

Coast Hotel up for sale

Owners say market is 'hot,' deny move has to do with failed remodel

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SANTA CRUZ — The beachfront hotel once known as the Dream Inn is up for sale.

Northwest Hospitality Group, the Boise-based owner of the Coast Santa Cruz Hotel, says the decision to sell has nothing to do with the failed attempt earlier this year to demolish the beige, cinder block structure and start fresh with a larger, more modern

hotel, attached garage and conference center on West Cliff Drive.

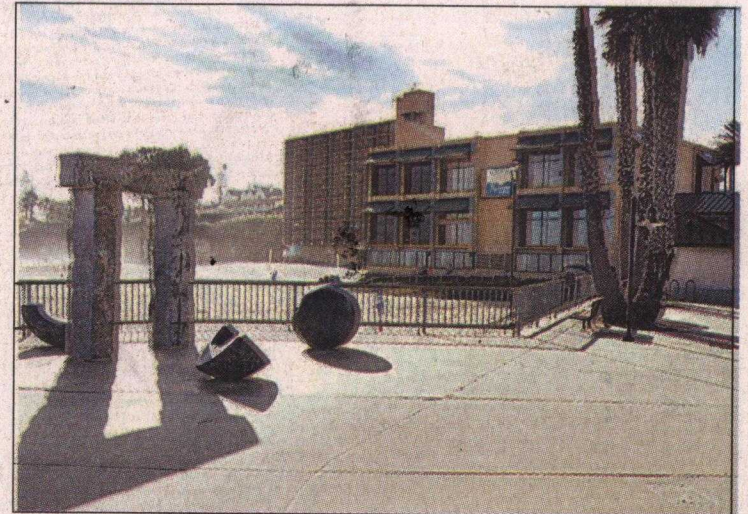
The Northern California hotel market is "hot" right now, the group said, and revenue from the Coast Santa Cruz Hotel has never been higher.

"We would be remiss as far as the stewardship of our shareholders if we did not at least test the market," said Jeffrey Eberle, chairman of Northwest Hospitality Group. "Hotel values are at a historic high."

The property is worth an estimated \$30 million to \$60 million, according to Ceil Cirillo of the city Redevelopment Agency.

Cirillo would like to see a new owner tear down and rebuild the hotel, she said, or thoroughly upgrade the city's "most valuable overnight tourist destination."

Though the city would not provide specific revenue numbers for the hotel, transient



Dan Coyo/Sentinel

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The former Dream Inn is up for sale again.

Hotel

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occupancy taxes from the Coast Santa Cruz Hotel have increased more than 4 percent since July, city Finance Director Dave Culver said, indicating a pick-up in business.

The area's overall hotel business is also up. Revenue for the city hotel tax — a 10 percent surcharge on all overnight stays — is up 4 percent for the fiscal year, which started July 1, Culver said. Recent statistics from the county Conference and Visitors Council showed a 7 percent increase in transient occupancy taxes across the county, representing an \$8.5 million jump between 2005 and 2004.

Northwest Hospitality Group bought the Dream Inn in 1996 from the bankrupt Santa Cruz Associates and immediately changed the name to West Coast Santa Cruz Hotel. Later it became Coast Santa Cruz Hotel.

The county Assessor's Office pegged the property's value then at \$20 million.

Northwest Hospitality Group and the city Redevelopment Agency in 2003 initiated a \$100 million renovation of the hotel that would have included a \$30 million investment from the city. The project, they said, would have brought a brand new, improved look to the beach area and boosted Santa Cruz's year-round tourism business.

However, a number of city residents opposed the project for its size, increased traffic, the use of city money and impacts on a mobile-home park next to the parking lot.

After the City Council narrowly approved the project with a 4-3 vote in March, a community group called Santa Cruzans for Responsible Planning led a petition drive to put the project on a ballot for city voters to decide.

After petitioners turned in more than 8,000 signatures, Northwest Hospitality Group killed the project rather than face

ongoing opposition and possibly losing an election.

Bill Malone, spokesman for Santa Cruzans for Responsible Planning, said the plan "was too big, too tall."

Malone said the group would welcome new owners upgrading the hotel "if they stick with the guidelines."

"Keep it reasonable, keep it within Santa Cruz's scale," he said.

Cirillo said the city would favor a new owner who wants to significantly improve the property, the city's only full-service hotel with a restaurant, valet parking and room service, which employs 130 workers at the season's peak.

"Certainly the place needs to be upgraded and the current owners know that," she said. "I'm disappointed to see them go. They're a

major loss to the community."

Northwest Hospitality Group said it is concurrently pursuing plans to remodel the hotel, which they expect to begin next year if it fails to sell.

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