



Master Development Plan Summary and Narratives

1. General Description of the Proposed Development.

The proposed mixed-use development Waterstone South encompasses roughly 100 acres (99.14) and includes 450 apartment homes, 205 townhomes, 200,000 square feet of medical outpatient services and medical office, and 40,000 square foot of neighborhood commercial. The development as proposed is to be built in three phases over the next seven or eight years. The northern portion of the proposed mixed-use community sits immediately adjacent to UNC Hospital campus along Waterstone Drive. The property extends southward from Waterstone Drive to East Scarlett Mountain Road. The property is bounded by I-40 to the west, Highway 86 to the east, and Waterstone Drive serves as its northern boundary. The general site plan calls for medical office and outpatient services immediately adjacent to UNC Hospital, and residential uses on the southern portion of the site. We have then added 40,000 square feet of neighborhood oriented commercial to the primarily residential portion of the site for uses such as restaurants, coffee shops, and day care centers. These uses will serve the neighborhood as well as the larger Hillsborough community. The residential component is comprised of townhomes and apartments intended to serve working middle income families. The apartments will be located on the southwestern portion of the site along I-40, while the townhomes will be on the southeastern portion of the site closer to Highway 86. There are notably no single-family lots proposed as we are opting exclusively for the more affordably priced housing that Hillsborough needs. The applicant is proposing that 15% of the market rate units be priced at an average of 80% of the median income. This is inclusive of both the apartments and the townhomes. Neighborhood oriented commercial will be located at the entrance to the residential portion of the community along Highway 86. Over one-third of the site (37.8 acres) is being proposed as open space, including a hundred-foot buffer along the entire southern property line on the north side of East Scarlett Mountain Road. Public walking trails will lead from the site to UNC Hospital and the Waterstone community and will be an integral part of the community's overall connectivity. The applicant is proposing an unprecedented level of investment in public utilities in the form of upgrading Hillsborough's existing infrastructure, extending new gravity sewer lines, and eliminating outdated pump stations.

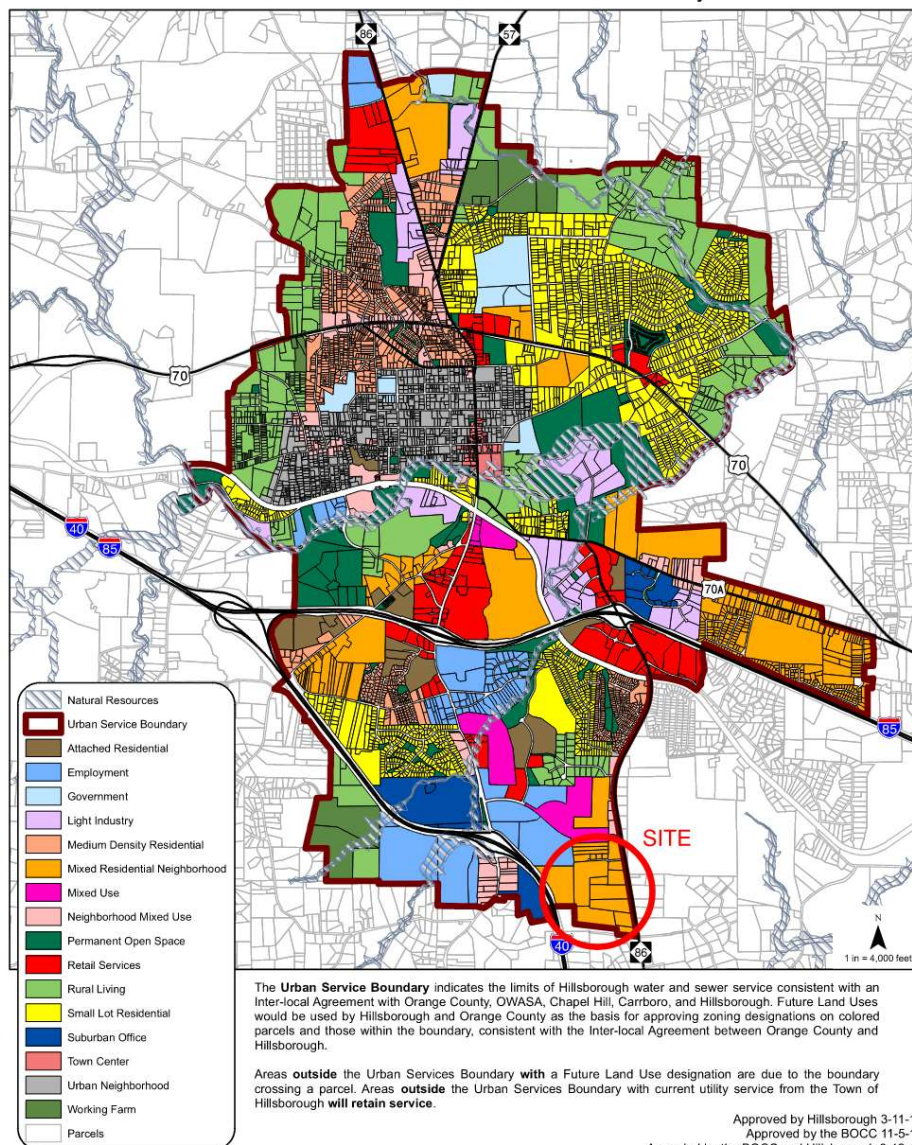
2. Planning Objectives and Character of the Development to be Achieved.

Waterstone South has been designed to be aligned with and promote the planning objectives and the character of the Town of Hillsborough. The next section of this Master Plan Development Summary will elaborate on how the design of Waterstone South conforms to the principles of the newly approved Hillsborough Comprehensive Sustainability Plan, but I will touch on some of the more general ways the design aligns with Hillsborough's planning objectives and character.

- A. The Waterstone South site area is shown on the Town of Hillsborough/Orange County Central Orange Coordinated Land Use Plan (see exhibit A) as "Mixed Residential Neighborhood" which is exactly what we are proposing.

Exhibit A

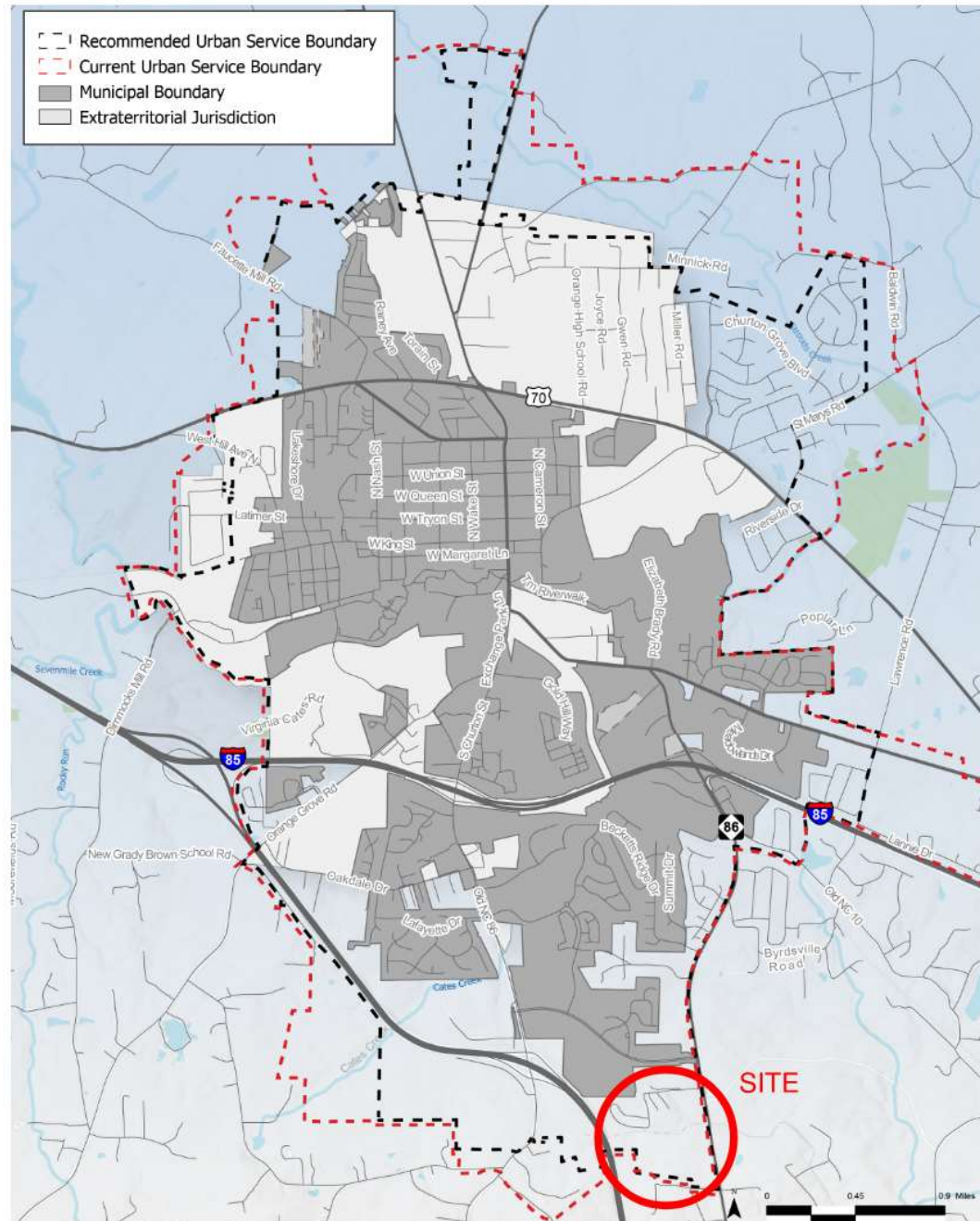
Town of Hillsborough/Orange County Central Orange Coordinated Area Land use Plan
Areas Within the Town's Urban Service Boundary



- B. The Waterstone South site area is within the Recommended Urban Services Boundary even in the recently reduced form (see exhibit B). (Page 4.12 Comprehensive and Sustainability Plan 2030).

