

Heritage Park Mall Redevelopment Scenarios

Midwest City, Oklahoma

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ACKNOWLEDGMENTS

City Leadership

Matt Dukes - Mayor
Susan Eads- Ward 1
Pat Byrne - Ward 2

Rick Dawkins - Ward 3

Sean Reed - Ward 4

Christine Allen - Ward 5

Jeff Moore - Ward 6

City Staff

J. Guy Henson, City Manager

Tim Lyon, Assistant City Manager

Kay Hunt, Public and Media Relations Specialist

Robert Coleman, Economic Development Director

Kathy H. Spivey, GIS Coordinator

Billy Harless, Community Development Director

Julie Shannon, Comprehensive Planner

Kellie Gilles, Planning Manager

Consultant Team Catalyst Commercial

Jason Claunch
Reid Cleeter
Sue Walker
Monica James

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OKLAHOMA

1. Introduction

Midwest City Population

58,210
Population
(2016)
24,093
Households

Midwest City Daytime Population

23,260
Employees
(2016)
1,878 Employers

Midwest City Household Income

\$47,094
Median Income
\$58,352
Average Income

Source: ESRI, STI

THE GREATER OKLAHOMA CITY REGION



Source: Greater OKC Chamber

Introduction

PURPOSE

The City engaged Catalyst Commercial to explore redevelopment scenarios for Heritage Park Mall. Heritage Park Mall sits mostly vacant on the northwest corner of East Reno Avenue & Air Depot Boulevard in Midwest City. The existing uses at the mall include LifeChurch, Sears, and Pelican's Wharf restaurant.

As part of this process, Catalyst completed interviews with Sears, LifeChurch.tv and Ahmad Baheini, the major landowners, to inform this study. Catalyst also examined both local and regional economic conditions and conducted a physical tour of the area to understand local context and potential impacts of adjacent uses on redevelopment scenarios.

The current vacancy factor of Heritage Park Mall has created significant economic and social implications. Activating the mall will increase economic opportunities for consumers and improve the health and vitality of the area. Vacancy also has a significant impact on the fiscal health of the City. Heritage Park Mall once generated more than \$1 million in annual property taxes. According to Oklahoma County records, the mall currently only generates approximately \$70,000 in fiscal impacts annually. There are also indirect economic losses due to the existing vacancy, such as wage loss, missed visitor spending and loss of operational revenue associated with the vacant commercial space.

Research has shown that commercial quality is one of the greatest contributing factors impacting neighborhood quality. Heritage Park Mall serves as a strategic gateway to adjacent neighborhoods, and therefore is likely affecting adjacent property values. Improving Heritage Park Mall

will contribute to the health and vitality of the adjacent neighborhoods by providing local services and shopping options and increased economic benefits to the owners, residents and City. Redevelopment could also integrate connectivity and walking trails to improve social health of the residents and greater integration into the adjacent neighborhoods.

In addition to economic consequences, the failed Heritage Park Mall also has social consequences. Heritage Park Mall once served as a community gathering space; now mostly vacant, the mall has a higher propensity for criminal activity and creates a negative perception for the community.

BACKGROUND

The 650,000 square foot Heritage Park Mall opened in 1978 and thrived during the 1970's and 1980's, as Midwest City boomed. Initial anchors at Heritage Park Mall included national anchors such as Sears, Dillard's, Montgomery Wards, and Wilson's. Other tenants in the mall included Spencer's Gifts, Hickory Farms, Olga's Kitchen, Musicland Records, Disc Jockey, and Jeans West.

Heritage Park Mall once served a large regional population until Shawnee Mall was built in 1989 and Quail Springs Mall opened in 1980. In addition, the 1980's included the Penn Square Mall upgrade and expansion. This additional competition and shifting population began to affect Heritage Park Mall by the late 1990's. Montgomery Ward closed in 1999 due to national bankruptcy and Service Merchandise also closed in 2000, due to bankruptcy. In 2007 Dillard's closed, and by 2010, Sears and only 6 other stores remained. The mall finally went dark in February of 2010.

LifeChurch.tv bought the former 100,000 square foot Dillard's building,

which is attached to the mall, for \$1.5 million in 2007 from Midland Capital LLC. LifeChurch.tv renovated the space for a satellite church and regional distribution center for its other facilities in 2011. Also, in 2011, Ahmad Baheini, an Oklahoma City based investor, purchased the 232,000-square-foot inline section of the mall for \$1.3 million.

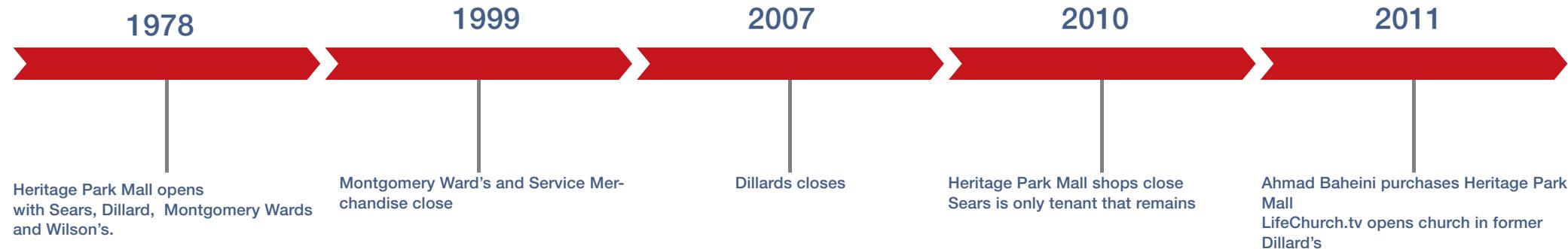
Most of the former shoppers of Heritage Park Mall have shifted to the Westgate Outlet Mall, Downtown Oklahoma City, Classen Curve, Quail Springs Mall, and Penn Square Mall. In addition, as the retail has shifted locally, the national conditions are also affecting the viability of malls nationally.

ABOUT MIDWEST CITY

Midwest City is located along Interstate 40 and near "America's Crossroads" of Interstate 35, Interstate 40 and Interstate 44. Midwest City was founded in 1941, due to Tinker Air Force Base. The increased population created demand for major retail developments, growth of high quality neighborhoods and many cultural attractions, such as the performing arts theatre. Midwest City is also less than 15 minutes away from downtown Oklahoma City, Bricktown, the Oklahoma City Museum of Art, Oklahoma City Zoo, Science Museum Oklahoma, Remington Park, National Cowboy & Western Heritage Museum, Oklahoma State Capitol, State Fair Park, and historic areas of Stockyards City and Frontier City.

Midwest City is located near the Oklahoma Welcome Center, Senior Center, Water Park, championship golf and nature and a number of recreational trails. The City recently updated its Park Master Plan to extend additional trails and add parks to the system.

Throughout the year, Midwest City programs many special events, which



draws regional tourists, such as the Star Spangle Salute in July, Made in Oklahoma Festival and the Holiday Lights Spectacular.

The Midwest City-Del City School District is one of the largest districts in the State with over 14,600 students. Midwest is also home to Rose State, one of the states' premier two-year colleges, with over 8,000 students located on a 116-acre campus.

The Oklahoma City region also is home to the University of Oklahoma, University of Central Oklahoma, Oklahoma City University, Oklahoma Christian University, Oklahoma Baptist University, St. Gregory's University, Southern Nazarene University and Oklahoma State University - OKC.

Midwest City enjoys the greatest concentration of technology companies in the State of Oklahoma. Midwest City has a symbiotic relationship to Tinker Air Force Base, a 5,000-acre military base, which forms Midwest Cities southern border. Tinker Air Force Base is the largest single-site employer in the state and has the largest civilian workforce of any US base. Midwest City is also home to Boeing, Pratt & Whitney, and Rolls Royce.



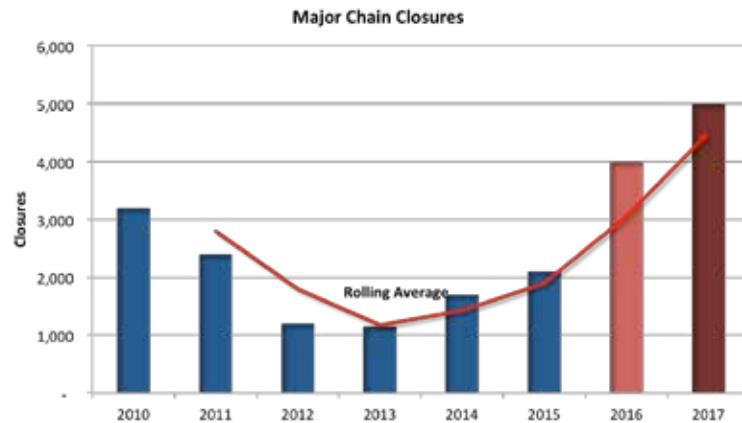


2. Market Trends

National Mall Trends

NATIONAL MALL TRENDS

Retail shoppers have seen a paradigm shift in purchasing preferences over the last few years, with the most pronounced results coming in the form of large-footprint retailers downsizing or closing altogether. In 2016, Macy's announced plans to close 100+ stores. In February, J.C. Penny announced that they would close nearly 140 stores in 2017. Some of the most notable closures in 2016 were; Sports Authority (450), Office Depot/Office Max (400), Macy's (100), Sears (50), and Walmart (35).

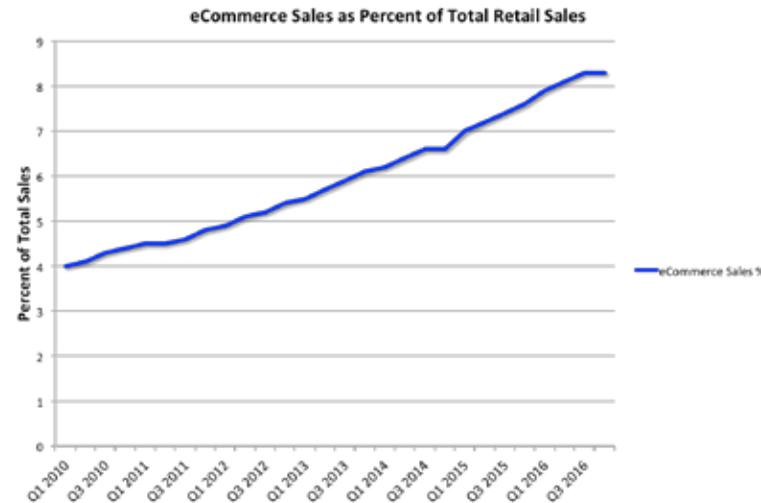


There are two dominant factors affecting malls. The first is a shift towards mixed-use lifestyle centers and secondly due to soft goods shifting towards e-commerce. While physical stores are still relevant, according to research conducted by the International Council of Shopping Centers (ICSC), now one in twenty consumers make a purchase after browsing an online store. E-commerce has also taken a bite out of the mall market share. According to research conducted by ICSC, consumers purchase at online retail websites an average of 2.2 times per month. Companies like Amazon are commanding large portions of the ecommerce retail. According to Yahoo and Google Finance, Amazon's 2016 market value of \$356B was greater than Sears, JC Penney, Nordstrom, Kohl's, Macy's, Best Buy, Target, and Walmart together.

According to the US Census Bureau, ecommerce as a percent of total retail

has increased from 4% to 8.3% (Q1 2010 to Q4 2016).

While there is a shift towards online purchases, the fact remains that traditional brick and mortar generates 91% of the total retail sales. The largest impact on malls is the emergence of mixed-use centers which are a confluence of retail, residential, office and other formats that offer greater choices in more engaging formats. Omnichannel retail is the experience that combines online and in-store purchases, exchanges, and returns. ICSC research indicates that 73% of consumers want to try on or touch merchandise before they purchase. The omnichannel approach produces higher net sales, almost 20% higher than online retailers without a physical presence.

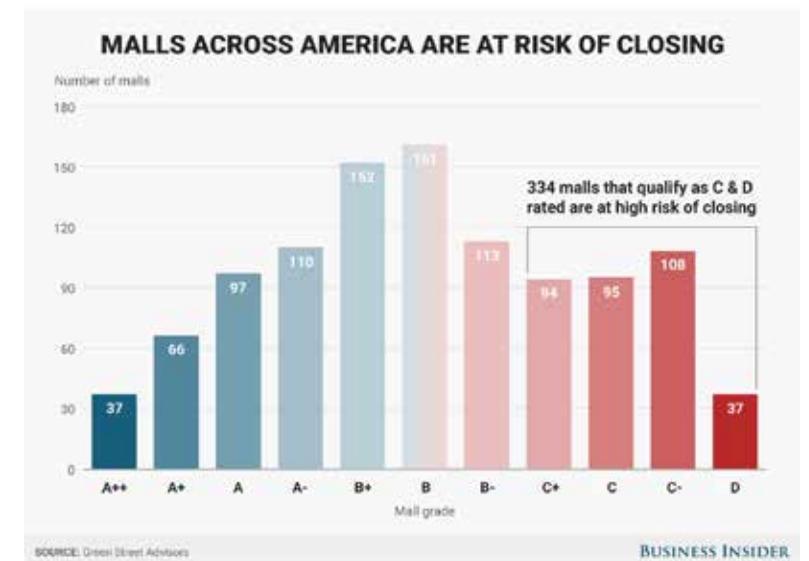


However, the type of retail that exists in traditional brick and mortar buildings has changed significantly. According to Cushman & Wakefield research, the amount of inline retail in a mall has dropped from 60% to 45% over a ten year period from 2007 to 2017. During that same time the category of entertainment, food & beverage has increased 200%, to now almost 20-30% of total floor space.

Consumers are seeking a more experience-oriented shopping with an emphasis on experience. Examples of retailers creating an experience

would be through offering samples to customers as they browse the store. Some sporting goods stores have incorporated putting greens or even rock climbing walls to bring customers into their store to try the equipment. Retailers like REI offer lectures and instructional classes that deepen relationships with the customer, and make them feel as though they are not just buying materials, but joining an organization they believe in. Home improvement stores offer do-it-yourself classes while appliance stores offer cooking classes to display their products.

This shift in retail typology means developers and property owners must see traditional retail through a new lens. Certain types of retail goods are more likely to be purchased online, while others have drawn a clear preference to in-store purchase. Goods like furniture, sporting goods, and cosmetics tend to attract more in-store purchases because the consumer wants to touch and feel the product first. These cultural shifts and format trends will have long-term impacts on retail and mall sustainability. According to Green Street Advisors, "department-store sales per square foot are down nearly 20 percent since 2006 and 800 more department stores, or 20 percent of U.S. mall anchor space, would need to close in order to achieve the productivity level of a decade ago."



Regional Conditions

REGIONAL CONDITIONS

The Oklahoma City metro is home to several college and universities including Oklahoma City University, Oklahoma State University - OKC, and University of Oklahoma. From 1970 to 2005, the Oklahoma City region experienced a 1.1 percent annual growth rate, adding approximately 430,000 people during that timeframe. However, since 2005, the annual growth increased to 1.6 percent annually. Today, the Oklahoma City metro population contains over 1.38 million people.

In the next five years, the metro is expected to grow even faster at 1.66 percent annually, reaching 1.5 million by 2021. Since 2010, the Oklahoma City MSA is the 10th fastest growing large metro in the country (more than 1 million population) and has grown more than twice as fast as the nation. Given current growth rates, the Oklahoma City metro will exceed 2 million population before the year 2040.

