



City of Dallas

Update on Real Estate Realignment and Property Management Strategies

**Government Performance and
Financial Management
Committee**

August 26, 2024

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City of Dallas

Presentation Overview



- Purpose
- Background/History
- Case Study Properties
- Observed Challenges and Business Case for Realignment
- New Property Management Strategies and Process Improvements
- Next Steps



Purpose



- Acknowledge recent concerns and media attention about the management of City assets
- Provide City Council with background related to City's real estate operations
- Examine case study properties and identify recent challenges and areas of opportunity
- Provide details on Real Estate's realignment with the Building Services Department (BSD) and launch of Facilities and Real Estate Management (FRM)
- Layout the framework for proposed process improvements to address identified areas of opportunity
- Seek City Council feedback on the proposed strategy
- Provide next steps and associated timelines





Background/History



Background/History



- Real Estate operations authorized by Section 2-49 of the Dallas City Code, and governed by State Law
- Real Estate supports multiple City initiatives/departments' operations for real asset needs
- Accomplishes its charge via four internal divisions
- Manages an average of 700+ transactions annually
- Generated \$15.9M in revenue in FY23

Real Estate Function	Services Delivered
Abandonment and Licensing	<i>Processes transactions for abandonment and licensing for City ROW</i>
Acquisitions	<i>Processes transactions to support internal stakeholders with acquisition of real property</i>
Leases, Tax Foreclosure, and Surplus Property	<i>Processes income and acquisition leases, processes "struck off" dispositions and funds disbursement, and the sale of surplus properties</i>
Business Operations and Relocations	<i>Oversees all intake and customer-facing service delivery; manages agenda items, accounts payable, contract compliance, records, and other administrative functions; provides relocation assistance to those displaced as a result of a City acquisition</i>



Background/History



- The City of Dallas has approximately 5,800 real assets
 - Cataloged in Land and Building Management System (LBMS) database
- Real Estate generates revenue from abandonments, licenses, leases, tax foreclosures, and surplus property sales
- Real Estate also supports multiple City processes, not directly related to property acquisition for public projects
- Examples of ancillary transactions are detailed on the next slide



Background/History



Pictorial of Example Transactions



Sidewalk Café (License)



DWU Infrastructure
(Acquisition)



Dallas Fire Fighters
Museum (Lease)



Dallas WIC
Clinic (Lease)



Skybridge (License)



Signage in ROW
(License)



Abandonment
(Before)

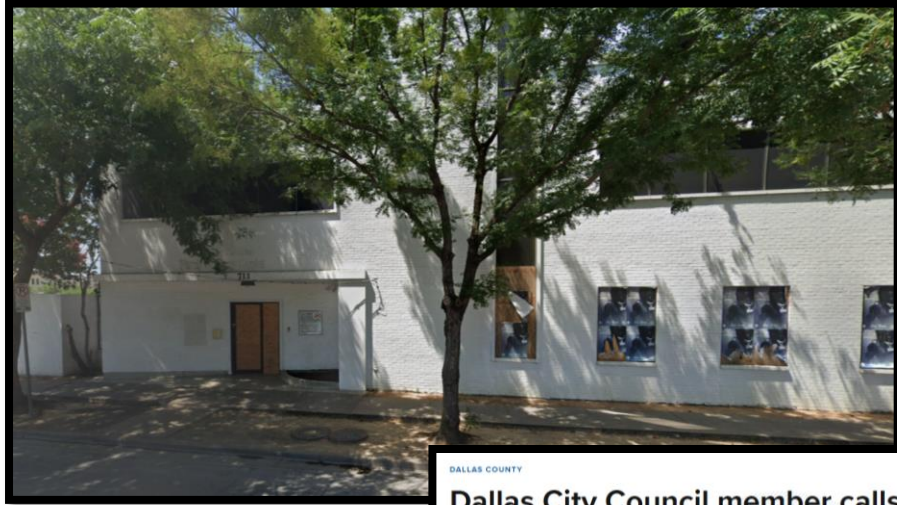


Abandonment
(After)



