

Tool to fight blight divides

Future unclear for financing method

DAVID BRACKEN, Staff Writer

RALEIGH - When Kane Realty asked Raleigh officials for \$75 million to help build North Hills East last year, it kicked off a debate within City Hall about the appropriateness of lending money to developers.

The debate was heated at times, with one council member accusing Mayor Charles Meeker of holding a grudge toward the developer.

Kane's project is now proceeding without the city's help, but it remains to be seen whether it has permanently soured the city on a financing tool widely used for urban renewal.

"[Tax increment financing is] subject to enormous abuses of rhetoric," said Tom Darden, CEO of Cherokee Investment Properties, a Raleigh company that specializes in such public-private partnerships. "Nobody understands this stuff unless they work with it all the time."

Tax increment financing, or TIF, involves using bonds to pay for public improvements that otherwise wouldn't occur. Most municipalities use it selectively in low-income or blighted areas.

Charleston, S.C., for example, has used TIF just twice since South Carolina legalized the funding mechanism in the mid-1980s.




Kane's project represents Raleigh's first experience with it. From the minute it was proposed, it has polarized much of the City Council.

Completion of North Hills East does not depend entirely on public financing. The project is planned for the east side of Six Forks Road, next to the upscale North Hills development that already has transformed that area of the city.

Meeker has said he thinks this makes the project unworthy of public financing, noting that the city would be better off using TIF in struggling areas along South Wilmington Street, Old Garner Road and sections of Capital Boulevard.

Meeker's opponents view Kane's proposal as a lucrative investment opportunity that shows the need

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for the city to have a more liberal TIF policy.

Months of debate did little to bridge the philosophical divide, as the council remained split 4-4 on the issue. When Kane Realty announced earlier this month that it was partnering with Duke Realty on the project, it essentially ended all hope of Raleigh adopting a TIF policy anytime soon.

From a public policy standpoint, Darden said, dealing with tax increment financing requires considerable openness with the public.

"The key is, the community needs to engage in the financial conversation," Darden said. "Things should not solely be in the hand of developers or politicians."

Cherokee Investment Properties is involved in a major redevelopment project with the city of Denver that has involved more than 80 public hearings so far, he said.

Fate of smaller plans

While the TIF debate in Raleigh has involved one of the city's more successful developers, the fallout could affect those pursuing more modest projects.

Gregg Warren, president of Downtown Housing Improvement Corp., recently worked with the city of Raleigh and other groups on Carlton Place, a development that includes 64 affordable apartments for low-income residents.

Warren said he worries that such projects will become few and far between if the city doesn't become more active.

"I don't think Raleigh has a history of having an activist view in terms of directing local development," Warren said. "That's beginning to change a bit."

Staff writer David Bracken can be reached at 829-4548 or david.bracken@newsobserver.com.

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