Supermall, Superstalled

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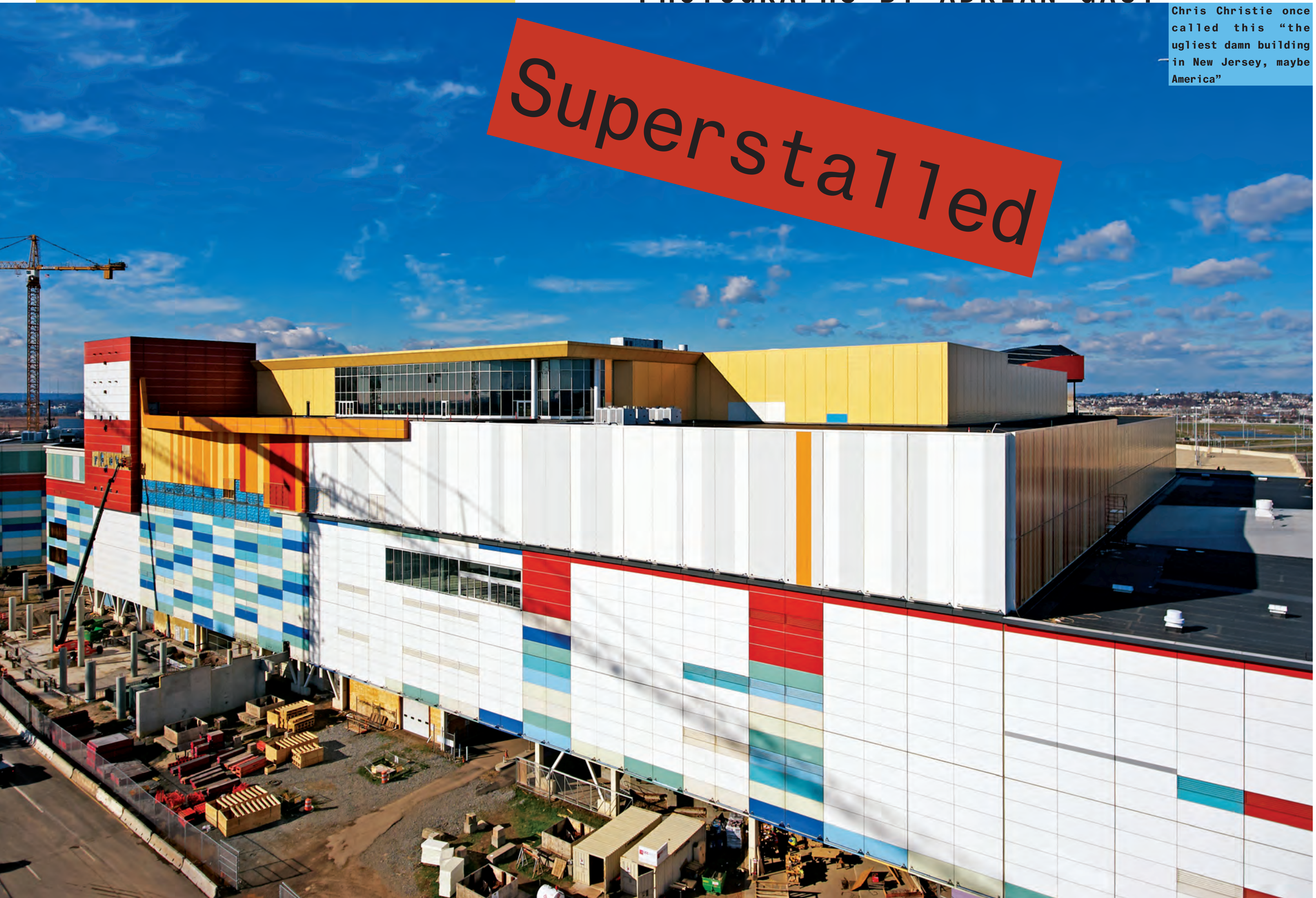
PHOTOGRAPHS BY ADRIAN GAUT

THIS NEW JERSEY MEGAMALL WILL HAVE A SKI HILL, A HELIPAD, AND ALL THE HERMÈS YOU CAN BUY—SOMEDAY, MAYBE. TWELVE YEARS AND $2 BILLION AFTER GROUND BROKE, IT'S ONLY A QUARTER BUILT



