



Parkland
Health & Hospital System



RealityTestSM Findings & Recommendations “Excess” Land Development Feasibility Parkland Health and Hospital System

Partnerships In Transit Conference
October 23, 2008
Dallas, Texas



Overview

- » Founded in 1894, current hospital opened in 1954
- » Primary teaching hospital for UT-SWMC
- » First Level I Trauma Center in North Texas
- » Second largest regional Burn Center in U.S.
- » Busiest maternity hospital in the US and second busiest in the world
- » 968 Licensed beds, 42,682 Patients admitted, 16,489 Babies delivered
- » 870,005 Clinic/health center visits
- » 139,578 Emergency patient visits



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Parkland Health & Hospital System

Mandate

- » To furnish medical aid and hospital care to indigent and needy persons residing in the hospital district.

Vision

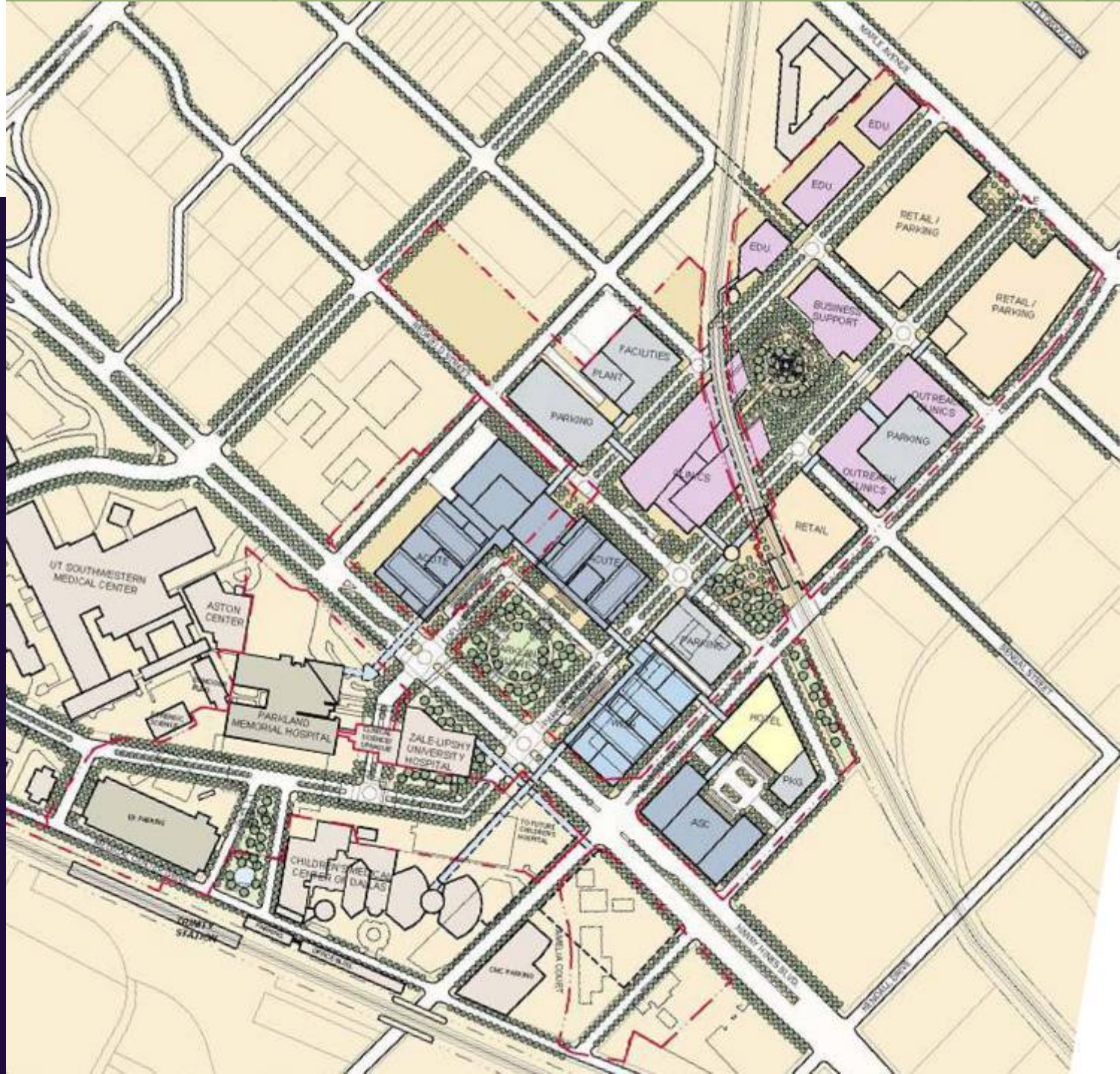
- » By our actions, we will define the standards of excellence for public academic health systems.





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Parkland Master Plan





Study Premise

Catalyst

- » Completion of the Parkland Master Plan, plus building of the Southwestern Medical District/Parkland DART Station

RealityTestSM Objective

- » Determine if land currently owned by PHHS within study area not “needed” for the healthcare mission (i.e., “excess land”) has a greater value to PHHS then being sold “as is”

Stipulations

- » Assume current Parkland Master Plan is approved
- » Evaluate development possibilities for land considered to be excess in terms of immediate replacement hospital needs
- » Land planned for hospital use can be evaluated as well, but only if the planned hospital use can be equally accommodated elsewhere



RealityTestSM Study Process & Elements

- 1) **Real Estate Marketplace** - general area supply and demand
- 2) **End-Use Possibilities** - site-specific “acceptable” uses, zoning, rezoning, and market incentives
- 3) **Preliminary Frame of Reference (FoR)** - land use build-out planning and density parameters, metric ranging
- 4) **Development Costs** - financing, design and construction estimates for acceptable land uses
- 5) **Supportable Land Value** - land value calculated through ROI studies
- 6) **Market Soundings & Testing** - developer queries and back-of-envelope proformas
- 7) **Test Planning** - metric minimum/maximums for desired and acceptable uses, final real estate feasibility and economic impact
- 8) **Statutory Framework Analysis** - “allowable” transaction approaches
- 9) **Final FoR & PHHS Options**
- 10) **Potential Fatal Flaws** - down-side analysis



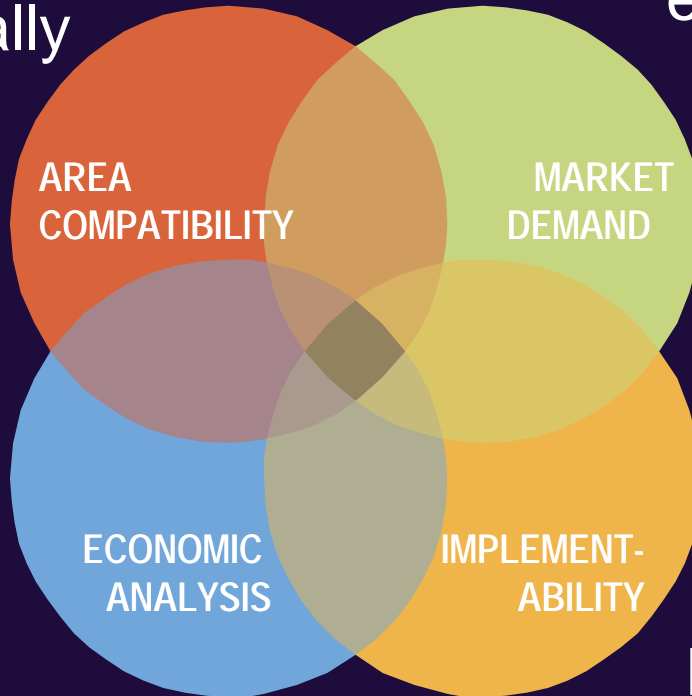
Frame of Reference (FoRSM)

- » A FoRSM is created to attract the interest of real estate developers and investors while still incorporating the dynamics, desires and conditions envisioned by the public entity and supported by taxpayers.
- » Deceptively simple, a FoRSM is a flexible framework with minimum/maximum ranges addressing what is desired, allowed and not allowed.



HDR's RealityTestSM

What uses fit the excess land?
Are they really suitable?
Compatible with what exists and is planned?



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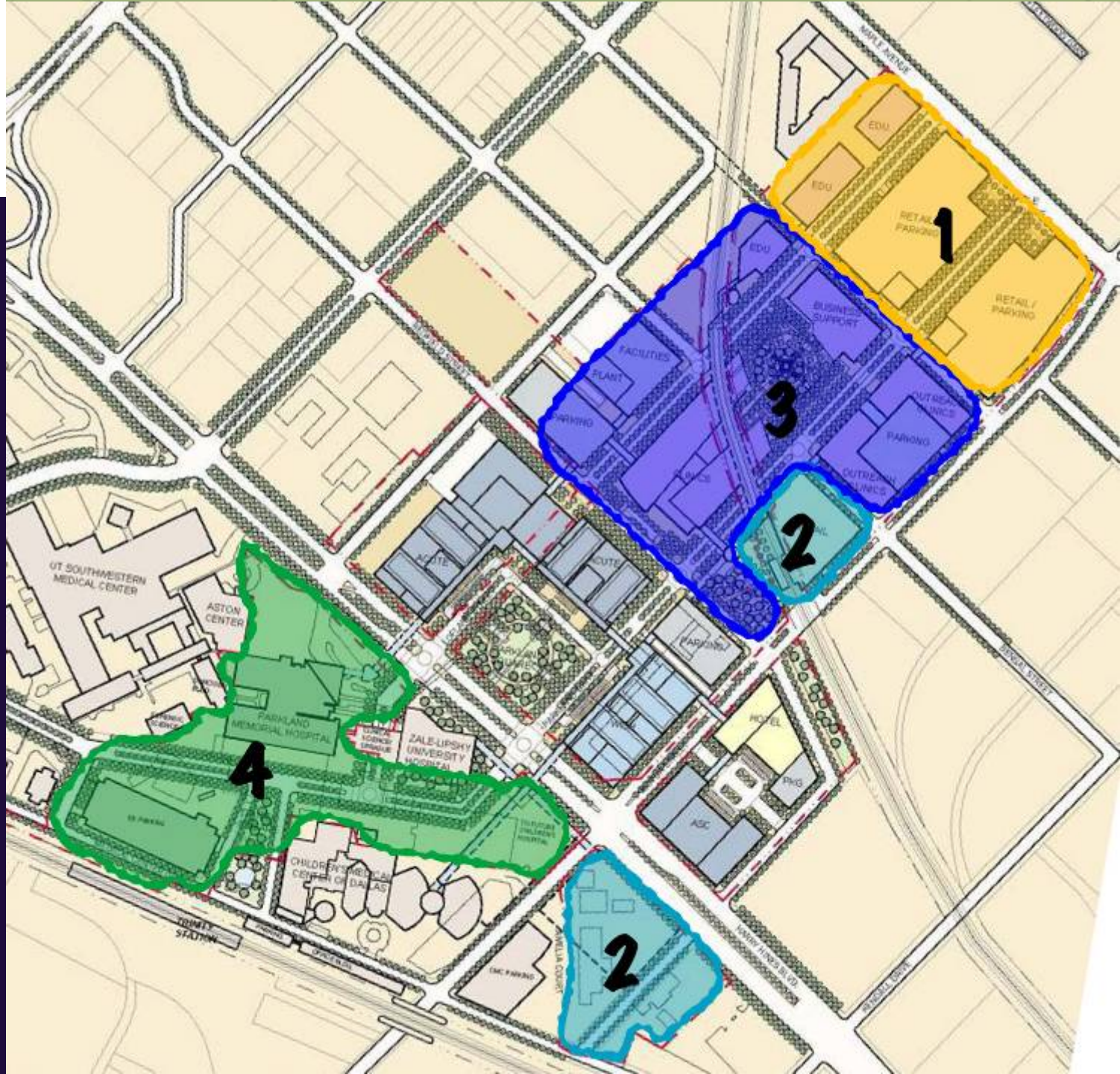
What are the needs of the real estate market?
What mix of uses will create the best program to support Parkland?

