HOUSING AND BUSINESS RESILIENCY IN BOONE, NORTH CAROLINA

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EXECUTIVE SUMMARY

Boone is a rapidly growing community in the High Country of North Carolina. The Town of Boone is well known for its natural resources, great tourism opportunities, local arts scene, and Appalachian State University. Because of its popularity, the community has seen rapid growth over the past 10 years. Growth has brought many benefits to the community, but it has also led to pressures on the housing and business sectors.

NCGrowth worked with the Town of Boone to analyze the health of the housing and business sectors and to ultimately recommend strategies for increasing resiliency. In this report’s context, resiliency is defined as the ability to recover quickly from threats, such as the COVID-19 pandemic. Recommendations were informed by data analysis and interviews with stakeholders. High level findings are as follows:

- Boone’s becoming denser as a result of increased population growth and unchanged town boundaries
- Boone has a highly educated, young, population due to it being the home of Appalachian State University
- High costs and declining availability of housing has contributed to high rates of workers commuting into town
- The median household income in Boone hovers around $20,000 but the income of the non-student population is significantly higher
- Boone has a very low vacancy rate for both rentals and owned homes
- Housing costs in Boone are much higher than surrounding areas
- Only a small amount of Boone’s housing stock is made up of housing between large multi-family units and single-family residences, meaning there is a lack of smaller multi-family developments like duplexes and triplexes
- Boone’s key industries include tourism, retail, and educational services

The report concludes with recommendations that the town of Boone can employ to improve overall resiliency. These recommendations include:

- Updating the Town’s comprehensive plan
- Implementing a community engagement strategy
- Adjusting development regulations to reflect the comprehensive plan
- Dedicating staff and funding for business and housing strategic planning
- Creating a public interests policy statement for developers
- Developing additional parking in Downtown Boone
- Developing “missing middle” housing

The report is organized as follows:

1) Methodology
   a) Review of existing reports

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1 The term missing middle housing refers to housing typology sized between single family residents and large, multi-family units like large apartment buildings.
INTRODUCTION

Nestled in the Blue Ridge Mountains of North Carolina, Boone is one of the largest communities in the High Country Region. Known for Appalachian State University and some of the best outdoor recreational assets on the east coast, Boone draws visitors from throughout the state and beyond. In just 6.3 square miles, Boone contains many of the region’s commercial enterprises and as a result is the economic center of the High Country region.

Boone is extremely successful in many categories. First, it has a robust economy, anchored by tourism, Appalachian State University, and the Watauga Medical Center. Its population is highly educated, and its large student population has helped to buffer it from the labor shortage currently putting pressure on many parts of the state and country. It has the resources and assets of being a community anchored by a University of North Carolina Institution, while retaining the charm of a small town. Boone has a vibrant arts and culture scene rooted in local artisans and performers. All these assets draw visitors and newcomers from across North Carolina and beyond. As a result of these concentrated assets, Boone is projected to undergo unprecedented growth over the coming decades. Unless properly managed, this growth will likely threaten the vibrancy and health of the community.

The recent COVID-19 pandemic has illustrated the need for resiliency efforts in many towns and cities. The onset of the pandemic caused communities to change overnight, with many employees and employers adjusting their practices drastically in order to keep themselves safe. Housing and small businesses were hit particularly hard, with many small businesses needing to adjust to online and curbside pickup, and families leaning on support for rent assistance and eviction moratoriums. The town of Boone was no different. The events of 2019 to 2021 exposed the need for broader resiliency efforts, specifically to ensure economic health and affordable housing.

The purpose of this report is to outline how Boone can adapt to meet the challenges future projected growth will bring, and how it can strengthen the resiliency of the housing and business sectors in the event of disruptive events such as the COVID-19 pandemic. This report uses data analysis and qualitative interviews to understand the largest threats to housing and business resiliency in Boone. The report ends with preliminary recommendations of strategies that public officials can employ to begin to build resiliency within the community.

2 The High Country is made up of Alleghany, Ashe, Avery, Mitchell, Watauga, Wilkes, and Yancey counties.
To increase resiliency in Boone, NCGrowth recommends the town undergo a strategic planning process, including a comprehensive plan update, to determine what priorities and strategies are in the public interest to accommodate growth.

Analysis done pointed to the need for the Town of Boone to undergo strategic planning processes to prevent increased growth from threatening the housing and small business sectors in Boone. This report does not propose changing specific ordinances, rather it includes suggestions to help guide the town through the strategic planning process.
METHODOLOGY
This report uses quantitative data analysis and stakeholder interviews to inform the conditions and recommendations for housing and business resiliency in Boone.

DATA ANALYSIS
Quantitative data was used to understand the current demographic, housing, economic, and industrial conditions within Boone. Most of this data came from the Census Bureau’s 2019 5-Year American Community Survey. However, additional data was collected from other sources such as the North Carolina Office of State Budget and Management. Data sources are cited throughout the report.

EXISTING REPORTS
The recommendations within this report also consider previous legislation, plans, and documentation relating to housing and business resiliency in Boone. Documents analyzed include:

• 2018 -2019 Development Finance Initiative report on public private investment on Howard Street
• 2018 Housing Study Update, created by the Town of Boone Planning and Inspections Department
• 2017 Hazard Mitigation Plan Update, for the High-Country Region
• 2015 Town of Boone Wellness District Small Area Plan
• 2014 Town of Boone Pedestrian and Bicycle Plan
• 2006 Comprehensive Plan Update, created by the Boone Area Planning Commission

DEVELOPMENT FINANCE INITIATIVE INVOLVEMENT IN BOONE
In 2018, the Development Finance Initiative (DFI), a not-for-profit development group affiliated with UNC-CH, worked with the town on determining feasibility for public-private development along Howard Street. This project was paused, but still is extremely relevant to increasing resiliency in Boone today.

