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## Evolving Atlanta: Retail, Mixed-Use Projects Mark New Stage

By Georgia Lee

ATLANTA - Television reporter Kimberly Fettig moved here from New York last year with a bit of dread. She imagined a grueling suburban commute into the city and a limited social life.

She was wrong.

Fettig, 31, found a high-rise loft in Atlanta's Midtown neighborhood, blocks from her job at the local CBS affiliate. Shopping and restaurants are within walking distance and she is surrounded by thirtysomethings with whom to share work and play.

"It's like 'Sex and the City,'" Fettig said. "I never thought I'd find urban living in Atlanta, but this a lot like [Manhattan's] Chelsea or the East Village 15 years ago."

Fettig, along with other young professionals and empty-nesters, is part of a reverse migration into core urban areas. The trend, mimicked in places such as Los Angeles, may be significant for some U.S. cities. Baby Boomers abandoning suburbs, traffic congestion, rising gas and energy prices and diminishing land for retail construction are among the factors propelling urban redevelopment.

These factors have meshed with government efforts to curb suburban sprawl and manage growth. And many retailers, investors and developers see opportunities, building mixed-use properties such as the \$2 billion Atlantic Station project here that combine residential, office, entertainment and retail spaces.

"People are sick and tired of spending half their lives in cars, me included," said Gregory Maloney, president and chief executive officer of Jones Lang LaSalle's Americas Retail business. "They hate to waste time. With technology, multitasking is natural, especially to young people. Everybody wants to take advantage of the important things in life, on their own time."

Atlanta is in the early stages of that evolution, which, to be fully realized, will have to overcome obstacles such as limited mass transit, crime and underperforming schools.

"It takes good leadership in public and private sectors, and clear communication ... of what's going on," said Maureen McAvey, senior fellow for urban development at the Washington-based Urban Land Institute. "It's not easy, and it requires patience."

The new urbanism represents the flip side of the postwar flight to suburbia that often left blighted streets and closed stores. In recent years, the dynamic growth of the Atlanta metropolitan region has heightened quality-of-life issues, from highway congestion to air pollution.

Among those who abandoned the suburbs for the city is restaurateur Anna Hsu, 50, who owns three upscale in-town restaurants in Atlanta: Hsu's, Silk and Pacific Rim. For 25 years, she lived in Marietta, Ga., 20 miles north of downtown, raising two children with her husband and business partner, Raymond.

Now the kids are grown, and the couple purchased a condominium in The Spire, the newest residential high-rise on Peachtree Street in Midtown. In addition to the convenience of walking across the street to Silk, the restaurant they opened last year, the move has led to a new way of living.

"In Marietta, you don't know the neighbors, except to wave to them from the car," Hsu said. "There's nothing going on."

Here, we all party together. ... It's not just couples, but a mix of boy, girl, gay, straight."

People with grown children like Hsu and young professionals are the two main components of the population trend in Atlanta and some other U.S. cities. For these newcomers, in-town living offers a sense of community and excitement, as well as convenience. Developers and elected officials hope it spawns the revitalization of Atlanta's fragmented in-town areas - from Downtown north to Midtown and the affluent Buckhead section.

The 6,000-square-mile Atlanta metropolitan area, which has increased in population to 4.8 million from less than 3 million in 1990, may top 5 million in five years and push 7 million by 2020, the Metropolitan Atlanta Chamber of Commerce said.

Founded in 1837 as the end of the Western & Atlantic railroad line, Atlanta was first named Marthasville for the then-governor's daughter. The name was soon changed to the feminine of Atlantic - as in the railroad. The city's transportation roots remain and Hartsfield Atlanta International Airport is among the busiest U.S. terminals. More than 1,000 international businesses operate here. The city has emerged as a banking center and is the world headquarters for 13 Fortune 500 companies.

"Atlanta's phenomenal growth over 50 years is catching up with it," said A.J. Robinson, president of Central Atlanta Progress and the Downtown Improvement District, business coalitions dedicated to city improvements. "It's a maturing city dealing with all the issues."

