

# LOCAL

## Council OKs rental complex

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*Housing*  
Developer will receive Redevelopment Agency subsidy for 96-unit project at Laurel Avenue and Chestnut Street

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**SANTA CRUZ** — City officials have given a local developer a financial break and permission to move ahead with a 96-unit apartment complex that will include 9,000-square-feet of commercial space at Laurel Avenue and Chestnut Street.

Under an agreement with the city, the Chestnut Street Apartments will be allowed to meet the city's affordable-housing requirement by offering 14, 1- and 2-bedroom units at a reduced monthly rental rate of about \$1,120.

As agreed by the Santa Cruz City Council, the city's Redevelopment Agency also will pay for about \$820,000 in residential assessment district costs over 12 years.

Over the strenuous objections of two council members, the council ruled that developers Maynard Manson of Santa Cruz and John Campanella can sidestep the city's zoning laws that require such projects to provide a percentage of units that could be afforded by a family making 60 percent of the median income.

Instead, the city agreed the pro-

ject would qualify as long as 14 units are within reach of families making the full median income. For a family of four, that amounts to about \$61,000, according to city planners.

In exchange, the developers agreed to pay \$120,000 over five years into the city's affordable housing fund.

The council voted 5-2 Tuesday to enter into a development agreement with Manson and Campanella, based on the need for market rate and affordable rentals. Council members Christopher Krohn and Keith Sugar voted against the project, characterizing the deal as an inappropriate use of Redevelopment Agency money and a violation of the city's own affordable housing laws.

Final approval is expected at the council's July 20 meeting.

Council members who supported the project said it adds needed housing while contributing to the affordable-housing fund.

"It's no secret to anyone we have a crisis in rental housing and we are losing more and more each year," said Councilwoman Cynthia Mathews. "This is not a

giveaway. It's minimal help to address a critical need."

The market-rate rentals will cost about \$1,400 a month. Maynard said Wednesday he was not sure what would be in the commercial space but expects small stores or offices.

"We've worked on this rental for two years now," Manson said. "We're really not making a killing here but are just trying to get a project done. This is the last piece in that area. But if you look at the South of Laurel area with the new police building, a park and transportation center at the old depot site, there is a substantial improvement going on."

Manson said his project is the first private, large-scale market rate rental development in the city in 20 years.

The Redevelopment Agency provides financial assistance for development and improvements in the downtown area and for affordable housing projects. The agency's \$4.3 million budget is raised mostly through taxes generated by property improvements.

Chestnut Street Apartments will be built on 3.5 acres on both sides of Chestnut.

Manson has developed and purchased office and commercial space throughout the city. He received a \$659,000 construction loan from the redevelopment agency in 1997 to build the Mariner's Cove complex at 125



Dan Coyro/Sentinel

Developer Maynard Manson is building a 96-unit rental complex and commercial center at the corner of Laurel Avenue and Chestnut Street. Fourteen of the 1- and 2-bedroom units will be 'affordable.'

Chestnut. In 1991, Manson created a stir when he proposed a 120,000-square-foot factory outlet center on the same site as his current project. After years of debate and controversy, Manson dropped the outlet center portion of his plans.

Councilman Mike Rotkin said he approved of the project because no city laws were being violated and the agreement was the only way to get the project done.

"This project is showing a low rate of return for the investors," Rotkin said.

Sugar, however, said he was "strongly opposed."

"It subsidizes a developer who does fairly well in this town already. It's simply not what (redevelopment agencies) should do. I believe it's unethical and illegal and it sets a dangerous precedent."