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■ In Texas Now: promotes tourism and events throughout the state of Texas, spotlighting vacation information and tips and featuring community sponsored messages.

Immediate Communication: conveys personal messages for visitors and others at special Dallas Arts District events could be displayed free or for a fee.

Artistic and Aesthetic Displays: artists can design programs and visual works using various components, including the kiosk consoles for interactive audience participation. The Dallas Museum of Art and the central management staff would select artists, assist with programming, and review all material displayed.

### Revenue and Sponsorship Opportunities

Specialized components of the Electric Agora could be sponsored by various organizations. Examples include:

■ "Dallas Entertains" Feature: Individual theaters and cultural institutions.

■ World-wide Cities Spotlight: U.S. Chamber of Commerce; National Conference of Mayors; international tourism consuls.

■ World Board: World Trade Council; International Tourist Boards; American and Foreign multinational corporations.

■ Texas Now: Texas Department of Tourism, city governments; Dallas tourist destinations.

■ The Opinion Poll: reflects a cumulative data base, responsive opinion poll that operates through kiosk consoles and allows on-lookers to respond directly to electronically displayed questions either on the Agora screen or on the consoles. To stimulate participation, periodic summaries of the poll would be projected on the board with percentages and comparisons based on respondents' profiles and backgrounds.

### Management

Those portions of the board that are purely informational and, therefore non-commercial, will be managed and operated by the Dallas Arts District management group. Spot-ads sales on the commercial portion, however, should be handled by an outside agency which can spread the cost of maintaining contacts with many potential advertisers over hundreds of advertising locations. Such a strategy will especially facilitate making an Electric Agora advertisement part of a larger campaign. Time and space brokers can handle the marketing on a commission basis, and advertisers reimburse Dallas Arts District management personnel for time spent on commissioned design and specially composed spots.

A Manager should be responsible for the operation of the Agora including selection and management of artists, advertising time and space brokers working on commission. Because this Manager, who should have programming experience and who should be familiar with the technology involved, would also be responsible for other attractions, an allocated share of

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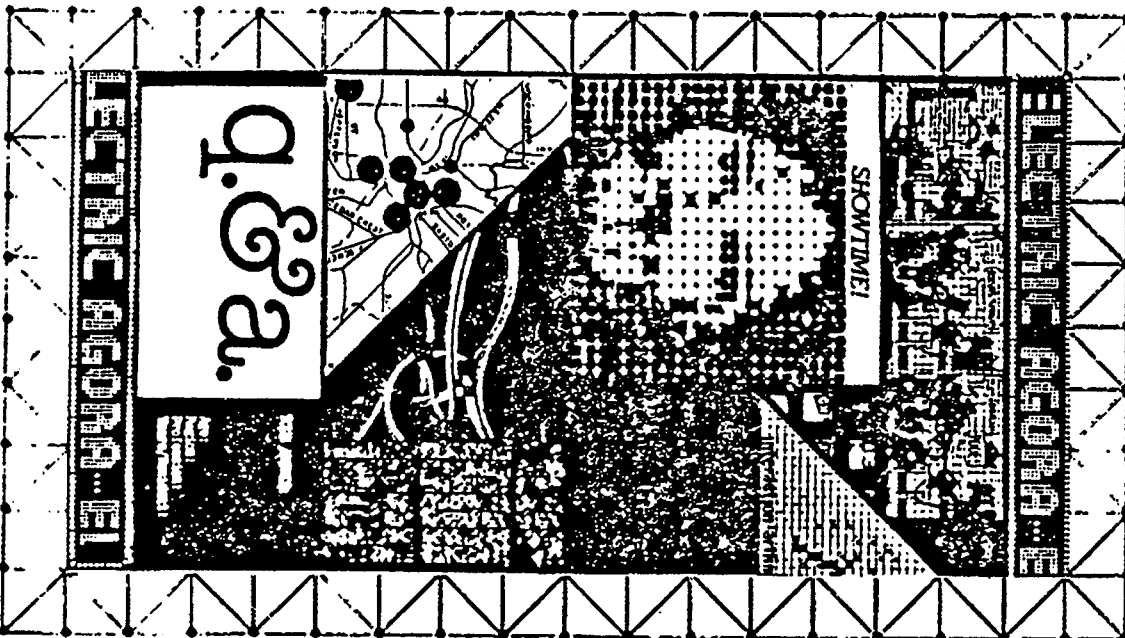
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his or her salary is charged to the Electric Agora on the income statement. The "operating expenses" include additional skilled staff time for maintenance and programming.

### Design and Implementation

It will be necessary to pursue a preliminary feasibility study on the technology, structure and materials necessary to fully implement the conceptual design development of the Electric Agora. The following issues must be brought to an appropriate level of resolution, as well as estimates of feasibility, before in-depth work can begin:

- Content: Program ideas, graphic designs, format issues.
- Size: Height, brightness and visibility issues;
- Budget: Development of project arts allocation, solicitation of sponsors for promotional support, investigation of grant possibilities.
- Computer/Control Base: Investigation of real time and programmed display, interactive technologies and possibilities; games and training programs, score-board, broadcasting, and promotional programming.
- Technology Search: North America, Japan, Europe; World Fairs and expositions; sports arenas, Times Square, theatres, promotional devices.



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#### Housing Potentials

Mixed-use development has a sporadic record of including housing among commercial components, usually as high-rise luxury rentals or condominiums. Success depends on a number of urban factors: location, project scale, initial land cost, area densities, available transit, amenity, et cetera. The Dallas Central Business District has a markedly low rate of residential use, with core areas incorporating basically one residential project of 252 units. The market for housing downtown, then, remains largely untested.

City housing studies project a cautious optimism. Certainly the Dallas Arts District offers an appropriate physical framework for housing, with green areas, a softened urban landscape, cultural and entertainment opportunities, proximity to the workplace and diverse retail, dining experiences along with opportunities for a popular, consequently safer night-time setting. A range of neighborhood services and conveniences will handle the overlapping needs of daytime workers and a residential community.

High-rise rentals and condominiums have been effectively incorporated into ongoing office development, in projects as diverse as the John Hancock Tower in Chicago to the independent towers of Century City, Los Angeles. In a 1976 survey of eighty-eight U.S. mixed-use projects, 54% include a residential component. Such a project, for Dallas, would be a genuine ground-breaking in new territory. The Young-Gentek hotel may include over forty condominiums targeted for corporate use, with services provided by the hotel.

A University of Texas regional planning study focused recently on downtown office workers' attitudes on downtown living and Dallas housing prospects. Of note:

- an enthusiastic interest in living downtown, expressed primarily by persons already located near the CBD;
- overwhelming majority interested are one and two family households (increasing affordability);
- majority own residences and wish to own in the future;
- incomes, with 25% devoted to housing costs, would permit higher mortgage payments than respondents are willing to pay, a significant marketing problem given potential costs of CBD housing.

Dallas will inevitably respond to some of the same pressures both positive and negative, that have fostered a resurgence in inner-city living throughout the nation's metropolitan areas. The landmark siting potential of the Dallas Arts District and the current successful assembles of land suggest development in this area is a likely first for downtown residential units.

#### Artists-In-Residence

A portion of the commercial areas of the project could be combined with artist work space and resident-run galleries. The goal is to provide an atmosphere of living and working as a benefit to the creative individual by combining artist shops, teaching studios, and other commercial uses.

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The typically low capital resources of the arts community promote arts neighborhoods in marginal or under-valued neighborhoods, creating areas like Dallas' "Munger Place" or "Swiss Avenue." The City of Dallas recognizes the value of arts in public life, and housing support has been in the form of overlooking zoning restrictions to facilitate artist communities.

Within the district, below-market rate housing will be required to meet an artist-in-residence goal, with the cooperation of development interests and City authority to effect tax exclusions, non-assessment of specific capital expenditures, and re-interpretation of Section Eight housing goals, among a variety of financing strategies outlined below.

■ **Living lofts:** A condition for the fullest success of the Dallas Arts District will be the residential proximity of the artist. This will be a place in which the serious artist can work and/or live within the overall complex. His presence will complement the character of the Flora Street development. A provision of adequate working/living space in return for the "benefits" which artists can bring to the project is proposed.

Working/living lofts for a minimum of 25 artists should be created, each with approximately 1,000 square feet. These spaces could be created on the second and third level, or above, of the retail structures and provide for flexibility of use.

Each space will have a minimal kitchen and bathroom facility, and the living area itself will have large, unencumbered spaces (with skylights

provided where possible). Doors and lighting will be an industrial grade nature to provide mobility and heavy-duty equipment installations.

■ Gallery spaces should be provided at above grade level for artist-run display of artist work. These will be combined with individual artist and group shows at commercial galleries.

■ Artisans shops should be approximately 200 square feet, where craftsmen can work on display; the character of the collection will be somewhat an open bazaar. The specialty center could incorporate the shops within the Crafts Collective.

### Market Rate Housing/Studios: Academy of the Arts

In addition to the artist-in-residence program, there could be market rate studio and residential space available for the dance instructor, voice coach, piano-violin teacher. These can be developed either as apartments or condominiums. Proximity to additional classroom or practice spaces, in combined sponsorship with the Dallas County Community College District educational space or visual arts workshop areas, suggests the genesis of a more or less informal Dallas Academy of the Arts.

