



MEETING DATE: 3/6/06
OTHER BUSINESS

COUNCIL AGENDA REPORT

||

DATE: March 2, 2006

TO: MAYOR AND TOWN COUNCIL

FROM: DEBRA J. FIGONE, TOWN MANAGER *Debra Figone*

SUBJECT: CONSIDERATION OF A RESOLUTION ENCOURAGING THE RETENTION OF AUTOMOBILE DEALERSHIPS AND ESTABLISHING REQUIREMENTS TO CHANGE THE USE OF EXISTING AUTOMOBILE DEALERSHIP SITES

RECOMMENDATION:

- A. Discuss the need to set forth expectations and requirements to change the use of automobile dealership sites.
- B. If Council determines that it is desirable to adopt a document establishing the process to change the use of an automobile dealership site, it should adopt the Draft Resolution (Attachment 1). If amendments are needed to the Draft Resolution, staff will return to Council with a revised resolution reflecting the changes requested by Council.

BACKGROUND:

As the Council is aware, three Los Gatos automobile dealerships will be closing. The Los Gatos Auto Mall has closed and Swanson Ford will close in March. Los Gatos Hummer will be relocating to Milpitas and it is unclear at this time if there will be a replacement dealership on this site, although the current owner will attempt to secure a replacement. Developers have preliminarily met with staff to discuss redevelopment of two dealership sites with other uses and have sought input on how the Town Council and staff will view the changes in land use.

Redevelopment of the automobile dealership properties raises several substantive land use and economic issues:

(Continued to Page 2)

Bud N. Lortz
PREPARED BY: BUD N. LORTZ
DIRECTOR OF COMMUNITY DEVELOPMENT

Reviewed by: PS Assistant Town Manager OK Attorney ___ Clerk ___ Finance
___ Community Development Revised: 3/2/06 2:55 pm

1. Current Town Policies:

The Town has a number of policy documents that cite the importance of automobile dealerships to the Town and contain language specifically addressing this land use. The Los Gatos General Plan encourages a full range of commercial uses to support economic vitality and provide citizens with a variety of commercial uses to support residents, minimize sales tax "leakage," and maintain an "economically stable community within environmental goals." The General Plan also contains policies addressing dealerships in which the Town will "retain and enhance auto dealerships" and "auto related uses currently existing shall be allowed to remain indefinitely."

The Town's Economic Vitality Program also discusses the importance of automobile dealerships to the Town to provide resident-serving retail opportunities, jobs, and sales tax. The Program further states that the Town will assist dealerships to make improvements to their facilities while maintaining sensitivity toward adjoining neighborhoods.

Last year, the Council adopted two policy documents applicable to automobile dealerships. First, the Commercial Design Guidelines (CDG) contains a section that specifically creates design guidelines for dealerships. In addition, Council adopted the Policy on Minor Alterations to Commercial Buildings which allows for architectural enhancements and minor additions to existing commercial buildings (including dealerships) to be approved through a public review process by the Development Review Committee provided the design changes are consistent with Town policies, including the CDG.

2. Impacts to Town's Economic Base:

The Town's automobile dealerships comprise a significant portion of the Town's economic base. The Town derives 23% of its sales tax revenues from dealerships totaling approximately 6% of the Town General Fund operating revenues which are used to provide core municipal services to the community. If the number of dealerships declines, staff and some of the remaining dealers are also concerned with the long-term viability of the Town as a location for automobile dealerships due to the reduction in the critical mass of dealerships.

Staff is in the process of conducting outreach meetings with each dealership in Town. The purposes of the meetings are as follows:

- Obtain information on the status of each dealership.
- Obtain input on the state of the overall automobile retailing industry.
- Discuss the ongoing viability of Los Gatos in the regional automobile retailing marketplace.

DISCUSSION:

Staff believes it is important to provide potential developers with guidance on the Town's viewpoint on the current automobile dealership uses before the Town receives any formal development applications. Furthermore, staff would like to provide information to developers on specific requirements that will need to be addressed in reviewing land use changes to dealership sites.

Staff has developed the attached Draft Resolution (Attachment 1) that, should Council adopt it, will express and document the Council's concerns and expectations. Specifically, the Draft Resolution contains the following:

- Recaps the Town's policies regarding automobile dealerships.
- States that Council strongly prefers to retain the existing automobile dealership uses.
- States it is preferred that a conversion of a dealership site be processed through a Planned Development application.
- Establishes that the Town will initiate a rezoning of automobile dealership sites should a conversion be proposed through a process other than a Planned Development (see Alternatives section below for discussion on rezonings).
- Requires that an applicant submit a fiscal impact analysis which may be peer reviewed.
- Requires an applicant to propose mitigation measures to offset Town service impacts.
- Requires a demonstration that an automobile dealership is no longer a feasible use on the site.
- States that the applicant must demonstrate why the change of use is necessary, unavoidable, and consistent with the General Plan.
- Encourages the automobile dealerships to update their existing facilities.

Like the Town's Alcohol Policy, this Draft Resolution would not become part of the Town Code, but will express the Council's expectations regarding applications to change the land use of an automobile dealership site.

ALTERNATIVES:

The Draft Resolution does not preclude the Council from taking additional actions to further protect automobile dealership uses. As an alternative or in addition to the resolution, Council could consider the following alternative approaches:

1. Auto Dealership Zoning District:

Staff could develop a new zoning district specifically for auto dealership sites and the sites could be rezoned from CH (Restricted Highway Commercial) to the new district. The new code would greatly reduce the range of allowed uses and would require a rezoning to change the use of an automobile dealership site.

