

City challenges UCSC's plans for Holiday Inn

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SANTA CRUZ — The surprise announcement by UC Santa Cruz that it will convert the Holiday Inn into a dormitory has city officials searching for a strategy to fight the plan.

The 10-year, \$19.5 million deal between the university and hotelier Ramco Illinois Inc. will provide housing, starting this fall, to an estimated 250 UCSC students.

The news of the deal Friday sent city

officials running for their calculators, tallying up an estimated \$500,000 loss in hotel-tax revenue — equivalent to 1 percent of the city's budget — because the university is tax-exempt. On Monday, officials questioned whether the 170-room Ocean Street hotel's use permit is valid for a dormitory.

"This is not what the local government intends a hotel to be used for," said Santa Cruz City Manager Dick Wilson. "There isn't any obvious action the city could take that says we trump you. If we thought we could do that, I suspect we

would."

UCSC spokeswoman Liz Irwin said the hotel owners in December approached university officials to sign a master lease for the entire hotel.

The agreement was hammered out in less than a month and approved Friday by UC President Richard C. Atkinson. Irwin said the deal was reviewed by real estate specialists from Atkinson's office and that it appears to comply with local laws.

Holiday Inn owners Sunil Bhojwani
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and his father Ramesh purchased the hotel in 1996 from the Seaside Co. for \$4.1 million with the agreement to spend an additional \$2 million for improvements.

The lease with UCSC is expected to provide housing for 167 students in addition to the 83 beds the university has leased there for the past two years, Irwin said.

City and business leaders did not see the deal coming. Irwin said UCSC Chancellor MRC Greenwood broke the news to Mayor Tim Fitzmaurice at a regularly scheduled meeting Friday.

"The mayor and the City Council are at the beginning of figuring out how to respond," Wilson said. "This is producing an enormous amount of concern at the city level and in the business community."

Wilson said the economic blow will likely mean cuts to city services. "It is a loss of roughly half a million to the general fund," Wilson said. "It is a big deal."

He anticipates the council will discuss the issue at its Feb. 13 meeting. Irwin said the university is willing to work with the city on solutions to any economic hardship the deal may present.

Current undergraduate enrollment is 12,124 and expected to increase this fall by upwards of 200. Irwin said housing at the Holiday Inn, plus the opening of several new campus residences in the fall, will more than accommodate the additional students.

Under the terms of the lease, the university will pay \$162,500 per month for 10 years starting Sept. 1, Irwin said.

Students housed at the Holiday Inn, which will undergo a name change and minor improvements, will pay \$5,000 per academic year to live there — roughly the same as what students living on campus pay. Food service will be expanded and a limited number of parking spaces will be provided to encourage carpooling and the use of public transportation, she said.

"This will be a boon to public transportation," Irwin said.

While some students will remain at the hotel throughout the summer, the facility will also provide conference space and accommodations for a portion of the campus' estimated 10,000 visitors each summer.

"We expect to have a very vital business in the summer, again bringing a number of customers to businesses downtown," Irwin said.

The hotel, located adjacent to the county government center, also leases 75 parking spaces to county employees. Irwin said that agreement will remain in place until it expires and may possibly be renewed.

News of UCSC's deal with the Holiday Inn also caught the attention of the Hotel Employees and Restaurant Employees Local 483, which represents an estimated 50 workers at the hotel.

Irwin said the university will hire a management company to oversee the food service, maintenance and housekeeping operations. She expects the union contract will be honored, although it is premature to estimate the number of employees that will be required to staff the facility, she said.

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