A proven marketing strategy is to "piggy-back" the marketing sales of these units to the overall success of the artist-in-residence program. The marketing benefits of this are strong. The value of the residential units will be enhanced by the presence of the Concert Hall and the artist residents. The classic example of this is Carnegie Hall in New York City, where the residential units

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were created to assist the operating support of the hall itself. It is immediately apparent that the credential of the theatre/music teacher is markedly improved by having studio or teaching space in the major performing arts center.

#### Financing Challenge

Escalating interest rates have radically altered the development industry's ability to build and sell a range of housing alternatives. Within downtown development, even luxury condominiums maintain a borderline viability.

In order to introduce more affordable housing to the targeted site, a number of incentives or regulatory measures have been developed in other cities:

#### City controls and incentives:

- in Denver's zoned high density areas, all square footage allocated to housing is excluded from the FAR in determining the maximum building envelope.
- city governments in San Francisco and Boston have required a proportional amount of downtown housing to accompany current office development, although this requirement may be fulfilled with housing that is not necessarily on the same site as its associated office development.
- A city can exempt development/construction costs of housing from value-added property re-assessments.
- some cities have committed to a phased-in re-assessment to reduce front-end and initial carrying costs of housing.

- cities provide parking and infrastructure, or other public improvements.

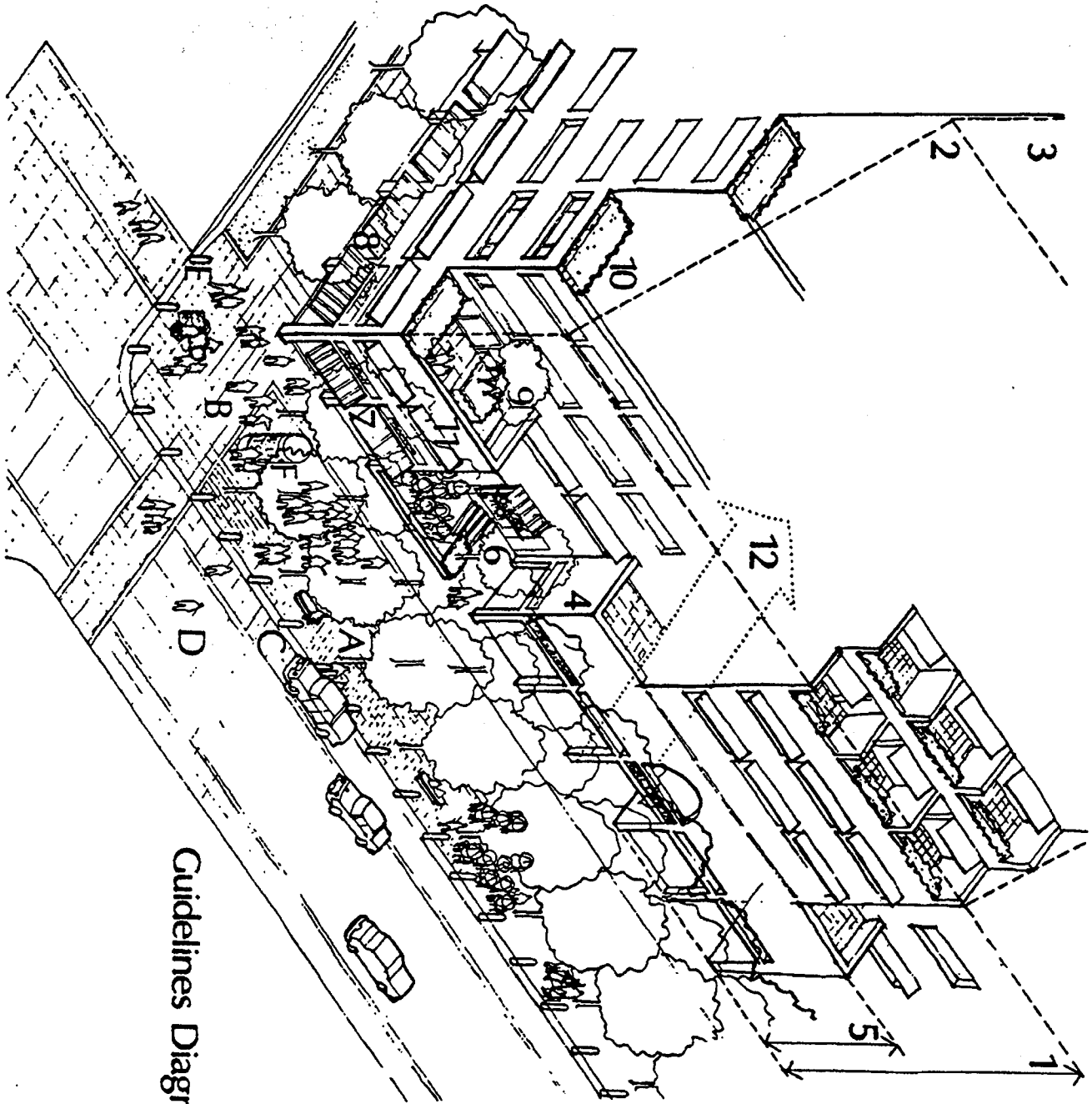
#### Financing methods:

- tap General Pension Funds of local trades or employee unions for lower interest rates and equity participation.
- utilize the state bonding capacity, if perceived benefits can be adequately demonstrated, for low interest or tax-free financing.
- major financial institutions involved in site office development in the district can demonstrate a public interest role in making available below-market-rate funds to buyers.

#### Developers

- set up syndication of tax benefits to minimize interest bearing funds required.
- stage syndication to stabilize cash flow, with funds acting as interest subsidy in project's first years.
- pro forma project with housing interest subsidy carried through as capital cost to project, effectively trading on value of office development to support housing.
- create a mortgage interest fund, used strategically to leverage costs during project initial years.
- developers can use a "dormant coop" or "condo flip" with short term financing which converts at the balloon date, giving the tenants five years or so to come up with a down payment.
- Jim Rouse of Rouse Corporation sponsors an Enterprise Fund which recycles development profits into housing.

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Guidelines Diagram

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### Design / Development Guidelines

The implementation of the plan for the Dallas Arts District will not occur in one stage, but rather as a phased development over time. To ensure a consistency of design and maintenance of the district as a pedestrian-oriented environment, design and development guidelines have been established. The following section presents building envelope guidelines for setbacks and building heights, and design guidelines that present standards/parameters for elements such as building materials, street furniture, lighting, and signage.

#### Summary of District Guidelines

The guidelines diagram and list on the following pages summarize guidelines necessary to ensure that future development is consistent with the district theme. However, the majority of criteria for development will be left to discretionary review. Each project will be evaluated by the Design Review Committee for the Dallas Arts District for its development impacts on the district and on its compliance with district guidelines. Alternately, if the district were to be designated as Planned Development District by the City of Dallas, review would occur as part of the standard Planned Development District review process.

#### Building Envelope Guidelines

Controlling scale and openness along the Flora Street corridor will ensure that the street remains a pedestrian-oriented environment. A height limit is proposed adjacent to and within

50 feet of the 100-foot Flora Street right-of-way. The principle is that the building height within the 50-foot area must be equal to the distance from the centerline of the Flora Street right-of-way. A building at the right-of-way edge can be a maximum of 50 feet high. A portion of the building 25 feet from the right-of-way edge could be 75 feet high. Beyond the 50-foot area there would be no height limit, except what is required by the Federal Aviation Administration for the Love Field flight path.

The proposed development intensities can be achieved within a desirable profile for building massing within the district. Marketing considerations would locate the taller buildings at the edges of the development areas at Ross Street and Woodall Rodgers Freeway, where maximum visibility is available. This is in keeping with the desirability of having lower buildings along Flora Street to maximize light and air. The Building Envelope Guideline diagram details these parameters on the following page.



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### Setback/Height Regulations

- 1 Height limit of 50 feet at Flora Street property line to maintain scale appropriate to pedestrian environment and encourage low base podiums for building development along Flora Street.
- 2 Height limit of 100 feet at 50 feet from Flora Street property line.
- 3 Beyond 50 feet from property line, unlimited height; FMA or City of Dallas restrictions apply.
- 4 Suggested crenelation of streetwall along Flora Street to create entries, sitting alcoves, planting areas or places for cafes. Crenelation should not extend more than 30 feet so that activity will remain visible along Flora Street.
- 5 At least 50% of Flora Street frontage built with two story base or podium.
- 6 Suggested retail above and below street level, with entrances 1/2 level above and 1/2 level below street level.
- 7 Variety and enrichment of pedestrian environment by numerous small shops. At least 50% of the streetwall on Flora Street for the first two levels should be transparent material, used for creative display and merchandising. Awnings or canopies are encouraged for weather protection and add color and pedestrian scale to the street.
- 8 Extension of retail around corners on cross streets, particularly on entry corridors from downtown. This will increase visibility of retail for pedestrians and motorists.

9 Location of active uses or common spaces such as cafeterias, meeting rooms, and lounges of mixed use projects on terraces that overlook Flora Street.

