

Business-General
10-12-87
Tax report charts booms, busts in county

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SANTA CRUZ — The state has just released its sales tax statistics for the first quarter of 1987, and the figures show a slowing of the 1986 sales boom in Scotts Valley and Capitola, as well as small recovery from the 1986 sales slump in Santa Cruz.

Retail sales in Watsonville continued to stagnate, according to the statistics, with the rate of increase falling short of the state average and the official rate of inflation.

The report includes taxable sales from retail stores, breaking those figures down into 11 categories such as apparel, food, eating and drinking establishments, auto dealers and supplies and building materials.

The average rate of retail sales growth statewide was up 5.3 percent, according to the report. Figures compiled by the federal Bureau of Labor Statistics set the 1987 rate of inflation in the Santa Cruz area at 3.3 percent, as measured by the rise in the consumer price index.

In 1987, Scotts Valley earned the distinction of being one of the 240 largest retail-sales cities in the state. Santa Cruz, Capitola and Watsonville were already on the list.

The category is based not upon population numbers but on retail sales volume, according to state research analyst Ron Cole.

"It depends on the number of businesses in a city, really," said Cole. "We need enough accounts so we can break out the figures without violating confidentiality."

Scotts Valley's retail sales in the first quarter of this year were 5.3 percent higher than those reported in the first quarter of 1986. This showed a slowdown of the sales boom that boosted Scotts Valley's sales by more than 24 percent between the first quarters of 1985 and 1986.

The growth in retail sales in Scotts Valley has been fueled by the construction of several shopping centers in the past five years, according to city administrator August Caires. The city's most recent shopping center opened in 1986.

"The economy of Scotts Valley is good, healthy and viable right now," said Caires. "But we're still seeing a large

number of small business failures, which I think indicates the saturation of our retail market. I don't think we could support another new shopping center right now," he said.

Caires said city officials and businessmen are trying to encourage "unique" retail businesses to the area, such as car dealerships.

Capitola posted a 6.1-percent rate of sales growth between the first quarters of 1986 and 1987, the highest rate in the county, but far short of the 17.7 percent increase recorded between the first quarters of 1985 and 1986.

Capitola is also riding a wave of retail sales generated by large-scale construction of shopping centers along 41st Avenue. Capitola scored a retail coup in 1986 by luring three major auto dealers out of Santa Cruz with a new auto plaza development at the intersection of Highway 1 and 41st Avenue.

Capitola's auto-related sales zoomed from \$604,000 in the first quarter of 1985 to \$6,469,000 in the first quarter of 1987. However, restaurant and bar sales in Capitola outgrossed the auto industry in the first quarter, rising a healthy 10.4 percent for total sales of \$7,207,000 for the quarter. Sales of apparel soared 18 percent during the same period, but made up a smaller portion of the retail picture, with total sales of \$2,628,000 for the quarter.

Capitola city officials expect another sharp rise in retail sales once the Capitola Mall expansion is completed and several other small new shopping centers open their doors.

"I think when the expansion is complete in another year and a half, we'll see a big increase in sales," said Capitola City Manager Steve Burrell. "After that I expect a leveling effect, once we're built out."

Capitola is plowing a good portion of its sales tax revenue into capital improvements, such as street improvements and repair, according to Burrell.

The city of Santa Cruz still leads the county with retail sales of \$82,849,000 for the quarter, compared to \$42,891,000 in Capitola, \$17,170,000 in Scotts Valley and \$37,300,000 in Watsonville.

But Santa Cruz is just starting to recover from the loss of three car deal-

ers, the city's most profitable sales category and probably contributed to the city's estimated \$1.1 million budget deficit this year.

Santa Cruz reported a retail sales increase of 2.5 percent between the first quarters of 1986 and 1987, a good sign considering that retail sales in the city dropped 4.2 percent between the first quarters of 1985 and 1986.

"(The figures) are good news from the standpoint that despite the loss of three car dealers, we're starting to turn around," said Robert Shepherd, Santa Cruz's finance director. "The totals are falling very much in line with our budget projections."

"One strong point (in the economy) is our restaurant business," he added. "I like to say we have the best restaurants in the county here."

Car-related sales in the first quarter of 1987 totaled \$23,387,000, down \$6,251,000 from those recorded in the first quarter of 1985.

Restaurants and bars in the city had a good first quarter, showing sales of \$15,190,000 for the quarter, up 15.8 percent from totals for the first quarter of 1986.

"The winter season was good, the weather was warm and dry," said Tom Breznsny, Executive Director of the Santa Cruz Area Restaurant Association.

"People in the restaurant business are very, very pleased by the volume of business."

Unfortunately the strong winter was followed by a "soft" summer season for local restaurateurs, Breznsny said.

"Business this summer was about on par with last summer, or even down a bit," he noted. State figures also showed 12 new restaurant permits in the city, for a total of 208.

Watsonville posted a modest increase of 1.6 percent in retail sales between the first quarter of 1986 and 1987, a slight increase from the 1.1 percent increase posted between the first quarters of 1985 and 1986.

City officials were not available to comment on the state figures, but the stagnant retail sales may be linked to the drawn-out strike at Watsonville Canning that was only recently settled.

The statistics showed sharp decreases in restaurant and auto-related sales, with auto sales dropping 15.3 percent between the first quarters of 1986 and 1987. Restaurant sales dropped 9.6 percent in the same period, even though six new restaurants obtained permits, for a total of 96.

Sales of building and farm materials rose a healthy 26.7 percent over the same period, for a total of \$4,894,000 for the first quarter of 1987.