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The Charlotte Observer

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C D E F ■ +



Few of the Vue's 408 units sold, which may signal the end for uptown high-rise condo towers.

Uptown condos get \$103M at auction

BY KERRY SINGE
ksinge@charlotteobserver.com

The 51-story Vue condo tower in uptown sold at auction Tuesday for \$102.75 million to the group that had bought its debt earlier this year, possibly marking the end of an era for residential high-rises in the area.

The group that bought the debt was identified in court as NR Charlotte LLC, an affiliate of New York-based Northwood Investments. It placed the only bid at the auction at the Mecklenburg County Superior Courthouse.

The group had earlier paid around \$100 million for the project's \$195 million construction loan after the developer defaulted, it has been reported.

Real estate experts have speculated that the luxury Vue is ripe to be converted to apartments because of growing demand by renters and continued weakness in the for-sale condo market. Others say the units, if repriced for today's market, could be big sellers.

The uptown condo market is healthier than many people think, said Maggie Collister, head of research with The Littlejohn Group, a real estate consulting firm in Charlotte. "Charlotte got lucky in that a lot of proposed projects didn't go up."

Collister also said that more people have taken their condos off the market and rented them out, reducing supply.

The person who placed the bid on behalf of the debt holder left the courthouse immediately after the auction without comment. More than two dozen people attended the sale, including two local real estate investors.

SEE VUE, 6A

CHS expands into Triad area

Affiliation with Cone Health becomes effective Oct. 1

BY KAREN GARLOCH
kgarloch@charlotteobserver.com

Carolinas HealthCare System, already the second largest public hospital system in the country, is expanding again.

Officials announced Tuesday that they've signed a 10-year management

services agreement with Greensboro-based Cone Health, which has five hospitals and more than \$1 billion in annual revenue.

When the agreement takes effect Oct. 1, Carolinas HealthCare will own or manage nearly 40 hospitals and have \$8 billion in annual revenue. Financial terms of the agreement were not disclosed.

It's the first time Carolinas Health-

Care, which now oversees more than 30 hospitals across the Carolinas, has affiliated with a health care institution in the Triad area that includes Greensboro, Winston-Salem and High Point.

"It puts us in the Triad in a very meaningful way," said Joe Piemont, chief operating officer of Carolinas HealthCare. "It's an incredibly strategic opportunity for both ourselves

and Cone Health."

In a separate announcement Tuesday, Piemont said Carolinas HealthCare is entering the north Georgia market for the first time through a pending affiliation between one of the system's current management partners, AnMed Health of Anderson, S.C., and a smaller hospital in Elberton, Ga.

SEE CHS, 6A

City budget in doubt after vote

Highlights of projects in limbo

\$25M
for Bojangles'/Ovens redevelopment



ROBERT LAHSER - rlahser@charlotteobserver.com

\$100M+
for road projects, including upgrade of Idlewild Road/Monroe Road intersection (below)



ROBERT LAHSER - rlahser@charlotteobserver.com

\$56.5M
for six police division stations



ROBERT LAHSER - rlahser@charlotteobserver.com



TODD SUMLIN - tsumlin@charlotteobserver.com

\$119M
for streetcar extension from the Time Warner Cable Arena to John-son S. Smith University

WHAT'S AT STAKE
See the full list of capital projects that would have been funded by a property tax increase, 7A.

Council meets Thursday to renew debate on plan, tax rate that are due June 30.

BY STEVE HARRISON
sharrison@charlotteobserver.com

On May 30, Republican Charlotte City Council member Warren Cooksey gave colleagues a detailed PowerPoint presentation about why the city should not raise property taxes to pay for a proposed \$926 million capital plan.

Besides fellow Republican Andy Dulin, no other council member asked questions or commented.

The Cooksey plan, which called for no property tax increase and only part of the capital plan, went down big in an informal vote that day. It lost 9-2, with all nine Democrats voting no.

But by Monday night – less than two weeks later – the council's two Republicans had persuaded four Democrats to join them, a dramatic reversal that shocked Mayor Anthony Foxx, a Democrat who supported the plan.