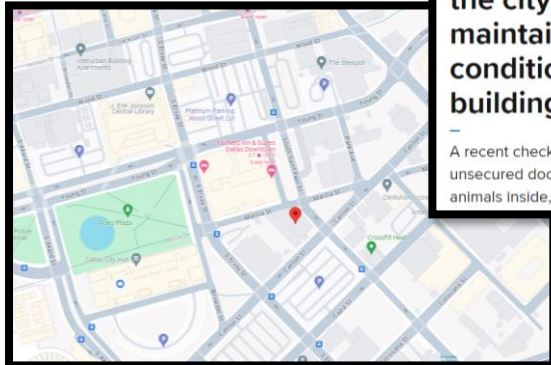
Case Study Properties

711 South St. Paul



Dallas City Council member calls on the city to adopt new protocols to maintain city-owned facilities amid conditions at old Family Gateway building

A recent check of the old Family Gateway building revealed an unsecured door, unsafe conditions, and more than 20 people and animals inside, according to a memo.



- Former operator used property as homeless shelter and subsequently canceled their contract
- After initial shuttering and securing, homeless residents illegally squatted inside the facility
- Elevated opportunities for process improvements in:
 - Tenant responsibilities before vacating property
 - Steps to transition from occupied to vacant status
 - Responsibility/funding for managing vacant property
 - Limited internal resources to support and develop RFPs for future development

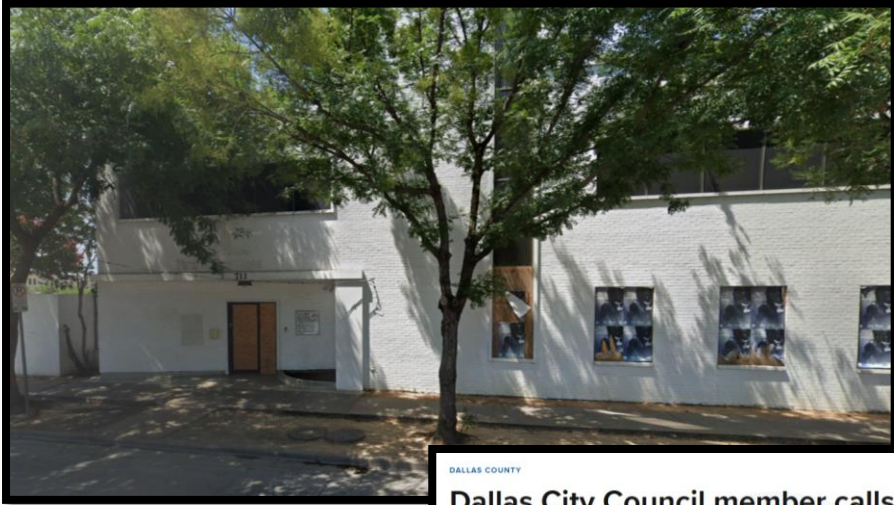


711 South St. Paul – (continued)



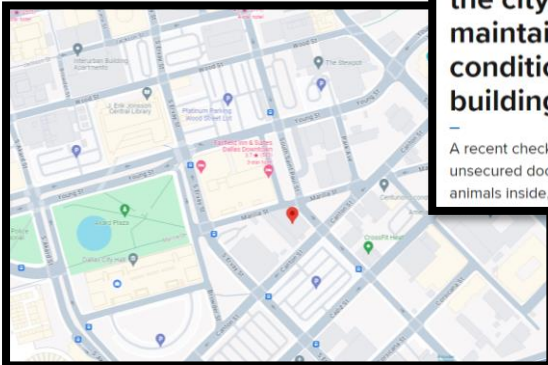
Next Steps

- August 26, 2024, brief GPFM Committee in Executive Session
- August 28, 2024, Council Agenda item to designate as surplus and approve asset divestiture
- October – November 2024, advertise, auction, and sell property

