

JAMESTOWN UNDERTAKES 1 MILLION SF ADAPTIVE RE-USE IN ATLANTA

ATLANTA — Jamestown Properties and the City of Atlanta held a press conference to mark the official closing on City Hall East, a 2 million-square-foot property located in the Midtown neighborhood of Atlanta at 675 Ponce de Leon Ave., N.E. The City sold the development for \$27 million, which included \$15.5 million provided by Jamestown at closing. The property is situated at the nexus of four of the city's most established neighborhoods and adjacent to the Atlanta BeltLine network already underway, a 22-mile rail and walking corridor that will connect more than 45 neighborhoods of Atlanta.

As of today, the project is officially dubbed "Ponce City Market," and the first phase of the adaptive re-use is set to deliver in first quarter 2014. Ponce City Market is a partnership between Jamestown and its sustainable development subsidiary, Green Street Properties.

The partnership has plans for a \$180 million, 1 million-square-foot redevelopment of the property with build-out expected to total approximately 300,000 square feet of retail space, 350,000 to 500,000 square feet of loft office space, and residential units as the market dictates. The structure's current parking deck will be removed, exposing the original retail façade, and some of the building's interior space will be converted to a parking area. Markets and restaurants, coffee shops and watering holes will be laid out to draw residents and visitors, tourists and workers.



A rendering of the completed Ponce City Market.

"For the city, this transaction improves our financial position, it makes us stronger, and gets a \$600,000 yearly obligation off our books and removes the enormous liability that comes with owning a 2 million-square-foot building," says Mayor Kasim Reed, City of Atlanta. "The sale and redevelopment puts the development back on the tax roll in a big way. We expect it over the next 10 years to have more than \$1 billion in positive economic development."

Jamestown has a 25-year track record of mixed-use development that includes New York's Chelsea Market, a former National Biscuit Co. complex that is now an artisanal food market, retail space and premier office space; Atlanta's White Provision, a mixed-use project in the revitalized industrial Westside landscape that recently earned a 2010 "Development of Excellence" designation from the Urban Land Institute Atlanta Chapter; and Chattanooga, Tenn.'s Warehouse Row, a revitalized warehouse district that has served as an essential building block in the renaissance of the Southern city.

"We have specialized to some degree in complex urban projects, and we consider assets like this to be our forte," says Matt Bronfman, managing director, Jamestown Properties. "We are stewards of these properties and welcome the challenge to restore City Hall East to its glory with the Ponce City Market project."

Located on the edge of Midtown, the building is the largest commercial brick structure in the southeastern U.S., originally constructed in 1926 by Sears, Roebuck & Company as a retail store, regional warehouse and catalog distribution center. After Sears closed the retail store in 1979 and warehouse operations in the mid-1980s, the City of Atlanta purchased the property in 1990 for administrative offices and continued its partial occupancy until mid-2010.

Despite the hope that the City's occupation would instill new life into the property and the surrounding neighborhood, redevelopment efforts stalled from coming fully to fruition, and the building remained mostly empty.

As a result, there have been talks for more than 8 years between the private sector and the City to determine the best use of the development. Emory Morsberger, CEO of the Morsberger Group, says he was involved in ideas for redevelopment with former Mayor Shirley Franklin as early as 2003, and that today's closing culminates a long process in efforts to restore the historic structure.

"Today marks the end of the beginning," Morsberger adds.

Though no tenants have been disclosed yet, Jamestown is in serious LOI negotiations with significant office, restaurant and retail tenants.

"We see a real change on a macro level in the U.S. today with Fortune 100 and 500 companies using industrial real estate assets such as this to amenitize their hiring practices for the young work force," says Michael Phillips, managing director, Jamestown Realty Company. "So we see this building in the next cycle as attracting strong forward-looking companies that can really drive job growth in this city."

On the other hand, one of the biggest questions in the local market is what types of retail will flourish here. Several other large-scale retail projects inside the city limits, particularly Atlanta Underground and Atlantic Station, have set out to redefine their retail opportunities over the past few years. Atlantic Station, specifically, is another large-scale redevelopment project, located on the west side of Atlanta's midtown neighborhood at the former brownfield Atlantic Steel mill site. That project recently came under new management, which is working to refresh the mixed-use urban neighborhood that is less than a decade old. Jamestown's challenge comes in finding the right mix of national and local tenants, but also to provide a unique experience that can't be duplicated elsewhere in the city, or possibly the country.

"The \$50 million question is retail," Phillips adds. "We have a commitment to high quality food and a culture of supporting and incubating local businesses. In the U.S. there are three truly relevant food halls — Pike Place in Seattle, Ferry Building Marketplace in San Francisco and Chelsea Market in New York. We are focused very much on putting a peg in the ground for Atlanta to have the fourth nationally and internationally relevant food hall."

To that end, the building's old exhibition hall will have an organic garden to provide product for the farmers market in the food hall. In addition, with six to eight acres of roof space to work with, Green Street is conceptualizing green roof opportunities, including one that would provide gardens for the restaurant tenants to grow their own vegetables.

"This project is the last missing piece for reinvigorating this section of Atlanta, and the Ponce City Market location is its most influential factor," says Katharine Kelley, president and CEO of Green Street Properties. "In addition to historical and environmental initiatives, our focus will be connecting to surrounding activity. We will work to reshape the physical definitions of the property to enhance walkability and accessibility within the metropolitan framework."

"[Ponce City Market] is a critical and catalytic investment in this neighborhood and in Atlanta's future; it's public private partnerships like this that will get our economy moving again," says Brian McGowan, president & CEO of the Atlanta Development Authority. "Investments like this, the Porsche announcement and the sale of Equitable building a week and a half ago demonstrate the confidence the private sector has in this city."

[editorial]



[The Reynolds Group Inc.] [www.thereynoldsgroupinc.com]