

Costco moves ahead with expansion plan

Costco
'Big box' retailer to offer gas; will add deli, other services

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SANTA CRUZ — Costco's plans to make its warehouse-style store 20 percent bigger — making way for a gas station, deli, optical department and hearing aid center — are set to begin in February.

With City Council approval, Costco bought 2 acres near Harvey West Park in August next to its 7½-acre lot at 220 Sylvania Ave. The store will grow from 121,000 square feet to 135,000 square feet when the expansion is completed in mid-2002, said Dennis Orsag, general manager of the Santa Cruz Costco.

The first project will be to move the employee parking lot to make way for the gas station. That phase is set to

Please see **COSTCO** on **BACK PAGE**

Costco

Continued from Page A1

begin in February if the weather cooperates, Orsag said.

"It takes about 60 days to get to the point where you're pumping gas," said Orsag.

As in the rest of its buy-it-in-bulk retail business, Costco says it will be able to give its members a cheaper price on gasoline than other vendors.

"Depending on what part of the country we're in, we've been anywhere between 5 cents and, at the extreme, 50 cents-plus" cheaper than the competition, he said.

The next phase includes construction of the deli, optical department and hearing aid center. That takes about 90 days, Orsag said.

Costco, Santa Cruz's largest retailer, has 60,000 local members and generates more than \$1 million in tax rev-

enue for the city.

The city's consumer-goods sales tax has more than doubled to \$2.1 million a year since Costco opened in 1994. The expansion, which has been planned since 1997, is expected to bring an additional \$75,000 to the city's general fund each year, and \$17,000 in property tax to the redevelopment agency.

When store officials said Costco would have to find a new site if it couldn't expand at its current location, they city helped broker a deal to buy the adjacent parcel. Costco reportedly paid \$3.1 million for the 2 acres, which was owned by Wave Crest Development Inc., J & D Family Limited Partnership and the Lawrence Michels Family Limited Partnership.

Costco is based in Issaquah, Wash.

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