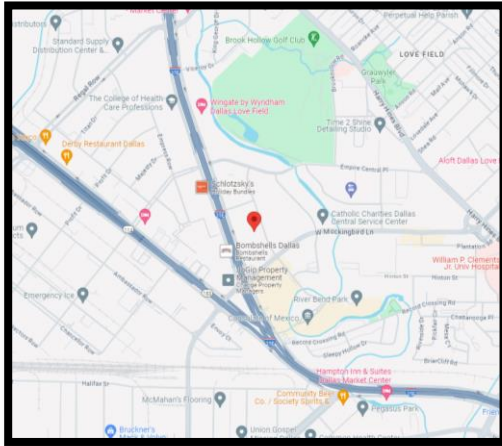


Dallas City Council member calls on the city to adopt new protocols to maintain city-owned facilities amid conditions at old Family Gateway building

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7800 Stemmons



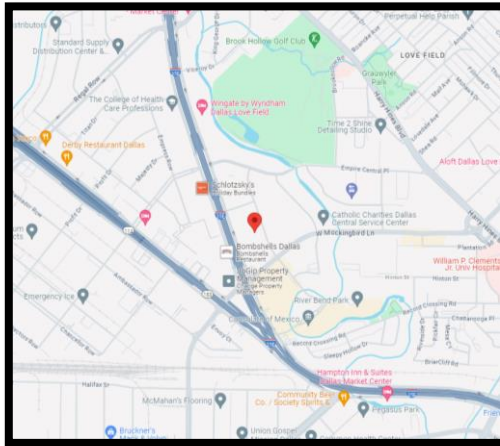
- Planned as new location for Development Services
- Acquired with private tenants occupying space
- Renovations required to prepare space for City use
- Elevated opportunities for process improvements in:
 - Feasibility for intended uses vs property limitations
 - Need for pre-purchase due diligence on comprehensive architectural and engineering assessments
- Adequate allocation of maintenance resources for City facilities with private tenants
- Certificate of Occupancy issuance

7800 Stemmons (continued)



Next Steps

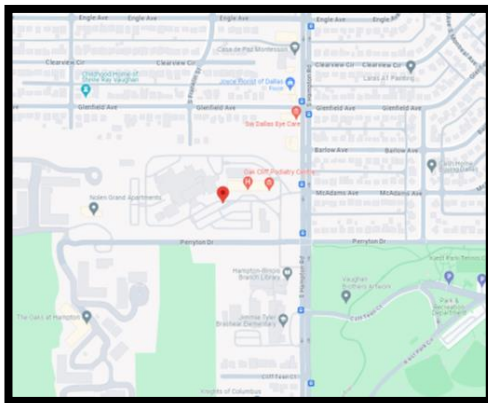
- May 2024, Economic Development Corporation (EDC) requested to perform building assessment
- August 21, 2024, City Council was briefed in Executive Session



2929 South Hampton Road



- Acquired using 2017 bond funds
- Planned to be used as supportive housing for formerly unsheltered individuals, not a walk-up shelter
- Elevated opportunities for process improvements in:
 - Identifying necessary funds for required renovation, maintenance, and operation post-acquisition
 - Consistent community engagement throughout the process