Oklahoma City's population continues to grow at an average annual rate of 1.6 percent trending towards 1.4 million by 2018. Slowing income growth combined with population gains are projected to leave per capita income unchanged in 2016 at \$46,064. Per capita income is expected to return to growth in 2017 and 2018 at rates of 2.2 percent and 1.6 percent respectively. Baseline expectations are for per capita income to reach \$47,818 by the end of the forecast period.

Energy and livestock are major components of Oklahoma City's growing economy. Recent fall in commodity prices for oil and gas have negatively impacted the energy industry, which has affected regional economic conditions. Historically, the OKC market has risen and fallen with energy and livestock conditions.

OFFICE TRENDS

The Oklahoma City office market experienced 521,000 SF of negative absorption in 2016. According to Price Edwards, the vacancy rate increased from 12.3% to 15.5% year over year. The greatest subarea affected is the Northwest submarket, which contributed to 57% of the overall negative absorption. The average vacancy rate increased from 10% to 17.2%, and class A vacancy increased from 7% to 25%. Average rental rates dropped from \$18.33 per SF to \$18.30 per SF.

Some of the largest contributors to the vacancies include RKI Exploration who acquired WPX Energy which created almost 70,000 square feet available in Oklahoma Tower. Williams Communications, merged with Access Midstream Partners, which was located in Central Park, created 100,000 square feet of space. Range Resources also cut 100 jobs and closed its 80,000 square feet office in Enterprise Plaza.

RETAIL DEVELOPMENT

Retail has been the strongest industry sector in 2016. GBT Development is completed phase one of The Market at Czech Hall in Oklahoma City. Initial anchors include Academy, Ross, Marshalls, Petsmart, Ulta and Five Below with the first phase a total of 180,000 square feet and seven pad sites. The total project will be approximately 450,000 square feet.

The Shoppes at Quail Springs was recently developed. This is a 91,000-square-foot, two-story multitenant retail and office center at May Avenue and the Kilpatrick Turnpike developed by Mazaheri Properties. Shoppes at Quail Springs will be mixed-use with retail, office and restaurants.

Winco Foods is under construction in Moore and Midwest City and will start construction soon in two additional OKC locations. Trader Joes also recently opened in Nichols Hills Plaza.

Chisholm Creek at Western and Kilpatrick Turnpike is home to many national retailers such as Cabela's, Top Golf and Iffy. In 2016 the developers added 76,000 in Tract 30 to be anchored by Yokozuna and other niche restaurants. Additional restaurants include Republic Gastropub, Torchy's Tacos, Fuzzy's Tacos, Potbelly Sandwiches, and Sidecar Barley and Wine Bar.

In addition to these projects, Lifetime Fitness will be taking the former Macy's location at Quail Springs Mall. According to Price Edwards, Aldi, HomeGoods, Mattress Firm, Five Below are all active on the Oklahoma City region.

Within Midwest City, the Sooner Rose project located on 8.73 acres at Southeast 15th & Sooner is anchored by Academy and Hobby Lobby with three pad sites fronting on 15th Street, the developer is working with the city on approving a TIF for an additional \$60M phase, which would include a 10-screen theater and additional restaurant and regional entertainment/retail opportunities.

“Midwest City has potential for more retail. Current examples include Midwest City Town Center and the new entertainment activity.”

- Jim Parrack, S.V.P at Price Edwards & Co.

The Oklahoma City retail vacancy rate was 10.4% at end of 2016. Low energy prices and low income growth have reduced retail sales in recent years. The value-oriented retailers, such as TJ Maxx, Ross, and various dollar stores have favored under these conditions and are likely going to continue to be active as well.

The Midwest City submarket vacancy rate is currently estimated at 17% at Q4 2016, down from 17.5% in Q2 2016. This is due to a number of factors, a large percentage of the existing retail space is older, and like Heritage Park Mall, are prime for reinvestment. There are at least six retail centers in the Midwest City submarket that have at least 30% vacancy. However, Winco Foods and the Sooner Rose project and several other projects in the pipeline will improve these numbers.

MULTI-FAMILY ACTIVITY

The multifamily velocity has slowed due to poor economic conditions, but there are number of projects still in construction phase that will continue to add to existing inventory. There has been a large increase in multi-family permits until 2014. A majority of this growth as occurred near the urban core. Currently multi-family occupancy is close to 90%. However, according to Price Edwards, the average apartment rental rate increased 3.46 percent, even in light of slower absorption. This shows the resiliency of market demand and the propensity for Oklahomian's to live near the urban center.

New supply in Oklahoma City includes 300 additional units at the Cottages at Quail Springs Apartments, just north of Quail Springs Mall. The \$30 million project will have one- and two-bedroom apartments ranging from 789 to 1,267 square feet and rent for \$799 to \$1,299 per month, with average costs per unit at \$100,000. Price Edwards tracked over 3,400 new apartments completed in 2016 within the Oklahoma City, of which 25% were downtown. A survey reflected less than 50% or only 1,454 were rented.

Within Midwest City, the Boulevard at Lakeside is a new 216 unit multifamily project located just east of South Westminister Road on Southeast 15th Street. Both Price Edwards and ARA Newmark projected a steep drop in delivery of new units this year. Price Edwards estimates only 2,200 units will be constructed.

SINGLE FAMILY TRENDS

According to BuilderOnline, new home closings Oklahoma City dropped in 2017, but the percentage decrease was less, suggesting the market may

improving. New home closings decreased to 242. A total of 3,196 new homes were sold from August 2016 to August 2017, down from 3,270 for previous annual number in the preceeding month.

is currently \$261,305. The Average mortgage size on a new homes is \$225,653, as of August 2016.

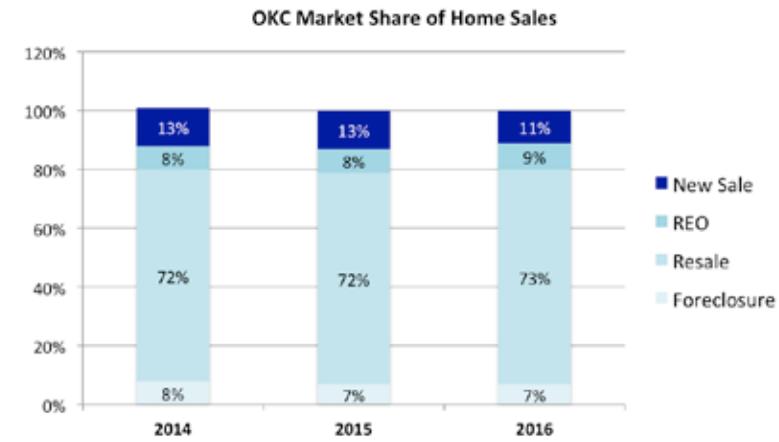
There was no change in the composition of the new home market with regard to the types of properties sold in August 2016. Single-family home closings have accounted for 98.3% of new home closings while attached unit closings have represented 1.7% of closings. The average unit size of a new home is to 2,251 square feet.

Overall the housing market in the greater Oklahoma City market is anticipated to see moderate growth. While the greatest percentage of demand is for single-family, the areas with the greatest growth are areas near downtown and around concentrations of retail. The Heritage Park Mall site could be formatted to create greater housing choices around commercial uses and support greater transition between the mall site and the adjacent neighborhood. Housing could also be integrated to reduce the amount of commercial required to redevelop the site, since the majority of retail has shifted near Interstate 40.



New home closings made up 9.3% of overall housing closings. According to BuilderOnline, this is a decrease of 11.7% compared to last year. Resales and REO's also increased since 2016.

The average price for new home construction in the Oklahoma City market



Source: XX

Local Context

Heritage Park Mall is located on the northwest corner of Reno and Air Depot. The Heritage Park Mall consists of approximately 39 acres. Currently the mall has two anchors, Sears and LifeChurch. LifeChurch occupies approximately 8.5 acres and Sears is approximately 8 acres.

RETAIL

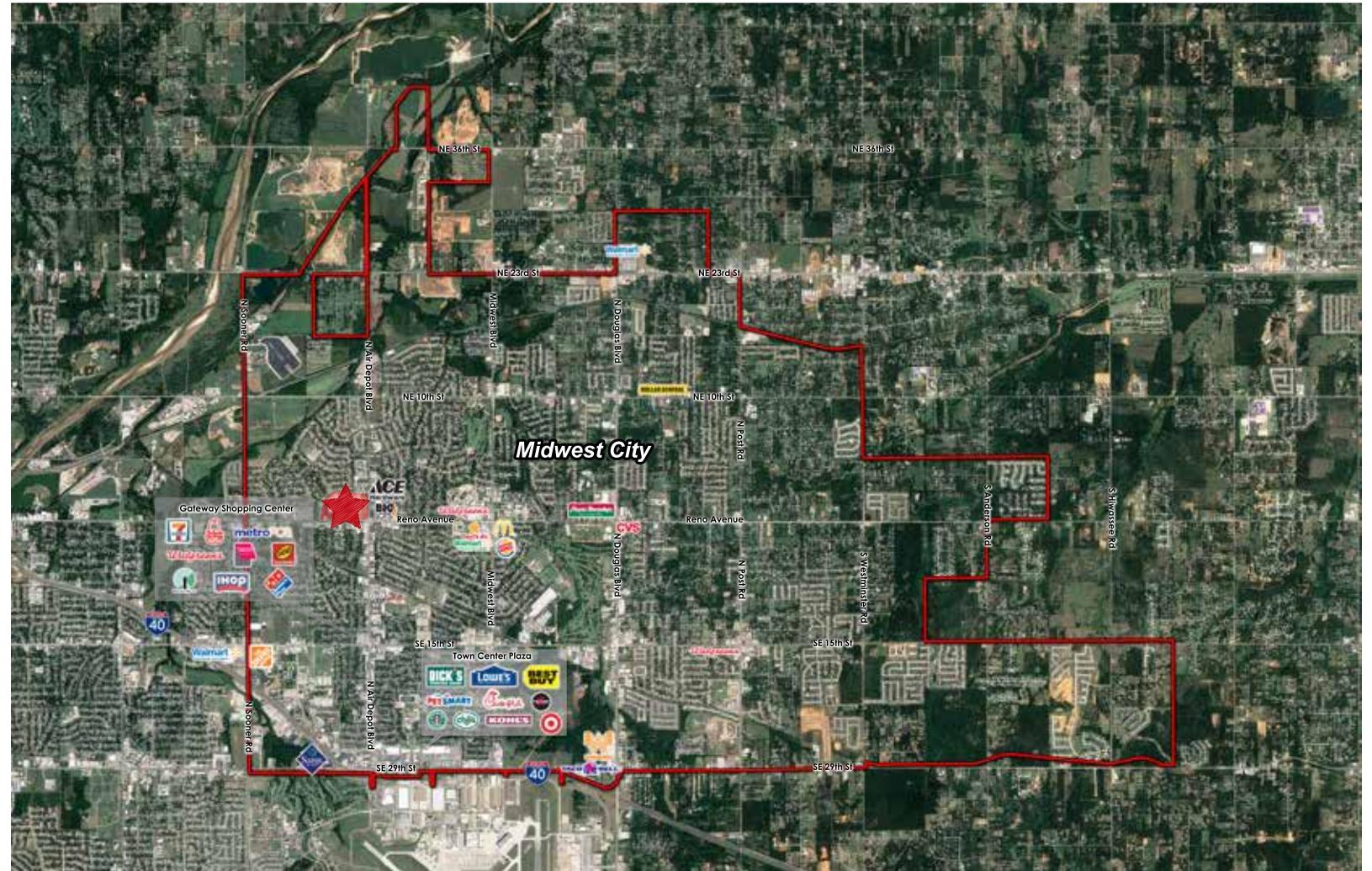
The greatest concentration of retail is near the Interstate 40 corridor, with most retail near the Air Depot and I-40 intersection. Town Center Plaza, a mixed-use lifestyle center, contains the greatest amount of national tenants. These include Dicks, Best Buy, Lowe's, Kohl's, PetsMart and Target. The I-40 and Sooner Road intersection also is home to Wal-mart, Home Depot and Academy Sports+Outdoors. Just West of Heritage Park Mall, the former Target is being converted to a Winco Foods at Midwest and Reno. While Midwest City has a significant amount of retail, the Heritage Park Mall location is situated to support local retail needs and regional retail demand.

MULTI-FAMILY

Just north of Heritage Park Mall, a planned multi-family development named Legacy Corners is developing new apartments. Additional multi-family is also planned at 10th and Westminster and 9th and Post. While a majority of the multi-family demand is centered around the urban core of Oklahoma City, the Heritage Park Mall site could accommodate a limited amount of residential, including high density apartments if integrated into a mixed-use format.

MEDICAL

The greatest concentration of medical is St. Anthony's. Integris Health System also recently announced expansion into Midwest City. Midtown Development at 15th and Douglas is also anchored by medical. Mercy, one of the largest Oklahoma City healthcare operators, has a facility at 15th and Douglas for a regional laboratory for its patient base. The Heritage Park Mall site could support the growing medical needs and leverage the existing medical base.



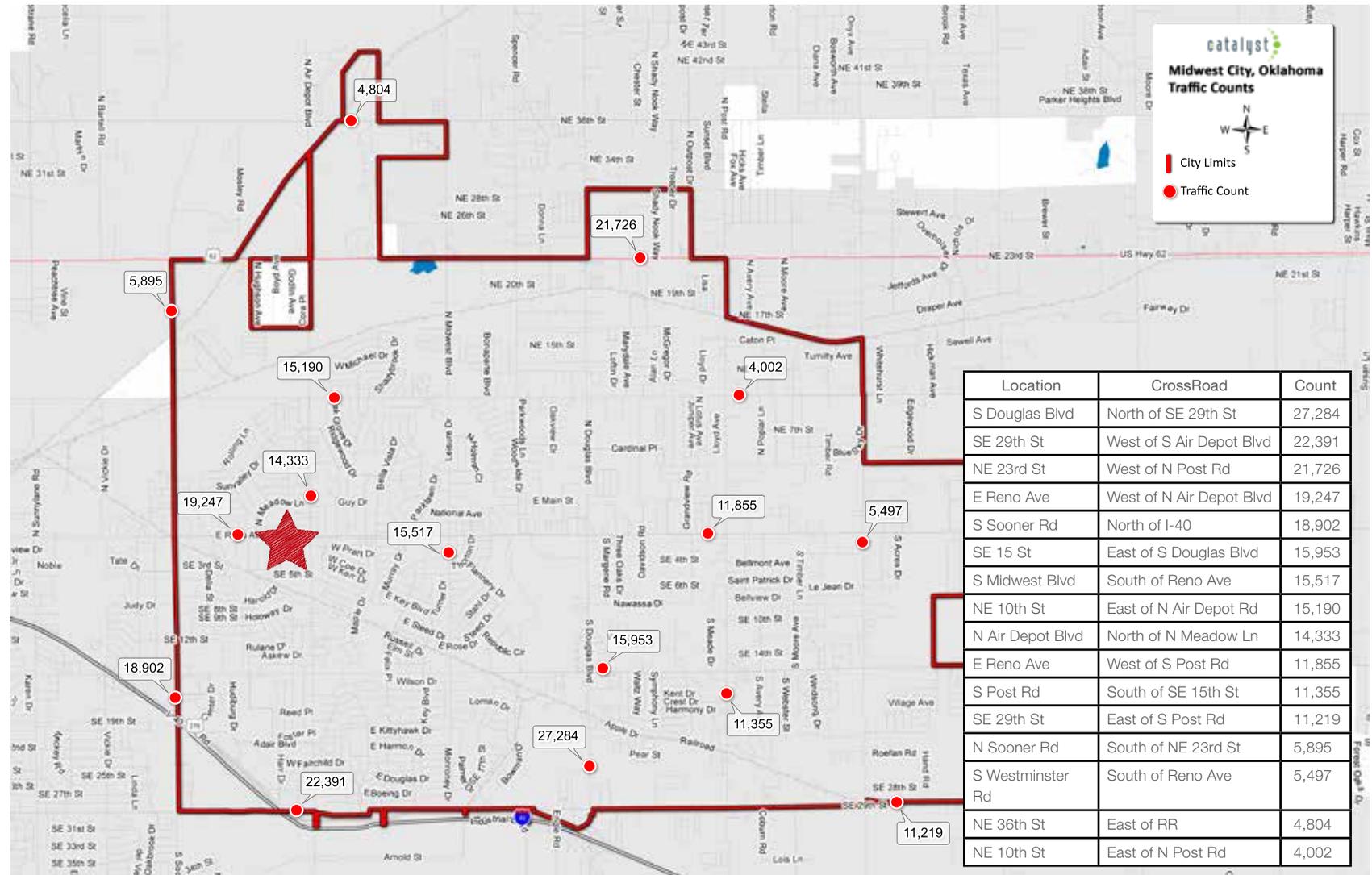
TRAFFIC PATTERNS

Traffic counts for Midwest City were compiled through the Association of Central Oklahoma Governments (ACOG) database to understand traffic patterns at key locations. While Heritage Park Mall counts are lighter than some areas in the region, there is a great level of connectivity to the greater Oklahoma City region via Reno and Air Depot. This is evidenced through growing traffic counts in a west-to-east direction as traffic flows towards Oklahoma City.

