

4/11/01

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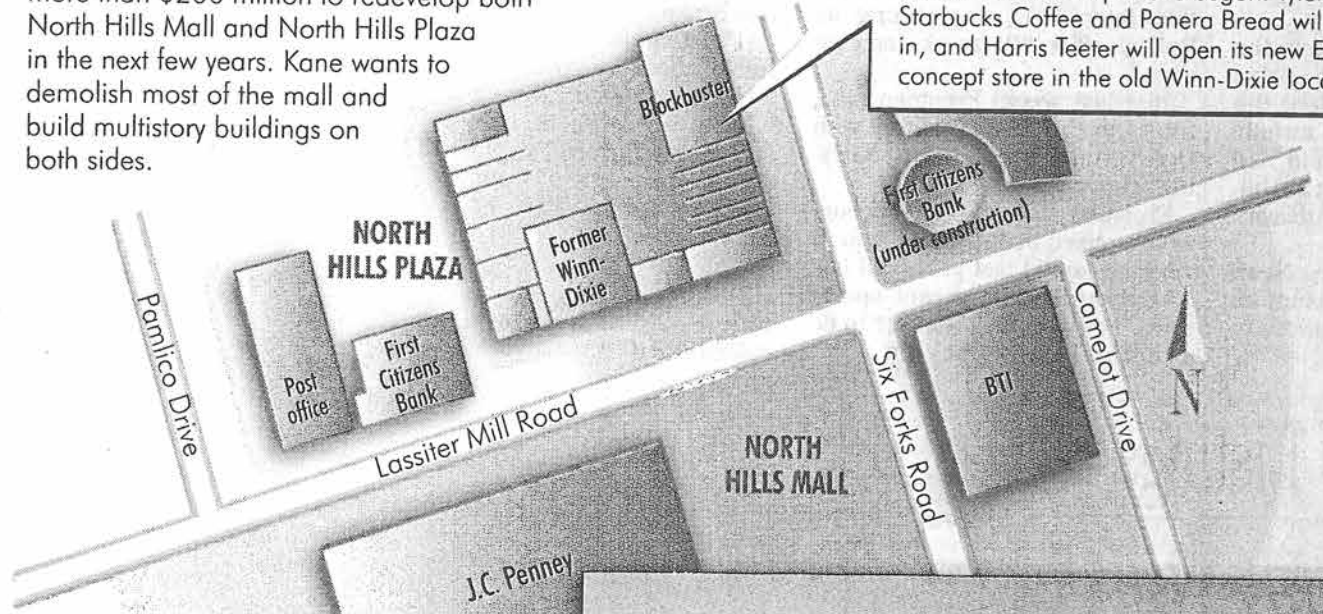
Sleepy mall's beauty is location

North Hills owner plans major changes

Raleigh developer John Kane plans to spend more than \$200 million to redevelop both North Hills Mall and North Hills Plaza in the next few years. Kane wants to demolish most of the mall and build multistory buildings on both sides.

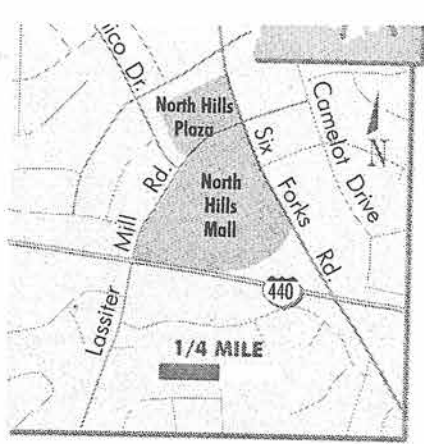
North Hills Plaza:

Renovations in shops have begun. Tyler House, Starbucks Coffee and Panera Bread will move in, and Harris Teeter will open its new Express concept store in the old Winn-Dixie location.

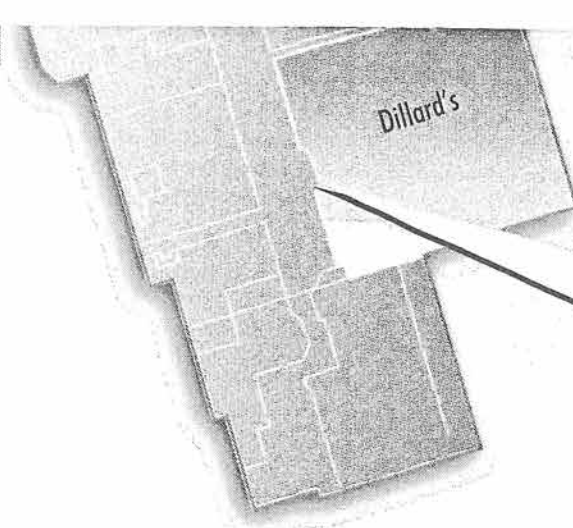


J.C. Penney has a long-term lease at the mall and will not be torn down.





