

Memorandum



CITY OF DALLAS

DATE November 30, 2012
TO The Honorable Mayor and Members of the City Council
SUBJECT Real Estate Exchange with Hunt-Woodbine

On Wednesday, December 5th, you will be briefed on a proposal to exchange real estate with Hunt-Woodbine on the western edge of downtown. The briefing is attached.

Please feel free to contact me at 214-670-3296 with any questions.

A handwritten signature in blue ink that reads "Ryan S. Evans".

Ryan S. Evans
Assistant City Manager

- C: Mary K. Suhm, City Manager
Rosa Rios, City Secretary
Thomas P. Perkins, Jr., City Attorney
Craig Kinton, City Auditor
Judge Daniel Solis, Administrative Judge
A.C. Gonzalez, First Assistant City Manager
Forest Turner, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Edward Scott, City Controller
Stephanie Cooper, Assistant to the City Manager – Council Office
Theresa O'Donnell, Director, Sustainable Development and Construction Services

REAL ESTATE EXCHANGE with HUNT-WOODBINE

City Council Briefing
December 5, 2012



Background

- Southwest Downtown was historically the location of railroad yards and industrial uses
- In the early 1970's, planning and discussions began to consider a new vision for the area.
- The City acquired property and undertook physical land planning efforts to improve access and roadways and redefine major land uses in the area.