Interstate 40 is a major thoroughfare that connects the eastern portion of the Oklahoma City metro area and beyond to Interstate 35. This connection is vital to the mobility and flow of traffic in the region, as well as the nation. Traffic volumes just north of Interstate 40 along S Sooner Rd. register at 18,902 ADT, while just east of Interstate 40 along SE 29th St. they register at 22,391 ADT.

NE 23rd Street (US Hwy. 62) runs through the northern portion of Midwest City west into Oklahoma City. Traffic counts along NE 23rd Street are recorded at 21,726 ADT at the intersection of N Post Road. NE 10th Street volumes grow from 4,002 ADT at the intersection of N Post Road on the eastern portion of the City, to 15,190 ADT at the intersection of North Air Depot Boulevard.

Continuing the trend of growing traffic volumes in an east-to-west manner, traffic volumes along East Reno Avenue experienced growth from 11,855 ADT at South Post Road to 19,247 ADT just west of Heritage Park Mall. Just north of Heritage Park Mall, volumes of 14,333 ADT can be observed along N Air Depot Blvd. at the intersection of N Meadow Lane. While Heritage Park Mall does not have the highest traffic counts in the city, the location is strategic in terms of traffic counts relative to the traffic within the region, and should be attractive to higher intensity commercial or mixed-use options.

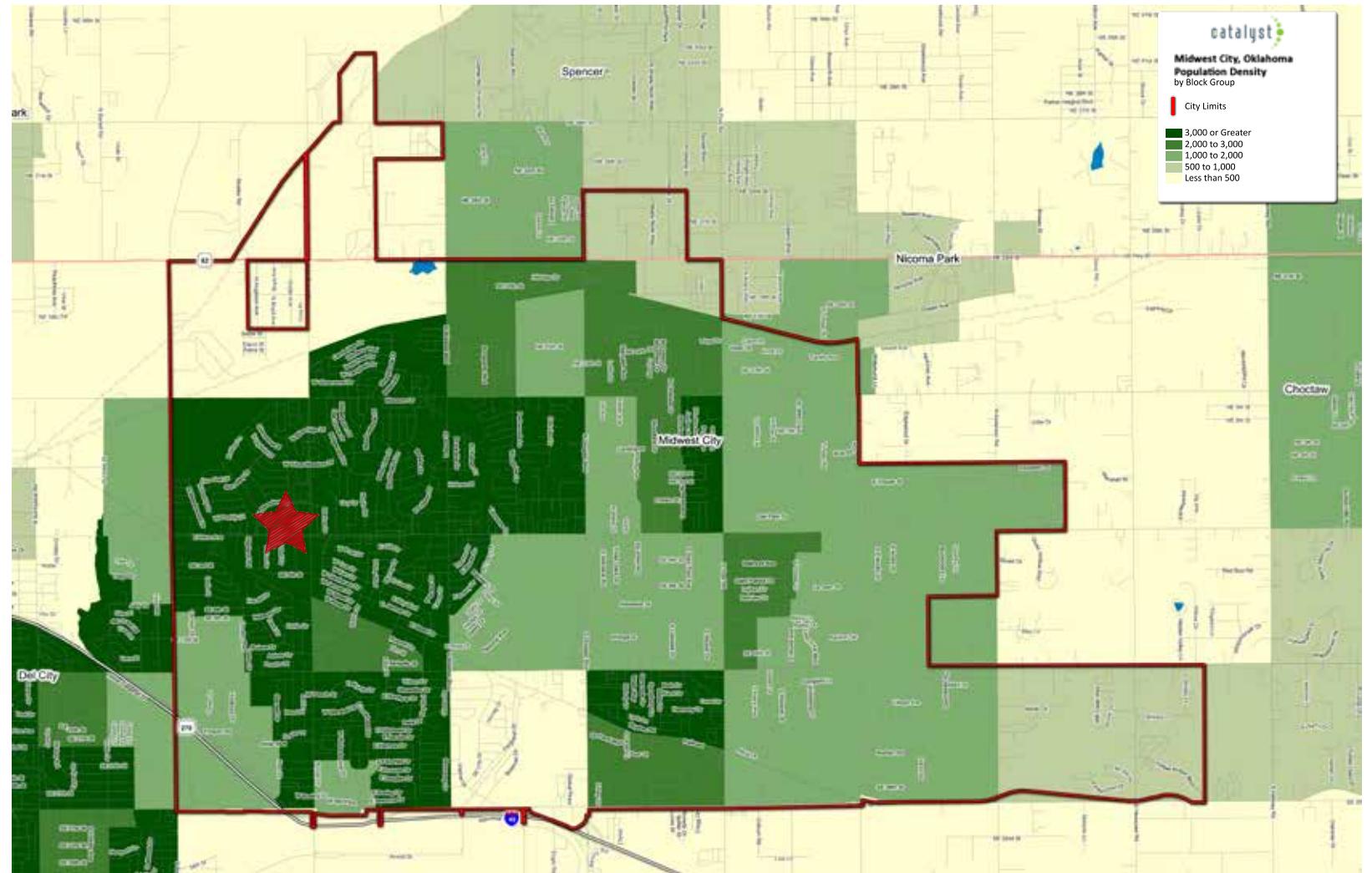
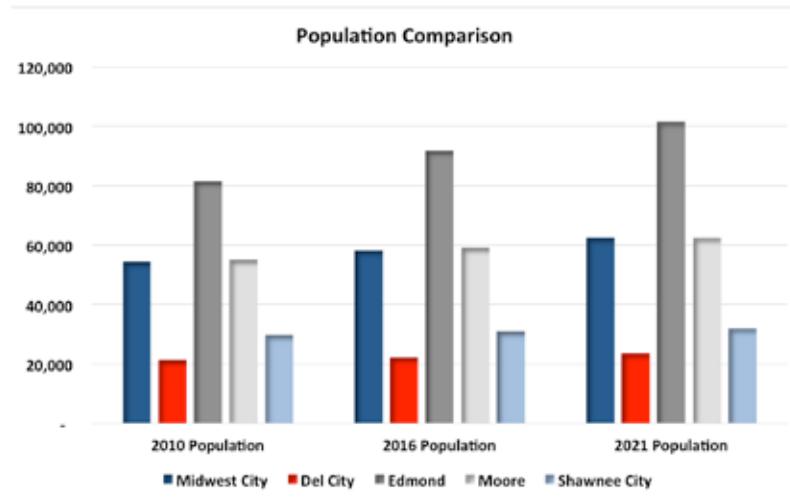


Demographics

POPULATION

Midwest City continues to experience population growth consistent with the greater region. Midwest City is projected to grow by 7.5% from 2016 to 2021. This population growth is higher than other major cities in the region with the exception of Edmond, which is expected to grow by 10.7% over the same time frame.

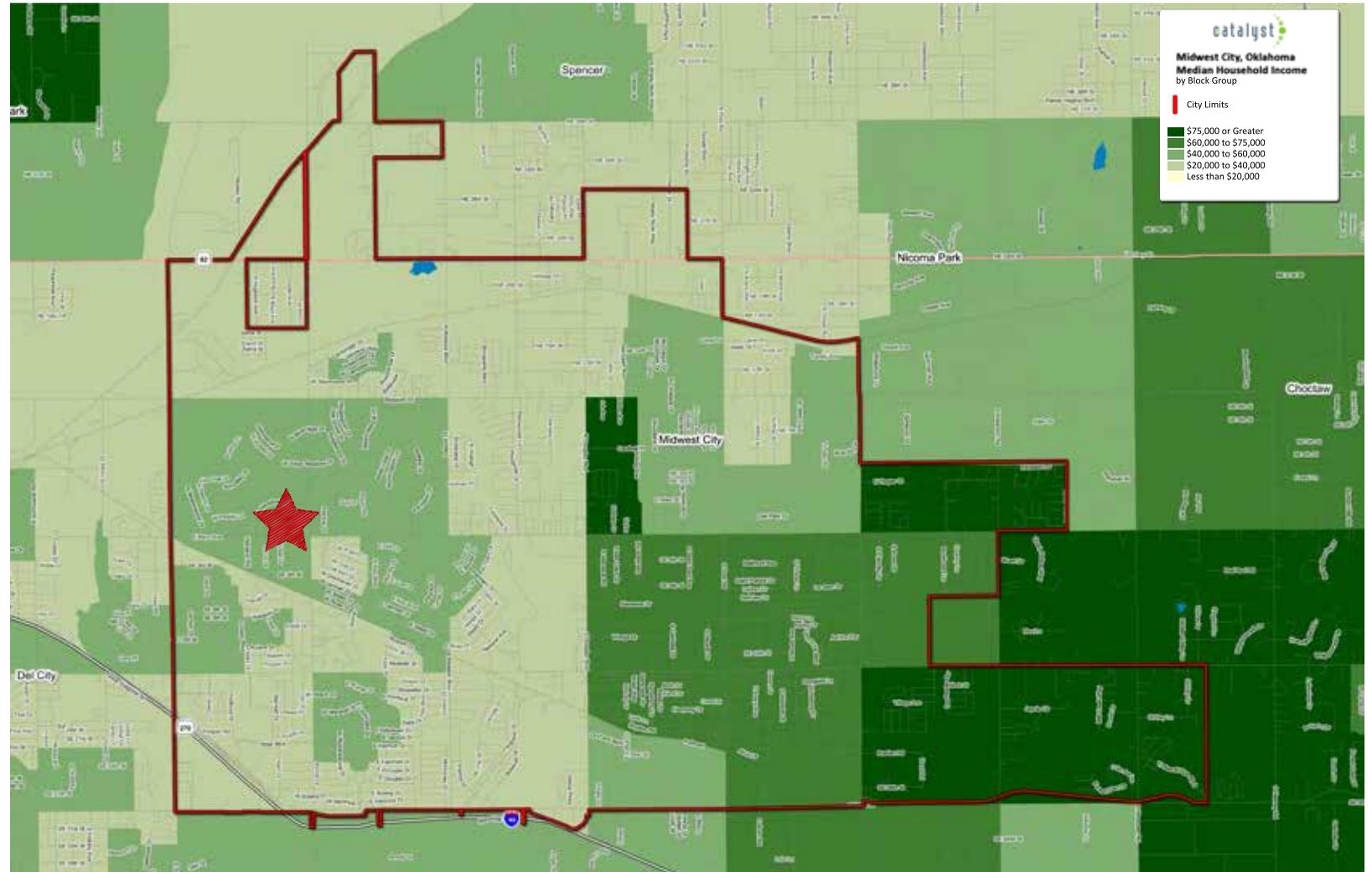
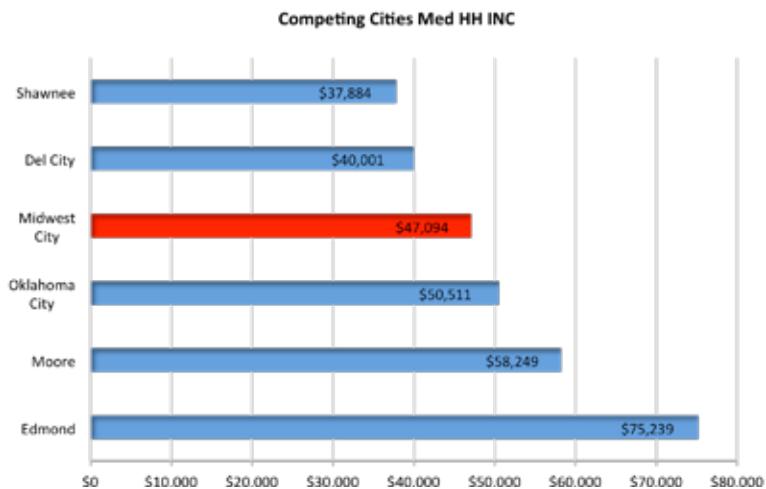
Currently, Midwest City has approximately 24,093 households with a population of 58,210. Based on these population projections the population will surpass 62,500 by 2021. As the population continues to increase, there will be more demands for additional housing choices and additional commercial services. The Heritage Park Mall is well positioned to capture future retail demand as well as a potential option for mixed-housing in a mixed-use format.



INCOME

Midwest City has a median households income of \$47,094 slightly lower than Oklahoma City with a median income of \$50,511. Approximately 21% of households earn \$50,000 to \$75,000, 16.1% earn \$35,000 to \$50,000, and 12.8% earn between \$75,000 and \$100,000.

