

Two years after the quake



Mike McCollum

Workmen replace an old sewer line in front of the new Ford's department store last week, just a week before the Oct. 17 grand opening.

City sees progress ... and disappointment

By SUSANNA HECKMAN
STAFF WRITER

When the yellow police tape was strung across Main Street the day after the Oct. 17, 1989, earthquake because nobody knew what would happen next, it seemed that putting everything back together — the buildings, the sidewalk sales, the shoppers, the diners, the merchandise, the festivals, the jobs — was a daunting task.

As the shock wore off, though, property owners, merchants, the city, non-profit organizations, and others started in making the plans and the phone calls and the applications that needed to be made.

Now — as the second anniversary of the earthquake nears — the outlines of the new downtown are solid. The most obvious example is the new building of the historic anchor of the downtown retail hub — Ford's Department Store. A number of projects not related to the earthquake have also progressed.

But some projects have also stalled. For instance, about two-thirds of the west side of Main Street's 300 block is used as a dusty parking lot for fairs at the Plaza.

Designs have been drawn up by architect Bob Corbett to build three new major buildings to replace the ones that were

there. It was thought that ground would be broken on all of them this spring or summer, but only one of them, the Petroutsas Building, has made it to the city's approval process. The other two — the one proposed by the Ketts and the other by the Romos, both of which were to have small apartments above shops — haven't been able to get financing.

Ruben Fuentes, who is coordi-

nating the Kett estate, said that he is planning to scratch the Kett Building designs and plan a one-story, retail-only building.

"Traditionally you go to a savings and loan to get residential loans and institutional banks to get retail loans," Fuentes said. "They can't really mix the two."

Stella Romo said that the Romo family had found a lender that would finance their planned

mixed-use building, but at interest rates and payments that were higher than they had expected.

"We're trying our best to make ends meet," she said. "We have some (financing,) but not all. It's a very big project."

Meanwhile, the Petroutsas family planned all along to have office space above the shops in their building. The plans have been approved by the city and the family is just about ready to submit the final paperwork for a building permit.

In spite of the hitches, property owners, city officials and others in the last two years have accomplished a great deal. They include:

- Demolition of unsafe buildings, including the three on Main Street's west 300 block, the Herrera Building next to the Fox Theatre, Ford's Department Store, the Odd Fellows building and the Masonic Hall, both just a block off Main Street, the old State Theater that Ford's was using as a service center, and, just this summer, Watsonville High School's main building.

- Community leaders invited in a group of volunteer experts affiliated with the Urban Land Institute to help map out a plan for rebuilding the new down-

The financial squeeze

Even the most optimistic boosters of downtown Watsonville admit that its redevelopment efforts have been slower than many people would like.

Much of the slowness was actually predicted — it just takes a long time to get government funding and to get through the design and approval process.

Those who sought private financing say they have found it difficult. There's been the nationwide recession, leading to a glut of vacant commercial space. And there's the savings and loans scandal, leading to tighter regulations on commercial lending.

The Bush administration and retailers have publicly blamed the banks for contributing to the recession by keeping interest rates high and not making more

business loans, and have pressured them to loosen the purse strings on commercial and personal credit.

But banks can't make the kinds of loans they used to, as Ruben Fuentes, of Values Inc., which manages the Stewart Kett estate in Watsonville, Santa Cruz and Salinas, discovered.

"There are no speculative loans available any more," Fuentes said. "There was a time when you could build and then lease ... now, in general, you have to have 50 to 60 percent lease-up before you can get a loan."

"Before, lenders were not so particular about cash flow right away," said Lisa Bullen, the project manager for the stalled

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town. It gave a psychological boost, highlighted many ideas which are still being incorporated and referred to, and, in its wake, a loose-knit group calling itself the Watsonville Development Committee was gradually molded into a more formalized city advisory committee.

● The Pajaro Valley Chamber of Commerce procured modular units for small businesses whose buildings were ruined.

● The chamber, which lost its offices to the quake, moved to a former church and then to city-leased offices above Wells Fargo Bank. It has been in the process of getting architectural drawings and other paperwork together to meet FEMA's final requirements so that it can repair its own building on Main Street's 400 block.

● The city approved plans for an affordable-housing project on the 100 block of Main Street. A patchwork of state, Red Cross, Fannie Mae and other financing is being put together by a non-profit organization in Salinas, Community Housing Improvement Systems and Planning Association, or CHISPA.

● The city approved final plans for the new post office on the 200 block of Main Street, a

project that was in the hopper long before the earthquake hit.

Work started in March 1990, and the target date for opening was originally March 1991. The Postal Service has most recently said that it may open the new building in mid-November. Meanwhile, the old post office at the Plaza is for sale.

