



MEETING DATE: 4/17/06
OTHER BUSINESS

16

COUNCIL AGENDA REPORT

DATE: April 7, 2006
TO: MAYOR AND TOWN COUNCIL
FROM: DEBRA J. FIGONE, TOWN MANAGER 
SUBJECT: CONSIDERATION OF A RESOLUTION EXPRESSING SUPPORT FOR
AUTOMOBILE DEALERSHIPS AND DIRECTION ON ACTION ITEMS
FROM THE AUTOMOBILE DEALERSHIPS STUDY SESSION

RECOMMENDATION:

- A. Consider adopting the Draft Resolution (Attachment 1) expressing support for the Town's automobile dealerships. If significant amendments are needed to the Draft Resolution, staff will return to Council with a revised resolution reflecting the changes requested by Council.
- B. Review the list of action items from Council's March 20, 2006 Study Session (Items 1-8). Provide direction on the action items identified in this report. A new action item has been presented since March 20 and is included as Item 9. Staff recommendations are included for each action item.

BACKGROUND:

At the March 6, 2006 Town Council meeting, the Council considered a resolution encouraging the retention of automobile dealerships and establishing requirements to change the use of existing automobile dealership sites (Attachment 2). Affected stakeholders present at the meeting expressed concern about the impacts of the resolution. Given their comments, Council requested a Study Session to provide clarification regarding the intent of the resolution and how it would be applied.

The Council held the Study Session on March 20, 2006 and received input from auto dealers, land owners, and real estate brokers (Attachments 3 and 4). Based upon Council's comments provided at the end of the Study Session, staff has identified a number of follow-up action items. Staff is seeking direction on these items.

(Continued to Page 2)

PREPARED BY: BUD N. LORTZ 
 DIRECTOR OF COMMUNITY DEVELOPMENT

Reviewed by: Assistant Town Manager Attorney Clerk Finance
 Community Development

Revised: 4/7/06 3:55 pm

DISCUSSION:

Staff has identified eight action items based on Council's comments as described in the following sections.

1. Resolution--Alternative 2

Description: Council members seemed to favor Alternative No.2 as described in the Study Session Staff Report. The resolution expresses support for the Town's automobile dealerships and states that land use changes will be reviewed carefully by the Town.

Implementation: Staff has attached a Draft Resolution expressing support for the Town's automobile dealerships for Council consideration (Attachment 1).

Staff Recommendation: Adopt Draft Resolution or provide additional direction.

2. Require Planned Development Application

Description: Council members voiced support for the requirement of a Planned Development (PD) to change the land use of an auto dealership site, which would allow Council to review proposed land use changes. This requirement could be applied to automobile dealership sites only or could be expanded to include all sites greater than 40,000 square feet in the CH zone. This would affect 29 parcels (Attachment 5).

Implementation: The Council should provide direction on the preferred approach and staff will initiate a Town Code amendment for review by Planning Commission and Council. The process for amending the code will take about 4-6 months.

Staff Recommendation: Require a PD for all sites greater than 40,000 square feet in the CH zone. This will allow Council to review the land use changes that could occur along Los Gatos Boulevard and ensure consistency with the Town's policy documents including the General Plan and Los Gatos Boulevard Plan.

3. Fiscal Impact Information

Description: Council expressed interest in obtaining additional information on the fiscal impacts of proposed replacement projects as compared to the current use of the property. There are three levels of information that could be required:

- Confirmation of the retail sales figures presented by real estate brokers at the Study Session. This is information that staff can provide based upon sales tax data.
- Require revenue impact analysis of a proposed project. This would provide information about current and future revenues.
- Require fiscal impact analysis of a proposed project. This would provide information about current and future revenues and would evaluate a project's impacts on Town services.

As expressed by Council during the Study Session, any fiscal information would not be the deciding factor in reviewing a proposed project but rather would be one piece of information that would be considered in a comprehensive review of an application.

Implementation: The Council should provide direction on the preferred approach. If the Council requests a revenue impact or fiscal impact analysis, this direction should be memorialized in the Draft Resolution. Staff has drafted proposed language below that Council can include in the Draft Resolution to require additional fiscal information.

“FURTHER RESOLVED: the Town Council will require an applicant to provide a (revenue impact analysis or fiscal impact analysis) with an application, to change the land use of an automobile dealership site. Fiscal impact information will not be the sole consideration in reviewing an application to change the land use of an automobile dealership site but will be one consideration in the comprehensive evaluation of the proposed project.”

Staff Recommendation: Include the proposed language in the Resolution to require additional fiscal information. As indicated, this will not be the sole factor in deciding an application. It would be used, however, to plan for changes in revenues or services contemplated by the replacement project.

April 10, 2006

4. Allow Used Car Dealers

Description: Council indicated a desire to consider an amendment to the Town Code to allow used car dealerships. The Town Code currently allows used cars to be sold in association with a new car dealership. Based on Council input, staff and the General Plan Committee (GPC) would prepare a Town Code amendment, develop standards for used car dealerships, and determine if modifications should be made to the Commercial Design Guidelines to address used car dealerships.

Implementation: The Council should determine if staff should pursue this action item. Staff will develop a Town Code amendment and associated standards for review by the GPC, Planning Commission and Council. The process for amending the code will take about 4-6 months.

Staff Recommendation: Pursue a thorough evaluation of used car dealerships and develop alternative approaches.