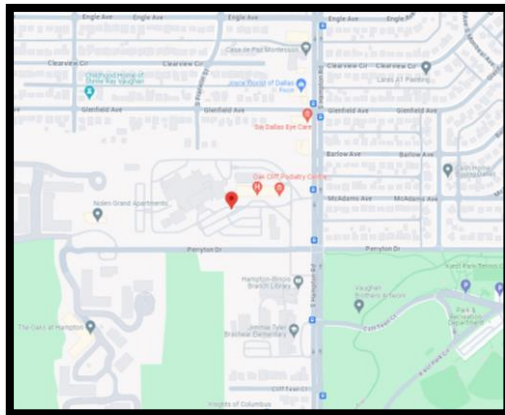


2929 South Hampton Road (continued)

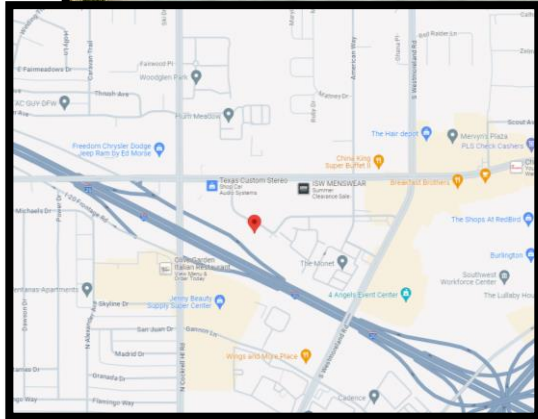
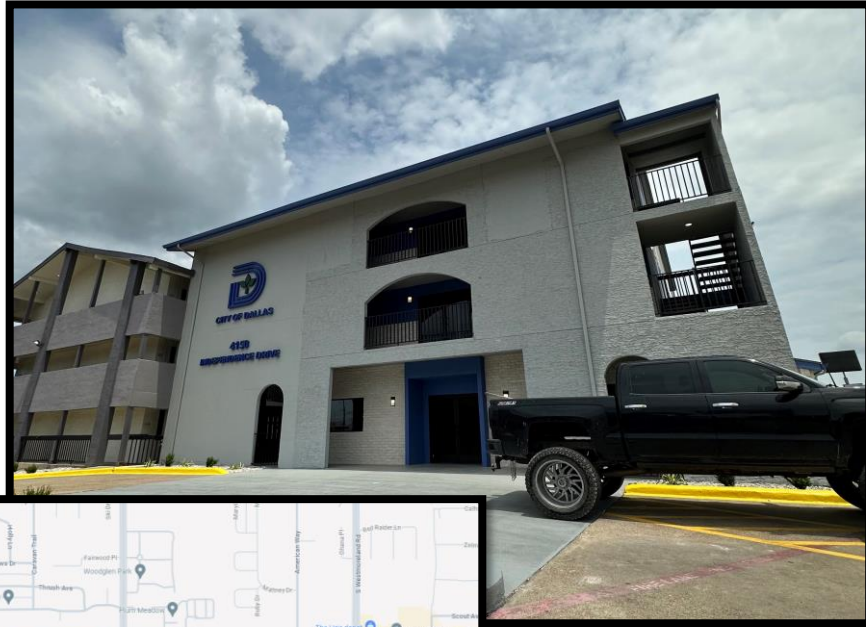


Next Steps

- The path forward is still being determined
- The future use of this property is under consideration by the Housing and Homelessness Committee



4150 Independence



- Acquired using 2017 bond funds
- Planned for use as supportive housing
- Elevated opportunities for process improvements in:
 - Process for transitioning guests/tenants to new home after payment of relocation assistance
 - Identifying the most effective method for soliciting proposals for property development
 - Identifying annual funds to cover maintenance and repair

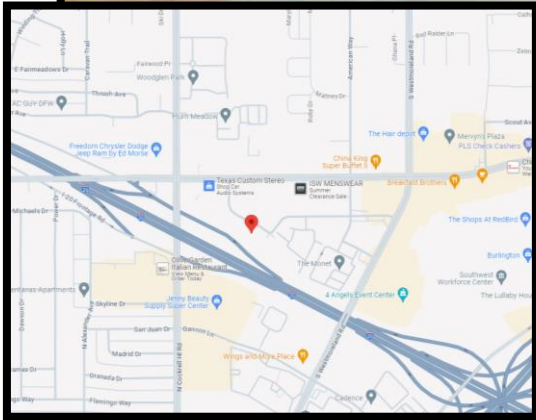
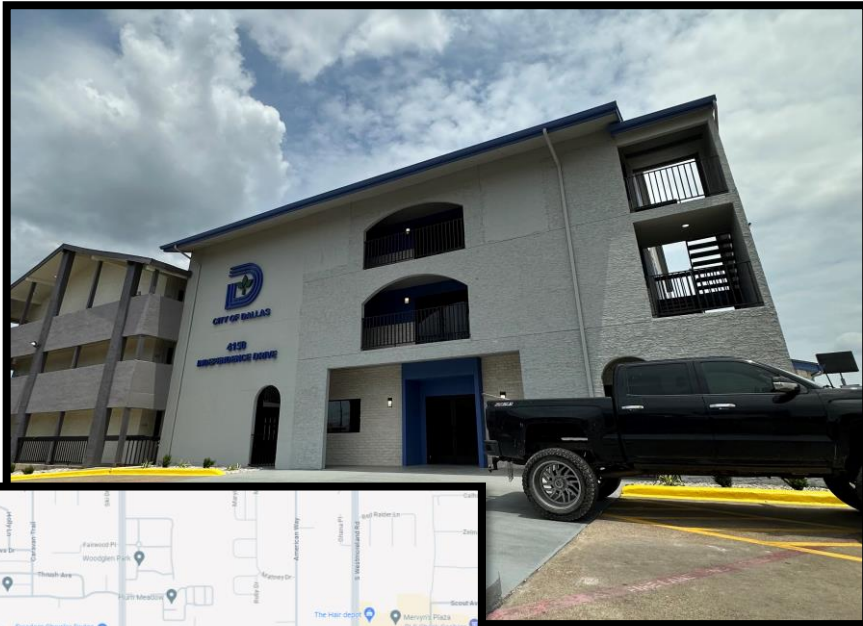


