

# North Hills Gets A New Life

*Kane Realty Corp. demolishes North Hills Mall to develop a major mixed-use project in Raleigh, North Carolina.*

In many neighborhoods across the United States, the mall has become an institution — a calling card to the community and something that residents consider their own. But what do you do when the mall becomes obsolete, yet the neighborhood needs retail? That was the question that Kane Realty Corporation embraced when it purchased North Hills Mall in Raleigh, North Carolina, in 2000. The center, which was North Carolina's first two-level regional mall, was suffering. The city's top mall, Crabtree Valley, was only a few miles away. Plus, other developers had plans to build two new regional malls on both sides of North Hills, further impacting its draw. The time, it seems, was right for North Hills, the mall, to close its doors and reinvent itself as something new.

Kane envisioned a mixed-use development to serve the area's high-end neighborhood, as well as luxury apartments, condos and office space. But there were a few issues confronting Kane Realty Corporation, says John Kane, the company's chairman. North Hills' immediate trade

area loved the mall. And JC Penney, which was, by 2001, the center's only remaining anchor, didn't want to leave its great performing location. Plus, once news about the redevelopment was out, big boxes were interested in the prime infill location.

Kane, along with the Baltimore office of architect Carter & Burgess, went to the drawing board and created a mixed-use center that is urban in scope, and that accomplishes nearly every goal and overcomes every obstacle that Kane had. When the project — which will be called North Hills — opens in fall 2004, there will be a one-level Target store, which sits below grade so it is not taking up small shop space, yet maintains freeway visibility. In the very center of the project, there is a three-level, seemingly invisible parking deck that hides parking, yet provides approximately 2,000 spaces for plenty of customers. Upscale retail will line the streets of the development, and office will be above retail.

Target, along with a 30,000-square-foot Pulse health club and a 14-screen Marquee Cinema, will serve as prime anchors of the retail component. JC Penney, who is remodeling its store to match its new surroundings, will also play a key role in the center. Restaurants are a huge focus, as well as an indoor/outdoor food market. Rental and condominium units will be housed in separate areas, within walking distance. A hotel is also planned for the development and, at a later stage, two mid-rise office towers are planned as office space demand picks up in the area. Overall, the center will encompass 590,000 square feet of retail, 100,000 square feet of office



An overview of the new North Hills, which includes retail, residential and office space.

(above retail), a 150-room hotel, and 370 rental and for-sale condominium units.

"We are getting very high interest from office tenants because you can walk to all the goods and services," says Kane. "Everyone in an office — from support people to executives — loves that. Executives can have a power lunch and run errands on foot, and the entire office can have services conveniently located a few steps away."

Even for those who don't arrive on foot, parking is extremely convenient. Since North Hills will be built on top of its parking deck, all parking is centrally located. Shoppers can park near an escalator that routes them quickly to the store they want to visit. There is also on-street parking on the top level, contributing to the center's town square feel. Valet parking will also be offered.

When Kane first purchased North Hills Mall, it immediately redeveloped an adjacent Winn-Dixie-anchored shopping center that it had purchased the year before, located across Lassiter Mill Road. The center, now called The Lassiter at North Hills, opened in 2002 and is anchored by Harris Teeter, Kerr Drug, Starbucks and oth-



A rendering of one of the buildings at North Hills, which will contain retail on the ground floor and residential space above.



er high-end retail. When North Hills is complete, The Lassiter will be expanded by 40,000 square feet and effectively blended into the North Hills development. Including The Lassiter in North Hills' retail square footage boosts the numbers to nearly 700,000 square feet of retail. Already, Kane has seen a change in how people have reacted to the new center. The Lassiter has been a good way for the company to judge what it thinks will be the reaction to North Hills.

"We've been amazed at the number of people spending a lot of time at The Lassiter," says Kane. "People are hanging out at Starbucks and Panera Bread for hours. I think people are crying for that. They want a place to spend time; they buy something if they want something."

The center is located at the interchange of Interstate 440 (also known as the Beltline) and Six Forks Road in one of Raleigh's most affluent areas.

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### RICH IN HISTORY

**N**orth Hills has a history that parallels the regional mall industry. When it opened in 1967, North Hills Mall was the first two-level enclosed mall between Washington, D.C., and Atlanta. The center was originally developed by Ed Richards, who sold the mall in 1980 to KLM Royal Dutch Airlines pension fund. Under KLM's ownership, the center was renovated in 1983 and 1991. In 1998, Nags Head Properties purchased the center and New England Development managed the center. Later — after acquiring New England — Simon Property Group managed the center. In 2000, Nags Head sold the center to Kane Realty. During due diligence, Nags Head was able to renegotiate several leases to close the deal, many of which resulted in shorter lease terms that cleared the way for Kane to redevelop the center. In 2001, anchor Dillard's announced that it would relocate to Triangle Town Center — a fact known to Kane before acquisition — then under development 7 miles away by The Richard E. Jacobs Group. Kane announced plans to redevelop the center in 2002. The departure of Dillard's enabled the center to evolve into a new type of property. On January 31, 2003, North Hills Mall closed its doors and in April, demolition began on the center. With the exception of the JC Penney store at the center, all of the former North Hills Mall has been razed, so Kane could start North Hills from scratch.

— Randall Shearin

There are more than 11,200 households in a 1-mile radius with an average income greater than \$102,000. Stretch the radius to 5 miles and there are 221,600 homes with an average income in excess of \$71,000. Demographics can be compared to the South Park area of Charlotte, North Carolina, or the Buckhead section of Atlanta. The area surrounding North Hills is one of the oldest, most affluent neighborhoods in the city.

"It is a unique site in that North Raleigh and old Raleigh can both claim North Hills," says Kane. "It's their neighborhood center."

Throughout its existence, North

Hills has broken a lot of barriers and set a lot of records (see sidebar). The first two-level mall in the Southeast is now going to be one of the first to be demolished into a town center. It is one of the few malls in the nation to be completely torn down and redeveloped into a new property. Getting Target to the area is also a plus. The retailer, who has a consistent positive track record in infill, affluent locations, was excited to work with Kane Realty on its location at North Hills. In order to increase access for shoppers, Kane is placing a vermaport (an escalator for shopping carts) at the center so that shoppers can take their carts from the lower level Target store, to the multi-level parking deck. In another first, it is believed to be the first vermaport in the Carolinas.

In the end, the neighborhood is getting what it wants, and Kane is getting what it wants to develop for the community. The community had a lot of input on the project, from building design to landscaping.

"I have never worked on a project where the community is so excited about it," says Kane, who himself lives 1 mile from the center. "People were just crying for this center to be redeveloped."

— Randall Shearin **SCB**