

SOUTHEAST REAL ESTATETM BUSINESS

VOLUME 4, ISSUE 2

MAY 2003

ALABAMA

•

FLORIDA

•

GEORGIA

•

KENTUCKY

•

SOUTHEAST LOUISIANA

•

MARYLAND

•

MISSISSIPPI

NORTH CAROLINA

•

SOUTH CAROLINA

•

TENNESSEE

•

VIRGINIA

•

WASHINGTON, D.C.

•

WEST VIRGINIA

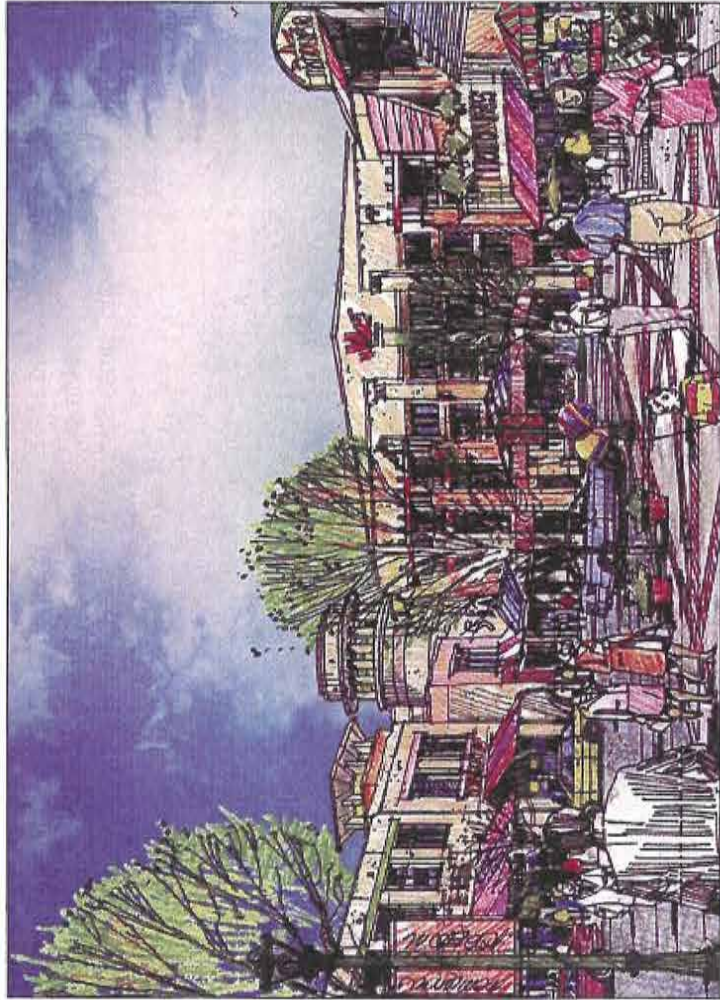
www.SoutheastREBusiness.com

Atlanta City Highlight p. 36

Birmingham City Highlight p. 40

Southeast Retail Review p. 48

Staubach Capital Markets Roundtable p. 52



Kane Realty Corporation and Carter & Burgess are redeveloping Raleigh, North Carolina's North Hills Mall into a retail and entertainment destination.

CONVERGENCE ZONE

Take a rejuvenated mall and adjacent shopping plaza, add generous amounts of new land uses, and you have North Hills, Raleigh's newest destination for shopping, entertainment and more.

John H. Larsen

For more than 35 years, North Hills Mall was more than just a landmark along the busy Beltline around Raleigh, North Carolina. It was a living piece of retail history.

When it opened in 1964, North Hills was the first enclosed two-level shopping center between Washington, D.C., and Atlanta. Visitors came from across the state to savor the "space age" experience of shopping in a fully climate-controlled environment.

But even landmarks are susceptible to changing times and economics. By the mid-1990s, North Hills Mall had fallen victim to trends common among other older shopping centers — competition from newer, larger regional malls; limited space to implement substantive changes and attract popular new stores; and congestion spawned by three decades of adjacent commercial and residential development. The mall entered the 21st century with more empty spaces than open stores, and a future filled with uncertainty.

CONVERGENCE ZONE

NORTH HILLS from page 1

THINKING BIG

There was quite a bit of reminiscing when workers began dismantling sections of North Hills Mall this spring. But a process normally associated with doom was actually the pivotal phase in a \$200 million program to create Raleigh's most exciting retail and entertainment destination since the opening of North Hills Mall.

An ambitious program conceived by John Kane, president of Raleigh-based Kane Realty Corporation and a veteran of shopping center remodeling and management projects in North Carolina and Virginia, calls for reinventing the 30-acre North Hills Mall site as a self-contained village with more than 565,000 square feet of restaurants and retail shops oriented around a town square and a pair of shopping streets. Anchoring the development will be a new Target store to join long-time tenant JC Penney; a 14-screen cinema; a 150-key, four-star hotel with banquet facilities; and 100,000 square feet of office space.