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Don Ghermezian wants to pitch us on the American Dream, but he has a few conditions. First, we're not allowed to record his eight-minute presentation. Second, we can ask him only a few questions, at the end. Third, if they're about his family, he won't say much. "This is a $4.8 billion dollar project that will be the center of the universe," he says, promising we'll be impressed. If not, "you'll be the first ever to leave here without thinking, 'Holy shit. These guys are incredible.' "

Ghermezian is speaking in the New Jersey Meadowlands offices of Triple Five, a family business that owns North America's two biggest shopping centers: West Edmonton Mall and Mall of America. Triple Five are the incredible guys in question; Ghermezian is the company's president. The future center of the universe is across the turnpike, a 91-acre tract of filled-in wetlands now home to a structure Governor Chris Christie, something of an expert on dismal spectacles, called "the ugliest damn building in New Jersey, maybe America."

The first thing Ghermezian means for us to understand is that his family isn't building a mall. Online shopping is killing malls; American Dream is one of only two in the country being built from the ground up. Its extravagant attractions make it "internet-proof," says Ghermezian, who is in his 40s and wears a big watch and expensive sneakers. Beyond its 450 shops and restaurants, half of the 3 million-square-foot complex will be devoted to entertainment: a DreamWorks water park, a Nickelodeon theme park, a Legoland, a ski slope, an aquarium, a performing arts space, a movie theater, an ice rink, a miniature golf course, and a kosher food hall, all enclosed in a glass bubble.

"We're spending a billion dollars on a water park and amusement park," he says. "It's there to push traffic to the stores." This isn't just a tenet of megamall economics; it's a design feature. To get to the American Dream's indoor ski lift, visitors will have to walk through a faux Alpine village that consists mostly of boutiques.

Ghermezian expects the mall to be the highest-grossing in the country. "On par with Dubai" is how he puts it, referring to the huge mall in the United Arab Emirates' largest city. He says American Dream's retail space is already 70 percent leased, although the mall won't open for two more years.

We are barraged with fanciful details about gardens, waterfalls, and Champagne and caviar bars. The concierge service and helipad. The cobblestones meant to evoke Paris. The electronic tracking system parents can use for their kids. The fountain that will somehow part every two hours, allowing two members of Cirque du Soleil to emerge and perform acrobatics for seven minutes. The stores have to be "experiential," Ghermezian says. They'll also be really big. Fourteen retailers are building their largest outlets in American Dream. He can't name many names, but he does mention Hermès, which will open an 8,000-sq.-ft. store with a 30-foot glass facade.

When he finally wraps up, some 30 minutes beyond the promised eight, it's question time. Mega-infrastructure funded by public-private partnerships is in the air, thanks to another wealthy real estate developer, Donald Trump, and we want to know whether this project, if it comes off, will be good for New Jersey. The state has approved incentives that could be worth almost $1 billion, which will back $1.15 billion in municipal bonds. Triple Five says it will raise an additional $1.5 billion in private funding to complete the mall.

"We're creating tens of thousands of jobs. We're creating an incredible tax base and revenue for the state of New Jersey. We are going to be bringing 45 million people here," Ghermezian says. Projects of this magnitude have to be partnerships, which just take longer. "I know it will succeed, because I've built them twice before," he says. "I didn't need to come to New Jersey. I didn't need to build another project."

As construction proceeds at American Dream, pipes for the water park are being fitted out. The ski slope, built years ago, awaits snow and people

Before the American Dream was the American Dream, it was Xanadu. When ground broke on the site in 2004, hundreds of guests attended a million-dollar party, with martinis in one tent and artificial snow in another. Xanadu's developer, Mills Corp., completed most of the main building before running out of money in 2006. A second developer ran aground in the Great Recession. The Trump Organization, among others, decided against taking on Xanadu, which sat vacant and ridiculed, having already cost developers $2 billion.

The Ghermezians announced their arrival in 2011 with a rousing news conference soundtracked by Bruce Springsteen's *The Rising*. Armed with the state's promise of financial assistance, they soon redesigned and expanded the proposed complex, renaming it American Dream Meadowlands—a meticulously designed pleasure dome that would draw visitors the world over. The first opening date came and went in 2014. At least two more have passed since. The latest promise: fall 2018.

