

City hires broker, keeps consultant to fill vacant spaces

Pacific Avenue
 Owner of Borders spot expects store will close 'in the next week or so'

By JONDI GUMZ

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SANTA CRUZ — A team from Newmark Knight Frank, which bills itself as a global real estate adviser, has begun working for the city Redevelopment Agency to

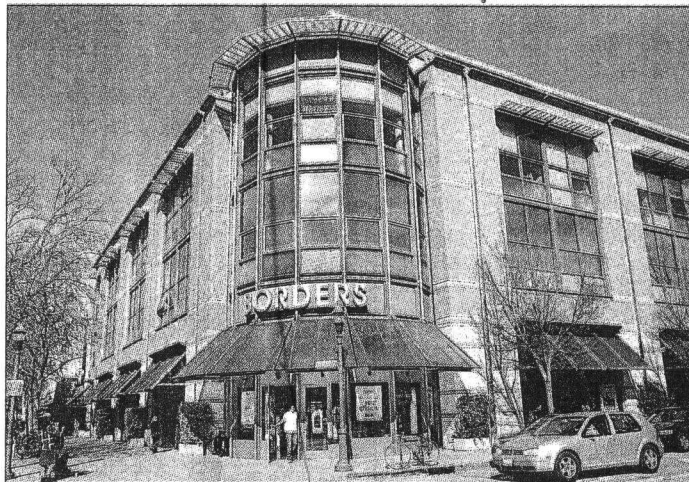
recruit retailers, primarily for the big space Borders will soon vacate at 1200 Pacific Ave. and other empty downtown locations.

The total city contract is for \$90,000, according to Peter Koht, the city's economic development coordinator, with the broker agreeing to pay half of the commissions of up \$45,000 received from tenants or buyers.

SEE DOWNTOWN ON A2

Santa Cruz's Redevelopment Agency hires a new real estate broker to help find a tenant for the downtown space occupied by Borders.

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SANTA CRUZ SENTINEL

DOWNTOWN

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The Redevelopment Agency also retained Robert Gibbs, a national retail consultant based in Michigan, for \$32,000 to analyze the local retail market and produce a study by the end of the month. Both contracts include travel and incidental expenses.

The goal for both contracts is to capitalize on the city's potential to secure the best available retail tenants, according to the Redevelopment Agency.

Gibbs, who came to Santa Cruz in October at the invitation of the Santa Cruz Chamber of Commerce, will return today to speak at a chamber luncheon on the future of local business featuring industry leaders.

Newman Knight Frank has a group operating in San Jose under the name of Cornish and Carey. It had two broker teams take first and second place at the Real Estate Board of New York's "most ingenious deals of the year" awards this week. The top project was the sale of a union-owned building that included air rights.

Retail Traffic, a New York-based magazine covering retail trends, reports that regional malls are turning to alternative anchors, including supermarkets, wholesale clubs and gyms to replace places once filled by department stores.

Locally, Cassidy Turley forecast at the

IF YOU GO

FUTURE OF BUSINESS

WHAT: Santa Cruz Chamber of Commerce 'future of business' luncheon featuring retail consultant Robert Gibbs, Marq Lipton of the Seaside Co., Barbara Scherer of Plantronics, Jess Brown of the Santa Cruz County Farm Bureau and Brian King of Cabrillo College.

WHEN: 11:30 a.m. to 1:30 p.m. today

WHERE: Coconut Grove, 400 Beach St., Santa Cruz.

COST: Members: \$35, non-members \$50

INFORMATION: www.santacruzchamber.org or 457-3720

end of the fourth quarter for office leasing activity to "slowly build momentum in 2011," with the largest declines in the second half of the year. The office vacancy rate in the city of Santa Cruz was 15.6 percent at the end of the year; the first quarter report has not been posted yet.

The Santa Cruz chamber has been surveying residents to find out what they would like downtown to look like.

At the annual business fair, 120 people provided input, suggesting names of stores and marking up maps. Among the companies that have been suggested are Loehmann's discount department store and H&M, a women's clothing retail chain.

Borders Books Music & Cafe has occu-

ried one of the largest downtown spaces at 22,500 square feet.

Velvet Underground, a locally owned clothing retailer with about 4,200 square feet on Pacific Avenue, is closing soon.

Replacements have yet to be found for Bugaboo on Pacific Avenue, the Glass Gallery on Locust Street and Ski Shop Santa Cruz on River Street, all local retailers. Another opening is available on River Street, where Gigi's, a locally run cafe, closed this month.

Borders' bankruptcy filing in mid-February may complicate the leasing arrangements because the bankruptcy trustee will try to recover the highest value from Borders' lease in the interests of the creditors, which may be contrary to the interest of the building ownership.

Craig French of Redtree Properties, which owns 1200 Pacific Ave., said the rent is not below market so he doesn't see someone buying the lease as a likely outcome.

"We cannot formally market the space while under bankruptcy protection," he said.

He expects Borders to close the store "in the next week or so." He said Newman Knight Frank is working with Redtree on leasing, as well as marketing the overall downtown for the city.

"I don't expect this to happen overnight," French said. "It will take some time to attract the tenant or tenants for 1200 Pacific, but we do think the building and its location is the best in town and retailers will recognize that."