

THE FOUR CORNERS

RETAIL CENTERS

AT VALLEY VIEW LANE & JOSEY LANE

**- Preliminary Findings and Possible Strategies -
December 2004**

Introduction

The four shopping centers located around the intersection of Valley View Lane and Josey Lane, referred to in this report as the “Four Corners,” have long served the City of Farmers Branch as one of the community’s principal retail neighborhoods. Almost ninety percent of the retail businesses present today in the four shopping centers occupy buildings that were constructed more than thirty years ago.

This report provides an overview of the physical and economic health of the retail centers comprising the Four Corners. Based on the information collected related to these properties, possible strategies are proposed to stimulate reinvestment and revitalization of the centers.

Study Area

The area addressed by this report includes the retail centers situated at the four corners of the intersection of Josey Lane and Valley View Lane and which are generally bounded by Wilmington Drive to the west; Golfing Green Drive to the north; Veronica Road to the east; and Escada Drive to the south. This area includes approximately forty-eight (48) acres and is more precisely illustrated in *Figure 1*.

The existing buildings in this geographic area contain approximately 384,300 square feet of gross floor area. A survey of the properties in October 2004 revealed that the Four Corners combined enjoy a very good occupancy rate of about ninety-two percent (92%).



Figure 1. The Four Corners Study Area.

Historical Efforts

Over the past twenty years, multiple efforts have been undertaken that attempted to define issues, establish goals and offer recommendations to address retail concerns in Farmers Branch and specifically this area. Key elements of those efforts are summarized below.

Forward Farmers Branch Goals, 1984

In 1984 the City sponsored an effort to survey all Farmers Branch households and businesses in order to establish goals and priorities based on broad public input within the community. The survey and resulting report focused on eight general themes of community interest. Within the Business and Economic Development component of the report the need to focus attention on infusing vitality into the City's retail centers was acknowledged. Key objectives related to:

- Developing a marketing program for restaurants and hotels
- Maintaining modern, well-kept retail centers offering a wide variety of merchandise
- Establishing a farmers market
- Promoting alcohol sales in restaurants and retail stores

Farmers Branch Comprehensive Plan, 1989

The City's Comprehensive Plan, adopted in April 1989, offered several recommendations aimed at sustaining retail throughout the city.

Recommendations aimed at achieving this goal included:

- Conduct an in-depth retail study
- Expand Economic Development strategy to include retail
- Maintain the quality of the city's housing stock
- Upgrade the appearance and identity of retail centers

Retail Analysis of the Josey Lane Corridor, 1992

During the summer of 1992, the University of Dallas Graduate School of Management conducted a study intended to serve as a guide to the creation of a long-term strategic plan for the revitalization and retention of retail businesses located along the Josey Lane corridor, including the Four Corners. Key findings and recommendations of this study related to:

- Improving marketing image
- Creation of a merchants association
- Special promotions & events
- Landscaping improvements
- Establishment of special sign regulations
- Capital financing and incentives for reinvestment
- Relaxing alcohol sales restrictions in restaurants

Regulatory Actions

In response to the Forward Farmers Branch findings, the guidelines and recommendations set forth in the Comprehensive Plan and those identified in the University of Dallas Study, the City initiated several regulatory efforts intended to assist the retail centers at the Four Corners including:

- Retail sign amendments
- Allowing outdoor merchandise display
- Allowing alcohol sales
- Restricting the sale of used merchandise
- Eliminating Specific Use Permit requirements for restaurants

Promotions, Special Events & Other Actions

The City sponsored and coordinated a variety of special promotions and events with the Chamber of Commerce and retail merchants through much of the 1990s to elevate the profile of the four corners shopping centers, attract customers, and

stimulate activity. These efforts included events such as holiday promotions (e.g., Christmas), seasonal events (e.g., Spring Fling), carnivals, auto shows, and local media personality appearances (e.g., Neil Sperry). Although many of these events and promotions were well attended by the public, the merchants involved did not reap sales increases that warranted their continued participation. Primarily for this reason, the interest in and frequency of such events abated.