The purpose of the DFI report was to identify places where public private investment could lead to revitalization in Downtown Boone, specifically along Howard Street. As a part of this analysis, DFI analyzed market demand for retail and residential spaces in Boone. The organization also worked with the town to develop a set of development public interests. The value in this report is that it began to outline how the development community can help achieve Boone’s public interests.
STAKEHOLDER INTERVIEWS
Qualitative analysis was conducted through stakeholder interviews from June to August 2021. Information collected through interviews is anonymous. In total, we conducted ten interviews with stakeholders representing local businesses, housing, development, local government, tourism, Appalachian State University, and others.

STRENGTHS
Through interviews, strengths identified include:

- Boone is the regional economic and employment center of the High Country
- Adequate supply for student housing
- Downtown remained very strong throughout the COVID-19 pandemic
- Students and tourists act as a strong driving force
- Boone’s exceptional natural assets

WEAKNESSES
Identified weaknesses include:

- Added costs because of development regulations
- Lack of town-wide housing strategy
- Lack of Downtown parking
- Confusion around rules and regulations regarding small business development and operation
- Transit limitations for low-income workers
- Loss of extraterritorial jurisdiction

OPPORTUNITIES
Potential opportunities to strengthen housing and business efforts include:

- The goal for building affordable housing is shared by Boone, Watauga County, and developers
- Low income housing tax credit (LIHTC) funding is available for funding low-income units built by developers
- Basis boost is available to developers from HUD because of Boone’s development difficulty
- Various funding mechanisms are available for public-private affordable housing developments
- The 2018-2019 Development Finance Initiative at UNC-CH continues to be a relevant document from which the Town of Boone can refer to and build from in their development and planning processes
- The Boone region is home to world class outdoor recreation from which the Town can continue to capitalize on for outdoor recreation based economic development strategies. Some outdoor recreation manufacturers have recently relocated to Boone, providing an anchor for more of these establishments
THREATS
Threats to resiliency include:

- Historic challenges between the town and county
- Mistrust between Boone and the development community
- The perception that the development community turns to other localities for housing projects
- Perception among some locals, leaders, and development community that the Town of Boone is “anti-development,” posing challenges to affordable housing efforts
- Development of exclusively single-family residences or student rentals
EXISTING CONDITIONS

Analyzing the existing economic and housing conditions in Boone is necessary to recommend resiliency strategies for Boone in these sectors. This analysis shows that Boone has been steadily growing for much of recent time. Growth is being driven by Appalachian State University, the second-homer population, people moving out of cities, and tourism. A key strategy for resiliency will be to adopt policies that accommodate and plan for the growing community. While sometimes seen as a negative, community growth can help Boone generate diverse housing typologies and employment opportunities. If the town chooses not to embrace policies that accommodate growth, it runs the risk of increased housing costs, a displaced workforce, all of which negatively impact resiliency.

POPULATION GROWTH

Population density and growth are important factors in understanding resiliency. Boone and Watauga County are unique in that, while the High Country region is primarily rural, these two localities have seen significant population growth since the late 20th century. More recently, since 2010, the population of Boone has increased by 15%, while the county has increased by 11%. Much of this population growth is a result of people moving into the region. Population growth has been driven by the expansion of Appalachian State University, Appalachian Regional Healthcare, and investment in the tourism economy.

Notably, population growth in Boone and Watauga County have remained higher or equal to the state-wide levels of growth for every decade since 1980 (except from 1990 to 2000).

Population growth is not projected to decline any time soon. By using historic population data, and county projections, the NC Office of State Budget and Management projects that Boone’s population will continue to increase. According to these estimates the Town of Boone will reach a population of around 26,000 residents by 2050.
FIGURE 1: BOONE’S POPULATION HAS INCREASED SINCE 1980 AND IS PROJECTED TO CONTINUE TO GROW THROUGH 2050.

While population has grown, land availability has not kept up with demand. Boone is 6.31 square miles and there has not been significant expansion of the town since prior to 2010. This combined with steady population growth has increased density within the town limits of Boone.
Increased density is helpful in building resiliency only if the amount of housing keeps up with demand. As reviewed below, the pace of development has not kept up with population growth which has caused a strain on housing availability and affordability.

**AGE**

Like many college towns, the median age of Boone tends to be younger because of the large student population attending Appalachian State University. As of 2019, the median age in Boone is about 21. About 60% of Boone’s population is between the ages of 18 and 21. While the college aged population adds to the community, excluding this cohort from the analysis shows a clearer picture of some of the fulltime residents of Boone. The second largest cohort is made up of residents between the ages of 25 and 34, which accounts for about a quarter of the population. Additionally, when not counting the college aged cohort, about 20% of the population is at age 65 or above. This indicates that there is a significant segment of the population that is older and may need housing typologies at varying costs and types.
FIGURE 3: THE UNDERGRADUATE AGED POPULATION (18-24) ACCOUNTS FOR THE LARGEST AGE COHORT IN BOONE.

Removing the 18-24 cohort shows the age breakdown of residents in Boone who are not-college aged. Notably, the smallest age cohorts are those under 17. Boone has significantly less children than the college-aged and middle-aged populations. This may signify that there has been or may be a decline in the natural birth rate.

Source: U.S. Census Bureau, 2021
One of the major challenges to increasing economic and housing resiliency with a large university-aged population is that when the university closes, such as it did during the 2020 to 2021 COVID-19 pandemic, many residents (students) disappear, a major employer is disrupted, and many jobs are at risk. Resiliency depends on a population that lives, works, and contributes to an existing community. This poses challenges when such a large segment of Boone’s population is tied to or is employed by the university. Strategies to achieve resiliency should attempt to attract more families and middle-aged people to Boone full time, and to provide opportunities for businesses outside of the university to open and operate.

