

A Reprint from *Tierra Grande*



FOR VICTORY

By David S. Jones and Harold D. Hunt

DEVELOPMENT TRANSFORMS INDUSTRIAL WASTELAND



No piece of Texas real estate had been more abused. Asbestos, lead, arsenic and benzene polluted the ground and water only blocks from downtown Dallas. The 75-acre site was home to a 100-year-old city dump, a railroad maintenance yard, an aging power plant, cow pastures and abandoned grain silos.

Few believed anything worthwhile could be built on the buried layers of incinerated junk, which included the charred remains of everything from hospital bedpans to whiskey bottles.

But the doubters never counted on Ross Perot Jr., CEO of Hillwood Development Company. In ten years, Perot has spearheaded the nation's largest brownfield cleanup to date while creating an upscale, high-tech urban environment in the process.

Perot had many reasons to christen his new development "Victory."

From Wasteland to Winner

In the late 1990s, Perot was looking for his next big project when the site came to his attention. The location was what every real estate developer dreams about — 1.5 miles of frontage on I-35. But there was literally tons of bad news; the property was the state's largest brownfield. Some even called it an industrial wasteland. The challenges were formidable, expensive and politically charged.

The area had been a dumping ground for ash and cinder containing cancer-causing substances known as polynuclear aromatic hydrocarbons (PAHs). At the site of the former railroad maintenance yard, the cleanup team would discover petroleum contamination requiring excavations to 30 feet.

Victory Park developers moved 760,000 cubic yards of soil, about half of which had to be removed from the site. In all, 15 million gallons of polluted groundwater were cleaned up.

The remediation expenses were shared among several previous owners. Accountants had to keep a tally of every truckload of contaminated dirt hauled from the site — 15,000 in all. Still, when the dust settled, the cleanup's \$12 million price tag was considered dirt cheap for a development expected to cost \$3 billion when completed.

Years later, the EPA would cite Victory Park as "one of the greatest examples of urban remediation" and award the development its most prestigious honor, the Phoenix Award.

Wrangling the American Airlines Center

Perot and his Hillwood team had a vision — an urban district built from the ground up with a 20,000-seat indoor sports arena as its focal point. Because they did not own a local pro sports franchise, such as the Dallas Mavericks of the NBA or the NHL's Dallas Stars, they lacked leverage to move those teams from their home at the time, Reunion Arena.

Perot solved that problem by buying the Dallas Mavericks in 1996. A year later the location for the new sports arena was unveiled.

"Originally, several sites for the arena were considered," said Perot. "Locating at the south end of the toll road was important because 80 percent of season ticket holders at Reunion Arena lived within a mile of the Dallas North Tollway."

A 1998 tourist tax slated to raise \$125 million for the new arena passed by a mere 1,642 votes out of the 125,000 cast. Months later, the arena was officially named the American Airlines Center.

Another \$12.5 million, mostly from previously approved bond proposals, was spent by the city on street access to the arena. Developers invested \$25 million, to be reimbursed through tax increment finance (TIF), to construct the remaining roads and other public infrastructure. The City of Dallas hopes to capture a 48 percent profit and 11,000 new jobs from the deal.

The Center, which opened in July 2001, was built on land used for power-plant cooling ponds. The arena's parking lots are located where fuel storage tanks once leaked benzene into groundwater. When the Dallas Mavericks are home, it seats 20,000. When the Dallas Stars take the ice, the venue holds 18,532.

The arena's unique design presents a "front door" in four directions. The loading dock is invisible to the public.

"The arena is a \$420 million building," said Perot proudly. "It's the second highest-grossing arena in the United States. There are 220 events per year scheduled there, including many charity and not-for-profit events. It's a great community venue."

Real Estate, High-Tech Marriage

The Victory development has skillfully integrated Hillwood's real estate development expertise with Perot Systems' technological capabilities. The ambitious mixed-use project incorporated lessons learned from the 15,000-acre master-planned community of AllianceTexas. One such lesson was, when building from scratch, include infrastructure for both current and future technology.

"We put \$25 million into infrastructure," said Perot. "We built underground conduits throughout the site to handle future technology." As a result, the park provides state-of-the-art facilities for today's users and minimizes the need for forecasting infrastructure growth decades down the road.

Fiber optic cable is available in every Victory Park building. "Media hydrants" have been installed throughout the park to facilitate coverage of live events. Wi-Fi Internet access blankets the park as well.

Victory Plaza, the area between the American Airlines Center to the north and W Dallas Victory Hotel to the south, is home to 11 of the world's largest and most technologically sophisticated high-resolution LED screens attached to movable tracks. Surround sound and theatrical lighting capture concerts, games, movies and live events.

"Our vision was to create a Times Square atmosphere in Victory Plaza," said Perot. "Last New Year's Eve, we had 15,000 in attendance."

The two five-story Victory Plaza buildings contain 165,000 square feet of office space and 65,000 square feet of retail.