Across the street at what was once North Hills Plaza (now called The Lassiter), Kane has plans to integrate 300 rental condominiums and an eight-story, 65-unit luxury condominium complex around a newly renovated plaza building, which already includes an upscale Harris Teeter, a drug store and a drycleaner. These and other community-oriented businesses will serve both the prospective condo dwellers and residents of the adjacent upscale neighborhoods, some of which were initially less than thrilled with the dramatic changes Kane had in mind.

The revival of North Hills is also poised to make some history of its own. A dense mixed-use development project of this scale is new to Raleigh and the Research Triangle area. But Kane says both the concept and location are right for the times.

"North Hills has long been ingrained in the community consciousness as a place for shopping," explains Kane. "We have a unique opportunity to revolutionize the area into a 24/7 site, making it a place where the community wants to be again."

FROM CONCEPT TO CONSTRUCTION

Visualizing a project like North Hills is one thing; making it a reality required assembling a team of investors who shared that vision. Kane Realty purchased the mall and plaza in

separate transactions for a total of \$23.7 million and is now partnering with two other developers to construct the hotel and condominium components.

Blending so many diverse uses within the 45-acre site and making them work together required a level of planning far beyond that of a typical shopping mall restoration effort. And more than Kane's investment was at stake.

"A 'first of its kind' project in an area always draws a lot of attention," says architect Jack Hollon of Carter & Burgess' Baltimore office. He is heading the firm's master planning and design services for North Hills. "People want to see how well it succeeds, and if perhaps it can be replicated elsewhere. While some of the answers aren't known for several years and may be influenced by extraneous factors, you have to approach the project as if there is absolutely no room for error."

That meant a continual balancing act to make North Hills' "big picture" aspects congruent with its individual components. Kane encouraged Hollon and his staff to use every opportunity to add density to the project, which, in turn, required the careful blending of complementary uses. North Hills also needed to provide a reasonable transition from the Beltline to the existing neighborhoods, while still creating its own unique atmosphere and sense of place.

Then there were the needs of key tenants to consider. Attracting a coveted retailer such as Target required the planners to meet specific requirements for building footprint, access and visibility. Hollon and his team saw a viable alternative, but it took some negotiation with Target to adapt the retailer's 130,000-square-foot prototype into a portion of the existing mall footprint. "That helped meet their criteria of a lower-level location and high-visibility from the Beltline," Hollon says.

By adapting North Hills' inherent site characteristics, Hollon and his team were able to put a new twist on the popular concept of "turning a mall inside out."

"The site has a 30-foot fall-in grade from the main entrance. That allowed the old mall to have main entrances on two levels, with the most prominent one being on the upper level," Hollon explains. "In the space that used to be the lower level of the existing mall, we incorporated a structured parking deck between the sites of the anchor stores [JC Penney and Target], creating a podium for the town square and shopping streets. And above the Target, we placed the cinema and additional retail."



The new North Hills site will include retailers, restaurants, a cinema, a hotel and office space.

Stacking these different uses required several design iterations to ensure the proper positioning of escalators and other features, not to mention overcoming the initial skepticism of both Target and JC Penney. "As we worked through designs, though, they heartily embraced the concept. Both were very good to work with," Hollon says.

COMMUNITY TIES

Along with making North Hills work internally, Kane and the Carter & Burgess project team also needed to create a transition between the fast-paced Beltline and the quiet residential areas next door. "The vision for North Hills is a natural and logical extension of the adjacent neighborhoods, not a stand-alone complex," Hollon explains. "At the same time, we sought to make it a place where people can find everything they need for quick errands, shopping trips or a night out — all within an easy walk or drive."

To further enhance that concept, Carter & Burgess configured North Hills' two tree-lined shopping streets with angled parking to provide easy access to merchants, as well as seamless links to both The Lassiter and the community roadway network. Buildings adjacent to the residential areas face outward, making the design very sympathetic to the neighborhoods.

That sympathetic quality was particularly important for Kane, who has devoted nearly 2 years to cultivating support for the project among local officials, zoning officials and — perhaps most important — area residents.

"It was very much like running a political campaign," says Kane, whose efforts include providing every North

Hills resident with a 10-page booklet explaining his vision and providing answers to frequently asked questions. "While it always takes longer than you expect to gain the necessary approvals, sentiment for the project has actually been overwhelmingly positive, even from residents directly across the street from The Lassiter."

With demolition of the old mall underway, North Hills is well on its way to becoming a reality. The makeover of The Lassiter's existing buildings is largely complete, and construction of the new condominiums will begin this summer. The grand opening of the mall site components is projected for fall 2004.

Meanwhile, Kane and his consultant team are doing everything possible to minimize negative effects on JC Penney and The Lassiter's tenants during what will be an extensive construction program. "They have been very loyal to shoppers and the area, some for more than 30 years," Kane says. "We want to keep them in business and provide a safe environment for employees and customers."

Kane admits that while the jury is still out on mixed-use projects in the Triangle area, the new North Hills' chances of success are bolstered by the fact that there is truly nothing else like it in the area. "Our goal was to be different — to create a place that you need and want to visit every day as well as on special occasions," he says. "But it's also about trying to improve the way people live."

John H. Larsen, AIA, serves as an associate principal in Carter & Burgess, Inc.'s Baltimore office.