What's the best economic mix in terms of ROI?
Is the development program financially feasible?

What's the most advantageous transaction structure?
The best way to procure? How does price play? Incentives needed? How much preliminary design, if any, is needed?



Excess Land By Category





1) Real Estate Marketplace Land Values

- » The *Highest and Best* non-hospital land uses near the hospital and DART station, based on regional trends and location factors, are:
 - › Residential
 - › Supportive local retail
 - › Supportive clinics and offices for hospital use



1) Real Estate Marketplace Land Values

Mixed residential uses in area will drive land values:

Residential Values:

	Rents	Land Value per Unit
Today	\$1.35/sf/mth	\$30,000
DART Open	+12%	\$45,000
TOD Completed	+ 8%	\$55,000

- » Densities could range from 50 (today) to 150 units per acre in future
- » Therefore land value (in today's dollars) could range from ~\$1.5M to \$8M* per net* acre
- » Current Assessed value of \$0.8M to \$1.0M per gross acre

**Net of associated off-site infrastructure costs (streets, utilities, drainage etc.) and net of street ROW property dedications*



1) Real Estate Marketplace Land Values

Transit Oriented Developments Spurred By DART

» Addison Circle

- › Addison invested \$10.7 million in project with initial land value of \$23M prior to DART
- › Land now worth \$213M
- › Generates over \$1 Million in property tax revenue

» Mockingbird Station

- › Formerly a Southwestern Bell telephone warehouse and office tower across the tracks from DART station
- › Revitalized into loft apartments, offices, retail and entertainment establishments
- › Total investment of \$270 Million from 1999-2005; land \$50M+/-

» Downtown Plano Village

- › Initially a strip shopping center and a single-story office building prior to DART
- › Revitalized into an urban village with 3 and 4 story buildings consisting of loft apartments and ground floor commercial
- › Total investment of \$260 Million from 1999-2005; land \$50M+/-



2) End-Use Possibilities

Recognize and respect hospital needs,

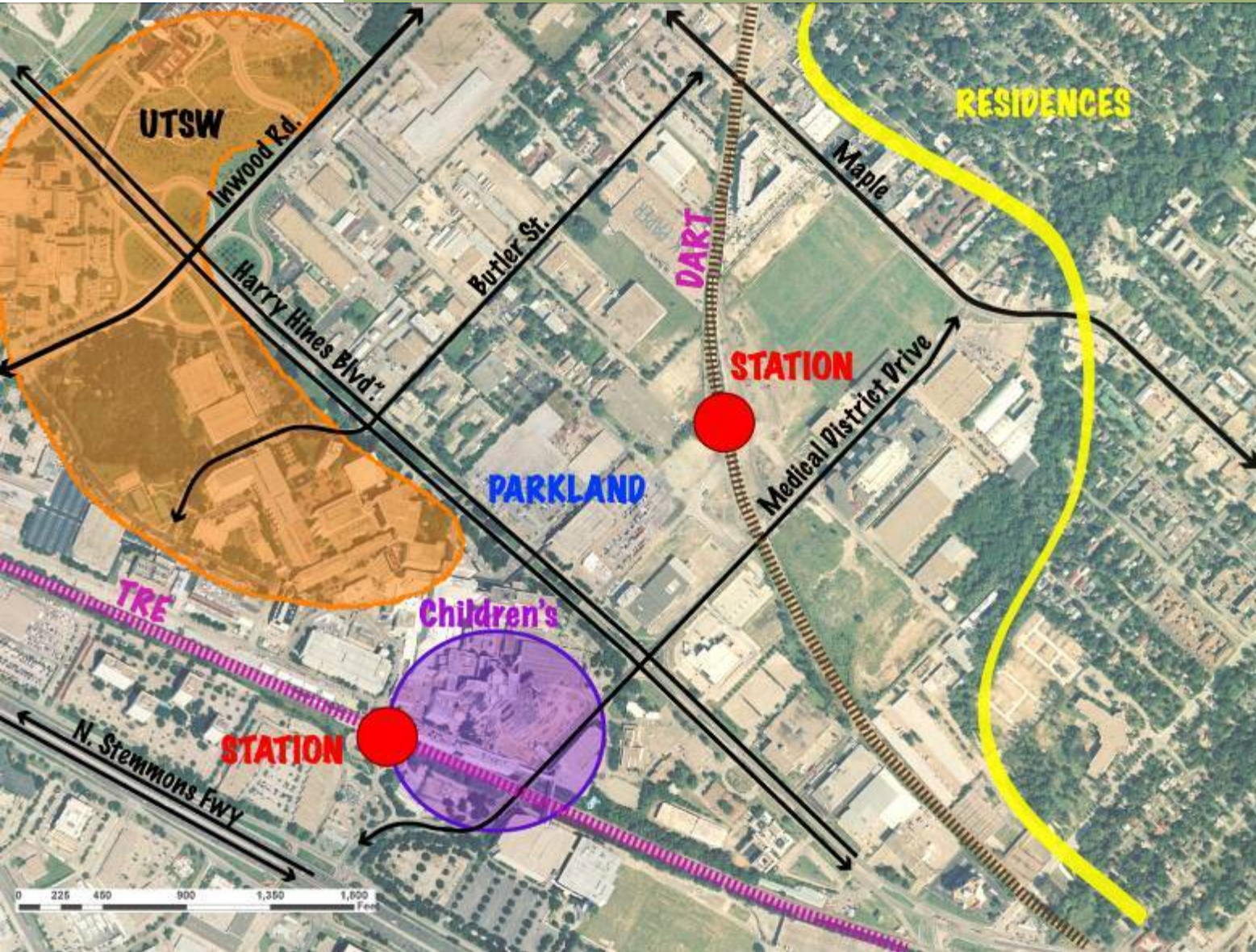
BUT

Look at Transit Oriented Development drivers and opportunities created.



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2) End-Use Possibilities Medical District Analysis



Stakeholders

- » PHHS
- » UTSW
- » Children's

Land Use

- » Hospital
- » Institutional
- » Industrial
- » Commercial
- » Residential

Access

- » Road
- » Bus
- » Rail
- » Helipad



2) End-Use: DART

» Current Service

- › 8 routes serve Parkland & Medical Center area
- › Average weekday ridership of 4,000 around Parkland
- › Nearly 200 daily riders at Parkland TRE station

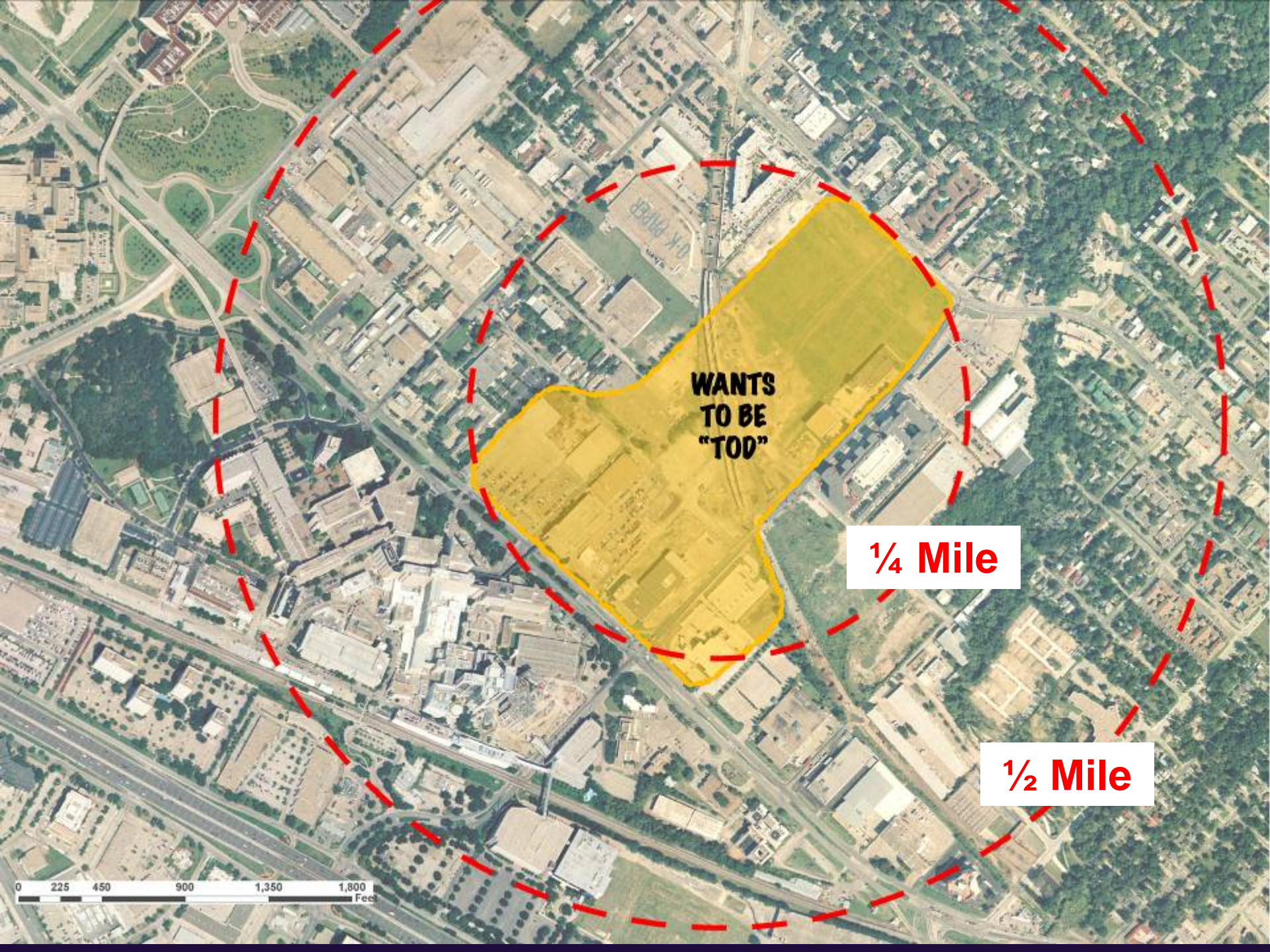
» Future Service

- › Nearly 5,000 daily riders at the new DART Green Line station



2) End-Use: DART & TOD

- » DART strong TOD promoter
- » Encourages a minimum 1.5 FAR; 35 Dwelling Units/acre
- » ***Can build adjacent to and over tracks***
 - › 26 foot vertical clearance required to build over tracks
 - › Minimal horizontal clearance (setbacks)
- » Station ridership alone could support 2500 SF of transit related retail

