

ULI Case Studies

Trinity Groves



TRINITY GROVES LLC

Focused on restaurants, the initial phase of Trinity Groves features an innovative restaurant incubator program that invests in creative restaurant concepts.

PROJECT SUMMARY

Trinity Groves is a multiphase redevelopment effort of a former warehouse and light-industrial site that began with a 10.3-acre restaurant/specialty food incubator and destination. The project is located along the Trinity River, across from downtown Dallas, at the base of the new and iconic Margaret Hunt Hill Bridge in West Dallas. The core incubator area of Trinity Groves currently includes 14 restaurants, two dessert shops, a culinary education and events center, and a brewery, all located in four buildings that were formerly used primarily as a trucking facility. Following on the success of the restaurant incubator concept, the developers have embarked on a plan and program to develop 90 adjacent acres, assembled over the past 11 years, with new apartment, condominium, hotel, and office space, as well as additional restaurant and retail space.

QUICK FACTS

Location

Dallas, Texas

Project type

Retail/entertainment

Site size

10.3 acres (Phase I)

Land uses

Restaurants, retail, entertainment, craft brewery, culinary education facility, surface parking (multifamily housing, office, and hotel in later phases)

Keywords

Restaurant incubator, mixed-use development, industrial redevelopment, bridge, adaptive use, riverfront site

Website

www.trinitygroves.com

Project address

425 Bedford Street
Dallas, Texas 75212

Owner

West Dallas Investments LP

Developer and general contractor for first phase

Trinity Groves LLC
425 Bedford Street
Dallas, Texas 75212

Developer of Cypress at Trinity Groves

Columbus Realty Partners
West Dallas Investments LP

Introduction

Food, restaurants, and entertainment lie at the heart of many developments today, and are increasingly being leveraged as catalysts for urban redevelopment. Trinity Groves is an excellent example of how food can be not only a key amenity, but also a driving force and a defining element in a new development scheme. At the heart of the Trinity Groves project is the restaurant incubator program, an idea developed by veteran restaurant entrepreneur Phil Romano and his partners—Stuart Fitts, Butch McGregor, and Jim Reynolds—that encourages chefs and restaurateurs to develop and present creative restaurant concepts to a team of experienced restaurateurs and investors who select the best proposals and then support them to bring these ideas to reality. Trinity Groves now includes 14 restaurants and several other food-service tenants operating in spaces that were formerly industrial warehouses. These warehouses have been rehabilitated and adapted to showcase these new tenants in a lively and compelling environment that draws people from around the Dallas metropolitan area.

The project website outlines the initial goals of the incubator thusly: “Our evolving development strives to foster the growth of startup busi-

nesses, building on Dallas’s culture of innovation and entrepreneurship, while creating jobs and spurring economic opportunity.” A second primary goal was to use the restaurants to reposition the entire area so that new residential and commercial development could take place, eventually leading to increased property values and the creation of an entire new district in central Dallas. The first goal has been achieved, and the developers are well on their way in pursuit of the second goal, with new multifamily rental apartments under construction across from the restaurant incubator site.

The Site and the Idea

The roughly 100-acre entirety of the Trinity Groves site is located along the Trinity River, across from downtown Dallas. Until recently, the site served primarily as a warehouse and light-industrial area, but with the March 2012 opening of the new landmark Margaret Hunt Hill Bridge, designed by Santiago Calatrava, the site has taken on a new character. Construction on the bridge began in 2007. The new bridge actually replaced an older two-lane bridge that has since been converted to a park, now a part of the extensive parks and trails along the Trinity River and its levee, which separates the Trinity Groves site from the Trinity River.

The site and background. The new bridge connects the site to I-35 and downtown Dallas, and bridge traffic flows directly into Singleton Boulevard, which bisects the Trinity Groves site. The initial first-phase development parcel, which includes the restaurants, measures 10.3 acres and is bounded by Singleton Boulevard to the south, Pueblo and Toronto streets to the north, the Trinity River on the east, and Bataan Street to the west. The La Bajada neighborhood, a historically Latino community of small single-family homes, is located to the north of the Trinity Groves site.

A second major section, the 40-acre second-phase parcel, is bounded by Singleton to the north, the railroad tracks to the south, Parvia Avenue to the west, and the Trinity River to the east. This area, which includes a Ready Mix concrete plant that was still operating as of early 2016, has been entitled for 9 million square feet of development. A third major section, measuring approximately 50 acres, is located south of the railroad tracks and north of West Commerce Street.

Before development, the core area of the site consisted of a great variety of older industrial and commercial buildings. The initial restaurant incubator site, which faces Singleton Boulevard adjacent to the bridge, lies on 10.3 acres of land

Located on the Trinity River, Trinity Groves is adjacent to parks and trails and is connected to downtown Dallas by the new Santiago Calatrava–designed Margaret Hunt Hill Bridge.





