

A Reprint from *Tierra Grande*

Overton's Overhaul

By Harold D. Hunt

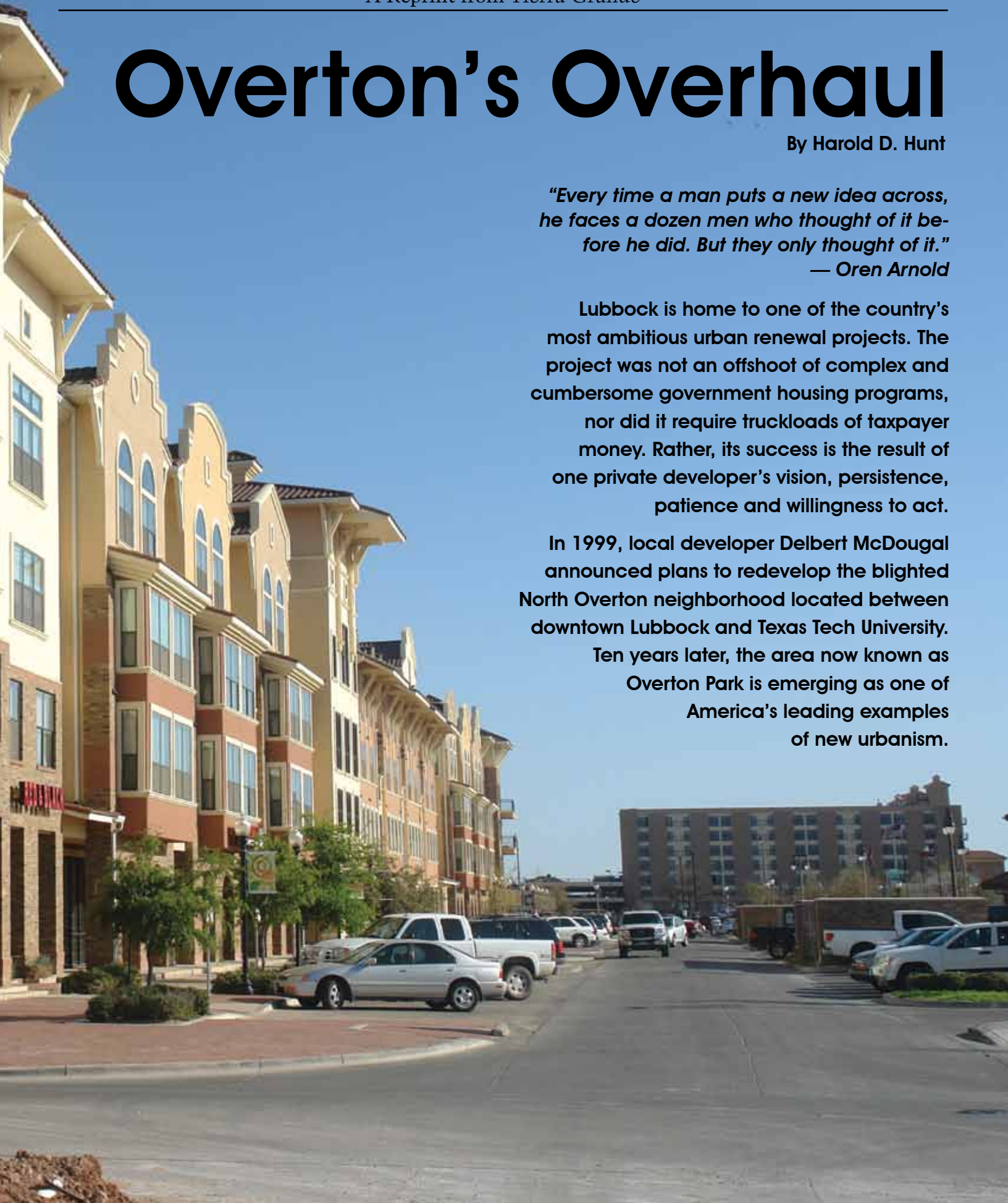
"Every time a man puts a new idea across, he faces a dozen men who thought of it before he did. But they only thought of it."

