

Memorandum



DATE November 13, 2015

TO Members of the Economic Development Committee:
Rickey D. Callahan (Chair), Casey Thomas, II (Vice Chair), Adam Medrano, Lee M. Kleinman,
Carolyn King Arnold, B. Adam McGough

SUBJECT **Southwest Center Mall Partnership Proposal**

On Monday, November 16, 2015, you will be briefed on the Southwest Center Mall Partnership Proposal. The briefing materials are attached for your review.

Please let me know if you have any questions.



Ryan S. Evans
First Assistant City Manager

C: The Honorable Mayor and Members of the City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Eric D. Campbell, Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Karl Zavitkovsky, Director, OED
J. Hammond Perot, Assistant Director, OED
Elsa Cantu, Assistant to the City Manager – Mayor & Council

Southwest Center Mall Partnership Proposal

Economic Development Committee
November 16, 2015



Purpose

- Provide background information on Southwest Center Mall.
- Review proposed Southwest Center Mall partnership proposal.
- Obtain Economic Development Committee's approval for consideration of proposed economic development grant by City Council on January 13, 2016.

Southwest Center Mall

Background

- Built in 1975 by DeBartolo Company as Redbird Mall
- Approx. 950,000 building square feet (GLA) on approx. 90 acres
- Mall is currently comprised of in-line portion + 5 anchor properties
- Renamed Southwest Center Mall in 2001 in effort to rebrand facility
- Currently occupied anchors:
 - Macy's (Foley's rebranded in 2006 when May Company was purchased by Federated Department Store)
 - Sears (recently acquired by Seritage Growth Properties)
 - Burlington Coat Factory (replaced Montgomery Ward in 2001)
- Currently vacant anchors:
 - Former JC Penney's (building vacated in 2001; demolished in 2012)
 - Former Dillard's (building vacated in 2006)
- In-line portion of mall:
 - 341,251 building square feet (gross leasable area)
 - Approximately 60% occupied
 - Recently acquired by 3662 West Camp Wisdom LLC (Peter Brodsky)

Southwest Center Mall

Background (2009)

- Southern Dallas Task Force Southwest Oak Cliff Work Team identified redevelopment of Southwest Center Mall as their top priority.
- A nine member Advisory Services Panel from Urban Land Institute (ULI) spent five days in Dallas examining Southwest Center Mall
 - Received in advance an in-depth briefing package
 - Toured Southwest Center Mall and other retail developments in area
 - Interviewed 70+ community members, stakeholders, and public officials
 - Presented oral summary of findings and recommendations to the community in June 2009
 - Issued formal written report in October 2009

Southwest Center Mall *Background (2009)*

- ULI Panel findings included:
 - Market is too weak to justify private investment in redevelopment without public investment.
 - Fragmented site ownership makes redevelopment challenging.
 - No shared vision or comprehensive redevelopment plan for the area.
- ULI Panel recommendations included:
 - City should play an active role in recruitment of investors/developers.
 - City should play an active role in land assembly to consolidate ownership and gain control of the site.
 - City should assure existing anchors of City's interest in site redevelopment.
 - City should establish a TIF district to support public investment in site redevelopment.
 - A community-based vision and redevelopment plan should be articulated and formalized.
- ULI Panel offered initial redevelopment concept for new town center "village."



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Southwest Center Mall

Background (2009-2014)

- Joint venture between Madison Capital and CityView Commercial resulted in some limited investment and re-tenanting of in-line portion.
- Failed attempt at a “Fiesta Mundo” concept at former Dillard’s building.
- City negotiated an option to purchase former JC Penney’s building to avoid undesirable “flea market” use.
- Mayor launched GrowSouth Initiative in 2012, representing a comprehensive strategy for economic development in southern Dallas, with Southwest Center Mall area identified as a core investment area of larger Red Bird focus area.
- City created Mall Area Redevelopment TIF District in 2014, which signaled a critical step in process of attracting viable development partners, stimulating private investment, and leveraging other capital sources over time.

Southwest Center Mall

The Opportunity (2015)

- Red Bird community and southern Dallas have endured **decline of Southwest Center Mall over the past 20 years.**
- During that time, **City has struggled** with how to deal effectively with Mall.
- Owner's recent decision to take a risk and invest in Southwest Center Mall is **significant and rare opportunity for City to forge a partnership** to facilitate meaningful redevelopment and revitalization of Mall and surrounding area.
- **Time to act is now.** At least 2 of 3 remaining anchors (Macy's and Seritage/Sears) are in process of evaluating whether to stay or go.