Source: Kane Realty



North Hills Mall:

Demolition planned next year. The mall will be replaced by multistory buildings for housing, offices and possibly a hotel as well as retail space for large stores such as Costco or Target.

SHYAM PATEL / The News & Observer

In the mix: offices, retail and housing

BY SAMANTHA THOMPSON SMITH
STAFF WRITER

RALEIGH — North Hills Mall's days are numbered.

John Kane, the mall's new owner, plans to demolish most of the 38-year-old shopping center next year and build new shops and possibly high-density housing, multi-story office buildings or a hotel on the location off Six Forks Road and the Beltline.

"We're going to create a whole new atmosphere," said Kane, chairman of Raleigh-based Kane Realty.

The project would be part of a larger vision Kane has for the area. Two years ago, he bought neighboring North Hills Plaza, which he plans to rebuild in phases along similar lines.

Kane said he sees the entire 45-acre area as an urban center that could be pedestrian-friendly. He wants nearby residents and employees from the neighboring BTI building and a soon-to-be-com-

pleted First Citizens Bank building to have easy access to the center to shop, go out to eat or see a movie.

"Clearly, we're trying to interconnect the four corners," he said. "We want this to be a place where people want to come and spend time. We're trying to create a place of community."

Kane also envisions a movie theater, restaurants, boutiques and fountains in the redevelopment.

Plans also could include room for so-called big-box retailers that haven't been able to find sites large enough to cater to central Raleigh residents. Those looking at the site include wholesale club Costco, which already has a location in Durham; Target; and Home Depot Expo Design Center, which is Home Depot's home-decorating spinoff.

Kane said he could end up spending at



STAFF PHOTO BY JOHN WHITE

'Clearly, we're trying to interconnect the four corners. We want this to be a place where people want to come and spend time. We're trying to create a place of community.'

John Kane
owner of North Hills Mall

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NORTH HILLS

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least \$200 million on the entire North Hills project, about \$80 million of that on the plaza side. Kane's equity partner for the mall project is Raleigh-based Cherokee Investment Partners. Kane has other local equity partners for the plaza.

J.C. Penney, which recently remodeled its North Hills store, has a long-term lease, and the existing store will be incorporated into the new plans.

It's too early, however, for more details, Kane said. Plans for the mall changes won't be submitted to the city until this summer. Construction likely would start after the holidays, giving the existing retailers a chance to get through the busy holiday shopping season.

Kane said he'll announce plans for the plaza in about three weeks.

Mike Williams, vice president at Karnes Research, which tracks Triangle real estate, said mixed-use development is suitable for the site, which is considered a prime piece of commercial real estate.

"The area has good demographics and good access to the highway, which is important in North Raleigh," Williams said. "It's one of the better locations around for doing something like this. All of those uses could work on that site."

Rex Thomas, president of Raleigh real-estate company

Grubb & Ellis/Thomas Linderman, said the site works particularly well for offices. "There aren't many sites left on the Beltline for new offices, especially sites that are visible," Thomas said. "Think about what's within 15 minutes of that location."

People at the North Hills J.C. Penney, which is consistently one of the top Penney stores for sales in the region, are anxious for the changes to start.

"We've been wanting this all along," said Clara Miller, the store manager. "I know that we're in a very outstanding location. If we could get some good restaurants, some nice stores and still have easy access to parking, well then, I would love to buy some stock in this myself."

She said sales are still strong even though the 565,000-square-foot mall has been bleeding tenants since last year. Most recently, Gap, Gloria Jean's Coffee Bean and Structure have left. Kids Convertibles will leave later this month.

Kane could face challenges on the projects from the neighbors, including the North Hills Neighborhood Association, which has voiced opposition to some of the tentative plans for the plaza. However, the group has said its focus is on the plaza rather than on the mall.

North Hills is the oldest and smallest shopping mall in the Triangle. The mall got its start in 1963

as a strip shopping center. Five years later, North Hills became the first shopping center between Washington and Atlanta to be enclosed.

"North Hills Mall was built before Crabtree Valley Mall, so it was THE mall in Raleigh," Thomas said. "The Beltline has recently opened and a lot of housing was being built near the mall. That's what drove it."

In 1980, though, the mall was put on the market — for the first of many times. As owners came and went, the mall began to fade in looks and popularity, especially after Crabtree Valley Mall pulled ahead in the 1990s.

When Kane bought it earlier this year, he promised retailers he would turn the property into a thriving urban center.

If all goes as planned, this would be the biggest project Kane has undertaken as a developer. He has a history of turning around aging malls, including Washington Square Mall and Plaza Mall in Greenville. He is also managing the renovation at University Mall in Chapel Hill.

"This is an important project for Raleigh," Kane said. "There's nothing of this magnitude like it."

Staff writer Steve Cannon contributed to this report.

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