

SV files suit against car dealers

AUTO PLAZA - Scotts Valley

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SANTA CRUZ — The city of Scotts Valley has filed an \$11 million lawsuit against the owners of five Santa Cruz auto dealerships, claiming that the dealers "devised a nefarious scheme" to torpedo plans for an auto sales plaza on the site of the abandoned Santa's Village amusement park.

The collapse of the auto plaza deal cost the city "vast sums of money," thus "putting the city in substantial economic jeopardy," the lawsuit claims. The city is seeking \$1 million in compensatory damages, \$10 million in exemplary and punitive damages and undefined "special damages" from the

defendants.

The list of defendants includes Don Starr, John Keiffer, Robert Lockwood, Ronald and Cliff Busenhardt, William Winterhalder, Michael and Mark Elward, Paul and Steve John, Charles Canfield and Lee Courtright - representing the ownership of Santa Cruz Motors, North Bay Ford-Lincoln Mercury Inc., Volkswagen of Santa Cruz, Toyota of Santa Cruz, Santa Cruz Nissan-Dodge and Ocean Chevrolet-Geo. Canfield's Seaside Company - owner of the Boardwalk - is also named as a defendant, as are several other corporations and partnerships operated by the defendants.

In March, Scotts Valley's negotiations with the car dealers col-

lapsed when county officials revealed that they had also been negotiating with the dealers. The county had a plan to build an auto plaza on the Nigh Lumber property in Live Oak, and was on the verge of signing a preliminary development agreement with the dealers. Scotts Valley officials reacted with anger and outrage to the news, claiming they were completely unaware of the parallel negotiations with the county.

Both the city and county had put together attractive financial packages to convince the dealers to relocate their lucrative, tax-revenue producing businesses into their jurisdictions.

Scotts Valley had already spent more than \$10 million on land for

their project when the negotiations fell through. The city also had spent hundreds of thousands of dollars for environmental, engineering and design studies. Scotts Valley officials claimed they were deliberately misled by the dealers, who had earlier signed a preliminary development agreement with them.

But the dealers responded that they never committed themselves irrevocably to the Scotts Valley project and the city knew it. In a taped negotiating session released to the press, attorney Bob Bosso told city officials the dealers were "keeping their options open."

Attorney Bob Bosso, represent-

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Lawsuit

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ing the car dealers, said Wednesday he had not yet seen the lawsuit but considers the charges against his clients "utterly baseless."

"We negotiated with the city in good faith but were unable to come to a satisfactory conclusion," he said. "I think it's significant that the city filed (this lawsuit) just one week before the election, especially since it's been pending for 60 days."

He said his clients will file a cross-claim against the city to retrieve \$240,000 in good-faith deposits placed in trust while negotiations took place.

The lawsuit also accuses the county Board of Supervisors with violating the state's open meeting act by meeting secretly with the auto dealers to iron out details of the county project, a claim that was angrily rejected by several supervisors.

The lawsuit claims that a quorum of three supervisors — Fred Keeley, Gary Patton and Jan Beutz — held a series of secret meetings "to devise a scheme to interfere with and breach the city (agreement.) It further charges that the supervisors passed information between themselves to form a secret consensus on the terms of the county's offer to the dealers, a serious breach of state law.

Keeley and Patton both strongly denied the allegations.

"I have never met with one or more of the auto dealers, period. Never," Keeley said angrily. "They're either misinformed, or liars, or both."

Patton said the charges against the supervisors are "absolutely false."

The lawsuit, approved by a unanimous vote of the Scotts Valley City Council, claims the car dealers "did form together to conspire against the city, and thereaf-

ter operated and carried out that conspiracy...in order to defraud, deceive and materially mislead the City and to ultimately breach (a preliminary development agreement with Scotts Valley.)"

The 43-page document further alleges that "the conspiracy was carried out by appointing defendant Donald Starr...to conduct secret negotiations with various officials at the county. the purpose of the meetings was to undermine and ultimately...to breach the (agreement) with the city and thereafter consummate an almost identical contract with the county."

The lawsuit claims that Starr, "in furtherance of the carefully planned conspiracy alleged herein, gave notice to the city that his company was withdrawing from the auto mall project and suggested several spurious and nonsubstantial reasons for the the withdrawal."

Soon after, the remaining auto dealers told the city that the project could not go forward without Starr's participation, "knowing that they never intended on completing the the agreement with the city," the lawsuit alleges.

The dealers "regularly met and schemed among themselves" and "continued to encourage and observe the city expend vast sums of money to fast track the auto mall project. Never once did the (dealers) disclose they were actively negotiating with the County." Had the city known of the parallel negotiations, it would not have spent the money, the complaint said.

While city officials hope they can recoup the \$10 million spent to buy property for the project, large sums of money were taken from the city funds to pay for plans, consultants and expensive short-term financing.

"The only sure way to recoup everything is to press the lawsuit," said City Councilman Gerry Pittenger.