

AUTO PLAZA - S.C.

Board delays auto-center vote

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SANTA CRUZ — Owners of four Santa Cruz auto dealerships were left to sweat it out Tuesday, after the Board of Supervisors delayed indefinitely a decision on whether to spend \$15 million in Live Oak-Soquel redevelopment funds to help them buy the Skyview Drive-In property near Live Oak.

The dealers, who want to build an auto plaza on the site, say the county will net tens of millions of dollars in sales-tax revenues on its investment. Supervisors said Tuesday they wanted more information on the proposed deal, which was negotiated by Assistant County Administrative Officer Pat Busch.

The board decided to delay action on the proposal after weathering a

gale of protest during an all-day hearing before a standing-room-only crowd.

The Skyview is the site of a weekend flea market, and many of those who lined up to speak against the auto center proposal were flea market vendors who said the market was their principal livelihood.

The vendors, area residents and others who testified questioned the economic wisdom of the deal, and said it would be wrong to give so much redevelopment money to a small group of private developers.

Vendor Ricardo Dalessandro said that flea market earnings had put his wife through nursing school after he was disabled and lost his job. "I very much ask the board to please consider the human issue," he said.

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Auto/ Board questions deal

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"I am a Mickey Mouse entrepreneur perhaps, but I am amazed by this deal. I am amazed how the auto dealers can get a prime piece of property in the best part of Santa Cruz for nothing — just to make money."

Supervisors gave County Administrative Officer George Newell a lengthy list of questions to answer about the auto center deal, which also involves a side agreement between the county and the city of Santa Cruz. That proposed agreement calls for the county to pay the city \$330,000 a year, in return for city assent to arrangements that would discourage any future city council from trying to annex the new auto center.

Board members told Newell to come back July 18 with a "status report" on how he is faring in answering their questions. They did not indicate when they would take up the auto center proposal again. But Board Chairman Gary Pafton assured the audience that supervisors would hold yet another hearing and take more public testimony before voting on it.

The dealers — who own Santa Cruz Motors, North Bay Ford, Santa Cruz Nissan-Dodge and Toyota of Santa Cruz — have been paying the Skyview's owners \$8,947 a month since May 1988 for an option to lease and ultimately buy the drive-in. So far, they have spent more than \$125,000 to keep their lease option alive. They have also spent \$1.8 million to buy a 3.82-acre parcel next to the drive-in.

The dealers and the CAO's office dickered over the proposed deal for the better part of two years. In the meantime, the dealers also held talks with the city of Scotts Valley, which has been trying to develop its own auto center.

The dealership owners sat in stone-faced silence throughout Tuesday's proceedings.

Robert Bosso, the Santa Cruz attorney who has been representing the dealers, was asked afterward if his clients would sit tight during what could be a long delay.

"I haven't had a chance to talk to the dealers," Bosso replied. "It (the board's action) just happened. I have no idea until we have a chance to sit down and talk."

Located across the freeway from Live Oak, the Skyview property is in the Live Oak-Soquel Redevelopment District. Under the proposed agreement, the Redevelopment Agency would pay all but about \$1.8 million of the \$16.7 million cost of the auto dealers' 15-year lease-purchase agreement with the drive-in's owners. The dealers would end up owning the property at the lease's end.

The payoff for the county, according to figures supplied by the dealers, would be \$27 million in sales-tax revenues — \$21 million, after adjustments for inflation and business cycle fluctuations — over the life of the lease.

While the Redevelopment Agency, which gets its revenues come from property taxes collected in Live Oak and Soquel, would pay for the deal, the county General Fund, which finances programs throughout the county, would reap the sales-tax benefits.

Live Oak-Soquel Supervisor Jan Beautz, who sees that arrangement as a bad one for her constituents, said Tuesday that she had received many calls about the auto center deal, all from people opposed to it. "I'm opposed to it too," she said.

The supervisor, who asked a redevelopment-law expert to review the proposal, challenged its legality Tuesday. Beautz said that Newell had failed to show that the \$15 million subsidy for the auto dealers was justified either on grounds of its benefit to the redevelopment area or in terms of the dealers' need for it.

She further questioned the validity of the dealers' revenue projections, faulted the CAO for not seeking an independent economic analysis of the dealers' figures, questioned the accuracy of the CAO's own inflation-adjusted revenue numbers and asked why the county had not sought an appraisal of the Skyview property.

Beautz wondered further why the CAO had "omitted" the Capitola Auto Plaza, which involved no government subsidies, from a comparative look at other auto center deals. She asked whether the Skyview deal would impair the Redevelopment Agency's ability to float future bond issues, and she demanded to know what would happen to the Redevelopment Agency's \$600,000 annual lease payments if the deal was approved and the auto center later

went belly-up.

Asked Beautz: "Does all that money we've put in just go down the drain?"

"The \$600,000 is basically just a cash-flow split," replied Bill Martecorena, the county's Costa Mesa-based redevelopment lawyer. "It's paid to the (dealers) who pay the property owners. So, yeah, basically, that money is gone."

Following Beautz' pointed questioning, other supervisors engaged Martecorena and Busch in a series of dialogues. Responding to other board members' queries, Martecorena said the proposal was legal, while Busch insisted that the revenue projections were accurate and said repeatedly that the deal was a good one for the county because two-thirds of the costs would actually be paid out of state funds available to the Redevelopment Agency.

Dealers' hopes for a decision Tuesday vanished when San Lorenzo Valley Supervisor Fred Keeley said he wanted still more information before voting on the auto center proposal, and moved for a postponement.

Keeley said the dealers' revenue projections had been "painted in an incredibly rosy light," and demanded "verifiable figures" from the CAO. He further demanded a "detailed report" from Newell "as to what options could be explored as likely locations for the flea market."

Expanding on Keeley's demands, and incorporating several of Beautz', Patton said the CAO should hire an independent economic consultant to evaluate the dealers' revenue projections and called for more information on other auto center deals, including Capitola's. He also said he wanted more information about the Skyview property's appraisal, asked what would happen if the dealers declared bankruptcy and said the board needed "a response to all the legal questions that have been raised."

Deal angers Watsonville official

WATSONVILLE — The county's proposed agreement with four auto dealers for the Skyview Drive-in has upset at least one city official.

Councilman Rex Clark asked Tuesday that new City Attorney Luis Hernandez look into the proposal, "particularly the part that the county will share some of the revenue with Santa Cruz," and determine whether or not Watsonville should pursue litigation.

Clark reminded the rest of the

council that Watsonville was sued by the county when it formed the Westside Redevelopment District to eradicate blight in the industrial section. The city won the suit.

"Under no stretch of the imagination could anyone suggest the Skyview Drive-in is blighted," Clark said. "It's a thriving business."

The issue was raised in the communications portion of the agenda and was not voted upon.