City staff worked closely with the Greater Dallas Restaurant Association to craft alcohol sales regulations that work well for restaurants and to market the area as a restaurant location (the Nuevo Leon restaurant was a direct result of this effort).

Additionally, the City removed landscaping in proximity to the intersection that obstructed the view of retail businesses and replaced it with landscaping more complementary (in material and design) to a retail environment. Enhanced pavement treatments were also installed at the intersection crosswalks. Reconstruction of Josey Lane not only improved the driving surface and general appearance of the area, traffic flow was also improved through the addition of extra turn lanes at the intersection.

Retail Sustainability

There are a number of factors that affect the on-going vitality of retail centers. Some of these factors can be influenced by City actions (e.g., regulations and incentives), some principally require substantial involvement of the landlords and merchants (e.g., capital reinvestment and creation of strong associations) and some simply cannot be controlled or influenced by the City nor any of the local stakeholders (e.g., external market forces and competing markets). This section highlights some of the most significant challenges Farmers Branch must keep in mind if an effective strategic plan is to be developed to arrest decline of the shopping centers and stimulate reinvestment in the area.

External Competition

Market opportunities are limited in part due to competition from other suburban communities. Outer-ring suburbs such as Frisco, Coppell, Lewisville, and to a lesser extent, Carrollton have the advantage of abundant available land for commercial and residential construction, which contribute to an increasing tax base due to a growing population and its attendant demand for goods and services. These cities are more attractive to retailers because they offer a purchasing constituency with higher numbers both in potential customers and their incomes. Many of these outer ring suburbs are also better equipped to offer financial incentives through 4A and 4B economic development programs that are not available to Farmers Branch.

Current Retail Environment

In 2002 the cities of Carrollton, Plano, and Richardson collectively retained professional assistance to study more than 150 underperforming and vacant retail centers in their communities. As reported in this joint study, the retail environment responds to changes in consumer behavior, which is shaped by demographic composition, technological advancement and expanding shopping choices. The retail environment influencing development in those three cities and other inner ring suburbs like Farmers Branch, is consistent with the national and regional trends prompting changes in store formats and an increased emphasis on place-making and ethnic marketing.

Store formats in all retail categories are changing to embrace a smaller, more specialized market in order to better respond to changing consumer preferences and reduce development risk (e.g., urban-style grocery stores). Multi-branding and cross branding are becoming more commonplace as retailers endeavor to create synergy and reduce costs by sharing facilities (e.g., Starbucks/Barnes and Noble).

Urban forms emphasizing smaller stores, multi-story buildings with structured parking, street front appeal and connectivity are gaining in interest among retailers. Revitalized downtowns are serving as prototypes for suburbs where public-private partnerships are working to create places based on the main street model of mixed uses, convenience and efficiency.

Big box retailers have also left their mark on many communities. Big boxes have siphoned off customers local retail merchants formerly could rely upon and, in some communities, left behind large-scale, vacant buildings that contribute to commercial decline. However, compatible alternative uses such as civic uses and athletic clubs are now emerging to occupy formerly vacant big box retail stores.

Retailers are also responding to demographic change by increasingly marketing to growing ethnic populations, which in turn is giving rise to shopping centers devoted exclusively to ethnic populations, especially Hispanic, African American, and Asian populations.

Local Demographic Change

The aggregate population of Farmers Branch has remained virtually the same for the past thirty years or so (i.e., 27,492 in 1970 vs. 27,508 in 2000); however, the demographic mix has changed significantly. In short, the City's population has grown older and more racially and ethnically diverse. The City's Hispanic population increased from about 5 percent to 37 percent between 1970 and 2000 and continues to grow at a rate exceeding all other ethnic and racial populations in the City. The percentage of the City's population comprised of "races other

than white” increased from about 1 percent to 21.6 percent during that same period. This segment of the City’s population is continuing to grow. Additionally, since 1970 the City’s median age has increased from 25 years to 37.4 years and is still rising.