2. Auto Dealership Overlay Zone:

Staff could develop a new overlay zone for automobile dealership sites. This approach would retain the existing CH zone and apply an overlying zoning code that contains specific requirements and standards for dealership sites. The Town currently uses overlay zones for Planned Developments (PD) as well as Landmark and Historic Preservation (LHP) sites.

Either alternative will require that staff develop new zoning code language containing requirements and standards for automobile dealership uses. The rezoning/overlay zone process will require several public hearings and may trigger California Environmental Quality Act review. Staff estimates either alternative will take nine to twelve months to implement and would require changes to the Community Development Department work program. It may be necessary to adopt a moratorium on dealership conversions until such time as the rezonings have been adopted.

CONCLUSION:

The Los Gatos automobile dealership uses are a significant component of the Town's resident serving businesses and the Town's economic base. Several developers have met with staff to discuss potential redevelopment of dealership sites. Staff recommends that Council adopt the Draft Resolution to provide guidance to staff, Planning Commission, developers, and local dealers on the importance of the Town's automobile dealership uses and to provide a policy statement on the Council's expectations should the Town receive applications to change the use of a dealership site.

ENVIRONMENTAL ASSESSMENT:

It has been determined that this item is not a project as defined under CEQA and no further action is required.

FISCAL IMPACT: None.

Attachments:

1. Draft Resolution.

PAGE 5
MAYOR AND TOWN COUNCIL
SUBJECT: RESOLUTION ON AUTO DEALERSHIPS
March 2, 2006

Distribution:

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RESOLUTION NO.

**RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS
ENCOURAGING THE RETENTION OF AUTOMOBILE DEALERSHIPS WITHIN
TOWN AND ESTABLISHING REQUIREMENTS TO CHANGE THE USE OF
EXISTING AUTOMOBILE DEALERSHIP SITES**

WHEREAS, the Town of Los Gatos contains a number of automobile dealerships which are important businesses to the Town and its residents and provide significant revenues to the Town through sales taxes; and

WHEREAS, the Town of Los Gatos General Plan contains Goals and Policies encouraging a full range of commercial uses that preserve the Town's economic vitality while maintaining the unique character of Los Gatos. For example, Goal L.G.5.2 is to maintain an "economically stable community within environmental goals"; and

WHEREAS, the General Plan contains specific policies addressing automobile dealerships in which the Town will "retain and enhance auto dealerships" and "auto related uses currently existing shall be allowed to remain indefinitely"; and

WHEREAS, the Town's Economic Vitality Program addresses the importance of automobile dealerships to the Town in terms of retail opportunities for residents, jobs, and sales tax. The Program states that the Town will assist dealerships to make improvements to their facilities while remaining sensitive to surrounding neighborhoods; and

WHEREAS, automobile dealerships represent roughly 23% of the Town's sales tax revenues which comprises approximately 6% of the Town's General Fund operating revenues; and

WHEREAS, a decline in revenue can potentially impact the Town's ability to provide municipal services to its citizens; and

WHEREAS, one Los Gatos auto dealer has closed and two other dealers have informed the Town that they will close their Los Gatos dealerships in the near future; and

WHEREAS, the Town Council is very concerned with the health of the Town's auto dealers and seeks to protect the long-term viability of the Town as a desirable location for auto dealerships; and

WHEREAS, in the absence of more detailed analysis under the California Environmental Quality Act, the redevelopment of one or more automobile dealership sites can cause significant long term physical changes to the appearance and function of Los Gatos Boulevard resulting from the construction of large structures, increased vehicle traffic, noise, light and other physical impacts.

THEREFORE, BE IT RESOLVED: The Town Council expresses its strong preference that the existing automobile dealer uses be retained on their current sites.

FURTHER RESOLVED: The Town Council establishes the following policies in reviewing applications to convert automobile dealership sites to another use:

- A. It is preferred that any proposed change in the use of an automobile dealership be processed as a Planned Development application. If a conversion of an automobile dealer site is proposed through an application other than a Planned Development, the Town will initiate a rezoning of all dealership sites and may adopt a moratorium on such conversions until such time as the rezonings have been adopted.
- B. The applicant is required to submit a fiscal impact analysis to assist the Town in assessing the fiscal impact of the proposal. The analysis shall evaluate the impacts to both Town revenues and expenses potentially incurred due to Town

service demands. The Town may require that the applicant's fiscal impact analysis to be peer reviewed at the applicant's expense.

- C. Based upon the fiscal impact analysis, the applicant shall propose mitigation measures to offset Town service impacts associated with the project.
- D. The applicant must demonstrate that an automobile dealership use is no longer a feasible use on the site.
- E. The burden of proof rests with the applicant to demonstrate why the change of use is necessary, unavoidable and consistent with the Town General Plan.

FURTHER RESOLVED: The Town Council has streamlined the process to allow automobile dealerships to upgrade the architecture of their existing facilities through adoption of the Policy on Minor Alternations to Commercial Buildings and adoption of the Commercial Design Guidelines. The Council encourages the dealerships to update their facilities consistent with the Policy and Guidelines.

PASSED AND ADOPTED at a regular meeting of the Town Council of the Town of Los Gatos, California, held on the ____ day of _____ 2006 by the following vote:

COUNCIL MEMBERS:

AYES:

NAYS:

ABSENT:

ABSTAIN:

SIGNED:

MAYOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

ATTEST:

CLERK ADMINISTRATOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

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