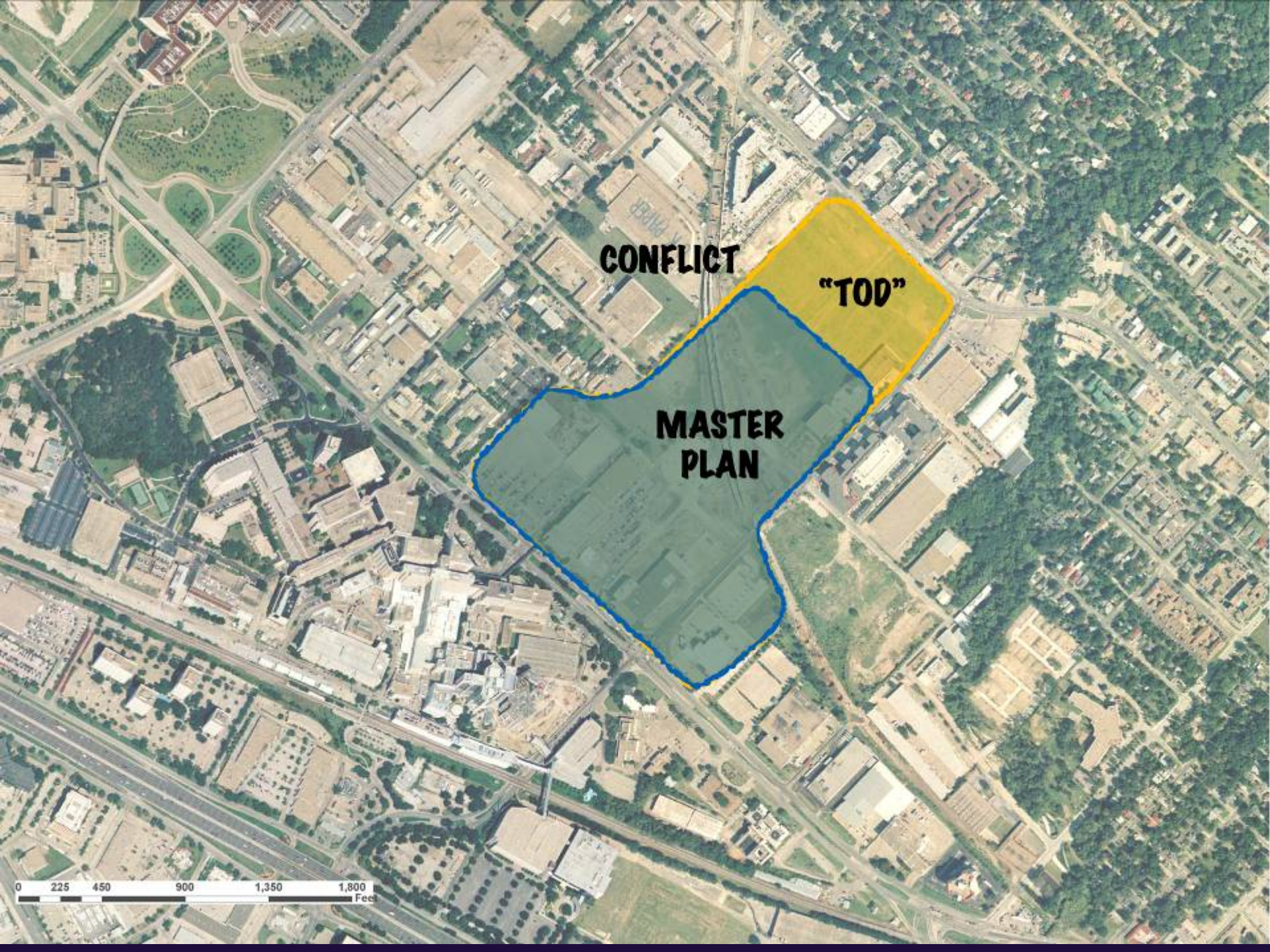


**WANTS
TO BE
"TOD"**

1/4 Mile

1/2 Mile

0 225 450 900 1,350 1,800 Feet

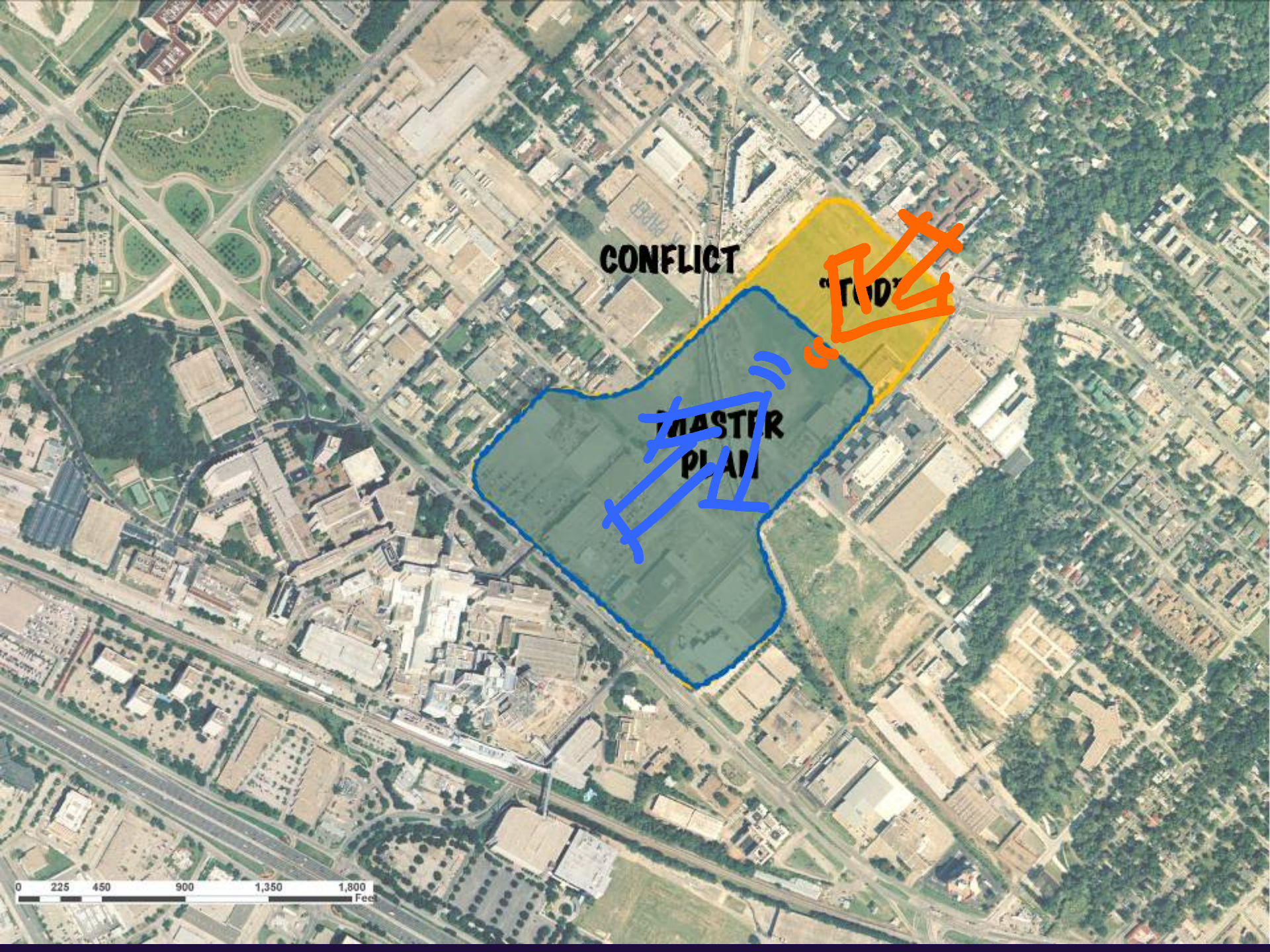


CONFLICT

"TOD"