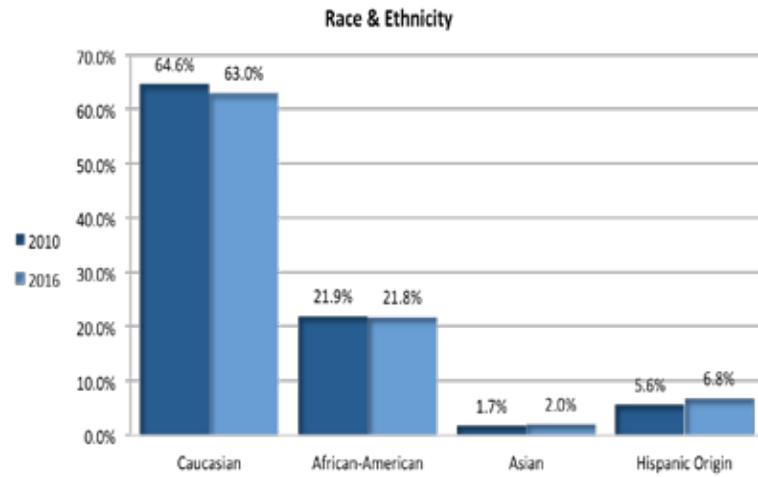
Midwest City Income Level (2016)		
	Number	Percent
Less than \$15,000	736	12.1%
\$15,000 to \$24,999	644	12.1%
\$25,000 to \$34,999	1,127	12.2%
\$35,000 to \$49,999	1,381	16.1%
\$50,000 to \$74,999	2,303	21.3%
\$75,000 to \$99,999	3,179	12.8%
\$100,000 to \$149,999	1,773	10.1%
\$150,000 to \$199,999	1,634	2.1%
\$200,000 or more	557	1.3%
Total Households	13,334	100.0%



Source: U.S. Census 2010; 2008-2012 American Community Survey 5-Year Estimates, ESRI

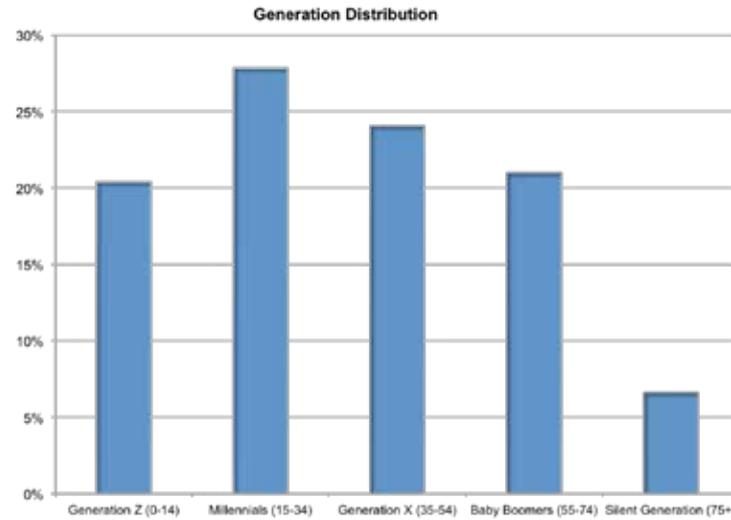
RACE AND ETHNICITY

Racial and ethnic composition in Oklahoma has changed only slightly in the past. In Midwest City, 63% of 2016 residents are identified as White, followed by 21.9% that identify as African-American, 7.3% as Two or More Races, 2.9% American Indian, and 2.0% Asian. Of these categories, 6.8% identify as of Hispanic origin.



AGE

Midwest City is home to a large number of young families. Nearly 60% of the population is under 45, and 27% is between 25 and 44. Millennials (ages 15 to 34) make up the largest portion of the overall population, followed closely by Generation X (ages 35 to 54)



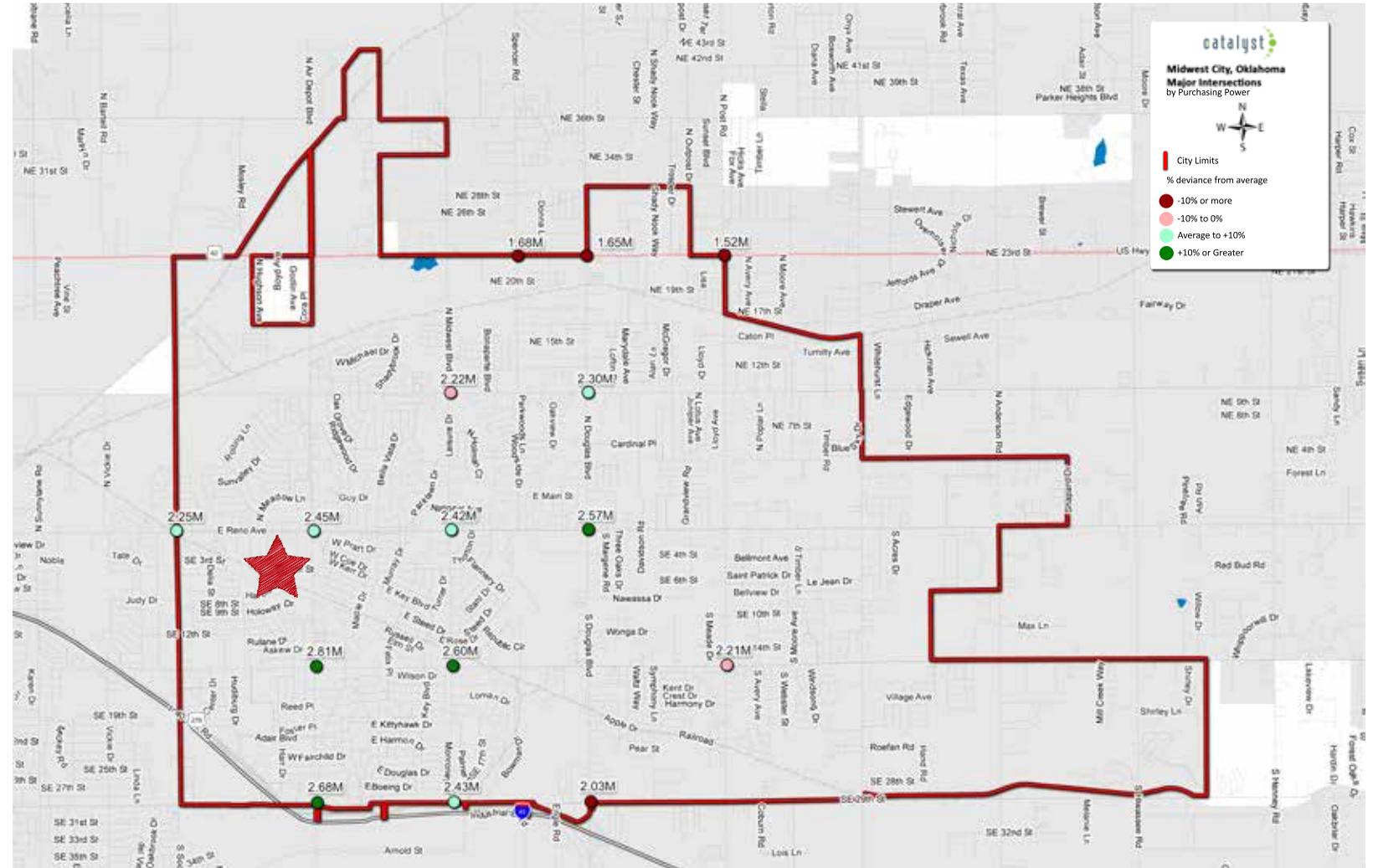
INTERSECTION CHARACTERISTICS

As part of this analysis, Catalyst explored purchasing power at various four-corner intersections within Midwest City. Purchasing Power is comprised of the population density coupled with the income associated within the study area. Retail spending is directly affected by both population and income. Regional averages reflect that area households spend approximately 24% of their total income on retail goods and services.

To evaluate the region, in context of retail spending potential, each intersection's purchasing power was calculated and then grouped in comparison to the average purchasing power for the intersections within the City. The average intersection purchasing power for Midwest City is \$2.5M. The greatest purchasing power was found at 15th and Air Depot and Air Depot and Interstate 40. The lowest purchasing power was found along Midwest City's northern corridor at NE 23rd due to the low density of population.

The Reno and Air Depot intersection, where Heritage Park Mall is located, scored just below average at \$2.45M. A gap analysis also reveals that Midwest City also has a large base of existing retail, which has shifted near I-40 and Air Depot, therefore retail demand is limited in Midwest City overall. As the population increases, the demand for retail will increase proportionally, however the population is not anticipated to increase substantially at this location since most of the residential is already established.

Going forward, to capture a greater market share merchandising will need to compliment existing retail base and new development should align with new consumer preferences of mixed-use and experience in order to be competitive in a market with limited retail demand.



3. Market Demand

Demand

RETAIL DEMAND

There are over 247,000 workers within a 20-minute drive of Heritage Park Mall. The existing workforce population may be leveraged to support existing and new retailers located in and near the mall. A capture of 1% of existing retail expenditures may generate \$16.8 million in retail expenditures for the subject site, which will support 55,691 square feet.

Currently, there are 112,000 vehicles per day that pass by the subject site. Commuters spend an average of \$131 per week on retail goods and services. A capture of 0.25% of the existing traffic flow would create \$2.3 million retail expenditures excluding gas, and support an additional 6,996 square feet of retail.

Rose State College is located in Midwest City 2.5 miles from the mall. There are approximately 6,612 students enrolled as of the 2015-16 academic year. The existing student population and spending patterns create a potential for \$24 million in off-campus expenditures. The majority of this spending is on groceries, restaurants, and drinking places. A destination that creates a vibrant walkable retail experience may capture 10% of existing student expenditures. The \$2.4 million in retail expenditures would support an additional 6,600 square feet of retail and restaurants.

The primary trade area for Heritage Park Mall is a 20-minute drive time. The primary trade area is the geographic area where 65% of customers originate. The PTA contains over 98,400 households with a population of 254,524. The combined PTA has an aggregate income of \$5.6 billion with retail expenditures of \$2.7 billion. Midwest City is the eastern gateway to Oklahoma City. US-62 and I-40 are the major corridors carrying residents living the eastern Oklahoma County into the Downtown corridor. Midwest City may capture a large portion of the retail expenditures for much of these households. Existing retail expenditures in the PTA is \$2.6 billion. Capture rates based on geography and distance from existing residential developments indicates retail expenditures that support 3.8 million square feet of retail and restaurants.

Midwest City 20min PTA Retail Demand Chart					
Category	Student Demand	Workforce Demand	Commuter Demand	Residential Demand	2016 Total Demand
Auto Parts, Accessories & Tire Stores	1,108		282	49,452	50,842
Furniture Stores				79,906	79,906
Home Furnishings Stores				36,150	36,150
Electronics & Appliance Stores				190,188	190,188
Bldg Material & Supplies Dealers				191,322	191,322
Lawn & Garden Equip & Supply Stores				28,466	28,466
Grocery Stores	1,361	48,832	1,010	384,609	436,024
Specialty Food Stores				89,816	89,816
Beer, Wine & Liquor Stores				51,298	51,298
Health & Personal Care Stores	902	94,231		284,948	380,595
Gasoline Stations		5,000	3,527	6,385	16,418
Clothing Stores	386	17,572	388	121,697	140,236
Shoe Stores	708	24,162	711	40,912	67,062
Specialty Retail (i.e. Jewelry, Luggage & Leather Goods Stores)	337	18,409		31,964	50,981
Sporting Goods/Hobby/Musical Instr Stores		10,470	355	80,289	91,114
Book, Periodical & Music Stores			355	33,891	34,246
Department Stores Excluding Leased Depts.		31,410		964,476	995,886
Other General Merchandise Stores		144,970	533	425,380	570,883
Florists			355	7,802	8,158
Office Supplies, Stationery & Gift Stores		35,437	355	44,783	80,576
Used Merchandise Stores			711	17,049	17,760
Other Miscellaneous Store Retailers			496	220,259	220,755
Full-Service Restaurants	852	46,049	598	204,397	252,322
Limited-Service Eating Places	772	62,015	847	229,639	293,876
Special Food Services				6,489	6,489
Entertainment	61	-			330
Lodging					1,466
Drinking Places - Alcoholic Beverages				9,072	9,072
Total Demand (SF)	6,487	538,557	10,523	3,830,637	4,392,237

MULTI-FAMILY DEMAND

The Oklahoma City multifamily experienced decreasing rents in 2016 primarily due to increases in local supply. Effective rents declined by 0.8% to \$0.84 per square foot year over year. However, the decline in rents will likely be short lived as these new units are absorbed. Occupancy rates are up from 87.5% to 88% since July 2016. Occupancy continues to increase, up 0.5% to 88% occupied units over the past year. The existing vacancy rates have created a competitive market increasing the properties offering concessions by 56.4%, with a total of 34% of existing properties offering concessions.

Within the Midwest City Submarket there are 42 properties with a total of 6,929 units. Effective rents are \$0.78 per square foot. There are development within the submarket commanding much higher rents and occupancy rates than average. Midwest City Depot built in 1985 is 97% occupied with effective rents of \$0.96 per square foot. Chapel Ridge at Tinker built in 2005 is 90% occupied with effective rents of \$0.89 per square foot.

Oklahoma County will gain 5,201 new households annually over the next five years. This household growth will create an annual demand of 1,679 new rental units. Turnover of existing owner-occupied households will generate demand for an additional 5,211 units throughout Oklahoma County. Turnover of existing rental households will generate demand for 27,003 rental units. Approximately 20% of the demand generated will be for new rental units creating a potential demand of 6,889 new multifamily units throughout the county. Based on recent trends, Midwest City will likely capture 1% of this demand.

Estimated Annual Demand Potential for Multifamily						
Based on 2016 - 2021 County Demographic Trends						
Monthly Rent	\$500 \$750	\$750 \$1,000	\$1,000 \$1,500	\$1,500 \$2,000	\$2,000 And Up	
Qualifying Income	Less Than \$35,000	\$35,000 \$50,000	\$50,000 \$75,000	\$75,000 \$100,000	\$100,000 And Up	Total
2016 Total Households ₁	311,617					
2021 Total Households ₁	337,621					
Avg. Annual Household Growth	5,201					
New Household Growth						
% Income Qualified	29%	13%	16%	11%	18%	87%
Renter Propensity	56%	43%	36%	23%	12%	37%
Qualified New Households	845	291	300	132	112	1,679

Sources: ESRI₁
 US Census American Community Survey₂
 US Census American Housing Survey₃
 US Census Building Permits Survey₄

Monthly Rent	\$500 \$750	\$750 \$1,000	\$1,000 \$1,500	\$1,500 \$2,000	\$2,000 And Up	
Existing Owner Household						
Total Households ₁	311,617	311,617	311,617	311,617	311,617	311,617
Owner Propensity ₂	41%	54%	62%	76%	88%	53%
Total Owner Households	37,051	21,876	30,912	26,051	49,360	165,250
Qualified Owners in Turnover	2594	1531	1855	1042	4442	11464
Estimated % Rent vs. Purchase ₃	81%	71%	34%	27%	25%	45%
Estimated Owners in Turnover that Rent	2,101	1,087	631	281	1,111	5,211
Existing Renter Households						
Total Households ₁	311,617	311,617	311,617	311,617	311,617	311,617
Renter Propensity ₂	56%	43%	36%	23%	12%	32%
Total Renter Households	50,607	17,419	17,949	7,884	6,731	100,590
Annual Turnover Rate ₂	38%	34%	35%	32%	33%	36%
Qualified Renters in Turnover	19,231	5,923	6,282	2,523	2,221	36,179
Estimated % Rent vs. Purchase ₃	85%	78%	65%	44%	38%	75%
Estimated Renters in Turnover that Rent	16,346	4,620	4,083	1,110	844	27,003
Income Qualified Households						
Total Potential Demand	19,291	5,998	5,014	1,523	2,067	33,893
Percent New Renters ₃	15%	23%	19%	27%	59%	20%
Total Potential Demand for New Units	2,945	1,378	930	413	1,223	6,889
City Capture Rate _{3,4}						
Total Potential New Multifamily Demand	29	14	9	4	12	69

SINGLE FAMILY DEMAND

Oklahoma County is projected to gain 5,201 new households annually over the next five years. This household growth will create an annual demand of 2,755 new homes. Turnover of existing owner-occupied households will generate demand of 5,339 home transactions throughout Oklahoma County. Turnover of existing rental households will generate demand for 7,147 new homes. The total projected demand for new homes is 9,902 countywide.