5. Incentive Package for Current Dealerships

Description: Council suggested that a package of incentives might be provided to existing auto dealers to encourage upgrades to their current sites. The package might include financial and permit streamlining incentives. The possibility of small directional signs along Highway 17 and 85 was also mentioned.

This action item will require additional time and study by staff. Council has streamlined the development review process to encourage automobile dealerships to upgrade the architecture of their facilities through recent amendments to the Zoning Ordinance and adoption of new Commercial Design Guidelines. Council could similarly streamline the process for significant changes or reconstruction of dealerships and/or adopt a policy to direct how applications will be processed. This process will involve GPC input, as well as broad public input.

Implementation: The Council should determine if staff should pursue this action item. Staff will develop potential incentive packages and return to Council with alternatives and seek further direction. The process for developing incentive packages will take about 4-6 months.

Staff Recommendation: Explore potential incentives in more detail.

6. Information on Existing Processes

Description: Council requested information on the existing Architectural and Site Approval and Conditional Use Permit processes, including the scope of review for each process and the required findings.

Implementation: This information is provided in Attachment 6.

Staff Recommendation: Advise if any further clarifications are required.

7. Obtain Dealer Input

Description: Council encouraged staff to obtain input from the automobile dealers as it continues to work on issues relating to the dealership community. Staff will need to work closely with the dealers in developing an incentive package discussed above.

Implementation: Staff will obtain input from the auto dealers at a strategic point early in the process.

Staff Recommendation: Convene a formal meeting with the auto dealers when the Town Code amendments and draft incentive package are prepared to obtain their input prior to the public hearing process.

8. Market Study

Description: Although not directly addressed by the Council, staff is seeking direction from Council on a Town-initiated market study of automobile dealership uses. The study would provide information on the long-term viability of automobile dealerships in the Town and could provide meaningful information in preparation of an incentive package.

The study would also provide background information for the upcoming General Plan update. For example, the study's findings would guide the Town in reviewing General Plan policies supporting automobile dealerships and/or in crafting a vision for Los Gatos Boulevard should additional dealership sites be redeveloped. It will also be of use in evaluation whether automobile dealerships should be encouraged on the North 40.

Implementation: The Council should indicate if staff should undertake a Town-initiated auto dealership market study. If authorized, staff would bring the market study, scope of work and contract to Council for consideration. The market study will be provided to Council or review in conjunction with or prior to the Town Code amendments and incentive package. The market study will be available in 4-6 months.

Staff Recommendation: Proceed with Town-funded market study to provide background for future Town actions.

9. Development Agreement:

Description: Staff recently met with the Peter Pau, the developer currently in contract for the Swanson Ford property. He raised the possibility of entering into a development agreement with the Town as a means to guarantee that the Town would not lose revenue from the land use change.

The State Government Code authorizes cities to enter into a binding development agreement (DA) with property developers. The DA must be consistent with the General Plan and shall specify the permitted uses of the property, the maximum density and/or intensity of the project, and the maximum size and height of buildings. The DA may also contain terms and requirements for subsequent discretionary permits and specify a time within which construction shall be commenced. A DA can provide a form of vested right given that they can establish that the planning, zoning, and building regulations in force at the time of the agreement remain in effect for the life of the agreement.

A DA is a legislative act and cities are not required to enter into a DA; however, State law requires cities to establish procedures and requirements for a DA if requested by a developer.

Implementation: The Council should indicate if a DA is potentially of interest to the Council and also indicate if staff should proceed to develop procedures and requirements for considering a DA. The development procedures and requirements for considering a DA will take about 4-6 months.

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MAYOR AND TOWN COUNCIL

SUBJECT: RESOLUTION ON AUTO DEALERSHIPS

April 10, 2006

Staff Recommendation: Discuss the potential of a DA with the developer as the project evolves. Determine if a DA would be mutually beneficial to both parties. Report back to Council as additional information is obtained.

CONCLUSION:

In consideration of the public input received at the March 20, 2006 Study Session, Council members identified a number of potential action items relating to the Town's automobile dealerships. Staff has summarized the items requiring further action and has prepared a Draft Resolution based upon Alternative 2 described in the March 20 Staff Report. Staff is also seeking Council direction on a number of the other action items as described in this report.

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
2. Town Council Staff Report for Meeting of March 6, 2006
3. Town Council Staff Report for Study Session of March 20, 2006
4. Town Council Minutes for Study Session of March 20, 2006
5. Map Showing CH Properties Greater than 40,000 Square Feet
6. Memorandum on Existing Processes
7. Letter from Marilyn Swanson dated March 29, 2006

Distribution:

John Moore, Moore GMC Truck, Pontiac, Buick, 15500 Los Gatos Blvd, Los Gatos, CA 95032
Ron Battistella, Los Gatos Auto Mall, 620 Blossom Hill Rd, Los Gatos, CA 95032
Marc Chase, Bentley of Silicon Valley, 66 E. Main St, Los Gatos, CA 95032
Bruce Swanson, Swanson Ford, 16005 Los Gatos Blvd, Los Gatos, CA 95032
Mark Maxwell, Los Gatos Acura, 16151 Los Gatos Blvd, Los Gatos, CA 95032
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MAYOR AND TOWN COUNCIL

SUBJECT: RESOLUTION ON AUTO DEALERSHIPS

April 10, 2006

Robert Swanson Family Partnership LP, 16005 Los Gatos Blvd, Los Gatos, CA 95032

Nancy Roberts Bowen, 16300 Ridgecrest, Monte Sereno, CA 95030

Russell V. Roessler, Trustee, 99 Almaden Blvd, Ste 300, San Jose, CA 95113

Grant R. Bishop, Trustee, PO Box 125, Los Gatos, CA 95031

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RESOLUTION NO.

**RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS
EXPRESSING SUPPORT FOR AUTOMOBILE DEALERSHIPS WITHIN TOWN**

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.

THEREFORE, BE IT RESOLVED: The Town Council expresses its support for the automobile dealerships.

FURTHER RESOLVED: A change in land use of an automobile dealership site will be reviewed carefully by the Town to ensure the project is consistent with the Town's General Plan, Town Code, and applicable policy documents.

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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COUNCIL AGENDA REPORT

11

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

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:

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MAYOR AND TOWN COUNCIL

SUBJECT: RESOLUTION ON AUTO DEALERSHIPS

March 2, 2006

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- Robert Swanson Family Partnership LP, 16005 Los Gatos Blvd, Los Gatos, CA 95032
- Nancy J. Bowen, Russel V. Roessler, Trustee, 111 W. St John St, #1040, San Jose, CA 95113
- Grant R. Bishop, Trustee, PO Box 125, Los Gatos, CA 95031

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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

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:



COUNCIL STUDY SESSION REPORT

DATE: March 16, 2006
TO: MAYOR AND TOWN COUNCIL
FROM: DEBRA J. FIGONE, TOWN MANAGER
SUBJECT: STUDY SESSION TO DISCUSS SUGGESTED PROCESS TO REVIEW REDEVELOPMENT PROPOSALS OF AUTOMOBILE DEALERSHIP SITES

Handwritten signature of Debra J. Figone

RECOMMENDATION:

- 1. Receive public input
2. Provide direction to staff

PURPOSE OF STUDY SESSION

The purpose of the March 20, 2006 study session is to develop a common understanding among the Town Council, affected stakeholders, and the community about why the Town is concerned about the status of local automobile dealerships, what actions the Town could take to address this concern, and what the various actions mean.

BACKGROUND

At the March 6, 2006 Town Council meeting, the Council considered a resolution encouraging the retention of automobile dealerships and establishing requirements to change the use of existing automobile dealership sites. Affected stakeholders present at the meeting expressed concern about the impacts of the resolution. Given their comments, Council requested staff to hold a study session to provide clarification regarding the intent of the resolution and how it would be applied. This staff report builds upon and adds to the discussion and the staff report and resolution presented on March 6th (Attachment 1). This staff report provides information about the following:

- Reason for the Town's interest
Current process for a change of use on automobile dealer sites.
Alternatives to the draft resolution.

PREPARED BY: BUD N. LORTZ, DIRECTOR OF COMMUNITY DEVELOPMENT

Handwritten signature of Bud N. Lortz

Reviewed by: PSJ/Assistant Town Manager Attorney Clerk Finance
Community Development Revised: 3/16/06 3:55 pm

What is the current process for redevelopment of automobile dealer sites?

All the automobile dealerships in Town with the exception of the downtown Silicon Valley Auto Group (Bentley dealership) have a General Plan land use designation of Mixed Use Commercial and are zoned CH (Restricted Highway Commercial). To redevelop an existing automobile dealership site, a developer would need to file a development application with the Town. The type of application would depend on the proposed use of the property. Retail or office uses are allowed in the CH Zone as a matter of right. Consequently, only an Architecture and Site (A&S) application is required and the Planning Commission, not the Town Council, is the deciding body. The fundamental land use issue is not a consideration in an A&S application, only issues of design.

If a residential use is proposed, a Conditional Use Permit application is required and the Planning Commission is the deciding body. It is also possible to file a Planned Development application for a residential or mixed use project which is reviewed by the Planning Commission and its recommendation is forwarded to the Town Council for final action.

The prospective developer of the Swanson property, Sand Hill Property Company, has indicated that they intend to submit a Planned Development application for a mixed use development including residential, retail and office uses. The prospective developer of the former Los Gatos Auto Mall property, Westwood Company/Hamlin LLC, intends to redevelop the property with a retail development. It is unclear if they will file a Planned Development Application.

What are the alternatives to the Draft Resolution?

The Council has a range of alternatives as it considers the redevelopment of automobile dealerships. The following is a short list of alternatives.

1. **No Action:** Do not take any action concerning the automobile dealerships. The Town would review redevelopment of auto dealership sites utilizing existing codes, policies, and processes.
2. **Resolution Expressing Support:** The Council could adopt a resolution that would simply express support for the Town's auto dealerships and state that land use changes would be reviewed carefully by the Town. Such a resolution would not attempt to clarify issues of concern to the Council nor make any changes to existing requirements and processes.
3. **Resolution Enhancing Review:** This is the current Draft Resolution. The Draft Resolution expresses strong support for the Town's auto dealerships and clarifies the Council's expectations and potential issues of concern as the Town reviews redevelopment of automobile dealership sites.
4. **Rezoning:** As stated in the previous staff report, the Town could develop a new zoning

2. *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.*

Based upon the fiscal impact analysis, the applicant shall propose mitigation measures to offset Town service impacts associated with the project.

The General Plan contains policies requiring a review of fiscal impacts/benefits to the Town and local school districts and also states that the Town should only allow projects in which the public costs can be justified by overall community benefit. These two policy statements in the Draft Resolution are intended to highlight the General Plan requirements and provide clarification on how the requirements could be met. They do not require a dealer that is going out of business to provide personal financial data or "open their books" for review.