— Oren Arnold

Lubbock is home to one of the country's most ambitious urban renewal projects. The project was not an offshoot of complex and cumbersome government housing programs, nor did it require truckloads of taxpayer money. Rather, its success is the result of one private developer's vision, persistence, patience and willingness to act.

In 1999, local developer Delbert McDougal announced plans to redevelop the blighted North Overton neighborhood located between downtown Lubbock and Texas Tech University.

Ten years later, the area now known as Overton Park is emerging as one of America's leading examples of new urbanism.



AS TEXAS TECH UNIVERSITY grew, the once middle-class neighborhood across the street gradually was turned over to absent landlords offering rental housing for students. Pride of ownership dwindled and North Overton deteriorated until it was characterized by traffic congestion and crime.



History of North Overton

The Overton addition to the City of Lubbock began with residential

construction in 1907. By the late 1930s, the area's southern half had evolved into a middle-class neighborhood for professors and local business owners. Meanwhile, smaller "starter" homes were prevalent in the area's northern half.

Texas Tech's enrollment rose steadily after World War II, creating a student housing shortage. Nearby single-family homes and garages were converted to rental properties that did not meet city codes. Overton's population density continued to grow.

North and South Overton were officially separated during the 1960s.

"General housing conditions in North Overton had deteriorated significantly," says Randy Henson, Lubbock's director of planning, "while nicer homes in South Overton remained much more stable."

Texas Tech's growth during the 1970s encouraged new multifamily apartment construction in North Overton. Most of the apartment complexes were developed before a 1975 zoning ordinance tightened parking and landscaping requirements. Traffic congestion worsened.

Encroaching apartment developments caused more long-time residents to leave North Overton. Pride of ownership steadily declined as out-of-town property owners purchased homes for rental units.

The neighborhood's knock-out punch came from an unexpected source. Right-of-way taken for I-27 during the mid-'70s forced low-income renters into North Overton. Unfortunately, the displaced included a higher-than-normal criminal element.

A study requested by the Lubbock City Council in 1982 revealed a neighborhood plagued by deterioration, vandalism, overcrowding and increasing crime. The area's decline continued through the 1990s. At its worst, North Overton was responsible for 28 percent of Lubbock's crime while representing only 2 percent of the city's population.

Redevelopment Vision

The 325-acre North Overton neighborhood contained more than 900 separate parcels in 1993 as McDougal, CEO of

McDougal Companies, pondered its redevelopment. The area is defined by University Ave. on the west, the Marsha Sharp Freeway (under construction) on the north, Avenue Q on the east and Broadway St. to the south (see map).

M McDougal expected the redevelopment to reverse the neighborhood's deterioration, help Texas Tech grow and revitalize downtown Lubbock, while simultaneously generating an acceptable profit.

In 1994, McDougal's investment analyst had begun researching who owned each parcel and what it would cost to buy them all.

It was determined only a few purchases would be necessary to obtain the neighborhood's western third, which is adjacent to Texas Tech. Most commercial development was in this sector.

The plan was to buy the property and bulldoze all outdated improvements. Redevelopment of the rest of North Overton would be funded by the profits made from selling vacant land on the west side.

Four years were spent putting financing together and studying the neighborhood's demographics, ownership and property values.

"By 1999, I knew who owned every piece of property in North Overton," said McDougal.

More than 94 percent of the neighborhood's residents were nonowner occupants. Twenty-five thousand students were attending Texas Tech,

directly across the street. Almost half of all jobs in the City of Lubbock were located within two miles of North Overton.

Financing the Project

In early 1999, McDougal quietly began mailing option contracts to vacant-lot owners not residing in Lubbock to get a feel for land costs. Response was much better than expected, as many owners saw the offer as an opportunity to bail out of an area in steep decline.

