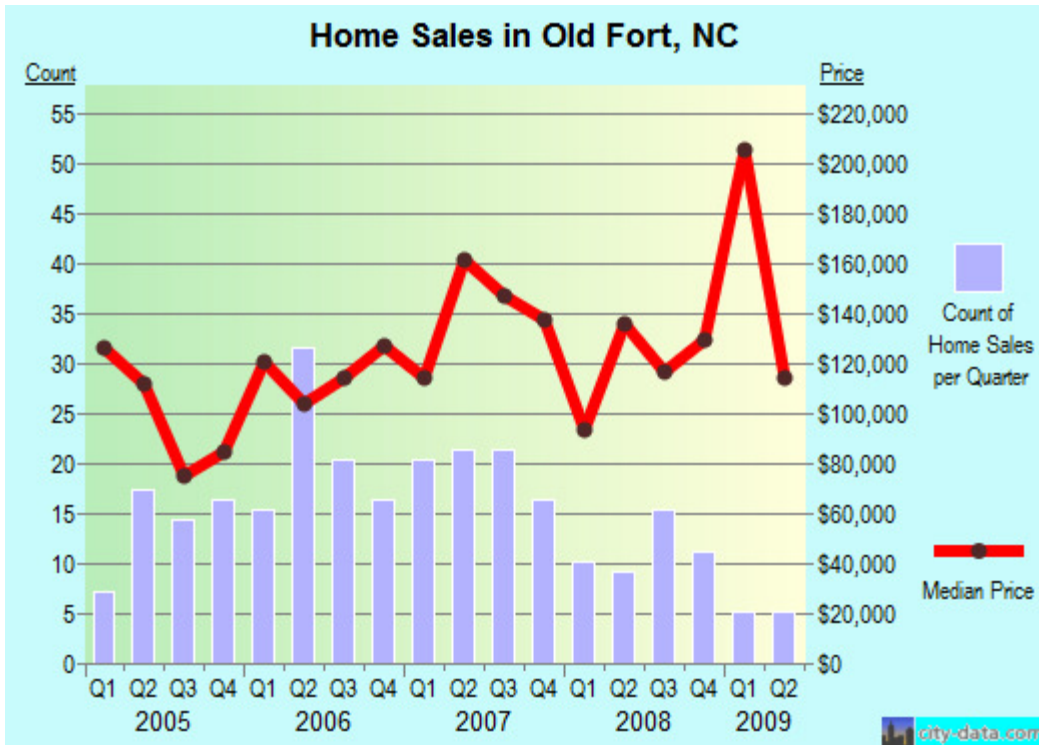
The final segment consists of the **Back Country Folks**. These are residents that are lower income, over 55 years old and living in older, modest-sized homes and manufactured housing. Typically, life in this segment is a throwback to an earlier era when farming dominated the American landscape. Their lifestyle traits are: they like to eat at Hardees, belong to a church board, read *Hunting* magazine, watch the Hallmark Channel and drive a Dodge Dakota pickup.

According to the Zip Code Survey that was conducted during October, 75% of the business' customers are from Old Fort, so it helps to know their likes and dislikes. It seems like customers like the simple life, outdoors, cooking and sewing. This should give the present and future businesses of Old Fort an idea of what type of products and services to offer. (See the Zip Code Survey located in the Appendix).

## **RESIDENTIAL**

### **Observations**

The population of Old Fort has stayed the same since the 2000 census, 963 people. Median housing prices for the second quarter of 2009 averaged around \$116,000. The rental market has been around 39% with a residential vacancy rate of about 10%. Rentals that are available are averaging about \$500 per month. Mobile homes make up 36% of the housing market. About 69% of the homes in Old Fort were built before 1979. There are 1,134 residents living within one mile of downtown. There are not any residents living "above the store" in the downtown area. The Wild Moose Grill at 5 East Main Street has a room upstairs they can rent on a daily or monthly basis.



Source: City-Data.com

### Recommendations

Overall, the homes in the downtown area of Old Fort are in fair condition. Most are single-family residences. Efforts should be made to encourage the maintenance and/or renovation of the homes within the downtown area. If the homeowner cannot afford to do this, maybe the churches or a group of citizens could help with renovations. Some of the homes downtown may be able to qualify as historic and can qualify for the North Carolina Historic Tax Credit of 30%. This should also be promoted to owners of commercial property downtown. They may be able to benefit from the 20% Federal and 20% North Carolina Historic Tax Credits. The Design Committee from the Old Fort Mountain Heritage Alliance is checking into this option.