Background

Land Use Map – 1960



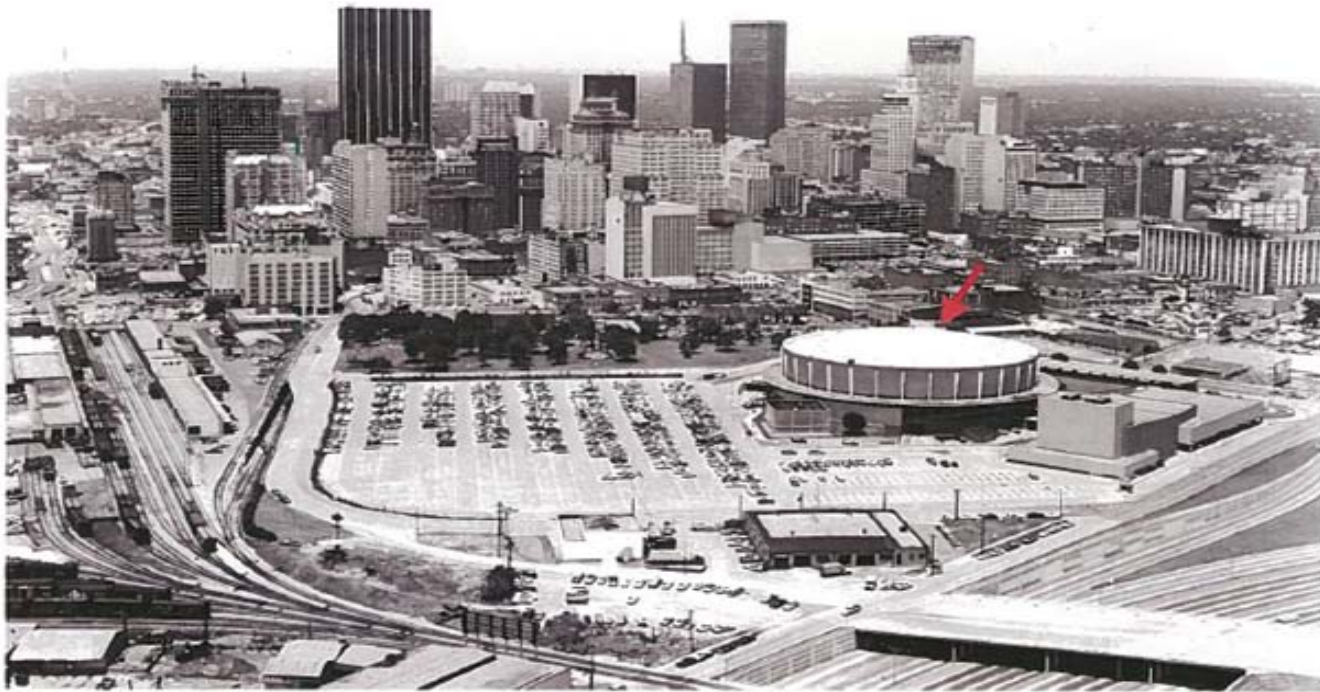
Background

- Land Use Map – 1970



1970

Southwest Downtown - 1958



Downtown Skyline – Mid 1970's



Background

- In 1974, the City of Dallas approved the Union Terminal Project and Reunion Master Agreement
- Subsequently, the City and Woodbine finalized a Master Agreement covering properties owned by each.
- The Agreement provided for the exchange of various tracts to allow for the development as envisioned by the plan
- It also required Hunt-Woodbine to develop the Hyatt Regency Hotel and remodel Union Station, and it required the City to build Reunion Arena

Background

Development soon followed

Hyatt Hotel



Union Station



Reunion construction was launched in the late 1970's



Background

Construction of Reunion Arena

- Constructed in 1980
- \$27million
- One-time home to Dallas Stars, Dallas Mavericks, MLS Dallas, and the Dallas Desperados



