The Platted Lands Press

A Journal of Antiquated Subdivision Studies

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Area in dowtown Dallas which was reassembled and redeveloped into the Farmer's Market and Festival Marketplace District.

Land Assembly and Redevelopment in Downtown Dallas

by James L. Northrup

In early 1984, approximately 50 acres of vacant and underused land was sold in downtown Dallas for $120 million, the largest single private land sale in the history of Dallas/Forth Worth. The record sale was the culmination of three years of public and private work that substantially altered the public's perception and expectations for the Farmer's Market District, a 100-acre subarea of the central business district.

The sale also marked the successful completion of a unique land assembly and investment program and signaled the beginning of what should be the redevelopment of the largest remaining area of underdeveloped property in downtown Dallas.

During the 1970s and early 1980s, public and private organizations began development on four of the five central business districts. The Arts District, the Historic District, and the Civic District have been nationally acclaimed in architectural and planning forums for their success. The Office Core District represents one of the best real estate markets in the United States. Development of the Farmer's Market District lagged behind the other areas because of the presence of a large, obsolete Southern Pacific railyard, fragmented ownership, a lack of leadership from the private sector, and a generally negative perception of the area by developers and investors. Without a public redevelopment authority to consolidate the land, the area was likely to remain a backwater for new development until the end of the century.

The spark for the district's revival came when Dan Hanesworth, the

Continued on page 3

From the Editor

This issue begins Volume 2 of *The Platted Lands Press*, and also begins its expanded coverage. In 1984 we concentrated our efforts on monitoring Phase One of the joint program between the State of Florida and the Lincoln Institute of Land Policy (LILP). That program, Resolving Platted Lands Problems, was a cooperative effort to examine the potentials and problems facing government, landowners, and developers when efforts are made to redesign previously-approved subdivisions which are considered inadequate by current standards. Phase One involved the use of a simulation exercise to identify the impediments to replatting for large subdivided parcels which are still in unitary ownership. Avatar Holdings Inc. participated in Phase One, allowing the simulation players to use their 4,600 acre Ocala Springs subdivision in north central Florida. All parties agreed before the start of the simulation that, though they would be playing as if the exercise was for real, when the simulation ended in December, no one would be bound by their actions. *The Press* followed the simulation in detail for six months and now that it has ended, we must report that the players want to go forward with actual replatting! Avatar is finalizing its updated proposal and the February issue of *The Press* will report on progress made.

Phase Two of Resolving Platted Lands Problems will address multiple owner subdivisions and the serious problems facing those who seek to assemble large parcels for development or restoration. Survey research of lot owners and a number of seminars are planned during Phase Two. Details will be presented in *The Press*.

At this time, representatives of the Lincoln Institute, the Florida Atlantic University - Florida International University Joint Center for Environmental and Urban Problems, and the Florida Atlantic University Institute for Government are busy preparing a Phase One report under a February 15 deadline. The report writing began at a meeting of key simulation players in Ft. Lauderdale on December 28, and will include preparation of a draft report in mid-January for review by simulation players before it is finalized.

As the joint program moves into Phase Two, *The Press* changes from concentrating on the program to becoming a professional journal on the subject of antiquated subdivisions. We have established a system of Reporters, and we will introduce you to them in future issues. We welcome submitted articles and letters, and we offer complimentary subscriptions to those interested in this subject area.

This issue of *The Press* carries two articles dealing with replatting and they illustrate how renewal techniques can be used to foster private sector action. Developer Chip Northrup describes a reassembly in downtown Dallas, and Law Professor Robert Freilich explains the ordinance he helped to prepare for Miami Beach to induce private reassembly. Both of these articles provide insight to those dealing with antiquated subdivisions.

Platted lands is a difficult issue and it is obvious there is a great demand for information. *The Press* has been established to help. Its purpose is the development and exchange of ideas and information. It can succeed only if its readers share their own efforts and experiences. Please let us know about *your* projects, or write to us and let us know what projects we should be researching.

We look forward to hearing from you.

Frank Schnidman
Editor in Chief

January Conferences

The Lincoln Institute of Land Policy (LILP), the University of California, Los Angeles, and the California Coastal Conservancy are co-sponsoring a two day program in Sacramento entitled "Antiquated Subdivisions: Balancing Public Concerns and Private Rights." An exhibit on the Ocala Springs simulation project will be presented, and LILP, the Florida Department of Community Affairs, and Avatar spokesmen are scheduled speakers.

