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North East Mall expansion may cost Hurst \$80 million

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HURST - Hurst could pay up to \$80 million in sales tax revenue to the owners of North East Mall over 20 years in exchange for the mall's expansion, according to figures obtained from depositions filed in court

That payment represents almost 60 percent of the expected sales tax revenues from the mall during that period, according to projections from city officials.

"It's a sacrifice to think that we are having to pay this money to Simon, but we feel the benefits are . . . worth the sacrifice," Hurst Finance Director Anita Thetford testified in a sworn deposition last week.

Hurst agreed to the deal with Simon DeBartolo Group of Indianapolis because city officials feared that the mall would decline without the expansion and that the city could not afford to lose the sales tax revenues it generates, Thetford testified.

"We had no other alternative," she testified, although she said Simon never threatened to pull out.

Thetford and Hurst Assistant City Manager Allan Weegar gave depositions last week in a lawsuit filed by 10 homeowners who are challenging the city's decision to condemn their houses to make way for the mall's expansion. On Thursday, state District Judge Fred W. Davis of Fort Worth is to hear arguments about whether the city had a right to take ownership of the houses.

Of the 127 houses in the buyout area, 117 houses were sold after the owners agreed to a price. In May, Davis ruled that the city could take possession of the remaining houses despite the pending lawsuit.

At issue is whether a city can use its power of eminent domain for private development projects. Hurst officials say the mall expansion qualifies as a public use because the sales tax revenue will benefit the city and because it must build a street on part of the property.

Glenn **Sodd**, an attorney representing the homeowners, said the depositions will be useful in revealing details of the financial agreement between the city and Simon.

"The city is going around bragging about the sales tax they will get from this deal," he said. "A huge part of that is going back to the mall. " City Attorney John Boyle countered that Hurst might end up paying much less than \$80 million if more sales tax is generated from the mall expansion than expected.

"From the city's standpoint, the agreement is beneficial, well-liked by the people and it follows the law," he said. "It's very sound. " In the depositions, filed Wednesday in 17th District Court in Fort Worth, Thetford testified that the city expects to receive \$6 million to \$7 million a year in sales tax during a 20-year period when the expansion is completed.

The city agreed to pay \$34.5 million in sales tax revenue to the mall owner, at a 7.5 percent interest rate during the 20 years to pay for the mall's expansion, she said in the

deposition.

The city will also pay Simon an additional \$5.8 million at a 7.5 percent interest rate over 10 years for construction of Simon's planned North East Plaza shopping center near Pipeline Road, she testified.

With the interest, the city could pay Simon up to \$80 million in sales tax.

The financial agreement does not obligate Simon to continue operating the mall for the entire 20 years, Thetford testified.

Of the total being paid to Simon, \$13.5 million represents a loan from the mall owners to the city to be used to pay for condemnation and property, she testified. Simon requested the additional \$27 million, Thetford testified, but she was uncertain how the money would be used.

"They needed X number of dollars . . . from the city in order to make their project work with their corporation," she testified. ". . .

. I don't know the specifics. " Simon is spending \$220 million to expand the mall and to bring in Nordstrom, Saks Fifth Avenue and another undisclosed anchor tenant, officials said.

Sources have said that Nordstrom agreed to build a store at North East Mall only after Simon offered a signing bonus of \$20 million to \$25 million.

Originally, the city planned to dedicate \$7.8 million during 13 years in sales tax revenues to the expansion project.

But after Nordstrom announced its intent to build a store at North East Mall, the city and Simon drafted an agreement dedicating \$40.4 million of projected sales tax to the entire project. In August 1996, the City Council voted unanimously to approve the agreement.

In his deposition, Weegar testified that he did not believe that the public should have been notified that the amount dedicated to the project might exceed \$40 million.

If Simon pulled out, about 60 percent of the city's total sales tax revenue would be at risk, he testified.

"It is one of the financial . . . backbones to the city," Weegar testified. "It would be devastating to our financial stability.

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