

Mall could use a boost, but arena might not provide it

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Signing on to a downtown arena could be anything from a windfall to a critical mistake for the owners of the downtown mall.

The more common refrain from retail industry observers this week was that a proposed arena at 7th and K streets presents a tremendous opportunity for Westfield Corp., which owns Downtown Plaza. It's viewed as an underperforming mall with an outdated format that faces increasing competition. Now's the perfect time for an overhaul, according to some retail observers.

The counter opinion is that Downtown Plaza might need some changes to boost business, but an arena isn't it.

"The arena is not necessarily the best thing for Westfield," said George Whalin, a Southern California retail consultant who grew up in Sacramento. Downtown arenas generate business for restaurants and nightclubs, he said, but they don't bring customers to shops.

Westfield had only a brief comment.

"Westfield supports a new stadium for the Kings and remains committed to downtown and to the revitalization of the K Street business district," said Catharine Dickey, spokeswoman. "We cannot, however, support a recommendation to demolish Downtown Plaza and affect the many businesses that have invested and reinvested over the years there without a better understanding of the plans and how they will impact our investment and the investment of our many tenants."

Sales tax revenue creeps down

The proposed arena would occupy the space now used by the Macy's men's and furniture store, Hard Rock Cafe and many shops around them. The arena task force figures the shops and Hard Rock could move to space along J Street now occupied by offices.

The move would make the mall more visible along J Street -- passers-by on the street hardly notice the mall now. The men's store would need a big piece of land. But maybe, said downtown developer Tony Giannoni, the main Macy's store could build another level for the men's store, providing more convenience for Macy's shoppers.

Giannoni chaired the small task force of businessmen who suggested the 7th and K site this week. They're advising Sacramento Mayor Heather Fargo, who'd like to see a new arena downtown.

"It is a Federated policy that we're not able to comment on speculation," said Jean Coggan, spokeswoman for Federated Department Stores Inc., which owns Macy's.

The existing mall is considered outdated because it has only one anchor department

store and the common area lacks a roof. Malls today usually have three or four anchors.

Also, these days consumers want one-stop-shopping and the ability to drive right up to the store. Many shoppers are ignoring malls for big-box stores in power centers.

With only one anchor store, Downtown Plaza is light on convenience. When that one anchor is Macy's, which companywide hasn't performed well, there's even more reason to look to other ways to boost the mall, retail observers said.

Retail customers want to be able to park once and check as many things off their list of chores as they can, said Eugene Muscat, senior associate dean of the University of San Francisco School of Business and Management.

The sales tax revenue that Downtown Plaza generates for the city of Sacramento has declined in recent years, while it's grown a few miles away at Arden Fair.

Downtown Plaza generated sales-tax revenue of \$2.1 million in 2001. By 2003 the amount was \$2.05 million, down 2.4 percent. Arden Fair's grew from \$3.86 million to \$4.11 million from 2001 to 2003, up 6.5 percent.

Downtown Plaza had 120 specialty retailers at the end of 2003, compared to 139 at the Galleria at Roseville, another Westfield property. More tellingly, Downtown Plaza logged \$340 in sales per square foot of specialty shops last year -- the lowest of Westfield's six malls in Northern California. The comparable figure was \$460 at the Galleria.

The plaza had a book value of \$157.4 million, according to Westfield's annual report for 2003.

Crosstalk

Downtown Plaza's owners have talked for a few years about wanting to expand, renovate, add theaters and make the center more visible.

If it agreed to the arena venture, Westfield could sell property around Macy's men's store and Hard Rock Cafe for millions and gain public financing for its revamp.

Westfield could prepare itself for increasing competition from new retailers in Natomas, possibly the downtown railyard and the planned 1.3 million-square-foot Lent Ranch mall in Elk Grove.

"Clearly I think this is a windfall for Westfield even if they don't see it this way," Muscat said.

Besides, "if they jump up and down" with approval, he said, "they don't get anything."

It's understandable that Westfield, which just recently learned about the proposal, is reticent. The project would be costly and disrupt mall tenants. And so far Westfield is the "tail on the big dog," Muscat said. The mall owners were told about the proposal. They didn't come up with it.

For the sake of political maneuvering, retail observers said, Westfield wouldn't appear too eager.

On the other hand, an arena project would gut Downtown Plaza and cause Westfield to drastically alter its plans. The mall chain also has to consider its own financial situation, said Dave Mossman, vice president of development for Donahue Schriber, which builds and manages shopping centers.

The arena could benefit Downtown Plaza, Mossman said -- just look at San Diego's Horton Plaza, a downtown shopping and entertainment center also owned by Westfield, and the area around it. Downtown San Diego is now home to baseball stadium Petco Park. Retailers are clamoring to locate nearby. Whether people visit for a movie or restaurant, they'll also shop. This activity lasts year-round, not just on game day.

Retail consultant Whalin also uses Horton Plaza to make his opposite case. When the San Diego Padres are playing, the shops look like a ghost town, he said. There's "considerable evidence," he said, that people don't shop before or after a game.

Helping the east side

The 7th and K arena would make Downtown Plaza a destination and provide built-in traffic, Muscat said.

Making the mall more visible along J Street would help. Muscat, driving down J a few months ago during a convention, didn't notice the mall was there. And for a few of the blocks on his way to the Hyatt, "the neighborhood looks a little sketchy."

Sporting events, sports bars and mall shops would attract convention attendees, he said. And with all the activity from locals and visitors, the neighborhood would feel more solid.

"The east side of that mall has always been a problem," said Jay Hamer, a CB Richard Ellis real estate broker who has worked with retail projects for many years. "It would only help the Westfield group because it brings more bodies down there.

"To me, it's a no-brainer now that it's been identified," he said.

Downtown Plaza is becoming tired and could use the synergy created by the arena, he said.

Getting an arena "would certainly help (Downtown Plaza) tremendously," said Kary Moore, a commercial real estate broker familiar with downtown. "When I first read that, I thought, 'What a home run.' "

The mall has to do something, said Marian Siller, a retail consultant who managed Country Club Plaza mall until this spring.

The lack of a second anchor hurts. She'd also recommend that Westfield enclose the mall as part of this project, if it happens. Shoppers go to a mall in the summer to escape the heat, not perspire. In the winter, they don't want to be lugging packages in and out of the rain, she said.

Construction wouldn't have to be terribly disruptive to retailers, Siller said. With enough planning, most of the construction could be finished before the holiday shopping season -- of whichever year.