

# Capitola scraps idea of attracting Macy's

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CAPITOLA — A Macy's will not be expanding into the Capitola Mall for at least another decade, but it's an entirely different matter concerning J.C. Penney.

That's the word the Capitola City Council received Thursday night as it formally accepted a long-awaited demographic study of the 41st Avenue area, which concludes the county does not have the economy and high income needed to support a store like Macy's.

Mayor Ron Graves told The Sentinel after the meeting, "It obviously will be in the city's best interest to go with Penney." He said he would support a Penney expanding into the Capitola Mall, if and when a land-value dispute between landowner

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Brown Bulb Ranch and mall owner Cypress Properties is resolved.

The study by Larry Smith and Co. of Palo Alto maintained it is "improbable" that a store of Macy's type would expand anywhere into Santa Cruz County before 1994.

Consultant Everett Steiger reported that Macy's is committed to building only full-line stores in the range of 180,000 square feet. Macy's new Fresno store was budgeted for a first-year volume of \$32 million; or approximately 70 percent of the entire mall's current volume, which stands at \$43.7 million.

On the other hand, Penney "is not bound by the same rigid size constraints as Macy's," said Steiger in the report. "Rather, Penney's operates a wide range of store sizes tailored to every size market."

*Please see back of section*

## Capitola Mall

*Continued from Page A1*

While Macy's officials have steadfastly maintained they had "no plans at the present time" to expand into the county, the City Council had hoped the demographic study would show the area could support a Macy's-type store.

The study was directed and paid for by the city specifically to see if higher and better uses of the land could be made. Councilmen last April placed a building moratorium on the 41st Avenue business district, upset at the number of fast food restaurants coming in.

The Macy's versus Penney question arose in August when the city refused to step in as mediators in the land value dispute over the acreage needed to expand the Capitola Mall.

Essentially, councilmen refused to intervene since mall owners were negotiating with Penney as the third major mall tenant. Councilmen didn't want another Mervyn's or Sear's-type store, both of which are already in the mall.

Steiger reiterated to councilmen that the county's average income of \$11,004 (from 1981) was below that of the state's. And, maybe more important, it's substantially lower than that of Santa Clara County, which has several Macy's.

"This is a kind of laid-back community," he said. "If this were to change overnight — and I don't think it will — than maybe Macy's is a possibility."

Councilman Dennis Beltram asked if there were any controls the city could impose to try to change the character of the area. Steiger replied that anything the city could do will "take a long time before it becomes effective."

"One of the problems with 41st Avenue is the fact that the greater part of development has taken place

within the last 10 years," he added. "It's going to take time before any of this real estate wears out, per se, and other uses come in."

He said eventually surrounding land uses will be pressured to change as land values escalate with mall expansion. He predicted it would take at least another decade before any changes take place.

In the meantime, the city can expect to see much of the same uses, such as fast food restaurants. The study reported that the area "is not especially suited for a high quality restaurant, which would be difficult to attract to the area."

The study also reported that approximately 24 percent of mall shoppers travel to the San Jose area on a monthly or more frequent basis to shop. Macy's specifically was mentioned by shoppers 13 percent of the time and Penney 11 percent as stores they go to.

So-called "leakage" of sales outside the county has substantially increased, the study said. Last year this leakage reached \$44 million. On a percentage basis, this leakage was nearly three times the 1977 level.

Meanwhile, Penney is waiting in the wings.

Jay deBenedetti, president of Cypress Properties, has already said that Penney is "poised and ready" to expand into the mall, having already received preliminary approval from its real estate board.

Standing in the way, however, is the current land value dispute. Brown Bulb Ranch reportedly is asking close to \$8 a square foot for the land behind the mall, while Cypress Properties says it will pay no more than \$4 a square foot.

Graves noted, "Any expansion is bleak until that land dispute is resolved. I think it's in their court now to resolve it. I feel both sides are being unrealistic at this point."