

Capitola nears deal with Macy's

Capitola mall
By JONDI GUMZ

SENTINEL STAFF WRITER

CAPITOLA — Macy's wants to come to Capitola Mall, but the city would have to foot part of the bill.

After almost three months of closed-door negotiations, the city is close to a deal in which it would pay \$250,000 to land an upscale retailer that officials say could bring \$300,000 in sales tax revenue its first year.

"It's a terrific deal," Capitola Mayor Dennis Norton said Monday. "This is a minimal amount of city investment to bring a major retailer to the Capitola Mall."

Macerich, the Santa Monica-based

City would pay \$250,000 to lure the upscale retailer

company that owns the mall, initially asked the city to pitch in \$2.4 million, including \$1.6 million in sales and property taxes to be paid in the next 15 years.

The company wanted the city to offset its costs to renovate the former JC Penney's site, to buy or relocate tenants so Macy's can have their spaces and to upgrade the parking lot to meet federal Americans with Disability Act requirements.

Macerich also wanted the city to

share property and sales tax revenue in exchange for the benefits Macy's would bring, such as jobs and higher property values.

Tom O'Hern, Macerich's executive vice president and chief financial officer, was out of the office Monday and unavailable to comment.

City officials hired San Francisco consultant Tim Kelly, who countered with an offer of up to \$230,000 to rebuild the mall's common area and upgrade parking. That money would

be paid in the next five years. Macerich "tentatively" agreed to the \$230,000 package, according to a memo from the city manager.

Now the city plans to pay Kelly's company, Keyser Marston, up to \$10,000 to close the deal, and the Oakland law firm of Goldfarb and Lipman up to \$10,000 to write the contract. Votes on those agreements are scheduled for Thursday.

Norton said Macy's would like to open before Christmas. Part of the

city's offer includes speeding the approval process for the proposed renovations.

Norton has been hinting for months that Macy's was interested in the mall space vacated by the JC Penney Co. in June.

This year, city officials have been reining in spending because almost every dollar in the municipal budget is committed. The \$250,000 would come from the city's Redevelopment Agency, which helped establish the mall.

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"If we had to come up with \$250,000 now, we'd be in trouble," Norton said. "Over a five-year period, we can make it work."

Macy's parent company, Federated Department Stores, declined to talk about possible store sites during negotiations, but memos between the city and mall owner show the Macy's deal stalled over store size.

The mall owner argued it stood to lose money because Macy's wanted 100,000 square feet of retail space. J.C. Penney was 91,957 square feet.

To meet Macy's needs, the mall owner proposed to move small stores rent-

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ing space next to the vacant JC Penney's and reconfigure the area for the department store. Those changes were estimated to cost \$600,000. The parking lot upgrade was pegged at \$230,000.

Mall officials contended they would lose rental revenue because Macy's would pay only \$100,000 a year rent for extra space the mall said could command \$265,000.

Hearing

The City Council, meeting as the Redevelopment Agency board, will consider the proposed agreements at 6 p.m. Thursday in City Hall, 420 Capitola Ave.

The mall's property value likely will jump \$4 million after Macy's spends an estimated \$7 million on building improvements, mall officials said. That would bring in \$24,000 in added property taxes the first year and almost \$1 million in 30 years.

None of the proposed agreements addressed whether Macy's would stay at the mall for 30 years. Penney's opened in 1988 when the mall expanded.

In making its case, the mall's representatives, Kosmont Partners of Los Angeles, claimed "the addition of Macy's is seen as crucial if the mall is to remain viable and competitive."

Since the departure of Penney's, "the mall is not performing as well as it should," Larry Kosmont and Ronald Wade wrote the city Dec. 28, after a Christmas season that mall officials had declared to be one of the best ever.

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Shmuel Thaler/Sentinel

Macy's is vying to open an anchor store in the building at left, which once housed JC Penney.

Capitola Mall's owners enjoying phenomenal growth

By JONDI GUMZ

SENTINEL STAFF WRITER

CAPITOLA — Capitola Mall is one of 51 shopping centers owned or partly owned by Macerich, a Santa Monica-based company that owns shopping centers in 19 states.

The city is close to a deal with the company in which it would pay \$250,000 to land a Macy's store at the 41st Avenue mall.

Analysts said Macerich is doing well financially.

Craig Schmidt, vice president of real estate at Merrill Lynch in New York, said the company probably won't buy up as many shopping centers

as it has in recent years. However, Macerich is unlikely to feel effects of the economic downturn because of leases that run for seven years.

"Believe me, this company isn't doing poorly," said Michael Mueller, a director at CIBC World Markets in New York.

Macerich has been experiencing a huge growth spurt, quadrupling its holdings since going public in 1994. Dividends have increased every year.

It completed two multimillion-dollar mall redevelopment projects in California last year. One was a \$36 million expansion in Lakewood, a city of 18,000, that brought in a Macy's and a \$90 million makeover of a mall in Ventura.

Capitola Mayor Dennis Norton said it's not unusual for cities to be asked to make a contribution to bring in a major retailer.

"We were willing to cooperate only to a small extent," Norton said.

Schmidt said that in negotiations with a city, firms like Macerich, named after its chairman, Mace Siegel, will "look for whatever leg up they can get."

Mueller, the CIBC analyst, pointed out that the benefits to the city include not only increased sales tax revenue but new jobs.

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Macy's arrival a boon to other stores at the mall

By DAVE PACINI

SENTINEL STAFF WRITER

CAPITOLA — Capitola Mall businesses and customers on Monday welcomed news of Macy's expected move to the mall — even two retailers who will likely have to move to make room for the new department store.

"We're kind of excited if Macy's comes in," said Adam Beck of Beck's Shoes. The company's lawyer is negotiating with mall management to move the store into an empty spot nearby to give Macy's more room.

Beck said a Macy's would likely benefit his family's store, luring possible customers.

Payless Shoe Source and The Nail Works are also expected to move to accommodate Macy's demand for more space than was available in the former JC Penney site. Luis Deras, district supervisor for Payless, said he would welcome Macy's because the wing his store is in sees little foot traffic, in part because of the lack of an anchor. In addition, he said Payless' sign is impossible to see from the mall's central hallway.

"As you come out to the food court, you can't see the store," he said. "This sounds like good news for me."

Officials with The Nail Works did not return calls to comment.

Loretta Souza, store manager for Mervyn's, said she thinks the mall's customers overwhelmingly want a Macy's in Capitola.

"I'm personally excited about having Macy's come," she said. "I don't think it'll affect our business. I think they're going to have a different customer base. I think it might affect Gottschalks more than Mervyn's."

A call to Gottschalks corporate offices was not returned.

Shoppers agreed with Souza's assessment. "I can always find something I like there," said Shawn Greenwood. "The closest they have now is Gottschalks."

"We need a Macy's here," Keith Anderson said. "You have to drive pretty far right now to find one. I like their service and the quality of their products. It's pretty much like a Nordstrom's that carries housewares."

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