Also in January, the Lake Tahoe Basin Association of Governments is sponsoring a study by nine nationally-recognized experts selected by ULI — the Urban Land Institute and LILP. This ULI/LILP panel will be examining a number of significant planning and management issues, including what to do about 19,000 unbuilt, individual, legally-subdivided lots in an area already under environmental stress.

At the end of the month, four simulation players are speaking at a Tallahassee conference, "Managing Megagrowth: Florida's New Mandate." One of the speeches will include a slide presentation about Phase One of the simulation project.

The next issue of *The Press* will carry a report summarizing these conferences.

Avatar's planners, RS & H, make final changes to the Ocala Springs Proposal, as Avatar prepares to actually submit the simulation product to government officials for approval and replatting.

Dallas

Continued from page 1

regional manager for Southern Pacific Land, arrived in Dallas. As he puts it, "I came to Dallas specifically to examine the better uses or the sale of Southern Pacific land to look at the options for commercial development ... I had a gut feeling about what I saw near the Farmer's Market in Dallas ... but I felt that just a quick sale of the property was not right ..." The initial version of the property's development came from Curtis Mathes, a Dallas businessman who had owned property adjacent to the railyard for years. A local group of architects had prepared conceptual plans to refurbish his buildings and build some new residential structures. But as Hanesworth says, "I realized quickly that the size, the configuration, and the way in which our 22 acres were surrounded by other property called for a new, combined plan (that used) the surrounding land ... and while I knew it had been attempted before, in the mid-1970s, it was attempted by promoters—not developers—and that's the critical difference." Mathes introduced Hanesworth to Lynn L. Northrup, Jr., a veteran leader of other successful land assembly projects. Northrup felt this project would take more than a block of 22 acres. The rehabilitation of a few old warehouses that surrounded the railyard would not be enough to turn the area around. At least 50 acres would be required, with specialized developments, new investment, and the full involvement of the city.

To expand the scope of the project, Northrup proposed a novel land-owning structure: existing property owners (including Southern Pacific and Northrup) would put their property into a partnership at its appraised value, for a partnership interest. Northrup became the managing general partner of the partnership. The project grew rapidly to 30 acres, as the area property owners became convinced of the benefits of the arrangement.

The district had one outstanding feature to build on — the largest farmers' market in the United States, with over $21 million in sales and 4 million visitors a year. The city had already planned to expand the market sheds and add a retail building.

Encouraged by Northrup's and Southern Pacific's activities, the city manager worked to acquire more land around the market and find ways to assist the partnership, now named Dallas International Center to emphasize Dallas' goal of attaining international stature. Northrup launched a campaign to garner support for the effort among civic leaders and elected officials, hiring a political campaign manager as a consultant. The partnership hired the architectural/planning firm of John Carl Warnecke and commissioned a market study by Gladstone & Associates.

Master Development Agreement

Guided by the city's thoroughfare plan for the area (which anticipated the redevelopment of the railyard) and its plans for the Farmer's Market, Warnecke took the Gladstone report and devised a multi-phase land use scheme that included 6 million square feet of offices (later increased to 10 million as the Dallas office market boomed), 1,500 hotel rooms, 400,000 square feet of retail space, and 1,500 residential units. At buildout, the $1 billion project would provide 40,000 jobs over the next 20 years.

The partnership and the city negotiated a binding contract and commitment, the master development agreement, which embodied all aspects of public and private cooperation. Dallas is the largest city in the United States with a city manager form of government, and its daily operations are managed by a non-political professional staff. As a result, planning and negotiation for the district went relatively smoothly, without fanfare, and without unnecessary delays. The draft agreement, subject to final approval by the city council, addressed exchanges of property, the design, location, and construction of streets and parks, and an unprecedented cost-sharing arrangement for public infrastructure. Zoning was not an issue. The property was already under the desirable downtown zoning, but the city insisted on deed restrictions for residences. To keep the land from effectively being back-zoned, a program of building housing on top of public parking structures was devised, patterned after the Golden Gateway project in San Francisco.

Even after five of the area's large property owners had been brought into the partnership, several major outlying parcels remained. Northrup, in partnership with the author and Steven R. Sloan, raised $20 million in equity from foreign investors to acquire those key parcels so they could be included in the partnership. The investors were attracted to the project because of its location, the value that was being added to the land by virtue of the site assembly, the public and private cooperation, and the partnership's track record in previous assemblies. In all, approximately 30 separate parcels were assembled into the partnership.