For now, the site features only the blue-and-white-tiled building and a giant enclosed ramp—the ski slope, minus snow or people. On the eastern edges, tall reeds grow in the marsh; in the summer, kayakers tour the waterways behind it. Each year, 100 million or so vehicles pass by on three highways that converge on the site. MetLife Stadium sits across the asphalt. The Manhattan skyline lies just beyond.

Nader Ghermezian, Triple Five's chairman, once told the *New York Times* that winning a Triple Five project "is the best thing that could happen to any city in the world." But the Ghermezians have been trying for decades to build a third megamall—in Canada, Germany, China, Japan, Russia, Niagara Falls, Las Vegas, and suburban Maryland. In most places their plans collapsed because of economics or politics. Howard Davidowitz, chairman of the retail consulting firm Davidowitz & Associates, believes American Dream can succeed. But, he says, it has "killed everybody who's ever been involved."

The Ghermezian family story, the one they don't often talk about, begins in Central Asia in the early 20th century. Jacob Ghermezian, Don's grandfather, operated a large bazaar in the Uzbek city of Samarkand, until the Russian Revolution abolished private property. He moved to Tehran and built a real estate fortune whose centerpiece was a complex with shopping, entertainment, apartments, and offices—purportedly the largest structure in the city at the time.

In the 1950s, amid political and economic uncertainty, Jacob, his wife, Miriam, and their four sons—Nader, Raphael, Bahman, and Eskandar, who is Don's father—left Iran for North America. They set up a business trading Persian rugs, eventually making their way to the Western Canadian city of Edmonton. The family named their company Triple Five in 1972: The Triple stood for three generations of Ghermezians, the Five for Jacob and his four sons. The men worked in adjoining offices with shared phone lines and lived in adjacent homes connected by covered walkways. Don and his cousins grew up in the business, and they're raising their children in it, too. Some 120 family members are involved in the company, which owns commercial property throughout North America and has expanded into nuclear energy engineering, biotech, and private equity. The Ghermezians are worth at least $2.5 billion, according to the Bloomberg Billionaires Index.

The father and sons opened West Edmonton Mall on the wintry prairie in 1981, and over the next several years expanded it to include the world's largest indoor water park, a triple-loop roller coaster called the Mindbender, an ice rink, a faux Bourbon Street, and a lagoon with a huge pirate ship. "Anything that they saw, they tried," says Adam Finn, a professor emeritus at the University of Alberta School of Business. "In the early days they had a menagerie at the mall, bears and tigers and lions in cages. Then they did away with that. They had a dolphin show there, too. Then they gave up on that." They visited Disney theme parks and returned to build a submarine ride in the lagoon, advertising that their underwater fleet was bigger than the Canadian Navy's. (The submarines are gone now, too.) At one point the mall held five world records, including one for the largest parking lot.

"This is going to be here for 100 years," says Don Ghermezian. "One more year doesn't matter"

As the family built and expanded their fantasyland—for years, that was the name of the mall's hotel and amusement park; they changed the latter after Disney sued—Edmonton didn't know what to make of them. An economic development official told *Maclean's* magazine that they ran at a faster, more intense pace than those around them. When they sought bids from vendors, they'd bargain aggressively. When they needed a decision, they'd call repeatedly. "They had to get planning permission to take over land zoned for residential use. They had to get height restrictions overturned to build the roller coaster inside," says Finn. "There was a lot of concern that they would use any tactic to get their way."

When the brothers asked the city for millions in tax concessions to help them build the indoor amusement park, Mayor Laurence Decore told *Maclean's*, they "provided less documentation supporting their proposal than would a group of Boy Scouts asking for a $1,000 grant." Still, they won much of what they requested.

Triple Five soon exported its strategy to other cities, promising broad benefits while suggesting that without public money or incentives, the malls wouldn't be built. In the mid-'80s, with West Edmonton Mall bringing in almost 28 million visitors a year, the Ghermezians bid to build a second, $650 million mall, on a 78-acre site in Bloomington, Minn. "We outlined what we wanted from the city and what we wanted from the state," says Deane Eldredge, Triple Five's former head of marketing. "It was the same thing we were asking for from Edmonton—infrastructure, tax concessions. I genuinely believe the projects only work with those kind of concessions. Government enthusiasm is huge."

