



Legislation Text

File #: 21-651, **Version:** 1

STRATEGIC PRIORITY: Economic and Neighborhood Vitality
AGENDA DATE: April 28, 2021
COUNCIL DISTRICT(S): 11
DEPARTMENT: Office of Economic Development
EXECUTIVE: Dr. Eric A. Johnson

SUBJECT

Authorize **(1)** acquisition from Peterson Lane Partners LLC of approximately 72,559 square feet of commercially improved land (approximately 1.66 acres) addressed as 5580 Peterson Lane located on the south side of Peterson Lane approximately 140 feet west of Montfort Drive for the future central park in the Valley View-Galleria area pursuant to the Targeted Neighborhood Enhancement Program; and **(2)** the establishment of appropriations in an amount not to exceed \$213,301.46 in Valley View-Galleria Open Space Fund - Not to exceed \$5,677,000.00 (\$5,650,000.00, plus closing costs and title expenses not to exceed \$27,000.00) - Financing: Park and Recreation Facilities Fund (2006 General Obligation Bond Funds) (\$1,510,785.21), Public/Private Partnership Fund to be reimbursed in late 2021 from ECO (I) Fund (2017 General Obligation Bond Funds) (\$3,000,000.00), Valley View-Galleria Open Space Fund (\$213,301.46), Mall Area Redevelopment TIF District Fund (\$652,913.33), and Equity Revitalization Capital Fund (\$300,000.00)

BACKGROUND

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 was 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 72,559 square feet of land (approximately 1.66 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 (129 spaces) and a surface parking lot (41 spaces), 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 \$415,000.00. The actual net operating income over the last six months of 2020 was approximately \$35,000.00 per month. 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 various existing service contracts for usual and customary repairs/maintenance.

The subject property is one of the five parcels needed to be acquired by the City in order to assemble the approximately twenty-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 (high 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 public park. In other words, the central park 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). 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 “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 central 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.

For the proposed acquisition of the subject property at 5580 Peterson Lane, TIF funding is one of five sources identified to fund the transaction (see chart below).

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

[The Economic Development Committee was briefed by memorandum regarding the proposed acquisition on April 5, 2021. <https://cityofdallas.legistar.com/View.ashx?M=F&ID=9285976&GUID=D012FF8C-3D33-4C84-9122-53720F159104>](https://cityofdallas.legistar.com/View.ashx?M=F&ID=9285976&GUID=D012FF8C-3D33-4C84-9122-53720F159104)

On April 8, 2021, the Park and Recreation Board reviewed and authorized the proposed acquisition.

On April 16, 2021, the Mall Area Redevelopment TIF District Board of Directors reviewed and recommended approval of the proposed acquisition.

FISCAL INFORMATION

Fund	FY 2021	FY 2022	Future Years
Park and Recreation Facilities Fund (2006 General Obligation Bond Fund)	\$1,510,785.21	\$0.00	\$0.00
Public/Private Partnership Fund to be reimbursed in late 2021 from ECO (I) Fund (2017 General Obligation Bond Fund)*	\$3,000,000.00	\$0.00	\$0.00
Valley View-Galleria Open Space Fund	\$ 213,301.46	\$0.00	\$0.00
Mall Area Redevelopment TIF District Fund	\$ 652,913.33	\$0.00	\$0.00
Equity Revitalization Capital Fund	\$ 300,000.00	\$0.00	\$0.00
Total	\$5,677,000.00	\$0.00	\$0.00

*Note: the subject property is currently occupied by private tenants, and the City's ownership of the subject property would, therefore, be a non-governmental use until such time as the leases expire and the City designates a governmental use for the subject property. Because the subject property is currently occupied by private tenants, the City's bond counsel has advised City staff to ensure that any Proposition I bonds (2017 general obligation bond program) are issued as taxable bonds. The City routinely uses commercial paper to bridge expenditures made with tax-exempt bond funds prior to the actual bond issuance, but the City's commercial paper program does not currently support taxable bond issuances. Therefore, City staff proposes to use Public/Private Partnership Funds as interim funding to bridge the taxable bond expenditure and anticipates the Public/Private Partnership Fund to be reimbursed when the taxable bonds are issued in late 2021.

OWNER REPRESENTATIVE**Peterson Lane Partners LLC**

Mahesh Gehani, Manager

MAP

Attached