Property purchases began in first quarter 1999. McDougal brought in no outside equity partners, giving him complete control of the project. Three local banks put together an \$8

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million loan secured by McDougal's personal guarantee. Within 90 days, 40 percent of the neighborhood's west side had been acquired.

The public was informed of the redevelopment project in July 1999. Although McDougal knew this would drive up property prices, it would also allow the project to move forward at a faster pace.

McDougal had hoped the properties could be purchased in an orderly fashion. At a contentious public meeting, he promised concerned homeowners that no one would be forced to sell. He soon discovered that many property owners were interested in moving faster than he was.

McDougal struck a new deal with City Bank Texas, one of the three banks on the original loan, for increased financing. The bank brought in an additional 15 banks from the outlying region looking to diversify their lending beyond agriculture. Together, they provided exclusive financing for the remainder of the project, up to \$50 million.

Acquired properties would be used as collateral without the need for any further personal guarantees by McDougal. He met weekly with City Bank Texas' president to discuss how the project was going and to determine future cash-flow needs.

"I was running an outstanding debt of about \$36 million at any one time during the land acquisition period," said McDougal. "This project could never have happened without a good working relationship with my lenders."

Relocating Displaced Residents

McDougal set up an apartment referral service to help displaced renters relocate. Some moved to nicer apartments owned by McDougal, who absorbed the difference in rent.

Properties were being purchased based on the vacant land value after demolition and debris removal, not on the lower market value of the land as improved at the time. Homeowners at first reluctant to sell began to realize that McDougal's offer would pay for a nicer home in a better neighborhood. His company assisted in every aspect of those relocations as well.

In purchasing more than 900 pieces of property, the threat of eminent domain was used only four times. All four cases were eventually settled without the need for any condemnation by the courts. No individual was ever unwillingly displaced from a dwelling.

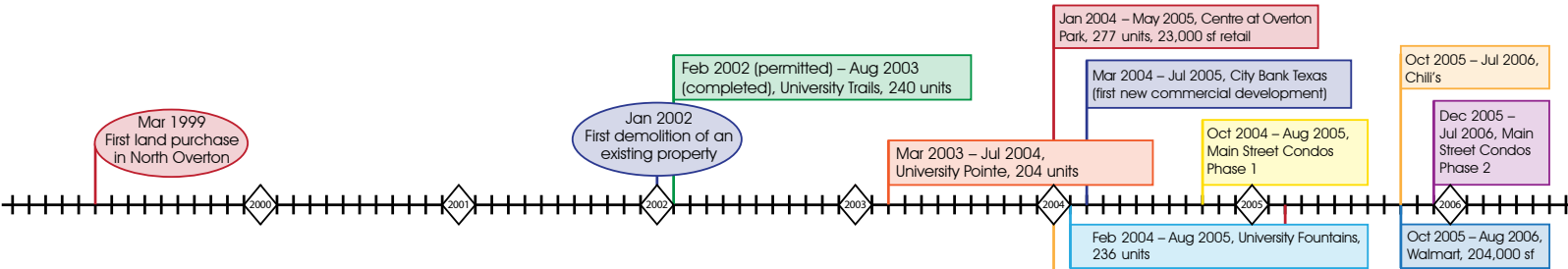
Demolition of Existing Improvements

Concerns over unknown environmental risks caused demolition to begin sooner than planned. Most homes contained some asbestos.

City and state officials agreed to systematic removal of debris. A contractor collected, sorted and ground rubble on-site. Wood was transformed into landscaping mulch. Concrete was crushed for road material. All hazardous substances were transported to environmental waste disposal sites. Eventually,



OVERTON PARK EXEMPLIFIES new urbanism, combining residential properties, mixed use, retail, medical space and a hotel and conference center. A school, neighborhood park and churches complete the development. Architectural design guidelines harken back to the area's early 1900s style.



the amount of rubble grew so large that materials were instead transported to appropriate recycling centers after sorting.