Background Convention Center Expansions

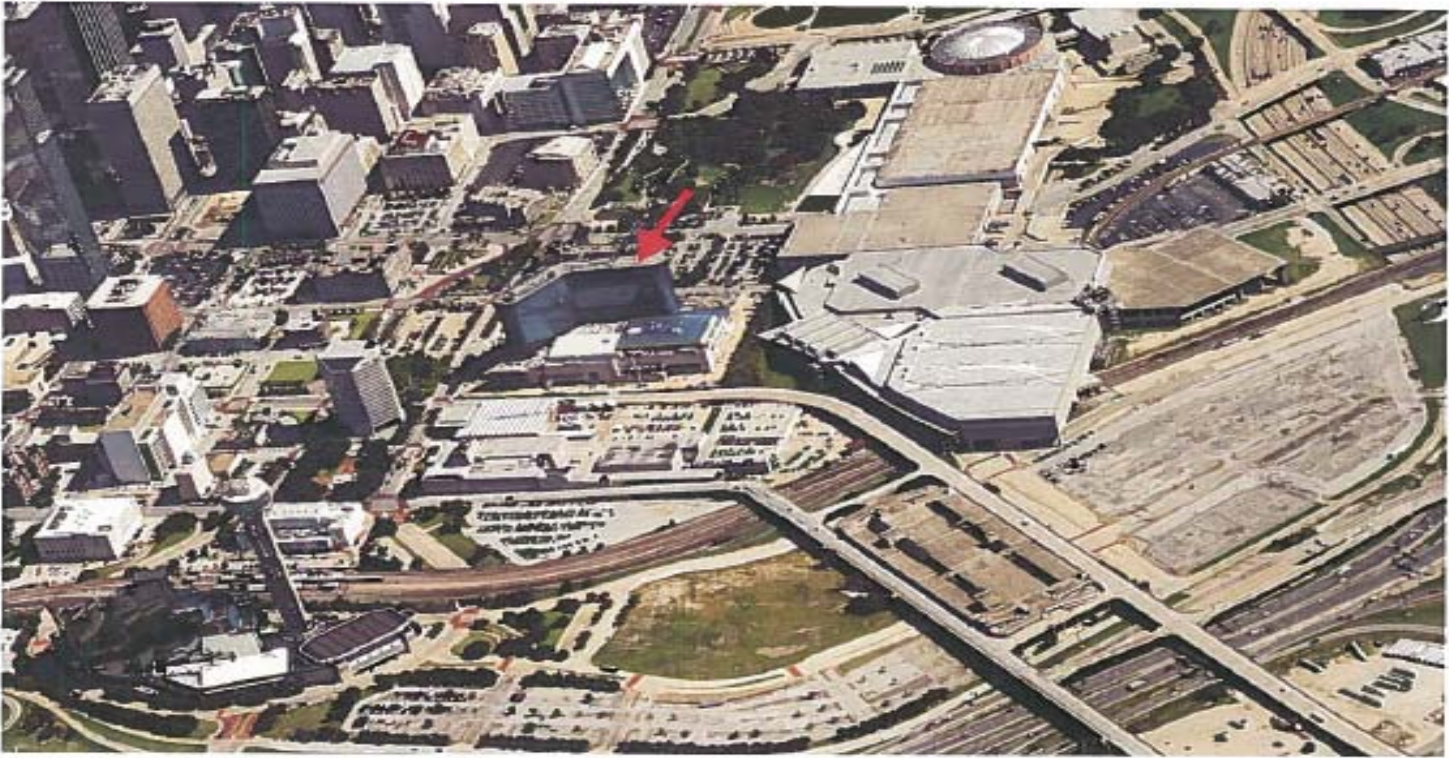


Background

- By late 1990's, Dallas Mavericks and Stars had expressed their desire for a larger, more modern arena and many aspects of the facility had become obsolete
- June 30, 2008 Reunion Arena was officially closed
- November 2009, the arena facility was imploded and site was cleared



Dallas Convention Center – Omni Hotel



Background

- As envisioned by the original Master Plan, the Hyatt Hotel, Reunion Arena and Reunion Parking Garage were developed.
