

# Policy Topic Referral: Office Vacancy

JOBS & ECONOMIC DEVELOPMENT COMMITTEE

FEBRUARY 5, 2024

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## Discussion Outline

- 1. Policy referral summary**
- 2. Overview of last month's discussion**
- 3. Reimagined Vintage Office Design Competition**
- 4. Discuss potential projects and tools to mitigate**

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## Policy Referral Summary

### < Background

- The prevalence of remote work that started in 2020 out of necessity during the pandemic has endured, at least in part, more than three years later. In Charlotte, the central business district is largely populated by services industries (banking, legal, audit and accounting), and the major employers have emphasized flexibility for their employees in terms of in-office or remote work.
- Despite record office vacancy rates nationally, disjointed performance since 2020 has driven the older-vintage “commodity” segment of the office market to bear an outsized proportion of impact—today, 30% of existing office buildings comprise more than 90% of total vacancy on the market.

### < Policy Question

- What effective strategies can the city employ to mitigate the impact of Uptown vacancies through economic development efforts to ensure positive growth in tax base and Uptown vitality.

## Policy Referral Summary

### < Committee Charge

1. Conduct a comprehensive review of other cities.
2. Review initiatives underway.
3. Develop a framework for strategies/policies on how the city might participate.
4. Propose for consideration of full City Council any recommended strategies/policies.

MARKETBEAT												
CHARLOTTE										CUSHMAN & WAKEFIELD		
Office Q4 2023												
MARKET STATISTICS												
SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	YTD DELIVERIES (SF)	DIRECT AVG ASKING RENT	OVERALL AVG ASKING RENT
<b>CBD/UPTOWN TOTALS</b>	19,577,894	3,888,042	19.9%	234,619	21.1%	-146,905	-767,861	343,365	410,000	0	\$36.34	\$36.07
Airport	9,954,426	1,691,757	17.0%	810,458	25.1%	-192,481	-363,990	294,625	0	0	\$26.36	\$25.69
East Charlotte	976,024	248,434	25.5%	0	25.5%	-19,525	-7,651	42,314	0	0	\$21.21	\$21.21
Matthews	1,035,009	73,345	7.1%	0	7.1%	54,163	88,602	68,286	0	0	\$21.82	\$21.82
Midtown / South End	5,508,248	764,334	13.9%	42,090	14.6%	124,737	322,455	380,915	363,984	416,300	\$42.92	\$42.54
Northeast / I-77	1,667,190	218,793	13.1%	73,271	17.5%	6,698	-51,134	101,932	0	0	\$30.54	\$29.58
FreeMoreWest	687,500	349,101	50.8%	29,950	55.1%	8,812	49,660	51,532	0	180,000	\$39.32	\$39.32
Park Road	506,133	109,079	21.6%	15,919	24.7%	-22	-31,117	38,059	0	0	\$34.61	\$34.61
Plaza Midwood / NoDa	877,788	231,133	26.3%	1,824	26.5%	27,129	39,463	38,556	255,157	41,741	\$38.47	\$38.45
South Charlotte	1,167,875	150,903	12.9%	0	12.9%	4,073	-22,530	96,689	0	0	\$27.57	\$27.57
South / 485 / Ballantyne	6,395,469	1,610,462	25.2%	214,237	28.5%	-49,191	-377,523	334,996	0	0	\$36.70	\$36.45
SouthPark	4,321,501	573,861	13.3%	95,690	15.5%	27,176	22,254	348,155	0	0	\$37.85	\$37.85
University	4,432,946	1,449,020	32.7%	121,768	35.4%	-143,448	-230,683	141,556	0	0	\$27.02	\$27.01
<b>SUBURBAN TOTALS</b>	37,530,109	7,470,222	19.9%	1,405,207	23.7%	-151,879	-562,194	1,937,615	619,141	638,041	\$32.05	\$31.65
Class A	41,342,501	8,172,042	19.8%	854,372	21.8%	-37,880	-649,512	1,689,693	1,029,141	638,041	\$35.67	\$35.17
Class B	15,765,502	3,186,222	20.2%	785,454	25.2%	-260,904	-680,543	591,287	0	0	\$27.98	\$27.88
<b>CHARLOTTE TOTALS</b>	57,108,003	11,358,264	19.9%	1,639,826	22.8%	-298,784	-1,330,055	2,280,980	1,029,141	638,041	\$33.63	\$33.28

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# State of Charlotte

- 940** Total Floors in Uptown Charlotte
- 165** full floors available
- 22** sublease floors available (+515,000 SF)
- 5** Assets have +50% of available full floors
- 31%** of all full floor availabilities are within non-owner occupied buildings

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## State of Charlotte

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## Public Sector Role

### 1. Questions and Impact

- a. Will investment expedite market correction?
- b. How long to consider investments?
- c. How feasible are conversions?
- d. Is demolition a possibility?
- e. What is the impact of doing nothing?