3. *The applicant must demonstrate that an automobile dealership use is no longer a feasible use on the site.*

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.

The General Plan states that the Town should retain and enhance its auto dealerships and auto related uses shall be allowed to remain. The policy statement in the Draft Resolution outlines how an applicant can demonstrate compliance with the General Plan policies. As an example, the applicant could provide a market analysis demonstrating that an automobile dealership use is no longer feasible due to changes in the regional automobile retailing marketplace or due to a site's size and shape.

4. *The Town Council expresses its strong preference that the existing automobile dealer uses be retained on their current sites.*

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.

These statements recap existing Town policies contained in the General Plan and other policy documents previously adopted by the Town.

to determine which, if any, of the existing auto dealers may be leaving the Town in the futures, and whether other auto franchise dealerships would be interested in locating in Los Gatos.

Attachment 2 provides a synopsis of the anecdotal information shared in this dialogue, an overview of trends affecting the industry. A clarification is provided on the California Department of Motor Vehicle New Vehicle Board's "10-mile rule" process, which all dealerships must follow in order to establish themselves in a given market place. This clarification is based on staff's research of this issue as well as follow-up discussions with some of the auto dealers.

Attachments:

1. ~~Town Council Staff Report for March 3, 2006.~~
2. Los Gatos Auto Dealership Overview.
3. Letter from South Bay Honda dated May 15, 2006

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LOS GATOS AUTO DEALERSHIP OVERVIEW

Upon receiving news that long-time family dealership Swanson Ford would be closing their business on Los Gatos Boulevard, Town staff began conducting a series of "check-in" meetings with local auto dealers (Exhibit A is a matrix showing all of the Los Gatos Boulevard auto dealers). Staff met with the owners of all auto dealerships in Town. These meetings provided staff with a better understanding of trends affecting the auto industry, the viability of auto dealers on Los Gatos Boulevard, and what limitations if any, the Town has in recruiting new private or public auto dealership franchises. Although partially anecdotal, this information provides an overview of the auto industry and the national, regional, and local trends that are impacting Los Gatos Boulevard dealerships.

INDUSTRY OVERVIEW:

There are two types of auto industry business models: the private (sole entrepreneur) dealerships which are typically locally owned, and the public (corporate) dealerships such as *AutoNation* and *United Auto Group, Inc.* (only one Los Gatos Boulevard dealership falls under this corporate umbrella, the majority of dealerships are locally owned). Each dealership must apply for a permit from the California Department of Motor Vehicles New Motor Vehicle Board to operate their franchise of choice.

For a new auto dealership to open or relocate, the New Motor Vehicle Board requires a prospective dealer to properly notify the Board, and each franchisee of the same "line-make," as to their intentions to establish a dealership in a specified market location. If no protest is filed by any existing same "line-make" auto dealership, or disputes are resolved through mediation, the incoming auto applicant has "cleared the market," and may move forward in opening their dealership. This process is often referred to as the "10-mile" rule. Manufacturers looking to establish a "satellite" facility, also referred to as a "1/2 point/companion" dealership by one Los Gatos dealer, must also go through a "clearing of the market" within two miles of the proposed location.

Protest probability of an incoming dealership trying to enter a market where an existing same "line-make" proprietor is already established is likely; however a recent precedent-setting ruling was made locally when an exception to the "10-mile" rule was granted for a dealer trying to gain market entrance in Milpitas. In light of this recent ruling, incoming auto entrepreneurs trying to establish new dealerships in "market saturated" areas should become more feasible in theory.

Commercial Models

Location choices for the auto industry primarily fall into three categories:

- **Auto Mall:** numerous contiguous dealerships provide consumers with convenient shopping variety. Local examples: Steven's Creek Auto Mall, and Capital Expressway Auto Mall.
- **Freeway/Easy Access Auto Mall:** provides high visibility and lower land costs for the auto dealer, which is ideal for volume-based sales. Local examples: Milpitas and Dublin Auto Mall.
- **Neighborhood Dealership:** provides a "hometown" personable shopping environment, convenient location to consumer base for sales and ongoing maintenance needs. Local examples: Los Gatos Boulevard, Sunnyvale, and Menlo Park.

REGIONAL/LOCAL TRENDS (CONT'D)

Several of the local dealers reflected on the advantages of doing business in Los Gatos, including the natural beauty of the physical environment, the close proximity to their customer base, and the relaxed atmosphere customers experience. Also noted, was the branding power and recognition their dealerships received by operating out of Los Gatos.

The majority of the auto dealers were fairly positive on the ability to attract other franchises in spite of the 10-mile rule, and several reported that some manufacturers were currently looking to establish a point within the South Bay region. Many of the local dealers felt that the "½ point/companion" franchise model seemed particular feasible for Los Gatos.

Limiting factors to additional franchise attraction include land values and the smaller size of Los Gatos auto sites. According to one of the dealers, the land values on Los Gatos Blvd. are higher than on Stevens Creek Blvd., and contributes to the reason why a dealership on Los Gatos Blvd. may not "pencil out."

