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General Growth, owner of Lansing, Bay City malls, files bankruptcy

Jennifer Youssef / The Detroit News

Mall operator General Growth Properties Inc. has filed to reorganize its debts under Chapter 11 in U.S. Bankruptcy Court, and more mall operators and chain clothing retailers may follow suit.

The company and its subsidiaries own or manage several malls in Michigan including Bay City Mall, Birchwood Mall just north of Port Huron, Grand Traverse Mall, Lakeside Mall in Sterling Heights, Lakeview Square Mall in Battle Creek, Lansing Mall in Lansing, Novi Town Center in Novi, Rivertown Crossings in Grandville and Southland Center in Taylor.

Nationwide, General Growth owns more than 200 malls including Faneuil Hall in Boston and the South Street Seaport in Manhattan.

In a petition filed Thursday in the U.S. Bankruptcy Court for the Southern District of New York, General Growth listed \$29.5 billion in total assets and about \$27.3 billion of debts, making this the largest real estate bankruptcy in U.S. history.

The Chicago-based company said it sought bankruptcy protection because it was unable to refinance or extend debt. Business at all company's malls will continue as normal while it reorganizes.

It was apparent by the flat holiday sales outlook in the fourth quarter of last year that 2009 would be tumultuous for the retail sector, said Ken Dalto, a Farmington Hills retail analyst.

"I said last year that all hell would break loose in the first quarter," Dalto said. "This is part of hell breaking loose."

Dalto expects more mall operators and chain clothing retailers to follow suit, either filing for Chapter 11 or Chapter 7 bankruptcy.

Chapter 7 means a company is out of business; Chapter 11 allows a company time to restructure debt, reject contracts and develop a reorganization plan to become profitable again.

"The problem with that is if the economy doesn't turn around soon, you can play defense all you want, but you have to score points," Dalto said.

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