

Big plans afoot for Palomar Inn

Investors buy site for \$1.6 million

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SANTA CRUZ — Two San Francisco Bay Area investors who bought the downtown Palomar Inn for \$1.6 million two weeks ago say they want to be part of the community.

John McKenzie and Jeff Smith hope to revitalize the aging building and some day get federal rent subsidies for those living there.

"We do not want to be thought of as people from over the hill," says McKenzie. "We want to be members of the community. We want to earn the trust of the community, but we know it will take time."

The two Orinda-based real estate investors have spent the better part of the past year traveling between the Bay Area and this city looking for investment opportunities with which to get their new partnership off the ground.

The project they have selected is the Palomar Inn, home not only to several businesses, but also to approximately 85 senior citizens who live there on a permanent basis.

The two investors have spent the better part of last week and this one in Santa Cruz going over the plans for possible changes, and they expect to hire an architect within the next two weeks to outline what needs refurbishing and the cost involved.

The short-range goals they have set for themselves are mainly maintenance: new tubs to buy, boilers to replace, carpeting to upgrade, the elevators and stairways to secure, the building to paint, and other mundane items to be attended.

Further down the line, the two men picture a new facade on the old base.

They talk of retiling the adjacent arcade to make it more appealing for what they hope will be more customers for the shops there.

The front of the inn will have awning and gas lights, in an effort to attract more people to the area. More glass walls will be added, as will additional space to accommodate several more shops.

Other plans include renovating the inside bar, moving the manager's office to the second floor and expanding the lobby for more businesses, and refurbishing many of the almost 100 rooms available to rent.

They hope to have many of the renovations completed within six months, and the bigger projects within two years, but four at the latest.

The biggest project they are undertaking, however, is something that may well involve a minimum 15-year commitment.

The owners are working to qualify the Palomar Inn for a federal rent-subsidy program which would lead to lower rents for some and not-so-rapid increases for

others during the 15-year life of the agreement.

McKenzie and Smith said they have talked to local government officials who have been encouraging in their backing for the idea of obtaining a government-subsidized loan.

"I'm thrilled that they would want to do that," said Carol Nelson of the city Planning Department. "It is in our interest to make affordable, low-income housing



Longtime Palomar Inn resident Catherine Steele says she's 'delighted' by the renovation plans.

Pacific Garden
Mail-1985 Oct 16 1985

REFERENCE

SANTA CRUZ SENTINEL
March 14, 1985



The Orinda-based real estate investors want to refurbish the Arcade.

Dan Coyro/Sentinel



The Grand Ballroom is a dance studio available."

The only problem seems to be that there aren't enough slots available for the number of candidates involved.

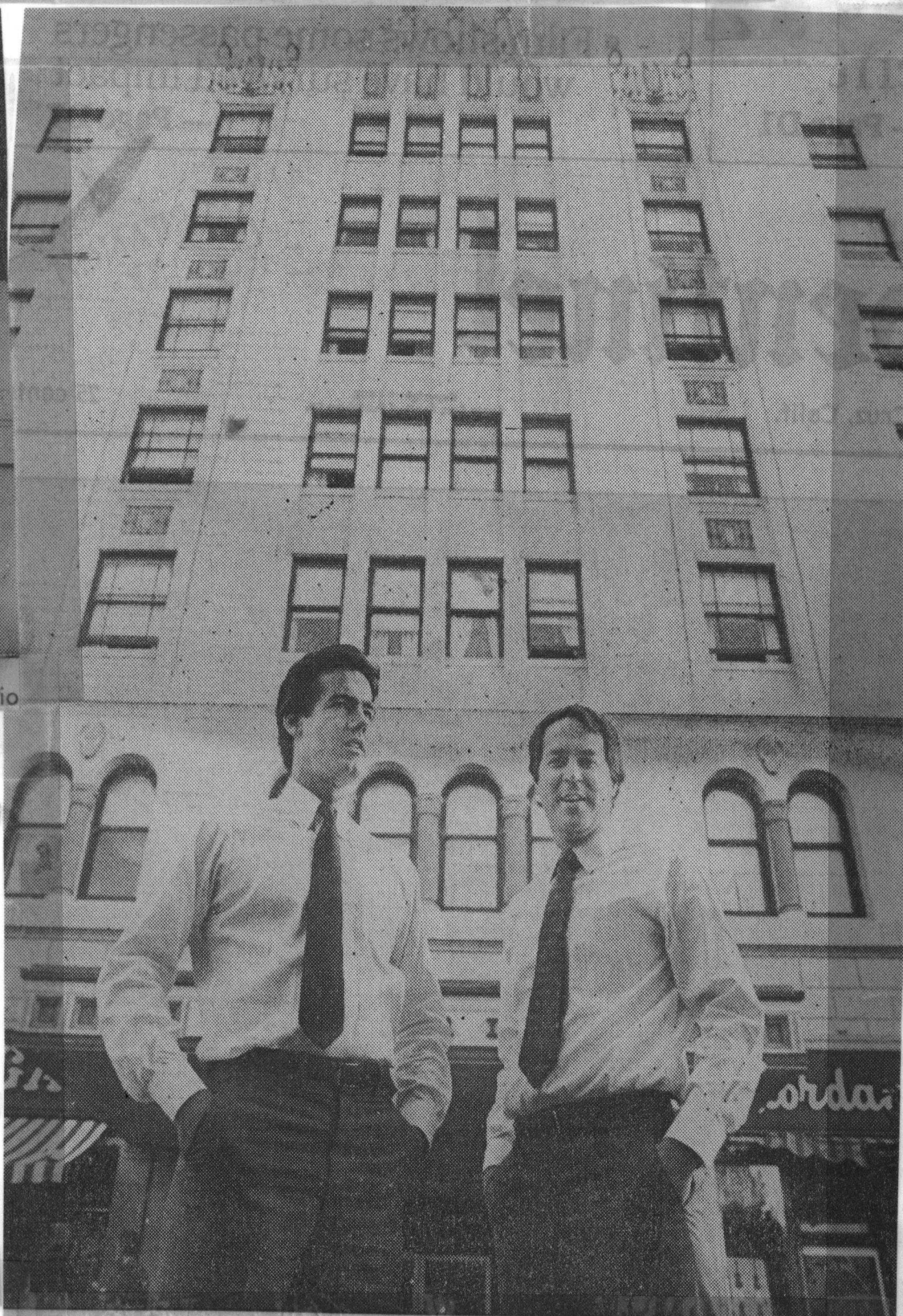
Nelson explained that there are only a certain number of slots available for subsidized housing in the country and Santa Cruz only has 25 of them. So while the city has money to lend, Nelson said, it does not have the proper authorization to do so.

These 25 slots have been reserved for the Palomar should the city eventually decide that the inn qualifies for the low-interest loan. A decision is expected within the next several months.

Meanwhile, the change in ownership has most, if not all, the residents happy with the fact that the new owners have come in.

"I think it's gonna be for the better, especially if they can do all the things they say they will," said 87-year-old Pearl Kelly, a Palomar resident for the seven years.

"I'm delighted if they are going to fix it up," added Catherine Steele, who has lived at the inn since 1968, the longest tenure of anyone there.



John McKenzie and Jeff Smith have purchased historic Palomar Inn.