**MASTER
PLAN**

0 225 450 900 1,350 1,800 Feet

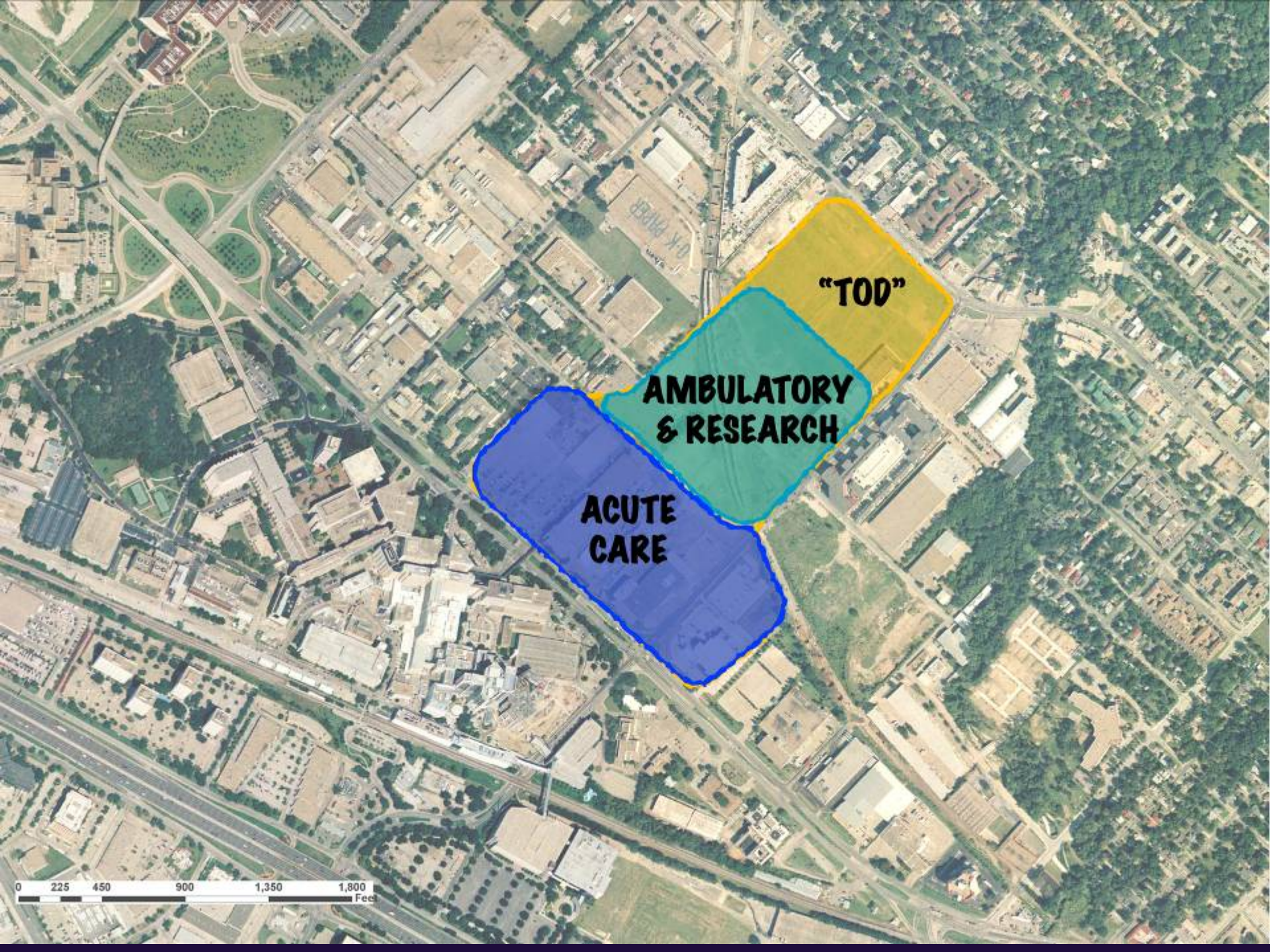


~~CONFLICT~~

~~TND~~

~~MASTER
PLAN~~

0 225 450 900 1,350 1,800 Feet

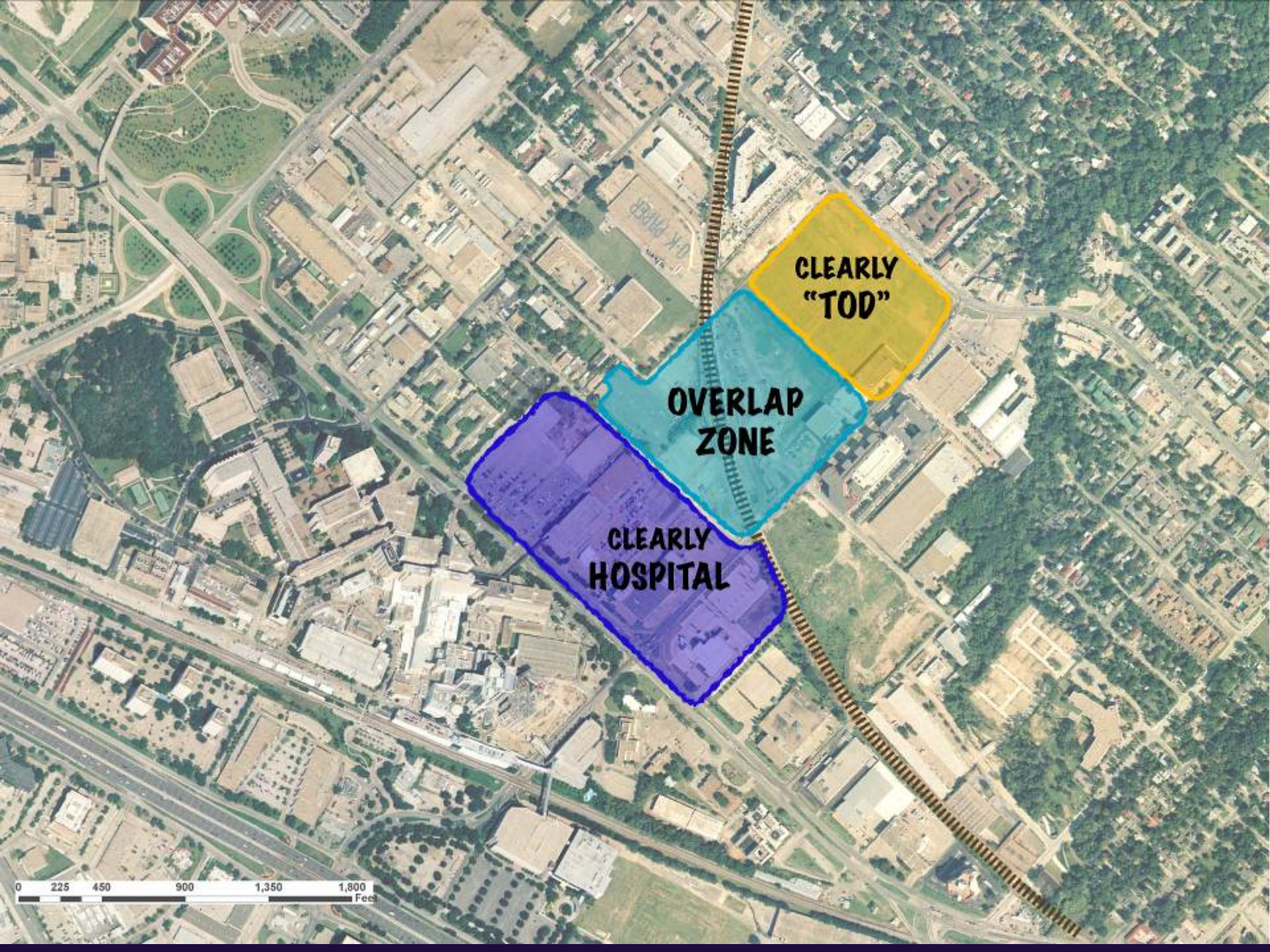


"TOD"

**AMBULATORY
& RESEARCH**

**ACUTE
CARE**

0 225 450 900 1,350 1,800 Feet

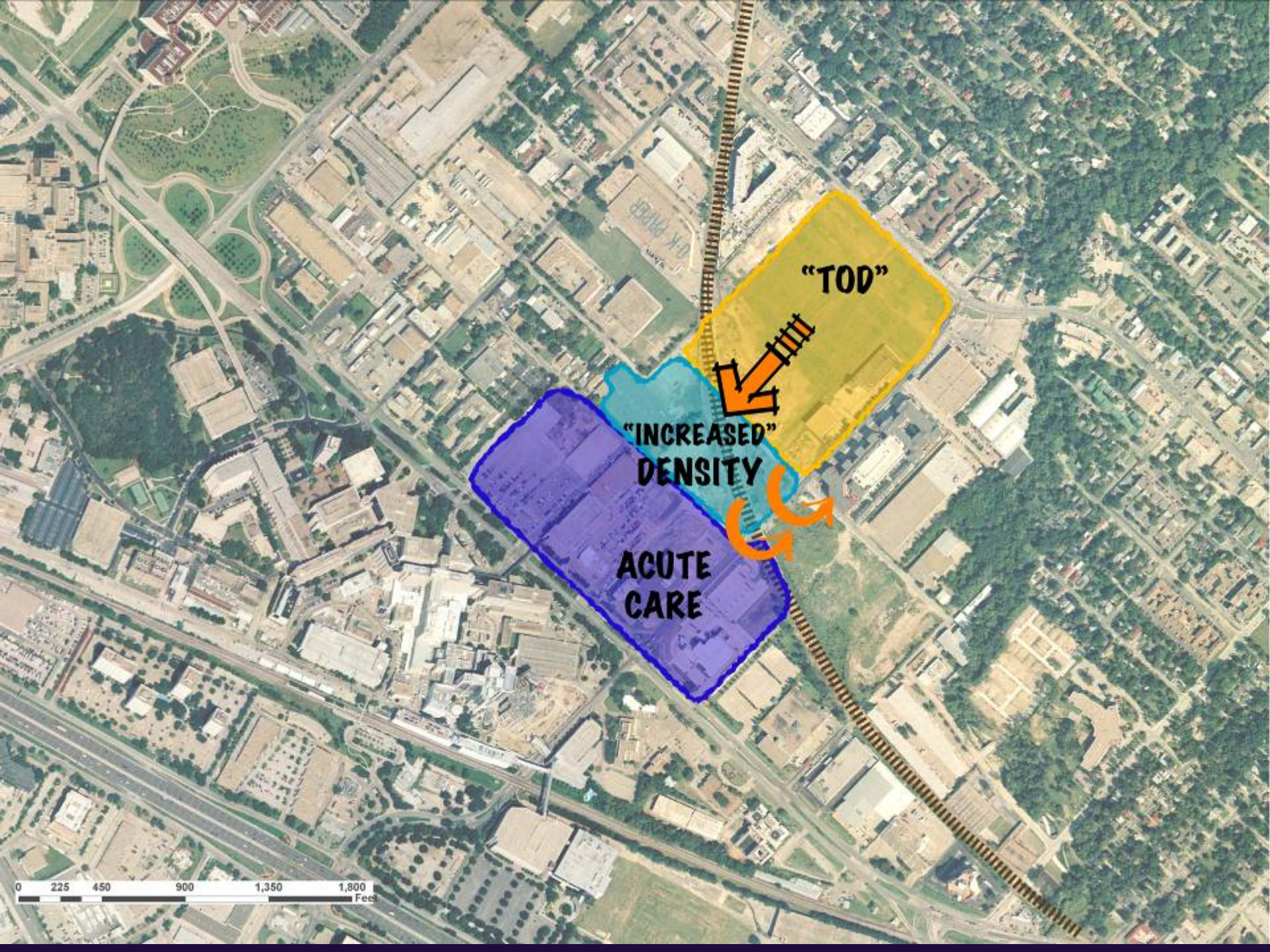


**CLEARLY
"TOD"**

**OVERLAP
ZONE**

**CLEARLY
HOSPITAL**

0 225 450 900 1,350 1,800 Feet

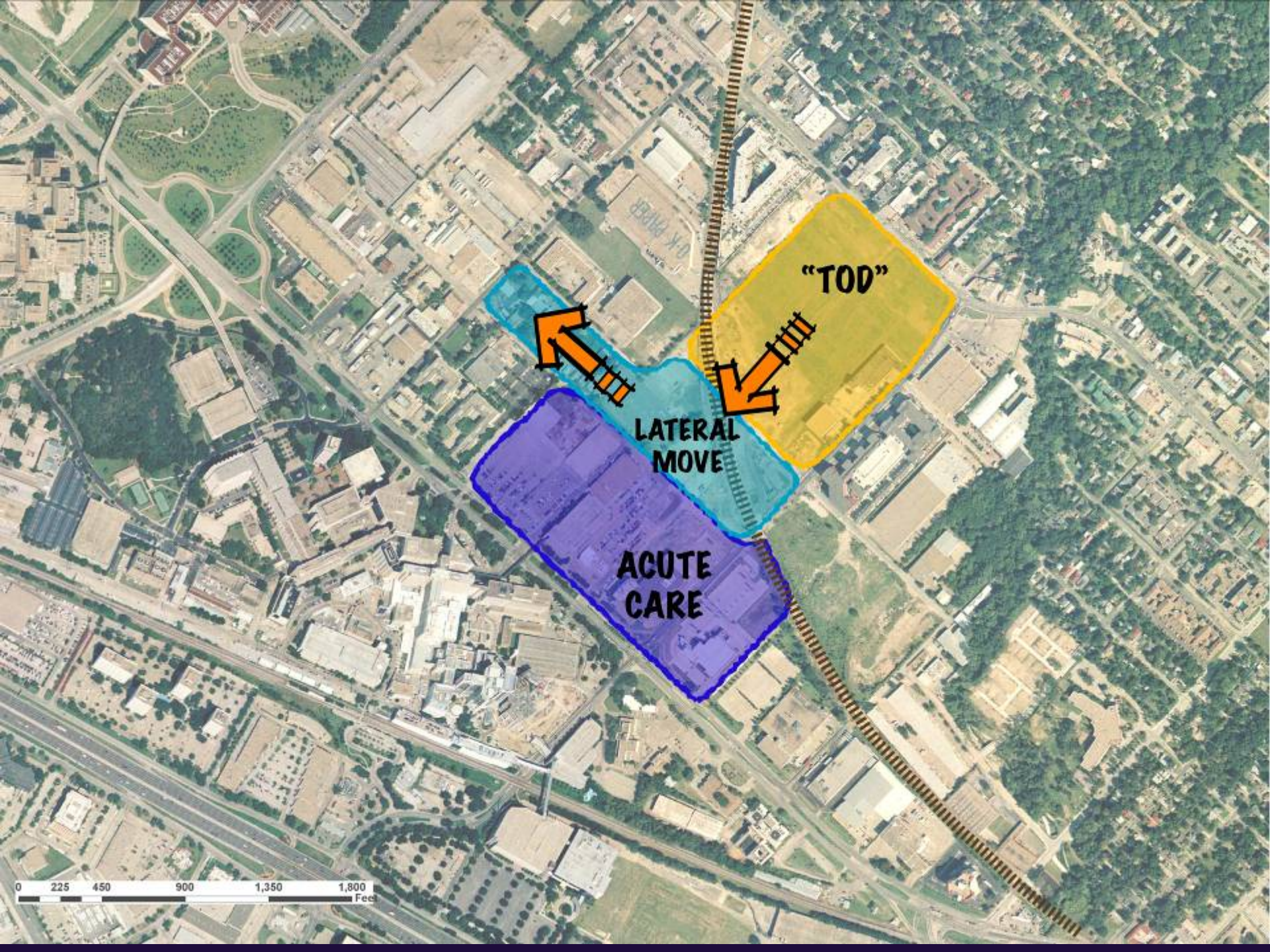


"TOD"