Dealer	Address	Dealer Contact	Property Owner	Parcel Size
Bentley of Silicon Valley	66 E. Main Street Los Gatos, CA 95032 (408) 354-4000	Marc Chase	Marc Chase	10,600 s.f.
Bentley of Silicon Valley	47 E. Main Street Los Gatos, CA 95032	Marc Chase	Peter Hoffman	9,583 s.f.
Hummer of Los Gatos	620 Blossom Hill Road Los Gatos, CA 95032 (408) 358-7070	Ron Battistella	Nancy Bowen, Russell Roessler Trustees	118,483 s.f.
Los Gatos Acura	16151 Los Gatos Blvd Los Gatos, CA 95032 (408) 358-8000	Russ Hill Mark Maxwell	Nancy Bowen, Russell Roessler Trustees	153,331 s.f.
Los Gatos Auto Mall (Closed)	15200 Los Gatos Blvd. Los Gatos, CA 95032	N/A	Elias (Louis) & Dimitra Tsigaris Gus & Theodora Tsigaris	45,128 s.f.
Los Gatos Chevrolet	15600 Los Gatos Blvd Los Gatos, CA 95032 (408) 356-6161	David Spencer	Gayle Jones Trustee	122,404 s.f.
Moore GMC Truck, Pontiac, Buick	15500 Los Gatos Blvd Los Gatos, CA 95032 (408) 356-8111	John Moore	Tom Moore Trustee	194,278 s.f.
South Bay Honda	16213 Los Gatos Blvd Los Gatos, CA 95032 (408) 395-6100	David Moeller	Grant Bishop Trust	93,654 s.f.
South Bay Honda - used cars	16212 Los Gatos Blvd Los Gatos, CA 95032 (408) 395-6100	David Moeller	Elizabeth Dodson	41,817 s.f.
Swanson Ford (Closed)	16005 Los Gatos Blvd Los Gatos, CA 95032 (408) 356-2101	Bruce Swanson	Robert Swanson Family Partnership	184,259 s.f.
Swanson Ford - used cars (Closed)	15400 Los Gatos Blvd. Los Gatos, CA 95032	Bruce Swanson	James and Paula McHugh Trustees	88,427 s.f.



SOUTH BAY HONDA

16213 LOS GATOS BLVD
LOS GATOS, CA. 95032
(408) 395-6100

May 15, 2006
Town Of Los Gatos
Mayor and Town Council
110 E. Main Street
Los Gatos, CA 95031

RE: Consideration of a resolution establishing requirements to change the use of existing automobile dealership sites.

We are writing to show our support for the proposed measure to support the automobile dealerships in Los Gatos.

Los Gatos is a very viable place to sell automobiles. We currently sell approximately 150 new and used vehicles per month and continue to be profitable.

We are very concerned that the redevelopment of automobile dealerships properties on Los Gatos Blvd. will have a negative impact on the remaining dealers. Dealerships are substantially more successful when they are surrounded by other dealerships in the immediate vicinity.

Honda has asked us to consider upgrading our current facility to their new image standards and also to look for additional property to expand our operation. We are concerned that alternative uses of dealership properties will make it impossible to expand our operations in Los Gatos.

As outlined in your proposal, auto dealers comprise a significant part of the Town's economic base. We believe this proposal would have a positive impact on the ability of the dealers to remain viable in Los Gatos, and we would like to thank you for showing your support.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dave Moeller', with a long horizontal flourish extending to the right.

Dave Moeller
Partner
South Bay Honda
Los Gatos, CA

**TOWN OF LOS GATOS, CALIFORNIA
TOWN COUNCIL/PARKING AUTHORITY
JOINT REDEVELOPMENT AGENCY
March 20, 2006/STUDY SESSION MINUTES**

Los Gatos Civic Center
110 E. Main Street
Los Gatos, CA 95030

TIME	ITEM	ACTION ON ITEM
	TOWN COUNCIL	The Town Council/Parking Authority/Redevelopment Agency of the Town of Los Gatos met in the Council Chambers of the Town of Hall, 110 East Main Street, at 5:15 PM, March 20, 2006, in a study session session .
5:30 PM	ROLL CALL	Present: Steve Glickman, Joe Pirzynski, Barbara Spector, Mike Wasserman, and Mayor/Chairman Diane McNutt. Absent: None
5:31 PM	OPEN/CLOSED VERBAL COMMUNICATION	None.
5:31 PM	PRESENTATION AUTOMOBILE DEALERSHIP DISCUSSION	Discuss suggested process to review redevelopment proposals for automobile dealership sites. Staff report made by Bud Lortz .
5:39 PM	COUNCIL COMMENT	<ul style="list-style-type: none"> • Clarification regarding used car lots in Los Gatos. • Questioned if proposed applications would have to comply with California Environmental Quality Act requirements. • Questioned advantages regarding the Planned Development process. • Clarification regarding a letter sent to the Town by representatives from Swanson Ford. • Clarification regarding the process relating to the 10-mile rule. • Would like to hear more information on variables regarding the 10-mile rule relating to potential expansion of dealerships in Town.