● The city approved plans for a shopping center by Barry Swenson Developers next to the new post office. Work has not yet begun; the company says it has not been able to get financing or nail down retail tenants.

● The city arranged a deal to temporarily take back the Porter Building at Main and Maple streets from the Porter Associates. The Porter Building is the one building downtown besides St. Patrick's Church that is still fenced-off.

The city will then apply for FEMA funding for repairs, and then lease it back to its owners, a group that includes developer Barry Swenson. The building is reportedly in line for FEMA funding once Congress releases funds, possibly this month. After that, the repair process could take about a year.

● The Fox Theatre got a make-over, and is reportedly just about ready to reopen for movies with a new back wall, a new sound and projection system, and new shops where the

lobby used to be. The owner, Hank Garcia, is reportedly planning to fill one of the shops in front with his own new business — a pizza parlor.

● Jalisco and Chop Stick restaurants and a number of other businesses found new Main Street homes. Rico Pollo repaired its own. Other businesses, such as Burdick's, moved to outlying shopping centers or to other areas of downtown.

● Other projects the city has in the works: realigning Second and Maple streets at Main Street, expanding the public library, building a new youth center, and breaking ground on a 208-space parking structure.

● Ford's eventually moved into the old Dick Bruhn building on Rodriguez Street, received a \$24.1 million FEMA loan to rebuild by the first anniversary of the quake, and launched an ambitious bid to get the project finished within a year. It's holding its grand opening on Thursday, the second anniversary of the quake.

● A temporary transit center for buses was built at Rodriguez and West Beach streets at the end of last year.

● The Goodwill store underwent \$170,000 worth of repairs and renovations, and reopened in March.

● A San Jose non-profit organization called Housing for Independent People bought the Resetar Hotel, partly with FEMA money, and is in the midst of \$1.12 million worth of repairs and renovations to the interior, including more apartments, kitchenettes in the apartments, new wiring and a sprinkler system.

● HIP has been trying to close escrow for some time on the Jefsen Building as well. Plans for rehabilitating the Jefsen, which housed World of Carpets, Chop Stick restaurant and Johnson's Drugs before the earthquake, are drawn up and waiting only for funding to come through, the office of architect Marvin Bamburg said.

● Besides some of the buildings already mentioned, other buildings that are sporting repairs and new paint jobs are the Lettunich Building at Main and East Beach Streets, which went from gray to Victorian-style shades of blue and green; and the Derpich Building, which houses the Derpich's Miramar restaurant.

● St. Patrick's Church is still in the process of fundraising for its repairs and an expansion. Construction should start soon, church officials say, even if the full \$2.5 million necessary for the project has not all been raised.

SQUEEZE

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Barry Swenson Developers shopping center on Main Street's 200 block. "They used to agree to delayed cash flow or take another property as collateral. Now they're gun-shy."

The problem with getting pre-lease agreements with shopkeepers in a recovering downtown like Watsonville's is that merchants may be unwilling to be the first ones to go in, in case no one follows, Fuentes said.

"Everybody is waiting to see what's happening with the new Ford's, whether that traditional anchor can jumpstart the downtown," Fuentes said.

Another problem is finding tenants with business experience, rather than someone who just wants to try their hand at running a shop, several downtown property owners have said.

"National and well-established retailers are not expanding right now," Swenson Developer's Bullen said. "What you get are

... people who are inexperienced, and they don't have business plans." Banks won't lend if she can't show them tenants' business plans, Bullen said.

Some bankers have also said that the problem is not a shortage of available loans. They blame a lack of confidence on the part of property owners, developers, and small businesses.

"We had a record year for commercial lending in 1990 in Watsonville," Bob Crouch, the former manager of the Wells Fargo branch on Main Street, said. Crouch, now a regional manager for the area, said that 1991 has also been strong.

"A landowner may have financing all lined up, but may want to be sure (before he starts) that there will be a demand to fill the building," Crouch said.

"Banks would love to make more loans to small businesses in particular, but they may be cautious about stepping up and (committing to) making payments," he said.

The City of Watsonville has its sights set on a program for "gap

financing," which would lend money for projects to make up for the time lag between blueprints and rent money, Bill Segal, interim redevelopment director for the city of Watsonville, said.

Extending the life of the Redevelopment Agency is the first step for such a program, he said.

"We could fund projects (like the mixed-use buildings) that would be financially viable but would not be something banks are accustomed to looking at — we could also step into some areas where banks would be reluctant to tread," he said.

In the meantime, city consultants and staffers have met with lenders on some projects and have assisted in drawing up a marketing plan for the Swenson project to "sell" it to potential merchant-tenants and to lenders.

"At least we're building some momentum," consultant Mark Davis said. "We know under what circumstances they can obtain financing, and it's not way out in the next universe."

—Susanna Heckman