**"INCREASED"
DENSITY**

**ACUTE
CARE**



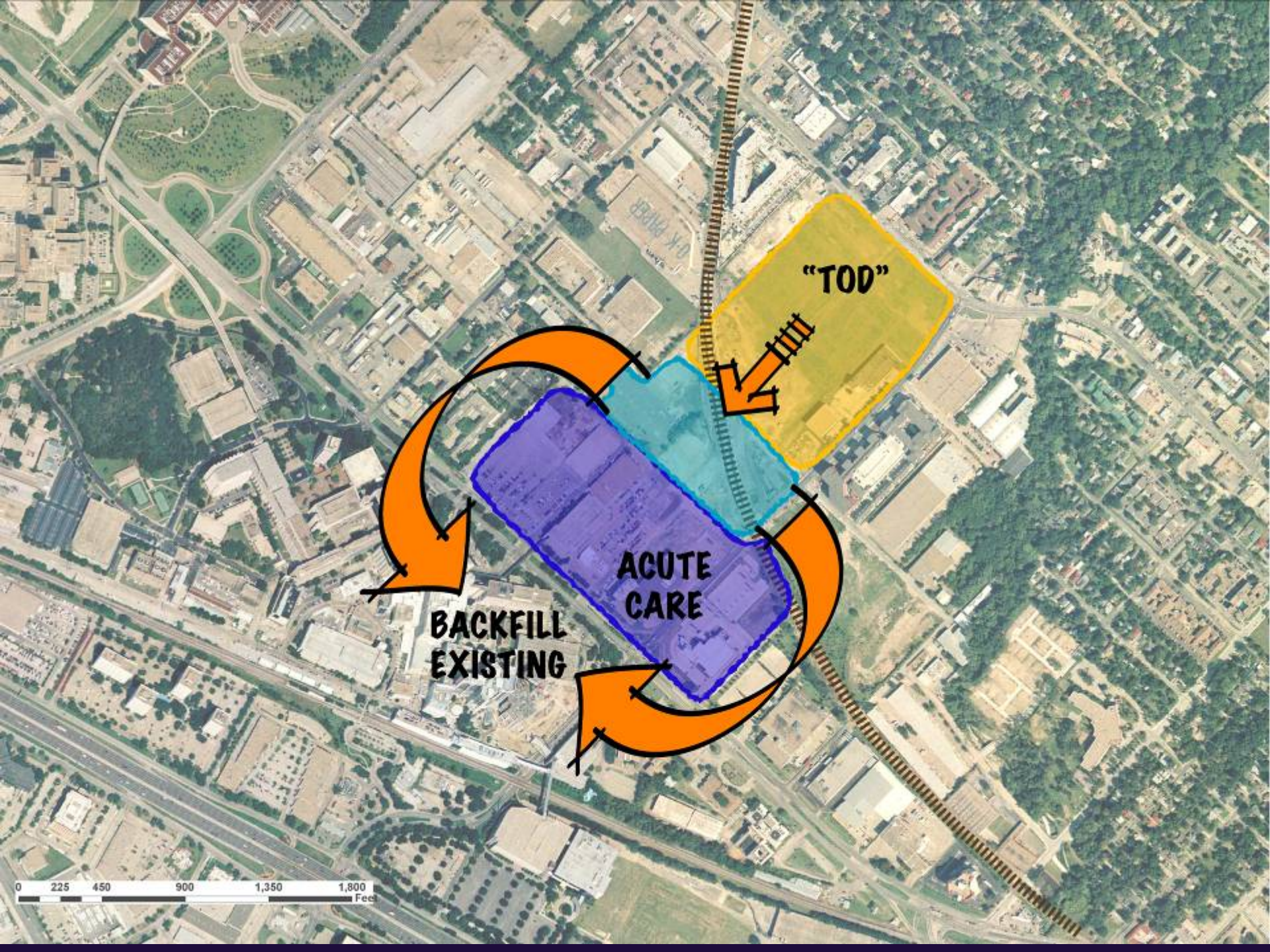


"TOD"

**LATERAL
MOVE**

**ACUTE
CARE**

0 225 450 900 1,350 1,800 Feet

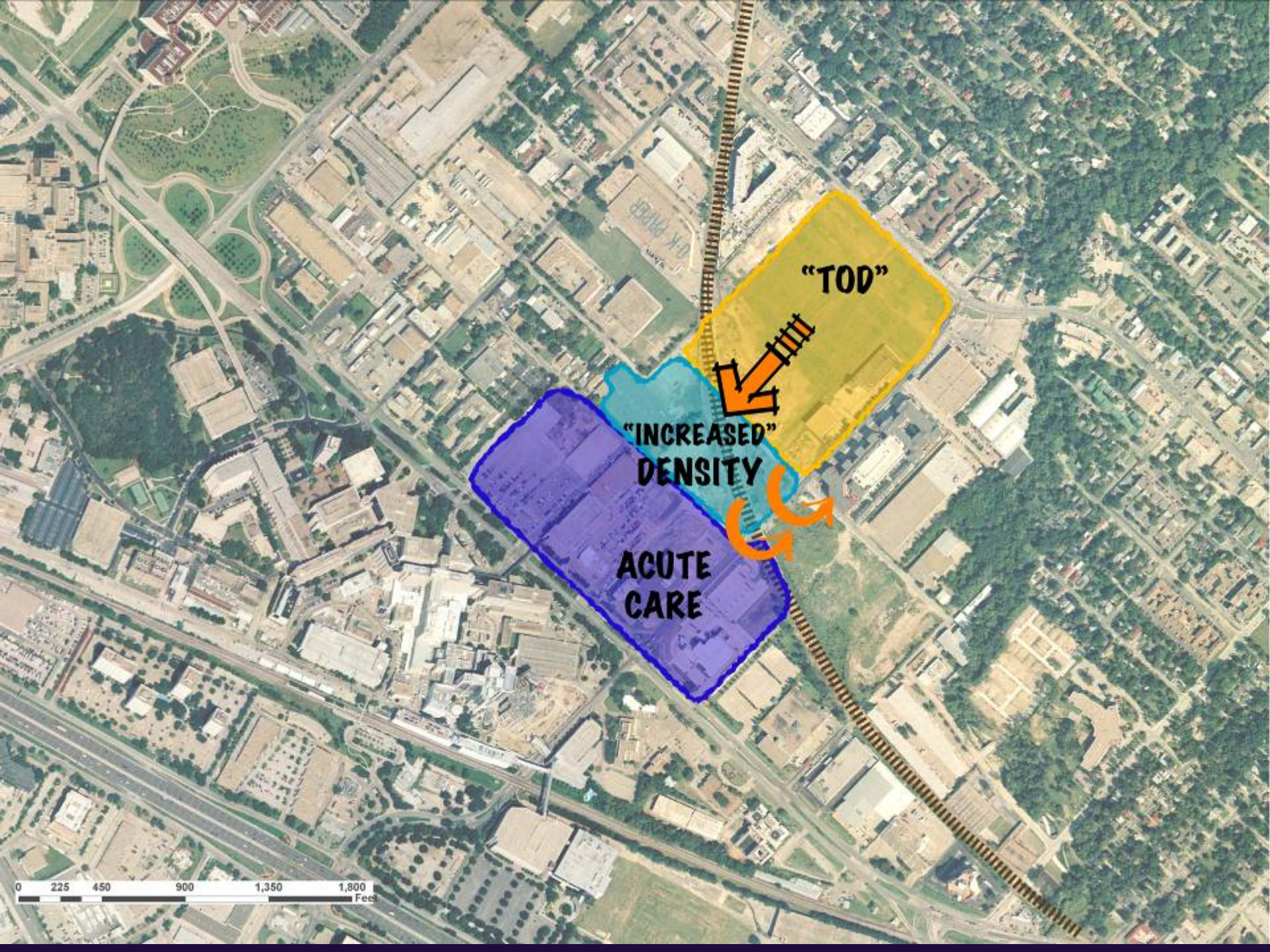


"TOD"

**ACUTE
CARE**

**BACKFILL
EXISTING**

0 225 450 900 1,350 1,800 Feet



"TOD"

