

Memorandum



CITY OF DALLAS

DATE: August 14, 2009

TO: Members of the Economic Development Committee:
Ron Natinsky (Chair), Tennell Atkins (Vice Chair), Dwaine Caraway
Sheffie Kadane, Linda Koop, Ann Margolin, Jerry R. Allen, Steve Salazar,

SUBJECT: **Southwest Center Mall: Moving Forward**

At the August 17, 2009 Economic Development Committee meeting, you will be briefed on the Southwest Center Mall: Moving Forward. A copy of the briefing is attached.

Should you have any questions, please contact me at (214) 670-3314.

A handwritten signature in black ink, appearing to read 'A.C. Gonzalez'.

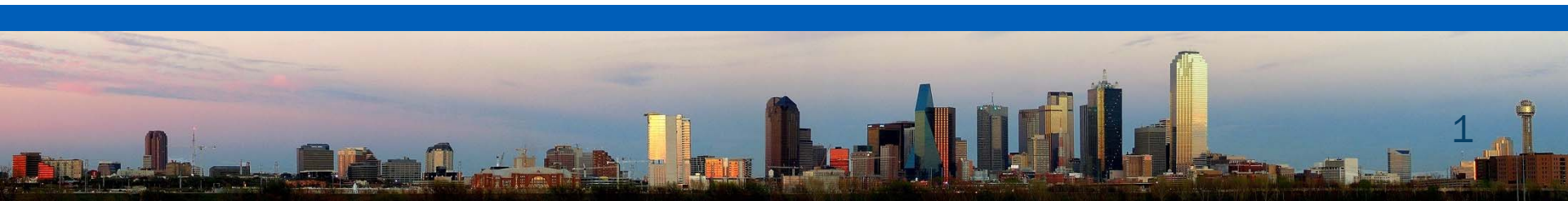
A.C. Gonzalez
Assistant City Manager

C: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah A. Watkins, City Secretary
Tom Perkins, Jr., City Attorney
Craig Kinton, City Auditor
Judge C Victor Lander, Judiciary
Ryan S. Evans, First Assistant City Manager
Forest Turner, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Dave Cook, Chief Financial Officer, City Managers Office
Jeanne Chipperfield, Director, Budget & Management Services
Karl Zavitkovsky, Director, Office of Economic Development
Hammond Perot, Assistant Director, Office of Economic Development
Helena Stevens-Thompson, Assistant to the City Manager

Southwest Center Mall: Moving Forward

Economic Development Committee

August 17, 2009



Background

- Southern Dallas Task Force Southwest Oak Cliff Work Team identified redevelopment of Southwest Center Mall as their top priority
- City Council authorized a \$120,000 Chapter 380 Grant to bring an ULI Advisory Services Panel to assess redevelopment options
- Nine member Advisory Services Panel spent five (5) days in Dallas examining Southwest Center Mall
 - Received in advance an in-depth briefing package
 - Toured Southwest Center Mall, and other neighborhood and retail developments
 - Interviewed over 70 community members, stakeholders and public officials
 - Presented an oral summary of findings and recommendations to the community on June 19th
 - Presentation to be followed by a formal written report within 90 days