<p>5:47 PM</p>	<p>AUTOMOBILE DEALERSHIP DISCUSSION Continued</p> <p>OPEN PUBLIC COMMENT</p>	<p>Mr. Bruce Swanson</p> <ul style="list-style-type: none">• Commented that there has been no interest from other dealership franchises wanting to locate in Los Gatos.• Supports alternative number one (No action) regarding redevelopment of auto dealership properties in Los Gatos.• Commented on the abundance of dealerships on Stevens Creek Boulevard.• Commented that larger parcels of land are more favorable environments for auto malls.• Commented on Swanson Ford's attempts to remodel in the past 11 years. <p>Council Comment</p> <ul style="list-style-type: none">• Clarification regarding remodel attempts at Swanson Ford.• Questioned if any auto dealers have made offers to lease or purchase Swanson Ford. <p>Ms. Bowen</p> <ul style="list-style-type: none">• Commented that business is changing, and asked Council to work with the property and business owners.• Supports alternative number one regarding redevelopment of auto dealership properties in Los Gatos.• Commented that empty buildings will not bring revenue to the Town of Los Gatos.• Commented that most points contained in the resolution are covered under the General Plan. <p>Council Comments</p> <ul style="list-style-type: none">• Questioned if sales tax revenue could be considered as part of a proposed application process.• Clarification on the "peer review" process as part of a proposed application process.• Suggested looking to the Planned Development process for all potential changes to dealerships. <p>Mr. Moore</p> <ul style="list-style-type: none">• Supports alternative number one regarding redevelopment of auto dealership properties in Los Gatos.• Suggested that the Town provide incentives to attract dealerships to Los Gatos.
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	<p>AUTOMOBILE DEALERSHIP DISCUSSION Continued</p> <p>PUBLIC COMMENT</p>	<p>Mr. Moore (Continued)</p> <ul style="list-style-type: none">• Commented on the decrease in sales for the last two years.• Commented that the General Plan addresses a majority of the requirements listed in the proposed resolution.• Commented on the 10-mile rule.• Suggested a fast track permit process for the dealerships. <p>Council Comments</p> <ul style="list-style-type: none">• Commented on the negative impact if there were no dealerships in Town.• Commented on working as a team to attract new dealers to the community.• Clarification regarding the benefit of having many dealerships versus fewer dealerships in a community.• Clarification on the amount of property desirable for dealerships. <p>Mr. Robert Swanson</p> <ul style="list-style-type: none">• Commented that no auto dealer has made an offer on his property.• Supports alternative number one regarding redevelopment of auto dealership properties in Los Gatos.• Commented regarding the 10-mile rule process. <p>Council Comments</p> <ul style="list-style-type: none">• Questioned if alternative number two would be a consideration to the automobile dealers. <p>Mr. Morici</p> <ul style="list-style-type: none">• Commented regarding his property located on Los Gatos Boulevard, and asked Council to consider releasing his property from the overall process. <p>Mrs. McHugh</p> <ul style="list-style-type: none">• Supports alternative number one regarding redevelopment of auto dealership properties in Los Gatos. <p>Mr. Stansbury</p> <ul style="list-style-type: none">• Commented on a retail analysis relating to potential sales tax revenue for the Swanson property.• Commented on retail proposals for the Swanson property.
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	<p>AUTOMOBILE DEALERSHIP DISCUSSION Continued</p> <p>PUBLIC COMMENT</p>	<p>Council Comments</p> <ul style="list-style-type: none"> • Clarification regarding square footage and sales tax revenue. <p>Mr. Claxton</p> <ul style="list-style-type: none"> • Commented on encouraging retail business for Los Gatos Boulevard. • Supports alternative number one regarding redevelopment of auto dealership properties in Los Gatos. • Supports fewer restrictions for redevelopment on dealership properties. <p>Council Comments</p> <ul style="list-style-type: none"> • Clarification regarding the process for Planned Developments on dealership properties. • Clarification on Land Use requirements relating to re-zoning of automobile dealership properties. <p>Mr. Hirschman</p> <ul style="list-style-type: none"> • Commented on the effects the resolution would have on his property. • Supports alternative number one regarding redevelopment of auto dealership properties in Los Gatos.
6:46 PM	MOTION TO CONTINUE THE STUDY SESSION	Motion by Mr. Wasserman to continue study session following the regular Council meeting. Seconded by Mr. Glickman .
6:46 PM	MAYOR CALLED THE QUESTION	Carried unanimously.
7:40 PM	STUDY SESSION RESUMED	
7:41 PM	<p>PUBLIC COMMENT Continued</p>	<p>Mr. Davis</p> <ul style="list-style-type: none"> • Commented regarding the Conditional Use Permit at the former auto dealership located on Los Gatos Boulevard.
7:44 PM	CLOSED PUBLIC COMMENT	
7:44 PM	<p>AUTOMOBILE DEALERSHIP DISCUSSION Continued</p> <p>COUNCIL DISCUSSION</p>	<ul style="list-style-type: none"> • Commented on supporting the Town's automobile dealerships. • Suggested looking into alternatives that provide similar benefits to the Town.