Across all income categories, our projection shows that Midwest City has the potential to capture over 220 new buyers annually. Of which, there is demand for more than 50 homes valued above \$200,000. This can come in the form of smaller patio homes, townhomes, condo's and smaller custom homes, and integrated into a development that has a wide range of housing types to eliminate large developments with isolated housing types and values.

Estimated Annual Demand Potential For Purchase Residential									
Based on 2016 - 2021 County Demographic Trends									
Home Value	less than \$100,000	\$100,000 - \$150,000	\$150,000 - \$200,000	\$200,000 - \$250,000	\$250,000 - \$300,000	\$300,000 - \$400,000	\$400,000 - \$500,000	\$500,000 and above	
Qualifying Income	less than \$40,000	\$40,000 - \$65,000	\$65,000 - \$90,000	\$90,000 - \$110,000	\$110,000 - \$125,000	\$125,000 - \$150,000	\$150,000 - \$200,000	\$200,000	Total
2016 Total Households ₁	311,617								
2021 Total Households ₁	337,621								
Avg. Annual Household Growth	5,201								
New Household Growth									
Total Annual New Households ₁	5,201	5,201	5,201	5,201	5,201	5,201	5,201	5,201	5,201
% Income Qualified	34%	19%	13%	7%	3%	3%	4%	4%	87%
# Income Qualified	1,768	988	676	364	156	156	208	208	4,525
Owner Propensity	43%	59%	69%	85%	81%	80%	94%	91%	61%
Qualified New Households	760	583	467	309	126	125	196	189	2,755

Sources: ESRI₁
 US Census American Community Survey₂
 US Census American Housing Survey₃
 US Census Building Permits Survey₄

Home Value	less than \$100,000	\$100,000 \$150,000	\$150,000 \$200,000	\$200,000 \$250,000	\$250,000 \$300,000	\$300,000 \$400,000	\$400,000 \$500,000	\$500,000 and above	
Existing Owner Household									
Total Households ₁	311,617	311,617	311,617	311,617	311,617	311,617	311,617	311,617	311,617
% Income Qualified ₂	34%	19%	13%	7%	3%	3%	4%	4%	87%
Owner Propensity ₂	43%	59%	69%	85%	81%	80%	94%	91%	53%
Total Owner Households	45,558	34,932	27,952	18,541	7,572	7,479	11,717	11,343	165,095
Annual Turnover Rate ₂	7%	5%	6%	5%	14%	4%	17%	6%	7%
Qualified Owners in Turnover	3189	1747	1677	927	1060	299	1992	681	11572
Estimated % Rent vs. Purchase ₃	18%	28%	42%	51%	65%	95%	78%	84%	46%
Estimated Owners in Turnover that Rent	574	489	704	473	689	284	1,554	572	5,339
Existing Renter Households									
Total Households ₁	311,617	311,617	311,617	311,617	311,617	311,617	311,617	311,617	311,617
% Income Qualified ₂	34%	19%	13%	7%	3%	3%	4%	4%	87%
Renter Propensity ₂	54%	39%	30%	15%	17%	20%	5%	9%	32%
Total Renter Households	57,213	23,091	12,153	3,272	1,589	1,870	623	1,122	100,933
Annual Turnover Rate ₂	38%	34%	33%	18%	43%	46%	24%	32%	36%
Qualified Renters in Turnover	21,741	7,851	4,011	589	683	860	150	359	36,243
Estimated % Rent vs. Purchase ₃	9%	26%	40%	47%	57%	67%	58%	60%	20%
Estimated Renters in Turnover that Rent	1,957	2,041	1,604	277	390	576	87	215	7,147
Income Qualified Households									
Total Potential Demand	3,291	3,113	2,775	1,059	1,205	985	1,836	976	15,241
Percent New Renters ₃	83%	84%	75%	55%	43%	71%	15%	41%	65%
Total Potential Demand for New Units	2,717	2,624	2,071	586	516	701	282	405	9,902
City Capture Rate_{3,4}									
City Capture Rate _{3,4}	2%	2%	2%	2%	2%	2%	2%	2%	2%

SMALL OFFICE DEMAND

Currently, there are 1,878 businesses employing over 23,260 workers throughout Midwest City. Of the existing business, there are 706 firms that reside in small office spaces, and employee 5,902 of the existing workforce. These businesses occupy approximately 590,200 square feet, 71%, of the existing office space.

Absorption of Class A & B office space has averaged 1,447 square feet per year over the last five years. Based on these trends, there is likely to be positive absorption of 1,030 square feet of small office space annually. A well-planned development at the subject site with access to retail and restaurants may capture 258 square feet of new office demand.

Additionally, the site may capture turnover from existing office space. Approximately 29,510 square feet, 5% of existing office inventory, turn over annually due to business relocations. Assuming the subject site captures 15% of turnovers, the site may capture an additional 3,800 square feet of space annually.

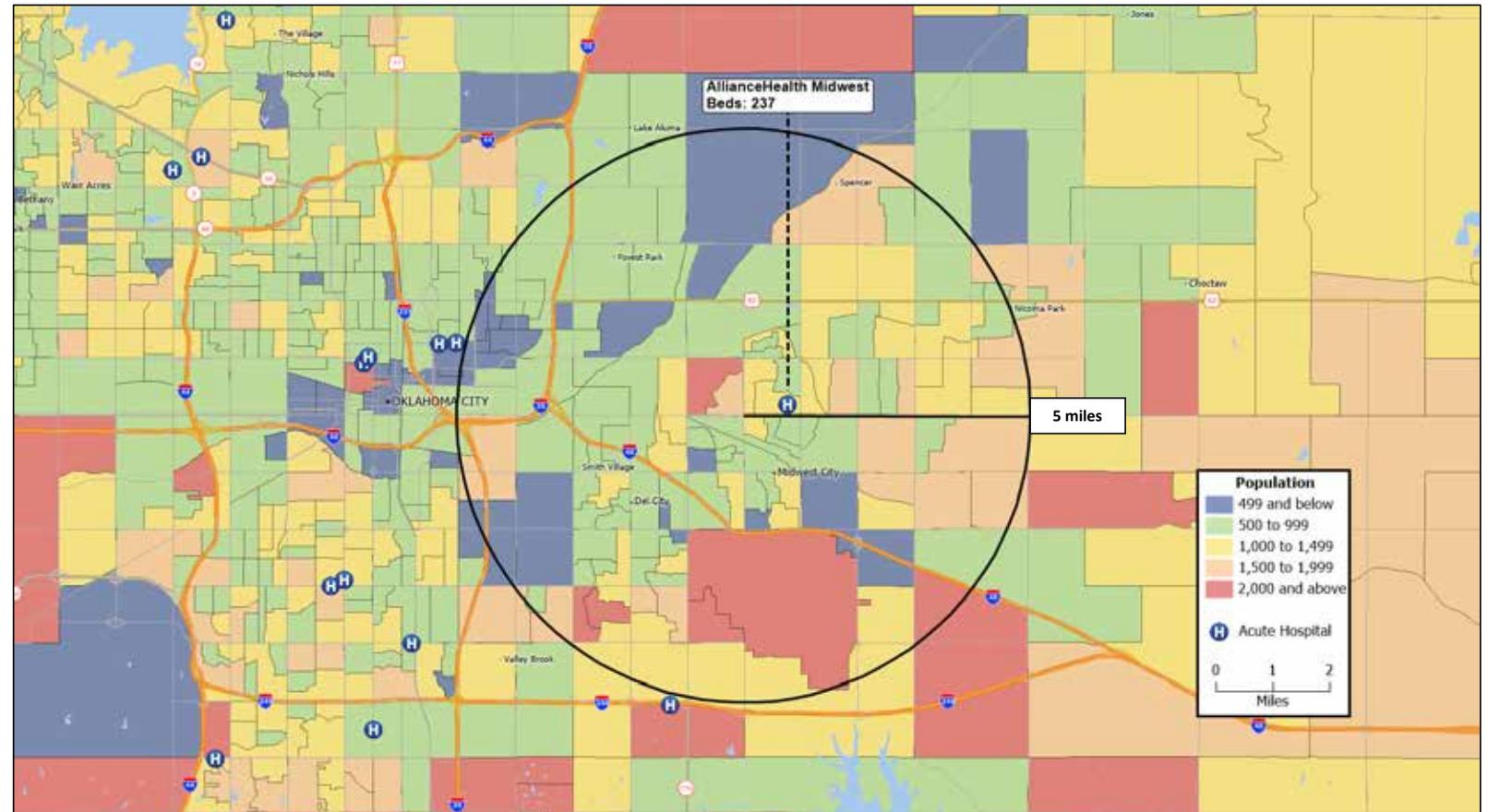
Small Office Demand Analysis - Midwest City			
	Firms	Employees	Employees/Firm
Finance & Insurance	206	826	4
Real Estate	132	982	7
Professional, Scientific & Tech Services	97	687	7
Legal Services	28	138	
Health Services	238	3,053	13
Arts & Entertainment	21	216	10
Total	722	5,902	8
Avg. SF per Employee	100		
Total Small Office SF	590,200		
Total Office SF	828,964		
Small Office Portion of Office Space	71%		
Avg. Submarket Class A + B SF Absorption	1,447		
Potential Small Office Class A +B SF Absorption	1,030		
Estimated Subject Site Capture Rt.	5%		
Potential Capture SF from Absorption	52		
Potential Turnover	5%		
Potential Turnover SF	29,510		
Avg. Vacancy Rate	15%		
Total Occupancy from Turnover	25,069		
Estimated City Capture Rt.	15%		
Potential Capture SF from Turnover	3,760		
Total Potential SF	3,812		
Source: ESRI, Xceligent			

MEDICAL DEMAND

AllianceHealth Midwest, located in Midwest City on the eastern edge of Oklahoma County, provides comprehensive medical care from diagnosis to treatment for a full range of illnesses, injuries, and disorders. With nearly 300 primary care specialty physicians on the medical staff, services are provided through hospital divisions such as the Oklahoma Regional Heart Pavilion, Midwest Mental Health, Midwest Rehab/Sports Medicine, Diagnostic Imaging Center and Renaissance Women's Center of Midwest City. The facility is a 255-bed acute care facility with over 1,400 employees. There were over 13,600 admitted patients in 2001 and over 46,000 emergency room visitors.

MARKET ACUTE CARE HOSPITALS

The following map represents the Midwest City market area and displays current population by census block group as well as the location of nearby Acute Care hospitals.



MEDICAL DEMAND

To understand the characteristics of the local medical service area, a census of acute care facilities were located, in and around Midwest City. For the purpose of this analysis, a five-mile service area was established as the primary service area for Midwest City.

Hospital Name	Health System	Distance (Miles)	Beds	Address	City	State	ZIP	Gross Revenue	Discharges	Patient Days
AllianceHealth Midwest	Community Health Systems	0.8	237	2825 Parklawn Drive	Midwest City	OK	73110	\$1,172,347,147.00	8,977	39,838
Oklahoma Heart Hospital South		5.2	46	5200 East I-240 Service Road	Oklahoma City	OK	73135	\$499,646,509.00	4,442	17,319
Oklahoma University Medical Center	HCA	5.2	705	700 North East 13th Street	Oklahoma City	OK	73104	\$4,538,951,519.00	34,575	212,075
Oklahoma City VA Medical Center	Department of Veterans Affairs	5.5	0	921 Northeast 13th Street	Oklahoma City	OK	73104	\$0.00	0	0
Saint Anthony Hospital	SSM Health Care	6.7	545	1000 North Lee Avenue	Oklahoma City	OK	73102	\$1,630,745,338.00	17,642	103,050
Bone & Joint Hospital at St. Anothony	SSM Health Care	6.7	33	1111 North Dewey Avenue	Oklahoma City	OK	73103	\$90,201,994.00	1,461	3,743
Surgical Hospital Of Oklahoma		7	12	100 Southeast 59th Street	Oklahoma City	OK	73129	\$70,731,697.00	160	345
INTEGRIS Southwest Medical Center	INTEGRIS Health	7.6	336	4401 South Western Avenue	Oklahoma City	OK	73109	\$1,095,232,839.00	9,852	50,411
One Core Health Orthopedic Hospital		7.8	8	1044 Southwest 44th Street	Oklahoma City	OK	73109	\$68,343,165.00	225	557
Southwest Orthopaedic and Reconstructive Specialists		8.5	14	8100 South Walker Avenue	Oklahoma City	OK	73139	\$204,174,500.00	750	1,760
INTEGRIS Baptist Medical Center	INTEGRIS Health	10.5	542	3300 Northwest Expressway	Oklahoma City	OK	73112	\$2,804,403,069.00	21,395	123,404
AllianceHealth Deaconess	Community Health Systems	10.9	231	5501 North Portland Avenue	Oklahoma City	OK	73112	\$655,640,482.00	5,136	24,192
Community Hospital of Oklahoma		11	49	3100 Southwest 89th Street	Oklahoma City	OK	73159	\$410,798,317.00	1,778	5,400
Northwest Surgery Hospital		11.4	9	9204 North May Avenue	Oklahoma City	OK	73120	\$75,964,391.00	388	773

The Department of Veterans Affairs does not release operations data.

MARKET SHARE ANALYSIS

AllianceHealth Midwest and Saint Anthony Hospital currently service over 50% of the market share for the Midwest City primary service area.

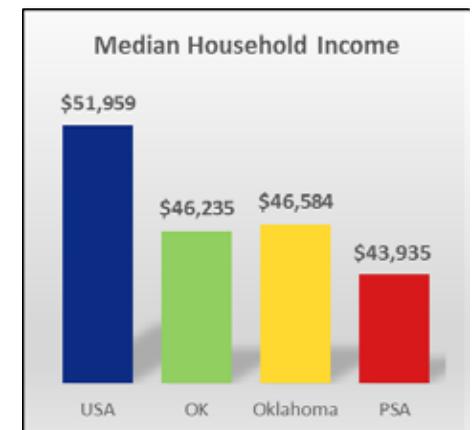
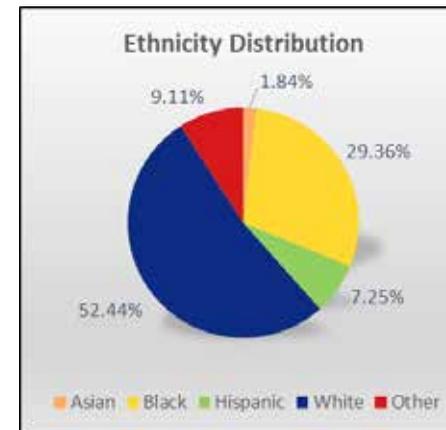
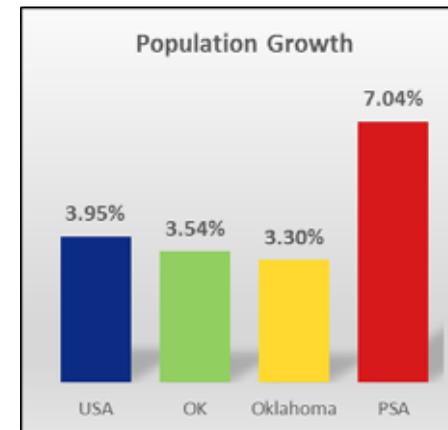
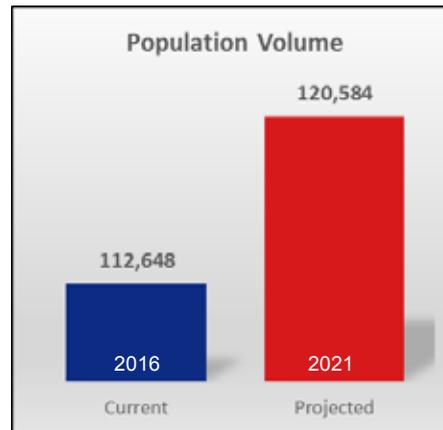
Hospitals	Market Cases	Market Share
AllianceHealth Midwest	2,359	29.64%
Saint Anthony Hospital	1,881	23.64%
Oklahoma University Medical Center	1,120	14.07%
INTEGRIS Southwest Medical Center	727	9.14%
Oklahoma Heart Hospital South	606	7.61%
INTEGRIS Baptist Medical Center	570	7.16%
Mercy Hospital Oklahoma City	206	2.59%
Norman Regional Hospital	107	1.34%
AllianceHealth Deaconess	100	1.26%
Valir Rehabilitation Hospital	84	1.06%
McBride Clinic Orthopedic Hospital	74	0.93%
Curahealth - Oklahoma City	45	0.57%
Midwest City Specialty Hospital	35	0.44%
Oklahoma Heart Hospital North	31	0.39%
Select Specialty Hospital - Oklahoma City	13	0.16%

SERVICE AREA BENCHMARKS

As part of this analysis, service area benchmarks were established to understand how regional growth trends will affect the future market needs for the Midwest City primary service area. Over the next five years, the population increase within the service area is anticipated to exceed 7.04%. Currently the population volume is 112,648 patients, this is anticipated to increase to over 130,584. As the population volume increases, the primary facilities will have to develop capacity for the additional volume. This also creates demand for new facilities which might be able to be integrated into Heritage Park Mall redevelopment plans.

