

Check-in Time

City: \$30M stake in \$100M beachfront hotel is minimal



Redevelopment Agency Director Ceil Cirillo, left, confers with Northwest Hospitality Group President Robert Suits about the future of the Coast Santa Cruz Hotel at Cowell Beach in Santa Cruz. Shmuel Thaler/Sentinel

Proposed \$100M beachfront hotel

New hotel would replace Coast Santa Cruz hotel and include 270 rooms, conference center, six-story parking garage, fine dining and surfboard stands.



Anthony L. Solis/Sentinel

Cause and effect

A look at the potential benefits and impacts to the proposed Coast Santa Cruz Hotel and Conference Center, according to planners, city officials and residents.

BENEFITS:

- Increased tax revenue.
- Better public access to beach.
- Trickle-down business.
- Extend tourist season beyond summer.
- Full-time union jobs (during and after construction).
- Public meeting space.
- Additional public parking.
- Improved views of ocean.
- Replacing structure of poor design.

IMPACTS:

- Increased traffic.
- Increase in water demand.
- Financial risk.
- Large size of new structure.
- Increased water, air and noise pollution.

On the Net

CITY OF SANTA CRUZ:
<http://www.ci.santa-cruz.ca.us>

Estimated annual tax revenue of \$1M could answer S.C.'s financial problems

By SHANNA MCCORD
SENTINEL STAFF WRITER

SANTA CRUZ — A palatial, three-star waterfront hotel with fine dining, a deck for sipping wine and watching the sunset, as well as outside showers, surfboard stands and space for weddings and business groups, could be the biggest thing to hit town in decades.

Replacing the Coast Santa Cruz Hotel with a larger hotel, conference center and parking garage, which stands to quickly deliver an estimated \$1 million in annual tax revenue, has been described as the city's most important project since UC Santa Cruz arrived 40 years ago.

"A project like this doesn't come along very often," City Manager Dick Wilson said. "It'll be at least 20 or 30 years before another similar

project presents itself. It's a really important decision."

The decision expected by the City Council by the end of January is whether to approve a proposal to demolish the bland-looking hotel on West Cliff Drive — originally built in 1971 and called the Dream Inn — and build in its place a contemporary \$100 million facility of which the city would hold a \$30 million stake.

Westside residents are leery of the project's magnitude and have voiced concerns about increased traffic, shadows cast from the six-story parking garage and saving the precious redwood trees that stand there now.

"I don't like the design in general," said Jane Forbes, an elementary school teacher. "If Santa Cruz needs a conference center so bad, why not

More Inside

Local business owners counting on boost from hotel.

BACK PAGE

put it in an area that doesn't impact the beachfront?"

Details of how the city would finance its \$30 million share and generate profits are being negotiated among the city's Redevelopment Agency, project consultants, lawyers and hotel owner Northwest Hospitality Group of Boise, Idaho.

Northwest Hospitality owns and operates hotels in Seattle, Anaheim, Long Beach and Santa Barbara, though the Coast Santa Cruz Hotel would be its first partnership with

See **HOTEL** on **BACK PAGE**



Views of hotel, conference center

Information on the Coast Hotel Project including environmental documents, virtual tour and financial analysis can be viewed at http://www.ci.santa-cruz.ca.us/pl/coast_hotel/coastindex.html. These views are taken from a video provided by Homberger + Worstell Architects.

- 1 Hotel and beach access as viewed from the Santa Cruz Municipal Wharf.
- 2 Looking southwest from the entrance to the wharf.
- 3 Conference center and walkway to hotel as viewed from West Cliff Drive looking north.

Hotel: Residents worry about traffic, environmental impact

Continued from Page A1

local government, said the group's president, Bob Suits.

City officials here maintain the financial risk is minimal. The plan is to pay for the project with new taxes generated by the hotel and conference center.

The plan also calls for an additional 4 percent transient occupancy tax — also known as the "bed tax" — to be tacked onto the current 10 percent, bringing the overnight tax for hotel guests to 14 percent.

By the third year of operation, city projections show the conference center would raise \$500,000 in new taxes on top of the \$650,000 now generated by the hotel.

Total revenue from the hotel and conference center has been estimated at \$2.7 million. However, for the next three decades the majority of that money would go toward paying off the \$30 million bond.

"There's no loss, absolutely no loss with these numbers," said Marty Ackerman, the city's Redevelopment Agency manager. "We tried to be conservative with this."

Debate among council members, as well as city residents, revolves around the financial gamble involved if demand for the 270-room hotel, conference center and 650-space parking garage doesn't materialize, and the city is stuck with \$30 million in debt.

Also, there's always a chance that the rosy projection of \$1.15 million in annual tax revenue turns out to be much less.

"That's the risk, I guess," said Ceil Cirillo, director of the Redevelopment Agency. "Our numbers, we feel, are conservative."