Most of the existing water lines had been coated with asbestos. Because the alleys where the lines were laid were included in the land purchases, the disposal problem was McDougal's and not the city's. The lines were cut into sections, wrapped and moved to environmental disposal sites.

The Texas Commission for Environmental Quality (TCEQ) agreed to locate a staff member on-site during demolition.

"Environmental problems that might take months to address without an on-site rep from TCEQ often got resolved within hours," said McDougal.

More than 95 percent of the rubble was recycled. Demolition had begun in January 2002, three years after his first land purchase, and was finished by October 2005.

North Overton TIF

The Lubbock City Council granted McDougal's request for a tax increment finance (TIF) district for North Overton. The city's estimate of total property value was \$28 million when the TIF was established. Future property tax revenues above this baseline value were earmarked to support bonds that funded the infrastructure upgrades inside the TIF.

The TIF was set up for a maximum of 30 years. However, bonds funded by the TIF will be paid off much earlier if tax revenues continue to exceed projections. Property value in 2008 was \$200 million. When built out, North Overton's tax base should exceed \$750 million.

Neighborhood Design

McDougal's vision for the neighborhood was a livable, mixed-use community with character and charm. The community was designed in the new urbanism style, focusing on pedestrian-friendly streets, convenient connections to public transportation, local shopping and restaurants and a neighborhood park.

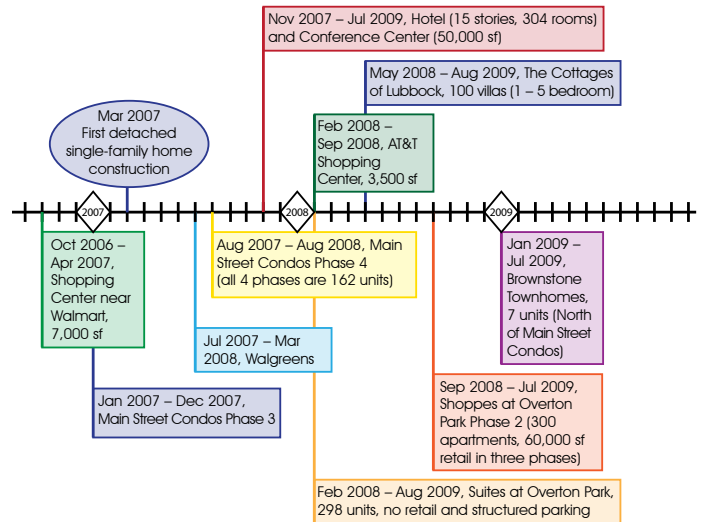
The development's detailed *Public Improvements Site Design Guidelines* are available at <http://planning.ci.lubbock.tx.us/pdf/OvertonParkDesignGuidelines.pdf>.

Design guidelines for single-family homes were based on the neighborhood's original early 1900s architecture. Homes are close to the street. Driveways and garages are hidden in the rear of properties and accessed through alleys.

A mix of architectural styles is available for builders. About a dozen single-family homes have been built, with prices ranging from \$375,000 to \$500,000.

McDougal also installed a public improvement district (PID) in place of a homeowner's association to provide funds for the city to maintain the public infrastructure.

"A PID avoids the rifts that can often take place between homeowner's association members," says McDougal.



Infrastructure Puzzle

"My biggest development challenge by far was infrastructure," says McDougal.

The North Overton master plan called for all underground utilities. Service had to be maintained to residents during the transition away from above-ground power poles. However, the demolition process was moving so fast that utilities continually had to bridge vacant areas to service existing customers.

The original plan was to install one common underground power cable and let the two local utilities share it. But the utilities were unable to reach a sharing agreement, so dual sets of power lines had to be installed.