Southwest Center Mall Partnership

Location

Through an auction process, Owner recently acquired the in-line portion of mall. Owner also acquired former Dillard's property and has an option to purchase former JC Penney's property.



Southwest Center Mall Partnership

Summary

- Catalyst step to jumpstart a larger, multi-phased redevelopment effort.
- Owner invested significant personal capital in property acquisition, based on expectation of City participation (subject to City Council approval).
- Owner and City anticipate working together to execute a total redevelopment of the Southwest Center Mall site.
- Staff proposes a Chapter 380 economic development grant not to exceed \$2,400,000 (source: Public/Private Partnership Funds).
- Owner's required minimum private investment (not including land acquisition costs) is \$15,000,000:
 - Maximum of \$2,000,000 for rehabilitation costs to the existing mall building and site
 - Minimum of \$13,000,000 must be for new vertical improvement costs or redeveloping former Dillard's building.

Southwest Center Mall Partnership Summary

Required Private Investment (not including land acquisition)	Min. \$15,000,000
Anticipated Total Project Cost (including land acquisition)	\$25,000,000
Grant Funding	\$2,400,000
% grant funds to required private investment	16.0%
% grant funds to anticipated total project cost	9.6%
Deadline for Owner to obtain OED Director approval of scope of work for vertical improvements	July 31, 2018
Deadline for Owner to secure and provide evidence of construction funds or financing for vertical improvements	September 30, 2018
Deadline for Owner to obtain building permit for vertical improvements	December 31, 2018
Deadline for Owner to obtain certificate of occupancy for vertical improvements	December 31, 2019

- Subject to approval of the OED Director, Owner may receive a one-time extension of deadlines of up to 6 months.
- Staff will be actively engaged with Owner throughout the process and will provide regular updates to City Council.

Southwest Center Mall Partnership

Summary

- The proposed grant is conditional and subject to:
 - Owner agrees to give City collateral property in appraised value at least equal to grant amount.
 - Collateral property may include former Dillard's property, former JC Penney's property, or other property in area as approved by OED Director.
 - Proposed grant would be paid upon City's receipt from Owner of required documentation for pledge of collateral, including an appraisal of valuation of collateral property and execution of a performance deed of trust in favor of City for collateral property without contingent liabilities.

Recommendation

- Economic Development Committee approval for consideration of the proposed grant agreement by City Council on January 13, 2016.

APPENDICES

Appendix A: Southwest Center Mall Partnership *Owner and Project Development Team*

Owner: Peter S. Brodsky (3662 W Camp Wisdom LLC)

A Dallas resident for over 20 years, Peter enjoyed a successful career in private equity at Hicks Muse (HM) and its successor firm, HM Capital, from 1995-2010. After leaving HM, Peter became the Board Chair of KIPP Dallas-Fort Worth, a high performing charter school group focused on serving southern Dallas. During his leadership, KIPP DFW has grown from one school serving 300 students to four schools in Oak Cliff serving over 1,300 hundred students. With the anticipated opening of KIPP DFW's fifth school in August 2016, which will be in Pleasant Grove, KIPP DFW will serve over 2,000 southern Dallas students. Peter recently acquired the Southwest Center Mall and a few of the surrounding properties with a plan to execute a total redevelopment of the site, turning it into a high quality retail, entertainment, and residential center for southern Dallas.

Architect: Tipton Housewright, Principal, OmniPlan

Development Consultant: Ken Lombard, Partner, Capri Investment Group

Development Consultant: Michael Buckley, President, Halcyon Ltd

Community Development: Willis Johnson, CEO, JBJ Marketing

Marketing: Sophia Johnson, President, Alpha Business Images

Property Management/Leasing: Lisa Powell Long, General Manager, Southwest Center Mall

Appendix B: Southwest Center Mall Partnership

Additional Information

- Other Sources of Funding: It is acknowledged that other sources of public funding (e.g. Mall Area Redevelopment TIF District) may be considered to support additional redevelopment projects in Southwest Center Mall area. Any TIF funding sought shall be subject to TIF Board and City Council approval of separate development agreement(s).
- Design Review: Owner will submit design plans to City for proposed vertical improvements. OED staff, CityDesign Studio staff, and City of Dallas Urban Design Peer Review Panel (“UDPRP”) will work collaboratively and in an advisory capacity with Owner to ensure that buildings, streets, and open space proposed with the vertical improvements generally: (1) respect the character of existing development as well as TIF plan goals, (2) advance a more pedestrian-oriented development pattern and street-level activity, and (3) promote a more enduring and sustainable built environment consistent with the spirit and intent of the Urban Design Guidelines for Projects located in Tax Increment Financing Districts.