

✓ Reluctant tenants slow replacement of Cooper House

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SANTA CRUZ — Exterior demolition began this week on the Odd Fellows building on Pacific Avenue but leasing problems still are holding up financing for a proposed \$20 million replacement for it and the adjacent Cooper House property.

Plans approved last November call for a five-story 100,000-square-foot building that would occupy land at Pacific Avenue and Cooper Street. Proposed by developer Jay Paul, the plans are for a cafe and retail shops on the ground floor with offices above.

The building would occupy a key corner of Pacific Avenue and is considered a critical piece of the effort to rebuild downtown.

Project manager Len McVicar of the Jay Paul Co. said a financing source is lined up but the lender requires that the space be 70 percent pre-leased before funding will be released. Banks and savings and loans are "scared," McVicar said, spooked by S&L scandal and dogged by tough federal regulations.

"There is no problem with financing," he said Tuesday. "We're in the process of trying to lease the major office space."

Property owners and developers in Santa Cruz and elsewhere are finding pre-lease requirements common from lenders who base lending decisions on cash flow from the properties. Until about two years ago, loan decisions for commercial developments were based more on the ratio of the loan to the value of the property.

Financing troubles doomed a six-screen movie theater complex planned on another key site at Pacific Avenue and Locust Street. That property remains for sale and there have been no recent developments, according to Ceil Cirillo, city redevelopment director.

McVicar said leasing of the 80,000 square feet of office space remains difficult because of the lingering recession. Several potential tenants, based in the Santa Clara Valley, have decided not to sign on because of slow business, he said.

Demolition of the Odd Fellows building with its unique two-story bronze-colored facade should be completed within two to three weeks, McVicar said. Crews have been removing asbestos from the building over the past two months.

Paul bought the Odd Fellows building last year to increase the land available for his project.