



Southwest Center Mall, Dallas

## Cities Look to Regenerate Activity at Old Malls

By Michael Weiss

**S**itting on 96 acres at the intersection of two freeways, Southwest Center Mall in Dallas was built in 1975 to serve a growing suburban clientele. Over time, merchants occupied nearby strip malls to pick off some of the traffic traveling to the shopping mall, which boasted five major anchors in 2000.

The mall today retains only two original anchors. The city of Dallas is working on a \$72.3 million package to regenerate sales-tax-producing retail activity in and around the mall. It's the kind of effort playing out across Texas as cities commit funds to jump-start once-vibrant revenue sources that have morphed into enormous underutilized tracts.

Houston officials have fashioned a nearly \$70 million plan to resuscitate the area around Greenspoint Mall, which lies along Interstate 45 and Sam Houston Parkway, not far from Bush Intercontinental Airport. City leaders in the Dallas suburb of Arlington have identified the Six Flags Mall area for redevelopment as part of its business plan to "build a thriving community." Owners of the mall, across a freeway from its namesake amusement park, seek to transform it using a Hispanic shopping theme.

The concept of the traditional, covered shopping mall, which epitomized retailing in the 1980s and 1990s, is stagnating. Since 2007, the number of regional malls with 1 million square feet or more of space has held constant at around 500, according to real estate researcher CoStar Group Inc. The Mall at University Town Center in Sarasota, Fla., scheduled for completion in October, will be the first traditional covered facility

to open since 2006.

Retailers confront a changing landscape that accelerated with the recent financial crisis, prompting some mall stalwarts such as Plano-based J.C. Penney and Fort Worth-based RadioShack Corp. to review store count. Others have also sought to boost efficiency by reducing store size, in some cases moving to free-standing, nonmall units.

Internet sales figure in the change. E-commerce, which amounted to about 2 percent of U.S. retail sales in 2002, increased to 6 percent in 2013, according to Census Bureau data. E-commerce sales were \$263.37 billion in 2013, while overall retail activity totaled \$4.53 trillion.

### Tax Collection Impact

Because state and local governments in Texas collect up to 8.25 percent in sales tax on brick-and-mortar retail sales, the movement of transactions to the Internet—where tax collection is hit and miss—is noteworthy. The retail sector generated approximately 28 percent of taxable sales in Dallas during 2010, according to data compiled by the city's chief financial officer. Each 1 million square feet of occupied retail space accounted for \$800,000 in city revenue.<sup>1</sup>

Traditional retailing is a business of critical mass. Shoppers migrate to areas where they perceive that they have choices—in essence, the ability to search for several different kinds of items in one trip. There is also the expectation that a concentration of outlets and the accompanying competition lead to lower prices.

Salvaging a mall that's fallen on hard times involves changing retail momentum, making the task more involved than

simply dealing with a huge covered space surrounded by acres of parking. Gaining consensus on a revival plan is often complicated by multiple-party ownership of malls. Once a mall appears faded, the perception of blight tends to drive away potential customers.

Windsor Park Mall, a 1.2-million-square-foot facility on 68 acres abutting northeast San Antonio, lost its last large retail tenant in 2005. Today, the space that Dillard's and Waldenbooks and more than 100 other stores occupied houses the headquarters of Rackspace Hosting Inc., a cloud computing company. Project supporters point to it as an example of redevelopment potential.

Private investors and a development corporation backed by the city of Windcrest purchased the mall for \$27 million in April 2007. City-issued bonds financed a \$100 million transformation from mall to technology office, and the Texas Enterprise Fund committed another \$30.5 million if Rackspace met hiring targets statewide. While a shaky economy derailed the original goal of bringing 4,500 jobs to the former mall by Dec. 31, 2012, the company said it attained a revised benchmark of 1,774 jobs, with annual median pay of \$51,000. The company also received a 14-year property tax exemption.

Meanwhile, land around Windsor Park has changed hands in anticipation of an influx of businesses serving a new clientele—Rackspace workers, who totaled about 3,000 at the start of the year.

### Note

<sup>1</sup>Data from a city of Dallas memorandum to members of the budget, finance and audit committee by Jeanne Chipperfield, chief financial officer, Nov. 4, 2010.