Exhibit B

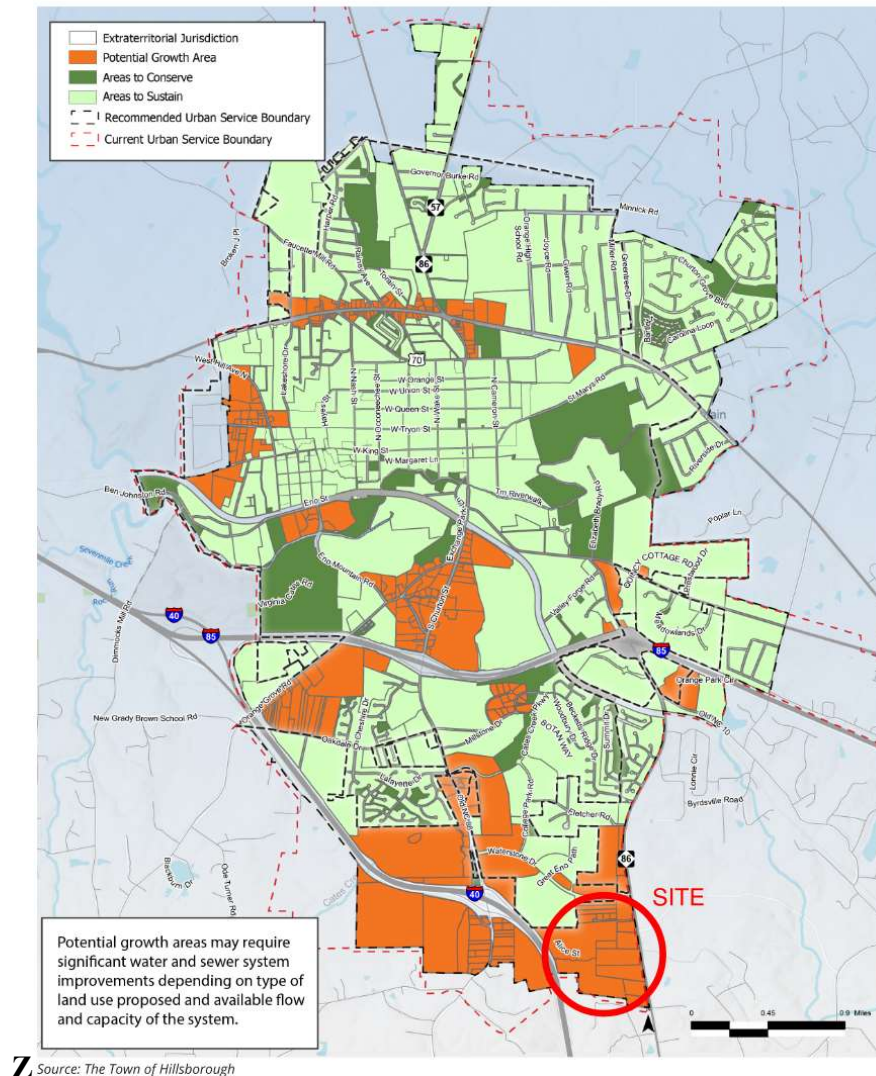
Figure 4.1. Urban Service Boundary



- C. The Waterstone South site area is shown on figure 4.4 of the newly adopted Comprehensive and Sustainability Plan as a “Potential Future Growth Area” (see exhibit C). (Page 4-23 Comprehensive and Sustainability Plan 2030).

Exhibit C

Figure 4.4. Potential Growth Areas



- D. The Waterstone South site area is located immediately adjacent to Hillsborough’s biggest transit corridors allowing for efficient public transit without adding to the congestion problems that are prevalent in the Churton Street Corridor. Figure 6.8 from the Comprehensive Sustainability Plan shows where transit opportunities exist relative to the location of the site (see exhibit D). (Page 6-6 Comprehensive and

- E. Waterstone South is a true mixed-use community. The recently completed Fiscal Benefits and Economic Impacts analysis completed by DPFPG shows that 41% of the tax base for the proposed community will come from commercial uses. By comparison the commercial portion of the total tax base in Orange County is only 20%, and for Hillsborough only 32% of the total tax base is commercial. Waterstone South will help Hillsborough increase its commercial tax base relative to its residential tax base. The Comprehensive and Sustainability Plan recognizes that “Hillsborough’s largest industry is healthcare and social services with the UNC Hospitals Hillsborough Campus as the largest employer in this sector.” (Page 9-5 Comprehensive and Sustainability Plan 2030). The proposed mixed-use community is immediately adjacent to the UNC Hospitals Campus and is offering Medical Office and Outpatient Services to support the hospital’s future and current needs.
 - F. Waterstone South is offering an unprecedented level of affordable housing. The applicant is making a commitment to make 15% of the market rate homes affordable to those making an average of 80% of the median income. This will apply to both the apartments and the townhomes, resulting in 58 affordable apartments and 27 new affordable townhomes. Affordable townhomes will be integrated within the market rate homes. There will be no discernable difference between the market rate homes and the affordable homes.
 - G. The proposed Waterstone South mixed-use community is located in the Elizabeth Brady sewer basin which has a significantly newer and better designed public sewer system than the River Basin. Not only is there less infiltration from outside sources, but there is also greater potential for adding capacity. The planning for Waterstone South has taken into account that upgrades to the existing system will be needed and older outdated pump stations will need to be replaced. The applicant is proposing a contribution of 8 million dollars in needed sewer improvement for the Town of Hillsborough’s system. Of the 8 million dollars 3.3 million would be in direct construction (including upgrading the Elizabeth Brady Pump Station, eliminating the Alice Loop Pump Station, and replacing the Nazarene Pump Station), and 4.7 million dollars would be in accelerated access fees. The applicant is also proposing to phase the residential portion of the development into three phases to allow capacity upgrades to be made without overtaxing the system.
- 3. A statement explaining how the development complies with the policies & objectives of the comprehensive plan.**

In June of 2023 the Town of Hillsborough adopted a new Comprehensive Plan entitled “Town of Hillsborough Comprehensive Sustainability Plan (2030)”. The proposed mixed-use community and associated annexation are consistent with this comprehensive plan in virtually every respect.

1. Land Use and Development. This section of the comprehensive plan applies most directly to this proposed mixed-use development.
 - a. The Comprehensive and Sustainability Plan page 4-5 states that Hillsborough “seeks development patterns that create more compact and walkable spaces with a mix of uses”. Page 4-8 speaks to the southern area of Town holding opportunities for growth in the form of “compact, mixed use, and transit-oriented development”. Waterstone South is being proposed in the southern portion of Hillsborough and provides compact development, a mix of uses, and mass transit opportunities.
 - b. The comprehensive plan contemplates contracting the Urban Services Boundary away from areas that are less practical to provide sewer services, or the Town wants to otherwise discourage development. The proposed mixed-use community remains within the primary service area whether the area is contracted or not (see attached exhibit B). (Page 4-12 Comprehensive and Sustainability Plan 2030).
 - c. The comprehensive plan speaks of the Town’s limited, and some areas constrained sewer capacity. It is pointed out that the “Elizabeth Brady Basin is newer and has more capacity”. (Page 4-14 Comprehensive and Sustainability Plan 2030). This proposed mixed-use community is in the Elizabeth Brady Basin.
 - d. The comprehensive plan points out that a significant problem with the existing sewer system is that there are too many pump stations, and many of them are substandard and ageing. The proposed mixed-use community eliminates two ageing substandard pump stations and constructs one new station built to modern standards with excess capacity for the future. (Pages 4-15, and 4-16 Comprehensive and Sustainability Plan 2030).
 - e. The comprehensive plan page 4-16 points out that “Planned growth is a driver for sewer improvements in the newer Elizabeth Brady Pumping Station Sewer Basin. Significant investment will be needed to prepare for future needs and growth”. The proposed mixed-use community is proposing a contribution of 8 million dollars in needed sewer improvement for the Town of Hillsborough’s system. Of the 8 million dollars 3.3 million would be in direct construction (including upgrading the Elizabeth Brady Pump Station, eliminating the Alice Loop Pump Station, and replacing the Nazarene Pump Station), and 4.7 million dollars would be in accelerated access fees that would be paid upon approval of each of the 3 phases. This is a very large contribution to the public infrastructure. Hillsborough has not seen this level of commitment in the past. However, the comprehensive plan specifically suggests this type of cost

sharing arrangement with developers. (Page 4-25 Comprehensive and Sustainability Plan 2030).

- f. In the conclusion of the Comprehensive Report's section on Land Use and Development, page 4-22 states that, "Based on the water and sewer capacity constraints, growth should be focused on the southern part of Town in the Elizabeth Brady Basin. This area is ripe for additional compact and mixed-use development.....". As demonstrated in the Growth Areas Map (Figure 4.4), most growth is anticipated in the southern portion of town (within the Elizabeth Brdy Basin). "The town plans, regulations and ordinances should be revised to direct this growth to accomplish the goals of this plan.". This is exactly what the proposed mixed-use community has designed in both location and the type of development. I have attached figure 4.4 Potential Growth Areas Map as exhibit C. (Page 4-23 Comprehensive and Sustainability Plan 2030).
2. Transportation and Connectivity. The comprehensive plan on Page 6-4 states that "The town relies on this regional transportation network, along with local roads, and bicycle and pedestrian facilities, for its economic vitality and social and resource connections". Greenway trails and pedestrian networks are important to the future of the town as are mass transit opportunities. The proposed mixed -use community's' location could not be better. It is in the southern part of town adjacent to 1-40, and Highway 86 (new), with I-85 to the north and Highway 86 (old) to the west. Access to all these major transportation routes can be made without going through downtown Hillsborough. The mixed-use master plan calls for an extensive internal pedestrian trail system with multiple connections both current and future to Waterstone Drive, which then provide links to other areas of Hillsborough. We have also proposed a public sidewalk on both sides of all new public streets. This type of connectivity is essential.
3. Economic Development and Tourism. The comprehensive plan states that "The town understands the importance of continued growth and support to existing businesses.". (Page 9-4 Comprehensive and Sustainability Plan 2030). And it also recognizes that "Hillsborough's largest industry is healthcare and social services with the UNC Hospitals Hillsborough Campus as the largest employer in this sector.". (Page 9-5 Comprehensive and Sustainability Plan 2030). The proposed mixed-use community is immediately adjacent to the UNC Hospitals Campus and is offering Medical Office and Outpatient Services to support the hospital's future and current needs. We are also offering middle-income housing designed with hospital workers in mind. The residential component of this mixed-use neighborhood provides a realistic opportunity for the employees at Hillsborough's largest employer to walk to work. The proposed Medical Office and Outpatient Services is located in Hillsborough's **Economic Development District** (see

figure 9.3). (Page 9-8 Comprehensive and Sustainability Plan 2030). As mentioned earlier the proposed mixed-use community has a commercial tax base of 41% which is double the proportion of commercial tax base in Orange County and much higher than the proportion of commercial tax base in Hillsborough.