**EDUCATION**

Of the population aged above 25, 28% of residents in Boone have a bachelor’s degree. This is much higher than the rate in North Carolina, which is 20%. Notably however, Watauga County has a higher rate of residents with master’s degrees than both Boone and North Carolina. This supports the claim heard through interviews, that housing prices in the town are generally unaffordable for people who aren’t undergraduate students at ASU. Interviewee’s mentioned that it can be difficult for ASU to bring professors to the institution because of housing availability and affordability.
Unsurprisingly, Boone has a higher percentage of those with doctorate degrees than North Carolina. The proximity to ASU and the salaries paid to those with doctorates make the town of Boone more accessible to this group.

**Figure 5: Educational attainment of the population 25 or above, is generally higher in Boone than in North Carolina.**

Through interviews we heard that many workers in Boone live outside the town due to limited housing options in-town and high housing costs. Commuting data supports this claim. In 2018, about 12,000 people worked in the town of Boone. However, of those, about 87% of workers lived outside of the town. Only about 13% of workers in Boone live in town.3

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Of those commuting into Boone for work, about half of the population lives within 10 miles of their work. However, about one quarter of workers live more than 50 miles away. Many of those work to the east and south in Wilkes County and Caldwell County. A significant portion of workers also commute from Johnson County in Tennessee. The cost of living and housing prices tend to be much lower in those counties compared to Boone. Additionally, there’s more available housing outside of the town limits.
RACE

Both Boone and Watauga County have higher concentrations of white identifying residents than the state. Ninety percent of residents in the town and county identify as non-Hispanic white. Compared to the state, there are significantly less Black identifying residents in Boone and Watauga. In the state, about 20% of residents identify as Black, compared to three percent in Boone.
FIGURE 8: BOONE AND WATAUGA COUNTY HAVE LARGER WHITE POPULATIONS THAN THE REST OF NORTH CAROLINA.

Spatially, much of Boone’s Black population is located north in Boone’s historically Black community, Junaluska.

Source: U.S. Census Bureau, 2021

*The racial and ethnic groups of Native Hawaiian/Other Pacific Islander and some other race alone were removed due to lack of data.
ECONOMIC INDICATORS

Economic indicators can be difficult to interpret in college towns like Boone. Since many students live below the poverty line or do not have full time employment, economic indicators like poverty rates and income for college towns can be artificially low. Boone is one of the most extreme examples of the student population skewing local economic indicators. Care should be taken when interpreting economic indicators about Boone as they may not be accurate because of ASU’s student impact. However, economic indicators are an important measurement of an economy’s resiliency.

HOUSEHOLD INCOME

Analysis shows that overall median household income has remained relatively stable since 2009. In 2019, overall median household income in Boone was around $23,000. While helpful in many places, this metric is skewed because it counts the median household income of students, many of which do not work full time and may be funded through their parents, scholarships, or student loans.

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FIGURE 10: THE HOUSEHOLD INCOME IN BOONE IS SIGNIFICANTLY LOWER THAN THAT OF WATAUGA COUNTY AND NORTH CAROLINA.

Source: U.S. Census Bureau, 2021

Two other metrics help paint a picture of income distribution in Boone. The median income for full time workers is helpful because it excludes those who work part time, which includes most students. However, this is also limiting because it excludes non-student wage workers who are not employed full time.

Another helpful metric is the median household income of homeowners versus renters. This metric is helpful because students are not typically homeowners. However, because of how high home prices are in the town limits, many non-students who work and live in Boone cannot afford to own a home. Regardless, these metrics do help add context to incomes within Boone.
FIGURE 11: THE MEDIAN INCOME OF FULL-TIME WORKERS IS SIGNIFICANTLY HIGHER THAN THE OVERALL MEDIAN HOUSEHOLD INCOME OF BOONE.

Source: U.S. Census Bureau, 2021

FIGURE 12: THE MEDIAN HOUSEHOLD INCOME OF HOMEOWNERS IN BOONE HAS BEEN STEADILY INCREASING, COMPARED TO THE MEDIAN HOUSEHOLD INCOME OF RENTERS, WHICH HAS REMAINED STAGNANT.

Source: U.S. Census Bureau, 2021
In 2019, the poverty rate for Boone was about 50%. The poverty rate for Watauga County during the same period was about 26%. However, because college towns tend to have inflated poverty rates, the actual poverty rates are most likely lower. When adjusting for college students, as of 2019, Boone had a poverty rate of around 23%.

**STUDENT POPULATION**

The student population has a significant impact on Boone and Watauga County. Over the past 10 years, ASU has steadily increased its enrollment by about 18%. Since 2011, ASU has increased enrollment from about 17,500 students to over 20,000. The student population is expected to increase as there are no current plans to slow university enrollment.

*FIGURE 13: MOST YEARS SINCE 2012, ASU GREW AT A FASTER RATE THAN BOONE OVERALL.*

The slow growth in the amount of housing units available to both non-students and Boone’s workforce threatens future community growth and economic strength. As of 2019, there were about 6,800 housing units within the town limits of Boone. This marks an almost 20% increase in units since 2009. Much of this construction development has been occupied by ASU students. Truly

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5 ACS 2014-2019 5 Year Estimates, ratio of income to poverty level.
7 https://myinsight.northcarolina.edu/t/Public/views/db_enroll/EnrollmentbyLevel?iid=1&isGuestRedirectFromVizportal=y&embed=y
8 U.S. Census Bureau, 2021
increasing resiliency will require the community to adjust regulations and work with developers to help increase the stock of available housing for non-students. This section serves to help readers understand the current conditions of housing availability and affordability in Boone. Data shows that the existing housing stock is unaffordable and unavailable to non-students, while interviews indicate that regulations may inhibit additional development.