About 10 years ago, state and local officials began to challenge businesses and developers to come up with solutions, offering tax breaks and incentives to help combat sprawl and traffic. They wanted to create density - more people living in smaller spaces - and mixed-use properties that would reduce dependence on cars.

The city has designated five districts for development assistance and has issued bonds, which are being used to offset the costs of developers who meet specific guidelines for roads, the environment and other requirements.

Much of the new development is in the Midtown area north of the downtown business-hotel district that includes the AmericasMart complex, the Fox Theater, the Woodruff Arts Center and Piedmont Park. Since 1997, Midtown has added more than 560,000 square feet of retail, spurred by zoning rules that require street-level shops in new construction.

There are almost 10,000 new residential units and more than 2,000 apartments under construction, with another 3,000 planned. The city's premier thoroughfare, Peachtree Street, has come alive with restaurants, from Anna Hsu's sophisticated Silk to the high-tech sports bar Stool Pigeons.

Street retail is mostly trendy boutiques, including furniture stores such as Yes, serving the new high-rise residents, to Lui-B, which sells high-end Italian men's clothing to stores such as French Kiss and Fab'rik that supply the latest halters, dresses or jeans for Kim Fattig and her "Sex and the City" friends to wear to clubs.

"The retail piece has been slower to come," said Shannon Powell, vice president of planning and development at Midtown Alliance, a nonprofit coalition of business and residential groups. "We want to provide a pedestrian experience, like a Michigan Avenue [in Chicago]."

Midtown is also home to Atlantic Station, a "mini city" and a prototype of public-private collaboration. Almost 10 years in planning, the project is on 138 acres that constituted the biggest U.S. urban brownfield because of contamination from the Atlantic Steel Co. mill, closed for more than 20 years. It is to eventually have 12 million square feet of office, retail, hotel, entertainment and residential space.

The development, which includes 11 acres of public parks, received local and federal funding. The developers, Jacoby Development Inc. and AIG Global Real Estate Investment Corp., negotiated with neighborhood and civic groups. More than 2,000 apartments, town homes and condominiums are open or under construction.

Atlantic Station's first retailer, home furnishing store Ikea, opened in June. The 366,000-square-foot store is the third largest of 23 U.S. stores. Ikea considered Atlanta for years and agreed on Atlantic Station because of its location on Interstates 75 and 85, visible to thousands of motorists every day.

The combination of location and demographics attracted Dillard's, which opened a 225,000-square-foot full-line store in October, along with around 30 specialty stores, including Gap, Ann Taylor, American Eagle Outfitters, Banana Republic and Express. Dillard's will be Atlanta's only in-town department store.

"We convinced [the Dillard family] to take a leap of faith and buy into the concept," said Jim Jacoby, president of Atlantic Station and founder of Jacoby Development. In contrast with suburban Atlanta, the area around Atlantic Station was underserved, with 1.9 square feet of retail per person, compared with the national average of 20 square feet, he said. "In this void, we offered a location that's the equivalent of Main and Main on the interstate."

Dillard's vice president of real estate, Wes Cherry, said Atlantic Station is an exciting urban market and location.

"We don't look at real estate as either urban or suburban - both are good," Cherry said. "Midtown Atlanta is high income and densely populated, so we don't have to serve as large an area to get as many people, and the location can draw travelers from the freeway."

With fewer megamalls being built, chains are experimenting with smaller, often multifloor, vertical formats in urban areas.

"Twenty years ago, it would have been considered crazy," said Jones Lang LaSalle's Maloney. "Now Target, K-Mart, Penney's and Sears are all opening smaller formats in town. Department stores will have to adapt to different styles, reinterpret old formulas and look at new research on consumer demographics."

Target, with 32 Atlanta stores, led the pack here, with a two-level, 130,000-square-foot unit that opened in 1999 on Peachtree Road in Buckhead. Though Target wouldn't confirm sales, people familiar with the industry said the store is a top performer.