4. Housing and Affordability. There are several very important sections from the comprehensive plan that warrant inclusion in the discussion of consistency with the proposed mixed-use community. Directly from the comprehensive plan.

- a. “During the development process for this plan “addressing affordability and cost of living” was noted as one of the most important sustainability issues facing the town. Page 8-4 Comprehensive and Sustainability Plan 2030).

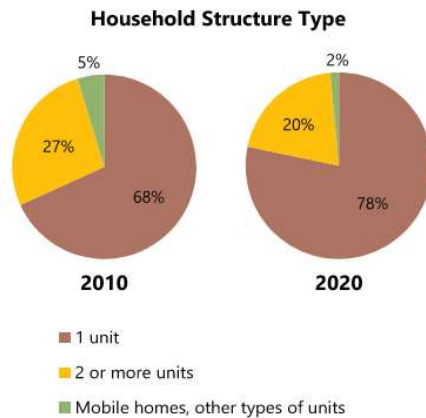
“The affordability of housing in a market function on a supply and demand model. The prices of housing units will be higher the lower the supply is in an area. Further, high housing costs have the unintended consequence of promoting sprawl, as households seek more affordable options away from densely populated areas with access to services. This generates adverse social and environmental effects, such as development of natural areas, increases in service rates (such as water and sewer), and higher emissions from longer commutes”. (Page 8-4 Comprehensive and Sustainability Plan 2030).

“A mixture of housing types helps neighborhoods be more sustainable and stable. Approaching housing with a smart growth lens curbs sprawl and reduces environmental impacts by building compactly, promoting a mix of uses....”. (Page 8-3 Comprehensive and Sustainability Plan 2030).

“Missing middle housing refers to building types that provide denser housing options, such as duplexes, fourplexes, cottage courts, and courtyard buildings. These housing types have the capacity to better support transit and economic mobility of residents without the cost and maintenance burden of a detached single-family home”. (page 8-4 Comprehensive and Sustainability Plan 2030).

In addition, between 2010 – 2020 the percentage of single-family homes has risen from 68% to 78% of Hillsborough’s total housing stocks (see Housing Structure Type in Hillsborough, Figure 8.4) Exhibit K. (Page 8-8 Comprehensive and Sustainability Plan 2030).

Figure 8.4. Household Structure Type in Hillsborough (2020 and 2010)



Source: U.S. Census, American Community Survey 5-Year Estimates

The proposed mixed-use development seeks to address the missing middle, and workforce housing by following the guidance laid out above from the comprehensive plan by providing townhomes and apartments and no single-family homes. We have chosen the more compact, denser design, that is more affordable and more sustainable. Our plan also addresses affordability by integrating 15% of affordable homes throughout the townhomes which will be affordable to those earning 80% or less of the median income. We will also commit to 15% of the entire residential portion of the project to be affordable. We are committed to working with the Hillsborough Commissioners to come up with the best plan for providing affordability within the apartments.

4. Definitions of the land-use designations, including density ranges & product types for residential development shown on the master development plan graphics

General Office/Medical Office/ Outpatient Services/ Hospital – Up to 65’ office buildings intended for medical office and general office uses. The buildings may also contain small accessory support uses such as a coffee shop or similar. This land use will include surface parking to support the buildings.

Apartments - 3 or 4 story buildings containing rental residential units in a mix of 1-, 2-, and 3-bedroom units with surface parking per UDO requirements.

Townhomes - 2 and 3 story buildings comprising 3-8 residential units’ side by side or stacked, for sale and/or rental. Parking will meet UDO requirements.

Neighborhood commercial - 1 or 2 story buildings for neighborhood support services such as Day Care, restaurant, small shops, and professional offices. Surface parking per UDO requirements

Open space - A combination of natural as well as improved open space areas including preservation, passive, and active recreation. These areas are comprised of stream buffers and steep slopes, open fields interior to the neighborhood, and accessible playgrounds (at least 2).

5. A table setting the minimum & maximum total dwelling units & nonresidential square footage; the minimum acreage for common open space, natural resource areas, public uses & any other planned uses

General Office/Medical Office/ Outpatient Services/ Hospital

Acreage: ~ 12.8 AC

Square footage: +/- 200,000 SF

Apartments

Acreage – ~ 21.5 AC

Density per acre of these 2 blocks: 20-22 Units per Acre

Units in each block: +/- 225 units

Townhomes –

Acreage ~ 27.8 AC

Acreage of each block: Block A = ~ 6.7 AC, Block B = ~ 12.4 AC, Block C = ~ 6.9 AC, Block D = ~ 1.8 AC

Density per acre of each block: 5 to 14 units per acre

Units in each block: 25-70 units

Neighborhood commercial -

Acreage of block: ~ 5.0 AC

Square footage: +/- 40,000 SF

Open space - A combination of natural as well as improved open space areas including preservation, passive, and active recreation. These areas are comprised of stream buffers and steep slopes, open fields interior to the neighborhood, and accessible playgrounds (at least 2).

Total acreage of these areas: +/- 32 AC

6. Description of residential & mixed-use neighborhoods; commercial, office, & research & development-uses, common open omits space & natural resource areas; public buildings, schools, & other public uses; & any other proposed uses,

General Office/Medical Office/ Outpatient Services/ Hospital – Up to 65’ office buildings intended for medical office and general office uses. The buildings may also contain small accessory support uses such as a coffee shop or similar. This land use will include surface parking to support the buildings. Blocks H and I.

Apartments - 3 or 4 story buildings containing rental residential units in a mix of 1-, 2- and 3-bedroom units with surface parking per UDO requirements. Blocks E and F.

Townhomes - 2 and 3 story buildings comprising 3-8 residential units’ side by side or stacked, for sale and/or rental. Parking will meet UDO requirements. Blocks A, B, C, and D.

Neighborhood commercial - 1 or 2 story buildings for neighborhood support services such as Day Care, restaurant, small shops, and professional offices. Surface parking per UDO. Block G.

Open space - A combination of natural as well as improved open space areas including preservation, passive, and active recreation. These areas are comprised of stream buffers and steep slopes, open fields interior to the neighborhood, and accessible playgrounds (at least 2).

7. If the development is to be built in phases, a development schedule indicating:

- **The approximate date when construction of the project can be expected to begin.**
- **The stages in which the project will be built and the approximate date when construction of each stage can be expected to begin.**
- **The anticipated rate of development.**
- **The approximate date when the development of each of the stages will be completed.**
- **The area and location of open space, community and public facilities, and preserved floodplains, wetlands, and other natural resource areas that will be provided at each stage.**

The proposed Waterstone South community has been designed to be developed in three phases. The three phases primarily pertain to the residential component of the development and not the commercial components. The applicant recognizes the sewer capacity constraints that Hillsborough is currently experiencing and has proposed roughly 8 million dollars in accelerated system development fees, and direct improvements to improve capacity for the Waterstone South community and future development in the southern portion of Hillsborough. Because the residential component of Waterstone South is the primary consumer of sewer capacity, the residential component of the proposed mixed-use community is being proposed as phased development. The residential component has been divided into three phases to allow the necessary time for the proposed sewer improvements to be made in a logical and orderly manner. The commercial component of the community located along Waterstone Drive has been designed to encourage medical outpatient services and medical office to facilitate the growing medical complex anchored by UNC Health. We don’t believe phasing of the medical uses is advisable as it will be developed as the UNC Health facility grows and the demand for the

medical outpatient services and offices grow along with it. This is anticipated to occur over a 10-year time frame. Similarly, the neighborhood commercial along Highway 86 South at the entrance to the residential portion of the community will grow as the residential component of the community grows and the health care related jobs base expands. Uses such as day care facilities, coffee shops and restaurants, are anticipated in this neighborhood commercial area.

The phasing of the residential portion of the Waterstone South community shall occur starting at the front of the residential portion of the community along Highway 86 South and proceed westward towards I-40. As such, the townhomes and the neighborhood commercial will be constructed before the two phases of multi-family.

The three phases shall be structured as follows.

PHASE I: Phase I shall include 205 townhomes and approximately 10,000 square feet of the neighborhood commercial. Infrastructure development shall conclude and building construction to start in June 2026 with the first townhomes being completed in January 2027. Phase I should be completed by January 2030. No sewer would be needed before January of 2027 and gradually added through 2030.

PHASE II: 225 apartments and approximately 10,000 square feet of neighborhood commercial. Infrastructure development shall conclude and building construction to start in January of 2028 with the first apartment being completed in January 2029. Phase II should be completed by January 2030. No sewer would be needed before January of 2029 and gradually added through 2030.

PHASE III: 225 apartments and approximately 20,000 square feet of neighborhood commercial. Infrastructure development shall conclude and building construction to start in January 2029 with the first apartment being completed in January of 2030. Phase III should be completed by January 2031. No sewer would be needed before January 2030 and gradually added through 2031.

As intended the sewer usage allows a substantial amount of time for the necessary improvements to be completed with the initial usage not starting for three and a half years while the infrastructure and building occurs and increasing gradually over the next seven years. We think this is a well thought out phasing plan that allows for a logical growth pattern to be aligned with increases in sewer capacity.



Waterstone South

10 Factors Relevant to Decision to Amend the Official Zoning Map

1. The extent to which the proposed amendment is consistent with all applicable Town Adopted Plans

There are several adopted plans that stipulate policy and guidance on new land use for the subject properties. These include.

The *Town of Hillsborough Potential Growth Areas Map* identifies the area where the site is located as a “Potential Growth Area”. Figure 4.4, page 4-23 Comprehensive and Sustainability Plan 2030.