OWNERS OR RENTALS
Three fourths of the occupied housing units in Boone are occupied by renters. This is unsurprising given the cost of housing in Boone and impact of the student population, which typically rents. This rate evens out when zooming out to Watauga County. As of 2019, 60% of occupied housing units are occupied by owners and 40% are occupied by renters. In interviews, participants noted that many people who work in Boone tend to live in the county or beyond because of the high housing cost in Boone.

VACANCY RATE
Boone’s vacancy rates are very different between housing units that are rented and owned. Stable vacancy rates, where supply is sufficient for demand hovers around 3. The rental vacancy rate is very low in Boone, at 2.8. This signals that supply is not keeping up with the demand of rentals. Many factors have created the high demand for rentals in Boone including the high concentration of students, lack of available land, and high price to purchase homes.

The homeowner vacancy rate in Boone is significantly higher at 9.6. This signals that there is lower demand for the existing housing stock in Boone. This doesn’t necessarily mean that people don’t want to own homes in Boone. However, it may mean that the demand for the type, style, or price of existing homes in Boone is not very strong, or that most people cannot afford the housing that does exist.

Watauga county has a much more stable vacancy rate. The homeownership vacancy rate is about 4% and the rental vacancy rate is about 5. Unlike Boone, there are more rental units vacant than units for sale.

Viewing Boone’s vacancy rate over time shows that Boone’s market has been competitive, with low vacancies for a while. It also shows that Watauga’s vacancy rate has declined steadily since 2015, to around 4% in 2019. Pressure for rental and owned housing in Boone has always been strong. More recently, pressure has been building in Watauga, presumably because there is more available land in the county and homes cost less.
FIGURE 14: THE RENTAL VACANCY RATES IN BOONE AND WATAUGA HAVE BEEN STEADILY DECREASING SINCE 2004, INDICATING A COUNTY-WIDE HOUSING SHORTAGE MAY OCCUR.

Cost of Housing

One of the biggest barriers to overall resiliency is the sheer cost of housing. Housing in Boone and Watauga County is significantly higher than the surrounding areas. This trend is present in both rented and owned homes. The median home value in Boone and Watauga County is around $250,000 which places it at more than 50% higher than the surrounding counties. Many workers are commuting to Boone from the counties adjacent, such as Caldwell and Wilkes. One of the major reasons is because housing costs less outside of Watauga County.

Table 1: The median home price in Boone is significantly higher than surrounding localities.

<table>
<thead>
<tr>
<th>Town</th>
<th>Median Home Value</th>
<th>Difference from Boone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Town of Boone, NC</td>
<td>$268,100</td>
<td>-</td>
</tr>
<tr>
<td>Watauga County, NC</td>
<td>$238,000</td>
<td>-13%</td>
</tr>
<tr>
<td>Caldwell County, NC</td>
<td>$118,100</td>
<td>-56%</td>
</tr>
<tr>
<td>Wilkes County, NC</td>
<td>$126,300</td>
<td>-53%</td>
</tr>
<tr>
<td>Johnson County, TN</td>
<td>$133,100</td>
<td>-50%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, 2021

Rents follow a similar pattern. Rents between Boone and Watauga are relatively similar. One of the reasons is that there has been an increase in student housing in the county, just outside of Boone’s limits. Rents in the county are on par with those in the town limits. It should be noted that calculations of Watauga County do include Boone which may skew the data higher. However, rents outside of Boone and Watauga are significantly cheaper. The largest difference is between Boone and Johnson County, Tennessee where median rents are 40% less.
<table>
<thead>
<tr>
<th>Town of Boone, NC</th>
<th>Watauga County, NC</th>
<th>Caldwell County, NC</th>
<th>Wilkes County, NC</th>
<th>Johnson County, TN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Gross Rent</td>
<td>$900</td>
<td>$870</td>
<td>$645</td>
<td>$632</td>
</tr>
<tr>
<td>Difference from Boone</td>
<td>-</td>
<td>-3%</td>
<td>-28%</td>
<td>-30%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, 2021

Rents have significantly increased over time. In 2009, the median rent in Boone was around $700. Now it has increased by about 28% to $900 in 2019.

**FIGURE 15: MEDIAN GROSS RENTS IN BOONE HAVE INCREASED SINCE 2009.**

Source: U.S. Census Bureau, 2021

Given housing prices and rents it makes sense that so much of Boone’s labor force is commuting from outside the county. Given that a large proportion of the economy is based around university operations and tourism, which include many lower wage occupations, workers are forced to turn elsewhere to find affordable housing.

**RATES OF DEVELOPMENT**

Analyzing the change in housing units per year can show a broad view of where changes in the housing stock are occurring. Slight increases in the housing stock have occurred in Caldwell, Watauga, Wilkes, and Johnson (TN) counties since 2011. The change in housing units in Boone is much more erratic. For example, the rate of Boone’s housing stock development increased by up to four percent in 2016 but then the expansion declined by around five percent the following year.
FIGURE 16: BOONE HAS HAD THE MOST CHANGE IN HOUSING UNITS REGIONALLY SINCE 2011.

The low vacancy rate in Boone signals that there is high demand for residential space in Boone, yet the rate of development has not kept up with demand. The graph above shows the change in year over year rates of housing units throughout Boone and the surrounding localities. Since 2016, Boone has had a negative change in existing housing units, showing that rates of development have slowed. However, in the same period, the other localities have had positive changes in housing units, indicating that the other communities have invested in increasing their housing stock to keep up with demand. Many of these communities have residents that regularly commute to Boone.

