

Memorandum



CITY OF DALLAS

DATE April 2, 2021

TO Honorable Members of the Economic Development Committee:
Tennell Atkins (Chair), David Blewett (Vice-Chair), Jennifer Staubach Gates,
Adam McGough, Omar Narvaez, Jaime Resendez, Chad West

SUBJECT **Acquisition of property for future central park in Valley View-Galleria Area**

On April 28, 2021, City Council will consider authorizing the City's acquisition of approximately 71,092 square feet (1.63 acres) of commercially improved land located at 5580 Peterson Lane as an important and catalytic first step to assembling the future central park as envisioned in the Valley View-Galleria Area Plan as well as in the Mall Area Redevelopment TIF District Project Plan and Reinvestment Zone Financing Plan.

Background

Subject Property: 5580 Peterson Lane

Staff has been focusing attention on this property for the past few years, waiting for an opportunity to acquire. In Fall 2020, the representative of the ownership entity indicated to staff that the entity might be ready to consider a voluntary sale. On October 13, 2020, staff issued a Letter of Interest to the ownership entity and then initiated several months of due diligence.

The subject property is 71,092 square feet of land (approximately 1.63 acres) and is improved with a two-story, multi-tenant office building comprising approximately 53,730 square feet of net rentable area. The building was constructed in 1983 with a reinforced concrete frame and a built-up composition roof. Portions of the building were renovated in 2016 after it was purchased by the current ownership entity. The subject property contains a single level underground parking garage and a surface parking lot, with a total parking ratio of approximately 3.13 spaces per 1,000 square feet. The subject property has access to all public utilities and is currently zoned NO(A)-Neighborhood Office.

As of the date of the appraisals (November 2020), the subject property is approximately 77% occupied by multiple office tenants with remaining lease terms between two-to-four years. The current average lease rate for occupied space within the building is approximately \$15.50 per square foot, with tenant expense obligations varying between full service and plus electric. The estimated stabilized net operating income for the subject property is approximately \$415,000.

The subject property is one of the five parcels needed to be acquired by the City in order to fully assemble the approximately 20-acre central park (informally known as “Midtown Park” or “Midtown 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).

In the near-to-medium term (i.e. in the first two-to-four years), it is anticipated that the City will simply manage the property, allowing the existing office tenants to complete their remaining lease terms. During that time, the City may also evaluate the feasibility of establishing an International Cultural Center as an interim municipal use of the subject property. In the medium-to-long term, the existing structure may be demolished for the development of park improvements or may be repurposed for park uses as determined through public input and Council District needs.

The official dedication of the subject property as City parkland is not recommended to occur until such time as the entire subject property is developed for park purposes.

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. Over the last decade as market conditions have shifted significantly, these same configurations have heavily burdened the mall area, making redevelopment and revitalization extremely difficult without public participation. With the assistance of the City’s Valley View-Galleria Area Plan, PD 887-Valley View-Galleria Special Purpose Zoning District, and the Mall Area Redevelopment TIF District Project Plan and Reinvestment Zone Financing Plan, the mall area is to be reconfigured into a traditional pattern of public streets, public open space, public infrastructure, and smaller blocks of private land ownership, thereby setting the stage for incremental and higher density redevelopment that is flexible to meet market demands and community needs.

The crossroads of Interstate Highway 635 (LBJ Freeway), the Dallas North Tollway, and Preston Road (SH 289) has historically been one of Dallas’ major regional business centers with significant Class A office space, strong destination retail, and several high quality hotels. Preston Road registers over 50,000 vehicles per day, the Dallas North Tollway registers over 120,000 vehicles per day, and the recently redesigned/reconstructed LBJ Freeway provides access to more than 400,000 vehicles daily. However, despite its general locational advantages, much of the area has experienced significant economic and physical decline over the last twenty years, and substantial revitalization and orderly redevelopment of the area is not likely to occur without public assistance. As such, the mall area was identified as a key growth area in the City of Dallas Strategic Engagement Plan as well as the forwardDallas! Comprehensive Plan. Additionally, the mall area met the criteria to be designated by City

Council as a citywide “mega-site” redevelopment opportunity in the City Council’s FY 2011-2012 Strategic Plan.

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 establishes 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 lack 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 (i.e. Valley View-Galleria area) 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. In other words, 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 10-20 acres (ideal size is 15-18 acres).

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 is to be ultimately owned by the City, it anticipates 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.

For the proposed acquisition of the subject property, TIF funding is one of five sources identified to fund the transaction (see chart below). Prior to being considered by the full City Council, this proposed acquisition will also be reviewed and considered by the Park and Recreation Board as well as by the Mall Area Redevelopment TIF District Board.