JOSEPH HAUBERT

Most of the restaurants at Trinity Groves include outdoor patios that offer a casual and relaxing atmosphere.

on the north side of Singleton Boulevard; this site originally included old masonry buildings, steel-structured warehouses, and an old freight dock/terminal building. Many of these structures had been neglected for decades and the area was generally blighted prior to redevelopment.

Dallas city officials began discussing the redevelopment possibilities for the area even before the bridge was built. Romano and Fitts saw that this was a direction for growth, and they started looking at property in the area. Romano was already doing business with Fitts on other ventures. Fitts in turn knew McGregor, who was already working in the area and had been buying properties. Recognizing that the bridge would lead to positive change on the site, these three investors formed West Dallas Investments LLP and began buying land in the area in 2005. The 100-acre site was assembled over a period of more than 15 years, and currently includes 170 contiguous and noncontiguous parcels of land.

Development entity. The ownership entity—West Dallas Investments LLC—that was formed is a partnership among three individuals—Romano, McGregor, and Fitts. McGregor has continued in the role of site acquisition expert, having developed strong relationships in the area and a solid understanding of the properties. Romano entered the partnership with

considerable financial strength and restaurant experience as the founder of three major restaurant and innovative food store concepts, including Fuddrucker's, Romano's Macaroni Grill, and Eatzi's Market & Bakery.

These partners later formed Trinity Groves LLC to serve as the development entity, and this entity includes Jim Reynolds as an equity partner; he serves as the senior vice president, development and construction, Trinity Groves LLC. The partners have approached the project as a legacy effort; they are not looking for merchant builders, but rather partners who share a long-term vision. They expect that it will take at least 20 years to develop all of the property, and they are planning to maintain ownership interests in most of it, working with joint venture partners to develop individual parcels.

Their initial joint venture partner in the multifamily apartment development is Columbus Realty Partners, based in Dallas. In that partnership, West Dallas Investments has retained a 50 percent ownership interest in the properties. In the future, West Dallas Investments plans to look for similarly well-positioned development partners for office, hotel, and condo development.

Land assembly and values. West Dallas Investments acquired the land, starting in 2005, without having a definitive development concept

in mind, and the restaurant incubator concept did not emerge until around 2011. The partnership acquired about 60 acres from 2005 to 2010. Most of the acquired parcels were commercial or industrial, with a few residential parcels that were troubled properties and/or involved with illegal drug-dealing activities.

When the partnership started buying land in the area in 2005, land could be acquired for around \$2.50 per square foot; in 2016, the land is selling for over \$30 per square foot. On the other side of the river in central Dallas, land prices are around \$300 per square foot. The developers expect that when more vertical development is feasible in the later mixed-use phases, land will be valued as high as \$100 or more per square foot for the early deals and may climb higher for the fourth or fifth deal. With the success of the restaurants and with the assemblage of many diverse parcels, notes Romano, "We brought value to the real estate."

Development concept. As noted, the entire site includes two distinct areas that have been planned thus far—the initial-phase restaurant incubator, primarily to the north of Singleton, and the second- and third-phase mixed-use site to the south of Singleton.

In conceiving and phasing the project, Reynolds notes, "We did this a little differently [than most large-scale projects of this kind]. Typically, you would start with the new residential or office buildings and then develop the restaurant amenities, but we decided to do the restaurants first." This strategy was chosen for two main reasons. The first was that Romano was a veteran of the restaurant business and knew how to make restaurants work. Second was the fact that the area was not yet established well enough to attract Class A apartments, offices, or hotel space.

At the outset, they needed to establish a sense of place, and the restaurant incubator concept did that, and with relatively low costs and low risks. The restaurants within old warehouses are not the highest and best use for the site over the long run, but the restaurants are what has attracted interest to the area and are thus the impetus for much of what is going on there. Thus, the restaurants will likely remain for some time until the sites on the other side of Singleton are more fully developed. Notes Reynolds, "Right now, it's what people love. They come over here for the authentic and gritty feel. It's a home run right now."



The plan for Trinity Groves. With the start of construction on the Cypress at Trinity Groves apartment complex, several original restaurant tenants had to be moved. Babb Brothers BBQ & Blues moved to the site at the top of the plan, and Hofman Hots is seeking a new location.

Zoning, Approvals, and TIF

Shortly after the restaurant incubator program was put in place, Trinity Groves LLC rezoned 40 acres of the property south of Singleton into Planned Development (PD) 891, a zone generally intended for mixed-use development. The PD allows for 9 million square feet, unlimited building heights over much of the area, and no minimum lot size. This flexible zoning allows for multiple uses with no prescribed use on any specific site. There are constraints on height near the neighborhoods to the north, but these disappear 200 feet to the south of Singleton Boulevard. Each project has or will have its own development agreement.