A peculiar paradox has also emerged over the past thirty-plus years; education levels have increased but income has fallen slightly. When adjusted for inflation, the median income level for Farmers Branch households dropped by about three percent (3%) between 1970 and 2000. However, during this same period, the educational attainment of individuals aged twenty-five years and older increased significantly. In 1970 less than seventy percent of these individuals had high school diplomas or some higher education. In 2000 the percentage had increased to seventy-six percent (76%). Education and income are demographic characteristics that usually track each other in a directly proportionate manner, that is, as education levels rise, income levels rise.

Change being experienced by a community will directly affect the retail services offered in that community. As the population of the market being served by retail centers diversifies, the goods and services demanded by the market logically follows suit. If the market area does not continue to remain economically robust, the retail services being provided to that market will undergo change to reflect the income level and needs of the market. The transition of goods and services offered in the centers at the Four Corners are reflecting the changing make-up of their primary market area, the increasing number of ethnic-oriented businesses and discount merchandise being offered by multiple retailers reflect the ethnic community and household incomes in Farmers Branch.

Local Physical Constraints

Poor Visibility: The visibility of retail spaces on three of the four corners is significantly limited due to a variety of factors. In the northwest and southwest quadrants, entire buildings are effectively screened from view of Valley View Lane and Josey Lane because other retail or office buildings are situated directly between them and the streets. On the southeast corner, an extremely large setback from Josey Lane greatly diminishes the presence of the center’s anchor building (the former Albertsons supermarket). The length and orientation of the primary multi-tenant building in this center, situated perpendicular to Josey Lane, likewise renders those businesses located near its east end virtually unseen from the street. The shopping center on the northeast corner is the only one that does not suffer from poor visibility.

It is no coincidence that more recent development in the area has occurred on the most highly visible sites, including McDonalds (1994) and Walgreens (2000) on the northwest and northeast corners, respectively.

Commercial Voids: Three of the four corners (the northeast corner being the exception) contain large areas of underutilized space in the form of surface parking lots. The arrangement of the building storefronts around expansive surface parking lots creates large voids that compromise the centers' visual continuity, aesthetic appeal and even customer comfort and convenience. Certainly adequate parking must be provided for all businesses in these centers, but it is apparent that the amount of parking provided far exceeds present demand, even though the composite occupancy rate for the Four Corners is ninety-two percent (92%). These underutilized parking lots offer opportunities for new development or amenities.

Including one essentially vacant lot, there appear to be at least seven (7) "voids" that offer good potential for a higher and better use in the Four Corners area. These voids are graphically identified in *Figure 2* and include:

- The former car wash property on the west side of Josey Lane, north of McDonald's (approximately 0.8 acre)
- The parking lot and vacant parcel east of the former Hope Chapel/movie theater, "behind" Kwik Kar (approximately 1.1 acre)
- The adjoining parking lots in front of Big Lots! and Auto Zone (approximately 0.8 acres) on the north side of Valley View Lane
- The parking lot south of Valley View Lane, north of the Chase Bank drive-thru and adjacent to the single family lots fronting Wilmington Drive (approximately 1.2 acre)
- The parking lot situated south of the Salvation Army store, west of Turner Hardware (approximately 0.6 acre)
- The parking lot in front of Turner Hardware on the west side of Josey Lane (approximately 0.6 acre), and
- The adjoining parking lots in front of the former Albertsons supermarket on the east side of Josey Lane (approximately 1.4 acres)



Figure 2. Commercial Voids (in black).

Local Operational Constraints

There are twenty-five (25) separate entities that own the properties comprising the shopping centers at the Four Corners. There has not been much change in ownership over the past ten years and the owners have not historically worked well together to market themselves. Neither have the retail tenants in these centers successfully formed any type of associations to promote their businesses or take the lead in coordinating special events to attract customers.