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# Reimagining Vintage Office Design Competition

## Purpose

Identify and share how reimagining vintage office can add a range of additional destinations and economic activities to strengthen Uptown as a regional asset.

## Goal

Share ideas and enable collective conversations to create and advance ideas for reimagining vintage office space in Uptown.

Advance and promote viable submission-based solutions and innovations.

Develop recommendations to help adapt vintage office for modern uses with greater public benefits.

**Club for Community**

... Charlotte, but the central business district needs of a changing city. New development seeks to neighborhoods, entertainment, and Charlotte's most iconic downtown buildings are

... and its vintage office towers can ensure they remain location and strengthen the District of

... ating contemporary office space with the lives work, and visit the Second Ward. This proposal historically known as One Wells Fargo Center, it's podium to welcome the community onto the arts, and educational programs paired with mixed-use offerings, its outward-facing Urban Hub organization for business and culture in the Second Ward just for future development not only for the building

**PHASE 1: ENGAGE THE STREET**

**PHASE 2: CREATE RESIDENTIAL COMMUNITY**

**PHASE 3: MIX USE AND MIXED OFFICE SPACES**

**PHASE 4: CREATE A MULTI-LEVEL URBAN PLAZA**

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# Reimagining Vintage Office Design Competition

## The Competition

Six teams submitted thoughtful and innovative proposals to reimagine five Uptown buildings (two proposals were for the same building). The teams consisted of combinations of architects, designers, developers, non-profits, construction companies, property managers and property owners.

- 500 North Tryon
- First Citizens Plaza
- Two Wells Fargo
- 301 South College
- Brooklyn & Church (former Duke Energy HQ)

**Zone 1**

**Zone 2**

**Zone 3**

Zone	Location	Total SF	Cost of Work
Zone 1	Levels 1-7 (Penthouse)	182,000	\$6,036,538 (est. by CP)
Zone 2	Levels 8-19 (top 12th)	231,000	\$101,487,436 (est. by CP)
Zone 3	Levels 19-21 (Penthouse)	115,000	\$27,589,744 (est. by CP)

**Incentives / Policy Changes**

- Priority Neighbor Tax Break
- Public Space Grant
- Public Market Provision

**Residential Information**

Unit Type	Count	Area	Price
Studio	10	300	\$250
1-Bedroom	10	600	\$275
2-Bedroom	10	1,000	\$325
3-Bedroom	10	1,300	\$375
Penthouse	10	2,000	\$525

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# Reimagining Vintage Office Design Competition



## What we learned

EXISTING PLAN



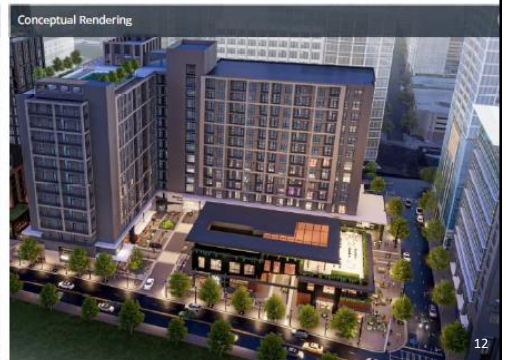
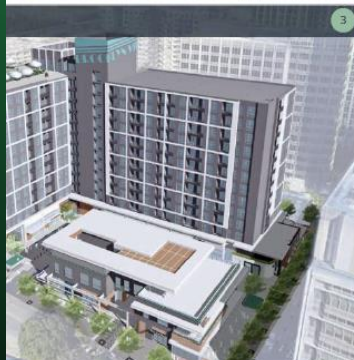
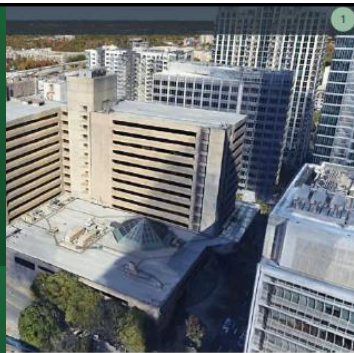
PROPOSED PLAN



