

Coast Hotel has \$100 million price tag

Hotels and Boarding Houses

By **DAN WHITE**

SENTINEL STAFF WRITER

The City Council remains enthusiastic about helping fund a plan to rip down the beige and blocky Coast Santa Cruz Hotel and put up a hotel and conference center.

But there was also sticker shock at the Tuesday night meeting. The initial cost estimate was around \$75 million, but Bob

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Suits, president of Northwest Hospitality Group which owns Coast Santa Cruz Hotel, formerly the Dream Inn, told the council the latest estimates are "in the neighborhood of \$100 million."

While council members directed staff to continue negotiations and draw up a potential private/public partnership agreement, they said they must now be more vigilant about crunching the numbers. They also will ask City Manager Dick Wilson to weigh in on potential financial risks over the next two months.

So far, officials say there is no concise estimate of how much the city would have to invest. Suits said those numbers

The proposed new building — including a five-level parking structure and a conference center and hotel connected by a glass concourse over West Cliff Drive — would be more than 200,000 square feet.

are still conceptual.

Councilman Tim Fitzmaurice said he was enthusiastic about the project, but wanted the city to "step lightly" in regard to financial risks. He also wanted to ensure the city would have a large amount of input on the final design "because this is going to be big."

While the current building is about 100,000 square feet, the proposed new building — including a five-level parking structure and a conference center and hotel connected by a glass concourse over West Cliff Drive — would be more than 200,000 square feet.

Council members also heard some proposed design features, such as a possible "funicular," an open-air elevator that

could be built between the new hotel and the existing Sea and Sand Motel next door, for use by guests as well as the public.

The city will have detailed discussions about the costs in September, when staff will bring forward recommendations on how to close the financial gap. The Planning Commission, City Council and Redevelopment Agency are expected to hold a joint meeting later in the fall to consider the project.

The city and developers have been discussing ways to create a partnership that requires no general fund investment from the city government.

One possible plan, according to the Redevelopment Agency, is to craft an agreement that allows the city to pay off

its portion of the up-front costs in bond money, and pay off the bonds with revenue generated by the hotel in the form of room tax.

Suits said both parties will continue looking into how to make the project work "so it pays for itself." According to Suits, the new hotel at full occupancy would generate an additional \$1 million in city revenue per year, above and beyond the \$700,000 it now yields.

One possibility, broached by Redevelopment Director Ceil Cirillo, is to increase transient occupancy tax rates temporarily to increase the project's return. There also have been conceptual talks about the city owning the conference center portion or the parking garage to generate more revenues.

At the Tuesday meeting, representatives from the Carpenters Local Union, the Chamber of Commerce and the Seaside Company urged the council to forge ahead with the project.

Contact Dan White at
dwhite@santacruzsentinel.com.