	<p>AUTOMOBILE DEALERSHIP DISCUSSION Continued</p> <p>COUNCIL DISCUSSION</p>	<ul style="list-style-type: none">• Expressed support for Alternate number two.• Suggested working with the dealerships to maintain their vitality in the community.• Would like information on sales per square foot for retail.• Would like information regarding existing controls and processes for proposals that have a change in the land use of a site.• Preferred that Planned Development be required for any change in use.• Clarification relating to process if an applicant does not go through a Planned Development.• Commented that Los Gatos Boulevard is at a pivotal point relating to auto dealership businesses.• Would like to create an environment that is conducive to a healthy vibrant auto dealer business in Los Gatos.• Suggested that any application that will have short or long term impacts on the community go through the Council.• Would like information on impacts to the community.• Clarification regarding the Commercial Guidelines, relating to the option of used car lots. Suggestion would be to include input from auto dealers if this was an option.• Suggested staff come up with a package to include:<ul style="list-style-type: none">a. Town would prefer to keep auto dealers in town.b. Any changes to an auto dealer property site should come through Council.c. Council is provided with complete information for proposals that have a change in the land use of a site.d. Encourage the current automobile dealers to upgrade their property to make their business as successful as possible.e. Suggested staff to come up with some incentives including financial and permit streamlining incentives.
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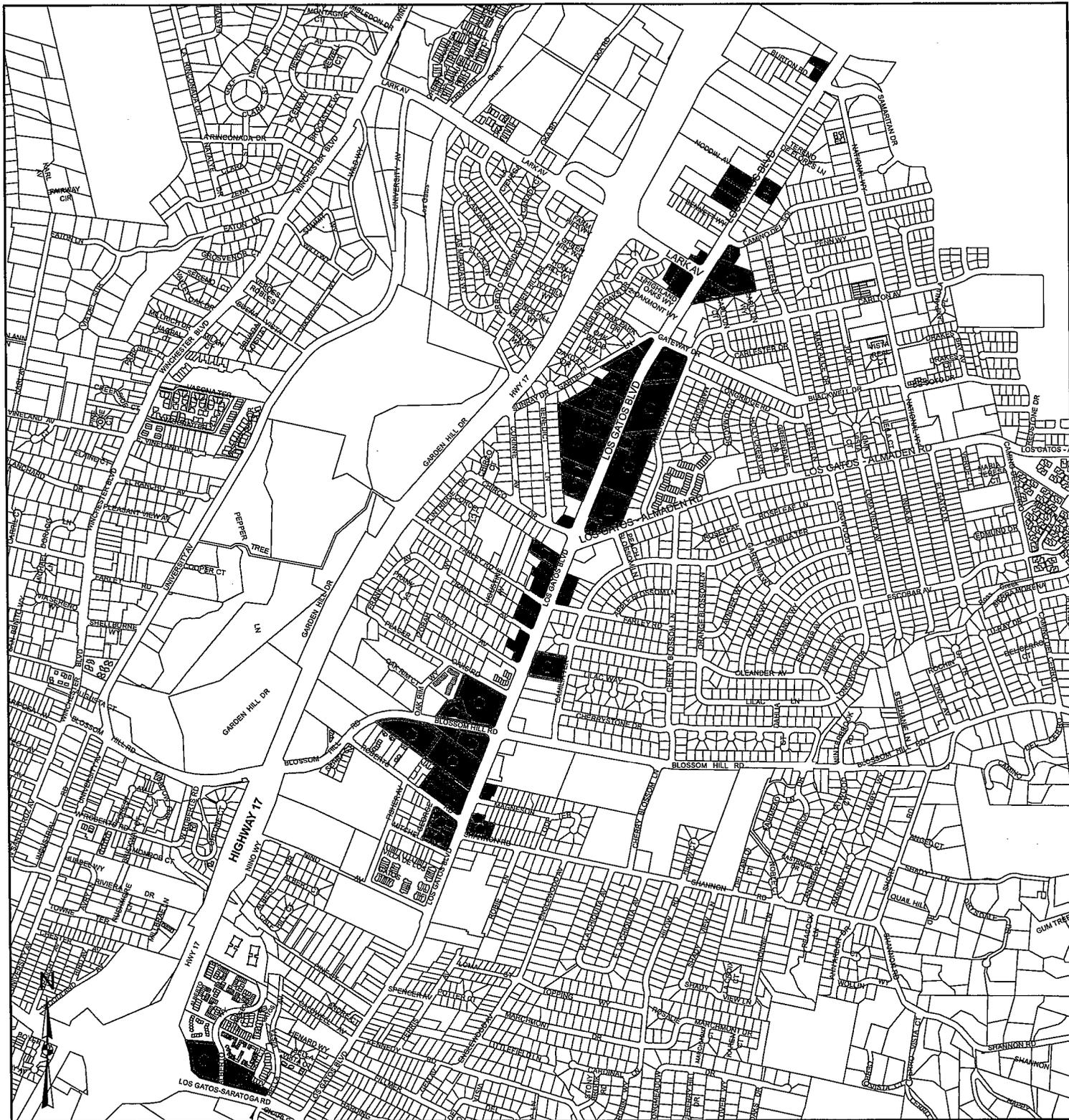
	AUTOMOBILE DEALERSHIP DISCUSSION Continued	Mrs. Figone clarified that a report could be brought back to Council on April 17, 2006.
	COUNCIL DISCUSSION	
7:57 PM	MEETING ADJOURNED	

Submitted by:

ATTEST:

Jackie D. Rose, Deputy Clerk

MarLyn Rasmussen, Clerk Administrator



Town of Los Gatos

1,000 500 0 1,000 Feet



CH Zoning District
 Showing Locations of
 Properties with 40,000 sq. feet or more



Properties with
 40,000 square feet or more



MEMORANDUM

COMMUNITY DEVELOPMENT DEPARTMENT

To: Mayor and Town Council

From: Bud N. Lortz, Director of Community Development

Subject: Information on Current Review Processes

Date: April 6, 2006

This memorandum will provide the Town Council with information on the existing review processes for development and land uses in the CH (Restricted Commercial Highway) Zoning District. The Town has two primary processes that apply to projects in the CH zone—Architectural and Site Approval and Conditional Use Permits. Each process will be discussed in more detail below.

ARCHITECTURAL AND SITE APPROVAL

Applicability:

Any new development in the CH zone requires Architectural and Site (A&S) approval. The Planning Commission is the decision-making body.

Scope of Review:

As the title implies, the focus of A&S review is the architectural design and site planning of a proposed project. This review does not directly involve the land use of the building except as necessary to determine compliance with Zoning Code provisions such as parking. The Town Code states that the purpose of A&S approval is to “regulate the height, width, shape, proportion, siting, exterior construction and design of buildings to insure that they are architecturally compatible with their surroundings” (Section 29.20.140(d)).