The Town of Hillsborough/ Orange County Coordinated Area Land Use Plan for Areas Within the Urban Services Boundary calls for Mixed Use land use along Waterstone Drive and mixed residential neighborhood for the rest of the property. Our proposal is for a mix of retail and office-type uses along Waterstone Drive, and Mixed Residential for the remainder of the property, exactly as called for in the plan.

The *Hillsborough Urban Services Boundary Map* shows all of the subject properties (except for the small portion in the Rural Buffer) within the Town water/sewer service agreement area, thus supporting our request to extend water and sewer service from the Town system.

The Town of Hillsborough Comprehensive Sustainability Plan addresses specific goals that are actionable with our proposal relative to Land Use and Development, Transportation and Connectivity, Social Systems and Public Spaces, Housing and Affordability, and Economic Development, Climate and Energy.

The Land Use and Development component of this plan reinforces the established urban growth limits of the Town, the need to expand and enhance the public utility infrastructure, and incorporation of pedestrian oriented smart growth principles in new development. Our proposal is within that identified town growth boundary, and we are offering to provide direct construction and financial assistance to the Town to enhance the capabilities of the public water and sewer infrastructure, as well as build incrementally over time to allow those enhancements to become operational before adding customers that could strain that system. The proposed development as envisioned will be a walkable mixed-use community with townhomes, multifamily residential, retail, office and civic spaces. The commitment to not have single family homes will result in a

development pattern that will require less infrastructure per residential unit, and allow residents to live, work and shop within an easy bike ride or walk. Similarly, the proximity to UNC Hospital and Durham Tech will further expand those live/work opportunities without requiring the use of a car.

Similarly, the Transportation and Connectivity component will be met through this compact form of development with connecting sidewalks and trails. Hillsborough Public Transit has service on Waterstone Drive, and we plan on connecting the southern portion of the site to Waterstone Drive with a multi-use path.

Regarding Social Systems and Public Spaces, we plan on having multiple public open space areas within the boundaries of the project including a continuous 100' strip of open space along the properties southern border against East Scarlett Mountain Road and ten acres of open space at the southwestern corner of the property. Similarly, we are right across NC 86 from Stanback Middle School, and a short distance north of New Hope Elementary. A sidewalk could be constructed, with NCDOT support, for safer access to Stanback. In addition, there is an adjacent Place of Worship.

Housing and Affordability is an important component of our proposal. We are focusing on much needed missing middle and multifamily housing, both rental and for sale. There will be no single-family homes. A permanent dedication of 15% of the residential units will be committed as long term affordable.

2. **The extent to which there are changed conditions that require an amendment** – The southern portion of Hillsborough has seen most of the Hillsborough's growth over the last 20 years. This growth has been moderately paced, and logical, given the southern portion of Hillsborough's proximity to major transit corridors. The area is bounded by I-85 to the north, I-40 to the south, new Highway 86 to the east, and old Highway 86 to the west. The southern portion of Hillsborough is within Hillsborough's Urban Services Boundary and within what has been designated as the primary service area. The water and sewer facilities south of downtown are newer, and higher quality than in the northern and central sewer basins. Guidance provided by past land use plans and reinforced by the recently approved Comprehensive Plan and Future Land Use Map have played a role in the development of the southern area of Hillsborough as well.

The subject property is in the southern area of Hillsborough and the growth surrounding the site has **resulted in changed conditions warranting the amendment**. Specific growth immediately adjacent to or near the subject site includes the Waterstone project, and the recently approved Research Triangle Logistics Park. The Waterstone project has contributed significantly to the area's growth with our state's flagship medical institution, UNC Health, building a major hospital on Waterstone Drive. In 2022 UNC Health expanded the hospital adding an entirely new tower with 80 new beds, and a dialysis center. The newly completed tower has added 100 jobs to bring the total UNC Health employees to over 500 at the 365,000 square foot Hillsborough Campus. Durham Technical Community College built a new campus on Waterstone Drive that includes a 40,000 square building that holds 22 new classrooms, a computer lab, and administrative offices, and is now preparing for expansion of the original campus. Waterstone

has also seen the opening of a new Fire Station in 2023. The 7.4-million-dollar facility has living accommodations for 12 fire personnel and 6 EMS workers. The Research Triangle Logistics Park has been approved and the owners have begun the development and construction process. The Park will add 2,400,000 square feet of industrial, manufacturing, and warehousing space that will bring hundreds of new jobs to the Town of Hillsborough. With the new growth to the southern area of Hillsborough infrastructure has grown as well. I-40 is currently being upgraded at both the Old and New Highway 86 intersections, lane widening is occurring between Highway 15-501 and Highway 85, and mass transit routes to Hillsborough and Chapel Hill have been added.

The addition of recent growth in health, education, industrial and manufacturing space, and municipal services in the southern area of the Town of Hillsborough **has resulted in changed conditions that warrant amendment**. The northern portion of the proposed Mixed-Use Community will allow specialty and outpatient services to grow around the core UNC Health hospital and facilitate the growth of the overall health services in Hillsborough. The residential apartments and townhomes being proposed will provide homes for the of new workers the recent growth in jobs in the southern portion of Hillsborough will require.

3. The extent to which the proposed amendment addresses a demonstrated community need.

The proposed project will address a number of community needs.

a. Housing. We all need a place to live and the United States is currently in a housing crisis. The supply of homes has simply not kept up with the demand. A CNN report earlier this year put the national shortage at 6.5 million homes. Locally a report by the North Carolina Budget and Tax Center given at North Carolina's Annual Fair Housing Conference puts North Carolina's shortage at 900,000 homes by 2030. A shortage of homes has a direct and significant impact on home prices. When you have an insufficient supply of homes, prices go up making the available homes unaffordable. A housing shortage also affects the price of existing homes and when the value of existing homes rises the property taxes for long term residents of Hillsborough increase. This has happened in Hillsborough, at the state level, and nationally. The hardest hit has been the supply of homes for those in the middle- and lower-income price ranges. The only actively selling new home community in Hillsborough currently is Collins Ridge. By the time the proposed Waterstone South project is issued its first building permit, it is likely that Collin's Ridge will be sold out. The proposed mixed-use community will provide badly needed housing for middle income families. As proposed the community will only serve the middle- and lower-income ranges by building only town homes and apartments. We have not planned for any single-family homes. **Providing badly needed middle income homes is a demonstrated community need.**

b. Affordable Housing. Along with the middle-income homes referenced above the applicant is making a commitment to make 15% of the market rate homes affordable to those making an average of 80% of the median income. Affordable homes will be integrated within the market rate homes with identical exterior finishes. There will be no discernable difference between the homes. **Providing affordable homes is a significant financial commitment from the applicant and will address a demonstrated community need.**

c. Medical services/ Neighborhood Oriented Commercial. The proposed mixed-use community has two commercial components planned. The most significant is approximately 12 acres of medical office and outpatient services located immediately adjacent to the UNC Heath Campus on Waterstone Drive. In this portion of the proposed mixed-use campus, we anticipate the type of medical support services typically seen around major medical institutions. We envision radiology, orthopedics, gynecologist, dermatologist, and other specialty offices that will support UNC Health and allow it to operate effectively. The other commercial component will be the neighborhood-oriented commercial along Highway 86 south at the entrance to the residential portion of the community. Here we are planning businesses that will support the community's needs in the southern portion of town. Potential uses include a day care, restaurants, coffee shops, a barber shop or salon. **We believe that each of these commercial components of the proposed mixed-use community will address a demonstrated community need.**

d. Tax Base Income and Jobs. We are proposing a mixed-use community with both residential and commercial components with no single-family lots. This type of development uses far less infrastructure, resources, and community services than the more traditional single-family communities built in the past. They are simply more sustainable, which is listed as the first and primary goal of Hillsborough's new Comprehensive Plan. We have had Lucy Gallo of DPFG conduct an extensive Economic and Fiscal Analysis of the proposed community and the results are a significant deviation from traditional residential development. Ms. Gallo's report finds that the community will generate 1.4 million in annual property tax revenue with an annual net income above expenses of just under 1 million dollars (\$958,000) annually for Hillsborough's General Fund. This is revenue after contributing over \$750,000 to the annual cost of fire and police protection alone. In terms of economic impact, the mixed-use community will create 1,014 permanent jobs in Hillsborough of which most will be high paying medical jobs. These incomes are projected to exceed 100 million annually. **The proposed mixed-use community will go far beyond paying for itself and make a substantial contribution to the Town's general fund and employment, addressing a demonstrated community need.**

4. **The extent to which the proposed amendment is compatible with existing and proposed uses surrounding the subject land and is the appropriate zoning district for the land, and is consistent with the Hillsborough Comprehensive Plan**

a. Compatible with Existing and Proposed Uses. The northern portion of the proposed mixed-use community sits immediately adjacent to UNC Hospital campus along the south side of Waterstone Drive. Durham Technical College campus is located on the north side of Waterstone Drive, along with a large townhome community called Harmony at Waterstone. The property extends southward from Waterstone Drive to East Scarlett Mountain Road. The property is bounded by I-40 to the west and Highway 86 to the east. The general site plan calls for medical office and outpatient services immediately adjacent to UNC Hospital, and residential uses on the southern portion of the site. The residential component is comprised of townhomes and apartments intended to serve working middle income families. The apartments will be located on the western portion of the site along I-40, while the townhomes will be on the eastern portion of the site closer to Highway 86. Neighborhood oriented

commercial will be located at the entrance to the residential portion of the community along Highway 86.

