

Gottschalks says it will rebuild — if

By GUY LASNIER
Sentinel staff writer

SANTA CRUZ — Gottschalks Inc. plans to demolish most of its downtown store and hopes to rebuild at the same location.

But company Chairman Joe Levy said financing is going to be a key factor in the success of rebuilding efforts for Gottschalks and other large downtown property owners. He called for low-interest, long-term bonds to aid rebuilding.

"The private sector is going to have a real hard time financing," Levy said in an interview Wednesday. "We're not looking for a hand-out," he said, "just some help. It's going to take some major dollars to rebuild."

Mayor Mardi Wormhoudt said she was "enormously relieved Gottschalks is interested in rebuilding."

Levy said damage to the older portions of the Pacific Garden Mall store was worse than was first thought. The Fresno-based retailer bought the former Leask's store in

September 1988. The company also bought Leask's Scotts Valley and Aptos stores and is going ahead with its plans for a 98,000-square-foot store at Capitola Mall.

Gottschalks posted a \$413,000 net loss for the third quarter ending Oct. 28, compared with net income of \$344,000 in the same period a year ago. The loss reflected costs in opening new stores in Eureka, Antioch and Yuba City, and losses from the earthquake, Levy said.

Sales in the same three-month period were \$53.4 million compared with \$47 million a year ago.

The loss for nine months amounts to \$483,000, compared with income of \$1.3 million a year ago.

Levy said it will cost \$2.2 million for a new Santa Cruz building. Rehabilitating the structure and bringing it up to current building codes would cost about \$1.6 million, he said.

Current interest rates would cost the company 13 to 17 percent, Levy said. "It just doesn't pencil out economically," he said. 20- to 25-

year bonds are needed.

Levy called for a meeting of large property owners with city and regional political officials to explore legislation for government supported bonds.

Wormhoudt called "very useful" Levy's proposal for a meeting among large property owners with local and regional political officials.

Wormhoudt said the city cannot underwrite private rebuilding efforts. "We don't have money in our redevelopment district," she said.

He said the company has received approval from the Federal Emergency Management Agency to demolish the building. FEMA approval would mean the federal government would pick up most of the demolition costs.

Levy said the company intends to keep the more modern portion of store where men's wear was located. Built of reinforced concrete, the building was formerly World Savings. If the street were open, Gottschalks would consider opening for business in the portion still standing.

The damaged sections were made of unreinforced masonry covered with facades. Levy said the north wall, which faced the men's wear section, collapsed into the basement.

Some parts date back to the 1880s, said Sam Leask IV, managing general partner of Samuel Leask and Sons. One section was the old city firehouse.

Leask said the store was a series of buildings connected together. Gottschalks could end up with more efficient space by building from scratch, Leask said.

"It had a good life and it got totaled," he said of the building his family owned for decades.

Levy said a structural engineer told him the store's south wall on Church Street could collapse. "Any moderate shake could have thrown that whole building into the street," he said.

Levy said Gottschalks intends to build a 40,000- to 60,000-square-foot building on the site. The current store totals about 80,000 square feet. He said the height would remain about the same.

Levy said he thinks a major retailer such as Gottschalks is critical to keeping the downtown as a commercial core. "I don't feel Santa Cruz can survive without a strong business center," he said.

REFERENCE