

**OFFICE OF THE CITY COUNCIL
CITY OF PALO ALTO**

M E M O R A N D U M

TO: City Council

FROM: Mayor Burch, Vice Mayor Kleinberg and Council Member Beecham

DATE: April 7, 2005

SUBJECT: FORMATION OF AUTO DEALER RETENTION TASK FORCE

This memorandum requests that the Council direct the City Manager to form a multi-department team to investigate any and all feasible options for alternate sites for relocation of Palo Alto's auto dealers. This direction includes authorization to restructure existing work plans to accommodate the addition of this project.

Palo Alto's sales tax base relies heavily on economically strong automobile sales. For decades, Palo Alto has enjoyed diverse auto sales on El Camino Real, Park Boulevard and Embarcadero east of Highway 101. Gross revenue of twenty million dollars is generated annually by auto sales in Palo Alto, representing twelve percent of the City's total sales tax revenues.

Council has previously directed staff to work on strategies for our automotive dealers. Staff has met with all existing dealers to identify their needs in their existing locations and has made recommendations to Council. These recommendations have been approved. But the existing locations of several of our dealers are nonetheless inadequate in the long run. Increased competition from adjoining communities as well as stringent demands placed on dealers by their respective manufacturers increase pressure on Palo Alto's existing auto dealers to relocate to sites visible from a freeway. Palo Alto stands to lose this significant segment of its sales tax base if action is not taken immediately.

The Task Force authorized by this memorandum should investigate the following:

1. Available sites adjacent to Highway 101 that are currently underdeveloped or vacant.
2. Existing City owned land and facilities that could be relocated to accommodate auto sales sites.
3. No dedicated parkland should be considered.
4. Increased visibility for existing dealers through freeway oriented signage.
5. Effective financial policies to overcome economic barriers preventing relocations.

Due to the urgent conditions and the real possibility Palo Alto may lose this vital segment of our sales tax base, the task force should largely consist of internal city staff. The task force should consult with the community, real estate experts and stakeholders as needed and report its findings to the Council within the next 3 to 4 months.