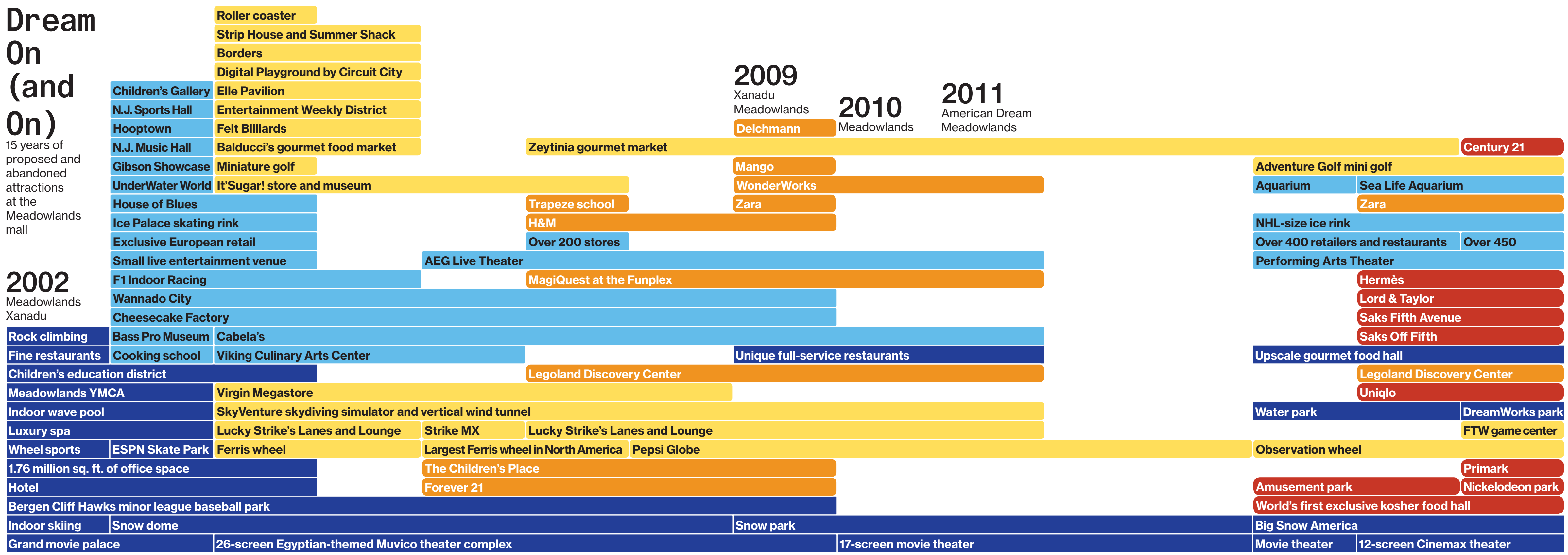
The enthusiasm in Minnesota was initially muted. "The Ghermezians' goal appears to be to build the best possible project with the most public dollars. My goal is to build the best possible project with the least public dollars," Michael Freeman, a state senator, said at the time. Undaunted, Nader Ghermezian held a news conference in Bloomington. "You will have all the shoppers from New York, Rome, Los Angeles, and Paris coming here," he said. "I bring you the moon, and you don't want it?" To encourage government support, the family displayed one of its custom-built submarines in front of Bloomington City Hall. They also flew the entire state legislative assembly to Edmonton, says Eldredge, and put them up at the Fantasyland Hotel. "I think seeing West Edmonton was the deciding factor," she says. Bloomington agreed to a $60 million aid package and other concessions, and signed a deal to break ground in the spring of 1987.

Like most real estate developers, the Ghermezians depend on other people's money to build. The larger the project, the riskier it is to investors, because the steep initial cost comes far in advance of the revenue. After a difficult quest to find their share of the funding for the Mall of America, the family brought in Simon Property Group, the biggest mall developer in the country, to help. It worked: The mall opened in 1992 with a ceremony that featured Ray Charles singing *America the Beautiful*. Triple Five bought Simon out in 2006, after a legal dispute, making it the sole owner of the property, which is now worth almost $4 billion, according to one independent consulting firm. The center has more than 500 shops, an amusement park, an aquarium, a Lego play area, a performance venue, and a wedding chapel. It's the biggest mall in the country—critics have called it the "sprawl of America"—though not as big as the one in Edmonton.

