

## Global institute touts Innovation Quarter as land role model

Richard Craver - Apr 14, 2024



*Phase I of the project, which opened over the course of the past 15 years, consists of 1.2 million square feet of research, office and residential space.*

*Walt Unks, Journal*

Downtown Winston-Salem's Innovation Quarter is featured prominently in a global research report on the roles that such districts can play in resolving "wicked problems" that can include climate change, infectious diseases and social inequities.

The research brief from the Global Institute on Innovation Districts was released last week.

Innovation Quarter — also known as IQ — was one of six inaugural institute members in June 2019. Innovation Quarter is one of five global districts chosen for the case study with each “demonstrating an interaction of land as part of a governance structure.”

“This paper serves as a call to action, not an incitement to rush to judgment,” according to the research brief. “It seeks to influence how district leaders view land from the very beginning of their district initiatives by exploring how it is intricately linked to different forms of district governance.”

There’s been at least \$900 million in public and private money spent on IQ infrastructure and renovations over the past 20 years. A 2022 analysis found 3,883 direct jobs within Innovation Quarter’s 337-acre confines as well as an overall \$1.6 billion economic impact.

Innovation Quarter is ranked by Preservation NC as being the largest historic redevelopment project of its kind in the state as well as among the largest involving major innovation districts in the country.

“Some innovation districts, for example, are emerging in a physical environment shaped by decades of urban investments, as manifested in the underlying infrastructure (streets, sidewalks, water, electricity), established mixed-use areas and existing development,” according to the report. “They are, in other words, already working within a compact city construct.

“Other districts are emerging in brownfields or in areas with high concentrations of abandoned properties, physical barriers and single-use zones.”

IQ features a mix of both, with several major buildings donated by Reynolds American in the 2000s that the company no longer needed after opening its two-million-square-foot manufacturing plant in Tobaccoville during 1986.

Those buildings were converted into Wake Forest BioTech Place and the adjacent Bailey Power Plant, taking several years and hundreds of millions of dollars of local and state government support, federal and state tax credits and private funding to reach fruition.

“Wake Forest’s leadership, coupled with city and county support using tax credits and infrastructure improvements, drove the development and seems to model the author’s conclusions about the importance of leadership, government creativity and land use,” said Don Martin, chairman of the Forsyth County Board of Commissioners.

The institute cautioned that “few levers have as broad an impact and possess the same transformative power as land. Very few districts hold strategic discussions early in their development process to hear their ideas from core landowners and shape a common vision. Land, in other words, is not being actively tied to governance.”

## **IQ's role**

Innovation districts “typically strive to secure university and institutional backing, new corporate partnerships, advocate for supportive public policies, develop a catalytic infrastructure and establish a well-structured base of financial resources,” according to the Global Institute’s report.

Wake Forest School of Medicine governs the 1.2-million-square-foot innovation district under the auspices of the university, which helped found Piedmont Triad Research Park in the early 1990s.

The brand was changed to Wake Forest Innovation Quarter in March 2013 as part of enhancing the commercializing of then-Wake Forest Baptist Medical Center’s academic and clinical research to bolster revenue streams and establish new ones. The brand change also had the purpose of ending confusion with Research Triangle Park.

In February 2020, Wake Forest removed its name from the district, in part because of a belief that Innovation Quarter had created its own identity.

The authors touted in their report that the initial Reynolds gift of 16 acres was spurred in large part by a master plan created by Wake Forest University Health Sciences “that articulated a bold, thoughtful vision for the area. The vision helped spearhead, over time, a way for the medical institution to develop a governance model with land as a central part of its portfolio. As a result of this strategy, Innovation Quarter successfully developed over 1.2 million square feet of mixed-use research and innovation space, in addition to a park that has become an inclusive centerpiece of the city.”

John H. Boyd, founder and principal with global site-selection firm The Boyd Co. of Boca Raton, Fla., said that innovation districts have emerged as high-value, qualitative assets of a city. Boyd said “credit is certainly due to the founding fathers of Winston-Salem’s Innovation Quarter, which was ahead of its time and a precursor of the growth and popularity of the innovation district concept on a national and international scale.”

## **Managing example**

The report cited the establishment of IQ’s North District Owners Association “to manage, maintain and secure common spaces within the district as well as develop social programs.”

The association collects building assessments of 50 cents per square foot for commercial space and 15 cents per square foot for residential space.

