

Santa Cruz mulls impact of move by auto dealerships to Capitola

"Santa Cruz is not the retail center of the county anymore and it is questionable whether we will be the auto center of Santa Cruz County much longer," Santa Cruz City Manager Dick Wilson said Thursday afternoon.

In a frank assessment of the impact the moving of four auto dealerships to Capitola will have on the city, Wilson told members of the Santa Cruz Chamber of Commerce's Governmental Affairs Committee that Santa Cruz has already lost its dominance as the retail center in Santa Cruz and will have to look toward the conversion of the downtown area into an employment and entertainment center at the same time as the city develops more visitor-serving trade, including the possibility of major hotels that would attract the overnight visitor.

Three of the four auto dealerships planning to move to Capitola are now located inside the city of Santa Cruz. When they leave, the city will lose upwards of \$185,000 in sales taxes, Wilson told the chamber group.

The fourth is located just outside of Santa Cruz in the unincorporated area of the county.

"To some extent," Wilson said, "the move is a natural one — like the relocation of a shopping center to 41st Avenue.

"As the auto industry gets healthier and sales go up, the incentives to move increase," Wilson said.

"Santa Cruz does not have the room (for auto dealers) to expand."

That assessment was echoed by Marty Hernandez, former owner of Marina Pontiac-Cadillac-Buick. Hernandez, now with Prolo Chevrolet, told the Chamber audience that Santa Cruz has had "two tier political system" for years.

"The professionals in city government like us because of the sales taxes," Hernandez said. (As a group, Wilson said auto sales generate about one-third or \$1.2 million of the city's sales tax revenues.)

"The politicians had no use for us up to a couple of years ago," Hernandez added.

"But most of the dealers went to Capitola because they needed the space and there was nowhere else to go," Hernandez said.

The city tried, in the mid 1970s, to create a new auto plaza near River Street and Highway 9, but the plan died because of neighborhood opposition and strong anti-business feeling on the City Council, Hernandez and Wilson said.

"No one will come back to Santa Cruz (from Capitola)," Hernandez added. "But I do feel it will behoove the city to find some land. You have several dealers with their leases coming up."

If the space isn't available in Santa Cruz, then a dealer will probably look in the area between the city and Aptos, Hernandez forecast.

The Capitola site "isn't the best plan because of the access but it is the only place big enough," he added.

Wilson was noncommittal on Santa Cruz's ability to find space for dealers facing space

problems.

But he did tell the chamber that his city planning department and the Santa Cruz City Council is beginning a new examination of the downtown area — particularly the block that includes the old County Jail on Front Street.

The City Council was scheduled to hold a study session on that area yesterday afternoon.

"Clearly the retail area of downtown (the Pacific Garden Mall) is changing as a lot of the long-term leases are coming up for renewal.

"A lot of old-time businesses are being replaced," Wilson added. "Clearly the economic judgement is for a higher and better use.

"A preponderance of people go to 41st Avenue to buy their underwear. Downtown has become a speciality area," Wilson added.

How can Santa Cruz make up the revenue lost by the changes taking place in its business area.

"Visitor serving industry is the one that has the greatest potential," Wilson said.

From a city cost standpoint, the day-only tourist is a money loser. It costs more to provide the myriad of services he needs and demands than the city collects in sales tax revenue.

Likewise, residential development is a negative factor for a community.

"Everyone wants sales taxes," he added. "Things will bottom out and the long-term picture is quite favorable," Wilson said.

— Bob Smith