McDougal "checkerboarded" the entire neighborhood block-by-block, evenly distributing service areas between the two power companies.

Centre at Overton Park

In 2002, McDougal officially renamed the North Overton neighborhood Overton Park. He also announced that he would be developing the neighborhood's first mixed-use property, the Centre at Overton Park.

The project is designed in a Spanish Renaissance style similar to an apartment complex McDougal had seen in Houston. The Centre includes 277 upscale apartments built on top of 20,000 square feet of ground-level retail. Apartment residents have parking on their particular floor via an internal parking garage. Ground-floor interior and curbside exterior parking is available to retail customers.

The Centre features a WiFi accessible e-café and e-lounge, fitness center, business center, resort-style pool and spa and two enclosed internal courtyards. The development was fully leased when it opened in May 2005.

McDougal flipped the typical order of development in North Overton (see timeline). Generally, single-family homes are built first. However, strong housing demand from Tech students drove the need for initial multifamily development. West-side commercial opportunities came next. As development moves east away from campus, single-family homes are emerging.

Along with detached single-family properties, the development offers attached brownstones and traditional condominiums. Craftsman-style villas, known as The Cottages, are also under construction. Initially for rent, the villas will eventually be sold as condos.

Walmart Joins Community

In 2005, Walmart asked to locate a store in northeast Overton Park. Initially, McDougal's response was that they probably would not be a good fit for the neighborhood. Overton Park's architectural design and other restrictions would be too stringent for the company's typical gray big box.

To McDougal's surprise, Walmart agreed to build in the neighborhood's historical style, screen the back and sides of the store, and design their truck delivery route away from the adjacent homes and elementary school.

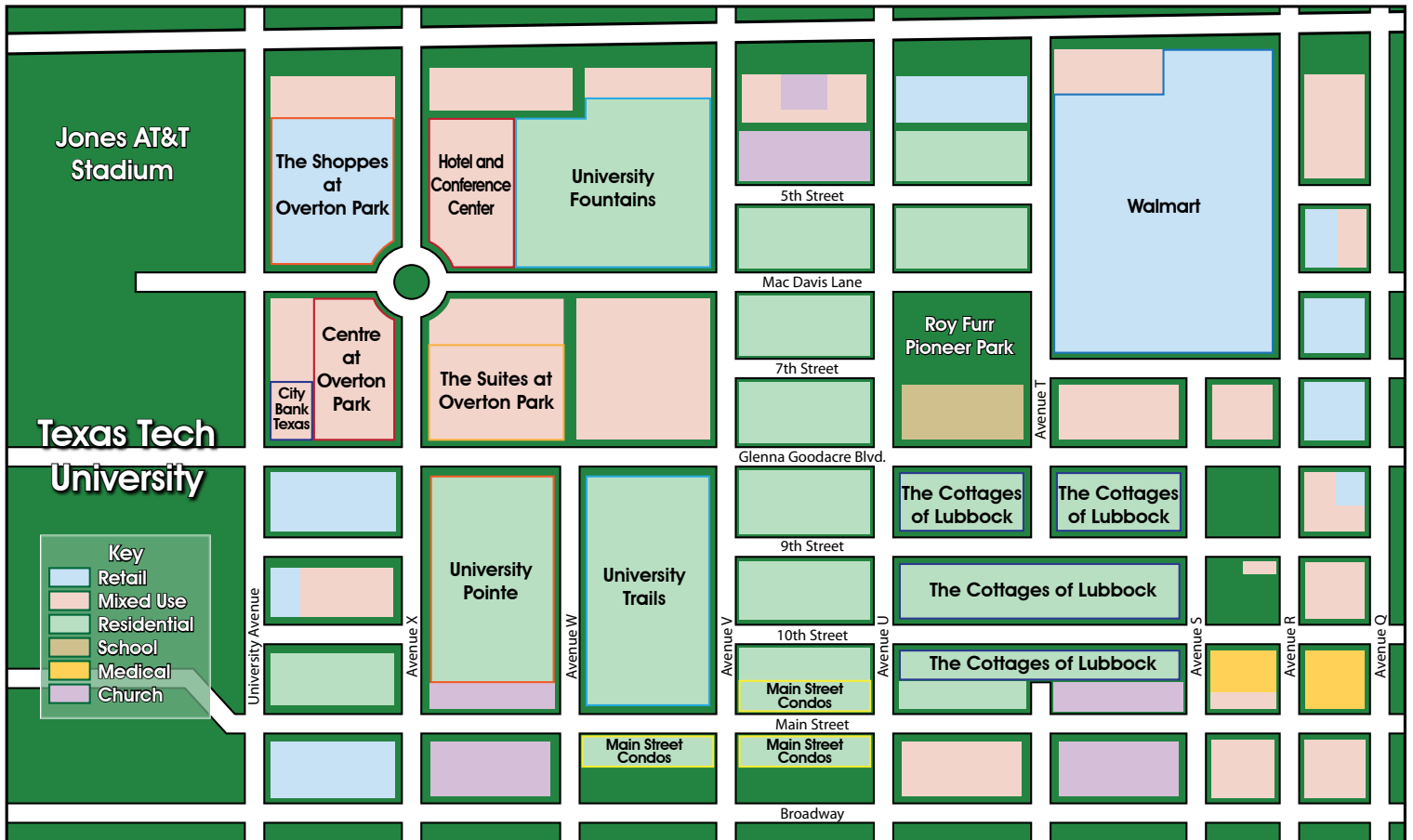
Total time between McDougal's first conversation with Walmart and a signed contract was 30 days. Immediately after



