

[back to article](#)

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Printed on page 1

SR Plaza owner buys Coddington stake

Crosstown rivals' partnership may mean major renovations

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The owner of Santa Rosa Plaza has acquired a 50 percent stake in crosstown rival Coddington Mall in a move that will give the city's oldest mall a major face lift and that likely will attract more national retailers.

The two malls will be under the same management after Simon Property Group paid \$37 million to split ownership of the shopping center with Coddington Enterprises.

The deal means Coddington, for years considered outdated and unhip by some North Bay shoppers even as loyalists praised its quiet walkways and small local stores, finally will have the clout to draw popular national retailers, possibly including Nordstrom.

"We'd like to position Coddington as the premier shopping center in the North Bay, and to do that you need to have the places that people want to shop," said Brad Baker, president and chief executive of Coddington Investments, the development arm of Coddington Enterprises.

The mall would retain the Coddington name, Baker said, though that arrangement wasn't specifically part of the deal.

"I don't think you could change the name even if you wanted to," Baker said, noting the city has declared the spinning Coddington sign a historical landmark.

Indianapolis-based Simon will run day-to-day operations at Coddington and will handle all leasing arrangements for national retailers. Simon is the nation's largest publicly traded mall developer, with more than 170 malls nationwide and \$22 billion in assets.

The new partnership likely will mean major renovations in the next year or two for the 43-year-old Coddington. The owners will seek to install more upscale, trendier national retailers.

The mall was last renovated more than 25 years ago, when it was converted from an outdoor to an indoor shopping center at a cost of \$10 million.

The new renovations could cost \$50 million to \$100 million, Baker said, and "would involve knocking down some walls and building some new structures - a very, very significant redevelopment project."

The renovation bill would be split between Coddington and Simon. And if Coddington is included in the city's redevelopment area, which is under consideration, the mall could be eligible for public funding for part of its renovation, in the form of road improvements, parking structures and other infrastructure projects.

Neither Baker nor Simon officials would say what kind of improvements might be made to the mall. But Simon has in recent years introduced several new features to its existing properties that give a glimpse of what Santa Rosa might expect.

The company is in the process of converting many of its indoor malls into properties with outdoor components, including Main Street-style shopping areas with a quaint, homey appeal.

"Customers like it, retailers like it, municipalities like it as a sense of place," Simon spokesman Les Morris said. "We hope to bring our expertise in terms of developing and leasing to Coddington. The fact that we invested this type of capital would indicate we're bullish on the area."

Coddington has suffered in recent years from competition from Santa Rosa Plaza and its inability to compete with major developers for the hippest, most popular national retailers.

About a third of the mall tenants are locally owned stores, Baker said. Coddington has a 91 percent occupancy rate, which is average for the industry, but Baker said the mall relies on too many temporary leases and subsidizes the rents of some small retailers.

As a result, Coddington generates less revenue than Simon's other mall properties. Coddington produces about \$350 in sales per square foot, compared with \$445 on average for Simon properties, according to both companies.

"They want to own the best shopping centers in the best locations, and I think they have a chance to do that with Coddington," Baker said. "We want that to happen, and with as much influence as we can we want to create an exciting shopping center at Coddington."

Coddington Enterprises has owned Coddington since Hugh Coddington developed the 60-acre property in 1962, building the mall for \$20 million. In 1980, Coddington considered selling a 50 percent stake in Coddington, but the deal never came through.

The mall prospered through the 1970s but lost market share in the 1980s when Santa Rosa Plaza was built downtown. Hugh Coddington furiously fought the plaza, keeping the developer tied up in courts for 10 years until he finally was forced to pay \$24 million in 1983.

Simon bought Santa Rosa Plaza in 1998, and last year it purchased the Petaluma Premium Outlets.

Today, Coddington has about 100 tenants and 30 employees. Baker said it was likely the employees would keep their jobs after Simon begins managing the property in January, but he had no guarantees.

Baker said it felt a little strange to negotiate a partnership with the owners of Santa Rosa Plaza, given Coddington's history with the downtown mall. But Coddington Enterprises needed a partner and Simon made the most sense, he said.

Coddington Enterprises is "kind of like a mom-and-pop in the shopping center business, and it's very difficult to compete effectively when you don't have that national presence," Baker said. "To have the leverage with the national retailers, you need to have some bargaining chips. We don't have that leverage, and Simon does."

A national developer like Simon can arrange deals that allow for a major retailer to open a store in Santa Rosa at the same time it opens in a more prominent market, such as Las Vegas or Los Angeles.

Morris noted that Nordstrom is Simon's sixth-largest tenant, with 21 stores and more than 3.7 million square feet in Simon properties. And Santa Rosa consumers have been clamoring for a new department store for years.

"One of my dreams has always been that we get a Nordstrom. I jokingly told Brad he needs to have that done in the next year before my term is over," said Santa Rosa City Councilwoman Janet Condon. "I think this is definitely going to be a boost for our economic development. Simon is a major player in mall management, and they have resources that they can bring to the picture."

Coddington tenants said they are eager to see what the partnership with Simon could mean to the mall. Several said they look forward to bringing in more national retailers, even if it means losing a few local businesses.

"It'll help us having some stronger tenants around us," said Larry Carrillo, owner of Shutterbug Camera Shop, Coddington's oldest local retailer.

"Coddington has tried to have a lot of locally owned tenants, which has been a very positive thing for the mall," he said. "But in any retail space, it's dollars per square foot. If they're doing the dollars per square foot that they should be doing, then they're fine. If they're not, then maybe they can't afford to be there anyway."

The mall was quiet and uncrowded Tuesday in contrast to the swell of shoppers at Santa Rosa Plaza. At Coddington, several older couples took leisurely strolls around the wide walkways, and a handful of parents watched their children ride a miniature train around a giant Christmas tree.

Several shoppers said they prefer Coddington to the plaza because they don't have to fight the crowds - specifically, the packs of teenagers who frequent the downtown mall.

"We feel safer here," said Richard Bates of Petaluma, who was doing some early

Christmas shopping with his wife and 6-year-old granddaughter. "As senior citizens, it's very easy for us to get around here."

Even 21-year-old Chris Sotelo said he would much rather hang out at Coddington than Santa Rosa Plaza, where there's "too much hustle and bustle."

Sitting with two friends outside a hamburger joint, Sotelo said he visits the mall just about every other day.

"I come here to eat and shop and check out the girls," Sotelo said. "Except they're mostly over 50 or under 10. So yeah, I guess they could change that. If Coddington could bring in more girls my age, cater to them, that would be great."

This story appeared in print on page 1