10 Orientation of residential and/or hotel uses to Flora Street with balconies or terraces.

11 Continuance of visibility of second level retail through use of signs in windows, but not extending into street. Signs for street level retail should be in sign band on face of building or in zone diagrammed in typical Flora Street Section.

12 Through block pedestrian connection to lobbies and parking garage elevators to provide weather protected pedestrian access. Retail uses front on pedestrian connections where possible.

13 Selection of building materials, that consider the scale, color, and texture to reflect regional character: the use of stone, stucco, concrete in light earth tones recommended.

### Public Improvements

A Small scale modular pavers in tree planting zone. Zone for cafe vendors, street sales, artists, and performers.

B Paving pattern to indicate pedestrian zone.

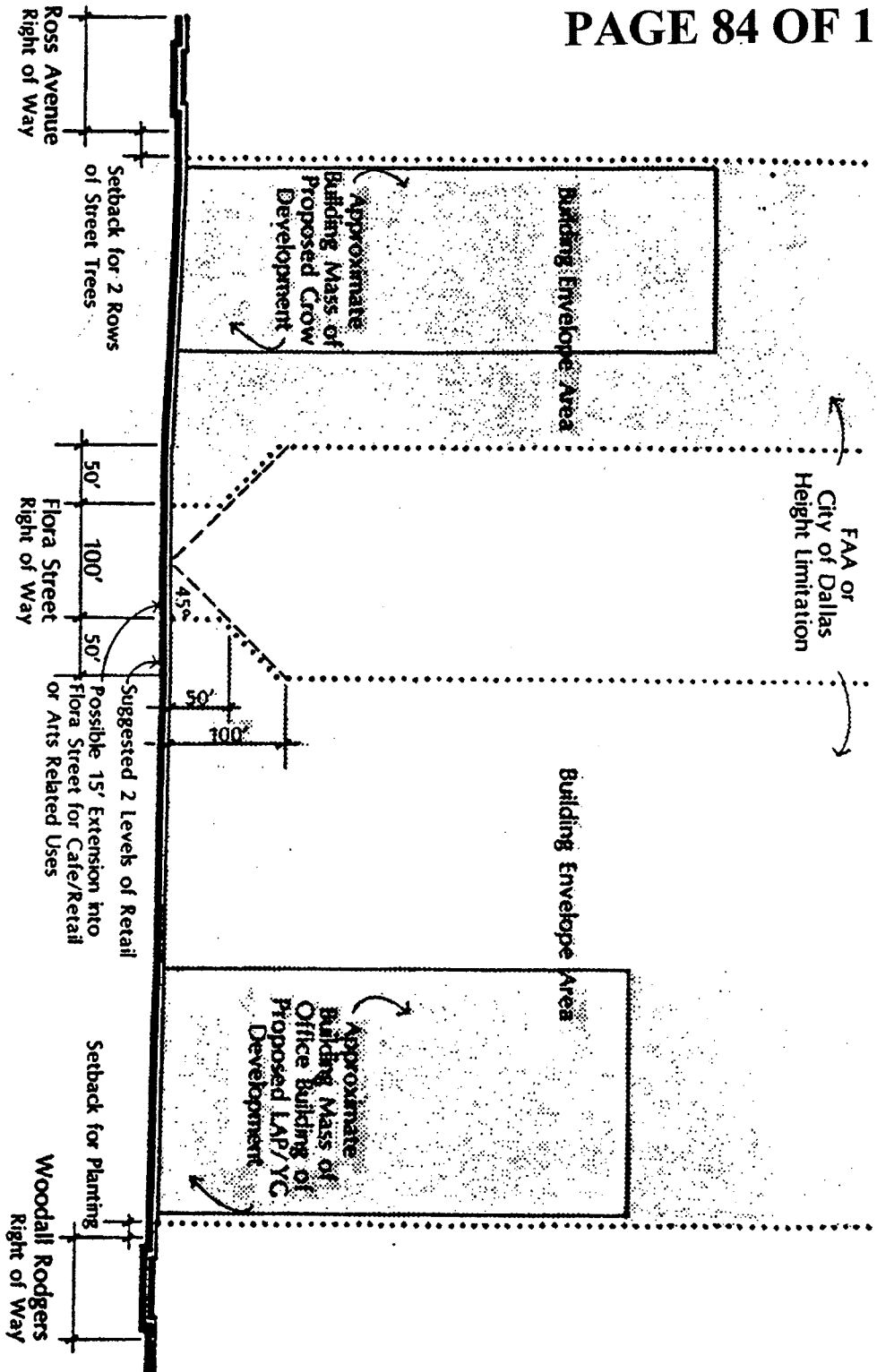
C Drop-off lane (transition zone) paving.

D Vehicular zone paving pattern.

E Masonry bollard, flush with curb, with incandescent illumination.

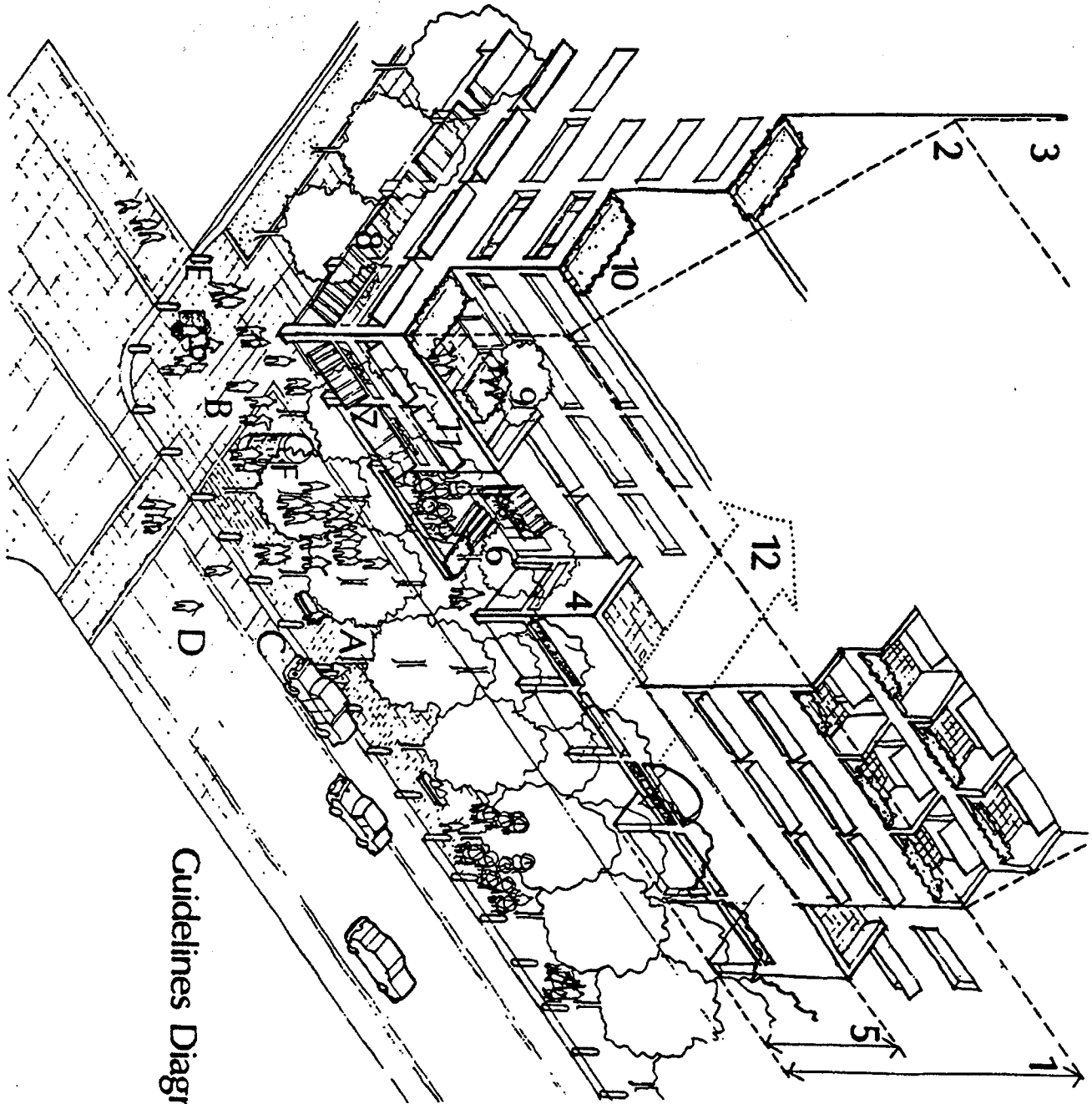
F Street furniture in planting zone: information kiosk, benches, trash receptacles, drinking fountains, etc.

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Building Envelope  
Guidelines

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Guidelines Diagram

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## Implementation

Integral to the planning process is consideration of issues relating to the complexities of translating the plan to reality. The following section presents an examination of construction cost estimates, phasing of open space improvements, maintenance, funding, management recommendations, and leasing considerations.

### Preliminary Construction Cost Estimate

Public improvement costs in the Dallas Arts District have been divided into three areas: Flora Street, entry corridors, and perimeter streets.