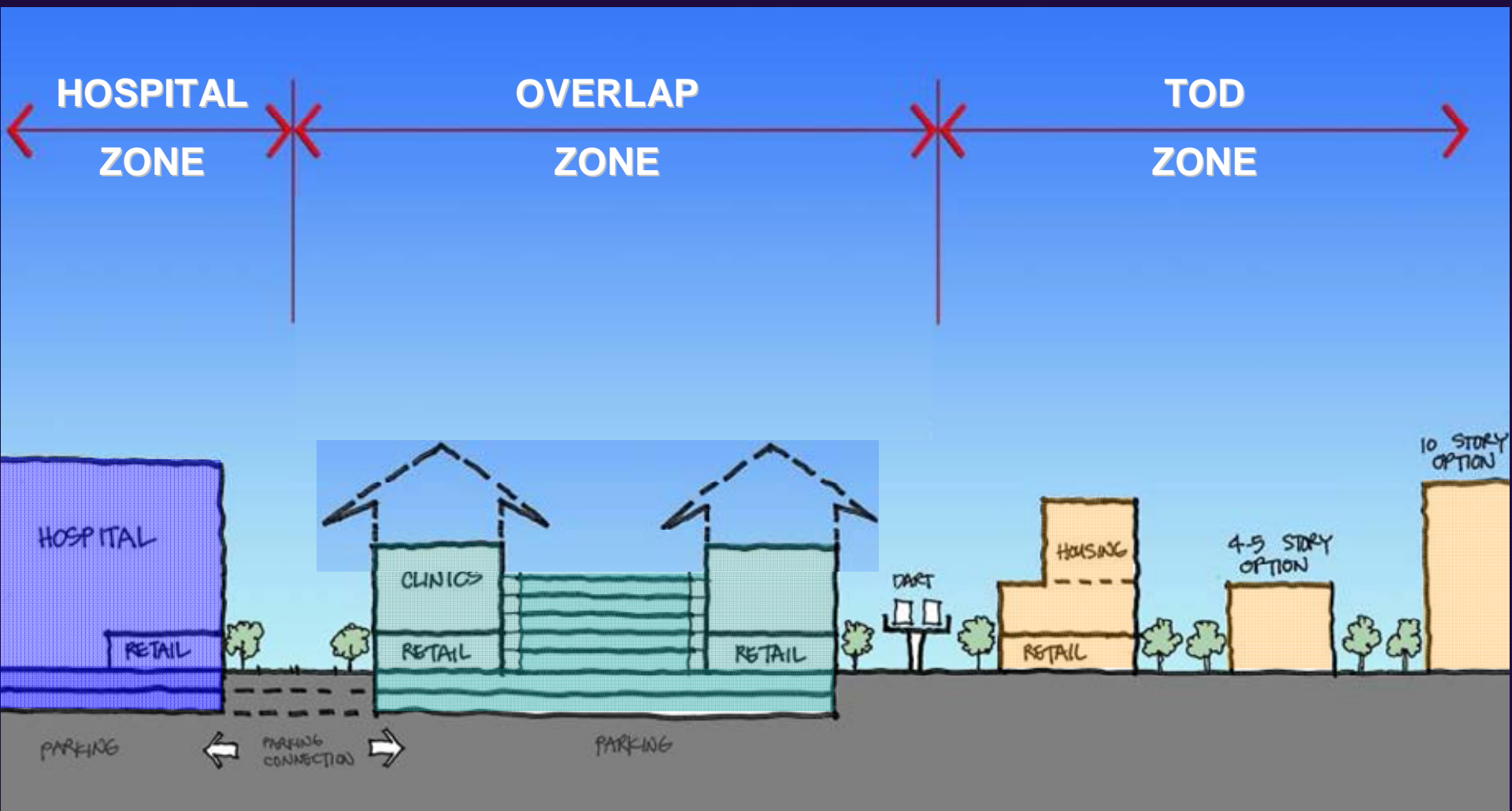
**"INCREASED"
DENSITY**

**ACUTE
CARE**

0 225 450 900 1,350 1,800 Feet

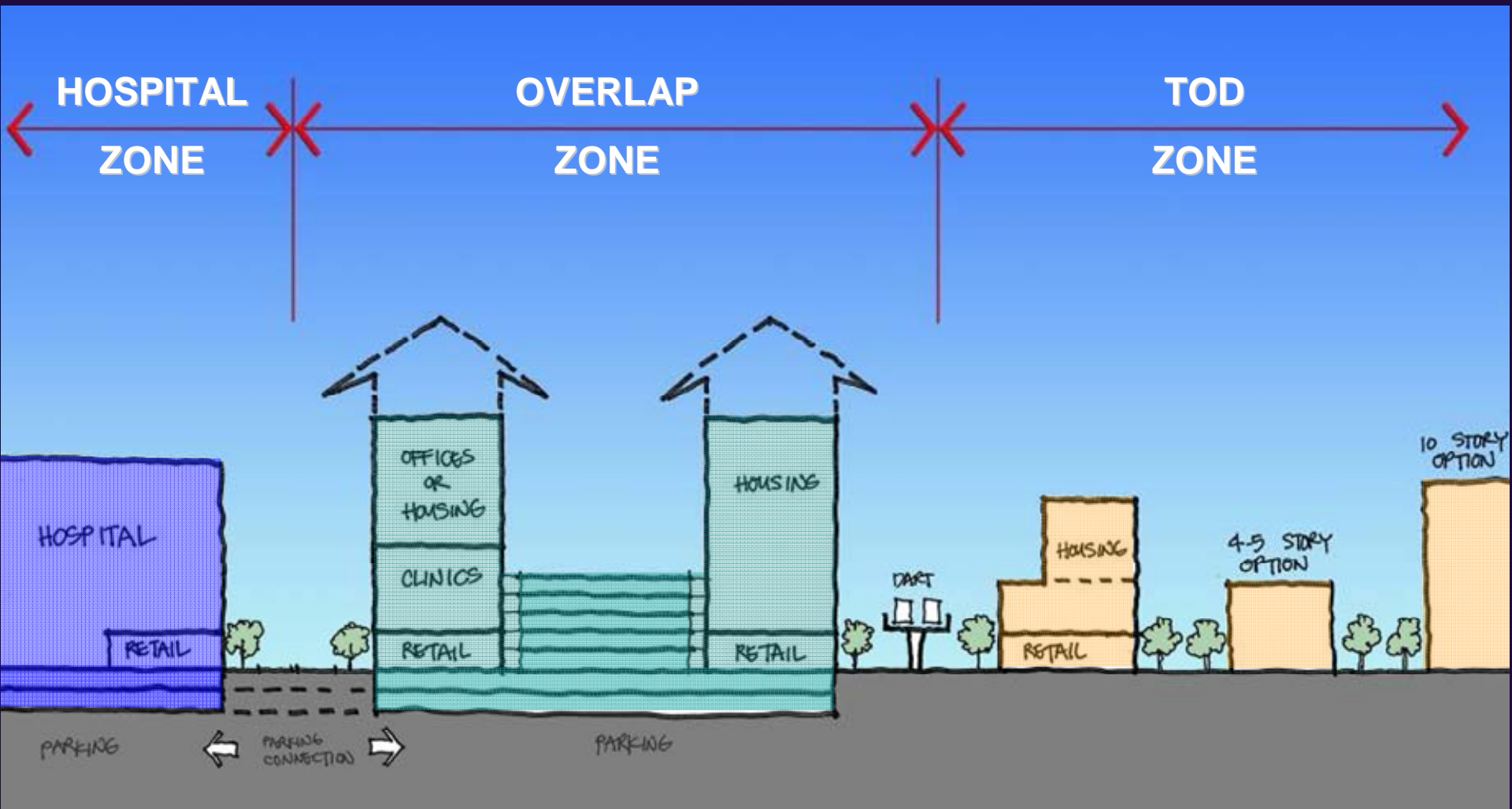


Overlap Zone Example – Resolving “Squish” by Going Up for Density



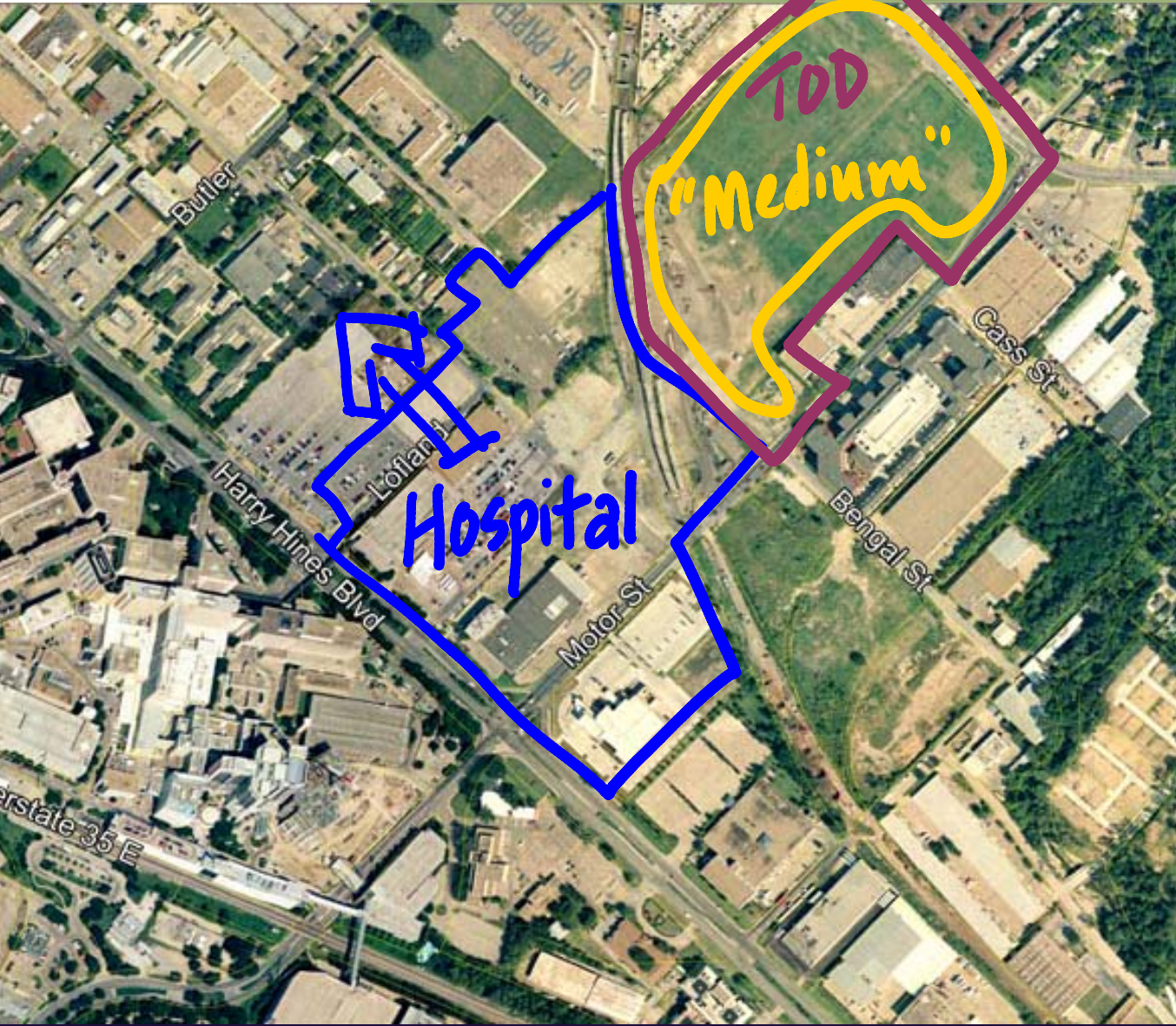


Overlap Zone Example – Resolving “Squish” by Going Up for Density





Medium Density Development



TOD Area:

- Wood Frame Residential
- 4 to 5 Stories in Height
- Similar to City Walk, facing on Motor Street

Hospital Area:
100% Hospital



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Higher Density Development



TOD Area:

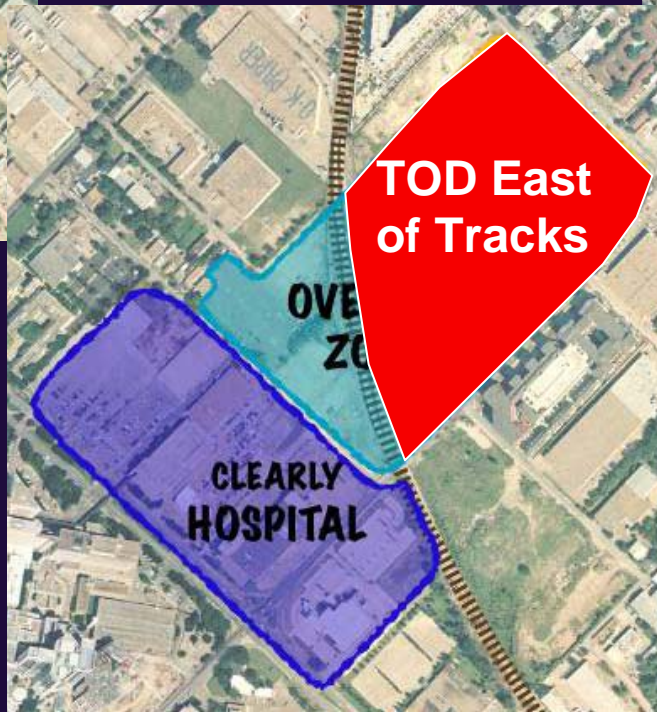
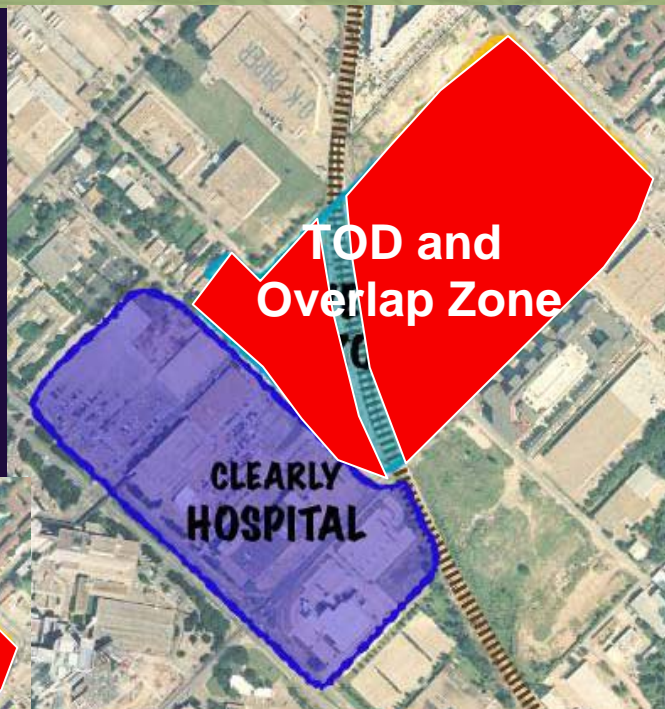
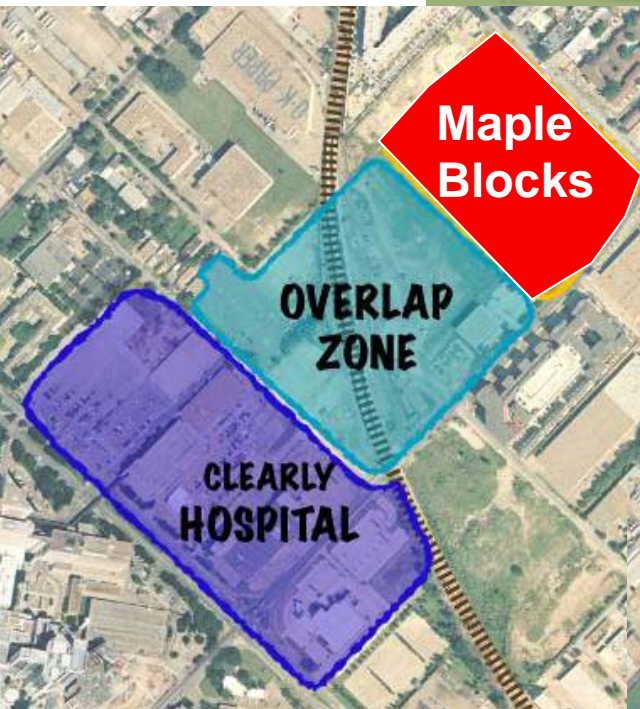
- Mix of 4/5 stories and some mid rise at 10-15 stories

