

By BOB SMITH

Two years ago, the Capitola Mall opened to fanfare and also to predictions that it might be sounding the death-knell for the downtown business districts in Watsonville and Santa Cruz.

Politicians, businessmen and economic forecasters worried publicly during the planning phase of the Sutter Hill project that the Watsonville business district would suffer especially from the rapid development of the 41st Avenue regional shopping center.

Today, there is little evidence to suggest that Capitola's "regional shopping center" has had a negative effect on Santa Cruz county business as a whole.

But business in the city of Watsonville, although growing, has failed to grow at the same pace recorded in Capitola, Santa Cruz and the county-at-large.

The economy of Capitola has grown fantastically since the days when the county Board of Supervisors rejected Sutter Hill's plans to build at 41st Avenue and Capitola Road, thus driving the shopping center into the waiting arms of the city of Capitola.

Business activity in Santa Cruz and in the unincorporated areas of the county hasn't slackened to a noticeable extent since that time.

But sales volume in the city of Watsonville, until very recently has failed to approach the increases posted by businesses in the rest of the county.

Sales tax data compiled by the State Board of Equalization is a key indicator of business activity in the county.

An analysis of reports for the full year 1977 and the first three quarters of 1978 (fourth quarter 1978 information is not available yet) shows Watsonville business growth lagging behind that of the county, Santa Cruz and Capitola.

Growth in the general merchandise field (Ford's, Penney's, etc.) has been slower in Watsonville than in similar stores in Capitola, Santa Cruz and the unincorporated county areas.

Comparing 1978 reports with the same quarters of 1977, general merchandising in Watsonville grew: first quarter, 6.3 percent; second quarter, 0.58 percent; and third quarter, 3.03 percent.

Total business activity in the city in the same periods increased: first quarter, 5.83 percent; second quarter, 6.37 percent; third quarter, 10.74 percent.

In contrast, activity in the

county, Capitola and Santa Cruz generally exceeded the 10 percent growth level.

Capitola — general merchandise: first quarter, not available; second quarter, 9.72 percent; third quarter, 4.73 percent. Total retail: first quarter, 27.01 percent; second quarter, 13.69 percent; third quarter, 15.12 percent.

Santa Cruz city — general merchandise: first quarter, 3.49 percent; second quarter, 9.8 percent; third quarter, 11.43 percent. Total retail: first quarter, 9.5 percent; second quarter, 10.06 percent; third quarter, 11.08 percent.

County at-large (non-incorporated area), general merchandise: first quarter, 11.84 percent; second quarter, 7.98 percent; third quarter, 8.47 percent. Total retail: first quarter, 10.81 percent; second quarter, 9.74 percent; third quarter, 11.07 percent.

But some Watsonville businessmen think the city's sales activity is picking up.

Chamber of Commerce manager Sherell Watson says:

"Retail sales tax collections for Watsonville are holding up all right.

"Ford's reported they had a good Christmas season (fourth quarter) — a good bellwether of the city. In other stores," Watson added, "the feeling is that business is good."

Mark Frederickson, owner of the Monterey Bay Co. stores

in Watsonville and at the Deer Park shopping center in Aptos, also believes that there is an improved business climate in Watsonville today.

"There's been improvement," he says. But he adds that his business doesn't depend on large numbers of people coming into the store.

"Our store is a specialty store and we deal with a smaller customer base so the problems experienced by other businesses here haven't affected us," Frederickson added, referring to his Watsonville outlet.

Both Frederickson and Watson point to surveys that show many Watsonville shoppers are leaving the city to do their buying.

"Surveys I've seen indicate that 30 to 40 percent of Watsonville residents shop out of town," says Frederickson.

"It's obvious there's been some leakage," adds Watson, "but it's been my opinion that there hasn't been a severe impact."

Rus Walker, manager of the J.C. Penney Store in Watsonville, said his store "led the district last year. We had the number one sales volume for the entire district. Business was very good.

"We are getting our share of the market," he said, adding that, although he would not release sales volume increase

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Still sorting out Mall's effect upon other business areas

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Capitola
Mall

Small shop owners feel Mall's effect

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percentages, he said the store is now stocking a quarter-million dollars more in merchandise than it ever has before.