As part of its commitment to the effort, the city acquired a large property near the Farmer's Market. That acquisition brought the total acquired by the city and Dallas International Center to approximately 92 acres — 10 percent of downtown Dallas, an area about the size of Central Park in New York City.

Catalyst For Change

Instead of the partnerhip's turning the entire project over to one large developer, or trying to do it all unaided, the partners preferred working with local and national specialized developers who could fulfill specific needs. The Rouse Company, for example, had turned down several sites in Dallas as a location for a festival marketplace, including the Farmer's Market District. The process of assembly and the city's involvement encouraged James Rouse's Enterprise Development Company, to take a look, however. The Enterprise Development Company was brought in to

Continued on page 4

The Festival Marketplace, being developed by the Enterprise Development Company will employ 2,500 people and serve as a catalyst for new retail ventures.

Dallas

Continued from page 3

work directly with the partnership and the city on the design of a festival marketplace that will employ 2,500 people and can serve as the desired catalyst for new retail ventures. The land use plan was modified to incorporate a large festival marketplace north of the existing Farmer's Market and adjacent to a planned major city park. The San Antonio firm of Ford, Powell and Carson was brought in to give the festival marketplace a southwestern feel and a sense of place and tradition lacking in much of Dallas.

As final negotiations were being completed on the project, a broker representing a European syndicate of investors and developers approached the partnership. Following brief negotiations, all of the partnership's property was sold, realizing a profit that—in the case of Sante Fe-Southern Pacific (so named following a recent merger)—boosted total first quarter income by 25 percent over projections. The new owners are continuing to carry out the program with Enterprise Development Company and the city.

Several conclusions come to mind when reflecting on the site assembly aspects of this project.

- When existing property owners and the city are unable or unwilling to assemble sites, a partnership like the one described offers a low-risk, low-cost approach to land assembly. It also offers investors an opportunity to make timely, incremental investments in projects when the critical mass has already been established.

- A city usually has a viable plan, or some notion, for the area, as to how it can be redeveloped. Experience shows that, if the city's plan has any merit, cooperation is the quickest and best route to creating a workable business plan.

- The investment of the general partners' funds and investors' equity is essential to complete the assembly without subordinating the existing landowner's property to debt once the partnership is formed. A successful track record attracts investors.

- The identification of a catalyst at the outset of the project is essential. Assembly, even with the value it creates and even with the leveraging effect of the city's support, is not enough to ensure success. The unique needs of the market must be identified accurately at the beginning.

James L. (Chip) Northrup is the president of Northrup Properties, Inc., a firm specializing in land assemblage and development. This article appeared in the November 1984 issue of Urban Land magazine, and is reprinted here, in edited form, with their permission.

Inducing Replatting Through Performance Zoning
by Robert H. Freilich

The Problem

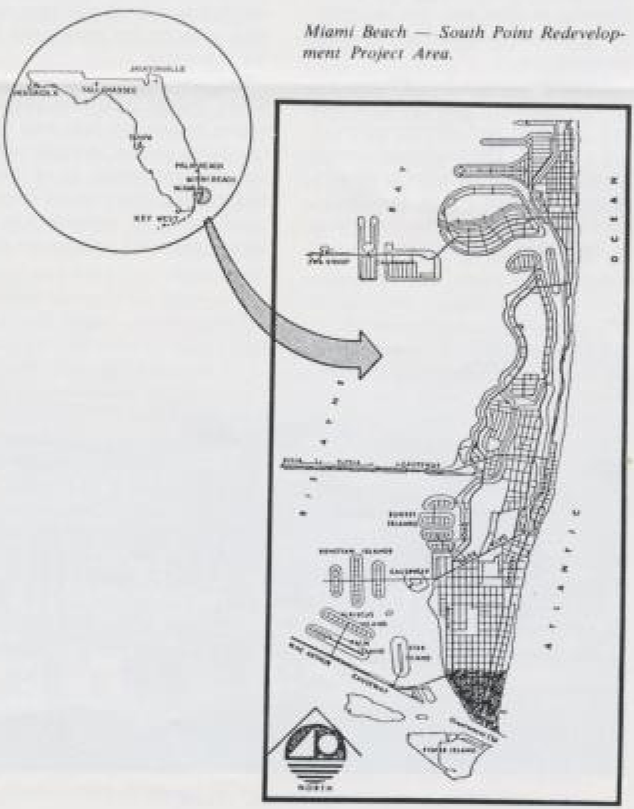
The South Pointe redevelopment project comprises a 250-acre area at the southern tip of Miami Beach. The area is already developed, for the most part, and is laid out in a grid pattern of streets for residential development with 50 foot by 100 foot lots the norm. Most of these lots are in individual ownership. This pattern of development and the inability to aggregate lots for larger-scale redevelopment has contributed to the "blighted" condition of the area.