HOUSEHOLD MAKEUP

Unsurprisingly for a college town, most households are made up of non-family units. As of 2019, about 72% of households were occupied by non-family units.\(^9\) This proportion has decreased slightly since 2009, when 75% of households were non-family.

<table>
<thead>
<tr>
<th>Table 3: Non-family households have increased, reflecting the increase in the student population.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Households</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>Non-Family Households</td>
</tr>
</tbody>
</table>

\(^9\) The U.S. Census Bureau defines a non-family household as one where the householder lives with unrelated individuals.
Source: U.S. Census Bureau, 2021
Information collected through interviews showed that the population of ASU students living off campus has increased since 2009. Though this is a proxy, the table above shows the population in both group quarters and non group quarters has increased since 2009. The category of group quarters includes both ASU dorms and other group living situations and incarcerated people. However, given the limited amount of group living situations other than ASU dorms in Boone, this data can be used to inform assumptions about how the concentration of off-campus students have impacted Boone.

**HOUSING TYPOLOGY**

The existing housing typology shows that much of the existing housing in Boone caters towards wealthier families or students. The largest group of housing that exists is single family detached, which accounts for 35% of the total housing stock. Single family homes tend to be more expensive generally, because of the cost of land and materials. However, in a place like Boone where there are spatial constraints, including topography and area, that limit development opportunities, land costs can make developing housing more expensive. Because of the cost of land, materials, and market value, single family homes in Boone tend to only be affordable to the highest income brackets.

The second and third largest housing typologies are large multifamily projects with more than 10 units. Around 42% of the existing housing in Boone are these projects. In Boone, many of these multi-family developments are targeted towards students. Not only because there is a high demand for student housing, but because student housing is also profitable. Landlords can rent individual rooms for the price of renting an entire home. Given some of the constraints referred to above, developers may be more inclined to develop large student developments because of the profit margins.

Only around 20% of Boone’s housing stock is made up of “middle housing,” characterized by housing in between single-family lots and large-scale multifamily (or student) projects. Middle

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10 Group quarters also include nursing homes and other group living arrangements.
housing, including duplexes or 3-unit homes, can provide a more affordable alternative to the existing single family and student housing options.

**FIGURE 17: MOST OF THE HOUSING IN BOONE ARE LARGE SCALE MULTIFAMILY DEVELOPMENTS THAT CATER TO STUDENTS, OR SINGLE-FAMILY DETACHED HOMES.**

Source: U.S. Census Bureau, 2021
BUSINESS DEVELOPMENT AND DIVERSIFICATION

Analysis on business and occupational data reinforced key themes found through stakeholder interviews. Future efforts should be focused on building resiliency within the key industries and occupations within Boone. Those key industries include retail, tourism, and educational services. Emerging industries where Boone has the potential to attract companies and further diversify its economy include small-scale or specialty manufacturing (especially related to the outdoor industry), healthcare, and smaller scale technology.

KEY OCCUPATIONS

Overall, between 2018 and 2019, the number of jobs in Boone increased by about 13%. The five largest occupational groups in Boone are professional services (20% of jobs), sales (19%), food service (18%), management and business operations (13%), and office and administrative support (9%). Those five occupational classifications account for about 80% of all jobs in Boone.

Comparing the concentration of these groups across Watauga County and North Carolina show interesting trends. Unsurprisingly, there’s a much higher concentration of food service and sales jobs in Boone (18%, 19%) than in North Carolina (6%, 11%). Boone has 2x the concentration of food service jobs than the state. This makes sense given Boone’s position as a tourist and college town. However, these types of occupations tend to be tipped, lower wage, and more unstable than in other occupations. Economic resiliency is closely tied to the working conditions and housing availability of workers in these occupations.

FIGURE 18: SALES AND FOOD SERVICE-RELATED OCCUPATIONS ACCOUNT FOR ALMOST 40% OF ALL JOBS IN BOONE.

Source: U.S. Census Bureau, 2021
KEY INDUSTRIES

The five largest industries in Boone are educational services (23% of jobs), accommodations and food industry (21%), retail trade (17%), health care (7%), and general services (6%). This industrial breakdown makes sense given ASU and Watauga Medical Center’s importance as key employers in town. The high concentration of jobs in the accommodations, food, and sales industries make sense given Boone’s high levels of tourism.

FIGURE 19: THE LARGEST INDUSTRIES IN BOONE ARE RELATED TO TOURISM, ASU, AND THE WATAUGA REGIONAL MEDICAL CENTER.

Shift share analysis shows that Boone specializes in a few key industries based on amount employed. Those industries are as educational services, real estate, and retail trade. Data indicates that Boone specializes in these industries because of their high location quotient, which indicates that Boone “exports” these industries regionally.
Table 5: Employment numbers indicate that Boone specializes in key industries.

<table>
<thead>
<tr>
<th>Selected Industries</th>
<th>Employed</th>
<th>Location Quotient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodations and Food Services</td>
<td>1,638</td>
<td>3.38</td>
</tr>
<tr>
<td>Educational Services</td>
<td>2,210</td>
<td>2.62</td>
</tr>
<tr>
<td>Real Estate, Rental, and Leasing</td>
<td>332</td>
<td>1.81</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>1,510</td>
<td>1.78</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, 2021

LARGEST EMPLOYERS BY PERSONNEL

Analysis of the largest employers in Boone reinforces the industrial pattern seen above. According to regional data, the largest employer is Tarheel Capital Corporation, which is the regional branch of Wendy’s franchises. Although the company is based in Boone, the 3,000 employees are located throughout North and South Carolina. More relevant, Appalachian State University is the second largest employer in Boone and makes up the bulk of the educational services industry in Boone. Lastly, the health care industry in Boone is extremely important, with the Appalachian Regional Healthcare System acting as anchor employers in the community.