Financing

Fund	FY 2021
Park and Recreation Facilities Fund (2006 General Obligation Bond Fund)	\$ 1,492,845.00
ECO (I) Fund (2017 General Obligation Bond Fund-District 11 allocation)	\$ 3,000,000.00
Valley View-Galleria Open Space Fund	\$ 231,241.67
Mall Area Redevelopment TIF District Fund	\$ 652,913.33

Equity Revitalization Capital Fund (District 11 allocation)	\$ 300,000.00
TOTAL	\$ 5,677,000.00

Should you have any questions, please contact Kevin Spath, Assistant Director, Office of Economic Development at 214-670-1691.



Dr. Eric Anthony Johnson

Chief of Economic Development & Neighborhood Services

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney
Mark Swann, City Auditor
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager

Majed A. Al-Ghafry, Assistant City Manager
Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors

Valley View-Galleria Area



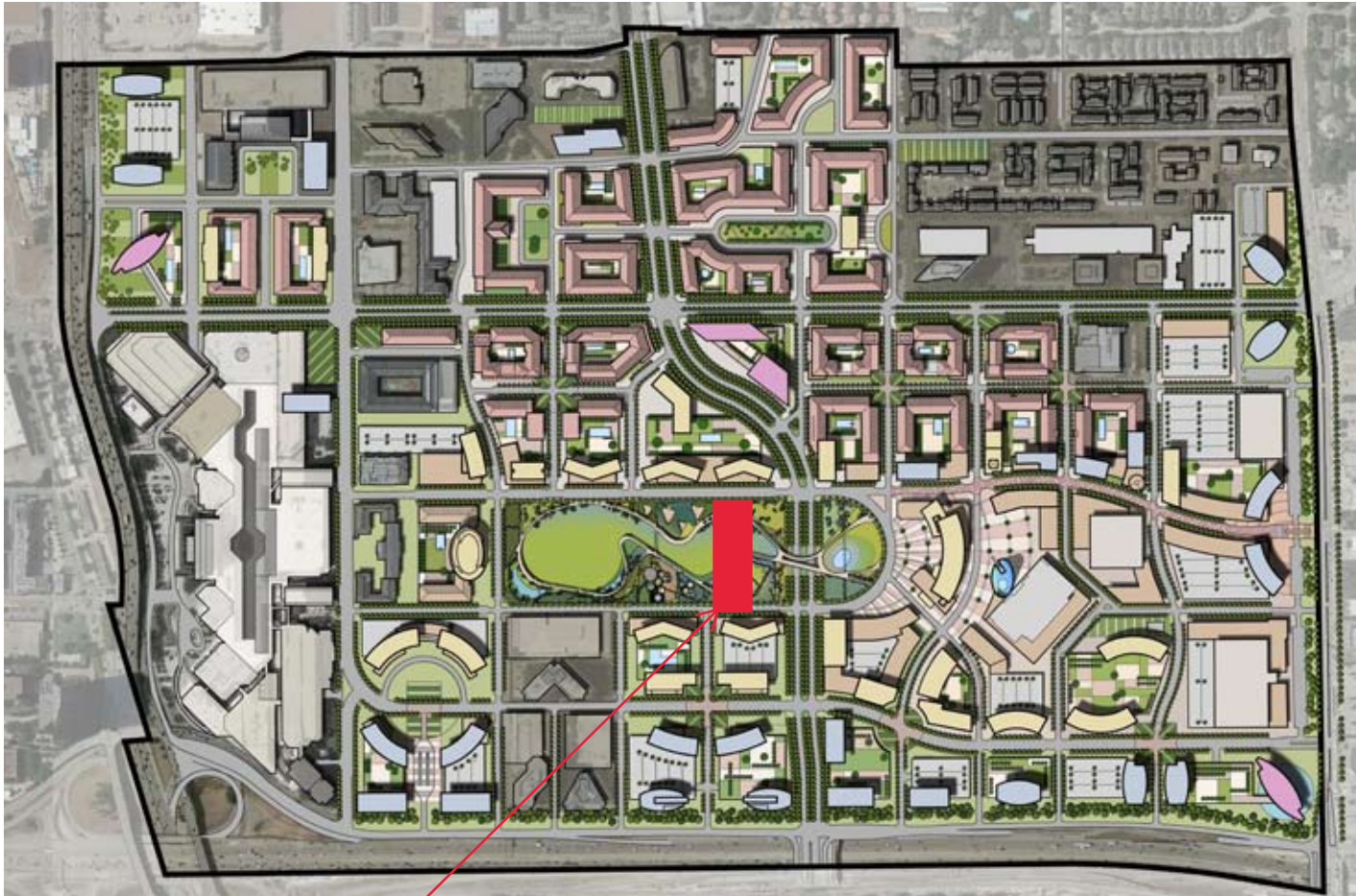
Future Central Park

5580 Peterson Lane
(subject property for
acquisition)

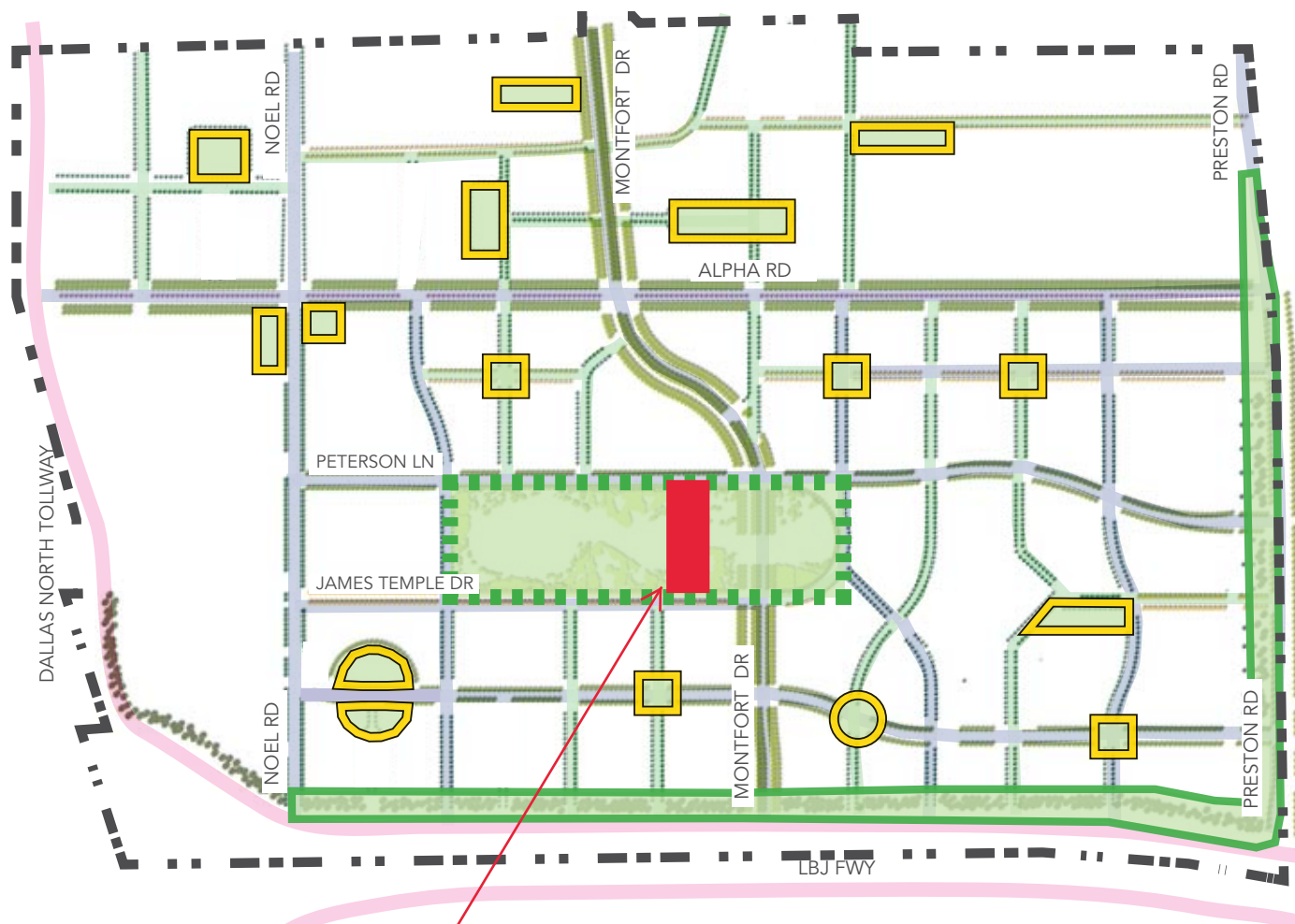
THE VISION OVERVIEW

ILLUSTRATIVE VISION PLAN

The vision is of a new regional mixed use center supported by vibrant retail, entertainment uses, and mixed housing choices with integrated open spaces developed in a pedestrian, bicycle and transit friendly environment.