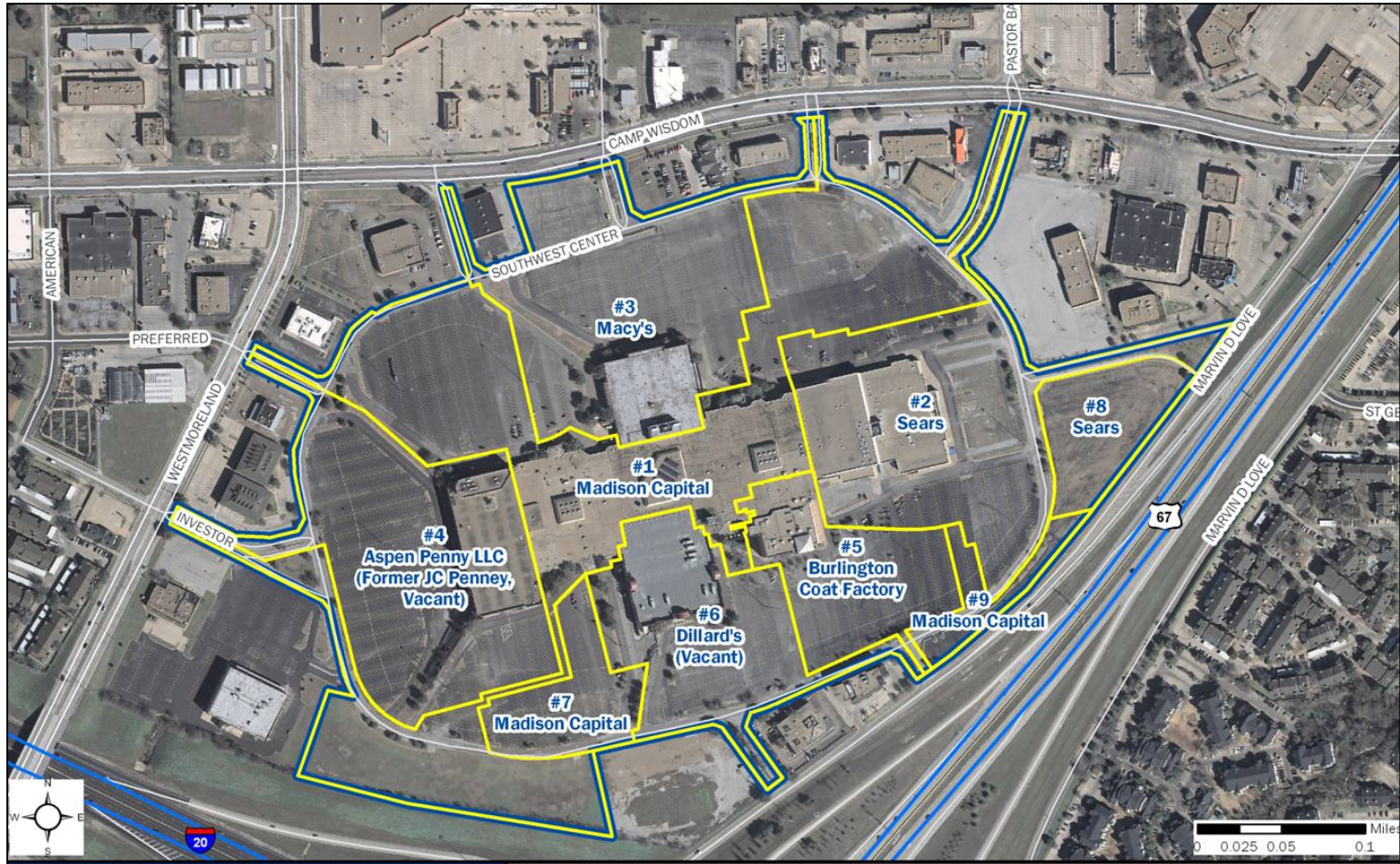
ULI Panel Findings

- The market: too weak to support private investment in revitalization without public investment.
- Site: There are six property owners on the site: Independent and Interdependent.
- Owners have no existing plan for how to revitalize the mall.
- The community strongly supports revitalization to restore the mall site as a community resource.

