

Target paid \$10 million for Gottschalks building

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Capitola mall
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CAPITOLA — Target paid \$10 million in September for the empty 107,250-square-foot Gottschalks building at the Capitola Mall, according to Loopnet.com, which tracks property sales.

When the deal closed, Target kept the price confidential.

Jack Baskin, whose Baskin Properties had owned the Gottschalks site for more than a decade, welcomed Target, and Macerich, which owns the mall, withdrew its lawsuit against Baskin seeking back rent.

Gottschalks, a department store chain founded in 1904, was unable to survive the recession.

The company filed for bankruptcy and closed its stores in July 2009, cutting off the rent Baskin Properties had counted on to repay a \$11.95 million borrowed from Countrywide in 2006.

After making the loan, Countrywide transferred it to LaSalle Bank, which transferred it to U.S. Bank, where it became part of a \$4.5 billion pool of commercial mortgage-backed securities sold to investors.

The investors took the property back at a foreclosure sale in July for \$9.3 million when no one bid.

It's one of the largest commercial foreclosures in the county during the real estate downturn.

Baskin is well-known locally as a successful developer and philanthropist, and the recession was a factor in his decision, according to his representative, Robert Ridino of SAR Enterprises in Aptos,

"The process of redeveloping a property like this after the failure of a single tenant, Gottschalks, involves a very major commitment of new capital, and time, to complete the changeover," Ridino said. "In his younger days he may have pursued the project, and likely done well with it. In this case, and given the challenges in the current economic climate, it was his personal decision to let the property go. In the long run, the entrance of Target into the picture will be a positive thing for Capitola."

Asked about the \$10 million purchase price, Ridino said, "I am sure Target paid fair market value in a down market. Nothing extraordinary."

He noted Target will bear the cost of tenant improvements and the market for vacant big-box retail buildings in California and nationwide "has still not stabilized" since taking a hit in 2008.

Target is expected to start work on interior improvements in 2011, with the store expected to open the following year.