

Scotts Valley's Growth Mostly Halted by Economy

Holiday Inn Express a Bright Exception to City's Stalled Development Plans

Scotts Valley - Dec 0

For Scotts Valley, growing a vibrant retail and commercial district is essential. Not only will new business bring job growth to the county's third largest city, it will also generate the precious taxes necessary to balance the town's budget.

However, in the face of a deep recession, the city's golden plans for developing a vibrant town center have gone tarnished, at least for now. In addition, the Target store being proposed has been delayed by the property owner's tax trouble.

The best hope for growth at the moment is a three-story, 115-room Holiday Inn Express at 5030 Scotts Valley Dr., scheduled for Scotts Valley's council to consider on May 6. If approved, the owner has promised to break ground in June.

Town Center on Hold for Economy to Recover

To a person, city staff believe Scotts Valley found the right partner in Ohio-based Stanbury Development. With the idea to develop the city's former airport land next to King's Village Shopping Center into a mix of housing, shopping and municipal amenities including a library, the city plans to not only create a central focus to the town but also pump property and sales tax revenues into the city.

Scotts Valley planner Susan Westman says that the council is excited about Stanbury's plan to bring new corporate retailers to the county, which in turn will make the city into a shopping destination.

Councilmember Jim Reed agrees with Westman.

"A developer like Stanbury brings things to the table that most don't," he said.

Reed also believes that Stanbury is worth waiting for. The developer was granted a six-month extension on its development agreement with the city until November, and depending on the retail climate that agreement may be

extended again.

As recently as last year, many hoped that the first shops might break ground next year. While the delay is unavoidable, the city's sales tax measure is running out. The voter-approved tax has dropped from a half cent to a quarter cent and will sunset next year.

City manager Steve Ando says that unlike its neighbors, Scotts Valley's retail sales have not significantly dropped. However, their development fees have declined by \$200,000 and the city's budget is still about \$1 million short of balanced without the voter-approved sales tax.

Does this mean Scotts Valley will have to return to voters? Ando says it is too soon to tell. City leaders have been careful to keep jobs frozen and stretched resources thin to save some of the "extra" sales tax collected during the past few years. Still, the city's plan to build itself out of a operating deficit will be closely tied to the state's economic recovery.

"We are going to have to make some very tough choices in the coming years, especially if the economy doesn't recover very quickly," said Councilmember Reed.

Target Store Slowed by Developer's Financial Woe

Amid much controversy, last year Target proposed buying land at the city's gateway to build a new store. Even in the face of recession, Target has stayed on mark. However, the current developer has had its own share of financial trouble, which has slowed the plan.

Title II is a developer in trouble with taxes reportedly since 2006. The company failed to pay property taxes collected by the county for the city, including a special assessment that pays for bonds sold to make nearby infrastructure improvements.

According to Ando, the city began formal foreclosure pro-

Post 4-15-09

ceedings against Title II for unpaid taxes that were due in April 2008, leaving December '08 and April '09 taxes still due. By law, the city can't proceed until the end of the fiscal year to further pursue foreclosure. That date is June 30.

The contradiction in the rules is that as long as Title II pays the city for development costs, foreclosure and Target's approval process could run parallel tracks.

"If anybody who owns property has money to pay for studies, to develop their property, they have constitutional rights that entitle us to move on the application," Reed said. "I agree there is something distasteful about processing an application for someone who owes millions in taxes. ... But we can't stop processing their application."

Holiday Inn Express May Break Ground this June

"Cities like hotels. Hotels are about the closest thing that cities have to geese that lay golden eggs," Reed said.

In this case, the golden eggs are transient occupancy taxes (TOT), about 10 percent of every hotel room stay. It is not the volume of the tax, it is that the city gets to keep 100 percent of the tax, unlike property and sales taxes, of which the city only collects a small share.

Scotts Valley senior planner Michelle Fodge said the Holiday Inn Express was first formally proposed in February. Should the council approve plans and certify a negative environmental assessment, then the three-story hotel will break ground in June.

The plans call for between 112 and 119 rooms, underground parking and a swimming pool on 1.74 acres. The site was previously a post office substation and landscape nursery. The planning commission will first see the proposal on Apr. 23, but will need the final approval of the council on May 6. ■