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## Community and Economic Development in North Carolina and Beyond Blog: Using a Redevelopment Area to Attract Private Investment

By Tyler Mulligan

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The neighborhood of Doherty Heights has seen better days.

Once a vibrant residential neighborhood that was home to families and retail businesses close to the downtown core, Doherty Heights is now better known for its vacant storefronts and dilapidated houses. The majority of the city's housing code complaints come from Doherty Heights. Police have identified Doherty Heights as an area of concern. To make matters worse, the neighborhood lies along Main Street, so every visitor to the city gets to see the blighted housing stock and commercial buildings first-hand. As part of a larger effort to revitalize Doherty Heights, city officials are exploring ways to attract private investment to the community, and they want to know how a redevelopment area can help them achieve their goals. The School of Government Development Finance Initiative has been working with city officials on various options, and as part of that effort, I was asked to provide the following brief overview of the city's redevelopment authority.

### ***What is a redevelopment area?***

A redevelopment area is a geographic area targeted for redevelopment by a local government pursuant to the Urban Redevelopment Law (North Carolina General Statutes (G.S.) Chapter 160A, Article 22). Buildings in the area can be residential, commercial, or both. To be eligible for designation as a redevelopment area, the targeted area must be classified as blighted—meaning the growth of the area is impaired by the presence of dilapidated or obsolete buildings, overcrowding, or other unsafe conditions—or as being in danger of becoming blighted. The local planning commission is responsible for this determination. G.S. 160A-503(16). Once an area is designated as a redevelopment area, special statutory powers may be exercised there to attract private investment.

### ***What body is authorized to exercise the powers granted by the Urban Redevelopment Law in a redevelopment area?***

A redevelopment commission must be formed to exercise the powers granted by the Urban Redevelopment Law. G.S. 160A-504 through G.S. 160A-507.1. The governing board of a local government may serve in this role. G.S. 153A-376(b) for counties, G.S. 160A-456(b) for cities. Once a commission is formed, its first order of business is to create a redevelopment plan. G.S. 160A-513. The redevelopment plan must be approved by the local governing board. Until the redevelopment plan is approved, the commission cannot exercise most of its important development powers. G.S. 160A-513(j).



### ***What powers can a redevelopment commission use to attract private investment to a redevelopment area?***

Once a redevelopment plan has been approved, the redevelopment commission may exercise extensive powers within its area of operation to undertake redevelopment projects as defined by G.S. 160A-503(19), to include the following:

1. acquisition of property, including by power of eminent domain for blighted parcels;
2. clearance of areas by demolition, removal of existing buildings;
3. installation or construction of site improvements and other site preparation;
4. entering into contracts for construction, demolition, moving of structures, and repair work (G.S. 160A-514(b) and Article 8 of G.S. Chapter 143).
5. sale of real property through competitive bidding procedures (G.S. 160A-514(c));
6. carrying out programs of compulsory repair and rehabilitation (probably through the use of minimum housing codes), to include "the making of loans therefor";
7. engaging in "programs of assistance and financing, including the making of loans," for rehabilitation, repair, construction, acquisition, or reconditioning of residential units and commercial and industrial facilities in a redevelopment area. G.S. 160A-512, G.S. 160A-503(19).

### ***Are there special rules pertaining to the acquisition and sale of real property to redevelopers?***

The Urban Redevelopment Law prohibits a redevelopment commission (or a governing board acting as a commission) from purchasing real property within a redevelopment area prior to approval of a redevelopment plan, except when the "governing body finds that advance acquisition of such properties is in the public interest and specifically approves such action." G.S. 160A-513(b). Once the plan is approved, the commission (or governing board acting as a commission) may acquire property for purposes of implementing the redevelopment plan. Acquisition by power of eminent domain is permitted only for blighted properties pursuant to G.S. 160A-515.

Sale of real property by a redevelopment commission must be approved by the governing body. G.S. 160A-512(6). Procedures for disposal of real property are contained in G.S. 160A-514. Disposal is permitted only for purposes that accord with the redevelopment plan, and the statute includes express authority to encumber property with covenants and conditions to ensure that end. Competitive bidding procedures must be employed. When property in a redevelopment area is sold to more than one redeveloper, the commission must find that the sale of any one part "will not be prejudicial to the sale of other parts of the redevelopment area, nor in any other way prejudicial to the realization of the redevelopment plan approved by the governing body."

Cities and counties each have an alternative source of authority for acquiring and disposing of real property for redevelopment purposes in "community development project areas," which signifies that the transactions should be undertaken primarily for the benefit of low- and moderate-income persons. Compliance with the Urban Redevelopment Law is not required, so these transactions can be undertaken by local governments without regard to redevelopment areas and redevelopment plans. The authority for cities, G.S. 160A-457, includes the power to dispose of property at private sale for the appraised value "in accordance with the community development plan," provided the governing board approves the sale following a public hearing, properly noticed. The county statute, G.S. 153A-377, is similar but does not authorize disposition at private sale and makes no reference to a "community development plan."

### ***How is a redevelopment area created and approved?***

The procedures for approval, summarized below, are set forth in G.S. 160A-513.

1. A redevelopment plan for the area must be drafted by the redevelopment commission. North Carolina statutes require the plan to contain certain elements, such as proposed land use changes, a preliminary site plan, and a statement of the estimated cost and the proposed method of financing redevelopment under the plan.
2. A public hearing must be held to allow residents to comment on the plan.
3. The planning commission may review the plan and certify its recommendation on the plan, either of approval, rejection, or modification with specific changes.
4. After receiving the planning commission's recommendation (or upon expiration of the 45 days allotted for review by the planning commission), the redevelopment commission must determine whether to forward the plan to the



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governing board for approval.

5. Upon receipt of the plan from the redevelopment commission, the governing body must hold a public hearing, properly noticed.
6. The governing body "shall approve, amend, or reject the redevelopment plan as submitted."

### ***How have redevelopment areas been used in North Carolina to spur private investment?***

The decision to designate an area as a redevelopment area does not, by itself, guarantee a successful outcome. No financial resources automatically accompany the designation, so the local government must be prepared to obtain outside grants or to use its own revenues to fund projects. Significant resources may be required to attract new private investment and to turn around blighted or near-blighted areas. Nonetheless, the designation of a redevelopment area gives local governments some powerful tools for redevelopment while simultaneously sending a powerful market signal that the community is serious about revitalization and private investment in the redevelopment area. Some communities in North Carolina have used redevelopment areas as part of their approach to accomplishing their revitalization goals. Examples include the following:

- The Town of Mooresville created a redevelopment area in a historic yet declining neighborhood adjacent to their downtown. The town purchased and rehabilitated derelict properties for first-time homebuyers, used capital funds to improve neighborhood infrastructure, and established a non-profit community development corporation (CDC). See this post.
- The City of Greenville created a redevelopment area in its downtown and focused significant resources there. For example, the city provided assistance to small businesses in the central business district, installed new signage downtown, built a community center, and expanded the library. See this post.
- The City of Sanford designated property around its old railroad depot as a redevelopment area and eventually turned the depot into an urban park and museum. See this post.

Over the coming weeks, this blog will publish several posts, written by research fellows working with the School of Government Development Finance Initiative, that describe outcomes achieved at redevelopment areas across North Carolina.