The site plan design **is compatible with existing and proposed uses surrounding the subject land.** The medical office and outpatient services is immediately adjacent to UNC Hospital which is consistent and intended to support the major medical facility. The residential component of the mixed-use community is entirely consistent with the apartments in Waterstone and the townhomes along Waterstone Drive. Highway 86 and I-40 both buffer the townhomes and apartments from the east and the west. The Rural Buffer begins at the southwestern corner of the site and extends all the way to Chapel Hill. Within the Rural Buffer homes were constructed on large lots. We will be dedicating significant areas of open space along the southern boundary in the Rural Buffer and have designed the lower density townhomes as a transition. While we are proposing higher density than the Rural Buffer to the south, we believe placing our residential component on the southern portion of the site **is compatible with existing uses, and is consistent with the recently approved Comprehensive Plan, the Future Land Use Map, and the Urban Services Boundary Map (attached as exhibits A and B respectively).**

Exhibit A

Town of Hillsborough/Orange County Central Orange Coordinated Area Land use Plan
Areas Within the Town's Urban Service Boundary

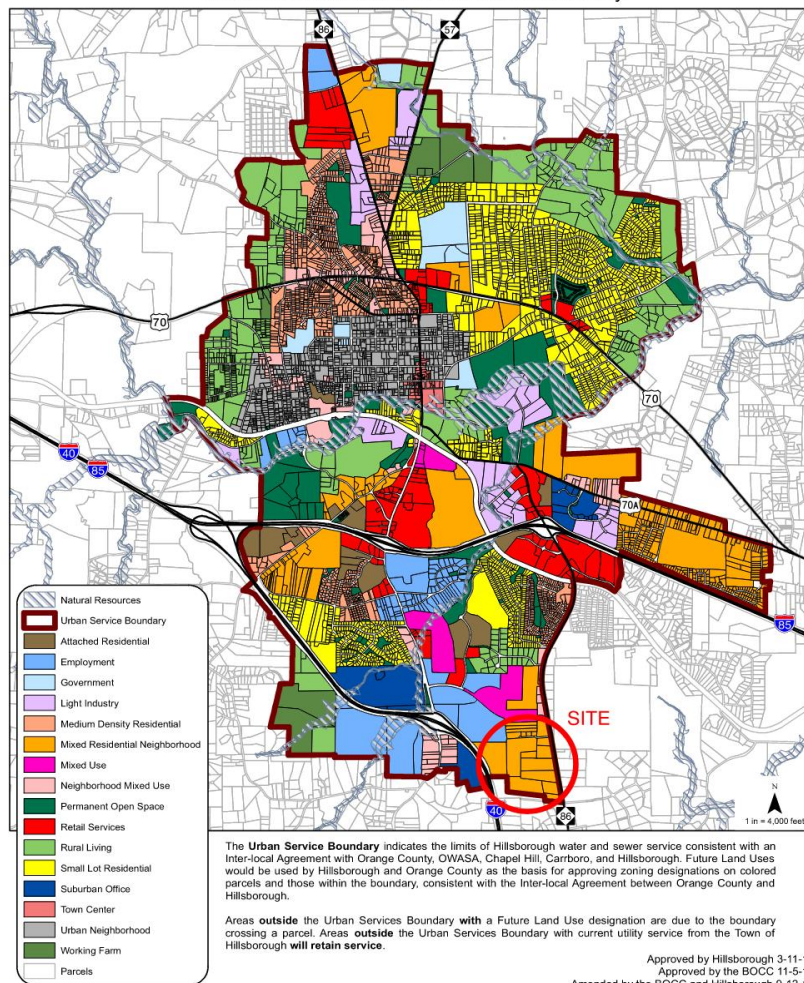
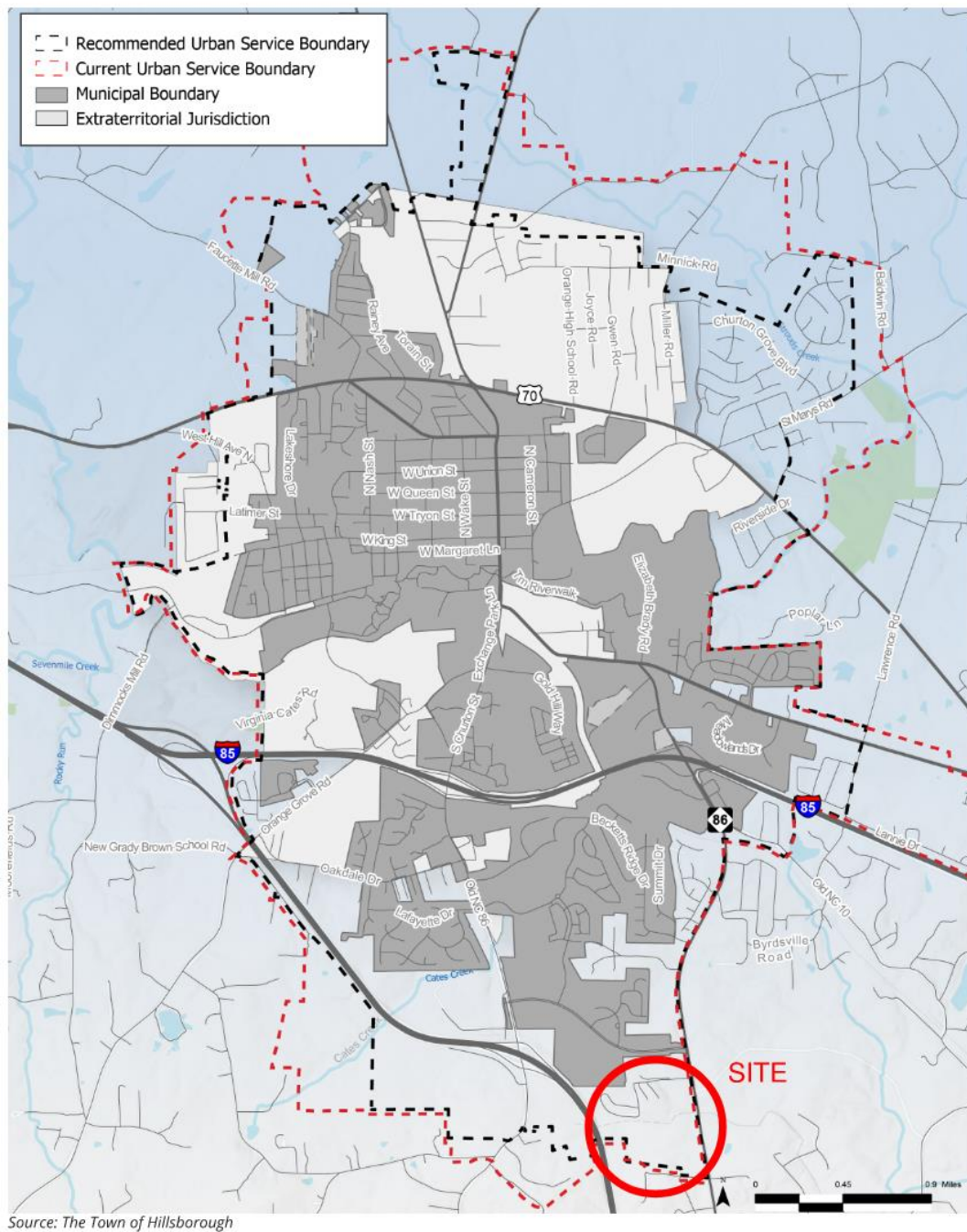


Exhibit B

Figure 4.1. Urban Service Boundary



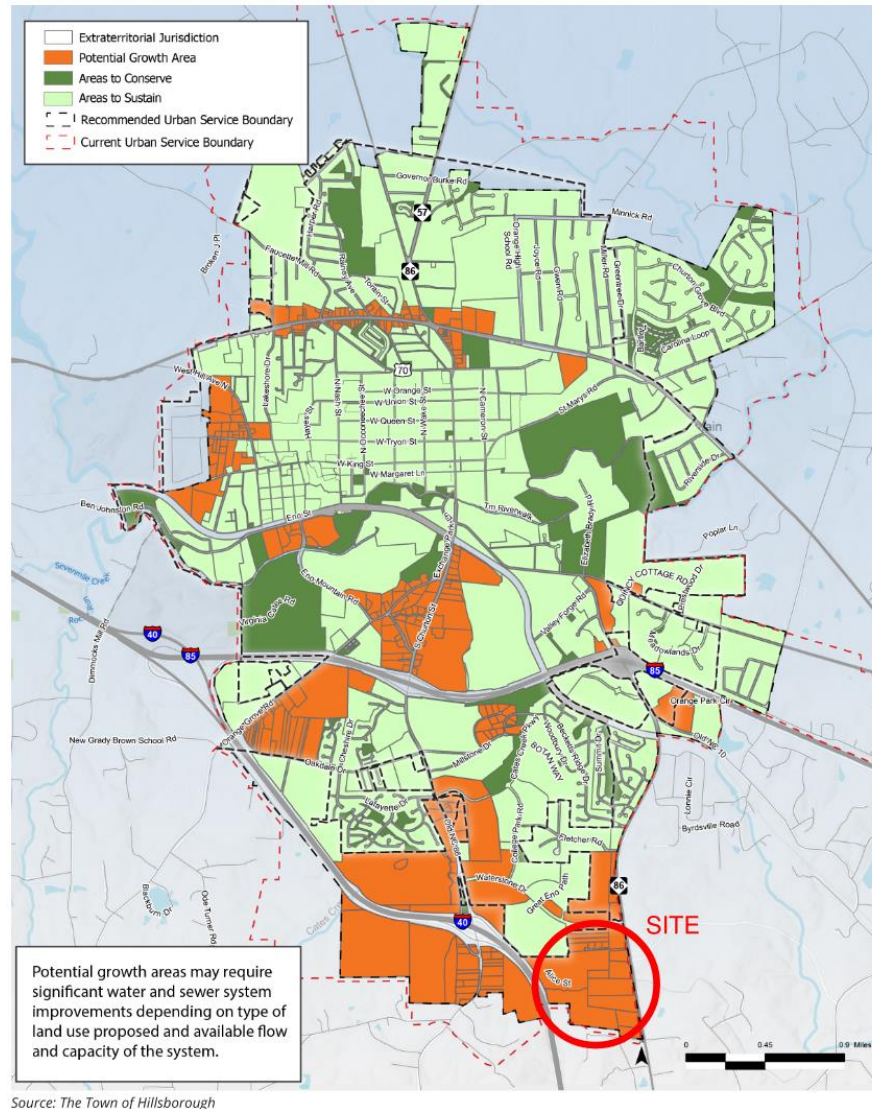
- b. Consistent with the Comprehensive Plan. In June of 2023 the Town of Hillsborough adopted a new Comprehensive Plan entitled “Town of Hillsborough Comprehensive Sustainability Plan 2030. The proposed mixed-use community and associated annexation are consistent with this comprehensive plan in virtually every respect.
 1. Land Use and Development. This section of the comprehensive plan applies most directly to this proposed mixed-use development.