Capitola Mall hasn't made itself felt too heavily in the Santa Cruz or mid-county areas, in terms of business drop-off for competing merchants.

Dawn Bove, manager of the Rancho del Mar shopping center, says merchants at the oldest mid-county center haven't felt the competition of 41st Avenue.

"Absolutely nothing to the detriment," she said. "It is the general consensus here that we are a completely different type of shopping center. The merchandise is different and the spendable income of our customers is higher.

"If anything, the mall has benefited Rancho del Mar."

Lionel Stoloff, general manager of the Santa Cruz Chamber of Commerce, agrees.

"The retail and apparel stores in downtown Santa Cruz have not suffered.

"Capitola Mall opened in April, 1976, and the only one that appears to be hurt is Penney's. Leask's is up over the rate of inflation. Penney's was down but they have picked up now.

"The jewelry stores here are up dramatically.

"I really think that the (Capitola) Mall is taking their business away from those who used to go over the hill. One

estimate was that there was \$30-\$40 million leakage every year.

"The only other thing is that they are pulling from Watsonville.

"Ford's appears to be hurting a little bit, they are not up like they should be.

"Capitola Mall also pulls a lot of tourists," Stoloff added.

The effect on the smaller merchants, such as those in the Capitola Village and the new Deer Park shopping center, is different.

Joanne McKeown is co-owner of Aries Arts in Capitola Village.

She notes that her business, which includes clothing and soft goods, hasn't grown as fast as she thought.

"I haven't been hurt but feel that if the Mall hadn't been in existence, my business would have grown more.

"I have noticed a definite downtrend from what I had been growing," she adds. "The money that's around to be spent is being spent over there — there's been a general decrease in every category of merchandise I sell.

"But on the positive side, I feel it has forced us to be sharper in our businesses. And for the village as a whole, it has given us a sense of competition — made us shape up a little bit and work a little harder for the dollar."

Carin Mudgett owns the Craft Galleries in Capitola Village and in Deer Park shopping center.

Hers is a specialty store that has no real competition from

any store in the Capitola Mall, Mrs. Mudgett says she hasn't noticed any impact.

"There's nothing in the Mall that directly competes with me."

Phil Eilers, owner of the Scarlet Fox in the village and Private Moments in Deer Park, confirms his business at the Scarlet Fox dropped off after the Mall opened. "But it's really hard to pin down the reasons. It's hard to tell what was caused by the mall or by all the street construction in the village.

"They did cut into my business, but it is hard to pin down just how much."

Eilers adds: "1979 has been a good year."

Business is beginning to pick up for some of the upstairs shops at Deer Park, say Mrs. Mudgett and Frederickson.

"We're really happy at Deer Park," says Frederickson.

Like the Watsonville store, his Deer Park unit doesn't need heavy foot traffic to survive. "We like to see a lot of foot traffic but we don't depend on it."

Nevertheless, he notes, it's

beginning to develop.

"In talking to the other merchants," says Mrs. Mudgett, "there is a huge increase in the numbers of people coming to Deer Park."

With construction at the center in its final phases, the merchants are planning a series of promotions to draw community members to the center — "to make people aware of what is upstairs."

And speaking of her business, she added: "I think we'll break even next year and that's not bad for the second year in a new shopping center.

"My customers," she says, talking about the differences between her stores in Capitola Village and Deer Park, "feel they can find a parking space at Deer Park and when they come to Capitola, they'll have to circle the block four and five times."

The environmental impact report prepared in 1974 on the Sutter Hill makes a distinction about the impact the Capitola Mall will have on the surrounding business community.

If the Mall stays as it is now, without a major department

store such as the Emporium, the center may never become regional in its drawing power.

But with a major department store, the competition for other merchants will become much more severe.

The Emporium pulled out of the complex long before construction started and its spot was taken by Mervyn's.

And so far, attempts to find a tenant for the third major department store location have been unsuccessful.

The J.C. Penney Co. is one possibility, moving from the downtown Santa Cruz location to the Mall.

But reportedly, negotiations with the Brown family for the land have stagnated with the two parties unable to agree on a price.

And other possible tenants are shying away from the site because Santa Cruz county doesn't have a large enough commercial base.

"We don't have the numbers for anyone to put in a major department store," said one source.

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