

^{AUTO PLAZA - Capitola} Santa Cruz city may lose another auto dealership

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SANTA CRUZ — Another auto dealer may leave Santa Cruz for the new Auto Row in Capitola, as Bergstrom Motor Co. has signed an agreement to buy one of the four parcels off 41st Avenue.

Bergstrom operates four dealerships in Santa Cruz, and the purchase could signal his moving one of them out of the city, joining three other dealers who plan to occupy Auto Row near the close of this year.

Phil Schwartz, owner of the British Jaguar-Subaru dealership, the fourth original member of Auto Row, said Thursday afternoon Bergstrom had signed an agreement with him to purchase his 1.5 acre lot.

Schwartz' dealership currently is outside the city limits. He said he will retain his dealership at its present location.

In a related deal, Bergstrom, which owns Mercedes, Honda, Toyota, and General Motors Truck dealerships, also will sell to the Seaside Co. a lot it owns between Front Street and Laurel Street Extension. The Seaside Co., owner of the Boardwalk and other property in the beach area, will use the property at least initially for a parking lot.

The possible flight of a Bergstrom dealership, in the wake of the other planned relocations, would exacerbate a situation which is expected to cause a loss of at least \$150,000 in sales tax revenues to the city.

Steve Bergstrom, owner of Bergstrom Motor Co., refused to comment today on the business deals.

Bob Shepherd, Santa Cruz' director of finance, said he was sorry to see a Bergstrom dealership move out of town, but pointed out that the company would still have three other dealerships.

Shepherd said the loss of sales tax revenue (1 percent of all gross sales going to the city) would have an impact, but not as severe as if it had happened in past years.

He said the severity of the loss was mitigated by the fact that tourism is up and the hotel industry is doing exceptionally well, setting almost daily records in the amount of tax it provides the city.

Shepherd said the city receives approximately \$4.5 to \$4.8 million a year from sales tax, about \$1 million of which comes from auto dealerships. He estimated that the loss of the three dealerships would cost the city about \$150,000, in addition to whatever the Bergstrom dealership will cost.

Lionel Stoloff, of the Santa Cruz Chamber of Commerce, said he was "dismayed" at the possible relocation and questioned whether the revenue could be made up.

"We are losing that money, and losing it forever," he said.

The biggest beneficiary in all this appears to be the city of Capitola, which had estimated that the creation of Auto Row

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would add between \$200,000 and \$250,000 in sales tax revenue to the city.

Steve Burrell, city manager for Capitola, said substituting Bergstrom for Schwartz should not pose a barrier to the project, scheduled to begin construction this month, especially if Bergstrom decides on few changes in Schwartz' original plans for the 1.5 acre lot.

Burrell said all permits have now been granted and the city is now awaiting the start of grading on the properties, located near Highway 1 on a 10-acre parcel between 41st Avenue and Wharf Road.

Talks on the Bergstrom purchase began

several months ago, but Schwartz said it was only within the last two weeks that they intensified.

Seaside Co. General Manager Ed Hutton said his company's land deal is still in escrow. He said the company will be using part of the lot for its Boardwalk employee parking.

Bergstrom, he said, would lease back part of the property to continue its current use of parking for customers and employees of its nearby GMC dealership.

Hutton said the lease for Bergstrom was "pretty open ended" and did not specify a termination date.

No purchase price was given for either transaction.