4150 Independence (continued)

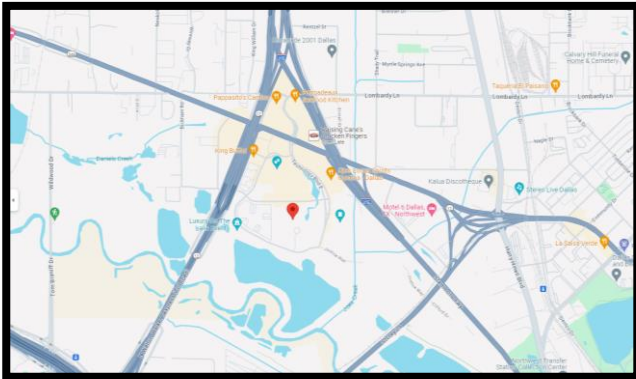
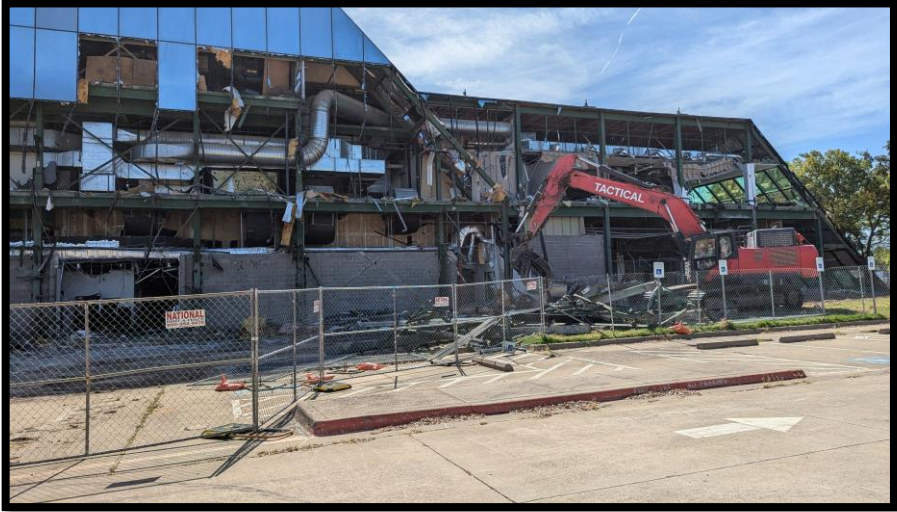


Next Steps

- Notice of Funding Availability (NOFA) for property development issued July 8th and closes September 13th
- Council consideration for contract award anticipated for December 11th City Council Agenda

