

Chamber Backs Hotel Survey

3-13-56

The chamber of commerce today began raising \$1000 via private subscription to finance a survey of the hotel situation in Santa Cruz.

Ralph Ring, secretary-manager of the chamber, said he would ask business leaders interested in the hotel problem to underwrite the cost of the survey that will be conducted by the Hockenbury Systems, Inc., specialists in planning and community financing of hotels.

Myron Hockenbury, president of the Harrisburg, Pa., firm, told an audience of some 35 civic and business leaders yesterday afternoon that his organization is equipped to determine whether there is a need here for a new hotel and to supervise a financing drive if the need is indicated.

Listeners in the council chamber registered no dissent when—at the conclusion of the one and one-half hour session—Ring told Hockenbury the chamber would take the lead in getting together the \$1000 for the initial survey.

Hockenbury, who flew here for the meeting and left again for the east immediately afterward, said his first impression is that Santa Cruz needs a hotel-motel combination that will attract conventions as well as tourists.

To this there was general audience agreement and several declarations that the survey should get under way as soon as the money can be raised.

Hockenbury cautioned that his study may indicate Santa Cruz should abandon for the present the idea of a new hotel-motel. He also warned that if the recommendation is affirmative it will be up to the community—particularly the business leaders—to get behind the financing campaign which must be successful if construction is to begin.

He emphasized that at this early stage he has no fixed ideas as to site or size of the facility. Where the hotel should go and how large it should be will be determined by the survey, he said.

In view of these currently unknown factors Hockenbury made no estimates as to how much the desired hotel-motel will cost. He did say, however, that a city the size of Santa Cruz should be able to scrape together \$600,000-\$800,000 without undue strain.

With construction costs averaging \$10,000-\$12,000 per room in the hotel industry today, that sum would pay for a facility with 50-80 guest rooms.

Ownership would be in the hands of private investors living within the community. A combina-

tion of stock and income debentures would be offered for sale to investors, Hockenbury said.

Since it was founded in 1917 the Hockenbury system has built 189 hotels throughout the country along these financing lines, Hockenbury said. He sees no reason why it can't be done in Santa Cruz, Hockenbury said—adding that the forthcoming survey alone will indicate whether such a venture is actually feasible here.

The first step in the Hockenbury program is the all-important survey, Hockenbury declared. Conducted by staff members, the survey takes into account the general economy, trade, industry, tourist volume, the number and class of existing hotels and motels and an estimate of how many additional rooms are needed.

One of the basic survey steps is the mailing of questionnaires covering most phases of community economic activity to business leaders.

In order to indicate a "go ahead" recommendation, the survey must point to a real need for a new hotel or hotel-motel combination, Hockenbury said.

And, if a hotel is to be built, it must incorporate these four essential features:

- 1—"Good architecture."
- 2—"A good site."
- 3—"Conservative financing (a minimum of mortgage and a maximum of equity)."
- 4—"Good management."

In discussing the comparative merits of hotels versus hotel-motel combinations, Hockenbury pointed out that 19 out of 20—or perhaps a higher percentage of guests will arrive here by car.

On the face of it this would lead to the conclusion that a hotel-motel might be the answer for Santa Cruz, Hockenbury said, with the usual qualification that the survey would point to the course to be taken.

But, he added, a motel in itself is insufficient nowadays to satisfy the demands of the American traveler. "People like entertainment, a swimming pool, shops and restaurants," Hockenbury said.

If plans are offered for local consideration they will include these features, he said.

When a community decides it wants to build a hotel, the Hockenbury method calls for organizing of an "executive community" of 40 or 50 of the local business leaders—"people who can put in a thousand dollars or more and not lose much," Hockenbury said.

Members of the executive committee not only buy stock, they offer it for sale to their friends. This is the first phase of the campaign and while it is in progress much of the necessary money should be raised, he said.

The next phase involves Hockenbury specialists, who are to put one a one or two-week campaign to secure the necessary funds. When the campaign closes, Hockenbury said—either the money is in hand and work can proceed

the drive has fallen short and the idea is dropped.

