

*'I think (Macy's) will keep a lot of tax dollars on this side of the hill.'*

DENNIS NORTON, CAPITOLA CITY COUNCIL



Shmuel Thaler/Sentinel photos

Chris Thoryk, manager of the new Macy's department store in the Capitola Mall, inspects the store's jewelry department last week.

# Great expectations

Capitola city officials and Capitola Mall merchants predict financial gain from the new Macy's store

Businessman  
By MICHAEL DE GIVE  
SENTINEL STAFF WRITER

CAPITOLA — The Carillo sisters — Daisy and Jessica — widen their eyes and nod vigorously when asked if they like to shop.

Their tastes run toward the name brands — Ralph Lauren, DKNY, Steve Madden. Naturally, they've been looking forward to the opening of Macy's at the Capitola Mall.

Thursday at the mall, they already were planning to return Saturday when Macy's opened for a one-day event to raise money for local nonprofits.

"We're there Saturday," said Daisy. "We are there."

The Capitola Macy's — one of 137 Macy's stores in the West — is expected to ring up close to \$16 million in sales a year. It will contribute to the \$4.5 billion in annual sales made by Macy's West, and more than \$18.4 billion in revenue for its parent company, Federated Department Stores Inc.

Along the way, a chunk of money will be left behind in Santa Cruz County, most of it in the form of sales tax, property tax and 150 new pay-

checks.

"We are looking forward to Macy's opening," said Toni Castro, Capitola Chamber of Commerce executive director. "The more people who visit Macy's at the Capitola Mall, the more that will visit Capitola Village ... and everywhere else to shop."

For Capitola and some local government agencies, Macy's brings with it a potent source of revenue. Neither Macy's nor the city will release sales projections for the store, but Capitola has increased its sales tax expectations by more than \$164,000 for the 2002-2003 budget year. That represents \$16.4 million in additional sales throughout the city — an increase of 3.25 percent.

Macy's, which occupies a building left vacant two years ago by J.C. Penney, will contribute greatly to that increase.

"The biggest player in the picture is Macy's," said Michele Braucht, Capitola's director of finance.

The expected revenue increase, in a city where sales tax makes up the bulk of the budget, erases Capitola's losses from the economic downturn,

Please see **MACY'S** on **BACK PAGE**



Georgiana Pannell, from the Macy's Oakridge store, adjusts a Cinco de Mayo display of mannequins wearing clothing from the Caliente label.

## Capitola Mall Macy's

**OPENING:** The Capitola Mall store's grand opening is Friday. A 'soft opening' that raised money for local nonprofits was held Saturday.

**MANAGER:** Chris Thoryk.

**EMPLOYEES:** 150.

**SIZE:** 101,000 square feet, two stories.

**SALES:** Estimated at \$16 million annually.

**ADDRESS:** 1855 41st Ave.

**PHONE:** 621-3333.

# Macy's: Merchants, officials have high hopes as department store opens in the Capitola Mall

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Braucht said.

"It's keeping us from really having to feel the full impact of the recession," Braucht said. "We'll get safely back to the status quo."

Other government agencies will benefit as well. The transit district, which gets a ½ cent for every dollar of taxable sales in the county, stands to make about \$80,000. Local libraries will make about \$40,000. The rest — slightly more than \$1 million — goes to the state.

At least some of the Capitola store's customers are expected to be residents who formerly drove to San Jose, Salinas or Monterey to shop at Macy's.

"I think it will keep a lot of tax dollars on this side of the hill," said Dennis Norton, a Capitola city councilman who was mayor when the mall's management approached the city with a proposal from Macy's.

Another chunk of money will fall into Capitola's hands each year in the form of property taxes. Because the mall is within the boundaries of the city's Redevelopment Agency, the agency, and not the county, keeps any tax increase that comes about when a property is re-assessed.

The store was last assessed in 1985, said Norton, and when Macy's bought the property last year it was re-assessed. The county couldn't provide the new valuation late last week.

Redevelopment Agency funds are earmarked for schools and fire departments, with the rest going to the county and the city. Capitola uses most of its redevelopment funds to create low-income housing, Norton said.

Equally important to the local economy are the jobs Macy's is bringing, said Lori Kletzer, an associate professor of economics at UC Santa Cruz.

The store will employ 150 people, most of them in sales and services



Sales clerks — Macy's calls them 'sales associates' — train at the new Capitola Mall store last week.

Shmuel Thaler/Sentinel photos

said Lori Kletzer, an associate professor of economics at UC Santa Cruz.

The store will employ 150 people, most of them in sales and services. Macy's says its salaries, which include benefits for full-time employees, will be competitive, although they declined to be specific. Generally, local retail sales clerks earn between \$7 and \$9 an hour, according to a county survey conducted in 2000. Another survey by the state's employment department puts the median salary for retail salespeople at \$9.84 an hour.

While the salaries are relatively low for people living in one of the most expensive housing markets in the nation, they will make an impact on the local economy, Kletzer said.

"Those 150 people will take those (paychecks) and spend them in local stores," she said.

"Those jobs are important to part-time workers, which include teenagers and heads of households that need a decent job but also need some flexibility in their hours," she said.