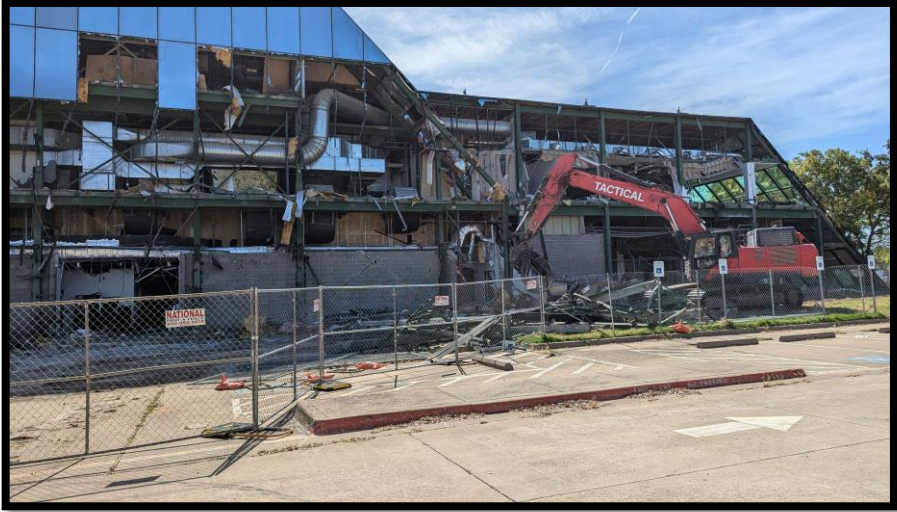


9999 West Technology Blvd



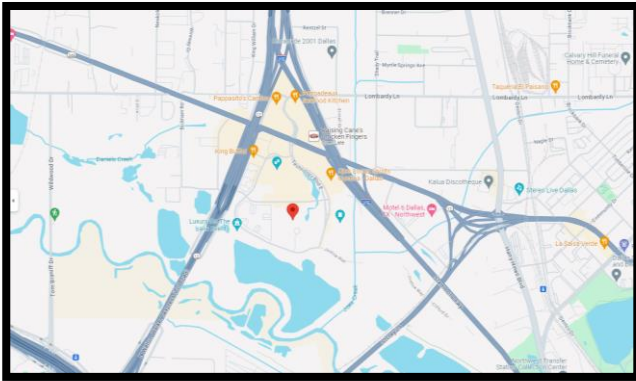
- Purchased/owned by Public Finance Corporation (PFC)
- Planned for development of two-phase mixed-income multi-family complex
- Private developer is responsible for all maintenance and upkeep, per executed agreement
- Elevated opportunities for process improvements in:
 - Acquisition of properties outside the City's Real Estate Division
 - Enforcement of maintenance standards for PFC-owned properties to include accountability and timelines for private development

9999 West Technology Blvd (continued)



Next Steps

- Demolition underway
- Work will continue (including Saturdays) until razed
- August 26, 2024, Housing Department to brief the Housing and Homelessness Solutions Committee on future actions



Observed Challenges

Summary of Observed Challenges



Based on the examples provided and other stakeholder input, many of the identified challenges can be summarized as follows:

- **Inadequate Communication** – insufficient communication between stakeholders
- **Siloed Acquisitions** – purchases made without input from all necessary parties
- **Unfunded Operations** – acquisitions completed without securing required transaction fees, demolition fees, environmental abatement fees, and/or annual maintenance funds
- **Due Diligence** – pre-acquisition due diligence was not consistently completed



Summary of Observed Challenges (continued)



- **Limited Awareness of Quasi-Government Acquisitions** – limited awareness of acquisitions made by PFC which are linked to the City
- **Unregulated Timelines** – lack of policies and enforcement regarding timely demolition or development of properties under City and private control
- **Limited Resources** – lack of internal capacity and funding to care for vacant properties and facilitate RFPs for future development and tax base growth



Business Case for Realignment

Business Case for Realignment



The FY25 Proposed Budget includes increased funding for the maintenance and repair of City facilities, with the goal of delivering on the opportunity to reimagine how the City approaches real assets.

- **Greater Stewardship of Public Property** – actively manage and maintain City-owned properties to ensure optimal use and upkeep.
- **Surplus Properties** – sell or lease surplus properties to generate revenue, reduce costs, and promote community growth through development.
- **Development Opportunities** – evaluate and develop City-owned properties to attract private investment, supporting community growth and economic development.



