

Memorandum



DATE February 28, 2025

CITY OF DALLAS

Honorable Members of the City Council Economic Development Committee: Tennell
TO Atkins (Chair), Omar Narvaez (Vice Chair), Carolyn King Arnold, Chad West, Adam
Bazaldua, Paul Ridley, and Kathy Stewart

SUBJECT **Upcoming Agenda Item: Acquisition of approximately 79,933 square feet of
commercially improved land (approximately 1.83 acres) addressed as 13305
Montfort Drive for future central park in Valley View-Galleria Area**

On March 26, 2025, the Facilities and Real Estate Management Department, on behalf of the Park and Recreation Department, will seek City Council authorization to acquire approximately 79,993 square feet (1.84 acres) of commercially improved land located at 13305 Montfort Drive (see map attached as **Exhibit A**). This acquisition represents an important and catalytic next step in assembling the future International Commons park, as envisioned in the Valley View-Galleria Area Plan and the Mall Area Redevelopment TIF District Project Plan and the Reinvestment Zone Financing Plan.

On February 20, 2025, the Park and Recreation Board reviewed and approved the proposed acquisition with \$9,480,672 from the 2024 General Obligation Bond Program, Proposition B (Park and Recreation Facilities).

On March 17, 2025, the Board of Directors of the Mall Area Redevelopment TIF District will review and consider the proposed acquisition with \$1,829,328 from the Mall Area Redevelopment TIF District Fund.

Background

Subject Property: 13305 Montfort Drive

Staff has been focusing attention on this property for the past several years, waiting for an opportunity to acquire. In late 2024, the representative of the ownership entity indicated to staff that the entity might be ready to consider a voluntary sale to the City, and City staff initiated due diligence activities. On November 27, 2024, staff issued a Letter of Interest to the ownership entity.

The subject property is approximately 79,933 square feet of commercially improved land (approximately 1.83 acres) addressed as 13305 Montfort Drive and located on the west side of Montfort Drive between James Temple and Peterson Lane for the future central park as envisioned in the City's adopted Valley View-Galleria Area Plan (**Exhibit A**). The total purchase price for this acquisition is \$11,310,000.00 based on an independent appraisal (\$11,250,000.00 plus closing costs and title expenses not to exceed \$60,000.00).

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The subject property is currently improved with a one-story multi-tenant retail building comprising approximately 25,296 square feet of net rentable area and twelve existing retail tenants. The building was constructed in 1972 with a steel frame brick/stucco veneer exterior and a flat built-up roof over decking and trusses. The subject property has access to all public utilities and is currently zoned RR (Regional Retail zoning district). Leases are triple net (NNN) with tenants paying landlord's pro rata expenses.

As of the date of the appraisals (November 2024), the subject property was approximately 100% occupied by multiple retail tenants with remaining lease terms between one to five years. The current average lease rate for occupied space within the building is approximately \$25.35 per square foot (NNN)—market rental rate is \$24.50 per square foot NNN. Current tenant NNN reimbursement is approximately \$7.08 per square foot. The estimated stabilized net operating income for the subject property is approximately \$540,000.00. With the conveyance of the subject property to the City in fee simple, the City will also assume all usual and customary documents that are necessary, appropriate, and convenient to ensuring a smooth transition of ownership, including but not limited to the existing tenant leases, existing property management contract, and any existing service contracts for usual and customary repairs/maintenance.

The subject property is one of four remaining parcels needed by the City in order to fully assemble the approximately twenty-acre central park known as International Commons, as envisioned in the City's Valley View—Galleria Area Plan (adopted by City Council in May 2013), PD 887-Valley View-Galleria Special Purpose Zoning District (authorized by City Council in June 2013), and the Mall Area Redevelopment TIF District Project Plan and Reinvestment Zone Financing Plan (authorized by City Council in June 2015).

The City's first property acquisition occurred in 2021 (The Prism Center at 5580 Peterson Lane). The subject property located at 13305 Montfort Drive abuts The Prism Center to the east.

In the near-to-medium term (i.e. first five years), it is anticipated that the City will manage the property, allowing the existing office tenants to complete their remaining lease terms. City staff intends to negotiate new lease agreements with tenants under similar existing lease conditions, including rental rates, but with the following provisions: an initial three-year lease term, two optional three-year renewal terms (subject to Park Board authorization and mutual agreement), and a 180-day termination clause without cause by either party. In the medium-to-long term, it is anticipated that the City will demolish the existing structure for the development of park improvements.

Staff recommends approval of this acquisition with the condition that this property is not officially dedicated as municipal parkland until such time the property is fully developed for its intended use.

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Valley View-Galleria Area

Originally in the late-1960s/early 1970s, the Valley View Center mall (and the Galleria mall in the early 1980s) was created with complex configurations of super-blocks, private land ownership, and reciprocal easement agreements that bound multiple owners together. In recent years as market conditions have shifted significantly, these same configurations have heavily burdened the mall area, making redevelopment and revitalization extremely difficult without public participation.