Entry-level jobs at Macy's also can lead to higher-paying positions or other careers, said Kathy Zwart, director of the Workforce Investment Board of Santa Cruz County, in a February interview.

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Sales clerks — Macy's calls them 'sales associates' — train at the new Capitola Mall store last week.



Perfumes and jewelry are among the items on the first floor of the new store, which is devoted entirely to women's clothing and accessories.

*Sears and Mervyn's, the Capitola Mall's longtime anchor stores, have carved out different niches, and don't compete directly with Macy's, as Gottschalks does.*

## Macy's may cut into Gottschalks sales, experts say

By **MICHAEL DE GIVE**  
SENTINEL STAFF WRITER

**CAPITOLA** — The face and the pace of Capitola Mall is expected to change with the arrival of Macy's, and the general assessment is that all will be for the better, economically speaking.

At least for most. But one store at the mall may have reason not to celebrate, according to retail trade industry analysts.

Gottschalks Inc. — NYSE: GOT — which dropped 7.7 percent in sales in March compared to March 2001, caters to much of the same clientele as the upscale Macy's. It's adjusted net income in fiscal year 2001 plummeted 87 percent to \$900,000, or 6 cents per share. Net income in 2000 was \$7.1 million, or 56 cents per share.

The new store could pose serious competition for Gottschalks.

"This cannot please Gottschalks in any way," said Lori Kletzer, an associate professor of economics at UC Santa Cruz. "Macy's is a deeply anchored and easily recognizable competitor."

Mall and city officials predict Macy's will be a boon to all tenants. Capitola City Councilman Dennis Norton said even Gottschalks will benefit from more

shoppers in the mall.

But others at the mall disagree.

"If anybody's worried about losing sales because of Macy's coming, it's Gottschalks," said Art Fountain, manager of the Capitola Sears store. "We think it's nothing but a plus for us."

The manager of Capitola's Gottschalks did not return phone calls. Nor did officials at Gottschalks Inc.'s Fresno headquarters.

Other Capitola Mall stores, including major tenants Sears and Mervyn's, may stand to benefit from the addition of Macy's, one analyst said.

But the two longtime anchor stores have carved out different niches, and don't compete directly with Macy's, as Gottschalks does. Sears, for example, has discount apparel, hardware, furniture and floor coverings.

"Our strategy is the basics: the underwear, the socks — the meat and potatoes of apparel," Fountain said.

More shoppers in the mall visiting Macy's just will bring more customers Sears' way, Fountain said.

Mervyn's also targets a lower income bracket and has a large selection of children's apparel and home decor.

"Mervyn's has a great business," said Macy's store manager Chris Thoryk. "They are what this mall is about on the weekends. It's packed."

Still, she said, "We hope to put a little dent in all of that."

High-end women's apparel makes up a large portion of sales for both Macy's and Gottschalks. But Thoryk said Gottschalks' presentation is not shopper friendly.

"If you were shopping and wanted to dig, Gottschalks has some nice stuff," Thoryk said. Nonetheless, she said, her store hopes to "blow them out of the water."

The Wall Street Journal reported in March that Macy's parent company, Federated Department Stores Inc., is considering buying Gottschalks. Gottschalks chief executive officer Jim Famalette declined to comment on the article in March and could not be reached last week.

Federated — NYSE:FD — reported a net loss of \$184 million in 2001, which included \$927 million in non-recurring expenses. Its revenue increased nearly 4 percent in 2001 to \$18.4 billion.

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### Local sales tax

The sales tax in Santa Cruz County is 8 percent, but only a portion of it stays in the area. Here is how it is split up.

**STATE OF CALIFORNIA:** 6.25 percent.

**CITY:** 1 percent, to the city where the sale took place.

**TRANSIT DISTRICT:** ½ percent.

**PUBLIC LIBRARIES:** ¼ percent.

### Sales tax distribution

The city of Santa Cruz collects more in sales tax than any other area in the county. However, per capita, Capitola collects the most by far. The following breakdown of sales tax by area was made in 1999.

TOTAL SALES TAX	PER CAPITA SALES TAX	
Scotts Valley	\$1.8 million	\$167
Santa Cruz	<b>\$7.2 million</b>	\$128
Capitola	\$4.6 million	<b>\$410</b>
Watsonville	\$4.3 million	\$114
Unincorporated county areas	\$7 million	\$51

### Macy's West

**HEADQUARTERS:** San Francisco.

**EMPLOYEES:** 30,000.

**SIZE:** 22.08 million square feet.

**SALES:** \$4.56 billion annually.

**STORES:** 137 locations in Arizona, California, Hawaii, Minnesota, Nevada, New Mexico, Texas and Guam.

### Federated Department Stores Inc.

**CHIEF EXECUTIVE OFFICER:**

Jeremiah J. Sullivan.

**HEADQUARTERS:** Cincinnati and New York.

**STORES:** 450 department stores in 34 states, Puerto Rico and Guam, under the names of Bloomingdale's, The Bon Marché, Burdines, Goldsmith's, Lazarus, Macy's and Rich's.

**SALES:** \$18.4 billion annually.

**STOCK:** NYSE: FD.