

A Tale of Two Receiverships: Vallco Fashion Mall's Double Distress

By Douglas Wilson

Just miles from Apple's headquarters in Cupertino, California, Vallco Fashion Mall was built in the 1970s as a two-level regional shopping center anchored by Macys, J.C. Penney and Sears. Upon its opening in 1976, it began as a retail hub for consumers living and working in Silicon Valley.

A rise in competition beginning in the 1980s led the mall to initial distress as many of Vallco's tenants began to lose foot traffic and opted to move elsewhere. Its owners announced an expansion in 1988 that added an additional level and dozens of new stores, but the mall continued to lose consumers and tenants over the next decade.

With more than 1 million square feet of retail space and more than 62 acres of land, Sears and J.C. Penney owned their store sites with the Cleveland-based Richard E.



Jacobs Group maintaining ownership of the majority of the property.

In 2002, The Jacobs Group went into default on its \$55 million loan with New York's Teachers Insurance and Annuity Association of America, or TIAA-CREF, and Douglas P. Wilson was appointed receiver by the Superior Court of the State of California, Santa Clara County.

The scope of the receivership was to oversee all of the management, leasing and preservation of entitlements,

as well as to coordinate with the city of Cupertino on a variety of issues. At the time, Cupertino was undergoing a radical transformation with the former Apple headquarters site just miles from the Vallco Mall. The Receiver recognized the future of Vallco would have to reflect the changing community, and ultimately the Receiver helped position the asset for sale to a local investor group.

Several years passed and Vallco's problems emerged once again — this time under new owners and the new name Cupertino Square. The owners of the complex filed for bankruptcy in September 2008 to prevent the primary lender, Gramercy Capital, from foreclosing on the property after filing a default notice earlier that year.

Having acted as Receiver for the property previously, Douglas Wilson was again appointed receiver for the shopping center in Santa Clara County.

"Phase 2" of the Vallco story commenced and the Receiver went through essentially an updated version of the same process from the years prior. The Cupertino community was rapidly changing at that point with new dynamics, shifting demographics and widespread corporate exposure due to Apple's massive growth.

The Receiver oversaw the entitlements on the property as well as the management company, all leasing activity and the project's day-to-day operations. Ultimately the Receiver helped to coordinate repositioning options and then assisted in preparing the property for another sale.