This cost estimate is preliminary and has been based on the conceptual design for budgetary purposes. The budgets will have to be confirmed or revised as more detailed design progresses.

This estimate is based on 1982 prices. All items in the cost estimate reflect a 30% contingency (20% design and 10% construction). Professional fees are not included. Also not included are surveying and testing costs, costs of underground structures and utilities and other subsurface improvements, improvements to the Cathedral and Arts Magnet properties, or paving on the entry corridors and perimeter streets.

**Flora Street:** The preliminary cost estimate for Flora Street is on a per-block basis. This includes demolition and site preparation, special paving, drainage, triple rows of 6-7" caliper trees in place, tree grates and guards, tree irrigation and drainage, benches, trash receptacles, drinking fountains, lighting and graphics.



**Special Features:** This cost estimate also includes three special features: (1) Gateway lighting and a pair of water features mark the beginning of Flora Street at Harwood Street. (2) The Electric Agora and the Arbor occur at the corner of Pearl and Flora, opposite the Dallas Concert Hall. The Electric Agora is the Dallas Arts District information center with laser lighting and electric sign boards announcing events in the district. The Arbor, adjacent to the agora, is a small park including a lawn area and a shady water garden surrounded by an arcade. (3) Fountain Plaza marks the terminus of Flora Street at Routh Street. At its center is a large fountain with a backdrop of trees.

**Entry Corridors:** Improvements to the cross streets between Ross and Woodall Rodgers include double rows of 5-6" caliper trees in place in continuous planting beds, irrigation, lighting, and graphics.

**Perimeter Streets:** This estimate includes planting of double rows of 5-6" caliper trees on the streets around the perimeter of the District.

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Preliminary Construction Cost Estimate

I. FLORA STREET AND SPECIAL FEATURES	
Harwood to Olive	\$1,571,400
Olive to Pearl	1,505,200
Pearl to Crockett	1,339,200
Crockett to Leonard	1,690,300
Leonard to Fairmount	1,060,800
Fairmount to Routh	2,108,200
Gateway Lights & Fountains at Harwood	317,400
"Electric Agora"	2,760,000
"The Arbor"	1,415,800
"Fountain Plaza"	5,000,000
<b>SUBTOTAL</b>	<b>\$18,768,300</b>
II. ENTRY CORRIDORS (Trees, lighting and graphics only)	
Harwood Street	\$ 226,900
Olive Street	214,500
Pearl Street	267,800
Crockett Street	621,800
Leonard Street	93,000
Fairmount Street	231,500
Routh Street	253,900
<b>SUBTOTAL</b>	<b>\$ 1,909,400</b>
III. PERIMETER STREETS (Trees only)	
Rose Street (St. Paul to Central)	\$ 133,100
St. Paul Street (Rose to Woodall Rodgers)	38,500
Woodall Rodgers (St. Paul to Central)	105,100
Central (Woodall Rodgers to Rose)	73,900
<b>SUBTOTAL</b>	<b>\$ 350,600</b>
<b>TOTAL ARTS DISTRICT PUBLIC IMPROVEMENTS</b>	<b>\$21,028,300</b>

NOTE: A 30% contingency (20% design, 10% construction) is included in all line items.

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**Phasing of Open Space Improvements**

Improvements to Flora Street and cross streets should coincide with the development of private parcels and cultural facilities. The phasing of public improvements begins with Harwood Street to provide access to the new Dallas Museum of Art. The 100 foot portion of Harwood Street directly in front of the museum arrival court which forms the beginning of the Flora Street corridor must have at least interim paving for the opening of the museum in November 1983.

A critical mass in retail and restaurant opportunities is important to the first development area. This will test the "Joint-venture" spirit of individual developers. The public identity of the district and its commercial components must be established in the modest content of supportable retail. A strong showing of arts related commercial operations is an investment in the arts context and reinforces initial regional awareness.

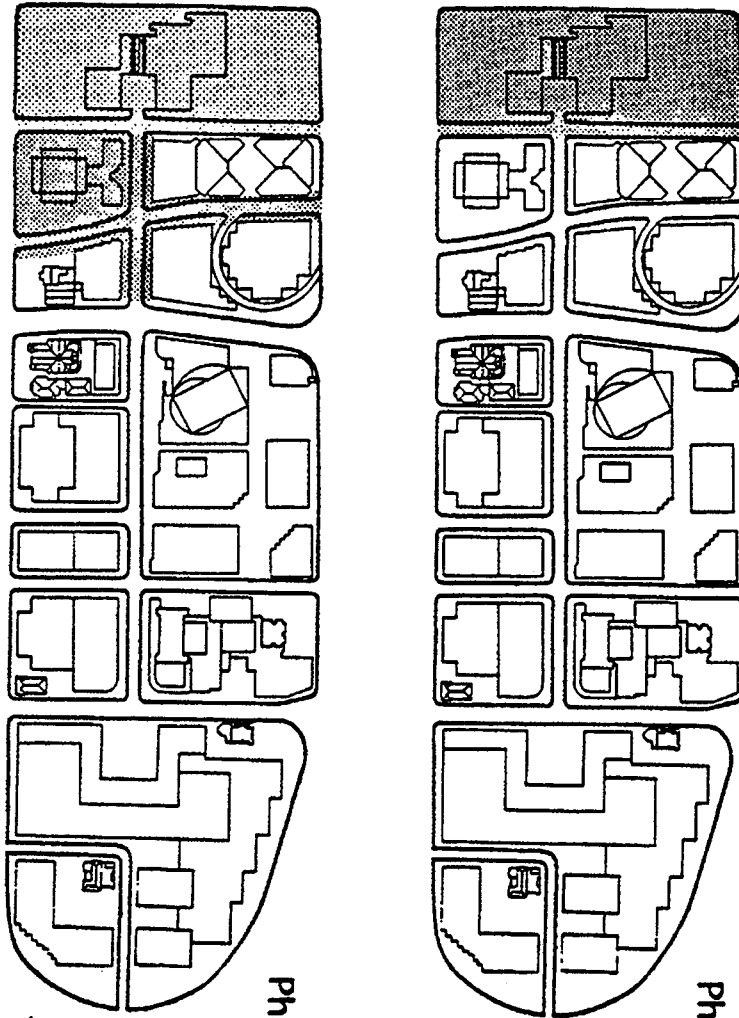
Phase II completes the construction of Flora Street from the museum to but not including Pearl Street. This phase should proceed as soon as possible to create a two block setting for the museum. The proposal to build a continuous underground parking garage and retail by Triland and Belo should be timed so as not to delay construction of this phase.

Phase III of public improvements to Pearl and Flora Streets should occur with the construction of the Concert Hall and parking garage. The proposed pedestrian underpass at Pearl Street would be built in this phase.

Phase IV completes the Flora Street improvements and terminates the street in the "Fountain Plaza" east of Routh Street.

The phasing diagrams on the following pages depict these relationships between public improvements and private development.

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Phase I

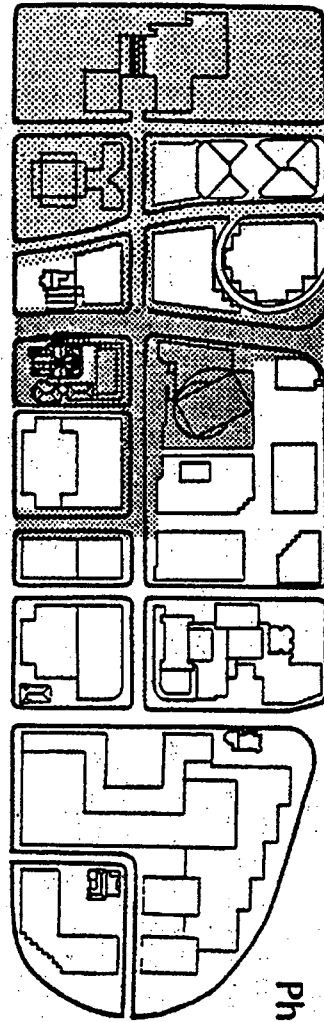
Museum of Art  
and Harwood Street

Phase II

Flora Street from  
Harwood to Pearl

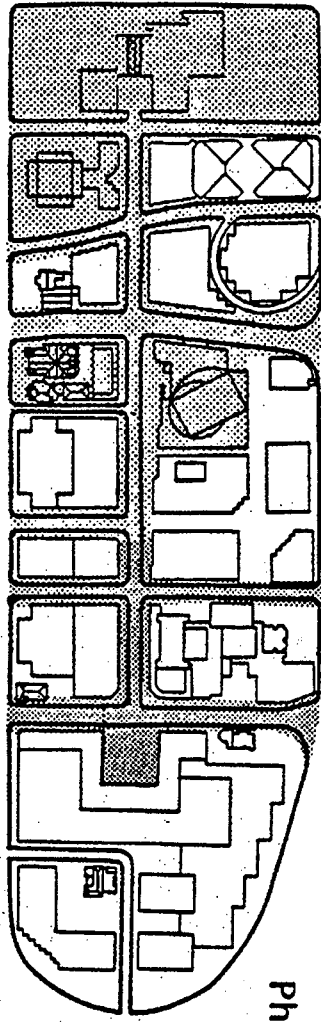
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Phase III

Flora Street from  
 Pearl to Leonard  
 Concert Lights  
 The Arbor  
 The Electric Agora  
 Pearl Portal Park



Phase IV

Flora Street from  
 Leonard to Routh  
 Fountain Plaza



Phasing Diagram/  
 Open Space  
 Improvements

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### Open Space Maintenance

High quality and efficient maintenance of the Dallas Arts District open spaces is a requirement for capturing and sustaining its potential as a major public open space environment and as a stimulus to adjacent private development. The Consultant Team's national experience over the past 20 years clearly indicates that the degree of success of public open spaces depends largely on the quality of the maintenance program. The Dallas Arts District plan calls for the development of high quality public open spaces which will receive extensive pedestrian use during both weekday working hours and evenings and weekends. The anticipated need for maintenance of this environment goes beyond the resources of the existing system in terms of required manpower and equipment.