The retailer has announced plans for a 150,000-square-foot unit to open in Atlantic Center in March 2007. Target opened a two-level store in July in East Atlanta, and plans another next year for Buckhead, both in developments with housing, office and entertainment components. They have been developed by The Sembler Co., which specializes in urban design, including underground parking and main street-style common areas.

In July, Target opened in the Edgewood Retail District of East Atlanta, near downtown. With little competition from chains nearby, the center serves a mixed area - funky, alternative Little Five Points; affluent Druid Hills, and Moreland Avenue to the south, notorious for crime and drugs. It's an example of Atlanta's gentrification challenges. Edgewood added 300 residential units of apartments, lofts and condos, and along with Target, a Barnes & Noble, Kroger, Loew's and Best Buy.

Retailers in Little Five Points and East Atlanta are generally independents, as evidenced by their names - Thread Zeppelin, Sugar Britches and Pieces of Adrene. They have mixed feelings about the new developments.

"It took 78 neighborhood meetings for everybody to agree on the details," said Jeff Fuqua, president of development for Sembler.

Fuqua said Target's sales are 25 to 50 percent over plan. But most apparel retailers are a hard sell for these kinds of centers.

"It takes big projects and big funding [such as Atlantic Station] to draw a Gap or a department store like Dillard's, and independents are often put off by the expense or format of in-town developments," he said.

One of the first street-level specialty boutique owners in Midtown, Dana Spinola, opened Fab'rik three years ago. She's seen the area explode. Spinola considered opening in Atlantic Station, but found costs prohibitive. She said developers need to offer customers a mix of both chain stores and independents.

"People crave stores with character, and complain about generic strip centers," she said. "But some neighborhoods have only the funky stores, without anything practical, such as a Crate & Barrel, which could help draw people, too."

A unique formula attracted her to City Walk, a mixed-use development that opened Sept. 1 in Sandy Springs, an area once considered the epicenter of Atlanta's suburban sprawl.

Fab'rik joins three well-established Atlanta boutiques - Potpourri, Sandpiper and Chelsea Parks - that opened second or third stores in City Walk, which includes a Kroger supermarket, and upscale gift and wine shops and new restaurants. Developed by Maxwell Properties, City Walk includes 175,000 square feet of retail and 350,000 square feet of current residential, with additional land planned for residential and office space. City Walk has an urban industrial ambience, with brick buildings, iron railings and lofts.

"The unique thing here is the collection of independent fashion tenants and local restaurants you don't find in large centers like this, and the fact that the mixed-use concept is taking hold into what used to be the suburbs," said Charles Shealy, vice president, Maxwell Properties. "We know people want ... the entertainment and the unique flavor that these stores offer."

Downtown Atlanta, though burnished by Centennial Park and sports arenas from the 1996 Olympic Games, has yet to attract the kind of mixed-use development of Midtown and other areas. Such disparities highlight the fledgling nature of Atlanta's transition.

"The city does well in one area, not in another, and it will take good city planning, along with the right mix of cultural elements, to make it work," said Jennifer Pritchard, senior manager at Kurt Salmon Associates, a consulting firm based here. "Atlanta has always struggled to find a soul ... and it has a long way to go to combine the culture with community and urban living that keeps people excited and connected."

City officials are counting on a combination of new attractions to boost interest in the downtown area. The \$290 million Georgia Aquarium opened last month, followed by a new World of Coke Museum (Coca-Cola is based in Atlanta) in 2007. Located in the Centennial Park area, they are forecast to draw a combined 3 million visitors annually. Downtown Atlanta also is vying for the NASCAR Hall of Fame.

Central Atlanta Progress leader Robinson said the issues that need to be resolved downtown, from crime to homelessness to panhandling, are being tackled.

"Atlanta's always been seen as a land of opportunity," he said. "If we get it right, it will be a model."