

Former owner sues city, former developers

Earthquake - Santa Cruz Rebuilding

Retiree seeks \$700K plus additional damages for failed condo project

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SANTA CRUZ — The former owner of a Pacific Avenue property left vacant since the 1989 earthquake is seeking a federal court judgment against the city of Santa Cruz, former developers and a local bank in connection with a failed condominium project.

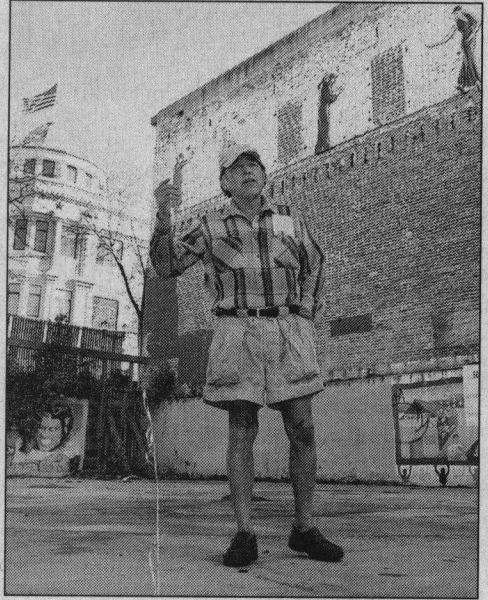
An attorney for Ron Lau, 79, filed suit in U.S. District Court in San Jose on Friday, asking for \$700,000 Lau was promised in a 2005 arrangement to sell the property to a developer. Lau also seeks interest payments, legal costs and other damages the court may deem appropriate.

"Our view is the last person to bear risk in this case should be (Mr. Lau)," said William Markham, a San Diego attorney representing the Santa Clara County retiree and his family.

The suit names its former redevelopment director Ceil Cirillo, as well as former developers of the property, Bill Brooks and Norman Schwartz. Santa Cruz County Bank, which has owned the empty lot at 1547 Pacific Ave. since it went into foreclosure in 2012, is also named.

None of the defendants had been served a copy of the suit as of Monday and therefore would not comment extensively. However, Brooks and Schwartz said they recognized their prior agreement with Lau

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DAN COYRO/SENTINEL FILE

Ron Lau on the site of his former property at 1547 Pacific Ave. back in 2004.

LAU

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stated he would own two condos in the new building or be owed \$700,000 if the project wasn't built.

"If he has an argument, it's with Santa Cruz County Bank," Schwartz said. "They are the ones that have the obligation to pay him."

David Heald, president and chief executive officer of the bank, said "we're not challenging" an obligation to Lau is recorded against the property. Heald said the bank is working with the developer of a new hotel project who recognizes the debt, but he would not discuss the bank's intentions if the hotel doesn't come to fruition.

The history of 1547 Pacific Ave. is long and storied.

The former site of Bookshop Santa Cruz and Santa Cruz Coffee Roasting Co. was destroyed during the October 1989 Loma Prieta earthquake, killing two coffee shop workers. City officials, acting on a downtown redevelopment plan, threatened to take the property from Lau by eminent domain unless he improved it.

Lau eventually sold the property to the company headed by Brooks for \$1.9 million in addition to ownership of two condos or \$700,000. But Lau charges the city improperly used that authority to deliver the property to developers who ultimately didn't have the ability to complete the project.

City Attorney John Barisone's office will represent Cirillo, who is retired and sits on the Sentinel's editorial board. Barisone said Lau waived his right in a 2005 settlement agreement to object to the city's authority to condemn the property. Failed promises made by the developer as part of the purchase agreement are not the city's obligation, Barisone said.

But Lau's lawyer said the city made false representations about the viability of the project, two versions of which were approved by the City Council. They were not constructed before the development company headed by Brooks dissolved, and the city also lost \$220,000 on a "predevelopment loan" to the developer in 2010.