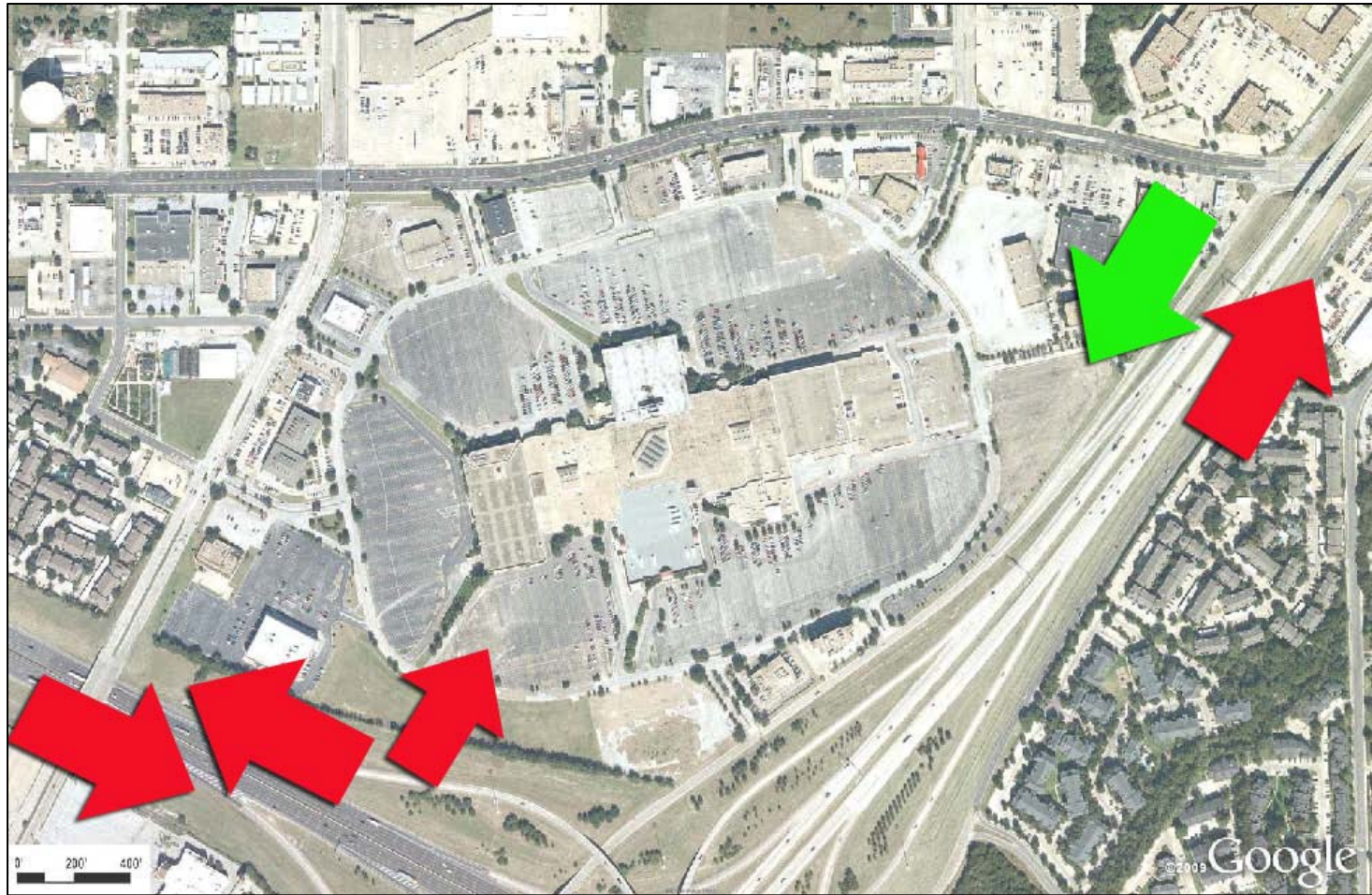
ULI Panel Findings

- The site has poor access, limiting its market potential.
- There are concerns about the City's commitment to help with revitalization
- Limited window to keep SWC Mall as a viable retail site; immediate action needed
 - Anchor stores may abandon the mall soon if nothing is done
- Further, ULI noted that “...the conditions that led to the creation of shopping malls and sustained them for decades are changing rapidly.”
 - Evidence of the decline of the traditional mall concept include the demise of Prestonwood, Six-Flags and Big Town in addition to the struggles of numerous others including Valley View.