## 2. RETAIL MIX

### Observations

There are 17 retail businesses within a 1 mile radius of downtown with a total of 147 employees. The types of businesses are: Home Improvement (2); General Merchandise Stores(2); Food Stores(2); Auto Dealers, Gas Stations, Auto Aftermarket(5); Eating and Drinking Places (3); and Miscellaneous Retail(3).

### Recommendations

The business mix should contain businesses that are complementary of each other. This could be stores that sell products or services used in conjunction with each other. The leakage report shows there is a large opportunity within the local market that could potentially support over 40,000 more square feet of retail space. One of the areas that could present an opportunity would be a book, periodical and music store. There is a leakage of over \$400,000 in that category. If you could capture just 20% of those sales, that would be \$80,000 per year. One of the current retailers that is selling complementary products could add this to their product line.

Another technique that retailers downtown should look into would be referring customers to other downtown retailers if they do not have a product the customer wants. This would require the downtown retailers knowing what products their neighboring retailers carried. This would keep the sale downtown and keep a customer, since you helped them find the product they wanted. According to the results of the Consumer Survey, over 85% say that focusing on the needs of local customers is very important to them. Also, another 88% say that supporting local businesses is very important.

### **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.

- A business plan based on local market data.

Located appropriately:

- In or near a "*comparable cluster*" of businesses.
  1. Same customer base-different products.  
Example: High income, low income; retirees.
- In or near a "*complementary cluster*" of businesses.
  1. 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.
  1. Same or similar products.  
Example: furniture stores; jewelry stores; antique stores.
- Part of a "*critical mass*" of businesses.
  1. Sufficient number of businesses and business types to provide a destination for shopping.

### 3. REAL ESTATE AVAILABILITY AND CONDITION

#### Observations

There are a few vacant buildings on Main Street and Catawba Avenue. Some of these are under contract to be rented or purchased for retail use. Buildings in the downtown area are generally in poor to good condition. The average market value is around \$25.00/square foot. Rents average between \$2.00-\$5.00 per square foot. Renovation costs average around \$70.00-\$80.00/square foot. There is some potential for growth in the downtown area with these vacant buildings. Here is a list of vacant buildings, their square footage and availability.

- 1 East Main Street. It was a previous restaurant. It has 1,456 square feet. At the present time, the owner does not want to sell or rent this building.
- 31 East Main Street is available for rent. It has 1,620 square feet.

- 49 East Main Street and is the present Maintenance Building for the town of Old Fort. It has 10,568 square feet and is available for sale or lease.
- 33 Catawba Avenue has 5,400 square feet and is available for rent or purchase.
- 39 Catawba Avenue and contains 2,250 square feet and is available for rent or purchase.
- 43 Catawba Avenue has 2,160 square feet and is available.
- 47 Catawba Avenue has 4,320 square feet and is available for rent or purchase.
- 190 Catawba Avenue has 1,800 square feet and is available for rent or purchase.
- 276 Catawba Avenue has 3,500 square feet and is available for rent.
- A large warehouse is located on Commerce Street and contains over 115,000 square feet. Part of this warehouse is located in the flood plain. This building is available for rent or purchase.
- There is an old Exxon Station located on Bat Cave Road just off Interstate 40. This station is in poor condition but is available for purchase. It has 988 square feet.

These eleven properties consist of 156,223 square feet with a market value of \$1.8 million. If you exclude the warehouse, you still have 37,562 square feet with a market value of \$948,560 or \$25.25/square foot.

### **Recommendations**

Some of the above vacant properties have options to purchase or lease on them. A list of these available properties should be available at Town Hall and with the Old Fort Chamber of Commerce. These properties should also be listed on the McDowell County Commercial Properties for Sale website at <http://www.mcdowellcommercialsites.com/index.html>. The old Maintenance Building on Main Street and the Exxon Station should be the top priorities for the Economic Restructuring Committee of the Old Fort Mountain Heritage Alliance (OFMHA). Both of these buildings are very visible and residents rated “Attractiveness of Buildings” on the Consumer

Survey as one of the characteristics they are concerned with in town. Also, there are about 55,000 of space in the warehouse that is not in the flood plain. This could be subdivided into small shops for crafts people and artists. They could actually have their studios there, make their products and sell them in their shops. The synergy and creativity of the other crafts people and artists would be an additional benefit.