Overlap Area:

- Parking Below and Above Grade
- 3 to 4 High-Rise Towers
- Average Height 20 Floors
- Open Space & Lower Buildings along Street Edge



Three Test Plan Scenarios





FoRSM Test Plan – Density Parameters

FoRsm Density Parameters

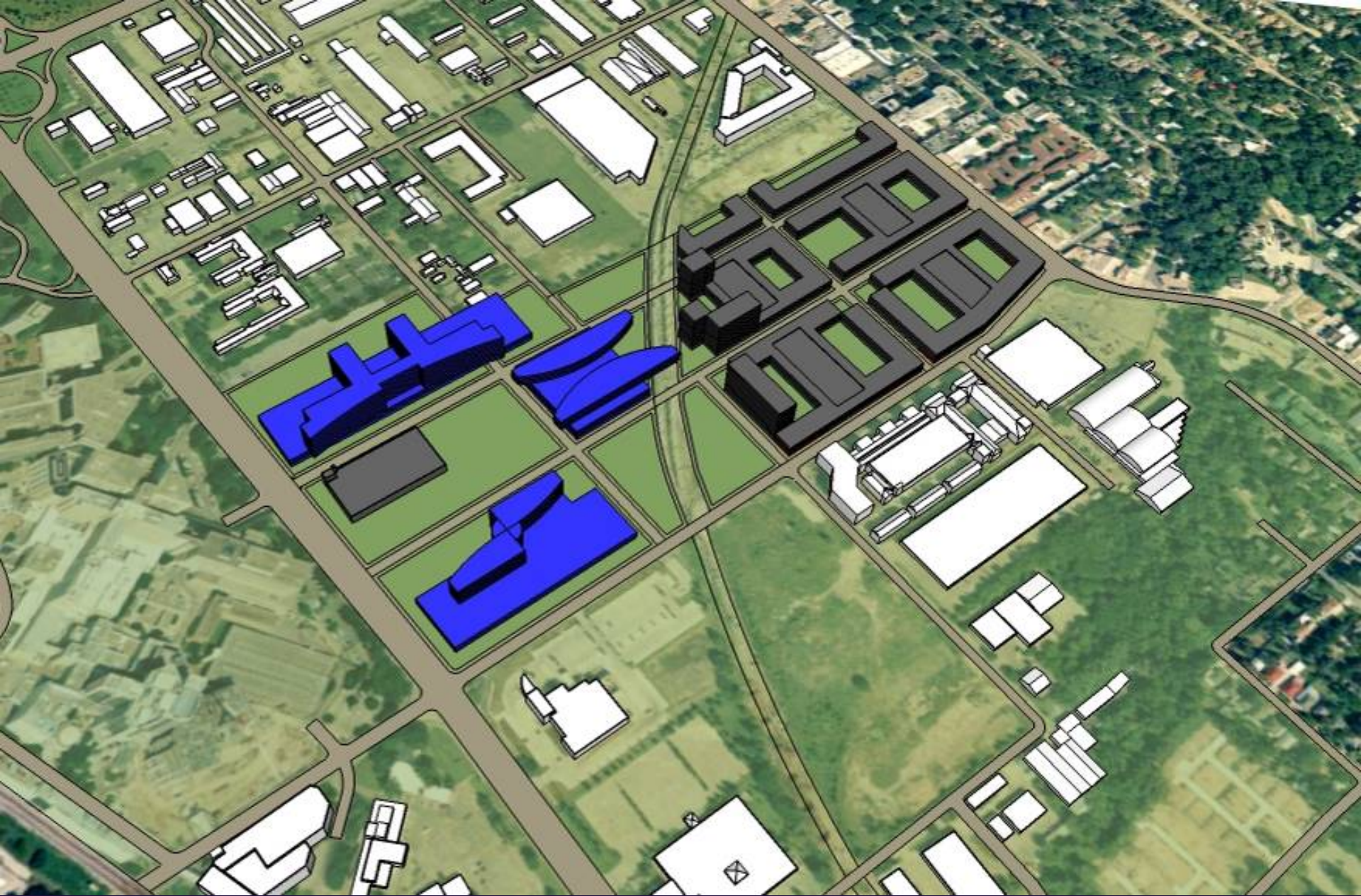
	Maple Blocks Only (minimum)	TOD East of Tracks (low)	TOD and Overlap Zone (high)
TOD Area			
Net Acres	8	20	20
Units per Acre	60	60	103
Total Dwelling Units	480	1200	2060
Overlap Zone			
Dwelling Units	N/A	N/A	800
Total for Combined Zones			
Dwelling Units	480	1200	2860
Retail/Ground Floor Office (sf)	10,000	25,000	100,000



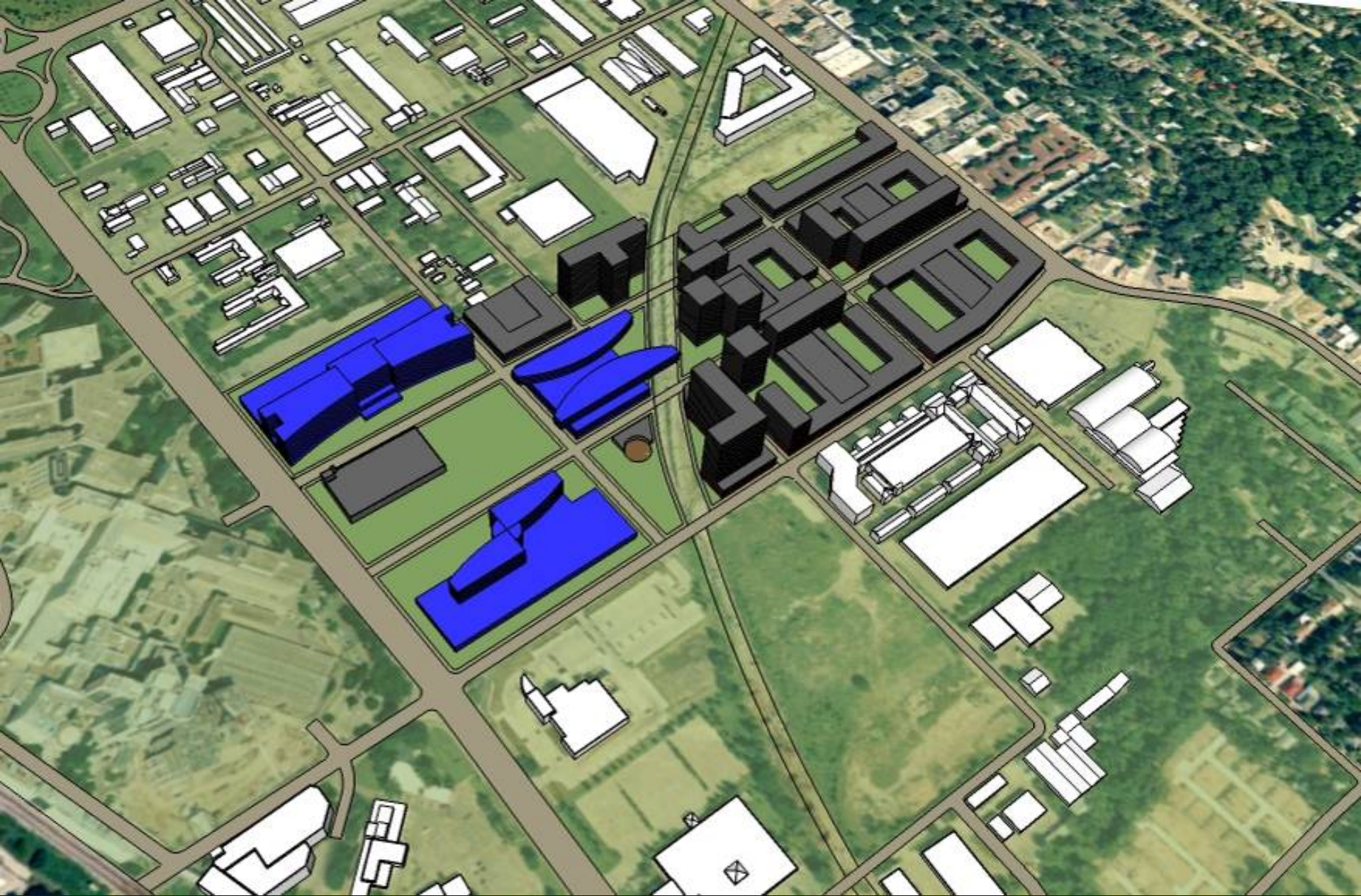
Birdseye View: Existing Conditions



Birdseye View: Maple Blocks only



Birdseye View: TOD East of Tracks



Birdseye View: TOD and Overlap Zone



FoRSM Test Plan – Supportable Land Value Economic Impact

Disposition Strategies (Land proceeds in millions of dollars)

	Bulk Sale 2009		Staged Sale to 2015
	Maple Blocks Only (minimum)	TOD East of Tracks (low)	TOD and Overlap Zone (high)
TOD Area	\$13	\$29	\$86
Overlap Zone	N/A	N/A	\$38
Total for Combined Zones	\$13	\$29	\$124
Assessed Value at Buildout	\$73.4 M	\$209 M	\$647 M
Dallas County taxes/yr	\$416K	\$1.2 M	\$3.7M



8) Statutory Framework Analysis

Existing Framework

- » Formed under Chapter 281
- » All excess land purchased with hospital funds; neither bonds or eminent domain was used.
- » Approval of Commissioners Court required for transaction
- » May contract with: Federal, State, or Local governments, AND Privately owned / operated hospitals.

Development Opportunities

1. Outright Sale
2. Sale with development covenants
3. Develop hospital related facilities (medical office, assisted living, wellness facilities, and potentially worker housing)
4. Transfer the excess property to another governmental entity with proceeds going toward core mission
5. Further develop TIF district



8) Statutory Framework Analysis

Proposed Statutory Changes

1. Clarify that hospitals chartered under Chapter 281 may enter into long-term leases for their property so long as the proceeds are used for hospital purposes.
2. Clarify that hospital purposes can be achieved and advances through property transactions and other activities that do provide financial gains to the District so long as all the proceeds are reinvested into the District's core mission.
3. Amend HB 2168 to permit hospitals created under Section 281 to form and sponsor nonprofit corporations.
4. Support the formation of "Hospital Enterprise Zones" to facilitate the increase in the marketability of property near hospitals by offering additional tax and financial incentives.