SERVICE AREA BENCHMARKS

The Midwest City market area in a benchmark analysis shows the following characteristics in comparison to the U.S., state of Oklahoma, and Oklahoma County. "Current" indicates 2016 and "Projected" indicates 2021.



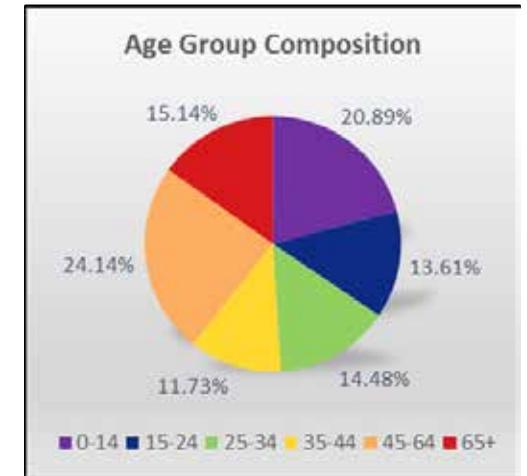
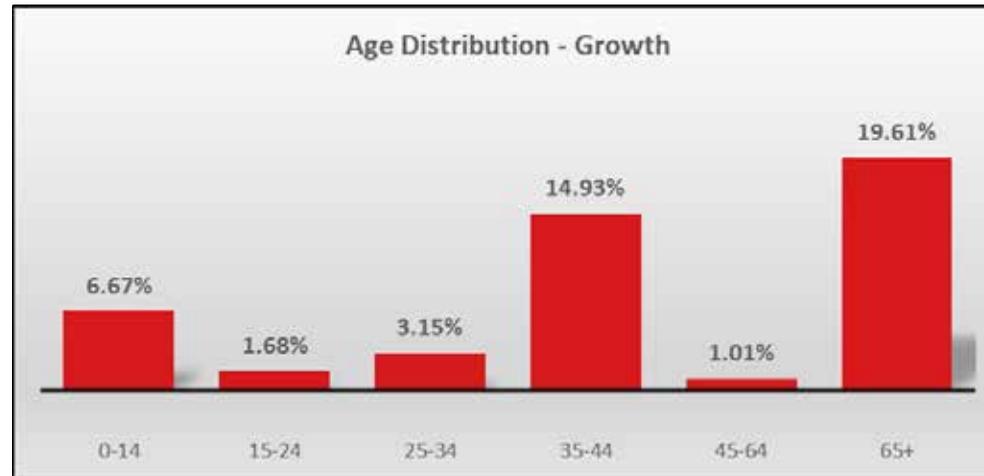
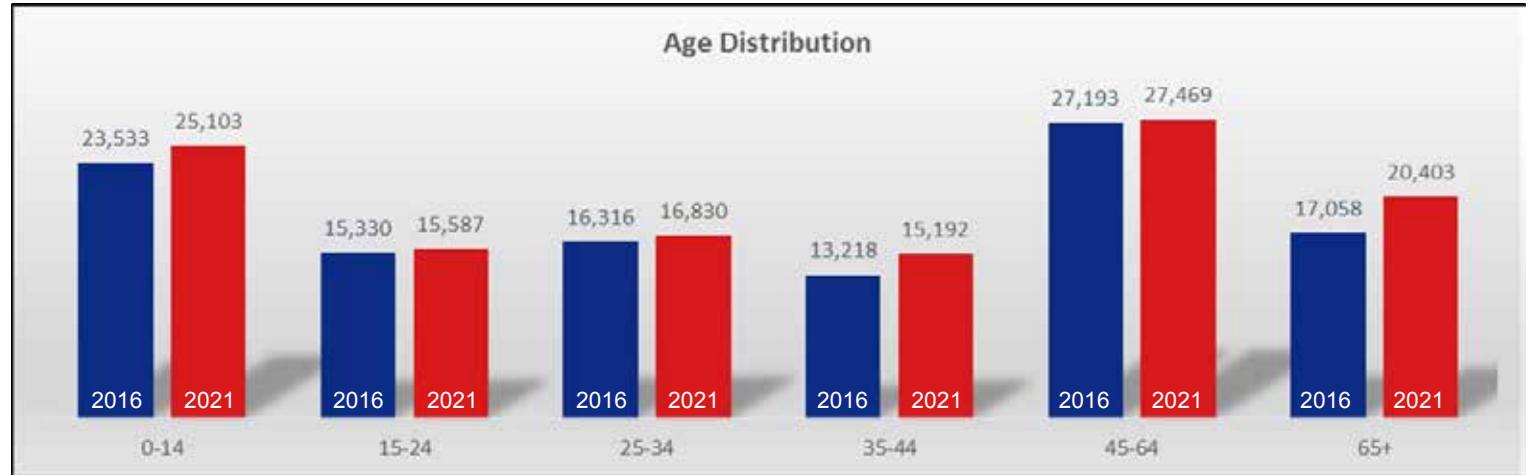
POPULATION CHARACTERISTICS

Over the next five years the greatest cohort increase will be seniors (65+) at over 19.61% growth rate. Seniors only represent 15.14% of the population base today. Seniors have the greatest percentage of health issues such as, obesity, hypertension, and personal care assistance. Seniors have a greater need for long-term care services such as adult day services, home health, assisting living, memory care and nursing home communities.

The second highest increase is anticipated to occur within the 35-44 year olds, at 14.93%. This group only represents 11.73% of the population today.

GENERAL POPULATION CHARACTERISTICS

The graphs below represent the age distribution of the patients in the Midwest City market area.

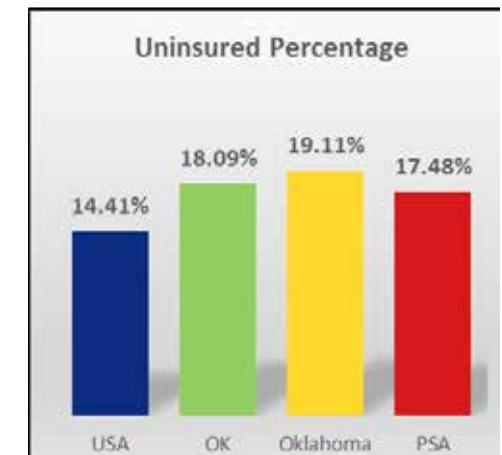
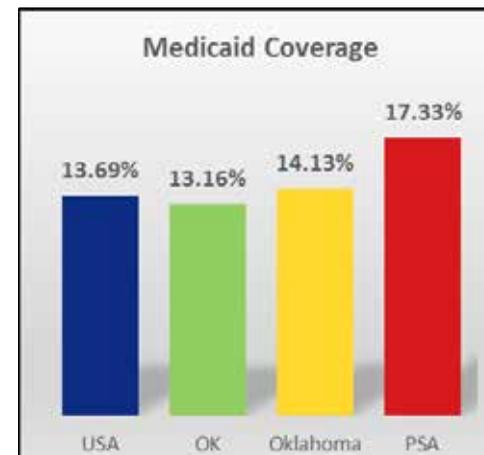
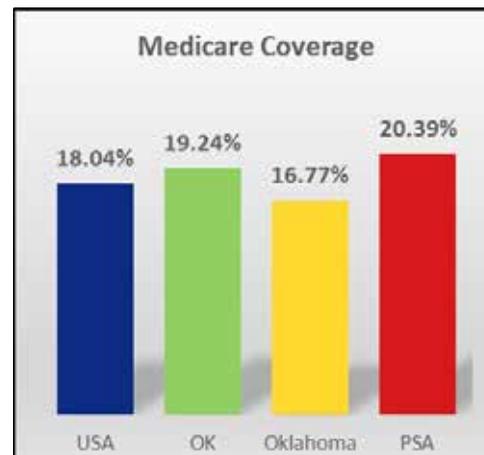
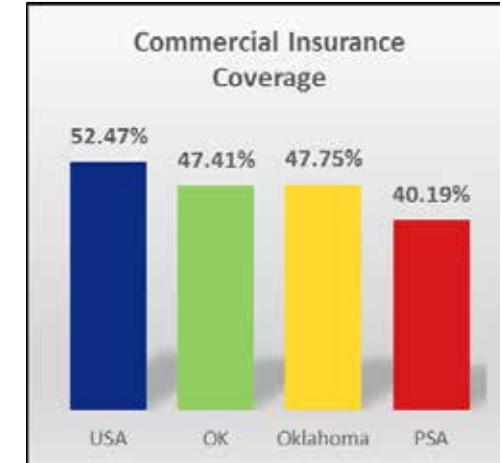
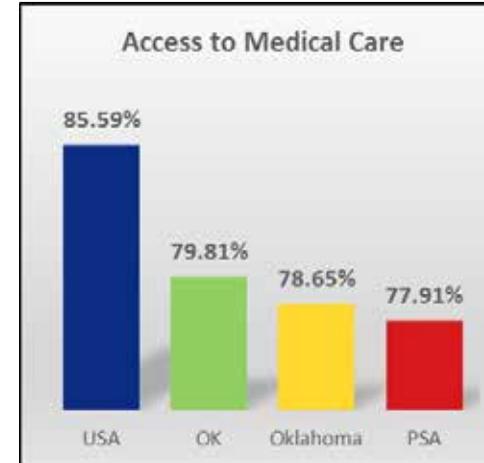
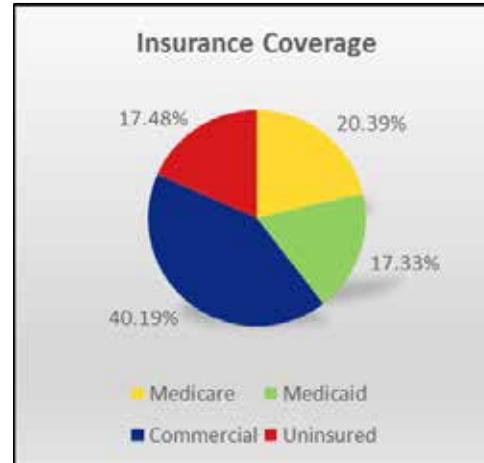


INSURANCE COVERAGE

Insurance coverage is a major contributing factor to healthcare utilization. The percentage of uninsured will affect the propensity for healthcare. There has been substantial research showing that people who cannot afford health care services, either private pay, or social health insurance (such as Medicare), or public programs such as Medicaid, or other means (enlisted military), may not receive needed services. Over 80% of the primary service area has insurance coverage, and 50% of this group has commercial insurance, which is attractive to specialty services and independent providers.

INSURANCE COVERAGE

The following graphs represent the percentage of the population with various insurance coverage types in comparison to the U.S., State of Oklahoma, and Oklahoma County.

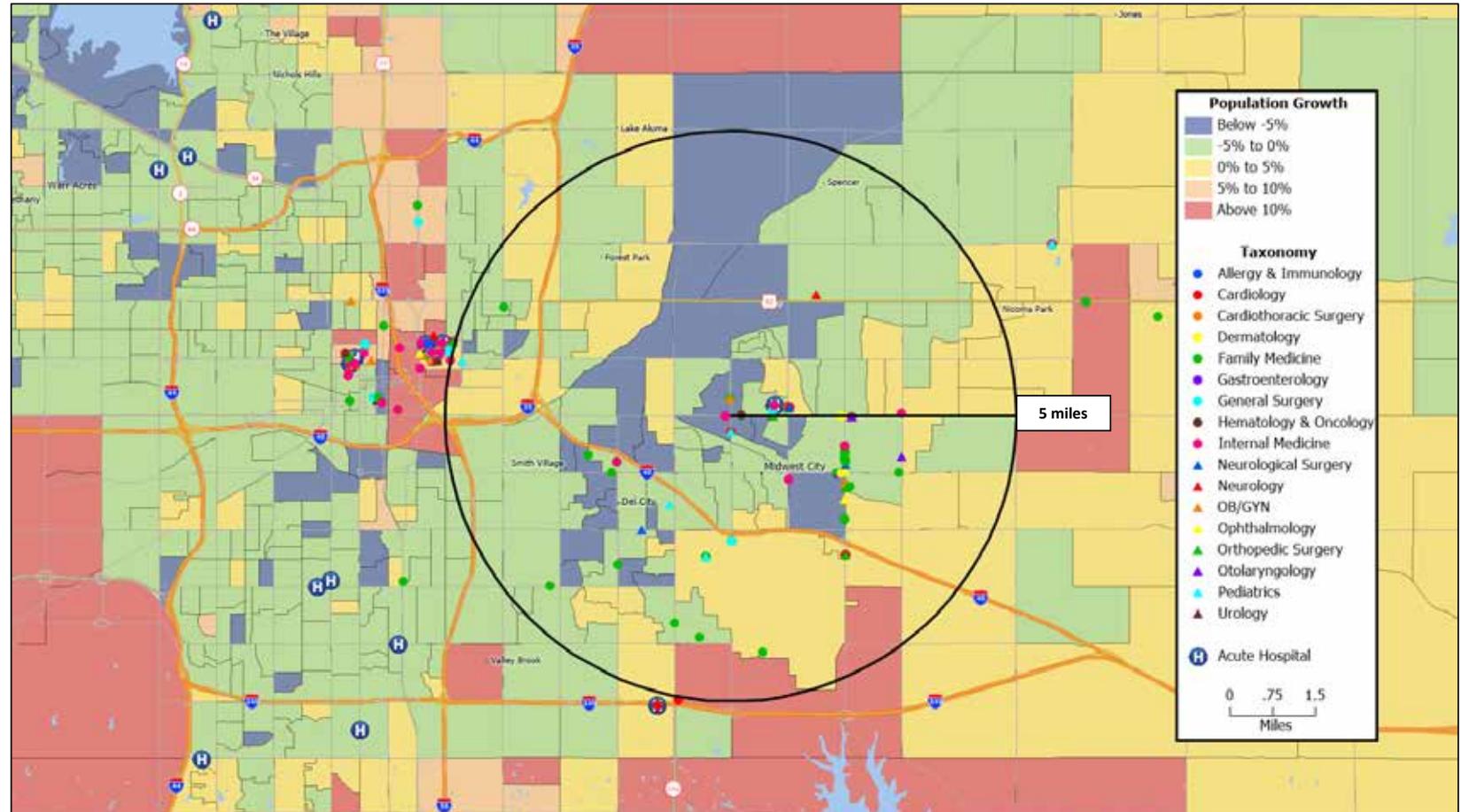


MEDICAL DEMAND

As part of this analysis, a census of existing physicians was conducted by type to identify the existing supply of services against the projected demand of patient volume.

