

Hotel in foreclosure

Owner of Dream Inn defaults on loans

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SANTA CRUZ — The beach-front Dream Inn hotel on West Cliff Drive is in foreclosure after the Santa Monica-based owner defaulted on more than \$14 million in loans.

A forced sale scheduled for Tuesday has been postponed until July 16, according to a representative of First Interstate Bank of California, which holds the note.

The cinder-block edifice overlooking Cowell Beach and the Santa Cruz Municipal Wharf is owned by a subsidiary of Hotel Systems International. The owners owed \$14,671,227 in principal and interest at the end of May, according to default documents filed with the Santa Cruz County Recorder's Office by First Interstate.

Santa Cruz Hotel Associates bought the 164-room hotel in 1986 along with the Seaview Motel and Clear View Court trailer park across West Cliff Drive for \$14.5 million. The properties were previously owned by a Miami-based corporation, Senior Corp.

Santa Cruz Hotel Associates is a limited partnership with the general partner listed as Santa Cruz Hotel Limited. It in turn is a general partner in SC Hotel Inc., a California corporation that is wholly owned by Hotel Systems International. The parent company owns hotels in San Francisco, Washington and Puerto Rico.

Telephone calls to Brian Corbell, president of Santa Cruz Hotel Associates in Santa Monica, were not returned Friday. Other officials refused to comment. Calls to Dream Inn General Manager Frank

Kraus were not returned.

Rumors had been circulating for weeks that the hotel was in trouble and was for sale. There also was speculation the Santa Cruz Seaside Co. was interested in buying it.

Seaside Co. spokeswoman Ann Parker attempted to put that to rest saying "there is no plan at all that I know of for the Seaside Co. to buy the Dream Inn."

The outstanding debt stems from a loan \$12.8 million loan the Newport Beach branch of First Interstate made in May 1986 for the original purchase. In July 1988, Santa Cruz Hotel Associates restructured the loan and borrowed an additional \$1 million, according to county records.

Rooms at the Dream Inn rent from \$159 to \$195 a night on weekends. Suites range from \$225 to \$245 a night.



Dan Coyro/Sentinel

Dream Inn: On the Santa Cruz beach and on the block.