

Capitola wants Macys, not Penney's in mall

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CAPITOLA — If expansion of the Capitola Mall means a J.C. Penney's store, the Redevelopment Agency wants nothing to do with it.

Agency directors said they prefer a higher class department store like a Macys instead of Penney's.

Agency directors, who are also city councilmen, rejected a recommendation Thursday night for the city to step in as mediators in the land value dispute over the acreage needed for mall expansion. They said they would prefer no expansion at all to a Penney's store.

The 41st Avenue mall currently includes two Penney's-like major department stores, Mervyn's and Sears.

"Unless we get a major department store that caters to the upper-level shopper, in the Macys calibur, I feel the do-nothing approach is better at this time than mediating," said director Michael Routh.

His motion, which was passed unanimously, was to defer any mediation by the city until the demographic study — which the agency directed as part of setting a temporary building moratorium on 41st Avenue — is completed.

That study is expected to be finished in October. Directors hope the demographics will show support for a store like a Macys.

"If we can get a store like a Macys, I'd be willing to mediate," Routh told other directors.

The city set the building moratorium last April specifically to stem the flow of fast-food restaurants along 41st Avenue. It was hoped the demographic study would show higher and better uses for the land.

There currently is an "immense gap" of

nearly 100 percent in the dispute over mall expansion acreage.

Landowner Brown Bulb Ranch is asking close to \$8 per square foot while Cypress Properties, owner of the mall, says it will pay no more than \$4 per square foot.

Cypress wishes to expand the mall to include at least one or two major department stores, as well as smaller mall shops. Penney's has been most often mentioned as a possible tenant.

The agency's executive director, City Manager Steve Burrell, described the dispute as "one of the largest land deals in the county.

"Everybody in the county knows what's at stake," he added.

Burrell said it was "not unusual" for Redevelopment Agencies to "bridge the gap" between such land value disputes. He admitted, however, that this gap was wider than most.

His recommendation was the same one outlined as an option by Mills-Carneghi, Inc., of San Jose, consultants in real estate and urban economics. It was for the city to step in as mediators, making it clear to both parties that it would not contribute any of the \$1.2 million that currently separated the two.

Consultant Chris Carneghi had also written that he was "not particularly optimistic" about a solution being found.

In fact, he wrote, "Given the history of the situation, the city doing nothing may actually be the more prudent course of action for the near term.

"This could allow both parties to realize the city will not act as a financial bridge and allow them to reassess their position in view of current market realities.

"The city may also wish to assess the financial

benefit of the expanded mall in greater detail before making a financial decision in this respect."

The parcel in question is 20 acres located behind the Mervyn's portion of the mall and owned by Brown Bulb Ranch. Another 5.3 acres located on the Capitola Road side of the mall is owned by Sutter Hill Limited, the original mall developers.

Present expansion plans would require all the Sutter Hill land and approximately 14 acres of the ranch property. However, a first-phase expansion — which would accomodate only one major department store and small mall shops — would require 7.2 acres of the ranch and the Sutter Hill parcel.

"It seems clear that both parties stand to lose a major opportunity if they cannot come to terms," concluded Carneghi.