



Green Street, Jamestown hope to close City Hall East deal this month

Ken Edelstein Mar 3, 2011

The developers who've long worked to buy City Hall East from the City of Atlanta expect to close the deal within a month, Green Street Properties President Katharine Kelley told the Commercial Real Estate Women of Atlanta on Thursday.

The former Sears department store and distribution center on Ponce de Leon Avenue, which once was the Southeast's largest building, will then become the largest adaptive reuse project in Atlanta history. But, Kelley revealed, the redeveloped property is likely to "net" only 1.1 million square feet of building space. Enclosed buildings on the site currently encompass more than 2 million square feet, while parking decks total around 600,000 square feet.



Green Street Properties President Katharine Kelley

Not surprisingly, City Hall East's renovation was the central topic in a discussion on adaptive reuse at CREW-Atlanta's monthly luncheon. Kelley, whose company is the project's developer, was joined on the panel by Michael Phillips of Jamestown Properties, which is bankrolling the project, and Chris Faussemagne of Westbridge Partners, who's also working

closely with Jamestown.

By spring, Phillips said, the team hopes to be "clearing out all kinds debris" from inside the buildings, then to move on to demolition, and finally to have some retail and office space ready by the spring of 2013.

[editorial]



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That would be a full decade after Gwinnett County developer Emory Morsberger began prodding the city to sell him the property. The gigantic building has long been a taxpayers' albatross because of its high energy costs and the fact that the city didn't really need so much office space. Eventually, a group led by Morsberger was chosen to buy the property, but with the real estate meltdown, he took a backseat to the team led by Jamestown, which is a private equity fund.

"We're fortunate to be the beneficiary of that patient German capital behind Jamestown," Kelley said. Jamestown has said it expects to sink \$180 million into the deal.

Phillips and Kelley also offered a peak at preliminary renderings of the project (although — drats! — they weren't ready to make those renderings available for publication). A bird' view shows the parking deck on the west side of the property replaced with a new street grid, walkways, small structures and surface parking. The buildings themselves would be trimmed back to their imposing, red-brick core, but Kelley said "circulation corridors" will be cut through them to make the development pedestrian friendly.

Jamestown plans to hedge its bets by balancing the development equally between office, retail and residential — with office and retail coming first because of market conditions. Among the features the panelists spoke most excitedly about: A "food hall" featuring local restaurateurs, very near the spot where an old spur from the Beltline dramatically entered the building to deliver goods to the Sears warehouse.

"It's a rare day that one of the great restaurants in the city" doesn't inquire about space inside the building, Phillips said.

Both Phillips and Faussemagne have track records at attracting high-end restaurants to their historic projects: One of Phillips earliest developments was the old Star Provisions on the West Side, which counts Bacchanalia, JTC and Taqueria del Sole among its restaurant tenants. Nearby, White Provisions, which was developed by Faussemagne with Jamestown's backing, includes the high-end Abattoir, as well as Yeah! Burger and the West Egg.

The compelling pitches of three successful developers were on full display from the stage Thursday. For her part, Kelley noted that other historic Sears regional distribution centers have been converted successfully around the country, and that most of them anchored by major corporate tenants — for example, Starbuck's in Seattle.

"We really do see a good fit for a major office anchor," she said.

Green Street may still be best known for its development of Glenwood Park, the uber-green community in Southeast Atlanta. The company was founded by high-tech-businessman-turned-eco-developer Charles Brewer who hired Kelley but has since left the company. Kelley and her partners then sold their firm to Jamestown. It's now a development arm of the German-owned fund and remains heavily invested in green construction and consulting.

Kelley said she's still not sure whether City Hall East will register for LEED, partly because it's so difficult for the adaptive reuse of an historic property to meet LEED's energy requirements.

And Faussemagne noted that the tax credits for historic preservation, for which City Hall East expects to qualify, often work against tax credits for energy efficiency. An example: City Hall East has single-paned windows that can only be retrofitted up to a point and still qualify under the historic tax credit.

Still, Kelley said, she expects to go for some sort of green building certification.

"With leaky building envelopes and single pane windows ... there's a lot of opportunity to make it better, a lot of low-hanging fruit," she said. "You're having to spend a lot of money anyway ... as long as your spending the money, you might as well make it green."

The most environmentally *and* historically significant aspect of the project may be it's location, however. Kelley noted that the City Hall East project will help to build connectivity between the already invigorated neighborhoods nearby, which long ago viewed the stretch of Ponce de Leon near Sears as the hub for that section of the city. Development of the adjacent Beltline as a local transit corridor will only enhance the reweaving of that urban web.

Phillips added that it was significant that each of the three panelists involved in the project are native Atlantans. He even remembers going to the Sears catalog center as a boy.

Now, he says, he expects to have an office in that building: "We're going to take 50,000 feet for ourselves, which is going to be really chic office space and will set the starndeard for adaptive reuse — maybe even including fire poles."