- a. Pages 4-5 of the Comprehensive Plan, at the beginning of the section, states that Hillsborough “seeks development patterns that create more compact communities and walkable spaces with a mix of uses”, and page 4-8 speaks to the southern area of Town holding opportunities for growth in the form of “compact, mixed use, and transit-oriented development”. This mixed-use development is in the southern portion of Town and provides compact development, a mix of uses, and mass transit opportunities.
- b. The comprehensive plan contemplates contracting the urban services boundary away from areas that are less practical to provide sewer services, or the Town wants to otherwise discourage development. The proposed mixed-use community remains within the primary service area whether the area is contracted or not (see attached exhibit B from page 4-12 of the Comprehensive Plan).
- c. The comprehensive plan speaks of the Town’s limited and in some areas constrained sewer capacity. It is pointed out that the “Elizabeth Brady Basin is newer and has more capacity”. (Page 4-14 Comprehensive and Sustainability Plan 2030). This proposed mixed-use community is in the Elizabeth Brady Basin.
- d. The comprehensive plan points out that a significant problem with the existing sewer system is that there are too many pump stations, and many of them are substandard and ageing. (Pages 4-15 and 4-16 Comprehensive and Sustainability Plan 2030). The proposed mixed-use community eliminates two ageing substandard pump stations and constructs one new station built to modern standards with excess capacity for the future.
- e. The comprehensive plan page 4-16 points out that “Planned growth is a driver for sewer improvements in the newer Elizabeth Brady Pumping Station Sewer Basin. Significant investment will be needed to prepare for future needs and growth”. The proposed mixed-use community is proposing a contribution of 8 million dollars in needed sewer improvement for the Town of Hillsborough’s system. Of the 8 million dollars 3.3 million would be in direct construction (including upgrading the Elizabeth Brady Pump Station, eliminating the Alice Loop Pump Station, and replacing the Nazarene Pump Station), and 4.7 million dollars would be in accelerated access fees that would be paid upon approval of each of the 3 phases. This is a very large contribution to the public infrastructure. Hillsborough has not seen this level of commitment in the past. However the comprehensive plan specifically suggest this type of cost sharing arrangement with developers.
- f. In the conclusion of the Comprehensive Plan’s section on Land Use and Development, page 4-22 states that, “Based on the water and sewer capacity constraints, growth should be focused on the southern part of Town in the Elizabeth Brady Basin. This area is ripe for additional compact and mixed-use development.....”. As demonstrated in the Growth Areas Map (Figure 4.4), most growth is anticipated in the southern portion of town (within the Elizabeth Brady Basin). “The town plans, regulations and ordinances should be revised to direct this

growth to accomplish the goals of this plan.”. This is exactly what the proposed mixed-use community has designed in both location and the type of development. I have attached figure 4.4 Potential Growth Areas Map” as exhibit “D”. (page 4-23 Comprehensive and Sustainability Plan 2030).

Exhibit D

Figure 4.4. Potential Growth Areas



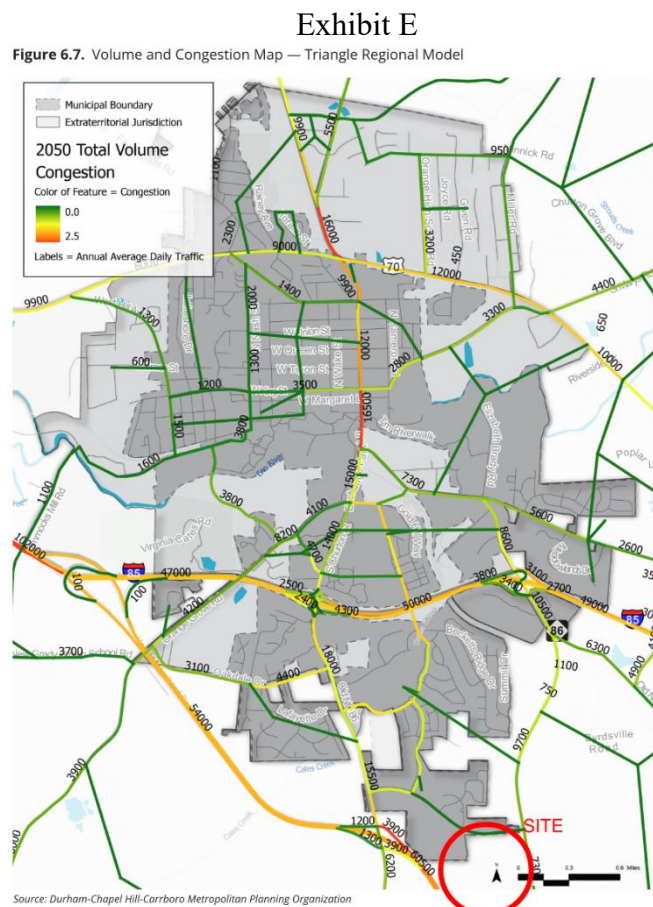
2. Transportation and Connectivity. The comprehensive plan on Page 6-4 states that “The town of Hillsborough relies on this regional transportation network, along with local roads, and bicycle and pedestrian facilities, for its economic vitality and social and resource connections”. Greenway trails and pedestrian networks are important to the future of the town as are mass transit opportunities. The proposed mixed -use communities’ location could not be better. It is in the southern part of town adjacent to I-40, and Highway 86 (new), with I-85 to the north and Highway 86 (old) to the west. Access to all these major transportation routes can be made without going through downtown Hillsborough. The mixed-use master plan calls for an extensive internal

pedestrian trail system with multiple connections both current and future to Waterstone Drive, which then provide links to other areas of Hillsborough. We have also proposed a public sidewalk on both sides of all new public streets and will discuss the potential of public sidewalk along Highway 86 to provide access to Elementary and Middle Schools. This type of connectivity is essential.

The comprehensive plan has several transportation related maps that I have attached to this report as exhibits e-i. I will include a brief narrative of each map as they relate to the proposed mixed-use community.

- a. Figure 6.7, Volume and Congestion Map, page 6-17.

This map shows areas around Hillsborough that experience high traffic volumes and congestion. Please notice that at Waterstone Drive and Highway 86 where the proposed mixed-use community is located there are only green hues shown. This indicates low volume and congestion.



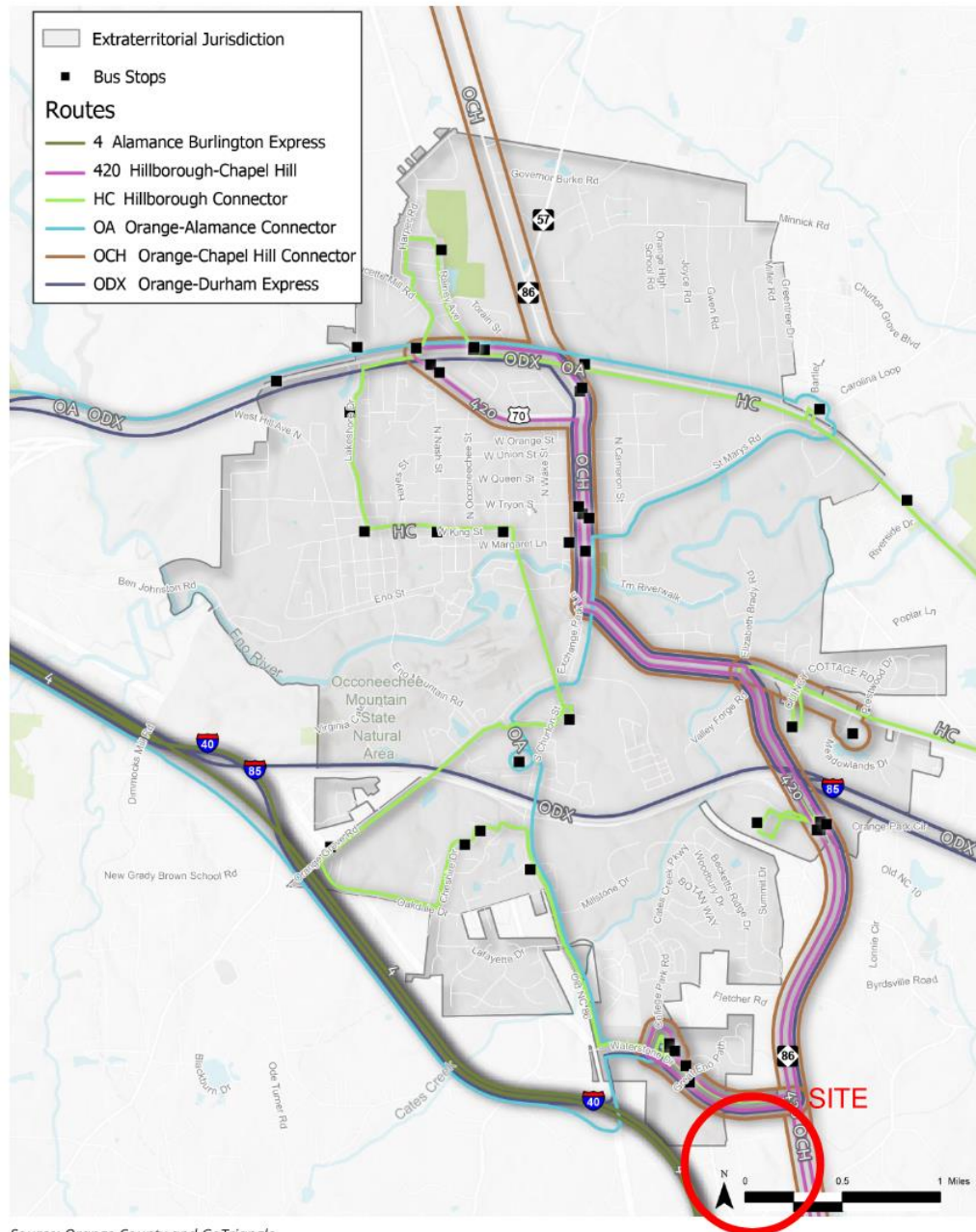
- b. Figure 6.8, page 6-19 Existing Transit Routes.

This map shows where transit opportunities currently exist. Please note that Waterstone Drive and Highway 86 South, where the proposed mixed-use community is located, has more mass transit opportunities than anywhere else in

Hillsborough. These opportunities include the Hillsborough Circulator route, Hillsborough to Chapel Hill routes, and the Orange - Alamance Connector.