Portions of the property to the south of the railroad tracks are zoned in a less dense PD 714 zone. As additional development phases proceed, the remaining PD 714 land will be rezoned into PD 891.

Not wanting a bridge to nowhere, the city had an interest in approving this rezoning and

in seeing that something good happened on the other side of the Margaret Hunt Hill Bridge. In addition to the rezoning, the city added the area to the existing Sports Arena tax increment financing (TIF) district in May 2012. This eventually led to the \$3.5 million of TIF financing for Phase I, and \$13.9 million in TIF financing, approved in 2014, for road and infrastructure improvements and an economic development grant for Phase II.

There was minimal initial public opposition to the redevelopment, in part due to the adaptive use approach that was used. Notes Reynolds, "The surrounding neighborhood was not 'shocked' with bulldozers tearing down old existing buildings, because there were none that were torn down" in the initial phases. The second phase does involve demolition, but this was in areas not immediately adjacent to the residential neighborhoods.

The city did employ a vigorous planning and review process for the second phase that involved

City Design Studio, an entity formed in 2009 to focus on neighborhoods and development along the Trinity River. City Design Studio worked with the city, the community, property owners, and the design community to develop a vision and an urban structure and guidelines for the area.

Restaurant Incubator Concept

The initial challenge for the developer was how to recast the area's image. "What we needed to do," observes Romano, "was to come up with a short-term plan that did not interfere with the long-term plan for the area. I came from the restaurant industry, and my industry needs new concepts because we are approaching new markets, the millennials. They want something that is new, different, and exciting. At the time we began this project, a lot of young people could not find jobs, so I thought we would give them the opportunity to create their own jobs. Who better to create new concepts for new people than new



One of the first restaurants to open at Trinity Groves, Babb Brothers BBQ & Blues has recently been moved to its new location, behind the Old Terminal Building.

people?” So Romano and his partners arranged a plan similar to a shark tank. “Let’s see if we can get some young entrepreneurs and give them a chance to own their own business.”

One of the strategies employed was to start a fund that would invest in the incubator program. The fund investors include Romano, Fitts, and other individual investors. To date, the fund has been very successful, raising about \$12 million, and is returning distributions to investors. The fund has provided a 12 percent return as of early 2016.

Incubator. The developers founded this incubator idea on the following premises: the restaurants should be about 2,500 square feet (plus outside dining patios), seat about 125 people, and do about \$2 million per year in gross revenues. Romano and his partnership team agreed to invest, from the fund, up to \$500,000 in each restaurant’s finishes, equipment, furnishings, and so on, with no investment required from the restaurateur, no guarantees on the lease, and no financial liabilities. The Trinity Groves fund, in turn, would own 50 percent of the restaurant. The restaurant had to be owner-operated, and it had to offer a distinctive and creative concept.

The initial proposals were five pages long and included a restaurant floor plan, a menu, an opening budget (including construction, equip-

ment, furnishings, inventory, insurance, marketing, etc.), financial projections (profit and loss forecast), and a short biography of the restaurateur. This offer attracted a lot of attention, and hundreds of proposals were submitted. Romano and his team interviewed over 500 people during the initial incubator lease-up process, for fewer than 20 spots.

Restaurateur selection process and deal.

Those selected for further consideration were invited to make presentations. A business plan and a description of how their concept was distinctive also were required. Romano and his team checked the restaurateurs’ credentials, sampled their food two or three times—using the kitchen at Trinity Groves—to make sure the food was consistently good, put them together with a designer to do some concept renderings of what the restaurant could look like, and talked to them about philosophy and culture to gauge how well they would fit in.

Those who were chosen were given a location and financing and a 50 percent ownership interest in the restaurant. This equity funding gave the Trinity Groves fund 50 percent ownership, and general partner status, for each of the restaurants. The Trinity Groves team manages the construction of the space, and ultimately works to help make the restaurateur successful.

The restaurateur is also offered a \$60,000 annual salary that is a draw against profits. In turn, the restaurateur is required to pay a 5 percent management fee, split with his or her Trinity Grove co-owner, and 6 percent of sales for rent, plus common area charges (CAM). Once the restaurant is open, the restaurateur must meet certain parameters in terms of sales and profits. If he or she is working hard but not meeting these parameters, the Trinity Groves team will work with him or her. If the restaurateur is not working hard or Trinity Groves does not believe the concept is working, the lease is terminated, but the restaurateur has lost no real money other than his or her time investment.

For the latest deals involving a newer restaurateur who has come in to replace a restaurant that has left, the terms are less generous. Now that the project is up and running and successful, Trinity Groves does not need to give a 50 percent interest to attract new restaurateurs; also, construction is largely complete for existing spaces, so the new restaurateur has fewer startup tasks. The latest restaurateurs to be added are now typically offered 15 percent or 25 percent ownership interests in the restaurant.