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# Sample Project: Brooklyn & Church



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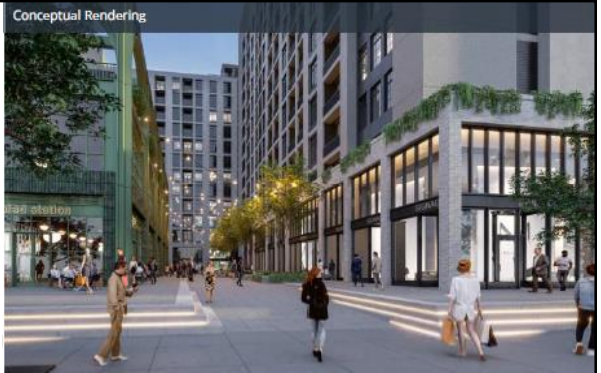
# Brooklyn & Church

- ◁ Asana Partners & MRP Realty
- ◁ Conversion of existing office building into a residential facility with engaging ground floor retail spaces and rooftop amenity space.
- ◁ Building
  - 1975
  - 778,000 SF
  - 14-stories



# Brooklyn & Church

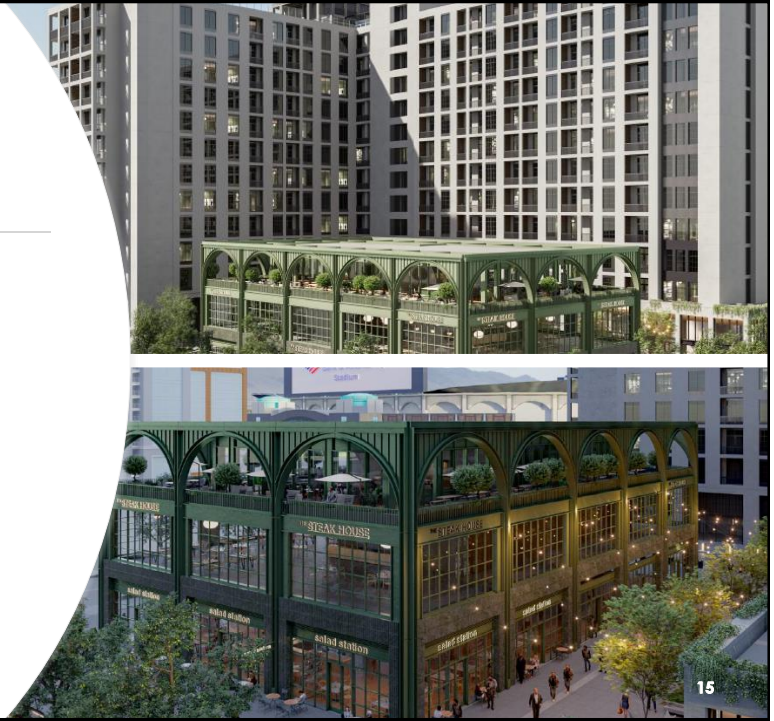
- ◁ Demolish approx. 215,000 SF
- ◁ Reskin façade
- ◁ 440 multifamily units
- ◁ Approx. 60,000 SF retail
- ◁ Utilize existing parking structure



## Brooklyn & Church

### ◁ Offered Benefits

- Economic – Increased tax base
- Workforce Development
  - Program Funding and Partnerships
  - Job Fairs
  - Internships
  - MWSBE commitment
- Environmental
  - LEED Gold
  - Embodied Carbon Reduction
  - Demand Response Automation
- Community Space
  - Open space,
  - Public parking,
  - Meeting rooms
- Housing



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## Today's Discussion and Proposed Next Steps

### For Discussion

- Is there an appetite for public investment in Brooklyn & Church?
- If so, what type of benefits would you like to see?
- Is a Tax Increment Grant (TIG) a potential tool?

### Next Steps

- Brooklyn & Church
  - Coordinate with County for analyzing project and desired benefits
  - Return to committee with additional project details
- Continue to look at office market demands/stresses and develop strategies for investment

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