- The Convention Center has continued to enjoy many successful expansions, but Reunion Arena expended its useful life.
- Given the significant redevelopment potential, both the City and Hunt-Woodbine concluded that a bold new vision could leverage existing assets and maximize development opportunities.

Downtown Dallas 360 Plan

Adopted by City Council



April 14, 2011

A PATHWAY TO THE FUTURE

FUEL THE 21ST CENTURY ECONOMY

A DOWNTOWN OF DISTRICTS



TRANSFORMATIVE STRATEGIES



FOCUS AREAS



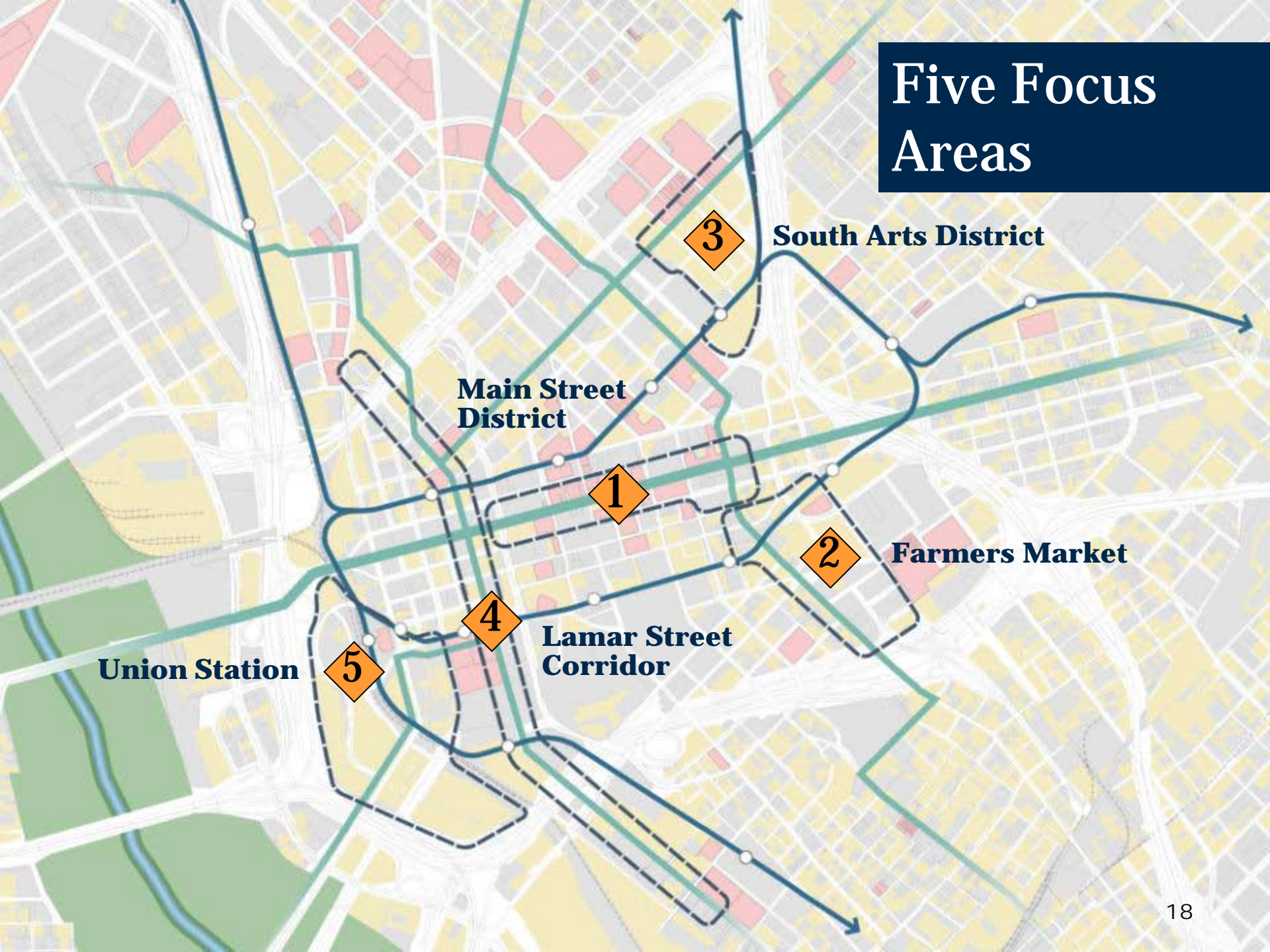
Five Transformative Strategies:

- Capitalize on Downtown's position as the regional transit hub

Expand
Transit and
Realize TOD
Potential



Five Focus Areas





Five Focus Areas

Reunion/Union Station Districts

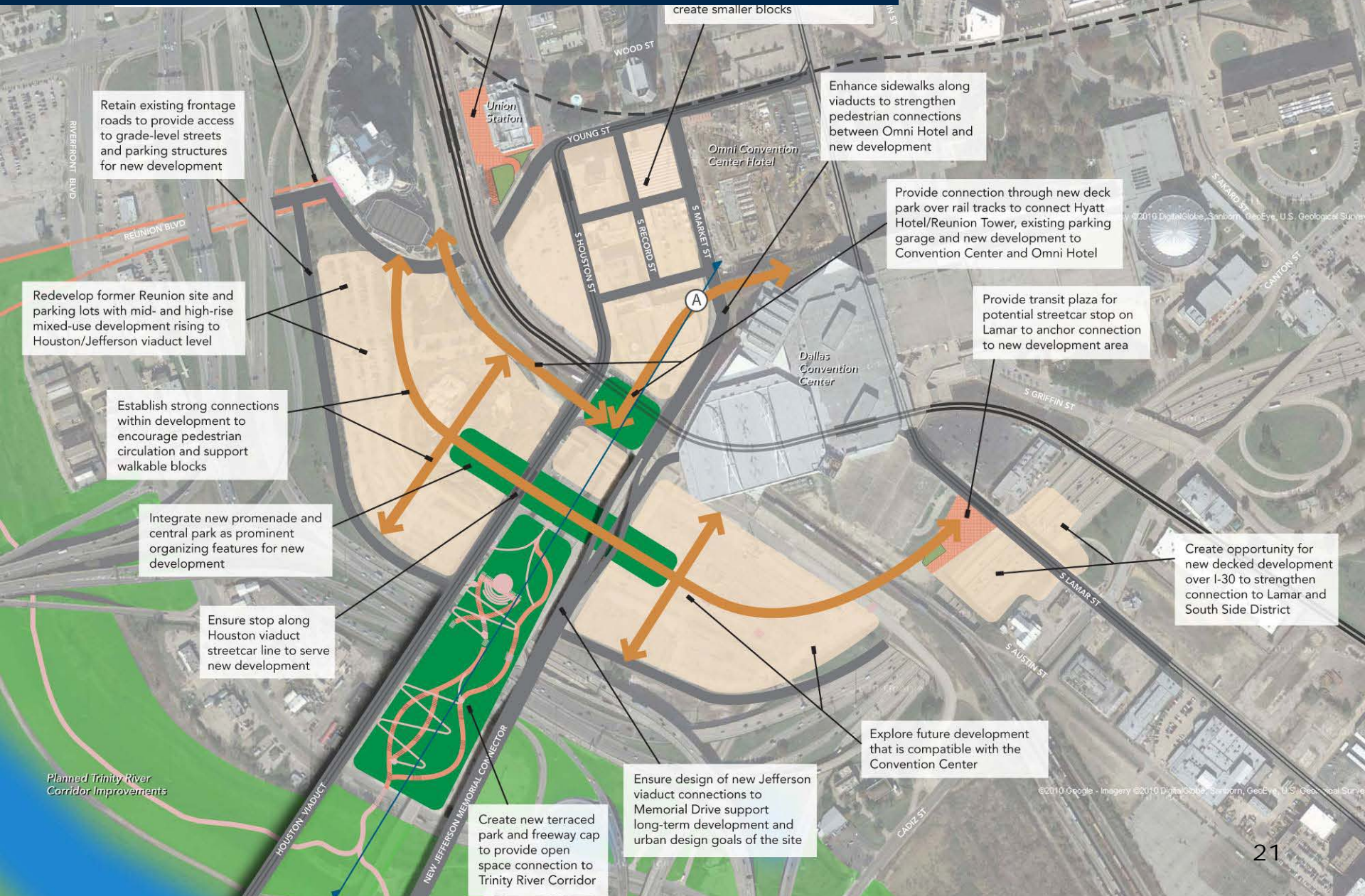
As Envisioned in the Dallas 360 Plan - 2011

- This ambitious development plan will require a renewed level of public/private cooperation that was established in the Reunion District almost 40 years ago.



Capitalize on proximity of Union Station and connections to DART light rail, TRF, Amtrak, and

Reunion / Union Station



Retain existing frontage roads to provide access to grade-level streets and parking structures for new development

Redevelop former Reunion site and parking lots with mid- and high-rise mixed-use development rising to Houston/Jefferson viaduct level

Establish strong connections within development to encourage pedestrian circulation and support walkable blocks

Integrate new promenade and central park as prominent organizing features for new development

Ensure stop along Houston viaduct streetcar line to serve new development

Planned Trinity River Corridor Improvements

Create new terraced park and freeway cap to provide open space connection to Trinity River Corridor

Ensure design of new Jefferson viaduct connections to Memorial Drive support long-term development and urban design goals of the site

create smaller blocks

Enhance sidewalks along viaducts to strengthen pedestrian connections between Omni Hotel and new development

Provide connection through new deck park over rail tracks to connect Hyatt Hotel/Reunion Tower, existing parking garage and new development to Convention Center and Omni Hotel

Provide transit plaza for potential streetcar stop on Lamar to anchor connection to new development area

Create opportunity for new decked development over I-30 to strengthen connection to Lamar and South Side District

Explore future development that is compatible with the Convention Center

Priority Action 7

Create a Master Development Plan for the Reunion /Union Station Focus Area

- New high intensity, mixed-use destination “corporate headquarters”
- Transfer/land swap of Reunion Arena site to catalyze development
- Coordinate with TIGER streetcar project and D2 planning





Proposal to Facilitate Redevelopment

- An amendment to the 1974 Master Agreement to clarify Hunt-Woodbine's purchase option for surplus properties.
- City determines that Reunion and Ropeco tracts are surplus property.