Development Finance

The total development cost to date for the restaurant incubator phase is around \$24.75 million, including \$5.25 million for land acquisition, \$18 million for hard costs, and \$1.5 million for soft costs. The development effort was financed substantially with \$12 million in equity from the partners and equity investors in the restaurant fund, \$3.5 million in TIF reimbursements, and a \$12.75 million line of credit from Texas Capital Bank, where Romano and Fitts had an established banking relationship—on the private wealth side, not the commercial side.

For the second phase, as noted above, the city has used TIF funds (Sports Arena TIF, West Dallas District) to invest in infrastructure improvements in the area, including bond-funded projects to extend three major roads under the railroad tracks. The TIF has a gap funding mechanism; because rents and returns are not quite there yet for new development, the TIF grant is used to bridge that gap. The TIF authorization ends in 2042. A different TIF is in place for the area on the south side of the tracks, which is the last area to be developed.



On its north side, the Old Terminal Building features both the Amberjax restaurant and the new Hall restaurant, as well as the Cake Bar and Kate Weiser Chocolate.

Planning and Design

The two areas and phases of the development are very different in scope, design quality, and density. The restaurant incubator was a low-cost investment that incubated not only restaurants, but also, in a sense, the entire project. The mixed-use phase builds on the pioneering work of the first phase, with increased density and higher design quality.

Phase I: Restaurant incubator. The first phase of the design is the restaurant incubator development, which consists primarily of approximately 100,000 square feet of warehouse space that has been adapted for restaurant and brewery uses. Notes Reynolds, “When we first came out here, we wanted to tread lightly; we didn’t want to come in with a big, heavy development footprint and start tearing buildings down. Reusing and repurposing these existing buildings was a big part of the overall strategy. We wanted to be respectful not only to the surrounding neighborhoods, but [also] to the overall feel of the existing architecture. We wanted a strategy that would be a low-impact type of development to reestablish the area.”

The plan for this initial phase included the renovation and adaptive use of four distinct buildings. The principal building is the Old Terminal Building, which faces Singleton Avenue. The bones of this edifice were really good, so the developers were able to redevelop and adapt it for the restaurants with a modest investment. The structure was essentially a big, open truck terminal building, with docks on both sides. The developers and designers divided this building in half along its length, creating service corridors down the middle that serve the outward-facing restaurants on both sides. Nine of the restaurants face onto Singleton, and eight of these include large patios that are located all along the front, including both covered/enclosed patios and open patios. These patios are, in turn, separated from the street by two rows of parking spaces and a landscaped pathway.

The patios are very important to the design, since they create a lively outdoor environment while also expanding the seating area with minimal costs. The patios are enclosed with flexible and translucent curtains that can be raised or lowered as needed; the patios are heated and

closed in colder weather, while fans are used in summer. The space is very dynamic and fluid, where patrons might have a beer at one establishment, dinner at another, and dessert at a third.

A breezeway divides the north and south sides of the building and provides pedestrian connections between the front and back; an additional corridor on the eastern end also provides pedestrian connections through the project. On the back side of the building, the restaurants have longer frontages and do not include large outdoor patios; the back side is the location for the two specialty dessert shops, as well as Amberjax and the Hall restaurants.

Behind the Old Terminal Building, separated by a small parking area, is a second warehouse structure that now houses Babb Brothers BBQ & Blues and the 3015 Trinity Groves kitchen, which offers culinary education and corporate event space. Babb Brothers BBQ was originally located on the other side of Singleton, and was moved to its new site due to the need to start construction on the apartments. (A Hofman Hots restaurant, one of the first restaurants in the initial plan, also was removed to make way for the apartments.)

Across Herbert Street and to the west of the Old Terminal and Babb Brothers, in a former truck servicing building, is the Four Corners Brewery, including a small tap room. A fourth building, located directly adjacent to Singleton, just to the west of the Old Terminal Building, is home to a burger restaurant and several other spaces now being prepared for occupancy.

This first phase includes 555 surface parking spaces in numerous parking areas, including one double-loaded corridor of spaces at the front of the Old Terminal Building along Singleton, a lot adjacent to the levy along the Trinity River, a lot between the Terminal Building and Babb Brothers BBQ, a lot adjacent to the brewery itself, and a lot between the restaurants and the brewery. This latter area can also be used for outdoor events, including live theater, art-house films, and live music. An additional 700 off-site parking spaces are available when needed.

Phase II: Mixed-use development. The second phase of Trinity Groves, primarily south of Singleton, is the mixed-use urban redevelopment project that will be developed at much higher densities than the first phase. The plan for this area involved input from a variety of sources, including the city, the City Design Studio, commu-

nity groups, and a charrette with the University of Texas architecture department. The core mixed-use plan involves about 40 acres north of the railroad tracks, and was developed by the Trinity Groves principals, development partner Reynolds, and planner/designer Paul Chapel Associates.