subject property for
acquisition 5580
Peterson Lane

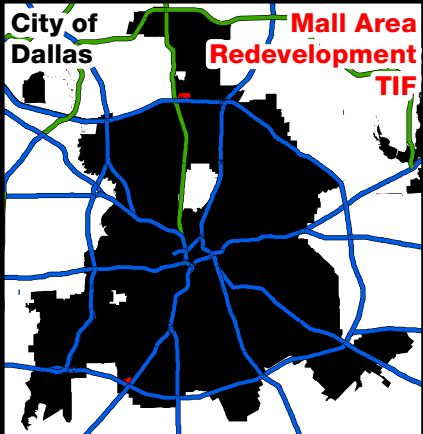


5580 Peterson Lane
(subject property for
acquisition)

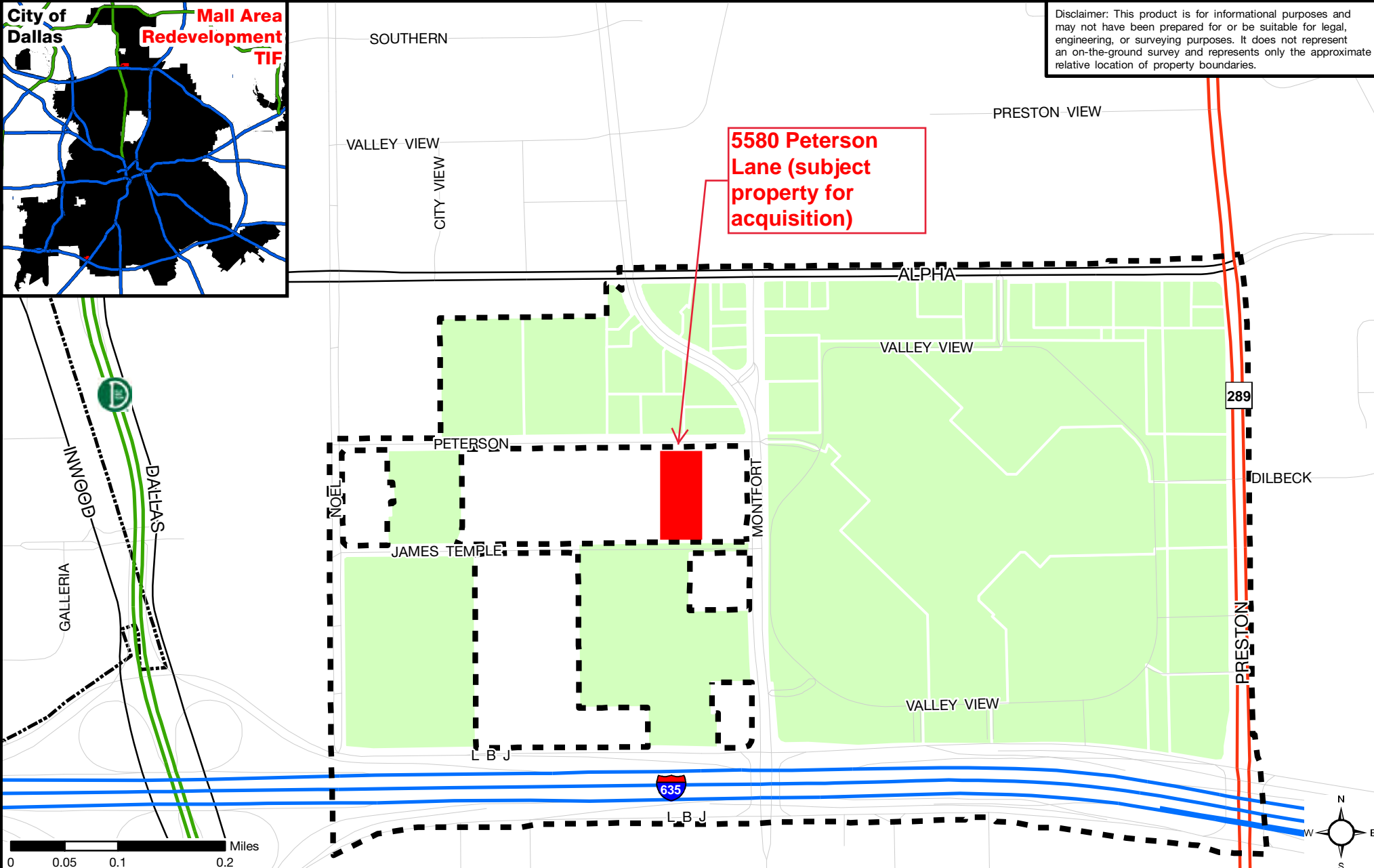
LEGEND:

- ■ — ■ — STUDY AREA BOUNDARY
- ■ ■ ■ ■ MIDTOWN COMMONS
- — — — — BLOCK PARK FRAMEWORK
- — — — — GREEN FRAME

Mall Area Redevelopment TIF District: Montfort-IH 635 Subdistrict



Disclaimer: This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries.



**DALLAS
ECONOMIC
DEVELOPMENT**

Research & Information Division
214.670.1685
dallas-ecodev.org

Created 10.23.2013, Updated 5.19.2014 - TIF_Mall_VVG.TCG

Legend

- TIF Boundary
- TIF Parcel
- Freeway

- Tollway
- Highway
- Arterial

- Local Road
- City of Dallas

Source: Parcel Data - Dallas CAD, 2013; All Other Data - City of Dallas, 2014