In addition to establishing a sound maintenance program it will also be essential to secure a long term source of funding support. Exclusive dependence on public funding for a sophisticated maintenance program would leave it susceptible to the uncertainties of the political system and the availability of public funding sources. The potential benefits of a well-maintained, high quality public open space environment to the private sector has been demonstrated in cities such as Minneapolis, Minnesota and Portland, Oregon. However, in some cases negative consequences have resulted from the construction and operation of public open spaces which have inadequate and uncoordinated maintenance programs.

Management of the district will be a daily operation consisting of three distinct areas of functional responsibility: (1) maintenance; (2) security; (3) marketing. Of all the management functions, the maintenance area of operations is clearly the most complex. Delineating responsibilities for maintenance and security by location and task requires a refined organization and a maintenance plan. Normally, public and private sector participants cooperate to deal effectively with this complex issue.

Generally, maintenance organizations can be grouped into four basic organizational models as follows: (1) municipal agency; (2) private development corporation; (3) non-profit corporation; (4) public/private task force. A major task before the Dallas Arts District Consortium will be the selection of the generic type of maintenance organization and delineation of its maintenance responsibilities which best meet the needs of the Dallas Arts District.

Estimating maintenance cost for the Dallas Arts District will require detailed studies based on the specific project design and the level of maintenance determined to be desirable. Maintenance cost estimates should include repair as well as maintenance functions which occur on a regularly scheduled basis. There will also be certain start-up costs for equipment and stockpiling of material (such as light bollards and special light fixtures) which will be required. Start-up costs will be greater if a new entity is formed for maintenance and all new equipment is required. It is estimated that maintenance costs could

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range from \$2.00 to \$3.00 per sq. ft., or approximately \$440,000 to \$660,000 annually for the Flora Street area of the Dallas Arts District.

It is recommended that a detailed maintenance plan be developed for the Dallas Arts District. Such a plan would identify existing maintenance functions and responsibilities in the district, repair and maintenance activities required to assure proper maintenance of the district including a description of each maintenance task and the frequency of that task. The maintenance plan would also include an estimated annual budget, including maintenance cost, start-up costs, and a comparison with existing maintenance costs based on maintenance responsibilities as they exist today.

### Management Recommendations

A distinctive, and dynamic image for the Dallas Arts District will be enhanced by well-managed, coordinated and sensitive yet aggressive treatment of the area's unusual mix of cultural and commercial activities. The integration of public and private concerns can produce a unique public profile, attractive setting and physical features, and create for the district a significant role in the growth of Dallas.

#### Marketing & Public Relations Primer Dallas Arts District

Creative merchandising will reinforce the image with the goal of serving a broad range of shoppers and diners, including 1) daytime employees; 2) local area residents; 3) arts

enthusiasts; 4) students and 5) tourists and regional visitors.

When a cohesive image is identified and a consensus on goals is reached, then responsive public relations and marketing tools can be put to use for positioning the project in the regional and national marketplace and creating an air of expectation within the local area.

#### Marketing Strategy

##### Step 1. Establish Goals and Objectives

Create awareness of shops, restaurants, cultural institutions, public art, parks and performance areas.  
Circulate traffic throughout the Dallas Arts District.  
Generate frequency of visits.  
Convert browsers and participants to shoppers and patrons.  
Stimulate repeat patronage.  
Generate cross-patronage between cultural and commercial offerings.

##### Step 2. Undertake Market Research

Define trade area and targeted market segments.  
Evaluate tourist and regional visitor potential; analyze out-of-town visitor, conventioner, hotel markets.  
Define target residential markets in detail.

##### Step 3. Develop Activities and Uses for

Public Areas  
Program events on cultural, entertainment and seasonal themes, plus schedule a variety of

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high-profile promotional activities to draw traffic at off-peak periods.

Step 4. Evaluate Advertising Opportunities  
Determine positioning for creative and graphic input.

Research and evaluate media: neighborhood and city-wide publications, hotel and airline magazines, newspapers and regional media, broadcast media.

Determine budgets and outline schedule for pre-opening, opening, ongoing promotion and advertising programs.

Step 5. Establish a Public Relations Philosophy

Interface with local media, arts, civic and community organizations, downtown retailers and professional associations.

Develop strategy and communications system for tenant relations, institutional and non-profit activity.

Institute two publicity programs: An interim program highlighting development progress, debut of cultural affairs, and signing of new tenant, and an ongoing programming to support concerted promotional activities and events.

Outline opening ceremonies and related events publicity, integrating commercial development progress with public landscaping projects, and arts premieres.

Provide for information booth, directory, and directional signage program, lending cohesiveness to individual projects within the district.

Step 6. Stimulate Merchandising Activities  
Develop promotion package for tenants focusing on opening and ongoing participatory activities.

Address visual merchandising and public display issues.

Step 7. Develop Cooperative Programs with Urban "Neighborhoods", such as the following:

Major office tenants, banks, retailers, attract the interest of convention and hotel groups, health clubs, transit facilities, educational institutions, museums, arts groups, music organizations, theaters and other downtown entertainment facilities.

Key into ongoing City programs including City Arts program and the Parks Department, Central Business District Association, Chamber of Commerce.

Publicity Program

A far-reaching regional and national publicity program for the Dallas Arts District would attract widespread attention in the media in advance and during development of the project. Local, regional and national publicity articles could be used to promote the project in many ways:

- Reprints as tools in the leasing and promotional package.
- Reprints as part of a larger press kit to demonstrate widespread acceptance of the project.

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■ Handouts to create a sense of goodwill in the local community.

■ Inserts as part of the city's public relations materials.

Although promoting a project in the planning and construction phases is not easy, editors are always looking for new story ideas. The trick is to package the story in a special way---to provide professionally executed press releases and photography---to focus on an unusual aspect which would specifically interest that editor.

Both general interest and specifically targeted press releases should set the tone for the project: a level of style, strong commitment on the part of the property owners and the city, and a sense of vitality. The complex should be publicized as a unique amenity for the area's population and visitors and a significant contribution to the quality of urban life.

One of the most positive aspects of this story, from a journalist's vantage point, is that the Dallas Arts District planners are diligently pursuing a development strategy which promises to maximize the property's potential for attracting new dollars and enhancing the area's image.

More specifically, we recommend placing the following articles in targeted publications:

■ City-wide events oriented publications & guides: Begin to establish a reputation as a destination point; consider designing a graphic symbol to facilitate recognition of repeat marketing and promotion efforts.

■ Architectural, engineering, construction and interior design magazines: Announce the project, with photography and plans, focusing on the physical aspects of proposed and existing structures, and highlighting urban planning efforts, innovative design resolutions, energy conservation measures, or special "attention-getters" such as the Electric Agora.

■ Publications dealing with urban issues, (such as Nation's Cities, IDFA, Urban Design, Urban Land and the American Planning Association): Focus on the changing face of downtown Dallas and the Dallas Arts District's role in revitalizing the area; emphasize the economic benefits of developing the property and the unusual mix of uses.

■ Development-oriented trade press (especially Buildings Magazine and Real Estate Forum): Sell the project's potential as a highly visible and prototypical venture which requires a creative approach---a unique opportunity---and include such details as corollary developments, transportation system, impact on downtown.

■ Airline, travel and convention magazines: Focus on Dallas as an active city and the project's relationship to the fabric and amenities of urban life, particularly those of interest to tourists, such as restaurants, art and entertainment, historic architecture, and unique shopping opportunities.

■ General consumer magazines: Uncover a human interest story on the area's heritage; a current look at institutional, commercial, and city supported real estate development.

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■ Local, state and regional media: Sustain a constant flow of press releases documenting every attained horizon point from constructing through topping-out, street re-openings to dedications; consider creating a few media events (press conferences, special announcements, etc.) and community events at the project even before completion (fundraiser for arts organizations, open-tent downtown fair, galas, etc.)

Promotion Management Structure

The Dallas Arts District will have three kinds of public spaces, using the broad definition--1) retail and food service areas; 2) lobbies, courts, open space in private development; 3) permanent art and performance areas. Managed in conjunction, the art and entertainment offerings will bolster the visibility and sales of commercial uses. The shops and restaurants will provide a service and compatible entertainment opportunities. Together with cultural institutions and successful landscaping features, they will act as a strong destination for residents and tourists. The management implications, however, are complicated by the combination of, in essence, nonprofit and for-profit uses. Coordination and consistency in attention and effort between the two components will be important in the management process.