Business Case for Realignment (continued)



- **Monetize Assets and Enhance Tax Rolls** – increase the tax base and fund essential services by selling, leasing, or partnering on City assets.
- **Highest/Best Use of Limited Resources** – prioritize investments in properties that yield the highest return, driving economic, and community revitalization.
- **Synergy between Facilities Management and Real Estate Management** – align efforts to ensure efficient property management, supporting municipal goals, and community needs.



New Property Management Strategies and Process Improvements

Process Improvements



The following actions are in process or planned to address identified gaps, and implement continual improvement initiatives, related to the management of real assets:

1. Realignment of Real Estate operations to FRM
2. Provide immediate guidance to all Departments on minimum property standards until formal guidance is developed and disseminated
3. Revise Administrative Directive 6-17 for effective and thoughtful review of current assets
4. Develop new Administrative Directive(s) to guide departments on roles and responsibilities for asset management
5. Research alternative or third-party property maintenance models for selected assets
6. Identify additional investment opportunities to further enhance the City's ability to ensure proper care and full monetization of resources
7. Revise City Code, Chapter 2-11.2, to ensure administrative efficiency and timely transactions



Process Improvements

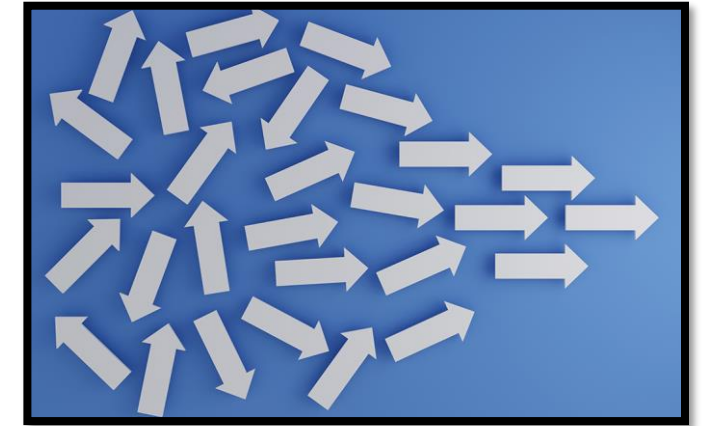


1. **Realignment of Real Estate operations to BSD/FRM:**

- a. Streamline operations and leverage resources
- b. Department renamed Facilities and Real Estate Management (FRM)
- c. Completed – approved by City Council 8/14/2024

2. **Provide interim guidance to all departments via memorandum**

- a. Directions on standards for inspection and maintenance/repair of vacant properties
- b. Ad hoc review of real estate inventory to identify surplus
- c. Review of existing acquisition leases
- d. Planned Citywide dissemination before end of FY24



Process Improvements



3. **Revise Administrative Directive 6-17 to ensure effective and thoughtful review of current assets:**
 - a. Ensure property details are up to date in LBMS
 - b. Confirm whether assets are still needed for City projects or future development plans
 - c. Timely designation of surplus property for divestiture
 - d. Estimated completion – Spring 2025

Administrative Directive 6-17	
SUBJECT: LAND AND BUILDING MANAGEMENT SYSTEM	
1. POLICY	Article III, Section 2-21 of the Dallas City Code requires the City Manager to maintain, as the City's computerized fixed asset system, a descriptive roster of real property owned by the City. This Administrative Directive (AD) establishes responsibilities and written procedures to ensure the proper accounting of Real property and Improvements, as required by Section 2-21 of the Dallas City Code.
2. PURPOSE	The purposes of this Directive are to:
2.1	Establish a repository system of record to account for the City's Real property and Improvements, and other estates in Real property and Improvements (i.e. Lease, License, or Use Agreement).
2.2	Establish procedures for collecting and processing data within a Land and Building Management System ("LBMS");
2.3	Replace AD 6-4, "City of Dallas Encyclopedia of Structures (CODES)".
3. SCOPE	This Directive applies to all City of Dallas officers and employees.
4. DEFINITIONS	
4.1 Real Property	For the purposes of this AD, includes (i) land and all structures integrated with or affixed to the land, and (ii) other lesser estates vested in or acquired by the City on non-City owned Real property (i.e. leases, licenses, and use agreements).
4.2 Improvements	Includes buildings or structures, such as office buildings, warehouses, sheds, pavilions, radio towers, and not crops, etc., (i) owned by the City, and (ii) vested in the City through a lesser estate (i.e. by lease, license, or use agreement).
4.3 LBMS	The City's repository and system of record for all Real property and Improvements.
4.4 Owner Department	The controlling and/or user City department of Real property and/or



