



Motor Mile losing dealerships, sales tax revenue

By Brian Powell
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The Scottsdale Motor Mile is preparing for a major hit as early as February, with two other big blows following right behind. Scott Toyota plans in February or March to open its new location at Mesa Riverview, a short distance away but one with two features Scottsdale cannot match: freeway visibility and sales tax rebate incentives.

Between March and May, the major center at Loop 202 (the Red Mountain Freeway) and Dobson Road will see the opening of Riverview Nissan, the new name of Nissan of Scottsdale. Like its Toyota competitor, it will be leaving its digs on McDowell Road.

Chapman BMW has announced a move to an Interstate 10 location in Chandler, also expected to be sometime next year.

While some of these moves have been known for some time, the approaching date means Scottsdale will begin to suffer financially from the dealership cluster that has contributed more than \$10 million in sales tax revenue to the city treasury in each of the past two years.

REPUTATION MAY SUFFER

The Motor Mile, primarily along McDowell between 64th Street and Scottsdale Road, then south on Scottsdale Road to Roosevelt Street, could also be hurt in reputation if luxury dealers leave and other new-car dealers cannot fill the void.

“It is a concern as we lose these dealerships,” said Rick Kidder, president of the Scottsdale Area Chamber of Commerce. “It speaks toward what is going to be a very active recruitment of dealers in order to hold the Motor Mile intact.”

At this time, it's unknown what will replace the Toyota and Nissan dealerships. Kidder said the chamber is talking with vehicle manufacturers that are not one of the 32 vehicle makes with a presence on the Motor Mile. A couple of brands not on the Motor Mile are Saturn and Mazda.

However, the Dodge and Volkswagen lines are expected to be expanded into the space currently occupied by BMW, said Dave Roderique, Scottsdale's economic vitality director.

If the Toyota and Nissan sites are not replaced with new dealerships, another option is used-car lots. But those would not only fail to provide the same tax base for the city, but could also damage the cachet of the strip - today it is home to luxury brands such as Rolls-Royce and Ferrari - and the entire south Scottsdale region that is

looking toward SkySong and other projects as tools to revitalization.

“That can quickly turn into a different Motor Mile,” Kidder said.

Both Scott Toyota and Nissan of Scottsdale are part of the Larry H. Miller Automotive Group, which bought the Riverview parcels from developer De Rito Partners. A third dealership is also planned for Mesa Riverview, although that brand has not been announced.

The auto mall portion of Mesa Riverview is on the west side of Dobson Road at Loop 202, across the street from Bass Pro Shops and the center’s movie theaters, restaurants and stores.

ENTICING INCENTIVES

According to the development agreement with Mesa - which was approved by voters in a hotly contested 2005 referendum - 75 percent of a 1 percent Mesa sales tax collected from the dealerships will be returned to the developer for 10 years. There is no cap on the amount.

“We have those incentives, and then we use those incentives aggressively to entice a user to open up a new, large facility,” said Marty De Rito, owner of De Rito Partners.

De Rito, who is also the developer of the Chandler 202 Auto Park along the Santan Freeway stretch of Loop 202, said the incentives pay for the infrastructure and construction costs of building a dealership.

Dealerships also have to be a certain distance away from one another. The relocation of Honda, Nissan and Toyota dealerships from Broadway Road in west Mesa to the Santan Freeway locations allows Mesa Riverview to then recruit Nissan and Toyota brands from Scottsdale. This also means the Motor Mile cannot recruit another Toyota or Nissan dealer.

There is one common denominator in all the moves.

“All these dealerships are moving around because of the freeway,” De Rito said. “The freeway has shaped every way they are doing business.”

FEAR OF FREEWAY SITES

The fear of dealerships leaving to larger, freeway-visible lots with financial incentives has been on Scottsdale’s mind for quite some time.

“I don’t think it’s because (McDowell Road) is a bad place to have a car dealership, but it’s the function of an industry trend,” said Scottsdale City Councilman Bob Littlefield, who opposed the city’s brief subsidizing of Motor Mile’s marketing. “If we’re bucking the trend by trying to recruit, we may need to do more creative thinking.”

Sales tax revenue along the Motor Mile was down 13 percent between July and October of this year compared with July through October of last year. However, the cluster of dealerships along Frank Lloyd Wright Boulevard in north Scottsdale is down 12.5 percent for the same period, Roderique said.

The city is prohibited by law from releasing sales tax figures from specific dealerships.

“We haven’t lost any dealers (with these numbers), so this really is the economy,” Roderique said.