

A DEAL NOT YET DONE

City hopes to expedite auto plaza, but it may have to condemn site

WHEN city officials announced they had made a deal with automobile mogul Steve Bergstrom to keep sorely needed sales tax revenues in Santa Cruz, those concerned with the city's fiscal stability cheered.

Others, especially residents and businesses that would be displaced by construction of a major auto plaza at River Street and Highway 1, are booing loudly.

While other car dealers in Santa Cruz are preparing to drive off to new locations outside the city — taking with them a large portion of the city's sales tax revenues — Bergstrom has taken the opposite track with his decision to keep his seven dealerships in Santa Cruz.

The potential revenues from Bergstrom's car sales to the cash-strapped city amount to about \$1 million dollars a year. Vital as that money is to the city, the deal is far from complete.

"The work has just begun, really," commented city council member Mardi Wormhoudt, who also sat on the city council's auto dealership subcommittee.

Wormhoudt said the next step is an Environmental Impact Report that may take a few months. The city has made clear it will underwrite part of the cost of the report as an incentive for Bergstrom.

Then the city needs to acquire the 12 acres at the proposed auto plaza, either through outright purchase of the land or by condemning it, paying the owners, and seizing it — which is perfectly legal under redevelopment law. The parcel is zoned as redevelopment land.

Both Wormhoudt and Mayor John Laird seem confident the city can acquire the land — no matter what it takes — but residents and business people currently at the site have vowed to go to court to keep the land.

One property owner, Chuck Scherer, says he thinks the plan "is criminal," adding that "I'll fight it every way I can do it, you can rest assured."

Scherer has owned his property since 1950. On it are seven businesses and the same number of resident tenants. His daughter lives in one of the houses on the property, where she grew up and has reared her own three children.

One of the buildings Scherer owns is the 82-year-old structure known as the Log Cabin. His tenants are generally craftspeople: sculptors, sign painters, a clock maker, painters, furniture makers and refinishers. For philosophical reasons, Scherer charges notoriously low rent to his tenants, and he argues that the city's plans will "throw them out on the street."

Alan Firestone, a sculptor in the Log Cabin, laments the loss of the



The Log Cabin: Owner and residents vow to fight city's plan.

historical building, which is filled with antique equipment.

"People don't realize what's being lost," said Firestone, who teaches sculpture at both Cabrillo College and UCSC. "I bring my students in here and they can't believe it. It's like walking back three centuries in time."

One of Scherer's tenants, furniture maker Michaelangelo Rosato, says he and the other craftspeople will probably have to leave town, as they operate "on the margin" financially as it is and he doubts they will find comparable rent.

But Rosato also wondered if the plans will go through, noting that Bergstrom had previously contemplated moving his dealerships to both Scotts Valley and Capitola.

Bergstrom said he was in the final stages of securing the permits necessary to move his dealerships to Capitola when he received calls from Laird and Santa Cruz City Manager Dick Wilson, asking him to consider staying in Santa Cruz. He agreed, although he may still move his dealerships to Capitola if the River Street site falls through.

On Tuesday, the city of Scotts Valley invited him to move his dealerships to a 12-acre spot off Highway 17. While Bergstrom reiterated his intention to stay in Santa Cruz, he met with officials from Scotts Valley to see what they could offer.

"We are competing with the city of Santa Cruz and the city of Capitola," said August Caires, Scotts Valley city administrator. "The bottom line is Mr. Bergstrom will select the site that is best for him and his dealerships. We would welcome his dealerships to Scotts Valley, and we would welcome any dealership coming here."

Although Laird said he isn't sure the River Street auto plaza plans are concrete, he is "optimistic" it will go forward. There are "still a lot of hoops to jump through," he said.

Laird regrets the possible removal of business and residents and the likely condemnation proceedings, but the loss of a "significant" amount of sales tax revenue motivated his decision to offer the site to Bergstrom.

"It's a tough choice," Laird said,

"but there is a larger city concern in this situation."

"In order to preserve the Pogonip, to preserve and maintain Lighthouse Field, and operate the parks system, and so much of what we consider special here, there has to be some revenue base. (Losing the dealerships) would cripple our ability to maintain those other items," Laird said.

Also, the River Street area was the only area zoned for redevelopment in the city that was large enough, said Laird.

"In Santa Cruz, we really don't have the space, we are built out and we're certainly not going to put a car dealership on Meder Street or other places where there are large parcels of land where (dealerships) just wouldn't work. This was virtually the only parcel that was going to work that was left in and around the city."

Bergstrom explained at one time auto franchises were appointed to dealerships in "duals or triples," where one dealer would sell two or three makes of cars on one lot.

"And now the demand for automobiles is getting so great, we've all outgrown them," said Bergstrom. "The manufacturers don't want us to have two or three cars being sold in one place, they want them in a separate facility. That's what this center of Santa Cruz is going to provide, the ability to have separate facilities for each one of the cars."

Car sales improve when a separate sales force and sales manager concentrate on selling one make of car, said Bergstrom. Also, car sales rise when the separate makes are sold in the conglomerated areas usually dubbed "Auto Row."

Manufacturers prefer this type of situation, and take punitive measures when dealers don't plan to change. They will actually withhold popular autos from dealers until facilities meet their requirements, Bergstrom said. "Economically it can be a real severe crunch."

And while Bergstrom claims allegiance to Santa Cruz, he makes no bones that if this deal doesn't go through and construction doesn't start within a year, he'll go elsewhere.

"I'll be in Capitola," he said.

— Rose Dean