Table 6: ASU and the Watauga Medical Center (and its affiliates) are two of the largest employers in Boone.

<table>
<thead>
<tr>
<th>Company Name</th>
<th>2020 Operating Revenue (in Thousands)</th>
<th>2020 Employment Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tarheel Capital Corporation*</td>
<td>$34,600*</td>
<td>3,000*</td>
</tr>
<tr>
<td>Appalachian State University</td>
<td>$103,000</td>
<td>2,872</td>
</tr>
<tr>
<td>Appalachian Regional Healthcare System</td>
<td>$6,300</td>
<td>3,191</td>
</tr>
</tbody>
</table>

Source: Orbis, 2021

*The Tarheel Capital Corporation is the regional branch of the Wendy’s franchise. Though this company is based in Boone, the 3,000 employees are located throughout NC and SC.

FIRM SIZE

Through interviews, it was identified that Boone has an advantage at attracting small and mid-size businesses. This is represented in the data, which shows that about 42% of all workers in Boone belong to a small or mid-size company, with less than 50 total employees. The second largest group is businesses with more than 500 employees, which account for about 36% of employment in Boone.
A leakage analysis was performed to determine the types of products and services residents are purchasing inside and outside of the town. The data suggests that Boone is already a commercial anchor for the region, and there is not sufficient data to suggest that new businesses would be supported.

An industry “leakage” means that there are not enough establishments to satisfy demand, so residents are forced to leave Boone for services and products in certain industries. A retail “surplus” means that the potential for retail exceeds the supply for an industry. This typically indicates that a place attracts residents from outside corporate boundaries to spend money.

For all industries except two, Boone seemed to attract people from outside corporate limits to spend money. The two industries where there was a retail surplus were electronic shopping and vending machine operators. While there is significant demand for online shopping, it’s difficult for

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11 QWI Explorer application, U.S. Census Bureau, qwiexplorer.ces.census.gov/exp-r/1245b1.html.
small companies to compete in an era of Amazon. Additionally, there is slight demand for vending machine operators.

**FIGURE 21: THERE IS LITTLE RETAIL LEAKAGE IN BOONE, INDICATING REGIONAL ECONOMIC HEALTH.**

The most recent data for this leakage analysis was collected in 2017, so it will not reflect conditions since the COVID-19 pandemic. However, this data is useful in understanding how Boone has positioned itself in retail, compared to the region. This is an opportunity that Boone can capitalize on in the future. Future firms can benefit from the existing traffic.

**BUSINESS RESOURCES AND GAPS**

An important component of developing business resiliency is identifying gaps in the business support network. Below is a brief list of existing business support networks throughout Boone. These organizations are existing assets that Boone can build from to develop business resiliency.

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12 Vending machine operators (NAICS 454210) are primarily engaged in selling merchandise through vending machines.
<table>
<thead>
<tr>
<th>Resource</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boone Chamber of Commerce</td>
<td>To connect businesses in Boone, to enhance opportunities, and to support economic development</td>
</tr>
<tr>
<td>Boone Downtown Development Association (DBDA)</td>
<td>DBDA’s mission in part is to promote the historic preservation, protection and use of Boone’s traditional downtown area, including the area’s commercial, civic, and religious enterprises and residences. To encourage property owners to maintain, improve, and beautify downtown properties</td>
</tr>
<tr>
<td>Caldwell Community College Small Business Center Network</td>
<td>Supports the development of new businesses and business expansion throughout North Carolina</td>
</tr>
<tr>
<td>Small Business and Technology Development Center at Appalachian State University (SBTDC)</td>
<td>The SBTDC is a small business development agency, with the purpose of helping organizations access sources of funding, evaluating financial performance, improving financial performance, and more</td>
</tr>
<tr>
<td>Startup Caldwell-Watauga</td>
<td>Organization that supports small business development</td>
</tr>
<tr>
<td>Watauga Economic Development</td>
<td>Support and encourage economic development throughout Watauga County</td>
</tr>
</tbody>
</table>

**Potential Business Resiliency Strategies**

Business resiliency strategies should be unique to the size of the business. Based on land availability, market conditions, and the unique advantages that Boone has, economic development policy should focus on attracting and retaining the small businesses that make Boone’s economy thrive.

Some strategies could include developing a business starter guide, focusing on attracting outdoor recreation manufacturers, or reworking business ordinances.

A business starter guide can include information about the processes, permits, and forms required for opening a business in Boone, and where to find them. This can help to reduce barriers and challenges for entrepreneurs as they navigate town, county, and state policies related to opening a physical retail space or obtaining licenses for their products.
LOSS OF EXTRATERRITORIAL JURISDICTION (ETJ) BARRIER TO RESILIENCY

In 2017 Boone lost the authority to regulate land use and zoning within extraterritorial jurisdictions (ETJ). Extraterritorial zoning allows cities and towns to regulate land use and apply zoning to limited areas outside of their direct boundaries. The thought process behind ETJ is that towns will eventually annex the area directly outside of its boundaries, so localities have an interest in regulating development which will eventually be a part of the municipality. The land that was previously a part of Boone’s ETJ was returned to Watauga County. Boone’s authority to regulate land use is restricted to its corporate limits unless communities beyond the town apply to be annexed.

The loss of ETJ has negatively impacted Boone’s resiliency by limiting the amount of land the town has to develop. Many of the threats to housing and business resiliency are due to a lack of available, inexpensive land to develop.

As a result of the loss of ETJ, development regulations outside of Boone can only be achieved through negotiation and discussion with Watauga County or through the process of voluntary or involuntary annexation.