Process Improvements



4. Develop new Administrative Directive(s) using internal Strike Team to provide guidance and direction to departments on:

- a. Acquisition process, including required pre-approvals and due diligence
- b. Compliance with FMPC criteria for annual maintenance funds
- c. Process for the official assignment of assets to responsible department(s)
- d. Intake process for properties conveyed via non-traditional mechanisms
- e. Vacant property management and responsibility, including funding sources
- f. Repurposing of facilities, including required approvals and maintenance funds
- g. Divestiture and/or redevelopment of existing assets
- h. Acknowledge the creation and role of the *Facilities and Land Management Governance Working Group*
- i. Defining responsibilities for maintaining PFC/LGC-owned properties for the associated departments
- j. Estimated completion – Spring 2025



Process Improvements



5. Research alternative or third-party property maintenance models for selected assets:

- Ensure revenue-generating assets are well-maintained
- Leverage professional management services for assets with private tenants or vacant
- Identify dedicated maintenance and repair funds for privately managed assets
- Estimated completion – two phase January 2025 and September 2025

		Reimagined Service Delivery	
	City Facility FRM Managed	<u>Private Tenant Occupied</u> 3 rd Party Managed	Vacant/In Transition 3 rd Party Managed
Example Facilities	Dallas City Hall Jack Evans Police HQ City Service Stations Police/Fire Stations	Prism Building Stemmons Municipal Center	711 South St. Paul 9999 W. Technology Blvd
Asset Status	Occupied	Occupied – Private Tenants	Vacant – Pending Sale Vacant – Pending Development
Scope	Routine Repair Maintenance Major Maintenance	Routine Repair Maintenance Major Maintenance Advisement* Tenant Leasing [Optional]	Physical Property Security Regular Inspections Mowing and Litter Removal Blight Mitigation
Funding Source	FRM Operating FRM Major Maintenance	Dedicated Maintenance Funds Facility Rental Revenues FRM Major Maintenance*	Associated Department Funding Dedicated Maintenance Funds

*3rd Party firm to compile and present an annual list of recommended major maintenance needs for assigned properties to FRM for review with Citywide needs and prioritization for possible funding



Process Improvements



6. Revisions to Chapter 2-11.2 to ensure administrative efficiency and timely transactions

- a. Revise Code to \$100,000 for administrative conveyances to align with the City's contracting policies and current market values
- b. Decrease processing time of administrative acquisitions by 6-8 weeks, reduce administrative costs, and expedite projects
- c. Anticipated City Council consideration of Amendment – September 2024



Process Improvements



- 7. Identify additional future investment opportunities to further enhance the City's ability to ensure proper care of resources:**
 - a. Funding for a strategic real estate master plan
 - b. Upgrade asset database software to provide better functionality, a more user-friendly experience, and enhanced data collection
 - c. Automating annual/regular review process and reducing/eliminating paper-based processes



Next Steps

Next Steps



- Seek City Council feedback on the proposed strategy
- Continue regular updates to City Council on the status of subject properties and various real estate initiatives
 - Surplus sales
 - Redevelopment opportunities
- Research, compile, and present recommendations for third-party property management services
- Begin internal stakeholder meetings to lay the framework and complete revisions and development of new policies and procedures for real estate management
- Prepare revisions to Chapter 2 of City Code for City Council consideration in September



Questions?

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