The surprising move came after Dulin said he spent the weekend furiously lobbying for votes to defeat City Manager Curt Walton's budget. Dulin appealed to council members' concerns about the timing of a tax hike and the cost of the city's streetcar project.

Making the resulting 6-5 vote against the budget even more remarkable was the fact that few council members had ever voiced any opposition to Walton's capital plan during months of discussion.

Foxx called the budget vote "perhaps the most irresponsible decision in council history," because he said council members hadn't suggested an alternative that they could support.

Foxx said council members should have been talking more amongst themselves to decide what they wanted to do.

Dulin's retort: "We have been."

After the meeting, Dulin said Foxx hadn't done enough work to

SEE CITY BUDGET, 7A

89° 63°
Forecast: Partly cloudy. 8D

Ask Amy	7D
Business	2B
Classified	6B
Comics	6-7D
Editorial	8A
Horoscope	6D
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Obituaries	4B
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CLINTON: RUSSIA GIVING SYRIA HELICOPTERS

The Syria conflict escalated as Secretary of State Hillary Clinton accused Russia of supplying attack helicopters to the government. 2A

N.C. Senate pulls \$17.5M for parkway
Gaston officials slam local senators about lost Garden Parkway money. 1B

Verizon to revamp pricing plans
The changes would encourage customers to connect devices such as tablets and PCs to existing plans. 2B

TODAY'S MUST-READS
Washburn: A Lingo lashing: Nothing says "moron" like a loose tongue. 1B

Tech: New web suffixes include ".lol." 2B

THE GRADUATES OF 2012 SEVENTH IN A SERIES

After accident, Hough grad didn't give up

BY CARMEN CUSIDO
ccusido@charlotteobserver.com

Months after being critically injured when she was hit by a car, Tashunda Dukes, 19, celebrated both her birthday and graduation from William A. Hough High School on Saturday – the first of her siblings to receive a high school diploma.

"I'm just astonished that she made her grades and very proud," said her mother, Veronica Dukes.

The mother and daughter were walking from a gas station across the street from their apartment complex on Statesville Road in Huntersville when they were struck by a car on Sept. 20.

"That's about all I remember. I



CHARLOTTE-MECKLENBURG SCHOOLS

Tashunda Dukes and her mother survived after they were hit by a car.

don't even remember getting hit," Tashunda Dukes said. "I just remember I was about to cross the street, looking to make sure there were no cars, and there weren't any."

The teen said she woke up in the ambulance, but "blacked out" again before reaching Carolinas Medical Center. Among her injuries: a bruised tailbone, fractured sternum, four broken metatarsals in her left foot and bruised lungs.

Veronica Dukes also suffered serious injuries. She fractured her pelvis, sternum and vertebrae and was in critical condition for two to three weeks.

Tashunda Dukes was away from school for two months as she recovered. She said she worried about missing so much schoolwork and not graduating. But she said she prayed about it, which helped her to stay

SEE GRADUATE, 7A

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CHS

■ from 1A

“We manage AnMed, and AnMed will manage Elberton,” Piemont said.

For impact, the agreement between Carolinas HealthCare and Cone Health is most significant.

It links the Charlotte-based health care giant to another large and profitable hospital system. Moses Cone Memorial Hospital, the largest hospital within Cone Health, had a total profit margin of 13.1 percent in the fiscal year that ended in September 2010, according to the American Hospital Directory.

By comparison, Carolinas HealthCare’s primary enterprise, which includes hospitals in Mecklenburg, Cabarrus, and Lincoln counties, had a total profit margin of 8.4 percent in 2010.

With the new agreement, Carolinas HealthCare continues a pattern of rapid growth. Its total annual revenues have grown nearly fivefold since 2000.

A recent Observer investigation showed that, by consolidating into large systems, hospitals have become part of the reason for rising health care costs. As systems get larger, they are able to use their market power to negotiate higher reimbursements from insurance companies.

Dr. Kevin Schulman, a health policy researcher at Duke University, said Tuesday that further consolidation of hospitals in North Carolina will lead to higher prices, higher insurance premiums and increased administrative costs.

“It’s time to take an objective look at this practice and see if we are achieving a benefit for the public.”