If a million dollars is the goal, at least \$600,000—or 60 per cent—must be raised through stock sales. The balance could be obtained via a bank loan.

Thus a \$100 investor theoretically would get \$60 worth of stock and \$40 in income debentures.

Purchasers of stock can pay off their obligation over a 10-month span. The \$100 investor, therefore, would pay \$10 monthly for 10 months.

"Basically, the idea is that a group of businessmen and women get together and build a hotel," Hockenbury said. "That is free enterprise—private capital—on a community level."

Hockenbury has set up hotel construction programs in San Pedro, Seattle, Parsons, Kan., Nacogdoches, Tex., Orange, Tex., and a number of other communities—both smaller and larger than Santa Cruz—west of the Mississippi in recent years, Hockenbury said.

Through its affiliations with two hotel management chains, the Hockenbury System can arrange for operation of a hotel, he said, adding that it has been done in approximately 75 cases.

He explained that communities normally do not seek Hockenbury aid for the purpose of building a money-maker.

"The real object usually is not to make money, although these hotels usually do—but for what it does for the community and for general business," he said.

The \$1000 survey fee just about covers costs and is included in the general fee if a hotel actually is built. The fee in successful projects is 4 per cent of the gross cost, Hockenbury said.

In answer to a question, Hockenbury said 80 per cent of the hotels put up under direction of his firm have not only paid off mortgages but have proved sound business ventures as well. The remaining 20 per cent comprises hotels which went under in the depression.

A question as to whether a new hotel-motel might draw business from existing motels and hotels, Hockenbury replied that his experience indicates that a hotel-motel attracts more business than it can handle and thus directly benefits competitors in the same area.

Charles Levine, operator of a local motel, strongly urged speedy launching of the survey. Levine declared himself in favor of a new hotel-motel, saying it would be the best way of retrieving some of Santa Cruz' wayward convention trade.

Builder H. A. Sundean asked Hockenbury how many of the hotels built by his firm are still community-owned and was told that the proportion is about 50 per cent.

Fred Morris, a real estate man, wanted to know whether the survey will take into consideration possible purchase and redecoration of the Casa Del Rey hotel as

an alternative to building a new establishment.

Hockenbury said this as well as all other possibilities would enter into the study.

Former State Senator H. R. Judah, now manager of the civic auditorium, told Hockenbury—"I think that you can not only build a hotel but that it will be successful."

Mayor Tom Polk Williams Sr. was in favor of the survey. "I think we definitely need this survey," he said.

Hockenbury said the 80-plus acre site of the proposed San Lorenzo park project—the federally-aided effort to renew the flood-hit Front-Water-Ocean-Southern quadrangle—would be considered as a hotel-motel location.

He added that the flood may be a reason for deferring construction. If it develops that business was so hard-hit that the money can't be raised, the hotel project may have to be delayed, he said.

Ring, busy today rounding up the \$1000 survey fee, said the persons who share in putting up the money will comprise an informal group which will sign the survey contract.

Ring said he expects to be able to inform Hockenbury that the money is available within a few days.

The Hockenbury System was contacted originally because of frequent mention of the organization and its work at state chamber managers' meetings, Ring said.

East Side's Power Fails As Line Parts

More than 200 customers served by the Arana power substation were cut off temporarily when a power line parted at 2:40 a. m. today.

PG&E Manager Frank Thomas said service had been restored in most cases 25 minutes after the break and that all interrupted services were back in operation by 9 a. m.

Homes and other premises affected by the blackout are on the east side and in the area east of the city limits served by the substation.

Thomas said one circuit went down, probably a result of low early morning temperatures causing a line splice to pull apart.

One of the homes affected was that of Keith Bobbitt at 154 Fairland way. The outage played hob with the controls on the Bobbitt furnace, filling the house with smoke.

Firemen from the East Side station were called shortly after 3 a. m. and quickly traced the smoke to the overheated furnace. The department said the furnace control was faulty.

DRAFT CALL DOUBLES

Washington (AP).—The army called today for 12,000 draftees in May, double the monthly quotas in each of four preceding months.

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