

Retailers hurting in Watsonville

By Bob Johnson
Special to the Mercury News

Watsonville retailers, who managed to survive the economic aftershocks of the Loma Prieta earthquake, are being hit hard by the recession.

Sales throughout Watsonville are down nearly 4 percent from a year ago, according to state sales tax figures. Retail trade figures are expected to be more than \$40 million short of the optimistic prediction made last spring by the city finance department.

That optimism was based largely on the increased sales expected from the Oct. 17 reopening of Ford's Department Store, the oldest and largest retailer in Watsonville.

Ford's sales are strong, but the reopened department store seems to be an oasis in a depressed economy.

Ford's reopened on schedule, and sales at the new building have exceeded the hopes of company officials. But Ford's seems to be an oasis in a depressed economy plagued by high unemployment and consumer caution.

"The people don't have the cash," said Carlos Rico, who runs the Flor del Valle market on lower Union Street. "We're living off food stamps, unemployment checks, and Women, Infants, and Children vouchers."

The current high unemployment rate is not unusual for Watsonville, where the economy traditionally slows down when the fields and canneries close down for the winter.

"According to our stats, unemployment was around 12 percent in Watsonville in December," said Tad Kimoto, office manager for the Watsonville Employment Development Department. "That's not too bad for

this time of year around here."

What was unusual, however, was the lack of a spring economic renewal after last winter. Unemployment peaked at 17 percent in March, said Kimoto, and stayed above 10 percent even during the strongest harvest months.

At Rico's corner grocery, the persistent slump meant that a winter-type economy came early this year. "Usually we feel it around October or November," Rico said, "but this year it hit in late August and September."

While layoffs have most severely hit the Hispanics who work the fields, nurseries,

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and canneries, the anxious mood caused by the recession has overtaken Watsonville's middle class.

"People are just not spending money," said Carol Wix, regional vice president of First National Bank. "They're paying off their loans and credit cards, and being very careful."

Slumping retail sales have forced the Watsonville City Council to adopt midyear budget cuts to make up for a \$411,000 shortfall in anticipated sales tax revenues.

On the recommendation of City Manager Steve Salomon and City Finance Director Eric Frost, the council agreed early this month to eliminate \$325,000 in capital expenditures from the fiscal 1992

budget. Salomon also has put top city administrators on notice that proposed department budgets for next year should increase no more than 3.3 percent, and that he believes vacant city positions should be filled only if a review shows them to be essential.

The cuts would have been even steeper had it not been for the astonishing success of the new Ford's store over its first three months.

"Our sales are up a little over 60 percent — we had hoped for 30 to 40 percent in the new store," said Ford's President Jim Vicars. The new flagship Ford's store expects to ring up between \$10 million and \$12 million in sales this year, according to Vicars. "We're going to take the lessons we've learned in Watsonville and apply them to our other stores."