OVERTON PARK RESIDENTS can safely walk to restaurants and to public transportation thanks to pedestrian-friendly sidewalks.

the contract was signed, a number of other retailers began location inquiries. Walmart's presence was directly responsible for three eastside land sales within a month of their announcement to locate in Overton Park.

It was not all smooth sailing. During the ensuing 90-day due diligence period, Walmart produced a list of 38 unacceptable items that would have to be addressed before closing, primarily focusing on their concern about potential environmental problems. The deal closed on time.





WALMART WANTED TO BE a part of the neighborhood, too (top), and agreed to give its standard gray façade a facelift fit for Overton Park.

Upscale Hotel Completes Project

For more than a decade, a variety of local groups had tried unsuccessfully to secure a first-class hotel for Lubbock. McDougal felt that Overton Park's proximity to Texas Tech, downtown Lubbock and the future Marsha Sharp Freeway would make the city more compelling in the eyes of hotel developers.

Four years of negotiations produced a deal in January 2007 for a hotel to be completed by this year. Garfield Traub, developer of the hotel, secured \$69 million in financing from Plains National Bank and others for the 304-room, 15-story hotel tower.

The city council heartily supported the project and proposed adding a 50,000-square foot conference center. Lubbock had found it almost impossible to capture convention and tourism business without a first-class hotel and conference center.

The City of Lubbock, along with a local private foundation, funded construction of the conference center. The city will use TIF funds to pay the debt in the early years. The hotel owner will eventually purchase the conference center from the city. The last critical piece of the Overton Park development was now in place.

Looking Back

A few remaining properties must still be purchased. However, Overton Park is on track to be virtually built out within four to five years.

Reflecting on the project, McDougal concedes that developing this way is not for everyone.

"There is too much risk, tedium and time involved for most big developers to take on the projects I do," he says. "They generally have shareholders to answer to and quarterly profit goals to meet. They can't wait around for a long-term payout."

Luckily, McDougal could. 🗝

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THE TAKEAWAY

A Lubbock developer turned a deteriorating section of town into a model of urban revitalization. How he made a vision into reality is an interesting story with an ambitious timeline and plenty of twists and turns.



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