The plan for the area involved creating a grid with blocks that had a pedestrian-friendly feel while also offering flexibility within blocks to develop a variety of uses and building types. The current plan divides the area into eight blocks of varying sizes. The designers created



The area in front of the Old Terminal Building features a broad walkway, landscaping, pedestrian entrance features, and a small amount of parking.



A conceptual rendering of the next phases of Trinity Groves, showing the restaurant incubator on the left, new four- and five-story apartment buildings now underway at the center, and planned high-rise office, residential, and hotel buildings planned for the edges of the site near the river and the railroad tracks.

RICH POLING—CREATIVEARTS



The Old Terminal Building includes an open-air passage that connects the restaurant and retail establishments on the two sides of the building.

sketches, subject to change, that provide a vision of what might happen on the site, including buildings of 20 stories or more. Open space is planned to be linear and located along Akron Street—with a 40- to 60-foot-wide linear park running along this street—which will run parallel to Singleton. The developers did not engage a large national planning firm in the design process, but they may in the future. Reynolds notes, “Initially we wanted to create good basic principles, laying out the streets and developable lots and blocks.”

The first effort to develop in this area is the Cypress at Trinity Groves, a three-phase apartment project located directly across Singleton Avenue from the restaurants. The first phase in this project, started in the fall of 2015, is expected to include 352 units and 35,000 square feet of retail and restaurant space. Around January 2017, construction is expected to begin on the second phase, to the west of the first phase. The buildings are designed as four- and five-story wood-frame buildings on concrete podiums wrap-

ping around concrete parking structures, with ground-level retail space where feasible.

Plans for the third phase, primarily south of the railroad tracks, have not been formalized as of May 2016.

Marketing, Leasing, and Management

As with the overall program and plan, marketing, leasing, and management also fall into two major categories related to the restaurant cluster and the emerging mixed-use development.

Phase I restaurant leasing and management. Arguably the most interesting aspect of Trinity Groves is the unusual approach that was used to develop and lease the restaurant space. The restaurant incubator program strives to foster the growth of startup businesses, and encourages entrepreneurs, chefs, and restaurateurs to develop and present creative restaurant and retail concepts. Notes Romano, “We don’t want to find tenants; we want to create our own tenants. If they are successful, we own 50 percent.”

In order to give these new concept entities a “fighting chance,” Trinity Groves decided to move away from a traditional triple-net lease. The Trinity Groves team drafted a lease in which the tenant would have no base rent, but rather would pay 6 percent of gross sales and their respective share of CAM, taxes, and insurance; the tenant then would need to achieve a sales threshold of approximately \$1.5 million in annual sales and show a minimum 10 percent profit to the investment fund. To date, those thresholds for the new concept entities have largely been met or exceeded by most of the tenants, although three restaurants have not succeeded thus far. Investors have received cash distributions, and most are interested in additional opportunities to invest with Trinity Groves.

The property management entity—Trinity Groves Support Group—is a separately owned and run company managed by Bob Sambol, an experienced restaurateur. This management company is responsible for all back-of-house operations and oversight, while allowing the restaurateurs to focus on what they do best—pro-



The patio areas include both covered and open areas for dining.

viding high quality and consistency of food and customer service. The management services that are provided are essential to promoting success with these new restaurant concepts and owners. Notes Romano, “It’s a constant job to manage a restaurant; it will turn on you in a second.”

This support group offers classes for the restaurateurs, guides them, and offers economies of scale in terms of purchasing food and supplies. The group also controls all of the money (which comes into one point-of-sale system for all the restaurants), prepares all the monthly profit-and-loss statements, pays all the taxes and bills that must be paid, and monitors everything. Notes Romano, the support group “is like their consulting group that helps make them successful. We teach them the business. We mentor them. We see warning signs and talk to them about problems.”

Staffing for the group includes two managers and about six other accountants and support staff who provide management and accounting services to all the restaurants. The Trinity Groves Support Group has also established an internship program with the University of North

Texas culinary school, allowing the group to develop and recruit new talent for the restaurants.

While the restaurants do a brisk business throughout the day and week, the busiest times tend to be evening hours Thursday through Saturday. Babb Brothers, for example, is open from 11:00 a.m. to 4:00 p.m. Sunday through Wednesday, and from 11:00 a.m. through 10:00 p.m. Thursday through Saturday. When the weather is good, Trinity Groves has attracted 12,000 to 15,000 people on weekends. Some of the operational features that make Trinity Groves successful include a dog-friendly policy and the availability and ease of parking.