9) Final FoR and PHHS Options Disposition Strategies

- » First, Parkland must determine what to sell or develop (i.e., Maple Blocks, TOD East of Tracks, TOD and Overlap Zone:
- » Option 1 – Single Sale in 2009
 - › Sell all as single site
 - › Drawbacks: uncertainty about location of streets, infrastructure provision, zoning, and real estate market conditions
- » Option 2 – Plan & Sale in Stages to 2015
 - › Plan & zone entire site and arrange for infrastructure provision
 - › Staged dispositions working south towards “core”
 - › Before sale, use sites for construction staging and new hospital surface parking
- » Other Options
 - › Ground Lease (parking lots; some uses in Overlap Zone)
 - › Joint Ventures (maybe on some uses in Overlap Zone)



Final Recommendations & Next Steps

- » Plan the ENTIRE SITE as a transit oriented “wellness” district refining where hospital, related support uses, and will go TOD (2008-2009)
- » Plan streets and infrastructure serving whole district and put in place appropriate mechanisms to finance and implement e.g. TIF, development district (2009-2010)
- » Get everything zoned with basic entitlements
- » Sell off first 1/3 of the TOD in 2010 in this context (Maple Street)
- » Phase future sales, if any, as Maple Street builds out and hospital is constructed and future needs further determined
- » Proceed “southward” towards DART station and Overlap Zone retaining highest value land for last – use for surface parking/ construction staging areas for hospital in interim



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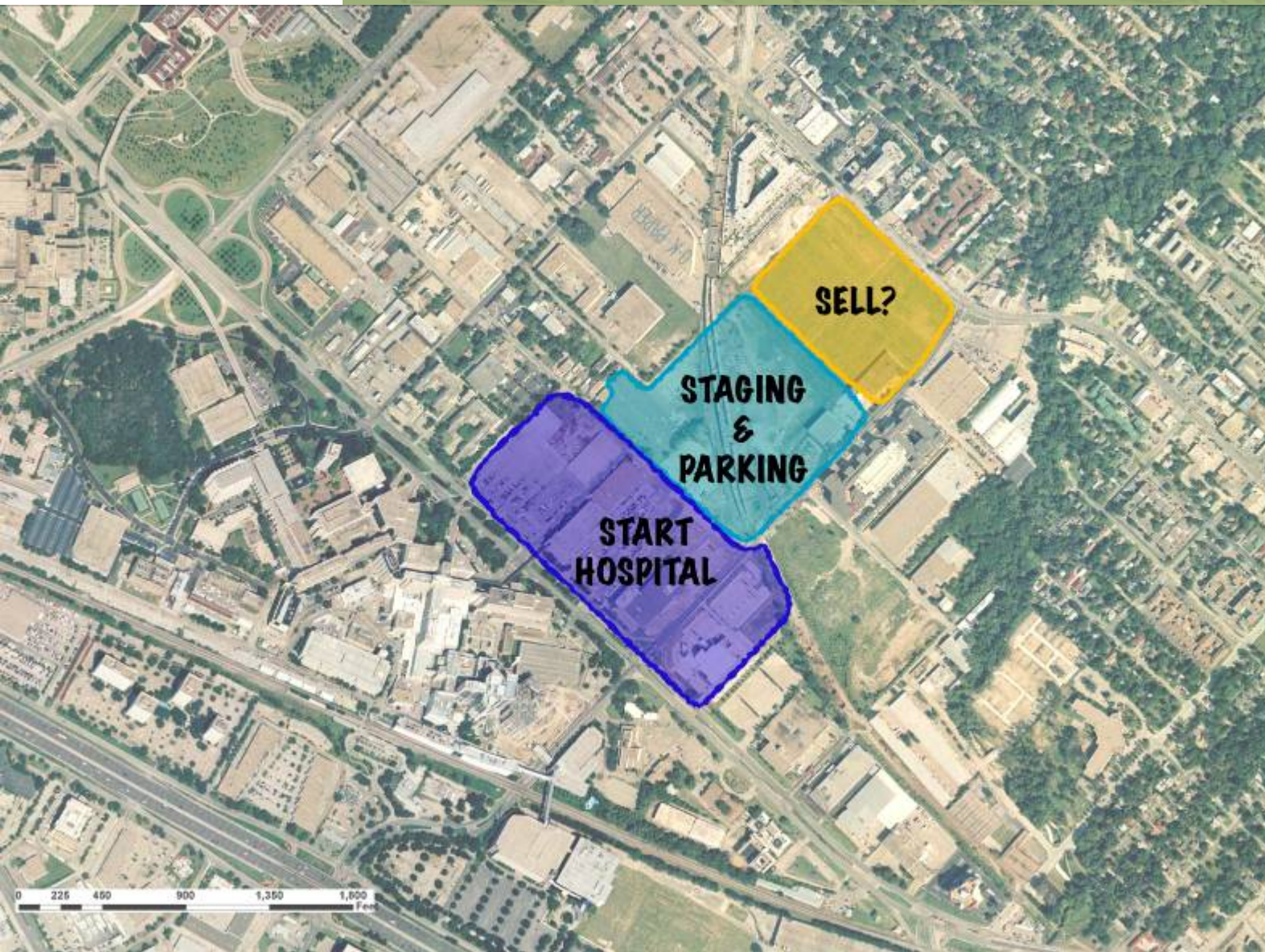
2008 to 2010





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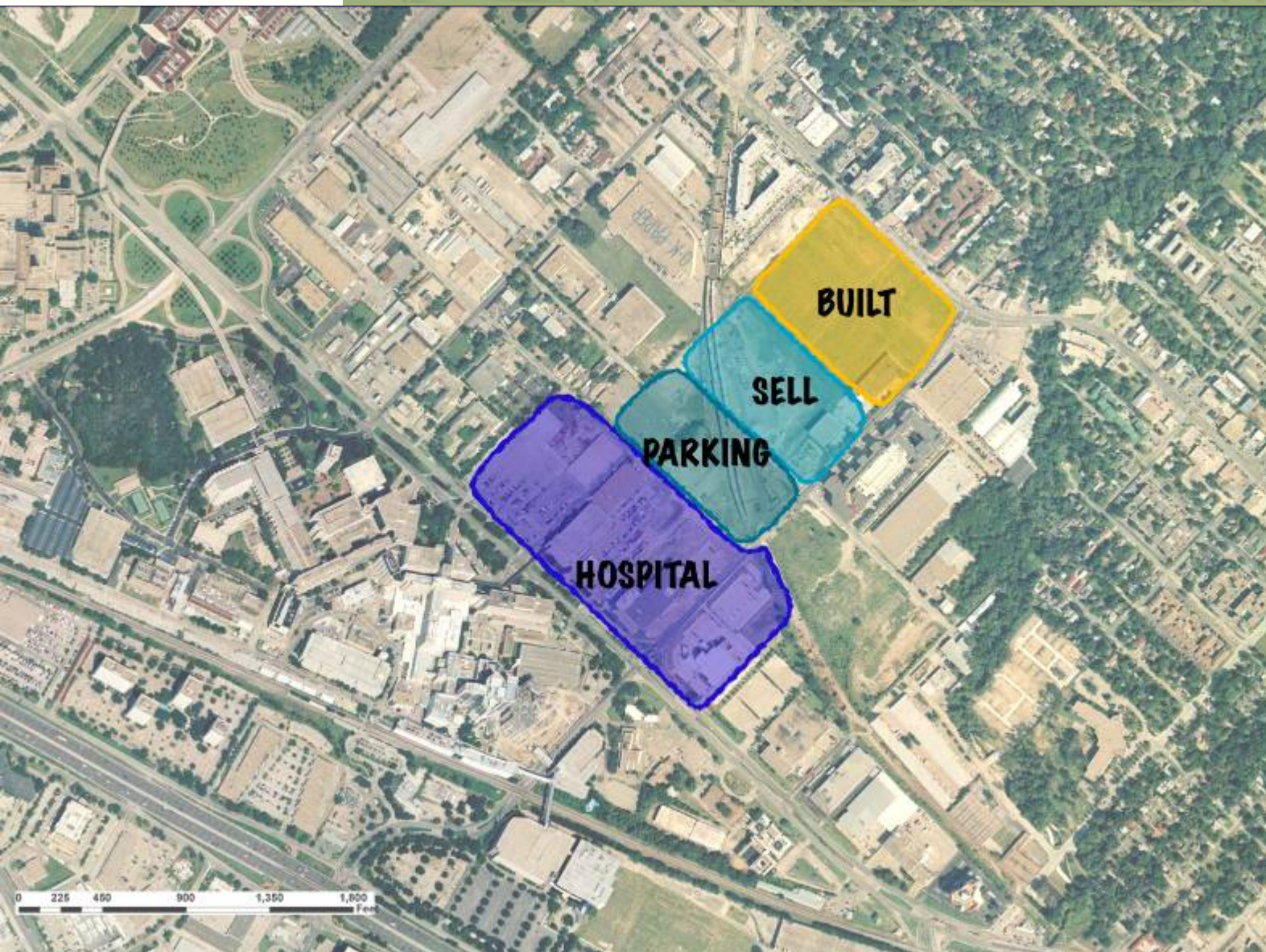
2010+





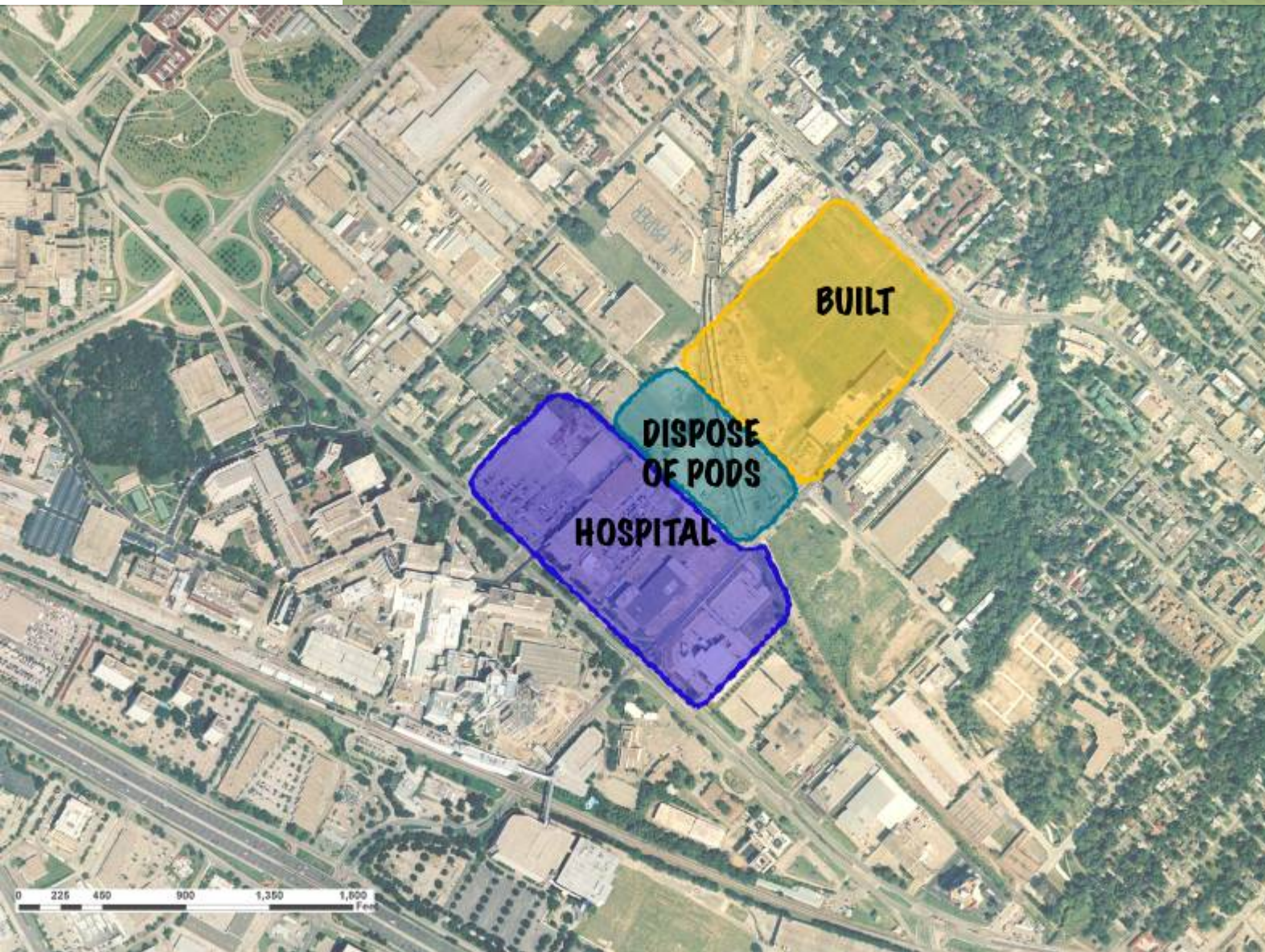
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2012+





2015+





Potential Fatal Flaws

- » Developer interest below expectations
- » Metro housing market does not stabilize by 2010
- » Metro job market fails to keep pace with national average
- » Statutory requirements change, restricting ability to sell/lease excess property
- » Metro housing lease rates drop below \$1.20/SF



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