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13 The legislation removing Boone’s ETJ was created in 2014, yet it was not effective until 2017.
RECOMMENDATIONS

1. **UPDATE THE COMPREHENSIVE PLAN**

   Comprehensive plans are helpful in creating a roadmap of where a community plans to go. Boone’s most recent comprehensive plan is from 2006 and doesn’t reflect the status of the community. Notably, the community has continued to grow due to an influx of students, tourists, and retirees. Boone has made significant efforts to create a robust outdoor recreation and tourist economy. The best way that the town can manage this growth and ensure it reflects the desires of the residents and workers of Boone is to help plan for it through comprehensive planning.

   Comprehensive plans are not only helpful, but they’re now necessary in North Carolina. Chapter 160D of the North Carolina General Statutes requires communities with zoning to have an up-to-date comprehensive plan by July 1, 2022.\(^{14}\)

   Comprehensive plans help manage growth by creating a vision for the future of a community. Developers find comprehensive plans helpful, because they create a basis on which development can be done that respects and reflects public interests.

   Multi-family housing that’s affordable to the workforce is desperately needed in Boone. A comprehensive plan can help address housing availability and affordability in Boone by outlining specific desires and strategies for housing. Developers can then come in and complete projects that align with those goals.

2. **ENGAGE IN A ROBUST COMMUNITY ENGAGEMENT STRATEGY THAT TARGETS BOTH THOSE WHO LIVE AND WORK IN BOONE**

   Boone’s community stretches far beyond the town limits. As data has shown, because of housing costs and land limitations, many community members are unable to live inside the town. Without a town address, those who spend most of their time contributing to the health of the community are unable to vote in elections. As the town prepares to strategically think about how to increase affordable housing opportunities, it should ensure that those who commute and work in Boone also have a stake in the process.

3. **ADJUST DEVELOPMENT REGULATIONS TO REFLECT THE UPDATED COMPREHENSIVE PLAN**

   To simplify the regulations for development, housing, and businesses, the UDO should reflect the goals, desired land uses, and housing typologies identified in the comprehensive plan. Our analysis and interviews revealed that development regulations have been applied in a reactionary, ad hoc way. While this may not be the case for all regulations, but this may lead to moments where development regulations do not reflect the current goals of the town. This can have unintentional consequences on the development process and serve as a barrier to development and business growth.

Some regulations also inhibit the development of affordable housing, including excessive height limitations and green space requirements. This can raise development costs and limit the number of units built.

4. DEDICATE STAFF AND FUNDING TO PLAN FOR HOUSING AND BUSINESS RESILIENCY

Boone currently does not have staff solely dedicated to housing or economic development which can spearhead this process. While the Chamber of Commerce is strongly involved in business resiliency, there is no similar organization on the housing side specifically for Boone. The magnitude and complexity of the housing situation in Boone, given the need for affordable units, impact of tourism, and role of student housing, merits a specific role and dedicated funding. Interviews from comparable communities highlighted some potential duties of an economic development manager. Some key duties are described below:

- **Apply for and coordinate federal, state, and local grants and other funding sources**
  - Especially in the wake of the pandemic and the increased funding available, someone in this role could help leverage funding from different sources to complete overall community goals, including those in the housing and business development realms. Interviewees mentioned specifically that the state has extra funding to help communities recover from COVID-19 and that the town should have someone who’s explicit goal it is to help advocate for the community.

- **Undergo a strategic economic development planning process**
  - Other communities noted the importance of understanding threats to economic health and industry composition and developing forward-thinking plans to help mitigate any losses. For example, communities in Colorado noticed the future decline of the mining industry and underwent a comprehensive economic development planning process. From that process, the community was able to strategically attract outdoor recreation manufacturers to help fill the hole left by the declining industry. While tourism and recreation is not likely to decline in Boone, a process like this can help the community strategize and build resiliency when future economic shocks occur.

- **Partner with prominent industry groups and economic development groups throughout the region**
  - Western North Carolina has a strong community of economic development organizations and groups attracting specific industries and firms. While many of these firms operate within the larger metropolitan region outside Asheville, there is much evidence to suggest that Boone could absorb some of the economic spillover effects from that community. For example, the Outdoor Gear Builders Association of Western North Carolina is a very successful intermediary working to attract outdoor gear manufacturers to Western North Carolina. Staff at the town of Boone could explore the possibility of working with industry groups to expand benefits to Boone.
  - Additionally, another key partner is the Boone Chamber of Commerce. This is a well connected group in Boone advocating for the interests of local businesses. While their explicit purpose is not to advance overall community economic
development, they are intrinsically connected to that goal. They must be consulted and partnered with in any future economic development work.

- Forge partnerships and increase connectivity among separate local actors with overlapping goals
  - Seemingly separate sectors like housing, education, zoning, workforce needs, food security, sustainability, and more contribute to overall economic development. Connections between these areas and economic development should be intentionally enhanced. Increased connections could strengthen the talent pipeline between the town and ASU or work with developers on workforce housing.

Any staff hired for these roles should coordinate alongside the existing organizations tackling some of these issues, such as the Northwestern Regional Housing Authority or the Boone Chamber of Commerce. Another alternative is that the town could give existing organizations the agency and funding to work on some of these goals. Resources for implementing these positions in North Carolina local governments can be found on the UNC School of Government website.  

5. **Create a Development Public Interests Policy Statement**

Through interviews, it was revealed that there has historically been some tension between the development community and Boone elected officials. Some interviewees noted a perception that Boone structures regulations around limiting growth, instead of stewarding inevitable growth or encouraging desired growth. It seems that in some cases this has caused some development entities to pursue work in other parts of Watauga County or beyond instead of Boone. Reaching out to the development community to understand their needs can go a long way to helping the housing crunch in Boone. A public interest policy statement, developed with input from the community and the development community can help outline where the town stands on development. This in turn, combined with other programs, such as extending utilities and modifying land use regulations, can help strengthen the town’s relationship with the development community and incentivize development that accomplishes Boone’s goals.

