

City looks to annex farmland for shopping center

Watsonville - Annexation

Economic desperation drives Watsonville officials to consider retail options

By DONNA JONES

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WATSONVILLE — As Watsonville officials cast about for ways to revive the city's economy and retain public services, one path is visible up and down the Central Coast: Retail development.

Consider Capitola: With fewer than 10,000 residents, Santa Cruz County's retail giant pulled in \$4 million in sales taxes in 2010-11, more than \$400 per person. Watsonville, with more than five times the population, earned \$4.3

million, slightly less than \$84 per resident.

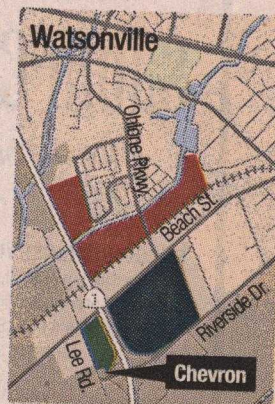
Watsonville could do better, according to a city-commissioned study that found retail sales "leakage" cost the city as much as \$1 million a year in sales taxes.

Small wonder Councilman Daniel Dodge wants to attract big retail, offering up the possibility of a Costco. Sales tax dollars mean money to hire police and firefighters, to offer after-school programs, to stimulate economic growth

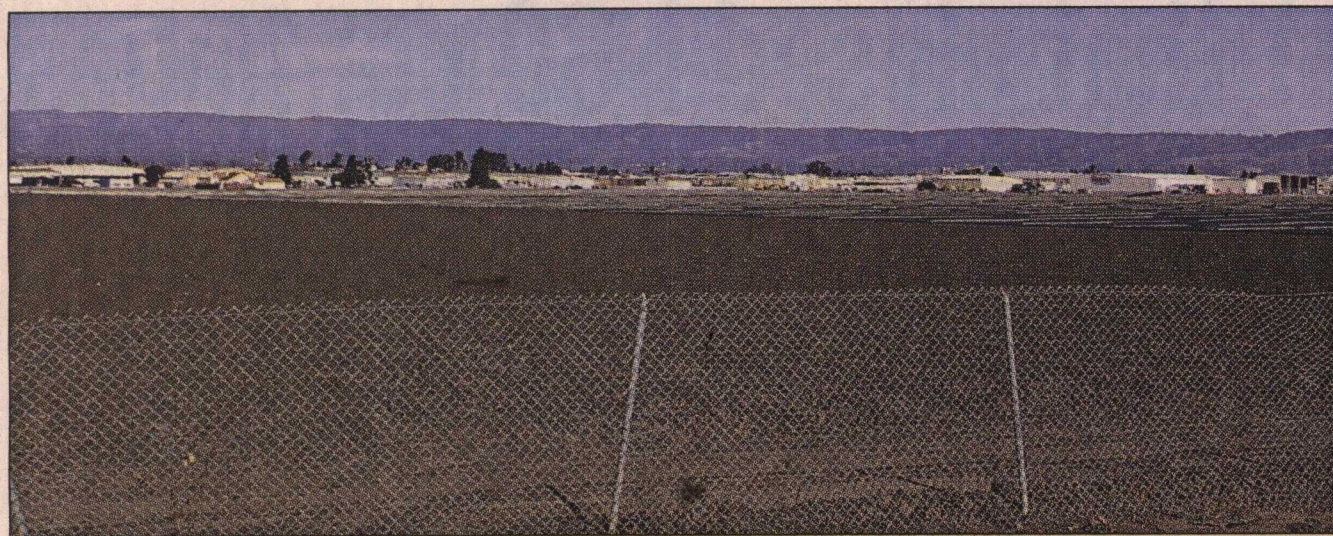
SEE RETAIL ON A3

Councilman Daniel Dodge proposes city annexation of Sakata-Kett, GreenFarm and Chevron properties. The city annexed the Manabe-Ow property in 2006.

■ Sakata-Kett
■ Manabe-Ow
■ GreenFarm / Redman-Hirahara



ANTHONY L. SOLIS/SENTINEL



SHMUEL THALER/SENTINEL

The Sakata-Kett property lies between Highway 1 and the city of Watsonville.

RETAIL

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in the wake of the state elimination of redevelopment, he says.

But here's the rub: Dodge's vision requires paving over farmland, and that's hard to sell in Santa Cruz County. Nevertheless, as lines are being drawn, he's moving ahead with his proposal for the city to annex 80 acres at the Riverside Drive interchange with Highway 1. He expects to submit language for a Nov. 6 ballot measure to the city early next week. A signature-collecting campaign could start within a couple weeks.

"He's throwing down a gauntlet," City Manager Carlos Palacios told a group that gathered Friday at Action Pajaro Valley's office on Union Street to discuss economic growth. "He's challenging us, saying 'I have an idea. What's your idea?'"

No one offered a concrete alternative at Friday's meeting, but Dodge's plan fell flat.

"It's a really bad idea," said 2nd District Supervisor Ellen Pirie. "If you want to see the final death knell of Main Street and small business in South County, build a big-box store along the freeway."

TIGHT SPOT

Action Pajaro Valley was founded in 1999 to help stakeholders find a balance between protecting farmland and the environment and the city's

need for housing and jobs.

The effort came after the city spent years trying to grow, attempts that were squashed by the North County-dominated Santa Cruz Local Agency Formation Commission, the agency charged with approving annexations. In the mid-1990s, the agency said no to an annexation proposal that included the 80-acre Sakata-Kett property eyed now by Dodge. At the end of the decade, it turned down a smaller proposal. That's when Action Pajaro Valley went to work.