Even though the shopping centers occupying the Four Corners are three decades old, generally “tired” in appearance, and lack amenities, the occupancy rate is a healthy ninety-two percent (92%). Current lease rates are \$8.00 to \$10.00 per square foot on the southwest corner and \$10.00 to \$12.00 on the other three corners (As a comparison, lease rates at MacArthur & LBJ in Irving are upwards of \$22.00 per square foot). Owners of some of the Four Corners properties have indicated they are satisfied with the lease rates they receive and are willing to keep them comparatively low in order to maintain higher occupancy.

Implementation Strategies

The development of an effective retail revitalization strategic plan will require the cooperation of the City government, the citizens of Farmers Branch and the property owners and merchants themselves. An effective strategy must be multi-faceted in its approach and sensitive to market realities and the resources available to the principal stakeholders. It also demands long-term commitment on the part of all parties involved.

The possible strategies described below are approaches that have proven successful in other locations facing challenges similar to those being experienced in Farmers Branch.

Regulatory Options

Amend existing zoning regulations to consolidate and simplify the seven different zoning districts presently in place. The full scope of a comprehensive re-zoning of the Four Corners might include: parking requirement reductions; setback reductions to allow development closer to the streets; allowing alternative land uses including residential and non-retail uses; allowing mixed uses; sign regulations tailored specifically for shopping centers; and unique landscaping requirements for shopping centers.

Pursue establishment of a Municipal Management District (MMD) for the Four Corners. MMDs are established by the Texas Legislature. Management Districts have the power to levy taxes and assess property owners for a variety of improvements and services. The primary purpose of an MMD is to promote employment, commerce, economic development and public welfare in commercial areas.

Continue to maintain an aggressive code enforcement program to combat physical decline and encourage reinvestment in the centers.

Incentives

Establish specialized tax abatement and sales tax rebate programs for retailers. Such programs could be used to attract new retailers or retail development to the area and provide an incentive to existing retailers to encourage new construction and renovation.

Operational Considerations

Work with the Chamber of Commerce, property owners and merchants to facilitate the formation of an association of retailers. Such an association can coordinate special events; share in advertising and marketing costs; and work together to generally upgrade the centers through unified façade improvements, complementary signage, landscaping and providing amenities.

Market Growth Opportunities

Promote new home construction and reinvestment in existing residential properties and neighborhoods that comprise the primary sales market for the shopping centers located at the Four Corners. Branch Crossing is an excellent example of one way the city can play a role in stimulating reinvestment in a neighborhood that will contribute to sustaining retail centers. Likewise, the development of high quality, high density housing in the DART Station Area will contribute to the support of retail at the four corners. The prudent rezoning of low-density residential areas to allow for higher density residential redevelopment or infill housing in other parts of the city also appears to merit further investigation.

The tier of duplex lots fronting Golfing Green Drive present a potential opportunity for residential redevelopment. Redevelopment of this duplex district as higher quality, owner-occupied townhouses would create more housing units with higher income households. The City already owns the vacant, one-acre tract located at the southwest corner of Golfing Green and Josey Lane that could help “seed” the redevelopment process.

There are forty-two duplex units (i.e., twenty-one, two-unit structures) located along Golfing Green between Tom Field and Josey Lane. At present, thirty-six (86%) of these units are believed to be renter-occupied. Appraised values range between \$85,000 and \$112,000 for individual units. The number of units could be more than doubled, perhaps tripled.

Development Opportunities

In aggregate, the seven “voids” identified in this report represent approximately six and one-half (6.5) acres of underutilized commercial land potentially available for a higher and better use. These vacant lots and underutilized surface parking areas offer opportunities for expansion of existing businesses, the installation of amenities to enhance the shopping experience and beautify properties, and provide prospective sites for new development, not necessarily retail. Some of these sites could be developed for multi-family or attached single-family housing or some other “non-retail” office, commercial or institutional use.

The City could play a role akin to that of developer, as it did Branch Crossing to directly induce development on available commercial sites. Alternatively, the City could focus on bringing prospective buyers or retailers to individual property owners to otherwise facilitate reinvestment. Regardless of the role the City might select, there are opportunities for reinvestment in these voids that would result in a more sustainable form of development at the Four Corners.