An analysis of potential management structures suggests the possibility of four approaches.

Nonprofit Entities:

■ Sponsored by a single major funding source such as the Chamber of Commerce, the Central Business District Association or direct fundraising efforts.

■ Supported by a special City tax assessment on district property owners and supervised by a City department, either the City Manager's office (Department of Public Affairs) or the City Arts Program (Parks and Recreation).

For-Profit Entities:

■ A management contract situation in which the property owners and tenants' association hire an outside professional team, to manage for a fee raised by individual "memberships" or "shares."

■ A master lease situation in which a third party acting as the leasing and managing retail developer agrees to pay a lump sum negotiated rent for the right to lease to individual tenants and operate collectively.

Recommendations

In reviewing the advantages and disadvantages, we would recommend the outside professional approach. There are usually greater performance incentives/and the management-to-ownership/directorship relationship is less complicated.

In any case, the Dallas Arts District management structure will require an experienced retail management and marketing approach. This should be complemented by an aesthetic and promotional sensitivity in order to establish mutually beneficial relationships with the Dallas community, effective local arts organizations, and direct a closely coordinated events program.

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The most obvious disadvantage of a nonprofit entity is the continuing need to ensure future funding. This kind of constant tension often drains energy and attention away from necessary business and promotion functions. Establishing a special assessment district would alleviate fundraising concerns, and association with the City Manager's office would ensure greater emphasis on the needs of commercial users--whereas the City Arts Program has a greater allegiance to the concerns of the arts community. The economic viability of the Dallas Arts District is important to both groups.

However, city governments usually impose cumbersome requirements on their beneficiaries. For that reason, and to address the importance of attention to retail as a profit-center and support system for the project, a management contract approach might be more appropriate. The first step would be the organization of a governing body comprised of property owners and tenants who would charter, hire and evaluate the contracted manager.

Advantages include the following:

- Prospective operators can be judged on past accomplishments and level of expertise and sensitivity.
- Operating and leasing skill is brought on board early in the development phase, assuring feasibility for the retail program.
- The Dallas Arts District Board retains control of quality and style of operation.

The disadvantages might be:

- Greater emphasis on profitability than the aesthetic and educational value of public programming because of a hard business-oriented background.
- Full financial burden for capital development and revenue risk remains with the owners/developer.
- Lack of incentive may impede aggressive attention to the project by the operator.

The master lease approach is common to the retail and real estate development industry. Implementation implies that the opportunity to lease the retail space is in fact of value to the development community. This is yet to be proven either by analytical analysis or by a test in the market place. The lessee would be subject to the same operating agreement as the management contractor. There is an opportunity to tie into a master lease other retail developments contiguous to the district to make the offering more attractive to a "developer".

Considerations to keep in mind are:

- The higher the "Master Rent" demand from the Master Lessee by the district's property owners and long-term lessees, the more design and operating control he will demand.
- The lease holder gains possession and rights more similar to ownership than a management contractor, and, with this, autonomy and flexibility. Should the Master Lessee display

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include caroling, electric toyland fairs, and other activities relating to the Twelve Days of Christmas around the world.

January: Taste of Dallas

A weekend smorgasbord of gourmet tastes and smells celebrating the restaurants of Dallas. Samples of food and menus will whet appetites, and informal outdoor concerts will provide elegant ambiance. Residents and tourists can share this annual gastronomical adventure.

February: The Great St. Valentine's Day Kiss-Off

Cardmaking and a display of Valentine celebrations around the world contribute to a surprise event ushering in the approach of spring. Dallas Arts District retail shops will strongly benefit from this pre-spring event.

March: The March Winds Kite Fight Festival

The Japanese tradition of kite-fighting and its festive heraldry are experienced on a windy day in spring. Prizes could award the highest, biggest, and longest in flight.

April: The Fun Food Fair

One weekend features demonstrations of how nature's products become food. Exhibits show how food grows, how it is processed, and how it is prepared in different countries and cultures. Eating contests, bake-offs and even food fights can ensure that learning and sampling can be fun for everyone, especially children.

May: The Proscenium Series

A series of performing events happening during the month of May, a continuing cultural festival including:

- o Drama and Poetry Readings.
- o Chamber Music.
- o Dance Performances.
- o Orchestra Concerts & Pops.
- o Mime/Music & Comedy.
- o Jazz & Blues.

This event can be scaled in different ways. Along with the participation of local performers and school groups, "well-known" professional musicians would add distinction to the program.

June: The First Ever Annual Balloon Derby

An exciting visual event is seen in this balloonist race lifting off from a central location. With favorable winds on a beautiful June morning, balloonists can race to a park outside of the city---the event culminating in a grand-scale picnic.

July: The Battle of the Marching Bands

On a long weekend in July, marching bands from high schools and colleges come from near and far to participate in a noisy and pompous contest that ends in a parade down Flora Street.

August: Apperceptions

Temporary environmental art displays will create a strong visual presence within the complex encouraging visitation. Dallas

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poor or inappropriate management and leasing, disillustment and complaints will accrue to the district property owners.

Public Space Programming

Planned and programmed for many varying uses, the Dallas Arts District can heighten visitor energy and excitement as well as engender support for its retailing through an effective and continuing schedule of programmed events and activities. Unifying the public spaces with planned events will also provide a high degree of visibility and a positive reinforcement of the public's perception of the complex. It is essential that these events are coordinated with the overall management of the complex, as well as other arts and entertainment programming across the city.

Public spaces programming should be regarded as a manageable opportunity for reinforcing the merchandising of shops and restaurants and contributing to the surrounding community. There are accrued benefits to centralized management, for effectively conceived and executed scheduling can facilitate a variety of positive results including:

- **Strong Promotional Impact:** Providing the project with a potent promotional vehicle, heightening the reach and frequency of visitation.
- **Increased Commercial Activity:** With shops and restaurants providing a service and commercial form of entertainment for eventgoers.

- **Media Recognition and Coverage:** Stimulating visitor and community response throughout the surrounding marketplace.

- **The Easing of Security Arrangements:** Public places known to provide regularly scheduled activities are regarded as inherently safer than non-programmed areas.

- **Establishment a New Arts Entertainment Focus:** Which will extend the existing strong level of support for the arts and help to make art more accessible to the general public.

An ongoing series of events and activities can be organized around the following:

- **Festivals:** Creating a celebration environment with special festival days and themed events.

- **Performances:** Positioning the project as a stage for a wide spectrum of talent.

- **Exhibits:** Increasing the flow of scientific, technical and cultural information to the downtown working neighborhood and regional audience.

- **Galas:** Heightening the public aspects of the project with a schedule of cultural openings and festivities.

Performances generate activity among specific audiences, and the Dallas Arts District should assure that diverse types of performances be presented in the public spaces. Some will make cultural or experimental statements, whereas others will be sponsored and organized

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Temporary environmental art displays will create a strong visual presence within the complex encouraging visitation. Dallas

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artists can be encouraged to create environmental works themed to the city and its history.

To kick off the cultural performance season, a two-day festival devoted to staged events occurring in various "surprise" locations throughout the complex--from full productions to solos.

### September: Applause, Applause!

A month-long series of theatrical performances, indoors and out, including works of Shakespeare and snipets from Broadway shows.

### October: Libretto Voices

Opera is for everyone---all ages and all backgrounds. There is an opportunity to increase appreciation through performance and instruction. Costumed, roaming performers will add to the spirit of popular enjoyment.

### November: Harvest Moon Ball

A special event in honor of the harvest. Visualized is a grand ball, cocktails, and buffet under the November sky. Events should strongly position retailing areas for the Christmas season and be "pulsed" with more frequency toward the approach of Christmas.

### Scheduling

Full-scale events such as these can and should be supplemented with semi-spontaneous and less-ambitious programs utilizing individual artists and performers. All activities should

be programmed to occur at different times of the day. Special, short-duration performances during noontime on weekdays will attract the surrounding office population. Sunset concerts will keep workers downtown after hours. Weekend events targeted at families and tourists would capture yet another market. In every instance, events should be analyzed in regard to their impact on the project's commercial uses to stimulate sales and repeat visitation and at the same time, prevent restriction of business and educational activities.

### Production Provisions

In addition, to ensure that production costs are kept to a minimum and that the facilities can accommodate a wide variety of activities it is important to provide for equipment in the planning stages.

Requirements such as cable television hook-up, convertible outdoor stages, and adequate wiring provisions for sound systems should be closely studied for implications of location, convenience and cost.

### Promotion Staff and Budget

The Consultant Team recommends that the Dallas Arts District, when substantially complete, will require an initial annual budget of \$350,000 to cover advertising, publicity and general promotion costs. We also suggest the hiring of a Retail Manager @ \$40,000, Events and Promotion Director @ \$25,000, a part-time publicist @ \$5,000 and a secretary/bookkeeper @ \$13,000.

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The Retail Manager should have a strong background in retailing, management skills, salesmanship abilities and the level of imagination necessary to ensure high visibility and a consistent, energetic image for the project. The Events and Promotion Director should have an understanding of the nonprofit/arts world and a creative flair for program using and assembling tenant support and involvement. This person should also have a talent for dealing with a variety of people from tenants and patrons to media and advertising agencies.