PHYSICIAN LAYOUT

The following map displays the Midwest City market area, projected population growth (2016-2021) by census block group, and the location of market physicians.



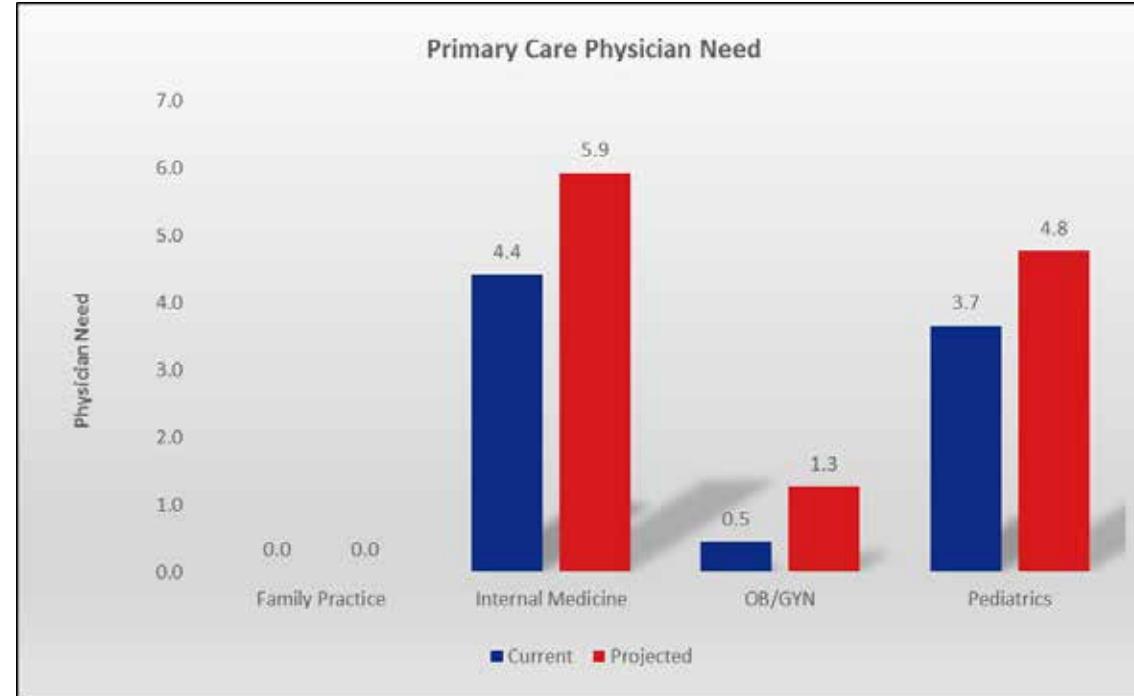
The information provided herein is deemed reliable and is subject to errors, omissions, change of terms and/or conditions.

PHYSICIAN DEMAND

The dominant need within the Midwest City primary service area is for internal medicine, ob/gyn, and pediatric services. The adjacent chart reflects the current physician demand and projected physician demand by specialty.

PHYSICIAN NEED – PRIMARY CARE

The graph below shows the need for additional primary care physicians in the Midwest City market area. This need is based on the patient demand for services and the capacity of each physician specialty.



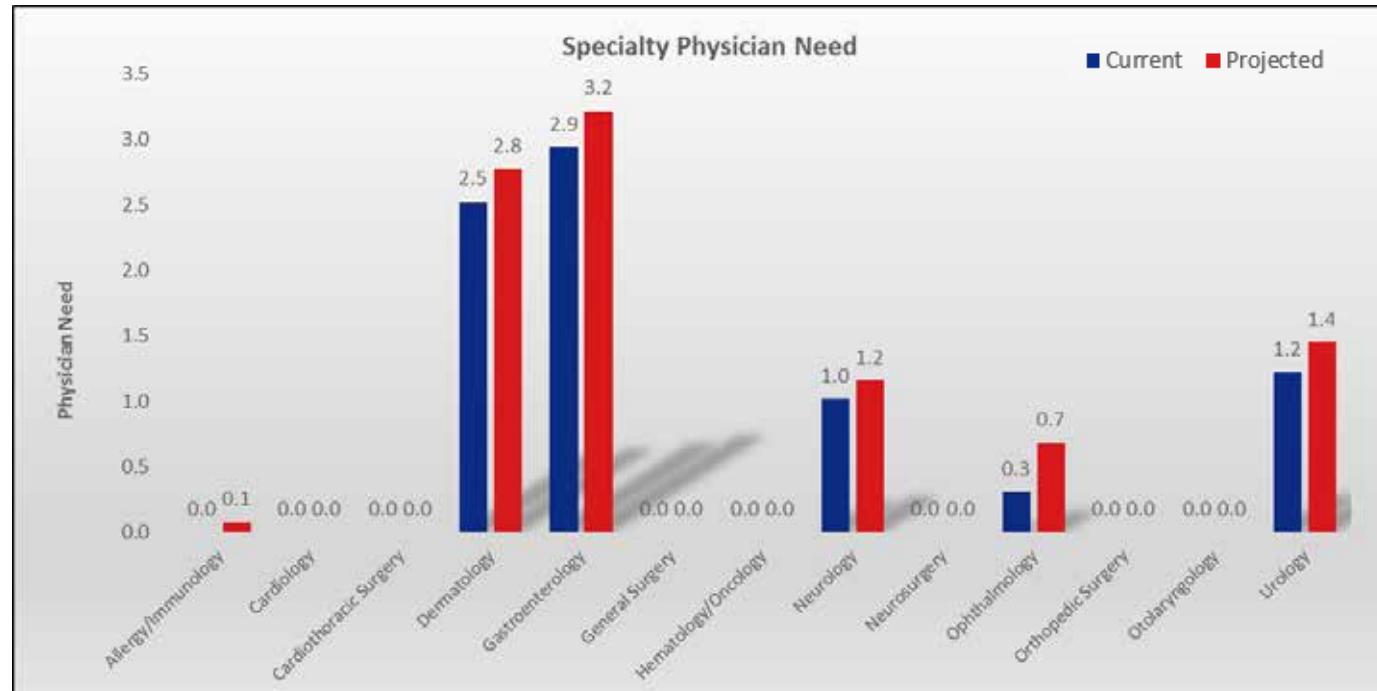
MEDICAL DEMAND

The Physician Needs Analysis reflects the greatest patient demand for:

1. dermatology
2. gastroenterology
3. neurology
4. ophthalmology, and
5. urology.

PHYSICIAN NEED – SPECIALTY PHYSICIANS

The graph below shows the need for additional specialty physicians in the Midwest City market area. This need is based on the patient demand for services and the capacity of each physician specialty.



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4. Community Input

Community Input

OWNERSHIP INPUT

Catalyst met with Sears representatives on September 26, 2016 at Sears Holdings Corporation offices in Hoffman Estates, IL. This meeting included Sue Walker of Catalyst Commercial, Jason Claunch, President of Catalyst Commercial and Sherry Devoe, real estate strategist for Sears. Sears did not indicate any short-term plans for the location in Midwest City. They outlined that a typical process, if we had any interest, would be to submit any preferred terms in writing, they would review with the Sears real estate department and would reply if they had any interest. They indicated that the Midwest City Sears was profitable and was owned by Sears Holdings Corporate and not the REIT that purchased a number of non-performing locations.

Catalyst met with LifeChurch on October 27, 2016. The church indicated that they have close to \$10m in the upgraded facility, including land costs. The church currently uses the facility for church services and distribution/warehouse to support the other church locations. The church would consider exploring various scenarios if it supported the community needs, but did not have any plans to close or relocate. They would consider making additional investments in the site if it promoted the community.

Catalyst toured the mall with city staff and Ahmad Bahreini on October 27, 2016. Mr. Bahreini indicated he purchased the mall as an investment and continues to market and maintain the mall. He has engaged a local development partner and engineer to explore potential redevelopment scenarios. One option would be to create storefront/exterior entrances on the Reno side to lease to traditional in-line tenants to bring in revenue and activate the mall as he sources anchors for the remainder of the space.



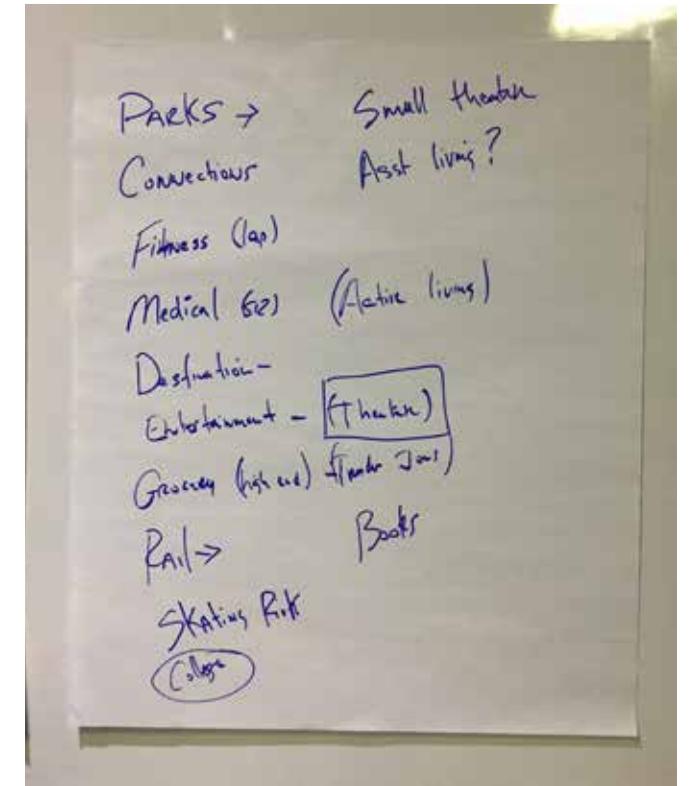
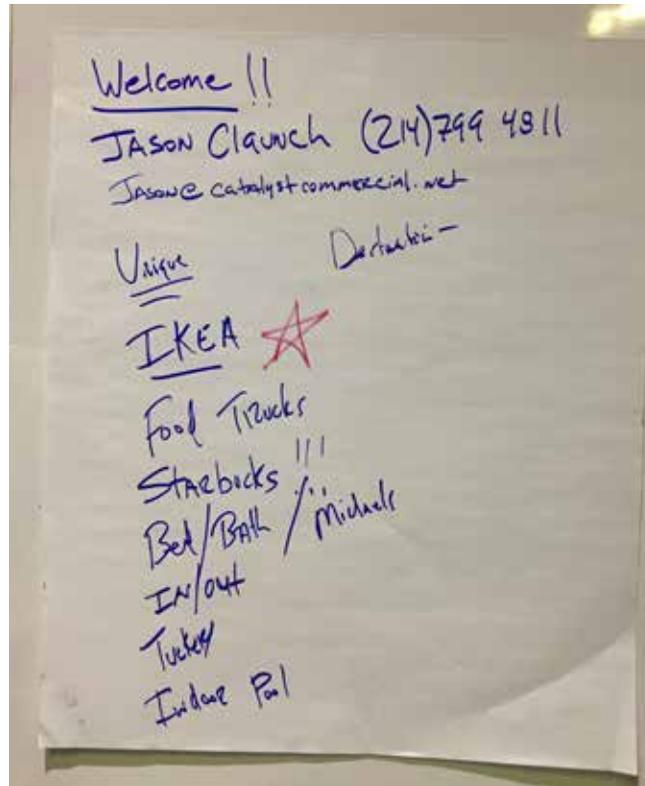
COMMUNITY WORKSHOP

On February 6, 2017, Catalyst hosted a community-wide workshop to discuss community desires and needs for Heritage Park Mall. This event was attended by over 75 local leaders, city staff, citizens and business owners. In addition, representatives from LifeChurch, Sears and the mall attended the workshop. The following are key topics that came from the attendees:

1. The community desires unique, destination-oriented uses to replace the vacant mall.
2. There is a need for additional open-space/parks in Midwest City and this location could provide some sort of community gathering place.
3. The city needs places for young families. The mall could be developed with families in mind such as a skating rink, entertainment center, small theater.
4. The city needs additional specialty grocers, such as Trade Joes, like the one at Nichols Hills.
5. The site could accommodate medical to serve the older population in Midwest City.
6. The redevelopment plans should consider the potential rail connection being planned south.
7. The mall could be redeveloped for senior housing, memory care or assisted living.
8. The development strategy could include active living, such as an indoor pool, recreating center, or fitness.
9. Food trucks would be a great use to serve the neighborhood and provide different food options for area residents and cater to after church guests.
10. The area needs a bookstore.
11. There needs to be more nightlife in Midwest City. A bar could provide after dinner entertainment or a place to gather after movies.
12. The site would be a great use for additional retail such as Bed Bath and Michaels which offer high quality goods and value oriented pricing.
13. We need more local restaurants.

14. We need a major anchor, such as Ikea, to replace the vacant tenants.

15. To access the mall currently, you have to drive. There needs to be better connectivity from the adjacent neighborhood.



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5. Case Studies

Red Bird Mall - Dallas, Texas

Site Details: 120 Acres

Cost: +/- \$20M

Scope/Services: Redevelopment

CHALLENGE

DeBartolo Development expanded its activity in the Dallas area and opened Red Bird Mall in south Dallas in 1975. This was another mall developed around the existing Sears store. Eventually a Dillard's was added and more recently a Macy's.

In 1996 -97 the owners did a major remodel and made a name change to Southwest Center Mall. However the name change was more confusing than helpful as most local people still called it Red Bird. In 1998 an \$18M food court was added. Over the years, there was a fracture in ownership. The Dillard's added 50K to their footprint.

OUTCOME

In 2015 a local Dallas investor named Peter Brodsky (HBC Investments) acquired the majority of the mall. Construction plans to develop a Marriott Courtyard, tech incubator, new office, green space, and upscale apartments are expected to take off in 2018. Ownership is negotiating with Macy's to purchase their building as well. By converting the mall to a mixed-use development where people also live and work, Brodsky said, it can be successful.



Valley View Mall - Dallas, Texas

Site Details: 450 Acres

Cost: \$4B

Scope/Services: Redevelopment

CHALLENGE

Valley View mall resides in North Dallas along I-635 & Preston Road, just east of the Galleria and Dallas North Tollway.

Until 2012, Valley View housed anchors such as Sears, Dillard's, Foley's, Macy's, and Sanger-Harris. There is an AMC Theater that opened in 2004, and still operates within the mall. In 2012 the mall was purchased by Beck Ventures out of bankruptcy.