Conclusions

Overall, the Four Corners presently maintains a strong occupancy rate. Ironically, the high occupancy of the centers may be contributing to their stagnation. Evidently, the economic return that tenants are generating for many of the property owners is adequate to essentially sustain the status quo, but not substantial enough to bring about significant reinvestment in physical improvements or significant marketing efforts. A retail strategy is needed that will create opportunities and make it economically attractive for property owners to reinvest in their properties and not remain content to “milk the cash cow”.

Other than the former car wash structure located at 13297 Josey Lane, there are no empty buildings. While it is not uncommon to find aging retail centers in other communities that are largely vacant or effectively abandoned, none of the centers at the Four Corners is or has ever been “boarded up”. It is reasonable to conclude that the City’s historical efforts (i.e., infrastructure improvements, regulatory actions, and promotions) have contributed to the viability of the Four Corners. However, it is equally reasonable to assume that the City must play an active and continuing role if any significant reinvestment in the Four Corners is to occur.

The changes the Four Corners retail centers have experienced since they were built some thirty years ago are not unique to Farmers Branch. Suburban communities throughout the region and nationally are confronted with the very same issues. As retail markets and demographics continue to change, it is imperative that local stakeholders are equipped to respond; that cannot happen without a sound retail strategy that balances community aspirations with market realities and provides for solid partnerships within a dynamic policy framework.

THE FOUR CORNERS RETAIL CENTERS AT VALLEY VIEW LANE & JOSEY LANE

**- ADDENDUM -
JUNE 2006**

Introduction

In late 2004 City staff prepared a report for the City Council that examined the general physical and economic health of the four retail shopping centers located at the intersection of Valley View Lane and Josey Lane. The report highlighted historical efforts aimed at supporting and improving retail in Farmers Branch, discussed aspects of retail sustainability, and offered possible strategies to stimulate neighborhood reinvestment and revitalization of the centers. The report was presented to the City Council on December 6, 2004 and is attached to this addendum in its complete, original form.

The purpose of this addendum is primarily to provide an update or status report since the staff presentation eighteen months ago. Coupled with the original report, it is also intended to serve as a primer for appointees to the "*Branch Revitalization Task Force*" established by the City Council in May 2006. This newly appointed task force is specifically charged with examining neighborhood reinvestment and retail revitalization opportunities and issuing a report to the City Council that sets forth a specific plan of action.

This addendum provides an update of select key components of the original report, including development activity, occupancy status, and lease rates. A synopsis of a meeting that took place in March 2005 between City staff and Four Corners property owners and leasing agents is also included. The addendum concludes with a recommendation to issue a Request For Qualifications (RFQ) to retain a consulting team to assist the community in developing a vision-guided revitalization program for the Four Corners.

New Development

The original report identified seven "voids" or underutilized lots or portions of lots totaling approximately 6.5 acres in the Four Corners study area. These voids accounted for about 18 percent of the net land area (the gross study area is roughly 48 acres including street rights-of-way). Subsequent to production of the report, the Century Bank at 13297 Josey Lane was built, occupying the 0.8-acre void formerly occupied by an unsightly car wash building. No other development activity has since taken place.

Occupancy Levels

Despite physical and operational challenges, occupancy levels in October 2004 were a healthy 92% for the entire Four Corners study area. These rates have dipped slightly to 88% as of mid-June 2006 due to a slight increase in vacancies in the centers of the southwest quadrant. Exacerbating this situation, it was announced in June 2006 that the Super Saver supermarket, the Four Corners' principal anchor tenant, is closing. The departure of Super Saver would drop overall occupancy levels to about 76% and will leave a building of 46,200 square feet vacant.

Lease Rates

In October 2004, lease rates in the Four Corners ranged from \$8.00 to \$12.00 per square foot. Lease rates remain essentially unchanged in June 2006.