It is possible that a search will yield a combination of talents which can produce advertising, publicity and promotional tools in-house. That is, concept development and leasing could be handled by an experienced Retail Manager and Promotion Director, with free-lance help from designers as needed.

Alternatively, the owners can turn to a full-service advertising and public relation firm for promotion assistance. A word of caution: to ensure continuity and thus to maximize effectiveness, it would be wise to shop for an agency which has extensive retailing and retail programming experience.

The ideal retail management staff of 3 1/2 people would be directly responsible to a "Tenant Advisory Committee" or similar governing body, and would manage the promotion and advertising funds. Specifically, the staff would assume responsibility for:

- Producing and coordinating all advertising efforts, including the placement of a unified ad campaign in print and broadcast media.

- The production of all printed pieces, such as marketing tools, including leaflets, displays, banners and reprints of publicity.

- All publicity needs, such as writing, photography, broadcast spots, printing and distribution of press releases, and related "winning and dining."

- Special promotions highlighting seasonal events; collateral cultural affairs; exhibitions, short duration, scheduled and "impromptu" performances, special markets, ethnic fests, special sales days, and promotional materials such as imprinted shopping bags, balloons, t-shirts, posters, contests, maps and brochures.

The initial budget would represent the largest investment in promotion and management in "per square foot" terms. As the project expands, this cost would be recovered over the years, and still include increased marketing, publicity and special promotions.

The immediate task of promotion is to reach out into the community, creating destination identification, and encourage sales by increasing visitation. This could be tempered by the visitor's subjective impressions of the existing physical environment. Storefront merchandising, directional signage, tenant design display and criteria should be strictly controlled and consistently reviewed to improve the visitor's experience. Ultimately, increased sales will generate from an improved product, with promotions functioning as a vehicle to communicate this message.

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Centralized management must provide the resource for a fully integrated marketing plan. Expanded creative efforts including advertising and publicity, as well as continuing events and promotions, will be required as retail and programming expands and target markets and audiences increase accordingly.

## Leasing Considerations

The renaissance of downtown development includes not only Dallas but Boston, Hartford, Baltimore, Philadelphia, Pittsburgh, Denver, Seattle, Houston and on. Dallas faces different challenges; but in urban retailing the Consultant Team would suggest parallel prerequisites: Clear identity, well-designed physical frame and features, critical mass and directed merchandising are the keys.

Dallas Arts District commercial and arts integration will require a strong commitment by all leasing teams. Avoiding a "quick-lease" short-term gain syndrome and the ensuing sacrifice of effective mix must become an early priority, in attitude and execution.

To a degree, the first two levels of shops in Museum Crossing themselves represent a multi-level fragmentation. A strong effort must be made to reinforce street-related commercial activity. "Theming" actualizes a method of zoning retail into destinational uses, compatible with the remaining food/restaurant components: an exercise of style and wit to round-out the overall "image" of the district.

The assumption is that personality creates shopper awareness. Unusual and exciting merchandise generates the necessary draw. Each area includes a number of middle-end retailers to complement more costly offerings. Eventual programming will benefit from such diversity; i.e., as the fast food bazaars provide a draw to the middle-income diner, so should a zoning of medium-priced apparel and accessory shops be made available to the middle-income shoppers.

Service oriented shops such as tobacco, travel, banks and sundries should be programmed within inner project areas where they are less visible, yet highly trafficked by the daytime work force who require such services. The cluster of fast food should be situated in an area of less value from a leasability/rental income perspective, but lead the consumer past accessible retail. This cluster will be a highly frequented destination at lunch time for the large number of office workers in nearby buildings and the CBD neighborhood. The high-end component should respond as a major destination/experience, relate well to the hotel settings, and set an overall frame from which necessary, yet less exciting uses can be interspersed.

The "retailing" of art is at times very different from other consumer goods. The market is elastic, and the range of merchandise types nearly unlimited---a challenge to the individual dealer or shopowner to create a distinctive identity. The gallery and boutique seek constant exposure, relying on changing displays, special features (such as "opening galas"),

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levels. Much reduced rents would be the only alternative, not especially viable if only storefront and chilled water are supplied.

The Consultant Team recommends providing retail tenants with a healthy tenant allowance and a well improved shell. Aside from the obvious benefits of improved leaseability which allow more selection and discretion in choosing and locating tenants, we cite the following advantages:

- By providing store front and complete HVAC systems, the developer can control schedule (these are long lead items) and image. The store front should be compatible with the architecture of the office building or chosen retail setting.
  - Cost of money to the base building developer is less than the cost of money for the individual retail tenants and the term for financing is substantially longer, beyond the life of the lease.
  - Investment is usually repaid by higher rents.
  - The leasing team can attract or pursue retail and restaurant tenants more selectively. For example, a cafe operator who can handle lunchtime mass feeding but generate a comfortable image for other hours in the day.
- Hotels may strike deals calling for major capital investment offset against their master lease arrangements.

#### Income Pro Forma

In establishing a realistic income pro forma, many variables must be taken into consideration. The typical breakout represents triple net rental income, not to be confused with a gross rental income, under which most office leases fall. In triple net rent, the tenant pays his minimum rent, as well as additional charges for common area maintenance expenses and individual utility usage within their demised premises.

In a typical office retail, a share of costs directly related to the common areas, i.e. security, janitorial, heating and air conditioning, lighting and equipment maintenance are charged to the tenants as additional rent (typically based on the proportion of the total Gross Leasable Area which they occupy, or given frontage on a significant traffic way or architectural feature.)

A variety of "pass-throughs" effectively reimburse the Dallas Arts District management team for certain expenses of benefit to the retail in the district as a whole. These pass-throughs include some special promotions, seasonal or festival decoration and pro rata shares of event costs, et cetera. This income will not accrue to the developer, however, but offset costs of the district management.

The minimum rents for each shop vary depending on location, visibility, size of the store, merchandise sold, layout of the store and mark up on the goods sold.

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The percentage rents represent additional income to the landlord when the tenant achieves sales over the projected sales/square foot figures. These figures vary again depending on merchandising, size of store; percentage rents can also be a valuable negotiating tool when it comes to general tenant allowance.

For a complete description and index of retail income categories and divisions of expense see the Urban Land Institute publication Standard Manual of Accounting for Shopping Center Operations, 1971.

#### Food Service Tenants

Food service tenants will expect lower rents, with the developer effectively sharing some of the risk in taking a higher percentage rent tied to sales volumes. In the first stages of district development, individual developers, particularly with bulk-use office tenants, may wish to have one food service operation run on a management fee basis. This arrangement allows more direct control over quality, type of presentation and suitability to specific needs of building tenants, particularly if private dining rooms or executive catering needs are anticipated.

#### Retail Commercial Space

It is difficult to provide generalizations on income projections for the extensive variety of goods and services offered within the district. Distinct and separate approaches are required in assessing the rent-paying abilities of retail in enclosed office-atrium

lobbies, hotel settings, street-related shops, underground pedestrian ways, a specialty center, and open-air kiosks and market areas. Inflexible or flat square foot rates and gross leases are rarely appropriate.

Retail leasing is a dynamic, market sensitive process that must also reflect issues of phasing, handling vacancy, coordination of tenant mix components, design expectations, and desired prospects ability to perform and pay. Within the district, the developer has greater than normal leverage in achieving particular retail criteria and goals: Land values are basically supported by office development. Distinctive amenity--people orienting and people pleasing--is a direct objective. For the retailer, nonetheless, the dollars have to be there to keep entrepreneurial effort and initiative high. The developer stands to succeed as well.

Typical of urban retailing are smaller shop sizes and consequently higher square footage rents. Few urban-oriented statistics are available as guidelines for percentage rents by merchandise category, or for "pass through" expenses and Common Area Maintenance charges. Although often of smaller scale, urban specialty centers model leasing expectations on data covering regional and community shopping centers, as demonstrated in the Urban Land Institute's annual Dollars and Cents of Shopping Centers. Most often, however, if pass-through expenses are built into the lease, the amount is literally what the traffic will bear. Halcyon does not recommend a heavy-handed approach (i.e. a burdensome rent structure) in such delicate start-ups as

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required in the district. Strong retail showings are essential to reach the future's full potentials, and the developer must hold this longer win within sight. If the tenant cannot make money at the developer's deal, the project will eventually suffer.

The one-on-one aspects of retail leasing are particularly critical within the Dallas Arts District. Leasing programs will have to look beyond "national" tenants to induce the best and most ambitious local retailers to set up a second or third operation within the district. These local retailers, with a knowledge of the changing face of downtown Dallas and reinforced by the spirit of local enterprise evident in Dallas: The Possible Dreams, can grow excited over ground-breaking in a new downtown location. These locals can overcome the "statistical" odds that inhibit the decision process of the nationals, evade the mall stereotypes, and generally better understand their target market. In leasing to the expanding "mom-and-pop", the agent or broker has to spot the energy level capable of a divided commitment, to insure the new operation is not a step-sister to the other(s) but instead reaps all the advantages of new economies of scale, etcetera.

