

Capitola Mall expansion on hold

CAPITOLA — Escalating land costs have put expansion of Capitola Mall on hold.

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.

That "immense gap" is nearly 100 percent concludes Mills-Carneghi, Inc., of San Jose, consultants in real estate and urban economics. The firm was hired by the Capitola Redevelopment Agency.

(Related story, page A4)

The Redevelopment Agency, which is made up of the City Council, placed a temporary building moratorium on 41st Avenue in April specifically to stem the flow of fast food restaurants and, possibly, to encourage planned mall expansion.

The Redevelopment Agency is to receive the Mills-Carneghi report Thursday night at 7 p.m. in council chambers. City Manager Steve Burrell is recommending that he be directed to meet with those involved in an attempt at mediation.

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

An environmental impact report on proposed expansion has already been completed. The Redevelopment Agency was formed last year to raise revenues needed for traffic and circulation improvements should mall expansion occur.

Consultant Chris Carneghi concludes in the report that expansion plans "are not particularly optimistic.

"Given the present and apparently

intransigent positions of both parties, I am unable to optimistically foresee a resolution to this situation," he writes.

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

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

According to the report, Cypress Properties spokesman Jay deBenedetti has said expansion would not be "financially feasible" at a price higher than \$4 per square foot.

Barclay Brown, one of the owners of Brown Bulb Ranch, told Carneghi that their \$8 per square foot asking price was based on smaller commercial parcels fronting 41st Avenue that were selling in the \$12 to \$15 per square foot range.

Based on a research and market data analysis, however, Carneghi believes the ranch property is worth between \$4.75 and \$5.50 per square foot, far below Brown's asking price. Carneghi based the lower value on the lack of access to the property, which is behind the existing mall, and the need for extensive and costly off-site improvements to make use of the parcel.

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