Also, the NC Rehab Code should be utilized to assist with renovation of properties wherever appropriate. Information on this can be found on the website <http://www.ncrehabcode.com/>. Historic tax credits should also be pursued for the properties that qualify.

### **Asset Valuation**

There were 131 properties surveyed downtown. These included residential, commercial and industrial. The total market value of these properties amounted to \$17,024,100. This information needs to be compiled at least yearly to see if the market value is increasing or decreasing.

## **4. PHYSICAL ENVIRONMENT AND AMENITIES**

### **Observations**

The physical environment in which a business must function is critical to its success. The Design Sub-Committee of the OFMHA is working on design issues for the town. This would include signage, streetscapes and landscaping. A grant has been applied for with NC DOT for the "Safe Routes to School" program. This will allow funding for sidewalks from the various neighborhoods to Old Fort Elementary School.

### **Parking**

There is adequate parking for the existing businesses in Old Fort. But, if some of the changes that have been recommended are made, more parking will have to be available. The general rule of thumb is 2-3 places for 1,000 square feet of retail space. One possible solution would be for the town to buy or lease space at the end of Water Street. This could also be used for parking for Davidson's Fort.

## **Traffic and Circulation**

Downtown Old Fort rests at the intersection of US Highway 70 and NC Highway 1103. Both of these highways lead into town from Interstate 40. Interstate 40 West leads to Black Mountain and Asheville and Interstate 40 East leads to Marion.

NC DOT recorded 26,000 vehicles per day passing the NC Highway 1103 exit on Interstate 40 during 2008. 6,700 vehicles per day enter Old Fort using NC Highway 1103 which is also Catawba Avenue. Traffic going the other way at that intersection, Bat Cave Road, is 7,700 vehicles per day. There are 4,800 vehicles per day getting off Interstate 40 East at the Highway 70 exit and 4,900 vehicles per day passing the Old Fort Depot on Highway 70 or Main Street. The Economic Restructuring Committee of the OFMHA needs to find ways to get more of the 26,000 vehicles to make their way into Downtown Old Fort.

Traffic that goes from Main Street to Catawba Avenue can be impeded by a train. The sidewalk on the Northern side of Main Street in front of Family Care IMS needs attention. NC DOT and the Town of Old Fort need to work on a solution to this problem. (See the OF Traffic Survey Map in the Appendix).

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

### **Observations**

The Town of Old Fort does not have a revolving loan fund or a facade grant program for downtown businesses. There are no other economic development incentives currently available to assist with downtown improvements from the town.

### **Recommendations**

Local financial institutions are not making very many business loans at the present time. There are some programs available for businesses that want to renovate an older building or start a business. Since Old Fort is a NC STEP community, they have preference on grants and loans from the NC Rural Center. One program is the Building Reuse and Restoration Grant from the

NC Rural Center. Details can be found at <http://www.ncruralcenter.org/reuse/index.html>. The maximum grant amount is \$480,000. Another program is the Rural Venture Fund. This is a loan of \$100,000 to \$350,000 from the NC Rural Center.

Another program is through the Golden Leaf Foundation and Self-Help Credit Union. Details can be found at <http://www.self-help.org/business-and-nonprofit-loans/loan-products-1/golden-leaf-loan-program-1>. It is a loan program for small businesses.

The town may want to start a small facade grant program to help businesses pay for exterior improvements to their businesses. It may provide an incentive for them to make more extensive improvements and improve the appearance of their buildings.

## **6. BUSINESS AND DEVELOPMENT ASSISTANCE**

### **Observations**

Business decisions must be based on complete and factual information. Downtown development in Old Fort is controlled by the Town Council with advice from the Old Fort Chamber of Commerce and the Old Fort Mountain Heritage Alliance. Both of these organizations are volunteer organizations and only make recommendations to the council. The Small Business Center at McDowell Technical Community College provides a one-stop source for business services. The Small Towns Program of Handmade in America offers guidance and technical assistance. Another organization that offers guidance and technical assistance would be the NC STEP Program of the NC Rural Center.

### **Recommendations**

Try to get more people involved on the volunteer committees. Continue the relationships with McDowell Tech, Handmade in America and the NC Rural Center. This is a continuous process. It needs to be updated at least annually.

## **APPENDIX**