The South Pointe area (also known locally as South Beach and South Shore) was originally platted in the early 1920s by the Miami Beach Bay Shore Company (a joint venture of John Collins and Carl Fisher, two of the leading figures in the early development of Miami Beach). The necessities of land speculation dictated that small 50 foot by 100 foot lots be sold to "northerners" who anticipated enormous profits from their investments. The area was developed with residential and small hotel uses on the individual lots.

The development pattern sowed the seeds of its own destruction. Land speculation drove up the price of land in South Pointe and the individual small lot ownerships prevented aggregation of parcels to enable larger-scale development. As a result, developer attention shifted north to find less expensive sites large enough to accommodate hotel complexes demanded by new waves of tourists. The small South Pointe hotels could not compete with their larger and more elaborate competitors, and without the ability to expand, were forced to lower their rates. Ultimately, many were converted to residence hotels and efficiency apartments catering to an elderly, fixed income population and the poor. This cycle was completed by the mid-1970s when the area was declared "blighted" and was designated as a redevelopment area pursuant to Florida Statutes Section 163.330 *et seq.* — The Community Redevelopment Act.

Pursuant to the Act, a redevelopment plan was prepared, and subsequently amended. The plans, recognizing the problem inherent in the area, proposed the massive use of eminent domain by the Redevelopment Agency to acquire all privately-held parcels; the demolition and clearance of all then existing structures; the construction of an entirely new infrastructure system, including canals; and large-scale new private development consistent with the plan. Unfortunately, this approach was too expensive and too grandiose and there were no private takers. However, during the pendency of the redevelopment planning process, from 1974 to 1981, the City had imposed a development moratorium prohibiting new construction or significant rehabilitation. The

Continued on page 6



Miami Beach — South Point Redevelopment Project Area.

result was that by 1981, the area was even more deteriorated and blighted than previously; the expectations of the property owners had been raised unnecessarily; and the critical underlying problems remained.

Shortly before the specified expiration date of the moratoria ordinance and shortly after the last attempt to market the project to the private development sector had failed abysmally, it was recognized that a number of immediate steps needed to be taken, including: abandonment of the moratoria and its replacement with a more flexible interim development control ordinance; and preparation of a revised redevelopment plan based on a philosophy less dependent upon eminent domain and more susceptible to incentives to produce new development and redevelopment. An interim development control ordinance was needed to protect the redevelopment planning process, but, just as importantly, because the existing zoning was inappropriate.

Existing zoning in South Pointe was a combination of residential (RM-60 and RM-100) and commercial (C-1, C-5 and C-6). The residential districts permitted 60 and 100 units to the acre, respectively, with few, if any, design, open space, height or other restrictions or limitations. The minimum lot size, even with these high densities, was only 5,000 square feet. But, in fact, prior to introduction of the existing zoning, there were even fewer requirements (for example, no parking or setback requirements) and densities were even greater. As a result, the existing pattern of development had produced very intensive multi-family residential development with no amenities on very small lots, few of which had been or could realistically be aggregated because of the existing development. There were few vacant parcels in South Pointe, other than publicly-owned land.

The intensity of development and the existing zoning had also lead to inflated expectations of value on the part of most property owners. Thus, reductions in density would be very difficult to sell to the property owners who, among other complaints, asserted that they had been deprived of the right to redevelop or even improve their property for seven years during the moratoria.

The problems presented by the South Pointe area were particularly vexing because not only were there an inordinate number of small, substandard lots, but almost all of these lots had existing structures on them. This combination of circumstances along with a decreased reliance on eminent domain would make redevelopment especially difficult.

The Solution

Along with actions to improve infrastructure (passage of a $9.8 million general obligation bond issue and utilization of $3.5 million for South Pointe park development) and to entertain public-private development opportunities (private development of a $10 million South Pointe marina on land leased from the City), the City had to address the problem of existing lots and development. Based on the revised redevelopment plan (South Shore Revitalization Strategy, July 1983), a performance standard zoning ordinance for the entire South Pointe area was developed. This ordinance provided important incentives for aggregation of parcels as part of a systematic approach to encourage new development without eliminating opportunities for rehabilitation in conformity with the plan and zoning.