Considerations in Reviewing A&S Applications:

The Town Code (Section 29.20.150) establishes that review of an A&S application shall consider the following:

- Traffic
- Signs
- Landscaping
- Site planning
- Architectural design
- Lighting

CONDITIONAL USE PERMITS

Applicability:

The CH Zoning Code currently allows uses such as retail, personal service, and office by right—no discretionary land use review is required (at the April 17, 2006 meeting, the Town Council will consider a Code Amendment to require a Conditional Use Permit (CUP) for new office building but will not require a CUP for retail/office mixed use projects). The Town Code also identifies conditional uses that may be allowed with approval of a CUP. Conditional uses in the CH zone include restaurants, automobile dealers, residential, and shopping centers greater than 30,000 square feet.

Scope of Review:

The Town Code states that the intent of a CUP is to review “uses that might be compatible with ordinarily allowed uses if properly located and regulated.” In reviewing a CUP application, staff and the Planning Commission evaluate the compatibility of the proposed use with the surrounding areas and determine the conditions under which the use should operate to minimize impacts and assure compliance with the Town Code. The Planning Commission is the deciding body for CUPs.

Required Findings:

Town Code Section 29.20.190 requires that the Planning Commission make the following findings to approve a CUP:

- (1) The proposed uses of the property are essential or desirable to the public convenience or welfare;
- (2) The proposed uses will not impair the integrity and character of the zone;
- (3) The proposed uses would not be detrimental to public health, safety or general welfare; and
- (4) The proposed uses of the property are in harmony with the various elements or objectives of the general plan and the purposes of this chapter.

The Town Code also establishes findings for denial of a CUP for a personal service or formula retail business.

RELATIONSHIP TO CEQA:

It should be noted that compliance with the California Environmental Quality Act (CEQA) is required for both the A&S and CUP processes (and the Planned Development process for that matter). The level and detail of CEQA review does not change between discretionary review processes.

N:\DEV\RANDY\Town Council\AUTO DEALERSHIPS\Memo Review Process 041706.wpd

RECEIVED

MAR 30 2006

Marilyn 'Danny' Swanson
Mailing Address: P.O. Box 3466, Saratoga, CA 95070
Phone: 408-867-0954 FAX # 408-867-1829

MAYOR & TOWN COUNCIL

March 29, 2006

Mayor Diane McNutt,
Town of Los Gatos
P.O. Box 949
Los Gatos, CA 95031

RECEIVED
MAR 31 2006
TOWN OF LOS GATOS
PLANNING DIVISION

Greetings:

If early businessmen, Grant Bishop (Chevrolet) and Paul Swanson (Ford), had not chosen in the late 1950s to build their dealerships on what is now called "the Boulevard," it's hard to say what might have developed out there. These two visionaries found they needed more land to expand their "downtown" operations. Ed Moore (Buick) and Jim Countryman (Oldsmobile & Cadillac) later joined them, and the East Side became the place to shop for cars....*many older people remember that residents were sorry to see them move so far away!*

For many years, we on the East Side of Town were treated by the Town as "outsiders," although it was always clear to us that the car dealers were paying the Town's bills. That feeling of being under-appreciated has persisted to the present...no where more obviously than in the recent Emergency Resolution.

I'm sure many of you think the Resolution represents your appreciation of the dealers, but not one of us has ever been encouraged to think of the Town of Los Gatos as our "ally." You've always been "the opponents," creating ordinances to control us, for fear that we might create "eyesores" that didn't fit Los Gatos's "downtown village atmosphere." We've all brought you plans at some time that might have enhanced our facilities....had you even once encouraged our ideas and our efforts, the entire Boulevard might have been a greater success for all the current and former dealers. It's obvious to me that we need to use our current windows of opportunity, before they close.

Page 2

As you know, our family believes the "big car lots" are going away. What happened to our dealership is a series of unfortunate circumstances, primarily having to do with the economy, an uncaring manufacturer and new options in car buying. We closed with deep regret....after all, we aren't "out-of-towners." Bob & I graduated from Los Gatos High School in the early fifties, and we've witnessed nearly 70 years of changes in the Town that we care most about in this world.

Maybe it's because we've seen so many changes that we have no trouble visualizing further "growth and change" in the Boulevard.

Both my husband and I have respect for the difficult jobs you've taken on. We do, however, fear the way in which you wield your power, creating chaos in an already struggling business community.

We understand your preferring to control these changes through the Property Development process. We only hope your focus can expand to thinking about larger businesses, paired with needed housing, because as business people, we can see this as an immediate opportunity to replace lost revenue from declining car sales.

Please understand that we have only good wishes for the success of our current auto dealers. To keep them "healthy" the town must loosen restrictions on their building plans. Here's a place where "village atmosphere" and reality will not co-exist. Make your decision based on that reality. Listen to the "home-town dealers" you know and trust.

You are often called upon to make decisions related to businesses that you must feel ill-equipped to do. In the case of the auto business, you've all made a valiant effort to become informed and have gained the respect of all of us for your efforts. Now I hope you're prepared to listen to the Business Real Estate experts.

It should be obvious that the Swanson Family wants to remain part of Los Gatos far into the future. We wish you well.....please wish us the same.

A handwritten signature in cursive script that reads "Danny Swanson". The signature is written in black ink and is positioned above the typed name.

Mrs. Robert Swanson