Proposal continued

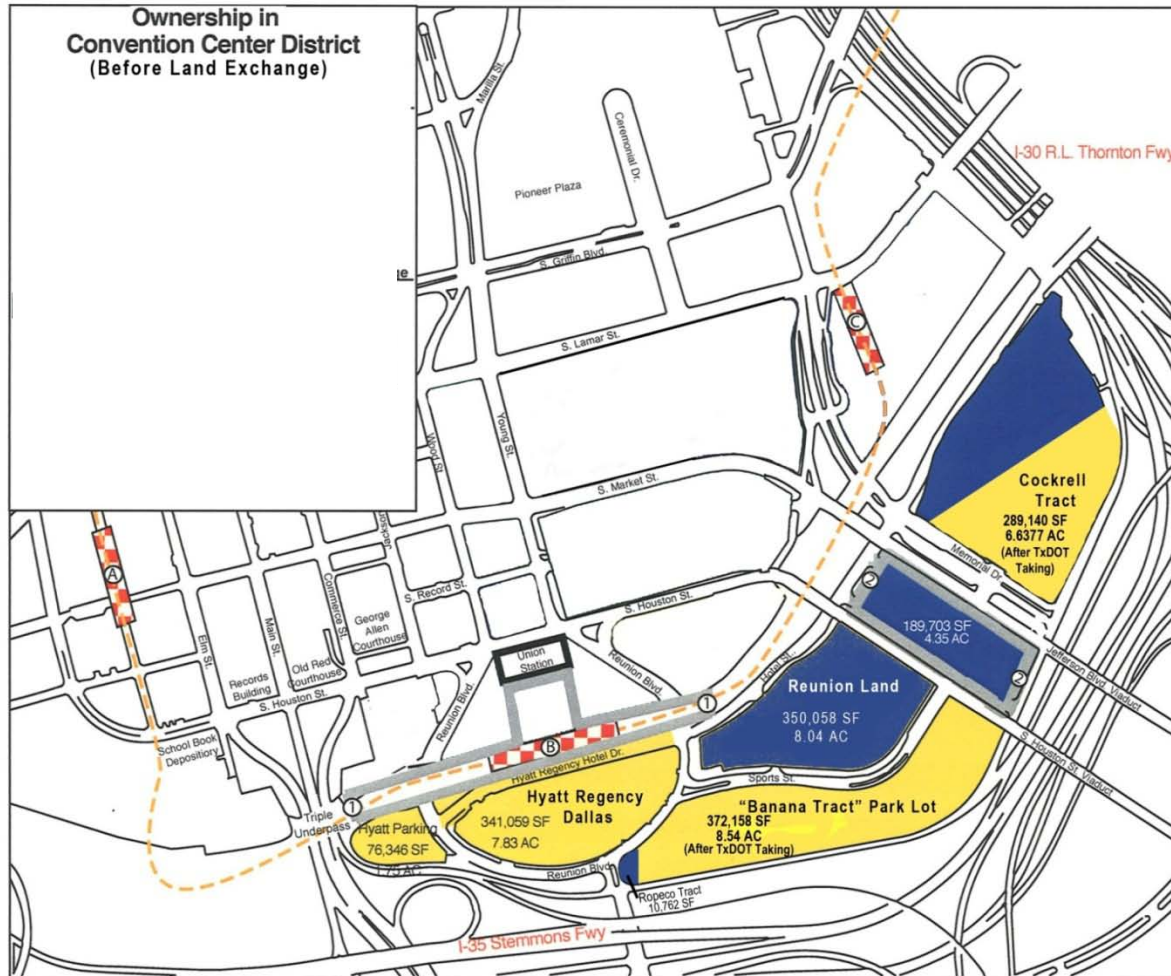
- Land exchange plus cash difference
 - City-owned (8.2 acres)
 - Reunion Arena Tract, 701 S. Sports Street
 - Ropeco Tract, 302 South Stemmons
 - Hunt-Woodbine owned (6.6 acres)
 - Cockrell Tract, 700 S. Stemmons Freeway





