

Hotel owner checks out

Group buys Coast Hotel for \$40M

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SANTA CRUZ — The only hotel in Santa Cruz County that touches the sand — the cinder-block monolith on Cowell Beach still called The Dream Inn by many — was sold to a Long Beach-based developer for about \$40 million.

Ensemble Hotel Partners LLC bought the 10-story Coast Santa Cruz Hotel from Northwest Hospitality Group of Boise, Idaho, in a private deal Friday.

Northwest Hospitality Group, which bought the West Cliff Drive hotel in 1996 from the bankrupt Santa Cruz Associates for a reported \$4.5 million, put the hotel up for sale in November. The former owner aimed to capitalize on the hotel market's historic highs, after plans to tear down the hotel and start from scratch were quashed last year by community opposition.

"It's a big number," said Ed Proenza, senior vice president of Ensemble, about the sale price. "But when you look out from the hotel on a clear blue day in June, it's worth every penny. You can hear the seals from your room. It can't be duplicated."

While Northwest Hospitality had planned to spend \$100 million, including a \$30 million contribution from the city, to demolish the Coast Santa Cruz Hotel and rebuild a larger, modern hotel with a conference center and parking garage, Ensemble plans to leave the bulk of the building the same.

The pool area will be remod-

eled and the rooms refurbished in the winter when business slows down, Proenza said. Painting over the beige exterior, improving the landscaping and updating the driveway entrance will come later.

"When paying the price we did, you can't tear it down," he said. "We have to work with what we have."

As the biggest building along the coast, the hotel is a principal city landmark.

Ensemble executives plan to meet with city officials and residents during the next few months to "get a sense of the feelings of the community and what they

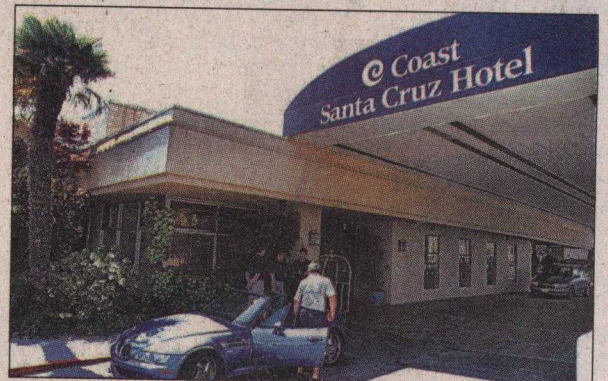
would like to see," Proenza said.

The owner's first meeting is Monday with Greg Larson, the city's new planning director.

Bill Malone of Santa Cruzans for Responsible Planning, the group that led the 2005 petition drive to overturn the City Council's approval of the hotel redevelopment and allow city residents to vote on the project, said he welcomes a meeting with the new owners.

"There was a lot to dislike with the previous plan," Malone said Tuesday. "But there were also some positives with new union

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Dan Coyro/Sentinel photos

The Coast Santa Cruz Hotel is now owned by Long Beach-based Ensemble Hotel Partners. The property will retain its name.

Hotel

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jobs and more tax revenue for the city. We'd like to see how the new owner can meet all that and get rid of the negatives."

Many Westside residents would like to see the bland 1960s building spruced up.

"That building is tired," said Lynn Robinson of Santa Cruz Neighbors. "Many of us understand that building needs some improvements. This is an opportunity for the community to work with the new owners."

City officials view the Coast Santa Cruz Hotel

as the most valuable overnight destination in the city — a place that attracts families and business people.

The 163-room hotel, with nightly rates up to \$350, often sells out during summer. In fact, Proenza couldn't get a room for Saturday night.

The city relies on the Coast Santa Cruz Hotel for a substantial portion of its transient occupancy tax.

Revenue numbers are not available for individual businesses; the transit occupancy tax, which helps pay for city services such as police, fire and garbage, represents 5 percent of the city's budget.

"The Coast Hotel is the largest hotel property in the city, and it has all the amenities to make it attractive," said Ceil Cirillo of the city Redevelopment Agency. "I would certainly recommend that

we work with the new owners to make this a better piece of property."

The Redevelopment Agency will get about \$135,000 a year in additional property tax revenue. About \$50,000 will go toward affordable housing projects, she said.

Long Beach-based Ensemble also owns the Coast Long Beach Hotel. The 20-year-old company specializes in developing medical buildings in California and Arizona.

Northwest Hospitality will continue to manage the Coast Santa Cruz Hotel, and no changes with current positions and employment are expected.

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