

The New York Times

Commercial Real Estate

A Trail Helps Open Up a Dallas Neighborhood to New Development

MAY 13, 2014



The southern end of the Katy Trail, in the Uptown neighborhood of north Dallas, is at American Airlines Center. Rex C. Curry for The New York Times.

Square Feet
By **JOE GOSE**

DALLAS — The din begins around 5 o'clock at the Katy Trail Ice House, as predominantly millennial-age beer drinkers grasping 18-ounce schooners spill out of the metal-framed bar and onto an oak-shaded patio in the booming Uptown neighborhood.

Located where a swingers club used to be, it has become one of the highest-revenue bars in Dallas since it opened three years ago. Its success is attributed to its location: It abuts the Katy Trail, a 3.5-mile concrete path atop an old railroad bed. As many as 15,000 dog walkers, joggers and other users frequent the lineal park on a weekend day, according to an oversight group, Friends of the Katy Trail.

“We’re doing three times the business we thought we would, and it started on Day 1,” said George Cramer, a partner in the Katy Trail Ice House. “It has all been word of mouth by people just walking along the trail.”

The bar exemplifies the flush times in Uptown, a 570-acre neighborhood near downtown, the Dallas Arts District and the American Airlines Center in Victory Park.



The trail winds past the beer garden of the Katy Trail Ice House. In recent years, Uptown has attracted office and apartment projects. Rex C. Curry for The New York Times.

Along with a 21-year-old public improvement district and zoning that encouraged residential development, the trail’s construction and improvements over nearly two decades have helped transform Uptown from a blighted empty expanse into what many consider to be the only true “live, work, play” urban neighborhood in a city known for suburban sprawl.

Apartment developers have added roughly 8,000 units to the district over the last several years, according to Uptown Dallas, the group that manages the improvement district’s \$1.5 million budget. Gables Residential, Forest City Enterprises, JLB Partners and Alamo Manhattan are building 1,100 more units.

The landlords are primarily targeting young people flocking to the Dallas-Fort Worth metropolitan region, which added 95,900 jobs last year, the third-highest number among major metro areas after the New York and Los Angeles areas, according to the Labor Department. Uptown Dallas pegs the population there at around 15,000, more than double the number in 2000, and nearly half are 25 to 34. Restaurants and bars complemented by trolley service along Uptown's McKinney Avenue spine have fostered an entertainment district.

John Walker, a longtime real estate broker known as Newt, has assembled properties in Uptown for 35 years. He remembers how people avoided the run-down neighborhood in the 1980s and 1990s, and talks about Uptown's progress like a father who has watched his daughter come of age.

"You can't say that there has been just one catalyst," said Mr. Walker, who has offices in a refurbished early-1900s Victorian home in the State Thomas Historic District in Uptown. "But the Katy came along, and demand for apartments grew."

That demand has not slowed. Apartment occupancy in the district is around 95 percent, and average rent for newer units tops \$2 a square foot, \$1.14 higher than the average in all of Dallas-Fort Worth, according to Todd Franks, a managing director with Sperry Van Ness, a commercial real estate brokerage firm. Monthly rents average \$1,463 for a one-bedroom and \$2,141 for a two-bedroom.

In all, some \$1.2 billion in projects are under construction or are about to begin, including a growing list of office plans as companies move closer to the employee base. Frost Bank will consolidate its north Dallas workers in 50,000 square feet of a new 167,000-square-foot building this year. In early 2015, the Richards Group advertising firm will move down North Central Expressway into its new 250,000-square-foot headquarters.

Since 2006, property value in Uptown has climbed nearly 80 percent to \$3.4 billion, based on the improvement district's assessment income. In the early 1990s, it wallowed around \$500 million, said Joseph F. Pitchford, senior vice president for development at Crescent Real Estate Equities, based in Dallas. Crescent will begin building a \$225 million, 20-story tower this summer that the law firm Gardere Wynne Sewell will anchor.

"If someone could show me an urban district that has grown at a faster, more successful clip over that period of time," he challenged, "I'd like to see it."

Crescent Real Estate was an early believer. Founders of the company in 1993 acquired the Crescent, a massive office, retail and hotel complex ensconced in Indiana limestone in the district. An oil heiress, Caroline Rose Hunt, and her family built the project in 1986, and it dominated the near-barren surroundings for years. It also buttressed Uptown's fledgling redevelopment.

The Katy Trail originated with a decision by Union Pacific Railroad in the 1990s to abandon a stretch of track from the old Missouri-Kansas-Texas Railroad, or Katy line, on the neighborhood's western boundary. Local neighborhood groups formed Friends of the Katy Trail and enlisted an architecture firm, SWA Group, to design a master plan.

The Katy Trail group raised \$10 million in private funds — matching \$10 million in government funds — to build the trail and add amenities such as granite quarter-mile distance markers, expansive overlooks, landscaping and lighting, said Philip Henderson, a founder and former president of the group.

Around the same time, Uptown's improvement district was taking root. It used a 4.5-cent assessment on every \$100 of property value to fund security, landscaping, a trolley and other improvements.

The parallel efforts began to attract investors, but it took time, said Chuck McDaniel, managing principal with SWA.

“We would schlep the trail's master plan around to developers to see if they would provide seed money, but initially they were unbelievers,” he said. “But the more people that we could connect to the trail in a friendly way, the more they used it. Perceptions changed just as the real estate was changing.”

Uptown faces some growing pains, however. Fewer parcels are left for development, which will raise the cost of new projects by forcing developers to pay for income-producing properties. Uptown's old, narrow streets complicate efforts to add bike lanes, an addition that Mr. Pitchford of Crescent Real Estate and others believe would enhance the district's urban character. The district's promoters also would like to see more retail development in the area.

In addition, the recession blunted fund-raising efforts to pay for more entrances and other enhancements to the trail, Mr. Henderson said. It already costs \$700,000 annually, largely raised by Friends of the Katy Trail, to pay for electricity, water, security and maintenance, added a spokeswoman with the group.

Yet none of those challenges have diminished the park's pull. Among other properties in the area, Gables Residential, based in Atlanta, has developed six apartment projects in Uptown totaling around 1,600 units, including a 334-unit project next to the Katy Trail Ice House that opened in 2012.

JLB Partners, based in Dallas, snatched one of the last patches of vacant land along the trail in a distressed sale for \$12.5 million in 2012. The developer worked with the trail organization to incorporate a public access point astride the 18-story, 299-unit project, which was designed to avoid looming over the path.

“We are catering to the trail,” said Bay W. Miltenberger, chief executive of JLB Partners. “It's our biggest amenity.”