Benefits of the Land Exchange

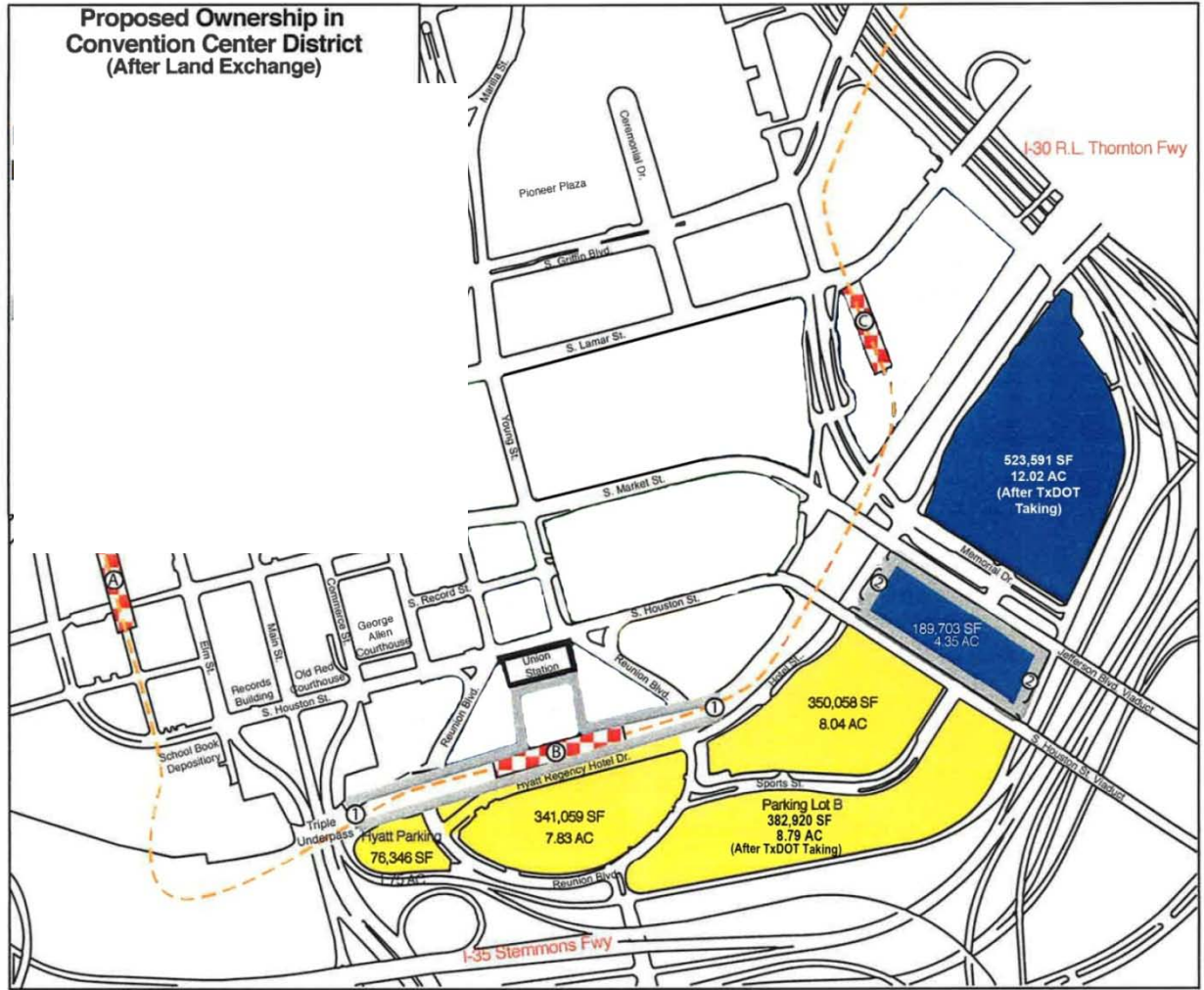
- Reconfigures ownership of tracts
 - Reunion Arena and Ropeco sites contiguous with Hyatt Hotel
 - Property adjacent to Convention Center joined under City ownership
- Maximizes development potential for both consolidated tracts situated near two major hotels and Union Station multi-modal transportation hub



DART Light Rail Stations & Bus Transfer Centers: (A) West End (B) Union Station (C) Convention Center

*Note: Square Footage and Acreage shown are approximate and not verified by surveys.