Ownership Puzzle



Access Issues



ULI Panel Recommendations

- Hire a third party professional to assist in the assessment and implementation of a land assemblage strategy concerning parcels currently owned by Madison, Dillard's and AspenPenny LLC
- Make immediate contact and maintain high level communication with remaining anchors (Burlington Coat Factory, Macys, Sears)
- Initiate a community-based revitalization strategy that evaluates options and gains consensus on final development plan for the site and also incorporates a “small area plan” for the surrounding neighborhoods (with appropriate zoning)
- Research the formation of an expanded Tax Increment Finance (TIF) district to assist with public finance options
- Recruit a developer or developers to implement the final development plan
- Resolve access issues and enhance streetscape as funds are available
- Negotiate public private and civic partnerships that address the sustainable viability of the development

ULI Panel Recommendations

- Beyond retail, there are opportunities for other real estate products that could change the mall into a “village”, such as:
 - Offices for profit and for non-profit, civic users
 - Senior citizens’ homes for sale and/or for rent
 - Recreation and/or on-site sports facilities that also may connect with Boulder Park
 - A first-run cinema and/or an amphitheater
 - Education: a charter school, a college, nursing school, etc
 - Medical office and/or outpatient facilities

Immediate Challenges

- Preserve assets
 - Three existing anchors
 - Some inline retailers
- Do **not** send buy signal
 - Increases cost
 - Could interfere with private efforts

Immediate Challenges

- Find Funding
 - Public
 - Private
- Land Planning
 - Supportive zoning
- Land Assemblage

Basic Choice

- What role should the City play?
 - Principal developer
 - City buys all properties asap
 - Create a vision for public purpose redevelopment
 - Facilitator of development with City Land Position
 - City acquires strategic properties
 - Solicit private developer to support public/private mixed development (including incentive package)
 - Facilitator of development
 - Solicit private developer for land acquisition
 - Propose incentive package
 - Developer and City partners to determine best land use(s)
 - Passive City role
 - Wait for privately initiated redevelopment proposal from developer that City can support
 - Including support current owners' phased redevelopment strategy

City as Principal Developer

- Pro's
 - Evidences to community that City is committed
 - Opportunity to best control outcome
- Con's
 - Significant time and funding commitment
 - Substantial up front costs for acquisition/planning/construction
 - Community may not desire public purpose redevelopment (appears retail/mixed use redevelopment desired)
- Time Frame: 5 to 6 years for vertical development; land acquisition 2011 or 2012 with funding from new bond program

Facilitator of development with City Land Position

- Pros
 - Evidences to community that City is committed
 - Opportunity to select development partner and influence outcome
 - Shows City's willingness to reduce private risk
 - Share risks with development partner
- Cons
 - Purchase of vacant anchor sites presents risk of not also acquiring in-line store property and other operating anchors
 - Process limitations for atypical City role
 - Substantial monetary commitment without a development plan at a time of limited resources
 - Competition for scarce funding with other priority projects
- Time Frame: estimated 3 years to commence vertical redevelopment; partial land acquisition (vacant anchors) can occur within 18 to 24 months

City as Facilitator

- Pro's
 - Expertise of private sector developer
 - Reduce City's up front costs
 - Market driven solution enhances potential success
- Con's
 - History of limited interest by willing and able developers
 - Perceived high risk investment by private sector due to fractured ownership and uncertain market conditions
 - Continued delay in determining solution
 - Possible conflict between community vision and market driven redevelopment
- Time Frame – 4 to 5 years to commence vertical redevelopment if development partner identified within 18 months (but this has not occurred in past 12 years of similar approach).

Passive City role

- Pro's
 - No up front City cost
 - Market forces determine ultimate land use which promotes project sustainability
- Cons
 - City effectively waiting for private sector to provide solution
 - Community perception that City doesn't care
 - Guarantees long term failure of existing mall
 - City loses opportunity to retain remaining anchors
- Time Frame: No purely market based solution expected to occur

Immediate Next Steps

- Determine City's role – Principal or Facilitator
- Direct staff to create an RFP to select a third-party real estate professional to assist in assessment and implementation of a land assemblage strategy
- Mayor facilitates contact with CEOs of Burlington Coat Factory, Macys and Sears
- Create a redevelopment strategy for the site that incorporates an integrated “small area plan” for surrounding neighborhoods
- Staff researches formation of an expanded TIF District