Suits says the bleak scenario is unlikely and estimates of an economic boom from the new establishment are based on modest occupancy rates and overall demand for the hotel's other facilities.

Suits would continue to run the hotel, which is likely to retain its current name, though there's been talk of again calling it the Dream Inn.

The hotel in its outdated state — 163 rooms that carry \$300 nightly rates during the summer — does stellar business, Suits said.

A conference center and parking garage, in his opinion, would make the property even more profitable by meeting demand for an underserved market.

"It's very successful today," Suits said. "Just because it's ugly doesn't mean it doesn't work."

While the hotel attracts a strong summer crowd, Cirillo said there's a major loss of business in the off-season to hotels that provide better amenities such as meeting space for large groups.

"We've lost market share, particularly to the Scotts Valley Hilton," Cirillo said. "I know it just from talking to businesspeople in town."

Other area hotel and conference competitors include Chaminade, Seascape Resort in Aptos and the Monterey Conference Center.



All eyes are on San Francisco-based architect Mark Hornberger as he guides the standing-room-only crowd in the Santa Cruz Police Department's Community Room through a virtual tour of the proposed conference center.

Shmuel Thaler/Sentinel

Westside worries

Westside residents question what their neighborhood will look like with a massive swell in traffic, people and pollution that come along with more hotel guests and an estimated 100,000 conference-goers a year.

Concerns were aired this past week at two meetings — Santa Cruz Neighbors on Wednesday and a public hearing with the city's Planning Commission on Thursday.

Forbes, a Westside resident who attended the standing-room-only neighborhood meeting, agrees the current hotel needs a new look.

"Why not make it more Mediterranean style?" she said. "It seems like they're trying to make Santa Cruz something that it's not. People come here because it's a beach town."

Tom Powers, a longtime Westside resident, said a giant hotel, conference center and six-story parking garage could turn Santa Cruz into a version of the highly congested tourist town of Waikiki, Hawaii.

"I remember Waikiki before it was covered with hotels," Powers wrote in his response to the project's draft environmental impact report. "I truly believe this would be the beginning of the end for our treasured community."

Penny Oliver, a resident of Clearview Court Mobile Home Park, spoke to the Planning Commission about her concerns with car exhaust fumes from the parking garage blowing into her neighborhood.

"My concern is the air quality," Oliver said. "Will you please make sure the air quality on all sides of the garage is monitored?"

City Council decision

The revamping of the Coast Santa Cruz Hotel, which enjoyed strong support from recently ousted council members Scott Kennedy and Mark Primack, is far from a done deal, though Wilson and Cirillo contend the city's general fund will continue to wilt if the project doesn't go forward.

"The design, scope and economics are strong enough that the project should be supported on those merits," Cirillo said. "It'll provide year-round stability for the tourism industry."

The two newcomers to council, Ryan Coonerty and Tony Madrigal, hesitate to outwardly support the project. They say more time is needed to study the environmental impacts and hear what residents think.

"Concerns I would have are the city's financial liability," Coonerty said. "If for whatever reason the project doesn't work, we just can't afford to fail."

In response to the environmental impact report that highlighted increases in water demand and area traffic, Coonerty said, "I don't see anything in the EIR that I think would be a deal-breaker."

Madrigal, a union representative, said the idea of full-time, year-round union jobs for hotel employees is a huge plus.

"I think there's definite benefits," Madrigal said. "But there's also definite impacts."

"I still want to go through the process with public hearings and hear what people say."

Kennedy, the outgoing mayor, views the project as "the most significant opportunity to increase the city's tax base in decades."

He calls it "an extraordinary opportunity" for the city in terms of broadening the tax base.

He said council members should support the project and help educate Coonerty and Madrigal on its merits.

"We can't keep raising taxes and cutting the budget," Kennedy said.

Councilman Tim Fitzmaurice said the hotel project was an election issue that led to Kennedy and Primack losing their seats.

"I think the voters said 'Make sure you're talking to us'," Fitzmaurice said. "That seems to me to be one of the messages of the election."

"If it's a good project for the community and good for the owners, it's not going to stumble."

Councilman Ed Porter, hesitant about the project in its early stages, takes issue with the city rezoning the area to fit the conference center and parking garage.

"Changing the zoning is an amazing thing to do," Porter said. "That's a problem to begin with. Just to do it on an ad-hoc basis is contrary to the idea of zoning."

If the conference hotel is approved, it will take about two years to tear down the existing building and construct the new facilities, which means tourists will flock to nearby hotels.

Suits would like the city's answer on the Coast Santa Cruz Hotel — one way or the other — by the end of January.

"We don't have to do the project," he said. "We don't want to push something on the city that they don't want."

Contact Shanna McCord at smccord@santacruzsentinel.com.