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COMMERCIAL REAL ESTATE

New Jersey Mall Courts Mini-City Hangout For Kids

KidZania is close to signing a lease for an 80,000 square-foot location at the American Dream retail complex in the Meadowlands



Children made hamburgers as they played the roles of restaurant employees at KidZania in Tokyo. PHOTO: KIYOSHI OTA/GETTY IMAGES

By **KEIKO MORRIS**

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KidZania USA, the indoor educational mini-city for children, is close to signing a lease deal for an 80,000 square-foot location at the American Dream, the long-delayed retail complex once known as Xanadu in the New Jersey Meadowlands.

Like other KidZania venues, the franchise location at the American Dream would feature a miniature city with businesses where children can try out more than 100 professions, such as firefighters, bakers, broadcasters and doctors. Parents would be able to watch from a deck above.

KidZania's potential 25-year lease at American Dream would join other entertainment options and a lineup of marquee retailers including Saks Fifth Avenue, Lululemon and Zara that have committed to the 2.8 million-square-foot project.

The American Dream aims to have entertainment and food venues occupying half of the space, with plans that include an indoor DreamWorks water park, an indoor ski slope, an aquarium and a performing arts theater.

A KidZania venue likely would cost about \$25 million, said Keith Rubenstein, the acting chief executive of KidZania USA.

American Dream's developer describes the property as the anti-mall.

"I'm creating an experience," said Don Ghermezian, president of Triple Five Worldwide Group of Companies, the Canadian developer of the American Dream and owner of other mammoth complexes including Mall of America in Minnesota. "It's almost as though the stores are secondary to what we're creating."



Keith Rubenstein, the acting chief executive of KidZania USA, said the Meadowlands location of the planned American Dream retail complex—less than 10 miles from the Manhattan side of the Lincoln Tunnel—is attractive because it has the potential to draw visitors and locals from a dense and large region. PHOTO: JOHN TAGGART FOR THE WALL STREET JOURNAL

The location, which is less than 10 miles from the Manhattan side of the Lincoln Tunnel, is attractive because it has the potential to draw visitors and locals from a dense and large region, Mr. Rubenstein said. A suburban complex also doesn't have the high rents and other costs of operating in Manhattan, he added.

"We said this is the perfect environment for KidZania to be because this is not just a mall, this is an experience beyond experiences in terms of entertainment and traditional retail," Mr. Rubenstein said.

The development has been troubled almost from the beginning. A partnership led by developer Mills Corp. in 2003 broke ground on the project, then called Xanadu, in hopes of creating a mega-complex with an indoor ski slope, the largest Ferris wheel in North America and the biggest movie theater in the U.S.

Not long afterward, Mills was grappling with accounting problems as Xanadu's costs soared to \$2 billion from \$1.2 billion. Slow leasing hurt its ability to finance Xanadu's completion.

A group led by private-equity firm Colony Capital Acquisitions LLC took control of the project in 2006, but stopped construction in early 2009 as it struggled to replace financing cut off as a result of the bankruptcy filings of its original lenders, Lehman Brothers Holdings Inc. and Capmark Financial Group Inc. Lenders seized control of the project in 2010.

Triple Five acquired the project in 2013, and it, too, has faced hurdles and delays. The developer is substantially redesigning and expanding the project. Complex financing, permitting requirements and a lawsuit that has been resolved hampered the developer from opening earlier. One target date was the fall of 2016.

Such a large and unorthodox project carries risks, especially one with a history of failed attempts, said real-estate brokers and advisers.

Another possible roadblock is securing construction lending in a market where traditional lenders have become more cautious and restricted by regulations, they said. The project won approvals to sell \$1.15 billion in tax-exempt bonds last year and is looking to close on private financing.

Triple Five has spent more than \$800 million on the American Dream at the Meadowlands so far, and expects to invest more than \$2.7 billion, the company said.

With online shopping battering traditional retailers and forcing store closures and bankruptcies, mall owners have been looking for nontraditional tenants offering entertainment, experiences and services not found in the digital world.

Parent company KidZania Inc., based in Mexico, has 24 locations around the world that draw an average of 500,000 visitors annually. Locations such as the one in Tokyo pulls in about 900,000 a year, according to Xavier López Ancona, the entrepreneur behind KidZania.



Children wrote a party name on their ballot to cast their votes in 2014 at a KidZania career-theme park in Tokyo. PHOTO: TORU YAMANAKA/AGENCE FRANCE-PRESSE/GETTY IMAGES

So far, there are no locations in the U.S., but the franchise has signed two leases in malls near Dallas and Chicago.

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