Exhibit F

Figure 6.8. Existing Transit Routes

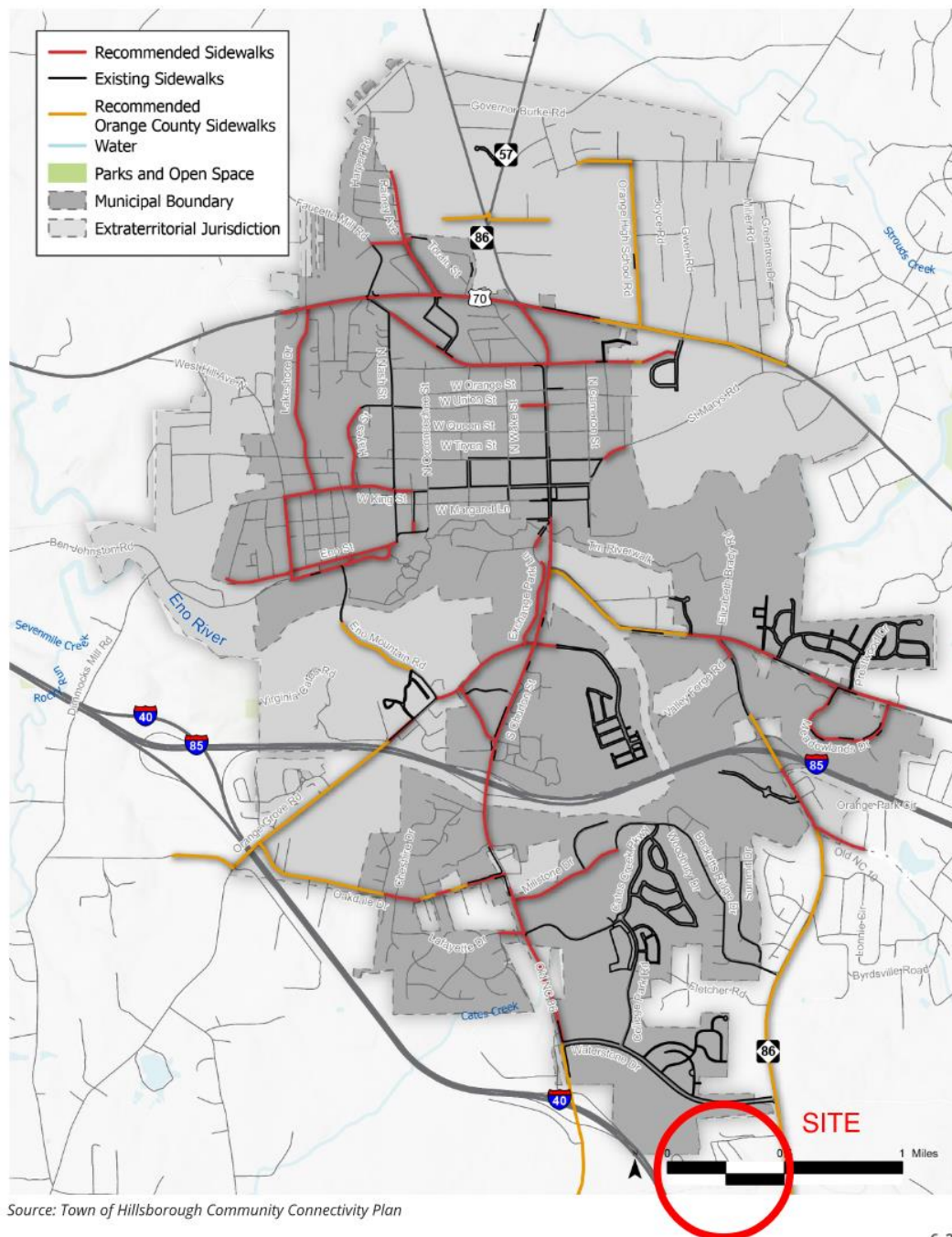


Source: Orange County and GoTriangle

- c. Figure 6.10, page 6-22. Sidewalk System Map.
This map shows an Orange County recommended sidewalk along Highway 86 South.

Exhibit G

Figure 6.10. Sidewalk System Map

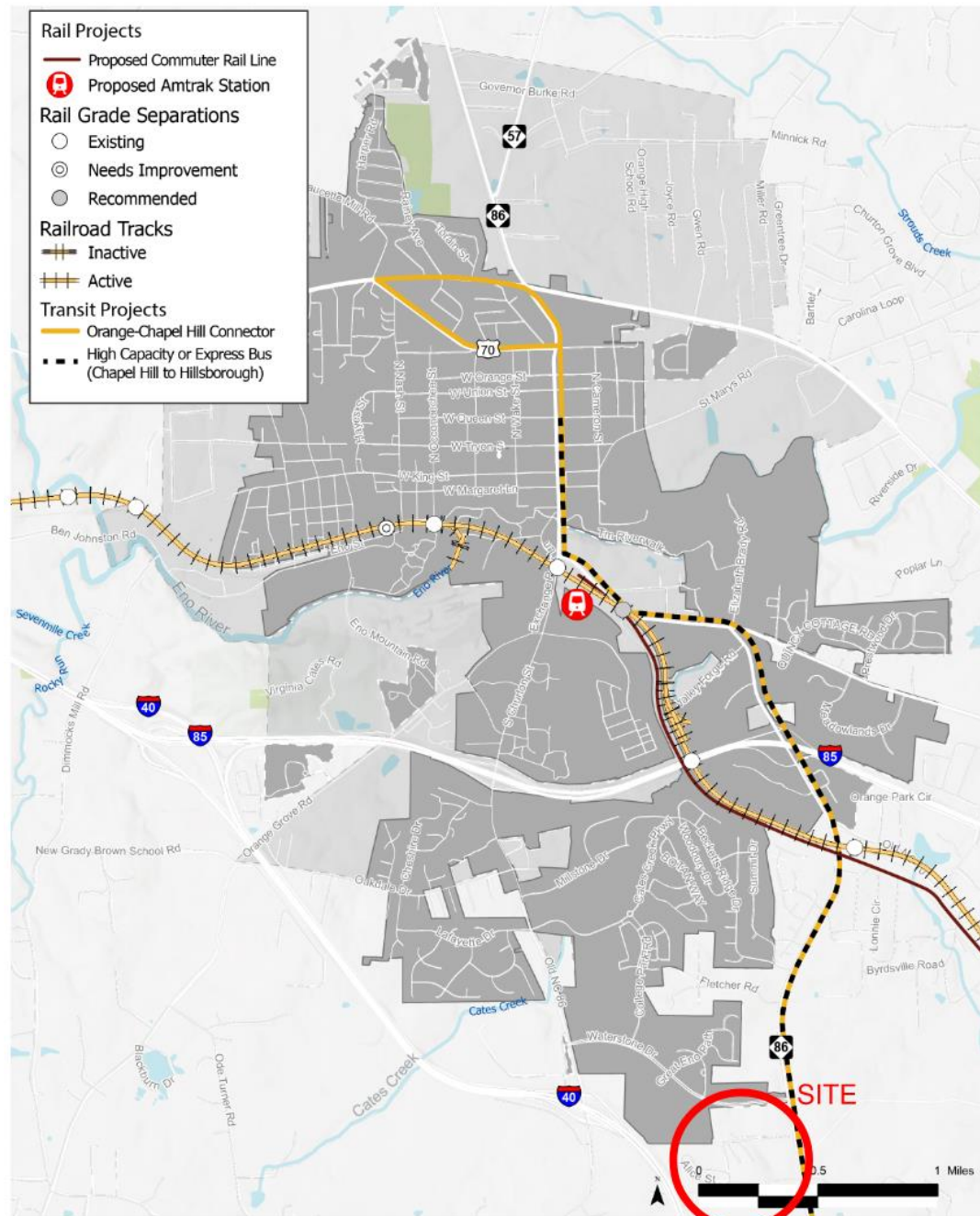


6-22

- d. Figure 6.17, page 6-38 Existing Rail and Improvements Map.
This map shows that Highway 86 directly in front of the proposed mixed-use development has “High Capacity or Express Bus between Hillsborough and Chapel Hill.

Exhibit H

Figure 6.17. Existing Rail and Improvements Map

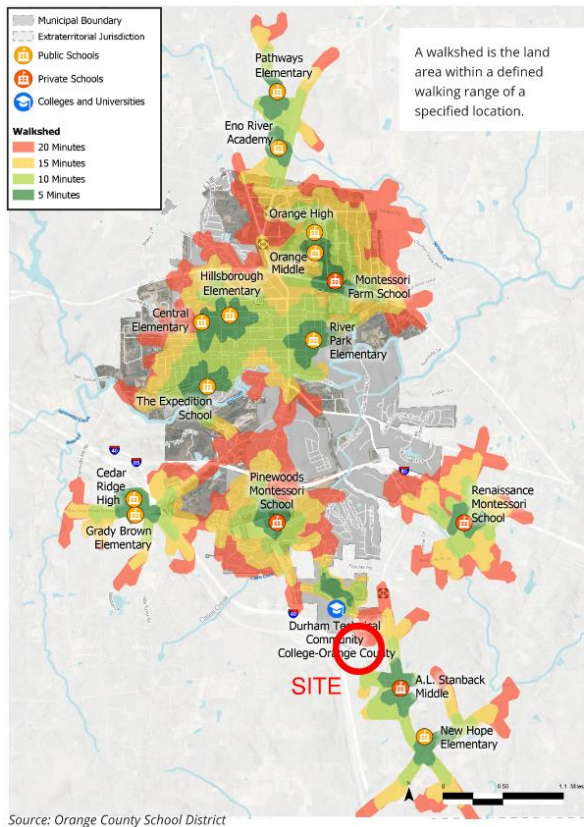


Source: Durham-Chapel Hill-Carrboro Metropolitan Planning Organization Comprehensive Transportation Plan, November 2017

- e. Figure 7.3, page 7-9. Educational Walkshed Map (K-12 and Higher Education). This property is connected to local schools with green shading which indicates a 5 minute or less walk to the educational facilities of Durham Technical College, A.L. Stanback Middle School, and New Hope Elementary. This makes walking a potential opportunity for all three schools.