Restaurant/retail tenants. The first business to open at Trinity Groves was the Workroom, an art gallery, design studio, and retail shop located across Singleton from the restaurants, in January 2012. A special event center and cooking school called 3015 at Trinity Groves opened in September 2012, in the building behind the main restaurant incubator building. Babb Brothers BBQ & Blues, the first restaurant incubator, and Four

Corners Brewery opened in November 2012. The opening schedule was as follows:

- The Workroom—January 2012
- 3015 at Trinity Groves—September 2012
- Four Corners Brewery—November 2012
- Babb Brothers BBQ & Blues—November 2012
- Hofmann Hots—February 2013 (since closed; site being developed for apartments)
- Kitchen LTO—February 2013
- Souk—October 2013
- LUCK—October 2013
- Casa Rubia—November 2013
- Resto Gastro Bistro—November 2013
- Amberjax—December 2013
- Chino Chinatown—December 2013
- Potato Flats—June 2014 (since closed)
- Kate Weiser—August 2014
- Cake Bar—September 2014
- Didi’s Tamale Diner—November 2014 (since closed)
- Sugar Skull Café—2015 (since closed, now V Eats)
- Saint Rocco’s—September 2015
- The Hall Bar @ Grill—March 2016
- V Eats—Expected spring 2016



TRINITY GROVES, LLC

The covered patio areas for Chino China Town, Luck, Souk, and Casa Rubia are adjacent to each other along the front of the Old Terminal Building.

These restaurants include a variety of offerings, including seafood, barbecue, tapas, Chinese/Latin fusion, Moroccan, modern American, Japanese, Italian, a steakhouse, burgers, craft beer, and specialty desserts.

One of the more innovative restaurant ideas at Trinity Groves, an incubator within an incubator, is LTO (Limited Time Offering), which showcases the work of chefs and interior designers on a rotating basis, with a change every six months. The chefs and the interior design are rated by patrons on a website. The interior redesign is limited to keep costs low, but includes new artwork, furniture arrangements, and other elements.

Another innovative concept is Kate Weiser, an operation that makes handcrafted artisan

chocolates on site. “Kate Weiser is a brand happening as you see her,” notes Reynolds.

Some of the more recent additions have been added by Romano and Sambol themselves. Saint Rocco’s, for example, is an Italian-themed restaurant that Romano opened, led by a chef who has been with Romano for 20 years. This restaurant also offers banquet facilities and an upper-level open-air lounge and deck, still under construction at the time of this writing, that will provide dramatic views of the bridge and the downtown Dallas skyline. The Hall Bar & Grill was started by Sambol, adding a steakhouse and sports bar to the mix. V Eats is the latest addition.

Three restaurants have not succeeded and have left the property, including Potato Flats,

started by Romano, a concept that offered potatoes with a variety of toppings. He still believes it is a viable concept, but not in this type of location. Didi’s Tamale Diner, offering Guatemalan tamales, lasted only two months. Sugar Skull Café—a taco, coffee, and dessert shop—opened and closed in 2015.

As of early 2016, the restaurant incubator has been operational for about three years, and the project is about 77 percent occupied, with annual sales of \$24 million, around \$324 per square foot. When weather is good and demand is high, 400 cars will be valet-parked on the property.

Marketing and events. Marketing for the restaurants has relied heavily on free public-



A rendering of the first phase of Cypress at Trinity Groves, a new apartment development by Columbus Realty Partners under construction as of May 2016.

ity, word of mouth, social media, and a website. The incubator concept itself has generated a lot of free publicity. The Romano name and the revitalization the developers have brought to the neighborhood also attracted considerable press and city attention.

Trinity Groves maintains a website that is updated regularly, and offers a newsletter highlighting various events and activities, such as the Chili Challenge, the Trinity River Levee Run, free brewery tours, and Lemonade Day Dallas at Trinity Groves. Individual restaurants also hold their own activities and events. For example, Babb Brothers offers live blues in the evenings Thursday to Saturday.

Phase II mixed-use leasing and management. For the initial multifamily development in the second phase, Columbus Realty will lease and manage those units.

In addition, Trinity Groves is working on joint ventures for a high-rise boutique hotel and a high-rise office building, as well as another large entertainment/retail component with an internationally known development partner. The leasing and management of each of these parcels will be largely the responsibility of the development partners executing these developments, although West Dallas Investments LLC will likely maintain an ownership interest in each of these properties.

Area management and security. West Dallas has been perceived to be unsafe, and Trinity Groves has worked, and is working, to change

that perception by starting its own private security company. The company employs private security personnel as well as city of Dallas off-duty police officers, who provide security and act as “ambassadors” for patrons, seven days a week, 24 hours a day.

