

## **Update on the Cottonwood Project (old Cottonwood Mall)**

*By Jim Palmer, District 5 Council Member*

The owner of the former Cottonwood Mall site, General Growth Properties (GGP), announced on April 16<sup>th</sup> that the company was seeking the protection of Chapter 11 bankruptcy to reorganize. It is important to note that this is a Chapter 11 reorganization (similar to what the airlines recently went through) and not a Chapter 7 insolvency bankruptcy.

Regarding the Chapter 11 filing GGP's CEO Adam Metz said *"Our core business remains sound and is performing well with stable cash flows. We believe that Chapter 11 is the best process for restructuring maturing mortgage loans, reducing the Company's corporate debt, and establishing a sustainable, long-term capital structure for the Company. While we have worked tirelessly in the past several months to address our maturing debts, the collapse of the credit markets has made it impossible for us to refinance maturing debt outside of Chapter 11."*

GGP previously slowed the Cottonwood project due to weak market conditions. These market conditions are not specific to the Cottonwood project nor to Holladay; they are global. The commercial leasing market has come to a near standstill for new projects and the residential market is suffering from the current economic crisis that we as a country are experiencing.

GGP has stated that they intend to complete the project; it is simply a matter of when the market will recover. The property is not listed for sale; GGP is merely waiting until market conditions improve and to refinance its debt.

In its 2008 year-end 10K filing with the Securities and Exchange Commission (SEC), GGP reported total assets of \$29.6 billion and total liabilities of \$27.8 billion. Of that approximately \$25 billion is long term debt. The company is solvent but unable to refinance maturing portions of that debt due to the global financial crisis.

General Growth Properties has spent tens of millions of dollars to date in raising the site out of the flood plan, relocating Big Cottonwood Creek, landscaping, roadwork infrastructure, building pad infrastructure, grading, temporary and permanent utilities, installing new bridges and other infrastructure work. These improvements will enable the project to move forward quickly, once the market corrects.

In the meantime, absolutely no public monies are at risk and no public funds have been paid to GGP. Under the terms of the Agreement between GGP and Holladay, only after GGP has invested \$226 million will GGP then be entitled to 75 percent of the increased sales and property taxes generated by the project (the so-called tax "increment").

Until then, GGP is contractually committed to continue to pay the “base” property tax that would have been due from the old Cottonwood Mall for the entire 20-year subsidy period. This ensures that the Granite School District will continue to receive at least the same amount of property taxes that would have been paid by the old Cottonwood Mall.

Obviously, Holladay is not receiving sales taxes from the merchants that were formerly at the mall. Overall, sales taxes throughout Holladay account for about one-third of city revenues. Sales taxes for 2008 were down by about 9 percent city-wide. So the net effect on Holladay has been a decrease of about 3 percent in total revenue.

The City and other taxing entities are protected in two ways. First, the minimum investment of \$226 million that GGP is required to make and second, that unless those improvements are constructed, none of the additional tax revenue generated from those improvements would go to GGP.

GGP has not received and will not receive any public funds until it completes Phase 1 of the project and invests a minimum of \$226 million. If for any reason Phase 1 of the project is not completed, then GGP will not receive any public funds whatsoever.

Further information may be found online at [www.cityofholladay.com](http://www.cityofholladay.com) and clicking on “Cottonwood Mall” on the left-hand menu.