The name Victory would stick for five years. Then the word "Park" was added to give the development a sense of community. The target demographic is a blend of young professionals and those who are young at heart, attracted to high-density developments offering a 24-7 live-work-play environment.

"We wanted neighborhoods where the residents would take ownership," said Perot. Eventually, more than 4,000 residential units will have a Victory Park address.



High-End Hotel, Housing to Boot

Victory Park's primary focus is high-end residential, shopping and entertainment. An important luxury component fell into place with the completion of the 33-story W Dallas Victory Hotel & Residences in 2006. The W Hotel's Dallas location is the first to include condominiums above its guest rooms. The complex comprises 251 hotel rooms and 144 luxury residences in two towers.

"Nine-eleven slowed us by 24 months," Perot said of the W. "Lenders did not want to talk about hotels. Today the W Hotel is the best performing hotel in the Dallas market."

The hotel was built for \$550 per square foot, but Perot said it would cost 30 percent more if built today.

Condos at the W are priced from \$460,000 to more than \$2 million.

What would Perot do differently with the W project? "Build more condos in the \$250,000 to \$300,000 price range," he answers. "The existing ones were built for \$450 to \$550 per square foot. Two-bedroom condos are the most popular."



More Mixed-Use Options

At seven stories each, The Terrace and The Vista offer additional residential opportunities. Together, the two buildings provide another 218 condos and apartments and nearly 50,000 square feet of retail space. Remaining two-bedroom floor plans list for \$475,000.

The Cirque is an upscale rental location rising 28 stories above Victory Park. It has 252 apartments and 10,000 square feet of retail. Apartments rent for about \$2.50 per square foot per month.

The House, a 28-story, 148-residence building designed by world-renowned architects Elkus Manfredo and Starck and Yoo will be home to 25,000 square feet of retail and, at 130 feet long, one of the world's largest elevated pools. Built at a cost of \$425 per square foot, 40 percent of its condos were presold as of June 2008. Condominiums range from \$399,900 to more than \$2 million.

Perot and his Hillwood team are banking on the continued residential resurgence in downtown Dallas. Perot describes current residents as a "very eclectic" group that includes couples in their 70s, an Abilene ranching family whose condo is a second home, a young couple from New York and "many CEOs who are Dallas Mavericks fans."

At build-out, Victory Park could encompass 12 million square feet of office, residential, hotel and retail space. Other developers may build there, but Hillwood controls all first-floor retail so that the company has a say in which retailers come to Victory Park.

"We want more creative, unique retailers, not chains," said Perot. "We may have to subsidize a grocery store, but it will be a grocer of our choosing."

Hillwood also mandates other criteria, from the security provider to the 9½-foot-wide sidewalks.

Because of the residential housing market slowdown, plans for a 43-story hotel and residential tower were scrapped in favor of more office-retail space.

Getting on Green Bandwagon

Victory Park also began its "green" commitment early on. More than 1,000 trees have been planted as part of the district's landscaping, and electricity in Victory Park is purchased from providers generating 100 percent renewable energy.

Victory Park is home to the first precertified LEED Silver multitenant office building in Dallas, One Victory Park. Built in 2008, the 455,000-square-foot office building has 9,500 square feet of retail.

"To be LEED Silver certified, every floor had to be raised 18 inches for air delivery," said Perot. "Every office has adjustable HVAC. This alone adds \$6 to \$7 per square foot to the building cost."

VICTORY PARK'S DEVELOPERS want a neighborhood feeling in this high-end residential, business and entertainment center. Their plans to draw successful urbanites to this work-live-play environment include office buildings residents can walk to, a Times-Square-type atmosphere in Victory Plaza (opposite page, top) and not-so-ordinary retailers.



Rents range from \$15 to \$20 gross per square foot in the downtown Dallas submarket. Victory Park is attracting office tenants despite its \$35 to \$40 gross rents.

Bright Future

The Victory Park story is a long way from completion. The Dallas Museum of Nature and Science plans to build a \$155 million facility there. Expected to open in 2011, the museum will be a park-like environment using water, wind, solar energy and plant life to demonstrate innovative ways to use and preserve the earth's resources.

Victory Park already boasts some 15 to 20 carefully chosen restaurants along with unusual retail tenants, banks and a grocery. More are on the way. The hope is that the park's critical mass of ground-floor retail and mixed-use commercial/residential development will transform downtown Dallas into a newly energized urban environment.

Ultimately, Victory Park will be home to 32 buildings — quite a change from the land no one wanted to touch a decade ago.

For more information, go to www.victorypark.com. ➔

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THE TAKEAWAY

For years the 1.5-mile-long brownfield along I-35 was one of Dallas' most noted eyesores. Then Ross Perot Jr. decided to develop the site, which bordered downtown. Ten years later, people live, work and play on the site the EPA has called "one of the greatest examples of urban remediation."



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