A third mall has proved far more elusive. Starting in the mid-'80s, Saul Katz, who was a senior executive at Triple Five, began scouting places as far-flung as Japan, the Soviet Union, and West Germany. In Oberhausen, then a small, economically depressed city near the Rhine, Triple Five proposed to build a C$1.8 billion shopping and entertainment complex. But it wanted the government to construct a rail line and rent half of a new on-site convention center. Nothing came of it in the end—market conditions got in the way, Katz says.

In 1987, the Ghermezians won $400 million in incentives from New York to build a $1.2 billion megamall, also called Fantasyland, in Niagara Falls. As part of a campaign to lure the development, thousands of residents had sent the family postcards saying "Wish you were here." Sean Kirst, a local columnist, suspects the family was more interested in securing an equally generous deal across the border. "It was shadow play," he says. After a year, the family walked away with nothing built on either side of the falls.

Triple Five says its false starts reflect a need to be "selective." But



DATA: COMPANY REPORTS, ARCHIVE.ORG, NORTHJERSEY.COM, NEW YORK TIMES, BUSINESSWIRE, LAW 360

more often it's the cities that have balked. In the mid-'90s, for instance, the family made its first pitch to build an American Dream mall, a $600 million complex in Silver Spring, Md., outside Washington, D.C. The city was hoping to revitalize its downtown, but Doug Duncan, who then headed the county government, says every time officials met with the Ghermezians, they wanted to change the deal's terms. "I think they expected us, out of desperation, to just keep putting more public money into the project," he says. When Triple Five didn't seem able to raise the funds they needed, Duncan killed the deal. "They were angry," he says. "They said the only thing missing was political will.… I said the only thing missing is private money."

Norman Krone, who consulted for Triple Five in China for two years beginning in 2008, tells a similar story. He says he presented the Ghermezians with several potential projects, and even a few nearly complete deals. "But I never got a project done," he says, "because they would never commit any money of their own." The company says that's normal: Each side always wants the other to pay more.

In 2010, not long after the Ghermezians abandoned plans for an $800 million mall outside Las Vegas, Governor Christie welcomed them to the Meadowlands. He was a year into his first term and eyeing a second, the recession's effects were still being felt, and locals had taken to calling the abandoned mall "Xanadon't." In short, New Jersey was ready to cooperate.

The following year, the state and Triple Five agreed on a complicated financing arrangement that included tax breaks and tax-exempt municipal bonds backed by future revenue from the mall. The deal became more generous as the project expanded, stalled, and resumed again: The $200 million in future tax benefits has almost doubled. Counting local redevelopment tax breaks, the incentives could rise to about $1 billion. Triple Five's contribution to the project, meanwhile, also has almost doubled, to more than $350 million, according to the company. Estimates of the benefits to New Jersey have grown, too. Triple Five now expects American Dream to create 23,000 construction jobs and an equal number of permanent jobs, together bringing in $183 million in annual taxes. It expects the total tax benefit to be about $3.5 billion over two decades.

The family often says that the malls in Edmonton and Bloomington contribute a combined $3 billion annually to the local economies, bringing in almost 70 million visitors a year. But those malls have advantages that American Dream won't have. For one, they're in small municipalities that don't have the massive shopping-and-entertainment complex that is New York City a short train ride away. Winters are also long in Minnesota and Alberta, and local governments benefit from the attention. "It's given Bloomington an identity," says Schane Rudlang, head of the local port authority. He adds that the city is satisfied with the payoff: "The majority of people in the Minneapolis and St. Paul area thought the Mall of America was going to be a ghost town—that it was going to be a giant 4 million square feet of blight. That obviously didn't happen."

But almost 25 years after the mall opened, Bloomington is finding, as Edmonton has, that Triple Five still expects the government to help out when it expands. Most recently the company received $35 million in infrastructure support for a $350 million project to build a hotel, offices, and luxury retail space. Negotiations are under way to add attractions that would bring its floor space closer to the 50-50 shopping-to-entertainment balance that American Dream aims for. (The current ratio at Mall of America and West Edmonton Mall is closer to 85-15.) Asked if he can foresee a time when the city of Bloomington won't be on the hook for funding, Rudlang says, "I truly hope we get to that point. We're not there yet, because these projects are not financeable in the way we want them to be without public assistance."

