

Investor group envisions thriving Macy's building

A group of Atlanta investors hopes to transform the bottom three floors of the now-vacant downtown Macy's department store into a thriving retail and restaurant space.

The group, called the Davison's Downtown LLC, has the bottom three floors (including the grand street-level space complete with chandeliers) under contract. Those three floors total 185,000 square feet, which will be sold as a condo interest for \$16.5 million. The sale is expected to be completed by the end of March. The group, which includes 18 investors (all from Atlanta with one exception) plans to spend up to \$14 million more to revitalize the space.

"This is an entrepreneurial group that's going to be putting a team together to make this a success," says Robert Patterson, an Atlanta native who is the group's managing partner. "We will be working with national real estate organizations and retail specialists."

The two lead investors in the project are Robert Galanti and Asher Benator, who have a history of investment and development in the Atlanta



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market.

Patterson says the group will market the space differently than it has since the Macy's department store closed in 2003. The biggest difference is they are not seeking a single tenant to take over the entire space. Instead, they see it as a multi-tenant development that will feature a host of stores, a food market and several nice restaurants.

"We want it to be fun," says Patterson, who spoke of the energy at Boston's Faneuil Hall Marketplace. "The plan is to maintain that great open lobby. But that doesn't mean there won't be kiosks in the space."

Another big difference is that this group has strong local ties and will be actively engaged in making the project successful. The group will look at possibly expanding the mezzanine space on the sides of the grand main floor to add more retail space.

"You have to be willing to get your hands dirty," Patterson says. "And you have to have patience to make it work."

As native Atlantans, many of the investors remember going to the department store on Peachtree Street when it was known as Davison's. In 1925, New York retailer R.H. Macy's acquired Davison's; it changed the name to Macy's in 1985.

The Atlanta group was drawn to this project partly because of emotional ties and a desire to help downtown's recent resurgence. Saying they could have invested their money anywhere, Patterson says he's excited about the trends he is seeing downtown.

"We would like to be part of that," he says. "We would like to ride that wave and push that wave forward. The business challenge is to figure out how to adapt the building for the 21st century."

Patterson says the group already has secured financing, and that if everything goes according to plan, they hope to be open for business before the 2009 holiday season. They believe it will fill a void for downtown's numerous con-

stituents — office workers, tourists, conventioners, students and the growing number of residents.

Once the project opens, it will culminate the revival of that stretch of Peachtree Street that only a few years ago people were declaring as a dying corridor.

"We have come a long way in three to four years from a very challenging environment at the apex of Peachtree Street," says A.J. Robinson, president of Central Atlanta Progress. At that time, most of the major tenants had moved out of the 191 office tower, which is directly across the street from the former Macy's building. The Winecoff Hotel was boarded up. And the Macy's building was shuttered to passersby walking along Peachtree.

The tide turned when Cousins Properties bought the 191 building in 2006, moved its headquarters there and aggressively started leasing out the empty floors. The Winecoff Hotel has been renovated into a boutique hotel known as the Ellis. The former Planet Hollywood has been revamped with two new restaurants. And the Ritz Carlton

Atlanta has plans to undergo a renovation.

"We are making progress," says Robinson, who is encouraged about the plans to transform the Macy's retail space. "We have reviewed their plans, which are very ambitious and very exciting. It's a new concept for downtown, and it would provide new life in that historic building."

Meanwhile, the upper floors of the Macy's building also are looking up.

Phil DeGuire, a broker with Wilkinson Real Estate Advisors, has leased about 80,000 square feet on the upper floors in the past eight months. For example, the architectural firm of Stanley Beaman & Sears leased 25,000 square feet in December.

DeGuire also says he's in discussions with several other prospects, and he expects to lease out the remaining 80,000 square feet by the end of the year. That would mean all 375,000 square feet of the top floors would be leased.

Once that happens, it will be a bright chapter in the century-old building's past. It was constructed in 1910 as a Davison-Paxson store.

Macy's parent company,

Federated, decided to put the building up for sale in 1999. Despite creative plans to convert the building into residences on the top floor with the Macy's store on the lower floors, Federated decided to sell the building to a telecom developer — New York-based Taconic. That meant the building housed more technology than people, providing few shoppers for the department store.

Federated then made the controversial decision to close the store four years later. Taconic has since sold the building to another partnership group known as Peachtree Carnegie LLC. The new owners, who include David Werner and Eli Sternbuch, are also New York-based.

Once the Atlanta investors take control of the space, the future looks bright. The spectacular main shopping floor will once again be open to the public and will become an integral part of a well-balanced downtown, a downtown that has been hungry for new retail with more restaurant choices.

And for us old-timers, we will be able to revisit a special space with warm memories.