Observations and Lessons Learned

Clearly, the main lesson from Trinity Groves is that the restaurant incubator idea can work successfully if handled well by experienced restaurant professionals and developers. Romano emphasizes that restaurants must have “authenticity, authenticity, authenticity. They need a bill of rights, a constitution, five things that you stick to.” Developing a restaurant incubator requires understanding the importance of what authenticity means for a restaurant and for a collection of restaurants. Observes Romano, “I was pleasantly surprised by how fast the restaurants took off. I thought it would take time, but they just shot off like a rocket.”

The city’s investment in an architecturally iconic bridge paid many dividends: it enhanced the skyline of the city, improved access to and from downtown, and created an important new symbolic and practical connection between a blighted area and the downtown, thus creating opportunity for revitalization that has been realized at Trinity Groves.

Assembling all the needed parcels to make a large-scale redevelopment project work can

OTHER PARTICIPANTS

Land planner

Paul Chapel Associates
Dallas, Texas

Architects for first phase

HD Design Group
Paul Chapel Associates

Engineering

Bury

Public relations

Allyn Media

Debt capital

Texas Capital Bank

Interviewees

Phil Romano, partner, West Dallas Investments LLC

Jim Reynolds, development partner and senior vice president, development & construction, Trinity Groves LLC

Bob Sambol, president, Trinity Groves Support Group

Karl Zavitkovsky, director, City of Dallas Office of Economic Development



GENSLER

A rendering of hotel and office developments proposed for sites along the Trinity River.

be extremely challenging and time-consuming, and requires patience and a low-key approach. The vision required assembling enough acreage to actually make a large-scale difference in West Dallas. With over 170 parcel transactions, efforts have been ongoing for more than ten years. Many of the transactions have been difficult due to, among other things, poor record keeping, issues with “chain of title” or recordation of ownership over many decades, unplatted/individual lot parcels, old public abandonments and easements, and unpaid tax bills on properties to be acquired. And there have been holdouts as well.

Less is sometimes more, and too much polish can be counterproductive. The gritty urban quality of the initial restaurant cluster design, adapting warehouse buildings into restaurants, is a major draw for restaurant patrons, especially young people. The project offers an unusual and compelling atmosphere while also offering diversity in food, diversity in restaurant owner/operators, and diversity in visitors and patrons. It is not like restaurant clusters in suburban shopping centers. Maintaining this diversity and

authentic nature as new development proceeds will be a challenge.

Successful restaurant clusters can be primary drivers in redevelopment areas and can be effectively used to rebrand an area. The “intangible” success of the first phase of Trinity Groves has reenergized this area of West Dallas, eliminated decades of neglect and blight, and reduced crime in the immediate area to almost zero. Notes Reynolds, “The success of Trinity Groves, for us, is measured in multiple ways. Not only do we evaluate the economic success of each new concept entity and returns to the investment fund, but we also measure the success by understanding how it has affected/is affecting the surrounding area in West Dallas, the city of Dallas, and Dallas County.”

The restaurant concept incubator program is one of the first of its kind at this scale in the United States. It was an experiment, with no guarantee that it would work. Many observers were skeptical. But Romano, Fitts, and McGregor believed it would succeed and invested in the idea, and it paid off. Notes Romano, “I wouldn’t be where I am today if I didn’t do the things that

people told me not to do.” Sometimes, it pays to challenge the sacred cows and industry norms.

The incubator program has attracted national attention, and multiple developers across the country have approached the developers about doing the same thing in their cities to “jump-start” redevelopment of blighted or neglected areas. Many of these areas are old warehouse and light-industrial districts similar to West Dallas. Whether the concept can be easily adapted to or duplicated in other cities by other developers remains to be seen, but the model that has been developed at Trinity Groves is an innovative approach that deserves to be tested elsewhere.

PROJECT INFORMATION TRINITY GROVES

Development timeline

Site acquisition began	2005
Construction started	2011
Construction financing arranged	2011
Project opened with Workroom	January 2012
Margaret Hunt Hill Bridge opens	March 2012
3015 at Trinity Groves opened	September 2012
Four Corners Brewery and Babb Brothers BBQ & Blues opened	November 2012
Kitchen LTO opened	September 2013
Souk and Luck opened	October 2013
Casa Rubia and Resto Gastro Bistro opened	November 2013
Amberjax and Chino Chinatown opened	December 2013
Kate Weiser Chocolate opened	August 2014
Cake Bar opened	September 2014
Cypress at Trinity Groves construction started	October 2015
Cypress at Trinity Groves opens	Fall 2016

Land use plan

Acres

Phase I: Restaurant incubator	10.3
Phase II: Mixed-use area north of railroad tracks	40.0
Phase III: Mixed-use area south of railroad tracks	49.7
Total	100

Phase I restaurant incubator land use plan

Use	Site area (acres)	% of site
Restaurant/retail	4.3	42%
Outdoor patios and walkways	2	20%
Parking	4	38%
Total site area	10.3	100%
Parking spaces on site	555 spaces	
Parking spaces off site	700 spaces	