‘A really good thing’

Under its agreement with Carolinas HealthCare, Cone Health will remain independently owned and governed by its board. Employees will continue to be employed by Cone Health except for the five top executives, who will become employees of Carolinas HealthCare but remain based in Greensboro.

They are CEO Tim Rice; Terry Akin, president and chief operating officer; chief financial officer Ken Boggs; chief quality officer Dr. Mary Jo Cagle, and chief nursing officer Theresa Brodrick.

Rice said he has known Carolinas HealthCare administrators for years and was familiar with their history of managing hospitals from the North Carolina mountains to the South Carolina coast. He said the Cone Health board invited them to make a formal presentation about nine months ago.

“We believe this is a really good thing for our patients and our com-

Other CHS action

The Carolinas HealthCare board approved:

■ A report on first-quarter earnings for 2012. Profit for the system’s primary enterprise totaled about \$156 million, compared with \$108 million for the same period last year. Most of the profit resulted from increases in the value of investments.

■ Construction of two free-standing emergency departments, Carolinas Medical Center-Morrorcroft in SouthPark and Carolinas Medical Center-Harrisburg. They will cost \$27.2 million and \$20.9 million, respectively, and are expected to open in January 2014. Four similar health care pavilions already operate in the area.

■ Construction of a \$20 million hospital to replace the 1950s-era Anson Community Hospital in Wadesboro. The new building, part of a “rural health care delivery model,” will include doctors’ offices for primary-care visits. The focus will be less on inpatient care and surgery and more on disease management and prevention. It’s expected to open in 2014.

■ Spending \$12.3 million for the first phase of a “virtual critical care program” that will allow intensive care specialists at Carolinas Medical Center to monitor critically ill patients in remote hospitals that are part of Carolinas HealthCare. Dr. Roger Ray, chief medical officer, said the system has 52 doctors board-certified in critical care, and 28 work at CMC. This will allow them to monitor patients in the system’s 457 ICU beds from a distance.

► MORE ONLINE

Read the Observer’s report on hospitals. Prognosis: Profits, at charlotteobserver.com/hospitals.

munity,” Rice said. “It allows us to access a broad range of services through the Carolinas HealthCare System and their network. It allows us to share best practices from here to there and from there to here.”

Carolinas HealthCare CEO Michael Tarwater said the two organizations share “a mission of providing care to all who need it. ... We are honored to have been chosen to work with Cone Health.”

Affiliation ‘not a merger’

Rice emphasized the affiliation is “not a merger,” and Cone Health will not change its name or identity.

Patients and employees of Cone Health shouldn’t notice any difference, he said. Doctors won’t be required to refer patients to Charlotte, but will continue traditional referral patterns to Winston-Salem, Duke University and UNC Chapel Hill. No changes in staffing are expected, Rice said.

Most of the changes will be “behind the scenes,” he added.

For example, Cone Health will save money by joining Carolinas HealthCare for group purchasing of everything from MRI scanners to heart valves to latex gloves, Rice said. Instead of hiring consultants to prepare for accreditation inspections, Cone Health will be able to use in-house experts at Carolinas HealthCare, he said.

During a conference call with news reporters, Rice was asked if Cone Health will follow the Carolinas HealthCare policy of filing lawsuits

against patients who have not paid their bills. More than half of the 40,000 hospital bill-collection lawsuits in North Carolina in the five years ending in 2010 were filed by Carolinas HealthCare or Wilkes Regional Medical Center, a hospital managed by Carolinas HealthCare.

Rice said Cone Health will not be “dictated to,” but will follow its existing financial assistance policies.

Cone Health is about one-sixth the size of Carolinas HealthCare and one of the largest systems to sign a management contract with CHS, Piemont said.

Cone Health employs about 8,600 people who work in Guilford, Rockingham, Forsyth, Randolph and Alamance counties. The system’s hospitals, with a total of 1,035 beds, are Moses Cone and Wesley Long Hospital in Greensboro, Women’s Hospital of Greensboro, Annie Penn Hospital in Reidsville and Cone Health Behavioral Health Hospital in Greensboro. A merger is pending with Alamance Regional Medical Center in Burlington.

