

# SV has land, needs money

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SCOTTS VALLEY — When a group of Santa Cruz car dealers dropped out of negotiations to build a Scotts Valley auto row in March, the city was left holding 32 acres of freeway frontage land, and facing a \$14.8-million balloon payment in January.

The deadline is November to find a developer, sell the land, or bite the bullet and pay to refinance the property, city bond counsel Bob Haight said last week.

"We don't want to push them in a corner, but a decision has to be made by Nov. 15th," Haight said. "If the city gives us direction about what they're going to do with the property, we can decide how we're going to handle the outstanding bonds" issued to finance the land's purchase.

City Administrator August Caires has asked the council to seriously consider developing a "promotional power

center" on the site — developers' jargon for a large-scale shopping center with anchor tenants such as Home Club, Price Club or Costco warehouse stores.

Such a center could bring the city more than \$2 million a year in sales-tax revenues, according to Caires.

But the council has told its staff to explore a variety of options for the site, including housing, offices, retail space, a motel, restaurant, cinema, industrial uses, and various mixtures of the above uses. Some council members have even suggested a performing-arts center on the site.

"The council has certain fear of a promotional center," said Mayor Michael Caffrey. "There's always the possibility that we'll go through with this process figuring we'll get a Home Club and not get one, like the situation with the auto dealers. We could end up with plans and never break ground."

At their Thursday meeting, the council hired an environmental consultant

to study the environmental impact various uses would have on the land. The council rejected Caires' suggestion that the city hire a consultant to choose a developer for the property, and decided to pick one itself.

Nearly a dozen developers have lobbied the city for the job since the auto-center deal fell through in March. Several have proposed building a "promotional power center," but none have offered commitments from the large chain stores.

Councilmen Joe Miller and David Schmidt, who make up the council's Economic Development Committee, will immediately begin interviewing potential developers, Caffrey said last week. Each developer will be asked to estimate the revenues that different developments will bring the city, Caffrey said.

"If we develop the site with 100 percent housing we could make our money back on the land, but the city would get no revenue in the future" from sales

taxes, Caffrey said.

A developer might pay \$400,000 an acre for housing, he said, but to a shopping center developer, the land might be worth only \$250,000 an acre. But if the shopping center brought the city millions of dollars in sales tax revenues, the city could justify selling the land at a loss because the net result would still be a profit for the city.

The city paid about \$400,000 an acre for the property, Caffrey said, and the carrying costs for the financing will be about \$1 million this year.

The council also voted to place the property on the market Thursday.

"There have been no offers to buy yet, but we have listed it for sale," Caffrey said. "We have to protect ourselves. We can always refinance the property in January, but we'll it's a question of what the payments are going to be like. We'd have to put up general fund revenues for it."