From 2011 to 2013, a public-private partnership was forged among the City of Dallas, the North Dallas Chamber of Commerce, and many other stakeholders in the area, including property and business owners. The partnership resulted in a process to develop an area planning study in 2012-13.

Adopted in May 2013, the Valley View-Galleria Area Plan ("Area Plan") resulted in the creation of a unified vision and implementation plan for the redevelopment and economic growth of approximately 440 acres. The Area Plan established a comprehensive vision to guide future private investment, economic development, and public infrastructure investments in a coordinated fashion towards optimal tax base, quality of life, and accessibility.

The adopted illustrative vision for the area is of a mixed-use neighborhood (higher density and pedestrian friendly) that is: (1) anchored by a large central park; (2) supported by vibrant retail uses, office uses, entertainment uses, and mixed housing choices; (3) connected by an integrated network of walkable streets and open spaces, and (4) eventually linked to the Dallas Area Rapid Transit (DART) light rail network.

Two key opportunities identified in the Area Plan are: (1) to break down the super blocks into pedestrian-scale developable parcels in order to provide a more walkable urban fabric, and (2) to provide a community-scale central park with the potential to serve as a regional destination that will also support local residents, workers, and visitors making up for a severe deficiency of open space in the area.

The Area Plan also served as the basis for the City to proactively undertake an area-wide form-based rezoning in June 2013 to PD 887 (Valley View-Galleria Area Special Purpose District), thereby ensuring a sound regulatory framework to encourage economic development consistent with the vision.

In May 2014, City Council authorized the creation of Tax Increment Reinvestment Zone No. 20 ("Mall Area Redevelopment TIF District"). The Project Plan and Reinvestment Zone Financing Plan ("TIF Plan") for the Montfort-IH 635 Sub-District consists of a program of public infrastructure improvements, economic development grants, and land assembly for a sizeable central public open space under the authority of the TIF Act,

which is intended to stimulate private investment and development in the area to occur earlier, to a higher quality, to a greater density, and with more public benefits than would occur solely through private investment in the reasonably foreseeable future, thereby offering employment and quality living for the people of Dallas for years to come.

Specifically, in the TIF Plan, Goal #6 is to increase public open space in the District, and the following specific objective sets the framework for the planned public improvements within the District:

- Provide funding for the acquisition of land for a central community park to provide open space, recreational opportunities, and cultural amenities to the Montfort-IH 635 Sub-District while also increasing land values and attracting new residential and office development.

The long-term success of the Montfort-IH 635 Sub-District as a dense, walkable, livable, and sustainable place depends on a redevelopment pattern organized around a carefully considered urban form anchored by a large centrally located sub-district-wide public open space. The central open space feature is the critical key to unlocking the real economic development potential of the area and generating higher density urban development while also supporting a high quality of life for sub-district residents, employees, shoppers, and other visitors. Envisioned to serve not only the Montfort-IH 635 Sub-District but also the broader north Dallas community, the central open space feature is to be ultimately 10-20 acres. According to a 2016 study published by HR&A Advisors, Verdunity, and the Trust for Public Land entitled “Economic Value and Benchmarking Study of the Dallas Park System,” the central park in the Valley View-Galleria area “has the potential to catalyze a 40:1 return on park investment” for the City of Dallas.

It is acknowledged in the TIF Plan that many desired expenditures associated with the central open space feature are likely beyond the capacity of TIF funding. Nevertheless, TIF funding assistance for land acquisition for the central open space is critical to making projects feasible in the Montfort-IH 635 Sub-District. Without a large public open space, redevelopment potential of the area is substantially limited.

The TIF Plan also notes that, although the central open space will ultimately be owned by the City, it is anticipated that TIF funding assistance will be needed to leverage other sources of needed funding (e.g. the additional open space requirement of PD 887; grants from other governmental entities; City general obligation bonds; a public improvement district; private philanthropic contributions) to help fund expenditures associated with the acquisition, design, construction, maintenance, operations, and programming of the central open space.

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Should you have any questions, please contact Kevin Spath, Director (I), Office of Economic Development, at kevin.spath@dallas.gov or (214) 670-1691.

Service First, Now!



Robin Bentley
Assistant City Manager

c: Kimberly Bizzor Tolbert, City Manager
Tammy Palomino, City Attorney
Mark Swann, City Auditor
Billieae Johnson, City Secretary
Preston Robinson, Administrative Judge
Dominique Artis, Chief of Public Safety

Dev Rastogi, Assistant City Manager
M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Alina Ciocan, Assistant City Manager
Donzell Gipson, Assistant City Manager
Jack Ireland, Chief Financial Officer
Elizabeth Saab, Chief of Strategy, Engagement, and Alignment (I)
Directors and Assistant Directors

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Exhibit A