Phase II mixed-use land use plan

Use	Site area (acres)	% of site
Residential/retail	14	35%
Hotel	4	10%
Office/retail	12	30%
Streets	6	15%
Green space	4	10%
Total site area	40	100%

PROJECT INFORMATION TRINITY GROVES

Cypress at Trinity Groves residential information

Unit type	Number	Unit size (sq ft)	Percentage leased	Starting rents (as of April 2016)
Building 1				
Efficiency	40	497–536	0%	\$865
One-bedroom	246	604–1,196	0%	\$909
Two-bedroom	66	1,051–1,400	0%	\$1,084
Total	352			
Buildings 2 and 3	not available			

Phase I restaurant/retail information

Approximate gross building area (GBA)	100,000 square feet
Number of tenants	18
GBA occupied	77%
Typical annual sales per square foot	\$324
Annual sales	\$24,000,000

Restaurant tenants	Tenant type	GLA (sq ft)
Amberjax Fish Market Grille	Full-service seafood restaurant	3,585
Babb Brothers BBQ & Blues	Barbecue and live music	5,500
Casa Rubia	Tapas restaurant	2,550
Chino Chinatown	Chinese/Latin restaurant	2,560
Kitchen LTO	Permanent pop-up restaurant	2,580
Luck	Craft beer–inspired kitchen and bar	2,527
Off-Site Kitchen	Fast, casual gourmet burgers	2,500
Resto Gastro Bistro	Modern American bistro	2,580
Souk	Moroccan bistro and bazaar	2,580
Sushi Bayashi	Japanese casual restaurant	2,580
Saint Rocco's	New York Italian restaurant	5,000
Saint Rocco's Rooftop Bar	Rooftop bar/lounge	4,000
The Hall	Steakhouse	2,500
V Eats	Vegan restaurant	1,900

Other food-oriented tenants

Four Corners Brewing Company	Microbrewery and alehouse	10,500
3015 at Trinity Groves	Culinary events center	10,000
Saint Rocco's Banquet	Banquets and parties	5,000
Cake Bar	Dessert bar and retail shop	900
Kate Weiser Chocolate	Chocolate retailer/kitchen	900

Retail tenants on nearby properties

The Workroom & Gallery 422	Retail, craft, and furniture gallery	4,500
Erin Cluley Gallery	Art gallery	2,000

Total restaurants, retail, and brewery **76,742****Restaurants closed****Reason**

Didi's Tamale Diner	Tamales, etc.	Underperformed
Hofman Hots	Specialty hot dogs	Demolished to make way for apartment construction
Potato Flats	Potatoes, etc.	Underperformed
Sugar Skull Café	Taco, coffee, and dessert shop	Underperformed

Phase I restaurant incubator development cost information

Site acquisition cost	\$5,250,000
Hard costs	\$18,000,000
Soft costs	\$1,500,000
Total development cost to date	\$24,750,000
Total development cost at completion	\$31,000,000
Average land cost per square foot	\$11.70
Hard costs per square foot	\$180
Total development cost per square foot	\$310

Phase I restaurant incubator financing sources

Equity capital sources	
Private equity	\$12,000,000
Public sector capital sources	
TIF reimbursement	\$3,500,000
Debt capital sources	
Partners' line of credit (Texas Capital Bank)	\$12,750,000
Total	\$28,250,000



About the Urban Land Institute

The mission of the Urban Land Institute is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.

Established in 1936, the Institute today has more than 38,000 members, representing the entire spectrum of land use and development disciplines. Professionals represented include developers, builders, property owners, investors, architects, planners, public officials, real estate brokers, appraisers, attorneys, engineers, financiers, academics, and students.

ULI is committed to

- Bringing together leaders from across the fields of real estate and land use policy to exchange best practices and serve community needs;
- Fostering collaboration within and beyond ULI's membership through mentoring, dialogue, and problem solving;
- Exploring issues of urbanisation, conservation, regeneration, land use, capital formation, and sustainable development;
- Advancing land use policies and design practices that respect the uniqueness of both the built and natural environment;
- Sharing knowledge through education, applied research, publishing, and electronic media; and
- Sustaining a diverse global network of local practice and advisory efforts that address current and future challenges.

Patrick L. Phillips, Global Chief Executive Officer

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The ULI Case Studies program highlights and showcases innovative approaches and best practices in real estate and urban development. Each case study provides detailed information regarding the ideas, plans, process, performance, and lessons learned for the development project. Each also includes project facts, timelines, financial data, site plans, photos, location maps, and online videos. The new ULI Case Studies program is the revitalization of a program begun in 1971. For more information, visit the ULI Case Studies website at www.uli.org/casestudies.

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