The result was Measure U, a 2002 growth initiative that limited expansion through 2027 to areas near Buena Vista Road, Bridge Street and Atkinson Lane at the city's eastern edge, and the Manabe-Ow property on the east side of Highway 1 between West Beach Street and Harkins Slough Road. Sakata-Kett was put off limits.

Since then, Watsonville annexed land near Bridge Street and built senior housing. The city also annexed the 94-acre Manabe-Ow property for a business park. Six years later, it's still being farmed. That's left critics of Dodge's plan wondering why the city wants more land.

The cost of development, for one thing, Palacios explained. Manabe-Ow's soft peat soil isn't a suitable building platform. As much as 9 or 10 feet will have to be dug out and replaced with more stable soil. Infrastructure — roads, sewers, a bridge over Watsonville

Slough — is estimated to cost \$30 million.

A developer can't cover that high a cost with leases on office and light industrial space, Palacios said. The city planned to help, using redevelopment money for subsidies. With redevelopment gone, it can offer limited aid.

Retail construction can more easily stand alone, he said. Because it turns a bigger profit per square foot, it makes more financial sense for private developers. But retail is not possible under deed restrictions imposed as a condition for the 2006 annexation approval. The agreement signed by the city, the county and the environmental group, Watsonville Wetlands Watch permits only 20,000 square feet of retail space. Big-box stores and auto sales are prohibited.

TWO OPTIONS

Dodge wants to amend Measure U to put Sakata-Kett back on the table. The property's location and condition make it an easier property to develop than Manabe-Ow.

But some think he's tilting at windmills. He won't get support from agriculture, said Chris Enright, president of the Santa Cruz County Farm Bureau.

"We will actively campaign against it," he promised. "Instead of taking more ag land they should use the ag land (Manabe-Ow) they already have."

Pirie said it's not only unlikely to get through LAF-

CO, but the push to change Measure U could backfire, sowing distrust for the city.

"The Sakata-Kett idea is a waste of everyone's time," she said.

A proposal to lift the deed restrictions on Manabe-Ow, opening the door to big-box retail there, could have more traction, she said.

Enright said he wouldn't object.

"I care more about paving over farmland than what happens once farmland is paved over," he said.

It would require the signers of the original agreement to approve, as well as LAFCO.

Bob Culbertson, past president of Wetlands Watch, said the group hasn't taken a position. He said it could be a "tough decision," but the group's interest was to ensure 25 acres of the Manabe-Ow property were preserved and restored as wetland. Watsonville is living up to that commitment, he said.

PERFECT SOLUTION?

Aptos attorney Omar James represents both the Sakatas and Manabes, and, though their interests diverge, he said both families are OK with whichever project the city decides to pursue. Both are well aware of Watsonville's economic crisis with unemployment rates reaching as high as 29 percent, he said.

"No one is so naive as to believe should their option be chosen they won't economically benefit, but they know Watsonville needs to do some-

AT A GLANCE

WATSONVILLE RETAIL DILEMMA

MANABE-OW

WHAT: 90 acres bounded by Highway 1 and Ohlone Parkway annexed to the city in 2006.

HURDLE: Annexation agreement bans big-box stores, auto sales and more than 20,000 square feet of retail.

TO OVERCOME: Win approval for modification from Santa Cruz Local Agency Formation Commission and signers of 2006 annexation agreement: County, city, Watsonville Wetlands Watch.

SAKATA-KETT

WHAT: 80 acres of farmland adjacent to Highway 1 between West Beach Street and Riverside Drive.

HURDLE: Outside city limits and voter approved Measure U growth limits.

TO OVERCOME: Amend Measure U by gathering signatures for a ballot initiative, win approval of city voters Nov. 6, and seek annexation approval from Santa Cruz Local Agency Formation Commission in the face of opposition from farmers, big-box foes and others.

CITY SALES TAX

| CITY | TOTAL | PER CAPITA |
|---------------|---------------|------------|
| Capitola | \$4 million | \$403 |
| Scotts Valley | \$1.7 million | \$147 |
| Santa Cruz | \$6.4 million | \$107 |
| Watsonville | \$4.3 million | \$84 |

*Figures are from 2010-11 and represent the 8 percent base sales tax

SOURCE: Cities and U.S. Census

thing," James said.

Greg Caput, who as 4th District supervisor represents most of Watsonville, voiced concern about both plans at Friday's meeting. Agriculture makes Watsonville unique, he said, and protecting farmland is a top priority. He also wants to stick with the original plan to create industrial jobs at Manabe-Ow, and said big-box stores would devastate the city's homegrown businesses.

"Big boxes aren't interested in the Pajaro Valley," Caput said. "They're interested in their box."

But Palacios said Watsonville has few options. It's not only lost redevelopment, but on April 30, its status as an enterprise zone expires. The city has used the designation, which allows employers to take a state tax credit for hiring local workers, as a selling point in its efforts to attract business.

"It's not the perfect solution," said Kurt Overmeyer, the city's economic development manager. "But it's the

one we've got, the only tool we've got."

Dodge said he thinks city residents will agree with him. Others need to think about the reality of life for people who struggle with the cost of "everyday living" and depend on the city to provide services, he said.

"Watsonville is trying to be self determinant in ways that deal with our challenges," Dodge said. "It's about jobs and economic development. It's really that simple."

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