The New Jersey Economic Development Authority estimated in 2015 that American Dream would provide a net benefit of $730 million over two decades—much less than Triple Five predicts. The state's job-creation calculations are also less optimistic: After factoring in retail job losses elsewhere, it places the number of new jobs at around 11,000, not 23,000. It also estimates that a typical retail or amusement park job at American Dream will pay an average of $19,500 a year, not enough to rent a one-bedroom apartment in surrounding Bergen County. "It strikes me that we're subsidizing a retail venture that is going to do very little to actually boost the economy of the state or region," says Jon Whiten, the vice president of New Jersey Policy Perspective, a nonprofit advocating economic fairness. "It flies in the face of every trend in economic development. They're all about locating a sense of place and space. This is the exact opposite. We think it's doomed to not go well."

After six years in the Meadowlands, Don Ghermezian has heard the skepticism, the criticism, the indifference. "I think this project will bring a great sense of pride," he says. "There's no negativity on my part for the people in New Jersey who don't feel the way I do. I can't expect them to feel that way because they haven't seen what we plan to unveil. They just don't know what's coming." When we ask about the delays—some self-inflicted, others unexpected—he says, "This is going to be here for 100 years. One more year doesn't matter."

COURTESY THE JEWISH ARCHIVES AND HISTORICAL SOCIETY OF EDMONTON AND NORTHERN ALBERTA

Jacob and Miriam Ghermezian and their sons in the late 1990s

This autumn, Triple Five pressed New Jersey to give final approval for the sale of $1.15 billion in high-yield, high-risk municipal bonds, which the company said it needed to close a $1.5 billion private construction loan. In turn, some of that money was required to settle a prior loan due on Nov. 4. In a court filing, the company's chief financial officer described the situation as dire, noting that missing the deadline could mean default, foreclosure, and "the likely failure altogether of American Dream." New Jersey approved the bonds in time, but Triple Five didn't put them on the market right away. State officials then said the municipal bonds would be offered by the end of November. They weren't. Ghermezian says the private funding will be in place by yearend, and the bonds will go on sale in January.

Typically, financing for successful projects comes together like "a magnet gathering up little pieces of metal," says Christopher Leinberger, an experienced developer who chairs George Washington University's Center for Real Estate and Urban Analysis. "It comes together quickly or it doesn't come together."

Amid the missed dates and new promises, Triple Five arranges a tour to show that American Dream is moving forward. None of the Ghermezians is available to lead it. Instead, there's a site manager wearing a hard hat with a Xanadu logo and a safety vest with Mills Corp., the mall's first developer, stitched on it. He's not to be quoted, nor can he answer questions. We climb a spare metal staircase to view the water park and amusement park, which will connect to the mall by a glass walkway; for now about three dozen workers are pouring the concrete floors. Steel and rebar are stacked up, and the seven tower cranes, idle for months, are manned. A request to go inside the main building—where Triple Five says 300 or so workers are busy—is turned down.

It's something, but it certainly doesn't look like the country's biggest retail construction project. Triple Five estimates that the site is 25 percent complete. Sevin Yildiz, who teaches at Barnard College's urban studies program and is writing a book about the Meadowlands, says that for officials, perpetual incompleteness might be preferable to failure. "I don't think the state believes the promises of the developers anymore, but it's too huge to fail," she says. "That's what keeps it going."

Don Ghermezian dismisses any suggestion that the family might abandon New Jersey. "There was no project that we've come as far as we've come with American Dream and decided to step back. There's no fear on my part that American Dream will not get built," he says.

If not, well, there's always another Dream to pursue. A year and a half ago, Triple Five announced a potential fourth mall, this one on 190 acres of undeveloped land near Miami. "It is our intent that this project—American Dream Miami—will exceed our other world-famous projects in all respects," Triple Five said in a statement. It's preparing the way: Last winter, a state senator who also represents the company as a lawyer sponsored legislation that could divert property tax revenue toward infrastructure that companies are usually responsible for. And absent government support? "I do not need to build here," Eskandar told officials in April 2015. "We are a family that is very well off."

The Miami Dream, Don Ghermezian says, is years away. Ⓑ

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