

CAPITOLA
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Talks on mall expansion snag on land costs

By BOB SMITH

Negotiations between the Brown Bulb Ranch and owners of Capitola Mall about expanding the regional shopping center were placed on "hold" last Thursday night by the Capitola City Council.

The council also said it wasn't interested in J.C. Penney as the third major department store for the regional shopping center.

Councilmen decided, at the suggestion of Councilman Michael Routh, to take no action on the mediation of the purchase of part of the Brown Bulb Ranch by Cypress Properties, owners of the Capitola Mall, until a demographics report is completed for the city Redevelopment Agency in October.

Even then, a real estate consultant reported, there seems to be little chance that the

mall will be expanded onto Brown Bulb Ranch land.

Routh said he personally was not interested in aiding the purchase of additional land for the shopping center if it is to be occupied by a J.C. Penney store — the most oft-mentioned third major tenant for the shopping center.

"But if there could be a Macy's or Emporium there, then I would like to see the city help. But I don't think we should spend any time for a Penney's."

Councilmen Dennis Beltram and Jerry Clarke quickly concurred with Routh's position.

City councilmen have expressed their concerns several times in the last year that the mall should have a wider variety of price and quality available for shoppers. Penney's, the councilmen argue,

competes head-on with Sears and Mervyn's, the two major mall tenants, and offers the same quality and priced merchandise.

The City Council, sitting as the city Redevelopment Agency Board of Directors, can veto any major land use in the 41st Avenue area.

The city was asked several months ago by both sides in the protracted negotiations for the purchase of part of the bulb ranch property to mediate the impasse.

The council approved the hiring of a real estate consulting firm, Mills-Carneghi Inc. of San Francisco and San Jose, to investigate the problem and determine a reasonable price for the property.

Carneghi's outlook on the negotiations was bleak. Reporting that there is a difference of almost 100 percent in the prices asked and

sought for the Brown Bulb Ranch property adjacent to the mall, consultant Chris Carneghi wrote to Burrell:

"The gap between the buyer and seller expectations as to value is immense.

"Given the present and apparently intransigent positions of both parties, I am unable to optimistically foresee a resolution to this situation."

In an unusual public discussion of a major real estate negotiations, Carneghi outlined the negotiations that have transpired between the Brown family and Cypress Properties, the present owners of the mall.

Sutter Hill, the original developers of Capitola Mall, originally obtained options from the Browns, allowing them to purchase the needed mall expansion land for \$5 to 6 a square

foot.

Cypress Properties, which now owns the mall, contends now that it can't afford to pay more than \$4 a square foot for the 620,000 square feet of the Brown Bulb Ranch (plus another 231,000 square feet already owned by Sutter Hill on the west side of the present mall).

Sutter Hill-Brown agreement, signed on June 20, 1980, gave Sutter Hill the right to buy 6.4 acres of the ranch for \$4.32 a foot before Jan. 1, 1982, \$4.67 a square foot between Jan. 1, 1982 and June 1, 1982, and \$5.32 a square foot after June 1, 1982.

The Browns also agreed to sell a 37,000 square foot parcel with the Todd Brown adobe home on it for \$8 a square foot.

The option has now expired, Carneghi said. The Browns are now

offering to sell a total of 10.59 acres of the Brown Bulb Ranch for a total of \$3,674,244 — an average price of \$7.96 a square foot. Carneghi believes, based on market data, that the Browns' price is too high.

"... The Brown's property retains a value in its present condition of between \$4.75 and \$5.50 per square foot for a seven acre parcel. This value range acknowledges the requirement of the purchaser to dedicate an improved Clares Street and the lack of exposure (to either 41st Avenue or Capitola Road) of the property.

"This value range," Carneghi told the City Council, is clearly higher than the price which Cypress Properties is willing to pay for land to expand the Capitola Mall. Cypress has stated that it is not fea-

sible to undertake the expansion at a land purchase value of higher than \$4 per square foot."

"...The market may be indicating that the highest and best use of the Brown's property is for other than an expansion of the Capitola Mall. Department stores are required as the anchors which draw customers to regional shopping centers but they also use this position in order to reduce their land site costs. It is possible that a collection of smaller commercial uses on the Brown's property returns a higher land value than an expansion of the Capitola Mall which includes a proposed third department store."

Carneghi outlined four alternatives that the city could pursue in trying to bring about an expansion of the mall.

The city could "bridge the gap" between the Browns' asking price and the amount Cypress Properties is willing to pay.

That bridge, Carneghi wrote, would cost the city \$1.2 million.

"A bridge too far" is the way City Manager Steve Burrell characterized that alternative last Thursday night.

The second option is for the city, through the City Redevelopment Agency, to condemn the Brown Bulb Ranch property. That is a risky proposition, Carneghi said, with a possibility of a sympathetic jury siding with the Browns and awarding a huge payment to the family for the condemned property. It might be cheaper to simply pay the difference between the two prices than incur the legal expenses and uncertain jury award.

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