

Memorandum



CITY OF DALLAS

DATE February 21, 2025

TO Honorable Members of the Government Performance and Financial Management Committee: Chad West (Chair), Paula Blackmon (Vice Chair), Cara Mendelsohn, Jesse Moreno, Jaime Resendez

SUBJECT **Development of a Strategic Real Estate Master Plan**

The City has initiated a comprehensive review of its real estate portfolio to ensure the most effective and efficient use of City-owned properties. As part of this effort, the procurement and development of a Strategic Real Estate Master Plan, which will serve as a guiding framework to optimize the City's real estate assets, is needed.

A well-structured master plan will enable data-driven decision-making, enhance operational efficiencies, and identify opportunities for cost savings and revenue generation. This initiative is critical to supporting the City's long-term financial sustainability and strategic growth objectives.

The City will be seeking a specialized consultant(s) or firm(s) to assist in developing a Citywide real estate strategy, ensuring best practices are applied in asset management, optimization, and long-term planning.

The bullets below outline draft components and associated deliverables from the Strategic Real Estate Master Plan include:

- **Space Planning** for existing and future improved real estate assets
- **Improved Properties** for potential monetization
- **Leased Space** needs analysis for potential cost savings
- **Unimproved Properties** for potential monetization, and cost savings
- **Governance Best Practices – Data Validation** for improved management, data-driven decisions, and oversight of assets

This initiative will develop a broader strategic approach that is crucial to guide future real estate decisions and ensure alignment with the City's long-term objectives. Below is a high-level summary of details associated with each components anticipated deliverable from the specialized consultant(s) or firm(s).

Space Planning

Gresham Smith, an architectural firm, was selected as the design consultant for this project through an RFP process from the FRM prequalified consultant list (C1Z24-BSD-3075) dated 04/03/2024. The initial phase of the project focused on evaluating the opportunity to maximize the use of existing space at Dallas City Hall, beginning with the first floor. Next steps include extending the current space planning initiative to selected City-owned properties with the remainder of City Hall being the first wave to evaluate opportunities for consolidation, cost reductions, and enhanced operational efficiency.

Also, the City and HKS have had discussions on brain-healthy workplaces design plan ideology and how to incorporate these concepts into our space planning initiative. These principles are intended to improve employee well-being and productivity by addressing how the environment impacts daily functions.

Gresham Smith has been briefed and are prepared to incorporate these brain-healthy designs into their recommendations. HKS extended an invitation for City Staff to attend the Brain3 summit at the Center for BrainHealth on Thursday 2/27/25. The Performance Accelerator summit will offer insight into the Brain Health/ Brain Capital conversation. HKS will continue to be a partner in this process.

Leased Space

Discoveries from the space planning phase will illuminate options for optimizing space allocation that could lead to cost savings by reducing leased space and consolidating operations within City-owned facilities. At the Government Performance and Financial Management (GPFM) Committee on 2/24/25, staff will brief on the existing leased spaces to include the use and justification.

Improved Properties

Surplus Property Strategy: Identifying City-owned properties with no future operational use and evaluating them for potential auction, redevelopment, or strategic retention. This may include prioritizing high-value assets for disposition to maximize revenue and economic impact.

As a part of a process improvement with the realignment of Real Estate, FRM initiated a Citywide internal asset review and verification project. The initial goals of each department's thoughtful review will help ensure correct "ownership" and capture additional data to identify and improve asset management while also identifying vacant (unoccupied/unused) assets.

Additionally, through this process, departments will be able to alert Real Estate of incorrectly assigned, previously divested, and/or missing assets (including assets under PFCs, EDCs, and LGCs). This project is currently underway, and the initial data produced will be necessary for any future specialized in-depth analysis and Strategic Real Estate Master Plan development.

Unimproved Properties

Unimproved Property Assessment: Leverage professional consultancy services to review right-of-way parcels, alleys, vacant lands, and other unimproved properties to classify their best use—whether for monetization, abandonment, land banking, or public-private partnerships.

The consultant will conduct an economic analysis on each unimproved property to categorize or group the properties based on characteristics, such as:

- Prime for development
- Recommend for sale as surplus
- Recommend for use as affordable housing development
- Retain in Land Bank for a future public purpose (i.e., part of a master plan)
- Undevelopable; recommend divestiture
- Unusable; recommend abandonment to abutting owner

Governance Best Practices – Data Validation

Proper governance and data validation are essential to ensuring the Strategic Real Estate Master Plan is built on accurate, standardized, and actionable information. The City has already initiated an internal asset review and verification process, allowing departments to confirm property ownership, correct discrepancies, and identify unoccupied or underutilized assets.

While FRM's efforts will improve the foundation of our real estate data, a consultant will have the resources and expertise to further evaluate, refine, and validate this information, ensuring it aligns with best practices for asset management. This will improve transparency, enhance decision-making, and provide a reliable framework for optimizing the City's real estate portfolio. By building upon the work already completed, the consultant's analysis will help drive more strategic use of City-owned properties, supporting long-term financial and operational goals.

FRM is also actively working to revise Administrative Directive 6-17 to ensure it is up to date and modernizes the annual asset review process. Additionally, FRM is developing a new Administrative Directive to establish clear guidelines for City departments on acquiring, divesting, and maintaining real estate assets.

Funding and Implementation Considerations

An overall projection on the amount of funding needed to complete each component of the Strategic Real Estate Plan is undetermined. Given the scope and complexity of this effort, an estimated budget more than \$1 million may be required, with a projected timeline of nine months or more for comprehensive completion. Staff is actively exploring potential funding sources, including reallocation of existing resources and potential budget adjustments.

Next Steps

Staff is consulting with existing subject matter partners and will begin development of specifications for a formal solicitation process (RFI, RFP, or RFCSP) to engage expertise in long-term real estate planning and portfolio optimization. Additionally, in parallel with this broader initiative, staff will continue providing updates on individual properties, and other assets currently under consideration for disposition or development in Executive Session at GPFM Committee as appropriate.

By taking a proactive, strategic approach to real estate management, the City has an opportunity to promote innovation, enhance operational efficiencies, and support economic growth while ensuring the responsible stewardship of its assets. Staff welcomes feedback and direction from the City Council as we advance this initiative.

If you have any questions, please contact John Johnson, Director of Facilities and Real Estate Management, at john.johnson2@dallas.gov.



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