Other major hospital groups in the Triad are High Point Regional Health System and Winston-Salem-based Novant Health. Novant was created in 1997 with the merger of Presbyterian Healthcare, which owns four hospitals in the Charlotte area, and Carolina Medipcor of Winston-Salem.

When asked for comment about CHS moving into Novant’s home territory, Novant spokeswoman Sharon Harmon said: “Carolinas Healthcare System and Cone Health are two systems with strong traditions that are doing what they believe is best for their organizations.”

— STAFF WRITER AMES ALEXANDER CONTRIBUTED.

Garloch: 704-358-5078

VUE

■ from 1A

MaryLou Davidson went because she was curious. She and her husband recently moved to Charlotte from Tampa, Fla., and are renting uptown while they look for a home to buy.

She became interested in the Vue after seeing the sleek, blue-tinted glass skyscraper when she moved to the center city.

“While my heart goes out to the developer,” she said, “I think if they could turn this around, it could breathe new life into this city.”

Two years ago, the Vue was lauded as one of the few proposed uptown high-rises that made it up out of the ground despite a crippling economic recession and weak housing market.

Since then, the project has become a highly visible sore spot for uptown boosters as it experienced a work stoppage, struggled to close sales and became entangled in lawsuits.

When sales started in the mid-2000s, the 408-unit project was touted as one of uptown’s most luxurious residences. But the poor housing market flatlined condo sales, especially for luxury units in the center city.

The project at Fifth and Pine streets fell into foreclosure earlier this year after the Vue’s developer, MCL Cos. of Chicago, defaulted on its loan, and the current owner of the debt, identified in court documents as NWSF LLC, accelerated the loan and started foreclosure proceedings in April, according to court filings. NWSF assigned the loan to NR Charlotte Monday.

On Tuesday, the entire building and its contents were sold, excluding condos and parking and storage spaces already sold to individual buyers. Individual buyers have closed on fewer than two dozen units.

NWSF LLC lists its address as New York-based Northwood Investments. The real estate investment firm has spent more than \$150 million on Charlotte properties recently, buying the Blakeney mixed-use project, The Apartments at Blakeney, and The Arbors apartment complex and the Latta Arcade in uptown.

A call to Northwood Investments wasn’t returned.

As with all foreclosure sales, the sale isn’t final for 10 days, during which time people can submit upset bids, or bids that exceed the current amount.

Trouble from the start

Despite a gloomy housing market that pushed down uptown condo prices by as much as 30 percent, MCL Cos. chief executive Dan McLean insisted he would neither lower prices nor turn the building into a rental, which other developers had done with projects they couldn’t sell. He had said he was counting on buyers looking for second homes.

At least two uptown condo projects, though, converted to rentals, as the economy weakened.

Condos at the Vue started selling from just under \$200,000 to more than \$2 million. Buyers paid 10 percent of the contracted sales price as a deposit. Most people are not likely to recover their deposits because of the foreclosure.

The project ran into a snag in fall 2009, when general contractor R.J. Griffin halted work, saying it had not been paid for two months.

The Vue struggled to close sales after the project was finished in 2010. Some buyers wanted out of the contracts they had signed in better economic times. Others could no longer get the financing. Some people sued to get released from their contracts. The developer, in turn, sued some buyers to force them to close on their units.

Last fall, a judge ruled against the Vue in a case that could dampen future condo development, particularly for large projects, because it could shorten the time a developer has to finish a new project.

Jayne Infanzohz with Main Street Homes said he went to the sale because he has a private investor who is interested in the Vue. But the investor was looking to pay \$60 million to \$80 million, he said.

Infanzohz said he thinks the condos could sell if prices were slashed. He also thinks it could be lucrative to rent out units to visitors who come to town in September for the Democratic National Convention, which is expected to bring 35,000 people to the area.

Blake Okland, principal with Apartment Realty Advisors, said projects like the Vue are expensive to build, so he doesn’t expect to see a similar project proposed for many years.

“I don’t know if anyone will do a 50-story high-rise in Charlotte again,” said Okland, whose firm was not involved in the Vue’s sale. “These days, projects of that magnitude are a lot harder to pull off. That means it will stay unique for a longer time.”

Singe: 704-358-5085; On Twitter: @kerrysinge

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