Exhibit I

Figure 7.3. Educational Walkshed Map (K-12 and Higher Education)



Child Care

Hillsborough is home to several child care centers that offer daycare and preschool services. These centers support growth, development and educational advancement of children, and creates a positive economic impact for families and communities. These centers are vital to the success of the community, and all families should have access to quality and affordable child care. As the population of Hillsborough grows, more quality child care options will be needed to meet the demand.

3. **Planning and Economic Development.** The comprehensive plan states that “The town understands the importance of continued growth and support to existing businesses.”. And it also recognizes that “Hillsborough’s largest industry is healthcare and social services with the UNC Hospitals Hillsborough Campus as the largest employer in this sector.”. (Pages 9-4 and 9-5 Comprehensive and Sustainability Plan 2030). The proposed mixed-use community is immediately adjacent to the UNC Hospitals Campus and is offering Medical Office and Outpatient Services to support the hospital’s future and current needs. We are also offering middle-income housing designed with hospital workers in mind. The residential component of this mixed-use neighborhood provides a realistic opportunity for the employees at Hillsborough’s largest employer to walk to work. The proposed Medical Office and Outpatient Services is located Orange County’s **Economic Development District** (see figure 9.3). (Page 9-8 Comprehensive and Sustainability Plan 2030). The proposed mixed-use community has a mix of 41% commercial tax base and 59% residential tax base.

Exhibit J

Coordination with Orange County

The partnerships that the town has with Orange County are important for a strong economic development strategy. The county invests significant resources into economic growth for the county, which the town can use and build upon at a local level.

Orange County Economic Development Districts around Hillsborough

In 1984, Orange County outlined areas around Interstate 40 near Hillsborough as economic development districts (identified in lavender in *Figure 9.3*). These areas encompass all four corners of the Interstate 40 exchange with Exit 261 south of Hillsborough, totaling 703 acres that include Waterstone Business Park, UNC Hospitals Hillsborough Campus and Durham Technical Community College's Orange County Campus. Approximately 208.08 acres of these economic development districts have been developed.

Figure 9.3. Orange County Economic Development Districts



4. Housing and Affordability. There are several very important sections from the comprehensive plan that warrant inclusion in the discussion of consistency with the proposed mixed-use community.

During the development process for this plan “addressing affordability and cost of living” was noted as one of the most important sustainability issues facing the town. (Page 8-4 Comprehensive and Sustainability Plan 2030).

“The affordability of housing in a market function on a supply and demand model. The prices of housing units will be higher the lower the supply is in an area. Further, high housing costs have the unintended consequence of promoting sprawl, as households seek

more affordable options away from densely populated areas with access to services. This generates adverse social and environmental effects, such as development of natural areas, increases in service rates (such as water and sewer), and higher emissions from longer commutes”. (Page 8-4 Comprehensive and Sustainability Plan 2030)’

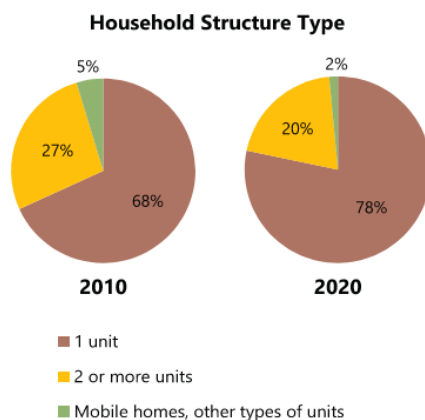
“A mixture of housing types helps neighborhoods be more sustainable and stable. Approaching housing with a smart growth lens curbs sprawl and reduces environmental impacts by building compactly, promoting a mix of uses....”. (Page 8-3 Comprehensive and Sustainability Plan 2030).

“Missing middle housing refers to building types that provide denser housing options, such as duplexes, fourplexes, cottage courts, and courtyard buildings. These housing types have the capacity to better support transit and economic mobility of residents without the cost and maintenance burden of a detached single-family home”. (Page 8-4 Comprehensive and Sustainability Plan 2030)’

In addition, between 2010 – 2020 the percentage of single-family homes has risen from 68% to 78% of Hillsborough’s total housing stocks (see Housing Structure Type in Hillsborough, Figure 8.4). (Page 8-8 Comprehensive and Sustainability Plan 2030).

Exhibit K

Figure 8.4. Household Structure Type in Hillsborough (2020 and 2010)



Source: U.S. Census, American Community Survey 5-Year Estimates

The proposed mixed-use development seeks to address the missing middle, and workforce housing by following the guidance laid out above from the comprehensive plan by providing townhomes and apartments and no single-family homes. We have chosen the more compact, denser design, that is more affordable and more sustainable. Our plan also addresses affordability by integrating 15% of affordable homes throughout the townhomes which will be affordable to those earning 80% or less of the median income. We will also commit to 15% of the entire residential portion of the project to be

affordable. We are committed to working with the Hillsborough Commissioners to come up with the best plan for providing affordability within the apartments.

5. The extent to which the proposed amendment would result in a logical and orderly development pattern or deviate from logical and orderly development patterns.

The proposed plan will allow an appropriate type of growth to the Town's anticipated future southern border that is in keeping with an orderly and logical development pattern. Recent development in this area has been characterized by the creation of significant employment centers, including Durham Technical Community College, UNC Hospital and a medical office building at Waterstone Drive and South Churton. This proposal requests a mix of townhome and multifamily housing types which would be more affordable and in walkable and bikeable proximity to those employment centers, as well as to a nearby middle school and elementary school. In addition, the proposal calls for a small neighborhood retail area along NC 86 along the property frontage, again walkable and bikeable to the new residents, as well as a general and medical office area on Waterstone Drive, directly adjacent to the hospital. Those latter uses will provide additional employment and business lease space opportunities in an area designated for mixed use by the Future Land Use Plan. In summary, the Town has a dwindling supply of available land to provide additional housing, business and employment opportunities, and by graduating the intensity of these uses south from Waterstone Drive to the Rural Buffer is an appropriate use of this property and a logical pattern of development.

6. The extent to which the proposed amendment would encourage premature development.

We don't believe there is anything premature about the proposed mixed-use community. There is a documented housing shortage both nationally and locally as referenced earlier in Section 3(a) above. The medical office and outpatient services being proposed along Waterstone Drive next to UNC Hospital are necessary to support the hospital and allow for the area to develop into a signature medical campus. The neighborhood commercial proposed at the entrance to the residential component of the community along Highway 86 will allow for the opportunity for restaurants, day cares barber shops, and hair salons to be in an area of town where there are few neighborhood businesses.

7. The extent to which the proposed amendment would result in strip or ribbon commercial development.

This proposed rezoning would in fact not result in strip or ribbon commercial development. The proposed neighborhood commercial along NC 86 will be limited to 40,000 sf maximum. The location is purposeful to be within walking distance of the new residential units, and calls for uses including daycare, restaurants, commercial office and small retail spaces. This is not a strip form of development. The remaining non-residential uses are proposed along Waterstone Drive and are committed to be general office and medical office, not retail. This is inherently not a strip form of development.

8. The extent to which the proposed amendment would result in the creation of an isolated zoning district unrelated to or incompatible with adjacent and surrounding zoning districts.

While there will be two large parcels of property between our proposed mixed-use community and Waterstone Drive, they will most certainly be developed in a similar fashion to what we are proposing. They are located along Highway 86 and the larger parcel sits at the corner of Waterstone Drive and Highway 86. There is a third 4-acre parcel located near the UNC Hospital and we have been in contact with them about purchasing the property. They currently have the property advertised for sale. The current owners of the two larger parcels were not inclined to sell their property at this time, but neither parcel could be considered isolated.

9. The extent to which the proposed amendment would result in significant adverse impacts on the property values of surrounding lands.

We do not believe the annexation of the subject property and proposed mixed-use development will result in significant adverse impacts on the property values of surrounding lands. As mentioned earlier I-40 provides a significant buffer to the property west of the site. We don't believe the proposed mixed-use development will have any effect on the properties west of I-40. The same is true, although possibly to a lesser extent, of the properties along Highway 86 which serves as the eastern boundary of the proposed mixed-use community. There are a total of 8 lots across Highway 86 along the property's eastern border. Duke University owns 439 acres of forestry land. The owner of Investors Title owns 4 of the properties with one rental home on the combined parcels. Blalocks Towing and Recovery owns one lot, and there is one individual home set back on an 8-acre lot. We do not believe that the proposed mixed-use community will have any negative effects on these properties. The proposed mixed-use development may have a positive effect on the business of Blalocks Towing and Recovery. There should be no effect on the Duke Forestry property or the investment properties as they are all outside the urban services boundary. The homes to the south of the property are on large lots and are all in the rural buffer. We would anticipate a slight increase in property values due to the addition of the neighborhood commercial and other facilities being located nearby, but no decrease in property values. Lastly, we believe the proposed mixed-use community can only enhance the properties adjacent to the northern area of the site. Because the site is immediately adjacent to UNC Hospital the proposal includes uses intended to support UNC Hospital. The effect should be positive. One of the most significant advantages of the proposed mixed-use community for the Town of Hillsborough is that the additional residential component has the potential to stimulate the lack of anticipated commercial growth in the Waterstone Community. While the location of UNC Hospital and Durham Technical College have been positive, they have not contributed significantly to Hillsborough's tax base. The anticipated commercial that would supply the commercial revenue has not been built. The residential component of the proposed mixed-use community may provide the necessary "rooftops" to stimulate needed commercial growth along Waterstone Drive.

10. The extent to which the proposed development would result in significantly adverse impacts, including but not limited to water, air, noise, stormwater management, wildlife, vegetation, wetlands, and the natural functioning of the environment.

The planned development is designed to be sensitive to natural features and environmental systems. Streams were mapped by Orange County, and the plan is configured to avoid these and

the associated riparian buffers. Stoney Creek is the most significant environmental feature on the property. A substantial portion of the property is currently in a meadow due to the wide overhead powerline easement and will largely be maintained as such. Riparian buffer areas of the site, as well as a 100' buffer along I-40 will remain in a wooded state. Stormwater management control measure to Town and State standards will be installed with the development to maintain the quantity and quality of runoff and not degrade the existing streams. Also, continuous wildlife corridors with limited road and greenway crossings will be maintained east/west through the site along Stoney Creek, and north/south along Interstate 40.