

# Capitola Mall Stages Biggest Sale Ever

by Joel Moreno

**N**o sale has ever been so huge at the Capitola Mall as the deal currently being struck for the shopping center's own facilities. The owners of the Capitola Mall confirm they are considering selling their retail sales gold mine on 41st Avenue to a Santa Monica-based real estate investment trust for an undisclosed interest in that company.

On the negotiating table is a proposal to contribute the Capitola Mall buildings, store spaces, land and parking area — but not the businesses — to the MaceRich company. In return, Associates' members would have the option to become investors in the large portfolio of MaceRich holdings.

"We feel, for various reasons, that it's a good merger of interests," said Jay DeBenedetti, the managing general partner of Capitola Mall Associates, the group that owns the mall.

Members of the Capitola Mall Associates would become stockholders in a company that is publicly-traded on the New York Stock Exchange and reported market capitalization at \$1.1 billion for fiscal 1995.

"With our company, they (stockholders) would own a smaller piece of a much bigger pie," said MaceRich spokesman Arthur Capolla.

MaceRich owns 15 regional shopping centers throughout the United States. Half of them are in California, which include the Broadway Plaza in Walnut

Creek, Northgate in San Rafael and the County East Mall in Antioch. MaceRich currently owns nothing within the Central Coast region, Capolla said.

"We're a well respected company and we have a history of doing good things. I think Capitola would fit very well in our portfolio and we would love to have it be in our family of shopping centers," Capolla said.

The deal remains tentative, and the MaceRich spokesman alluded to a number of conditions which would have to be satisfied before the agreement was finalized. He thought those conditions could be met before the end of the year.

If the mall is sold no major changes are anticipated to immediately occur, Capolla said. All 40 of the Capitola Mall Associates' current employees, including those in upper management, would transfer into the new company.

"I'm not aware of anybody who's not going to stay on," he said.

However, Capolla did say some "fine-tuning" of the composition of businesses in the mall would likely boost future profits.

DeBenedetti said he preferred to think of losing controlling interest in the Capitola Mall as more of a merger and less as a sale.

"When one company buys another company, it doesn't necessarily mean it's a sale," DeBenedetti said. "We still have an interest. We have an interest in the whole rather than just the Capitola Mall."

Neither DeBenedetti nor

Capolla would reveal the negotiated sale price for the shopping complex. However, Capolla confirmed that some of the members of the Capitola Mall Associates would be paid off in cash and others would receive common stock equivalent in the MaceRich investment trust.

The County Assessor's Office puts the property value of the Capitola Mall development at \$21.4 million. Three adjoining parcels are worth a combined \$4.9 million, with commercial retail buildings on two of those worth \$16.5 million.

Because property is reassessed for tax purposes every time it is acquired by a new owner, some speculate the sale of Capitola Mall could proffer a windfall for the city's coffers.

Capitola city manager Susan Westman said she was still trying to make contact with representatives of Capitola Mall Associates and MaceRich.

"I don't have any information on it," Westman said.

Capitola Mall Associates is a 75-member partnership formed when the first phase of Capitola Mall project was undertaken in 1978. The construction created 100,000 square feet of retail space that linked the Mervyn's and Sears department stores.

In 1988, the partnership acquired the necessary land from the Brown family to expand the mall. JC Penney and Leaks (now Gottshalks) department stores were added while an additional 100,000 square feet of mall shops were built. □