**Proposed Ownership in
Convention Center District
(After Land Exchange)**



DART Light Rail Stations & Bus Transfer Centers: (A) West End (B) Union Station (C) Convention Center

*Note: Square footage and acreage shown are approximate and not verified by surveys.



Benefits of the Land Exchange

- Increased potential for new development:
 - Adjacent to and overlooking Trinity River Corridor
 - Along planned streetcar alignment from downtown to North Oak Cliff
 - Furthers goal of Union Station as a multi-use, multi-modal transportation hub
- Development potential may generate additional tax base



Exchange considerations

- Amendment of 1974 Master Agreement necessary to clarify Hunt-Woodbine's purchase option price
- Performance of due diligence
- Determination of fair market value



1974 Master Agreement

- If the City intends to declare the parcel surplus, the Master Agreement provides that the City must offer Hunt-Woodbine the first purchase opportunity.
- Also stipulates that the purchase price is established through a pricing formula.

Proposed Amendment

- Staff and Hunt-Woodbine propose amending the pricing formula to provide that the purchase price be at fair market value based on analysis by independent appraisers engaged by the City.
 - Originally agreed to contract for two appraisals
 - Later determined that one appraiser's opinion of value did not appear to accurately reflect market conditions, so that one was discarded and a third appraisal obtained

Appraisals

■ Appraisals Obtained October 2012

Appraiser A	PSF	Value
Combined City	\$35.00	\$12,570,000
Cockrell Tract	\$35.00	\$10,100,000
Appraiser B	PSF	Value
Combined City Tracts	\$50.00	\$18,041,000
Cockrell Tract	\$50.00	\$14,467,000
Appraiser C	PSF	Value
Combined City	\$79.54	\$28,700,000
Cockrell Tract	\$75.05	\$21,700,000

Exchange Due Diligence

- Environmental assessments obtained
 - Reunion Arena Site (City)
 - Resource Environmental Consulting, Inc. (REC), Phases I and II
 - Additional testing by Terracon, Oct./Nov. 2012
 - Cockrell Tract (H-W)
 - Terracon, Phases I and II
 - Additional testing by Terracon and REC Oct./Nov. 2012

Environmental Testing Results

- Agreed to calculate cleanup costs to residential standards (without deed restrictions or institutional controls – unrestricted use)
- Environmental testing of both sites indicates similar type of contamination associated with fill materials, likely requiring excavation
- Estimated Remediation Costs:
 - Reunion Tract: Current Estimate \$4,401,000
 - Cockrell Tract: Current Estimate \$3,425,000

Exchange Values

- Staff proposal recommends:
 - Appraisal values for properties: \$65 psf
 - Minus remediation costs
 - Cash difference to be paid to City by HW

Staff Recommendation

•Reunion/Ropeco Tracts @ \$65 psf	\$23,315,000
•Reunion Remediation Cost	(\$4,401,000)
Reunion/Ropeco Tracts “Value”	\$18,914,000
•Cockrell Tract @ \$65 psf	\$18,792,000
•Cockrell Remediation Cost	(\$3,425,000)
Cockrell Tract “Value”	\$15,367,000
DIFFERENCE paid to City	\$3,547,000



Real Estate Exchange

- Exchange Agreement specifies:
 - Exchange Valuations
 - Special Warranty Deeds
 - Release of liability for known environmental conditions



Next Steps

- City Council Consideration
 - December 12, 2012
 - Master Agreement Amendment
 - Real Estate Exchange Agreement