The Development Finance Initiative report from 2018 includes Boone’s previous public interests regarding development. These interests included increased walkability, encouraging multi-generational development, and leveraging public investment to attract private investment.

6. **Create Parking Downtown**

The most desired improvements from all stakeholders were increased downtown parking and allowances for housing typologies other than single family residences and dense student developments. Parking was identified as a key inhibitor to overall business resiliency prior to the pandemic yet was made more acute during the pandemic with the onset of curbside pick-up.

7. **Implement “Missing Middle” Housing**

“Missing middle housing” refers to the wide array of housing that is in between single family detached, and high-rise multi-family units. There are various forms of missing middle housing,
including cottage courts, triplexes, townhomes, and more. These housing typologies can be developed more affordably than single-family, and with various financing mechanisms such as LIHTC funding, can be made affordable for non-student households. Developing missing middle housing may require public-private partnerships between the town and county or developers.

Implementing missing middle housing can be achieved through UDO modifications or form-based codes.

**CONCLUSION**

On many metrics, the town of Boone has been shown to be successful. It has a thriving economy, a deep pool of educated residents, and is surrounded by some of the best natural wonders North Carolina has to offer. It is because of its success, that Boone is poised to continue to grow throughout the next few decades.

However, as the recent COVID-19 pandemic has shown, resiliency efforts are needed across the board to ensure that communities remain strong in the future. This is especially important for Boone as future growth has the potential to threaten community strength, especially in the housing and business sectors.

The information in the report outlines some of the ways that town officials can help build a more resilient Boone, specifically as it relates to housing and business sectors.

**CASE STUDIES**

This section lists potential case studies that Boone can look to for examples of how comparable communities have begun to address similar economic and housing resiliency challenges. More details about each of these case studies can be found at the links in the footnotes.

**GROWTH MANAGEMENT IN HILLSBORO, NORTH CAROLINA**

Hillsboro, North Carolina in Orange County has faced challenges and embraced opportunities related to a growing population and development pressures. Throughout this growth, the Town has prioritized honoring its historic character. This 2017 case study is relevant because it illustrates Hillsboro’s economic development strategy that proactively manages growth in order to achieve public interests. A strategy like this could help Boone guide future growth to develop future business and housing resiliency.

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16 Cottage courts are a newly-popularized housing typology where a common space or “court” is surrounded by small homes.
17 More information can be found at [https://homegrowntools.unc.edu/index.php/studies/hillsborough/](https://homegrowntools.unc.edu/index.php/studies/hillsborough/).
This case study also illustrates the importance and benefits that a town economic development manager can have on business retention and expansion.

AFFORDABLE HOUSING DEVELOPMENT AND HOMEBUYER ASSISTANCE PROGRAMS IN HIGH POINT, NORTH CAROLINA

The City of High Point has an affordable housing division with three distinct strategies to improve housing. First, the city has prioritized increasing the supply of safe and affordable housing. This requires the city to work with developers and community organizations to help facilitate these arrangements. For new affordable development, the city partners with two Community Housing Development Organizations, Habitat for Humanity being one of them. Additionally the city provides gap funding to multi-family affordable development from the HOME program and CDBG grants.

The Affordable Housing Division also provides assistance to potential homebuyers and facilitates a home repair program. The homebuyer assistance program helps low to moderate income individuals secure low-interest loans and other financial assistance to purchase homes in the city limits.

LEVERAGING RESOURCES IN UNIVERSITY TOWN IN CHAPEL HILL, NORTH CAROLINA

Chapel Hill has a robust affordable housing strategy. The Affordable Housing and Community Connections department has three primary goals: creating partnerships, catalyzing affordable housing, and building community. Specifically related to affordable housing, the community leverages public housing, inclusionary housing, transitional housing. Some tools that the community has used are development bonuses for affordable units, inclusionary zoning, and an affordable housing bond.

ARTS ECONOMY DEVELOPMENT IN SILER CITY, NORTH CAROLINA

Through interviews, stakeholders in Boone noted the desire to diversify the economy. One possible strategy is to build upon the maker community, specifically focusing on artisans and small-scale outdoor manufacturers. Stakeholders in Siler City aimed to build on the arts economy through business incubators and strategic partnerships. This case study shows the opportunities and barriers to developing small scale industries and business diversification.

18 More information can be found at https://www.highpointnc.gov/233/Affordable-Housing-Division.
REGIONAL CLUSTER BUSINESS DEVELOPMENT IN SPARTA, NORTH CAROLINA

Boone stakeholders mentioned the desire for business diversification throughout Boone, potentially in the outdoor recreation manufacturing industry. Boone could leverage the existing outdoor manufacturers to promote further industrial development. This case study demonstrates how localities can develop strategic partnerships to develop cluster industries. Boone could adapt the lessons learned from this case study in its own business diversification to promote resiliency.

ADDITIONAL RESOURCES

NCGROWTH HOMEGROWN TOOLS

Homegrown Tools is a library of community economic development case studies from across the United States. This library has various resources that Boone can use to address the challenges to resiliency noted in this report.

UNC-SCHOOL OF GOVERNMENT COMMUNITY AND ECONOMIC DEVELOPMENT (CED) BLOG

The CED Blog is operated by the UNC School of Government and Development Finance Initiative. This blog contains resources to help local governments promote development, expand the tax base, and maintain vibrant communities.

21 More information can be found at https://homegrowntools.unc.edu/index.php/studies/sparta/.
22 More information can be found at https://homegrowntools.unc.edu/.
23 More information can be found at https://ced.sog.unc.edu/.
REFERENCES