Stakeholders Meeting

On March 17, 2005 City staff met with property owners and leasing agents representing the Four Corners. There were six stakeholders present at the meeting, five representing the majority of the property area ownership on the southwest, southeast and northeast corners and one individual representing an office property on the northwest corner. The meeting was designed to be informal and organized so the stakeholders themselves would do most of the talking. Staff was interested in hearing their views concerning three general topic areas: the vision they have for the future of their properties; how they view the retail market in Farmers Branch; and what role they perceive the City should play in maintaining a healthy retail neighborhood at the Four Corners. The discussion that took place at the meeting is summarized below, organized under the three general themes.

Vision

None of the stakeholders present described a specific long-term vision for their property. However, there was a general consensus expressed that the physical condition and appearance of the Four Corners needed improvement.

Historically, ownership has been stable and, based on the information provided by the stakeholders present, is generally expected to remain stable. However, one of the principal owners on the southwest corner indicated the mortgage on the property would be paid off during the summer of 2005 and expressed uncertainty as to what the future might hold. A representative for the other major property owner on the southwest corner expressed frustration in finding a tenant for the largest vacant lease space presently available in the center (i.e., the

former Eckerd's Drugstore space) and indicated discounted rents were being offered to tenants to maintain occupancy.

Market

All stakeholders present indicated that the changing demographic composition of the Farmers Branch market is beneficial to the centers. In particular, the growing Hispanic population in Farmers Branch is attracting retail tenants to serve this growing customer base. None indicated that they had expended any significant resources in marketing or promotions.

Diversification of the local housing stock through redevelopment of surrounding residential neighborhoods and commercially zoned property in the Four Corners area was generally viewed as a desirable way to expand the market and contribute to sustaining the retail centers. It was also suggested that a stronger pedestrian connection to the DART Station Area would benefit the Four Corners, particularly once new, denser residential development begins to take place in the Station Area.

City's Role

All stakeholders in attendance expressed their appreciation for the opportunity to meet with staff and discuss the Four Corners. They also expressed positive opinions about the City in general, including the maintenance of streets and medians; the parks systems; the construction permitting process; and the accessibility of elected officials and City staff.

It was generally agreed the meeting was worthwhile and that continuing the dialogue between stakeholders and the City could prove mutually beneficial. Though specific actions that might be taken by any party were not discussed in detail, in general, those present stated they were willing to work together and with the City to further explore opportunities to improve the appearance and economic health of the Four Corners.

Recommended Action

The City Council has identified neighborhood reinvestment and retail revitalization as chief priorities. Based on feedback received in response to the original Four Corners report, input from the owners and agents affiliated with the Four Corners properties, and information obtained from staff discussions with real estate and development professionals, as the next course of action, it is recommended that a Request For Qualifications (RFQ) be issued to solicit a prospective consultant team to assist the City with development of a comprehensive program designed to reinvent the Four Corners. The objective would be to create a long-term sustainable vision for the Four Corners shopping centers that would include not just a physical plan, but also market research,

redevelopment strategies, and marketing tactics – a complete roadmap leading from a community visioning process through implementation to marketing.

Consultants selected would comprise a team that understands mixed-use development dynamics and how to create places of enduring value. The multi-faceted relationship among the Four Corners, the future DART Station Area mixed-use neighborhood and the Valwood Village Shopping Center would also be examined, as one center must not be played against another. All three of these areas are situated in the geographic heart of the community and are located less than one mile apart from one another, so they must complement one another and be positioned such that all may be successful in whatever form they ultimately take. The health and prosperity of the Four Corners and that of the surrounding neighborhoods are interdependent; therefore it is imperative that policies and programs to sustain each are mutually supportive.

The implementation strategies highlighted in the original Four Corners report all hold potential as tools that might be utilized in the effort to re-invent the Four Corners. However, until a vision of what the Four Corners should become has been developed and embraced by community stakeholders and a contextual, plan put in place, implementation of these strategies on an ad hoc basis would be premature and likely do little to ensure long-term sustainability.