OUTCOME

Beck Ventures is the master developer of what will be called Dallas Midtown Redevelopment. They have spent the past several years designing and planning a \$4 billion development with a 450 acre redevelopment zone.

Plan highlights include:

- Hike and bike trails connecting to White Rock Lake
- Outdoor shopping
- Restaurants & entertainment
- AMC Theater 10 screen
- Office towers
- Upscale residential units
- 2 high-end hotels
- Interactive water feature

The City of Dallas is allocating approximately \$36M in TIF funds for the project and construction is expected to be completed in 2019.



City of Dallas



Richardson Square - Richardson, Texas

Site Details:

Cost:

Scope/Services: Redevelopment

CHALLENGE

In 1977 the DeBartolo Development company developed Richardson Square Mall, anchored by a Montgomery Wards and an existing Sears store.

The 850,000 SF Richardson Square Mall featured the following:

- Dillard's (former Joske's)
- General Cinema Theater (became a Barnes & Noble 1998)
- Montgomery Wards (became 175,000 SF Super Target in 2002)
- Oshman's Sporting Goods
- Old Navy
- SteinMart
- 80+ non-anchor tenants
- Sears (130,000 SF) stand alone before the mall

The major tenants at Richardson Square were pulled out and between 2004-2007 the mall portion between Sears and Target were demolished. Fortunately both Sears and Target own their sites, while Simon retained the property between the two.

OUTCOME

The City of Richardson provided a 10 yr 50% sales tax rebate to Target which expired in 2012. No other incentives are currently involved in Richardson Square.

At 370,000 SF Richardson Square is about half the size of the original mall (includes Target which was part of the former mall, but not Sears) and the other tenants: Lowe's Home Improvement (150,000 SF), Shoe Carnival (11,000 SF), Ross Dress for Less (35,000 SF).

Total taxable value* Sears (\$7.6M), Target (\$12.9M) and the 3 tenants in the Simon-owned portion (\$19.9M).



Villa Italia Mall - Lakewood, Colorado

Site Details: 104 Acres

Cost: \$750M

Scope/Services: Redevelopment

CHALLENGE

Villa Italia Mall was constructed in the 1960's, and occupied over 100 acres of land, with 1.4M square feet of retail. A gradual decline in the economy, and lack of upkeep forced the mall to close its doors for good in 2001. The mall and land were owned by separate individuals, and the soil beneath the mall was contaminated with chemicals.

OUTCOME

Continuum Partners bought the property in 2002, and began demolition of the mall shortly after. They were able to acquire \$2M in loans from the Environmental Protection Agency to clean the soil.

The land was broken into 22 city blocks to create a pedestrian-friendly downtown district called Belmar.

Belmar includes:

- Open air mall containing 900,000 square feet of retail
- 269,000 square feet of office space
- Restaurants & entertainment
- Public arts program
- 1,300 single-family homes
- Townhomes, condominiums, and upscale apartment homes

The development boasts over 8,000 solar panels on top of the parking garages, powering the lights in the parking stalls of the garage. The development generates roughly \$17M annually in tax revenue, which is four times more than the original mall.



Landmark Mall - Alexandria, Virginia

Site Details: 11.4 Acres

Cost: N/A

Scope/Services: Redevelopment

CHALLENGE

Landmark Mall originated as an open-air mall in 1965. In 1990 it was converted into an enclosed mall, while in 2006, owner General Growth announced plans to convert the mall back to its original open-air concept. In 2009, the mall was purchased by the Howard Hughes Corporation.

OUTCOME

The current proposal submitted by the Howard Hughes Corporation would result in the demolition of the central area of the mall and replace it with mixed-use residential and retail. This scenario would result in roughly 400 apartments, and 300,000 square feet of retail and restaurants, and a 10-screen movie theater being created.

The Howard Hughes Corporation is engaged with the City of Alexandria in negotiations for an incentive package likely in the form of tax increment financing (TIF).³



6. Potential Scenarios

Existing Conditions

LOCATION

Heritage Park Mall is located on the northwest corner of Reno and Air Depot. The main entrance is off Reno with side entrances on Air Depot and rear entrance on Meadow Lane. Air Depot is a four-lane divided thoroughfare with a landscaped median and a posted speed of 40 mph

Reno is a four-lane divided thoroughfare with a posted speed of 40 mph. There is a signal at Bell Drive, which serves as the main entrance to the mall.

The adjacent neighborhood to the north is well maintained and consists of homes with a median price per square foot of \$73. The median price of homes currently in this area is \$91,900. The median rent price in is \$750.

ADJACENT USES

The site is across from Town and Country Plaza, a 128,231 square foot retail center anchored by Ace Hardware, Aaron's, CitiTrends and Big Lots. Immediately south of the site is Goodwill. Most of the uses along Reno Avenue, near the site, are discount retailers and fast-food restaurants.

MALL CONDITIONS

Upon physical review, the site is generally flat with some drainage which connects into a regional system along Meadow Lane. The exterior of the building is in good condition. There have been some reported issues with the roof, electrical and mechanical system of the main mall area. Note: This analysis did not include an inspection of the mechanical, civil, legal or architectural standards. The parking lot in front of LifeChurch has been maintained. The remainder of the mall is starting to show cracks and signs of wear.

Along Reno Avenue there is a closed Whataburger and Becker's Auto Repair shop operating on the hard corner of Air Depot and Reno Avenue. According to the owner of the mall, there are plans to renovate the Whataburger for a fast food user. There are no known plans for the Becker Auto Repair facility.



Scenario 1



SUMMARY

This scenario shows the Life Church and Sears remaining, but reflects demising the main mall core and redeveloping the core into sub anchor/junior anchor spaces and creating additional pad sites along Reno Avenue to activate the frontage. This scenario also shows integrating a “main” street from Reno Avenue, aligning with the existing mall entrance, north to a proposed fitness (YMCA) use along the northern portion of the mall site.

NEXT STEPS

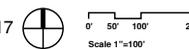
- Explore REA/OEA and PBA to explore any conflicts with Scenario 1 on existing agreements.
- Explore TIF with city to allow for funding of site improvements and amenities.
- Coordinate with LifeChurch and Sears on landscaping and facade improvements for continuity.



HERITAGE PARK MALL
MIDWEST CITY OKLAHOMA

OPTION 1

FEBRUARY 17, 2017



Scenario 2



SUMMARY

This scenario shows the Life Church and Sears remaining, but reflects demising the main mall core and redeveloping the core into a “common green.” This scenario also considers additional pad sites along Reno Avenue to activate the frontage. This scenario shows mixed-residential around the northern section of the existing mall property and connecting the existing neighborhood to the mall and allowing access to commercial services, the church and the park without having to drive. This scenario also includes food trucks along the park frontage to encourage continuous evolution of experiences in a mobile, low-cost format to activate the open space.

NEXT STEPS

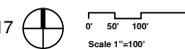
- Revise OEA/REA to allow for redevelopment plans.
- Explore TIF with city to allow for funding of site improvements and amenities.
- Coordinate with LifeChurch and Sears on landscaping and facade improvements for continuity.



HERITAGE PARK MALL
MIDWEST CITY OKLAHOMA

OPTION 2

FEBRUARY 17, 2017



Scenario 3



SUMMARY

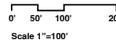
This scenario shows the Life Church and Sears redeveloped into an entertainment/fitness use. This plan reflects demising the main mall core and redeveloping the core into a “common green.” This scenario also considers additional pad sites along Reno Avenue to activate the frontage. This scenario shows mixed-residential around the northern section of the existing mall property and connecting the existing neighborhood to the mall and allowing access to commercial services, the church and the park without having to drive. This scenario also includes food trucks along the park frontage to encourage continuous evolution of experiences in a mobile, low-cost format to activate the open space.

NEXT STEPS

- Revise OEA/REA to allow for redevelopment plans.
- Explore TIF with city to allow for funding of site improvements and amenities.
- Coordinate with LifeChurch on landscaping and facade improvements for continuity.
- Requires acquisition of Sears



HERITAGE PARK MALL
MIDWEST CITY OKLAHOMA

FEBRUARY 17, 2017  

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6. Fiscal Summary

Fiscal Comparison

	Existing	Scenario 1	Scenario 2	Scenario 3
Project Value				
Sears	\$ 2,962,519	\$ 2,962,519	\$ 2,962,519	\$ 17,132,640
Heritage Park Mall	\$ 1,203,710	\$ 27,000,000	\$ -	\$ -
Montgomery Ward	\$ 798,360	\$ 4,050,000	\$ -	\$ -
Life Church	\$ -	\$ -	\$ -	\$ -
Pelican Rest	\$ 448,494	\$ 448,494	\$ 448,494	\$ 448,494
Vacant Whataburger	\$ 227,500	\$ 227,500	\$ 227,500	\$ 227,500
Office/Employment	\$ -	\$ -	\$ -	\$ -
Outlots	\$ -	\$ 22,375,000	\$ 22,375,000	\$ 22,375,000
Residential (Rental)	\$ -	\$ -	\$ 21,250,000	\$ 21,250,000
Residential (For Sale)	\$ -	\$ -	\$ 8,470,000	\$ 8,470,000
Estimated Value	\$ 5,640,583	\$ 57,063,513	\$ 55,733,513	\$ 69,903,634
Proposed Program				
Sears	142,772	142,772	142,772	142,772
Heritage Park Mall	304,601	225,000	-	-
Montgomery Wards	133,060	27,000	-	-
LifeChurch	101,282	101,282	101,282	101,282
Pelican	4,991	4,991	4,991	4,991
Whataburger pad	2,204	2,204	2,204	2,204
Office	-	-	-	-
<i>Outlot 1</i>	-	21,000	21,000	21,000
<i>Outlot 2</i>	-	58,000	58,000	58,000
<i>Outlot 3</i>	-	58,000	58,000	58,000
<i>Outlot 4</i>	-	21,000	21,000	21,000
<i>Outlot 5</i>	-	21,000	21,000	21,000
Single Family	-	-	77,000	77,000
Townhomes	-	-	153,000	153,000
Floor Area Ratio	0.3319	0.4150	0.3181	0.3181
Total Project Costs	N/a	\$ 54,100,994	\$ 46,050,994	\$ 63,183,634
Project Value	N/a	\$ 41,628,525	\$ 43,810,029	\$ 59,143,735
Project Margin/Gap	N/a	\$ (12,472,469)	\$ (2,240,965)	\$ (4,039,899)
Project Margin/Gap (%)		23%	5%	6%
Potential Public Incentives				
Land Acquisition/Writedown		0	\$ -	\$ -
Public Improvements		0	\$ -	\$ -
TIF Financing (Property Tax Only) <i>10 years 100%</i>		\$ 7,053,968	\$ 7,053,968	\$ 8,847,423
TIF Sales Tax Portion <i>10 years \$0.88</i>		\$ 10,811,955	\$ 5,094,705	\$ 7,174,463
Public Improvement District Reven <i>20 years Est. \$0.03</i>		\$ 3,423,811	\$ 3,344,011	\$ 4,194,218
BPP Reimbursement		\$ 1,079,369	\$ 520,450	\$ 520,450
Federal/State/Local Grants				
Accelerated Entitlements				
Total Contribution to Gap		\$ 22,369,103	\$ 16,013,134	\$ 20,736,555
Project Margin/Gap % after Contributions				

Existing	Scenario 1	Scenario 2	Scenario 3
Property Taxes	Property Taxes	Property Taxes	Property Taxes
Sales Tax	Sales Tax	Sales Tax	Sales Tax
Business Property Taxes	Business Property Taxes	Business Property Taxes	Business Property Taxes
Rate/\$1000			
\$ 115.06			
3.85%			
\$ 37,495	\$ 154,000	\$ 23,113.32	
\$ 15,235	\$ -	\$ -	
\$ 10,105	\$ -	\$ -	
\$ -	\$ -	\$ -	
\$ 5,676	\$ 25,025	\$ 2,240.69	
\$ 2,879	\$ -	\$ -	
\$ -	\$ -	\$ -	
\$ -	\$ -	\$ -	
\$ -	\$ -	\$ -	
\$ -	\$ -	\$ -	
\$ 71,391	\$ 179,025	\$ 25,354.02	
\$ 275,770			

The existing program produces approximately \$70,000/year in fiscal impact from property taxes and approximately \$275k/year including inventory and sales tax.

Scenario 2	Scenario 1	Scenario 2	Scenario 3
Property Taxes	Property Taxes	Property Taxes	Property Taxes
Sales Tax	Sales Tax	Sales Tax	Sales Tax
Business Property Taxes	Business Property Taxes	Business Property Taxes	Business Property Taxes
\$ 37,495	\$ 154,000	\$ 22,588	
\$ -	\$ -	\$ -	
\$ -	\$ -	\$ -	
\$ -	\$ -	\$ -	
\$ 5,676	\$ 25,025	\$ 790	
\$ 2,879	\$ 69,300	\$ 349	
\$ -	\$ -	\$ -	
\$ 283,191	\$ 2,067,450	\$ 28,319	
\$ 268,953	\$ -	\$ -	
\$ 107,201	\$ -	\$ -	
\$ 705,397	\$ 2,315,775	\$ 52,045	
\$ 3,073,217			

Scenario 2 would produce approximately \$700k/year in fiscal impact from property taxes and approximately \$3M/year including inventory and sales tax.

Scenario 1	Scenario 1	Scenario 2	Scenario 3
Property Taxes	Property Taxes	Property Taxes	Property Taxes
Sales Tax	Sales Tax	Sales Tax	Sales Tax
Business Property Taxes	Business Property Taxes	Business Property Taxes	Business Property Taxes
\$ 37,495	\$ 154,000	\$ 22,588	
\$ 341,728	\$ 2,598,750	\$ 35,597	
\$ 51,259	\$ -	\$ 4,272	
\$ -	\$ -	\$ 16,024	
\$ 5,676	\$ 25,025	\$ 790	
\$ 2,879	\$ 69,300	\$ 349	
\$ -	\$ -	\$ -	
\$ 283,191	\$ 2,067,450	\$ 28,319	
\$ -	\$ -	\$ -	
\$ -	\$ -	\$ -	
\$ 722,230	\$ 4,914,525	\$ 107,937	
\$ 5,744,692			

Scenario 1 would produce approximately \$722k/year in fiscal impact from property taxes and approximately \$5.7M/year including inventory and sales tax.

Scenario 3	Scenario 1	Scenario 2	Scenario 3
Property Taxes	Property Taxes	Property Taxes	Property Taxes
Sales Tax	Sales Tax	Sales Tax	Sales Tax
Business Property Taxes	Business Property Taxes	Business Property Taxes	Business Property Taxes
\$ 216,841	\$ 1,099,344	\$ 22,588	
\$ -	\$ -	\$ -	
\$ -	\$ -	\$ -	
\$ -	\$ -	\$ -	
\$ 5,676	\$ 25,025	\$ 790	
\$ 2,879	\$ 69,300	\$ 349	
\$ -	\$ -	\$ -	
\$ 283,191	\$ 2,067,450	\$ 28,319	
\$ 268,953	\$ -	\$ -	
\$ 107,201	\$ -	\$ -	
\$ 884,742	\$ 3,261,119	\$ 52,045	
\$ 4,145,862			

Scenario 3 would produce approximately \$884k/year in fiscal impact from property taxes and approximately \$4.1M/year including inventory and sales tax.