In the new performance standard residential district, the minimum lot size was increased from 5,000 square feet to 10,000 square feet; the minimum lot width was increased from 50 feet to 100 feet; a required open space ratio ranging from 60% to

Continued on page 7

The 250 acre South Pointe area of Miami Beach, Florida.

The FAR bonuses for parcel aggregation are provided as follows:

Residential Bonus Factors	*Maximum Bonus*
Parcel Aggregation	
a. for each 10,000 square feet above minimum lot area, up to 40,000 square feet	.15 increase in FAR
b. for each 20,000 square feet above 40,000 square feet, up to 80,000 square feet	.1 increase in FAR

Thus, it is possible to obtain a maximum FAR bonus for parcel aggregation of .65, which is significant for the economics of development in South Pointe. When added to the base FAR, which is relatively low (ranging from .75 to 1.5 in the various residential subdistricts), it vastly expands the private development incentive.

70% was added; and minimum floor areas per unit were raised. In addition, a maximum building height was added which was lower for parcels less than 40,000 square feet and higher for parcels greater than 40,000 square feet; and most importantly, floor area ratio (FAR) was introduced as the governing density control mechanism with a range of permissible FAR depending upon the applicant's ability to satisfy various bonus criteria. Performance standard bonuses were introduced "in order to encourage the aggregation of parcels ..." as well as to ensure an appropriate mix and scale of development and an architectural and site design compatible with the standards and guidelines of the redevelopment plan (see above chart).

Other FAR bonuses were available for increased dwelling unit size (an important objective of the redevelopment plan was to encourage housing for young marrieds and families) and for design features, but the maximum FAR bonus on any parcel was .75. Thus, almost the full FAR bonus was available solely via aggregation.

The same parcel aggregation bonus was available for commercially-zoned property as for residential.

It is not anticipated that the zoning program itself will stimulate the redevelopment of South Pointe. However, when redevelopment has been stimulated (by public investment in infrastructure; leveraging of public and private dollars for investment and market needs), it is essential that proper zoning be in place so that specific objectives of the redevelopment program are accomplished. One of these objectives is the elimination of the originally-platted 5,000 square foot lots by encouraging the aggregation of parcels. Upon redevelopment, retention of 5,000 square foot lots will be far less attractive than aggregating lots for larger-scale redevelopment. If the value of lots is a function, in part, of the intensity of use permitted on the lot, each lot increases in value when combined with other lots. Aside from the financial incentive for aggregation, assembly of larger parcels permits more flexible and creative design and development that will also add to a project's attractiveness and marketability. And, all redevelopment will require some lot aggregation because of the new minimum lot size of 10,000 square feet. The new zoning is, however, sensitive to rehabilitation opportunities and specifically provides that non-conforming structures and structures on non-conforming lots (i.e., lots of less than 10,000 square feet) may be rehabilitated. If the rehabilitation amounts to less than 50% of the assessed valuation of the structure or 50% of the replacement value, whichever is greater, the structure must then meet all applicable building and housing code standards. If the rehabilitation is equal to or greater than 50% of the assessed valuation of the structure or 50% of the replacement value, whichever is greater, the structure must then meet all applicable building and housing code standards, and not less than 85% of the dwelling units must have a minimum gross floor area of 750 square feet and not more than 15% of the dwelling units must have a minimum gross floor area of 400 square feet. This provision is intended to prevent a continuation in existing structures of the past pattern of 400 square foot efficiency units catering to single elderly tenants.

The Outlook

The new performance standard zoning for South Pointe was adopted by the City Commission on September 19, 1984 effective 30 days thereafter. It is, obviously, too early to tell whether it will be effective in promoting aggregation of parcels for redevelopment. However, for the first time in many years there is now substantial developer interest in the redevelopment area, and property owners in the area have begun to aggregate parcels. This is believed to be partially the result of the new zoning and partially the result of other stimuli provided by the City.

The new zoning should help to accomplish two objectives: first, to stimulate the aggregation of parcels and the assembly of larger parcels for redevelopment; and second, with or without aggregation, to ensure a density and quality of development necessary to ensure the revitalization of the redevelopment area. The performance standard zoning represents an innovative approach to a complex set of problems. This incentive approach has a good chance for success in South Pointe and has applicability elsewhere in situations where pre-existing platting has produced a subdivision lot pattern that is unsuitable for current development.

Robert H. Freilich is Hulen Professor of Law at the University of Missouri—Kansas City, and his law firm, Freilich, Leitner & Carlisle, P.C., was retained by the City of Miami Beach in October 1981 to prepare the new plan for the South Pointe area.

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Contents