"Semi-Public" Space

Due to the very public nature of the district, the plan is particularly sensitive to community interests. "Semi-public" space is that space which could be rented at a subsidized level in order to attract viable cultural, educational and select not-for-profit groups on a long term basis.

Dance companies, theatre groups, experimental film and video workshops would use theatre and rehearsal space. There is presently a shortage of such performance and support space in Dallas.

Developers within the district may consider allocating a set percentage of commercial space at below-market rents. This small pro bono subsidy would have significant impact if all parties make "good faith" agreements to the same commitment.

Base Building Design Review

The success of urban retail---in fact any multi-use project---depends not only on intelligent planning, but sensitive execution. Tenant mix, store location, tenant allowances, store frontage and design criteria are critical ingredients contributing to a project's success. Some of the restrictions on a potential tenant's location, size and design image (even merchandising presentation) may make it more difficult to "close a deal." However, each time the plan is compromised with a potential tenant, the project is weakened. The plan is developed to strengthen the whole, including strong contributions from individual merchants.

Below are several key issues to consider when regarding the physical design of the complex:

- Area: It is obvious that the greater the ratio of gross leasable area, the more revenue will be potentially generated. An understanding of the market's limits is necessary.

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■ **Merchandise Display:** The length of storefront is a function of store area and base building constraints. It is valuable and must be allocated among the tenants to the advantage of the whole. Storefront stands for exposure in the tenant's mind.

■ **Size:** The size of the merchandise categories must represent a deliberate choice in the planning stage. It is a judgmental decision. At balance are two opposing values: the advantages of great depth of merchandise (large stores) to variety of merchandise types with smaller individual units. The importance of this judgment is great.

■ **Location:** There are a variety of factors which impact location: access, traffic flow, aesthetic, physical and mechanical constraints. Be careful of each location decision, as this is critical to the health of the project. Most tenants will fight for a prime location before negotiating rent terms.

The street front retail establishments will have good visibility and ample opportunity to display their merchandise to workers, residents and other pedestrian traffic in the district.

#### Leasing Strategy

Retail leasing differs from office leasing and will require differences in approach. Some of the reasons should be discussed:

■ When the retail lease is initiated with either the national representative of a large chain or small "mom and pop" operator, it is a much more intense personal and instinctive decision process than that of office leasing.

■ Choosing a retail space is largely an emotional issue. It is frequently the largest business decision made by the retailer and can effect the very existence, success or failure of the enterprise. This is seldom the case with an office tenant.

■ Each retail lease has special circumstances, whereas office leases are often consummated with one agent representing an entire group of people. The individual interests of the office users themselves are subordinated to issues such as layout, design and policies decided within the company well in advance.

■ Retail leasing requires an understanding of the relationship between various retail uses and the opportunity for each to benefit by being adjacent to another. A bad locational decision on the part of the leasing agent within a retail complex can literally make the difference between success and failure.

■ There is an architectural difference in the way in which leasing is treated. Rarely will an office tenant require advice on layout or assistance in understanding what an office floor configuration might look like. Retailers however, in spite of their ability to create displays and organize merchandise, will typically require the leasing agents "handholding" through this leasing phase.

■ There are essential language differences between office leasing and retail leasing. A retail leasing agent must be conversant with the methods and concerns of the retail operator. These, of course, include supply and waste removal which, while of interest to the office user, are paramount to the retail

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tenant. Security, operating hours, maintenance and promotion, of course, carry increased weight.

■ Rarely will office leasing involve itself in the internal financing of a company seeking new space. It is a frequent occurrence, however, in retail leasing that the leasing agent must prove the viability of both the location, size and financial soundness of the lease.

■ The incentives offered to a retail tenant typically are more complex and more substantial than those allocated to office tenants. Frequently there is a cash offset by the landlord to the tenant in the form of a "tenant allowance". These allowances are made by the landlord, not across the board, but rather they are allocated to attract a preferred user and desirable tenant. Thus the tenant allowance is a negotiating tool. It can be used to close negotiations quickly if the amount decreases as time lapses or the allowance is decreased if the store opening is delayed. To insure schedule compliance, the tenant allowance is sometimes treated as a "bonus", earned only if the store meets a pre-set grand opening date.

#### Tenant Allowance as a Leasing Tool

When a tenant allowance fund is established, the landlord will have a tool capable of increasing the leasability of the project. By effectively distributing these monies, the landlord has the advantage of choosing quality and appropriate tenants to achieve an attractive tenant mix. Though many other

factors play a role in the overall success of retail and restaurant operations, in general, when the landlord has provided a tenant allowance, both the landlord and tenant have benefited.

Another alternative in ensuring the success of the project is to set aside a larger portion of the tenant allowance monies to "buy" or "turn key" well-known operations which could bring a "name" to the project and which could create a destination. The landlord's opportunities for leasing other spaces will be greatly improved with the signing of a strong, key tenant. Also these additional leases could be signed with a reduced cost in tenant allowance.

Tenant allowance offers the following advantages to the tenant as well as landlord:

■ Cost of money to the base building developer is generally less than the cost of money to the individual retail tenants. In addition, the term for financing is substantially longer, beyond the life of the lease. The investment is usually repaid by higher rents.

■ By providing store front and complete HVAC systems, the developer can control schedule (these are long-lead items) and image.

#### Further Leasing Tactics

A few leasing tactics of proven value follow:

■ Sign key deals first. These will establish credibility for the remainder and will act as an incentive to close.

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■ Hold on to prime locations with exposure. Exterior locations and corners can be leased near the end. The effort should be focused on tenant categories in secondary locations.

■ The developer's staff and leasing agents who would be likely to make presentations should be thoroughly rehearsed in all aspects of the project.

#### Leasing Implementation

■ Liquor Licenses: In certain circumstances, it may be advantageous for the building developer to own the liquor licenses so that in the event a lease is abridged or forfeited, the possession of the license will be returned to the landlord.

■ Design Assistance: May be offered as a part of the leasing inducements available to small tenants as a means of expediting the leasing process, particularly in cases where the tenant shows little ability to secure competent designers. As an alternative, small design firms known to the developer's architect could be recommended.

■ Construction Management and Tenant Coordination: Although a tenant may engage his own private construction firm to undertake the construction of the retail space, it is advisable that the base building architect maintain a monitoring role to assure that the retail space constructed meets the design-approved drawings and compatibility with the projects architectural statement.

#### Tenant Covenants

In addition to Operating Agreements between the retail/restaurant tenants, master-lessors, and the developers, there is the possibility and the necessity to "reach through" the developer to the potential tenant occupants project to project, so that the operation of the retail complex is unified and gains the benefit of a cooperative effort. The following will illustrate the type of covenant which should be secured by the Dallas Arts District governing authority.

■ Trade names: If the developer is able to secure major tenants as part of the development proposal, these tenants should be required to operate under their specified trade names for a specific length of time.

■ Business days should be identified, six or seven days per week.

■ Display windows and exterior signs must be lighted at particular hours of the day and night.

■ Merchants association: the district governing authority should establish a merchants association and the contributions to gross sales or some other appropriate pro rata ratio.

■ Language can be included in the retail lease restricting discounting operations who would typically affect a specialty retail tenant mix.

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Types of activities permitted: the Dallas Arts District governing authority should describe which non-destructive activities could take place upon the premises. For example, labor picketing, consumer picketing, distribution of leaflets, speech making, meetings, or activities related to the project.

To include in the basic Operating Agreements: Hours of operation, days of operation, holidays, contribution to promotional events, a percentage of operating expenses devoted to individual advertising, minority hiring, design and construction standards for tenant work (materials and architectural constraint) can all be further detailed in the operating covenants between the Dallas Arts District governing authority and individual or multiple developers.

### Rent Projections

Base rents for new developments are established based on the cost of financing the project and how much capital has to be produced to meet debt requirements. The Consultant Team recommends that the minimum rent be based on the projected sales per square foot of each individual tenant. This method typically produces higher than average minimum rents. These base rent figures can be affected by the quality level and size of the individual operations. In order to maintain the image and quality of the retail and food service operations planned for the Dallas Arts District, the developers and leasing agents efforts, in leasing space, should not vary significantly from the proposed merchandise

concepts. By quickly leasing to inferior quality or discount tenants desired revenues will be achieved, but in the long term this will work to the detriment of the overall master plan. Higher base rents can be achieved by scaling down the typical size of these shops. Similar projects indicate smaller than average retail operations pay higher rents and offer a greater number and variety of tenants.

In order to achieve the projected base rents and establish the early success of the Dallas Arts District, the developer should anticipate heavy initial tenant allowances or turnkey operations so as to attract quality merchants and restaurateurs to expand or relocate in downtown Dallas. (Tenant allowances will be discussed in greater detail in the Leasing Considerations section). These tenants will act as anchors and destinations for the project and draw other quality retail operations to the district.

The Consultant Team projects the base rent level in constant dollar terms to average \$23 - \$25 dollars per square foot. These base rent numbers show that tenants who would occupy prime locations could pay rents from \$40 - \$50 per square foot where as a major restaurant might pay only \$10 - \$12 per square foot. Estimated common area charges per square foot will average between \$5 - \$7 with overage or percentage rents ranging from 5% - 8%, according to the particular type of tenant.