“These fee levels were set to be not too high or prohibitive,” generating about \$600,000 in 2021 alone.

Another positive cited for IQ was “a philosophical commitment toward variety,” according to Graydon Pleasants, who retired after 20 years as the district’s head of real estate development in June 2023.

The brief quoted Pleasants as saying “who is going to rent your space if you don’t help create a sense of place and support the underlying economy?”

The authors said that “this commitment led leaders at Wake Forest University School of Medicine to work closely with the city government to create a zoning overlay that would allow mixed and new uses. Leadership continued to evaluate how land could be harnessed to ensure the land — and especially the quality of the land — would remain a central proposition for the district.”

The result was creating specific restrictions and covenants, which are signed by each developer upon purchase or ground lease of the land, according to the report.

“These covenants maintain control of what can and cannot be done with the land, rules that remain with the land even if it is sold to a new owner.”

## **Work, live, learn, play**

Innovation Quarter has become not only a leading life science research district since 2001, but also a catalyst for the “work, live, learn, play” concept that spawned several apartment complexes, restaurants and retail spaces into a once deteriorating downtown section.

When Wake Forest removed its brand from Innovation Quarter, officials cited the change was part of a three-prong branding and outreach initiative aimed at encouraging the local community to more fully embrace the new marketing pitch.

The authors noted how Bailey Park, across the street from BioTech Place and the former power plant, “forms the heart of the northern district, as well as a popular civic amenity, offering active programs throughout the year. A magnet for fun and leisure, the park has also drawn important investment to the area, including three multi-tenant buildings that house a mix of companies, a medical institution and 350 units of housing.”

James Patterson, a marketing and communications director for IQ, emphasized that “when people visit the district and come upon yoga classes taking place, or they attend concerts and movies, they tend to marvel that those things are going on here.”

## **Next steps**

In September, construction commenced on Phase II of Innovation Quarter, which will feature at least one million square feet of clinical, lab and office space.

Although the tracts are on both sides of Research Parkway abutting U.S. 52 and Salem Parkway, the majority of the expansion is south of Third Street and north of Salem Parkway.

Phase II has included plans for up to 450 residential units and a dedicated 30,000 square feet of retail and restaurant space similar to the mixed-use pattern used in Phase I.

Progress on the project has been slowed somewhat by ongoing supply-chain challenges, labor shortages and inflation on infrastructure costs.

“The improvements will lay the foundation for a whole new era of excitement for downtown Winston-Salem,” said Jason Kaplan, who leads planning, design and operations for IQ.

Innovation Quarter officials said in June they are collaborating with advocacy group Access Center for Equity + Success to aid minority business enterprise contractors in bidding on Phase II construction projects. The goal is a baseline of 20% participation by minority business firms.

IQ officials acknowledge that Phase II will represent a greater development challenge, given that the 28 acres do not contain buildings that qualify for historic rehabilitation tax credits.

“As with the first phase, a strong public-private partnership with government agencies at the federal, state and local level will be key to realizing this next phase of development,” Innovation Quarter said.

## **Opportunities, challenges**

Keith Debbage, a professor of geography and business at UNC-Greensboro, said innovation districts “are at the forefront of the push for a new form of localism that is explicitly linked to both specific placemaking strategies and an attempt to attract and prioritize higher-skilled workers.

“It involves a complex mix of land uses that allow for various gathering places, bike paths, electric-vehicle charging stations and frequently the construction of higher-end housing, entertainment and retail amenities in close proximity.

“Of course, this may also leave affordable housing options for lower-skilled workers as secondary considerations.”

Debbage said that for “every truly successful innovation district, there are many more that end up as damp squibs that fail to live up to expectations largely because of the complexity and substantial buy-in that is required if a district is to succeed.”

In that case, Debbage said Innovation Quarter “has largely lived up to its potential because of the significant role both the city of Winston-Salem and Wake Forest University have played in pushing the concept forward. It is an innovation district that is maturing with real momentum behind it.”

Overall, Debbage said innovation districts “can work, particularly if the land use mix and client base is sound. All the land use regulations and urban reconfigurations in the world cannot, in and of itself, create an innovation district. Probably the Achilles heel of many innovation districts is the absence of risk-taking talent and access to venture capital.

“It is very much a case of buyer beware regarding whether or not communities should pursue such a strategy in the long term.”